



INLAND PACIFIC
PROPERTY GROUP PTY LTD
INDEPENDENT VALUERS & CONSULTANTS

Kempsey Shire Council

Final Report 2015

1st November 2015

Executive Summary

LGA Overview

Kempsey Local Government area is situated on the Mid North Coast comprising an area of approximately 3,375 square kilometres based around the Macleay River valley. The Macleay River has its source in the New England tablelands with Kempsey Shire commencing near the base of the tableland eastern fall country approximately 65 kilometres inland from the coast. The river enters the sea at South West Rocks. Kempsey is approximately 420km north of Sydney and 400km south of Brisbane. The 2013 census population of the shire was 29,361 people of which 8,137 reside in the town of Kempsey and 4,071 in South West Rocks.

Kempsey was bypassed by the Pacific Highway in March 2013.

Number of properties valued this year and the total value in dollars

The Kempsey Local Government Area comprises Residential, Rural, Commercial, Industrial, Environmental, Recreational and Special Uses zones.

14,241 properties were valued at the Base Date of 1 July 2015, and valuations are reflective of the property market at that time. Previous Notices of Valuation were issued to owners for the Base Date 1 July 2012. The Kempsey Shire property market has experienced decreases in value levels across several sectors. However, the majority of property value levels remained relatively steady.

Kempsey Shire attracts a wide range of purchasers to the area, which is based on the rural and tourism history of the area, as well as the productive rural environment close to the coast and the Regional Centre of Port Macquarie.

Valuation changes in the Local Government Area (LGA) and percentage changes between the Council Valuation years of 1 July 2012 and 1 July 2015, and the Land Tax Valuation year of 1 July 2014 are as follows;

Properties Valued and Total Land Value							
Zone	Zone Code	Number of Entries	2015 Total Land Value (\$)	Prior Annual Valuation (2014) (\$)	% Change	Prior Local Government Valuation (2012) (\$)	% Change
Residential	R1, R3 & R5	7,564	995,930,910	998,356,860	-1.243	1,009,317,230	-1.326
Rural	RU1, RU2, RU3, RU4 & RU5	5,648	998,374,610	1,001,387,630	-0.3	1,083,816,700	-7.883
Commercial	B1, B2, B3 & B6	389	102,778,300	106,828,400	-3.791	126,014,800	-18.439
Industrial	IN1, IN2	172	27,452,490	27,395,690	+0.002	30,449,870	-9.843
Special Uses	SP2 & SP3	31	6,331,300	6,331,300	0	6,965,300	-9.102
Environmental	E1, E2, E3 & E4	373	71,894,690	72,381,910	-0.673	76,338,550	-5.821
Recreation	RE1 & RE2	64	20,679,540	20,679,540	0	20,730,540	0
Total		14,241	2,223,441,840	2,233,361,330	0.004	2,353,632,990	-5.53

State & Local Government legislation for LGA

Kempsey Local Environmental Plan 2013 was gazetted on the 3rd February 2013. Since then there has been no Amendments to the Plan.

The Kempsey Local Government area is governed by the Kempsey Local Environmental Plan 2013. The plan is based on the standardised Local Environmental Plan (LEP) prescribed by the New South Wales Legislation.

Market Overview and Sales of Particular Interest

Inland Pacific Property Group Contractors have undertaken significant analysis of the Kempsey district property market to provide an accurate and reliable basis of valuation. 469 sales have been analysed to enable the establishment and verification of land values as at 1 July 2015. These analysed sales also support the grading across components. Analysed sales reports are provided to Land and Property information on a consistent basis throughout the year. The added value of improvements are also analysed to enable the accurate deduction of land values. Inland Pacific Property Group Contractors undertakes this process using the paired Sales Approach and the Replacement Cost Approach.

In analysing sales before or after 1 July it is necessary to adjust the contract price in terms of market movement. In the Kempsey district this year sales and resales properties indicated no adjustments were considered necessary.

Significant Issues and Developments

There has not been any significant developments or applications for developments outside of those that are permissible under the current zoning, and therefore no special consideration is required.

