

API E - News

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Leading the property profession

AUGUST 2005

The information in this e - news bulletin relates primarily to National Professional Board issues.

National Professional Board News

The National Professional Board met in Sydney on the 4 August 2005. The initial discussion centred around the general operation of the Board, and the manner and speed with which it deals with emerging issues. Examples include, Desktop Valuation, Asset Valuation for Financial Reporting (Fair Value), and the Financial Services Reform Act.

It was generally agreed that the NPB should seek submissions from Divisions approximately 6 weeks before it meets so that emerging issues can be brought before the Board much earlier.

It was also suggested that each Division should nominate a Professional Board Liaison person to refer any emerging issues. In most Divisions this would more than likely be the Chair of the Divisional Professional Board.

The intent of the Newsletter is to keep members informed of the issues, which are currently being considered by the Professional Board. Should members wish to consider resolutions or outcomes they are directed to the minutes of the Board.

NPB Board Members

Greg Preston (Chairman)

Kym Dreyer

Philip Harding

Andrew Cubbins

Cameron Harris

David Moore

Doug Harvey

John Hatcher

Roy Farthing

Phil Bennett

Milton Cations

The Professional Board is made up of members with whom deal in various specialty areas. Brief Profiles are set out below for each Board Member.

KYM DREYER is the National Director of Egan National Valuers. Kym has a wide level of expertise with experience in the valuation of CBD office buildings, retail shopping centres, industrial properties, specialised industrial/commercial properties, rental valuations, portfolio assessments and prestige residential properties.

PHILIP HARDING is the Managing Director of the ACT office of Knight Frank. Although Philip has a wide range of experience in both residential and non-residential real estate, his particular field of expertise includes the valuation of major commercial office property, suburban retail and commercial property, major industrial property and all forms of development projects.

ANDREW CUBBINS is the Principal and Director of Harrison Cubbins Pty Ltd. Andrew's particular field of expertise includes valuations for security purposes, valuations of properties for sale, purchase and rental, company asset revaluations, compensation assessments for dispossessed owners, and valuations for matrimonial disputes.

CAMERON HARRIS is a Director of Valuations within Knight Frank (Cairns). Cameron's field of expertise includes the valuation of commercial, industrial, tourism and resort properties, residential unit feasibilities, various Asset Portfolio valuations for major Corporate, Government and Semi-Government authorities, and property consultancy.

DAVID MOORE is one of the founding Directors of Christie Whyte Moore. David's field of expertise includes valuation/consultancy advice on complex property matters throughout WA with particular emphasis on major shopping

centres and land subdivision estates, extensive client representation in commercial rent reviews, and expert witness to the Federal, Supreme and Family Law Courts.

PHIL LYONS is Associate Director of LandMark White. Phil has had a wide range of experience in valuation, advisory and agency, with his particular field of expertise including commercial, rent reviews and general valuation.

DOUG HARVEY is the Principal of Harvey, Ehlers and Associates. Doug's field of expertise within this private practice covers a wide range of valuation purposes including residential, commercial, industrial, rural, Governmental and private, resumption and acquisition, Family Court, company asset, mortgage finance, etc.

JOHN HATCHER is the National Valuation Director of CB Richard Ellis. John's specialised field of competence includes property valuation matters, extensive client liaison, and the continuing expansion of CBRE's plant and machinery services.

PHIL BENNETT is the Director of Philip Bennett & Associates Pty Limited. Phil's field of expertise includes property consultancy, valuation and investment analysis, market/project feasibility studies, construction cost analysis, acquisition negotiations, arbitration proceedings, planning and compensation, negotiation and consultancy on lease renewals.

MILTON CATIONS is the major equity director and Managing Director of the Australian

operations of Property Dynamics Independent Property Advisers Pty Ltd. Milton Cations is the Director in charge of the Melbourne Head Office and has over twenty years experience within many sectors of the Australian property market including; Asset Valuations for Financial Reporting, Commercial valuations (Office, Retail, Industrial), Compensation Assessments, Leisure, Hospitality and Tourism, Lessor/Lessee's interests and Rental Valuations.

GREG PRESTON (CHAIRMAN) is a founding Director of Preston Rowe Paterson NSW Pty Limited. Greg's activities within this role include valuation and consultancy of complex retail, commercial, industrial, residential, hotel and special purpose properties, as well as co-ordinating the firm's research services, and fostering new Valuation and Consultancy business Australia-wide.

The next meeting for the NPB is to be held on Friday 4 November 2005. Any member queries regarding Professional matters should be directed to Mr Grant Warner in the API's National Office on gwarner@api.org.au by Friday 14 October 2005. Grant will then collate them and refer them to the Board for comment.

I hope that this Newsletter will keep members better informed of Professional Issues being considered by the National Professional Board.

Yours faithfully,
Gregory J. Preston
Chairman



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Company Title Valuation Relief

The API has received notification on 16 August 2005 from the Australian Securities and Investment Commission (ASIC) that it has decided to grant "in principle relief" from the requirements for persons who provide valuations in shares in real estate companies to hold an Australian Financial Services Licence (AFSL) pursuant to Section 911A of the Corporations Act of 2001.

ASIC has advised that a Class Order will be executed and tabled in accordance with the Legislative Instruments Act of 2004 in due course. The ASIC has also indicated that it will endeavour to expedite this process, however it is possible that it may take several months.

ASIC does not propose to take any regulatory action against any person who provides valuations of shares in real estate companies for any failure to hold an AFSL License and Valuers can provide valuations of shares in real estate companies until the Class Order granting the release takes effect.

It is important for members to understand that the confirmation from the ASIC relates to the valuation of Company Title held real estate only.

