

## FINAL REPORT 2015

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### Muswellbrook LGA

<b>Contract Area</b>	Muswellbrook
<b>Contract No</b>	152678
<b>Prepared for</b>	LPI
	Under Rating & Taxing Procedure Manual 6.6.2*

*\*See Contract Meeting Minutes for details regarding terms of accepting RT PM 6.6.2*

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#### VALUE MADE VISIBLE

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## Executive Summary

### LGA Overview

#### Muswellbrook Local Government Area

Muswellbrook Local Government Area (LGA) is located in the Hunter Valley Region of New South Wales, approximately 285 kilometers north of the Sydney Central Business District (CBD). The Muswellbrook LGA comprises a land area of approximately 3,400 square kilometres incorporating a number of land uses from smaller rural retreat sites, to mining associated land, to vineyards, to crop cultivation along alluvial flats, to larger broadacre grazing country used primarily for cattle breeding/fattening and equine purposes. Muswellbrook LGA is adjoined by three other LGA's – Upper Hunter Council to the north, Singleton Council to the east and Mid-Western Regional Council to the west.

#### Number of properties valued this year and the total land value in dollars

Muswellbrook LGA comprises Residential, Village, Rural, Commercial, Industrial, Infrastructure, Environmental and Public Recreation zones.

7,664 properties were valued at the Base Date of 1 July 2015, and valuations are reflective of the property market at that time. Previous Notices of Valuation issued to owners for the Base Date of 1 July 2012. The Muswellbrook property market has experienced varied movement over the period depending on the property class, however overall there has generally been a downward movement in values in this period.

Valuation changes in the LGA and percentage changes between the Council Valuation years of 1 July 2012 and 1 July 2015 and the Land Tax Valuation year of 1 July 2014 are as follows:

Properties Valued and Total Land Value							
Zone	Zone Code	Number of Entries	2015 Total Land Value	Prior Annual Valuation (2014)	% change	Prior Local Government Valuation (2012)	% change
Residential	R1, R5, RU5	5,572	\$ 555,568,878	\$ 639,837,931	-13%	\$ 621,503,451	-11%
Rural	RU1, RU3	1,179	\$ 530,263,390	\$ 531,952,417	-0.32%	\$ 524,451,800	1%
Commercial	B2	266	\$ 52,434,470	\$ 54,772,780	-4%	\$ 59,524,500	-12%
Industrial	IN1, IN2	184	\$ 32,163,700	\$ 33,894,900	-5%	\$ 36,965,900	-13.0%
Infrastructure	SP2	77	\$ 17,301,010	\$ 17,732,372	-2%	\$ 16,937,105	2%
Environmental	E3	296	\$ 74,948,700	\$ 75,078,800	-0.17%	\$ 74,626,350	0.4%
Public Recreation	RE1, RE2	90	\$ 14,238,560	\$ 15,072,230	-6%	\$ 14,318,690	-1%
<b>Total</b>		<b>7,664</b>	<b>\$ 1,276,918,708</b>	<b>\$ 1,368,341,430</b>	<b>-7%</b>	<b>\$ 1,348,327,796</b>	<b>-5%</b>

## State & Local Government Legislation for LGA

The Muswellbrook LGA is governed by the Muswellbrook Local Environmental Plan 2009 (LEP) which was gazette on 17 April 2009. There have been some site specific rezonings since the previous General Valuations including: the showground being rezoned to B2 (Local Centre) and B5 (Business Development); and other sites being rezoned to allow for a waste management facility and aged care facility. There are three pending amendments which are currently Approved at Gateway and with RPA for implementation.

The current plan is based on the standardised Local Environmental Plan prescribed by the New South Wales Legislation.

## Market Overview

Opteon Property Group (OPG) as Contractors have undertaken significant analysis of the Muswellbrook LGA property market to provide an accurate and reliable basis of valuation. 161 sales have been analysed to enable the establishment and verification of land values as at 1 July 2015. These analysed sales also support the grading across components. Analysed sales reports are provided to Land and Property Information on a consistent basis throughout the year. The added value of improvements are also analysed to enable the accurate deduction of land values. OPG Contractors undertakes this process using the Paired Sales Approach and the Written Down Replacement Cost Approach, with the Replacement Cost Method used when appropriate.

In analysing sales before or after 1 July it is necessary to adjust the contract price in terms of market movement. In the Muswellbrook LGA this year sales indicate some marginal to moderate decreases in most areas of Muswellbrook Town including residential, industrial, and commercial. Denman and Sandy Hollow villages have also experienced a decline in values, with the general rural property sector remaining stable in the last year with sales volumes also remaining steady.

Depending on the property sector, market movement in the Muswellbrook LGA has varied since the 2012 General Valuation. Generally the values within the residential, commercial and industrial sectors have decreased moderately in the three year period, with decreases generally between 10% - 15% in the period. These decreases can be attributed to the downturn in the coal mining industry which began in early 2013 and has resulted in many job losses and a significant slowing in the market, confirming Muswellbrook areas strong reliance on the coal industry. In contrast, the rural market has remained fairly steady in the same period, with the limited sales evidence available generally demonstrating some nominal market movement only over this period.

Overall in the last twelve months Muswellbrook residential, commercial, industrial and village values have weakened, with the majority of sales demonstrating moderate to significant reductions. The easing in these sectors is reflective of the continuing downturn/uncertainty in the coal mining industry which has resulted in more job losses and delays in coal mining projects over the past year. The volume of sales has significantly slowed with the majority of the residential areas experiencing decreases of 10% in value, with the exceptions being Eastbrook Estate and lower cost housing areas with sales evidence showing significant reductions up to 28% since the prior Base Date. The industrial and commercial sector have declined approximately 5%. Denman Village reduced 8% in value in contrast to 28% reduction in Sandy Hollow village. In the rural sector values have remained relatively subdued since the prior Base Date with rural residential, hobby farms and lifestyle property values experiencing nominal market movement and the broadacre country experiencing no discernible change in values in line with the limited sales activity over the past year.

