

**Valuer General**


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# Valuation of land used for cemeteries and crematoria

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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# Introduction

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## 1.1 Purpose

This document is intended to provide guidance to valuers on the methods to use, and factors to consider, when valuing land used as a cemetery or crematorium for rating and taxing purposes.

This guidance note will ensure that the Valuer General's valuations of land used as a cemetery or crematorium are;

- consistent and accurate
- transparent
- in line with the *Valuation of Land Act 1916* (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 Land used as a cemetery or crematorium

Use this guidance note to assess the value of land used for the purpose of a cemetery or crematorium.

Cemeteries include both occupied and unoccupied interment sites. Occupied interment sites include sites for in earth burial or interment within mausoleums, vaults or other structures.

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## 1.4 Assumptions and considerations

### 1.4.1 Valuation assumptions

In line with section 6A of the 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.

### 1.4.2 Valuation considerations

You must also consider and reflect in the valuation these other requirements:

- the current use of the property if it differs from environmental 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)
- if land is Crown land and subject to a lease or license, it must be valued taking into account that the highest and best use is the use prescribed in the agreement (section 14I). See guidance note Valuation of Crown lease restricted land

- the property's physical condition, surroundings, zoning and allowable uses that applied on the date the valuation was made (section 14K).

### 1.4.3 Further considerations

The *Cemeteries and Crematoria Act 2013* provides for both perpetual and renewable interment rights for cemeteries in NSW.

Lands occupied as perpetual interment sites are required to remain undisturbed in perpetuity. In determining the land value of such land, you must have regard to this statutory restriction on use. As an occupied site, no further income may be generated from these lands, but ongoing maintenance will be required.

Renewable interment sites are required to remain undisturbed for the period of the interment right which may be up to 99 years from the date the right was granted. In determining the land value of such lands, you must have regard to this restriction on use for the period of the interment right. Any income that may be received from the future sale of a renewable interment site is to be deferred for the period of the remaining right. You must also consider there is high risk that re-use of the land after the right has ceased may not be achieved.

Some cemetery sites may be subject to heritage listings on either the State Heritage Register or under an environmental planning instrument. The land value of these lands must be made with regard to the heritage assumptions described in section 123 of the Heritage Act 1977 (Heritage Act) if the land is listed on the State Heritage Register, or section 14G of the Act if listed under an environmental plan (see guidance note "Valuation of heritage restricted land").

In determining the land value of a cemetery or crematorium where only part of the land is heritage listed under a planning instrument, it is reasonable to determine that the heritage assumptions required in section 14G of the Act only apply to that area comprising the heritage item(s).

Where lands are restricted on the State Heritage Register, all of the land must be considered as heritage restricted. However, where part of such lands includes unoccupied future interment sites, the land value may still have regard to that potential use.

### 1.4.4 Improvements

Headstones, mausoleums, chapels and other associated structures and buildings associated with a cemetery or crematorium are improvements and are to be hypothetically removed in the valuation exercise.

Ashes that are scattered or interned and caskets buried or held in mausoleums are not improvements and cannot be hypothetically removed when determining the highest and best use of the land.

The remains of deceased persons in whatever form are considered to have an impact on the condition of the land and the allowable uses that can occur on that land (section 14K).

How much of an impact will depend on the individual situation, for example where a burial plot is occupied no further income can be generated from that land, however a rose garden where ashes are scattered can possibly be used indefinitely.

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## 1.5 Valuation methods

### 1.5.1 Direct comparison

Direct comparison involves comparing market sales with the subject land. When using direct comparison to value land used for cemeteries and crematoria, you must:

- analyse sales to provide a unit of measure such as rate per square metre or rate per burial plot
- consider whether you have adequate market evidence within the local government area or if you need to include evidence from other areas. In particular, sales of land purchased for the purpose of a cemetery or crematorium
- determine whether sales of cemetery sites are subject to any forward sale of interment rights and make appropriate adjustments in the sale price
- 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 all factors that influence the land's value such as the land's size, aspect, location, zoning, planning controls and permitted use.

The direct comparison method of valuation should be the primary method of valuation for land used for the purpose of a cemetery or crematorium. Appropriate adjustment to the available evidence must be undertaken where required with rationale to support valuation assumptions.

For some small sites and in some regional locations the direct comparison method may be the only suitable method to value these lands.

### 1.5.2 Hypothetical development method

Where there are not enough directly comparable sales to value the subject land, you can use the hypothetical development method.

