

**Valuer General**

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# Valuation of land with rezoning potential

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 Valuation approach..... 6
- References..... 10**
  - Definitions.....10
  - Related documents and legislation.....10

# Introduction

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## 1.1 Purpose

This document is intended to provide guidance on the approach to take and factors to consider when valuing land identified as having rezoning potential for rating, taxing and compulsory acquisition purposes.

This guidance note has been compiled following the publication of “Review of the Impact of Rezoning Potentiality on Land Values” available at [www.valuergeneral.nsw.gov.au](http://www.valuergeneral.nsw.gov.au).

This guidance note should be read in conjunction with the Review.

This guidance note will ensure that the Valuer General’s valuations of land with rezoning potentiality are:

- consistent and fair
- transparent
- made within the provisions of:
  - the *Valuation of Land Act 1916* for rating and taxing valuations and
  - the *Land Acquisition (Just Terms Compensation) Act 1991 (Land Acquisition Act)* for compulsory acquisition.

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## 1.2 Background

The Valuer General is an independent statutory officer appointed by the Governor of NSW to oversee the valuation system. The Valuer General is responsible for:

- providing fair and consistent land values in NSW, in line with the *Valuation of Land Act*; and
- determining compensation when land is compulsorily acquired in line with the *Land Acquisition (Just Terms Compensation) Act 1991*.

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 Land rezoning potentiality

This guidance note provides direction to reflect any potentiality for rezoning where speculated, identified, acknowledged and/or published by government authorities over an extended period leading to rezoning. The guidance note applies to the determination of:

- land values under the Valuation of Land Act 1916; and
- market value for compulsory acquisition under the Land Acquisition (Just Terms Compensation) Act 1991.

This guidance note provides an approach to the analysis of sales in areas with rezoning potentiality to identify underlying indicative market value trends for land.

This guidance note should be read in conjunction with the Valuer General NSW “Review of the Impact of Rezoning Potentiality on Land Values” (the Rezoning Potentiality Review) available at [www.valuergeneral.nsw.gov.au](http://www.valuergeneral.nsw.gov.au).

### 1.3.2 Rating and taxing valuations

For the purposes of rating and taxing valuations, land value excludes the value of any structures or improvements but includes the value of land improvements. See section 6A of the Act.

### 1.3.3 Compulsory acquisition

For the purposes of compulsory acquisition determinations, market value includes the value of any improvements. A range of other heads of compensation must also be considered in the Determination. See Section 55 of the Land Acquisition (Just Terms Compensation) Act 1991.

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## 1.4 Valuation approach

### 1.4.1 Valuation consideration

The principle that a property should be valued at the relevant date in its existing condition with all its “potentialities” was established in *Yates Property Corporation Pty Ltd (in liq) v Darling Harbour Authority* (1991) 24 NSWLR 156 at 175-176.

The Rezoning Potentiality Review concluded that it is possible to have sufficient and consistent evidence to support changing trends in the assessment of land values reflecting potentiality prior to a rezoning occurring.

### 1.4.2 Awareness of rezoning

A full awareness of planning proposals for an area is essential. This will allow the valuer to begin to categorise sales as indicators of the market value for future rezoning potentiality, in the period between commencement of speculative purchases up to rezoning being formalised (see stage 2 in section 3 of the Rezoning Potentiality Review).

This also provides important context to support classification of a sale as being out of line or to be relied upon as evidence to support a change in land values due to the rezoning potentiality.

Consideration should be given to all factors that influence the value such as the land’s size, location, Government and other media releases, current and proposed zoning, planning controls and permitted uses, agents feedback, market commentary in the media and speculation in the area.

Furthermore, this will allow for a point of comparison to other areas that are currently in the process of being rezoned or have been recently rezoned.

Once the rezoning potentiality of an area is established, regular monitoring of planning information and local market conditions is required to inform key changes in the potentiality and or timeline for rezoning.

For rating and taxing valuations, consideration should be given as to whether the proposed rezoning area should be included in a single component to help with identification of relevant sales and assessment of land value movement.

### 1.4.3 Categorisation as high-risk areas

Areas identified as having potentiality for rezoning should be continuously assessed for the risk of the proposed rezoning on land values. Rezoning potentiality may occur in a range of different circumstances with the likelihood of rezoning, number of properties impacted and the magnitude of the impact varying in each situation.