## Significant Issues and Developments

The Development Applications of note in the last year were a 6 lot subdivision located on the corner of Crinoline and Palace Street, Denman; and the construction of a Tertiary Education Centre at 85 Hill Street, Muswellbrook requiring demolition of the existing building for development.

Since the 2012 General Valuation there have been some subdivisions of residential land including further stages at Eastbrook Estate and Ironbark Ridge Estate, and a planned 153 lot (staged development) subdivision on Almond Street, Denman; and the construction of a new motel at 28-32 Maitland Street, Muswellbrook

A number of proposed and approved subdivisions/developments within Muswellbrook LGA have been delayed or postponed in light of the downturn in the coal mining industry since early 2013 and the subsequent flow on effect to the Muswellbrook economy and property market. The volume of sales in the Muswellbrook residential and village markets has significantly reduced over the last 12 months. New subdivisions/stages continue to be marketed however take up rates have eased substantially, with no further stages being released since the impact of the coal mining industry downturn.

Therefore, the Muswellbrook market was weak and erratic at the Base Date which has been recognised in the value levels adopted. Due to the low volume of sales, including vacant land sales, significant time has been spent investigating asking prices at the Base Date to assist in setting value levels. It is considered there is potential for the market to contract further, dependent on factors such as decisions made by the Planning Assessment Commission (PAC) for pending matters and the ongoing outlook for the mining industry, including the viability of Glencore which is a major operator/employer in the Hunter market. It is noted that the highly publicised fall in Glencore share price and potential risk to Glencore stability occurred in early October, which was post the 2015 Base Date and Date Valuations Made.

## Significant Value Changes

Minor variations and value changes (generally  $\pm 10\%$ ) in the past 12 months and since the previous General Valuation Date of 2012 have previously been noted in this Report (see Market Overview). There have been some significant value changes due to both market movement in some sectors and verification since both the 2012 and 2014 Base Dates which are summarised below:

### Summary of Valuation Changes to Residential Land

#### *Changes since previous General Valuation (2012)*

- Denman Village has experienced varied value movements since 2012 with the largest increases, typically in the order of 40%, to larger village lots with further development potential. There have been a number of in-fill subdivisions in the town since the 2012 Base Date illustrating the increased demand, with sales evidence supporting the value increases adopted. Denman has seen a growth in demand since the opening of operations at Mangoola Mine in 2011.

- Some increases in values of heritage listed properties following the issue of new instruction by LPI for the valuation of heritage listed properties, with development potential to be considered of remainder of sites not directly subject to the listing.

#### ***Changes since previous Valuation Year (2014)***

- Residential land in newer estates south of railway line including Eastbrook and St Mary's have experienced significant reductions due to the substantial decline in the Muswellbrook residential investment market in the last twelve months. New subdivisions/stages have continued to be marketed however take up rates have eased, with no further stages being released since the downturn in the coal mining industry which included job losses and delayed new mining projects upon which the Muswellbrook market is largely reliant.
- Muswellbrook large lot residential including Woodland Ridge and Ironbark Ridge Estate reduced in light of current asking prices, new sales evidence, limited development interest and known site specific issues such as the stormwater drainage in stages south of Ironbark Road.
- Muswellbrook englobo land has experienced a strong decrease in line with the general downturn in the residential market. There have been no sales of englobo land over the last twelve month period.
- Private open space land values have experienced a significant reduction due to these properties relationship to surrounding land values, including residential land which has seen a significant reduction as previously outlined.
- Denman Village larger lot residential land have experienced some significant decreases due to recent sales evidence indicating sites with a total area of less than one hectare and with no further development/subdivision potential have reduced in value.
- Sandy Hollow Village land values which are largely supported by mining related interests have declined significantly due to increasing unemployment levels, economic uncertainty and poor outlook in line with lower coal prices and some delays to mine extensions. This decrease is supported by new sales evidence in this locality.

#### **Summary of Valuation Changes to Rural Land**

##### ***Changes since previous General Valuation (2012)***

- Some changes in value both increases and decreases, following scheduled verification using newly available imagery, which identified both inferior/superior rural land including extent of timbered land. These amended land classifications have been used to calculate land values resulting in some significant changes.
- Some rural properties with no building entitlements due to being under the minimum lot size had reductions in value. Conversely some holdings which previously had no building entitlement assumed had increases as new information confirmed building entitlements. This type of change occurred throughout the LGA.

##### ***Changes since previous Valuation Year (2014)***

- Giants Creek rural retreat market has demonstrated a strengthening in the market over the past twelve months in line with new sales evidence indicating premiums for sites with good access, outlook and creek frontage.

- Producing coal mines have generally experienced decreases due to individual calculations being based on recoverable resources (diminishing with production) and newly available imagery requiring land uses to be recalculated resulting in some cases significant variations. Also increased discounts allowed in colliery calculations for known problems relating to current low coal prices, high world stocks and ongoing uncertainty relating to the resource sector.
- A number of rural properties have experienced changes in value, with increases to better reflect quality of the country and dwelling entitlements with new imagery assisting in reviews of these features. Also some reductions in rural land values to reflect lack of building entitlements.

## **Summary of Valuation Changes to Commercial Land**

### ***Changes since previous General Valuation (2012)***

Overall since the previous General Valuation 2012 there has been a weakening of between approximately 10% - 15% in commercial values, related to limited buyer interest, extended marketing periods and higher vacancy rates, however this decrease has been gradual over the period with no significant change in any one year. As with other sectors of the Muswellbrook Market this change is related to the mining sector downturn.

### ***Changes since previous Valuation Year (2014)***

There were no significant value changes to commercial land in the last twelve months.

