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Property Tax and Assessment News from Around the World

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Hundreds of Rotorua homeowners object to valuations

Hundreds of disgruntled Rotorua homeowners have raised objections about their new property valuations, with one resident saying he thinks his is $80,000 too high.

Preliminary figures from Rotorua Lakes Council show 358 people had taken part in the objection process this year - down from three years ago when it received 937 objections.

Council communications advisor Vicki Cawte said this week that was not a final number as some could still be making their way to the council via post.

Three years ago the average Rotorua property value was $260,000 but was now $370,800 - up 48.6 per cent.

A report prepared by valuation firm Opteon and presented to the Operations and Monitoring Committee last month revealed Selwyn Heights, Fordlands, Koutu, Ohinemutu and Western Heights all had average capital value increases of between 60 and 70 per cent.

Homeowner Dean Barnett told the Rotorua Daily Post he was confused about the $306,000 valuation for his three-bedroom, modest unit in Hillcrest.

He bought the unit about 13 years ago for $113,000 and in his view $220,000 was closer to the mark for its current value.

He has lodged an objection with the council.

''I'm probably like every other ratepayer... it feels like it's more around revenue gathering even though they told me they don't set the rates by the valuations."

Council spending and budgets were not determined by valuations but by the amount required to deliver what is planned in any given year, as determined through the annual planning process.

Valuations were used to determine the share you would pay of the revenue required from rates (as determined by the budget) which is calculated as a per $1 of property value.

The rate assessed for every dollar of a property's value was obtained from dividing the total revenue required from rates by the total of all property valuations in the district.

Simon Anderson, chief executive of Realty Services, which operates Eves and Bayleys, said at the end of the day the market would determine what a property was worth.

''Quite often that could be significantly different and above or below what the rateable value is. I think people will grab hold of any number they want for their own purposes.''

Council valuations were set for rating purposes ''and they don't actually come and value your house independently, it's worked on a ratio of what things have sold for and the ups and downs''.

A registered valuation can be done on an individual property and often owners wanted that, he said.

''So a buyer may use a low valuation to try and get the property as cheap as they can or a vendor may get a high valuation in regards to what they want to sell it for. But the market is the market and what somebody will pay for a property will determine the price.''

Rotorua District Residents and Ratepayers Association chairwoman Glenys Searancke said valuations were a complicated process but she felt they were pretty fair.

''If I look at my own valuation I know that is what people are getting [if they sell] and a little more for their properties in this area.''

Feedback she had received was that once people understood a rise in valuations did not necessarily mean a rise in rates, they were okay with the higher values.

''Usually the only way rates go up is if council decides they are going to spend more and then it is distributed back to the ratepayers.''

How it works:

* If the district comprises five properties with capital values of $1000, $1000, $2000, $2000, $4000, that gives a total worth of $10,000.

* If the council needs to raise general rates revenue of $2000, the general rate per dollar of property value would be 20c ($2000 divided by $10,000) and the five ratepayers would therefore pay $200, $200, $400, $400 and $800 respectively.

* Following a revaluation, the general rate per dollar of property value will change relative to the movement in property values.

120,000 people check Auckland property revaluations

It's been the big reveal in Auckland today as home owners rushed online for their first glimpse of the council's three-yearly property revaluations.

On the first day of access to data on individual homes, 120,000 people checked out 10.3 million properties.

The scene had been set last week when Auckland Council said the average house had risen in value by 46 percent to $1.076 million since three years ago.

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 June.

RNZ sat down with Polly Williams to check the change in value on her family's two-bedroom villa in Mt Eden.

"Oh ok, $1.475 million, yeah that's nice," she joked. "That's quite a big increase from last time I think we were just over a million last time."

While it sounds a huge jump, in Auckland terms it's still six percent less than the average jump across the city.

The big factor in the valuation increases is the rising price of land, not the bricks and mortar.

In Kumeu for example, on the northwestern fringe, one house on a 1000 square metre section rose in value by 30 percent.

