

PROPERTY

Rating system vital: report

PROPERTY investors and tenants need to factor in local government rating systems when choosing a building, according to a new report, with those suburbs levied for building improvements rather than site value tipped to become less desirable.

Manufacturing and retail properties, in particular, were expected to decline in demand in areas using non-site value systems as tenants and owners had to meet higher rate levies, the Site Rating Defence organisation said yesterday.

The growing number of Melbourne councils switching to capital improved ratings was also expected to flow through to other cities and states, says the organisation, which is funded by local business groups and chambers of commerce.

In an analysis of Victoria's manufacturing industries, the Melbourne based group found a significant jump in business closures in areas where rates were based on capital improved values compared with an increase in new businesses in those suburbs which used site values.

Capital improved and net asset value systems base the levy on the improved value of a property — on the reasoning that a property owner who can afford to upgrade the

By KARINA BARRYMORE

building can also afford to pay higher rates.

Site rating is based on the site value, excluding any improvements the owner may have paid for.

According to Melbourne's manufacturing and employment statistics for the 10 years between 1974 and 1984, the number of businesses in site rated councils increased by more than 10 per cent, while the non-site rated areas decreased by 20 per cent during the same period.

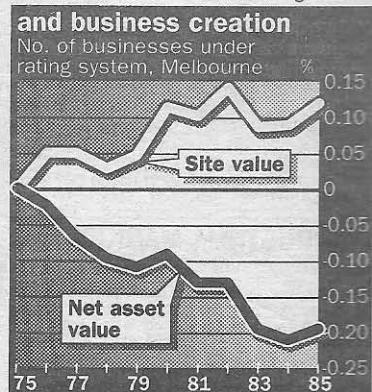
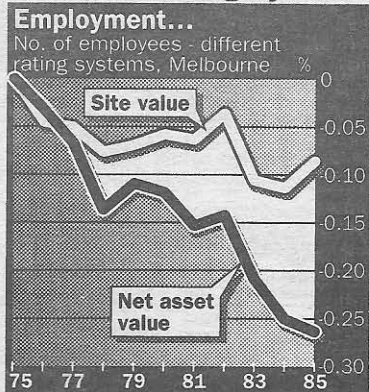
Employment statistics also appeared to show up the large difference between the rating systems. According to the analysis, employment in site value areas fell by 9 per cent during the 10 years, while employment in non-site rated suburbs fell 27 per cent.

"This study confirms there to be a measurable difference in economic performance between site rated and CIV councils," said the report by Site Rating Defence economist Mr Phil Anderson.

The results were also important to industrial property investors, because of the greater economic performance in site rated areas, he said.

How the rating system affects...

Source: Site Rating Defence



"This attracts business and investment. It is probable that in the long term, the difference in growth rates between areas will show up in property vacancy rates and yields," the report said.

"The information is useful for investors in retail and property trusts. It can be expected that large shopping centres in site rated councils will, over the next 10 years, significantly outperform those retail centres now in CIV rated councils."

A recent example of the change in site rating to CIV in Melbourne

was last week's announcement by the City of Stonnington. The change in rating system from site rating to CIV would result in an increase in annual rates from \$250,000 to \$800,000 a year for the Chadstone Shopping Centre.

The Australian Bureau of Statistics figures were not available beyond 1984, Mr Anderson said, because the information was no longer collected on a suburb by suburb basis necessary for the comparison.