

2014 CVs in Auckland –

How much weight do they hold when buying or selling property?

by Paul Foster



With the latest council valuations (CVs) released just a couple of weeks ago, a sense of déjà vu floated around the Iron Bridge office. All the hubbub that ensued over these new 2014 valuations struck me as very similar to the 2011 release. But what do these CVs mean off paper and in the real world of actually buying and selling property?

As recent history shows, people place a lot of value in CVs straight after release, whether they're buying or selling. In the case of 2011 CV figures, as property prices increased the importance of the CV waned, with houses typically selling for progressively higher and higher above their CV. This continued until it almost became a joke at how random the sale price was in relation to CV.

So here we go again – the new CVs are out and all of a sudden it seems both buyers and sellers are taking these as accurate indications of market value. This is especially so when a CV is weighted in their favour, for example, a relatively high CV seems good when selling property and a low CV appeals when buying.

To me, this seems a very dangerous approach to valuing a property as these new CVs are still done by people who have never set foot in the property, and are making assumptions based on formulas rather than actual property conditions or features.

A recent example of the danger of hanging all hopes on a CV happened to buyers I worked with last week. The property for sale was priced well with an asking price of \$710,000 but it had recently been given a CV of just \$620,000. The property went under multi-offer quite quickly with two buyers going to paper. In a multi-offer, you really have to put your best offer down on paper to ensure you do your best to secure the property.

One buyer, who held a lot of weight in the CV, made an offer of \$691,000. The other buyer, who ended up buying the property, based their offer on actual sales that had happened in the area very recently, and bought the home for \$718,000.

Looking at it another way, the buyer who offered \$691,000 had told me they intended to do some improvements if their bid was successful. They planned on painting the inside, replacing the carpet and doing some landscaping. I asked them the question if those improvements would add value to the property making it worth more, and their obvious response was, "of course".

I then asked them what would happen to their CV at the end of those improvements. They looked at each other and it dawned on them that of course the property would now be worth more, but the CV would remain the same. Ultimately this increased their offer from \$680,000 to \$691,000, but they still held too closely to that CV to have a decent shot at securing the property.

I've also heard some recent stories where people selling property have held out for a price for their home based on recent CVs that are too high rather than recent sales. Sadly, they are then rejecting great offers as they are comparing them to CVs, not current market value.

[A recent article in the NZ Herald](#) stated that around 30% of Auckland CVs are "wildly wrong" and registered valuations were seeing a lot of inconsistencies. Our recent experiences would back this up well and truly.

Our advice – take extreme caution when using CVs to help you determine value. Recent sales in the area are the most legitimate way of working out a realistic sale price. And the best place to find out those recent sale prices is off the people who sell property. **If you want a genuine take on the market, [talk to Iron Bridge](#) about what houses are selling for in your area.**