

Renovation Teleconference

Answers by Dean Parker

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The need and benefits of an 'End Valuation'

Dean Parker: Does everyone understand getting an end valuation for getting a renovation? Well, it is in the product (The Complete Renovation System), there's information on how you do it. But just to give you guys a quick overview, essentially before we bought a property, we're going through the due diligence stage and doing our full detail costing using the renovation costing tool. Well, at that same time, I'll be giving engaging a valuer...I'll commonly meet him on site and show him through the property. This is during the due diligence phase like during that two weeks or three weeks or whatever we negotiate when we're buying. And I'll take the valuer through and I'll tell him what improvements we're going to make to the property. And sometimes he may request a list of specifications or he might say all right, this is okay. You need to give me a list of the fixtures and fittings that you're going to put in. You walk him through the inside; just tell me what bench tops are going to be used and what the vanities are and all that sort of thing. And that's common in a new dwelling contract what you'd give a valuer anyway. So it's exactly the same concept; it's just an existing property.

So you give him all that information. I normally will dig up a few comparable sales of what I'm working to and I'll give the valuer an idea of what I think. Now, that's just my opinion. Obviously, it doesn't affect his decision. He'll go off and do his own research. But the more information you can give a valuer, the better. So if I can come up with three or four comparable sales, then he'll quote them in his valuation and use that as his comparable data for his purposes.

And because we do a lot of similar properties, a lot of the time, they just quote our sales which is good. So we've always got data there and it's easy now for me to communicate with him that if you guys can just find similar properties that are renovated that are selling for a certain price and give that to the valuer, that's something that he'll use in his judgment when he finally does his valuation.

So essentially, you can request a current valuation if you want to but you don't need to. You would only need to do so if the current value is considerably more than what you've bought the property for anyway. And chances are, the bank is probably unlikely to accept the current valuation if it's any different to your contract price. So in that regard, there's probably no point in getting a current valuation. You only want to do an 'as if complete

valuation' and that's what we're talking about. That's where you give him the specs and you walk through.

But once you get that, you just give that to your financier and we get our bank which is NAB draw our loan up based on the end valuation. So for example, if we've bought the property for \$200,000, we've got an end valuation of \$290,000, they'll draw the loan up to 80% of the \$290,000. So our facility will be \$240,000 or whatever that works out to be. But at final settlement (purchase settlement), they'll only give us 80% of the contract price. Does that make sense? 'Cause they'll only give us the \$160,000 at settlement but then when we finish the renovation, we don't have to go through the loan application process again or anything like that. When we finish, we just send through a whole heap of photos. If there's a certificate of occupancy that is required, we send that to the bank and we say, "Yep, roll it out." And then they just give us the cash back and that's how that works.

And you don't have to request the cash at the end if you don't want but it's always there so that at least you've got...you know up front where the bank's going to stand because they've already drawn the line up at that end valuation. So that's how that process works. And that's taking a lot of the risk away from the projects that we've been doing.

Barry: Okay, that makes sense.

Dean Parker: The other good thing about doing it too is because at the moment, we're overachieving on bigger values and normally where we are, like \$5,000 or \$10,000 conservative of what a normal selling price would be and then we're normally over that again. So it's really a security blanket there which takes away the need to worry...not worry about the market 'cause you've obviously got to take that into consideration. But if you're going to do a quick turnaround project, you can get a valuation done upfront that says yes, this is what I think it's going to sell for. This is what it's going to be worth at the end. Then that takes that fear away and the need to worry too much about what the market's going to do.