

APRA's concern over API Members use of the PropertyPRO Risk Rating Section

APRA has expressed concern over the use of the Risk Rating and comments sections of the PropertyPRO Residential Valuation and Security Assessment Proforma report. Members are advised to make themselves familiar with the PropertyPRO Supporting Memorandum, which accompanies the software application.

The supporting memorandum provides the basis upon which API Members, who are Certified Practising Valuers, will provide valuations on residential properties for mortgage purposes using the PropertyPRO "Residential Valuation and Security Assessment" Proforma Report for Mortgage purposes. It is also the basis upon which their lender clients will accept and use such valuations.

RISK ANALYSIS

The risk analysis in the PropertyPRO format is the valuers assessment of the impact on the property of a number of specified factors presented in a numerical/ graphical format. The risk analysis is the product of the current experience of the valuer based on information that is common knowledge and /or readily ascertainable in the market for that class of property in its market place. The risk analysis does not reflect information that is privileged or to which the market for that class of property in its market place does not have ready access and it does not reflect decisions, announcements, releases, articles and the like that the valuer has not had reasonable time and opportunity to assess and consider. Subject to these limitations, the Risk Analysis indicates the level of adverse impact each stated aspect has, or in the near future, might have on the property's value and marketability. In the case of higher level ratings, it can also provide an indicator of the presence of relevant comments in the

'Additional Comments' section on the following page.

Risk Ratings

Risk Ratings focus on four property-specific aspects and four market-related aspects. Each of these aspects can involve consideration of a range of elements relative to it.

Level of adverse impact or risk

It is accepted that each aspect is likely to have some possibility of adverse impact or risk, however low or nominal. The assessment of the level of adverse impact or risk includes assessment of both the probability and consequence of the risk. A Risk Rating of 1 equals normal or no influencing factors and risk factors elevate from that point.

The risk ratings

The ratings which are outlined below the bar graphs are:

- '1' - Low
- '2' - Low to Medium
- '3' - Medium
- '4' - Medium to High
- '5' - High

Any Risk Ratings of 4 or 5 or the existence of three or more '3' Risk Ratings **MUST BE COMMENTED UPON** in the 'Additional Comments' section.

For the purpose of these reports, the risk rating reflects the valuers assessment of:

- the level of adverse impact the stated aspect has upon the current value and/or marketability of the security property, and/or
- the currently perceived level of adverse impact the stated aspect could have on the value or marketability of the security property within the initial 2-3 year period of the security.

Adverse and favourable impacts offset

The rating adopted for each of the listed aspects requires a balanced overview for that aspect. Properties often have many beneficial features. Adverse impacts need to be weighed against strengths or favourable impacts under the same aspect.

Cumulative impacts

While there can be offsets in the overall rating for an aspect heading such as the above, there may also be cumulative effects from several adverse impacts.

Common knowledge and reasonably foreseeable events

The basis of any 'forward-looking' element of a rating is restricted to information that is currently common knowledge and/or readily ascertainable in the market and to events that are reasonably foreseeable. Information which is 'privileged' in the valuer's hands or to which the market itself does not have ready access cannot be reflected in the rating.

The elements of the Risk Analysis are:
Property Risk Ratings.

Location & Neighbourhood

This Risk Rating reflects an overall rating for these two aspects.

Land (incl. planning, title)

Land in this instance refers not only to the land physically, but also to access, services, planning and title.

Environmental Issues

This aspect of the Risk Analysis covers a range of environmental issues including contamination (refer Environmental Issues heading above).

Improvements

This aspect refers to all improvements, whether the main building or ancillary improvements (and for a TBE - Proposed Dwelling, Extensions or Renovations, would include concerns about aspects of the project or tender).

Market Risk Ratings

Reduced Value next 2 - 3 yrs

This Risk Rating is an indication of the level of risk of this property reducing in value over the next 2-3 years. It is a forward-looking summary rating taking into account aspects affecting, or likely to affect, the value of the property. The assessment is made on the basis of information that is common knowledge and/or readily ascertainable in the market and having regard to reasonably foreseeable events as at the date of the assessment. The rating cannot be expected to reflect information that was not common knowledge, or conditions, events or circumstances that occur subsequently or unexpectedly.

