IPTI Xtracts

Property Tax and Assessment News from Around the World

NEW ZEALAND - January 2018

Tauranga's commercial sector vows to fight council's shock 'unfair' rates plan

Commercial forces are mobilising to fight Tauranga City Council's "unfair" plan to lump businesses with a bigger chunk of the city's ballooning rates bill.

Some in the business community say the proposal to charge commercial ratepayers a 60 per cent higher general rate than residential ratepayers is about votes, not fairness.

In December the council unanimously voted to consult with the community on a series of changes to the city's rates system, saying it would result in a fairer system more in line with other New Zealand cities.

The Property Council of New Zealand and Tauranga's Chamber of Commerce are now speaking out against the plan.

Chamber chief executive Stan Gregec said members worried the business community had been singled out as a "soft target" for higher rates.

The assumption businesses could afford to pay more needed to be challenged, he said, as did the view of the sector as "a cash cow to spare the impact of Council spending blow-outs on residential ratepayers."

The council's most recent estimate put the average citywide rates rise for 2018/19 at 9.7 per cent.

In spite of that increase, the council's proposed changes - which also involved halving the Uniform Annual General Charge - would mean about a third of residential ratepayers could see their rates bill drop.

Cities that had differentials and a lower annual charge than Tauranga included Auckland, Wellington, Hamilton, Christchurch and Dunedin.

Connal Townsend, chief executive of the Property Council New Zealand, of which 53 Bay corporate entities were members, said most cities with differentials were trying to get out of them.

"A business differential is one of the most unfair ways of funding a city you can imagine".

Townsend believed the move was all about votes: residential ratepayers had many, commercial ratepayers had few.

"Businesses have paid their fair share of an equitable rate. If the rate was not struck at an equitable level then why is that the ratepayer's fault?"

Targeted rates were a better way to fund special projects because payers could see where the money was going.

The Property Council held an emergency meeting in Tauranga on Thursday night, resolving to fight the proposal and investigate how it came to be, said Bay of Plenty branch president Brooke Courtney.

"Inevitably, if this proposal goes through it will seriously damage Tauranga's CBD and other commercial centres.

"This will have a much bigger impact than just business owners."

Mayor Greg Brownless said businesses were better able to pay a higher level of rates.

"It is fairer to charge businesses a bit more because they can claim the GST back on their rates.

"Businesses are also asking us to spend more on development and things, and that has a cost."

To the predictions of economic doom and gloom, he said other New Zealand cities had long-standing differentials and had continued to grow.

He thought calling an emergency meeting was "a bit dramatic" and said the city council had not engaged with business groups before the decision in an effort to "treat everybody equally".

Courtney and Gregec said they were surprised to only find out about the change via media reporting.

The council's chief financial officer Paul Davidson said formal consultation for the proposal would begin in March but some early engagement was already under way.

He said council staff would meet with industry groups and significantly affected businesses to provide more information.

The proposed rating changes were among the key issues the council identified for consultation for its draft Long-Term Plan 2018-28.

How does a differential work?

Instead of all landowners paying the same rate, multiplied by their property value, a differential means some groups pay a higher rate than others.

The council has proposed the owners of commercial property in Tauranga should pay a 60 per cent bigger share than residential ratepayers: a 1:1.6 differential.

It would be phased in over the next three years: 1:1.2 in 2018/19; 1:1.4 the following year; and 1:1.6 by 2020.

Aucklanders' last day to appeal property valuation

Thousands of Aucklanders have objected to the new valuation of their property as the appeal deadline looms for those yet to do so.

Auckland ratepayers have until 5pm to object to the new rateable valuation (RV) of their property.

Auckland Council head of rates Debbie Acott said as of January 15, 6164 objections lodged have been - 1.1 per cent of the 548,000 evaluated last year.

In late November council released its latest valuations, which showed the total value of all residential properties across the region surging by 45 per cent since the 2014 valuation - taking the average house value in the Super City to $1.076m.

