



THE PIAA 5 STAR RATING SYSTEM

About the System

The following document describes the Property Investors Association of Australia's 5 Star Property investment Rating System. A methodology for rating the due diligence information of investment opportunities.

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THE PIAA 5 STAR RATING SYSTEM

BACKGROUND

Investors traditionally have bought property based on a glossy brochure, an exciting presentation and/or the availability of finance.

Negative gearing has been the preferred choice as accountants and other professionals advise clients about their taxation exposure.

In a tight market, at the bottom of the property cycle and with finance very readily available - things are different. Investors are being educated by the promoters of the 'best deals' in Australia and internationally via the internet. Investors are consequently becoming 'spoilt for choice'.

However the caliber, authenticity and source of claims vary widely. Investors are interacting in an unregulated market, with sales advice coming from professionals through to spuiers, and no external validation of the quality, transparency or validity of their claims.

Validation from a trusted source is a powerful message. The PIAA 5 star rating system audits due diligence information so that investment advisors and investors can be confident that the material used to assess an investment has a sound basis.

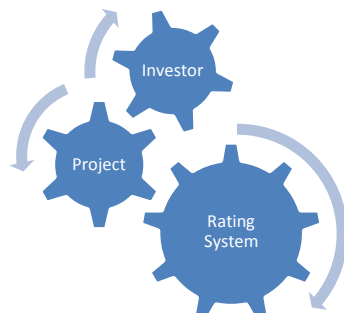
“Validation from a trusted source is a powerful message.”

OVERVIEW

Information is gathered about the development assessed, validated and then rated. The development is published on the PIAA web site with the rating.

Once the rating has been completed the development is presented to the extensive network PIAA Associate Members who undertake an investment analysis and present to their clients. Developers can opt to accept an initial rating then have it upgraded as new information comes to hand. Ratings can be updated as new information comes to hand.

This system is designed to provide investors and investment advisors audited due diligence information to competently assess the opportunity for investment. The criteria are intended to provide all the information required by an investor to determine the quality and suitability of the investment.



- ❖ PIAA's has approved select Accredited Assessors who will assess developments for a PIAA audit rating.

- ❖ Developments assessed and rated by PIAA will be listed on the PIAA web site with their rating. A compliance logo will be supplied for use in the developers marketing material.



WHAT THE RATINGS MEAN



The rating describes the quantity and quality of the information provided. Information is audited for correctness, completeness and format.

Rating results are as follows:

- ***** - Excellent
- **** - Very Good
- *** - Good
- ** - Average
- * - Basic

The assessment process has been designed for:

- ✓ "off-the-plan" developments,
- ✓ Brand new developments, and
- ✓ House/land packages.

Note that the rating does not indicate whether the property is a good buy or guarantee that the investment will make money. However it does indicate the quality of information provided to make a good decision.

CRITERIA FOR ASSESSMENT

The following is a summary of items required for a compliance rating. The items are assessed according to a proprietary formula with each section having a score and a weighting.

Note that all documents must be provided in a specified format.

DETAILS OF THE DEVELOPMENT

- ✓ Legal and/or common name of property and address, City, State, Country
- ✓ Prices inc taxes, including all rates and fees
- ✓ Sizes Area and dimension
- ✓ Floor Plans with room areas
- ✓ Site Plans
- ✓ Location of power points and switches
- ✓ All facilities included in the development

FEASIBILITY

- ✓ Project run through PIAA feasibility program.
- ✓ Project returns assessed.



LOCATION

- ✔ Description of Locale with:
 - Proximity map
 - Description of all local facilities
 - Distances to all facilities

DEVELOPMENT APPLICATION

- ✔ Development Application conditions must be provided.
- ✔ Construction Certificate (BA) must be provided.

ENVIRONMENTALLY SUSTAINABLE DESIGN CRITERIA

- ✔ Structural Materials
- ✔ External Claddings
- ✔ Internal Linings and Finishes
- ✔ Water saving products
- ✔ Heating, Lighting and Cooling
- ✔ Recycling
- ✔ Landscaping

SPECIFICATIONS

- ✔ Full list of fixtures and fittings with model number and descriptions.
- ✔ Photographs or board of fixtures and fittings.