This method is suitable for cemeteries or crematoria where land is available for future interment sites. It is not suitable to use for occupied interment sites.

To derive the land value of a cemetery or crematorium using this method, you must:

1.	Estimate the total value of the sale of all interment sites in the cemetery or crematorium based on a sales projection of the completed cemetery/crematorium development. You must be aware of the total number of potential sites and the possibility of renewal.
2.	Estimate the return generated by any associated funeral services such as cremation.
3.	Calculate the capital value and gross realisation.
4.	Deduct the estimated cost of developing the site (including holding costs and developer's margin) from the total capital value.

The cost of developing the site includes ancillary costs such as purchase fees and stamp duty. Costs should include an allowance for interest payments based on 100 per cent funding for the project. However, interest payment calculations for development costs should reflect the progressive payment of these costs. You should compare unit costs and rates from similar development schemes and apply them to the development you are valuing. You should clearly state any assumptions you make when applying the method and include reference to evidence, research and reasoning.

When you apply the hypothetical development method you must remember that land improvements are included in land value.

Where land improvements on the existing site would be retained for the hypothetical development (reducing the time and cost of the development) this will need to be factored into the calculation. For example, filling and associated retaining walls are retained for the hypothetical development.

The market price of land is the amount paid by the purchaser to obtain possession of the real estate. If, in addition to the sale price there is agreement for the whole or part of GST to be paid by the purchaser then that amount will also form part of the market price. However, when you use the hypothetical development model you need to consider the treatment of GST on sale of interment rights and costs of development.

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## 1.6 Sales analysis

### 1.6.1 Wide analysis of market evidence

The sale of land used for cemeteries or crematoria is not common, however, you should analyse any of these sales where they are available.

To determine the unit rate of unoccupied interment sites, when analysing the sale of a cemetery or crematorium, you must recognise that any unoccupied interment sites that have already been sold will not add value in the sale.

The added value of all improvements is to be deducted from the purchase price. Existing headstones, mausoleums, monuments etc are unlikely to add any value in the purchase price.

You must also make allowance for the added value of any plant and machinery included in the purchase price.

Rental analysis of sites used for cemeteries, crematoria or for a similar industrial use needs to be undertaken.

Sales of lands for alternate use will provide a strong guide to the base of the valuation range.

You may also need to consider other activities that generate ongoing returns.

# References

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## Definitions

Term	Meaning
<b>Added value of improvements</b>	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.
<b>Crown land</b>	Land vested in the State of New South Wales. This land may be held under Crown title or Torrens title.
<b>Date the valuation is made</b>	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 Act.
<b>Environmental planning instrument</b>	A legal document that regulates land use and development under state environmental planning policies and local environmental plans.
<b>Fee simple in possession</b>	Absolute title to land, free of any other claims against the title, which one can sell or pass to another by will or inheritance.
<b>Heritage valuation</b>	Refers to a valuation under sections 123-125 of the Heritage Act (if the land is listed on the State Heritage Register) or a valuation under section 14G of the Act (if a heritage item in a Local Environmental Plan).
<b>Highest and best use</b>	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.
<b>Improvement</b>	Something that improves the value of the land. This is not defined in the Act and is different from the term 'land improvement' (below).
<b>Land improvement</b>	Land improvement, such as draining, excavating, filling or clearing, as defined in section 4 of the Act and included in the land value.
<b>Land value</b>	Value of the land excluding any structures or improvements but including land improvements. See section 6A of the Act for a full explanation.

Term	Meaning
<b>Sale</b>	<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"> <li>• an arm's length transaction</li> <li>• between a willing buyer and willing seller who both acted knowledgeably, prudently and without compulsion</li> <li>• properly marketed.</li> </ul>
<b>State Heritage Register</b>	The State Heritage Register is established under Part 3A of the Heritage Act for listings of environmental heritage which are of state heritage significance.
<b>Statutory restrictions</b>	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.
<b>Unencumbered</b>	Unencumbered land is land without any encumbrances. 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.
<b>Valuing year</b>	The year starting 1 July. Valuation reflects the property market at the start of the valuing year.

## Related documents and legislation

- [Valuation of Land Act 1916](#) – Section 6A, Section 14G, Section 14K, Section 14I
- [Heritage Act 1977](#) – Sections 123 - 125
- [Cemeteries and Crematoria Act 2013](#) – Sections 45 - 55
- [Valuation of Crown lease restricted land guidance note](#)
- [Valuation of heritage restricted land guidance note](#)