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Property Tax and Assessment News from Around the World

NEW ZEALAND – March 2022

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NEW RATING VALUATIONS FOR CENTRAL HAWKE'S BAY

Central Hawke's Bay property owners will soon receive a Notice of Rating Valuation in the post with an updated rating value for their property.

The new rating valuations have been prepared for 8055 properties on behalf of the Central Hawke's Bay District Council by Quotable Value (QV).

They show the total rateable value of the 8055 properties within the district is now $9,126,287,050, up 54.3 per cent from three years ago, with the land value of those properties now valued at $5,939,140,800, an increase of 61.7 per cent.

QV's Hawke's Bay regional manager Andrea Christie said "We have seen the biggest shift in values across the district in many years, so it's important to remember that a large increase in your rating valuation won't always correlate to an equally large increase in your rates.

"Rating values are just one of a number of factors councils use to allocate rates, and the total amount of rates required for the district does not change because of the revaluation of the district."

She said residential properties and vacant land had been in "red-hot demand" since CHB's last rating revaluation in 2018, with residential land values increasing by 128.5 per cent over that time.

"It's primarily been driven by strong demand and relative affordability. We have also seen an increase in prospective purchasers looking for blocks with development potential."

Most commercial and industrial properties have had an increase in value, despite the challenges faced in a COVID-19 environment. The average capital value for developed commercial property increased by 50.4 per cent since the previous rating revaluation in 2018, and the average capital value for developed industrial property increased by 39.8 per cent over the past three years.

"The strongest increases have been in well presented, modern properties with good earthquake ratings. Seismically challenged properties have not sold as well due to the increasing costs to strengthen," Christie said.

The value of pastoral units increased by an average of 42 per cent since the district's 2018 revaluation, with dairy blocks experiencing a lower increase of 20 per cent.

"There is continued demand for quality farms that are well located and have a good balance of contour with finishing ability. A notable observation was the continuing trend of traditional hill properties, with land suitable for planting being sold for woodlot/carbon purposes," Christie said.

Rating valuations are usually carried out on all New Zealand properties every three years to help local councils set rates for the following three-year period. They reflect the likely selling price of a property at the effective revaluation date, which was 1 September 2021, and do not include chattels.

Any changes in the market since then won't be included in the new rating valuations, which means a sale price achieved in the market today may be different to the new rating valuation set as at 1 September 2021.

The updated rating valuations have been independently audited by the Office of the Valuer General to ensure they meet rigorous quality standards before being certified. Rating valuations are designed to reflect the likely selling price of a property at the effective revaluation date and are not intended to be used as market valuations for raising finance with banks or as insurance valuations.

A schedule of new values is available in hard copy from the Central Hawke's Bay District Council office, as well as QV's website at www.qv.co.nz.

Sales information is also available on the QV website to allow ratepayers to research local sales and valuations.

New rating values will be posted to property owners after Wednesday, March 30.

If owners do not agree with their new rating value, they have the right to object before May 10 on the QV website or at the council's offices.

Council rates will be updated based on the new 2021 rating valuations from July 1.

REVALUATIONS RISE DOES NOT MEAN EQUAL RATES RISE, COUNCIL SAYS

Nelson mayor Rachel Reese said she anticipated a "fundamental re-look" at rating systems nationally, after a "bold" assumption that the Three Waters Reform would continue.

The "curveball" of Nelson's 73 per cent land value jump is one that cannot be solved by the annual plan, the mayor says.

Councillors stressed during their meeting on Thursday the need to assure the community that the 73 per cent average land value rise in recent Quotable Value revaluations did not mean a similar jump in rates bills.

Mayor Rachel Reese said that the revaluations were a "a curveball ... challenging a number of councils around the country" and there would be increased financial pressure on the community, along with a potential "softening in the property market".

The council signed off on its annual plan which will have rates increase by an average of 5.4 per cent, meeting its LTP target and coming in under the 5.9 per cent inflation rate.

"We're mindful of the fact that we're going into an environment where many of our households will be under financial pressure," Reese said.

