

# Statutory Definitions of Value - Valuation of Land Act State of Victoria

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## Valuation of Land Act 1960

- VLA [www.dms.dpc.vic.gov.au](http://www.dms.dpc.vic.gov.au), click Victorian Law Today
- Discussion Paper May 2004 - 18 issues included
- Directions Paper January 2005  
[www.land.vic.gov.au/valuation](http://www.land.vic.gov.au/valuation) and click on heading  
Legislation & Regulations
- Today 4 of these issues will be briefly outlined:
  - Capital Improved Value (CIV)
  - Estimated Annual Value (EAV)
  - Improvements - site works
  - Valuation of Heritage listed properties



## Capital Improved Value (CIV)

- Current valuation practice based on hypothetical assumption that property is “vacant and to let”
- At odds with other sections of the Act which require
  - EAV assumes property occupied
  - All occupied portions or capable of separate occupancy are to be valued separately
- Proposal is to require the valuer to consider the property as occupied, should it be suitable for occupancy in its present state
- More in keeping with actual market situation
- More closely aligns CIV with market value



## Estimated Annual Value (EAV)

- Current valuation practice based on assumption of “year to year” letting; assumed let/occupied
- Municipal rates not allowed as an outgoing

### Proposal

- Change year to year to prevailing market terms and conditions
- Include a new definition for gross rent which includes all outgoings paid by tenant
- Define outgoings, including municipal rates
- $EAV = \text{gross rent} - \text{outgoings}$
- EAV will then closely align to net market rent
- Can be directly used for calculation of CIV



## Improvements Definition - Site Works

- All work done or material used for the benefit of the land, to the extent that such work/materials actually increase the land value, should be deducted when assessing site value
- Except for “site works”
  - removal of timber, stone, earth, etc
  - draining and filling, etc
  - arresting/eliminating erosion and improving waterways
- Additional items should be included as “site works”
  - removal of contamination
  - removal of buildings and structures
  - all works associated with the above
- Would clarify approach to arriving at site value
- Prevent the deduction of past “improvement” works which were carried out as remedial works to reinstate the site prior to redevelopment



## Heritage Buildings

- Act provides that any building included on the Heritage Register cannot be removed or demolished
- The question is what is the “added value” of heritage buildings so that this value may be deducted to arrive at SV?
- Several court cases on the subject but no clear answer provided
- Every historic building seems to have a different set of circumstances
- In some cases the buildings are an ongoing encumbrance and have “no value”. However the property can still sell for a significant amount. What is the site value in such circumstances?



## Heritage Buildings

- Sometimes the “historic shell” adds substantial value for redevelopment purposes. However “added value” only small proportion of replacement cost.
- Is added value the correct term to use when valuing historic properties?
- Should we simplify the issue by legislating that the site value of all historic properties is a set % of CIV - say 10-20%?
- Some serious research required here



## Way Forward

- The legislative process is a long one involving much consultation.
- We expect some of the proposals to be included on the Victorian Parliamentary agenda within the next 1-2 years
- Selected universities may be requested to provide expressions of interest in researching the added value of heritage buildings
- Thank you for your interest in Victoria's valuation issues