MARKETING & MARKETING PLAN AUDIT

- ✔ Elevation diagrams
 - Photographs of expected views at different floor levels where this is a feature and has a value.
- ✔ Target Market
- ✔ Benefits
- ✔ Pricing
- ✔ Floor Plans
- ✔ Timing
- ✔ Investor owner occupier mix

PUBLIC RELATIONS PLAN AUDIT

- ✔ News worthiness
- ✔ Press releases
- ✔ Representation



DEVELOPER

- ✔ Previous developments
- ✔ References
- ✔ Previous capital growth of development

BUILDER

- ✔ Previous developments
- ✔ References
- ✔ Previous capital growth of development

ARCHITECT

- ✔ Previous developments
- ✔ References
- ✔ Previous capital growth of development

VALUATIONS

- ✔ Valuations of several units - from an official valuer – ‘as-if-complete’ in the current market for off-the-plan developments. Valuations for finance.
- ✔ Comparable sales in area

INVESTMENT RETURNS

- ✔ Indicative rental returns should be provided with evidence of comparable returns in the local area
- ✔ Rental returns from previous recent developments

COUNCIL PLANS FOR AREA

- ✔ Description of council approach to area
- ✔ Description of proposed plans for area e.g., zoning/rezoning etc.,

CONTRACT ITEMS

- ✔ Varies according to the state so this is general (but include key items)
Purchaser does not pay land tax
- ✔ Variation of apartment size does not more than 5%
- ✔ Rectification of faulty workmanship is done within a 90 day period after settlement.
- ✔ A 12 month warranty is provided on all workmanship (not withstanding legal building warranty provisions)
- ✔ Most contracts have a clause in them that refers to the vendor obtaining finance and if they don't then they can rescind the contract. This is OK but must have a time limit on it. For example, 90 days.
In QLD the purchaser is able to purchase under their own name or a nominee. The purchaser should be allowed to add the nominee to the contract at any time prior to the survey plan being sealed by local Government.



THE FOLLOWING ARE OPTIONAL, BUT ADVANTAGEOUS:

- ✔ That the purchase is available under an option contract.
- ✔ That the seller agrees to mutually terminate the contract on the proviso that the buyer secures a replacement contract on the same terms.

OTHER

Display suite should be available while the development is being built.

This compliance/rating system is being developed continuously with the input of the members and management of PIAA. Developers wishing to have their developments assessed for listing on the PIAA web site email us at PIAA Management.



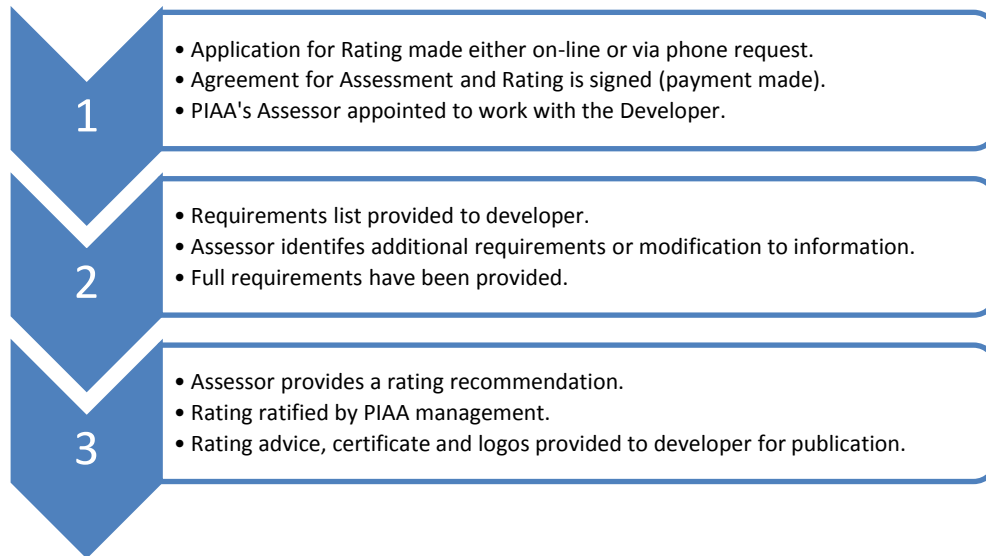
THE PROCESS

The process for rating a development is consultative and advisory, where the PIAA assessor will work with the developer to attain the highest possible rating. Rating may vary as improvements are made.



Provisional ratings are made on the basis of new information anticipated.

The following steps describe rating process.



“Off the Plan” developments require a site visit to confirm final rating when the development has been completed.

The rating process can take as little as a week once all the information has been provided.

RATED DEVELOPMENTS ARE;

- Published on the PIAA web site where investors can download due diligence information.
- Presented to the PIAA Associate Member Network of Property Investment Advisors,
- Are provided with an opportunity to be published in Your Property Investment Magazine with an investment assessment.
- Presented in the PIAA Newsletter.
- Assessed for public relations and marketing opportunities in conjunction with PIAA.



PRICING

**Note: Charge for assessment under the PIAA 5 star rating system is indicated below.
Payment is required prior to assessment.**

Prices are indicative only and are subject to quantity per development and number of developments to be assessed.

SMALL DEVELOPMENTS:

House and Land Packages/Townhouses: **\$650 per unit**

COMMERCIAL, INDUSTRIAL, RETAILS AND APARTMENT BLOCKS:

Developments

Prices exclude GST.

Example;

1. Residential Apartment Block of Units - \$8,000 + GST
2. House and Land Packages – \$2,500 + GST

For further information call PIAA on 02 9499 9499.

