

Valuer General's Policy

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Valuation of land included in a community title scheme

What

This policy guides valuers on the methods to use, and factors to consider, when valuing land included in a community title scheme for rating and taxing.

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 included in a community title scheme are:

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

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1 Policy

1.1 Scope

Community title scheme

Use this policy to assess the value of land included in a community title scheme.

association property

A community title scheme may consist of:

community scheme

- a sole neighbourhood scheme or
- a community scheme that may be further subdivided into:
 - neighbourhood schemes
 - precinct schemes and/or
 - strata schemes.

neighbourhood scheme

The schemes are created by registration of a community, neighbourhood or precinct plan within the land titling system. These schemes allow for various levels of management and stages of development.

As in the case with strata title legislation, common areas within a community, neighbourhood or precinct scheme are owned and managed by a body corporate comprising of all lot owners within the scheme. The body corporate is called the Association.

The common areas within a community title scheme are known as the Association property.

1.2 Valuation methods

Mass valuation process

The Valuer General uses a mass valuation process to value most land included in a community title scheme. It involves the systematic valuation of groups of properties at a given date using standardised procedures.

component method

All valuations must be supported by market evidence and quality assured.

The mass valuation method used in NSW is the component method. Valuation methods, such as the direct comparison method, are used to value a sample of individual properties within the component.

Direct comparison

Direct comparison involves comparing market sales with the subject land.

When using direct comparison to value single lots within a community plan or a neighbourhood plan, you must:

- have regard to the benefits of the association property (sales must be adjusted to account for any benefits and/or costs and restrictions)
- consider a broad range of market evidence, including sales of vacant and improved land
- follow an evidence-based approach when using sales of improved land to deduce the land value
- consider factors such as the land's size, aspect, location, zoning, planning controls, demographics and permitted use.

Be aware that comparable sales within the scheme will provide the best evidence of value. These sales will reflect the market's interpretation of the benefit of Association property and the likelihood of surrounding stages in the scheme being developed in accordance with the proposal.

In schemes where sales are scarce or non-existent, you cannot assume that all surrounding stages will be developed in accordance with the scheme's original plans. You should, therefore, exercise caution when comparing sales of other fully developed schemes.

Community title developments can vary from two lots to entire suburbs, and the type and extent of the benefits and responsibilities attached to each lot will vary. You must be aware of the features of the plan and make adjustments when comparing with market evidence not affected in the same way.

1.3 Assumptions and considerations

Valuation assumptions – section 6A

fee simple in possession
highest and best use
improvement
land improvement
sale
unencumbered

You must value land included in a community title scheme with regard to section 6A and section 14E of the Valuation of Land Act.

Section 6A provides the basis for the valuation assumptions specific to determining the market value of the land. In line with section 6A of the Valuation of Land Act, you must value the land 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:

- 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).

Valuation assumptions – section 14E

When you value the separate lots in a community plan you must take into account any benefits and disadvantages the lot receives by being within a community scheme.

Therefore, if a community scheme has Association property like roads, tennis courts or a swimming pool, the benefit and value of that property must be accounted for in the value of each individual lot. No separate valuation is made of the Association property.

However, there is an exception to this. Land that is Association property and used for commercial purposes must be separately valued. The commercial land is valued in the same manner as the separate lots discussed above; that is, the benefit of the other Association property is taken into account.

You must ignore the benefit of Association property used for commercial purposes when valuing the other lots in the plan.

Valuation of separate parcels

When you are assessing the value of a community title scheme, you must also refer to the Valuer General's policy on the valuation of separate parcels. Where the land is included in one title and used for the same purpose then a single valuation will be made.

Development within a community scheme

Development within a community scheme may proceed by way of a staged program and it is possible that the development may take several years to complete. During that time, the style and nature of the development may change. Therefore, when valuing the early stages of a development it cannot be assumed that the whole development will be completed as originally planned.

2 References

2.1 Definitions

association property	The common areas within a community title scheme are known as the Association property. Association property may include, for example, roads, swimming pools, parks and golf courses. The costs of maintaining the Association property are shared by the owners through unit entitlements.
community scheme	Under the <i>Community Land Management Act 1989</i> a community scheme means: <ul style="list-style-type: none"> a) the manner of subdivision of land by a community plan, and b) if land in the community plan is subdivided by a precinct plan – the manner of subdivision of the land by the precinct plan, and c) the manner of subdivision of land in the community plan, or of land in such a precinct plan, by a neighbourhood plan or a strata plan, and d) the proposals in any related development contract, and e) the rights conferred, and the obligations imposed, by or under this Act, the <i>Community Land Management Act 1989</i> and the <i>Strata Schemes (Freehold Development) Act 1973</i> in relation to the community association, its community property, the subsidiary schemes and persons having interests in, or occupying, development lots and lots in the subsidiary schemes.
component method	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.
date the valuation is made	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.
fee simple in possession	Absolute title to land, free of any other claims against the title, which one can sell or pass to another by will or inheritance.
highest and best use	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.

improvement	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).
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land improvement	Land improvement, such as draining, excavating, filling or clearing, as defined in section 4 of the Valuation of Land Act and included in the land value (below).
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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.
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neighbourhood scheme	<p>Under the <i>Community Land Management Act 1989</i> a neighbourhood scheme means:</p> <ol style="list-style-type: none">the manner of subdivision of land by a neighbourhood plan, andthe proposals in any related development contract, andthe rights conferred, and the obligations imposed, by or under this Act and the Community Land Development Act 1989 in relation to the neighbourhood association, the neighbourhood property and the proprietors and other persons having interests in, or occupying, the neighbourhood lots.
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sale	<p>The transfer of property between parties. To use a sale as market evidence, it must have been:</p> <ul style="list-style-type: none">an arm's length transactionbetween a willing buyer and willing seller who both acted knowledgeably, prudently and without compulsionproperly marketed.
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statutory restrictions	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.
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unencumbered	<p>Unencumbered land is land without any encumbrances.</p> <p>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.</p>
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2.2 Laws and policies

Governing NSW law

Valuation of Land Act 1916 (Valuation of Land Act)
Section 6A
Section 14I

Community Land Development Act 1989

Community Land Management Act 1989

Related Valuer General policy

Valuing separate parcels

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 appointment 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 maintaining an open and transparent valuation process that is easy for landholders to understand.

3.2 Background

Different valuation methods

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

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

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Any enquiries relating to the policy may be addressed to the Office of the Valuer General at valuergeneral@ovg.nsw.gov.au

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Document control

Approval

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

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0.1	Final	20/11/2014	Michael Parker	First release

Next review

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