



# **Basic Vessel Valuation**

## **Issue No 3**

by

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## **VALUATION OVERVIEW**

The Roll of the Valuer in today's society is one of high professionalism and qualifications, the days of just guessing the values are well and truly over.

Laws today make it imperative that the valuer provide expert and well researched valuations that can be backed up with proof as to how the valuation was arrived at and why.

It is essential that the valuation report communicates the information necessary for providing for proper understanding, set out a clear and accurate description.

### **A VALUATION REPORT SHOULD STATE**

- Instructing Party.
- Party whom the Valuation is addressed to.
- Description of the vessel/asset and overview.
- State the intended use of the Valuation,( Finance Pre-Purchase, Family Law, Insurance etc.)
- Vessel or Asset Overview.
- Date of Inspection (not required for Desktop, if it is a Desktop Valuation then it must be mentioned).
- Location of vessel or Assets.
- Valuers Comments regarding the asset or vessel.
- Valuation Approach.
- Valuation Methodology (Basis of Valuation- with description of the Methodology, as below)
- Date of Valuation.
- The Value. \$ and in figures.
- GST Included or Excluded.
- Valuation Disclaimer.
- Valuation Certification.( Sample below)
- Qualifications'
- Compliance Statement.
- Appendices; Photographs, copies of Certificates and any other relievedly information about the vessel or asset being valued.

A copy of the Valuation must be kept on file including all documentation and comparable sales and also how you established the Valuation figure. Now more than ever more accountability and supporting documentation is required by Valuers. A Valuer must show how the value was arrived at and you must be able to justify how you came up with the value

## VALUATION METHODOLOGY (BASIS OF VALUATION)

- **Market Value**

Estimated Fair Market Value

Is defined as the estimated amount for which an asset could exchange for on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after a proper international marketing campaign was undertaken, wherein the parties had each acted knowledgeable, prudently and without compulsion.

The Fair Market Value is not intended to represent the amount the vessel could achieve at an auction, tender or similar sale. The Fair Market Value is the acceptable price that a ready, but not anxious seller could obtain, if a reasonable time is allowed to find a willing buyer at the best possible price.

- **Replacement Value**

Replacement & Reinstatement Value

The cost of replacing existing assets with identical or substantially similar (equal to but not better than) assets at current new prices together with the cost of transport, installation, commissioning and any other directly attributable costs.

- **Liquidation Value**

Estimated Forced or Orderly Liquidation Value

Is the estimated amount one could expect to be realised for a vessel that has been properly marketed and advertised, where the seller is compelled to sell at a specific time with a sense of urgency on "as is where is" basis.

In some instances, a Forced Sale Value may also involve an unwilling seller and may also involve a buyer who with knowledge of the disadvantage of the seller.

The Forced Sale Value usually does not consider the "make ready costs" which is the estimated gross amount expressed in terms of money that could be typically realised from a properly advertised and conducted Public Auction that has been well attended and professionally managed and has been extremely promoted throughout Australia etc with seller being compelled to sell with a sense of immediacy on an As-Is, Where-Is Basis, as of a specific date.

It also takes into consideration such inflationary or depreciable conditions as also physical location, difficulty in relocating, market liability, physical condition, and overall appearance and condition. It further takes into consideration the ability to attract interested buyers.

- **Salvage Value**

An opinion of the amount, expressed in terms of money that may be expected for the whole property or a component of the whole property that is retired from service for possible use elsewhere, as of a specific date.

- **Scrap Value**

An opinion of the amount, expressed in terms of money that could be realized for the property if it were sold for its material content, not for a productive use, as of a specific date.

### **VALUATION CERTIFICATION**

This is to certify that the undersigned inspected the vessel know, as, “xxxxx” on xx/xx/xxxx , at ( location) for the purpose of undertaking a Valuation to determine the Estimated Fair Market Value.

I also certify to the best of my knowledge and belief:

1. There are no other readily ascertainable additional facts which would assist me in reaching a more reliable conclusion;
2. The factual matters stated in the report are, as far as I know, true;
3. I have made all enquiries considered appropriate;
4. The opinions stated in the report are genuinely held be me.
5. The reported analysis, opinions, and conclusions are limited only be the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analysis, opinions, and conclusions;
6. I have no present or prospective interest in the vessel that is the subject of this report, and I have no personal interest with respect to the parties involved;
7. I have no bias with respect to the Vessel that is the subject of this report or to the parties involved;
8. My engagement in this brief was not contingent upon developing or reporting predetermined results;
9. In arriving at the estimated value, the writer has not been improperly influenced in any matter by the race, religion, or national origin of any person;
10. We understand our Duty to the Court and have complied with the duty if required.

Yours faithfully,

**Adrian G. Seiffert**

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