

Understanding your Rating Value

Rating Values and their effect on the amount of rates you pay is a topic of interest for many ratepayers in New Zealand. The calculation of Rating Values and how they impact on the rates is a complex process which can vary between Councils. The rating valuation process used in New Zealand is an efficient method of determining a large number of property values for the purpose of allocating rates. Here we will attempt to shed some light on Rating Values.

What is a Rating Value?

- A “Rating Value” is assigned to every property in New Zealand, and is made up of:
 1. The **Capital Value**; the likely price a property would sell for at the time of the revaluation.
 2. The **Land Value**; the likely price the land would sell for at the time of the revaluation with no buildings or improvements.
 3. The **Value of Improvements**; the difference between the Capital Value and Land Value, 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.
- Councils use Rating Values as only one component in apportioning the rates.

Who Determines your Rating Value?

Rating Values are prepared either by your Council or on behalf of your Council by a Valuation Service Provider. QV is one of several Valuation Service Providers in New Zealand.

How are Rating Values Calculated?

- Rating Values are calculated using a complex process called mass-appraisal. In its simplest sense, valuers consider all relevant property sales which occurred in an area around the date of the last revaluation. A market trend is established and applied to similar properties in the area.
- A number of assessments of individual properties are completed every year as a result of issued building consents, subdivisions, sales inspections, objections and ratepayer requests to update their Rating Value. These individual assessments supplement the mass-appraisal process.
- The process for calculating Rating Values is independently audited by the Office of the Valuer General. Strict quality standards must be met before a revaluation is confirmed.



When are Rating Values Calculated?

An important aspect of a Rating Value is its “effective date” which is the date of the revaluation. 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 the Rating Value will diverge from the current market value, until a new revaluation of the district.

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

Councils store details on every property which QV and other Valuation Service Providers use. When Rating Values are calculated, a market trend is established from similar properties which have recently sold and applied to the properties in the group. Similar properties have similar attributes such as land area, floor area, age of building, condition of the property, and location. Properties are



inspected throughout the year to make sure their details are updated where changes have occurred (as notified on a building consent).

How can my 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, this keeps all property values comparable and therefore enables the Council to allocate rates accordingly.

Why is the change in my Rating Value different from the changes in property values I hear in the media?

Most Councils revalue their properties every three years therefore any change in Rating Value is compared with the last revaluation three years prior. Most media coverage refers to changes in property values over the last 12 months. Therefore, different time periods are being reported on which explains the different numbers.

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

This is not necessarily true because your Rating Value is expressed as a percentage of the total value of all properties in order to apportion the rates. If *all* Rating Values drop by the same amount, your percentage remains the same, and so do your rates. Of course, this is assuming that the expenditure requirements remain the same. If Council expenditure rises, your rates could rise irrespective of changes in your Rating Value, as the money has to come from somewhere.

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

Rating Values exist for the purposes of apportioning rates and are determined at the effective date for each Council. Market Valuations can be requested at any point in time. They involve an extensive interior and exterior inspection, as well as an assessment of the comparable sales, so that an accurate depiction of an individual property value can be presented in a comprehensive report. The valuer will use their expertise and will analyse recent sales data to arrive at a figure which will be current at the date the report is issued.

What should I do if I disagree with the Rating Value on my property?

Please call QV on 0800 787 284 if you disagree with your Rating Value so we can discuss your concerns with you. Ratepayers 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. You can object online at <http://www.qv.co.nz> or call 0800 787 284 to request an objection form. Check the objection close date on your notice of valuation to ensure that you lodge an objection before the cut-off date in your area.