
Real Estate

Continuing Professional Development

Pre-listing: Agency law and professional competence

NOTE: Do not use this material for verifiable CPD. This material has been edited and is provided for information purposes only. Reading this information can count towards your non-verifiable CPD. Only training delivered through a REA approved training provider can count towards verifiable CPD hours.

Estimated time needed: 1 hour 30 minutes

Version 1.0 Adapted for use on rea.govt.nz

05 August 2019

Contents

Real Estate CPD - Pre-listing: Agency law and professional competence, covers the following information:

Learning objectives	3
Prospecting for listings on behalf of an agency	4
Prospecting for listings on behalf of an agency	4
Prospecting methods	4
Prospecting protocols	5
Qualifying prospective clients	6
Approved guide and agency agreement (residential property transactions)	6
The Fair Trading Act in relation to uninvited direct sales	8
Implications for real estate agencies and licensees	9
Unsolicited Electronic Messages Act 2007	10
Unsolicited electronic approach when prospecting	10
Ethics around interfering with a sole agency	12
Providing an appraisal and calculating commission	14
The inspection process	15
Best practice for meeting professional competence and ethical requirements when carrying out an appraisal	16
Compilation of appraisal	17
Presenting comparable information on sales	17
Other appraisal methods	18
Confirmation of appraisals	19
Review of licensee responsibilities before signing an agency agreement	21
In-house complaints and dispute resolution processes	21
Real Estate Authority complaints processes	22
Appendices	23
Appendix 1 – Section 127	23
Appendix 2 – Pre-inspection research	24
Residential properties	24
Appendix 3 – Appraisal: direct sales comparison	31
Appendix 4 – Appraisal: Capitalisation of net income method for multi-unit residential property	34

Learning objectives

At the end of this topic you will be able to:

- describe what is meant by 'prospecting for listings', including methods and protocols
- explain what the Fair Trading Act says about uninvited direct sales
- explain what the Unsolicited Electronic Messages Act 2007 covers
- describe the ethics around interfering with sole agency agreements
- explain providing appraisals and calculating commissions, including:
 - the inspection process
 - appraisal methods
- describe licensee responsibilities before signing an agency agreement, including complaints procedures

Prospecting for listings on behalf of an agency

Prospecting for listings means actively searching for a new vendor or lessor clients to secure an agency agreement.

Prospecting for listings on behalf of an agency

It is important to remember that:

- any prospecting you carry out is on behalf of the real estate agency you are employed or engaged by
- any agency agreement subsequently signed is between the **real estate agency** and the **principal** (the client-vendor or lessor)
- all real estate agency work you carry out is on behalf of your real estate agency.

Prospecting methods

Prospecting methods might include:

- calling past clients, for example, from a client record management (CRM) database
- calling expired listings
- calling other existing contacts, for example, from social or professional networks
- calling people who are attempting a private sale (FSBO - For Sale By Owner)
- calling absentee owners or lessors
- calling contacts on a list purchased from a lead generation company
- cold calling - contacting unknown people by telephone, flyer drop or by door knocking, un-invited direct sales

Salesperson licensees, who are mostly employed on commission-based contracts, may find they spend a high proportion of their working hours prospecting for new listings.

Because the real estate profession is characterised by strong personal brands, this can lead to confusion about who prospecting work is being carried out for.

Prospecting protocols

It is important to meet the legal requirements prescribed by the Rules and to act ethically when prospecting for new listings.

Prospecting is time-consuming, but you can improve your business efficiency and effectiveness by developing a positive reputation to help generate repeat business and referrals.

A good reputation is built through ethical practice which reflects on the real estate agency brand and your own brand.

Agencies and licensees should act ethically in all prospecting activities:

- Ensure cold-calling approaches, such as phoning or door knocking, are made at an appropriate time, for example, not knowingly after a death in the family.
- Ensure that any telemarketers who are not real estate licensees, do not carry out real estate agency work. For example, when telemarketing companies have been contracted by an agency or licensee to carry out prospecting activities, the agency or licensee must provide scripts and dialogues that meet agency requirements and make sure these are followed.
- When conducting property seminars, all activities must be fair and transparent. For example, if conducting a property seminar to prospective customers to sell the property, licensees must make it clear that they are working on behalf of the client and not the customer.
- If you come across a property, space, or business that you or a related person want to acquire, you must step back from any negotiations, or any real estate agency work, about that property, space or business. You must report this interest to your supervising agent or branch manager immediately. This also applies to conjunctional agreements where a sole agency is selling the property but have agreed to share the commission payable when another agency finds a willing buyer.
- Establish early in the process that you are dealing with a person or entity with the appropriate *authority* and *capacity* to enter into a transaction.
 - *Authority* means the person (or people) that owns the property and who has the right to sell it.
 - *Capacity* means a person who is mentally and emotionally capable to make decisions. This also means a person who is not under the influence of any substance.

Qualifying prospective clients

During initial communication or meetings with a prospective client, build rapport and an understanding of their motives, wants and needs.

Examples of information that you may need to gather when qualifying clients include:

- establishing their dominant selling or leasing motives, for example, relocation or down-sizing
- any impact the clients' motivations have on price, for example, can they afford to wait or is it important to finalise the transaction as soon as possible?
- the preferred agency, sales or leasing method of the prospective client. For example, sole or general agency, tender, auction or fixed price

It is important to remember your obligations in terms of confidentiality apply to any information you learn during the qualifying stage before an agency agreement is in place (as covered in Rules 9.16, 9.17 and 9.18).

Approved guide and agency agreement (residential property transactions)

Before signing an agency agreement for a residential property, the licensee must give the client a copy of the approved guide relating to agency agreements published by the Real Estate Authority; and obtain a signed acknowledgement that the person has received it. (Refer to Appendix 1 - Section 127).



Note

Residential property means any property used or intended to be used, exclusively or principally for residential purposes.

There is an exclusion to this definition in s 127(2) – refer to Appendix 1.

Read the following scenario and answer the questions about the rules. (Refer to the Real Estate Agents Act (Professional Conduct and Client Care) Rules 2012).

Scenario 1

A Complaints Assessment Committee (CAC) laid a charge of misconduct before the Real Estate Agents Disciplinary Tribunal.

It was noted that the licensee had previously been charged with misconduct or unsatisfactory conduct on eight occasions since 2011 (including the three cases before the READT).

The licensee was charged over three complaints in 2015 (**C07072**, **C06292** and **C07275**) in respect to CAC cases about residential property and subsequent charges of unsatisfactory conduct for breaches made between August 2014 and April 2015.

The Licensee denied all particulars of the charge.

It was noted that all three charges were highly similar to each other, and involved:

- failure to provide written appraisals
- failure to provide the REA Guides (refer section 127 of the Act - Approved guide to be provided before agency agreement for residential property signed – Appendix 1)
- failure to provide written marketing plans
- failure to ensure essential particulars were included in listing (agency) agreements.

Evidence from the licensee: At the time of the hearing, the licensee held an agent's license. He stated that during a period of his offending over five years he had "no effective supervision and support" while being "frantically busy". He asserted this was the root cause of his breaches. He was selling a large number of properties and was earning "over a million dollars a year".

The licensee was fined, and his licence cancelled.

