IPTI Xtracts

Property Tax and Assessment News from Around the World

NEW ZEALAND - September 2017

New rating valuations out soon

Property owners in the Queenstown Lakes District will soon receive a 2017 Notice of Rating Valuation with an updated rating value for their property.

QLDC Chief Financial Officer, Stewart Burns said, “Since the last rating revaluation in July 2014 property values have risen across the district by more than 56% overall. Residential capital values have increased by more than 63% in the past three years and residential land values by more than 90%.”

The tri-annual rating revaluation is completed by Quotable Value (QV) on behalf of QLDC. It is not intended to be a market value for a property, but is used by the Council in setting rates for the next three years. An increase in a property’s capital value does not automatically lead to an increase in rates payable.

If your property’s valuation increase is higher than the average for the district, then the capital value portion of rates on the property will be proportionally higher in the next rating year. The reverse also applies where properties could see a decrease in the capital value portion of rates. The capital value portion of rates equates to around 50% of the annual rates assessment.

Quotable Value will send a notice to all property owners advising of their new rating valuation from 4 October. New rating values will be also available to view at Council offices from 27 September.

Property owners can object to their new rating valuation, in writing to Quotable Value prior to 10 November.

Rateable values up 28 per cent in parts of Marlborough

Rateable values across Marlborough have leapt in the past year, some by a whopping 28 per cent.

More than 26,000 properties will be notified of the Quotable Value (QV) revaluation after September 27, but rates demands will not necessarily jump alongside the valuations.

Quotable Value assesses properties across the country, usually every three years, to help councils set rates for the following three years.

Marlborough's sizeable value increases will not be reflected in rates demands until July next year.

Marlborough District Council financial services manager Murray South said due to the wide variation in land use and six geographic rating areas, the region had one of the most complex rating structures in the country.

He said a property type that saw a greater value increase might pay a bigger proportion of the rates for that geographical area, but the overall impact of the revaluations on rates demands was yet to be determined.

"People often think because their property value has gone up say 15 per cent then their rates will as well. An increase in property value won't necessarily have a significant impact on a rates assessment," he said.

Picton led the residential increase with 28.3 per cent, with the average house price in the town $402,905.

Blenheim jumped 26.2 per cent, setting the average value at $394,880.

Renwick property values rose by 25.7 per cent ($415,000), Havelock 24.8 per cent ($355,000), Awatere 16.4 per cent ($223,000) and Marlborough rural 13.3 per cent ($473,000).

The 2016 earthquake had little effect on the Seddon/Ward residential market overall, according to QV valuer Richard Kolff.

After being hammered over the past 10 years with a wine glut and financial crisis, vineyard owners were also big winners.

"Vineyard values are back up to 2007 levels prior to the global financial crisis," Kolff said.

"There have been more than 2200 hectares of new vineyard plantings since 2014, virtually all being sauvignon blanc."

Kolff said dairy farms had seen a modest lift in value levels which corresponded with increased dairy pay-outs.

Rural and lifestyle properties saw a 12.5 per cent increase to $580,000 and average land value up 9 per cent to $311,000.

Commercial and industrial properties also saw value increases close to 12 per cent since the 2014 rating revaluation.

First National Marlborough owner Owen Norrish said the QV numbers were conservative compared with what the market was doing.

"The Blenheim/Renwick medium price, for example, is $418,000 in current REINZ statistics," Norrish said.

"However, it does reflect the positive move we are seeing in Marlborough property. There's strong interest from the home ownership and the investment market."

The total rateable value of all properties in the Marlborough district was $19.79 billion, with the land value of those properties $9.37 billion.

You can check the new capital value of your house at marlborough.govt.nz.

Jacinda stumbled into a $520bn minefield

Jacinda Ardern's 'captain's call' to consider introducing a Capital Gains Tax in her first term was the strategic error that may have cost her the Prime Minister's job for at least three years. Bernard Hickey analyses that near-fatal decision and why it was so dangerous to even touch the hair trigger of the most explosive issue in New Zealand's political economy.

If only she had known how big a minefield it is, she might have made a different decision in her second week in the job.

Flushed with the success of her first week in charge of the Labour Party and a building wave of 'Jacinda effect' support, Ardern decided her 'relentless positivity' and an ambition to really deal to the housing crisis convinced her she could venture forth into a capital gains tax debate.