## **Summary of Valuation Changes to Industrial Land**

### ***Changes since previous General Valuation (2012)***

Overall since the previous General Valuation 2012 there has been a weakening of between approximately 10% - 15% in industrial values, however this decrease has been gradual over the period with no significant change in any one year. As with the commercial market, the industrial market has generally declined since the previous General Valuation 2012 with growing vacancy rates, extended letting/selling periods, and rental reductions becoming more prevalent over this period to attract tenants, all as a result of the mining sector downturn.

### ***Changes since previous Valuation Year (2014)***

There were no significant value changes to industrial land in the last twelve months.

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## Disclaimer - Purpose of this Report

The purpose of this report is to describe the process and considerations for the 1 July 2015 Valuation of the Muswellbrook LGA. The report has been produced on behalf of the Valuer General.

The land values have been specifically made for rating and taxing purposes. Land values produced as part of this process should not be used for any other purpose without the specific agreement of the Valuer General.

Land values must have regard to specific requirements and assumptions in rating and taxing legislation. Consequently these valuations may vary from market levels.

The land values have been determined using a methodology prescribed by the Rating and Taxing Valuation Procedures Manual. The Manual allows mass valuation methodologies that involve assessing large numbers of properties as a group to be utilised where appropriate. Mass valuation methodologies are by their nature likely to be less accurate than individually assessed valuations, however are utilised worldwide for rating and taxing purposes to deliver valuations within an acceptable market range.

Town planning, land use and other market information contained in this report has been compiled based on enquiries undertaken during the valuation process. Third parties should make their own inquiries into these details and should not rely on the contents of this report.

The Valuer General disclaims any liability to any person who acts or omits to act on the basis of the information contained in this report.

More information on the valuation process is available from the Land and Property Information website at [www.lpi.nsw.gov.au/valuation](http://www.lpi.nsw.gov.au/valuation).

## LGA Overview

### Location of the District

Muswellbrook LGA area is located in the Hunter Valley Region of New South Wales, approximately 285 kilometers north of the Sydney Central Business District (CBD). The Muswellbrook Shire Council comprises a land area of approximately 3,400 square kilometers incorporating a number of land uses from smaller rural retreat sites, to mining associated land, to vineyards, to crop cultivation along alluvial flats, to larger broadacre grazing lands used primarily for cattle breeding/fattening and equine purposes. Muswellbrook LGA is adjoined by three other LGA's – Upper Hunter Council to the north, Singleton Council to the south-east and Mid-Western Regional Council to the west.

### Principal Towns

#### Muswellbrook

Muswellbrook is the principal town in the Muswellbrook LGA. It is located approximately 40 kilometres north-west of the Singleton CBD and 150 kilometres south of Tamworth CBD. The Central Business District of Muswellbrook fronts Bridge Street, with the major cross streets of Williams Street and Turanville Avenue. It features a single large commercial complex being Muswellbrook Marketplace which features a supermarket and numerous franchisees and specialty shops.

Muswellbrook has full utility services available including reticulated town water supply, reticulated sewer and telecommunication services. A range of Government Departments and services are also available including Police Station, Court House, Ambulance Station, Fire Station, SES, Council Chambers and Library.

Community based facilities available in Muswellbrook include a golf course, numerous sporting clubs, recreational playing fields, parks and reserves, showground, racecourse, a public swimming pool, and tennis courts.

### Types of Residential Development

Residential development in Muswellbrook ranges from federation and colonial styles in central locations; 1950's government built dwellings located in central south; 1970's brick veneers predominantly situated in north and south Muswellbrook in conjunction with modern brick veneer dwellings in North Muswellbrook and Eastbrook Estate areas.

Approximately 61% of properties in the region are owner occupied, 32% are owned by investors and 7% are government owned dwellings.

### Villages

#### Denman

Denman is the second largest town in the LGA and is located approximately 25 kilometres south-west of Muswellbrook with a population of 1800\*. Denman provides general services to the surrounding area with a small commercial precinct comprising a supermarket and a number of small business, Denman Multi Purpose Service (Hospital), two schools, sports centre (including pool and tennis courts) and police station.

Denman has full utility services available including a reticulated town water supply, reticulated sewer and telecommunication services.

## Sandy Hollow

In addition to Muswellbrook and Denman, the LGA also has the small village of Sandy Hollow within its boundaries. Sandy Hollow is located approximately 16 kilometres north-west of Denman, and 41 kilometres west of Muswellbrook. The town has a small school and a general store, providing basic amenities for its population of 400\*.

*\*Populations are based on 2011 Census data which including surrounding rural locality.*

## Main Industries

Muswellbrook is a prominent regional centre with major industrials including coal mines and power/energy generation. Liddell and Bayswater Power Stations are both located in Muswellbrook LGA.

There are three distinct industrial areas within Muswellbrook, including the main town precinct (situated on the eastern fringe of town in the Common Road locality), Thomas Mitchell Drive (situated some 5km south of Muswellbrook) and a small industrial zoned area fronting Denman Road on the southern fringe of Muswellbrook comprising a small number of larger parcels.

Mining activity in the Shire has created many mine service industries which drive demand for industrial land.

It is noted that the St Heliers Corrections Facility is located 6km north of the CBD which houses 250 minimum security male prisoners.

## Significant Retail Centres

Muswellbrook Central Business District provides the main retail centre for the Muswellbrook Council region.

In the CBD there is Muswellbrook Marketplace with major tenants including Big W and Woolworth and a number of specialty stores; as well as Campbells Corner with IGA supermarket as the anchor tenant. The commercial precinct along Bridge Street also features a number of large national tenants, many individual shops, offices and government administration.

In south-east Muswellbrook in Rutherford Road/Woolybutt Way there is a satellite commercial and bulky goods development which includes the Muswellbrook Fair Shopping Centre and Aldi Supermarket (opened in 2009).

## Rural

Beef cattle breeding and fattening is the most common agricultural pursuits within Muswellbrook LGA. Crop cultivation is present, but generally confined to the alluvial flats.

