

11 August 2020

## Land values show resilience in the face of COVID-19

Valuer General, Dr David Parker, today released a report on the impact of COVID-19 on land values in New South Wales at 1 July 2020.

With media speculation of massive falls in property values due to COVID-19, the Valuer General has undertaken a median sale price review of the NSW property market prior to valuing all landholdings in NSW at 1 July 2020 for the purposes of land tax assessment.

The review found that sufficient residential property transactions occurred between March and June 2020 to allow the 2020 valuation to proceed as usual. In 88% of the Local Government Areas in Greater Sydney, median residential sale prices at 1 July 2020 were within +/-10% of the median sale price at 1 July 2019. This, in broad terms, indicates relatively little change is expected in land values when the Valuer General undertakes the valuation over the next few months. The review shows median sale prices may have fallen by more than 10% in only 2% of LGAs and may have risen by more than 10% in 10% of LGAs. Interactive maps showing median sale prices trends in LGAs is available on the Valuer General's website.

For non-residential property, the review found the level of transactions to be much lower during the COVID-19 period. The Valuer General has conducted extensive consultation with major owners and representative industry bodies to better understand the condition of the rental and capital markets for sectors such as office, retail, industrial, hotel, serviced apartment and licensed premises during the COVID-19 period. Following consultation, the Valuer General is considering using hypothetical development modelling rather than relying solely on sales for the 2020 valuation.

With many serviced apartment buildings closed and 5\* hotels being largely vacant, the market for serviced apartment and hotel development land has been adversely affected by COVID-19. Conversely, industrial property and childcare centres experienced limited impact from COVID-19 at 1 July 2020 with land values remaining stable from 1 July 2019.

The Valuer General's review of the impact of COVID-19 on the NSW property market and COVID-19 land value Q&A is available on the VG NSW website: [www.valuergeneral.nsw.gov.au](http://www.valuergeneral.nsw.gov.au)

## Valuer General NSW

### Land Value Q&A

#### Information on the Impact of COVID-19 on Land Values

##### Will the Valuer General value my land during COVID-19?

Yes. The Valuer General does not value your house or apartment but values the land beneath your house or apartment. The Valuer General has analysed the level of transactions in the pre-COVID-19 period (July 2019 – February 2020) and in the COVID-19 period (March 2020 - May 2020) compared to July 2018 - May 2019, held discussions with representative industry bodies and formed a view that there is sufficient information to determine 1 July 2020 land values.

##### When will the Valuer General value my land?

1 July 2020. The Valuer General values all land in NSW annually to reflect the property market as at 1 July in the valuing year. The 1 July 2020 land values will be used by Revenue NSW for land tax. They will not be used by councils for rating purposes (except for those councils who have requested a valuation to reflect the impact of bushfires on land value).

##### Everybody knows there have been no property sales during COVID-19, so how can the Valuer General value my land?

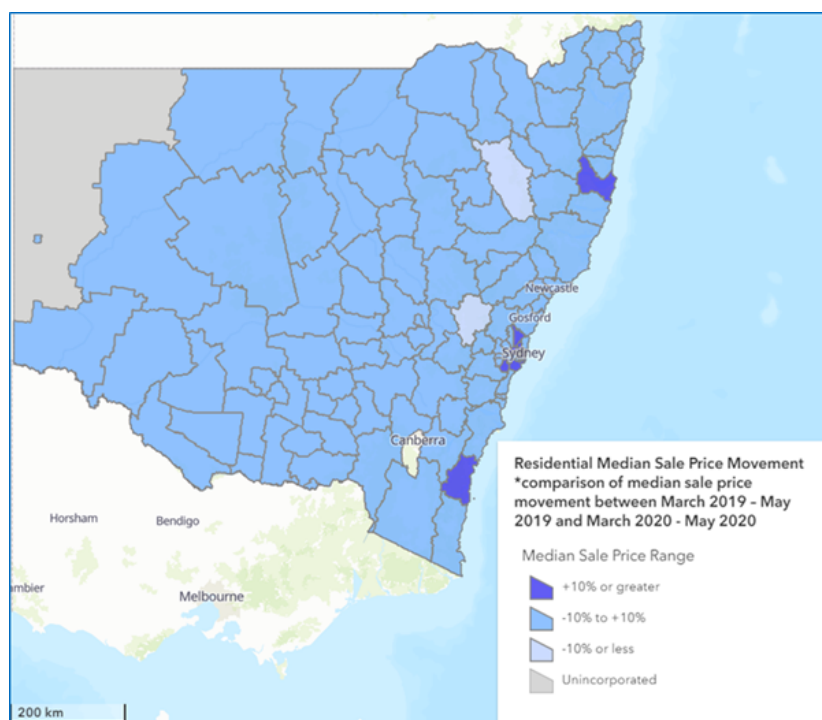
Following the onset of COVID-19, transaction levels fell across all sections of the NSW property market with an overall fall of 37% below transaction levels from March-May 2019. Prior to the onset of COVID-19 transaction levels for all sectors from July 2019 – February 2020 exceeded those in the previous comparable period:

