

Valuer General's Policy

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Valuation of airport lands

What

This policy outlines the approach to take and factors to consider when valuing airport lands zoned Infrastructure under Local Environmental Plans for rating and taxing purposes

This policy is based on the Valuer General's "Review of the valuation of airport lands" [October 2022] available at www.valuergeneral.nsw.gov.au.

This policy should be read in conjunction with that Review.

How

Under this policy, valuers use mass valuation methods for rating and taxing of airport lands will do so based on specific assumptions and considerations.

Valuers 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 valuation of airport lands are:

- consistent and fair,
- transparent; and
- made within the provisions of the *Valuation of Land Act 1916* (Valuation of Land Act).

Contents

1	Policy	1
1.1	Scope	1
1.2	Valuation approach	2
1.3	Market evidence	5
2	References	6
2.1	Definitions	6
2.2	Laws and policies	7
2.3	Classification of Airports	8
3	Context	9
3.1	Role of the Valuer General	9
3.2	Background	9

1 Policy

1.1 Scope

Airport lands

Use this policy when assessing the value of airport lands zoned Infrastructure under a Local Environmental Plan.

Airport lands are defined for the purposes of this policy as:

- operating airport lands, and/or
- associated airport properties.

In NSW airport lands are generally owned by either the Commonwealth, councils or private operators. Commonwealth owned airports are not included on the Register of Land Values under the *Valuation of Land Act 1916* (Valuation of Land Act). However, a number of councils have agreements with operators of Commonwealth owned airports for an annual payment in lieu of rates and the Valuer General values these airports under Section 9A private agreements with councils.

This policy should be read in conjunction with the Valuer General's "Review of the valuation of airport lands" [October 2022] available at www.valuergeneral.nsw.gov.au.

Land value

improvement

The land value excludes any structures or improvements but includes land improvements.

land improvement

See section 6A of the Valuation of Land Act.

Planning

master plans

Airport master plans, required under the *Airports Act 1996*, are fundamental to the valuation of airport lands as they provide more detailed land uses. Master plans provide planning oversight for the next 20 years and are required to be updated every 5 years.

1.2 Valuation approach

Airport lands

In the absence of comparable sales for airport lands, surrounding land sales in the locality outside the airport are to be used to value each part of the airport based on the following table:

AIRPORT LANDS ZONED SP			
	MAJOR	REGIONAL	RURAL
TERMINAL BUILDING	100% Business	100% Business	100% Industrial
OTHER BUILDINGS	100% Industrial		
SURFACED & ACTIVELY USED	25% Industrial	15% Industrial	10% Industrial
ALL OTHER LAND	10% Industrial	5% Industrial	50% Rural
DEVELOPMENT LAND	100% en globo development land based on same potential use (maximum 20% discount)		
ASSOCIATED AIRPORT PROPERTIES ZONED SP			
	MAJOR	REGIONAL	RURAL
ALL SEPARATELY VALUED AIRPORT LAND	100% business or industrial (premium may apply - maximum 20% discount)		
<i>The above table is to be read in conjunction with the VGNSW report 'Review of the valuation of airport lands'</i>			

Section 2.3 of this policy classifies NSW airports into major, regional or rural airports.

The valuation of land in parts of the airport included in the above table are further explained as follows:

Terminal building

Major airport	Valued on the basis of business zoned sales
Regional airport	Valued on the basis of business zoned sales
Rural airport	Valued on the basis of industrial zoned sales

Other buildings (hangars etc)

Valued on the basis of industrial zoned sales

Surfaced and actively used land

Land comprising runways (sealed and grassed), roads, carpark, aprons, taxiways, beacons etc) is valued at 100% of open storage and carparking values, if sales evidence is available.

If no specific market evidence exists for open storage and carparking land in the locality, values are to be adopted at the following rates of full value:

Major airport	25% of industrial zoned sales
Regional airport	15% of industrial zoned sales
Rural airport	10% of industrial zoned sales

Surface land areas may include significant land improvements (refer to Section 3.1) which are included in land value. The use of industrial market evidence and the percentage of industrial values adopted is considered to reflect the added value of these land improvements.