Extensive Hunter River and Goulburn River flats run through Muswellbrook LGA as well as numerous creeks which provide extensive areas of alluvial country. Alluvial flats are predominantly utilised for cultivation purposes however equine and grazing is also common. The extensive vineyard plantings which became popular in the Upper Hunter Valley during the late 1990's have ceased with the dissolution of advantageous tax breaks and recent nationwide wine glut affecting supply contracts and overall demand. Numerous vineyards located on alluvial river flats have sold with the purchasers removing the vines.

Mining Companies continue to be active purchasers in the Muswellbrook rural property market with purchase prices reflecting high premiums for these 'special interest' purchases.

Rural retreat home sites occupy much of the poorer quality land within the district, particularly around the Sandy Hollow and Giants Creek localities where the relative isolation/privacy and the natural bushland settings are attractive features to the 'lifestyle' market.

## Rural Locations within the LGA

Land values vary throughout the LGA according to land form, location, access and soil types. The following are general descriptions of some localities within the Muswellbrook LGA:

### **Liddell/Bayswater**

Liddell/Bayswater locality is located south of the Muswellbrook Town incorporating two coal fuelled power stations, being Liddell and Bayswater. This locality is predominantly known for coal mining/power generation due to being strategically positioned at the junction of the Main Northern railway line and the Merriwa line (forming part of a cross country rail line to Gulgong). As such, it forms an important junction, as well as serving the numerous coal mining sidings found within a short distance from the main station building. There is some grazing still carried out in the locality including on buffer land to the power stations and mines.

### **Bowmans Creek/Muscle Creek/Hebden**

The Bowmans Creek/Muscle Creek/Hebden locality is situated approximately 20 kilometres east of Muswellbrook within the eastern section of the LGA. Land holdings in the area extend to the north and south along Singleton/Upper Hunter Shire boundaries. The number of large land holdings in this locality has been reducing to make way for smaller hobby farm holdings being purchased predominantly by mining based employees. The beef livestock industry continues to be the main broadacre land use in this locality. The land form varies from gently undulating along creek and riverways to steep heavily timbered hill country. Elevation ranges from 150 metres to 500 metres above sea level. Soils range from dark brown fine sandy loams to medium clay loam varieties with an approximate average annual rainfall of approximately 685 millimetres per annum\*.

### **Castlerock/Wybong/Sandy Hollow**

Castlerock/Wybong/Sandy Hollow locality is situated approximately 25 kilometres west of Muswellbrook Town within the north western section of the Shire. Denman village is located approximately 15 kilometres south providing village services to this area. Halls Creek runs along the western Upper Hunter Shire boundary line west of the Manobalai Nature Reserve. The mining operations in the region has resulted in a greater demand for smaller hobby farm holdings for mining employees whilst livestock grazing enterprises still remains the primary land use. Soils are typically lighter yellow/red sandy loam to red/brown fine sandy clay loam varieties. The land form ranges from 150 metres to 450 metres above sea level with an approximate average annual rainfall of 663 millimetres per annum\*.

### **Bureen/Dalswinton/Denman Hunter River**

Bureen/Dalswinton/Denman Hunter River locality is situated approximately 15 kilometres south west of Muswellbrook Town with accessibility to this area via the Golden Highway and Denman Road. This locality is subject to substantial flooding in peak rain periods. Traditionally land holdings in the area comprise mostly dairy farms and cropping farms with Hunter River frontage, however more recently dairy farms have been replaced by stud and equine grazing and viticulture enterprises due to highly productive pastures and reliable access to water for irrigation of crops/pastures. The rural hobby farm market within this location has also expanded over recent years with 40 hectare lifestyle holdings becoming more prevalent. The land forms range from generally level to gently undulating along the Goulburn/Hunter River to hilly timbered country. Elevation in this locality is generally 70 to 320 metres above sea level with predominantly dark brown sandy loam to clay loam soil and an approximate average annual rainfall of 617 millimetres per annum\*.

## Widden/Baerami

Widden/Baerami locality is located within the south western corner of Muswellbrook LGA, south of Goulburn National Park/Upper Hunter Shire boundary. Access to this area is via the Golden Highway. The closest major town to this rural locality is Muswellbrook being approximately 60 kilometres north east of the area. Denman village is located approximately 30 kilometres north east providing village services. The Goulburn River and Wollemi National Park are located within this remote area with much of the access throughout this region requiring a 4WD vehicle. The land form varies from open fertile river/creek flats to higher plateau timbered areas. The main land use carried out is livestock production with beef cattle grazing being the areas primary use, along with cropping along alluvial waterways. The elevation ranges from 200 to 500 metres above sea level with brown sandy loams to clay loam varieties with an approximate annual rainfall of 684 millimetres per annum\*.

*\*Approximate rainfalls for each locality are the closest open station as reported by the Bureau of Meteorology utilising the mean average for all years.*

## State & Local Government Legislation for LGA

The Muswellbrook LGA is governed by the Muswellbrook Local Environmental Plan 2009 (LEP) which was gazette on 17 April 2009. There have been some site specific rezonings since the previous General Valuations including: the showground being rezoned to B2 (Local Centre) and B5 (Business Development); and other sites being rezoned to allow for a waste management facility and aged care facility. There are three pending amendments which are currently Approved at Gateway and with RPA for implementation.

The plan is based on the standardised Local Environmental Plan prescribed by the New South Wales Legislation.

