Chapter B6 – STANDARD FOR DECLARATION OF VALUE OF LAND AND IMPROVEMENTS (AUSTRALIA)

Purpose

The purpose of this standard is to ensure that the land valuation used is adequately described and qualified to allow a user to judge its applicability for the purpose of the forest description.

STANDARD B6.1
Value of land

Any land valuation contained within a forest description shall be supported by:

- **source of the value of the land and the value of the improvements and the date at which that valuation was assessed;**
- **confirmation that the legal description, area of land, Certificate of Title reference and relevant zoning contained within the valuation are identical to those contained within the forest description;**
- **where the area of land is not identical between the land valuation and the forest valuation, the method for calculating the value of land that corresponds to the forest area should be supported;**
- **confirmation that the valuation of land and improvements is appropriate for the purpose for which the forest description is being prepared;**
- **a statement as to what constitutes the value of the land and the value of the improvements; and**
- **a full statement of the relationship between the land value as originally sourced and the unit values of the land contained in the forest description.**

GUIDANCE NOTES FOR DECLARATION OF VALUE OF LAND (AUSTRALIA)

Introduction

Valuations of properties can be obtained from a variety of sources, i.e.:

- registered valuers;
- special government valuations; and
- valuations assessed for local authority rating purposes.

Valuations can also be assessed under specific terms as defined within various pieces of legislation and these valuations can produce different results.

Valuations can also specifically assess a lessor's (land owner) interest or a lessee's (tenant) interest.

It should be noted that changes to various pieces of legislation over time can also result in different valuation results.

Care must be taken to ensure that the valuation used is appropriate for the purpose for which it is being used in the forest description and valuation.

Privately owned (titled) or Crown land in Australia are valued by registered land valuers who are members of the Australian Property Institute (API) or the Royal Institution of Chartered Surveyors (RICS). Some Australian states, e.g. Queensland, New South Wales and Western Australia also require valuers to be registered or licensed to carry out valuations in those states. Industry practice is for land valuations to be issued in accordance with the API Valuation Standards (ISBN 978-0-9569313-0-6) and where these are at variance, in accordance with the International Valuation Standards (IVS).

The most common statutory valuations that may be used by forest valuers in Australian States and Territories are those prepared under the terms and conditions of:

- *Valuation of Land Act 1978 - Western Australia;*
- *Valuation of Land Act 1971 - South Australia;*
- *Land Valuation Act 2010 – Queensland;*
- *Valuation of Land Act 1963 - Northern Territory;*
- *Valuation of Land Act 1916 No 2 – New South Wales;*
- *Valuation of Land Act 1960 - Victoria (as Amended in 2009);*
- *Valuation of Land Act 2001 - Tasmania; and*
- *Rates Act 2004 – Australian Capital Territory.*

Definitions

Statutory land valuations in Australia are generally undertaken on a site value[1] (non-rural) or unimproved (rural land) basis.

Unimproved value

Statutory valuations consider (rural) land on an unimproved basis, i.e. improvements on and to the land are notionally removed to view the land in an unimproved state. The unimproved value of improved land (land that is improved by the works of man) is the market value assuming all improvements on and to the land had not been made. Statutory valuations further assume (a) a bona fide sale of the land as at the valuation date; (b) that the land is unencumbered [no encumbrances such as leases, mortgages etc.] and (c) the land is vacant (all improvements have not been made).

Although all improvements on or to the land are ignored, all external development and infrastructure are deemed to exist as at the valuation date. That is, unimproved value is considered in the context of the fully developed market that exists on lands surrounding the subject property.

The concept of 'improvements have not been made' is the presumption that the improvements never occurred on the land. Therefore, the land is valued as if in a notional improved state having regard to the highest and best use (HBU) of the land, having regard to relevant legislation, government planning schemes, underlying zoning designation, existing use considerations, surrounding uses etc.

Easements and Particular Rights

Statutory land value may be affected by relevant (registered under relevant land acts or land title acts) easements having regard to case law and wider valuation practice on a case-by-case basis.

Statutory land value may be subject to certain rights, limitations or restrictions of use relating to that right, requiring an allowance to be made in the value of land where applicable. Rights may pertain to Commonwealth and State legislation and include tenure types, heritage agreement/restrictions, determination of native title or and indigenous land use agreement.

Example:

Actual discounts on Crown land values used for forestry have ranged from 5% to 65%, as observed on occasion, reflecting restrictions on the potential HBU and sale of such lands imposed by legislation.

Valuation Methodology – Sales Analysis

An assessment of value assumes that parties involved are willing to transact but not compelled.

A study of comparable sales is assumed to provide the best evidence of the value of the subject property, acknowledging that:

- each parcel of land is unique; and
- detailed sales information may not be readily available

[1] This is the general case, but some differences may exist between the various Australian States and Territories.

Generally, the less comparable the sales evidence available the more conservative should be the approach taken and values applied.

In the absence of suitable vacant land sales, improved sales can be analysed however the risk and subjective nature of this approach should be noted. In this instance, lightly improved sales are used in preference to more highly improved sales, as the greater the adjustment to the sales price resulting from the value of improvements, the greater the risk of error.