Next door, an 8.5 hectare farm - zoned for future residential use - rose by 159 percent.

A three bedroom home unit in once-affordable Avondale, jumped from $670,000 to $900,000 - but the eye-watering rise of more than a third is still below average for the suburb.

That rise is almost equivalent to the value of an average house in Invercargill.

Owners can challenge the valuations, but the council's head of rates Debbie Acott said it went both ways.

"What we found with the last revaluation is approximately half of the people wanted them to go up, and half wanted them to go down, so it depends what motivation people have got," she said.

On this day three years ago, the Auckland Council website crashed under the load from curious property owners.

Debbie Acott said an upgrade this time had coped with 120,000 people who weren't just checking their own property.

"They're checking a number, seemingly an average of about 10 each. You tend to want to look at your neighbours as well, or a real estate agent checking the properties they've got on file."

What it all means in terms of next year's rates bill will not become clear until next June, when Auckland Council set its new rate level.

Twenty-one other medium-sized and smaller local bodies have also completed revaluations this year, as part of the three-year cycle in which all councils go through the process.

Aucklanders explain what $1 million home valuations mean for them video

Auckland's record rising home valuations are good news for some. Others are feeling worse off.

The average Auckland home value has soared above $1 million for the first time, after Thursday's release of new valuations by Auckland Council.

The council has confirmed a 46 per cent increase in its valuations for residential property across Auckland as a whole.

Stuff spoke to homeowners in three very different situations about how they see the new valuations affecting them - a millennial couple getting on the property ladder, a newly minted millionaire and a pensioner.

The pensioner: Pam Snowden, 75, Remuera homeowner on a fixed income

Pam Snowden, 75, is fearful an increase in rates could force her out of her home.

Pam Snowden has lived in Auckland all her life and in her Remuera home since 2013.

Her property in Abbotts Way has a 2014 capital valuation or CV of $1.3m and Snowden pays about $4000 a year in rates - or $80 a week.

She will need to wait until Monday before she finds out exactly what the 2017 valuation for her home will be when the council releases its individual home data.

"For a pensioner, on your own, after you pay the electricity bill and the phone bill etc that is quite a lot of money," she said.

She receives a pension of $600 a week and is fearful that a new CV could price her out of her home.

"I bought my first home in 1970 on Orakei Rd for $10,000. Obviously things have changed a lot since then but it has become ridiculous," Snowden said.

"I think there should be a rates rise exemption for pensioners because it can drive us out."

Being a property manager for more than 25 years, Snowden said she saw a lot of elderly people forced out of their homes because they could no longer afford the rates.

She hoped that her CV and rates would remain as is, or she could be forced to look at living elsewhere.

The cook: Yash Amin, 45, migrated to New Zealand nine years ago and owns a home in Three Kings

Yash Amin's Three Kings home has a CV that's on the rise.

Five years ago "when the prices were not so crazy", Yash Amin bought his Three Kings home for $520,000. It had a CV at the time of purchase of $450,000.

In 2014 the CV rose to $720,000.

He too must wait till Monday to learn the exact valuation increase for his property, but it is expected it will make Amin a paper millionaire.

Soon-to-be paper millionaire Yash Amin talks council CVs.

However, as glamorous as it sounded, Amin said homeowners should stop and think about what that actually means before popping the champagne.

"It sounds nice to say suddenly now I am a millionaire, of course, but at the end of the day you are going to be paying more in rates so people need to realise that."

"If my rates go up from say $2000 to $2500, that's quite a lot of increase. The mayor promised us no more than 2.5 per cent so that is what I am hoping for. We will see."

Amin works as a cookery course programme manager and by his own admission, doesn't quite have the "millionaire look" about him.

The millennials: Amy Noordegraaf, 26, and Dylan Harris, 30, bought their first home this week

Aucklanders Amy Noordegraaf, 26, and Dylan Harris, 30, with Asta the labradoodle, bought their first home this week.

