

FINAL REPORT 2018



'Mare & Foal' Elizabeth Park, Scone

Upper Hunter LGA

Contract Area	Muswellbrook
Contract No	152678
Prepared for	Property NSW – Valuation Services
	Under Rating & Taxing Procedure Manual 7.2.1

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Executive Summary

LGA Overview

Upper Hunter Local Government Area

Upper Hunter Local Government Area (LGA) is located in the north of the Hunter Valley region of New South Wales, with the Town of Scone being the major urban centre, located approximately 270 kilometres north of the Sydney Central Business District (CBD). Upper Hunter LGA comprises a land area of approximately 8,096 square kilometres incorporating a number of land uses from smaller rural retreat sites, to crop cultivation along alluvial flat country, to mixed quality grazing lands used for equine and predominantly cattle grazing purposes. Upper Hunter LGA is adjoined by nine other LGAs – Liverpool Plains and Tamworth Regional Councils to the north; Walcha, Mid Coast and Dungog Councils to the east; Singleton, Muswellbrook and Mid-Western Regional Councils to the south and Warrumbungle Council to the west.

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

Upper Hunter LGA comprises Residential/Village, Rural, Commercial, Industrial, Infrastructure, Environmental and Public Recreation zones.

7,809 properties were valued at the Base Date of 1 July 2018, and valuations are reflective of the property market at that time. Previous Notices of Valuation issued to owners for the Base Date of 1 July 2016.

Valuation changes in the Local Government Area and percentage changes between the Land Tax Valuation year of 1 July 2017 and 1 July 2018 are as follows:

Properties Valued and Total Land Value					
Zone	Zone Code	Number of Entries	2018 Total Land Value	Prior Annual Valuation (2017)	% change
Residential	R1, R5, RU5	4,431	\$ 436,540,820	\$ 419,604,000	4%
Rural	RU1, RU3, RU4	2,648	\$ 1,546,793,190	\$ 1,480,778,490	4%
Commercial	B2, B4	451	\$ 49,944,820	\$ 48,743,710	2%
Industrial	IN1, IN2	78	\$ 12,595,000	\$ 11,881,500	6%
Infrastructure	SP1, SP2	58	\$ 5,486,650	\$ 5,175,700	6%
Environmental	E1, E3	69	\$ 29,100,980	\$ 27,921,400	4%
Public Recreation	RE1, RE2	74	\$ 13,624,260	\$ 12,804,090	6%
Total		7,809	\$ 2,094,085,720	\$ 2,006,908,890	4%

Land values in the Upper Hunter Local Government Area generally showed a slight increase between 2017 and 2018, with this trend reflected across the residential and rural market segments. Commercial land values generally remained steady while industrial values showed a moderate increase. Commencing in July, the \$137 million Scone bypass project has brought increased activity into the town resulting in increases throughout town.

Land values for both general residential and large lot residential areas of Scone, Aberdeen, Merriwa and Murrurundi/Blandford have generally shown a slight increase since the previous base date. The villages of Upper Hunter have also experienced slight to moderate increases with the exception of Bunnan and Cassilis villages which have remained steady.

Commercial land values in Scone, Murrurundi and Aberdeen have remained steady or had slight increases with supply and demand well balanced. However, Merriwa commercial values showed a moderate increase in line with the general surrounding market which is largely influenced by the rural sector and the continuing strong commodity prices.

Whilst central Scone and Aberdeen industrial land values have remained steady, light industrial land in the Scone Business Park and surrounding englobo allotments experienced a very strong increase with Stage 1 selling at higher than anticipated prices. This is attributed to the commencement of construction of the Scone by-pass bringing increased activity into the town. Merriwa industrial also showed an increase in line with the rest of the town.

Rural land values have shown a slight increase overall generally due to demand outstripping supply following deteriorating seasonal conditions with commodity prices generally remaining strong. The exception was Scone, Aberdeen, Parkville and Wingen environs where there was a strong increase in land values due to high demand for rural hobby farm and lifestyle blocks in these locations.

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Disclaimer - Purpose of this Report

This report has been prepared on behalf of the Valuer General. The purpose of this report is to provide an overview of the valuation program for the 1 July 2018 valuation in the Local Government Area of Upper Hunter.

To make a land valuation, regard must be had to the requirements and assumptions set out in rating and taxing legislation, such as the Valuation of Land Act 1916 (NSW). Land values are also determined by the rules set out in the 'Rating and Taxing Procedures Manual'. The manual permits large numbers of properties to be assessed using mass valuation methodologies.

