

**Submission
No 72**

INQUIRY INTO LAND VALUATION SYSTEM

Name: Name Suppressed

Date Received: 8/03/2013

LETTER:

REGARDING: Recent land valuations in Leichhardt Municipality

We are one of a group of neighbours in Annandale within Leichhardt Municipality, who have the same sized blocks of land. Along with (no doubt many) others within Leichhardt Municipality, in early 2012 we received our land valuation for July 2011. The previous valuation was for July 2008. We were alarmed to discover that our 2011 valuation showed a **72% increase**. One neighbour, with a larger block, received a **100% increase**.

Discussion showed we had a number of concerns in relation to the valuation process, its results, and to the available objection process. After a number of phone calls and careful reading of the available documentation (from LPI), including the grounds for objection, we did not proceed with lodging an objection as it was clear that our objection would not receive any consideration. We contacted our local member regarding a review of the whole process.

We remain angry and disturbed at the methodology, results and objection process regarding land valuations, hence wish to submit the following to the review of the NSW Land valuation process. It is our hope that a revised system will eliminate inequities, provide certainty and afford transparency in a relevant updated system.

Yours sincerely,

[REDACTED]

[REDACTED] Annandale 2038

[REDACTED]

SUBMISSION:

Our land valuation for July 2011 (covering three years 2009/10/11) showed a **72% increase**.

A number of neighbours, with same sized blocks, received the same increase. One neighbour, with a larger block, received a **100% increase**.

On the valuation notice received, there was a Leichhardt Council Area graph, showing that land values as determined by Valuer General, (VG and LPI) in Annandale increased roughly from \$400,000 to \$600,000 between 2008 and 2011. The same graph showed sale prices increasing less, from \$800,000 to about \$950,000. In both cases the increase was roughly (maximally) 25% p.a. **NOT 72%** (as in our valuations).

While we do not agree that the figures provided on the valuation notice from VG are accurate, (see submission following), they have provided us with a basis for seeking to object to the disproportionate increase in our valuations.

Our main objections, as they relate to the terms of reference of the review are:

Volatility in land valuations:

The valuation increase was disproportionate given property increases over the three year period relevant to the valuations, June 2008 - June 2011. This was almost exactly the time of the GFC. At this time, incomes, inflation and local house/property sale prices were certainly not increasing anything like 72% – nowhere near it ! Anecdotal evidence (through local real estate agents contacted) for that period, was that values were holding steady, but there was no buoyancy in housing/land sales and values locally.

Moreover, the figures provided by LPI section of VG's department are at variance with the following, which is based upon property sales for the relevant period:

*Over the ten years to June 2011, the average percentage increase in Sydney property values saw Annandale ranked 175 among suburbs in Sydney, and specifically for June 2008 – June 2011 the increase was 4.5%, while 2010 to 2011 was MINUS 8.4%.
(Property Guide, Sun Herald, Sunday February 19, 2012, page 31).*

Complexity in the valuation system:

There were no clear and/or valid reasons provided to property owners to account for such dramatic increases as a result of the existing valuation process. While we understand that a suitable system is potentially complex, we believe that there is currently a serious problem with a lack of consistency and an absence of any transparency in the process.

When we initially responded to the new valuation notice, by lodging a request for a reason as to how such an increase was arrived at, we received no information in response, just a form letter stating we could lodge another objection with supporting evidence as to why we objected to our valuation. It was interesting that LPI refused to provide any rational /reasonable evidence for their valuation, but we were required to provide evidence to even lodge a valid objection ! So we still have no sound explanation as to why this enormous increase in valuations has occurred, but must find evidence to rebut this valuation increase of 72% !

Any inequity in the valuation system.