Across individual properties, some saw their RV rise by as much as 437 per cent, while others slid by as much as 49 per cent.

Council was unable to elaborate further on the kinds of objections it had received to date and said it was too early for an outcome on any of the objections so far.

Acott expected the council to have reviewed the objections by June 30.

Lawyer Kate Sheehan was representing a number of clients filing objections and said having the appeal period across the holiday season would have caught a number of Aucklanders out.

"It's been very hard to get hold of experts to produce reports because everyone has been on holiday."

Acott said an extra two weeks had been added to the statutory period of 30 working days to allow for the holidays.

A late objection could also be lodged under "special circumstances", such as being out of the country for the entire appeal period.

To be entitled to object to a property's valuation Aucklanders needed to be ratepayers, the property owner, or acting on behalf of the owner, and must provide a reason for the objection.

To file an objection property owners needed to provide details of their property, including an estimate of what they believed the RV, land value and improvement value should be and the reason for objecting.

The council said on its website the reason must be because the valuation was "incorrect" not because of the impact it might have on rates.

Acott said late last year the impact of the revaluation on rates would not be known until the 2018 budget had been decided on.

She added just because a property had jumped in value did not mean there would be a corresponding increase in rates, and that rates were more to do with how a property's value had changed in proportion to the rest, than its actual RV.

Local taxes barely rise in 2018, but there are wide differences between cities

Homeowners and tenants both have to pay a little more in local council taxes this year, but the average rise is still marginal, according to research by the University of Groningen’s local government research centre Coelo.

Home owners will pay an average of €677 in local taxes in 2018, a rise of €4 on 2017.

For tenants, the rise is just €1, taking their local tax bill to an average of €329.

While all residents pay taxes to have their rubbish collected and waste water processed, only home owners pay property tax (OZB) which funds other council services.

The Coelo research is based on the 38 biggest local authority areas in the Netherlands.

Last year, some 40% of residents in the biggest towns and cities actually paid less in local taxes compared with 2016.

There are wide variations in payments.

In The Hague, for example, home owners will pay an average of just €546 in property taxes, while Delft residents just a few kilometres away will pay €843.

Preliminary research by RTL at the end of last year put the average increase for home owners at 1.7% next year.

Experts said then the 2018 rise is likely to be tempered because elections for most of the country's 380 local authorities take place in March this year.

Tasman house values rise almost a third in three years

The average value for a dwelling at Tapawera reached $311,000 as at September 1, a rise of 32.6 per cent over the past three years.

Residential house values have risen across Tasman district but the percentage hikes have been larger in areas around top-priced Richmond, with Motueka and Tapawera leading the way.

Quotable Value (QV) rating valuations show the value of the average dwelling at Motueka climbed 33.2 per cent over the three years to September 1, to reach $488,000.

Tapawera was not far behind with a percentage increase of 32.6 per cent taking the average value for a dwelling to $311,000 as at September 1.

Residential Location	Average dwelling value as at 1st September 2017	Average dwelling value Change % since 1st Sept. 2014
Richmond	$564,000	30%
Motueka	$488,000	33.2%
Wakefield	$490,000	30.6%
Brightwater	$541,000	30.6%
Tapawera	$311,000	32.6%
Murchison	$211,000	19.8%
Golden Bay	$428,000	18.3%

QV senior consultant and registered valuer Richard Kolff said the Tapawera market was "probably" within commuting distance to Richmond and Nelson, the mobile phone coverage had been improved in the area and it was more affordable compared with other areas around Richmond including Motueka and Wakefield.

Brightwater and Wakefield properties also recorded strong growth in values. Both towns had a 30.6 per cent rise in the value of an average dwelling, reaching $541,000 and $490,000 respectively.

At $564,000, Richmond took top honours for having the highest average dwelling value on a QV table as at September 1. That represented a 30 per cent rise since September 1, 2014.

Kolff said land values in Richmond had increased strongly due to "demand exceeding supply" for new sections.