Although mass valuation methodologies may be less accurate than individually assessed land valuations, they are routinely used across the globe to deliver land valuations for rating and taxing purposes that are within an acceptable range of variation. Consequently, land valuations from the Valuer General may vary from an individually assessed market valuation for a parcel of land. All land valuations are, however, subject to a risk based verification process which ensures each parcel of land is individually reviewed periodically.

Whilst the content of this report has been prepared with all due care and skill, the Valuer General does not warrant that it is complete or free from error.

During the valuation process, information is compiled from third party sources, such as information relating to town planning, land use, zoning and other market related information. The Valuer General is not responsible for, and makes no warranty in relation to, the accuracy, currency, reliability or completeness of that information. Readers are directed to contact the source of the information.

The land values made in accordance with the valuations program have been made for rating and taxing purposes only, therefore, the land values should not be used for any other purpose. No reliance should be made on the contents of this report. To the extent permitted by law, the Valuer General disclaims all liability to any person(s) who relies on, or uses, any information contained in this report.

More information on the valuation process is available from the Valuer General's website at www.valuergeneral.nsw.gov.au/land_values.

LGA Overview

Location of the District

Upper Hunter LGA is located in the north of the Hunter Valley region of New South Wales, with the Town of Scone being the major urban centre, located approximately 270 kilometres north of the Sydney Central Business District (CBD). Upper Hunter LGA comprises a land area of approximately 8,096 square kilometres incorporating a number of land uses from smaller rural retreat sites, to crop cultivation along alluvial flat country, to mixed quality grazing lands used for equine and predominantly cattle grazing purposes. Upper Hunter LGA is adjoined by nine other LGAs – Liverpool Plains and Tamworth Regional Councils to the north; Walcha, Mid Coast and Dungog Councils to the east; Singleton, Muswellbrook and Mid-Western Regional Councils to the south and Warrumbungle Council to the west.

Principal Towns and Villages

Scone

Scone is the principal town in the Upper Hunter Council region being located approximately 23 kilometres to the north of the Muswellbrook CBD and 130 kilometres south of the Tamworth CBD. The CBD fronts Kelly Street (New England Highway), with the major cross streets of Kingdon and Susan Streets. It features several large national tenants and many individual shops and offices. Construction of the Scone Bypass commenced in July 2018 involves a two lane bypass of the New England Highway to the west of Scone, resulting in reduced traffic flow through the CBD.

Scone is the commercial and administrative centre of pastoral, agricultural and dairying in the Upper Hunter. The town is an important stock-selling centre noted for its horse and cattle studs. Scone is known as 'The Horse Capital of Australia' and claims to be the second-largest horse breeding area in the world, after Kentucky in the United States. The town is home to many famous horse studs, a significant race course, TAFE college and Equine Research Centre.

Scone has full utility services available including reticulated town water supply, reticulated sewer and telecommunication services. A range of Government Departments and services are also available including Police Station, Court House, Ambulance Station, Fire Station, Council Chambers and Library.

Community based facilities available in Scone include a golf course, numerous sporting clubs, recreational playing fields, parks and reserves, showground, racecourse, a public swimming pool, and tennis courts.

Merriwa

Merriwa is located 60 kilometres west of Scone with a population of approximately 1,800. Merriwa provides general services to the surrounding area with a small commercial precinct comprising a small supermarket and a number of small business, Council Chambers, Library, Hospital, two schools and a police station.

Merriwa has full utility services available including a reticulated town water supply, reticulated sewer and telecommunication services.

Aberdeen

Aberdeen is located on the New England Highway approximately 11 kilometres north of Muswellbrook and 12 kilometres south of Scone. The town has a population of approximately 2,050. There are some small commercial uses along New England Highway, two schools and a police station supporting the town.

Aberdeen has full utility services available including a reticulated town water supply, reticulated sewer and telecommunication services.

Murrurundi

Located approximately 38 kilometres north of Scone is the town of Murrurundi with a population of approximately 850. Murrurundi provides general services to the surrounding area with a small commercial precinct comprising a supermarket and a number of small businesses, Murrurundi Hospital, a school and a police station.

Murrurundi has full utility services available including a reticulated town water supply, reticulated sewer and telecommunication services.

Villages

In addition to the above towns there are 7 small rural villages located throughout the shire, being Bunnan, Gundy, Wingen, Moonan Flat, Parkville, Blandford and Cassilis.

Bunnan is located approximately 30 kilometres west of Scone and 30 kilometres north-east of Merriwa. The village has a population of 100* and comprises a church, hall and rural fire station.

