



AUSTRALIAN PROPERTY INSTITUTE INC.

SUBMISSION TO THE

**PARLIAMENTARY JOINT COMMITTEE ON CORPORATIONS AND
FINANCIAL SERVICES**

INTO

THE IMPAIRMENT OF CUSTOMER LOANS

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TABLE OF STATUTES CITED:

Land Valuers Licensing Act 1978 (WA)
Valuers Act 2003 (NSW)
Valuers Registration Act 1992 (Qld.)

PREFACE

This submission to the Parliamentary Joint Committee on Corporations and Financial Services has been prepared by the Australian Property Institute, NSW Division (API) as part of ongoing research efforts and dissemination of factual and dispassionate information about the worth of property rights in Australia, compensation for such rights and the management of such rights.

In addition, API records its appreciation for the invaluable and numerous discussions that occurred during the preparation of the submission with members of the Submission Committee. This submission however does not necessarily represent the views of any of the individual members of the Submission Committee.

INTRODUCTION

This submission responds to the inquiry by the Parliamentary Joint Committee on Corporations and Financial Services in respect of *Impairment of Customer Loans* and in particular the *Terms of Reference* provided on 4 June 2015 for public consultation and input. The Australian Property Institute (API) welcomes the opportunity to respond to the Inquiry and in particular the provision of a late submission to the Committee.

The overall need for an inquiry into the impairment of customer loans is supported by API. In particular it is noted with approval that the inquiry will also consider a range of matters pertaining to the impairment of customer loans as set out in the *Terms of Reference*¹. API supports the focus by the Committee (in part) on the crucial role of valuations when there is impairment of customer loans.

COMMENTS AND RECOMMENDATIONS

The following comments and recommendations respond to the *Terms of Reference*:

1 (a) practices of banks and other financial institutions using a constructive default (security revaluation) process to impair loans, where constructive default/security revaluation means the engineering or the creation of an event of default whereby a financial institution deliberately reduces, through valuation, the value of securities held by that institution, thereby raising the loan-to-value ratio resulting in the loan being impaired

The API notes that banks and other financial institutions providing debt or equity funding supported by security over real estate would ordinarily monitor property market conditions. The API cannot comment on practices of banks and other financial institutions, but is aware that through general market observation the value of specific real estate securities may trigger a revaluation. This trigger might also be augmented where customer loans are no longer performing adequately (for example, failure to meet repayments under the mortgage) or where a funded development site has not achieved adequate presales.

When a revaluation of specific real estate occurs, any changes in value in concert with market conditions could thereby affect the loan-to-value ratio (LVR). Hence, the mortgagor can be in an event of default under the mortgage. LVRs in buoyant property markets may be considerably higher than those in a conservative or even depressed property market. Anecdotal evidence provided to the API suggests that rural mortgages based upon LVRs can increase in buoyant conditions from a conservative 50 per cent rising to 70 per cent. However in a cyclical downturn in property market conditions, the resultant LVR might be less than the (then) policies of the bank or financial institution. Whether a particular LVR is in default is a policy decision of the bank or financial institution.

¹ Parliamentary Joint Committee on Corporations and Financial Services, Inquiry into the Impairment of Customer Loans – *Terms of Reference* (4 June 2015), accessed 9 September 2015, <http://www.apf.gov.au/Parliamentary_Business/Committees/Joint/Corporations_and_Financial_Services/customer_loans/Terms_of_Reference>

The revaluation is of necessity conducted by a registered valuer in the States of NSW², Queensland³ and Western Australia⁴, while in other States or Territories such valuations are ordinarily undertaken by a valuer member (Certified Practising Valuer (CPV)) of the API. Such valuations are of necessity independent of the policies of the banks and other financial institutions who may be the instructing party.

1 (b) role of property valuers in any constructive default (security revaluation) process

When a revaluation is requested by a bank or other financial institution, the process of revaluation involves not only a reassessment of the property value but also an assessment of the building condition and any dilapidations. The API considers it is an erroneous view that LVRs are the sole trigger for mortgage default, and matters such as the mortgagor's capacity to meet repayments under the mortgage is of greater significance.