She said it would be critical for the council to communicate clearly the paths available for people struggling with their rates bills, including rates remissions and payment plans to help "meet people's circumstances".

Councillor Mel Courtney said that it needed to be explained "over and over again" how the 73 per cent increase in residential land values would affect the community.

"It's alright to say that we might explain it, we have explained it, [but] we need to do it again and again, because this is of great concern to everybody in the community at the moment, because they are just wondering and worrying in a matter of fact how the impact will flow through to their rates."

Group manager of corporate services Nikki Harrison said that average land value increasing by 73 per cent did not mean rates would also go up by 73 per cent.

"Council only collects the same amount of money to run the city, and the rates are just redistributed in a different manner," she said.

The mayor also said that, while the Uniform Annual General Charge in the annual plan was being reduced from 13 per cent to 11 per cent of rates to help counteract the rates impact of council investments in critical infrastructure, that was not a lever to deal with increased revaluations.

She said there would be "a number of things" that the council would need to look at in its next rating policy, and anticipated that there would soon be cause to review council ratings systems nationally, referencing the Government's ongoing work on the Three Waters reform.

"I'm also going to be bold and make an assumption that the Government is going to continue with its Three Waters Reform, and that in itself is going to require a fundamental re-look at the ratings systems that we're operating with," she said.

"I'm also going to say that I'm hopeful that the future for local government work is also going to bring back some new tools and some new ways of thinking about actually how we generate revenue to deliver services to our community."

WELLINGTON'S PROPOSED RATING DIFFERENTIAL

There is inaccurate information circulating within the business sector about the impact of the proposed adjustment to Wellington City Council's general rates differential for the 2022-23 financial year.

The differential is the formula used by the Council to ensure the rates take is shared fairly between residential and commercial ratepayers.

It's not correct to say that the proposed adjustment to the differential means commercial ratepayers will be required to pay proportionately more of the city's rates bill next year.

The facts are that the Council has just completed a city-wide revaluation process which has seen residential land values increase by an average of 60 percent over the three years since the previous city revaluation, compared to commercial property values which have increased by an average 36 percent.

The Council has resolved to maintain the same proportion of rates that are currently paid by the residential and commercial sectors. To achieve this outcome, the general rates differential for commercial property owners will need to be slightly increased because of the shifting property valuations. However this does not translate into a higher rates increase for the commercial sector compared to the residential sector.

If the Council does not shift the differential, it will mean our residential ratepayers will receive a significantly higher rates increase than the commercial sector.

OWNERS OF UNTIDY CENTRAL CHRISTCHURCH PROPERTIES MAY SEE RATES QUADRUPLED

Financial incentives and penalties may be used to get unkempt lots tidied up in the city centre.

The city council has received numerous complaints from businesses, residents and visitors about unsightly or overgrown sections in the CBD since the Canterbury earthquakes began more than 11 years ago.

Council spokesperson Leah Scales said it was proposing to charge landowners four times their regular rates if the land was not being used or improved.

Scales said the scheme would work two ways, allowing those who kept their sites tidy to apply for a rates reduction.

"Over the past 18 months, 3.9 hectares of vacant central city land has been developed - that is the equivalent of about four full size rugby pitches. Despite the challenges created by Covid-19, confidence in our central city is growing and there is a lot of development occurring.

"However, there are still some pockets of poorly maintained vacant land that are impacting negatively on people's perceptions of the area."

She said during consultation on last year's Long Term Plan 2021-31, there was strong support for the concept of using financial tools - including rates - to bring about improvements to those sites.

"At its core, it's about making things fairer. Vacant land in the central city benefits from the ratepayer-funded work the council does - well-maintained roads and footpaths, facilities, parks, amenities - which make all of it a more attractive prospect for development and more valuable.

"Vacant land by its nature has a lower capital value, and so the general rates set on vacant land are low."

Scales said the new scheme would help "even the scales".

Central city infrastructure is planned around how vacant land could be developed, so landowners need to pay their fair share of these costs, she said.

