

# Valuers Act Submission on behalf of the Property Institute of New Zealand Young Leadership Committee

## Background

In April 2013, The Property Institute of New Zealand (PINZ) began its Young Leadership Program establishing the PINZ Young Leadership Committee (YLC). The committee was formed with the intention of creating a succession plan for the future and to provide young property professionals the chance to participate on the PINZ Board, Valuers Council, Standards Board and the Professional Communities as well as the other major PINZ committees such as Education.

Seven young professionals make up the committee and have a variety of backgrounds including commercial valuation, asset valuation, residential valuation, rural valuation, property advisory and property management. The committee members are Jeremy Ball, Kelly Beckett, Katie Grindley, Aimee Martin, Nicole Owen, Craig Russell and Jay Sorensen.

## Road show

The YLC conducted road shows on the Valuers Act Review on 15 July 2014 in Auckland and on 16 July 2014 in Wellington and Christchurch respectively. Our intention was to generate discussion and obtain perspectives from young valuers working throughout the country. Over 20 people attended the Auckland and Wellington Road shows respectively with a further eight attending in Christchurch. The maximum age of attendees was 40 years, with a mix of both registered and unregistered valuers. Surprisingly, the feeling was largely unanimous at these workshops, and we have outlined these thoughts in our submission.

## Our Findings

### 1.1 Professional Association (Compulsory Membership)

#### (Question 4 and Question 5)

There was a strong preference for compulsory membership to a professional association. A profession should have a professional association working to protect the interests of the public and to better the profession as a whole. Valuers need a voice. The attendees stressed that the quality of standards, continuing professional development and professional reputation of valuers was enhanced by having compulsory membership to a professional association. Interestingly, Auckland had a strong association with the New Zealand Institute of Valuers however the other main centres did not have such a strong association with any one institute and didn't express a preference between the Property Institute of New Zealand, the New Zealand Institute of Valuers or the Royal Institute of Chartered Surveyors. If valuers are not represented by one body it is difficult to have a unified voice especially when topical issues are raised for example the valuers act review itself. It was the general feeling that if the membership was opened up to more than one body then membership would most likely revert back to one membership association such as has occurred with the Surveyors. We reiterate 1 ii and iii of the NZIV submission.

## **1.2 Ethics, CPD and Standards**

### **(Question 14, Question 16 and Question 15)**

Continuing professional development is highly valued. It was unanimous that that this should remain compulsory, in order for the public to have faith that the profession is kept up to date with current market trends and practises. The current requirements (i.e. 20 hours) are considered appropriate and the requirement is similar to other professional groups such as accountants, lawyers and architects.

Attendees agreed it was appropriate for LINZ to set ethics. Our preference would be for the existing NZIV Code of Ethics to be uplifted to a governance level. Any change in the Code of Ethics, once legislated, would need discussion with the professional body and profession.

Valuers agree that practice standards and best practice guidelines are technical in nature and are best set by the profession who hold specialist expertise. If membership were to be voluntary, younger members queried how standards would be set and who would cover the cost of setting these standards. It would be unfair for RICS to ride on the coat tails of NZIV, with NZIV bearing the financial cost of developing the standards and it could result in RICS undermining the process. It was ultimately deemed unworkable for multiple associations to write standards cooperatively.

## **1.3 Governance Structure**

### **(Question 2 and Question 3)**

Younger members in general do not fully understand the existing governance structure. PINZ was formed in 2000 to be the voice of the property profession, for younger members, this is all they know. Accordingly, younger members have issues identifying the functions of the particular bodies involved.

Younger valuers agree that the inclusion of independent “lay” people on the Registration Board is appropriate. This will bring us into line with other professions.

## **1.4 Titles to be Protected**

### **(Question 11)**

The “Registered Valuer” brand was very important to the attendees and there was unanimous agreement that this should be protected under future legislation. Registered Valuer implies a certain level of competence due to the rigorous registration process undertaken by valuers. Registered Valuer also allows us to differentiate ourselves from people who are currently holding themselves out to be valuers but are not necessarily competent in that field. The younger members generally agree that “Valuer” and “Valuation” should also be protected as it applies to real property. More work needs to be done by the industry to promote who we are and what we do to the public.

Auckland suggested that “Registered Valuation” should also be protected. Although this is currently a misleading term used by the public the intention is that the definition of this term would be “a valuation carried out by a registered valuer”. We reiterate 9 iv in the NZIV Submission.

## **1.5 Registration Requirements**

### **(Question 17 and Question 21)**

Three years post university experience was deemed appropriate as attendees believed that the majority of experience in valuation is gained through work experience, and it would be difficult to reach the competency requirements in any lesser period of time. The minimum age was therefore deemed to be irrelevant. There is no opposition to its removal from the Act.

### **(Question 23)**

In order to gain adequate experience in the market and understand the idiosyncrasies of local markets it was agreed that one year's experience for valuers trained overseas who wish to operate in New Zealand is suitable.

While there is some debate over whether registration in its current format is preventing the next generation of valuers from entering the profession, it was felt that current remuneration for graduates is the major factor, rather than the registration process itself.

### **(Question 22 and Question 26)**

A tiered registration system is viewed negatively by the majority and would result in a diminished brand. This is due to the perceived confusion that this would cause for the public. Often valuation exercises are not simple. The easiest way to illustrate this is through an example. A valuer had been asked to value a house in Grey Lynn (a popular residential fringe CBD suburb), used for residential purposes, however this is located on a Business 2 zoned site in Auckland City. A valuer must have regard to the highest and best use of the site. In this location the difference between values could be minimal or wide depending on the approach applied. A bank reviewing the valuation would likely want the valuer to consider both values i.e. as a house and as a business zoned site, therefore this valuation is not straight forward. Trying to identify a level for tiered registration is therefore problematic. It is therefore critical that a valuer show competencies in a range of markets. Further to this valuers located in smaller cities and provincial areas are often asked to value a large range of assets and specialisation is not suitable in these markets. Our practice standards and which are currently in place are the most suitable way to deal with the supervision of unregistered graduates. The additional costs which would be incurred if a tiered registration system was implemented may well also outweigh the benefit.

