

**Valuer General**

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# Apportionment factors for mixed development and mixed-use land

Guidance Note

February 2024



# Acknowledgement of Country

The office of the Valuer General and Valuation NSW acknowledges that we stand on Aboriginal land. We acknowledge the Traditional Custodians of the land, and we show our respect for Elders past and present through thoughtful and collaborative approaches to our work, seeking to demonstrate our ongoing commitment to providing places in which Aboriginal people are included socially, culturally, and economically.

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## More information

Enquiries relating to this guidance note should be addressed to the office of the Valuer General via email to [valuergeneral@dpie.nsw.gov.au](mailto:valuergeneral@dpie.nsw.gov.au).

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# Contents

- Introduction ..... 4**
  - 1.1 Purpose ..... 4
  - 1.2 Background..... 4
- Recommended Approach ..... 5**
  - 1.3 Scope ..... 5
  - 1.4 Applying an apportionment factor..... 5
  - 1.5 Assumptions and considerations..... 7
  - 1.6 Valuation methods ..... 8
- References..... 9**
  - Definitions..... 9
  - Appendix – Examples of properties that would and would not, prima facie, attract a MDAF.....10
  - Related documents and legislation.....11

# Introduction

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## 1.1 Purpose

This document is intended to provide guidance to valuers on when and how to apply a Mixed Development Apportionment Factor (MDAF) and a Mixed-Use Apportionment Factor (MUAF) under the *Valuation of Land Act 1916* (the Act).

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This guidance note will ensure that MDAFs and MUAFs are:

- consistent and accurate
- transparent
- in line with the Act.

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## 1.2 Background

In NSW, the Act establishes the Valuer General as the independent statutory officer responsible for ensuring the integrity of land valuations in NSW.

Valuation NSW carry out functions on behalf of the Valuer General under formal delegations. Some valuation services may also be contracted out to private valuation firms. All valuation services are subject to a rigorous quality assurance process prior to issue to landholders.

# Recommended Approach

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## 1.3 Scope

### 1.3.1 Apportionment factors

Use this guidance note to calculate a Mixed Development Apportionment Factor (MDAF) or a Mixed-Use Apportionment Factor (MUAF).

In order for land to be suitable for a MDAF it must contain a building or buildings which are used for a mixture of residential and non-residential purposes.

Revenue NSW may use a MUAF in determining land tax where the part of the land used for residential purposes is the owner's principal place of residence.

### 1.3.2 Local Government

A MDAF allows a property which has a mixture of residential and non-residential uses to be rated on the basis of part residential and part non-residential.

Councils may apply a MDAF under section 518B of the *Local Government Act 1993* (Local Government Act).

There are no provisions for Councils to use MUAFs.

### 1.3.3 Revenue NSW

Revenue NSW uses both MDAFs and MUAFs to assess the land tax payable on a parcel of land with mixed development or mixed-use that includes the owner's principal place of residence. Refer to section 9C and 9D of the *Land Tax Management Act 1956*.

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## 1.4 Applying an apportionment factor

### 1.4.1 MDAFs

A MDAF may be applied on mixed development land:

- following an application by the owner of the land or a rating and taxing authority, or
- on the Valuer General's initiative.

Mixed development land is defined in section 14BB of the Act.

Mixed development land means a parcel of land occupied or used solely as the site of one or more buildings comprising:

- a. one, or more than one, flat, and
- b. one, or more than one, office.

You can apply a MDAF to mixed-use land if there are multiple buildings on the one site and they cannot be separately valued.

The Act defines the meaning of flat, office and single dwelling in section 14BB. The term office is given a broad meaning to include a wide range of commercial, industrial and/or professional uses.

The flat and the office must have their own facilities and their own access. If accommodation shares communal facilities, such as kitchen, shower, cooking, bathing then it is not considered a mixed development.

For a list of properties that would, prima facie, attract an MDAF and those that would not, refer to the appendix.

## 1.4.2 MUAFs

Revenue NSW may request a MUAF from the Valuer General to reduce the land tax payable where part of the land is identified as being the principal place of residence (section 10B of Schedule 1A *Land Tax Management Act*).

Land may be subject to an MUAF if it is used for residential and non-residential purposes and a MDAF is not applicable. A MUAF is applied on mixed-use land.

Mixed-use land is defined in section 14BBE of the *Valuation of Land Act*:

1. For the purposes of this Division, mixed-use land means a parcel of land (other than mixed development land within the meaning of Division 5) that:
  - a. Is the site of a residence occupied or used for residential purposes, and
  - b. Is also used for non-residential purposes.
2. A residence is one or more buildings comprising:
  - c. one, or more than one, flat, or
  - d. one single dwelling.

Separate uses on the one parcel of land that are distinct occupancies can be subject to an MUAF.

For example, a parcel of land comprising a residential cottage and separate commercial buildings and yards would attract a MUAF.

