Valuations

The following information paper has been put together by the principal of Stuart Barker and Associates and is designed as general information only. The examples contained in the paper are by no means an exhaustive list of the many, many examples witnessed over the years but those examples portrayed are fully documented should any person wish to test the veracity of the outlined scenarios. Stuart Barker Principal VALUATIONS

Much has been said about property valuations over the last few years.

No doubt you have read or watched as some "expert" has blindly informed people that they are being "ripped off" by paying too much. While in some cases they are correct it is important to bring some sort of perspective to the issue of "valuations" as being the sole and correct opinion of an items worth.

The following information is designed to provide you with that perspective.

"Valuation" is defined (Oxford Dictionary) as an estimation "resp." by a professional valuer of a things worth. The worth estimated, a price set on a thing".

In relation to properties a valuation can be determined in many ways but most valuers determine that a valuation is arrived at based on a willing buyer and willing seller agreeing on a price over a 90 day marketing period.

To arrive at this "Figure" a valuer needs to consider (in relation to a bank valuation), the particular instructions of the bank, the parameters of his professional indemnity insurance, (I quote Gadens Lawyers in this regard in an e-mail received in May 2002 regarding valuers Professional Indemnity Insurance. "The valuation is only valid if the lender provides finance using a conservative loan to valuation ratio"), sales evidence in the area (which is generally 6 - 12 months out of date) and often his own personal opinion.

The accuracy of his valuation is rarely proven unless the property is sold second hand in a short space of time.

This is often why a new property won't value as highly as the sale of a second hand property and is also why a second hand property will most often value at contract price because their determination, (i.e. a willing buyer and a willing seller etc) has been proven.

Little consideration is given by a valuer to what it costs to develop and market land or to what it costs to build and market a new property. Things such as Council restrictions, fees acct imposts, or local covenants which can add thousands of dollars to the cost of a new house and land package or unit /townhouse development.

Our experience over many years has shown amazing discrepancies between valuers (even in the same firm) and valuations and sale prices where a property has sold shortly after a valuation has been done.

In this regard I will document some actual scenarios for you to peruse and which support the comments outlined above.

1) Property situated at Meadowbrook Lakes Qld (New)
Valuation 1 - 19/04/02 $190,000
Valuation 2 - 04/07/02 $162,000 (For different client)

2) Property situated at Brassall Qld
Valuation 1 - 18/07/03 $210,000
Valuation 2 - 07/08/03 $254,000

3) Property situated at Springfield
Valuation 1 - 08/02/03 $177,500
Valuation 2 - 21/03/03 $204,750

4) Property situated at Rochedale South
(Clients own property)
Valuation 1 - 29/10/02 $100,000
Valuation 2 - 12/11/02 $155,000

The above examples relate to the same property at the same time but valuations done by different valuers in different valuation firms.

The following example is a result of seven valuations conducted on similar properties in the some area by five different valuers in the same firm.

As a result in the huge variance in valuations I wrote to the principal on 16/10/2001 requesting information as to how this could occur. (Variations ranged from purchase price to $46,000 less than purchase price).

An extract from his response is quoted as follows:-

"The valuations are an opinion of value expressed by the valuer undertaking the valuation and it is a known fact that some individuals are more conservative than others".

It is also interesting to note that on every valuation except 1 the valuer had indicated that the risk of reduced prices over the next 2 - 3 years was "medium" to "high". In every instance the clients have made between $100,000 to $15O,OOO capital gain in that same 2 - 3 year period.

So much for the scientific approach!

The following are examples from my my personal properties.

1) Manra Way, Pacific Pines, Qld
   Valuation 19/08/03 $320,000
   Sold for $385,000 on 16/10/03

2) Manra a Way, Pacific Pines, Qld
   Valuation 19/08/03 $320,000
   Sold For $385,000 on 20/10/03

3) Coonowrin Street, Pacific Pines, Qld
   Valuation 24/10/03 $300,000
   Sold for $350,000 on 08/02/04

It is also interesting to note that clients who bought my properties had their own valuations done by their bank for finance purposes and lo and behold they all valued at purchase price.

Their opinions were somewhat off in this area!

The above notes are designed to provide you with some perspective on the issue of Valuations and not to take one persons opinion of the worth on something as gospel.

If I had sold my properties at the price the "experts" said they were worth, I would have been $180,000 out of pocket.

When considering a "Bank Valuation" ask yourself this question "Would I sell my property at what the Banks Valuer thinks it's worth?"

Your answer would most likely be "No" and if so couldn't expect the person you are buying from to sell you a property on what the banks valuer thinks it's worth.