



Valuer General

Review of land values in the Williamstown contamination investigation area

Report prepared for the Valuer General by
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www.valuergeneral.nsw.gov.au

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Executive summary

In May 2016 the Valuer General requested Valuation Services review the land values of properties located in the Williamstown investigation area.

The Williamstown investigation area was established by the NSW Government in September 2015 to assess the extent of contamination from legacy fire-fighting chemicals around the Williamstown RAAF Base and Newcastle Airport.

Land values for the 2013, 2014 and 2015 valuing years were reviewed under section 14A(2) of the *Valuation of Land Act 1916*. The review included background research on the investigation area, analysis of sales evidence from within the investigation area and completion of benchmark valuations.

There are 438 land values in the investigation area. The area has historically had an average sales rate of 16 sales per annum. Nine sales have occurred in the investigation area since it was declared. At the time of review a further three properties were listed for sale.

The analysis of benchmark valuations and the available sales evidence indicated a reduction to land values was required. It was determined that a 15% reduction would be made to most of the land values in the investigation area.

Valuation Services, and the contract valuers for the area, will continue to monitor the market in the investigation area. If significant new evidence become available we will review the land values again.

Introduction

Request to review land values

In May 2016 the Valuer General requested Valuation Services review the land values of properties located in the Williamtown investigation area.

Williamtown investigation area

The Williamtown investigation area was established by the NSW Government in September 2015 to assess the extent of contamination around the Williamtown RAAF Base and Newcastle Airport. The contamination involves the chemicals perfluorooctane sulfonate (PFOS) and perfluorooctanoic acid (PFOA) which are substances that were historically used in fire-fighting foams. For further information on the investigation please visit:

<http://www.epa.nsw.gov.au/MediaInformation/williamtown.htm>.

Land valuation in NSW

Valuation Services, a division of Property NSW, manages the valuation system on behalf of the Valuer General. Professional valuation contractors prepare most land values for Valuation Services. Valuers from Valuation Services quality assure the land values before they are issued. The NSW land valuation system is based on the analysis of sales transactions within the real estate market. For further information on the land valuation method please visit:

http://www.valuergeneral.nsw.gov.au/land_values/valuation_method.

This report provides an overview of the land value review method and findings.

Review method

Land values under review

Land values for the 2013, 2014 and 2015 valuing years were reviewed under section 14A(2) of the *Valuation of Land Act 1916*. Port Stephens Council receive land values for rating purposes on a three year cycle. Port Stephens Council is currently setting rates based on the 1 July 2013 land values, so the 2013 land values were reviewed. We also provide land values to the Office of State Revenue (OSR) for land tax purposes on an annual basis, so we also reviewed the 2014 and 2015 land values.

For the purpose of determining land values, the review assumed that the investigation area was in existence in each of the valuing years. This is because under the *Valuation of Land Act 1916* the land value reflects the property market conditions as at 1 July of the valuing year. However, the land value reflects the physical condition and the way in which the land can be used as at the date the valuation is made. The land value review occurred in June 2016 and this is the new date the valuations were made and the investigation area was in existence at this date.

Background research

As part of reviewing the land values valuers from Valuation Services, and contract valuers for the area, attended an Australian Property Institute information session where presentations on the Williamstown investigation area were provided by the Environmental Protection Authority (EPA), Defence and NSW Health. Published information concerning the investigation on the EPA and Defence websites was also reviewed. Consultation was also held with Port Stephens Council's town planning department.

Review of sales evidence and marketing history in investigation area

The valuers analysed and inspected the property sales that occurred after the investigation area was declared. If the property was improved an analysed land value was determined by removing the added value of the improvements from the sale price. The marketing history of properties currently listed for sale was also reviewed.

Benchmark valuations

Benchmark properties were selected to represent the properties within the investigation area. The benchmark properties were individually valued using sales that had occurred after the declaration of the investigation area. They were also valued at 1 July 2015 using sales that occurred prior to the declaration of the investigation area. The two values were then compared to calculate a rate of change. The change in value of each of the benchmark properties was compared and an overall rate of change was determined. This change was then applied to the land values within the investigation area.

Summary of investigation area

Properties in the investigation area

There are approximately 438 properties in the investigation area. The majority of these properties are zoned Rural Landscape with some zoned Business Park, Environmental Management, Infrastructure, Special Activities and Public Recreation.