The percentages of full value to be adopted are intended to recognise that this land is not income producing but a critical part of the airport operation.

All other land

Comprising airport buffer lands including extensive grassed areas. Values are to be adopted at the following rates of full value:

Major airport	10% of industrial zoned sales
Regional airport	5% of industrial zoned sales
Rural airport	50% of rural zoned sales

The percentage of full value is to remove, from the comparable market evidence, the value of attributes such as building entitlement and development potential and to allow for constraints of the airport such as development restrictions, obstacle, noise, height and security restrictions.

Development land

Airport lands may include land identified in airport master plans for future development. Development land is to be valued on the basis of comparable engloba site land sales in the locality for the same potential use.

It is recognised that, at some airports, this land may be uniquely restricted by the airport operation and development constraints of the airport master plan including obstacle, noise, height and security restrictions which may impact the potentiality of this land. Airport development land may also have higher development costs and longer

development periods due to the requirements of the *Airport Act 1996* and other associated legislation. The appropriate discount to reflect such issues is to be individually assessed to allow for these restrictions, up to a maximum of 20% from the englobo land sales evidence.

Associated airport properties

Associated airport properties comprise the adjoining lands also zoned infrastructure (airport uses) but not being part of the operating airport.

Assess the highest and best use

In the absence of infrastructure zoned sales, the value of associated airport properties may be determined by sales evidence in the locality of a comparable highest and best use. In most cases, the designated uses of the associated airport properties are related to industrial or business uses.

Site constraints

Each site is to be valued based on its individual merits with the highest and best use assessed on a site by site basis. In determining the highest and best use, reference to the airport master plan's land use plan is critical. Airport master plans outline permitted land uses. The sites current use may also assist in determining the highest and best use.

If there are site constraints, these should be reflected in the assessment of the site's highest and best use and consequent assessment of value.

Analysis and adjustment

The process of accumulation, analysis, adjustment and application of comparable sales should be followed for the associated airport properties.

In some locations, development land at an airport may attract a premium over surrounding locations due to the increased business generated by the airport. For example, many metropolitan and regional airports with arterial road frontage include service stations and fast food outlets which benefit from both airport and general traffic.

For some associated airport properties an additional adjustment to the market evidence may be required to recognise the limitations of the airport location such as height restrictions, obstacle limitation and uses having to be aviation related. If this is the case the total adjustment is to be no more than 20%.

1.3 Market evidence

Sales Analysis Open market transactions of airport lands rarely occur.

Leasehold interests

Transactions of airport lands are generally of the leasehold interest with the Commonwealth or local council being the owner of the land. In applying such market evidence for rating and taxing valuations, care must be taken to ensure that the fee-simple of the land is valued as required under Section 6A.

Transactions of land adjacent to airport lands may occur for potential expansion. Such transactions should be carefully analysed in the context of hypothetical willing but not anxious parties.

2 References

Valuer General NSW Report *Review of the valuation of airport lands* [October 2022] available at www.valuergeneral.nsw.gov.au.

2.1 Definitions

airside	Parts of the airport precinct which have restricted access including runway, aprons, control towers, etc.
improvements	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'.
landside	Parts of the airport precinct to which the general public has unrestricted access.
land value	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.
major airport	Airports in metropolitan locations, generally offering scheduled flights to capital cities, regional cities and rural towns by a number of airlines. Facilities provided at a major airport include terminals with service desks for airlines, numerous passenger gates used for both departure and arrivals, lounges, luggage collection and other services, and retail tenancies including bars, cafes, etc. Facilities outside the terminal, but generally on landside airport land, include carparking, rental cars, service stations, fast food, etc. Facilities on airside airport land include aircraft hangars, cargo/freight services, fuel and catering providers, etc.
regional airport	Airports offering schedule flights, but often by a limited number of airlines. Facilities provided at regional airports generally include service desks for airline(s), small number of departure and arrival gates, at least one passenger lounge, café, conference rooms and car rental desks. Facilities outside the terminal, but generally on landside airport land, may include carparking with designated rental car spaces and service station. Facilities on airside airport land may include aircraft hangars, cargo/freight services, fuel and catering providers, flight schools, aviation business such as charter and private air services, rural aviation providers and service and maintenance providers.
rural airport	Airports in rural locations, often with no scheduled flights and basic facilities such as a terminal building, which provides a waiting area with

basic amenities but no other facilities and some hangars. Generally limited or no security between airside and landside operations.