Market Volatility

This aspect reflects the risk of significant adverse impact on the value of the property of the market changing direction rapidly. While this will reflect historical performance, reasonably foreseeable events should also be taken into account.

Local Economy Impact

This aspect reflects the extent to which a significant change in the local economy is impacting adversely and/or the risk that it may impact adversely on the value of the property in the 2-3 year time frame.

Market Segment Conditions

This aspect reflects the extent to which the condition of the market in this particular market segment is impacting or may impact adversely on the property.

Australian Property Journal 2006

Members should note that the Australian Property Journal will now be distributed in March, June, September and December this year.

Members are reminded that Professional Card bookings and renewals are due by **Friday 27th January**. To renew your professional card or to obtain a booking form please contact;

Wendy Martin

Communication and Membership Officer

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ASIC - Australian Financial Services Licence Class Order

ASIC has confirmed that the formal class order will take effect from 20th December 2005. The formal wording of the class order is as follows;

A person does **not** have to hold an Australian financial services licence for the provision of financial product advice where the advice:

- (a) is or is a part of a valuation of shares in a real estate company; or
- (b) is or is a part of a valuation of an estate in land to which shares in a real estate company or a real estate service company relate; or
- (c) is incidental to a valuation covered by paragraphs (a) or (b).

Interpretation

In this instrument:

financial product advice has the meaning given by section 766B of the Act.

real estate company means a body corporate to which all following apply:

- (a) the body is:
 - (i) the tenant for an estate fee simple; or
 - (ii) the registered lessee under a Crown lease granted for a period of not less than 99 years;
 - (iii) of land which includes a building or buildings;
- (b) members of the body are entitled, by virtue of or arising out of the shares that they hold, to the exclusive occupation of one or more areas in the building or buildings and the use of any common areas;
- (c) the body is not included in the official list of a financial market;

- (d) the body does not operate as a time-sharing scheme;

- (e) the body's constitution prohibits the payment of any dividend to its members other than on the winding up of the body or the body operates principally for the purpose of:

- (i) facilitating and enforcing the rights of members in relation to exclusive occupation of the areas to which their shares relate; and
- (ii) maintaining any common areas.

real estate service company means a body corporate that is:

- (a) a service company as defined in the Transfer of Land Act 1958 of Victoria in respect of a building subdivision as defined in that Act (commonly known as Stratum Title companies); or
- (b) a company of the type described in Section 5.10(4) of the repealed Local Government (Planning and Environment) Act 1990 of Queensland (commonly known as Lake Title companies); or
- (c) the registered proprietor of land which:
 - (i) adjoins land owned by the members of the body; and
 - (ii) is subject to easements of right of way in favour of those adjoining lands (commonly known in Queensland as Court Title companies).

API Accredits a New Bachelor Course in 2005

The API has just accredited the Bachelor of Property course at the Central Queensland University. This course has been accredited for eligibility for Associate Membership and CPV. Available for external delivery, this course aims to target students from regional areas and students that live in States that do not offer an API accredited property courses. For a list of both API accredited undergraduate and postgraduate courses please visit the API National Office website www.api.org.au.

API/ PINZ International Property Conference Cairns 24 - 26 May 2006



In May 2006, the joint Australian Property Institute / Property Institute of New Zealand International Property Conference heads to tropical North Queensland. This is the first time this event will be held in Australia and Cairns makes the perfect destination for the conference (and for an extended stay in this beautiful part of the world). Cairns is uniquely placed between two World-Heritage Listed areas - the Great Barrier Reef and the Wet Tropics Rainforests. There are plenty of pre and post conference tour options that can take you exploring these natural treasures.

If you have not been to Cairns before then this conference is the perfect opportunity to discover tropical North Queensland whilst hearing quality speakers, networking and enjoying all that Cairns has to offer. If you have not been to Cairns for a few years or more this is a great chance to see the changing face of Cairns (like the award winning Cairns Lagoon on the Boardwalk).

