

# The Value of Building your own Castle

Anecdotally, despite rising construction and land costs, the existing high house prices have made building a house more attractive relative to buying an existing one. This is not surprising given the amount of subdivisions that have become available such as Frimley, Northwood in Hastings, Arataki in Havelock North and Parklands, Guppy Road and Te Awa in Napier being the bigger and more popular choices. However, if you are considering building your own property there is a process which most homeowners will need to go through especially if you require finance from a lending institution.

Whether you build or renovate your property, the bank will often ask for a valuation report 'As If Complete', to determine if the cost to build, plus the land value aligns with the Market Value (MV) of your property. When it comes to building, planning and management are important, especially when it comes to accurately costing the build. A Registered Valuer can provide you with a valuation of the house "off plans" to determine if the cost to build plus land value aligns with the market value of your property.

## How can a Registered Valuer help?

When you build a house 'off plans', a valuation report provides information on the following:

- 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 build
- Confirms your home is being built as per the plans and specifications



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## What does a Registered Valuer need?

Full set of Stamped & Approved plans by the Local Territorial Authority

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.

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shedding)

- Services to the site

## What are Progress Payments and Progress Payment Certificates?

As the build advances, progress payments will be needed to pay for the work completed by the builder. Therefore, your lender requires a 'Progress Payment Certificate' which is 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 and a 'Progress Payment Certificate' is issued for the lender 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 Certificates' required will depend on your personal financial circumstances, 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
- Fully complete dwelling with Code of Compliance Certificate issued, all landscaping and other improvements included in the valuation done.

Items included in the 'Progress Payment Certificate' include all items that are physically fitted in place. We cannot include items that are on site but not fitted, such as:

- Stockpiles of building materials
- Window and door joinery on site but NOT fitted
- Fittings/appliances on site but not fitted

If Progress Payment Certificates are necessary, try to hold off as long as possible before instructing the Valuer to proceed. That way more building work will be able to be included in the calculations.

## Four Key Items

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.

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. window and door joinery on site but NOT fitted
3. 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 Certificate - Our final 'Progress Payment Certificate' will hold some funds until the Code of Compliance Certificate is issued by the Territorial Authority.

Building your own home can be hugely rewarding, however it is worth taking the time to understand the true value of your new home, not just in cost and materials.

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