The Plan aims to makes local environmental planning provisions for land in Muswellbrook Local Government Area in accordance with the relevant standard environmental planning instrument under section 33A of the Act. Muswellbrook Shire Council has development controls including the Muswellbrook Development Control Plan 2009 that affects the subdivision and erection of dwellings which impacts on land values. These include:

Zone	Minimum Allotment Size
Residential/Village	600m <sup>2</sup> (R1) 4000m <sup>2</sup> (R5) 750 m <sup>2</sup> (Denman RU5) 2000m <sup>2</sup> (Sandy Hollow RU5)
Rural/Forestry	80ha (RU1) Council Consent required(RU3) 80ha (E3)
Business	Council Consent required (B2)
Industrial	1000m <sup>2</sup> (IN1 & IN2)

## Market Overview & Sales of Particular Interest

Opteon Property Group (OPG) as Contractors has undertaken significant analysis of the Muswellbrook LGA market to provide an accurate and reliable basis of valuation. Approximately 161 sales have been analysed to enable the establishment and verification of land values as at 1 July 2015. These analysed sales also support the grading across components. Analysed sales reports are provided to Land and Property Information on a consistent basis throughout the year. The added value of improvements are also analysed to enable the accurate deduction of land values. OPG Contractors undertakes this process using the Paired Sales Approach and the Written Down Replacement Cost Approach, with the Replacement Cost Method used when appropriate.

In analysing sales before or after 1 July it is necessary to adjust the contract price in terms of market movement.

Sales which do not have market circumstances including sales between related parties and company transfers, have not been utilised when assessing market changes and determining land values.

General economic factors (including international exchange rates, economic growth and interest rates), commodity prices and climatic conditions strongly influence the Muswellbrook property market.

### Residential

The Muswellbrook LGA comprises approximately 4,835 residential zoned properties.

The Muswellbrook LGA residential market had approximately 151 sales throughout Base Date 2015 with 107 of these analysed.

The residential market in Muswellbrook town has decreased marginally to moderately in the more established areas and significantly in Eastbrook Estate and lower cost areas since the prior General Valuation Date of 2012. There has been limited new developments, with demand and sales numbers continuing to decline over this period. The weakening of the Muswellbrook residential market can be attributed to the town's strong reliance on the coal mining industry which has experienced a downturn since early 2013 resulting in a negative impact on Muswellbrook Town property values. As a result, market movement within Muswellbrook Town residential values has declined from 2012 to 2015 typically around 10% - 30% depending on locality as previously outline, with year to year market movement being more marginal with decreases around 5% typical, with the exception being Eastbrook and lower cost housing areas which experienced between 15% - 30% reduction in the last twelve months. The better quality, well located, central and southern established housing areas have remain more stable with marginal decreases only since 2012.

In the past year, the Muswellbrook residential market has continued to weaken with the majority of sales demonstrating reductions. This market continues to be impacted by the downturn in the coal industry which has resulted in job losses and coal project delays resulting in the volume of improved residential sales slowing significantly over this period. Most residential values have experienced a reduction of around 10% in the last year. Significant decrease in values have occurred in Eastbrook Estate and lower cost residential areas of up to 28% being directly related to the reduced number of investors, high vacancy rates, long letting periods and reduced rental returns. These areas have previously been strongly supported by the investment market which has been severely impacted by the coal mining market downturn over the past twelve month period.

Englobo land values were reduced significantly at the 2015 Base Date. Increased development costs and delays in obtaining finance, together with a slower sales rate for improved lots, all contribute to the reduction in englobo values of approximately 22% since previous General Valuation, with 13% of this reduction in the last twelve months.

The value levels adopted are supported by both vacant and improved sales analysis.

**Typical land value at 1 July 2015 for typical residential properties include:**

Description	Address	Area	BD12	BD14	BD15	CHG 12-15	CHG 14-15
North Muswellbrook	Riesling Street	637m <sup>2</sup>	\$108,000	\$103,000	\$96,000	-11.11%	-6.80%
Eastbrook Estate	Dixon Circuit	650m <sup>2</sup>	\$131,000	\$131,000	\$95,000	-27.48%	-27.48%
Established West along Railway and Sydney Streets	Lower Hill Street	674 m <sup>2</sup>	64,100	66,800	54,900	-14.35%	-17.81%
Established South Muswellbrook along Sydney Road	Wollombi Road	693m <sup>2</sup>	\$41,700	\$44,400	\$38,000	-8.87%	-14.41%
Established South Muswellbrook in close proximity to New England Highway	Casuarina Close	702m <sup>2</sup>	\$75,000	\$85,000	\$75,000	0.00%	-11.76%
Central Muswellbrook	Bligh Street	771m <sup>2</sup>	\$107,000	\$114,000	\$102,000	-4.67%	-10.53%
Established South Muswellbrook	Kamilaroi Street	780m <sup>2</sup>	\$98,000	\$108,000	\$88,300	-9.90%	-18.24%
Central East Muswellbrook	King Street	835m <sup>2</sup>	\$105,000	\$109,000	\$92,000	-12.38%	-15.60%
South Muswellbrook along New England Highway	Maitland Street	860m <sup>2</sup>	\$110,000	\$104,000	\$78,000	-29.09%	-25.00%
Large Lots in Denman Village	Grey Gum Road	1.05ha	252,000	239,000	215,000	-14.68%	-10.04%
Large Lots on Muswellbrook Fringe	Babbler Crescent	1.7ha	\$170,000	\$183,000	\$171,000	+0.59%	-6.56%
Englobo Land	New England H'way,	7.2ha	\$840,000	\$750,000	\$650,000	-22.62%	-13.33%

*\*It is noted that Denman larger lots are zoned R5- Large Lot Residential not RU5 Village but included in 'villages' for comparison purposes.*

In the last twelve months there were three residential sales over \$600,000. All of these sales were high valued, single occupancy, rural residential properties in larger lot estates located on the fringe of Muswellbrook town.

## Village

The Muswellbrook LGA comprises 737 village zoned properties throughout the Shire.

The Muswellbrook LGA village market had approximately 15 sales throughout Base Date 2015 with 12 of these analysed.

There has been varying movement in the Muswellbrook village market since the 2012 General Valuation. The more remote village of Sandy Hollow has had low sale volumes and experienced an overall strong reduction of around 35% over this period. This large reduction was considered to be a local correction after previous large increases, with this small village market being volatile with a low volume of transactions which can be erratic. Whereas, the larger village of Denman has experienced a lesser decline in values of between 10% - 15%. The majority of this movement occurred during 2013 when there was a good supply of available properties, and vendors were required to lower expectations to realise transaction.