The LPI documents provide the following information:

"To assist in the understanding of your land value, a valuation sales report is available. It lists property sales that were considered when determining land values in your area. Sales from the valuation sales report may be used to support your objection. The valuation sales report includes the land size, contract date, purchase price and adjusted land value. The sale price of a property is adjusted to reflect the land value only, as if it had sold at 1 July in the year of valuation. The report is not a complete list of sales for a locality and you can provide other sales evidence to support your objection. The absence of sales directly comparable to your property on the valuation sales report is not a valid ground for objection." LPI website/brochure

The sales report provided to us (Attachment) consisted of 29 Annandale properties, sold in 2010/11. On careful analysis, we noted that none of the sites on the list provided of a similar size to ours, so that we can but wonder how any relevancy can be imputed. In addition, there are strange anomalies and clear inconsistencies within this report, in relation to adjusted land values and the allowance for improvements on each site.

Adjusted land values varied disproportionately, even among similar sites in Annandale, for no apparent reason, e.g.

██████████ is 101.2 sq metres, with a land value of \$480,000 compared to ██████████ which is 132.8 sq.m., with lower land value of \$445,000.

██████████ is 130 sq m., while ██████████ is 150.61 sq m, with each having the same land value of \$485,000.

Allowance for improvements on a site varied widely, with no clear reasons given:

The LPI states that the value of improvements "is their worth as reflected by the real estate market in an area," and not necessarily replacement or insurance value. However, given this, in most of the 29 properties listed, the amount for house or other improvements is extremely low: with 24 of the 29 sites deducting \$400,000 or less for improvements. It is hard to believe that any house in the inner city could be built for less than \$400,000 currently (although in at least two cases, for no apparent reason, under \$200,000 was deducted).

Not only are some "allowances" extremely low, but there are wide (inexplicable) discrepancies between sites and the allowance made for improvements, e.g. two similar sized blocks -

██████████ (301.2 sq m block), has had only \$170,000 "allowed" while ██████████ (306.63 sq m) has had \$600,000 allowed for improvements.

Given these inconsistencies and the fact that none of the sites on the list provided was of a similar size to ours, we have no idea how our, or indeed, **any**, land values were arrived at.

The objection process is severely circumscribed:

The guide provided by LPI states that an increase (even of 72%) is not sufficient grounds for objection.

It also says:

“comparing the land value of other properties to your property is not a valid ground for objection.....valuers review the land value in relation to the sale prices of comparable properties.”

“ the method used to determine your land value is not a valid ground for objection and is not considered during the objection review process. When reviewing an objection, valuers will consider the land value in relation to sales evidence for comparable properties.”

Given the anomalies and inconsistencies outlined earlier, it is impossible to ascertain what were the ‘comparable properties’ the valuers used (given that no comparable properties were provided on the list given to us).

Effectively, any rational query or objection has been ruled out.

Recommendations

Changing criteria and process for the valuation of land/improvements

If the major use of the valuations is for ascertaining local government rates, it could be useful to produce a **notional valuation** as in e.g. South Australia. Rates are about providing services and the need and level of services relates more to numbers of people and their activities, than to the size of the land. Rates then could be based upon standard increments within classifications of usage, e.g. domestic, commercial, etc., rather than the size of the land.

This would not preclude producing a separate valuation, being the valuation of land based upon land location, size and potential (given planning laws, heritage etc.). Presumably this would be used (as presumably it is currently) for planning and infrastructure purposes.

Measures to improve transparency within the system;

Transparency could be improved by revealing just how valuers make their determinations. The pronouncement that the current process is very complicated is not good enough. If we the taxpayers are paying we have the right to know how the amount is arrived at. Transparency would also be served by having a clear, just and simple system of objection, so that landowners have the right to challenge any unfairness in the system.

Measures to achieve greater efficiency within the system;

Efficiency could be achieved by having the valuation of land based upon size etc., (see above) carried out at state level, and the usage or notional valuation carried out locally. Notional valuations can be done visually and if an incremental scale is used – as above – there is minimal likelihood of biases or mistakes occurring.

Attachments:

Valuation sales report (properties sold in Annandale), (not sure if this was just for us or the whole suburb received the same one) .