The proposal is open for public consultation and feedback until 18 April.

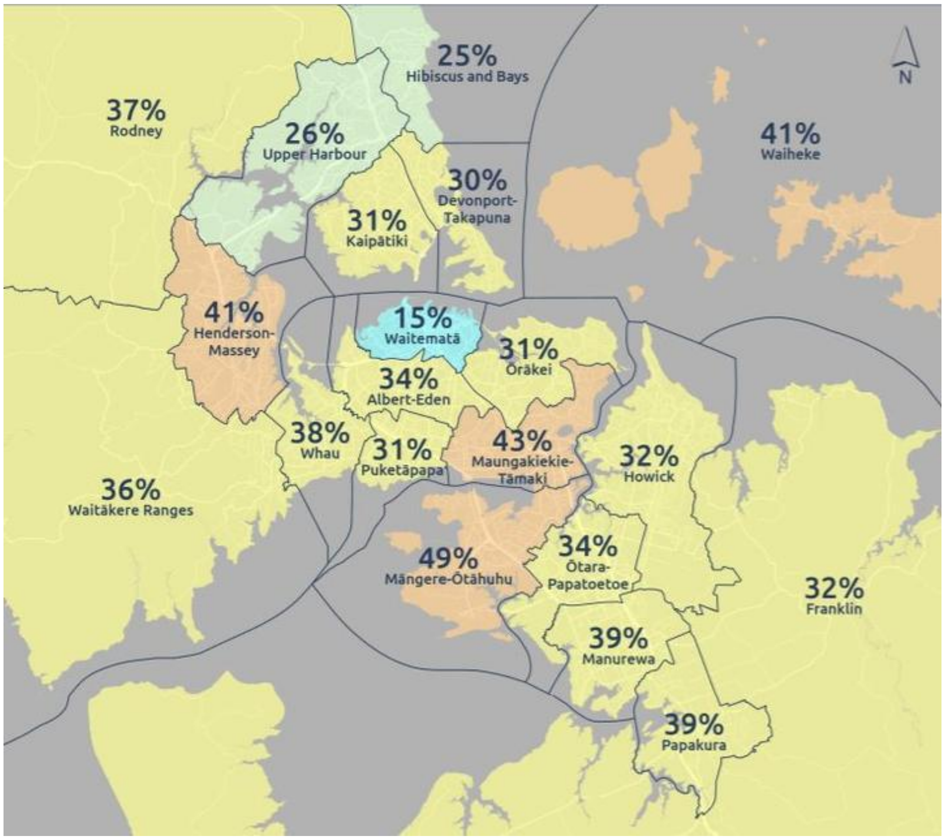
Last month, the council said a list of 30 central city buildings left derelict since the 2011 earthquake has been reduced to 19, and good progress was being made on all but three sites.

AUCKLAND PROPERTY VALUES SOAR BY UP TO 59 PERCENT

Aucklanders can see their updated property values from today, with homes in Great Barrier Island soaring by 59 percent.

The valuation process is a statutory one, used to work out each property's share of the city's rating burden, which will be carved-up using the new data next year.

It's usually every three years but was deferred in 2020 due to Covid-19 uncertainty. An audit conducted by the Office of the Valuer General in 2021 determined that the council and its valuation partner Quotable Value needed to do more work on the values before they would be ready for release, but the figures have been certified since that work was completed.



Residential Capital Value change Auckland

The property valuations reflect the likely sales price in June last year and will be used to determine the share of rates next year.

It's therefore a double edged sword - residents' homes are worth more, but for some that could bring with it a big hike in rates.

The council says local board areas which saw high rises - between 41 and 49 percent in Māngere-Ōtāhuhu, Henderson-Massey and Maungakiekie-Tāmaki - had all undergone intensification in recent years.

Its chief economist Gary Blick said the effects of the Unitary Plan implemented in 2016 can be seen in the valuations.

"We started to see these impacts in the 2017 revaluation but realistically the effect is showing now," he said.

