

A GUIDE TO UNDERSTANDING A RESIDENTIAL VALUATION



Dear Consumer,

My name is Chris Mason, I am a Certified Practising Valuer and Owner of Mason's Valuation Office. The purpose of this brochure is to help you understand what a valuation is and why obtaining a professional valuation can help you.

In providing this brochure, we dispel the differences between a professional valuation as prepared by a qualified valuer and a free market appraisal as provided by your local estate agent.

After reviewing this brochure, we outline the valuation process, the elements of a good valuation and the why independent advice is so important.

At Mason's Valuation Office, our role is simple, provide well researched and accurate valuation advice, so you have all of the information from which to make the best property decision you can.

I look forward to hearing from you.

Sincerely,

Chris Mason
AAPI
Certified Practising Valuer
Masons Valuation Office

Telephone: 0417 741 481

WHY RELY ON THE SERVICES OF A PROFESSIONAL VALUER

A professional valuer (in Victoria) is a person, who, by education, on the job training and experience is qualified to provide a valuation of real property.

To qualify as a valuer a person must pass an accredited degree course, complete two years supervised professional practice and finally pass a professional interview with the Australian Property Institute (API).

Once qualified, valuers are Associates or Fellows of the API and are called Certified Practising Valuers.



All valuers should be objective and independent, Certified Practising Valuers with their comprehensive training have 'hands on' experience, a professional approach and employ well-established processes and standards to produce their valuations which are well researched, informative and independent.

The roles and responsibilities of a professional valuer are as follows;

- Have insight into how a marketplace works
- Provide formal valuations that estimate the market value of a property at a given point in time
- Charge a fee for their services
- Maybe required to give expert evidence at a court or tribunal
- Abide by a code of ethics and conduct set by the Australian Property Institute (API).

OBTAINING A RESIDENTIAL VALUATION

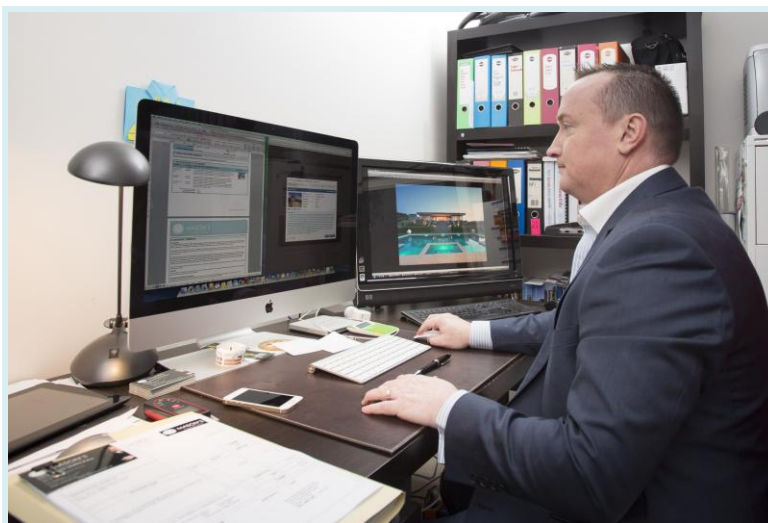
At Masons Valuation Office we employ a four step process so that our customers save time.

- Step 1:** We analyse your needs;
- Step 2:** We inspect the property;
- Step 3:** We prepare the report; and
- Step 4:** We deliver the report to you.

A valuation is an opinion of value, whether it be for pre-sale, pre-purchase, for probate or estate planning purposes, for tax, insurance or family law purposes, consumers can rely upon the professionalism and experience of a Certified Practising Valuer to obtain independent property advice.

The valuer's scope of work typically includes the type of property inspection (interior, exterior only or none), what approaches to value are required.

There is no single standard valuation report form, format, or style. Regardless of the type of valuation report used, all valuation reports must contain sufficient information to enable the intended users to understand the report properly.



