

Valuation FAQ

Why would I need a valuation?

Your accountant, financial planner or solicitor may ask you to source a current or retrospective valuation for:

- capital gains tax or stamp duty transfer purposes
- asset and financial status determination
- property settlement purposes for estate or Family Law Court proceedings
- property pre-sale or pre-purchase advice
- requirement of Foreign Investment Review Board
- requirement of Department of Immigration

Your broker or bank manager may require a valuation for finance purposes particularly if you are refinancing to access equity in your property to purchase an investment property, shares, car, renovations, holiday etc.

Why does a valuer need to enter my home?

Part of the formal valuation process requires the valuer to physically internally and externally inspect the property. Among other things, the valuer describes construction details, fixtures and fittings, condition and any noticeable building defects. The valuer needs to calculate the floor areas of structural improvements and will measure the improvements if the property has not been previously measured.

The other valuer didn't enter my home?

The "other valuer" did not perform a formal valuation. Your lender may only require a bank manager appraisal, desktop, drive-by or similarly recognised restricted valuation. These appraisals generally offer a range of values, or guide to value and are suitable for low risk loans. They should NOT be confused with formal valuations.

Is the valuer allowed to give me a valuation figure when he/she inspects my home?

The physical inspection of your home is part of the overall valuation process. Most valuers are unable to offer any advice. Some valuers may offer you a range of values. However, in general, valuers are legally obligated to the instructing party ie the bank, thus are unable to offer any advice whatsoever.

I am paying for the bank valuation, why can't I receive a copy of it?

For privacy and professional purposes, valuers are legally bound to the instructing party. Valuation fees are substantially reduced due to the volume of requests from banks. It is bank policy whether they release a copy of the valuation to you. Most do not because the valuation is prepared for their own financial lending purposes, even though you may be indirectly paying for the valuation.

Can I use a bank valuation for another purposes?

Generally no. The bank may however give permission to release the valuation for another purpose such as stamp duty or settlement. This is called a Reassignment Valuation and requires permission from all parties.

How can I help the valuer?

The valuer relies on market sales evidence to form opinions using direct comparison valuation methods. This evidence comes from private and public sales records, real estate agents and the valuer's own local knowledge. The valuer should be aware of most sales, however he/she may miss recent sold signs and other nearby real estate properties that are "under contract". Noting any recent information like this could be very helpful to the valuer.

It is also handy to have a copy of dimensioned floor plans of your home, date of construction or extensions, and any new building contract prices or recent renovation costs and make these available for the valuer.

Why does the bank need a valuation?

Banks like to ensure their lending risks are minimised. High loan to value ratio (LVR) means higher risk to the bank. If you are refinancing to use equity in your home for a new car, personal loans, shares, renovations etc or buying an investment property where your LVR may exceed 70-80 percent, then the bank may require a formal valuation.

Why does the QLD Department of Fair Trading and the REIQ Contract of Sale recommend "Independent Valuation Advice"?

Many investors and purchasers in the past have lost significantly through ill-informed property decisions. When buying a home or investment property it is easy to lose sight of the true market worth of the property. Property features such as flawless condition and presentation, the prospect of "potential", special contract kickbacks, rebates, free holidays, lunches and other specialist marketing techniques, can unconsciously affect your decision making skills. Remember the real estate agent acts for the seller. They are paid by the seller and have a vested interest in trying to sell the property for the best price. Of course this may not be immediately apparent.

Finance brokers, planners and other advisors may be acting on commission based strategies whereby you may be indirectly coerced into making rushed property investment decisions. They too also have a vested interest by way of commission trails etc to sign you up to their loans.

The finance clause in the contract of sale may offer some protection if your loan is subject to high LVR (Loan to Value Ratio) where a formal valuation is required. Banks are today relying more on the serviceability of loan debt than the actual market value of your property. This means there is less reliance on formal valuations, thus less equity protection for YOU.

Real estate agents, marketers, brokers, and financial advisors can all have vested interests in making sure you buy a property. "Independent Valuation Advice" offers you the opportunity to protect your decision making.

Aren't you penalised for getting independent valuation advice under the REIQ Contract of Sale?

We have sought independent legal advice and understand that to avoid this "cooling off period" penalty, you need only insert the following clause in the Special Conditions section before signing the contract: "This contract is subject to an independent valuation satisfactory to the buyer within 7 business days of signing of this contract".

The Special Conditions section of the contract is separate and not subject to the penalties associated with using the "cooling off period" to obtain a valuation.

How long does a valuation take?

After you have formally requested a valuation, we need to get access to the property. Tenanted properties require 24 hours notice via a Form 9 Entry Notice sent out by the managing agent. After adding time for delivery, it may take 2 to 3 days to gain access to tenanted properties. Once inspected, valuations are generally turned around within 24 hours. The valuer should contact you if there are delays.

What is the valuation on my rates notice?

The Department of Natural Resources employs registered valuers to determine the unimproved land value of your property. This is an estimated worth of your land in its unimproved state. This valuation is used as a basis for land tax and rates and has no bearing on the current market value of your property.

Do I need a formal valuation for capital gains tax or stamp duty?

Not necessarily. The Taxation Department will accept your own appraisal based on reasonably objective and supportable data. They do however reserve the right to challenge this.

Glossary

Valuer: A *Professional Property Valuer* is a person who possesses necessary qualifications, ability, and experience to estimate property value for a diverse number of purposes including transactions involving transfers of property ownership, property considered as collateral to secure loans and mortgages, property subject to litigation or pending settlement on taxes, and property treated as fixed assets in financial reporting. Professional valuers must research and diligently investigate all data before forming an opinion of value. They have a responsibility to the community to ensure their value judgements are honest and accurate.

Caveat Emptor: Latin term for 'Let the Buyer Beware.' This puts the burden onto the

buyer to be satisfied with the property before purchasing.

Market Value: The International Valuation Standards Committee (IVSC) defines Market Value as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Independent Valuation: (As taken from the REIQ Contract of Sale) "Are you sure the purchase price is fair? Before the cooling-off period expires seek independent advice from a registered valuer. Ask the valuer if they have Professional Indemnity Insurance, have a relationship with any person involved with the property you're buying and about the valuation cost" For more information visit www.fairtrading.qld.gov.au and search "valuations".

Restricted Valuation: A Restricted Valuation excludes the physical inspection component of the Formal Valuation critical to the assessment of a market value figure. Based on the Australian Property Institute (API) restricted valuation format, this report typically comprises a three (3) page kerbside summary of the property, with market information and our professional opinion of the current market range for your property. This report is less detailed and the market range provided may vary depending on our perspective of the improvements from the kerbside. This report is offered as a guide to market range only. We consider this a substandard valuation report and DO NOT undertake them.

Formal Valuation: A Formal Valuation reports an honest, accurate opinion of market value conducted by an experienced registered valuer after full physical inspection and diligent investigation of all data. Our formal valuation is currently based on the Australian Property Institute (API) standard format. Typically this is a five (5) or six (6) page document that includes general site, improvement, and locality descriptions, legal information, valuation, photograph and locality map.

Restricted Desktop Assessment: Is an opinion of market value based on no physical inspection and only referenced to public and private computer database sources. At the date of writing this, this assessment is not an acceptable standard to the Australian Property Institute (API). We consider this a substandard valuation report and DO NOT undertake them.

Comparative Market Analysis (CMA): This is a report provided by your real estate agent simply summarising recent sales in your locality. This is recent requirement by legislation offered as a written guide for selling you home.