

**Senate Select Committee on  
Superannuation and Financial Services**

**Main Inquiry  
Reference (a)**

**Submission No. 188**

**Submittor: Mr Mark Johnson**  
20 Darcy Street  
SOUTH HOBART TAS 7004



Mr Johnson  
20 Darcy Street  
SOUTH HOBART TAS 7004

Select Committee on Superannuation & Financial Services  
**Attention: Sue Morton, Committee Secretary**  
Parliament House  
CANBERRA ACT 2600

31 May 2001

Dear Sir

**RE: SENATE ENQUIRY INTO SOLICITORS MORTGAGE SCHEMES IN TASMANIA**

Thank you for your letter of the 17<sup>th</sup> of May, giving me an opportunity to make comment on the adverse comment made by Mr Peter Worrall in his report to you of the 11<sup>th</sup> of May 2001.

Specifically, I refer to clause 3.2, concerning the role of the valuers. In particular, I comment upon the fact that, at the time when my valuations were requested, I utilised the known transactions in the area and, given the projected development, my valuations were reasonable in the circumstances.

For instance, in respect to lot 54 Pennington drive, I took into account the location of the subdivision and various lots, the site descriptions, which included advice to me that all central services, such as electricity, town water, mains sewerage and telecom lines were to be erected in the boundaries of the allotments and that the proposed use was within its local government zoning.

I estimated that gross sales for three bedroom units in the vicinity would be \$90,000.00 and 2 bedroom units between \$82-85,000.00.

I allowed for development costs at \$500.00 per square metre for the cost of the units, being an acceptable amount for building in that area. I estimated a figure of \$108,000.00 for site development costs exclusive of building development. I also allowed \$305,000.00 for profit, risk and interest, which should have been sufficient on a development costing \$870,000.00.

This left a net figure, being the value of the land, and also this figure was taken after allowance of profit at 15% and interest at 10% per annum.

It must still be borne in mind that to the right developer, that property/land will have a positive value dependant upon the use to which it is put and the way in which it is developed. Unfortunately, as is shown from the circumstances, it appears the developer did not pursue the development in the manner outlined to myself and accordingly it is trite to conclude at the end of

the day that the land has no value if the current development costs now exceed the projected sale costs.

It is common knowledge that a great deal of development has failed because of under-capitalisation, which normally, in these circumstances, means the inability of the developer to carry out the development of a property within a specific timeframe due to lack of funds. The ramifications, of which are that the interest being carried, eats away the profit or the time necessary to sell the units in a manner which achieves a reasonable price.

It is noted that there is a substantial increase in my valuation of the sub-division at Sorell once titles had issued. Normally titles will only be issued after there is substantial substructure in place and it was not until my perusal of Mr Worrall's affidavit that I became aware that Mr Baron had given Sorell Council some form of guarantee that certain works were in hand. Normally the issue of separate titles (similar to a stratum title declaration) will immediately add value to a property, if they are capable of being dealt with individually.

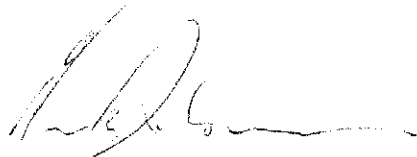
Unfortunately, in respect to one of my revaluations, I took into account two contracts for the sale of parts of the Sorell land, which were between inter-related parties (of which I could not have been aware, unless I was involved in the transactions, which I was not) and which did not proceed to completion. Given that the contracts were unconditional, I do not believe I could do otherwise than feel that they reflected some indication as to the value of the properties being sold, but note I made the valuations subject to the completion of the sale contracts. Again, as events transpired, it appears that I may have been deliberately fed such information, knowing that I would take this into consideration.

It can be seen from Mr Worrall's affidavit precisely what amounts I was paid for my valuations and I can categorically state that I received no other payment, emolument or benefit from my dealings with Mr Baron or Mr Dodge.

I confirm that I am available to provide further information if necessary to aid in your enquiry. Please also forward a complete copy of Mr Worrall's affidavit, so that I can properly comment upon it.

Yours faithfully,

Per:



MARK JOHNSON