



25 August 2023

Quotable Value Limited
www.qv.co.nz

The Revenue Lead
Western Bay of Plenty DC
1484 Cameron Road
Greerton
Tauranga 3112

Attention: Steve Meredith

Re: Queries from NZKGI

We have considered the comments from Abby Van De Ven and provide the following response. For clarity, we adopted the questions as written and with our response in italic below.

- 1) Could QV provide detailed insight into the methodology used to calculate per-hectare rates for green, red, and gold kiwifruit properties? Is a standard rate applied universally, or do specific conditions such as frost irrigation influence the valuation?

The basis of value where there is a distinct market is to adopt a market approach and generally, we adopt a comparable transactions method. To do this we would analyse the sales to establish the added value of the improvements

Kiwifruit are valued according to variety with the values based on sales evidence of each variety. Sales determine the rates per hectare that are applied. Location, irrigation and overhead shelter are taken into account and will provide variations in value. As will new developments

- 2) Could QV clarify how crop value is treated in the rating valuations? We assume these valuations are assessed exclusive of crop value and that all sales are analysed on this basis. Could you confirm this?

Crops are not valued in the Capital Value for rating purposes. Fruit trees, nut trees, vines, berry fruit bushes or live hedges are specifically mentioned in Section 20 the Rating Valuations Act 1998 and are included in the Capital Value.

- 3) Could you please elaborate on QV's methodology for assessing orchards involving other horticultural crops, such as apple varieties, avocados, and stone fruit? Specifically, could you detail if and how differences in crop type, quality, and yield, along with any other significant factors, are taken into account in the valuation process?

The basis of value where there is a distinct market is to adopt a market approach and generally, we adopt a comparable transactions method. To do this we would analyse the sales to establish the added value of the improvements. In well-established horticultural areas, there will be sales of various types of horticultural crops that will provide a range of values for each type and variety present. These



rates are then applied to the non-sale properties. The final values adopted are then checked on a per hectare or production basis with the sales. It is difficult to value each property based on its production level as that will be very dependent of the way it is managed, some very good and others not so good. As with all rural properties, we are required to assess the values based on an average efficient operator for that locality. We do however; try to reflect the variations in variety, with some older varieties having very little added value.

- 4) Regarding arable land specifically cultivated for vegetable growth, could you provide insights into QV's approach for valuation? How do factors such as soil fertility, crop rotation plans, infrastructure for irrigation, or proximity to markets influence the assessment of land value in these cases?

The value of the property is established by sales of comparable properties. Given the number of properties being valued and the nature of the rating valuation process, it is not possible to consider crop rotation plans for each property. We are required to value properties adopting an "average efficient management" scenario. This is to ensure consistency and uniformity for rating purposes. The sales will reflect location and therefore the proximity to markets and any other location benefits will be reflected in the values applied from the analysis of these sales. Sale prices will also reflect the quality of the soils in different areas and if there is a difference in the price paid for better soils, this will be reflected in the values

Horticultural irrigation is generally included in the canopy value. Large travelling irrigators, centre pivots etc are treated as plant and machinery and therefore not included in the Capital Value.

- 5) Given that the effective date of the rating valuations is in the Western Bay of Plenty Region is September 2022, when were these values confirmed? Notably, the market peak was around February/March 2022, but by September, market confidence had significantly declined due to various factors. How was this timing disparity addressed in the valuation process?

The point raised is a common issue faced by all valuers, whether completing rating valuations or market valuations for any other purpose. The important aspect in this case is that there was some time between the peak of the market and the valuation date. This enabled our valuers to consider the most recent evidence and market sentiment in the assessments.

Additionally, properties on the market are also considered, particularly those with asking prices can be compared with the proposed revaluation figures. If the recent sales and the on the market properties are indicating an easing back in the market, this can be reflected in the values. This is much easier in the residential sector, where there are a number of different price indexes to show what is happening. We also speak to the real estate agents and other valuers to gauge their views on the market leading up to and at the revaluation date.

A Considerable amount of work is undertaken prior to a revaluation commencing. This includes regular assessment of all building consents issued within the district so the rating database is as accurate as possible with new building work. Regular maintenance also includes any new Deposited Plans issued or title amalgamations.



The revaluation planning and data checking was undertaken early 2022. This included integrity checks of data, meetings with Western Bay of Plenty council along with staff from the Office of the Valuer General and checking for compliance to the Rating Valuations Act and rules in terms of rating unit compliance.

Rural questionnaires were sent to owners within Western Bay of Plenty in June 2022 requesting information and changes over the property. This information was used to update our property information so the values fairly represent the property at the revaluation date.

Below table summaries information the number of owner surveys sent and returned

Property Category	Number of survey request	
	letters sent	Response numbers
Farm	177	46
Forestry	31	5
Horticulture	1,576	482
Total	1,784	533

Inspection of sales and field work is undertaken from July/August where information is gathered to form our view on initial market adjustments.

Values are checked adopting a mixture of field and virtual inspections.

