

Unit Reader

Analyse Property & Facility Information

Introduction

The work you will undertake in the property sector you are in varies depending on the needs of the client. A good example is the work involved in valuation. People require valuations for different purposes. And depending on those purposes, the valuation report would be adapted accordingly, ie either a short report or a long report.

This is why it is so important for a valuer to obtain their instructions for a job in writing, so everyone understands exactly what work is going to be done. Instructions to valuers are the equivalent of an agency selling or leasing agreement or instructions from an owners corporation telling a strata agent what tasks to perform.

The type of valuation report you are asked to undertake will determine the type of information you might need.

Obviously there are documents that valuers will look at in any valuation situation, such as;

- Certificate of title (Folio Identifier)
- s 10.7 Certificate
- Deposited Plan or Strata Plan
- Sewer diagrams
- Easements, covenants etc.

These documents are all found in a contract for sale and so are generally quite readily available from solicitors and conveyancers, real estate agents and the buyers and sellers of property who often keep the contract once the sale is complete.

Have you considered where this information originates from?

Let's work through the list above before we consider some other types of information you might require.

A certificate of title shows the legal owner of Torrens Title land in NSW, who has indefeasibility of title. That is it is guaranteed by the government that the land belongs to the owner or owners named upon the document.

The title information is held by the Land and Property Management Authority (LPMA) and if a new certificate of title is required, or a copy need for some reason then they will print and issue the information.

Visit the [Spatial Information Exchange](#) here

A Deposited Plan is required for all Torrens Title land and shows the boundaries of the land (along with many other things). It is also produced by the LPMA and all records of land is held by them. Any new subdivisions of land that require a deposited plan are required to apply to the LPMA, who will register and issue DP numbers.

DP and SP information can be found on the [LPMA](#) site

As you have probably now realised, Strata Plans are also held by the LPMA, and as with DP's they will issue a number and register any new SPs that are submitted to them.

[This link](#) gives examples of how different strata boundaries are defined

s 10.7 certificate

S 10.7 certificates are available from your local council and besides showing the zoning of the property also mention things such as heritage and conservation, bushfire and flood incidence, if the property is affected by land acquisition or resumption, tree preservation etc.

There is a sample s 10.7 certificate in the resources folder

Sewer diagrams are produced by the water board and show the passage of underground pipes across the land. This can be important as it could dictate as to where on the land you can build – if at all. It also shows that you can connect to a mains sewer and don't have to be on a septic system.

There is an example of a sewer diagram in your resources folder.

Any encumbrances to title, such as a covenant or an easement will be listed on the bottom half of the certificate of title, known as the 'second schedule.'

You should always try to find out what restrictions these impose as again it might have a significant bearing as to what can be done to the land. Here's some [information on easements](#).

You may, in the course of your work, find you require other documents to successfully complete your valuation. These could be many and varied but might include;

- Surveys
- Plans
- Environmental reports
- Structural reports
- Pest / contamination reports
- Taxation reports
- Depreciation schedules, etc

We will now look at these reports in a little more detail and see who we would contact if we required a specialist report to confirm something about the land and improvements and the sort of information that a report might contain.

Surveys

These are produced by a registered surveyor who, as with a valuer, can be asked to produce a survey for lots of different situations. Surveyors will work on new subdivisions and strata subdivisions to identify boundaries and stratum divisions.

They might also check that a building is within its land boundaries and does not encroach onto adjoining land or mark the position for a new construction.

A surveyor can also be asked to measure up a commercial or retail area to provide an accurate measurement of lettable area, on which the amount of rent paid, is based.

Here is a [list of surveyors](#) if you want to find out more about what they can do.

Plans

As you can imagine, the term 'plans' covers a wide area, and again the reason for wanting a plan will vary according to why you have been asked to produce a report.

Often as a valuer you will draw your own floor plan and site plan as an appendix to your field notes. This not only helps you to remember various features of the subject property but also shows that you've undertaken due diligence when making your inspection.

Do you know the difference between a site plan and a floor plan?

A site plan shows the land from above and the position of any improvements on the land in relation to the boundaries of the land. Improvements might include the house, or any other building, a pool, a shed etc. You should mark on a site plan the features that are fixed to the land, or at least are likely to stay. An above ground pool should be marked on your site plan but then you would write on it "above ground pool"

You should also make comments such as "single storey, weatherboard and metal roofed cottage" or perhaps "Two storey brick and tile residence." You get the general idea.