Attention is also drawn to the API's July 2007 *Submission to the House of Representatives Standing Committee on Economics, Finance and Public Administration in respect of an Inquiry into Home Lending Practices and Processes* (viz. Appendix 3). In this 2007 submission the issue of credit standards was succinctly canvassed.⁵

1 (c) practices of banks and other financial institutions in Australia using non-monetary conditions of default to impair the loans of their customers, and the use of punitive clauses such as suspension clauses and offset clauses by these institutions

The API offers no comment.

1 (d) role of insolvency practitioners as part of this process

The API offers no comment.

1 (e) implications of relevant recommendations of the Financial System Inquiry, particularly recommendations 34 and 36 relating to non-monetary conditions of default and the external administration regime respectively

The API offers no comment.

1 (f) extent to which borrowers are given an opportunity to rectify any genuine default event and the time period typically provided for them to do so

² *Valuers Act 2003* (NSW)

³ *Valuers Registration Act 1992* (Qld.)

⁴ *Land Valuers Licensing Act 1978* (WA)

⁵ Australian Property Institute (2007) *Submission to the House of Representatives Standing Committee on Economics, Finance and Public Administration Inquiry into Home Lending Practices and Processes* (Sydney: July, 3-5).

The API offers no comment.

1 (g) provision of reasonable written notice to a borrower when a loan is required to be repaid

The API offers no comment.

1 (h) appropriateness of the loan to value ratio as a mechanism to default a loan during the period of the loan

See comments at 1(a) and 1(b) herein.

1 (i) conditions and requirements to be met prior to the appointment of an external administrator

The API offers no comment.

2 (a) the incidence and history of:

- i. loan impairments; and*
- ii. the forced sale of property*

The API offers no comment.

2 (b) the effect of the forced sale of property in depressed market conditions and drought

The API considers the decision of a bank or financial institution to require a sale of a property in default of a mortgage is a matter of policy of the relevant bank or financial institution. While any revaluation undertaken by a valuer, this revaluation is undertaken independent of any policy of the relevant bank or financial institution requesting the revaluation. It is also recognised that the revaluation by the valuer is merely a resource to be utilised (in part or whole) to inform the provider of debt or equity where such funding is supported by real estate security.

2 (c) comparisons between valuations and sale price;

Comparisons between prices achieved in involuntary sales by mortgagees-in-possession may or may not necessarily mirror a value as assessed by an independent valuer. Forced sales by a mortgagee can occur in a real estate market which may not necessarily be conducive to the gaining of a maximum sale price. Not unexpectedly, the timing of any forced sale lies within the policy of the relevant bank or financial institution.

Finally, the API requires of those members who are CPVs that they must act in accordance with the API's standards, in particular *ANZVTIP 3 Addressing the concept of 'Forced Sale'*⁶(viz. *Appendix 4*). It should be noted that any failure by the valuer member of the API to independently value the specific property will not only leave the valuer member exposed to API disciplinary action for failure to comply with the standards, but may also create vulnerability to civil breach of duty.

2 (d) the adequacy of the legal obligations on lenders and external administrators (including s420A of the Corporations Act 2001) to obtain fair market value for the forced sale of property

The API offers no comment.

2 (e) any related matters

The API offers no further comments.

⁶ Australian Property Institute and Property Institute of New Zealand (2015), *Addressing the concept of 'Forced Sale'* A&NZ Valuation Technical Information Paper 3 (ANZTIP 3) (Deakin), July.

APPENDIX 1

AUSTRALIAN PROPERTY INSTITUTE INC.

The Australian Property Institute, (formerly known as the Australian Institute of Valuers and Land Economists), has enjoyed a proud and long history. Originally formed in South Australia over 87 years ago in 1926, the Institute today represents the interests of nearly 8,000 property experts throughout Australia.

The API, the nation's peak professional property organisation and learned society, has been pivotal in providing factual, independent and dispassionate advice on a broad range of property issues addressed by the Commonwealth and State/Territory governments and their agencies since the Institute was formed.

In addition, the Institute's advice has increasingly been sought by international bodies such as the United Nations, the Food and Agriculture Organisation (FAO), the European Commission (EU) and the World Bank, evidencing a level of expertise within the API and its membership, which is recognised regionally and globally.

As a professional organisation the primary role of the Australian Property Institute is to set and maintain the highest standards of professional practice, education, ethics and discipline for its members.

API members are engaged in all facets of the property industry including valuation, property development and management, property financing and trusts, property investment analysis, professional property consultancy, plant and machinery valuation, town planning consultancy, property law, research and education.