Her predecessor Andrew Little had decided that Labour's campaigns for a CGT (excluding the family home) in 2011 and 2014 had been one of the 'big hairy' policies that had scared middle New Zealand off voting for Labour. He also ditched Labour's plan to increase the age of eligibility for New Zealand Superannuation. Ardern kept the policy of leaving the age of eligibility at 65, but decided that her generation needed to know she was serious about addressing the housing affordability crisis.

If only she had known what she was dealing with, she might have made a different decision in those days before agreeing with Grant Robertson to let it be known in his debate with Steven Joyce on The Nation on Saturday August 12 that Labour would not rule out a CGT in its first term.

It seemed harmless enough at the time.

The exchange on The Nation that Saturday morning just 11 days after Ardern was elected leader looked like a statement of the obvious that was designed to fly through the keeper.

Asked by Lisa Owen if he could rule out a CGT in Labour's term, Robertson said: "We've got a tax working group. I can't pre-empt what they're going to come back and decide."

Sensing he was tip-toeing into the minefield, Owen pressed again: "So you can't rule it out? Could come in the first term?"

'Careful where you step'

Watching Robertson's response was like watching someone look over their shoulder while walking forward into a field marked "Mines. Danger!"

"I can't pre-empt what that group says, but here's the important point — right now today we have something called the bright-line test that the National Party brought in. It says that if you sell a house that's not your family home within two years, you'll pay tax on it. Steven has a form of capital gains tax."

The attempt at distraction only served to pique Steven Joyce's interest. In that moment, Joyce knew he had found a way to disarm the 'Jacinda Effect.'

Immediately, he pounced, setting out National's entire election strategy in one statement on the hoof.

"I think there's a problem there for the Labour Party, because they're dodgy on tax. They're refusing to say about the capital gains, they've mentioned a water tax last week, but they won't tell us how much it is, and then, of course, they've got a regional fuel tax they won't talk about where it goes beyond Auckland," Joyce said.

Within days, Joyce was talking about Labour's 'seven new taxes' and directing his ad agency to focus National's attack on Labour's tax plans. In the last two weeks of the campaign, National's attack ads on tax flooded the nation's Facebook news feeds and successfully caused National's rebound in the last two weeks.

Within two days of Robertson's soft reversal of Little's CGT first-term-rule-out, Ardern confirmed that she had endorsed the change in strategy from her predecessor.

I remember, slightly dumbfounded the next week, asking Ardern why she was taking the risk of poking the capital gains beast when Labour's own (very clever) policy was to extend National's two-year capital gains tax to five years. That would effectively tax capital gains by landlords in the first five years without prompting an attack from National, who could not credibly attack an extended version of a policy they had introduced themselves.

Ardern's argument was that housing affordability was an urgent issue and she could not afford to wait to help a generation locked out of the housing market.

"I am maintaining our right and ability to act on its (the working group's) findings and do the right thing when we're in government. We're yet to know what that will be though," she told reporters on the Tuesday after Robertson's Saturday morning comments.

"I've been very, very transparent on this. We do not think that assets are treated fairly, relative to other forms of taxation in New Zealand. The fact that someone can go out and work a 40-hour week and pay tax on that, while someone can own multiple homes, flick them off for capital gain and is often not treated in that same fair manner, is something that needs to be addressed," she said.

"Most countries have. New Zealand sits on its own in that regard."

Ardern again made clear it would not apply to the family home, but the genie was well and truly out of the bottle by then.

Why is it so explosive?

People often under-estimate what is at stake in the debate about CGT.

They essentially don't understand how New Zealand's households go about building wealth and arranging their finances. It's an easy mistake to make if you don't own property and you've never built or owned your own business, which Ardern has not done. (She has only recently bought a home with her partner Clarke Gayford).

The family home is at the centre of the New Zealand household's financial thinking. The numbers are enormous and are the most powerful force dragging on any attempts at changing the trajectory of New Zealand's political economy. Regular workers can earn twice and three times more just by owning property than they can from a real job, where they have to pay tax.

'Don't you dare touch my capital gains'

There is so much to lose for property owners, who vote at much higher rates than renters, and for New Zealand's 450,000 small businesses with one to five employees.

The numbers are astonishing and should have been laid out in front of Jacinda Ardern before she decided in a moment of 'Jacinda effect' confidence that they could be overcome.