Significant Value Changes

Summary of Valuation Changes to Residential Land *Changes since Previous General Valuation (2012)*

The main residential sector to experience increases in value levels since the last General Valuation in 2012 has been the village of Greenhill. However, these changes have occurred in the last twelve months, rather than between 2012 and 2014. From the last General Valuation to 2014, residential value levels remained relatively static.

Changes since previous Valuation Year (2014)

The main changes since the previous Valuation Year has been the increase in residential value levels in the village of Greenhill of approximately 12%. This change has been via a slight increase in sales volume from the previous year, with demand the contributing factor to the increase.

Another sector to experience changes in value levels is the village of Arakoon where limited market evidence supported a slight reduction in value levels by 6%.

Summary of Valuation Changes to Rural Land ***Changes since previous General Valuation (2012)***

The main changes in value that have occurred in the rural sector of Kempsey Shire since the last General valuation in 2012, have actually occurred from 2013. From the last General valuation to 2014, rural value levels decreased for the lower river properties and the larger upper valley grazing properties. Properties close to town have remained relatively static.

Changes since previous Valuation Year (2014)

Most rural properties have remained relatively static since 2014 with an increase in sales volumes evident.

Large grazing properties in the upper valley have continued to decrease in value with values reduced by approximately 6%.

Summary of Valuation Changes to Commercial Land ***Changes since previous General Valuation (2012)***

There has been some decreases in value experienced in the main commercial sectors within this LGA since the last General valuation. There are three main commercial sectors in this LGA; in Kempsey, West Kempsey and the smaller centres in South West Rocks and Crescent Head.

Kempsey CBD has experienced continued decreases in value levels since 2013 following the opening of the Kempsey Bypass.

West Kempsey and Crescent Head values have remained unchanged.

South West Rocks has seen a slight decrease in values in 2015 with limited market evidence available.

Changes since previous Valuation Year (2014)

Kempsey CBD has experienced a further decrease in value levels in 2015 with market evidence indicating a softening in values along the old Highway corridor.

South West Rocks has seen a slight decrease in values in 2015 with limited market evidence available.

Summary of Valuation Changes to Industrial Land ***Changes since previous General Valuation (2012)***

There are three distinct main Industrial sectors within this LGA; at South Kempsey, West Kempsey and South West Rocks.

There has been no changes in value levels to the West Kempsey Industrial precinct since the last General valuation. Demand for this sector is low given its small size with a large proportion of residential dwellings and West Kempsey location.

South Kempsey is the largest industrial precinct and values have decreased by approximately 13% since the last General Valuation.

South West Rocks is a small estate with 31 entries with a traditional low volume of sales. Values have decreased by approximately 4% since the last General Valuation.

Changes since previous Valuation Year (2014)

There has been no changes in value to property within the Kempsey Industrial sector since the prior valuation year. There has been no recorded sales from the South West Rocks precinct in the last twelve months. Development and demand for this estate is static.

Available evidence in South Kempsey and West Kempsey were supportive of current value levels.

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Disclaimer – Purpose of this Report

The purpose of this report is to describe the process and considerations for the 1 July 2015 Valuation of Kempsey LGA. The report has been produced on behalf of the Valuer General.

The land values have been specifically made for rating and taxing purposes. Land values produced as part of this process should not be used for any other purpose without the specific agreement of the Valuer General.

Land values must have regard to the specific requirements and assumptions in rating and taxing legislation. Consequently these valuations may vary from market levels.

The land values have been determined using a methodology prescribed by the Rating and Taxing Valuation Procedures Manual. The Manual allows mass valuation methodologies that involve assessing large numbers of properties as a group to be utilised where appropriate. Mass valuation methodologies are by their nature likely to be less accurate than individually assessed valuations, however are used worldwide for rating and taxing purposes to deliver valuations within an acceptable market range.

Town planning, land use and other market information contained in this report has been compiled based on enquiries undertaken during the valuation process. Third parties should make their own inquiries into these details and should not rely on the contents of this report.

The Valuer General disclaims any liability to any person who acts or omits to act on the basis of the information contained in this report.

More information on the valuation process is available from the Land and Property Information website at www.lpi.nsw.gov.au/valuation.

