
Real Property Valuation Policy

Instreet Investment Limited

Table of contents

1.	Adoption and Review	1
2.	Corporations Act obligations	1
3.	Purpose of Valuations	3
4.	Objective of the Policy	3
5.	Valuation Policy	4
6.	Monitoring	7
7.	Keeping of documentation	7

1. Adoption and Review

Adoption

- 1.1 This document contains a general outline of the real estate valuation policy (**Policy**) adopted by Instreet Investment Limited (**Responsible Entity**) in its capacity as responsible entity for the *Raiz Property Fund* (**Fund**). This Policy was first adopted by the board on 25 October 2022.

Review

- 1.2 This Policy is to be reviewed by the Compliance Officer not less than every 12 months. A report of the review, together with the recommendations, if any, of the Compliance Officer, must be tabled at the next meeting of the board of the Responsible Entity held after the report is completed.
- 1.3 A table of the history of the reviews and amendments to this Policy appears at the end of this Policy.

2. Corporations Act obligations

General

- 2.1 Section 912A(1)(aa) of the *Corporations Act 2001* (Cth) (**Corporations Act**) provides that the Responsible Entity, as the holder of its Australian financial services licence no: 434776 (**AFS Licence**) must:
- (a) do all things necessary to ensure that the financial services covered by its AFS Licence are provided efficiently honestly and fairly;
 - (b) comply with the conditions on its AFS Licence including the prescribed conditions under regulation 7.6.04 of the Corporations Regulations 2001; and
 - (c) comply with the financial services laws.

AFS Licence Conditions

- 2.2 The Responsible Entity as the holder of its AFS Licence is required to establish and maintain the compliance measures that ensure, as far as is reasonably practicable, that the Responsible Entity complies with the provisions of the financial services law.
- 2.3 ASIC expects that these compliance measures be documented and be consistent with *Australian Standard AS 3806 – 2006*, Compliance Programs.

Valuation obligations

- 2.4 Section 601FC(1)(j) of the Corporations Act imposes an express obligation on the Responsible Entity to ensure that the scheme property, which includes any real estate, is valued at regular intervals appropriate to the nature of the property.

ASIC Regulatory Guide 46: - Unlisted property schemes – Improving disclosure for retail investors

- 2.5 RG 46 requires the responsible entity of an unlisted property scheme to report whether it meets Benchmark 4 – *Valuation policy* (and if it does not, explain why it does not so comply).

- 2.6 The terms of the benchmark are that the Responsible Entity is required to disclose whether it maintains and complies with a valuation policy that requires:
- (a) a valuer to:
 - (i) be registered or licensed in the relevant state, territory or overseas jurisdiction in which the property is located (where a registration or licensing regime exists), or otherwise be a member of an appropriate professional body in that jurisdiction; and
 - (ii) be independent;
 - (b) procedures to be followed for dealing with any conflicts of interest;
 - (c) rotation and diversity of valuers;
 - (d) valuations to be obtained in accordance with a set timetable; and
 - (e) for each property, an independent valuation to be obtained:
 - (i) before the property is purchased:
 - (A) for a development property, on an 'as is' and 'as if complete' basis; and
 - (B) for all other property, on an 'as is' basis; and
 - (ii) within two months after the directors form a view that there is a likelihood that there has been a material change in the value of the property.
- 2.7 Among other requirements RG 46.50 requires the Responsible Entity to disclose a summary of its policy, whether the Responsible Entity complies with the policy and where an investor can obtain a copy of the full valuation policy.
- 2.8 The Responsible Entity has adopted this Policy so that it is in a position to disclose that it meets the benchmark as well as providing a documented version of the valuation policy applicable to real property.

Constitution of the Fund

- 2.9 Clauses 13.1 and 13.2 of the Constitution provide that the Responsible Entity:
- (a) may cause an asset of the Fund to be valued at any time; and
 - (b) must cause an asset to be valued when required by the Corporations Act.
- 2.10 Clause 13.3 of the Constitution provides that the Responsible Entity has the discretion to determine valuation methods and policies for each category of asset and to change them from time to time. However, whilst the scheme is registered, the valuation methods and policies must:
- (a) be approved by the board of directors of the Responsible Entity;
 - (b) be consistent with ordinary commercial practice; and
 - (c) must produce a valuation that is reasonably current.

- 2.11 In determining whether a valuation accurately reflects the current or market value of an asset, the Responsible Entity is not to be regarded as having the knowledge of a valuer or any other expertise other than its expertise as a responsible entity.

