

Property investment articles

12 tips to getting a great property valuation

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It's quite frustrating to have your home loan application knocked back or the loan amount reduced because the valuation came in too low. Here's 12 ways to get a good one.

by *Michaela Ryan*

Investors periodically have their properties revalued in order to finance additional investments. For example, just say your property's value has gone up by \$50,000. Most lenders will let you borrow around 80 per cent of that value (\$40,000) which you can use as a deposit for another property purchase. In order to work out exactly how much they'll lend you, lenders will often send a property valuer around. So we've asked a couple of industry experts for the insider's word on property valuations. How can investors get the highest figure possible?

Phillip Grahame from Herron Todd White says, "The main things in a valuation are the size and functionality of the dwelling and the size and location of the land." So obviously the chances of a favourable valuation mainly come down to your choice of property in the first place. And of course, it also depends on what the property market in general is doing at the time. However, according to our experts, there are a number of things you can do to make sure you pull off the best valuation possible on the day.

1. Presentation

Grahame says presentation is the most important thing to take care of when you have an upcoming valuation.

"(Make sure) the gardens are looking nice and the clutter throughout the house is cleaned up and all that sort of thing. Because first impressions, even with property valuers, do count," he says. "If it's freshly painted and really neat and tidy and presents well, as it would to a buyer, then we're going to be more positive on that particular property."

Mark Rutner from First Valuation Group agrees, "The owner should provide a property in a state of repair similar to an open for inspection. "There's nothing worse than rolling up to value a house and all the clothes for the last two weeks are on the bedroom floor; the toilet seat is up; dishes for the last week are still sitting in the sink." Rutner suggests mowing the lawn and trimming the edges. He also says any external painting should be fully completed, as first impressions can be significantly dampened by incomplete paintwork.

2. Recent sales evidence

If you know the sale prices achieved at any recent property sales in your area, have that information available for the property valuer.

Rutner says, "One of the best times to get a current valuation is when you have, say, two or three recent sales that are very similar to that of the property getting valued. Obviously such sales have a direct effect on the arrived value." The easiest way to keep tabs on sales in your area is to attend auctions nearby. Whether it's an auction or a private sale, hold on to the sales brochure when you attend the open home so that your valuer will be able to track down the agent to confirm the selling price.

If you want to be really helpful, Rutner says it's great when a property owner puts together a written report detailing three or so comparable sales within about 500 m of the property over the past six months. Grahame agrees that recent sales information is very useful. He explains, "In most cases we'll probably be aware of (the sales data) but in some cases we won't. So if the applicant knows of it, it pays to make the valuer aware of it."

3. A rates notice

According to Rutner, some valuers like to see a copy of your municipal/council rates. They vary from one place to the next, but there will generally be a "site value" or "unimproved land value" figure reflecting the value of the land only. And sometimes there will also be an "improved value", based on the land and building. "Those (values) are done on a statistical analysis. So it's not accurate but it gives us a ball park," Rutner says. "It gives the valuer a pretty good idea of where it's sitting in the marketplace."

4. Be honest

Grahame says, "We've heard every story and trick in the book and we can see through that pretty quickly. I've always found in my experience the more honest the people are, the more we look favourably on the property and the application. If someone's telling fibs, immediately we see through that and get in a defensive mindset."

For example, Grahame says clients might claim that a neighbouring property recently sold for \$500,000 but the valuer might have evidence that it only sold for \$450,000.

5. Make your improvements prior

If you have improvements to make, make them *before* the valuer comes around. Grahame says there are plenty of people who fall into the category of "the gonnas". "Next week we're gonna fix up the bathroom; or next week we're gonna put on that carpet... What people don't understand is that we have to value it as we find it on that day. We can't take into account any future improvements they may – or in a lot of cases they may not – do."

6. Clear instructions

Grahame says, "If you've got plans for future improvements and got quotes and costings, make sure if you're going through a lender that the lender requests an 'as if complete' valuation. A lot of times (the valuer) goes there and it hasn't been communicated that's what's required and we just value as is on the day."

7. List of recent improvements

Rutner says, "If improvements have been made to the property over recent times, provide a detailed and written list of works conducted and the cost of these. Even better would be project specs and a building contract, giving the valuer an idea of exactly what has been spent." While this will often add weight to your application, "also bear in mind that cost does not equal value in all instances," he cautions.

8. Don't overcapitalise

Grahame says, "Obviously improvements and renovations add value. But you've got to be careful about overcapitalising. So not spending more on a particular improvement than that particular area can cope with." For example: "Putting on a large extension will obviously increase the value of the property but it may not increase the value more than what it actually cost. That's generally dependant on the quality of the area. "So if people renovate and improve to put the property in a bracket higher than what most properties in that area sell for, then there's a chance that they're overcapitalising. If they're in a really strong, well regarded area where people are looking to buy in high price brackets then it's harder to overcapitalise."

9. Outdoor living areas

"Outdoor living areas are one thing which tends to add more value than cost. So if there's a well presented and functional living area, that always reflects well on a valuation," Grahame says.

10. Kitchen and bathroom

"Kitchen and bathroom facilities are an obvious one," Grahame says. "If they're well presented and don't have a dated look about them, then that will obviously have a positive impact on the valuation."

11. Etiquette

"The inspection in a typical three-bedroom home would take a prudent valuer not much more than 10 minutes to inspect inside and out, so don't feel that you have to speak to the valuer to make sure that they haven't missed any part of the property," Rutlner says.

Some owners feel a need to follow the valuer around pointing out every feature of the dwelling, but Rutlner suggests "don't try and sell the property to the valuer." While you may be pointing out features you feel add value to the property, it's best to leave it up to the expert to decide which are the salient features. If you waste the valuer's time with lots of chatter you may get in the way of them doing their job as thoroughly as possible. If you want to make sure the valuer has all the information they need, Rutlner suggests that at the end of the visit you can always ask whether there are any matters the valuer isn't sure of.

12. Be patient

"Lastly, don't ask the valuer what they think it's worth just as they're leaving," Rutlner says. After visiting the property, the valuer needs to go away and undertake at least two separate methods for determining the property's value.

Two of the most common methods for residential property are "direct comparison" and "summation". Direct comparison involves analysis of recent sales of similar properties in the area. It may be a straight comparison, or a comparison of the rate per square metre (which is the sales price of each property divided by the land size). In this method the valuer takes into account factors which differentiate your property from those in the comparison sample, such as location, size, quality of the dwelling and views. Using the summation approach, the valuer assesses the land value (sometimes based on a comparison of vacant land sales), and then includes the "added value" of the improvements on the land (i.e. buildings). The added value is based on market evidence and is sometimes analysed on a rate per square metre basis. The valuer probably won't be comfortable giving you an answer until this analysis is complete.

In short...

So for optimal results, keep the place neat and tidy, provide any information to the valuer which might support your case, and then leave them in peace to get on with their job.

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