



REIA SUBMISSION TO DEPARTMENT OF FINANCE REVIEW OF THE LANDS ACQUISITION ACT 1989

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PREPARED BY

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The Real Estate Institute of Australia (REIA) is the national voice and body for the real estate profession in Australia.

Established in 1924 as a federated body of Real Estate Institutes, REIA represents 80pc of the Australian real estate industry.

Agency businesses represent 46,793 Australian businesses and employ 133,360 Australians. 99 per cent of real estate agencies are small businesses; and in the past five years agents have facilitated on average around 500,000 sales per annum.

REIA's members business cover residential and commercial real estate which includes major real estate outlets and business operators in cities and regional Australia.

The REIA represents an important element of the broader property and construction sector which together makes a significant contribution to Australia's social and economic development. Property contributes \$300 billion annually in economic activity and 1 in 4 Australian jobs directly and indirectly.

REIA is committed to providing and assisting research and well-informed advice on a range of issues affecting the property market.

Background

Following a request by the Department of Finance, the REIA welcomes the opportunity to provide a submission to its Review of the Lands Acquisition Act 1989 (the Act).

The REIA's comments are restricted to specific advice in relation to:

1. Acquisitions by agreement and;
2. Compulsory acquisition

These comments are aimed at ensuring acquisitions occur at suitable values that reflect the nature of the transaction.

Rationale

1. Acquisitions by agreement

Overall, acquisitions by agreement and compulsory acquisition generally have less comparable sales to assist the valuation.

This is compared to, for example, a unit in a large complex which has many sales, over a period of time including relatively current ones, which can be used for deriving an appropriate value.

Nevertheless, the broad considerations are the same and should be applied in determining the price at which an asset would trade in a competitive market. This includes the size, location, improvements and their condition.

Other very important considerations are the alternative uses compared to the present one and income generated. Alternative uses would be the development of rural land for residential purposes.

This is particularly relevant for land in close proximity that has been developed for residential purposes. The impact on income includes not only the loss of income currently generated but also the possible impact on the income generated from any remaining adjacent land of the owners.

For example, the purchase of half of a farmer's productive land not only halves their productive capacity but may also impact on the costs of farming the remaining half because of loss of economies of scale.

A licensed real estate agent familiar with the location would be able to provide a guide for the market value given all the necessary considerations.

Recommendation: To satisfy the need of transparency and providing a sound basis for negotiation with the owner the REIA recommends that in the case of acquisitions by agreement three valuations be received from licensed real estate agents/valuers.

2. Compulsory acquisitions

The REIA recognises that, as raised in the Discussion Paper, in the case of compulsory acquisitions the assessment of an appropriate value is far more complex.

Market value should be taken into consideration but also any special value, any severance loss, injurious affection, disturbance loss, disadvantage payment and professional costs.

This being said the first and necessary component will be an assessment as outlined above by licensed real estate agents/valuers as reflected in our recommendation above.

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