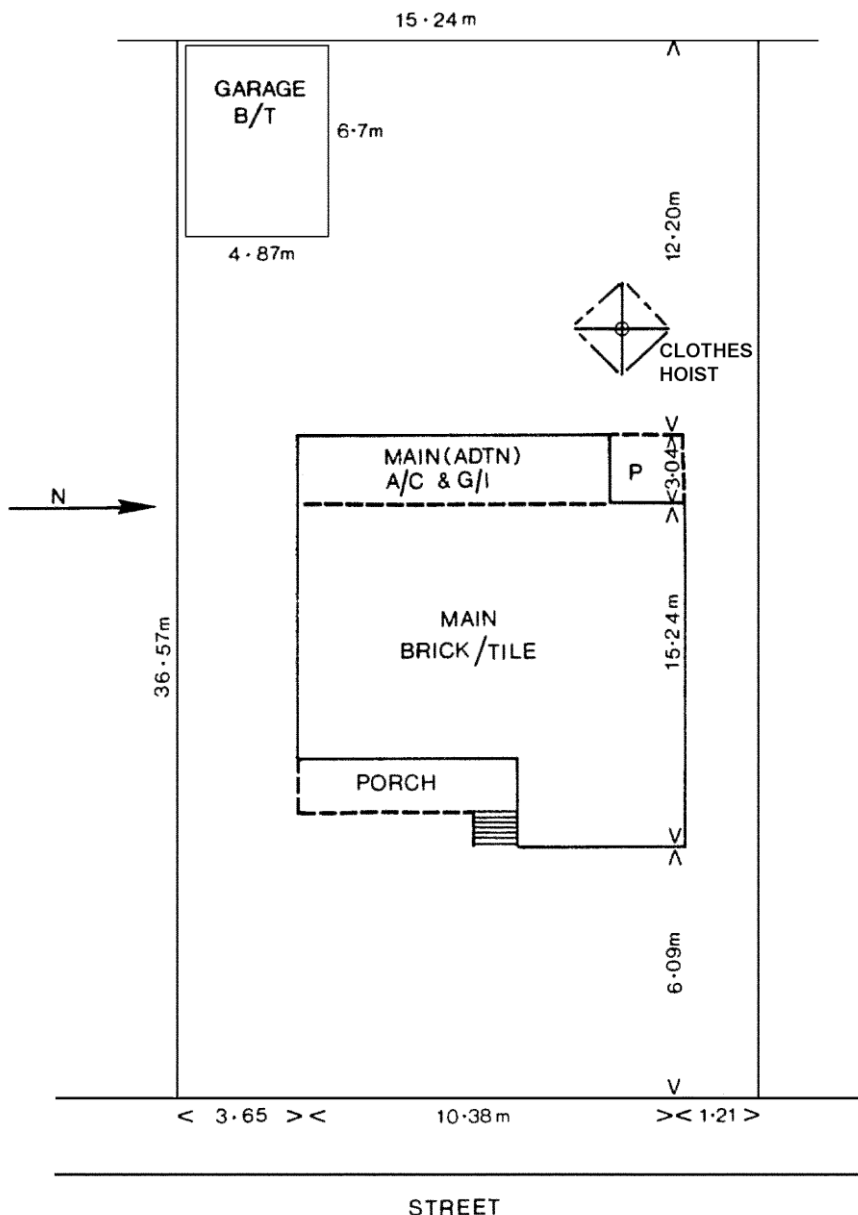
Sometimes a site plan might contain more than one residence, perhaps if you were looking at a subdivision.

Your site plan would also usually include a comment on the fencing (or lack of) along the lines of "1.8m lapped and capped wooden palings". This comment should be written along the appropriate boundary line.

You should also include the direction of North and an approximate scale. Note that we put the word approximate. You are not trying to be a surveyor so you should not give measurements that would seem, to the casual reader, to be exact.

Please look at the two site plan examples on the resources page of this unit.