Compliance Plan of the Fund

- 2.12 The compliance plan adopted by the Responsible Entity in respect of the Fund (**Compliance Plan**) requires the Responsible Entity to have procedures in place to ensure that it complies with its valuation obligations under the Corporations Act and the Constitution for the Fund, as well as its obligation to disclose against the Benchmark under RG 46. These include the following:
- (a) Compliance Rule 15.10 – *Accounting, audit, record keeping and disclosure*, which requires the Responsible Entity to ensure that ongoing disclosure to scheme members addresses the six benchmarks and eight disclosure principles in RG 46; and
 - (b) Compliance Rule 6 – *Valuations*, which requires, among other provisions that a valuation of all scheme assets are valued in accordance with the Constitution and the Valuation Policy, in intervals appropriate to the nature of the investment. It also states the requirements as to valuers, including their independence, the frequency of valuations and the review of valuations.
- 2.13 As at the date of the adoption of this Policy, the valuation requirements of the Compliance Plan are reflected in this Policy.
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3. Purpose of Valuations

- 3.1 Valuations of real property that forms part of the scheme property of the Fund are obtained by the Responsible Entity, as responsible entity of the Fund, at various times to determine:
- (a) the market value of the property at the time of acquisition and disposition;
 - (b) the loan to valuation ratio (**LVR**) and the fair market value of the property for debt, funding and gearing purposes; and
 - (c) any changes on the value of the property which may impact on the ascertainment of the net asset value or gross asset value of the Fund for purposes such as unit pricing, determination of financial requirements as to net tangible assets, financial reporting and the like.
- 3.2 The annual review of this Policy as envisaged under paragraph 1.2 should ensure that changes to the nature, scale and complexity of the Responsible Entity's business including any changes to the situations for which a valuation of real property is required, are reflected in this document on an ongoing basis.
- 3.3 For valuation of the Fund's liabilities – see section 4 in the Unit Pricing Discretion Policy.
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4. Objective of the Policy

- 4.1 Consistent with ASIC's commentary in RG 46.46 to RG 46.49, the objective of this Policy is to ensure that a consistent framework is applied by the Responsible Entity to property valuations from which all stakeholders can reference and have confidence in the process.

- 4.2 To this end, this Policy describes the various processes involved to ensure that Fund assets that comprise real property are valued in a manner appropriate to their nature. This includes that they must be:
- (a) valued on a regular basis;
 - (b) prepared in accordance with industry accepted and appropriate valuation methodologies;
 - (c) prepared for the purpose they were instructed for;
 - (d) prepared by suitably qualified valuers, with the appropriate skill and experience, without conflict of interest; and
 - (e) recorded in statutory financial accounts and other public documents appropriately.
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5. Valuation Policy

Requirement for a valuation

- 5.1 Consistent with the terms of the Constitution, the Corporations Act and the Compliance Plan, it is the policy of the Responsible Entity that a valuation of any real property that is or is to become an asset of the Fund that a valuation must be obtained:
- (a) before the asset is acquired by the Fund;
 - (b) unless the sale of an asset by the Fund is at public auction or at arm's length on the open market a valuation is required, before the asset is sold;
 - (c) at any time that a formal valuation may be required by a financier or the Responsible Entity for the purpose of ascertaining or verifying the LVR of any borrowing for the Fund;
 - (d) no less than every 12 months;
 - (e) within two months after the directors of the Responsible Entity form a view that there is a likelihood that there has been a material change in the value of the property.
- 5.2 For the purpose of Clause 5.1(e) above, material change means an increase or decrease in valuation of more than 15%.

Qualification of Valuers

- 5.3 The Responsible Entity requires that the valuer undertaking a valuation for the Fund:
- (a) is suitably qualified to carry out a valuation and that he/she has at least 5 years' appropriate experience;
 - (b) is authorised under the Law of the State or Territory where the valuation takes place to practice as a valuer (if applicable);
 - (c) is a member of the Australian Property Institute and is categorised as a Certified Practising Valuer by that Institute;
 - (d) has professional indemnity insurance cover of at least \$5m from a reputable and creditworthy insurer and if so requested, provide a copy of a certificate of current insurance. They must also produce details of any exclusions in the policies;

- (e) is independent; and
- (f) accepts instructions to value the property interest only from the Responsible Entity.

Independence of Valuer

- 5.4 Without limiting the requirements in paragraph 5.3 above, the valuer must be independent of the Responsible Entity, its related parties and associates, and any relevant vendor or purchaser. Accordingly, the valuer:
- (a) must have no pecuniary interest or other conflict of interest that could reasonably be regarded as being capable of affecting that person's ability to give an unbiased opinion of the market value or that could conflict with a valuation of the interest property; and
 - (b) must not be a company acting for a vendor (i.e. as agent or advisor on the sale of a property interest to the Fund).

Managing any conflict of interest

- 5.5 If a conflict of interest arises or a potential conflict identified in the course of an engagement of a valuer or its undertaking of a valuation, it will be managed in accordance with the procedures adopted by the Responsible Entity as documented in the *Conflict of Interest Policy* of the Responsible Entity.