"The value increases have moved out from the city centre, which is what we would expect as housing in those areas becomes more desirable."

Standalone dwellings have increased by 34 percent while increases for already intensified housing types like apartments (8 percent) are slightly lower.

Waitematā, which has a large share of apartments, has a lower overall average increase of 15 percent.

Group Treasurer John Bishop explains that percentage increases aren't the only consideration. "It's worth noting that though we are seeing the highest value increase on Aotea Great Barrier this year, it is still one of the lowest valued areas in the region at around 43 percent of the average".

Council's financial policy manager Andrew Duncan told a briefing yesterday it was not yet clear whether Three Waters reforms would change its plans to charge a targeted rate.

"Council will be working with the government to carry out the water reforms in the way directed and final decisions by the government haven't been announced yet, they're still working through it. And so the final form of the water reforms will then affect what the council does with its various funding instruments for stormwater."

34 PER CENT INCREASE IN AUCKLAND PROPERTY VALUES

Auckland Council’s latest property valuations released today, 8 March 2022, show significant movements across the region, with an average value increase of 34 per cent.

The updated values reflect the likely price a property would have sold for as at 1 June 2021, and will be used to determine the share of rates for the next rating year starting 1 July 2022/2023.

The local board with the largest increase in this revaluation is Aotea Great Barrier, showing a 59 per cent average increase.

The other local board areas with the largest movements are in Māngere-Ōtāhuhu, Henderson-Massey and Maungakiekie-Tāmaki, all of which have seen average increases between 41 and 49 per cent. These areas have all undergone intensification in recent years, and these movements demonstrate the impact of this.

In comparison, the Waitematā area, which has a large share of apartments, has a lower average increase – 15 per cent.

Chief Economist at Auckland Council, Gary Blick says the effects of the Unitary Plan, implemented in 2016 can be seen in the valuations, “We started to see these impacts in the 2017 revaluation but realistically the effect is showing now. The value increases have moved out from the city centre, which is what we would expect as housing in those areas becomes more desirable."

Standalone dwellings have increased by 34 per cent whilst increases for already intensified housing types like apartments (8 per cent) and flats (27 per cent) are slightly lower.

Group Treasurer John Bishop explains that percentage increases aren't the only consideration, "It's worth noting that though we are seeing the highest value increase on Aotea/Great Barrier this year, it is still one of the lowest valued areas in the region at around 43 per cent of the average."

In this year's revaluation, industrial properties are a standout increasing by an average of 53 per cent. A rise in online shopping and less demand for office space being potential drivers for the shift.

Trends across residential, commercial, lifestyle and rural have all seen increases as well, though smaller than what was seen in the last revaluation.

Finance and Performance Committee Chair Councillor Desley Simpson says revaluation does not change the amount of money the council collects from rates, "Revaluation helps us make sure we are sharing the rates requirement fairly between properties as valuations move across the city.

"If you think of the budget like a pie, that pie doesn't get any bigger because of revaluation. Your property's value just determines the portion of the pie that you're going to pay and ensures your portion is the same as others whose properties are valued the same as yours."

In order to set rates fairly, all councils in New Zealand are required to attribute an approximate value to all properties in their region every three years. The last revaluation was in 2017 and the planned 2020 revaluation was delayed due to COVID-19. The latest revaluations were deferred until March this year so the council could conduct more work on the values as requested by the Valuer General.

Find your property's value

Individual property data is now available for the more than 590,000 properties in Auckland at aucklandcouncil.govt.nz/revaluation. Property owners will receive valuation notices in the mail, including information on how to object, from next week.

If you don't agree with the details held for your property, for example, it shows the wrong number of bathrooms, or, if you disagree with the value itself, you can lodge an objection. Information on this will be included on your valuation notice and the Auckland Council website.

Rates support

The council's Long-term Differential Strategy means the overall average rate for business versus non-business stays the same.

This revaluation shows that lower value properties have increased in value at a faster rate than higher value properties. These properties will have higher rates increases than the average. However, it is important to note that the lower value properties will still be paying less rates than the average value property. Their rates will still be well within the rates affordability threshold of 5 per cent of income.

