



## NEW ZEALAND – September 2021

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### CONTENTS

NEW RATING VALUATIONS, ROADING AUDIT, AND VACCINATIONS .....	1
ONEROOF REVEALS NEW ZEALAND'S AVERAGE PROPERTY VALUE REACHES \$1 MILLION .....	2
SOUTH WAIRARAPA COUNCIL APOLOGIES FOR RATES SHOCK .....	3
AUCKLAND COUNCIL AGAIN DELAYS CV REVALUATION DUE TO COVID .....	5

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### New rating valuations, roading audit, and vaccinations

The new rating valuations for our district are now online and will be of interest to many homeowners.

The demand for residential housing was strong before covid and continues even now, judging by the number of consents Council staff are processing.

Rating valuations happen every three years and help us allocate to individual properties the overall rates set by Council across the community for the following three-year period; they reflect the likely selling price of a property.

Property owners will be sent letters next week of their new rating valuations by Quotable Value though the information is already online. You can see the information on Council's website, under property information.

The new valuations will be used to allocate rates to individual properties from July 2022. If you don't agree, you can object and there is a process for that. Sometimes work that doesn't require a building consent – such as a deck, landscaping or a new kitchen - has been completed on a property but is not reflected in a valuation.

When Quotable Value carries out a rating revaluation, it uses a team of local property experts to do a mass appraisal factoring in the recent sale of similar properties and establishes a market trend that can be applied to other properties.

Following that, the rating values are independently audited by the Office of the Valuer General and rigorous quality standards must be met.

The new valuations reflect what we have seen in the property market here, demand is buoyant across the district and most townships saw increases between 21 and 30 per cent.

Another big piece of work that has come across my desk this week is the technical roading audit by Waka Kotahi NZTA.

### International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.

It is pleasing to see our roading network was assessed as well-managed and generally in good condition. We know we can always do better, of course, and there are issues like potholes (urban and rural) and roadside drainage in some rural areas.

The enemy of any road is water, and we are doing our best with what is one of the larger roading networks in the country, with 2614km of sealed and unsealed roads – 92 per cent in rural areas.

## **OneRoof Reveals New Zealand's Average Property Value Reaches \$1 Million**

New Zealand house prices have reached a new milestone, with the national average property value hitting \$1 million for the first time. New figures from OneRoof and its data partner Valocity show the typical cost of a property across New Zealand increased 4.9% in the last three months and increased 27% since September 2020.

The doubling of the national average property value in less than a decade will put further pressure on first home buyers, and many may see deposit requirements pushed up to \$200,000 - more than three times the average annual wage.

OneRoof editor Owen Vaughan said: “The figures show the extent of the house price surge after the first Covid lockdown last year and raise concerns that measures aimed at slowing house price growth are not working fast enough. House-hunters are now spending about \$213,000 more than they did a year ago on the typical home.”

He said much of the national growth has been fuelled by price jumps of more than 30% in Gisborne, Manawatu-Wanganui, Wellington, Hawke's Bay and Bay of Plenty.

“The acceleration in house prices has seen Wellington and Tauranga join Auckland and Queenstown-Lakes in the \$1,000,000 club, with Hamilton, Napier, Hastings, Nelson and Whangarei not far behind,” he said.

“It’s amazing to think that the average property value for all of New Zealand has hit one million less than 20 years since the country recorded its first million dollar suburb and Auckland became the first million dollar city,” said Vaughan.

Auckland remains the most expensive place to buy property, Vaughan said, with the city recording an average property value of \$1.415m (up 24% on last year) while West Coast is New Zealand's most affordable housing market, with an average property value of \$353,000.

Despite the price increases, first-home buyers' share of new mortgage registrations over the year has held steady at around 40%, Vaughan said.

“But the surge has meant that buyers searching now would need to stump up \$50,000 more for a 20% deposit than those purchasing this time last year.”

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The price growth is taking place against a backdrop of a slowdown in listings and sales volumes, and expectations that prices will jump further once the country is fully out of lockdown and buyers try to secure a home before expected interest rates rise.

Nationally, there were 6% fewer homes available for sale in August month compared to July and 36% fewer listings than in August 2020.

The monthly drop in new listings was even sharper, with the number of new properties coming to market last month down nearly 19% on the month before.

“Interest in property had surged during the Covid lockdown, with visits to OneRoof in the last month up almost 10% on the month before,” said Chief of OneRoof Paul Maher.

“Covid hasn't curbed Kiwis' appetite for property. In fact, the opposite is true. Most buyers and sellers will be well aware of what happened to prices after the country came out of the last national lockdown.

"The fact that readership of our property news and housing market insights over the lockdown has jumped 25% on the month before shows Kiwis want to stay updated and are hungry to know more about what's happening in these uncertain times," said Maher.

### **South Wairarapa council apologies for rates shock**

South Wairarapa District Council has apologised to ratepayers for not communicating an “oversight” which saw rates increase an average of 29 per cent.

In its long-term plan consultation, it indicated rates would only rise an average of 18 per cent.

The apology comes after three separate complaints were made to the Office of the Auditor-General about rates rises.

Two separate petitions have also been taken to Parliament against the council regarding rates rises and council competency.

A public meeting would also be held, with details yet to be advised.