Furthermore the definition of "Providing Valuations of Shares in Real Estate Companies" should not be interpreted more broadly at this juncture. The advice from the ASIC is in response to a specific request with regard to "Company Title Valuations".

The Institute would like to thank the NSW Division for contributing an application to the ASIC and assisting in achieving this outcome on behalf of the API.

Furthermore, National Council has engaged Marianne Robinson of Phillips Fox to consider other types of valuation that may require members to hold an AFSL in accordance with Section 911A of the Corporations Act 2001.

Once National Council has completed the analysis of the Financial Services Reform Act Survey recently sent to members we will be liaising with Ms Robinson of Phillips Fox to consider these other important areas of valuation in the context of the Financial Services Reform Act.

Valuation of Assets for Financial Reporting Purposes

Most members will be aware that the Australian Accounting Standards Board have issued revised Accounting Standards relating to Asset Valuation applying with effect from periods beginning after 1 January 2005.

The relevant standards are as follows: -

- AASB 116 Property Plant & Equipment
- AASB 117 Leases
- AASB 136 Impairment of Assets
- AASB 140 Investment Property
- AASB 5 Non Current Assets held for Sale and Discontinued Operation.

National Council, at its recent meeting, resolved that Guidance Note 3.1 relating to the Valuation of Assets for Financial Reporting purposes should be updated relatively urgently.

To this end both Guidance Notes 3 and Practice Standard 3.1 dealing with Asset Valuations for Financial Reporting purposes have been re-drafted to take into account the Accounting New Standards.

National Council has also formed a taskforce to urgently finalise the re-drafts, the Task Force includes Greg Preston, Milton Cations, John Hatcher, Rod Hyman, John Wallace, Roy Farthing and Bob Connolly.

The Task Force is charged with finalising the re-drafts of Practice Standard 3 and Guidance Note 3.1, which have been prepared by Rod Hyman and Greg Preston.

They also specifically request that by the Professional Board to consider: -

1. Whether or not valuers should report Fair Value or Market Value in the context of AASB Standards;
2. Whether it is appropriate to adopt Market Value for the existing use as Fair Value in certain circumstances (Specialised Operational Assets);
3. If Fair Value is different from Market Value where is it defined and what are the tests for various Asset Classes and types; and
4. Can individual assets be valued for Fair Value (Financial Reporting Purposes).

Draft Guidance Notes For Valuation for Insurance Purposes and the Valuation of Partial Interests

Two Guidance Notes are currently under review by the Australian Valuation & Property Standards Board (AV&PSB) it is anticipated that these will be returned to the NPB shortly for its final comment and sign off.

Desktop Valuation

The Board recently discussed the issue of Desktop Valuations again and noted that the matter is currently with National Council's Desktop Task Force. National Council is currently reviewing the situation of Desktop Valuation through the Task Force.

Once the Task Force meets and the NPB will make recommendations for National Council's consideration.

Market Change Opinions

The Board re-affirmed that Market Change Opinions or Letters of Comfort did not meet the valuation requirements of the Institute, and as such members providing those types of reports would be in breach of the Institute's standards.

Valuation Principles and Practice

The Board is currently reviewing the revised chapters of the text-book Valuation Principles and Practice to ensure there is no conflict with Professional Practice. The Board would like to thank all the authors for their significant contributions in reviewing the chapters.

Privacy Technical Alert

Members would be aware of amendments to the Commonwealth Privacy Act (1988) brought down in 2002 and the introduction of State and Territory Privacy legislation that directly impacts on members businesses. To assist with members meeting their obligations in utilising personal information under the various Commonwealth and State Privacy Acts, the Board will be issuing a Privacy Technical Alert shortly. The Board would like to thank Richard Bowman of the Victorian Division for his work in developing the Alert.

Acting as an Advocate and an Expert

The Board has recently reviewed Rule of Conduct 1.3, with a view to providing clarity to members acting as advocates and experts (and vis versa) in the same matter. A proposal to amend Rule of Conduct 1.3 is to be considered by National Council at its August meeting.

Inspection of Assets being Valued

The Board has recently reviewed Rule of Conduct 1.10 and is recommending an amendment to ensure that the member undertaking the valuation of an asset actually undertakes a physical inspection of the subject property.



International Property Conference 2006

Plans for the Australian Property Institute and Property Institute of New Zealand International Property Conference are underway for 2006.

The API/PINZ International Property Conference will be held over three days at the Cairns Convention Centre in Queensland, from the 24–26 May 2006.

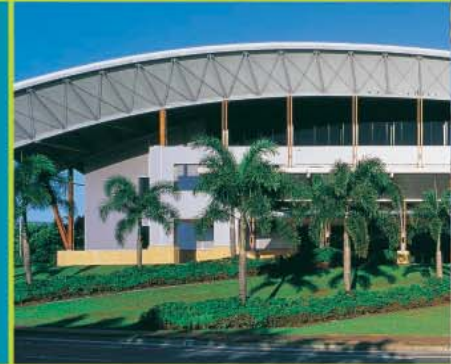
Cairns boasts excellent facilities for hosting an international property conference. Located in North Queensland, Cairns has much to offer visitors and tourists with its tropical rainforests and Great Barrier Reef activities.

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

The 2006 Conference will build on the success of the first joint API/PINZ 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 International Property Conference will host the inaugural National Excellence in Property Award, destined to be a defining event in the Australian property calendar.

The conference website will be updated with the relevant information as soon as it is available. The website can be found at www.api.org.au/cairns



Pre-Registration Form

To register your interest in attending the 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 _____

Are you interested in attending an API Risk Management Module on the day prior to the conference?

Yes No (please tick)