IPTI Xtracts

Property Tax and Assessment News from Around the World

NEW ZEALAND – October 2021

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Revaluation 2021: What to expect

Shane Martin, Senior Economist at Auckland Council, covers what trends Aucklanders can expect to see in this year's updated property values – out in December.

Why are Aucklanders interested in seeing their updated property values?

I think it's for two reasons. First, is because everyone wants to know what their house is worth. It's the biggest purchase most of us will ever make, and we want to make sure we got a good deal, and dream about what we'd do with any capital gains (assuming you bought your home before the latest price rises).

The second, is that people know that their rates are based on their house value, and I think they worry that their rates will go up astronomically just because their house value has.

Of course, that's not how it works.

What can the current state of the property market tell us about what Aucklanders can expect to see in this year's revaluation?

We know that since the last valuation, almost nothing happened in the property market for three years. However, in the past year and a half, prices are up massively across the country, especially in Auckland. Of course, this doesn't mean that rates bills are going up at the same rate. Again, that's not how it works.

Since amalgamation, price growth has occurred right across the region, but it's not evenly spread. For instance, since 2017 we've seen substantial increases in Rodney, but even more so in places like Manukau. This means that homeowners in the high growth areas might see a bit more of a rates rise compared to others.

What impact does revaluation have on house prices?

In theory, it should have no effect because it should completely and accurately reflect the true market value of houses at the effective date of 1 June 2021. That said, not every house sells every year, so for many properties the council is making its best estimate of what the market would pay for the house, based on other sales in the area. Many people try to use the rateable value as a guide to what the house price “should” be, but the values are not fit for this purpose.

What does this mean for rates?

Revaluation doesn’t affect the amount of money the council collects from rates, it helps it work out everyone’s share of rates.

If you think of the Budget like a pie, that pie doesn't get any bigger because of revaluation. Your revaluation just determines the portion of the pie that you're going to pay.

Aucklanders already know that the council is increasing rates by 3.5 per cent from June 2022. This was set through the council’s 10-year budget process.

The revaluation process helps the council determine how this increase will be distributed across property owners.

Your property value is only one of the elements which helps the council determine your share of rates, therefore if your property value has increased, this does not automatically mean you pay more in rates. What will determine a rates increase is if your property value has increased more than the average increase across the region.

For example, if property values in one suburb have gone up faster than the average in the city, they will have more than a 3.5 per cent rates increase. If property values in another suburb have gone up by less than the average across the city, their increase will be less than 3.5 per cent. However, it is worth noting that properties in higher value suburbs will still have higher rates.

What do property value increases tell us about our regional economy?

By themselves, they don’t tell us that much.

Housing is expensive because this is a good place to live.

The fact that the most expensive cities in the world are also routinely ranked as the best cities in the world to live is not a coincidence. However, that prices have gone up so much, even with the global pandemic, does seem to indicate that New Zealand has done a good job economically.

Due to swift and decisive action at the beginning of the pandemic, most people were able to remain employed and we didn’t see the massive economic hit that other countries did. This, combined with the worldwide record-low interest rates has led to big house price gains. It’s created another problem to deal with, for sure, but in many ways, it’s better than the alternative.

Anything else Aucklanders should know about revaluation and rates?

I don’t think most people know all the things that their rates pay for. A non-comprehensive list includes things like roads and public transport, organising and facilitating events, running our libraries, pools, leisure centres, community centres, arts centres, sport fields, neighbourhood parks and playgrounds. As well as the more obvious services like stormwater and waste collection.

I’d also reiterate, the council’s values are done on mass appraisal and are not market value, so if you’re after a market value you should contact a local valuer in your area.

A Guide to Revaluation 2021

Updated property values for all properties in the Auckland region will hit mailboxes, inboxes and online in December 2021.

We are proud of the rigorous process being undertaken to reach these values. Revaluation is exciting as it allows us to set rates fairly for the 2022/2023 rating year and crack on with the initiatives in the 10-year budget.

Auckland has seen significant population growth over the last few years and the pressures this has put on the housing market are well-known to all of us.

Our valuations only capture a moment in time and should not be viewed as a current market value but we know that there is still a huge amount of interest from Aucklanders in their new values.

Revaluation this year

Every three years, we revalue all properties in Auckland – all councils in New Zealand are required by law to do this. Our last revaluation was in 2017.

We were due to conduct a revaluation in 2020 but the COVID-19 pandemic made it difficult to accurately forecast sales data. Under these circumstances, the Valuer General granted the council a deferral of 12 months.

