

Changes to Accounting Standards for Asset Valuations

API MEMBERS are advised to make themselves aware of changes to Australian Accounting Standards following the harmonisation with International Accounting Standards for asset valuation purposes.

The Australian Accounting Standards Board (AASB) is implementing the Financial Reporting Council's policy of adopting the Standards of the International Accounting Standards Board (IASB) for application to corporate financial reporting periods beginning on or after 1 January 2005. Except for Standards that are specific to the not-for-profit or public sectors or that are purely domestic nature, the AASB is using the IASB Standards as the "foundation" Standards to which it adds material detailing the scope and applicability of a Standard in the Australian environment. Additions are made, where necessary, to broaden the content to cover sectors not addresses by

an IASB Standard and domestic, regulatory or other issues.

In adopting the IASB standards, the AASB's overall approach is to adopt the content and wording of the IASB standards. Words are only changed where there is a need to accommodate the Australian legislative environment and these changes do not affect the substance of the requirements.

The implication for valuers undertaking asset valuations for financial reporting purposes for corporate clients are significant.

The reasons, main requirements and differences for each accounting standard are available on the API national website at www.api.org.au under the menu "News and Information".

Standards Relevant to Real Property

| AASB No. | Title | Operative Date | Pre-2005 Standard |
|----------|-------------------------------|----------------|-------------------------------------|
| AASB 116 | Property, Plant and Equipment | 1 January 2005 | AASB 1015 AASB 1021 AASB 1041 |
| AASB 117 | Leases | 1 January 2005 | AASB 1008 |
| AASB 136 | Impairment of Assets | 1 January 2005 | AASB 1010 |
| AASB 140 | Investment Property | 1 January 2005 | Not Applicable |

International Valuation Standards 2005

THE INTERNATIONAL Valuation Standards Committee (IVSC) has published the seventh edition of the International Valuation Standards 2005. In 2004 the International Accounting Standards Board made a number of significant changes to the accounting standards concerned with real estate and other fixed assests.

The demand for valuations prepared under International Valuation Standards is being driven by the

rapid adoption around the world of International Accounting Standards, the growing influence of International Public Sector Accounting Standards, and the increasing need for users of valuation reports to have a consistent and comparable measurement of assets where ever they may be.

The seventh edition of International Valuation Standards is available through the IVSC website at <http://www.ivsc.org.au/standards/index.htm>

Market Change Opinions

THE INSTITUTE has become aware of a number of corporations who are seeking to use “Market Change Opinions” or “Letters of Comfort” from valuers in order to meet their financial reporting requirements under the new Australian Accounting Standards.

Members providing Market Change Opinions at the request of their clients have typically been asked to provide a report that:

- Expresses a view as to whether the property has or has not experienced a material change since its last revaluation;
- Provides an estimate of a percentage change where a material change has occurred;
- Does not refer to the advice as a valuation and (generally) does not state a revised value figure;
- Does not include an inspection of the subject property;
- Does not include fresh enquiries about matters such as tenancies, zoning or the condition of the property;
- Does not include enquiries about current comparable sales.

The Institute’s National Professional Board (NPB) has sought to head off this unacceptable response to the requirement for the revaluation of assets on an annual basis under the Australian Accounting Standards Board’s financial reporting standard. The NPB is of the view that the spirit and intent of the new standard is severely compromised by these approaches and it has recommended to National Council that they are an unacceptable practice and do not meet API standards.

The NPB has resolved that recognising the intent of the International Accounting Standards Board and the International Valuation Standards Committee in developing the harmonised standards and their affect in Australia, any members undertaking a revaluation of assets for financial reporting purposes must do so in accordance with the International Accounting and Valuation Standards and the Institute’s Practice Standards and Guidance Notes.

Therefore responding to Letters of Comfort or market Change Opinions that do not comply with the Institute’s standards will constitute a breach of those standards.

Website Based Risk Management Module

TOO BUSY to commit to the face-to-face Risk Management course? Prefer to study when and where you want? If this sounds like you, then consider completing the RMM via the website.

The web-based course covers the same material as the face-to-face course and takes between six to eight hours to complete.

The web-based course allows you to complete the module in your own time. You can work through the module at the office, at home or anywhere you have internet access.

It is perfect if you live in a location where the face-to-face courses are unavailable. With the web-based

module you can progress through the course whenever you want. There is no need to complete the entire course at once.

To undertake the web-based Risk Management Module you will need to fill out a registration form and return it to the API National Office. The course notes and questions can be downloaded from the API website or sent to you via email.

For more information about the web-based Risk Management Module visit the API national website at www.api.org.au and go to “Training” in the Members Area.

