**Submission No 74**

# INQUIRY INTO LAND VALUATION SYSTEM

**Name:** Name Suppressed

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WHY WE BELIEVE THE VALUATION METHODS NEED IMPROVING

- We have been informed that with the quantity of valuations to be carried out, at least in 2009 it was being performed by one valuation contractor by viewing Google Maps, over a 12 month period producing one valuation approximately every 3 minutes of an 8 hour day. It is impossible to value a property purely by looking at an aerial map and presuming that it has exactly the same characteristics as a "comparable property" that is 2km away.
- Valuers need to take into account that two properties located side by side or across the road from each other may have completely different Clauses/Restrictions/Regulations placed on them. This means that you cannot assume that they are equivalent in value if one has development approval but the other has Clauses/Restrictions/Regulations placed on it meaning that it cannot be developed. They are not comparable properties in a situation such as this and it is wrong that the property with Restrictive Use Clauses placed on it is valued at the same rate as the developed property.
- Valuers need to take into account that Property A with a sale price of $1,000,000 may have been valued at $300,000 the previous year but has had substantial landfill brought in and works carried out (on what is still a bare block of land) amounting to say, a cost of earthworks of $500,000 and at this stage it has not been built on – it is still vacant land but a completely different version of the land it was 12 months previously as it has been prepped ready for building development. For Property B located next door or across the road which is still in the raw form version of Property A at a land value of $300,000 to now be comparably valued at $1,000,000 purely because the next door property sold for $1,000,000 is an example of poor valuation methodology. Property B still requires the same $500,000 worth of work to be carried out on it to bring it to a comparable sale value of $1,000,000 yet it is being valued as if that work has been carried out, hence artificially inflating the land value of that property.
- Property valuations need to be completely separate from influences of State Governments needing to raise funds. If a State Government is short of funds, they should not be sending messages down the line to valuation contractors to increase property values for State Revenue purposes. 2009 is a prime example.
- I note Point 3 of the Terms of Reference – Inquiry into the Land Valuation System which states – "This is noting that the focus of the inquiry is not directed at revenue but the valuation system". Whilst a valuation system is being driven and influenced by a demand for State Revenue, we will never see a true and correct valuation system. If the State Government did not wish to collect Land Tax and if Local Government did not collect Council Rates, there would be no reason for these valuations. How does one state that this inquiry is focused on the valuation system without including and assessing the associated revenue and the reasons for collecting the revenue? Valuations are carried out to create revenue, not for the fun of it. If the Valuation System is being directed by revenue, then how can the Joint Standing Committee fully investigate the system without including revenue?

- When we objected to a valuation, we were told in writing by the Independent Valuer who re-assessed the valuation: "It is noted that a comparison of an issued Land Value to prior Land Values for a property is not a valid ground for an objection. **When considering appeals, the Court has consistently held that prior valuations of the property are irrelevant: it is sufficient to decide only whether the current value is correct**." This is a ridiculous statement and shows major flaws in the method of valuation.
    1. How can the Valuer or the Court state that a property cannot be compared to itself, yet it can be compared to another property with completely different characteristics, Council Clauses and Regulations from an area up to 5km away?
    2. How can it be said that one person from an organisation (the Independent Valuer) thought the property was worth $X and firmly believed that it was a correct valuation yet another person from the same organisation can come back the next year and say it is now worth $2X and then state that their colleague made an error and was incorrect in their valuation from the previous year and their colleague should have valued the land at $1.6X?
    3. Does this then mean that a valuation is purely subjective according to who is carrying out the valuation? Does a property need to be valued by say, two different organisations, acting completely independently of each other to determine variances and discrepancies between the valuations and highlight organisations that are wildly overvaluing properties?
    4. As per Point 2 above, should the Independent Valuer be comparing the previous years' valuation to justify his current valuation if we are not in the position to use that previous valuation as a valid ground for objection ourselves?
    5. Is the Independent Valuer, in their Valuation Report permitted to increase a previous years' valuation to make his own current valuation look to be less of an increase?
    6. Should an Independent Valuer who is contracted to perform a re-assessment due to an objection be permitted access to the current valuation and previous years' valuations or should it be a completely independent valuation? How can it be said that one is receiving an independent valuation if the Valuer is being clearly influenced by previous and/or current valuations?
- Valuation firms awarded contracts to carry out mass valuations along with Independent Valuers engaged for re-assessment need to be transparent and accountable for the values they issue. If an area is experiencing a massive slow down in sales and prices are dropping (or not selling at all in our industrial area), how can the land value of a property still be held close to the ludicrous top dollar value lumped on it in 2009 when we were suffering the effects of the GFC? Why were land values increased so much in our area at this time and why have they not decreased as a lack of sales shows that potential purchasers are not prepared to pay those prices? Is this not revenue driven from the State Government for those land values to remain artificially high?

