

Valuer General

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Valuation of land leased as a telecommunications site

Guidance Note

February 2024



Acknowledgement of Country

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Published by the NSW Valuer General

valuergeneral.nsw.gov.au

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Revised: February 2024

ISSN: 2981-9873

Department reference number: VG23/79

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.

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Introduction

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 for a telecommunication tower for rating and taxing purposes.

This guidance note will ensure that the Valuer General's valuations of land used for a telecommunication tower are:

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

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.

1.2.1 Telecommunications land

Telecommunications land is common across all property types in NSW. Land for telecommunication uses is usually leased rather than sold.

Telecommunication companies are usually responsible for the rates and taxes payable for the parcels they lease.

Separate valuations where part parcels are separately leased must be made under the Act.

Recommended Approach

1.3 Scope

1.3.1 Telecommunications land

Telecommunications land is used or zoned to permit use as a telecommunication tower, which may be subject to a registered lease or a license or is owner operated.

Where part of a parcel is separately leased and used for a telecommunication tower it is to be separately valued following section 27(1) of the Act.

For the purposes of this guidance note, telecommunications land includes situations where:

- a telecommunications tower is located within a large parcel of land where the part of the parcel occupied by the tower is separately leased
- a telecommunications tower is located on a standalone parcel of land
- a vacant site is zoned to permit use as a telecommunications tower.

It does not include:

- a telecommunications tower located on top of a building or other structure which is leased to a telecommunications operator but does not comprise a separate parcel for the purposes of s27(1) of the Act.

1.3.2 Land value

The land value excludes any structures or improvements but includes land improvements. See section 6A of the Act.

1.4 Valuation approach

1.4.1 Direct comparison to sales approach

The best approach to valuing telecommunications land is by direct comparison to sales of vacant land that have been purchased for the specific purpose of developing a telecommunications tower.

Where such sales exist, these should be the primary methodology for valuing other telecommunications land.

1.4.2 Capitalisation of the net ground rental value

Where there are no suitable sales of vacant lands purchased for the specific purpose of telecommunications tower, the capitalisation approach to valuation should be used.

In the absence of comparable sales evidence, the preferred valuation approach for land used as a telecommunications tower is the capitalisation of net ground rental. In calculating the net ground rental only outgoings paid by the owners should be deducted, noting that in most leases the outgoings are the responsibility of the lessee.

Section 6A(1) of the Act requires that the land be valued as vacant land and section 6A(2)(b) requires the assumption that the improvements may be continued.

The best comparable evidence is sales of existing developed telecommunications tower land subject to a ground rental.

These sales demonstrate the price a purchaser is willing to pay for land that will be receiving a ground rental income, net of any outgoings paid by the owners, for its use as telecommunications tower land.

By dividing the net rental income by the purchase price, a capitalisation rate may be derived which then can be adjusted to value telecommunications tower land in other locations.

The adjusted capitalisation rates from comparable sales may then be applied to the subject lands assessed net market ground rental to determine the land value.

Under section 6A(1) of the Act we are valuing the fee simple of the land so we need to consider that a lease is not in place for the subject parcel. To do this we could allow for an appropriate letting up period. However, given the nature of the telecommunications market the completion of lease is assumed to be contemporaneous with the date of valuation.

The market has already identified that the subject parcel is ideal for a telecommunication tower and section 6A(2) tells us that we shall assume that the use may be continued.

1.4.3 Market evidence

When valuing telecommunications land, the valuer must accumulate, analyse, adjust and apply market sales (*Adams v Valuer General [2014] NSWLEC1005*) including:

- consider a broad range of market evidence, including sales of vacant and improved land
- consider the value of existing lease arrangements in the sale price with particular regard to the quality of the tenant covenant
- consider the quality of location and access relative to the subject property

- consider whether there is adequate market evidence within the local government area or if sales evidence from other areas should be included
- if there are insufficient sales of telecommunications land then capitalisation rates from other types of ground rental investments or other investment properties can be considered as a guide. The capitalisation rates should be adjusted for differences in relative risk, growth and other relevant aspects to the subject property and clearly rationalised.

The sales will also need to be adjusted to reflect any premium or discount paid for the lease in place at the time of the sale such as:

- above or below market rent
- the length of the lease

Any other terms of the lease considered outside the current market conditions (for example, rent review conditions and cancellation and termination periods).

1.5 Assumptions and considerations

1.5.1 Valuation assumptions

In line with section 6A of the Act, telecommunications land must be valued 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
- the value to be determined is the freehold interest of the land, the lessee's interest is not a consideration in the assessment
- that the existing improvements can continue.

1.5.2 Valuation considerations

The valuer should also consider and reflect in the valuation these other requirements of the Act:

- the current use of the property if it differs from planning controls that, if allowed, would 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).

1.5.3 Telecommunication leases of parcel within parcel

A parcel within a parcel that is subject to a telecommunications lease must be valued separately from the adjoining parcel. A telecommunication lease usually includes land and access. In most cases the actual land area is specified in a detailed plan and covers enough land to support the operation and provide access for construction and maintenance.

Where the access to the parcel is clearly defined in the lease agreement and forms part of the leased land, then this must be included with the valuation of the leased area. Where the access is by easement or right of way that does not confer an exclusive use on the lessee, then this must not be included in the leased area.

References

Definitions

Term	Meaning
Capitalisation	Capitalisation is a method used to determine the current market value of a property by converting the net income stream into a capital value using a single conversion factor.
Capitalisation rate	<p>Expression of risk and return as a percentage that is used to convert the net income in perpetuity from an investment into value at a given time.</p> <p>The capitalisation rate or yield is derived from the analysis of confirmed sales evidence of comparable properties. It is calculated by dividing the net income or net market rental value of the sale property by its sale price. The sales evidence used will usually indicate a range of yields from which points of difference are adjusted for.</p>
Date the valuation was 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 Act.
Environmental planning instrument	A legal document that regulates land use and development under state environmental planning policies and local environmental plans.
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 Act and is different from the term 'land improvement' (below).
Land improvement	Land improvements, such as draining, excavating, filling or clearing, are defined in section 4 of the Act and included in the land value (below).

Term	Meaning
Land value	Value of the land excluding any structures or improvements but including land improvements. See section 6A of the Act for a full explanation.
Market rent	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.
Net rental	<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> <p>Rent payable excluding all outgoings and GST paid by the lessor (owner)</p>
Outgoings	The total of all statutory charges, operating expenses, and other outgoings for which the lessor is liable.
Registered lease	A lease for a term exceeding three years must be registered in order to pass an estate to the lessee. A lease for a term of three years or less, including an option to renew, may be registered.
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 transaction • between a willing buyer and willing seller who both acted knowledgeably, prudently and without compulsion • properly marketed.
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.
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>

Related documents and legislation

- [Valuation of Land Act 1916 – Section 6A](#)
- [Valuing separate parcels guidance note](#)