Department of **Environment**
and Resource Management

GLP - PMC - Valuation Policy 1: Disposal and Acquisition of Property

GLP/2004/1420 – Version 1

Endorsed 01/01/2000
by PMC, Property Management Committee, Queensland Government

Queensland Government

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Version history

Version	Date	Comment
1	01/01/2000	Endorsed
1.1	04/02/2004	Conversion Project - New WORD/XML template
1.2	04/02/2008	Edit policy title
1.3	12/04/2010	Correct Department Name

Purpose / Scope

To ensure decisions made about the acquisition and disposal of government property assets are based on the market value of the property.

Rationale

Market value provides a consistent valuation base (a common denominator) which is openly accountable and capable of being tested despite being essentially a matter of expert judgement. By using market value the real value and therefore the real cost of property assets is taken into account during decision making processes.

Policy

Valuations required in support of acquisition and disposal decisions must be current market valuations supported by qualified valuers.

Disposal & Acquisition of Property - Guidelines

Valuation Guideline #1.1 - Definition of Market Value

The February 1993 meeting of the International Assets Valuation Standards Committee agreed that market value should be defined as follows:

"The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Guideline #1.2 - Key Assumptions for Government Held Properties

In order to determine the market value of properties already held by government it is necessary to make the following assumptions:

- It is assumed that the property is in private ownership and that the zoning and associated highest and best use of the property would be consistent with private ownership.
- The tenure of the property is assumed to be consistent with the surrounding pattern of tenure allocation and where possible freehold tenure is assumed.
- The use of the property by the holding agency and any associated local government planning scheme designation or zoning is to be disregarded for the purposes of valuation unless the designation or zoning is already consistent with the highest and best use of the property.

Valuation Guideline #1.3 - Transfer of Non-Viable Site to Adjoining Owner

Key market value assumptions still apply equally to the non-viable site and the site to which it is to be added. In addition an appropriate valuation may also be determined by a number of other factors:

- The purchaser (instigator of the dealing) must receive value for money. The vendor must also receive a fair return for the property being transferred.
- The before and after method of valuation is usually the most appropriate method of calculating the added value of the property; often this can be found by applying a simple pro rata approach, provided the additional property adds more of the same to the adjoining parcel and does not otherwise change the highest and best use of the adjoining parcel.
- Added value calculated using the before and after method of valuation may not be appropriately applied in full where the potential of the combined parcel is substantially increased and where this is due to the contributions that both parcels make to this increased potential. In such circumstances it would be appropriate to look at an apportionment of the added value to the two respective parcels based on the relative contribution of each parcel.
- This type of dealing should be seen as two parties coming together for their mutual benefit with neither party logically being able to claim all of the added value because neither party has complete control of the site. For this reason these types of dealings cannot be seen as simply resumptions in reverse, they are fundamentally different.

Allowance for contingent costs

It is usual for the purchaser (the instigator of the dealing) to meet all contingent costs. These costs can be offset against the market value of the property.

However, where contingent costs relate to the development of the whole site and not just the property to be purchased, such costs should be apportioned between the parcels which make up the site before they are offset against the market value of the property being acquired. This will mostly apply in cases where the potential of the combined parcel is being substantially increased and where this can only be achieved through works being carried out (for example, new road construction, water sewerage or sewerage upgrade).

Valuation Guideline #1.4 - Transfer of Part Only of a Viable Site to Another Agency

The key market value assumptions listed above still apply. In addition, a number of factors may also apply to determine an appropriate valuation:

- The property to be acquired is valued on the basis that is forms a part of the parent parcel and is not looked at as a separate site. Except where the vendor, with the agreement of the purchaser creates the separate site at the vendors expense prior to sale.
- If the loss of the property has no effect on the value of the balance area and the work to be undertaken on the acquired property does not either enhance or cause injurious affection to the balance area then the property should be acquired based on its market value as part of the parent parcel and not as a separate site. This is usually best calculated using the before and after method of valuation.
- If the works to be undertaken on the acquired property add value to the balance area then this added value should be offset against the value of the property acquired. This is usually best calculated using the before and after method of valuation. If the added value is greater than the value of the property acquired then no further financial consideration need occur. An example of enhancement may occur with a road widening which improves the access and utility of the balance area.
- If the loss of the property or the works to be undertaken on the acquired property lessens the value of the balance area, the intending purchaser should be required to pay for not only the value of the property acquired but also any loss in value to the balance area.

Again, this is usually best calculated using the before and after method of valuation.

Allowance for Contingent Costs

Because the property being transferred is valued as a part of the parent parcel and not as a separate site, the contingent costs associated with creating a separate parcel are not offset against the market value of the land being purchased. These costs should be carried by the purchaser (the instigator of the dealing).

NOTE : The before and after method of valuation calls for two valuations, one before and one after the acquisition, and the difference between the two valuations includes both the value of the property acquired and the effect of injurious affection or enhancement. It does not take into account contingent losses such as costs of survey, title correction and the provision of accommodation works such as replacement of boundary fencing.

Valuation Guideline #1.5 - Disposal Valuation Reporting Standard

- It is a requirement of the Government Land Policies that the agency must initially declare the property surplus to its core business. An independent assessment is then carried out to ascertain whether the property is surplus to the whole of government requirements.
- This assessment is more of a planning tool rather than a valuation report, however, a critical part of the

assessment is the valuation itself along with the financial details of disposal - should that form of action be recommended.

- The standards and procedures for these assessments are outlined in the " Model Letter of Instruction to Valuers <http://www.derm.qld.gov.au/about/policy/documents/1469/glp_2004_1469.pdf> " (Guideline 4). The characteristics to these guidelines meet the requirements for valuations for disposal purposes, therefore, for valuations for disposal purposes, refer to this procedure.

Valuation Guideline #1.6 - Acquisition Valuation Reporting Standard

Refer to the " Recommended acquisition valuation report format <http://www.derm.qld.gov.au/about/policy/documents/1468/glp_2004_1468.pdf> " (Guideline 3) for details.