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## 1.5 Assumptions and considerations

### 1.5.1 Calculating a MDAF

The MDAF is the proportion, expressed as a percentage, which the rental value of the non-residential part of the land bears to the rental value of the whole property.

$$\text{MDAF} = \frac{\text{Rental value non-residential land}}{\text{Rental value mixed development land as a whole}}$$

Councils use the percentage to calculate the residential and non-residential proportion of the land value. Rates are levied accordingly.

#### Example

Assuming:

Rental value of non-residential land	\$20,000
Rental value of residential land	\$40,000
Total rental value of land	\$60,000

Using the MDAF formula above:

$$\$20,000 / \$60,000 = 33\%$$

For council rating purposes:

Assume the land value of the whole property is \$1.2 million dollars.

Land value of non-residential portion	$33\% \times \$1,200,000 = \$396,000$
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Land value of residential portion	$\$1,200,000 - \$396,000 = \$804,000$
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The council would then rate the property based on the rate applicable for each part.

### 1.5.2 Assumptions – calculating the MDAF

In line with section 14Y of the Act, you must assume:

- rental values are market rents based on properties similar to the subject property at 1 July of the valuing year
- rentals are annual gross rentals.

Actual rentals on the subject property may or may not equate with market rentals.

If the market rents are net rents as with some industrial and retail rents then you must build up the net rent to a gross rent as required by the Act, by adding the outgoings.

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## 1.6 Valuation methods

### 1.6.1 Direct comparison method

The primary method for establishing the gross rental is to compare market rents with the subject property. This is known as direct comparison.

When using direct comparison to establish the gross rental you must:

- analyse rents for properties that are used for similar purposes
- consider whether you have adequate rental evidence within the same locality or if you need to include evidence from other areas
- consider all factors that affect the rental, such as the building's size and condition, the location and exposure. The land's size and access to roads should also be considered.



# References

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## Definitions

Term	Meaning
<b>Flat</b>	<p>Defined in the Act:</p> <p>A room or suite of rooms, occupied or used as a separate dwelling or constructed, designed or adapted to be capable of being occupied or used as a separate dwelling.</p> <p>It does not include a strata lot, or a dwelling, or a portion of a building under company title that is rated in accordance with section 547 of the Local Government Act 1993.</p>
<b>Gross rental</b>	<p>An all-inclusive rental in which the costs of maintaining the leased asset, including taxes, insurance, maintenance and management fees are passed onto the tenant. This is equivalent to the sum of net rent plus outgoings.</p>
<b>Market rent</b>	<p>The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.</p>
<b>Net rental</b>	<p>Rent payable excluding all outgoings and GST.</p>
<b>Office</b>	<p>Defined in the Act:</p> <p>A room or suite of rooms, occupied or used for commercial, industrial or professional purposes, or constructed, designed or adapted to be capable of being occupied or used as a separate commercial, industrial or professional occupation.</p> <p>It does not include a dwelling or a portion of a building under company title that is rated in accordance with section 547 of the Local Government Act 1993.</p>
<b>Outgoings</b>	<p>The total of all statutory charges, operating expenses and other outgoings for which the lessor is liable.</p>

Term	Meaning
Single dwelling	<p>Defined in the Act:</p> <p>A house occupied or used as a separate dwelling, or constructed, designed or adapted as to be capable of being occupied or used as a separate dwelling.</p> <p>It does not include a lot in a strata plan or a property commonly known as a shop and dwelling.</p>

## Appendix – Examples of properties that would and would not, prima facie, attract a MDAF

Properties	Yes/No
Shop and flat with separate facilities and separate access	Yes
Shop or shops, one caretaker's flat and flats or flats	Yes
Shop or shops and townhouse or townhouses over	Yes
Doctor's surgery and doctor's residence	Yes
Doctor's surgery and tenanted residence	Yes
Neighbourhood shops, with shops and residences (flats) over	Yes
Veterinary clinic and residence	Yes
Residence and kindergarten	Yes
Shop and flat attached, store shed, garage	Yes
Building containing office (commercial/industrial/professional) and a flat or flats used by people responsible for security or maintenance	No
Parcel of land used solely as a boarding-house or lodging-house	No
Single dwelling	No

Properties	Yes/No
Single dwelling and land (2.428 hectares or less) used for primary production	No
Two or more flats	No
Residential flat building	No
Building containing serviced apartments	No
Guest house	No
Other tourist establishments not within the definition	No
Backpacker hostel	No
Nursing home	No
Motel	No
Hotel	No
Strata lot separate dwelling	No
Strata lot for motor vehicle	No
Stratum separately valued, separate dwelling	No
Company title dwellings	No

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## Related documents and legislation

- [Valuation of Land Act 1916](#) – Division 5 and 5A
- [Local Government Act 1993](#) – Section 518B
- [Land Tax Management Act 1956](#) – Section 9C and 9D, Section 10B of schedule 1A