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Property Tax and Assessment News from Around the World

# NEW ZEALAND – December 2019



## Taupō house values rise by 38 per cent

Recent news that Taupō residential property values increased by an average of 38 per cent across the district has met with mixed reaction.

Homeowners can celebrate, their big investment just got bigger. Local Harcourts co-owner Mary-Louise Johns says the three-yearly rateable value review was much anticipated and showed a significant increase in rateable values across the Taupō district.

"It's hard to say if the revaluation figures are about right, the market will determine that."

She says it's important to remember the main reason for the revaluation process is to set the rates.

"The revaluation process is not done to provide values for property owners for marketing or sales. Not all factors are considered in this assessment, for example work carried out that did not require consent, new chattels and redecoration."

Getting on the property ladder just got a little harder for first-home buyers. Mary-Louise says first-home buyers have to contend with a regional house price cap on loaning. For those buying with KiwiSaver and a Welcome Home Loan, the Taupō district is capped at $400,000 and the maximum loan is the house price cap less a 10 per cent deposit. Essentially, buyers are limited to houses priced under $400,000.

Mary-Louise says in a buoyant market, such as in Taupō, the majority of properties are listed using a "no price" marketing strategy such as auction, tender or by negotiation.

"Many sellers and buyers default to the RV as an indicative market value," says Mary-Louise.

She says some investors may use an increase in equity as leverage to buy more investment properties.

"Other investors may be tempted by the significant increase in perceived market value to try the market."

Opteon carried out the valuations for the Taupō District Council using a mass appraisal process. The valuations are a snapshot in time, as at July 1, and do not take into account positive market conditions in the past five months.

Home values in Mangakino shot up by a massive 93 per cent, while Tūrangi and Kinloch home values increased by 59 per cent and 37 per cent respectively.

In non-residential property, lifestyle blocks went up 42 per cent in value, commercial and accommodation properties increased in value by 23 per cent, and industrial property rose 18 per cent. Recent poor returns in farming were reflected with pastoral farms increasing in value by 11 per cent and dairy farms devaluing by 6 per cent.

Home owners should have been sent their updated property valuations by now and can lodge an objection if they disagree with their new valuation.

Winners from the revaluation exercise are the district and regional council, as a big part of the rating calculation is property values. Property owners can expect changes to their rates payments to take effect from July 1, 2020.

## Three-yearly revaluation shows jump in property values in Whanganui district

Whanganui's booming residential property market has seen the average house value shoot up nearly 56 per cent in the past three years to $336,000.

Quotable Value (QV), which values properties on behalf of Whanganui District Council, yesterday released the 2019 revaluation figures.

"Residential housing is showing an average capital value increase since the previous revaluation in 2016 of 55.7 per cent, with the average house value now $336,000, while the corresponding average land value increased by 91.8 per cent to an average of $126,000," QV valuer Simon Willocks said.

"Value level changes varies on location and house type."

Residential house price movements showed that most value growth had occurred in the past 12 months.

The updated rating valuations reflect the likely selling price of a property at the revaluation date, which was September 1, 2019, but do not include chattels.

"Commercial property is showing an overall increase of 15.6 per cent, while the industrial sector has increased 39.4 per cent relative to the 2016 capital value levels," Willocks said.

"Land values have increased overall with 39 per cent for commercial and 91.8 per cent for industrial compared to 2016 land values.

"Lifestyle properties have seen value increases since 2016, with the average improved lifestyle property capital value increasing by 38.3 per cent to $547,000, while the corresponding average land value for a lifestyle property increased by 48.3 per cent to $254,000

## Cut taxes, Labour, and earn the right to reform

OPINION: If recent polling hasn't sent shockwaves through Labour then we haven't been paying attention.

This week's Colmar-Brunton poll showed the latest in a growing trend. Voters who flocked to Labour earlier in the year have taken a look, and don't like what they see. National is on the rise. Despite an unpopular leader, and a dearth of policy ideas, they may stumble into government.

Based on the average of polls, Labour can still govern. But it should worry us that we haven't capitalised on Jacinda Ardern's popularity - either to make lasting economic change, or win new voters to Labour's cause.

The coming election will be close, and Labour should not risk a Simon Bridges government that would roll back even the small progress the country is making under Labour.

Luckily, Labour has a policy that would stifle National's growing support, and seal the next election - a tax cut for working people.

The ammunition is already there; a budget surplus and record-low interest rates make public debt the least of our worries. So too is the economic case; as the world economy slows. the government needs to spend money to keep our economy running.

Grant Robertson's announcement on new infrastructure spending is a welcome addition to repair our crumbling roads and nightmarish public transport. But big projects take years to plan and instigate - whereas a low-income tax cut could put money in workers' pockets within months.

Strongest of all is the political case. National has struggled to differentiate itself from Labour, failing, as Labour did, to redefine itself in opposition. But as we saw in 2017 they still have one message left: voters can't trust Labour on tax.

Unlike National's flawed tax cut in 2017, a Labour tax cut should target earners on the bottom end, rather than those above $50,000 per year. A cut in the bottom rate, or even better, the creation of a tax-free bracket which exists in many other countries, would help the rich and poor alike, including welfare recipients, pensioners and minimum wage workers.

But a tax cut is not enough for a transformational Labour government. It must be used to lay the groundwork for further reform of our dysfunctional tax system.

The way we pay tax is fundamentally flawed - the burden falls too heavily on those who earn, rather than those who own. Unfortunately, coalition politics has made a switch to capital gains taxation unfeasible for the government.

But other, bolder avenues for reform are still open - notably a tax switch toward wealth or land, in exchange for lower rates on income.

As new research shows, a wealth tax would make the economy run better by forcing investors to seek more productive assets. It also lessens the burden on the factory worker, the teacher, or the nurse.

A land value tax would capture the windfall gain for landlords in our largest and most productive cities. It would incentivise the creation of denser, more affordable housing, and by definition, target owners of land, rather than earners of income.

Both would inevitably trigger attacks from the Opposition. But how effective would these be if Labour has already let people keep more from their paycheques?

National would be backed into a corner, as Labour was in 2015 when the Key government raised benefits - forced to choose between supporting the tax cuts, and voting against the government. National's best talking point would be nullified.

A Labour Green government after the next election could finally embark on the tax reform our country needs.

Cut taxes, push National from the centre ground, win the public's trust, and become the transformational government we were promised.

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