

# Valuer General's Policy

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## Valuation of land leased as a telecommunications site

### What

This policy guides valuers on the methods to use, and factors to consider, when valuing land leased as a telecommunications site for rating and taxing purposes.

### How

Under this policy, valuers use mass valuation methods based on specific assumptions and considerations.

Valuers must also apply market evidence and do ongoing quality reviews to support valuations.

Valuers assess the value of the land only, without including the value of structures or other improvements on that land.

### Why

This policy will ensure that the Valuer General's valuations of land leased as a telecommunications site are:

- consistent and accurate
- transparent
- in line with the *Valuation of Land Act 1916* (Valuation of Land Act).

# Contents

<b>1 Policy</b>	<b>1</b>
1.1 Scope	1
1.2 Valuation methods	1
1.3 Assumptions and considerations	2
1.4 Sales & rental analysis	3
<b>2 References</b>	<b>4</b>
2.1 Definitions	4
2.2 Laws and policies	6
<b>3 Context</b>	<b>7</b>
3.1 Role of the Valuer General	7
3.2 Background	7

# 1 Policy

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## 1.1 Scope

<b>Telecommunications site</b>	Use this policy to assess the value of land leased as a telecommunications site.
<b>registered lease</b>	A telecommunications site is land used for telecommunication purposes that is subject to a registered lease.
<b>Land value</b>	The land value excludes any structures or improvements, but includes land improvements.
<b>improvement</b>	
<b>land improvement</b>	See section 6A of the <i>Valuation of Land Act 1916</i> (Valuation of Land Act).

## 1.2 Valuation methods

<b>Mass valuation process</b>	<p>The Valuer General uses a mass valuation process to value most land. It involves the systematic valuation of groups of properties at a given date using standardised procedures.</p> <p>Mass valuations must also meet the requirements of the Valuation of Land Act. Section 6A of the Valuation of Land Act applies for most land used as a telecommunication site. All valuations must be supported by market evidence and quality assured.</p> <p>The mass valuation method used in NSW is the component method. The methods described below are used to value a sample of individual properties within the component.</p>
<b>component method</b>	
<b>Direct comparison</b>	<p>Direct comparison involves comparing market sales with the subject land.</p> <p>When using direct comparison to value telecommunication sites, you must:</p> <ul style="list-style-type: none"> <li>• analyse sales to provide a unit of measure such as rate per metre squared</li> <li>• consider a broad range of market evidence, including sales of vacant and improved land</li> <li>• consider the value of existing lease arrangements in the sale price</li> <li>• consider whether you have adequate market evidence within the local government area or if you need to include sales evidence from other areas</li> </ul>

- follow an evidence-based approach when using sales of improved land to deduce the land value
- consider all factors that influence the land's value such as the land's size, aspect, location, zoning, planning controls and permitted use.

## Capitalisation of the net rental value

### capitalisation

### net rental

### capitalisation rate

### market rent

If direct sales evidence is not available, you can value a telecommunications site by capitalising the net rental. The actual rental amount paid to the owner may be the best evidence of the value of the leased area.

Capitalisation of the net rental reflects the value of the owner's right to receive the rental income from the land.

You can determine the capitalisation rate by analysing sales of comparable investment properties. When considering the correct capitalisation rate to apply you must:

- compare the existing rental to other rentals to determine if the rent is market rent
- review the terms of the lease, especially in regard to rent review conditions.

## 1.3 Assumptions and considerations

### Valuation assumptions

#### fee simple in possession

#### highest and best use sale

#### unencumbered

In line with section 6A of the Valuation of Land Act, you must value the telecommunication site at its highest and best use, while assuming:

- there is a sale of land
- the buyer and seller are hypothetical
- the title is unencumbered, and the valuation is of the full fee simple in possession
- the land is vacant and has no improvements other than land improvements
- there is no existing development consent for the land.

### Valuation considerations

#### date the valuation was made

#### statutory restrictions

You must also consider and reflect in the valuation these other requirements of the Valuation of Land Act:

- the current use of the property if it differs from planning controls and would, if allowed, result in a higher land value (section 6A(2))
- all statutory restrictions on the land
- the valuation reflects a sale of the property at 1 July of the valuing year (section 14B)
- the property's physical condition, surroundings, zoning and allowable uses that applied on the date the valuation was made (section 14K).

**Telecommunications leases**

You must value land subject to a telecommunications' lease separately from the adjoining land. A telecommunications lease usually includes land and access. In most cases the actual land area is specified in a detailed plan and covers enough land to support the operation and provide access for construction and maintenance.