LGA Overview

Location of the District

Kempsey Local Government area comprises approximately 3,375 square kilometres (337,567 hectares), and is based around the Macleay River valley. The Macleay River has its source in the New England tablelands with Kempsey Shire commencing near the base of the tablelands eastern fall country, and approximately 75 kilometres inland from the river mouth at South West Rocks. The town of Kempsey is located approximately 35km up river from South West Rocks and is approximately 420km north of Sydney and 500km south of Brisbane. The 2013 census population of the shire was 29,361 people of which 8,137 reside in the town of Kempsey and 4,071 in South West Rocks.

The District has a sub-tropical climate, which combined with its coastal location, numerous surfing beaches, and the Macleay River, makes the area a popular and expanding tourist destination. The main industries include tourism & leisure, agriculture, horticulture, service industries, retail, manufacturing and transport.

Kempsey is well serviced by transport infrastructure including railway and bus services and with airport facilities located at Aldavilla west of Kempsey but Port Macquarie provides the nearest commercial airline services. Local major manufacturing industries include Akubra Hats, Australian Solar Timbers and a Nestles factory at Smithtown which manufactures Milo.

Kempsey also has a public hospital, a full range of Government services including public and private schools, a TAFE college as well as the new Mid North Coast Correctional Centre at Aldavilla. Ambulance and Fire Brigade stations are located at Kempsey and South West Rocks.

Community based facilities include golf courses, service and sporting clubs, recreational playing fields, parks and reserves, showground, public swimming pools, tennis courts and caravan parks.

Kempsey was bypassed by the Pacific Highway in March 2013.

Principal Towns

The principal towns within the Kempsey LGA are Kempsey including South Kempsey and West Kempsey and South West Rocks. There are a number of villages scattered throughout the Shire including Crescent Head, Frederickton, Gladstone, Smithtown, Jerseyville, Arakoon and Stuarts Point. Additionally, there are small rural communities at Willawarrin and Bellbrook.

Main Industries

The main industries include tourism, timber, dairying, beef cattle, horticulture, manufacturing and fishing.

The tourism industry is mainly focussed around the coast and the coastal villages of South West Rocks and Crescent Head.

Significant Retail Centres

Kempsey is the main retail centre for the district, with a smaller retail centre at South West Rocks and local services available at Crescent Head.

South West Rocks and Crescent Head are popular tourist destinations and as such many town businesses are heavily reliant on tourism and derive a significant proportion of their income from this source.

Port Macquarie provides a larger regional service located 50 kilometres south via the Pacific Highway.

Type of Residential Development

Residential development within Kempsey Shire is primarily contained within the main town of Kempsey which includes the West Kempsey main residential area and South Kempsey and East Kempsey located over the river. Nearby villages of Greenhill and Frederickton are satellite suburbs located in close proximity.

A high proportion of development in these centres comprises privately owned single residences that vary in size, quality, style and construction. Additionally, there are a small number of medium density residential developments, within Kempsey and South Kempsey.

The riverside villages of Smithtown, Gladstone and Jerseyville are older villages originally developed as part of the shipping trade and comprise generally older style single dwellings with some historical buildings.

The coastal villages have numerous single residences and tourist parks available for holiday accommodation in places such as South West Rocks and Crescent Head.

South West Rocks has a larger area zoned for medium density development which has expanded under the recently adopt KLEP 2013.

Residential development in villages throughout the LGA is also dominated by older designed and constructed houses.

State & Local Government Legislation for LGA

The Kempsey Local Environmental Plan 2013 (Gazetted 3rd February 2014), and controls development within the Shire.

Kempsey DCP 2013. The LEP incorporates the previous forty-four (44) Development Control Plans (DCP's) from KLEP 1987 with the adoption of Kempsey Development Control Plan 2013.