For those concerned about paying their rates, Councillor Simpson says "We know COVID-19 and changes in alert levels put an added pressure on families already struggling to make ends meet. Rest assured there are options available to you to make life a bit easier."

For financial support options, go to aucklandcouncil.govt.nz/financialsupport

SKYROCKETING PROPERTY VALUES REVEALED: WHERE AUCKLAND CVS HAVE SURGED BY THE MOST

Auckland's average home value has jumped $338,000 - or 32 per cent - in four years, according to new council valuations out today.

And although property owners might be happy at rising house values, they'll now also be paying an estimated average 6 per cent more to Auckland Council in annual rates after charges went up across most of the city.

The full details can be seen below in exclusive NZ Herald-Valocity interactive graphs and maps showing exactly where house prices have risen the most and which homeowners now face the biggest rates bills.

Omaha owners enjoyed the biggest percentage house value rises.

A typical home in the northern beach suburb now has a $2.64 million CV - up 58 per cent or $969,714 in the four years between the calculation of new CVs as at June last year and previous CVs in July 2017.

In terms of rates, owners in Aotea-Great Barrier Island and West Auckland's Henderson-Massey face the biggest jumps.

Aotea homeowners will now pay 18 per cent - or $232 - more in rates, while Henderson-Massey local area board owners will pay 13 per cent - or $321 - more.

James Wilson, from valuation and property analysts Valocity, said suburbs with the biggest house price jumps are typically holiday locations, like Omaha or Aotea, or areas with new housing springing up, like Otara, Pt England and Manurewa.

Those with the smallest jumps include inner-city areas with lots of apartments, such as the CBD, Newmarket and Grafton, he said.

CVs are a major source of fascination for property-mad Aucklanders and involve Auckland Council estimating the value of every residential and commercial property in the region.

They are typically released every three years, however, the latest Auckland Council CVs were delayed by close to 18 months because of uncertainty caused by the Covid pandemic and issues calculating property data.

CVs can influence the price a home sells for, or the size of loan that banks lend to a prospective home buyer or renovator.

They also play a part in determining how much each homeowner must pay in council rates.

Where home values have risen most by percentage

While Omaha had the biggest house value jumps percentage wise, Red Hill in Auckland's far south wasn't far behind.

House prices in the suburb where many new homes are being built jumped 57 per cent to hit an average CV of $950,997.

Aotea-Great Barrier Island came next with a 56 per cent jump to $799,143, while Otara jumped 55 per cent to $896, 513.

Other suburbs with big price jumps included Mangere East, Tawharanui Peninsula, Mangere, Pt England, Rosehill and Manurewa East.

Wilson said homes had typically risen in holiday locations because during the Covid pandemic demand had risen among buyers, yet there remained a shortage of houses for sale in those areas.

Where home values have risen most by dollar value

While Omaha rose the most percentage wise, Herne Bay homes rose the most by dollar value.

Herne Bay homes now have an average CV of $3.8m - a $1m jump compared to the average 2017 CV in the suburb.

Waiheke Island prices also soared, jumping by $894,582 to an average $3.4m CV, and St Marys Bay homes jumped $865,578 to a new average $3.1m.

Other big jumpers included Westmere and Ponsonby, jumping $850,000 and $844,000 respectively.

Auckland's most expensive suburb

Herne Bay might be the suburb with the highest average CV at $3.8m, but Remuera showed it is still home to the most multi-millionaires.

The latest valuations show Remuera has 11 homes valued between $20m and $50m compared to Herne Bay's 10.

However, when it comes to homes valued between $10m and $20m, Remuera has a whopping 111 houses, compared with just 32 in Herne Bay.

Where prices rose the slowest

"The suburbs with the least growth were concentrated in Auckland Central and surrounding suburbs, where apartments are the dominant property type," Valocity's Wilson said.