THE VALUATION PROCESS

- If a valuation requires an internal inspection, the valuer will arrange with the owner, tenant or agent to inspect the interior and exterior of the property. As previously mentioned, a valuation may not require an internal inspection.
- At a physical inspection of the property, the valuer will take notes about the property, like its construction type, its internal fitout and condition, the valuer will most likely take digital images of the property and also measure all improvements to confirm their area.
- The valuer will undertake a number of enquiries, such as a search of the current zoning of the property, a review of a property's previous sale history a check of the amenities available to the property and consideration of the neighbourhood that the property resides within including the potential for redevelopment.
- The valuer will review recent sales and listings of comparable properties. Comparables are recently sold or listed properties that have similar utility, quality, age and amenities as the subject property and are located in the subject properties individual market area. In markets where there are few sales, the valuer may look for comparable from similar of surrounding neighbourhoods.



- The valuer commonly will rely upon the Direct Comparison approach to develop an opinion of value. Often the primary approach to develop an opinion of value for a residential property, the direct comparison approach utilizes recent sales of comparable properties. A valuer will analyse and compare characteristics that include the living area of the home, land area, style, age, quality of construction, number of bedrooms and bathrooms, presence or absence of a garage, etc.
- As a secondary or check approach, the valuer may call upon the Summation (Cost) approach in order to develop an opinion or to support their assessment under the Direct Comparison approach. The summation approach is the valuers opinion of the added value of all of the current improvements upon the land along with an assessment of the land value. The summation approach relies upon an assessment of the replacement cost of the current improvements, having made an allowance for depreciation of those improvements. This approach is helpful, where comparable sales are limited.
- Finally, the valuer may call upon the Capitalisation of Income approach. This approach is most often used in the valuation of properties where income is a factor in the decision making process of buyers and sellers. It is generally not used for single residential properties where the majority of homes are owner occupied.
- After consideration of the notes and information obtained from the inspection of the property along with the enquiries undertaken, the valuer will develop an opinion of value by considering the indicated value(s) of the Direct Comparison approach, as well as the Summation and/or Capitalisation of income approaches, if applicable. The values indicated by these approaches will be reconciled to a final opinion of value. The valuer will present his or her findings and conclusions in a report to their customer.



ESSENTIAL ELEMENTS OF A CREDIBLE VALUATION

A credible valuation report will clearly identify the property, having been valued, the scope of work provided by the valuer, the customer and the intended use of the valuation. The valuation will include the definition of value (e.g. market value), the effective date of value, the subject property's relevant characteristics, and any other special instructions. A credible valuation must effectively communicate the date and analysis required to support the opinion of value.

THE IMPORTANCE OF VALUER INDEPENDENCE

Professional valuers are trained to deflect any attempt to influence the valuation of value opinion, remaining independent, impartial and objective. The valuer has the sole responsibility for the analyses, opinions, and conclusions contained within the valuation.

Valuer independence is a critical element to protect the customer and / or the intended uses and enhance public trust that valuations contain credible opinions of value.

THE DIFFERENCE BETWEEN A VALUATION AND AN APPRAISAL

A valuation is an estimate of the value of a property – a determination of market, usually at a particular point in time. Estate agents perform appraisals and valuers perform valuations.

Valuers follow an extensive process to gather relevant data for preparing a written statement outlining their opinion of the value of a property. They prepare valuations for many purposes, such as to set the limits for the sale of purchase of a property, for insurance or taxation purposes, to help settle property disputes between related parties or for family law purposes, to help set rental levels and to assist in the determination of rates, taxes or duties or for accounting purposes. Valuers charge a fee for their services.

Estate agents are commonly asked to provide clients with a market appraisal of the market worth of a property for either sale or rental purposes. The appraisal provides a likely price or price range that a property may achieve if offered to the market for sale or lease.



IMPORTANT TERMINOLOGY

Appraisal – An opinion of value usually provided by a real estate agent by which to commence marketing of the property.

