

The Value of Compliance

We began 2025 with the introduction of several new compliance measures from both our governing bodies and retail banks. Key changes originated from the International Valuation Standards Council (IVSC), aligning our obligations with colleagues globally. Additional updates were introduced by our local professional body and major banks, particularly ANZ. Some changes are minor, such as the rewording of 'Purpose of Valuation' to 'Intended Use'. Others are more nuanced, making this round of compliance updates significant despite their subtlety – hence the article.

Every client instructing a Registered Valuer already receives a Scope of Works (SoW) document with their quote. This document clearly outlines the valuation's scope, ensuring all parties (client/stakeholders) share a mutual understanding of expectations, deliverables, timelines, and parameters, thus preventing misunderstandings and facilitating timely completion.

While many Registered Valuers have used SoWs

for some time, making it a requirement in the report—whether appended or included within—is new. Notably, the SoW must now specify the use and role of any specialists consulted in the valuation process.

While valuations that rely on specialists have always required acknowledgment in reports, the obligation to note it in the SoW, assess the specialist's reputation, and understand the information provided marks a significant

change.

In December, I dedicated an article to Environmental, Social, and Governance (ESG) factors. The IVSC now mandates the inclusion of these considerations in our SoWs, recognising that valuers will account for ESG factors within valuation frameworks where they can be measured and reasonably considered in professional judgment.

Our mandatory rules and Code of Ethics remain unchanged, requiring compliance with:

- New Zealand Institute of Valuers (NZIV) Code of Ethics
- Property Institute of New Zealand (PINZ) Rules & Code of Ethics
- International Valuation Standards (IVS).

Significant changes have also



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manifested in the IVS general standards, applicable to all valuation types:

- IVS 100 Framework
- IVS 101 Scope of Work
- IVS 102 Basis of Value
- IVS 103 Valuation Approaches and Methods
- IVS 104 Data and Inputs
- IVS 105 Valuation Models
- IVS 106 Documentation and Reporting.

While some standard changes seem minor, the IVS now includes new requirements. Notably, the introduction of Valuation Risk—defined as ‘the possibility that the value is not appropriate for its intended use’—highlights the need for accurate SoW parameters set by both valuers and clients. Valuation Process Quality Control is also newly introduced. For over a decade, Williams Harvey has operated a robust Quality Management System (QMS) to uphold valuation quality, ensuring objectivity, transparency, and compliance with IVS

standards. We periodically review these quality controls to maintain their integrity as of the valuation date. Alongside general standards, specific Asset Standards will apply, tailored to asset types.

Most major retail banks in New Zealand provide valuation guidelines and minimum reporting standards, particularly for commercial property lending. In September 2024, ANZ updated its Professional Services Brief (Valuations) New Zealand, which applies to all Commercial Property, Rural Property, Residential Property, and Special Purpose Property, excluding properties valued under the Residential Valuation Standing Instructions. One of the more significant requirements is that valuation firms must now have a Business Continuity Management Plan, reviewed annually. However, the most time-consuming changes affect the owner-occupied and special purpose property sectors.

Owner-occupied property must be treated as vacant (this is not a new requirement and forms part of existing valuation standards). If there is any specialisation, an ‘Alternative Use’ valuation may be required. Additionally, if the property is so specialised that the occupying business relies on specific improvements to generate revenue, a ‘Freehold Going Concern’ valuation may be necessary—for example, in the case of a childcare centre.

These new compliance measures are positive in ensuring that New Zealand Registered Valuers align globally with the profession. Banks’ minimum reporting standards vary, and while this is not new, ANZ’s latest update is notably more comprehensive. However, it must be acknowledged that the additional time required to adequately address these compliance requirements will be reflected in fees.

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