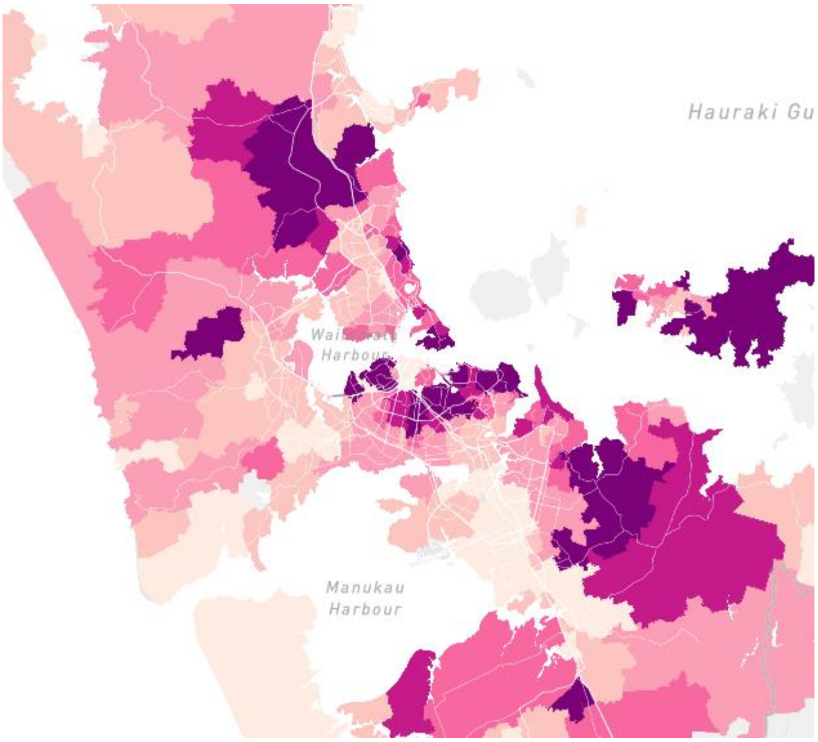
Demand for inner-city apartments fell when international borders were closed to students, he said.

That led property to rise just $14,000 or 2.5 per cent to a new average $615,597 CV in Auckland Central.

Taken over four years that's a price rise of just over $3000 a year.

Grafton and Newmarket rose by 11 per cent each to hit new average CVs of $665,397 and $983,586, respectively.

Overall, apartment CVs across the city rose 8 per cent, flats rose 27 per cent and stand-alone homes and townhouses rose 34 per cent, Auckland Council said.



Auckland Capital Valuations 2021

This map shows the median 2021 capital valuation for residential and lifestyle properties in Auckland suburbs.

Business CVs

Overall, Auckland's more than 590,000 residential and commercial properties rose by 34 per cent in value according to the latest CVs.

Among business properties, industrial buildings rose the most in value with average CV values now 53 per cent higher than four years ago.

Commercial values jumped 29 per cent, lifestyle blocks jumped 29 per cent and rural properties 24 per cent.

Who will be paying the most in rates bills

Auckland Council estimates 373,555 property owners will now face higher rates bills, while 138,275 will get lower bills.

Out of those, 139,359 are estimated to have their bills rise by more than 10 per cent, the council said.

While Aotea-Great Barrier Island and Henderson-Massey local board area owners face the stiffest rise in rates bills by percentage, owners in the Maungakiekie-Tamaki local board face the biggest dollar value rise in rates.

The local board area includes Onehunga, One Tree Hill, Penrose, Southdown, Mt Wellington, Panmure, Tamaki and Glen Innes, with owners there now paying $352 more per year in rates as their yearly bill rises to $3276.

Owners in Orakei will pay the largest rates bills overall as they face a 4.8 per cent increase to an annual bill of $5169.

According to the council, Waiheke Island residents pay the highest local government charges as a percentage of household income, with rates and water bills adding up to 4.77 per cent of the island's typical $81,744 income.

Howick residents face the next highest bills with rates and water adding up to 3.83 per cent of the area's typical $112,528 income.