Membership of the Australian Property Institute has become synonymous with traits and qualities such as professional integrity and client service, industry experience, specialist expertise, together with tertiary level education and lifelong continuing professional development.

APPENDIX 2

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APPENDIX 3

**API SUBMISSION TO THE HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON
ECONOMICS, FINANCE AND PUBLIC ADMINISTRATION REGARDING INQUIRY INTO HOME
LENDING PRACTICES AND PROCESSES JULY 2007**

SUBMISSION 16

AUSTRALIAN PROPERTY INSTITUTE INC.

INQUIRY INTO HOME LENDING PRACTICES AND PROCESSES

**SUBMISSION TO THE HOUSE OF REPRESENTATIVES STANDING COMMITTEE
ON ECONOMICS, FINANCE AND PUBLIC ADMINISTRATION**

JULY 2007

INTRODUCTION

This submission responds to the document released by the House of Representatives Standing Committee on Economics, Finance and Public Administration in respect of the *Inquiry into Home Loan Lending Practices and Processes*.

This submission by the Australian Property Institute (API) is in response to an invitation by the Inquiry Secretary to the Institute dated 20 July 2007.

The Institute fully supports the inquiry by the Standing Committee into home loan lending practices and processes to address the following issues:

- *To what extent have credit standards declined in Australia in recent years?*
 - *Market share of non-conforming lenders; increase in low-doc products across the board.*
- *Have declining credit standards caused an increase in the number of loans in arrears and the number of repossessions?*
 - *Lack of accurate data on repossessions; 'agreed' sales hiding true rate of defaults.*
- *Are borrowers in financial difficulty being treated appropriately by lenders?*
 - *Obligations under CBP and/or UCCC; access to superannuation for repayments.*
- *Are declining credit standards likely to have any long-term implications for the Australian financial system?*
 - *Lessons from the current situation in the United States.*

The Institute is happy to discuss any of the matters raised in its submission or to provide any additional information required. Arrangements can be made by contacting Mr. Grant Warner, API National Director on telephone number .

COMMENTS AND RECOMMENDATIONS

The following comments and recommendations have been framed to respond to the headings of the Standing Committee's letter of invitation

1. *To what extent have credit standards declined in Australia in recent years?*

1.1 The Institute notes that there has been an apparent decline in credit standards in recent years. The following examples evidence this decline in credit standards.

- An increase in equity loans to retirees with no need for repayments by the retirees. This results in a diminishing of the owners equity.
- The number of loans provided to borrowers without the requirement for the borrower to provide evidence of financial ability to make loan repayments.
- Ability of previously delinquent borrowers being able to access credit in spite of poor or faulty Credit Rating Authority ratings.
- Increasing number of debt consolidation loans (i.e. credit cards, personal loans etc) without requirement for borrower to reduce available credit results in an over extension of debt level by the borrower.
- Apparent limited checking or cross checking procedures of information/data provided by borrowers or borrowers agents for loan applications.
- Second and third private mortgages are provided at very high interest rates with no need for financial evidence to support ability to repay the loan.
- Loans of 100% to 110% on homes, with no deposit and no equity required from borrower are regularly being advertised.
- Loans on 80% of purchase price based on contracts only, with no valuation required to support the loan amount.
- Loans on Desktop Assessments with minimal checking procedures (Opposed to the Desktop Assessment model developed by the API).
- Loans provided to borrowers based on statistical assessments which utilize sales price averages in all suburbs with no requirement for a valuation to support the assessment.
- Loans (by some financial institutions) given on ex-bank managers drive-by assessment with no requirement for a valuation to support (or otherwise) home loan.

2. *Have declining credit standards caused an increase in the number of loans in arrears and the number of repossessions?*

- 2.1 The advent of declining credit standards has made borrowers more susceptible to changes in interest rates. While a borrower who defaults in a rising property market may meet their financial obligations, the opposite is likely to be the case in a falling property market.
- 2.2 Lending practices coupled with uncertainty (lack of documentary evidence at time of loan application) as to whether the borrower can afford to make repayments on the amount borrowed has further exacerbated the propensity for defaulting loans.
- 2.3 High rates of interest for 2nd and 3rd mortgages make borrowers more susceptible to fluctuations in interest rates.
- 2.4 The provision of Low-doc loans (loans provided to borrowers with no requirement for either a valuation of the property concerned or documentary evidence to support the borrowers ability to make loan repayments) at higher interest rates than standard home loans have made it easier for borrowers to access finance. At the same time any change in interest rate or the borrowers financial circumstances invariably leads to defaults in mortgage repayments and frequently repossession..
- 2.5 No equity on home loans allows no margin for error where the borrower has accessed the maximum loan available. E.g. If unemployed for short period or interest rates increase, could result in a default in mortgage repayments.
- 2.6 Where a borrower has financed 110% of the funds required to purchase the house and the property market declines, the house is subject to repossession if the borrower cannot meet repayments. Had the borrower an appropriate level of equity in the house the option to re-finance would be available.