Gundy is located approximately 17 kilometres north-east of Scone. Within Gundy is a hotel, general store, church, hall and rural fire station supporting an estimated population of 204*.

Located on the New England Highway, approximately 16 kilometres north of Scone is Wingen. With a population of 323* Wingen has a rural fire station, showground, antique store and tavern.

Moonan Flat is located approximately 50 kilometres north-east of Scone and has a population of approximately 128*. The village has a hotel, post office, church, rural fire station, showground, hall and police station.

Situated along the New England Highway is Parkville, approximately 8 kilometres north of Scone. The village has a population of 302* and limited facilities being in close proximity to Scone.

Blandford is located on the New England Highway and is situated approximately 6 kilometres east of Murrurundi and 30 kilometres north of Scone. The village of approximately 183* people is supported by a school, church and service station.

Cassilis is situated approximately 40 kilometres west of Merriwa and 35 kilometres south-east of Coolah. The village has a showground, bowling club, post office, police station, school, church, hall and rural fire station supporting the population of approximately 304*.

**Based on 2016 Census Population data which includes village and surrounding rural locality.*

Main Industries

The Upper Hunter Shire is driven by agriculture having well established beef cattle, dairy and cropping industries. Scone is well known as the Horse Capital of Australia with the area being the single largest producer of thoroughbred horses in Australia.

Significant Retail Centres

Scone CBD provides the main retail centre for the Upper Hunter Region. The Scone CBD comprises several large national tenants, and many individual shops and offices.

Commercial development with New England Highway exposure on the northern and southern fringes of Scone is increasing with a United Petroleum/McDonalds development constructed in early 2010. On the southern fringe of Scone is an electricity substation and Caltex service station.

Types of Residential Development

Residential development in Scone ranges from federation and colonial styles (centrally located), 1950's government built dwellings (east), 1970's brick veneers (south and north east Scone and Satur) in conjunction with modern brick veneer dwellings (Figtree and Monty Estate). Development in both Merriwa and Murrurundi varies from 1900's weatherboard cottages to modern brick veneer and tile dwellings.

Approximately 67% of properties in the region are owner occupied, 29% are owned by investors and 4% are government owned dwellings.

Rural

Beef cattle breeding and fattening is the most common agricultural pursuits within Upper Hunter Shire. Crop cultivation is present but mostly confined to alluvial flats which include extensive Hunter River flats with numerous creeks also providing alluvial country. Alluvial flats are utilised for cultivation, equine and grazing purposes.

Rural retreat home sites occupy much of the poorer quality land within the district, particularly around the Timor, Crawney and north of Merriwa localities where the relative isolation/privacy and the natural bushland settings are attractive features to the 'lifestyle' market.

State & Local Government Legislation for LGA

The Upper Hunter LGA is governed by the Upper Hunter LEP 2013 gazetted on 23 December 2013. There have been no amendments to the LEP since the previous valuation.

The current plan is based on the standardised Local Environmental Plan prescribed by the New South Wales Legislation.

The Plan aims to make local environmental planning provisions for land in the Upper Hunter Council Local Government Area in accordance with the relevant standard environmental planning instrument under section 33A of the EPA Act.

Upper Hunter Council has development controls including the Upper Hunter Development Control Plan 2015 that affects the subdivision and erection of dwellings which impacts on land values. These include:

Zone	Minimum Allotment Size
Residential/Village	600m ² - Scone & Aberdeen (R1) 800m ² - Merriwa & Muurundi (R1) Varies between 2,000m ² and 5ha (R5)* 2000m ² (RU5)
Rural/Forestry	Varies between 40ha, 100ha, 120ha & 400ha (RU1)* 100ha (RU3) 40ha (RU4) Council Consent Required (E1) 40ha (E3)
Business	Council Consent required (B2) 600m ² (B4)
Industrial	1000m ² (IN1 & IN2)
<i>*See LEP Maps for full details</i>	

Market Overview & Sales of Particular Interest

Opteon Property Group (OPG) as Contractors has undertaken significant analysis of the Upper Hunter LGA market to provide an accurate and reliable basis of valuation. 435 sales have been analysed to enable the establishment and verification of land values as at 1 July 2018. These analysed sales also support the grading across components. Analysed sales reports are provided to Property NSW - Valuation Services on a consistent basis throughout the year. The added value of improvements are also analysed to enable the accurate deduction of land values. OPG Contractors undertakes this process using the Paired Sales Approach and Written Down Replacement Cost Approach, with the Replacement Cost Method used when appropriate.