Instruction of Valuer

- 5.6 The person instructing the valuer is responsible for ensuring that the valuer receives all information relevant to making a proper valuation of the property interest. All instructions must be in writing.
- 5.7 The valuation report must confirm the value of the property and acknowledge the purpose for which the valuation is being obtained, such a purchase or sale.
- 5.8 In determining the value of the property:
- (a) if it is a development property, the valuation must be on an 'as-is' basis, and on an 'as if complete' basis; and
 - (b) for all other property, the valuation must be on an 'as-is' basis; and
- in each case using accepted valuing industry practices and methodology. The valuation report must set out the valuation methodology used.
- 5.9 Unless instructed to the contrary, for the reasons documented by the Responsible Entity, but at all times consistent with the benchmark requirements, valuations are to reflect the "market value" of the property as defined by the Australian Property Institute. The term is defined as below:
- "Market value is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after property marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion."
- 5.10 The valuer should include a statement in their valuation report on whether the valuation complies with all relevant industry standards and codes.
- 5.11 Valuations are to be undertaken only after the valuation fee has been agreed in writing.

- 5.12 Valuers are usually instructed one month before the valuation is due and promptly after the directors form a view that there is a likelihood that there has been a material change in the value of the property under Clause 5.1(e)

Rotation and diversity of valuers

- 5.13 A valuer can only be engaged to value a property interest for the Fund for a maximum of 3 consecutive years for that specific property interest.
- 5.14 After the valuer has completed their cycle, a different valuer from a different valuation company is required to complete new valuations. If a valuation of a property interest is made prior to the property achieving practical completion (i.e. a property under development), the valuer will be entitled to undertake 2 valuations of the property post practical completion, prior to the valuation being rotated to another valuer from a different valuation company.
- 5.15 If the Fund were to have 3 or more properties as assets of the Fund, it is the Policy of the Responsible Entity to ensure as far as is feasible no one valuer or valuation company is engaged to value more than 50% of the properties at any time, by number or value.

Review of Valuations

- 5.16 All valuations must be reviewed by the Compliance Officer before the taking of any action which is dependent on the valuation of Fund Property.
- 5.17 The Compliance Officer, or other person designated by the board of the Responsible Entity ensures that the draft valuation has been carried out in accordance with the instructions contained within the standard valuation instruction letter. This involves the following:
- (a) completion of a valuation checklist; and
 - (b) may include comparison to an internal valuation calculation.
- 5.18 The manager of the Fund must provide a certificate to the Compliance Officer that confirms the accuracy of the information used by the valuer, such as lease details and budget assumptions. The reasonableness of other assumptions underpinning the valuation, such as market comparisons, are reviewed by the Responsible Entity.
- 5.19 The independent valuation will be compared to an internal valuation. The result of the comparison are used to 'check' the accuracy of the independent valuation. Where the valuer has not completed the valuation in accordance with the instruction or if there are material errors it is referred back to the valuer along with any error notes or feedback on their calculations where possible.
- 5.20 The Compliance Officer must also ensure that there are procedures in place to ensure that all valuers contain the statements in their valuations required by the Responsible Entity and are otherwise on the basis instructed by the Responsible Entity.
- 5.21 The Compliance Officer must also ensure that there are procedures in place to ensure that all valuers have the qualifications stated in the PDS or in the current RG 46 disclosures.
- 5.22 A review of the valuation is then undertaken by the Responsible Entity to determine the appropriateness of the level of value adopted by the valuer and overall satisfaction with the report before the valuation is finalised.

6. Monitoring

- 6.1 The Compliance Officer will monitor compliance with this Policy through:
- (a) internal reporting;
 - (b) training of staff with the aim of educating them to identify and report breaches which may arise.
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7. Keeping of documentation

- 7.1 The Compliance Officer must ensure that a valuation register of Fund assets is maintained and updated to ensure on-going compliance.
- 7.2 The Compliance Officer must ensure that Responsible Entity retains all documentation relating to:
- (a) Standard valuation instructions, valuation checklists and similar material;
 - (b) valuations - including instructions, reports and insurance information;
 - (c) disclosures as to valuation made under RG 46, including any updated disclosures;
 - (d) copies of any valuation policy document provided to investors; and
 - (e) any determination of the board to modify the policy.

Policy Review History

The following Table sets out the history of modifications to this *Valuation Policy* as from 23 February 2022.

Version No.	Issue / Review Date	Reviewed by	Synopsis of Review	Board Adoption Date
1.00	23 February 2022	N/A	Original version adopted by the Board of Directors of the Responsible Entity.	23 February 2022
1.10	25 October 2022	N/A	Addition of section 3.3	25 October 2022