- It's all well and good to be told that a previous years valuation was incorrect and "this is a catch up because the previous years valuation was too low" but why does it not seem to work in reverse when properties are not selling? Why do property owners never seem to receive a huge drop in land value when area sales are at zero for the previous 12-24-36 months?
- Appointed contractors to value land need to approach the valuation process with a clear and unbiased opinion. Valuing property should be carried out professionally and the personal views of the Valuer towards land owners should not affect the way in which they carry out their valuations.
- Contractors appointed to re-assess disputed Land Values should also be accountable, transparent and act professionally. If you say you attempted to contact a property owner on their mobile phone, at least phone the number so it shows a missed call. Don't say that the property owner never answered either the mobile phone or the business number (which has an answering machine if nobody is available), yet then take a photo through the open front gate that clearly shows the property owner in the photograph. Valuers need to be seen to be doing the right thing, not cutting corners. If the property owner is right there, just a few metres away, get out of the car and speak with the person, don't pretend that you attempted to contact the property owner. Property owners dispute valuations for a reason and they need to have their concerns taken seriously. If the Valuer is telling stories about attempting to contact the property owner, what else is he fabricating in his report?
- In terms of volatility in land values, please see below an example:
  2006 - $627,000
  2007 - $689,000 (an increase of 10% from 2006)
  2008 - $1,060,000 (an increase of 54% from 2007)
  2009 - $1,960,000 (an increase of 85% from 2008, then reduced to $1,780,000 after appeal and media coverage, resulting in an increase of 68% from 2008)

  A 10-15% increase/decrease zone around the value of the previous year could be deemed acceptable but during the time of the GFC, to be subjected to increases in excess of 50% from the previous year shows a problem in the valuation system. We refer to the Media Release from the Office of the NSW Valuer General dated 16 January 2009 which states: "Commercial properties in Windsor and Richmond showed a decrease in value". This completely contradicts our Land Valuation which increased 68% that year for a commercial property in Windsor. Properties of this nature were not selling then and are still not selling now. What went wrong from 2008 onwards? From 2006 to 2009, this property had a land value increase of 284%. How can this be justified? If demand of this type of property was exceeding supply, one could imagine an increase but when properties are on the market for over 2 years and still not selling, it hardly justifies the massive increase in land values and shows that the methods used in valuing property are not suited to all properties.
- It is fear of the cost of taking a Land Value dispute to Court that prevents many people from taking that step. When faced with the option of a Land Tax bill as a result of an excessively high Land Valuation or legal fees from fighting that Land

Valuation in Court, many people just resign themselves to paying the Land Tax bill as they see it as the cheaper option. When Land Values are unreasonably increased in comparison to the previous year for no justifiable, valid reason, why can't the land owner present the reason of unjustifiable increases as a valid reason in a Court case and win? What is to say that the Valuer is correct in how he has valued the property? Perhaps he has made an error. Why is one current valuation taken as more correct than the previous valuation? If the previous valuation was correct and nothing has changed on the property or in the area, why is the current Valuer correct with his sudden massive increase which doubles the land value of the property? There are many properties out there where their Land Values are now equivalent to the Developed Value (with buildings). How can this be correct? Local Real Estate Agents are now quoting valuations in the vicinity of Land Values for developed properties such as ours, highlighting that the gap between Land Value and Developed Value has shrunk to almost zero. How can the Land Valuation System be correct if the developed property market is quoting the same figure?

We thank you for allowing us to take part in this inquiry and we appreciate your ongoing inquiries in to the land valuation system.