The plans you've just looked at were professionally drawn. You do not need to go into the same level of details and accuracy. As long as the boundaries and improvements are to an approximate scale and in proportion then you should be fine. A site plan such as the illustration below is sufficient for most valuation situations.

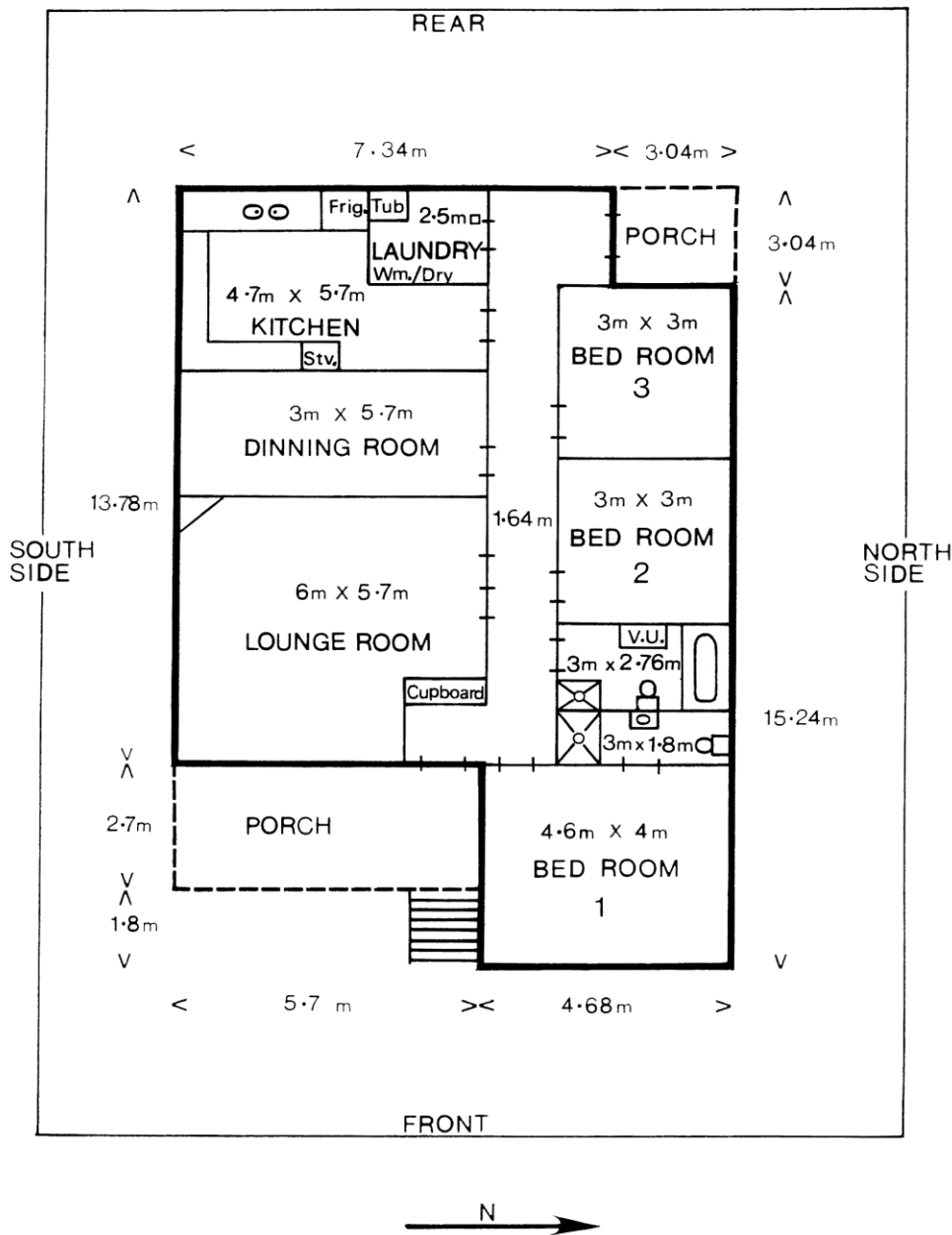


Site Plan
NOTE: All measurements approximate

A floor plan is also shown as though you were suspended above the property looking down, but this time the roof of the property has been removed so that you can now see the layout of the rooms within the building. This again acts as a memory aid and helps you to understand the flow of the house.