3. *Are borrowers in financial difficulty being treated appropriately by lenders?*

- 3.1 The API cannot comment on this matter due to lack of information.

4. *Are declining credit standards likely to have any long-term implications for the Australian financial system?*

- 4.1 The Institute is of the view that declining credit standards will likely have long-term implications for the Australian financial system. This could be avoided through the instigation of the following measures.
- Review of lending standards to ensure future downturns do not have the 2003-2007 effect (high number of default loans and re-posessions).

- Loan to Valuation Ratio (LVR) should be re-introduced such as at 80% of purchase price, allowing a 20% buffer (owners equity) in times of rising interest rates, unemployment and market downturns.
- Increased requirement for supporting documentation to ensure borrower has the ability to make loan repayments at the current rate of interest as well as at a higher rate.
- Establishment of rules and guidelines (including checking procedures) covering mortgage brokers. Issues include broker introduced deals, ability for fraud, manipulation of borrowers financials to support loan application.
- The requirement for a valuation for every property purchase and refinance of residential property.

APPENDIX 1 AUSTRALIAN PROPERTY INSTITUTE INC.

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Originally formed over eighty years ago in 1926, the Institute today represents the interests of approximately 8,000 property experts throughout Australia. As the peak professional property organisation the API has been pivotal in providing factual and dispassionate advice on a broad range of property issues addressed by the Commonwealth and State/Territory governments since the Institute was formed.

In addition, the Institute's advice has increasingly been sought by overseas bodies such as the United Nations, the World Bank and the International Valuation Standards Committee, evidencing a level of expertise within the API and its membership which is recognised globally.

However, as a professional organisation the primary role of the Australian Property Institute is to set and maintain the highest standards of professional practice, education, ethics and discipline for its members.

Institute members are engaged in all facets of the property industry including valuation, property development and management, property financing and trusts, professional property consultancy, plant and machinery valuation, town planning consultancy, property law, and architecture. Membership of the Australian Property Institute has become synonymous with traits and qualities such as professional integrity and client service, industry experience, specialist expertise, together with tertiary level education and life long continuing professional development.

Members are the Institute's greatest asset, and the Australian Property Institute is committed to maintaining a strong base for the future of the property profession through the broadening of the expertise, and knowledge of the membership.

Integrity

The Membership of the Australian Property Institute is bound by:

- A Code of Ethics and
- Rules of Conduct

APPENDIX 4

ANZVTIP 3 ADDRESSING THE CONCEPT OF 'FORCED SALE'

ANZVTIP 3

ADDRESSING THE CONCEPT OF 'FORCED SALE'



[Please view the video for this Technical Information Paper on YouTube](#)

Technical Information Papers

The principal objective of a valuation Technical Information Paper (TIP) is to reduce diversity of practice by identifying commonly accepted processes and procedures and discussing their use. A TIP is designed to be of assistance to professional valuers and informed users of valuations alike.

A TIP will do one or more of the following:

- provide information on the characteristics of different types of asset that are relevant to their value,
- provide information on appropriate valuation methods and their application,
- assist the consistent application of an International Valuation Standard (IVS) by dealing with matters identified in the Standard in greater detail,
- provide information that is helpful to valuation professionals in exercising the judgements they are required to make during the valuation process in specific situations.

A TIP does not:

- provide valuation training or instruction,
- direct that a particular approach or method should or should not be used in any specific situation.

The contents of a TIP are not intended to be mandatory. Responsibility for choosing the most appropriate valuation approach is the responsibility of the valuer based on the facts of each task.

Whilst TIPs are not mandatory, it is likely they will serve as a comparative measure of the level of performance of a Member. They are an integral part of “Professional Practice”.