Trying to plan a wedding and buy their first home in Auckland has made for a stressful few months for first home buyers Amy Noordegraaf and Dylan Harris.

On Monday the couple put pen to paper for their first home: a $650,000 house and land package being built in a subdivision in Pukekohe.

They had a $67,000 deposit.

The average value of an Auckland home is now more than $1 million.

They did not take CVs into account when looking for a home, Noordegraaf said.

Market prices were so far above 2014 CVs, they did not feel it was relevant, she said.

"The process has unfortunately been very difficult. Our biggest challenges have been getting the right advice and guidance as first time buyers. But looking out of [central] Auckland has meant we could get our ideal property within budget."

Both work in central Auckland and will commute each day.

They do not expect an increased CV to have any major impact on them, Noordegraaf said.

Getting your revaluation facts right

It used to be one of the taboo questions you would never ask in polite company – up there with discussing how much you earn and who you vote for.

But Auckland's burgeoning property market has brought talk about house prices out into the open, and they're discussed everywhere from water coolers in the workplace, to the school gates at pick up time.

So when your 2017 valuation drops, how will you be able to cut through fact from fiction? How do they affect your street? What is the impact on rates? What are they actually used for?

In order to help steer the conversation in the right direction, it's worth understanding the process and how it works.

"A change in your property's value doesn't mean your rates will increase or decrease by the amount of that change," says Debbie Acott, Head of rates at Auckland Council. "Rather, your property's new value will help determine the share of rates you pay.

"There are several other factors involved in deciding how much you pay in rates, including the amount that is required to keep the city running – which is determined in a budget revised each year – and other sources of income for the city."

"One of the things that is often misunderstood is that we are required by law to revalue every property in Auckland every three years," she says. "And with more than half a million properties in Auckland, it's impossible for them to be inspected individually. So we use something called mass appraisal techniques. That's evaluating things like the amount properties are selling for in the neighbourhood, the type of property (house, townhouse, shop etc.) as well as changes made to the property since the last revaluation, are just some of the factors taken into account."

Before they can be published and used in the ratings process, the values have to be approved by the Valuer-General (VG), who audits ratings valuations for the entire country to make sure the values and processes meet standard.

"What you get in your valuation is made up of three parts", says Acott. "The Capital value (CV), is the most likely selling price if the property had sold on 1 July 2017. However, with the Auckland property market ever-changing and unpredictable, much could have changed by the time you receive your revaluation."

"The Land value (LV) is the most likely selling price of the bare land, and the Improvement value (IV) is the CV minus the LV. The IV reflects the additional value given to the land by buildings and landscaping, but doesn't represent the replacement value of the buildings on the land, so isn't a figure you should use to work out your insurance cover."

No doubt they'll be the cause of plenty of debate with the neighbours, but your rates won't change immediately with the release of revaluation notices. Any changes won't come into effect until the 2018/19 rating year.

Homeowners warned: Don't lose your head over council CVs

New Housing Minister Phil Twyford says it would be unwise for Auckland home owners to assume they've hit the jackpot when new valuations are revealed tomorrow, and take on extra mortgage debt.

Provisional data shows housing values in Auckland shot up 45 per cent since the last valuation three years ago.

Owners will find out what their home is valued at 9am tomorrow when Auckland Council posts the information on its website. Interest was so high in the last valuations that the website crashed.

But Twyford says people shouldn't go overboard if their valuation has increased.

"I think they would be unwise to get the new ratings and assume that's the market value right now and go out and buy whatever it was they wanted to buy like a new car," he said.

"I do think people lose their heads a bit. You can see in the past few years there's been a massive increase in household debt as people have seen their houses rise in value and they've borrowed against that. Most of that is mortgage debt.

"The problem that we have is we've come to see housing as an investment asset and not as a roof over our heads, or a home to raise a family in. When that becomes your mindset housing becomes just another commodity."

The consequence of rising valuations was increased homelessness and low rates of home ownership, he said.