2.2 Laws and policies

Governing law [NSW or Commonwealth]

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

Airports Act 1996

Related Valuer General policy

Valuation of infrastructure land

Valuing separate parcels

2.3 Classification of Airports

Local Government Area	Airport Name	Categories
Bayside	Part Sydney Airport	Major
Inner West	Part Sydney Airport	Major
Aerotropolis Liverpool	Badgerys Creek	Major
Tweed	Part Coolangatta Airport	Major
Camden	Camden Airport	Major
Canterbury-Bankstown	Canterbury-Bankstown Airport	Major
Hawkesbury	Richmond Airbase – RAAF	Major
Port Stephens	Williamtown Aerodrome	Regional
Wagga Wagga	Wagga Wagga City Airport / RAAF Base	Regional
Albury	Albury Airport	Regional
Armidale	Armidale Airport	Regional
Ballina	Ballina Byron Gateway Airport	Regional
Bathurst	Bathurst Airport	Regional
Coffs Harbour	Coffs Harbour Airport	Regional
Cootamundra	Cootamundra Airport	Regional
Deniliquin	Deniliquin Airport	Regional
Dubbo	Dubbo City Airport	Regional
Grafton	Clarence Valley Regional Airport	Regional
Griffith	Griffith Airport	Regional
Albion Park	Shellharbour Airport	Regional
Lismore	Lismore Airport	Regional
Maitland	Maitland Airport	Regional
Merimbula	Merimbula Airport	Regional
Moree	Moree Airport	Regional
Moruya	Moruya Airport	Regional
Mudgee	Mudgee Airport	Regional
Narrandera	Narrandera Airport	Regional
Parkes	Parkes Airport	Regional
Port Macquarie	Port Macquarie Airport	Regional
Scone	Scone airport	Regional
Spring Hill	Orange Airport	Regional
Tamworth	Tamworth Airport	Regional
Taree	Taree Airport	Regional
Temora	Temora Airport	Regional
Cessnock	Cessnock Airport	Rural
Cobar	Cobar Airport	Rural
Corowa	Corowa Airport	Rural
Cowra	Cowra Airport	Rural
Forbes	Forbes Airport	Rural
Goulburn	Goulburn Airport	Rural
Hay	Hay Airport	Rural
Lake Cargelligo	Lake Cargelligo Airport	Rural
Lightning Ridge	Lightning Ridge Airport	Rural
Narromine	Narromine Airport	Rural
Pelican	Belmont Airport	Rural
Quirindi	Quirindi Airport	Rural
Tocumwal	Tocumwal Airport	Rural
Tumut	Tumut Airport	Rural
Walgett	Walgett Airport	Rural
West Wyalong	West Wyalong Airport	Rural

3 Context

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 officer responsible for ensuring the integrity of land valuations in NSW.

The Valuer General outsources most valuation services under contract to private valuation firms. All valuation services provided by contract valuers are subject to a rigorous quality assurance process prior to issue to landholders.

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

3.2 Background

Mass valuation methods

Mass valuation improves cost efficiencies, because it allows a small number of valuations to be used for many properties.

Mass valuation is used widely around Australia and the world.

Different mass valuation methods

In NSW, valuers who undertake valuations for the Valuer General all currently use the component method.

A number of other mass valuation methods are used in Australia and around the world and alternative methods may be acceptable for use in NSW. The Valuer General's approval must be obtained to use any alternative valuation method.

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