



Joint Standing Committee on the Office of the Valuer General

Statistical Analysis of Land Valuation Data

Draft findings

March 2013

Background

- Land is assessed on a site value criterion – value of the land without buildings but is ready for construction.
- The Joint Standing Committee on the Office of the Valuer General intends to report on land valuations performed by the Valuer General for the period of 2000-2012.
- The Committee's report will address key aspects of the valuation system, including:
 - Predictability of the land valuation
 - Equity of the system
 - Transparency of the system
 - Efficiency
- The Committee intends to consider the outcome from the testing of the two hypotheses as part of the information gathering process for the report.

Hypothesis 1.

That individual property holders experience material volatility in land values.

Hypothesis 2.

That land values on the register have grown materially more than the market.

Hypothesis 1 Findings and Conclusions

That individual property holders experience material volatility in land values.

A statistical analysis of volatility in land values to identify:

1. *The level of volatility in land values across the sample; and,*
2. *The extent to which materially high levels of land value fluctuations are widespread.*

This analysis should identify any types of property that have had noteworthy levels of volatility, such as specific LGAs or commercial land.

If any information is obtained as a result of the analysis which may suggest a cause of volatility it should be included in the final report (however the scope of the consultancy does not include in depth causal analysis).

- Volatility exists at all levels for all zones.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Residential	10%	18%	30%	27%	16%	1,807%	25%	1,007%	885%	13%	1,749%
Business	12%	19%	49%	26%	25%	5,221%	29%	21%	19%	15%	16%
Industrial	12%	19%	26%	28%	30%	27%	169,524 %	23%	13%	12%	585%
Non-Urban	15%	586%	881%	65%	2,649%	2,061%	1,659%	1,942%	2,069%	1,988%	308%
Other	17%	2,665 %	1,810%	561%	45%	2,239%	34%	3,449%	356%	22%	2,683%

- In each year, at least 21% of the population experienced growth greater than 5%.

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
61%	83%	91%	91%	39%	28%	31%	24%	21%	38%	24%

Volatility was experienced and material fluctuations were widespread.

Hypothesis 2

That land values on the register have grown materially more than the market.

A comparison of land values to market values. This analysis should be performed:

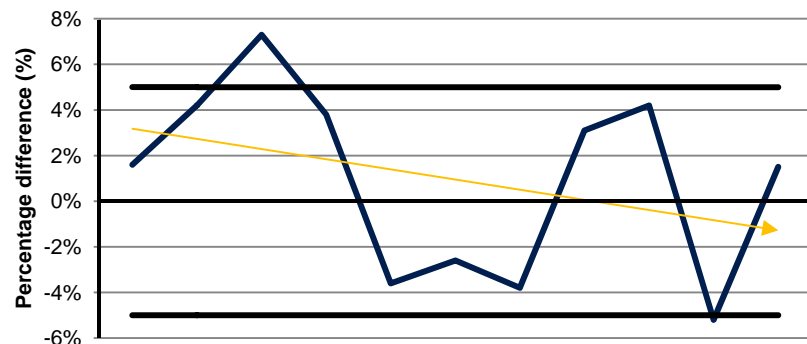
- For the State;
- For major population centres (Sydney, Newcastle, Wollongong, etc); and,
- For local areas (postcode or LGA).

Where a statistically significant sample size is available, the analysis should also be segmented by property type:

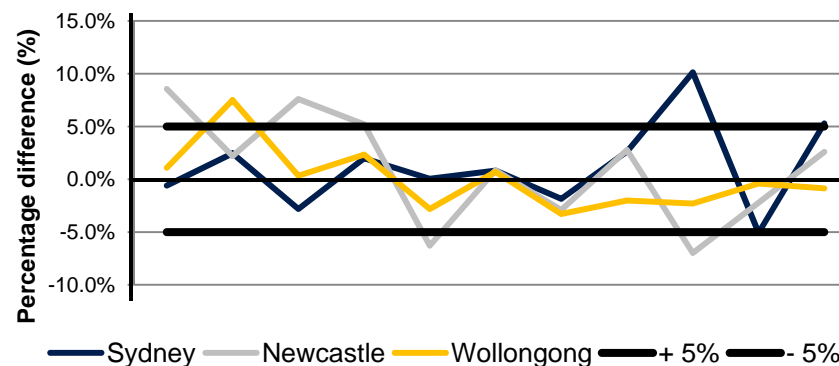
- Residential;
- Commercial; and,
- Industrial.

An appropriate reference point should be used for market value, such as RP Data, the Department of Housing, or other well regarded source.