#### **1.4.4 Wide analysis of sales evidence**

For rating and taxing valuations all sales should be analysed within high-risk rezoning areas to establish or verify land values. This analysis should cover the full breadth of the market and not just sales relating to benchmark properties.

For compulsory acquisitions in high-risk rezoning areas all sales comparable to the property being valued should be analysed.

Each sale is to be considered in context of all of the available evidence and rezoning potentiality in line with the findings of the Rezoning Potentiality Review. Sales that appear out of line and sales to acquiring authorities should not be automatically disregarded.

An underlying market trend should be identified from the analysis of sales evidence and applied in the valuation process.

#### **1.4.5 Use of non-market sales**

Care should be taken to identify those non-market sales for which there are explicable reasons to disregard. Some non-market sales may be used to provide secondary evidence to the upper or lower range in the market and may be used in consideration of areas with low sales numbers.

#### **1.4.6 Consider sales outside of area**

In areas with limited and or disparate sales evidence, consideration of sales evidence from nearby areas and general market trends should be undertaken as well as the type and timing of public announcements of proposed planning for the area.

#### **1.4.7 Review case studies of similar rezonings**

In areas with limited and or disparate sales evidence other areas with similar rezoning potential should be considered as part of the valuation process. These may provide supporting evidence in determining a valuation. When using other areas for comparison, consideration must be given to the existing land use, proposed land use, timing of the rezoning potentiality, service provision and finally the strength of the market for the rezoned land.

If there are no comparable areas with a similar state of rezoning potential, then recently rezoned areas may provide a guide to likely market value trends prior to rezoning. In addition, the surrounding market movement even with no rezoning potential should be considered to support valuations. Consideration of the type and timing of public announcements of proposed planning should not be disregarded.

### 1.4.8 Rationalise findings and apply to values

Where analysis of the market identifies a value change due to the rezoning potentiality, this must be reflected in determining valuations.

### 1.4.9 Rating and taxing: establishing the added value of improvements

For rating and taxing valuations, care must be taken in determining the added value of improvements in areas of rezoning potentiality, particularly where the proposed new zone provides for a higher use than that currently permitted.

The added value of improvements may or may not reflect their replacement cost and may be limited to the utility they add to the property.

In analysing sales of improved properties to deduce a land value, an evidence-based approach is to be adopted to remove the added value of improvements from the sale price.

Where sales reflect redevelopment potential following rezoning, the existing improvements may be of limited value in the sale price. This may be limited to the added value of the rental return of those improvements until redevelopment is possible.

There may also be situations where a property is ready for development and the improvements are an impediment and the cost for removal can be allowed for in the sale analysis.

### 1.4.10 Analysing sales to a rate per unit

Sales of land are analysed to provide a rate per unit of measure (normally a rate per square metre or hectare).

The analysed rates for different potential zoning classifications may be applicable if the zones have similar value levels for other property being valued.



### 1.4.11 Valuation date adjustment

Sales are adjusted to reflect the market for land at the relevant valuation date. For rating and taxing valuations this is at 1 July of the relevant valuing year for which the sale is being used. For compulsory acquisitions, this is the date of gazettal.

Ways to estimate market movement between the sale date and the relevant valuation date include:

<b>Sales and resales</b>	<p>Sales and resales of properties over the period may be considered when determining the market movement. A monthly market movement rate may be calculated to apply to other sales.</p> <p>Care is required in considering other factors affecting value, such as property improvements made since the original sale.</p>
<b>Unit of measure price movements</b>	<p>The rate per unit (\$ per sqm/hectare) over time may be analysed to determine price variations for different land classifications. These trends can then be used to adjust sales to the valuation date.</p>

This guidance note is to be read in conjunction with the guidance notes listed on the NSW Valuer Generals website at [www.valuergeneral.nsw.gov.au](http://www.valuergeneral.nsw.gov.au).

# References

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## Definitions

Term	Meaning
Added value of improvements	The value that improvements add to the land. It is determined by comparing market evidence for land with improvements to that for vacant or lightly improved land.
Valuing year	The year starting 1 July. Valuation reflects the property market at the start of the valuing year.

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## Related documents and legislation

- [Valuation of Land Act 1916](#)
- [Land acquisition \(Just Terms Compensation\) Act 1991](#)
- Valuer General NSW case study – Western Sydney Aerotropolis - [Review of the impact of rezoning potentiality on land values](#)