Sector	July 2018 – Feb 2019	July 2019 – Feb 2020	% Diff	March – May 2019	March – May 2020*	% Diff
Residential	51,240	63,274	23%	21,165	13,361	-37%
Business	1,263	1,512	20%	556	284	-49%
Industrial	812	850	5%	292	170	-42%
Rural	4,507	4,605	2%	1,730	1,069	-38%
Total	57,822	70,241	21%	23,743	14,884	-37%

\*Transactions for May 2020 available in the Government database extracted on 16 June 2020.

### Everybody knows that the values of everything have gone down 30% during COVID-19, haven't they?

No, they haven't. The Valuer General has analysed trends in the median sale price of residential property transactions across the State and found 10% of LGAs to have increased, 88% to have remained stable and 2% to have fallen during COVID-19. Thirteen LGA's (10%) indicated increases greater than 10% in the median sale price, shown in dark blue below, of which eleven were in Greater Sydney. All other things being equal, land values may be expected to move in a similar direction to median sale prices. Click on to [www.valuergeneral.nsw.gov.au](http://www.valuergeneral.nsw.gov.au) to see the direction of median sale prices in your Local Government Area.



For non-residential property such as offices, shopping centres, industrial property and so forth, where there have been fewer sales transactions, the Valuer General has consulted with large property owners and property industry bodies about the impact of COVID-19 on land values. The Valuer General has also undertaken development modelling to estimate the impact of COVID-19 on non-residential land values. The Valuer General's analysis suggests that those non-residential property sectors heavily impacted by COVID-19 may see land values fall by up to 25% whereas other sectors less impacted may not change or may rise.

## **Everybody knows that values go down in a deep recession, don't they?**

As at the date of valuation, being 1 July 2020, Australia was not yet in a recession. Though GDP fell in the March quarter, whether or not there was a second fall in the June quarter was unknown at the date of valuation.

If there is a GDP fall in the June quarter, this would fulfill the definition of a recession being a fall in GDP in two successive quarters.

It is, as yet, too early to tell if this will be a deep recession in terms of either the level of GDP fall or the duration.

In the event of further decline in economic activity, this may place downward pressure on land values later in the year, but this was not evident at the date of valuation on 1 July 2020.

## **What has happened to the value of my land during COVID-19?**

The Valuer General is currently undertaking an analysis of all landholdings in the State. This will be completed later in the year and landholders will be advised of their 1 July 2020 land valuation in early 2021.

As it is uncertain what may happen with COVID-19 between now and the end of the year, it may be possible that the property market may fall further by the time that landholders receive their land tax assessments on 1 July 2020 valuations in early 2021.

## **What happened to land values for property badly affected by COVID-19, such as shopping centres, hotels and serviced apartments?**

With many serviced apartment buildings closed, 5\* hotels being largely empty and shopping centres having many closed shops during COVID-19, the market for serviced apartment, hotel and shopping centre development land has been adversely affected by COVID-19. Land value falls of up to 25% may be possible for such adversely affected property at the 1 July 2020 valuation according to the Valuer General's analysis. Conversely, industrial property and childcare centres experienced limited impact from COVID-19 at 1 July 2020 and land values remained stable.