

RESOURCE - PROPERTY VALUATIONS

Property Valuations

How banks decide what a property is worth - for purchases, off-the-plan, construction, and refinances. And what to do when the number comes back lower than you hoped.

Why a valuation is needed

This is one of the most common questions, and it usually comes up when LMI is involved. One of the conditions for approval will often be “acceptable security” or “valuation required.”

A valuation determines the **loan-to-value ratio (LVR)** in your application, which directly impacts how much a bank is willing to lend you.

How a property is valued

The bank doesn't value your property themselves. They request a valuation from a **third-party company** — the company they use differs from bank to bank, and location to location.

The valuer pulls data on properties sold in the last 3–6 months with similar attributes to yours. Comparison points include:

- Land size, house size, bedrooms, bathrooms
- Extras (car spaces, pool, garage)
- Conditions (asbestos roof, damaged plumbing, termites)
- Aesthetics, construction type

WHEN DATA IS THIN

Lack of recent sales data can be a problem — if similar properties haven't sold in your area for a while, comparison gets harder. In rare cases where a valuation comes in under contract price due to thin data, a dispute process is possible (case-by-case).

Off-the-plan valuations

Off-the-plan properties always need to be valued by the bank. When you buy something not yet built, there's no definite market condition for the day it's completed. That uncertainty makes the valuation harder to land accurately.

When the build completes and the bank values it, one of three things happens:

<p>↑ Above contract</p> <p>Best case. Some lenders accept the higher value if your contract was signed 12+ months ago.</p>	<p>= Equal to contract</p> <p>The expected outcome. Proceed as planned, hit settlement, celebrate.</p>	<p>↓ Below contract</p> <p>The risk scenario. Find out why, see if more info helps, otherwise success depends on your LVR.</p>
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IF THE VALUATION COMES IN LOW

If you've already got a 30–40% deposit, you may still be fine to settle. If you were planning on 10–20%, the application may now be subject to LMI or require a bigger deposit. Don't plan for a valuation increase — plan for it to land on contract.

Construction valuations

Every construction scenario is different, but the rule of thumb here is straightforward:

<p>LAND VALUE</p> <p>\$500k</p>	+	<p>CONTRACT PRICE</p> <p>\$500k</p>	=	<p>TOTAL PROPERTY VALUE</p> <p>\$1m</p>
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What about landscaping?

Unless landscaping is in the contract price, it may not be reflected in the valuation. Why? Because comparable sales rule everything. If \$50,000 of landscaping doesn't appear in similar properties that have recently sold, the value isn't necessarily reflected in your house price.

Refinancing an existing property

Three factors that drive whether a refinance triggers a valuation:

- **Total LVR.** Borrowing above 80% increases the likelihood of a physical valuation.
- **Location and natural disasters.** Recent floods, fires, or cyclones in your area will trigger a check.

- **Price increases.** Substantial appreciation or renovations may require a fresh valuation.

Many major lenders use internal data to estimate price without a physical inspection. Different lenders hold different data and reach different numbers — which can mean different borrowing capacity.

Why lender shopping matters

BANK A VALUES AT \$600,000	BANK B VALUES AT \$700,000
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*Same property. With Bank B you can **borrow \$80,000 more** for the same LVR.*

Got a question this raises?

Every situation is different. Book a free, no-obligation chat with Jonny and let's walk through your numbers.

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