In the last twelve months Muswellbrook villages have experienced limited sales activity with their land values typically impacted by proximity to mining works in the area, housing affordability compared to Scone and Muswellbrook Townships, and the general mining industry outlook. Values in these villages have generally weakened in the past twelve months with Denman values reducing between 5 to 8% and Sandy Hollow around 28% in the past twelve months due to the volatile small village market previously described. Whilst there have been a very limited number of sales, those which have occurred support the 2015 level of values adopted.

The value levels adopted are supported by both vacant and improved sales analysis.

### Typical land value at 1 July 2015 for typical village properties include:

Description	Address	Area	BD12	BD14	BD15	CHG 12-15	CHG 14-15
Denman Village	Turtle Street, Denman	970m <sup>2</sup>	\$106,000	\$106,000	\$97,500	-8.02%	-8.02%
Sandy Hollow Village	Goulburn Drive, Sandy Hollow	2,023m <sup>2</sup>	\$85,000	\$76,000	\$55,000	-35.29%	-27.63%
Denman Englobo Land	Merriwa Rd, Denman	14ha	\$600,000	\$540,000	\$508,000	-15.33%	-5.93%

*\*It is noted that Denman larger lots are zoned R5- Large Lot Residential not RU5 Village but included here for comparison to other 'villages'.*

There were no sales of significance in the past 12 months within the village markets.

## Commercial

The Muswellbrook LGA comprises 266 commercial zoned properties.

The Muswellbrook LGA commercial market had approximately 11 sales throughout Base Date 2015 with all sales being analysed.

Similar to the Muswellbrook Town residential market, commercial values have decreased steadily since the prior General Valuation of 2012. Sales volumes have been consistently lower due to the downturn in the coal mining industry, with limited buyer interest, extended marketing periods, reduced rentals and growing vacancy rates being experienced over this period. This decline is reflective of the current mining conditions with values experiencing decreases of around 15% between 2012 and 2015. However, on a year to year basis decreases were more marginal being around 5% per annum.

There has been very limited market activity within this sector over the past twelve months. This decline in the commercial market is considered reflective of the ongoing poor conditions/outlook in the mining sector, with values experiencing decreases of around 5% over this period. Whilst there have been a limited number of sales, those which have occurred support the 2015 level of values adopted.

The value levels adopted are supported by both vacant and improved sales analysis.

### Typical land value at 1 July 2015 for typical commercial properties include:

Comp Code	Address	Area	BD12	BD14	BD15	CHG 12-15	CHG 14-15
Central Business District	Bridge Street	479m <sup>2</sup>	\$130,000	\$118,000	\$112,000	-13.85%	-5.08%
Fringe Commercial	Maitland Street	752m <sup>2</sup>	\$120,000	\$110,000	\$105,000	-12.50%	-4.54%
Large commercial sites throughout Muswellbrook	Market Street	889m <sup>2</sup>	\$110,000	\$100,000	\$95,000	-13.64%	-5.00%
Commercial along Sydney St and New England Highway	Maitland Street	6,375m <sup>2</sup>	\$730,000	\$680,000	\$650,000	-10.95%	-4.41%

In the commercial market there were two sales contracted above \$900,000 since the prior Base Date, one being a sale of a larger vacant land site located in a secondary commercial location indicating an overall analysed rate of \$56/m<sup>2</sup> for 1.465ha commercial shopping centre site; and the other comprised a commercial site located on the commercial fringe area of Muswellbrook CBD, which was considered not suitable for analysis of land value as the price paid reflects the lease term with fixed annual rental increases, not the added value of improvements.

## Industrial

The Muswellbrook LGA comprises 184 industrial zoned properties throughout the Shire.

The Muswellbrook LGA industrial market had 3 sales throughout Base Date 2015, which were all analysed.

The industrial market in Muswellbrook town has moderately decreased in value since the prior General Valuation Date of 2012. There has been a general slowing in new developments, with demand and sales numbers continuing to decline over this period. The weakening of the industrial market can be attributed to the Muswellbrook's strong reliance on the coal mining industry. As a consequence, industrial land values have declined from 2012 to 2015 around 15%, with year to year market movement being more marginal with decreases of around 5% being typically experienced.

The industrial market has slowed over the past twelve months in line with the continued downturn in the coal mining sector, with only three sales which all showed a modest reduction in land values. Overall the land values in the industrial sector have declined by up to 6% over the past 12 months. The local agents report extended selling periods and there are a number of vacant industrial buildings currently available for lease, with extended letting periods and rental reductions required to attract tenants. Whilst there have been a limited number of industrial sales, those which have occurred support the 2015 level of values adopted.

### Typical land value at 1 July 2015 for typical industrial properties include:

Description	Address	Area (approximate)	BD12	BD14	BD15	CHG 12-15	CHG 14-15
Muswellbrook Town Industrial	Industrial Close, Muswellbrook	2,236m <sup>2</sup>	\$95,000	\$86,000	\$81,000	-14.74%	-5.81%
Industrial throughout Muswellbrook	Strathmore Road, Muswellbrook	4,756m <sup>2</sup>	\$170,000	\$158,000	\$150,000	-11.76%	-5.06%

There was one industrial market sale over \$1,000,000 since the last Base Date; being a Factory/Workshop in a developing industrial estate on the western fringe of Muswellbrook which generally comprises mining associated industrial uses.

## Rural

There are 1,475 rural and environmental management zoned properties located throughout the Muswellbrook LGA.

Within the last year there were approximately 28 sales throughout Base Date 2015, all of which were analysed.

The volume of sales available in the rural residential, lifestyle, and hobby farms sectors has continued at a steady pace since 2012 Base Date with the vast majority of sales over this period supporting maintained values throughout much of the Shire. The only exception being a small number of typically heavily timbered rural retreat sites within remote rural locations which have experienced an increase in value of around 10% since 2012 Base Date. The majority of this movement occurred during 2013 when there was a limited supply of available properties, and vendors were able to increase asking prices which were accepted by the market. This movement is considered to be a local correction in values after previous property decreases.