In a full page advertisement in Friday's Wairarapa Times-Age, the council said it failed to highlight the impact of last year's rates holiday on this year's rates.

The advertisement was signed by Mayor Alex Beijen, chief executive Harry Wilson, and each of the nine councillors.

“Most of South Wairarapa district's ratepayers have experienced high rates increases for this year, 2021/22.

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“The increase is more than we had advised in the Long Term Plan [LTP] Consultation Document earlier this year.”

It said that the council wanted to address historic underspend in infrastructure last year, but covid-19 had impacted this.

Last year, South Wairarapa rates were set to rise 13.75 per cent, but council instead voted for an average 2.5 per cent rates rise, and took out a \$1.5 million loan.

“This was in effect a rates holiday for ratepayers for one year, and the borrowing would need to be repaid in the following years,” the council said in its advertisement today.

“This year, council needs to collect \$22m from ratepayers to continue to fund necessary work.

“Last year, we collected \$17.7m from ratepayers. This is an increase of \$5.2m or 29 per cent and includes the revenue shortfall from last year.

“Our LTP Consultation Document indicated that council needed to collect an extra 17.9 per cent.

“This focused on the increased cost, rather than the increase in rates revenue, and failed to highlight the impact of the previous year’s rates holiday.”

It said it did not adequately explain this in its consultation.

“And for this, we sincerely apologise.

“We acknowledge the message should have been clear, and we are committed to absolute transparency in responding to the situation.”

The council said it would work with legal advisors to consider all options available to ease the rates burden on ratepayers this year.

Some options it was considering were: cutting costs, deferring work, and finding alternative ways of funding services, such as through use of reserves.

If sufficient savings or changes to rates funding can be identified, the council could consider setting rates again.

However, the recent rates instalment is payable as charged.

The council said its people do their best, “and this issue is no reflection on the good work they continue to do”.

“We aim to work hard at rebuilding your trust and confidence in us.”

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## Auckland Council again delays CV revaluation due to Covid

Aucklanders are set to wait even longer to find out their home's new council valuation after the local government body again delayed citywide revaluations because of Covid-19.

A source of fascination to property-mad Kiwis, Auckland Council CVs - formally known as capital values - can affect prices homes sell for as well as the rates bill, but will now not be released until December.

Council sends new CVs to home and property owners every three years, and the latest were originally due to have been released last year.

But because of swirling economic uncertainty after the Covid-19 pandemic began last year, council sought and gained permission to delay revaluations until this year.

Last month it announced that it expected to release the CVs in October.

But with Auckland plunging back into level 4 lockdown last month because of the latest Covid outbreak, the date has now been pushed back further.

"Level 4 restrictions affect the council's ability to complete the final stages of the valuation process and the Valuer General's ability to conduct an onsite audit of these values," council said.

"The release of Auckland Council's updated property values in October has therefore been delayed and will now be available in December 2021."

New council valuations are usually met with keen interest from mum-and-dad homeowners, retirees and property investors.

Homeowners wanting to sell often hope for a new higher CV in the belief it might help convince future buyers to pay more for their homes.

Higher CVs can also convince banks to lend more money to those wanting to borrow.

But residents with no intention to sell can face a higher Auckland Council rates bill if their new CV jumps too much in value.

Overall, most city residents can expect CVs to jump compared to the July 1, 2017, valuation.

Herald and CoreLogic mock CV estimates last month showed the median house prices rose in each of the 228 Auckland suburbs featured in the data.

Last year, the council was given permission to delay its Auckland revaluation process, after arguing that attempts to estimate home values in the uncertain market created by Covid-19 would likely produce distorted results that might be unfair to home owners.

"Property valuations are generated using recent sales data of comparable properties and other relevant market evidence such as rental levels," the council said.

"Due to Covid-19 there was limited data available. As a result, the Valuer-General agreed to Auckland Council's request to defer its 2020 general revaluation for one year."

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The council recently restarted the revaluation process by pretending every city home had been sold on June 1, 2021, and then estimating the most likely selling price for each one.

But today it said that its "dispersed workforce" together with Covid restrictions limiting movement made it tough to finish the final stages of the revaluation process.

"Additionally, the Valuer General is not able to travel to Auckland to conduct the audit of the council's revaluation as planned," council said.

"The Valuer General's audit is an extensive exercise, with Auckland Council being the largest revaluation in New Zealand by a significant margin."

"Therefore, it is important the Valuer General can conduct the audit onsite if possible, for ease of access to the council's systems and to test valuation processes."

The delay would give time for Auckland to move to a less strict alert level allowing the Valuer General to go onsite at council offices, or provide council staff with time to set up the process for a virtual audit to take place.

"This issue is not exclusive to Auckland, and other territorial authorities with a 2021 revaluation may also experience delays," the council said.

Auckland Council has also earlier cautioned that revaluations and expected price rises among city homes are just one factor determining how much each household pays in rates.

"What will determine a rates increase is if your property value has increased more than the average increase across the region," council said.

"If your property increases in value, but this increase is below the average, this may mean you will pay less in rates."

CVs also do not change the total dollar amount the council collects from rates.

The council instead decides how much money it wants each year, and then uses CVs to help work out the share each home and commercial property owner pays.

The council has already decreed it intends to raise \$2.3 billion from rates in the 2022/2023 financial year – the first year the new CVs come into effect.

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