Just have a look at table C21 in the Reserve Bank's series of statistics on household wealth. It shows that household net wealth rose $520 billion between September 2008 and the March quarter of 2017. That was largely because of a $320 billion rise in the value of housing and land - none of which was taxed. Some of the rest were rises in the value of capital in businesses, which is untaxed.

It is the dirty little secret of New Zealand's financial life. There is much more money to be made - tax free - by buying rental property funded by bank loans than by actually working in real jobs. The leveraged returns over the last two decades have increased household net worth from $427 billion in September 1999 to $1.38 trillion by March of 2017.

That is trillion with a 'T'. That $1.38 trillion is 5.1 times GDP. The gains since National was elected in 2008 are equal to twice the GDP of the country. Over 60 percent of New Zealanders own property and they know their net worth in their bones. It's no accident that homes.co.nz has become a very popular site because it allows home owners to effectively check their net worth daily as their property values rise.

Going for the CGT jugular

Joyce and English sensed the vulnerability and quickly engineered a campaign to highlight the potential risks of a capital gains tax for small businesses that are funded off the family home and for families who depend on the inheritance handed on when an elderly relative passes on.

They then leapt on the possibility that Labour's Tax Working Group would suggest a land tax. They knew this all too well, given their own 2009 Tax Working Group had recommended just such a land tax.

Bill English used a trip to a Lower Hutt retirement village, Ryman Healthcare's Bob Scott complex, on September 5 to ram the point home.

English said Labour needed to be clearer about its position on tax so Kiwi voters could be fully informed.

“You take a group like this (referring to the Bob Scott residents), superannuitants all own their own houses, a lot of them own their own houses, but they don’t have much income," he said.

“They already pay rates and now the Labour leader is floating the idea that there’ll be a land tax on top of your rates."

Within hours, Ardern had to rule out such a tax.

Here comes an inheritance tax

Less than a week later, English highlighted the risk that a Capital Gains Tax could turn into an inheritance tax. He did that while talking to vegetable packers in Levin - many of whom could only ever aspire to home ownership and the windfall capital gains that have come with it.

The idea is that the family home exemption would evaporate upon death. It was an easy accusation to make in the vacuum left by Ardern's reliance on the un-made recommendations of the unformed tax working group.

"I presume, for instance, for the inheritance tax - which has widespread impact because it's for every family where the parents die and leave the house - every family whose older parents own a home when they pass away - it now looks like Labour is entertaining the idea of an inheritance tax on that house," English said with a smile.

"If they bought it 20 years ago for a couple of hundred thousand and now they can sell it for a million then how's it going to work?

"Labour should be upfront with the public. What they're asking the public to do is to vote for a committee in this election to decide one of the most critical issues for our economic success, and that is how the tax system works.

"They're asking New Zealanders to hand them their ATM card and they'll give it back in a year when they've decided how to spend it."

“New Zealanders need to know what they mean by that, otherwise Labour is asking for New Zealanders to give them a blank cheque, that is, ‘Vote us in and we can think of any tax at any rate and you have to pay it, and by the way what we’re spending it on we can’t really show it will make any difference’.”

Again, within hours, Ardern and Robertson ruled out an inheritance tax.

The reversal of a captain's call

By September 14 the pressure was intense and the weight of that $520b of untaxed capital gain became too much for Ardern to bear. She reversed her captain's call and said voters could say in the 2020 election whether legislation for a CGT excluding the family home would apply after the election. She had essentially adopted Little's stance again.

No doubt Labour's focus groups and internal polling showed that the dirty little secret of New Zealand life was too dirty to be laundered in public and through the tax system.

"I think it was a crazy brave thing to do," said Stephen Mills from Labour's polling company UMR of the CGT captain's call.

"When I first heard about it (leaving open a CGT in a first term) I put my head in my hands and made a secular prayer that I hadn't heard what I'd just heard," Mills told Kathryn Ryan earlier this week.

Ardern's captain's call was all designed to buy Labour and Generation Rent another six to 12 months of time of a CGT to influence the behaviour of property buyers.

In essence, the political risk was not worth the reward.

Those attacks on Labour's CGT plans through mid to late August coincided with a rebound in polling support for National. They cost Ardern the election.

If only she had known she was attacking $520 billion worth of wealth, she might have thought more than twice in her first week in the job that it was worth the risk.