While the revaluation figures will be taken into account when new rates are set, officials are reminding the public that a rise in their rates will not happen overnight.

Council head of rates Debbie Acott said it would not be till next year that the true impact of the revaluation on rates would be evident.

"We won't know...until we agree our next budget in 2018, so I encourage Aucklanders to view these valuations with that in mind."

She also said just because you had a high increase in property value did not mean there would be a corresponding increase in rates.

The rise in rates was more to do with how much the value of a property rose in comparison to others.

Acott said there was also support for those who struggled to pay their rates.

"If someone wants to pay more frequent payments...we also have rates rebates for people on a low income and the ability to postpone rates and that's not means tested."

According to the council website the income threshold for eligibility is $24,790 a year, but you could still be eligible for a rebate depending on your rates bill and the number of dependants you have.

Late penalties can also be removed under certain circumstances, including if you notify council you will be late due to insufficient funds and pay within 14 days of the penalty date - though this can only happen once within two years.

Council valuations are released triennially after a region-wide revaluation of all commercial, industrial and rural properties. Every council in New Zealand is legally required to do them.

The RV for each property is set by council and used for the purpose of determining the proportion of rates each property owner has to pay. Because it is based on the capital value (CV), the RV is the same as the CV.

Auckland chamber of commerce CEO Michael Barnett has called on councils to look at cutting this link between property valuations and rates.

"Rates pay for services delivered by councils. If the level and cost of services provided don't change, then it is wrong and unfair for a council to impose rate increases just because the value of the property has increased."

Auckland Ratepayers Alliance spokeswoman Jo Holmes said the reality was that rates and valuation figures were linked.

"That's what we have to live with, I am just hoping it's not an excuse to put up rates much higher than was promised."

Mayor Phil Goff had during his mayoral campaign pledged to keep rates increases to 2.5 per cent or less this term, but has indicated this could be in jeopardy.

While he had achieved 2.5 per cent in his first budget this year, the council was right up against its debt ceiling, putting huge financial constraints on the mayor heading into a new 10-year budget.

Mortgage broker Bruce Patten any rise in rates would hit those who could least afford it first - first-home buyers and retired people - as the more affordable areas were where growth significantly above the average was located.

Council's reveal of the property revaluation trends last Thursday showed the more "affordable" suburbs had been the ones hit by the highest increase in rates - well beyond the average 45 per cent across the whole city.

There were two that rose in value by more than 100 per cent since the last council valuations in 2014 - Paerata-Runciman and Wainui/Waitoki, which grew by 102 per cent.

Suburbs with the smallest average increase in CV
Kawau Island
-3%
Great Barrier Island (Aotea Island)
11%
Manukau Heads
17%
Rakino Island
20%
Awhitu
28%
Karioitahi/Pollok
29%
Buckland
31%
Freemans Bay
32%
Okura
32%
Saint Marys Bay
32%
Indicative residential average change in capital value since last revaluation

Suburbs with the largest average increase in CV
Glenbrook
69%
Kumeu/Taupaki
69%
Parakai/South Head
69%
Surfdale
71%
Karaka/Kingseat
73%
Rosehill
73%
Whenuapai
74%
Drury
81%
Westgate

86%
Wainui/Waitoki
102%
Paerata/Runciman
151%
Indicative residential average change in capital value since last revaluatio

Average Auckland home value soars above $1 million for first time

The average Auckland home value has soared above $1 million for the first time, with two suburbs seeing 100 per cent-plus valuation rises.

The average value of residential property in Auckland is now $1,076,000 after Thursday's release of new valuations by Auckland Council.

That compares to an average valuation, back in 2014 at the council's last valuation round, of about $581,040 according to John Bishop, Auckland Council's treasurer of CCO governance and external partnerships.

The council has confirmed a 46 per cent increase in its valuations for residential property across Auckland as a whole.

It was an average 30 per cent increase in the 2014 valuations, said the council's principal valuer, Peter McKay.

The largest individual rise across Auckland's 21 council local board areas was in Papakura which saw a 61 per cent lift on average.