In analysing sales before or after 1 July it is necessary to adjust the contract price in terms of market movement.

Sales which do not have market circumstances including sales between related parties and company transfers, have not been utilised when assessing market changes and determining land values.

General economic factors including international exchange rates, economic growth and interest rates, commodity prices and climatic conditions strongly influence the Upper Hunter property market.

Residential

The Upper Hunter LGA comprises approximately 4,038 residential zoned properties located throughout the Shire.

The residential market had approximately 250 market sales throughout Base Date 2018 with 72% of all sales analysed.

Available evidence has shown a slight strengthening across the Upper Hunter residential markets since the 2017 Base Date with land values being increased by up to 5.5% across Aberdeen, Scone, Merriwa and Murrurundi residential areas.

The region's substantial reliance on mining related industry and employment continues to expose the local economies to the risk surrounding this sector. However, the outlook for the mining industry has improved since the prior Base Date with stronger coal prices being experienced and new mining announcements being made. Local consumer confidence has increased in line with higher demand, lower unemployment and overall improved market conditions.

Sales volumes have seen a significant increase with a higher number of sales listings and improved demand since the previous Base Date. The improvement in demand can be attributed to the flow on effect from the surrounding rural markets which have experienced small to modest increases over the same period in line with good seasonal conditions/improved commodity prices and stronger coal prices, as well as the commencement of construction of the Scone Bypass, resulting in increased rental demand and prices.

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

There were ten residential sales over \$600,000 in the last twelve months. Seven of these sales were of improved, single occupancy dwellings located on the outskirts/edge of Scone township; two improved single occupancy residences within Scone itself, and one improved single occupancy located in the rural residential subdivision within Owens Gap locality.

Village

The Upper Hunter LGA comprises approximately 393 village zoned properties located throughout the Shire.

The village market had approximately 26 market sales throughout Base Date 2018 with 100% of all sales analysed.

Similar to the residential sector, village land values have generally experienced slight increases in market movement since the prior Base Date. The land values of Blandford, Moonan Flat, Parkville, Gundy and Wingen have increased between 5% and 7.5% over the past 12 months with the villages of Bunnan and Cassilis remaining steady. These increases are generally reflective of the surrounding rural markets which are driven by the favourable seasonal conditions and good commodity prices that continued into late 2017 despite deteriorating conditions closer to base date 2018. The value levels adopted are supported by both vacant and improved sales analysis.

There was one residential sale over \$500,000 during the past 12 months within the Upper Hunter village market. This was an improved larger sized single occupancy located on the fringe of Blandford village along the creek.

Commercial

The Upper Hunter LGA comprises approximately 451 commercial zoned properties located throughout the Shire.

The commercial market had approximately 26 market sales throughout Base Date 2018 with 100% of all sales analysed.

Sale volumes in Upper Hunter's commercial market have increased slightly from the previous base date, with few vacant land transactions similar to the previous base date. In line with surrounding residential values, Aberdeen, Merriwa and Murrurundi commercial values have experienced small increases of between 2% and 6% since the previous 2017 Base Date while the Scone commercial market generally remained steady.

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

There were three sales of significance in the past 12 months within the Upper Hunter commercial market:

- 7,219 sqm commercial property in Murrurundi sold with DA approval for demolition of existing structures and construction of 24 hour highway service station for \$2,145,000;
- service station in Scone sold as going concern for \$1,020,000 situated along the main thoroughfare; and
- a hotel sold as going concern for \$990,000 situated in the main street of Scone. Comprising a heritage listed brick building, with rear courtyard and vehicle access.

Industrial

The Upper Hunter LGA has 78 industrial zoned properties located throughout the Shire.

The industrial market had approximately 4 market sales throughout Base Date 2018 with 100% of all sales analysed.

Industrial sales activity has been limited throughout the district, with very few new listings or transfers. Available sales demonstrate varying market movement dependant on location.

New market sales evidence in the industrial park on the fringe of Scone resulted in very strong increases of approximately 40% to land values since the prior base date. In contrast, industrial properties in central Scone remained

steady reflecting the actual industrial market along with Aberdeen industrial properties. Industrial land values in Merriwa increased moderately in line with the surrounding business and residential values.

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

There were no significant sales within the Upper Hunter industrial market in the past 12 months.

Rural

There are 2,717 rural zoned properties located throughout the Upper Hunter LGA.

There were 136 rural zoned sales considered to be reliable market indicators recorded and analysed during the 12 month period, and this comprised 33 larger broadacre farming and grazing properties, 103 generally smaller properties being lifestyle, rural retreat, farmlet and rural residential type properties. This correlated to 100% of all rural sales being analysed.