Annual General Meeting

API MEMBERS are advised that the Institute’s Annual General Meeting is planned for:

5.30pm, Thursday, 26 May 2005

API-Victoria Division Office

10 Beach Street, Port Melbourne, Victoria

Formal notice of the meeting will be made in accordance with Clause 3.1 of the Constitution.

Pan Pacific Congress

PAPERS FROM the 22nd Pan Pacific Congress held in Taiwan in October 2004 are now available via the API national website at www.api.org.au under the menu News and Information.

There are more than 28 papers provided for the interest of API Members on a wide range of valuation and property matters. The topics were presented by property professionals world-wide.

Re-focusing your Property Career to serve the Corporate User

IT IS FREQUENTLY stated that property represents the lumpiest assets and/or longest term liabilities in corporations' financial statements. Property professionals, as members of the API should be ideally placed to strategically manage these assets within the context of the changing requirements of the corporate user. However the challenge is to be able to re-focus their skills to the user's perspective and change direction away from their more traditional roles as valuers, agents and property managers. Only by doing this can they adequately fill the emerging Corporate Real Estate (CRE) career opportunities as corporate property strategists.

The perspective of real estate support required within corporations has shifted dramatically during the last decade of change. Successful CRE support is no longer merely a bundle of great property deals. Nor is it a pedantic focus on cost cutting or other similar operational imperatives. If CRE imperatives do not meet the key business objectives of the corporate business units, they cannot contribute to building long term corporate value.

New Perspectives and Skills

Understanding the spectrum of expected services and the evolution of the responsibilities of CRE executives provides an indication of the changing nature of the required skills. Business processes and corporations' needs have changed! And the role of required support has evolved over the last decade in keeping with these changing corporate challenges. Gone are the days of focus on janitorial and engineering services with a strong technical focus. These services are expected as a given, delivered effectively and efficiently without compromise.

Likewise the re-engineering phase of minimising building and other property costs is no longer enough. This perspective is usually based on detailed analyses of utilization rates undertaken with a controller mentality. The focus is based on all business units being required to adhere to strict standardization of usage benchmarks, no matter what the function or business process being undertaken. This is all about efficiency with very little thought for the effectiveness. During this phase asset registers are rigorously up-dated or created, often for the first time. Suddenly corporations discover what they really own and/or lease and how significant the related recurrent costs are. A critical

phase of the CRE evolution but no strategic value-add.

The next focus in the emerging CRE perspective was on tactical transactions based a 'problem solving' approach. This focus is still favoured by many CRE executives, particularly those 'deal-junkies' who have come through the ranks of real estate agency firms. However this focus, does very little to provide a sustained strategic advantage to corporations. A strategy is not a bunch of great real estate deals shackled together!

Currently the key CRE focus is on business planning and understanding as well as linking into the real estate markets. A real understanding of the longer term implications of real estate commitments, be they leases or ownership, against the back-drop of property cycles and business needs, starts to provide sustainable corporate advantage. And yet this approach is still probably not enough to meet the challenges of the future, particularly considering the on-going nature of corporate global changes

Because of the nature of the corporate assets under their control, CRE executives operating at a strategic level are being forced to evolve into business strategists – ignoring the industry models of the past and thinking about possibilities. They need to assimilate the property implications of various business scenarios. The challenge is how to convene the workforce whatever they do, most productively - however, wherever, and whenever - but with optimum flexibility built into the commitments.

Understanding the “Business of the Business”

This approach requires an intimate understanding of the “business of the business”. The co-creation of business strategies with the business unit leaders is now mandatory for the CRE executive to stay relevant.

Obviously with this evolution the required skills also need to evolve. For some this may not be possible! A transaction junky should not be talking strategy; a strategist will not provide the required attention to detail to ensure consistent building service performance; and a traditional property manager will be frustrated thinking scenarios and possibilities rather than absolutes.

A much more proactive on-going multi-pronged approach is essential. Firstly the CRE executive has to

Continued on page 4

Continued from page 3

be totally in tune with the business itself, understanding the industry, all the business drivers, opportunities, issues, challenges and threats. In some organizations there is now a requirement for CRE executives to “do time” in the operational sharp-end of the organization. Be it sales or marketing, product innovation, finance or whatever, extended periods within these groups are a requirement before being entrusted with the responsibility of the corporate real estate portfolio strategy.

The CRE executive needs to ensure that real estate is intimately linked into the other parts of the corporate infrastructure support groups. These are likely to include HR and IT but may also include Finance. These groups together control and manage the resource and infrastructure base of the organization – resources which in this new corporate world, are in mostly interchangeable. Virtual offices can replace real estate bound workplaces; contractors working off site can replace permanent employees in the office; and IT is now the key mode of business linkage competing with physical linkages.

