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The 'Rateable Value'

Vance Winiata & Co Ltd is a Property Valuation and Advisory company servicing the rural, residential and commercial markets.

This article considers the relationship between the Rateable Value (more commonly known as the Government Valuation or GV) and the Current Market Value (CMV) for your property.

In the past, there has been a general acceptance a strong relationship exists between CMV and GV – that is, the property owner may in the past have adopted the GV + a percentage as a guide to the property's fair market value. In a volatile market (both rising and falling) the sales data will clearly show there is no uniform % correlation between the two.

The GV (now known as Rateable Value) is periodically undertaken for the purpose of local authority rating assessments. The periodic intervals are currently 3 yearly.

Obviously it is not practical for the Local Authority valuation provider to inspect every property at a point in time to which rates are applied.

Where a property has been improved with a new kitchen, redecorated and/or landscaped – unless the Council valuation provider has inspected the property and accounted for these improvements, it is unlikely they will be reflected in the RV. Similarly, if the property has been trashed and is in a poor state of repair, this too may not be reflected.

The Rateable Value is derived from historical sales data and the figure for your property applied at a time when the market behaviour may be different from the actual date of valuation revision date (in this case September 2008).

This leads onto whether the model used in calculating the rateable value makes an allowance for trends in the market over a period of time. For example over the past decade we have seen a bullish market in 1997 – 1999, a meltdown around the millennium – 2002, then another bullish run from 2004 to late 2007.

2008 has seen a huge market correction occur coupled with other global and national factors.

In Te Awamutu residential there has been almost 50% less sales in the past 12 months (to Sept 2008) in comparison to the 12 months earlier (to Sept 2007) highlighting the changing market behaviour over the space of 12 months (within a 3 year interval).

The point here is that the RV (or GV) is for rates assessment at periodic intervals and may not necessarily be in sync with the market value at a given point in time.

The key reasons for disparity will be a result of a timing issue and factors pertinent to your property which may not be reflected in the rateable value assessment.

The flipside of the RV conundrum is it may be time for our Local Authority to consider an alternative rating system that is robust, practical and equitable.

This article has been prepared by and is the view of registered Property Valuer – Vance Winiata.

Vance Winiata
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