The larger broadacre holdings have generally remained stable with limited sales activity in line with poor rural market sentiment throughout 2013 and 2014, contrasted with the impact from coal mining operations and much improved climatic conditions and commodity prices experienced throughout much of the last year. Mining companies have continued to be relatively active purchasers in the Muswellbrook rural property market however these mining company purchases have reduced significantly in the last two years due to the general downturn of the coal industry and the lack of expansions and/or new mines.

Overall land values throughout the rural sector have remained stable across all land use classes in the last twelve month period. This stability can be attributed to an improved market sentiment, and a good climatic season since November 2014, with much improved commodity prices for both cattle and wool in the last 6 months. Whilst there have been a limited number of rural sales, those which have occurred support the 2015 level of values adopted.

The value levels adopted are supported by both vacant and improved sales analysis.

### Typical land value at 1 July 2015 for typical rural properties include:

Description	Address	Area (approximate)	BD12	BD14	BD15	CHG 12-15	CHG 14-15
Rural residential up to 10ha throughout shire (RU1 zoning)	Baerami Creek Rd, Baerami	2,068m <sup>2</sup>	\$40,000	\$40,000	\$40,000	0.00%	0.00%
Rural residential up to 10 ha throughout Shire (E3 zoning)	Merriwa Rd, Giants Creek	8,068m <sup>2</sup>	\$35,000	\$35,000	\$35,000	0.00%	0.00%
Muswellbrook rural residential up to 10ha within 10km of Muswellbrook (RU1 zoning)	Dolahentys Rd, McCullys Gap	2ha	\$120,000	\$120,000	\$120,000	0.00%	0.00%
Denman rural properties up to 100 ha	Martindale Rd, Denman	10ha	\$200,000	\$200,000	\$200,000	0.00%	0.00%

Rural residential up to 10ha within 10km of Muswellbrook (E3 zoning)	Pamger Dr, Muswellbrook	10ha	\$245,000	\$245,000	\$245,000	0.00%	0.00%
Rural Residential between 11-150ha throughout Shire (E3 zoning)	Powers Rd Wybong	16ha	\$145,000	\$160,000	\$160,000	+10.4%	0.00%
Alluvial River flats throughout shire	Denman Rd, Muswellbrook	26ha	\$435,000	\$435,000	\$435,000	0.00%	0.00%
Timbered holdings throughout Denman up to 100ha (E3 zoning)	Rosemount Rd, Denman	33ha	\$260,000	\$260,000	\$260,000	0.00%	0.00%
Rural Residential between 11-100ha within 10km of Muswellbrook (RU1 zoning)	Muscle Creek Rd, Muswellbrook	36ha	\$310,000	\$310,000	\$310,000	0.00%	0.00%
Rural residential between 11-150ha within 10km of Muswellbrook (E3 zoning)	McCullys Gap Rd, McCullys Gap	54ha	\$290,000	\$290,000	\$290,000	0.00%	0.00%
Rural Retreats throughout Shire	Ferndale Rd, Yarrowa	90 ha	\$90,000	\$90,000	\$90,000	0.00%	0.00%
Rural Residential between 11-150ha throughout Shire (RU1 zoning)	Martindale Rd, Martindale	141ha	\$290,000	\$291,000	\$291,000	+0.34%	0.00%
Grazing properties between 100-200ha (E3 zoning)	Castlerock Rd, Castlerock	165ha	\$360,000	\$358,000	\$358,000	-0.56%	0.00%
Grazing properties over 200ha throughout Shire(E3 zoning)	Wire Lane, Muswellbrook	247ha	\$650,000	\$650,000	\$650,000	0.00%	0.00%
Grazing properties above 150ha (RU1 zoning)	Edderton Rd, Muswellbrook	309ha	\$725,000	\$726,000	\$726,000	+0.14%	0.00%

In the rural broadacre market there were three sales contracted above \$1,500,000 since the prior Base Date which are outlined below:

- Two sales were properties located in the Baerami region comprising arable to undulating to timbered hilly grazing land with areas of between 330 to 575 hectares. These sales show an overall analysed land value ranging between \$1,870/ha - \$2,945/ha for mix use grazing land in this locality; and
- The other rural sale comprises a generally level alluvial holding with Hunter River frontage developed for irrigation in the Denman locality. This sale shows an overall analysed land value of \$10,020/ha for an 87 hectare alluvial river flat holding well located to Denman Village.

In the lifestyle/small holding market there were four sales contracted above \$700,000 since the prior Base Date which are outlined below:

- Two sales were properties located in the Dalwinston/Martindale area comprising level to undulating alluvial Hunter River land with property areas of between 45 – 52 hectares. These sales show an overall analysed land value ranging between \$8,550/ha - \$11,510/ha for alluvial river flat country in this well located Denman locality;
- One sale was a property located in the Manobalai area comprising open grazing to alluvial Wybong Creek flat country with an area of 49 hectares realising an overall analysed land value of \$7,420/ha in this more remote location; and
- The other sale comprised a hobby farm site located approximately 20 kilometres west of Denman and 10 kilometres south west of Sandy Hollow Village in the Baerami locality. This sale shows an overall analysed site value of \$265,000 for 47 hectares.

## Significant Issues and Developments

### Significant Developments – From Previous Valuation Year (2014)

Below is a summary of significant Development Applications which have occurred in the past 12 months. Most of these Development Applications are for developments permissible within the current zoning therefore no special consideration is required.

- Approval for six lot subdivision located at 2 Crinoline Street, Denman.
- Approval for demolition of existing building and construction of a tertiary education centre at 85 Hill Street, Muswellbrook.

