

Valuer General's Policy

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Valuation of land in the Western Division

What This policy guides valuers on the methods to use, and factors to consider, when valuing land in the Western Division.

How Under this policy, valuers use mass valuation methods based on specific assumptions and considerations.

Valuers must also apply market evidence and conduct ongoing quality reviews to support valuations.

Valuers assess the value of the land only, without including the value of structures or other improvements on that land.

Why This policy will ensure that the Valuer General's valuations of land in the Western Division are:

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

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1 Policy

1.1 Scope

Land in the Western Division

Use this policy to assess the land value of land in the Western Division.

Crown land

The Valuer General is not required to value Crown land or land within the Western Division in NSW unless the land is subject to a lease or license.

Land in the Western Division is mainly held under Western Lands leases issued under the *Western Lands Act 1901* (Western Lands Act), together with a small amount of freehold land.

Crown lease restricted land

Land which is defined as Crown lease restricted land under section 14I of the Valuation of Land Act is not covered under this policy. Refer to the policy for the valuation of Crown lease restricted land.

Crown lease restricted land

1.2 Valuation methods

Mass valuation process

component method

The Valuer General uses a mass valuation process to value most land in the Western Division. It involves the systematic valuation of groups of properties at a given date using standardised procedures.

Mass valuations must also meet the requirements of the Valuation of Land Act. All valuations must be supported by market evidence and quality assured.

The mass valuation method used in NSW is the component method. Valuation methods, such as the direct comparison method, are used to value a sample of individual properties within the component.

Direct comparison

Direct comparison involves comparing market sales with the subject land.

When using direct comparison to value land in the Western Division, you must:

- use sales of land that have a similar use to that prescribed in the lease document for the subject land

- 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 and permitted use under the lease.

1.3 Assumptions and considerations

Valuation assumptions

fee simple in possession

highest and best use

improvement

land improvement

sale

unencumbered

You must value land in the Western Division with regard to section 6A and section 14C of the Valuation of Land Act.

Section 6A provides the basis for the valuation assumptions specific to determining the market value of the land.

In line with section 6A of the Valuation of Land 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.

Valuation considerations

date the valuation was made

You must also consider and reflect in the valuation these other requirements of the Valuation of Land Act:

- 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).

Valuing land in the Western Division

When you value land in the Western Division you must also take the restrictions that apply in a Western Lands lease into account.

If the land is held under a Western Lands lease it is to be valued as freehold, taking into account the restrictions on use and disposition that would apply in the lease.

Under section 14C(1) of the Valuation of Land Act, land that is freehold is also to be valued taking into account the restrictions on use and disposition as if the land were held under a lease prescribed in the Western Lands Act.

This means that in valuing the land, you must assume that there is a “notional” Western Lands lease over the land and the allowed use of the land within the notional lease is the current or existing use of the land.

The restriction on disposition

The restriction on disposition means the restriction on transferring the land. Land held under a Crown lease cannot be transferred without the Minister’s consent. You must take into account the time, costs and risk of gaining Ministerial approval.

The manner of use

The manner of use relates to the actual restrictions on the use of the land as documented in the lease. For example, a lease where the use is identified as “grazing land” confines the use of the land to grazing activities. The highest and best use of the land will be for use as grazing land.

Knowledge of the lease

The assumptions in section 14C do not require you to consider other aspects of the lease. The restrictions on manner of use and disposition are all that need to be considered.

2 References

2.1 Definitions

component	A group of properties, used for mass valuation, whose market values move uniformly. It is also known as a 'sub-market group' or 'sales group' in other Australian jurisdictions.
component method	The component method of valuation is an indexing system of mass valuation based on the principle of identifying groups of comparable properties then extrapolating an individual valuation decision for a typical property within the group across the range of the component.
Crown land	Land vested in the State of New South Wales. This land may be held under Crown title or Torrens title.
Crown lease restricted land	Crown lease restricted land is defined in section 14I(2) of the Valuation of Land Act.
date the valuation is 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 Valuation of Land Act.
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 Valuation of Land Act, and is different from the term 'land improvement' (below).
land improvement	Land improvement, such as draining, excavating, filling or clearing, as defined in section 4 of the Valuation of Land Act and included in the land value.
land value	Value of the land excluding any structures or improvements, but including land improvements. See section 6A of the Valuation of Land Act for a full explanation.

sale The transfer of property between parties. To use a sale as market evidence, it must have been:

- an arm's length transaction
- between a willing buyer and willing seller who both acted knowledgeably, prudently and without compulsion
- properly marketed.

unencumbered 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.

2.2 Laws and policies

Governing NSW law *Valuation of Land Act 1916* (Valuation of Land Act)
Section 6A
Section 14C

Western Lands Act 1901 (Westerns Lands Act)

Related Valuer General policy *Valuation of Crown lease restricted land*

3 Context

3.1 Role of the Valuer General

The Valuer General for NSW

In NSW, the Valuation of Land Act 1916 establishes the Valuer General as the independent statutory appointment responsible for ensuring the integrity of land valuations in NSW.

Valuation Services, Property NSW manages the valuation system on behalf of the Valuer General, outsourcing the majority of valuation services to private valuation firms.

The Valuer General is committed to maintaining an open and transparent valuation process that is easy for landholders to understand.

3.2 Background

The Western Division

Crown land in the Western Division makes up around 88 per cent of the total Crown estate.

A lease of Crown land enables exclusive use over a particular piece of land for a specified term and purpose. Generally, leases are sought over Western Land for uses such as agriculture, residential, and commercial purposes.

Most Western Lands leases are perpetual and can only be used for a designated purpose.

Administration of Western Lands leases

Land in the Western Division is administered by the Western Lands Commissioner and managed by the Lands division of the Department of Industry.

Different valuation methods

In NSW, valuers who undertake valuations for the Valuer General currently use the component method.

A number of other valuation methods are used in Australia and around the world, and alternative methods may be acceptable for use in NSW. You must seek the Valuer General's approval to use any alternative valuation method.

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Document control

Approval

Name and position	Signature and date
Simon Gilkes, Valuer General	 05/05/2017

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