Town planning

Port Stephens Council has noted on Section 149 Planning Certificates that the properties are within the investigation area. This does not prohibit development or use of the property. Planning Certificates are commonly known as 149 Certificates and contain information about planning controls and other property issues that affect a particular piece of land. They are issued under section 149 of the *Environmental Planning and Assessment Act 1979*.

Health advisory

The NSW Government has issued a health advisory to residents in the investigation area. This advice was located at the following location at the time of review: <http://www.epa.nsw.gov.au/MediaInformation/williamtown.htm>.

Stigma of investigation area

Contamination and human health concerns can have negative impacts to land values. While the extent of the contamination is currently being assessed, the inclusion of a property in an investigation area has the potential to negatively impact land values.

Market History

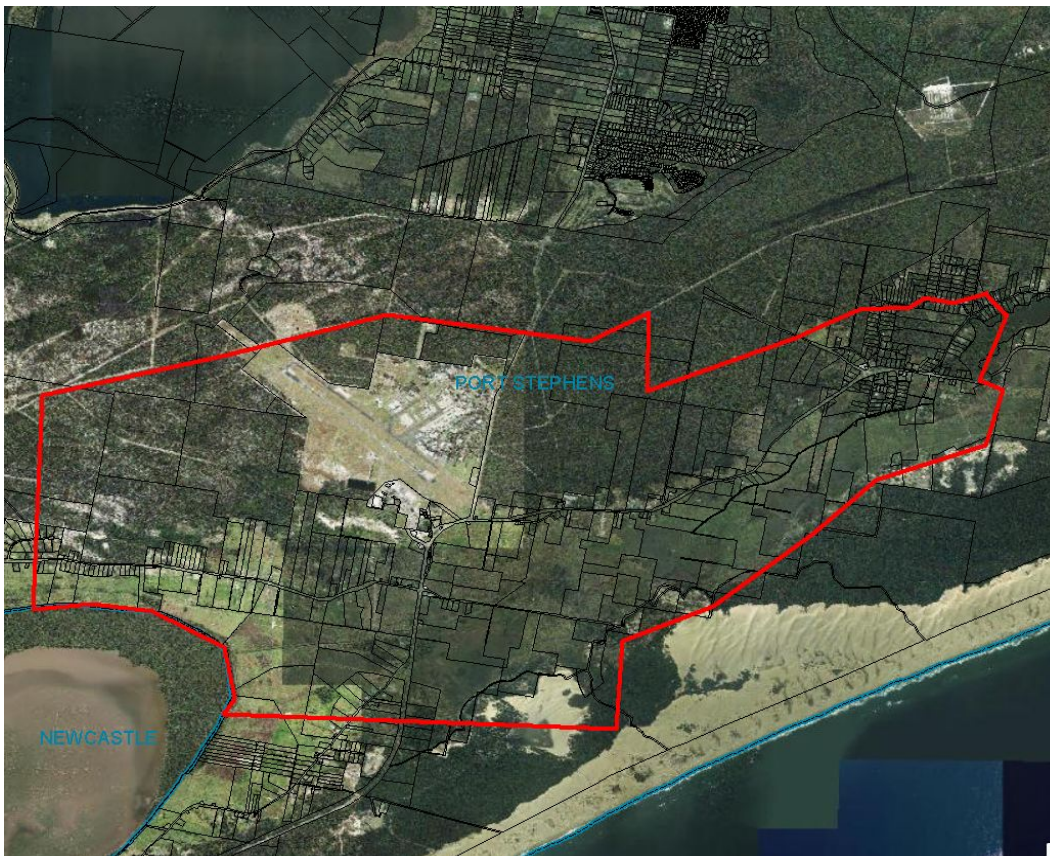
The investigation area has averaged 16 sales per annum over the last 10 years.

Nine sales have occurred in the investigation area since it was declared in September 2015.

At the time of the review in June 2016 there were three properties listed on the market for sale in the investigation area.

Investigation area aerial view

Figure 1. Aerial image of investigation area. Investigation area boundary is approximate. Please visit EPA website for area map at <http://www.epa.nsw.gov.au/MediaInformation/williamtown.htm>.



Market evidence

Table 1. Property sales that have occurred in the investigation area since it was declared.