Registration brochures and the conference website are being developed now and registration will be available soon.

The conference website is www.api.org.au/cairns

When complete, here is what you will find at the website:

- Conference Program
- Pre and Post Conference Tour options
- Accommodation options
- Printable Registration Forms
- On line registration will also be available from January

Registration is a breeze. The Registration Form allows you to register for the conference, book your accommodation, flights, pre & post conference tours and accompanying partners social function tickets all on the one simple form.

The API and PINZ look forward to welcoming you to Cairns in May for what promises to be a fantastic event.



PRRES Conference 2006 - 'Extending the Boundaries' Industry Day, 25 January 2006

The University of Auckland Business School is delighted to be hosting the 2006 PRRES conference in Auckland from the 22 - 25 January 2006. This conference has attracted over 70 international property academics from Europe, Australia, New Zealand, the US and Asia who will be presenting papers on a variety of topics.

As part of this exciting international event, an industry day will be held for property professionals. The aim of the industry day is to actively bring together both property industry experts and the academic community to discuss and debate key industry themes within a global perspective. The topics to be addressed this year include:

- An Overview of Property Space Markets
- Trends in the REIT World
- Global Property Investment
- The Outlook for Property Over the Next Five Years and Property Investment Indices

Participants include speakers from Mirvac, CB Richard Ellis, Jones Lang Lasalle, Morgan Stanley, ING, AMP Capital, Multiplex, Colonial First State, IPD and Atchison Consulting.

The conference is being sponsored by API, PINZ and RICS and the Industry session is being sponsored by IPD and the Property Council of Australia. For more information and registration details please go to www.prres.auckland.ac.nz

Conference papers

4th International Conference on the Valuation of Plant Machinery and Equipment - Hong Kong 20 - 23 November 2005

Due to the huge success of the 4th International Conference on the Valuation of Plant Machinery, the International Plant and Machinery Valuation Conference Committee is offering API Members the opportunity to purchase the conference papers from this event.

Papers covered many interesting topics including;

- Regression Analysis and PME Valuations by Ross Henderson (Australia)
- Valuations for Leasing of Plant and Machinery by Chris Derry (UK)
- The Capital Pricing Model, Basel II, USPAP and other compliance issues by Richard Berkemeier (USA)
- Valuations for Insolvency Administration by Ronan Stack (UK)
- Fair Value under IFRS & FASB by Lee Hackett (USA)
- Appraisal of Machinery and Equipment for Insurance Purposes by Les Miles (USA)
- P&M Valuations in China by Mr Wang (China)
- Intellectual and Intangible Valuation by B Chandak (India)
- Managing a Portfolio of Leased Aircraft by Robert Podwalny (USA)
- Valuation Standards by Amish Patel (India)

Members who wish to obtain a copy of these papers should email Michelle Williamson from RHAS at enquiries@rhas.biz. Papers will be sold for USD99 (approximately AUS\$132).

Financial Institution Name Change

Members should be aware that a new financial entity known as Genworth Financial Mortgage Insurance Pty Ltd (ABN 60 106 974 305) was created on the 28th November 2005.

The new entity supersedes any of the previous trading names effective immediately, some or all of which may have included:

GE Capital Mortgage Insurance Corporation (Australia) Pty Ltd

GE Mortgage Insurance Company Pty Ltd

GE Mortgage Insurance Services

GE Mortgage Insurance Corporation (Australia) Pty Ltd

GEMICO

GEMI

GE owned LMI companies

API members who currently complete valuation reports for the financial institutions outlined above should now address their reports to **Genworth Financial Mortgage Insurance Pty Ltd.**

New NBSA Discount offer from AVIS

AVIS Australia have recently released a revised rental program which offers NBSA members discounted rates and coupons on a wide range of rental vehicles. AVIS has discounted rates on vehicles rentals in Australia and Internationally.