[There is an example of a floor plan](#) on the link below, but as with the site plans it has been professionally drawn so you do not need to get the same level of accuracy.

As good as the plan you have just looked at is a valuer is much more likely to produce something like the illustration below. Don't forget if there are two floors you'll need to do a floor plan for both of them.



Floor Plan (all measurements approximate)

Other plans that might be available to you are architect's plans or builder's plans. These, as we have seen, contain the same sort of information that we as valuers include but are drawn to a much greater degree of accuracy.

Other plans you might come across if you are working with builders and architects are sections and elevations.

The plans we've looked at so far consider the land and improvements from above the land, looking down on to it. Sections and elevations are drawn from the perspective of you standing on the land and looking at the building.

What's the difference?

An elevation shows what the building will look like externally once completed and will comment on such things as the finish of the building and how it relates to the ground level.

Examples of building elevations

A section shows a cross section of the building internally and the position of walls and other internal features.

Examples of building sections

If you are using these sorts of plans you might want to annexe them to the body of your main report or at least mention that you used them and that this is where you are quoting your land or building figures from.

In this way you show you are relying on someone else's measurements and not just those that you took yourself.

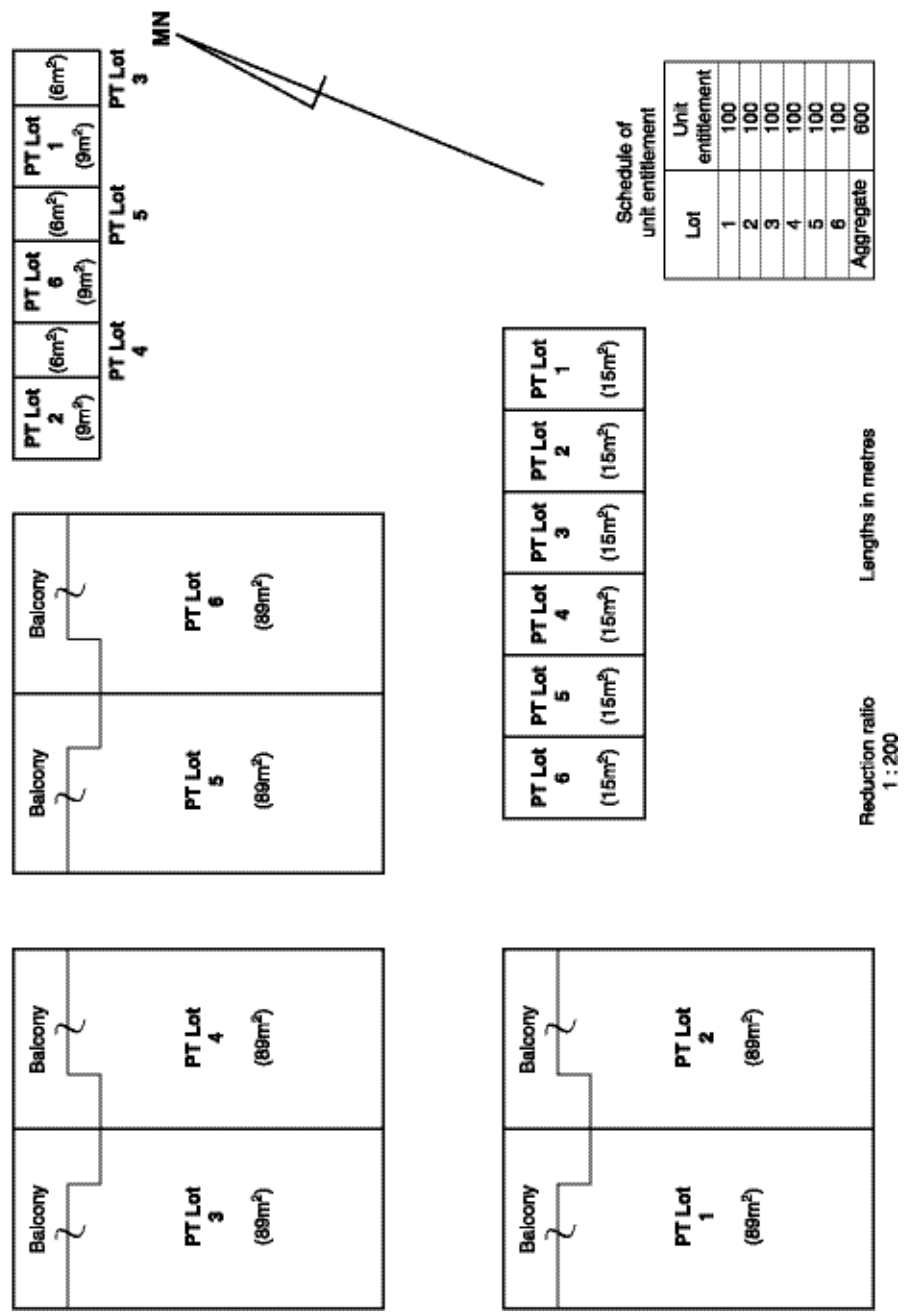
Strata plans are another great source of information and show the position of the building with relation to the boundaries of the land, the individual lots within the plan and each lot's size, the areas of the strata plan that are common property (owned by the owners corporation rather than an individual lot owner) and also the unit entitlements for each lot.