State



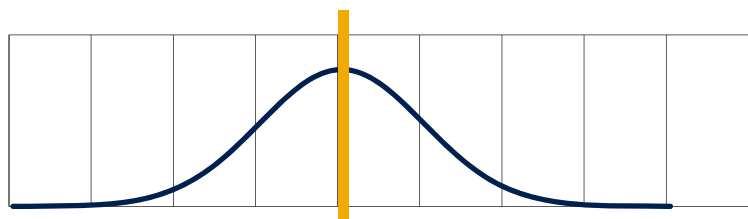
Metro



Land Values have not consistently grown materially more than market.

Valuer General Growth Distribution

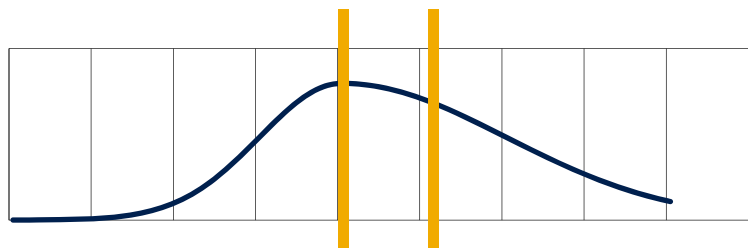
Normal
Distribution



Median = Average

- The average growth splits the population in half

Skewed
Distribution



Median Average

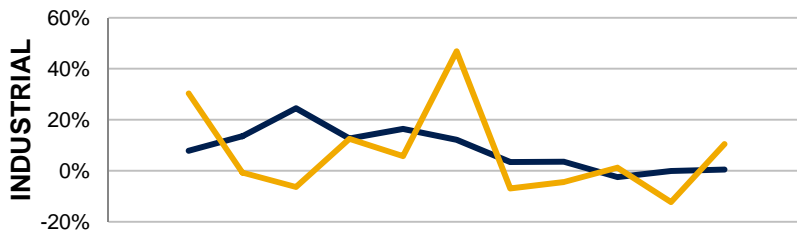
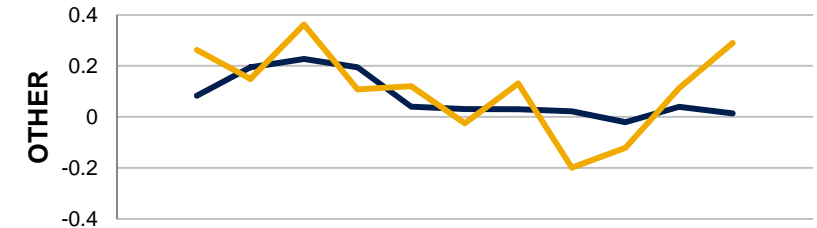
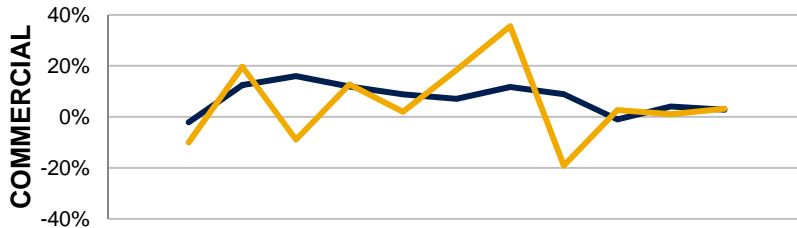
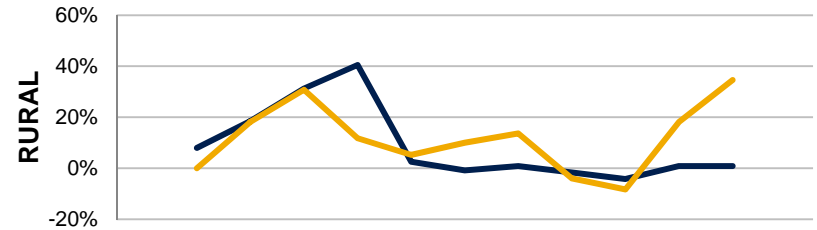
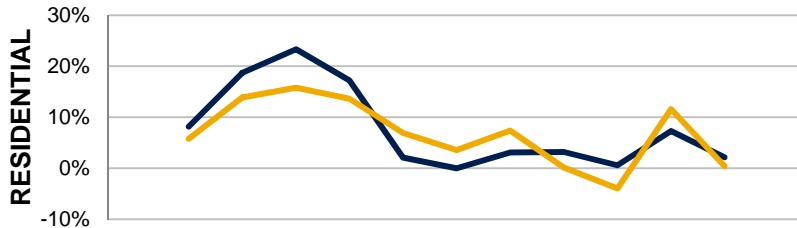
- The average is different to the median and does not split the population in half
- There is more values sitting at the top end (right) and further distanced from the median

