



## How much for the gold taps?

I don't admit this often but in the 1980's I qualified as a chartered surveyor specialising in valuations. We learnt about the different methods of valuation although not the entirely fictional Darraby method (as in "Darraby worth about £250,000").

In a buoyant market with lots of transactions valuing can be a fairly comfortable activity as the valuer can access plenty of market data on which to base the opinion. Indeed in the US the consistency of values per square foot allowed confident (in the statistical sense) valuations even using computer models. This development moved to the UK when freely accessible sales data started to become available although our more quirky variations of house type made it less universal.

Whichever approach is taken, the valuer is trying to assess "what's it worth?".

Lenders have valuations at the core of mortgage lending as the security and its assessment is the reason loans cost (much) less than 5%. For home purchase, the sale price (normally fiercely negotiated) is, to say the least, a great guide as to value. However lenders, buyers and builders have not always seen eye to eye in the case of new build properties. The reason for this is lenders want to assess how much they could realise in the event of having to sell the security. As a result, the value we want is the second hand value.

In much the same way as a new car's price is above that of a "nearly new" one, new homes may command a premium. The new decorations, fittings and perhaps personalised spec which we all love however may not be reflected in the event of a quick resale. This is especially the case if the new build purchase has a bundle of incentives. As one lender puts it – we understand you might want to pay a premium for a new home, all we ask is you don't use our money to do it! The result can be frustration between the parties as the new home doesn't "value up".

Alas, I think this will always be a thorny issue for the market. I would advise you talk to your lender early on to understand their attitude to new builds. We are here to lend, honestly!

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