Complaint: [2016] NZREADT 72 – Penalty Decision

You can read about this complaint and decision in the REA decision database which you can find at the top of the homepage at rea.govt.nz

Note the comments included in the decision:

- [Para 20] ‘...referred to [the licensee’s] previous disciplinary history...in respect of conduct that is similar to his conduct in the present case...directly relevant to the Tribunal’s penalty decision in this case, and are a highly aggravating factor... [the licensee] failed to learn from his previous disciplinary sanctions, and had persevered with the same cavalier approach towards his clients and customers...’
- [para 21] ‘...the [Committee] submitted that when [the licensee’s] present conduct is viewed in the context of his previous disciplinary history, nothing less than the cancellation of [the licensee’s] licence would adequately protect the public...his continued breaches show he lacks insight into his conduct and is unable or unwilling to comply with the duties and obligations required of licensees...’
- [Para 27] ‘... do not accept that any lack of supervision, management oversight, or systems within an agency ameliorates [the licensee’s] conduct to any great extent...’
- [Para 31] ‘...the number of charges [the licensee] has faced since mid-August 2011 over the course of his engagement by two agencies, and the fact that he has been ordered to complete courses of training on three occasions, on three different aspects of real estate agency work, causes the Tribunal to have grave concerns as to [the licensee’s] competence to carry out real estate agency work to the standard required within the industry...’

The Fair Trading Act in relation to uninvited direct sales

The Fair Trading Act 1986 under **Part 4A, Subpart 2 Uninvited direct sales (sections 36K to 36S)** offers extra protection to consumers when they are approached by uninvited salespeople at their home or workplace in person or by telephone.



Note

Marketing by electronic messaging is not covered by this legislation and is dealt with separately under the Unsolicited Electronic Messages Act 2007.

An uninvited direct sale happens when:

- a business, or their agent, approaches a consumer, at their home or workplace, in person or over the telephone, to sell goods or services, without the consumer’s invitation, and
- an agreement is entered into for goods or services costing \$100 or more (or when the price is uncertain at the time of supply).

The key aspect here is that the approach has not been invited by the consumer. For clarity, the legislation specifically notes that a consumer has not 'invited' a business to approach them when:

- the consumer provides their contact details to the business for another purpose (such as a competition entry) (if the business then contacts them to sell goods or services, that will still be an uninvited direct sale), and
- a consumer responds to an unsuccessful attempt by a business to contact them (such as by returning a missed call).

Additionally, a consumer has not invited a business to enter into negotiations for supply merely because the business has provided an unsolicited quote or estimate.

If a consumer initiates the contact, it is not an uninvited direct sale (unless the consumer is simply returning a missed call, as explained above).

An uninvited direct sale agreement does not include a renewal agreement.

Refer: comcom.govt.nz

Implications for real estate agencies and licensees

- Any agreements arising from unsolicited door-to-door or telemarketing sales fall under the classification of uninvited direct sales.
- A client approached under the classification of uninvited direct sales has the right to cancel an agency agreement **within five working days** of the date on which the consumer receives a signed copy of the agreement.
 - **Note:** This extends the usual cooling off period for sole agency agreements where if a client changes their mind after signing a sole agency agreement, they can cancel it (in writing) by 5pm on the **first** working day after they have been given a signed copy.
- Before the agreement is entered into, the licensee must give the client **verbal notice** of the client's right to cancel the agreement within five working days after the date on which the client receives a signed copy of the agreement; and advice about how the client may cancel the agreement.
- The licensee must include specific information on the front page of the written agency agreement, including a summary of the client's right to cancel the agreement within five working days.
- Real estate agencies must adopt policies and procedures to manage sales that fall within the definition of uninvited direct sales. Procedures and documentation must comply with the extended cooling off period and related disclosure requirements.

Unsolicited Electronic Messages Act 2007

The Unsolicited Electronic Messages Act 2007 (UEM Act) prohibits spam – unsolicited commercial electronic messages.

The UEM Act covers email, instant messaging, texts, faxes and image-based messages with a commercial purpose. It does not cover internet pop-ups or voice telemarketing. Note that a single message may be defined as spam – it does not need to be sent or received in bulk.

Refer to section 5 below:

5 Meaning of electronic message

- (1) For the purposes of this Act, an electronic *message* is a message sent—
 - (a) using a telecommunications service; and
 - (b) to an electronic address.
- (2) However, the messages listed in clause 1 of the Schedule are not electronic messages.
- (3) For the purposes of subsection (1), it is immaterial whether—
 - (a) the electronic address exists; or
 - (b) the message reaches its intended destination.

It is a legal requirement to have an individual's consent¹ before sending any commercial electronic messages.

Most agencies have policies and procedures in place to ensure compliance with the UEM Act, for example, open home attendees are asked to authorise the use of their email address – refer to section 9 below:

9 Unsolicited commercial electronic messages must not be sent

- (1) A person must not send or cause to be sent, an unsolicited commercial electronic message that has a New Zealand link.

Unsolicited electronic approach when prospecting

When prospecting for listings, it is important that licensees make sure any electronic messages they send are not considered to be spam. Commercial electronic messages can be considered as spam if they are unsolicited and sent without the consent of the recipient.

A breach of the Unsolicited Electronic Messages Act 2007 could mean a fine of up to \$500,000 and a compensation order.

Three important points to ensure you are not spamming:

¹ A commercial electronic message may only be sent if the recipient has consented to receive it. It is a good idea to obtain written consent or to keep a record of any verbal consent.
<https://www.dia.govt.nz/Spam-Frequently-Asked-Questions#con>

- Make sure you have the consent of the recipient(s) of the commercial electronic message(s) you are sending.
- Identify your agency (the business responsible for sending the commercial electronic message) and agency contact details.
- Include a functional unsubscribe facility in all commercial electronic messages.

When thinking about ethical conduct and what you should (or shouldn't do) remember rule 6.3.

Rule 6.3 A licensee must not engage in any conduct likely to bring the industry into disrepute.

Rule 6.3 is a general provision that can cover a wide variety of behaviour. This rule is consistent with the Real Estate Agents Act's purpose of promoting public confidence in the performance of real estate agency work.

A breach of rule 6.3 could also be considered to amount to unsatisfactory conduct under section 72, or misconduct under section 73 of the Real Estates Agent Act 2008.

Ethics around interfering with a sole agency

When qualifying a prospective client, it is important to establish whether they already have a sole (exclusive) agency agreement with another real estate agency.



Note

A sole agency gives one real estate agency the exclusive right to market and arrange the sale or lease (or purchase) of the property, space or business.

If there is a sole agency in place with another real estate agent and you have a potential purchaser or lessee interested in the property, space, or business, all communication should be directed to the current sole agent. You should not contact the vendor directly.

You can, however, communicate with a vendor if they are looking to purchase a property or to find out when the sole agency expires.

Important points from a case that was covered in previous continuing professional development material help to clarify licensees' ethical responsibilities in terms of avoiding interference with a sole agency:

Breach example (unsatisfactory conduct)

A licensee's conduct was found to be unsatisfactory by the Complaints Assessment Committee (CAC) when she contacted vendors directly when a sole agency was in place with another agency. Allegedly this occurred on several occasions with four different vendors. The CAC stated the following in its decision:

[para 4.8] 'Where vendors... have elected to appoint an exclusive sole agent... that decision should be respected by other licensees. The vendors have effectively notified other agents that all contact should be through their elected sole agent and not directly to them.'

[para 4.9] 'Where it is clear to the licensee that a property is marketed through a sole agent, all contact should be through that sole agent... a pattern of behaviour indicating a modus operandi (direct contact) by a licensee... would amount to conduct that would be reasonably regarded as being unacceptable.'