The reader should understand that legislation may change and whilst this TIP is accurate and relevant at the time it was completed, relevant referred reading and legislation should be investigated at the time of relying on this TIP.

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Addressing the Concept of ‘Forced Sale’

1.0 Introduction

1.1. Objective

The objective of this TIP is to address circumstances whereby API and PINZ members are requested to take into account an actual or anticipated constraint which is inconsistent with ‘market value’.

The terms ‘forced sale value’, ‘fire sale value’ and/or ‘distressed sale value’ are considered inappropriate and not supported by this Institute. However advice prepared by a Certified Practising Valuer (Australia) / Registered Valuer (New Zealand) estimating a likely realisable price, based on an agreed set of circumstances may be provided, subject to agreeing and detailing all assumptions and any necessary qualifications.

1.2. Scope of TIP

Whilst this TIP primarily applies to Members advising banks and lending institutions for mortgage related purposes it can also apply to other forms of advice such as

- Divorce /asset property settlements
- Trustee winding up deceased estates
- Vendors under pressure to liquidate assets for financial, health, circumstantial reasons
- Aged persons compelled to sell when entering Aged Care arrangements
- Resumption dispossessed owners forced to sell / negotiate under duress

It should be used in conjunction with other TIPs and/or practice standards which are either over-arching or directly applicable to the type of asset, purpose or issues involved.

1.3. International Valuation Standards

This TIP recognises the International Valuation Standards prepared by the International Valuation Standards Council. The guidance in this paper presumes that the reader is familiar with the International Valuation Standards and Technical Information Papers.

This TIP is also intended to be consistent with the concepts and definitions contained in those Standards, however, there may be departures from IVSC Standards to reflect Australian and New Zealand law and practice.

Particular IVSC reference to forced sale is made within IVS 2013 under:

- IVS Framework
- IVS 220 Plant and Equipment
- IVS 300 Valuations for Financial Reporting
- IVS 310 Valuations of Real Property for Secured Lending
- IVSONline Frequently Asked Questions

1.4. Market Value Policy [Def. Market Value]

It is the policy of the Institutes that valuations assuming an actual or hypothetical sale of the asset(s) should be provided by Members on a Market Value basis. A professional market valuation of an asset will be consistent with the Market Value definition adopted by the Institute.

2.0 Definitions

The following defined words and terms have particular relevance to this TIP. Other words and terms that are also defined in the IVS Glossary and / or the joint API / PCA / REIA 2007 Glossary of Property Terms may be used but are not listed below in the interests of brevity.

Please note any IVSC definition included in the 2007 Glossary of Property Terms will be superseded by the current IVS Glossary.

Market Value	The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
Special Assumption	An assumption that either assumes facts that differ from the actual facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date.

3.0 Market Constraints (Special Assumptions)

1.5. Market Constraints Inconsistent with Market Value

Providing an estimated realisable price reflective of a market constraint (commonly termed 'forced sale') is inconsistent with the concept of 'market value' and represents an expression of the likely price attainable in a 'non-market' environment.

Broad examples or instances of special assumptions that are inconsistent with the market value premise of value include the following:

- Shortened or limited marketing campaign;
- Inappropriate or sub-optimal selling method; and
- Anxious or unwilling vendor

Whilst not extensive, the aforementioned list creates many 'grey' areas of interpretation which should lead Members to seek further particulars and clarification from their instructing party. For example, the "stigma" associated with a property because of its recent history is part of the inherent value of the property and not a market constraint, whereas being instructed to assume a 4 week selling campaign and auction for a property that is normally sold on a 6 month campaign by tender, is a constraint.

1.6. Advising On Properties with Constraints Inconsistent with Market Value

Valuers may, when requested, provide an estimate of the likely realisable price of an asset or best price reasonably obtainable, when it is agreed between the Valuer and the instructing party that the advice is required to reflect an actual or anticipated market constraint.

Importantly, from the point of engagement, the parties need to agree and nominate the particular constraint(s) which are inconsistent with 'market value'. That is, at instruction the parties must clearly

acknowledge the specific assumptions by which the Valuer is to take into account or disregard. Common examples include, but are not limited to, the following:

- Inadequate exposure to the market;
- Unreasonably short period in which to achieve a sale;
- Inappropriate sale method;
- A vendor with a need to liquidate an asset in a sub optimal manner; and
- Other unusual factors.