In a large scheme or in an older one that was registered pre 1973 then a lot owner may own more than one lot in a scheme. This could be a garage, a store room or a separate laundry area, for example, so it is important that you check to see that you have included all the parts that make up the total lot entitlement.

Unit entitlements are shown on the first page of a strata plan and represent the perceived value of the lot, in comparison to the other lots within the scheme, at the time the strata plan was registered. They are used to determine the amount of levies that a lot owner will pay to assist in the running of the scheme and any maintenance that needs to be undertaken. If there is a serious problem, or insufficient money held by the scheme to complete necessary work then a special levy might be called for, which is payable by lot owners. You would need to investigate this by talking to lot owners, the owners corporation or the strata managing agent.

Where do you find a strata plan? It will be attached to a contract for sale or you can ask the owners corporation or the strata managing agent as they will have copies. As mentioned earlier the LPMA also hold copies of all strata plans registered in NSW, and a good managing agent might also have a copy of the plan.

A simple strata plan appears below.



Strata Plan

Environmental reports

Generally these are only needed if you have concerns that there may be some environmental issue with the land or improvements you are looking at. It is unlikely that a piece of land that has been used as a residential dwelling for a number of years has serious ground contamination issues, although you might have to consider such things as lead paint or the use of “fibro” (fibrous cement).

You might need to check however that the land wasn’t once used as a garage or petrol station as this could mean that there would have been underground storage tanks and a chance of petro-chemical contamination.

Land used for uses other than residential would also need to be looked at in the light of previous uses. These could include industrial, retail etc that could have had some detrimental effect on the land. These effects could be very varied depending upon what the previous use was, and how carefully, or otherwise, the chemicals, solvents etc were stored. Remember, we have quite rigorous rules these days about the storage of toxic or harmful products but this was not always the case.

If you have any concerns about what the land might contain then you should recommend that an environmental audit is undertaken. Environmental auditors take samples of the land and test for a wide range of possible contamination and can also estimate remedial costs to clean the site up and make it fit to use for other purposes.

A quick way to check is if the land is mentioned on a contaminated land register. These are held by government departments as well as some industry bodies such as the Australian Property Institute (API). Remember that your land might not be on a register as no one realises that it is contaminated, but it is a good place to start.

You can find out more on [contaminated land here](#)

Local councils may also have a register of contaminated land so it would also be worth consulting them if you were concerned.

Structural Reports

These are also called building reports sometimes and are undertaken by a qualified builder or structural engineer to determine the structural integrity of the building – whether it is going to fall down or not – and to identify any major faults, the likely causes and possibly give advice to what remedial actions would need to be undertaken to make the building safe.

They can also give information concerning changes to a building, internally or externally, if a redevelopment was being planned, and again the likely costs involved with this.

Here is an example of a [structural report](#).

In simple terms the difference between a structural engineer and a builder is one of qualifications. A builder generally works on smaller projects while a structural engineer will look at larger more complicated work especially if it is multiple stories and carries large loads.

Pest reports

These are carried out by certified pest inspectors who look to see if a building has been affected by termites, borer or other forms of pest that may affect or damage the property in some way.