Complaint number: CA2788626

Read the following scenario and answer the questions about the rules. (Refer to the Real Estate Agents Act (Professional Conduct and Client Care) Rules 2012).

Scenario 2

A licensed salesperson (A) complained to the Real Estate Authority (REA) concerning a competing agency's licensed salesperson (X), alleging interference with a sole agency. The complainant alleged that the licensed salesperson X sold a property for clients in disregard of a sole agency agreement arranged by Licensee A.

On examining the complaint, REA decided not to refer licensed salesperson X to a Complaints Assessment Committee but identified concerns about the conduct of licensed salesperson A, licensee B (supervisor) and the Agency.

It transpired that the licensed salesperson A had secured a seven-day sole agency while prospecting. However, she had failed to advise the client that the agency agreement was categorised as 'an uninvited direct sale'.

She also omitted to advise the client of the five working days cancellation entitlement and informed the client that the competing agency's salesperson X could not introduce a purchaser to the property.

Complaint number: C17051

You can read about this complaint and decision in the REA decision database which you can find at the top of the homepage at rea.govt.nz

The Committee determined that the licensed salesperson had:

- (i) Breached the 'uninvited direct sale agreement' provisions of the FTA [Fair Trading Act]. As a result, she breached the requirement of Rule 5.1 to exercise skill, care, competence and diligence when carrying out real estate agency work;
- (ii) Failed to provide the vendors with a CMA [Appraisal] by the time the agency agreement was entered into. As a result, she breached Rules 10.1 and 10.2 which set out the requirements of CMAs [Appraisals];
- (iii) Failed to ensure that the agency agreement was complete. As a result, she breached Rule 5.1 already referred to, and also Rule 9.9 which requires that all material particulars have been inserted into agency agreements before they are submitted for signature;
- (iv) Incorrectly advised the vendors that they were not permitted to demand a higher price for the property that they had previously advised that they would accept. As a result, she breached, firstly, Rule 5.1 already referred to, secondly, Rule 6.4 which prohibits licensees from misleading clients, and thirdly, Rule 9.1 which requires licensees to act in the best interests of their clients, and according to their instructions, unless to do so would be contrary to law;
- (v) Incorrectly advised the vendors that the sole agency agreement precluded other agencies from inspecting the Property. As a result, as in paragraph 2.3(iv), she

breached Rules 5.1, 6.4, and 9.1.



Note

When investigating this case, the Committee also identified a range of concerns about the conduct of the agency which they found had engaged in unsatisfactory conduct, specifically a breach of 'uninvited direct sale agreement' provisions of the FTA (breach rule 5.1), failed to provide a CMA (appraisal) to the vendors (breach rule 10.1 and 10.2), and failed to ensure the agency agreement was complete (breach rule 5.1 amendment 9.9).

Providing an appraisal and calculating commission

Rule 10 *Client and customer care for sellers' agents* applies to agents and licensees who are entering (or have entered) into an agency agreement with a client-vendor or lessor.



Note

It is important to note that an appraisal is not a valuation. The purpose of an appraisal is to help vendors or lessors understand the price they may be able to sell or lease their property, space, or business for.

When providing an appraisal, licensees must meet the professional competence requirements of Rule 10.2.

10.2 An appraisal of land or a business must –

- (a) be provided in writing to a client by a licensee; and
- (b) realistically reflect current market conditions; and
- (c) be supported by comparable information on sales of similar land in similar locations or businesses

The key points covered by this rule are that:

- appraisals must be rigorous and factual
- licensees must seek to avoid the risk of over-representing or under-representing the potential market value of land or a business
- the obligation to provide factual market information (comparable properties and sales figures) aims to manage this risk
- appraisals must be provided in writing (though the rules do not prescribe a specific format).

Providing a written appraisal is a requirement in ALL methods of sale for ALL property types (residential, lifestyle, horticultural or specialised unit, rural, business, commercial, or industrial) regardless of whether the property is to be advertised with or without a price.

If you find yourself in a position where you are appraising a property, space, business, or lease for which no comparable or semi-comparable sales information exists, **Rule 10.3** provides for this.

You must still provide an appraisal, but Rule 10.3 states that you must explain to the client in writing that no comparable or semi-comparable sales information exists.

10.3 Where no directly comparable or semi-comparable sales data exists, a licensee must explain this, in writing, to a client.

Rule 10.6(a) specifies that an estimated cost of commission (an actual dollar amount) must be explained and set out in writing to the client before an agency agreement is signed.

Because this information will be based on the appraised value of the property, this confirms the importance of a thorough and robust appraisal process.

10.6 Before a prospective client signs an agency agreement, a licensee must explain to the prospective client and set out in writing –

- (a) the conditions under which commission must be paid and how the commission is calculated, including an estimated cost (an actual dollar amount) of commission payable by the client, based on the appraisal provided under rule 10.2.

The inspection process

One of the main reasons for inspecting the property is to ensure you can appraise the property, space, or business and provide the client with a qualified opinion of its likely value in the current market.

It is important to thoroughly inspect the property, space, or business so you have all the information needed to competently produce an appraisal.

Preparation is essential before obtaining a listing. The sequence of inspection should involve:

- pre-inspection sourcing of information²; and then,
- the physical inspection of the property, space, or business itself.

Researching the property, space, or business before inspection reduces the risk of errors.

² For example, the record of title will identify the owner(s) and indicate any interests that may impact the value.



Note

Consider any alternative use of a property or space. For example, an old, low rise block of apartments may occupy land which is capable of supporting a modern high-rise block of apartments. If the entire block were being appraised, consideration should be given to alternate uses.

The inspection processes you follow and the information you need to consider during an inspection will vary depending on the type of property, space, or business.

See **Appendix 2** for examples of inspection processes that apply for residential, multi-unit residential, lifestyle and industrial and commercial properties.

Best practice for meeting professional competence and ethical requirements when carrying out an appraisal

- Proper preparation when carrying out an inspection is essential to preparing an accurate appraisal and obtaining a listing. Researching the property, space, or business before inspection reduces the risk of errors.
- Clarify with the client exactly which fixtures and fittings are to be included or excluded. Fixtures and fittings form part of the property, space, or business and are permanently fixed to the land or buildings. They are there with the intention of permanently improving the land. When the property, space, or business is sold or leased they should remain in place.
- Chattels are the client's personal items and do not usually form part of the property, space, or business. They are items that the client may choose to take with them. This includes personal effects and furniture but might also include other items such as non-fitted carpets or curtains. It is important to note that chattels recorded in a lease agreement may either be the lessor or landlord's chattels or the lessee or tenant's chattels. It is important not to confuse the two.
- Make sure that appraisals are rigorous and factual and based on comparable properties and sales figures – refer to the section below on comparative market analysis. Avoid the risk of over-representing or under-representing the potential market value of land or a business. You must never deliberately overprice to secure a listing.
- Appraisals must be provided in writing. Though the rules do not prescribe a specific format, it is best practice to ensure the information you provide is clearly presented and fully understood.
- Before presenting any information to a prospective client, it is best practice that all licensed salespeople have their branch manager or supervising agent confirm their

appraisal and show that they have followed the process thoroughly and have considered the various approaches.

- A best practice process for confirming appraisals should be provided by the real estate agency and followed by its licensees to ensure that the company and all licensed salespeople understand appraisal processes and are meeting the requirements of the Real Estate Agents Act 2008, the Rules, and the Fair Trading Act 1986.