Zone	Minimum Allotment Size
Residential	500m ² (R1)
	1 hectare (R5)
Rural	40 hectares (RU1)
	40 hectares (RU2)
	8 hectares (RU4)
Business	Council consent required
Industrial	Council consent required

Market Overview & Sales of Particular Interest

Residential

Kempsey LGA contains a number of coastal and inland towns and villages, with the majority of development based around Kempsey and the coastal villages. Residential development in this LGA is generally of older construction and design, although this is changing as time passes and more evident in the newer and developing location of South West Rocks. The majority of residential properties are single dwellings located in the town and villages throughout the LGA. There is also a significant number of houses situated in rural zones. Density residential development across the LGA is limited; with a small number of properties in Kempsey, and a greater amount in South West Rocks.

Value levels in Kempsey have generally remained unchanged. An increase in sales volumes is evident compared to previous years as demand has increased, however this does not appear to have resulted in an increase in values at the Base Date.

Villages

The villages have also remained static with an increase in sales volumes also evident.

Stuarts Point has generally remained unchanged with some areas showing minor increases and decreases in value levels.

South West Rocks has generally remained unchanged however some areas are showing minor increases and decreases in value levels.

The value levels adopted are supported by both vacant and improved sales analysis.

Commercial

The Kempsey LGA comprises approximately 389 commercially zoned property across four commercial zones. These properties are divided into five main commercial precincts; South Kempsey, Kempsey, West Kempsey, Crescent Head and South West Rocks.

The Kempsey commercial precinct is the largest in the LGA, followed by South West Rocks, West Kempsey, South Kempsey and then Crescent Head.

The main CBD area including the main street in Kempsey has shown a decrease in value levels of up to 12% with larger fringe sites along the former Highway showing a slightly greater decrease in value levels of approximately 21%. These decreases in value are attributed to a softer retail sector, impact of the Kempsey bypass and for the fringe sites some land use restrictions under the new zoning in the LEP.

West Kempsey, South Kempsey and Crescent Head have remained unchanged.

South West Rocks has decreased by a modest 1.4% following limited sales evidence.

Industrial

There are three distinct main Industrial sectors within this LGA; at South Kempsey, West Kempsey and South West Rocks.

There has been no changes in value levels to the West Kempsey Industrial precinct since the last General valuation. Demand for this sector is low given its small size with a large proportion of residential dwellings and West Kempsey location underpinning value levels.

South Kempsey is the largest industrial precinct and values have decreased by approximately 13% since the last General Valuation.

South West Rocks is a small estate with 31 entries with a traditional low volume of sales. Values have decreased by approximately 4% since the last General Valuation.

Rural Locations within the LGA

Land values vary throughout the LGA according to land form, location, access and soil types. The following general descriptions of some localities within the Kempsey LGA.

Coastal Floodplain

The floodplain is located generally down river from Kempsey through to the lower reaches of the valley. The lower valley is bisected by the Macleay River and its tributaries of Belmore River, Kinchela Creek and the Pacific Highway.

Land use varies from small rural Homesites through to larger grazing and dairy farms and is a popular area for smaller prime grazing blocks to complement larger upper valley grazing properties.

Value levels in this locality have decreased by 10% to 25% since the last Base Date in 2012 following low commodity prices and several major flood events combined with tighter lending policies from the Banking sector.

Central Hobby Farms and Grazing

Smaller hobby farm and lifestyle properties interspersed with larger rural holdings located in good proximity to Kempsey. Comprises typically average quality soils and varying property size and amenity with a mixture of tar sealed and gravel road access.

Value levels for properties closer to town have generally remained unchanged whilst properties further from town have reduced in value by between 5% and 10%.

Upper Valley

Smaller hobby farms and home site blocks in the upper valley areas west of Kempsey have reduced in value by generally 8%. Tighter lending criteria by Banks has impacted on this market sector.

Larger grazing properties have reduced in value by approximately 23% since the last Base Date in 2012 following weak commodity prices and reduced demand.

In the last twelve months there has been an increase in the number of sales recorded for this sector. Confidence appears to be returning to the rural property market sector with sustained cattle prices.

Significant Issues and Developments

Significant Developments – From Prior to Current Annual Valuation

Below is a summary of significant development applications. These are for developments permissible within the current zoning, therefore no special consideration is required.