There was some discussion regarding making the reporting requirements for registration suitable for valuers, such as asset valuers or rating valuers, who do not operate in the day to day valuation of commercial or residential properties. They currently find it difficult compiling workbooks under the existing rules.

It is not well known but the three years' experience does not need to be concurrent rather it is a three years in ten years rule that applies. This is not seen as a deterrent to entering the profession.

### **(Question 29)**

The purpose of a degree from a University is to give a snapshot of the industry or a field. In the same way that accountants study a commerce degree but are not ready to be a chartered accountant from day one, a valuer is not equipped to be a valuer from day one. Courses are limited to twelve weeks and in this time only an overview can be given. Specialised topics cannot be learnt in this short time frame. As previously mentioned, training, supervision and mentoring are the key to our industry. There are however some concerns over recent university graduates lacking in basic skills such as report writing and computer skills.

## **1.6 Registration Renewal**

### **(Question 12)**

Attendees believed that a statutory declaration would be adequate and appropriate for registration renewal. It was noted that if a more rigorous scheme was proposed there were serious questions over the increase in cost and resources required for this process. If the requirements were too onerous this may further deter valuers from entering the profession. However more rigorous tests may be appropriate in certain circumstances for example if a valuer has not been practicing as a valuer after an extended period of time and is now trying to return to the industry. Bank “panels” generally drive valuations.

## **1.7 Disciplinary Process**

It was unanimous amongst attendees that the current disciplinary process was ineffective, costly and time consuming. The tiered disciplinary process looked to be suitable, with the attendees appreciating that less time would be taken up in relation to more minor and vexatious claims.

### **(Question 1 and Question 10)**

In its current format, little information is passed on regarding disciplinary cases and this is an aspect younger valuer’s believe they can learn a great deal from. The Valuer General does hold a “Risk Management Seminar” every year or two where he outlines the results of recent disciplinary cases. This is often done at the annual PINZ Conference but unfortunately the cost of attending is relatively expensive for young graduates. Some results are now published in the PINZ Property Quarterly Magazine distributed to all members. Valuers agree that there needs to be more linkage between disciplinary results and continuing professional education. The requirement to report to the Minister is also not considered onerous. The biggest deterrent to bad behaviour is a risk of publication.

### **(Question 7)**

There was a lot of discussion around check valuations. Younger members can see the benefit to investigating the process based on the valuation provided however ultimately it is the quantum that is critical. This is how the public judge us. We think it is unlikely that the proposed system would reduce the reliance on check valuations. Quantum will always be the main concern and the main reason a complaint is made. If it is only the process being investigated then it is possible that key sales could be missed due to these being omitted from the report. Check valuations provide local expertise to the VRB.

### **(Question 8)**

The proposed sanctions are considered fair.

## **1.8 Sum Insured Valuations**

### **(Question 24 and Question 25)**

The Code of Ethics requires valuers to only practice in markets for which they have the technical abilities and experience. This would apply to sum insured valuations. A valuer will only accept an appointment if they have the expertise required for the valuation.

A number of people rely solely on the online calculators, and while a valuer may not be as accurate as a Quantity Surveyor, this may be a reasonable alternative versus New Zealand being uninsured and relying solely on a square metre rate derived from an online calculator.

The general consensus was that more specialist training on sum insured valuations is required.

## **1.9 Professional Indemnity Insurance**

### **(Question 30)**

Younger members are not generally involved with professional indemnity insurance. Rather this is something dealt with by their employers.

Professional Indemnity insurance cover is very expensive in New Zealand. Banks generally require the valuer acting on an instruction to have Professional Indemnity cover. The market therefore dictates whether you need it or not. It was perceived that the public probably don't understand professional indemnity insurance. Some members noted that businesses should be entitled to make a commercial decision as to whether they carry professional indemnity insurance or not.

Some younger members were aware that a capped liability scheme operates in Australia and the benefits of a similar system operating here were discussed.

## **1.10 Future Supply of Valuers**

### **(Question 20)**

The YLC Committee have been working on a number of initiatives. Particularly relevant to this review is the work we are doing with schools to promote Property as a Career. We have contacted over 34 secondary schools throughout New Zealand to date and have prepared a brochure highlighting the benefits of a property degree and the real careers that this can lead to. In addition, we have attended school careers days and offered our time to go and speak to students who may be interested in a career in property. Uptake in the provinces has been particularly promising. Property is not well known and the degrees are not marketed in the same way that commerce, law and engineering for example are. Valuers entering the industry are often people who have a family member or family friend who is a valuer or has property ties in some way or those who have discovered property through their conjoint studies at University. We are working to rectify this issue. Property and valuation are exciting career options with plenty of potential.

## Conclusion

The Valuers Act was established in 1948. There have been numerous talks about a review of the Act but they have as yet resulted in no changes. It is important that this review focuses on leading the industry for the next fifty years or so, not looking back. That was our intention with the road shows conducted. We wanted to make sure this process wasn't "high jacked" by a few vocal older members of the profession. A number of older valuers will leave the profession over the next decade making way for younger members coming through. Valuation is a respected profession despite not being as well known as our counterparts.

We thank you for taking the time to consult with us. If you would like more information on the findings outlined above we remain available to discuss these with you. Please do not hesitate to contact us directly.

Yours Faithfully



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