Street address Lot description	Area Zone	Purchase price Contract date	Analysed land value
2225 NELSON BAY RD, WILLIAMTOWN 4/224476	2.362 Hectares Rural Landscape	\$755,000 22/10/2015	\$257,000
3 HIDEAWAY DR, SALT ASH 3/252373	8463 Square Metres Rural Landscape	\$525,000 23/10/2015	\$194,000
7 CECILIA CL, SALT ASH 63/242228	8157 Square Metres Rural Landscape	\$225,000 03/11/2015	\$210,000
435 CABBAGE TREE RD, WILLIAMTOWN 1/229393	9675 Square Metres Rural Landscape	\$430,000 11/12/2015	\$238,700
2251 NELSON BAY RD, WILLIAMTOWN 1/345646 Licence 401789	3361.6 Square Metres Rural Landscape	\$270,000 10/02/2016	\$90,900
2226 NELSON BAY RD, WILLIAMTOWN 100/846533	4473 Square Metres Rural Landscape	\$360,000 27/01/2016	\$187,400
72 CABBAGE TREE RD, WILLIAMTOWN 9/4831 9/1106878	4.857 Hectares Rural Landscape	\$300,000 23/04/2016	\$201,300*
52 CABBAGE TREE RD, WILLIAMTOWN 7/4831 7/1059398 3/1106651	7.5 Hectares Rural Landscape	\$300,000 02/05/2016	\$270,000*
444 CABBAGE TREE RD, WILLIAMTOWN 4/239608	8119 Square Metres Rural Landscape	\$385,000 17/05/2016	\$242,500

* Note sales at 52 and 72 Cabbage Tree Road, Williamtown were sold under instructions from an insolvency firm.

Benchmark valuations

Selection of benchmark properties

Two properties were selected to be benchmark properties and were valued individually. They were selected as properties that best represent the majority of other properties in the investigation area. Part of the selection criteria was also that they could be valued with the available sales evidence. Both benchmark properties are zoned Rural Landscape as all of the sales are zoned Rural Landscape.

Valuation of benchmark properties

The two benchmark properties were valued using the sales that occurred after the investigation area was declared (displayed on page 8 of this report). This was compared to their 1 July 2015 valuation which was based on sales that occurred prior to the declaration of the investigation area.

Table 2. Benchmark property valuations.

Benchmark property	Area	Valuation before investigation area	Valuation in investigation area	Change
Property A, Salt Ash	8,158 m ²	\$235,000	\$200,000	-15%
Property B, Williamtown	2.084 Ha	\$255,000	\$240,000	-6%

The valuations of both benchmark properties showed a reduction in land value. The size of the reduction was varied. It is acknowledged that there are limited sales in the investigation area and the results of the benchmark valuations were varied. This can often be the case when analysing real estate trends or data. In these circumstances, the valuer is to make a rationalised decision based on the available evidence to determine a value change which can then be applied to the land values in the investigation area.

The analysis of benchmark valuations and the available sales evidence indicated a reduction to land values was required. It was determined that a 15% reduction would be made to most of the land values in the investigation area. It was considered that the land value of properties zoned Infrastructure did not require a reduction.

Conclusion and future considerations

Applied change to 2013, 2014 and 2015 land values

New land values were made for the 2013, 2014 and 2015 valuing years. A moderate reduction was made to most of the land values. The date valuation made for these land values was in June 2016. Port Stephens Council receive land values for rating purposes on a three year cycle. Port Stephens Council is currently setting rates based on the 1 July 2013 land values, so the 2013 land values were reviewed. The new 1 July 2013 land values will be used by council for rating from 1 July 2016. These values may also be used by the OSR to calculate land tax for registered land tax clients.

Continue to monitor and review

Valuation Services, and the contract valuers for the area, will continue to monitor the market in the investigation area. If significant new evidence become available we will review the land values again.

Next valuation 1 July 2016

All land in NSW is valued annually. The next valuations will be for the land value at 1 July 2016. These will be completed by contract valuers and delivered to Valuation Services in October 2016. Valuation Services will then quality assure these land values. All properties in the investigation area will receive a new notice of valuation in January 2017. Port Stephens Council will use these land values to set rates from 1 July 2017. They will also be used by OSR to calculate land tax for registered land tax clients where applicable.

You can have your land value reviewed

If you are not satisfied with your land value you can lodge an objection to have the value reviewed. However, you will need to do this within 60 days. The last date for requesting a review is on the front of your notice of valuation.

Questions

If you have any further queries regarding land values, the valuation process or this review please contact Valuation Services on 1800 110 038 or email valuationenquiry@valuergeneral.nsw.gov.au.

Please contact Port Stephens Council if you have any questions about rates. Please contact OSR if you have any questions about land tax.

Disclaimer

The land values provided in this report 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 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 utilised 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 have 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.