



M E M O R A N D U M

TO	All Rating and Taxing Contractors and all Valuation Services staff	CC	N/A
FROM	Geoffrey Thompson Acting Assistant Director Valuation Operations	DATE	27 April 2015
SUBJECT	ADM 2015-003 Market Sales Not Suitable for Analysis Indicator		

Purpose

Provide instruction to rating and taxing contractors and LPI Valuation Services staff in the use of the “Market Sale Not Suitable for Analysis Indicator”.

Provide clarity to wording in Section 4.2 of the Rating and Taxing Valuation Procedures Manual (RTVPM) v 6.6.2 in relation to “analysed and adjusted land values”.

Provide clarity to the “Market Data File from Contractor” requirements of the Valuation Contractor File Specifications 2015.

Background

Section 4.2 of the RTVPM (all versions) provides instruction to contractors as to the level of sales analysis required to be undertaken, the matters to be addressed and included on analysis, the use of market indicator flags and the provision of analysed and adjusted to 1 July land values.

The RTVPM requires that *“all sales that assist in establishing or verifying land values as at 1 July must be analysed”*. The RTVPM also states *“It is expected that all sales within the land categories listed below [see RTVPM] will be analysed as there is generally a lower volume of such sales in these categories and all evidence will assist in testing and supporting the values supplied.”*

However, LPI recognises there are instances where analysis of particular ‘in line’ market sales, regardless of land category, would be of no assistance in establishing land values and therefore would not require analysis. Currently, such sales cannot be excluded on the basis of being ‘non market’ or ‘out of line’. Where sales were not analysed in a land category that required all sales be analysed, LPI may have requested a written explanation be provided.

To assist in readily identifying such sales for exclusion from analysis, LPI has introduced the additional market indicator of “Market Sale Not Suitable for Analysis” to complement the existing indicators of ‘Market’, ‘Non Market’ and ‘Out of Line’ sales.

Instructions

Rating and taxing contractors on all versions of the RTVPM may now identify ‘in line’ market sales that are considered not suitable for analysis (regardless of land category) through use of the “Market Sale Not Suitable for Analysis” indicator in their market data files.

The use of the indicator is aimed at reducing the need to provide additional explanation where a sale not analysed occurs within one of the land categories that requires all sales to be analysed. LPI will request a written explanation where a sale within such land category has not been analysed and the indicator not used.

The reference to analysed and adjusted land values in Sec 4.2 of the current RTVPM (v6.6.2) is to be taken to mean the adjusted to 1 July analysed land value only. The correct use of the indicator is to be in accordance with the requirements of Section 4.2 of the current RTVPM (v6.6.2) as follows

All sales provided in the market data file must be determined as being either;

- *A market or non market sale through use of the “Market Indicator”.*

All market sales must then be determined as being either;

- *Suitable or not suitable for analysis to a land value through use of the “Market Sale Not Suitable for Analysis Indicator”*
- *At market level or out of line through use of the “Out of Line Sale Indicator”*

Sales included in market data files must contain an analysed and adjusted land value unless identified as a genuine non market sale or a market sale not suitable for analysis.

The correct use of sale indicators and the provision of analysed and adjusted land values is summarised in the following table.

Sale Type	Market Indicator	Market Sale Not Suitable for Analysis Indicator	Out of Line Sale indicator	Analysed Land Value at Contract Date*	Analysed and Adjusted to 1 July Land Value
<i>Market sale</i>	<i>“Y”</i>	<i>“N”</i>	<i>“N”</i>	<i>Provided</i>	<i>Provided</i>
<i>Non Market Sale</i>	<i>“N”</i>	<i>“N”</i>	<i>“N”</i>	<i>Optional</i>	<i>Not Provided</i>
<i>Market Sale Not Suitable for Analysis</i>	<i>“Y”</i>	<i>“Y”</i>	<i>“N”</i>	<i>Optional</i>	<i>Not Provided</i>
<i>Out of Line Market Sale</i>	<i>“Y”</i>	<i>“N”</i>	<i>“Y”</i>	<i>Provided</i>	<i>Provided</i>

*Additional column to that provided in RTVPM

Non Market Sales

Genuine non market sales are only those sales that take place between related parties, or not within an open market environment, or have conditions that cannot be accounted for in the normal market process. These sales are required to be included in Market Data loads but a full analysis to determine an analysed land value is not required and they are not to be adjusted to 1 July. The inclusion of these sales demonstrates that they have been considered and that they have been determined not to be reliable market evidence.

