

Valuation Challenges arising from New Zealand Earthquakes

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SUMMARY

An unprecedented series of approximately 8,000 earthquakes through the Canterbury region of New Zealand since September 2010 has caused widespread property damage to both land and buildings. The effects of this damage has impacted significantly on confidence in the property market and resulted in new challenges for the valuation profession. These challenges are especially prevalent in the areas of red zone compensation and the maintenance of a credible rating valuation system to ensure ongoing local government property taxes for infrastructure repair and maintenance. Specific challenges that have arisen include determination of a fair system for assessing the level of compensation payable to home owners when land damage through liquefaction effectively removes future building potential in residential areas and how to account for varying degrees of structural and land damage in the market based rating valuations of some 120,000 properties. These challenges have necessitated the NZ government to modify long established New Zealand valuation law through an Order in Council process with the power to displace any legislative provisions without consultation and suspend the rules around both the maintenance of existing valuations and the timelines for when a new revaluation can occur. The relativity of values across Christchurch City has been forever altered by the earthquakes and highlighted the underlying physical features of the land and proximity to water channels as the two most important determinants of buyer confidence.

BIOGRAPHICAL NOTES

Neill Sullivan is the New Zealand Valuer-General. He holds a B.Com in Valuation and Property Management from Lincoln University. As a registered Valuer with 30 years' experience, he has worked in a number of both private and government valuation positions in New Zealand and overseas.

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