

Valuer General

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Valuation of infrastructure land

Guidance Note

February 2024



Acknowledgement of Country

The office of the Valuer General and Valuation NSW acknowledges that we stand on Aboriginal land. We acknowledge the Traditional Custodians of the land, and we show our respect for Elders past and present through thoughtful and collaborative approaches to our work, seeking to demonstrate our ongoing commitment to providing places in which Aboriginal people are included socially, culturally, and economically.

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More information

Enquiries relating to this guidance note should be addressed to the office of the Valuer General via email to valuergeneral@dpi.nsw.gov.au.

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Introduction

1.1 Purpose

This document is intended to provide guidance on the approach to take and factors to consider when valuing land used or zoned for infrastructure purposes for rating and taxing purposes.

This guidance note will ensure that the Valuer General's valuations of infrastructure land are:

- consistent and fair
 - transparent
 - made within the provisions of the *Valuation of Land Act 1916* (the Act).
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1.2 Background

In NSW, the Act establishes the Valuer General as the independent statutory officer responsible for ensuring the integrity of land valuations in NSW.

Valuation NSW carry out functions on behalf of the Valuer General under formal delegations. Some valuation services may also be contracted out to private valuation firms. All valuation services are subject to a rigorous quality assurance process prior to issue to landholders.

1.2.1 Mass valuation methods

Mass valuation improves cost efficiencies, because it allows a small number of valuations to be used for many properties.

Mass valuation is used widely around Australia and the world.

1.2.2 Different mass valuation methods

In NSW, valuers who undertake valuations for the Valuer General all currently use the component method.

A number of other mass valuation methods are used in Australia and around the world and alternative methods may be acceptable for use in NSW. The Valuer General's approval must be obtained to use any alternative valuation method.

Recommended Approach

1.3 Scope

1.3.1 Infrastructure land

Use this guidance note when assessing the value of land used or zoned for infrastructure purposes (infrastructure land).

Infrastructure land is defined for the purposes of this guidance note as land:

- with an infrastructure-based zoning under a Local Environment Plan (SP2 Infrastructure in the standardised LEP), or
- land currently used for an infrastructure purpose.

For the purposes of this guidance note, infrastructure land includes uses such as, but not limited to, land used or zoned for:

- telephone exchanges
- pumping stations
- water pipe corridors
- drainage channels
- sewer works
- electrical substations.

1.3.2 Land value

The land value excludes any structures or improvements but includes land improvements. See section 6A of the Act.

1.4 Valuation approach

1.4.1 Assess the highest and best use

Each site is to be valued based on its individual merits with the highest and best use assessed on a site-by-site basis.

1.4.2 Sites zoned for another use

If a site used for infrastructure purposes is zoned for another use that is considered higher and better than the current infrastructure use, then it is to be valued based on the highest and best use.

If there are site constraints these should be reflected in the assessment of the sites highest and best use and assessment of value. Site constraints may include land improvements and other existing land features of the site.

Land improvements are defined under Section 4 of the Act and include:

- a. the clearing of land by the removal or thinning out of timber, scrub or other vegetable growths,
- b. the picking up and removal of stone,
- c. the improvement of soil fertility or the structure of soil,
- d. the restoration or improvement of land surface by excavation, filling, grading or levelling, not being works of irrigation or conservation,
- d1. without limiting paragraph (d), any excavation, filling, grading or levelling of land (otherwise than for the purpose of irrigation or conservation) that is associated with:
 - i. the erection of any building or structure, or
 - ii. the carrying out of any work, or
 - iii. the operations of any mine or extractive industry,
- e. the reclamation of land by draining or filling together with any retaining walls or other works appurtenant to the reclamation, and
- f. underground drains.

Examples of site constraints may include items such as, but not limited to, open or closed concrete drainage channels or narrow site shapes. A site with an open concrete drainage culvert running through it may be able to have a building built over the drain or the drain redirected but the impact and costs of this should be reflected in the valuation.

1.4.3 Sites zoned SP2 Infrastructure

If a site has an infrastructure-based zoning and this is considered the highest and best use of the site, it is to be valued based on the following approach:

1.	If comparable sales evidence of similar infrastructure zoned sites is available, then these sales should be used to assess the subject site's land value.
2.	If there is no comparable sales evidence of similar infrastructure zoned sites, then the site's land value should be assessed based on the value of the land assuming it was zoned in line with the predominant adjoining land zoning.
3.	An adjustment should then be made to the value to reflect the impact of the infrastructure zoning.
a.	In some cases, the infrastructure zoning may have the effect of limiting the potential purchasers to a single infrastructure user being the existing infrastructure user. If this is the case and there is only one potential purchaser (i.e. no market exists for this land other than the existing infrastructure user) a 50% reduction should be made to the value assessed to reflect that there is only a single potential purchaser. This follows the principles of the valuation approach adopted by the court for a site with only one potential purchaser in <i>Mort's Dock and Engineering Co Ltd v The Valuer General (1923)</i> .
b.	However, if there are other potential purchasers for uses that would be allowed under the zoning (e.g. neighbouring properties for storage area or extra yard space) and these uses would result in a higher value than that assessed in step a) above, then the higher land value should be adopted.

Note: consideration should also be given to Section 5.3 (if adopted, or similar provision) of the standardised Local Environment Plan "Development near zone boundaries" which may give allowance for a higher and better use.

1.4.4 Value adjoining sites together

Where adjoining land is owned and used by the same infrastructure operator, the parcels should be included within a single valuation in line with the Valuer General's guidance note Valuing separate parcels.

References

Definitions

Term	Meaning
Improvement	Something that improves the value of the land. This is not defined in the Valuation of Land Act and is different from the term 'land improvement'.
Land value	Value of the land excluding any structures or improvements but including land improvements. See section 6A of the Valuation of Land Act for a full explanation.

Related documents and legislation

- Valuation of Land Act 1916
- Valuing separate parcels guidance note
- Mort's Dock and Engineering Co Ltd v The Valuer General (1923) 5 The Valuer, at P.169