"As house prices have increased in Richmond, there has been a flow-on effect to more affordable, outlying areas such as Motueka, Wakefield, Brightwater and Tapawera."

Values for residential properties in Golden Bay had been weak since 2008, he said.

However, the latest revaluation shows an 18.3 per cent climb to $428,000 for the average dwelling value.

"Although there is good demand for houses there, the land values have had little or no movement due to high development and construction costs," Kolff said.

QV prepared new rating valuations for 24,763 properties on behalf of Tasman District Council. They will be used by the council to help set rates for the next three years.

The revaluation figures show the total rateable value of the 24,763 properties was $17.7 billion with the land value of those properties at $9.3 billion.

Overall, there was a 22.3 per cent increase in capital values across the district over the past three years.

QV quality and audit manager Gail Smits told councillors the biggest increase was 34 per cent in the horticultural sector, which included vineyards, hops and pipfruit.

"They've all seen growth but probably more so the growth in the pipfruit," Smits said.

Some of that growth in value for pipfruit properties was due to new plantings "It's not just market forces."

By contrast, dairy farms had an increase of about 5 per cent only while pastoral farms climbed about 15 per cent.

The revaluations were a "snapshot" in time, based on property sales. A team of valuers considered the sales, prepared models, looked at individual pockets and made some roadside inspections "to produce a set of values that have been through quite a rigorous audit".

"We generally find most people want to have growth in those values and in most sectors of the market, we're actually seeing considerable growth," Smits said.

Kolff said commercial and industrial property values had also increased, with the average capital value for developed commercial property up by 9 per cent and the average capital value for developed industrial property increasing by 10.8 per cent over the past three years.

"Rural and lifestyle properties have also seen values increase since 2014 with the average improved lifestyle property capital value increasing by 22.7 per cent to $780,000 with the corresponding average land value for a lifestyle property increasing by 13.7 per cent to $413,000."

Property owners should receive a 2017 Notice of Rating Valuation with an updated rating value for their property. If they do not agree, they can lodge an objection until February 9.

Effect on rates

An increase in a property's valuation does not automatically mean an increase in the rates bill.

The revaluation does not increase or decrease the council's total rating income but it does affect how rates are allocated. If the council's rates income was a pie, a ratepayer's slice might get bigger if their property value has increased by more than the average, which is 22.3 per cent in this revaluation.

Rating values are just one factor that councils use to allocate rates and the latest revaluation will not have any effect until July 1.

- Stuff

Staggering divide between super-rich and rest of us in property markets

Figures from property valuation company CoreLogic have revealed house sale figures for the country's main centres' most and least-expensive sales in 2017.

New figures have revealed the staggering divide between the super-rich and the rest of us in New Zealand's city property markets.

At the top end is New Zealand's most expensive house sold in 2017 – a beachfront home on Auckland's North Shore, which reclaimed its title of the country's dearest after selling for almost $29 million.

Figures from property valuation company CoreLogic have revealed the most and least expensive house sales in 2017.

At the bottom end was a do-it-yourselfer's dream near Feilding, in Manawatū. But each of the country's main centres had at least $1.6m between the cheapest and dearest homes.

Auckland – where the cheapest home was a $112,000 flat in Scotia Pl, central Auckland – predictably had the biggest divide.

It was followed by Christchurch, where a lifestyle home on Hawthornden Rd fetched a cool $5.8m and a flat in St Asaph St, Phillipstown, sold for $65,000.

Wellington's top property was a $3.78m home looking over Oriental Bay to the city centre, while the cheapest – a unit in a Lower Hutt retirement community – had a view of a pohutukawa tree and a price tag of just $80,000.

Hamilton's top place went to a lifestyle block on Te Kowhai Rd, which sold for $2.85m, while the Waikato city's bottom was a flat in Alandale Ave, Flagstaff, which fetched $115,000.

New Zealand's dearest – at 19 O'Neill's Ave, Takapuna – was 1444 times the cost of the country's cheapest sold in 2017: a rundown house at Waituna West, near Feilding, that went for $20,000.