Home owners will have to pay the new rates charges in the 2022/2023 rating year beginning from July 1.

CVs are used as a measure to set rates, but they do not change the total dollar amount the council collects from rates.

Instead, the council 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.

Property owners will receive valuation notices in the mail, including information on how to object to their CV valuations, from next week.

Are the valuations already out of date?

Auckland Council estimated the values of every property in the region as at June last year.

Yet the Auckland property market enjoyed another six months of rising house prices after that.

As an example, Omaha's new average CV value calculated at June last year is $2.64m.

However, Valocity's index value for the suburb puts the average home price at $2.78m - already $140,000 higher.

When it comes to Herne Bay, the new typical CV is $3.8m, but Valocity estimates the current value to be almost $400,000 higher at $4.2m.

WELLINGTON CITY COUNCIL PUTS 8.8PC RATES INCREASE ON THE TABLE

The Chamber of Commerce is crying foul over the council's draft annual plan, which would see an increase to business rates to keep up with the increase in house prices for residential ratepayers.

The draft of Wellington City Council's annual plan for 2022/23, released on Thursday night, includes a rates increase of 8.8 per cent. Commercial ratepayers' costs would rise from 3.25 to 3.7 times the base rate.

Mayor Andy Foster said commercial rates needed to increase to balance out the disproportionate rise in residential rates from "skyrocketing" house price. This ensured that businesses and residents continued to cover the same proportion of rates.

He said the rates rise was not because of any new spending, but the costs of Covid, inflation, and ongoing capital projects.

Next Tuesday councillors will vote on whether to put this annual plan out to independent auditors, after which it would go to public consultation.

Last month the councillors asked officials to suggest ways to reduce the rates increase of 9.1 per cent set out in the long term plan. If the council adopted the officials' recommendations, the increase would drop to 8.8 per cent. Both would be much lower than last year's 13.5 per cent rates increase.

Chamber of Commerce chief executive Simon Arcus said the increased cost of rates for businesses would be "one of the worst blows to business the city could imagine right now".

"The Chamber has grave concerns. We do not believe the City Council can propose to put businesses under further financial strain and believe it can reactivate the business health of the city at the same time," Arcus said.

Commercial ratepayers would cover 44 per cent of Wellington's rates revenue in this proposal, the same percentage they covered this year – compared with 25.8 per cent in Auckland and 32.35 per cent in Christchurch.

Chair of the annual plan committee Rebecca Matthews said the proposals by officials to reduce rates were "moving in the right direction" but she would like to see rates drop further without making cuts to services.

"I do think debt funding should be a greater part of the mix, we're currently making up for years of under-funding."

Rebecca Matthews said the 0.3 per cent reduction in rates form the annual plan was "moving in the right direction".

The draft annual plan noted that the council anticipated a net deficit of $22.9 million for 2022, while the long-term plan had forecasted a deficit of $2.4m. The papers for the meeting identified the council's economic response to Omicron as one of the main reasons for the deficit.

Councillor Fleur Fitzsimons said the council was facing significant challenges in terms of water infrastructure, housing, and climate change, but an increase of 8.8 per cent was "going to be high" for residents and businesses.

She said the council should be looking to borrow more and pay down its debt at a slower rate in order to reduce rates. "We're borrowing at a lower rate to other councils," she said.

Councillor Diane Calvert criticised the increase in the proportion of rates covered by businesses.

She said that despite the councillors' request in early February that officials seriously consider ways to reduce rates, she had not seen anyone "go away, be bold, and come back with pragmatic savings".

"Part of the reduction in rates for residential ratepayers is to hit commercial ratepayers harder. What value are they getting from the increase?"

Councillor Diane Calvert thinks the council needs to "be bold" in reducing spending.

Particularly given the council's business support package, which will cost about $1.3 million, Calvert thought increasing rates for businesses was ironic. "We'd be giving something with one hand and taking away with the other."

A rates increase of 8.8 per cent, which will generate revenue of $426 million, is within the rates limit set out in the Council's long term plan.