Christchurch City Council to focus on keeping rates rises under 5%

Christchurch City Council says it will focus on keeping rate rises below 5 per cent during the next 10 years – even if it means reducing services.

The declaration was made in a mayor's report outlining councillor expectations for the 2018-2028 long term plan (LTP) – a critical document setting out the council's spending priorities for the next 10 years.

The report said the council would need to balance post-earthquake investment in the city with the need to reduce costs for ratepayers.

"The right thing for ratepayers must be a reduction in the percentage rates increase," it said.

Rates rose 5.5 per cent this financial year and had increased above the rate of inflation each year since the 2010 and 2011 earthquakes.

The report said rates increases of this magnitude were not sustainable and all avenues must be explored to keep rate increases at a minimum.

The council wanted rises to track downwards to under 5 per cent and settle to a rate in proportion with the inflationary pressures faced by the council.

However, exactly what the council's inflationary rate was, was not known, but staff would provide information in the draft LTP on what measure it would use to determine the council's inflationary rate.

The average rise in local government costs was about 3 per cent annually, Local Government New Zealand president Dave Cull said last month.

In order to keep rate increases down, councillors had acknowledged there would have to be a reduction in operating and capital expenditure.

Councillors have asked staff to provide them with options for managing a reduction in operating expenditure, including service reductions if that was required.

The report said operating expenditure reductions should focus on the water and transport areas, plus parks and recreation and sport functions.

When asked if reducing operating expenditure would lead to job losses, Mayor Lianne Dalziel said that would be "drawing a long bow".

The council had already been through significant restructuring in the past few years, saving millions of dollars and leading the loss of 46 jobs in 2015.

The report said councillors appreciated the LTP would be financially challenging given the volume of capital work the council had still to do and the savings the organisation had already made in operating expenditure.

"There will be demand for more projects and funding than the council can afford."

The council still faced the unknown cost of completely repairing its earthquake-damaged horizontal infrastructure and the consequences of managing major storm events and coastal issues including rising sea levels.

Recovery costs for the Port Hills fires would also be significant, the report said.

Dalziel said there was now a need for a cost-sharing agreement with the Government on land drainage and it was top of her list to bring up with the Government post-election.

"It's not sexy to talk about land drainage, but it's fundamental to getting the city right."

Planning for the council's LTP has started and a draft would be released for consultation early next year, before being approved by the council in June.

Urgent hearing sought for appeals against rates rulings

The Northland Regional Council (NRC) is to file an appeal against a recent High Court decision quashing several years of its rates in the Kaipara district and is seeking to appeal the court's earlier related decision which found two issues with the council's rating practices.

These issues were how council set due dates for the payment of rates and its arrangements for rate collection within the Kaipara district. The council is also seeking an urgent hearing for the appeals.

The High Court last month (subs: August) made an order setting aside the regional council's rates for the Kaipara district for the five rating years 2011/12 to 2015/16 inclusive and any penalties imposed by – or on behalf of – NRC over that same period.

However, the High Court was clear that there was to be no order requiring the council to refund the rates and penalties involved, despite finding for the plaintiffs (the Mangawhai Ratepayers and Residents Association and Richard Bruce Rogan and Heather Elizabeth Rogan) on the legal status of the rates.

Soon after the release of the most recent High Court decision, regional council chairman Bill Shepherd said at the heart of the case – which had implications for local authorities nationally – was the council's use of its Kaipara district counterpart to collect rates on its behalf.

Chairman Shepherd confirmed today (subs: Weds 13 Sept) that appeal documents will be filed with the Court of Appeal.

He says in its decision, the High Court had noted the NRC had acted in good faith with the judge commenting the council "may have fallen victim to legislation that was less precise than it needed to be".

With that in mind, in addition to the appeal, Chairman Shepherd says the council will also approach the Department of Internal Affairs asking it for a law change clarifying the section of the Rating Act covering rates collection arrangements.

Chairman Shepherd says that if an urgent hearing is granted, the council's appeals could potentially be heard before a three-member bench of the Court of Appeal within three to five months; much less than the nine to 12 months likely under a standard appeal.

Initial estimates were that the appeal could cost the NRC in the order of $170,000 to $190,000.

While appealing will be costly, the council feels the issues at stake are too important not to appeal. The collection of rates by the district councils in the region on behalf of the regional council provides significant cost savings which benefit the region's ratepayers.

