

VALUATION OF HOUSES UNDER CONSTRUCTION, AND HOUSES TO BE BUILT OR PREVIOUSLY UNOCCUPIED NEW HOUSES

Reference:

NZVGP 504 Valuation of Houses Under Construction
& Houses to be Built or Previously Unoccupied New
Houses

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Owner:

Manager Professional Standards

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Guidance Papers

Objectives

The principal objective of a Guidance Paper (GP) and Resource Pack (if applicable) is to clarify professional and industry processes, best practices, and procedures and to discuss their use and implementation.

A GP is designed to be of assistance to Members and those who use Members' services. They serve as a guide and measure of acceptable professional practice and conduct of a Member.

The intention of a GP is to:

- a) provide information on the characteristics of different types of assets that are relevant to the advice.
- b) provide information on appropriate practices and their application.
- c) provide information that assists Members in exercising the judgements they are required to make in specific situations'; and
- d) convey elements of what is considered "competent professional practice" for Australian Property Institute (API) Members and "best practice" for Property Institute of New Zealand (PINZ) Members.

A GP is not intended to provide comprehensive training, instruction or prescriptive practices and procedures, or direct that a process, professional approach, or method should or should not be used in any specific instruction or situation.

Member Obligations

The Member is responsible for choosing the most appropriate approach in a matter based upon the task and instruction. It is a matter for each Member to decide the appropriate practice in any situation, and if they are unclear, seek professional advice from others, or contact the Institute(s). Members have the responsibility of deciding when it is appropriate to depart from the guidance and practices contained in a GP.

The Institute(s) do not warrant that anything contained in this, or any GP is the definitive or final statement on any issue. Members must perform their own work pursuant to their own professional expertise and experience and if required, seek additional advice which might include legal advice.

Court or Tribunal Reliance

A court or tribunal may consider the contents of any relevant GP or other document relating to a recommended professional practice published by Institute(s) in deciding whether the member acted to a standard required by law.

Currency of Publication

Case law and relevant legislation may change over time and whilst the Institutes(s) consider this GP current at the time of publication, Members and those who use Members' services should have regard to legislative changes and new rulings and if necessary, seek further advice prior to having regard to this GP.

Departure or Non-Compliance

Where a Member considers that a circumstance exists that warrants the departure from or non-compliance with any of this GP, the Member's report (or other advice) must include a statement that outlines:

- a) the reasons for the departure or non-compliance with this GP; and
- b) any impact the Members departure or non-compliance may have on the content of the report.

Members are advised to seek legal and/or other advice before departing from practice recommended in a GP.

Enquiries

If any Member considers any information or advice in this GP to not be accurate or up to date, or wish to raise any issue for consideration arising from the contents of this GP, please refer this to

PINZ contact: standards@property.org.nz

1.0 Scope of this Guidance Paper

This Guidance Paper has been prepared for all members of the New Zealand Institute of Valuers involved in valuing houses under construction, houses to be built or previously unoccupied new houses.

2.0 Houses to be Built or Under Construction

- 2.1** When a valuation is being made assuming completion of the development, the Valuer shall state in clear and concise language that the property has not yet been completed and that all values assume that the property is or will be completed in accordance with the plans and specifications provided and the issuing upon completion of a Code Compliance Certificate by the territorial authority. The Valuer should clearly establish the date to which the valuation applies. This would normally be the date of the report.
- 2.2** A valuation report prepared on a house partially completed, or on a proposed house prepared from plans and specifications, should describe in detail the nature of the building materials, accommodation, quality and nature of the fittings and finishes upon which the valuation is based.
- 2.3** Full details of any site work which are included in the valuation should be specified.
- 2.4** If it is anticipated that there will be any significant change in the value of the property between the date of the valuation, and the expected date of completion of the building works, then this should be set out together with the reasons for the anticipated difference.
- 2.5** The effect, if any, on saleability and value of the property as at the valuation date due to such matters as partially developed site improvements, uncompleted building works and such like should be considered and commented upon in the valuation report.
- 2.6** It is recommended that a valuation report which assumes the completion of a house and/or site development which is either under construction or is to be built or developed should include clauses on the following basis:

“As at the date of inspection the proposed improvements were approximately __% complete. However, this report assumes that the house will be developed and completed according to the plans and specifications described herein and that the standard of construction is in accordance with that assumed within the report. It should be specifically noted that any significant deviation in respect of style, layout, design or construction standards would invalidate the value conclusions reached in this report.”

“The values reported herein are based on data collected and reviewed as at the date of this report. The valuer assumes no responsibility for unforeseeable events that alter market conditions prior to the completion of the development.”

3.0 Progress Payment Inspections

- 3.1** If a valuation is required of building works in progress it is incumbent on the Valuer to verify that the work in progress conforms with the plans and specifications provided, including check measuring of the building(s).
- 3.2** The Valuer should note in his/her valuation of “Work in Progress” not only the value of the work completed but also the estimated cost to complete the work in accordance with the plans and specifications.
- 3.3** Loose building materials, i.e. those not fixed in place, should not be included in the valuation of work completed. If the Valuer considers it relevant, however, reference may be made to such loose building materials.

4.0 Final Payment Inspection

- 4.1** When requested to undertake a final inspection of the property the Valuer should refer the client to the original valuation and date thereof and refer to the client details of any work remaining to be done.
- 4.2** The Valuer should inform the client as to whether the final balance of the monies outstanding may be released, or if a further retention should be made and the reasons why.
- 4.3** The Valuer may wish to draw to the attention of the client prior to the final inspection being made of the importance of obtaining a Code Compliance Certificate.
- 4.4** The Valuer should inform the client of the importance of obtaining a completed Code Compliance Certificate before releasing any final monies.

5.0 Valuation of Previously Unoccupied New Houses

- 5.1** Valuers should be aware that it is essential when valuing previously unoccupied new houses - either those completed or to be built - that consideration of comparable sales evidence should include not only similar new houses but also re-sales of similar properties.
- 5.2** Some new houses are offered for sale on finance terms favourable to the initial purchaser and this is often reflected in the initial purchase price. In addition, the initial purchase price may reflect the building cost. The Valuer should have regard to all such factors in determining the final value estimate.
- 5.3** The re-sale value of a house - particularly a previously unoccupied new property can be adversely affected by incomplete development of the property, whether the house itself or the site development.
- 5.4** Where the Valuer considers that there is likely to be a significant difference between the value of a new house and its re-sale value in its same condition then this should be stated clearly in the valuation report, showing both value as a previously unoccupied new property and the re-sale value. The Valuer should always comment on any differential between the purchase price new where known, and the assessed market value as a new house.

- 5.5** Where mortgage recommendations are provided the Valuer should base such recommendation on the re-sale value of the property.

6.0 Duty of Care

Valuers are reminded of the duty of care and responsibility they owe to their client, mortgagees and third parties who may rely upon their valuations.

7.0 Effective Date

This GP is applicable from 1 July 2021. Earlier adoption is permitted and encouraged.

This GP replaces *NZVGN 3* which was in effect from 1 October 2009 and was withdrawn on 30 June 2021.