Compilation of appraisal

Real estate licensees normally use direct sales comparison and market appraisal methods to estimate the value of land or property by comparing it to similar land or property that has been sold in the area.

To apply this method, you need to select the comparable properties you are going to use carefully – the higher the level of similarity, the more accurate the appraisal will be. Three to four well-selected comparative properties that have been purchased or leased recently should be sufficient. This information is available to licensees via the REINZ recent sales database or other electronic databases, for example, LINZ agents.

Look for differences between the subject property and the comparable properties. List these differences, put a value on them, and adjust the price of the comparative properties accordingly. Examples of differences to look for are special features, the level of renovation, the impact of boundary restrictions, zoning factors and site factors.

Don't include any non-comparable sales.

Presenting comparable information on sales

When you present appraisal information to your client, it's important to ensure they understand:

- why these properties, spaces, or businesses have been selected as relevant
- how the information you are presenting translates into the appraised price you have arrived at for their own property, space or business.

For example, a similar house on the same street with a higher level of renovation may indicate a price, but you would need to explain any comparable reduction in the value of their own property.

End the appraisal with a summary that reflects the link between the most comparable properties and the subject property.

The summary should include the reasons you chose those comparable properties, and end with the appraised price, or price range, of the subject property (with a spread of no more than a 10%). You can also add a comment on market conditions.

The price should then be entered on the agency agreement in the space provided for the estimated commission. 'Based on the appraised sale price...' (or similar).

If you have appraised a price range, take the estimated price for commission (an actual dollar amount) from the middle or top of the range.

See **Appendix 4** for an appraisal using the capitalisation of net income method.

Other appraisal methods

Direct sales comparison can be used to evaluate most types of property and land. It is good practice to also use other appraisal methods, when appropriate, to back up and confirm the appraisal.

Other suitable appraisal methods will depend on the type of property, space, or business being appraised. We will not go into detail about appraisal methodology, but here is a summary of other methods and the circumstances where they may be used.

Appraisal method	Can be used when appraising the following
Capitalisation of net income method	<ul style="list-style-type: none"> • Investment properties • Multi-unit residential properties
Net rate method	<ul style="list-style-type: none"> • Investment properties • Lifestyle properties
Comparable lease rentals	<ul style="list-style-type: none"> • All commercial, industrial and retail leased premises
Area value method, or per hectare method	<ul style="list-style-type: none"> • Vacant land • Lifestyle properties • Horticultural and specialist unit properties • Pastoral and arable properties
Unit of improvement or density method	<ul style="list-style-type: none"> • Vacant land • Horticultural and specialist unit properties • Pastoral and arable properties
The gross revenue multiplier method	<ul style="list-style-type: none"> • Small and medium-sized businesses
Asset value method	<ul style="list-style-type: none"> • Larger sized businesses • Small and medium-sized businesses
Capitalised earnings method	<ul style="list-style-type: none"> • Larger sized businesses • Small and medium-sized businesses
Price-to-earnings ratio method	<ul style="list-style-type: none"> • Small and medium-sized businesses

Multiple of discretionary earnings method	<ul style="list-style-type: none"> • Small and medium-sized businesses
Production-related method (earnings based)	<ul style="list-style-type: none"> • Horticultural and specialist unit properties
Replacement cost less depreciation method	<ul style="list-style-type: none"> • Investment properties • Multi-unit residential properties • Lifestyle properties (used as a back-up method)

See **Appendix 4** for an appraisal example for a multi-unit residential property.

Confirmation of appraisals

Before presenting any information to a prospective client, it is best practice for a licensed branch manager or supervising agent to confirm the appraisal and check that the agency's process has been followed. Various approaches should have been considered, and more than one method should have been used to appraise the property.

A best practice process for confirming appraisals should ensure that the company and all licensed salespeople are meeting the requirements of the Real Estate Agents Act 2008, the Rules, and the Fair Trading Act 1986.

Read the following scenario and answer the questions about the rules. (Refer to the Real Estate Agents Act (Professional Conduct and Client Care) Rules 2012).

Scenario 3

A complaint was made to the Real Estate Authority about a property that was owned by a company; two parties who were equal shareholders (50:50) were named. The shareholders, the complainant and her ex-partner, had separated and were at the end of the process of negotiating the resolution of relationship property matters between them.

The complainant alleged that the licensee had listed and marketed the property without obtaining her authority as a half-owner.

During the inquiry, the Complaints Assessment Committee (CAC) became aware that the licensee had not completed a Comparative Marketing Appraisal (CMA) for the property.

Background:

The licensee entered into a listing (agency) agreement with the complainant's ex-partner, to whom he had previously sold the property two years before. No CMA (appraisal) was completed.

On the same day, the licensee introduced a potential buyer from Japan and subsequently sent property details to another potential buyer from the USA.

At this point, the complainant discovered that the property was being marketed without her permission and contacted the licensee and the agency concerned.

The licensee responded to the complainant informing her that he was advised to continue with marketing and sale of the property by the ex-partner.

Complaint number: C20896

You can read about this complaint and decision in the REA decision database which you can find at the top of the homepage at rea.govt.nz

Note the following comments made by the Committee:

[Para 3.5] 'The listing authority shows the name of the ex-partner as the sole vendor and the company name. When listing a property for sale a search of the title should always be done. This would have provided the licensee with evidence of the current owner, which was the company. A simple free, online search of the Companies Register would have provided the licensee with the details of the shareholders and directors of the company. The Committee considers that this is a basic step which should be taken on every occasion a property held by a company is listed.'

[Para 3.8] 'The Committee was concerned that the licensee continued to pursue the USA offer even after he was contacted by the complainant and the position made clear.'

Review of licensee responsibilities before signing an agency agreement

It is important to remember that your obligations in terms of confidentiality apply to any information you learn during the qualifying stage before an agency agreement is in place. (Rules 9.16, 9.17 and 9.18).

Complete the following quiz to check your knowledge of these requirements.

Remember that the Rules reflect the **minimum** requirements that licensees must meet to demonstrate professional competence. (Refer to the Real Estate Agents Act (Professional Conduct and Client Care) Rules 2012).

In-house complaints and dispute resolution processes

Under Rule 12.1, all real estate agencies are required to develop and maintain written in-house complaints and dispute resolution procedures which are available to clients and customers (Rule 12.2). Agencies must also comply with rule 12.3 and ensure prospective clients, clients and customers are aware that they may access REA's complaints process without first using any in-house procedures.

Complaints and dispute resolution procedures need to comply with Rule 12.3 and be:

- robust
- transparent
- up-to-date
- available to customers.

In-house complaints procedures will vary from agency to agency and will typically include the following information:

- How the complaint should be submitted. For example, in person or in writing; by email or post or online using a complaint form. It should outline what should be included with the complaint in terms of any supporting documents.
- Who the complaint should be addressed to. For example, job title(s), to the licensee's office or the head office.
- Contact details such as the physical address, email, phone number, URL link for the form, etc.
- The Complainants right to access the REA's complaints process without first using the in-house procedures.
- Details of complaints processing procedures. For example, when they are checked, where they are filed, etc.
- How a complaint is reviewed (e.g. by whom, time-frame for response etc.).
- Meeting with the complainant to discuss the proposed resolution.
- If the resolution is accepted - complainant signature obtained; copies given to the complainant and filed by the agency; files finalised in the office complaints file.

- If resolution not accepted - file details pending further action from REA.