Referring to the years at the centre of the High Court case, Chairman Shepherd says ratepayers can be assured "our council has not acted irresponsibly and blatantly flouted the law".

“We have arranged the collection of our rates by the Kaipara, Whangarei and Far North District Councils using standard sector practice in the interests of saving our ratepayers the additional cost of maintaining a separate rates collection department within our council.”

Chairman Shepherd says it’s also important to remember that all the rates collected during the years covered by the court case had been spent in good faith on a wide range of projects and work programmes that had been clearly outlined in the relevant Annual and/or Long Term Plans at the time.

“These plans are widely consulted on and outline how we fulfil our purpose for our communities; including outlining how much we will collect in rates and how and where we will spend them.”

Lastly, he says it’s important to remember the judge’s decisions do not relate to the rates for the current financial year, or the 2016/17 financial year.

Property: Auckland's heat moved to the regions

Heat from Auckland's previously red-hot market is now being seen in other regions, where prices are soaring.

New figures showed house prices in the country's biggest city have settled at an estimated median value of $1.04m - zero growth across the wider region in the quarter to the end of July.

The latest QV Property Report, out today, showed the growth seen in Auckland in recent years had abated and even dropped in certain centres - albeit as detailed in the Herald on Sunday report prices remained at levels almost double what they were 10 years ago in most places.

QV national spokeswoman Andrea Rush said the cost of a home in main centres, like Auckland, has now priced many buyers out of the cities and they have looked to the regions as an alternative.

"Also given that properties are much more affordable in the regions, the LVR restrictions and bank lending restrictions do not impact as much in terms of a lower level of finance and deposit needed."

The "rekindled demand" in the regions had driven the growth in regional prices, she said.

The QV report showed Napier City was leading the pack among the North Island's regional areas - up $24,252 (5.7 per cent) to an estimated median of $449,717 in the three months to the end of July.

Whanganui was close on its heels, up $8814 (4 per cent) to in the same three month-period. Whangarei climbed 3.4 per cent to $494,212.

Across the year to the end of July many of the regions experienced percentage growth in the double-digits.

Prices in the Hastings District rose $70,625 (20 per cent) in the last 12 months to $423,750.

Comparatively, the five Auckland regions only saw between 3.7 per cent to 6.1 per cent growth across the same year.

Auckland City saw the largest growth, up $70,990 (6.1 per cent) to $1.23m. The North Shore saw the slowest rate of growth up $42,903 (3.7 per cent) to $1.20m in the year to the end of July.

The estimated median values, collated by CoreLogic, were reached by calculating a weighted average for the suburb according to the estimated market value of each property.

Harcourts CEO Chris Kennedy said despite comments the market was slowing, he said the figures showed it had only slowed "ever so slightly".

"It's still a solid market, still going really well."

The borrowing restrictions had played a part in cooling down Auckland's prices, Kennedy said, which was reflected in the growth in value in the regional centres.

"There's a whole lot of hoops that people now have to jump through. It's all had an impact in Auckland, but there is still a ripple effect of high values running down through the country.

He used Dunedin as an example where prices had gone up.

TradeMe Head of Property Nigel Jeffries said the tighter restrictions to get a mortgage and high prices had made it harder for many to buy in the main centres.

"I think we have hit an affordability and lifestyle point where owners either cannot take on the bigger mortgage or choose not to take it on for lifestyle reasons."

The election could also be having a dampening effect in the market, Jeffries said.

"The looming uncertainty about next month's election is playing a part as buyers and sellers wait for the election results before making a move."

Despite calls to loosen the LVR as real estate sales began to drop off significantly Jeffries said the most important thing was to ensure the country had "robust and well-capitalised lenders".

"If the LVRs are what we need to achieve this then the pain it inflicts on us is worth it."

A more "granular management" of the LVR was another option that could see restrictions based more on level of risk of the lend and the overall bank portfolio risk, he said.

It was only a matter of time before the restrictions also had an affect on the regions, Jeffries said.

"From a cyclical perspective, the growth in the regions is to be expected as it normally follows growth in the main metros.

"Given the very high regional growth rates, we wouldn't expect these to be repeated for much longer as the markets will be approaching their own affordability thresholds."

Opportunity to check property details are up to date

Opportunity to check property details are up to date before revaluation

This year’s rating revaluation is a good chance for property owners to check their property details are up to date.

