

Rating Values: The Basics

The following information is to assist you with understanding how rating values are determined and applied.

Rating Values are:

- Prepared either by your Council, or on behalf of a Council by a Valuation Service Provider. QV is one of the Valuation Service Providers in New Zealand.
 - Based on fair market sales.
 - Completed every three years.
 - Determined using a mass appraisal process. This may mean there are differences between values and sale prices in some areas.
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- Do not include chattels (carpets, drapes, light fittings and other removable items).
 - Rating Values (RV's) used to be called a Government Valuation (GV).
 - Each council choose how their local authority is rated.
 - Rates may be based on Capital Value, Land Value, Annual Value or a combination.
 - Value is only one factor used by a council to apportion rates.
 - Even if a property's Rating Value goes down, the apportioned rates might not necessarily follow.



- Rating Values have an effective date. This is the date at which the property's value is reflective of the market value. It only changes every revaluation (every three years) and therefore can vary from current market values as time passes.
- Property owners can object to their Rating Value, but only within the period specified on their rating valuation notice.
- A Rating Value is different to a Current Market Valuation.
- For commercial properties RV's are assessed on a full occupancy basis regardless of whether it is currently tenanted. This can result in a difference between its RV and its sale price depending on its tenancy status at the time of sale.



Rating Values: The Finer Points

The calculation of Rating Value's (RV's) and their effect on the amount of rates someone pays is a complex process, which varies between council regions.

What is a Rating Value?

A "Rating Value" is assigned to every property in New Zealand. It is made up of:

1. The Capital Value; the likely price a property would sell for at the time of the valuation.
2. The Land Value; the likely price that just the land (minus buildings) would sell for at the time of the valuation.
3. The Value of Improvements; the difference between the Capital Value and Land Value. It reflects the value which buildings and improvements add to the bare land.

The Rating Value may also include an Annual Value, which is a calculation involving the rental value. Each council chooses how their local authority is 'rated' – i.e. Capital Value, Land Value, Annual Value or a combination of both.

How is your Rating Value Calculated?

1. Rating Values are calculated using a complex process called mass-appraisal. Basically, valuers consider relevant property sales from your area around the time of the valuation. A market trend is established and applied to similar properties.
2. A number of individual properties are also assessed every year because of issued building consents, and other inspections.
3. The entire process is independently audited by the Office of the Valuer General. Strict quality standards must be met before new rating value's are confirmed.

When are Rating Values Calculated?

An important aspect of a Rating Value is the "effective date". This is the date at which a Rating Value indicated a property's current market value. The Rating Value of a property depicts its value at the effective date, and it is usually updated once every 3 years (depending on the Council). As time passes a Rating Value will diverge from the current market value, until it is updated again.



If you don't look inside a house, how do you know what it is worth?

Councils store details on every property in New Zealand. Properties with similar attributes such as land area, floor area, age of building, condition and location are grouped together. A value trend (determined by relevant sales) will then be applied to the different groups of properties. Some properties are also inspected throughout the year to make sure details are updated where changes have occurred (as notified on a building consent).

What if someone has done renovations without the need for a building consent?

There is a lot of work that can be done to a property without a building consent (such as modernising a kitchen/bathroom - reroofing/landscaping etc). Generally these types of works will increase the value. It is important that the owners make us aware of the works to ensure it is captured in the new or an updated rating valuation.

Why is the change in an RV different from the value changes reported in the news?

Most councils re-value properties every three years, any change in a Rating Value is compared with the last revaluation three years ago. Most media and reporting, including QV's monthly release, refer to changes in property values over the recent past, such as 12 months. Therefore, the different time periods are being reported, resulting in different numbers.



What should someone do if they disagree with the Rating Value on their property?

- As a property owner you have the right to object to their Rating Value. In fact, this is an integral part of the whole process, as objections allow valuers to assess individual components which may not have been considered in the mass-appraisal process.
- Objections can be made online at www.qv.co.nz or by calling 0800 787 284 to discuss further or request an objection form.
- Each notice of valuation will have a closing date for objections. This date is important as objections cannot be lodged outside of the objection period in a particular area.

What information is required for commercial rating values to be determined?

- Notional market data are used for the commercial industrial valuations not the actual lease details on a property.
- We require information from property owners to help us establish rental levels and yields for sale properties - therefore we send out questionnaires to those properties that are known to be leased or have sold to help us establish what is 'fair market value'. The more information we receive, the better. Owners are required to give us the information under legislation.

What is the difference between a Rating Value and a Current Market Valuation?

Rating Value:

- One factor used to apportion rates at an effective date set by the Council.
- All properties are revalued every three years.
- Is calculated using a mass appraisal process.

Market Valuations:

- Anyone can request one at any time from a Registered Valuer; QV has many across NZ.
- Involves an inspection of the interior and exterior of the property. They will also use their local knowledge and analyse recent sales data to determine the market value at that time.
- Will be presented in a comprehensive report.

If a house value drops, won't rates go down?

This is not always the case. A Rating Value is expressed as a percentage of the total value of all properties when a Council sets its rates. If all Rating Values drop by the same amount, the percentage remains the same, and so do the rates. Of course this assumes the Council's spending requirements remain the same. If a Council needs more money in their budget, rates could rise, regardless of changes to Rating Values.



How can a house have a Rating Value if it wasn't built at the time of the valuation?

Houses that have been newly built or renovated since the last valuation receive an updated Rating Value that reflects what it would have been worth if it existed at the effective date. As Rating Values are used to apportion rates for up to three years, all properties remain comparable, which enables the Council to allocate rates fairly.