Revaluation was planned for October 2021. In August, Alert Level 4 restrictions affected the council's ability to complete the final stages of the valuation process and the Valuer General's ability to conduct an audit of these values. The release of Auckland Council's updated property values in October was therefore delayed and will now be available in December 2021.

The new values we assign are based on the most likely selling price if the property had sold on 1 June 2021.

Why we revalue properties

The value of properties is one of the ways we calculate each ratepayer's share of rates so it is important we are using current figures to ensure a fair rating system. The property market is dynamic which is why these values change over time.

How we calculate the values

We compare recent sales in the area with the property being valued. We consider many factors, including the property type, location, land size, zoning, floor area and any consented work for renovations, new builds or subdivisions.

The property value is made up of three parts: the capital value, the land value and the value of improvements.
Capital value (CV): the most likely selling price if the property had sold on 1 June 2021
Land value (LV): the most likely selling price of the bare land on 1 June 2021
Improvement value (IV): The CV minus LV. The IV does not represent the replacement value of the building(s) or other improvements on the land.
The revaluation is a 'point in time' exercise and is not meant to reflect the ongoing probable sales price of a property.

Keep in mind, the value of improvements is an indicative value and won't necessarily represent the value of any buildings currently on the land.

Revaluation and rates

We use property values to share the rates the city needs to raise between properties.

Revaluing Auckland's properties won't affect the amount of money the council collects from rates. It helps us make sure we are sharing the rates requirement fairly between properties as valuations move across the city.

Aucklanders already know that the council is increasing rates by 3.5 per cent in from June 2022. This was set through the council's 10-year budget process. These updated values help us determine how this increase will be shared across all ratepayers in the region.

Your property value is only one of the elements which help us determine your share, therefore if your property value has increased, this does not automatically mean you pay more in rates. What will determine a rates increase is if your property value has increased more than the average increase across the region. If your property increases in value but this increase is below the average, this may mean you will pay less in rates.

Revaluation won't affect rates until 2022

The impact of revaluation won't come into play until 1 July 2022. Your current rates will stay the same until then.

More than 6000 Christchurch households getting Government rates discount

More than $4 million of rates rebates have been approved for 6000 low-income Christchurch residents, just months after the city's rates increased.

The Government-funded rates rebate is available to eligible low-income households at any point during the rating year. Most people apply in August and September. Each one is up to $665 per household.

The council's chief financial officer Leah Scales said it was too early to know whether this year would surpass the last financial year's 9533 rebates, which cost taxpayers $5.8m.

Christchurch City Missioner Matthew Mark said over the past month the mission, which offers budget services and financial mentors, had seen about a 10 per cent rise in homeowners who were struggling to pay rates.

"I would anticipate that we're going to see more of that."

Christchurch city missioner Matthew Mark says the mission has seen a rise in homeowners struggling to pay rates.

About 80 to 100 people use the mission's financial services each month, Mark said, but homeowners struggling to pay rates was not a common problem.

Mark said there was a trend of homeowners and renters whose income streams had changed as a result of the Covid-19 pandemic.

"People might have had casual work or contract work that was sufficient for them to top off the coffers.

"A lot of people have lost that."

Christchurch Budget Services manager David Marra said those who struggled to pay rates tended to be homeowners with fluctuating incomes, pensioners who still had mortgages, or people who had lost their income.

In particular, homeowners who relied on a pension but had to pay a mortgage and rates would struggle.

“That’s a big group and a growing group,” Marra said.

“Rates keeping on going up [which] doesn’t help things.”

In June, the Christchurch City Council approved an average rate rise of 4.97 per cent.

Five councillors – James Gough, Sam MacDonald, Aaron Keown, Phil Mauger and Catherine Chu – voted against the rise, calling for further cost cuts.

Documents released under the Local Government Official Information and Meetings Act show staff suggested to councillors up to $31.7m of operational savings for this financial year. Only $23.7m of them were made.

Some proposed savings included removing an event and festival fund (saving $275,000), reducing community development budgets ($241,000), and reducing holiday programmes, book groups and other outreach ($93,300).

Had these cuts been implemented, the average rate rise for a Christchurch household this financial year would have been 3.53 per cent.

During public consultation on this year’s 10-year budget, submitters strongly opposed service cuts.

Three hundred of 389 submitters were against proposed cuts to library hours.

By comparison, only 249 of the 618 submitters were against the proposed residential rate rises.

Seventy-three submitters noted that the proposed rise was likely to create affordability issues for themselves or the community.

“This was of particular concern for low or fixed-income households,” a council report on the submissions noted.