Property rating valuations are one factor used by councils to distribute rates across the region and councils are required to ensure property values in the district are revalued at least every three years. Kāpiti Coast District Council has engaged independent valuers Quotable Value (QV) to carry out this work.

If you have recently made improvements to your property that didn’t require a building consent then QV won’t know about the value you have added. You can check your general property information and make corrections as well as advising QV of improvements on the website www.updatemyproperty.co.nz. Alternatively, contact QV on 0800 787 284.

More about the Kāpiti Coast District revaluation:

• QV will notify ratepayers of their new rating valuation in late October 2017. Property owners that wish to object to their new valuation will have until early December 2017 to do so, free of charge. The new valuations will be used for rating purposes from 1 July 2018.

• It's important to remember that increasing the rateable value of a property does not automatically result in the equivalent rates increase for that property. The total amount of rates collected by the Council each year are allocated across the community using a combination of land value, capital value and fixed charges, with differential rates applied in some cases. Typically, where a property's revaluation exceeds the average revaluation increase in an area, the property will have a slightly higher rates increase than the average. Conversely, a property that has a revaluation below the average revaluation increase for that area will have a slightly lower rates increase than the average

• Rating values are not individual market valuations of every property like those undertaken by private valuers. Instead, for rating purposes the values are determined using a range of factors, including analysing resource and building consents and the sales of properties over the last three years. Rating values are then set for all properties at a common effective date.

• Once QV has completed their updated valuations for the district these will be independently audited by the Office of the Valuer General and need to meet rigorous quality standards before they're certified.

National property values show little growth

The majority of New Zealand has shown little property value growth, according to the latest data analysis from CoreLogic.

Property values in Manukau have recorded the strongest growth at 29%– a continuation of growth for the rest of the Auckland region since 2012.

North Shore was 5.7% behind while the Bay of Plenty registered 21.4% value growth, the report said.

Auckland City saw 21.4% growth over the reporting period, with Waikato a further 1.4% back on 20.0% growth (January 2015 to April 2016).

CoreLogic senior research analyst Nick Goodall said the big centres in the top half of the North Island were "flexing their muscles" but he doubts they could keep up.

Goodall said Canterbury, Taranaki, Southland and Manawatu were "struggling to find form."

"Looking at Canterbury, it's worth pointing out that the region was significantly affected by the 2010 and 2011 earthquakes which reduced property stock and increased demand in the short term as the rebuild got underway," Goodall said.

"This meant its property values grew out of cycle with most of the rest of NZ and by 2015, while most other areas saw little value growth; it had appreciated by almost 30%."

Over the full 32 months from January 2015 to September 2017, the Bay of Plenty, according to Goodall, scored a final "points haul" of 49.3% growth.

Waikato was a few points down at 43.9% while Northland ranked thirds with 42.9% growth over the period. Manukau was at 42.7%, while Auckland City dropped back to seventh and North Shore to ninth.

Southland and Taranaki grew fewer than 20% Canterbury remained at the bottom of the table with only 6.1% increase over the entire period, Goodall said.

CoreLogic used the QV House Price Index and grouped 14 regions and cities to compare value growth between provinces.

Life in Rotorua suburbs where property values are hot - and not so hot

John Prentice retired in Koutu 14 years ago and has watched the area grow with new developments.

"Rotorua is a very nice place to live," he said. "The standard of housing is improving here, especially in our suburb."

Not so surprising then, is the rising house values in these streets stretching four blocks west from the shores of Lake Rotorua - almost, but not quite, to State Highway 5.

Koutu is also close to the city, and the Prentices enjoy the "well set up park" on the main road.

Increases in house values in the past three years show Rotorua's property market is far from ready to cool down.

In the QV House Price Index released on Monday, figures showed a growth in house value across the country, with the exception of a few suburbs which had decreased.

Across the regions, Rotorua had some of the highest increases of value in the last three years, with some extending well over 100 per cent.

The top three suburbs were Koutu (147.8 per cent), Glenholme (123.5 per cent) and Mangakakahi (101 per cent).

As a potential vendor, Mr Prentice said he was alright with the increasing values as he could sell and buy on the same market.

Yet, he agreed this could have a negative effect on people who struggled financially to keep up with the market.

"It worries me," he said.

"It's a country-wide problem that the government hasn't addressed. Recovery in housing and rent has to be led from the top, and that's what the government's job is."