Before signing an agency agreement with a client, licensees must inform the client about the agency's in-house procedures for dealing with complaints and dispute resolution and make sure a copy of the complaints procedure is available.

Real Estate Authority complaints processes

The Real Estate Authority (REA) is responsible for dealing with complaints about licensed real estate agents using an independent, fair and open process. Complaints are dealt with by REA or a Complaints Assessment Committee. More serious complaints and appeals are referred to the Disciplinary Tribunal.

REA maintains a public register of real estate licensees that includes information about any complaints that have been upheld in the last three years.

To meet the requirements of Rule 12.3, before signing an agency agreement, licensees must inform prospective clients about their right to use REA's complaint process instead of the agency's in-house procedures (if they prefer) and that they can raise a complaint with REA if they remain dissatisfied after following agency procedures.

Appendices

Appendix 1 – Section 127

127 Approved guide to be provided before the agency agreement for residential property is signed

(1) An agent must not enter into an agency agreement with a person for the sale of residential property unless the agent or a licensee on the agent's behalf—

(a) has provided the person with a copy of the approved guide before the agreement is signed by or on behalf of the person, and has received a signed acknowledgment from the person that the person has been given the approved guide.

(2) In this section—

approved guide means a guide that—

- (a) is about the sale of residential property:
- (b) has been approved by REA for this section

residential property does not include any property that—

- (a) has been developed with other properties in a continuous area; and
- (b) is proposed to be sold or otherwise disposed of by a vendor who also proposes to sell or otherwise dispose of, or who has sold or otherwise disposed of, some or all of those other properties.

(3) A contravention of this section does not affect the validity of the agency agreement.

Appendix 2 – Pre-inspection research

Residential properties

Pre-inspection research should include:

- the prospective client's name and contact details
- the Certificate of Title number – information regarding easements or covenants can be sourced from the Certificate of Title
- the legal owner(s) details – know who is legally entitled to sign the agency agreement
- the legal description of the property - Lot, DP etc. and any memorials listed on the title
- the details of land ownership on the Certificate of Title – freehold, leasehold, Māori land, etc
- a current rating notice
- property details from Property Guru or similar
- information about the land contour which could be sourced from the Territorial Authority GIS

Physical inspection of the property:

- Property features
 - Check the street address. Ensure that street numbering is correct, especially for cross lease properties, townhouses, units, or apartments, etc.
 - Check the number of storeys (if multi-storeyed).
 - Check the age of the building.

Exterior property features

- Style of property: For example; villa, cottage, townhouse, apartment, office, warehouse.
- Roof: Roofing materials such as corrugated iron, pressed steel tiles, asphalt tiles, concrete tiles.
- Cladding: Exterior cladding such as brick, weatherboard, corrugated iron, plaster, concrete block, concrete, etc.

Interior property features

- Interior rooms: Take note of all interior rooms, such as number of living spaces, separate dining or lounge areas, conservatory, rumpus, or study, number of bedrooms and bathrooms
- Interior features: Such as designer kitchen, feature fireplace, open-plan living
- Interior construction. For example, block interior walls, polished timber floors, plaster ceilings, wooden tongue and groove ceilings

- Heating or cooling: Such as central heating, gas heaters, heat pumps, air conditioning
- Joinery: For example, aluminium, timber

Exterior land features

- Land area: Where possible, clarify the defined boundaries of the property
- Parking: Availability of garaging, as well as off-street parking
- Exterior features: such as landscaped gardens, patio, decks, fountains, exterior buildings
- Recreational features: such as swimming pool, tennis court, children's play area
- Land features: such as sloping or flat section, fenced, mature trees, fruit trees, orientation
- View: such as sea views, overlooking bush, neighbouring a park

Other property features

- Services: such as water (town supply, tank, bore), electricity (underground cabling or overhead wiring), gas, SKY television aerial
- Compliance schedule systems: Building WOF in commercial property or apartments.
- School zones: Research which schools (primary and secondary) the property is in the zone for. (Full details of school zones are available from the Ministry of Education at schoolzones.co.nz.) Note: If this is a particularly important selling point, contact local schools to confirm the zoning.

Fixtures and fittings included in the sale

- Fixed floor coverings: carpets, wooden floors, vinyl, cork tiles
- TV or SKY aerial
- Automatic garage door and openers
- Ceiling fans
- Light fittings
- Heated towel rails
- Extractor fan
- Rangehood
- Waste disposal unit
- Burglar alarm
- Pool and pool fittings

Chattels to be included in sale

Take particular note of:

- Window furnishings: blinds, curtains, drapes
- Rugs
- Light fittings
- Stove
- Dishwasher
- Refrigerator - usually excluded from the sale
- Microwave - may be included with chattels
- Washing machine and dryer - usually excluded from the sale
- Garden shed - may be included with chattels

(b) Multi-unit residential properties

Pre-inspection research should include:

- Prospective client's name and contact details
- Certificate of Title number (information regarding easements or covenants can be sourced from the Certificate of Title)
- Legal owner(s) details - know who is legally entitled to sign the agency agreement
- The legal description of the property - Lot, DP etc.; any memorials listed on the title
- Current rating notice
- Property details from Property Guru or similar
- Identification of Principal Unit and Accessory Unit
- Body Corporate Information

Physical inspection of property:

Exterior property features

- Correct street address. Ensure that street and apartment numbering is correct
- Land area: Where possible, clarify the defined boundaries of the entire property. Identify exclusive use areas and common areas
- Style of property: For example; flats, apartments, multi-unit townhouse complex
- Roof: Roofing materials such as corrugated iron, pressed steel tiles, asphalt tiles, concrete tiles
- Cladding: Exterior cladding such as brick, weatherboard, corrugated iron, plaster, concrete block, concrete, etc

Interior property features

- Interior rooms: Take note of all interior rooms, such as number of living spaces, separate dining or lounge areas, study, number of bedrooms and bathrooms etc
- Interior features: Such as designer kitchen, feature fireplace, open-plan living
- Interior construction: For example, block interior walls, polished timber floors, plaster ceilings, wooden tongue and groove ceilings
- Heating or cooling: Such as central heating, gas heaters, heat pumps, air conditioning
- Joinery: For example, aluminium, timber
- Exterior land features
- Parking: Availability of garaging, as well as off-street parking

Exterior features

- Exterior features: such as landscaped gardens, patio, decks, fountains, exterior buildings, large pot plants
- Recreational features: such as swimming pool, tennis court, children's play area
- Land features: such as sloping or flat section, fenced, mature trees, fruit trees, orientation
- View: such as sea views, overlooking bush, neighbouring a park

Other property features

- Elevators
- Services: such as gas, SKY television aerial
- Location, including school zones: Research which schools (primary and secondary) the property is in the zone. Full details of school zones are available from the Ministry of Education at schoolzones.co.nz. Note: If this is a particularly important selling point, contact local schools in the first instance, but preferably the Ministry of Education to confirm the zoning
- Proximity to other amenities such as shops and public transport

Fixtures and fittings included in the sale

Take particular note of:

- Fixed floor coverings: carpets, wooden floors, vinyl, cork tiles
- TV or SKY aerial
- Automatic garage door and openers
- Ceiling fans
- Light fittings
- Heated towel rails
- Extractor fan
- Rangehood
- Waste disposal unit
- Burglar alarm

- Pool and pool fittings

Chattels to be included in sale

Take particular note of:

- Window furnishings: blinds, curtains, drapes
- Rugs
- Light fittings
- Stove
- Dishwasher
- Refrigerator - usually excluded from the sale
- Microwave - might be included with chattels
- Washing machine and dryer - usually excluded from the sale

(c) Lifestyle properties

Pre-inspection research should include:

- Prospective client's name and contact details
- Certificate of Title number (information regarding easements or covenants can be sourced from the Certificate of Title)
- Legal owner(s) details - know who is legally entitled to sign the agency agreement
- The legal description of the property - Lot, DP etc.; any memorials listed on the title
- Details of land ownership on the Certificate of Title - freehold, leasehold, Maori land etc
- Current rating notice
- Property details from Property Guru or similar
- Information on the land contour which could be sourced from the Territorial Authority GIS

Physical inspection of property:

- Property features (main dwelling and out buildings)
- Location
- Access
- Proximity to local centres or shops, roads or motorways
- Usual internal and external inspection of any residential house
- Age and type of other building(s) (such as sheds, storage, outbuildings)
- Water (town supply or bore), power or gas and sewerage supply

Exterior property and land features

- Land: contour, outlook, current use (grazing, agriculture, horticulture etc)

- Buildings: construction material; age; style; condition; current use
- Fencing: existing; condition
- Site facilities and features: parking, landscaping, recreational features
- Additional features such as pond, stream, bush, irrigation, water rights, forestry, etc
- Neighbouring land
- Fixtures and fittings clearly identified and noted
- Chattels clearly identified and noted
- Any specialised features of the property such as grazing land, stock, or agriculture or horticulture or viticulture, and plant and machinery associated with the property sale

(d) Commercial and industrial properties

The licensee must be familiar with all associated terminology and aspects specific to this type of property, such as lease agreements, building warrant of fitness requirements, 'highest and best use' opportunities and limitations, compliance with possible 'change of use' options, and capitalisation rates of a similar property.

Pre-inspection research should include:

- Prospective client or landlord's name and contact details. Note: The name of the client or landlord may not be the same name as the registered owner of the property. This is particularly important with properties owned by more than one person (such as trusts) or companies (where directors details should be ascertained)
- Tenant's name and contact number - if relevant
- Certificate of Title number (Composite Computer Register)
- Legal owner(s) details - know who is legally entitled to sign the agency agreement
- The legal description of the property - as cited on the Certificate of Title
- Details of ownership on Certificate of Title (e.g. individual, company)
- Details of memorials cited on the Certificate of Title
- Current rating notice
- Property details from Property Guru or similar
- Maps and cadastral plans, etc

Physical inspection of property:

- Building features: age and style of building(s), construction materials
- Interior features: layout and fit out, construction material of internal structures, joinery, heating air con, lifts, building warrant of fitness
- Land area, contour, aspect
- Exterior features: parking, landscaping

- Other features: location, access to arterial routes, development potential, zoning restrictions, existing use or change of use
- Other aspects of the property should include: Compliance schedule, Building Warrant of Fitness; Zoning; LIM

Appendix 3 – Appraisal: direct sales comparison

PLEASANTVILLE REALTY

16 August 20xx

Joseph and Joanne Windsor
1/101 Princes Road
Pleasantville

Dear Joe and Jo,

Appraisal report: 1/101 Princes Road, Pleasantville
Tenure: Cross lease – ¼ share in 2050 m²

Thank you for giving our team the opportunity to appraise your home. To help determine a recommended selling price I have compiled a list of recently sold properties that are comparable to yours (for more details about each property see the table on the next page).

Six of the properties near your home that have sold in the last 12 months are comparable to yours. These have been selected as they are of a similar age, floor area, with some views and are cross lease. I have also included one fee simple (freehold) property that is otherwise similar to yours. The Rateable Values (RV) of these properties are mainly lower than yours.

Referring to the comparable properties:

The property at 7A Duke Street, which sold last October, is statistically most comparable to yours in terms of floor size, age of construction and RV. This property sold for \$1.26 million.

The property at 12 Queens Place that had the highest sale in the comparable properties (\$1.31 million) actually has a lower RV, a smaller floor area, was built in the 1970s and needs refurbishing. The higher price is partly due to the property being a fee simple title (freehold). The property also has wide appeal to families as it has a large, flat and fully enclosed rear lawn and garden. In my opinion these two properties give a good indication to where the value of your property lies.

Your property:

Located in a sought-after mews and is built of very popular brick and cedar construction. It also has the potential for someone to renovate the upstairs bedrooms. Your recent downstairs renovation, including designer kitchen and the addition of a guest toilet, will have a wide appeal.

I have reviewed the Certificate of Title and legal interests and, in my opinion, there are no encumbrances that will impact on value. However, I have not reviewed the Land Information Memorandum (LIM). Therefore, my appraised price range is subject to any compliance and other local authority issues that may be identified in the LIM.

Having carefully considered the information available and considering the current move towards a buyer's market and lowered prices, my recommendation selling range for your property is \$1.275 – \$1.3 million.

Once you have considered my recommendation, I will talk through some ideas with you on how we might market your home and together come up with a sales strategy, marketing plans and agree on all campaign and sales costs.

I look forward to working in partnership with you and to achieving the very best result for you and your family in the successful sale of your home.

Oli Cromwell
021 234 5678
Licensed Real Estate Salesperson REAA 2008
Pleasantville Realty Ltd

Pleasantville Realty: 176A Empress Boulevard, Pleasantville, New Zealand, PO Box 99-999 NZ TEL +64 123 4567
PLEASANTVILLE REALTY LTD MREINZ – LICENSED REAA 2008

PLEASANTVILLE REALTY

Subject Property

Address:	1/101 Princes Road	Title:	Crosslease
Appraised Price:	\$1,275,000 to \$1,300,000		
Land Size:	1/4 share in 2050 m ²		
House Size:	200 m ² (approx)	Rating Value:	\$980,000
Beds:	3	Land Value:	\$530,000
Age:	1980s	Improv. Value:	\$450,000
Roof:	Fibre cement	Walls:	Brick and cedar
Comment:	A popular street with good access to the motorway and city. Recent downstairs renovation with quality new kitchen and powder room. Sea views from the top floor and in a private, gated mews.		



Comparable Properties



Address:	12 Queens Place	Title:	Estate in fee simple
Sale Price:	\$1,310,000.00	Sale Date:	1/03/20xx
Land Size:	700 m ² (approx)		
House Size:	186 m ² (approx)	Rating Value:	\$950,000
Beds:	3 -4 dbl 1 single	Land Value:	\$540,000
Age:	1970s	Improv. Value:	\$410,000
Roof:	Tile profile	Walls:	Mixed materials
Considered:	<input checked="" type="checkbox"/> Superior <input type="checkbox"/> Comparable <input type="checkbox"/> Inferior		
Comment:	The property is not as well presented inside as the subject property (1/101 Princes Road) but the large, flat and fully enclosed family-friendly rear lawn and garden, the 2 nd lounge and the fee simple (freehold) title created considerable buyer competition helping it to achieve a premium sales price.		



Address:	7A Duke Street	Title:	Crosslease
Sale Price:	\$1,260,000	Sale Date:	29/10/20xx
Land Size:	1/2 share in 1000 m ²		
House Size:	210 m ² (approx)	Rating Value:	\$1,000,000
Beds:	3 Dbl plus study	Land Value:	\$520,000
Age:	1980s	Improv. Value:	\$480,000
Roof:	Mixed material	Walls:	Brick and weatherboard
Considered:	<input type="checkbox"/> Superior <input checked="" type="checkbox"/> Comparable <input type="checkbox"/> Inferior		
Comment:	The dwelling has been recently painted and renovated to a high standard. Sea views. Double garage plus carport, and good indoor-outdoor flow to the rear. In my opinion this is most comparable to the subject property in terms of value.		