A number of proposed and approved subdivisions/developments within Muswellbrook LGA have been delayed or postponed in light of the downturn in the coal mining industry since early 2013 and the subsequent flow on effect to the Muswellbrook economy and property market. The volume of sales in the Muswellbrook residential and village markets has significantly reduced over the last 12 months. New subdivisions/stages continue to be marketed however take up rates have eased substantially, with no further stages being released since the impact of the coal mining industry downturn.

The Muswellbrook market was weak and erratic at the Base Date which has been recognised in the value levels adopted. Due to the low volume of sales, including vacant land sales, significant time has been spent investigating asking prices at the Base Date to assist in setting value levels. It is considered there is potential for the market to contract further, dependent on factors such as decisions made the PAC for pending matters and the ongoing outlook for the mining industry, including the viability of Glencore which is a major operator/employer in the Hunter market. It is noted that the highly publicised fall in Glencore share price and potential risk to Glencore stability occurred in early October, which was post the 2015 Base Date and Date Valuations Made.

### Significant Developments – From Previous General Valuation Year (2012)

Limited development has occurred within the Muswellbrook Shire since the previous General Valuation apart from complying developments. Some developments of note include:

- Approval for the subdivision of one lot into one hundred and fifty three lot subdivision - staged development at Almond Street, Denman.
- Approval for demolition of existing buildings and construction of tourist and visitor accommodation consisting of forty five units at 147-153 Bridge Street, Muswellbrook.
- Release of further residential land including further stages at Eastbrook Estate and Ironbark Ridge Estate.
- Construction of a new motel at 28-32 Maitland Street, Muswellbrook.

## Significant Value Changes

Minor variations and value changes (generally  $\pm 10\%$ ) in the past 12 months and since the previous General Valuation Date of 2012 have been noted in this Report (see Market Overview). There have been some significant value changes due to verification since both the 2012 and 2014 Base Dates which are summarized below:

### Significant Values Changes – From Previous General Valuation Year (2012)

- Denman Village has experienced varied value movements since 2012 with the largest increases, typically in the order of 40%, to larger village lots with further development potential. There have been a number of in-fill subdivisions in the town since 2012 illustrating the increased demand, with sales evidence supporting the value increases adopted. Denman has seen a growth in demand since the opening of operations at Mangoola Mine in 2011.
- Some increases in values to heritage listed properties following the issue of new instruction by LPI for the valuation of heritage listed properties, with development potential to be considered of remainder of sites not directly subject to the listing.
- Some changes in value both increases and decreases, following scheduled verification review using newly available imagery, identifying both inferior/superior rural land including extent of timber. These amended land classifications have been used to calculate land values resulting in some significant changes.
- Some rural properties with no building entitlements due to being under the minimum lot size had reductions in value. Conversely some holdings which previously had no building entitlement assumed had increases as new information confirmed building entitlements.
- Weakening of between approximately 10% - 15% in commercial and industrial values, related to limited buyer interest, extended marketing periods both for lettings and sale, reduced rentals and higher vacancy rates, however this decrease has been gradual over the period with no significant change in any one year. As with other sectors of the Muswellbrook Market this change is related to the mining sector downturn.

## Significant Values Changes – From Previous General Valuation Year (2014)

- Residential land in newer estates south of railway line including Eastbrook and St Mary’s have experienced significant reductions due to the substantial decline in the Muswellbrook residential investment market in the last twelve months. New subdivisions/stages have continued to be marketed however take up rates have eased, with no further stages being released since the downturn in the coal mining industry which included job losses and delayed new mining projects upon which the Muswellbrook market is largely reliant.
- Muswellbrook large lot residential including Woodland Ridge and Ironbark Ridge Estate reduced in light of current asking prices, new sales evidence, limited development interest and known site specific issues such as the stormwater drainage in stages south of Ironbark Road.
- Muswellbrook englobo land has experienced a strong decrease in line with the general downturn in the residential market. There have been no sales of englobo land over the last twelve month period.
- Private open space land values have experienced a significant reduction due to these properties relationship to surrounding land values, including residential land which has seen a significant reduction as previously outlined.
- Denman Village larger lot residential land have experienced a significant decrease due to recent sales evidence indicating sites with a total area of less than one hectare and with no further development/subdivision potential have reduced in value.
- Sandy Hollow Village land values have had a strong reduction, considered to be a local correction after previous large increases with this small village market being volatile, with a low volume of transactions which can be erratic and result in inconsistencies in the market.
- Giants Creek rural retreat market has demonstrated a strengthening in the market over the past twelve months in line with new sale evidence indicating premiums for sites with good access, outlook and creek frontage.
- Producing coal mines have generally experienced decreases due to individual calculations being based on recoverable resources (which diminish with production) and newly available imagery requiring land uses to be recalculated resulting in some cases significant variations. Also increased discounts allowed in colliery calculations for known problems relating to current low coal prices, high world stocks and ongoing uncertainty relating to the resource sector.
- A number of rural properties have experienced changes in value, with increases to better reflect quality of the country and dwelling entitlements with new imagery assisting in reviews of these features. Also some reductions in rural land values to reflect lack of building entitlements.

## Overview of the Quality Assurance Process

LPI has been provided with a detailed Valuation Analysis Report, which details the Quality Assurance Process of OPG Contractor and outlines that the Verification process and certifies that Land Values meet all Statistical Measures and Component Data Analysis. In addition, a Quality Statement and lists of high value and high risk properties is also provided in the Valuation Analysis Report. Checks have been undertaken to ensure that all properties have been valued, land values are consistent with each other, land value basis' have been correctly determined and all concessions and allowances have been supplied. Additionally, properties that had land values amended through the objection or reascertainment process were individually examined to reconcile surrounding land values and ensure accuracy of the grading of surrounding land values. Benchmarks and Reference Benchmarks are core elements of the quality assurance processes and are identified and individually valued in accordance with the Rating and Taxing Procedures Manual Version 6.6.2. Worksheets have been maintained on all properties where calculations are required. We have also ensured that adjustments and assumptions within the market analysis have been based on market evidence and have been fully documented and rationalised.

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