They can also recommend ways to treat infestation that might be present and also suggest ways to protect a building from reinfestation or attack in the first place.

The most common times you'll see a pest report is when dealing with residential property due to the high amount of timber that is used in residential construction. Infestation can be costly to get rid of and the cost of fixing damage may affect the final value you put on a building as you must consider what a prudent purchaser is likely to pay, and most would take this cost into account, although if the house was going to be knocked down and a new house built a buyer might see it as an advantage that it is already half demolished for him or her by white ants!

As commercial buildings are more likely to be constructed of steel, concrete etc pest infestation is generally less of a concern although a diligent valuer will still consider such things when undertaking an inspection.

Taxation

Generally a report for taxation will be produced by an accountant or licensed financial planner who is considering the circumstances of the instructing party. Remember it is beyond the scope of a valuer to give financial advice but valuers are sometimes required to give advice for other tax matters. These could include;

- Land tax
- Stamp duty
- GST
- Capital Gains Tax.

Land tax

Land tax is paid on the unimproved capital value of the land, which is the land without any improvements upon it. It is calculated as at the 31st December each year and has a threshold under which no tax is payable and then a sliding scale above which tax is paid.

The threshold changes from year to year and at time of writing is \$376,000, so if you own land of greater value than this you will have to pay land tax. Land tax is administered by the Office of State Revenue (OSR). Some land is exempt from land tax, such as your primary place of residence.

If you own a unit then the potential for land tax is calculated according to unit entitlement based on the value of the underlying land.

You can link to the [OSR site here](#).

Stamp Duty

Stamp duty is paid whenever a property changes ownership (except on the winding up of an estate where ownership is transferred to an inheritor), and as with land tax is calculated on a sliding scale depending upon the value of the property. If the OSR considers that a building might have sold for less than market value they can ask for a registered valuer to produce a valuation on which stamp duty is payable.

What does this mean?

You might sell a unit you own to your daughter for \$1. This is perfectly legal, but before the new owner can register her interest on the title documents they must pay stamp duty on the market value not the sale price.

The amount of stamp duty also changes from time to time at the whim of the state government.

[Find out more about stamp duty](#).

GST

[Goods and Services tax](#) can be a complicated area to work in and is best left to the experts. However there are times when a valuer looks at GST generally under a scheme called “The Margin Scheme” This attempts to calculate how much of a building was completed before the introduction of GST (1st July 2000), and how much after, and so what proportion is subject to GST.

The other thing to remember is that in a valuation report a valuer will state whether the report includes GST or not. Generally it will be GST exclusive.

CGT

Capital Gains Tax, as with other taxes should be looked at by a suitably qualified professional. A valuer might however have to give a valuation on which CGT is based.

Depreciation

Depreciation schedules are generally produced by a quantity surveyor as a tax deduction on new buildings. They are specialists in this area and as such have excellent sources of information regarding costs etc. To find out what other services a quantity surveyor can offer click the link below.

[Quantity Surveyor BMT & Associates web site](#)

BASIX

One final report you might need to consider is a BASIX report. BASIX stands for Building Sustainability Index and is concerned with reduction in power, heating and water consumption to new residential property or additions and extensions to existing ones.

It is completed on line and a certificate issued to show compliance. BASIX requirements are also shown on building plans that are submitted for approval.

[The BASIX site](#) will provide more information on their services.

Although BASIX is for residential work there are similar ratings being introduced for commercial buildings and system of rating the 'greenness' of buildings is gradually changing commercial construction.

Whatever information you use or rely on make sure you understand it and how it might affect the work that you are doing. If you are unsure about something in the report that you have you should go back to the report writer to clarify any issues that are unclear.

You must also make mention of where you obtained the information and the reliance that you are putting on it.

Validating the Information

As you collect the information you need to complete your report you will need to make sure that it is accurate and reliable.

Information from government sources such as DPs or title deeds can be relied upon and if you sight the original of these documents then no further checking needs to be done.

If you get a report from another professional such as a surveyor or accountant then you can state their findings in the body of your report, as part of your valuation process. You should always acknowledge where the information came from and then would generally attach the report you were provided with as an annexure to your own report.

Again no further validation of this information is needed as they are using their professional skill to produce their findings and so the liability for accuracy rests with them.