In a statement the council said: "Local board areas with the largest movements – of more than the 45 per cent average – are in Waiheke, Ōtara-Papatoetoe, Papakura, Māngere-Ōtāhuhu, Manurewa, Henderson-Massey, Maungakiekie-Tāmaki, Franklin, Howick, Rodney and Upper Harbour."

Homes within the rest of Auckland's board areas saw rises ranging between 11 per cent and 44 per cent.

"The largest movements in the outer suburbs appear to be a result of higher demand in areas where property is less expensive," the council said.

"People can't buy in Epsom so they look in the next suburb out," McKay confirmed.

At a more local level, two small rural areas which are being developed as satellite towns have seen their valuations rise by more than 100 per cent – Wainui/Waitoki in north Auckland by 102 per cent and Paerata/Runciman in south Auckland by 151 per cent.

Rising valuations reflect Auckland's hot property market of the last three years - not what might lie ahead.

Individual valuations for each of Auckland's 549,000 properties will be released next Monday.

Lifestyle properties saw average increases of 57 per cent and rural by 35 per cent.

Commercial and industrial properties received a rise of 43 per cent and 47 per cent respectively.

Colliers International research director Alan McMahon said rateable values can't easily be converted into cash anyway.

Once all the data is crunched it is believed 60 more Auckland suburbs will crash through the $1 million home barrier.

When the last round of council valuations were released in 2014, only 23 Auckland suburbs had median values above $1m.

Now almost half of Auckland's 169 suburbs are expected to be in the million dollar club – 81 in total.

It means about 150,000 Auckland homeowners could be instant millionaires on paper.

SO WILL YOUR RATES RISE?

Auckland Council's head of rates, Debbie Acott, said an increase in property value did not necessarily mean a corresponding increase in rates.

"We expected to see an increase in valuations since the last revaluation in 2014, so movements in the 40 per cent to 50 per cent bracket really aren't a surprise," she said.

"Generally speaking, the values in Auckland's outer suburbs appear to be catching up with the 2014 revaluation."

"Areas that increased the most in the last revaluation – by and large central Auckland – are now moving roughly along the average. Those that didn't last time – mainly outer Auckland – are the ones with the highest increases this time."

"Property valuations are used to help us work out everyone's share of rates – they don't mean that we collect any more money. However, we won't know the impact of this revaluation on rates until we agree our next budget in 2018, so I encourage Aucklanders to view these valuations with that in mind."

All councils are required by law to revalue every property in their region every three years.

POPULATION THE BIG DRIVER

Auckland Council chief economist David Norman said the rise in residential property values reflected three main factors.

"First, Auckland's strong population growth over the last three years has not been matched by increases in the number of new houses being built, and this has pushed prices up.

"Second, record low interest rates have allowed people to bid up prices to secure somewhere to live because housing has been in short supply.

"And third, the Unitary Plan has added a lot of value to properties that can now carry higher intensity residential development than before."

THE MARKET REACTS

Mark Honeybone, a real estate agent who runs the NZ Property Podcast, said median valuations topping $1m for the first time in some suburbs would see more listings over the next two months.

Some people who weren't educated about the property market would look at those valuations and assume their property was worth that much, even though the market had stalled in the last few months due to bank financing issues, Honeybone said.

But while the updated valuations might make some feel like real millionaires, the prospect of those paper millions flowing into Auckland's economy was remote at best, BNZ chief economist Tony Alexander said.

In the past people may have extended mortgages on the back of higher valuations and bought a car or taken a holiday, but those times had changed.

Many would have noticed Auckland's real market property prices stagnating over the past 12 months, Alexander said.

Alexander said economic research showed after the global financial crisis people had stayed away from increased spending on the back of rising property values.

Colliers International research director Alan McMahon said rateable values were also not used for bank lending, so couldn't easily be converted to cash anyway.

They reflected changes in the market over the last three years, rather than caused them, he said.

