

Real estate / Property valuations

Property needs to be valued at market value every year at 30 June, but the ATO does not require SMSF trustees to undertake an external valuation for all assets each year but is recommended at least every 3 years. For instance, assets such as real property may not need an annual valuation unless a significant event (i.e. natural disaster, market volatility, macroeconomic events or changes to the character of the asset) occurred that has created the need to review the most recent valuation. Valuation of real estate can be undertaken by anyone, including the trustee(s), if suitably qualified, as long as it is based on objective and supportable data.

The following would generally be considered adequate audit evidence:

- Real estate agent valuation (appraisal letter which they back up with comparable sales or listed properties)
- Formal valuation from a qualified and independent valuer (compulsory if for commercial properties leased to related parties)
- Valuation from trustees (with evidence of market valuation such as recent sales or online valuations). We recommend at least a comparison with values of 4-6 comparable properties if doing it yourself.
- The latest cost-effective option is valuations from online real estate services like RPData can be used so ask your Administrator if they have access to this service.

Real property

For preparing SMSF financial reports, an external valuation of real property is not required each year. A recent valuation however would be prudent if you expect that the valuation is now materially inaccurate or an event occurred that may have affected the value of the property since it was last valued. This may be due to a change in market conditions or a natural disaster.

When valuing real property, relevant factors and considerations may include:

- the value of similar properties
- the amount that was paid for the property in an arm's length market
- independent appraisals
- whether the property has undergone improvements since it was last valued
- for commercial properties, net income yields.

Business real property acquired from a related party of the SMSF must be made at market value. Disposals of real property to a related party of the SMSF must be conducted at arm's length.

When valuing real property assets for SMSF financial reports, the valuation may be undertaken by anyone as long as it is based on objective and supportable data. A valuation undertaken by a property valuation service provider, including online services or real estate agent would be acceptable.