Communicate in Corporate Terms

But in order to work with these other support groups, the CRE executive needs to be able communicate in their terms. Understanding the corporation’s financial statements and the impact that real estate transactions will have in the performance reporting of the company is an essential part of new CRE skills. Similarly being able to communicate with the CFO in corporate finance terms is critical. Concepts such as the Weighted Average Cost of Capital, hurdle rates, and capital structures should not be mysteries.

The CRE executive should communicate on an on-going basis, both formally and informally, with the senior leadership of the business units in order not to be caught out by sudden changes in business requirements. No longer can CRE executives expect real estate requirements to arrive on their desks – in requisition form - on a timely and orderly basis. Change is the key imperative in business to-day. No longer are concise clearly articulated medium and long term business strategies provided by business units – they seldom exist – so these cannot be used as a basis for the real estate strategy. But the fact that they do not exist is not a reason to be “caught out” in not providing the best portfolio strategy.

CRE Education

But how does a property professional up-skill himself to meet these challenges? Experience shows that the best education is generally always picked up “on the job”. But these opportunities do not always make themselves available – so what next?

For the property professional, the most important new skill required as a CRE executive is being able to understand and assimilate the change in perspective – to that of the user corporation. This is the starting point and should be internalised into every management decision and process considered.

Equally important is undertaking the education to up-skill in the understanding the business of corporations. This can be done through extensive Business School courses and readings. But can be a long and tedious process. Fortunately a number of Executive Education Programs focussing on the new emerging CRE executive are starting to emerge in this region.

CoreNet Global, the international CRE industry association has a well established Executive Development Program that is offered in America, Europe, Asia and Australia/New Zealand. The Master of Corporate Real Estate (MCR) designation is a program based on a series of two day intensive training seminars covering such topics as Impact of Real Estate Transactions on Financial Statements; Aligning Real Estate and Business Strategy; Corporate Real Estate Finance; Creating Corporate Value through Workplace Strategies; Strategic Outsourcing; and others. Delegates are required to attend six such seminar and obtain a pass in the related assessments in order to be awarded the MCR designation. This program usually takes two to three years to complete.

The Australian Property Institute has in collaboration with CoreNet Global structured an Associate Professional Certificate in Corporate Real Estate. This three day workshop is an ideal foundation course for those property professional not currently involved in CRE roles but who may wish to progress to the MCR program.

Rodney Timm

Director

Property Beyond Pty Ltd and CoreNet Global Education Co-ordinator for Australia and New Zealand.

Peter Barrington Gold Medal Award

The “Peter Barrington Gold Medal Award” has been awarded to Dr Chris Eves for his research paper, *Developing a NSW Rural Property Investment Performance Index*.

Dr Eves was presented with this award by API’s National President, Mr Clyde Eastaugh at the “International Valuation Standards Seminar” held in Sydney in March 2004.

The “Peter Barrington Gold Medal Award” was established in 1985 as an endowment by the Hammerson Group of Companies in recognition of the contribution to the property profession by Peter Barrington.

The purpose of the award is to encourage research and excellence in the study of land economy through the presentation of a major work in support of an approved academic program.

Dr Eves’ research was based on the analysis of all rural property sales transactions that occurred in NSW over the period 1990 to 2000 and is the first complete statewide analysis of a rural property market in Australia. Previous studies on rural land performance have been restricted in both limited time periods and limited location areas.



Dr Chris Eves was presented with the “Peter Barrington Gold Medal Award” for his research paper by API National President, Mr Clyde Eastaugh at the recent IVSC Seminar in Sydney.

Dr Eves’ research paper will be published in the upcoming May issue of the *Australian Property Journal*.

For more information about next year’s “Peter Barrington Gold Medal Award” visit the API national website at www.api.org.au under “Awards”.

International Valuation Standards Seminar

THE AUSTRALIAN PROPERTY INSTITUTE presented the International Valuation Standards Seminar at the Menzies Hotel in Sydney on 18 March 2003.

The seminar hosted a range of international speakers presenting information on the application of the International Valuation Standards, on plant and machinery valuations, and business valuations. The seminar was followed by an international panel discussion and concluded with a cocktail function that provided an opportunity for attendees and presenters to

meet and discuss particular questions.

The API would like to thank the Macquarie Bank and Knight Frank for sponsoring the seminar and contributing to its success.

For more information about the application of the International Valuation Standards, visit the API national website at www.api.org.au and go to the menu heading “News and Information”.

Obituary: Douglas Thomas Doyle LFAPI

IT IS WITH sadness that the API notes the passing away of Douglas Thomas Doyle LFAPI on Easter Sunday, 2005.

Mr Doyle was a Life Fellow and long-serving member of the Tasmanian Division of the Institute.