AVIS currently is offering the following discounts on vehicle hire in Australia and New Zealand.

- Third rental day free on a 3 day weekend hire
- Free day rental on a 6 day rental, or
- \$10 off a 2 day weekend hire

To access your discounted rates and coupons simply visit www.avisholidaypass.com.au and enter the following Avis Worldwide Discount Number (AWD) and Password;
AWD: PO70600
Password: NBSA

For more details on discounted rates offered by AVIS or other products and services offered by the NBSA please contact;
Wendy Martin
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Telephone: 02 6282 2411
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News Alert from the International Valuation Standards Committee

IVSC publishes revised guidance "Valuation of Plant and Equipment"

The IVSC has published a revised International Valuation Guidance Note 3, *Valuation of Plant and Equipment (GN3)*. GN3 was amended to ensure consistency with revised International Valuation Application 1 (IVA 1), *Valuation for Financial Reporting* published in the 2005 edition of International Valuation Standards.

Revisions to IVA 1 were undertaken to reflect the changes made to the International Financial Reporting Standards as part of the IASB Improvements Project. The revised GN 3 is available on the IVSC web site - www.ivsc.org.

For further details please contact IVSC Executive Director Tel: +44 (0) 1442 879306 email: ivsc@ivsc.org

International Valuation Standards Committee Report

At the Annual General Meeting in Brazil on 31 October 2005, the International Valuation Standards Committee (IVSC) elected Joe Vella (US) Chairman of the IVSC. Bob Connolly (Australia) was elected Chairman of the IVSC Standards Board.

The Committee approved membership applications from the Russian Board of Appraisers and valuation organisations from Germany, India, the Phillipines and Egypt.

The Committee reported on the following:

- Two Directors and the Executive Officer of the IVSC met with Directors of the International Accounting Standards Board (IASB) to discuss inconsistencies in the International Accounting Standards relating to Fair Value. IASB intends to address these issues in its coming review.
- The US Financial Accounting Standards Board (FASB) has released a draft financial statement on the application of Fair Value in the US. IVSC was consulted in relation to the final version of this draft and considers it a very sound document which will bring greater certainty and clarity to the application and approach to Fair Value.
- The IASB has indicated it intends to use the FASB draft financial statement as the basis of an exposure draft to update its approach to Fair Value. These two events have the potential to, for the first time, create a unified approach to international accounting between IASB and the US.
- IVSC approved the release of GN 3 Plant and Equipment; IVA 3 Public Sector Assets (Exposure Draft) and a Guidance Note Exposure Draft on Historic Properties.
- The Technical Working agenda for the IVSC Standards Board now includes proposals for:
 - An insurance guidance note
 - Model instructions to valuers for financial reporting purposes
 - A white paper on securitisation of property.
- IVS 2, Other Valuation Bases, and IVA 2, Valuation for lending purposes, are being reviewed and updated.
- Amendments to Global Investment Performance Standards (GIPS) will require real estate investments to be valued every 12 months from 1 June 2006 and every quarter from 1 June

2008, where GIPS applies. A common instruction to valuers in the future is likely to be "valuation to comply with GIPS".

- An IVSC group has been formed to investigate the potential for convergence of the US Appraisal Standards and the IVSC Standards. The Appraisal Foundation, the development body for American Appraisal Standards, has approved the project and a meeting to further it is tentatively proposed for early 2006. The willingness of the foundation to enter into the project is a major step forward in global standardisation.
- A significant new project for IVSC is a proposal to seek sponsored funding for US\$175,000 to develop valuation standards for corporate-level business valuations. Several commitments have already been made and a chairperson and technical writer appointed. This project is in response to the need for an international approach to the valuation of corporate going concerns.

News Release

Joseph Vella named Chair of International Valuation Group

Joseph J. Vella, MAI, CRE, FRICS, has been named chair of the International Valuation Standards Committee (IVSC), a not-for-profit organization that represents more than 50 countries in the creation and publication of global standards and procedural guidance for the valuation of assets. He will serve as Chair of the IVSC for a two-year term.