The Office of the Valuer General audits all property data, values and sale files and puts these through a rigorous logic, sales and statistical testing process. The Audit includes a two-day on-site interview process as part of the 15-day process. The values will not be certified if there are any questions unexplained or where values are deemed incorrect.

One of the big focuses from the Office of the Valuer General was that the value levels were adequate for the revaluation date with softening market conditions over both urban and rural sectors. We are satisfied following certification of values that this has been achieved.

- 6) How does QV differentiate rates between properties with different usages or crop types? For example, are there differing rates for farmers who grow stud sheep versus ordinary sheep, foresters growing different tree species, or farmers growing different crop varieties?

The prime approach is to follow the direction of the sales. The market will dictate any difference between land uses. Generally, all else being equal, there will be no difference in the land value for pastoral properties used for stud sheep v flock sheep. The capital values may differ depending on the quality of the improvements.

We do not value crops and generally, we would not differentiate between cropland or pasture land, unless the sales indicated otherwise.

Forestry land values are also based on sales of other forestry land. As we have seen in recent years, the price paid for greenfield forestry land has been significantly impacted by the carbon market and



investment from overseas buyers. Existing forest land values are more difficult because it is unusual to have sales of milled and yet to be replanted land. Most sales include mature forests or recently replanted forests. As the timber value is not part of the capital value, sales analysis will require the removal of the timber value to establish the residual land value.

There is no differentiation for the type of trees grown, unless the sales indicate otherwise. Other factors like contour, altitude and distance from the port are more of a factor.

- 7) There's a concern about the level of detail QV holds on kiwifruit variety mix for each rate paying orchard property, which affects the accuracy of the capital valuation. Could you provide clarification on how this was determined?

As outlined in question (5) questionnaires are sent to all horticultural owners. The property data is updated with replies on type of fruit grown, variety, canopy area, the year grafted and history of last three years production.

Every owner has had the opportunity to provide this information back to QV to form part of the revaluation.

For properties where no return has been observed, we have relied upon past details and check this from site and virtual inspections for accuracy of canopy areas etc.

- 8) Some growers have raised concerns about potentially inaccurate property valuations, especially green/red growers. How is QV ensuring accuracy in these cases?

This has already been covered off above and outlining process in question 5. Land owners have the right to object if they feel the valuation is not accurate. An objection will result in an inspection that will allow us to update the data and amend if it is not accurate. We do rely on the landowners supplying details of plantings and changes to their properties. It is not possible inspect every property in the revaluation process.

- 9) Has QV considered seeking external expertise to assist in the valuation process, given the concerns raised about its competency limitations?

We totally reject the premise that QV lacks competency in this area.

The lead rural/horticulture valuer for the revaluation has near 40 years' experience as a registered valuer and being a valuation auditor for the Office of the Valuer General. Most of this work has been based around the Bay of Plenty region. He holds the knowledge, expertise and experience to be undertaking the revaluation. Consultation with other Valuers throughout the Bay of Plenty was carried out

Part of QV's process when undertaking a revaluation is to speak to other property professionals in the area to get their view of the market, including any recent sales information that may not have yet settled. We also discuss any areas of the district that they have observed may need further attention during the revaluation. We can confirm that this practice was undertaken for Western Bay of Plenty.



- 10) Would QV be open to an industry-led means of gold kiwifruit property valuation on a per-hectare basis for future assessments? Could this be done at an industry-wide or regional level?

The rating valuations fall under the Rating Valuations Act 1998 and Rating Valuation Rules 2010 so our valuation approach cannot deviate from this. Additionally, we are bound by the outcome of the recent Court of Appeal decision to adopt the approach set out by the Valuer General and accepted by the Court. Deviating from this approach would most likely result in the revaluation not being approved.

We would welcome and support industry lead supply of information of license holders, crop varieties grown and canopy coverage as well as any recent sale and license auctioning information to improve industry trust in their rating valuations.

- 11) Could you shed some light on the rationale behind the relatively brief period set aside for filing objections? This current schedule may not provide property owners with enough time to draft a comprehensive objection. Could you please explain this?

The objection period is set within the Rating Valuations Regulations 1998. The period has to be at least 30 working days after the date of the public notice. We feel this is ample time period for an objection to be lodged especially with the ability to lodge this objection online. Any decision to extend the objection period beyond the statutory minimum, is up to the Local Authority at the time the values are notified.

- 12) Could you please elucidate why detailed information including the specifics of what is incorporated in the valuation, is not initially provided to property owners alongside their valuation assessments? It appears that owners often need to seek additional clarification from QV, subsequently encountering significant response delays. Wouldn't it be more efficient and beneficial to include these details in the initial assessment documentation?

The contents of the owners notice and detail that it must hold is set out under the Rating Valuations Act 1988.

Please do not hesitate to contact me if you require any further information.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Tim Gibson', written over a light blue horizontal line.

Tim Gibson

Registered Valuer

National Revaluation Manager