However, Koutu was still decently affordable, he said.

"There are a lot of low-cost houses in Rotorua and particularly in our area. You can buy a reasonable house for $200,000 - you'd probably have to do a bit of work on them, but you can get on the ladder of housing quite easily here."

The median price for June 2014 in Koutu was $100,500. As per May 2017, that number is $249,000.

Although there were no suburbs in which house values decreased over the past three years, some only increased by a small fraction.

Barely 2km west of Mr Prentice, Pukehangi increased 0.6% from an average price of $309,000 in June 2014 to $311,000 in June 2017.

Pukehangi resident Angela Pubben said this could be because not a lot of care goes into some of the houses in some areas.

"More than half the houses [in this area] are not that nice, but there are still good homeowners here that I've met," she said.

She thought it could be the "not as nice" houses are rentals as opposed to owned homes, but said that was just her speculation.

For people who struggled financially, Miss Pubben thought it would have a positive effect, since the increase was small.

The only downside of the area, she said, was local parks could not be enjoyed.

"With the parks and things that we do have, people just wreck them. I always take the kids out of the area [to go to the park].

This, she said, was probably a bigger reason as to why the suburb's overall value had not increased by much in the past three years.

"There's a lot of riff-raff in our area and I wish there wasn't."

Refusal to rule out land tax will scare struggling kiwis

The Labour leader’s refusal to rule out introducing a land tax in the first term of a Labour-led Government will scare New Zealanders struggling to pay the monthly bills, says the Taxpayers’ Union. Ms Ardern refused to rule out a tax when asked repeatedly this morning on Radio NZ’s Morning Report.

Jordan Williams, Executive Director, says, “This punching in the dark on taxes, leaving it all to some unknown panel of political sock puppets, isn’t good enough. It creates financial uncertainty for the very New Zealanders who can least afford it.”

“A land tax is scary for pensioners, who already struggle to pay exorbitant rates. It’s alarming for renters, whose rent will go up as landlords pass on the costs of a land tax.”

“A land tax is particularly scary for Māori. A lot of Māori land holdings are uneconomic, and a land tax would be handing iwi enormous liabilities.”

“We’re open to changing the mix of New Zealand’s tax system. But Labour needs to commit to reducing other taxes to make up for their new tax revenue. With the Crown books in surplus, it is unconscionable for Labour to want to dig even deeper into householders’ pockets.”

Auckland University's Ryan Greenaway-McGrevy extols the virtues of a land tax & how one would hit both landbankers and wealthy foreigners buying NZ land

The Government's Tax Working Group, the Productivity Commission and the OECD have all suggested New Zealand should consider introducing a land tax.

But heading into the September 23 election none of our major political parties are proposing one. Instead the tax debate is focused around the possibility of a Capital Gains Tax, excluding the family home, possibly being introduced if Labour win.

Ryan Greenaway-McGrevy, a senior lecturer in economics at the University of Auckland, is a fan of a land tax. In a Double Shot interview he explained why.

Greenaway-McGrevy says many taxes come with bad unintended consequences usually as people try to avoid paying them. This happens because tax influences peoples incentives and behaviours, often in counterproductive ways.

"We tax income, we tax work. That reduces the return for working and that could act as a disincentive for people to take on additional work," says Greenaway-McGrevy.

"If we think about taxing capital through say a capital gains tax, that affects a person's incentive to invest. And as a consequence they may invest less in new residential construction, they may invest less in businesses, less in companies. Arguably that would be a bad outcome."

If you tax a particular activity it reduces the incentive to perform that activity, Greenaway-McGrevy adds.

"When it comes to land, however, the amount of land is fixed. So if you are going to tax landowners they can't turn around and say 'well we are going to react to that by making less land.' So we're not going to affect the total amount of land in the economy if we choose to tax it. So that's one of the reasons why I favour it and a lot of other economists favour it [a land tax]. It's a very efficient form of taxation. It's one of the reasons why the Tax Working Group was in favour of it. Essentially because it minimises those bad unintended outcomes [and] it could also potentially result in some good unintended consequences."

So how would a land tax be structured and paid?

"Usually it would be levied in the land value embedded in a property. So if you think about your typical residential home [with a] freehold land title, if it's worth $1 million according to the assessor perhaps the improvements or the residential structure's worth $300,000. Subtract that off [and] you're left with the value of the underlying land of let's say $700,000. The land tax would be levied on that...[at] say 1%," says Greenaway-McGrevy.