The volume of sales available in the rural residential, lifestyle grazing/hobby farms sectors has increased since the prior 2017 Base Date with sales showing varied movement in values over this period. The properties within close proximity to Scone, Aberdeen and Murrurundi have increased moderately over the period with increasing demand for rural hobby farm and lifestyle blocks. Rural localities to the north have generally remained steady while all other locations have experienced increases in land value of up to 5% depending on location and distance from town/village services.

The broad acre rural property market has continued to strengthen for most classes of cropping and grazing country in the last 12 months. Favourable seasonal conditions and good commodity prices into late 2017 resulted in a continuation of the increasing market trend seen during the 2016-2017 period, however the deterioration in seasonal conditions and a tightening of credit has seen sales activity slow closer towards BD 18. Hence, values for larger acreage have generally experienced slight increases of between 0% and 5% since the prior Base Date.

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

In the rural broadacre sector there were two market sales contracted above \$4,000,000 in the last twelve months:

- Large holding in the rural locality of Kars Springs comprising arable to undulating to timbered hill grazing lands with an area of 1,490.45ha, showing analysed land values of between \$2,528/ha and \$3,644/ha for open grazing areas and \$744 for timbered county with significant structural improvements.
- Larger rural holding in a similar location north of Merriwa comprising 2,292 ha of undulating to hilly grazing and timbered grazing country with analysed land values between \$1,529/ha and \$1,809/ha for open grazing and \$534/ha for timbered areas, also having significant structural improvements.

In the lifestyle/small holding market there were ten sales contracted above \$1,000,000 in the last twelve months, all well located to Scone, Aberdeen or Murrurundi villages:

- Five sales in close proximity to Scone comprising creek/river flats lands showed an overall analysed land values of \$1,357,000 for a 63ha holding, \$1,150,000 for a 22ha holding, \$1,445,000 for a 107ha holding, \$553,000 for a 44ha holding and \$549,000 for a 53ha holding;
- two Aberdeen rural lifestyle sales showed an overall analysed land value of \$676,000 and \$775,000 for a 61ha and 55ha site;

- two Parkville rural lifestyle sales lands showed an overall analysed land value of \$750,000 for a 107ha holding and a 40ha holding comprising creek/river flats lands; and
- a Blandford sale comprising 15 ha along the river showed overall analysed land value of \$257,000.

Significant Issues and Developments

Significant Developments – From Prior to Current Annual Valuation

There has been limited significant developments or applications for developments in the last twelve months. Significant development activity is summarised below -

- Approval for construction of administration building including canteen, offices & amenities at 70 Muffett St, Scone.
- Proposed alterations to the service station at 163-169 Bettington St, Merriwa for two new awnings and replacement of fuel tanks.
- Approval for the construction of a commercial shed at 3 Mcloughlin St, Scone.
- Approval for the construction of an industrial shed, shipping containers and demountable office at 16 Makybe Diva St, Scone.

Significant Value Changes

Significant Values Changes – From Prior to Current Annual Valuation

There have been some significant changes due to verification since Base Date 2017 which are summarized below:

Urban Land

- Some significant increases occurred to properties in the Scone Industrial Estate following new sales evidence indicating the general level of land values in this estate is too low.
 - Some significant increases occurred to properties at Scone Race Club and Scone Airport following new sales evidence indicating the general level of land values was too low.
 - Some significant increases to residential sites occurred for multiple reasons including premiums for dual access, river frontage and good outlook, previously too much discount for smaller size, shape, close proximity to railway or highway, heritage listing and flood liability.
 - Some significant decreases to residential sites occurred for multiple reasons including sites being low lying, having heritage restrictions and having no building entitlement, as well as sites that were previously given too much premium for subdivision potential.
- Some changes to special use sites such as cemeteries on issue of new methodology/considerations from Property NSW – Valuation Services.

Rural Land

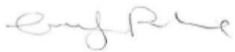
- A number of Upper Hunter rural properties have experienced changes in value, with some strong increases to better reflect quality of the country, creek frontage and change in land uses with new imagery assisting in identification of these features. Conversely, some strong reductions in rural land values also occurred to reflect lack of building entitlements.

Overview of the Quality Assurance Process

PNSW has been provided with a detailed valuation analysis reporting, which details the Quality Assurance Process of Opteon as Contractor and outlines that 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 basis' have been correctly determined and all concessions and allowances have been supplied. Additionally, properties that had land values amended through the objection or reascertainment 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 Version 7.2.1. 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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