

The value of building your own home

Hawke's Bay is growing. We can see that by the numerous new infrastructural construction that is going on around us. So, it's no surprise our region is growing residentially as we need to house a growing population. It is generally accepted that new housing stock is now a vital part of keeping up with a growing New Zealand. So, the chances are that building your own home will become a more prevalent option.

However, when building the issues you face are completely different from purchasing an existing property. Land value plus the cost to build does not always equal 'Market Value'. Most people do not have the cash available to have a house built from scratch, they need to sell existing homes and time frames to build and sell often don't align. It therefore becomes necessary to borrow funds.

So how can a Registered Valuer help?

The bank will just about always require a valuation of the property **"As-if-Complete"** from a Registered Valuer. **"As-if-Complete"** simply means what the property will be worth once complete including planned landscaping.

- The Market Value (MV) "As If Complete"
- Analyses "Cost to Create"
- Determines whether the project is over capitalising
- Provides full report to your Financier to rely upon to lend Mortgage Security so you can pay your builder
- Confirms your home is being built as per the plans and specifications.

What the Registered Valuer will need for a Progress Report:

Full set of plans

- Stamped & approved by the Local Territorial Authority



Build Contract

- A copy of your building contract stating build cost and any exclusions

Specifications of:

- All building materials
- Fittings to be installed

Details of other site improvements, such as:

- Landscaping, fencing, gardens
- Driveway, paths, paving, swimming pools
- Associated out buildings (e.g. shedding)
- Services to the site

What are Progress Payments and Progress Payment Reports?

The bank will not normally lend you all the money at once but in stages during the building project.

Therefore, as the build advances, progress payments will be needed to pay for the work completed by the builder. Therefore, your lender/bank may require a 'Progress Payment Report' which also needs to be undertaken by a Registered Valuer verifying that the appropriate site works have been completed, and what is still required to finish the project.

On your instructions the Valuer will re-inspect the property to assess the percentage of works complete

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and a 'Progress Payment Report' is issued for the lender/bank to release the funds. Any progress payment recommendation is based on the full funds to be drawn down less a calculated amount 'Cost to Complete' less a 'Saleability Allowance'. The number and frequency of 'Progress Reports' required will depend on your personal financial circumstances and your bank's requirements however the following can be used as an estimate:

- Slab down, framing up and roof on
- Fully enclosed and secure all exterior cladding on and all exterior windows and doors in.
- All interior walls lined, and ceiling lined as well as all electrical and plumbing in place.
- All interior and exterior decoration complete and all fittings to bathroom, kitchen as well as all electrical fittings in place.
- Fully complete dwelling with Code of Compliance Report issued, all landscaping and other improvements included in the valuation done.

Items included in the 'Progress Payment Report' include all items that are physically fitted in place. We cannot include items that are on site but not fitted, such as: stock piles of building materials, joinery, fittings and appliances on site but not fitted.

However, the following four key items are necessary as they are designed to protect your financier's interests should they ever be put in a position where they need to step in and complete the project. It is also just as important for you to have a good understanding of the process and requirements involved so that you can make prudent decisions during the build process.

1. Stamped and Approved Plans by Council - these are necessary to confirm our valuation findings.
2. Build contract with contract price - to confirm against our estimated market normal costs.
3. Saleability Allowance - what is this? At every progress payment a 'Saleability Allowance' is deducted due to the incomplete

nature of the property. The allowance decreases as the project progresses.

4. Code of Compliance Report - Our final 'Progress Payment Report' will hold some funds until the Code of Compliance Certificate is issued by the Territorial Authority.

Building your own home can be a hugely rewarding experience with significant benefits. You get to stamp your mark and your personality on the project. Not to mention the fact that you also get a pristine place to live, fully insulated and with low maintenance required.

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