When considering the added value of improvements, the following may need to be taken into consideration:

- the actual cost of effecting the improvement
- cost of building construction including all professional fees
- cost of rates and taxes over the development period
- interest on monies expended on the land improvements
- the added value of leases or similar subordinate interests
- the added value of development approvals
- the added value of infrastructure credits

The underlying principle is that the added value of an improvement should reflect what a prudent person would pay for the improvement.

For statutory land valuation purposes, improvements generally mean *all work done or material used at any time* on or for the benefit of the land through the expenditure of capital or labour by any owner or occupier of the land, insofar as the effect of the work done or the material used is to increase the value of the land and its benefit *is not exhausted at the time of valuation but do not include –*

a) Work done or material used, whether or not by the owner or occupier of the land in -

i. The provision of roads or streets or in the provision or water, drainage or other amenities in connection with the subdivision of the land for building purposes.

ii. *The draining, excavation, filling or reclamation of the land or the making of retaining walls or other related works.*

iii. The grading or levelling of the land or the removal of rocks, stone, sand or soil.

iv. The removal or destruction of vegetation or the effecting of any change in the nature or character of the vegetation.

v. The alteration of the soil fertility or of the structure of the soil.

vi. The arresting or elimination of erosion or flooding.

b) Except in the case of land owned or occupied by the Crown or by a statutory public body, work done or material used on or for the benefit of the land by the Crown or any statutory body, except to the extent that it is being paid for by way of direct contribution.

In the case of forestry property comparable sales analysis, the tree crop value as well as the improvements should be adjusted for to obtain the unencumbered and unimproved value of the land.

Notes:

In the above terminology improvements can be on or for the benefit of the land and by way of example, a property may only enjoy access by way of a bridge and track on land not contained within the title but which is only of use to the particular parcel of land.

The final paragraph in the definition entitled (b) refers to special rateable areas where the land owner by way of a special payment through rates, contributes to an improvement made by the Crown or a statutory body and which has direct benefit to the subject parcel land, but the improvement itself may not necessarily be on the land.

Example:

Flood protection works carried out by a catchment board or regional council with the construction of stop banks which, whilst they are not on the subject land, provide protection from flooding.

Roading forms an important part of forestry holdings and is typically treated as an improvement to the land (both on private title and Crown lands).

Item (a) (v) also includes deep ripping, moulding, draining and cultivation, which commonly occurs in the preparation of land for the planting of forestry.

As many sales as possible should be investigated to understand the market, and as close as possible to the day of the valuation. Where terms and conditions of the sale evidence do not reflect the usual terms and conditions of a bona fide sale an adjustment may be necessary in the application of the sale to reflect those terms and conditions.

Use of statutory valuations

Care must be taken when using statutory valuations to establish the value of the land under a forest description and valuation.

Valuations made under the provisions of the various valuation of land acts may assume that the land being valued has legal access. This is not always the case, as some areas of land do not have legal access and other areas of land that do have legal access have very difficult physical access different from the legal frontage.

Indigenous Land

Native title is the recognition that Aboriginal and Torres Strait Islander people have rights and interests to land and waters according to their traditional law and customs as set out in Australian law. Native Title is governed by the Native Title Act 1993 (Cth).

Native title may include rights and interests to:

- live on the area and erect shelters and structures;

- access the area for traditional purposes, like camping or for ceremonies;
- visit and protect important places and sites, hunt, fish and gather food or traditional resources like bush medicines, water, ochre and wood; and
- teach law, custom and engage in cultural activities.

Native title comes in two forms:

- non-exclusive possession; and
- exclusive possession.

Native title can co-exist with non-Indigenous property rights such as pastoral stations and this is known as non-exclusive native title – or native title across areas where there is a shared interest with another party.

Exclusive possession native title includes the right to possess and occupy an area to the exclusion of all others. Exclusive possession native title can only be granted across certain areas such as unallocated crown land or areas that were previously held or owned by Aboriginal people.

Under current legislation native title land cannot be traded or used as collateral for financing. Consequently, there is no clear evidence as to how value is or can be ascribed to native title land.

Miscellaneous legislation

Valuations can be assessed under a range of legislation, each imposing its own unique terms and conditions for the assessment of value.

Land Valuer and Forest Valuer Interface

For forest valuers to interpret and use land valuations, the following minimum information should be obtained from the land valuer:

- basis of the land valuer’s sales comparison valuation, i.e. the composition of the comparative sales evidence and if the derived land value represents an opinion of plantation forest land or other similar land e.g. broadacre agriculture land;
- applicable market-based land rental rate(s) as a basis for calculating notional rent(s);
- the HBU status of each property being valued and conversion or reversion assumptions where appropriate;
- the estimated cost of restoration or conversion works where sales comparison values are to be adjusted for forestry use (e.g. sales comparison values are based on pastured, watered fenced agricultural land) or where forestry is not the HBU; and
- assumptions on the time required to market and sell land

Revision History

Original Standard	NZIF. Released in May 1999
Revision in September 2020	FA. Main changes are: • Developed an Australian version of the standard to reflect Australian legal requirements and prevailing industry practice.
Revision in December 2025	FA/NZIF. Released as part of Australia New Zealand Forest Valuation Standard.