The Takapuna home – with a sale price of $28.8m – first took the crown of New Zealand's most-expensive when it sold in 2012 for a rumoured $14m.

The beachfront property features 1125 square metres of buildings on a 4396sqm section.

According to Auckland Council, it has a capital value of $28.5m – a doubling since 2014. The land alone is worth $19.8m. Council rates of $40,634 a year would be enough to financially cripple most New Zealanders.

Nick Goodall, head of research at CoreLogic, has been in the game for a while now but still gets amazed at some of the high prices reached at the top end – even if the pool of possible buyers would not seem big enough to drive such competition.

"The upper end can go pretty crazy," he said.

While Auckland's massive growth in high-end properties had been long-documented, other cities around New Zealand had strong growth at the top end too.

Properties at the bottom end of the market – particularly first homes and investment properties in the main centres – were also selling strongly, Goodall said.

Travel north out of Feilding on State Highway 54 and, behind an easily missed and overgrown gate in Waituna West, is New Zealand's cheapest sale from 2017.

The $20,000 home – $7000 more than its $13,000 capital valuation – is a bit beaten up and it seems nobody has called it home for several years, but it could make a nice bach with a little care.

It sits on steeply sloping section, gone wild and filled with chest-high grasses, and traffic is sparse. The view over farmland is idyllic.

Christchurch's languishing property values make it a tough city to leave

The top three territorial authorities on a league table of New Zealand's house prices ought to be no surprise – they are the Queenstown-Lakes District and Auckland and Wellington cities, in that order.

But where does Christchurch sit on that list? Where would you imagine? In the top 10, surely?

The answer is 17th, well below the outlying parts of greater Wellington, such as Porirua, Upper and Lower Hutt and the Kapiti Coast.

And it seems as if Christchurch is losing ground on the property values front, certainly compared with the other main centres.

In the last five years, according to Quotable Value figures, house prices in Christchurch City have risen by 21 per cent. Over the same period, they have risen 71 per cent in Auckland, 59 per cent in Hamilton, 44 per cent in Wellington and 37 per cent in Dunedin.

Canterbury property prices have been flat for the last year or so. Residential property prices from Amberley to Ashburton, and in nearly all Christchurch suburbs, are within a percentage point or two, up or down, from where they were 12 months ago.

Christchurch City houses are currently selling at about 2 per cent below the official Capital Values (CVs) used for rating purposes, which were last set in August 2016.

None of this is a problem for people who have no immediate intention of moving, or who might be buying and selling within the same Canterbury market.

But it does present a potential difficulty for people who want to sell their house in or around Christchurch and move to another city.

As things stand now, they will possibly get close to $500,000 for their average Christchurch house. To buy a comparable place to live in Wellington, they will have to pay $750,000.

Even moving to sunny Nelson or the Tasman District may require an extra $50,000 for a comparable home.

To buy an average Auckland house, they will need $1.2 million. There are only two Christchurch suburbs where property values come close to that – Fendalton and Scarborough Hill.

But selling a house in Fendalton won't guarantee anyone access to comparable Auckland suburbs such as Parnell or Remuera – the $1.2m is the average across the whole of Auckland. Parnell and Remuera houses typically change hands for $1.5m to $1.7m.

House prices rise and fall according to supply and demand. Crunching the numbers bears out recent suggestions that the post-quakes residential rebuild in Canterbury may have overshot.

That is not to say that Christchurch and the surrounding districts have built too many homes. But residents' needs are better met than in the overheated housing market of Auckland particularly.

The post-quake residential rebuild crested in 2014, a year in which Canterbury local authorities granted more than 7000 residential building consents.

Between June and November 2014, residential consents were being issued across Canterbury at more than 600 a month. That was close to the number being granted for Auckland City, where the population has been expanding rapidly, and certainly well ahead of the number being issued in the whole of the rest of the North Island.

Housing construction here is quieter now at about 5000 homes a year, but don't expect Christchurch property prices to start gaining on the more expensive centres any time soon.