Some information that you might gather from other sources should however be checked for accuracy. What other sources might you use?

You might collect sales or leasing information from a variety of sources – some reliable, some less so. Let's look at some of these.

Some of the sources you might use are;

- Real estate agents
- Newspapers
- On-line real estate sites
- Real estate databases

Real Estate Agents

Most valuers try to build up a working relationship with agents in their area of practise as they often have information on sales or leasing that is very up to date and therefore might have an influence on your valuation report. Generally an agent passes on verbally the sale price or leasing information and while most agents give accurate information and figures, any information obtained verbally needs to be verified by other means if at all possible. This might mean talking to the seller, buyer, landlord etc to confirm what you've been told.

This information might be commercially sensitive and you should always undertake to restrict the spread of sensitive and confidential information when requested to do so.

If you are unable to verify the information then you would need to comment in your report that you have relied upon verbal information and that while you deem it to be accurate you do not place reliance on it.

Newspapers

Often sales results and leasing information is available in either local or national newspapers. This can be a good source of up to date information, but remember it is the agents who give this information to the papers so it may be no more accurate than what they told you verbally. Again we would need to try to confirm this information with another source or party to verify that it is correct.

On-line real estate sites

Most web based real estate sites have a 'sold' or 'leased' section as well as sections offering properties for sale / lease. As with the newspapers, it is the listing agent who updates and records the information on the completion of the transaction so while it may be useful we need to ask some further questions before we can take it to be the whole truth and nothing but the truth!

Real estate databases

Sites such as RPData, Red Square, Australian Property Monitors etc provide sales and leasing information to subscribers. This is generally deemed to be reliable as they source their sales information direct from the LPMA and then upload it to their database.

Sometimes however there are mistakes in transposing this information, perhaps a '0' gets left off by mistake. If a sale looks wrong then it must be ignored or investigated to find out what the true price was. A cross check between two databases is good practise if you can access them.

The information you collect should then become part of your field notes. You are unlikely to use all of the information that you have gathered, simply that which best meets your needs and is closest to the subject property. In an ideal world you would find some comparables that are not as good (inferior) as the subject, some that are better (superior) and some that are similar (i.e. comparable). In this way you can show how you reached your final figure.

Whatever information you do use, you must make every effort to get accurate information that you, and perhaps more importantly, the reader of your report can rely on. If you can show that you have acted diligently and competently and researched your information then your report should be fine.

Presenting your information.

How you present the information will depend upon what sort of report you have been asked to produce. Obviously a short form report does not give you as much scope to explain what you have done and why you reached the conclusion that you did.

A long form (sometimes referred to as a 'speaking') report allows you to explain in much greater detail what you have done and what information you sourced, used and what you discarded as not of relevance.

In a long form report most valuers would present the information in a table of some sort. This is both for the clarity of the reader and also for the valuer themselves as it makes the interpretation of the information much simpler.

Long pages of text that say such things as " Number 12 Bright Crescent has more sloping land than 26 Tidy Place, but 11 Good Road has a better view, although 12 Bright Crescent has a better house as it is bigger than 153 Fastwater Lane but not as new as 17 Stringybark Avenue....." are hard to understand and make sense of.

Presented in a table, or a more structured way allows a better understanding.

You might do something like this;

Address	Sale Date	Sale Price	Comments
12 Bright Crescent	Feb 2010	\$657,000	Similar land, similar improvements, inferior location. Overall considered inferior by virtue of location
26 Tidy Place	March 2010	\$754,500	Superior land, similar Improvements, superior location (views). Overall considered superior by virtue of land and location.

A table such as this is much easier to digest and the reader can focus on particular areas that interest them if they don't want to read everything that you might have put.

Alternatively you might present your information like this:

12 Bright Crescent

Sale Date: Feb 2010

Sale Price: \$657,000

Comments: Similar land, similar improvements, inferior location. Overall considered inferior by virtue of location

Again, it is much more logical and easy to read.

How you present your information is really a matter for the individual report writer and is a matter of personal taste and style. The main thing is that it can be easily understood by those people relying on the report.

By now you should realise the importance of collecting correct and accurate information and presenting it in a logical and understandable way. If you don't your report could be shown to be wrong and your whole valuation be in doubt.