"Some people will naively think their house is worth more and go and spend some more money thinking they've got more equity in their house, but that's not really necessarily the case.

"It's just a catching up since the last estimate, it doesn't signify that your house is continuing to go up in value."

Honeybone said he always encouraged his clients not to get caught up with the "hype" of rateable values.

However, he was aware of several sellers who had been holding out on selling up until after the valuations had been released.

Some people still thought of them in the same way many thought of government valuers in the 1990s, when there was one government valuation office and not much else to help consumers monitor house prices, Honeybone said.

"Technology has changed, RVs [rateable valuations] aren't as meaningful as they used to be."

Your New CV – All You Need To Know

In just a few days, you will be given the new value of your home, as assessed by Auckland Council. We take a look at how these figures are calculated, how they affect the true value of your property, and what you can do if you don't agree with them.

With over 25 years experience valuing homes in the central suburbs of Auckland, Clayton Munting from Edwards Valuations, is in the perfect position to comment on the imminent release of Auckland Council's new property valuation figures.
The Capital Value (CV) or Rateable Value (RV) of your property is one in the same. Every three years Auckland Council reassesses the value of every property within its jurisdiction, primarily to determine how much a property owner should contribute towards the city's upkeep via their rates bill. So, what is a CV, and how do the council determine this magical figure?

"A CV is a snaphot of the value of a property at a particular point in time – in this case July 1st, 2017. The council will analyse sales of different categories of all types of properties in all parts of the city as at that date, then reflect those statistics back into a database of information they hold for each individual property. From here, they will determine its capital value."

"For example, for a villa in Ponsonby, they will gather all the information they can around sales of similar homes at that time, then interpret that information, via computer model, to reach a figure for the current valuation of that property. It's certainly not a broad-brush approach – they try to be as property specific as possible."

How do these figures relate to the actual market value of a house?

"The intention is that the CV will be as close to the market value at that time, excluding chattels. Obviously it's not as accurate as an actual assessment, whereby a Registered Valuer carries out a site visit and can make comment on specific improvements a homeowner has made to a property, such as renovations or significant improvements which have been made post valuation."

How should buyers and vendors use or interpret these new figures?

"They are indexed figures and should be treated as such, and not something you'd want to hang your hat on as the true value of a property. They should not be relied on in isolation, but used in combination with many other factors, such as actual recent sales and a property inspection or an appraisal by a Real Estate Salesperson may assist."

If you don't agree with the new valuation, can you object or have it re-assessed?

"Yes, everyone is entitled to question their Valuation and the process is clearly defined on the Council's website. The objection period is open for up to a month after valuations are notified."

What are the main reasons people object?

"Don't panic. With the proviso that the Council don't require an additional increase in rates over the previous year, an average increase in CV would mean no increase in rates. However, for those properties impacted by the Unitary Plan there may be significant increases if the property value increases are significantly more than the average."

So, does the CV directly affect the level of rates a homeowner will pay?

"My understanding is that your rates bill is largely made up of fixed costs, and that the CV component of a rates assessment only contributes to about a third of the overall cost. A lot of people are under the misconception that if their CV doubles, then their rates bill will double. That's clearly not the case."

The level of individual rates only increases or decreases if the value of the specific property increases at a greater or lesser percentage than those surrounding.

Will the new Unitary Plan affect these new figures?

"It will be interesting to see how the council have interpreted and reflected zoning changes brought about by of the new Unitary Plan – for instance, a house that was previously zoned as a single house site that now has zoning for a more intensive property use. Will the new CV now take into account the potential new land use and reflect its new value? It's not quite apples and apples any more, it's more like apples and mandarins."

Aside from this slight curved ball, the fact remains that buying and selling a property is probably one of the biggest transactions any of us is likely to make, so relying on the CV is not recommended for vendors or buyers. Sure, it's a useful metric to have, but more specific information, gathered by a professional valuation expert, will give a much more accurate assessment of the value of a property.

For more information, please visit this information page on Auckland Council's website.