Australian Property Institute – is a professional industry body representing residential, commercial and plant and machinery valuers.

Capitalisation of Income – A set of procedures through which a valuer derives a value for an income producing property by converting its anticipated cash flows into a capital value.

Common Property – Areas of property that are used by and belong jointly to all the owners of a strata title property. This applied to common driveways, paths, courtyards, stairs, passageways, lifts, lobbies, fences, common garden areas and other facilities in multi-dwelling complexes.

Comparable – A shortened term for similar property sales, used for comparison in the valuation process.

Direct Comparison Approach – A set of procedures in which a value is derived by comparing the property being valued to similar properties that have been sold lately, then making adjustments to the sale prices of the comparable based upon their differences to the property being valued.

Fittings – Items that can be removed without damaging the property, such as garden ornaments, lighting and drapes.
Fixtures – Items that are attached to the property and cannot be removed without causing damage to the property, such as bathroom suites, built in wardrobes and kitchen stoves.

Over-Capitalisation – Capital or monetary investment in an improvement or asset that is not reflected in increased property value, the cost of improvement is greater than the value added to the property.

Summation Approach – A set of procedures through which a value is derived for a property by estimating the current cost to replace all of the current improvements. This estimate includes deducting an amount for depreciation purposes, and adding the estimate land value.

Valuer – A person (in Victoria) who has passed the accredited degree course, complete upto two years of supervised practice and passed a professional interview with the Australian Property Institute (API). Once qualified, valuers are Associates or Fellows of the API and are call Certified Practising Valuers.

Valuation – An opinion of value.



FREQUENTLY ASKED QUESTIONS

Why do I need a valuation ?

A professionally prepared valuation report can summarize and simplify all of the attributes of a property into one simple and easy to read report which includes a professional opinion of value, prepared by a qualified and experienced Certified Practising Valuer.

At Masons Valuation Office we specialize in the following;

- Pre-purchase valuation
- Pre-sale valuation
- Valuations for transfers between related parties
- Valuations for stamp duty purposes
- Valuations for a family law / matrimonial purposes
- Valuations for Capital Gains Tax or GST purposes
- Valuations for development feasibility purposes
- Valuations for Citizenship purposes
- Valuations for Rental purposes



What is the difference between a valuation as provided by a valuer and an appraisal as provided by a real estate agent ?

A valuation is an expert opinion of value, as a service in return for a professional fee. This means that the valuer has a duty to conduct proper research, abide by professional standards and to use sound and professional judgment in producing their opinion. A valuer's assessment is always in writing, and must be able to withstand scrutiny by other professional valuers and, if necessary, by a court.

A 'free market appraisal' as provided by many local estate agents is provided in an attempt to win your business in order to sell your property and as such is often made on the most favourable basis.

How does a valuer develop his opinion of value ?

The valuer will research market data, public records and talks with buyers, sellers, real estate agents active in the market area. Data researched includes sales, leases, and current listings of similar properties. Other data include land sales and residential constructions costs. After all factors affecting the value are considered, the valuer develops an opinion of value and prepares a valuation report.



What elements should a credible valuation report include ?

- The instructing parties and purpose of the valuation
- A clear, accurate description of the subject property, its land, improvements and amenities
- Sales that are the most recent and most comparable
- Comments that explain important issues in the valuation
- An opinion of value supported by the analysis of comparable sales



MASON'S
VALUATION OFFICE

TESTIMONIALS

"Thanks for the insight and advice. Selling your home can be very stressful and I greatly appreciate your no nonsense approach. Good advice definitely helps with the thought process and provides piece of mind. Very happy I touched base with you." **Gordon M, Williamstown**

"A big thanks to Chris and the team for all of their work. I'm quite impressed by the quality of the service I received, from my initial enquiry, through the inspection and receiving the report. Thank you for making this process so easy." **Tina S, Essendon**

"The service has been impeccable and we would recommend your company to anyone we knew looking for a house valuation service." **Paul and Ann, South Melbourne**

