Valuation in Post Earthquake Christchurch

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Introduction

• The Christchurch earthquakes of 2010 and 2011 caused widespread property damage

• They were the worst liquefaction events ever recorded in the world for an urban area
Introduction

- In excess of 120,000 insurance claims were made to the Earthquake Commission for significant damage

Rating Valuations as Compensation

- Government designated “Red Zones” unfit for future habitation due to ongoing risks
- Applies where risks cannot be economically mitigated
  - Soil liquefaction
  - Rockfall & landslip
  - Unable to be serviced
  - Uninsurable
Red-zoned land

Land Status Map

newzealand.govt.nz

Red-zoned land

Land Status Map

newzealand.govt.nz
Rating Valuations as Compensation Value

- In these zones, the government acquires the land from the landowners

- Compensation scheme announced that would be based on Christchurch mass appraisal Rating Valuations dated 1 August 2007

Rating Valuations as Compensation Value

- NZ Rating Valuations are assessed using a market value definition for both Capital Value and Land Value

- NZ Government used rating valuations as post earthquake compensation for 7,000 property owners
**Rating Valuations as Compensation Value**

- Two options for compensation based on 1 August 2007 Rating Valuations:
  - Option A – take Capital Value OR;
  - Option B – take Land Value + Private Insurance

- 2/3rds have taken Option B

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**Modified Rating Valuations Act**

- Orders in Council used to bypass normal law including:
  - Christchurch revaluation delayed to December 2013 (6 year gap) - normally every 3 years
  - Value changes to district valuation roll restricted to only demolitions & new buildings – impact of damaged properties not allowed in rating valuation
Supply & Demand

CHCH QV House Price Index
Values rising due to supply shortage

Insurance Costs

- Insurance costs have risen dramatically – often up to 300% increases – harder to obtain insurance

- Cost of demolitions have sky rocketed with average house demolition costing in excess of NZ$20,000 = US$16,000
Red/Green Zone Impacts

- Valuation impact on green zone properties adjacent to red zone

Wider NZ Valuation Impacts

- Demand for unreinforced buildings has dropped dramatically in other NZ cities
- Tenants won’t lease space in earthquake prone buildings
- Cost to strengthen often exceeds value = demolitions and new era of building
Conclusion

- Government needs the ability to change established law quickly in the face of a disaster

- Benefit of having market assessed rating valuations for all properties in NZ

- Major negative impacts on property values for earthquake prone properties