Where the access to the site is clearly defined in the lease agreement and forms part of the leased land then you must include it with the valuation of the leased area. Where the access is by easement or right of way that does not confer an exclusive use on the lessee, then you must not include it in the leased area.

## 1.4 Sales & rental analysis

**Analysis of sales evidence**

The sale of land for telecommunication sites is not common, however, you should analyse any of these sales where they are available.

A rental analysis of similar sites with similar use needs to be undertaken.

## 2 References

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### 2.1 Definitions

<b>capitalisation</b>	Capitalisation is a method used to determine the current market value of a property by converting the net income stream into a capital value using a single conversion factor.
<b>capitalisation rate</b>	Expression of risk and return as a percentage that is used to convert the net income in perpetuity from an investment into value at a given time. The capitalisation rate or yield is derived from the analysis of confirmed sales evidence of comparable properties. It is calculated by dividing the net income or net market rental value of the sale property by its sale price. The sales evidence used will usually indicate a range of yields in which points of difference are adjusted for.
<b>component method</b>	The component method of valuation is an indexing system of mass valuation based on the principle of identifying groups of comparable properties, then extrapolating an individual valuation decision for a typical property within the group across the range of the component.
<b>date the valuation was made</b>	The actual date on which the valuer performs the valuation. The physical condition of the land and the manner in which it may be used on the date the valuation is made must be assumed to be the same as at 1 July. See section 14K of the Valuation of Land Act.
<b>environmental planning instrument</b>	A legal document that regulates land use and development under state environmental planning policies and local environmental plans.
<b>fee simple in possession</b>	Absolute title to land, free of any other claims against the title, which one can sell or pass to another by will or inheritance.
<b>highest and best use</b>	Valuation concept that refers to the possible use of a property that would give the highest market value. The use must be lawful, physically possible and financially feasible.
<b>improvement</b>	Something that improves the value of the land. This is not defined in the Valuation of Land Act, and is different from the term 'land improvement' (below).
<b>land improvement</b>	Land improvements, such as draining, excavating, filling or clearing, are defined in section 4 of the Valuation of Land Act and included in the land value (below).

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<b>land value</b>	Value of the land excluding any structures or improvements, but including land improvements. See section 6A of the Valuation of Land Act for a full explanation.
<b>market rent</b>	The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
<b>net rental</b>	Rent payable excluding all outgoings and GST.
<b>outgoings</b>	The total of all statutory charges, operating expenses and other outgoings for which the lessor is liable.
<b>registered lease</b>	A lease for a term exceeding three years must be registered in order to pass an estate to the lessee. A lease for a term of three years or less, including an option to renew, may be registered.
<b>sale</b>	The transfer of property between parties. To use a sale as market evidence, it must have been: <ul style="list-style-type: none"><li>• an arm's length transaction</li><li>• between a willing buyer and willing seller who both acted knowledgeably, prudently and without compulsion</li><li>• properly marketed.</li></ul>
<b>statutory restrictions</b>	Statutory restrictions on the land may include environmental planning instruments and development control plans, as well as restrictions relating to the clearing of land, water and soil management.
<b>unencumbered</b>	Unencumbered land is land without any encumbrances. An encumbrance is any right to or interest in land by someone other than the owner, and that prevents the transfer of that land or lowers its value. It might include an easement, restrictive covenant, mortgage, or other restriction.

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## 2.2 Laws and policies

**Governing NSW  
law**

*Valuation of Land Act 1916* (Valuation of Land Act)  
Section 6A

**Related Valuer  
General policy**

[Valuing separate parcels](#)

## 3 Context

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### 3.1 Role of the Valuer General

#### **The Valuer General for NSW**

In NSW, the *Valuation of Land Act 1916* establishes the Valuer General as the independent statutory authority responsible for ensuring the integrity of land valuations in NSW.

Valuation Services, Property NSW manages the valuation system on behalf of the Valuer General, outsourcing the majority of valuation services to private valuation firms.

The Valuer General is committed to an open and transparent valuation process that is easy for landholders to understand.

### 3.2 Background

#### **Telecommunication sites**

Telecommunication sites are common across all property types in NSW. Land for telecommunication sites is usually leased rather than sold.

Telecommunication companies are usually responsible for the rates and taxes payable for the sites they lease.

Separate valuations for land subject to a lease must be made under the Valuation of Land Act.

## Copyright

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## Document control

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### Approval

Name and position	Signature and date
Simon Gilkes, Valuer General	 05/05/2017

### Version

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0.1	Final	20/11/2014	OVG	First release

### Next review

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