WHAT'S A HOME WORTH?
- Allistar Walker

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An accountant in their black and white world, would say that 2+2=4. The world of the Valuer, while still involved with figures is anything but black and white and in emotional parlance the sum of two two's might not equal four. You may have been required by a Bank or other lender to obtain a registered valuers report on the property you wished to buy. These are more particularly required when you are purchasing a residential property with less than 20% equity or are purchasing privately. You may say that the CV (Capital Value or rating valuation done by Quotable Value) says what the property is worth, surely that is sufficient without me spending hundreds of dollars to prove that?

A residential valuation is a matter of opinion based on sales evidence in the same area as the property being valued. The CV is calculated by Quotable Value Ltd, usually every three years on every property. This is the value you see on the Rates Notice. It is not what a lender would call a 'registered valuation'. So, what is the difference between the CV struck by Quotable Value and a Registered Valuer's report and valuation?

Rating Valuation: While Quotable Value may use similar methods to calculate the value of your property, they don't (or rarely) visit your property to strike this mass valuation and therefore certain assumptions are made:

- All properties are in average order. Values section as a vacant site.
- All properties have universal appeal ie No unique features that would degrade property such as incomplete or un-codified alterations.
- Computer calculation based on average price rises or falls without regard to a specific property.

Because they are only changed every three years, they are a reflection of the market at that time. In fact by the time you get notification the market could already have moved up or down on the value you receive. Lenders will often only lend to 70% of the CV and if you need more, a full Registered Valuer's report will be required, to recognise the greater accuracy of value this reflects.

Registered Valuer's Valuation: An independent Registered Valuer will value your property based on what value he/she believes that property would fetch, given that you have a 'willing seller' and 'willing buyer', at the date of the valuation. This valuation will be based on the price that properties in the same area have recently been sold for (ie settled sales). It will bear no relation to what people in the area are currently asking for their properties, because as we all know, asking price and sale price can be very different. The land is valued as developed.

The valuer will measure the property and examine it, inside and outside, comparing the layout to file plans, if available. Obviously this is where the human or emotional element will come into a Valuation. Different properties appeal differently to people and so too can valuers vary, but only within the bounds of what is a reasonable price for the area. For instance if you spend $500,000 erecting a new house in a low cost housing area, you may not get your money back and hence a Registered Valuer would value it at less than what it has cost. If however that same $500,000 was spent in an expensive housing area you may well triple or quadruple the value of your spending, as the demand for housing in this type of area is greater.

Banks will lend to 80% or more of a Registered Valuers Report. They will also look at the report carefully to ensure that there are no comments in them that might jeopardise or devalue their security in the future. This valuation, unlike the Rating Valuation or CV, comments on visually sighted materials used to build the property, the condition of the property, its saleability compared to similar properties in the area, and more. The lender has a far more comprehensive view (including photo) of their security and its present day valuation, than the desk valuation struck for rating purposes.

Why do they cost so much?

From my point of view as a mortgage advisor, I don't think they cost very much. An average value home may cost approximately $500-$600 to value. A valuer has to now be degree qualified to perform this task, and is required to do at least 20 hours a year of ongoing educational credits. In providing a valuation, they need to visit the property before preparing the report, which requires research of other property sales in the same area. All that takes time, expertise and education.

Two North Shore valuers I know reckon they don't get paid enough, but then that is life – aren't we all worth more?

Distressed Sale Valuations

Inevitably if a lender is to sell someone up by Mortgagee Auction, they will get a registered valuers report first. In this instance we may have a willing buyer but certainly not a willing seller. This factor can change the equation and valuation considerably. Firstly, the timing for the sale is out of the property owner's hands. Secondly the property is usually in a state of unreadiness for sale and often just downright unappealing. Thirdly the property has to sell to stop escalation of interest and other charges eroding the realistic value of the property. Lastly, purchasers realise it is a distress situation and are looking for a bargain.

A Registered Valuer in this case may value the property at up to 25% below its potential realisable value in a normal marketing situation. Time and again we see distressed property owners who cannot appreciate how vulnerable they are, and like the ostrich, bury their heads in the sand rather than be the matador who takes the bull by the horns and markets their property on a ‘free market’, rather than wait for the Lender to decide their fate.

Care has been taken to ensure that any information is accurate. No liability is accepted for its use.
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