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Median	5%	15%	25%	21%	0%	0%	0%	0%	0%	2%	0%
Standard Deviation	12%	792%	612%	164%	977%	2,011%	22,109%	1,496%	1,083%	733%	1,697%
Average Growth	7%	19%	32%	29%	7%	8%	26%	5%	2%	5%	5%
% Experience Above Average Growth	43%	41%	33%	35%	31%	20%	4%	20%	28%	43%	27%

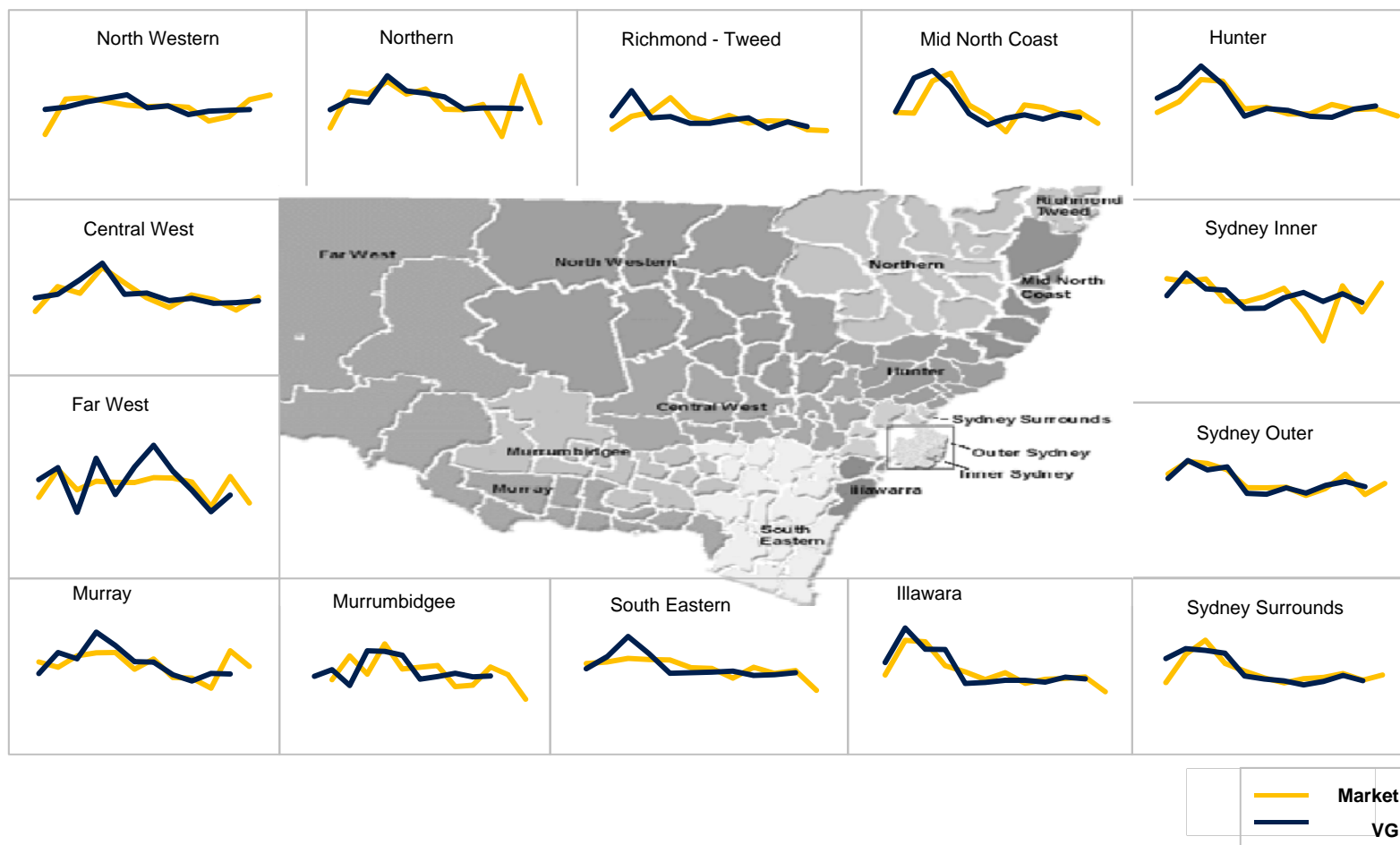
Breakdown of High Growth Properties

		2007		2008		2009		2010		2011	
		Occurrences	%	Occurrences	%	Occurrences	%	Occurrences	%	Occurrences	%
Residential	50-100%	6,405	0.5%	11,207	0.9%	1,005	0.1%	1,789	0.1%	1,292	0.1%
	100-1000%	12,288	1.0%	929	0.1%	628	0.0%	1,532	0.1%	641	0.1%