As president of Hendricks, Vella, Weber and Williams, a real estate decisions firm located in Tiburon, California, Joe Vella has more than 25 years of experience in real estate research, analysis, valuation and consulting. He has been the United States representative to the IVSC since 1999, serving on the Management Board, Standards Board and Editorial Board. Vella has also been an active member of the Appraisal Institute, serving on the Valuation for Financial Reporting Task Force, International Relations Committee and Appraisal Standards Council. In addition, he has received the Appraisal Institute's prestigious national President's Award for his distinguished service to the appraisal industry.

"The IVSC has made spectacular progress over the last few years, especially in terms of pro-

duction of high-quality standards, its evolving corporate governance, and its profile among world regulators and international agencies," said Vella. "There remains much to be done, but the cohesion, team spirit and vision of IVSC and its membership will enable it to achieve its end objectives and strategic goals – on behalf of its constituents and to the benefit of the entire profession and users of valuation results worldwide."

"We are at an important time in the valuation profession as the convergence of accounting and valuation standards at the international level continues to have a significant impact on financial reporting for corporations and public entities," notes John W. Ross, CEO of the Appraisal Institute. "We are pleased that an Appraisal Institute member of the caliber and experience of Joe Vella is at the helm of the International Valuation Standards Committee. The Appraisal Institute is dedicated to working with Joe Vella and the IVSC to establish uniform standards for valuation of all assets and liabilities throughout the world."

Established in 1981 by the valuation profession as a Non-Government Organization member of the United Nations, the IVSC was incorporated as a not-for-profit organization in the United States in 2004. The IVSC maintains liaison with several international agencies, including the World Bank, the International Monetary Fund, the World Trade Organization, the International Organization of Securities Commissions, the Bank for International Settlements and Basel Committee. In addition, the IVSC maintains a close relationship with standard-setting bodies such as the International Accounting Standards Board and the International Federation of Accountants. For further details on the IVSC, visit www.ivsc.org

Source: www.appraisalinstitute.org

IVSC Profile

Bob Connolly - Chair of IVSC Standards Board

Bob Connolly, a Life Fellow of the API, was recently appointed Chair of the Standards Board of the International Valuation Standards Committee (IVSC).

Mr Connolly became an Associate Member of

the Commonwealth Institute of Valuers in 1972, rose to Fellow status in 1980 and was invested with an API Life Fellowship in 1995. His career includes 10 years with the NSW Valuer General's Department in Sydney, Albury and Wagga Wagga and 25 years as a partner/director of Bolton Connolly Property Advisory Services based in Wagga Wagga, NSW.

Mr Connolly qualified as a Barrister in New South Wales in 1982 and completed the Professional Certificate in Arbitration and Mediation through the Institute of Arbitrators and Mediators Australia in 1999. His specialist areas of work involve compulsory and negotiated property acquisition, valuations for financial reporting purposes, management of local government property portfolios and a turnkey approach to easement negotiation and creation.

While serving as a NSW Divisional Councillor in 1992, Bob drafted the first valuation standard for the profession and went on to be involved with the Property Task Force reform group with then National President Ray Westwood, addressing the criticism of the valuation profession after the property collapse of the early 1990s.

Mr Connolly was NSW State President from 1992 to 1994, Chairman of the National Valuation Board for a number of years and API National President in 1998. He has chaired the Australian Valuation and Property Standards Board for five years and in March 2004 he succeeded Greg McNamara as the API delegate on the IVSC.

Mr Connolly sees that the IVSC has become an influential world organisation, evidenced by:

- Recognition by the International Accounting Standards Board and the Financial Accounting Standards Board (US) that the IVSC is the legitimate developer of International Valuation Standards.
- Setting up of a convergence team to investigate the merging of International Valuation Standards and US Appraisal Standards.
- Proposals to develop valuation standards for business interests, financial instruments and intangible assets.

Mr Connolly has been a strong supporter of the adoption by the API of the IVSC standards as Australian and New Zealand standards, which is proposed in 2006.