The constraint(s) to be assumed by the Valuer should be acknowledged and agreed by the parties in detail. For example, liquidators, receivers and administrators do not constitute a constraint per se. In most States liquidators, receivers and administrators have a duty to take reasonable care to sell the property for not less than market value, as per section 420A(a) of the Corporations Act. However, they are also permitted to sell at the best price reasonably obtainable having regard to the circumstances existing when the property is sold, as provided for in section 420A(b) of the Corporations Act.

As such, a liquidator, receiver or administrator, may well instruct a valuer that because default interest rates apply, it is most cost effective to sell within a shorter than usual marketing campaign and the liquidator wants an opinion as to the best price reasonably obtainable on a shorter than usual sale campaign. A valuer can express a view as to the best price reasonably obtainable in accordance with those instructions, noting that this opinion is not an assessment of market value in accordance with the usual definition. It is desirable in these circumstances that the valuer quantify, if possible, the difference between market value and best price reasonably achievable, so that the client can assess the most appropriate course of action.

In agreeing to provide likely realisable value, or a best price reasonably obtainable, a Valuer may wish to limit their liability for such advice given the risk involved..

1.7. Plant & Machinery

It is noted that liquidators, receivers and administrators often instruct valuers, to assess and advise on the market value, or best price reasonably obtainable, for a range of plant and equipment. A common sale technique, is to auction a range of equipment at the one time, which is often the most reasonable way to obtain the best price across the portfolio, even though some items might arguably sell for less than market value and others for more.

Once again, the valuer is entitled to express an opinion in accordance with their instructions, always taking care to make a client aware of circumstances where those instructions will, in the opinion of the valuer, produce a result that is lower than market value.

4.0 Market Value vs Likely Realisable Price Assuming Constrained Circumstances

1.8. Difference

Valuers and their instructing parties should be aware of the difference between providing a market valuation in accordance with the approved definition of 'market value' compared with providing advice as to the likely realisable price achievable in constrained circumstances or 'non-market' conditions (special assumption).

The Institute does not approve of the term 'forced sale valuation' or other similar terms.

Where necessary, Valuers can provide advice with respect to defined and agreed assumptions which are inconsistent with 'market value'. This advice should not be construed as a valuation but rather an opinion based on the clients specific instructions whereby the valuer can only rely on experience and an appreciation of the market together with the circumstances at hand. This advice should be appropriately supported by a relevant explanation outlining the basis and reliability of the advice.

In providing advice subject to a constraint, it is recommended that the Valuer also provides an assessment in accordance with 'market value' in order to avoid any confusion.

1.9. Relevant Date

In providing a valuation in accordance with 'market value' or advice as to the likely realisable price subject to constraint(s), in each instance, the Valuer must undertake the task at the relevant date taking into account the market conditions existing at that time.

The impact of the constraint(s) on price is more difficult to assess where the constraint does not exist at the date of the valuation, but is a foreseeable consequence of a specific future event. In these cases the Valuer can only rely upon market conditions which exist at that time. It should be brought to the attention of the instructing party that market conditions can change and can consequently impact on price.

1.10. Market Evidence

The vast majority of asset transactions exchange between willing buyers and sellers in arms-length transactions, after proper marketing whereby each party has acted knowledgeably, prudently and without compulsion.

It is therefore difficult to source evidence of transactions which have occurred outside of the normal realms of 'market value'. It is even more difficult to research sales evidence of transactions which have occurred with comparable constraints to those a Valuer may be requested to assume. In these cases it is important for the Valuer, when providing a likely realisable price subject to a constraint, to provide the instructing party with explanation surrounding the available evidence, reliability and basis of the advice.

The reporting of a price range rather than a single figure is appropriate in constrained circumstances due to insufficient directly comparable evidence and circumstances.

5.0 Fair Value

In valuing for financial reporting purposes API members need to consider the Australian Accounting Standards Board (AASB) Standard AASB 13 Fair Value Measurement and PINZ members the New Zealand Accounting Standards Board (NZASB) Standard NZIFRS 13, Fair Value Measurement.

The Standards make particular reference to 'market participants' and 'orderly transactions' and can be viewed at www.aasb.gov.au / www.xrb.govt.nz respectively.

6.0 Additional Resources

A short video has been prepared by an industry expert to introduce and support the TIP. [View the video for this TIP on YouTube.](#)

7.0 Effective Date

This TIP is effective from 1 July 2015.