	>1000%	144	0.0%	36	0.0%	67	0.0%	40	0.0%	373	0.0%
Business	50-100%	1,314	0.3%	930	0.2%	24	0.0%	345	0.1%	203	0.1%
	100-1000%	544	0.1%	258	0.1%	128	0.0%	151	0.0%	86	0.0%
	>1000%	10	0.0%	11	0.0%	8	0.0%	4	0.0%	8	0.0%
Industrial	50-100%	1,314	4.5%	787	2.7%	10	0.0%	160	0.5%	90	0.3%
	100-1000%	325	1.1%	346	1.2%	63	0.2%	82	0.3%	54	0.2%
	>1000%	8	0.0%	7	0.0%	5	0.0%	3	0.0%	16	0.1%

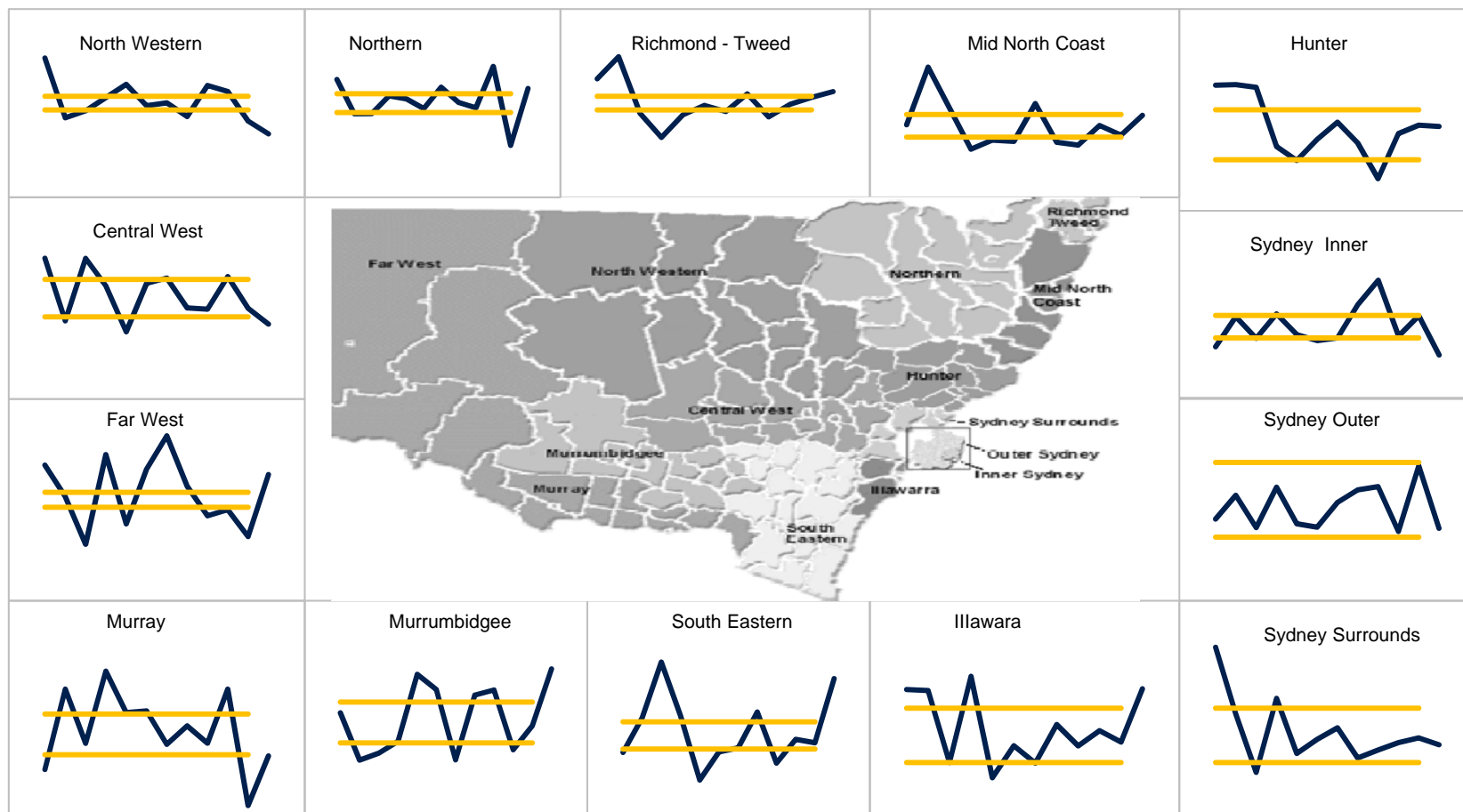
NSW Zones: VG vs Market Growth Rates



Regional Valuer General vs Market



Regional Valuer General vs Market



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