
Residential Property Valuation

We have been very pleased with our clients' evidencing approach to residential property valuation. This is aided by residential property data being easy to access and easy to interpret, in most instances. Our process has not changed from 2021. The ATO has, however, clarified the trustee required documentation of their assessment of the valuation.

Our process remains:

- Obtain a copy of the market appraisal from a real estate agent dated at year-end or within 6 months of year-end with comparable sales data. If no comparable sales data is attached to the market appraisal or valuation report, the trustee should obtain multiple similar properties that are sold at or within 6 months of year-end from property websites to support the value as per market appraisal. Please note the listed sale price is not factual evidence of market value.
- Obtain a valuation report from a property valuation service provider, such as CoreLogic RP Data or Pricerfinder, dated at year-end or within 6 months of year-end. Please note the following:
 - Where the Forecast Standard Deviation (FSD) within the RP Data/CoreLogic valuation is more than 10% (indicative of a low or medium confidence), the trustee should review and consider comparable properties sales at or within 6 months at year-end within the report and/or from property websites to support the value as per the valuation report.
 - Where the property characteristics are not specified within the report, the trustee should document the key characteristics of the property and ensure that the comparable properties within the report reflect these characteristics. Characteristics can include land size, number of bedrooms, bathrooms and car spaces, house size and the year the house was built.
 - If the report is dated more than 6 months from year-end, the trustee should consider comparable properties at or within 6 months of year-end within the report or from property websites to support no significant change in the market movement in the suburb / location from year-end to the date of the valuation report. General suburb or location market movement may also support this assessment.
- The trustees can self-assess using a similar process to an online provider.
 - The trustee should review and consider comparable properties sales at or within 6 months within the data provided to support the value at year-end.
 - If the website indicative price is dated more than 6 months from year-end, the trustee should consider comparable properties at or within 6 months of year-end within the

data to support no significant change in the market movement in the suburb / location from year-end.

- Trustees should document the key characteristics of the property and ensure that the comparable properties on the website data reflect these characteristics. Characteristics can include land size, number of bedrooms, bathrooms and car spaces, house size and the year the house was built.
- Websites that provide accessible data include:

<https://www.realestate.com.au/>; <https://www.domain.com.au/>; and <https://www.yourinvestmentproperty.com.au/>.

Has the property been recently purchased or sold?

We indicated in the March Newsletter that a contract price of a property is acceptable, provided it is within a reasonable timeframe from year-end. We accept contract price as a value for year-end if the date is within 6 months of year-end and will use our professional judgement where the contract is slightly outside 6 months.

Where the contract date is more than 6 months from year-end, and the trustees wish to use this value, they will need to provide evidence there has been no significant movement from 30 June to the date of contract.

This may be demonstrated by general market data for the particular property type. Alternatively, the trustee may enquire with the agent involved with the purchase, and provide evidence of this enquiry, e.g. email correspondence, to support the sale or purchase value is relevant for year-end market value purposes.

As a reminder, where the property purchase is utilized to support market value at year end, costs such as legal and transfer duty do not form part of the property market value. The market value is the contract price, and any costs must be recorded as an adjustment to the market value, as a decrease in market value on the Operating Statement.

Can the Trustees rely on the Rates Notice Value?

Trustee documentation of their market value consideration

As noted, the ATO guidelines require the Trustees to assess the market value on an annual basis for reporting requirements at 30 June to support compliance with SIS Regulation 8.02B. It is the trustees responsibility to provide all relevant documents to the auditor to substantively evidence the valuation.

The trustee minute should include:

- the property address,
- The property specifics,
- the market value of the property at year-end,
- the valuation basis,
- the consideration of the supporting data used by the trustee, and
- attach the supporting market data evidence.
- If there is no change in the market value from a prior year, the trustee must include why they consider there has been no change in the property market value and attach the supporting market data as evidence.
 - For example, for residential property assessed annually, the trustees must indicate in the annual minute/resolution what data they are relying on, including comparable sales, which properties they have chosen, or other data such as suburb growth/decline.
- The trustee minute must also document why the trustee could not obtain comparable sales data or evidence to determine the property's market value at year-end.