- T6-14-53. State significant development application for expansion of the Gowings Hill Road quarry from 50,000 tonnes per annum to 450,000 tonnes per annum. Decision recommended for approval by the Northern Joint Regional Planning Panel.
- T6-14-62. Staged development application for “Saltwater” residential subdivision comprising 29 Lots at 32 Waianbar Ave, South West Rocks.
- T6-14-1. Highway Service Centre, 556 Pacific Hwy, South Kempsey.
- T6-15-206. 15 lot strata dwelling development. 38 Pacific St, Crescent Head.

Significant Developments – From Prior to Current Local Government Council Rating Valuation

Below is a summary of significant development applications. These are for developments permissible within the current zoning, therefore no special consideration is required.

- T6-14-53. State significant development application for expansion of the Gowings Hill Road quarry from 50,000 tonnes per annum to 450,000 tonnes per annum. Decision recommended for approval by the Northern Joint Regional Planning Panel.
- State significant development application for re-establishment and expansion of the Church Hill Road quarry, 204 Crescent Head Rd, South Kempsey to 450,000 tonnes per annum. Decision recommended for approval by the Northern Joint Regional Planning Panel.
- T6-13-192. 25 Everingham Lane, Frederickton. Crematorium. Approved.
- T6-11-353. Staged development for Crematorium & funeral chapel. 316 Chain O Ponds Rd, Collombatti. Approved.
- T6-14-62. Staged development application for “Saltwater” residential subdivision comprising 29 Lots at 32 Waianbar Ave, South West Rocks.
- T6-14-1. Highway Service Centre, 556 Pacific Hwy, South Kempsey.
- T6-15-206. 15 lot strata dwelling development. 38 Pacific St, Crescent Head.

Significant Value Changes

Significant Value Changes – From Prior to Current Annual Valuation

Since the last Base Date in 2014 there have been value level decreases experienced in some rural property types in the upper valley of the Kempsey LGA, as well as in the CBD of Kempsey.

These decreases are due to the reduced demand for larger grazing properties and the impact of the declining retail sector and impacts from the Kempsey bypass on the CBD.

These decreases are summarised as follows;

- Larger rural zoned lands decreased by between 5 and 10% depending on location and rural type.
- The Kempsey CBD experienced a decrease of between 6.5% and 23% depending on location and zone.

Significant Value Changes – From Prior to Current Local Government Council Rating Valuation

Since the last Base Date in 2012 there have been significant value level decreases experienced in some rural property types on the lower river coastal flood plain and upper valley areas of the Kempsey LGA, as well as in the Kempsey CBD and South Kempsey Industrial and commercial zones. These decreases are in line with the market evidence available.

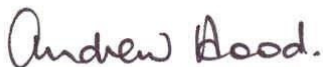
These decreases are summarised as follows;

- Lower river rural zoned lands decreased by between 10 and 23% depending on location, size and rural classification.
- Upper valley rural zoned lands decreased by between 8 and 23% depending on location, size and rural classification.
- Kempsey CBD experienced a decrease of between 30 and 41%.
- South Kempsey commercial experienced a decrease of between 10 and 11%.
- South Kempsey Industrial experienced a decrease of 13%.

Overview of the Quality Assurance Process

LPI has been provided with a detailed Valuation Analysis Report, which details the Quality Assurance Process of Inland Pacific Property Group Contractors and outlines the Verification process, and certifies that Land Values meet all Statistical Measures and Component Data Analysis. In addition, a Quality Statement and lists of high value and high risk properties, is also provided in the Valuation Analysis Report. Checks have been undertaken to ensure that all properties have been valued, land values are consistent with each other, land value bases' have been correctly determined, and all concessions and allowances have been supplied. Additionally, properties that had land values amended through the objection or re-ascertainment process were individually examined to reconcile surrounding land values and ensure accuracy of the grading of surrounding land values. Benchmarks and Reference Benchmarks are core elements of the quality assurance processes and are identified and individually valued in accordance with the Rating and Taxing Procedures Manual 6.2.2. Worksheets have been maintained on all properties where calculations are required. We have also ensured that adjustments and assumptions within the market analysis have been based on market evidence and have been fully documented and rationalised.

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