

MALAYSIAN VALUATION STANDARDS

STANDARD 4

VALUATIONS FOR ~~LENDING~~ FINANCING PURPOSES

4.1.0 INTRODUCTION

4.1.1 The most common use for which valuations are required is for ~~lending~~ financing purposes by banks and other financial institutions based on the collateral value of the property. Such valuation can be for securing loans, mortgages or for debentures.

~~4.1.2 Lending can be categorized under two broad categories i.e. lending based on a value of a single property or a group of properties or for lending for property projects. Valuers who value properties for lending financing purposes must have a general understanding of the lending financing process.~~

4.2.0 STATEMENTS OF STANDARD

~~4.2.1 Valuers who value properties for lending purposes must have a general understanding of the lending process.~~

4.2.21 In all valuations for lending financing purposes, the purpose of the valuation must be clearly stated.

4.2.32 The basis of valuations for lending financing purposes must shall be based on market value in accordance with MVS 1.

4.2.43 The Forced Sale Value of has little or no relevance in valuations for lending purposes. However, where it is expressly requested by the financial institution it may be provided subject MVS 2.

Unless expressly requested by the financial institutions, valuers are not required to provide forced sale value (as defined under MVS 2) or any other values (which shall be clearly defined).

4.2.54 Where assumptions are used in arriving at the market value, they must be in accordance with MVS 12.

4.2.5 Valuations for financing purposes must be in the form of a full valuation report.

4.2.6 Where valuers are requested to issue a certificate or letter of valuation before completing a report, valuers shall follow the procedures stated under MVS 9.

4.2.67 Apart from normal valuations a valuation report carried out for ~~lean~~ financing purposes, valuation, revaluations and updates are permitted in accordance with MVS 10 and MVS 11 respectively.

4.3.0 EXPLANATIONS

4.3.1 An in-depth understanding of Market Value under MVS 1 and Non Market Value under MVS 2 is relevant, as well as the section on General Valuation Concepts and Principles.

4.3.2 In the valuation of development properties for financing purposes, a market study is often required. A market study relates to a study of the market or sub-market in which that property lies, and such a study will encompass both national and local economic aspects, market analysis of the property market or sub-market and marketability factors which includes studies about the competitive position of the property. The object of a market study is to ascertain the level of demand for various property products and may include advice ranging from pricing to marketing strategies to identification of market niches.

4.3.3 **A feasibility study may also be required in the valuation of development properties for financing purposes.** A feasibility study is essentially a study of the viability of a specific property project and it is an evaluation as to whether it is likely to be carried out successfully or pursued under a proposed programme. The study may relate to developability and most often relates to feasibility or viability. A real estate project is “feasible” when the consultant determines that there is a reasonable likelihood of satisfying explicit objectives when a selected course of action is tested for a fit, to a context of specific constraints and limited resources.

~~4.3.4 When valuing properties for project lending the valuer may state at the conclusion of his report that it is recommended that the financial institution undertake a market and feasibility study of the project, including subsequent periodic updates, before decisions on lending are made.~~