"Back in 2010 it was estimated that would bring in about $4.6 billion, taking into account that land values would fall after the tax is implemented. The Tax Working Group thought they'd fall by about 17%. We've seen massive price appreciation in the value of residential land, so we might see more money being raised these days."

Greenaway-McGrevy says land values falling would be a good thing in the context of tackling housing affordability problems with many potential first home buyers deposit constrained, because they require 10%, or in most cases a 20% deposit under the loan-to-value ratio (LVR) restrictions.

"So bringing down house prices through reducing the value of land could get more first time home buyers into a home. However, you have to recognise that it's only those individuals that are deposit constrained that are going to benefit from it. Because as soon as you buy that house you have this tax liability going forward, - the land tax," Greenaway-McGrevy says.

Additionally he points out a land tax could hit both landbankers and wealthy foreigners buying up New Zealand land.

"It creates a tremendous incentive to develop land to its full potential because any improvements that you add to the land will not be taxed. And any improvements that you make will help you offset that tax liability. So right now we arguably have a landbanking problem in Auckland in particular and this [land tax] would disincentivise that option value of sitting around and waiting to develop that piece of land. You really want to do it [develop] sooner rather than later when you've got this tax liability," Greenaway-McGrevy says.

"For better or worse right now we allow foreigners to come in a buy some of the most pristine parts of the country. I'm of the opinion that if we are going to do that, we should be taxing these individuals. Why? Well right now their contribution is rather small to New Zealand through council rates, and if they're buying goods and services through GST. If you think about why New Zealand's so attractive, one we've got a lot of natural beauty. We're also a stable, liberal democracy that's developed. So these people are benefiting from the fact that the New Zealand economy is stable and relatively prosperous. They should be contributing to it one way or another. A land tax would achieve that. It would do so in a very efficient way as well because it's very hard to avoid."

Greenaway-McGrevy says a land tax would be levied by the central government, meaning it would come on top of rates land owners already pay to local government. But to compensate for the addition of a land tax, tax would be offset elsewhere.

"We'd implement a land tax and perhaps reduce income tax or reduce GST. And the goal would be that the average New Zealander would be left no better or worse off," he says.

Rating Auckland's value

Approximately 540,000 residential properties in the Auckland region are due to get an updated rating valuation (RV) this year.

This is part of the region-wide rating revaluation being carried out by Auckland Council with the assistance of rating valuation service providers including state-owned valuer Quotable Value (QV).

A rating value is the estimated market value of a property on a particular date (not including chattels). For the Auckland region, the new values will be set as at the date of July 1, 2017.

Rating values are assessed by Auckland Council every three years, and were last set as at July 1, 2014. Rating values are one of a number of factors used to assist local councils around New Zealand in setting rates.

QV calculates RVs by analysing the councils' data on properties in your area. Our valuers may inspect residential properties sold recently and those where building consents show work has recently been completed.

We also compare and contrast similar properties using technology and experience to determine a property's updated rating value.

Rating values are independently audited by the Office of the Valuer General. Rigorous quality standards need to be met before a revaluation is confirmed.

The QV House Price Index figures show in that three-year period since the last rating revaluation in the Auckland region, the average value has risen 40 per cent from $720,426 in July 2014, to $1,044,303 in July 2017.

Auckland property owners will receive notification of their new rating values in early November.

If a rating value has changed, that doesn't necessarily mean that your rates will change, it depends on

Auckland Council's requirements and how rating values have changed over the rest of the area.

Something many people forget is that the rating value of a property willrelate to market value only at the time it is set.

That is why an RV should not be used as a guide to what your property will sell for on the market anytime thereafter as it is designed only for rating purposes.

You can looks up sales in your area on QV.co.nz for your area, at any time. For more information visit qvgroup.qv.co.nz/rating-values.

You will have the chance to object to your new RV if you believe it doesn't reflect your property's market value as at

July 1, 2017. Details will be included in your revaluation notice.

You can research local area sales and other property information on QV.co.nz or on the QVhomeguide app that you can download on Apple or Android devices.

The effective date of your rating value will be July 1, 2017 and that is the date that your home's rating value was re-assessed.

However, your council will not be using the new values for rating purposes until July 1, 2018.