"I found everyone very helpful and appreciated the report being sent so quickly. I would be happy to recommend you." **John S, Rye**

"Just letting you know that we were very happy with the reports that you prepared for us. We were very impressed with the way we were dealt with and the speed of the valuation and its delivery. Thank you." **Sarah J, Point Cook**

"All in all, we were more than satisfied with the performance of Masons Valuation Office during the Doncaster inspection and with the valuable information the valuation provided. We would not hesitate to use or recommend you in the future." **Name withheld, Doncaster**

"The report is really good, and it's made us feel a lot more comfortable about buying our first home. The service was great, especially the call from Tim leaving a message to let me know if I wanted to talk about the report I could call him over the weekend." **Amanda M, Truganina**

"The report was great, Chris was excellent, thank you for the effort. When we move out in 9 months and re-lease the property we will get another valuation completed." **Name withheld, Carlton**

"Your report was concise and informative which supported my thoughts on the value of our home. Thanks to Chris for delivering a prompt and timely report. I will definitely use your services again." **Cara D, Footscray**



Valuation Fees

The good news is that at Mason's we have a specific level of service and reporting to meet all of our customers' needs and budgets.

	Premium	Short Form	Desktop
The areas our valuations cover			
Property inspection arranged	✓	✓	<i>Not Inspected</i>
Building improvements detailed	✓	✓	
Improvements photographed	✓	✓	
Improvements measured	✓	✓	
Investigation of legal description	✓	✓	
Investigation of current zoning	✓	✓	✓
Further development potential analysed	✓	✓	
Highest and Best use calculated	✓	✓	
Lease Analysis if applicable	✓	✓	
Investigation of location	✓	✓	✓
Any property negatives analysed	✓	✓	
Market sale trends analysed	✓	✓	✓
Local market sales trends analysed	✓	✓	
Comparable sales evidence identified	✓	✓	✓

	Premium	Short Form	Desktop
What we report on in our valuations			
Cover Page	✓	✓	
Letter of Introduction	✓		
Executive Summary	✓		
Table of Contents	✓		
Introduction	✓	✓	
Site Details	✓	✓	
Location Map Included	✓	✓	
Legal Description	<i>Fully Detailed</i>	<i>Summary</i>	
Current Title Search Undertaken	✓		
Land Details	✓	✓	

Town Planning	✓		
Planning Certificate Undertaken	✓		
Heritage Certificate (If Applicable)	✓		
Lease Analysis and Comparison (If applicable)	<i>Fully Detailed</i>	<i>Summary</i>	
Improvements	<i>Fully Detailed</i>	<i>Summary</i>	
Highest and Best Use described	✓	✓	
Digital Photos of the Property	12	6	1
Valuation Considerations	<i>Fully Detailed</i>	<i>Summary</i>	

	Premium	Short Form	Desktop
Market Commentary	<i>Fully Detailed</i>	<i>Summary</i>	
Comparable Sales Analysis	<i>Fully Detailed</i>	<i>Summary</i>	
Comparable Sales Images	2	1	
Valuation Analysis	<i>Fully Detailed</i>	<i>Summary</i>	
Value Calculations	✓	✓	
SWOT Analysis	✓		
Final Valuation Assessment	✓		
Qualification	✓	✓	✓
Appendices	✓		

	Premium	Short Form	Desktop
What you get from our reports			
Report Pages	<i>20 pages</i>	<i>5 pages</i>	<i>1 page</i>
How long does it take to get a report back			
Days required to complete the reports	<i>4 days</i>	<i>2 days</i>	<i>Same Day</i>

	Premium	Short Form	Desktop
What are the approximate costs			
For a single residential property under \$1 million dollars	<i>\$550</i>	<i>\$330 (Best Value)</i>	<i>\$110 (Lowest Price)</i>
For a single retail, commercial or industrial property under \$1 million dollars	<i>\$770</i>	<i>\$550</i>	<i>N/A</i>