PLEASANTVILLE REALTY

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">Address:</td> <td>221 The Sovereigns Avenue</td> <td style="width: 20%;">Title:</td> <td>Crosslease</td> </tr> <tr> <td>Sale Price:</td> <td>\$1,245,000</td> <td>Sale Date:</td> <td>9/08/20xx</td> </tr> <tr> <td>Land Size:</td> <td colspan="3">1/2 share in 1100 m²</td> </tr> <tr> <td>House Size:</td> <td>180 m2 (approx)</td> <td>Rating Value:</td> <td>\$870,000</td> </tr> <tr> <td>Beds:</td> <td>3</td> <td>Land Value:</td> <td>\$440,000</td> </tr> <tr> <td>Age:</td> <td>1990s</td> <td>Improv. Value:</td> <td>\$430,000</td> </tr> <tr> <td>Roof:</td> <td>Fibre cement</td> <td>Walls:</td> <td>Brick and cedar</td> </tr> <tr> <td>Considered:</td> <td colspan="3"> <input type="checkbox"/> Superior <input type="checkbox"/> Comparable <input checked="" type="checkbox"/> Inferior </td> </tr> <tr> <td>Comment:</td> <td colspan="3"> You will note that this property was sold last week. The dwelling is very similar to the subject property with the floor plan being mirror image. In my opinion the subject property is superior because of its more private and sought after mews location and the sea views. </td> </tr> </table>	Address:	221 The Sovereigns Avenue	Title:	Crosslease	Sale Price:	\$1,245,000	Sale Date:	9/08/20xx	Land Size:	1/2 share in 1100 m ²			House Size:	180 m2 (approx)	Rating Value:	\$870,000	Beds:	3	Land Value:	\$440,000	Age:	1990s	Improv. Value:	\$430,000	Roof:	Fibre cement	Walls:	Brick and cedar	Considered:	<input type="checkbox"/> Superior <input type="checkbox"/> Comparable <input checked="" type="checkbox"/> Inferior			Comment:	You will note that this property was sold last week. The dwelling is very similar to the subject property with the floor plan being mirror image. In my opinion the subject property is superior because of its more private and sought after mews location and the sea views.			
Address:	221 The Sovereigns Avenue	Title:	Crosslease																																		
Sale Price:	\$1,245,000	Sale Date:	9/08/20xx																																		
Land Size:	1/2 share in 1100 m ²																																				
House Size:	180 m2 (approx)	Rating Value:	\$870,000																																		
Beds:	3	Land Value:	\$440,000																																		
Age:	1990s	Improv. Value:	\$430,000																																		
Roof:	Fibre cement	Walls:	Brick and cedar																																		
Considered:	<input type="checkbox"/> Superior <input type="checkbox"/> Comparable <input checked="" type="checkbox"/> Inferior																																				
Comment:	You will note that this property was sold last week. The dwelling is very similar to the subject property with the floor plan being mirror image. In my opinion the subject property is superior because of its more private and sought after mews location and the sea views.																																				
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">Address:</td> <td>9 Earls Way</td> <td style="width: 20%;">Title:</td> <td>Crosslease</td> </tr> <tr> <td>Sale Price:</td> <td>\$1,195,000</td> <td>Sale Date:</td> <td>28/02/20xx</td> </tr> <tr> <td>Land Size:</td> <td colspan="3">1/3 share in 1450 m²</td> </tr> <tr> <td>House Size:</td> <td>200 m2 (approx)</td> <td>Rating Value:</td> <td>\$890,000</td> </tr> <tr> <td>Beds:</td> <td>3 plus study</td> <td>Land Value:</td> <td>\$450,000</td> </tr> <tr> <td>Age:</td> <td>1980s</td> <td>Improv. Value:</td> <td>\$440,000</td> </tr> <tr> <td>Roof:</td> <td>Steel / G-Iron</td> <td>Walls:</td> <td>Brick</td> </tr> <tr> <td>Considered:</td> <td colspan="3"> <input type="checkbox"/> Superior <input type="checkbox"/> Comparable <input checked="" type="checkbox"/> Inferior </td> </tr> <tr> <td>Comment:</td> <td colspan="3"> An original "spec" home with minimal gardens. Well located; however, in my opinion, the subject property is superior due to a larger house size and higher quality build. </td> </tr> </table>	Address:	9 Earls Way	Title:	Crosslease	Sale Price:	\$1,195,000	Sale Date:	28/02/20xx	Land Size:	1/3 share in 1450 m ²			House Size:	200 m2 (approx)	Rating Value:	\$890,000	Beds:	3 plus study	Land Value:	\$450,000	Age:	1980s	Improv. Value:	\$440,000	Roof:	Steel / G-Iron	Walls:	Brick	Considered:	<input type="checkbox"/> Superior <input type="checkbox"/> Comparable <input checked="" type="checkbox"/> Inferior			Comment:	An original "spec" home with minimal gardens. Well located; however, in my opinion, the subject property is superior due to a larger house size and higher quality build.			<p style="font-size: 24px; color: gray;">No Photo Available</p>
Address:	9 Earls Way	Title:	Crosslease																																		
Sale Price:	\$1,195,000	Sale Date:	28/02/20xx																																		
Land Size:	1/3 share in 1450 m ²																																				
House Size:	200 m2 (approx)	Rating Value:	\$890,000																																		
Beds:	3 plus study	Land Value:	\$450,000																																		
Age:	1980s	Improv. Value:	\$440,000																																		
Roof:	Steel / G-Iron	Walls:	Brick																																		
Considered:	<input type="checkbox"/> Superior <input type="checkbox"/> Comparable <input checked="" type="checkbox"/> Inferior																																				
Comment:	An original "spec" home with minimal gardens. Well located; however, in my opinion, the subject property is superior due to a larger house size and higher quality build.																																				
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">Address:</td> <td>2/16 Kings Parade</td> <td style="width: 20%;">Title:</td> <td>Crosslease</td> </tr> <tr> <td>Sale Price:</td> <td>\$1,180,000</td> <td>Sale Date:</td> <td>9/08/20xx</td> </tr> <tr> <td>Land Size:</td> <td colspan="3">1/2 share in 1050 m²</td> </tr> <tr> <td>House Size:</td> <td>180 m2 (approx)</td> <td>Rating Value:</td> <td>\$870,000</td> </tr> <tr> <td>Beds:</td> <td>4</td> <td>Land Value:</td> <td>\$475,000</td> </tr> <tr> <td>Age:</td> <td>1980s weatherboard</td> <td>Improv. Value:</td> <td>\$395,000</td> </tr> <tr> <td>Roof:</td> <td>Steel / G-Iron</td> <td>Walls:</td> <td>Mixed materials</td> </tr> <tr> <td>Considered:</td> <td colspan="3"> <input type="checkbox"/> Superior <input type="checkbox"/> Comparable <input checked="" type="checkbox"/> Inferior </td> </tr> <tr> <td>Comment:</td> <td colspan="3"> A replica Colonial-style home built in the 1980s. The property is accessed by right-of-way and has a single garage. Following two sales campaigns, the property sold last week. In my opinion the subject property is superior. </td> </tr> </table>	Address:	2/16 Kings Parade	Title:	Crosslease	Sale Price:	\$1,180,000	Sale Date:	9/08/20xx	Land Size:	1/2 share in 1050 m ²			House Size:	180 m2 (approx)	Rating Value:	\$870,000	Beds:	4	Land Value:	\$475,000	Age:	1980s weatherboard	Improv. Value:	\$395,000	Roof:	Steel / G-Iron	Walls:	Mixed materials	Considered:	<input type="checkbox"/> Superior <input type="checkbox"/> Comparable <input checked="" type="checkbox"/> Inferior			Comment:	A replica Colonial-style home built in the 1980s. The property is accessed by right-of-way and has a single garage. Following two sales campaigns, the property sold last week. In my opinion the subject property is superior.			
Address:	2/16 Kings Parade	Title:	Crosslease																																		
Sale Price:	\$1,180,000	Sale Date:	9/08/20xx																																		
Land Size:	1/2 share in 1050 m ²																																				
House Size:	180 m2 (approx)	Rating Value:	\$870,000																																		
Beds:	4	Land Value:	\$475,000																																		
Age:	1980s weatherboard	Improv. Value:	\$395,000																																		
Roof:	Steel / G-Iron	Walls:	Mixed materials																																		
Considered:	<input type="checkbox"/> Superior <input type="checkbox"/> Comparable <input checked="" type="checkbox"/> Inferior																																				
Comment:	A replica Colonial-style home built in the 1980s. The property is accessed by right-of-way and has a single garage. Following two sales campaigns, the property sold last week. In my opinion the subject property is superior.																																				
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">Address:</td> <td>1B Jester Crescent</td> <td style="width: 20%;">Title:</td> <td>Crosslease</td> </tr> <tr> <td>Sale Price:</td> <td>\$1,175,000</td> <td>Sale Date:</td> <td>11/10/20xx</td> </tr> <tr> <td>Land Size:</td> <td colspan="3">1/3 share in 1750 m²</td> </tr> <tr> <td>House Size:</td> <td>180 m2 (approx)</td> <td>Rating Value:</td> <td>\$830,000</td> </tr> <tr> <td>Beds:</td> <td>3</td> <td>Land Value:</td> <td>\$520,000</td> </tr> <tr> <td>Age:</td> <td>1980s</td> <td>Improv. Value:</td> <td>\$310,000</td> </tr> <tr> <td>Roof:</td> <td>Steel / G-Iron</td> <td>Walls:</td> <td>Weatherboard</td> </tr> <tr> <td>Considered:</td> <td colspan="3"> <input type="checkbox"/> Superior <input type="checkbox"/> Comparable <input checked="" type="checkbox"/> Inferior </td> </tr> <tr> <td>Comment:</td> <td colspan="3"> The dwelling is in original condition and is showing its age inside – in need of refurbishment. The property has views, a large private back garden and two living areas. In my opinion the subject property is superior. </td> </tr> </table>	Address:	1B Jester Crescent	Title:	Crosslease	Sale Price:	\$1,175,000	Sale Date:	11/10/20xx	Land Size:	1/3 share in 1750 m ²			House Size:	180 m2 (approx)	Rating Value:	\$830,000	Beds:	3	Land Value:	\$520,000	Age:	1980s	Improv. Value:	\$310,000	Roof:	Steel / G-Iron	Walls:	Weatherboard	Considered:	<input type="checkbox"/> Superior <input type="checkbox"/> Comparable <input checked="" type="checkbox"/> Inferior			Comment:	The dwelling is in original condition and is showing its age inside – in need of refurbishment. The property has views, a large private back garden and two living areas. In my opinion the subject property is superior.			
Address:	1B Jester Crescent	Title:	Crosslease																																		
Sale Price:	\$1,175,000	Sale Date:	11/10/20xx																																		
Land Size:	1/3 share in 1750 m ²																																				
House Size:	180 m2 (approx)	Rating Value:	\$830,000																																		
Beds:	3	Land Value:	\$520,000																																		
Age:	1980s	Improv. Value:	\$310,000																																		
Roof:	Steel / G-Iron	Walls:	Weatherboard																																		
Considered:	<input type="checkbox"/> Superior <input type="checkbox"/> Comparable <input checked="" type="checkbox"/> Inferior																																				
Comment:	The dwelling is in original condition and is showing its age inside – in need of refurbishment. The property has views, a large private back garden and two living areas. In my opinion the subject property is superior.																																				

