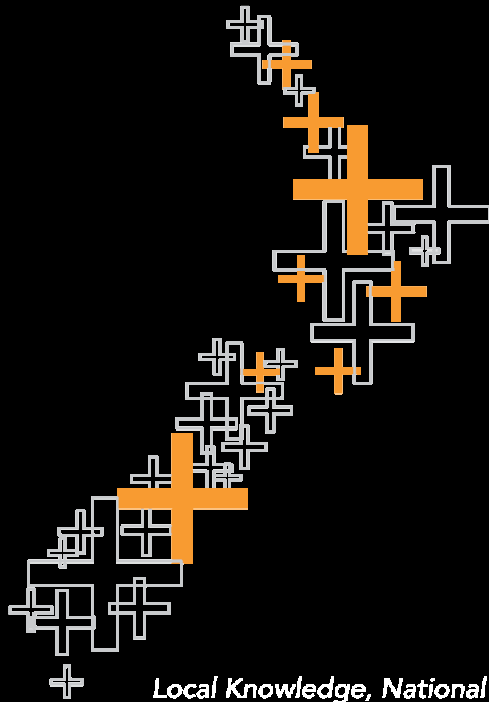


# Telfer Young

Valuers Property Advisors



*Local Knowledge, National Coverage*

## Valuation Practice Standards 2010

# Practice Standards 2010

## Introduction

- Detail required in valuation reports
  - To meet public expectations
  - To meet Standards
  - To meet client instructions



# Practice Standards 2010

## Introduction ctd.



- Reporting types considered -
  1. Full Reports
  2. Short form reports
  3. Desk top reports
  4. Value estimates
  5. Electronically generated reports (“AVM’s”)
  6. Property advisory reports
- Are they all perceived by the public and clients to be a “valuation”?



# Property Institute New Zealand (PINZ) Standards 2009 and VRB



- PINZ standards (applicable from 1 October 2009) are mandatory for PINZ Members and therefore indirectly for NZIV Members and registered valuers. (vote by resolution of NZIV Council and PINZ Board that Members be bound by PINZ standards)
- Not signed off by the Minister for Land Information and therefore constitute “best practice”.
- Obligations of a registered valuer may, under certain circumstances, be different to the standards of PINZ.
- That is a matter for the VRB which exists solely to protect the interests of the public in terms of the Valuers Act 1948 and the NZIV Code of Ethics 1996.



# Public Expectations

- Registration may be cancelled under section 31(1) if found guilty of:
  1. committing an indictable offence punishable by a term of imprisonment for a term of 2 years or upwards ( a)
  2. an offence that dishonours him in the public estimation (b)
  3. improper, unethical, or incompetent conduct in the performance of his duties as renders him in the opinion of the Board unfit to be registered (c) (paraphrase of section 31(1)(a) (b) (c)) [him applies to both genders]



# Penalties Imposed?



- No registered valuer has been found guilty and deregistered for a complaint under either of 31(1)(a) or 31(1)(b) in the past 20 years and possibly for the past 61 years.
- Complaints referred to an inquiry are almost always heard under 31(1)(c) relating to conduct that is:
  - improper
  - unethical
  - incompetent
- Valuers have been reprimanded, fined and in isolated cases had their registration cancelled under (c).



# Public Expectations Competency and Ethical Conduct



- Competency is almost always about an under valuation or an over valuation.
- Ethical conduct is mostly in relation to:
  - false or misleading statements
  - conflict
  - deception
  - poor reporting quality
  - partiality
- **(once you are a registered valuer, ethical obligations extend over a wide range of your business life including non – valuation work)**



# Complaint Triggers



- An insistence on fee collection is behind many ethical and some competency complaints.
- Loss, whether actual, perceived or possible through over valuation or under valuation triggers most competency complaints.
- Terms of engagement and adherence to established principles of valuation will usually prevent a competency complaint proceeding to an inquiry and result in a “no case to answer” by the Board. (clear formal documented instructions and compliance with standards assist in the event of downstream issues)





# Public Expectations Reporting Standards

- The public generally does not know about and probably cares even less about:
  - valuation standards
  - differences in reporting requirements
  - definitions of value
  - compliance standards
  - ethical requirements for signing off reports



# Public Expectations Reporting Standards ctd.



- Do you fully understand your obligations?
- Many valuers have a less than clear understanding of standards and their ethical obligations.
- This is surprising as the standards are very detailed. The codes of conduct and NZIV Code of Ethics are explicit.
- When a complaint is made the Board has regard to standards and looks very closely at the NZIV Code of Ethics 1996. (it is how the public would perceive the situation and the facts not what the valuer may consider ethical that is appropriate)