He had a long and prestigious career in valuation commencing with a position in the Federal Treasury, followed years later by a position with the Valuer General and then as the Director General of Lands Tasmania.

Mr Dolye was an active member and supporter of the API. He contributed to many areas of the Institute as the state representative on *The Valuer* and as the National President in 1967 to name a few.

He was awarded Companion – Imperial Service Order by the Queen at Buckingham Palace in 1983.

The API extends condolences to Mr Doyle’s family wishes to express gratitude for his contributions to the Insitute and the profession.

Property Management in the Public Sector 2005

Two Day Conference: 29-30 June

Pre and Post-Conference Workshops: 28 June & 1 July 2005

Venue: Hyatt Hotel, Canberra

PROPERTY MANAGEMENT in the Public Sector in its fifth year, and has attracted an impressive line up of specialist speakers who provide you with fresh, practical insights and case studies on how to implement standards of measurement, total asset management strategies, cost effective energy solutions and much more. Some of the keynote speakers include:

US International Keynote

Chris Coneeney, Realty Specialist from USA Federal General Services Administration: attracting funding by providing governing bodies with statistics and accurate performance measures to back up your claims and creating a business case that can withstand the toughest inquisitions.

Mike Allen, Project Director Building Management Division SA Department of Administrative & Information Services: how this department tracks trends amongst similar government properties in SA to determine where money could be better spent and where properties could be better utilised.

George Harley, Director of Strategic Infrastructure CSIRO: achieving value and excellence in service by developing a healthy relationship management strategy with outsourced parties

You will also have the option to join the pre and post conference workshops.

- A. How to Effectively Manage Risk in an Outsourced Environment
- B. Adapting to the Free Trade Agreement: How to Create a Time Efficient Tendering Process and Implement International Accounting Standards
- C. How to Develop Performance Measures for Public Sector Property Management and use that Information to Boost Efficiency
- D. How to Personalise a Database System to Address the Individual Property Management needs of your Department

This conference has been tailored to meet the needs of all levels of government, so don't miss this opportunity to network.

To book or to find out more:

Call 02 9223 2600

Fax 02 9223 2622

Email registration@iqpc.com.au

or visit www.iqpc.com.au/governmentiq to register.

API Member Benefits Scheme

THE API can proudly claim to offer its members a genuine range of professional benefits and quality services as a member of the National Building and Surveying Alliance (NBSA) products and services benefits scheme.

About the NBSA

Formed in November 1999 the combined membership of the NBSA member institutes is now almost 30,000.

The NBSA is a cooperative formed for the primary purpose of providing the members of each Institute with the best possible service and benefits. Additionally, the NBSA provides a vehicle for joint activities and mutual cooperation between Institutes.

The NBSA is not a lobby group. Areas of cooperation beyond members services include education, professional development and member publications.

See www.nbsaonline.com for the full range of discounts offered to members.

How to use this benefits scheme?

Financial members of the Institutes forming the NBSA are able to access the products and services listed below. To obtain the substantial savings offered you will, in most cases, need to either:

- Telephone the special reservation or contact numbers listed, and
- Quote the appropriate scheme numbers, or
- Identity yourself as a member of the NBSA.

For more information about the NBSA Benefits for Members, Products and Services scheme contact the Communication and Membership Officer at API National Office on 02 6282 2411 or email membership@api.org.au

API/NZPI International Property Conference 2006



Plans for the API/NZPI International Property Conference are underway for 2006.

The Conference will be held over two days at the Cairns Convention Centre in Queensland, on 24–26 May 2006.

Cairns boasts excellent facilities for an international property conference. Located in North Queensland, Cairns has much to offer visitors and tourists with its tropical rain forests and Great Barrier Reef activities.

An exciting line-up of Australian and International speakers is being arranged for the 2006 API/NZPI Conference.

The 2006 Conference will build on the success of the first joint API/NZPI Property Conference held in Queenstown, New Zealand in 2004, where 37 speakers gave presentations and more than 675 property professionals attended the conference's busy program and themed dinner.

The 2006 API/NZPI International Property Conference will host the inaugural National Excellence in Property Award – destined to be a defining event in the Australian property calendar.

More information about the API/NZPI International Property Conference will be available on the API national website at <http://www.api.org.au>.



Pre-Registration Form

To register your interest in attending the API/NZPI International Property Conference in 2006 send the following details to API National Office.
Tel: 02 6282 2411 Fax: 02 6285 2194 Email: national@api.org.au



Name _____

Company _____

Address _____

Suburb _____ State _____ Postcode _____ Country _____

Telephone _____ Facsimile _____

Email _____

Early Bird Registration \$595 (28 February 2006). Full Registration \$795. Non-members \$900.