Appendix 4 – Appraisal: Capitalisation of net income method for multi-unit residential property

Capitalisation of net income method – Multi-unit residential property example

Subject Property - 38 Karaka Drive.

Potential Gross Income			\$ 57,200.00	p.a.
Less: Vacancies / Bad Debts (3%)			\$ 1,716.00	p.a.
Effective Gross Income			\$ 55,484.00	p.a.
Less: Unrecoverable OPEX				
Rates	\$ 4,250.00	p.a.		
Maintenance	\$ 2,750.00	p.a.		
Insurance	\$ 2,000.00	p.a.		
Management	\$ 2,150.00	p.a.	\$ 11,150.00	p.a.
Net Operating Income			\$ 44,334.00	p.a.
Capitalised at	5.7%	0.057		

Indicative Appraisal Value	\$ 778,000.00
-----------------------------------	---------------

Comparison Sales.

Property.1. - 42 Kowhai Place

Potential Gross Income			\$ 74,880.00	p.a.
Less: Vacancies / Bad Debts (3%)			\$ 2,246.40	p.a.
Effective Gross Income			\$ 72,633.60	p.a.
Less: Unrecoverable OPEX (23% of Effective Gross Income)			\$ 16,705.73	p.a.
Net Operating Income			\$ 55,927.87	p.a.
Capitalisation Rate	R=	I	÷	V
	=	\$ 55,927.87	÷	\$ 920,000.00
	=	0.061	i.e.	6.1%

Property.2. - 25 Tawa Close

Potential Gross Income		\$ 66,300.00	p.a.
Less: Vacancies / Bad Debts (3%)		\$ 1,989.00	p.a.
Effective Gross Income		<u>\$ 64,311.00</u>	p.a.
Less: Unrecoverable OPEX (21% of Effective Gross Income)		<u>\$ 13,505.31</u>	p.a.
Net Operating Income		\$ 50,805.69	p.a.

Capitalisation Rate	R=	I	÷	V
	=	\$ 50,805.69	÷	\$ 860,000.00
	=	0.059	i.e.	5.9%

Property.3. - 10 Rimu Place

Potential Gross Income		\$ 52,000.00
Less: Vacancies / Bad Debts (3%)		\$ 1,560.00
Effective Gross Income		<u>\$ 50,440.00</u>
Less: Unrecoverable OPEX (23% of Effective Gross Income)		<u>\$11,601.20</u>
Net Operating Income		\$38,838.80

Capitalisation Rate	R=	I	÷	V
	=	\$ 38,838.80	÷	\$ 745,000.00
	=	0.052	i.e.	5.2%

Market Capitalisation Rate:

6.1%
5.9%
<u>5.2%</u>

Analysis of the comparable sales showed that the subject property was superior to 452 Kowhai Place (6.1%), slightly superior to 25 Tawa Close (5.9%) and somewhat inferior to 10 Rimu Place (5.2%). For this reason, a capitalisation rate of 5.7% was applied.

