

Master of Applied Science in Building Studies (Research)

Do valuations assist residential property
investors prior to purchase?

An industry perspective

by

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CERTIFICATE OF AUTHORSHIP

I certify that the work in this thesis has not been previously submitted for a degree except as acknowledged within the text. This thesis has been written by me and any assistance received in the preparation of it has been fully acknowledged. All information sources and literature used are indicated in the thesis.

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“Sometimes we stare so long at a door that is closing that we see too late the one that is open.” Alexander Graham Bell 1876.

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ABSTRACT

As residential property grows as an investment vehicle, with an increase in this asset class included in retirement planning, greater focus is now concentrated on the price paid for property and the relativity of that price to its value and how that value is determined. In addition, consideration has also begun to centre on the quality and suitability of residential property purchased for investment purposes and the risks associated with inappropriate property being purchased, particularly by investors nearing, or entering retirement with limited capacity to replace their capital.

This thesis considers the issues confronting residential property investors, the level of understanding about the attributes of property that contribute to value, the level of information available and the quality of advice provided to property investors. The thesis brings to the fore the present uses of valuation advice and the suitability and limitations of that advice for property investors in formulating the price to be paid for property.

A survey of seven professions confirms support for the use of valuation advice by residential property investors and their investment advisers prior to purchase. The survey is in contrast to literature which raises doubts about the quality, format and information currently provided in valuation advice and its appropriateness and usefulness in serving residential property investors in meeting their investment objectives.

In conclusion, issues that may be addressed by the valuation profession in assisting residential property investors provides a way forward for the profession to break free of the dominance of providing point-in-time values for lending institutions. Recommendations addressing the quality of property investment advice and the use of property investment seminars as a conduit of sale have been made.