The Sales Summary comments section of the sales analysis is to identify that the sale is a “Non Market” sale and is to include reasons as to why the sale is considered non market. The use of the non market flag excludes such sales from appearing in a Valuation Sales Report or being used in statistical valuation analysis.

Market sales that are found to be out of line with other market evidence are not to be flagged as Non Market sales. See Out of Line Sale Indicator below.

Market Sale not Suitable for Analysis Indicator

A market sale not suitable for analysis includes those sales for which analysis would be of no assistance in accurately determining an analysed land value. Such sales may include;

- Licenced Premises.
- Significantly overcapitalised properties.
- Highly developed specialised properties such as port facilities where added value of improvements could not be readily determined.

These sales are required to be included in Market Data loads but a full analysis to determine an analysed land value is not required and they are not to be adjusted to 1 July. The inclusion of these sales demonstrates that they have been considered and that they have been determined not to be of assistance in determining land values.

The Sales Summary comments section of the sales analysis is to identify that the sale is a “Not Suitable for Analysis” sale and is to provide explanation for that conclusion. It is not acceptable to mark a sale as not suitable for analysis simply because it does not fit within the established market.

The use of the Market Sale not Suitable for Analysis Indicator excludes such sales from appearing in a Valuation Sales Report or being used in statistical valuation analysis.

Out of Line Sale Indicator

Out of line sales are those that are transacted in an open market environment but which are determined to be out of line with other reliable evidence. These are to be included in the Market Data loads with an adjusted to 1 July analysed land value. These are not non market sales (see Non Market Flag Indicator above).

The Sales Summary Comment section of the sales analysis is to identify that the sale is “Out of Line” and is to include explanations for that conclusion. The explanation shall refer to other evidence to support that the sale is out of line. There must therefore be adequate evidence analysed to support the contractor’s claims that a sale is out of line.

The use of the out of line flag excludes such sales from appearing in a Valuation sales report or being used in statistical valuation analysis.

Where the land value for a sale property is proposed to be within the accepted sales ratio parameters of 0.85 to 1.00, the sale is not to be flagged as Out of Line.

Valnet File Specifications for Market Data Files from Contractor will be amended as follows, to add the new market sale not suitable for analysis indicator type and to correct the requirements for delivery of analysed land values at contract date and analysed and adjusted land values as at 1 July ;

Ref	Record Type	Field Type	Maximum Field Size	Req'd Field	Comments
5E	RECORD E				Contractor Analysed Property Sales
5E-11	Analysed LV @ Contract Date	N	12	N	Mandatory field if market indicator is “Y” and market sale not suitable for analysis indicator is “N”. Optional to provide for other sale indicator results. This is the Analysed LV @ Cont Date for ENTIRE Sale
5E-12	Adjusted LV @ Base Date	N	12	N	Mandatory field if market indicator is “Y” and market sale not suitable for analysis

					indicator is "N". Must not be provided for other sale indicator results. This is the Adjusted LV for the Sale
5E-37	Market Indicator	Yes / No	1	Y	Indicates whether sale is a market sale. Mandatory – "Y" or "N"
5E-38	Market sale not suitable for analysis	Yes / No	1	Y	Indicates whether the market sale should be excluded in statistical analysis and Valuation Sales Reports– Mandatory – 'Y" or "N"

Implementation

For immediate implementation.

Additional Information

For further information please contact Paul Chudleigh, Valuation Manager Rating & Taxing, email paul.chudleigh@lpi.nsw.gov.au or (02) 9236 7673.



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