# 1 - Full Reports



- **What is required?**
- Quote standard(s) you are operating under and comply with them.
- Do what you said you would do.
- Comply with the client's instructions.
- Provide a compliance statement accurate in every respect. (think what each of the prescribed points mean and how they have been covered off in the report)
- Sign off the report correctly. (Expanded at IVS Code of Conduct 7.1 and para, 5.1 of IVS3 Valuation Reporting)



# 2 – Short Form Reports



- State what has been agreed with the client.
- Comply with the client's instructions.
- Quote standard(s) you are operating under.
- Identify how, if at all, the report departs from the standards – **state departures in the report not only in attached disclaimers.**
- Do what you said you would do.
- State that the valuation is limited only by the extent of the report and as agreed with the client.
- Provide a compliance statement accurate in every respect.
- Sign off the report correctly.



# 3 - Desk Top report



- State what has been agreed with the client.
- Comply with the client's instructions.
- Quote standard(s) you are operating under.
- Explain how the report departs from the standards (e.g. no inspection) – **state departures in the report not only in attached disclaimers. State what is required to provide a full report.**
- Do what you said you would do.
- Provide a compliance statement accurate in every respect.
- Carry out all work required of a registered valuer
- Sign off the report correctly.



# 3 - Desk Top Report ctd.



- When providing a desk top report:
  - qualify the report to exclude an inspection of the property and possibly inspection of the evidence, or state when the property was last inspected and how evidence has been considered.
  - All other work is as for a full valuation
  - comply with standards
  - sign off the report correctly
- Here is the anomaly. A desk top report does not relieve you of the responsibility to undertake a valuation in accordance with the definition of market value and standards. Why do them?



# 4 – Valuation Estimates



- The definition of *Market Value* under the International Valuation Standards and ANZ Valuation and Property Standards (PINZ Standards) is:
- “*Market Value* is defined as : The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion” (Concepts Fundamental to GAVP 5.2 ANZ Valuation and Property Standards)



## 4 – Valuation Estimates ctd.



- All valuations are an “estimated amount”
- How do you differentiate between estimates as a registered valuer?
- If you provide a valuation estimate as a registered valuer you will be deemed by the VRB to have provided a valuation.





# 4 – Valuation Estimates

## What they are?



- A valuation estimate is:
  - a valuation.
  - by a registered valuer bound by the Valuers Act.
  - based on analysis and market research.
  - In a reporting format agreed with the client
- as a registered valuer you must state on every valuation or report “Registered Valuer” or “Public Valuer” with your designation status in the Institute. (NZIV Code of Ethics 1996 Clause 6.3)



# 5 - Electronically generated values. “AVM’s”



- AVM’S (automatic valuation models such as E-Valuer) are not valuations by a registered valuer.
- Why?
- Because:
  - they do not conform to PINZ standards
  - are not provided in accordance with the NZIV Code of Ethics or IVSC Code of Conduct
  - have no compliance statement
  - are not signed off by a registered valuer



# 5 - Reasoning!



- AVM's are produced by statistical calculations based on price.
- There has been no inspection of the property.
- The definition of "*Market Value*" probably can not be complied with as proper marketing, prudence and knowledge are absent from statistical calculations based on price.
- There is no valuer judgment which is inherent in the work of a registered valuer.
- Limitations will be or should be stated by providers.



# 5 – Where is the problem with “AVM’s”?

- AVM’s satisfy a market demand.
- A first check on possible price.
- Cheap.
- Users understand limitations (generally).
- The words “valuer” and “valuation” are not statutorily protected terms. (anybody may be a valuer and prepare a valuation but “registered valuer” is protected by statute.)
- The market can differentiate an AVM from a valuation prepared by a “Registered Valuer”



# A note of caution



- Electronic valuations (AVM's) are prepared by organisations which also employ registered valuers.
- It may not be possible to resolve potential conflicts that occur between AVM's and valuations prepared by the same organisation in accordance with standards and ethics of valuers registered under the Valuers Act 1948.
- (The above is a legal question that has not yet arisen and is considered to be outside the scope of this presentation and the writer's expertise.)



# 6 – Property Advisory Reports



- Property advice (not general investment advice) is part of a valuer's tools of trade and does not contravene the Financial Advisers Act.
- There are many and varied requirements for property advice
- PINZ now has a Property Advisory Community
- Those who are qualified to provide property advice should be part of this community
- The Property Advisory Community should include valuers as well as other property disciplines.



# 6 – Property Advisory Reports



- Property Advisory reports are not valuations.
- Standards will develop over time.
- An appropriately qualified valuer should be able to provide both a valuation report and a property advisory report as distinct entities. **Currently may be caught under the Valuers Act as a registered valuer providing an advisory report**
- An advisory report should be able to be signed off without the qualification “registered valuer”.



# Thank you



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- Evan Gamby ©

