

Valuation of Real Estate that is Bound by Site Leasehold and Subject to Regulation by the Ground Lease Act

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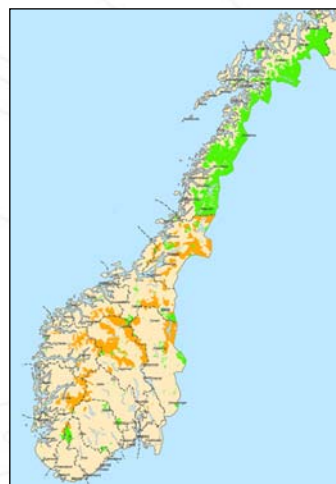
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Statskog SF

- Public enterprise
- Ownership of 65.000 km², more than 20 % of the mainland of Norway
- Real estate administration and development

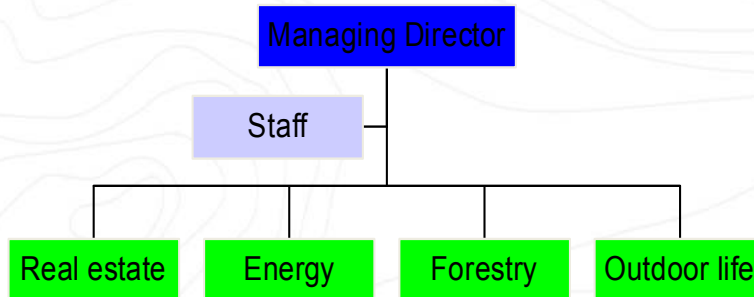


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Statskog SF - organization



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Statskog SF – leasehold administration

- Administration of 11.000 own leasehold sites,
 - 95 % cabins
 - 5 % housing purposes
- Administration of 11.000 leasehold sites for external employers
 - mainly housing purposes

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Site leasehold

- Lease of land for housing purposes, in opposite to lease of a building
- Long-term use
 - normally for 80 - 100 years
 - may also be unlimited

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The Ground Lease Act of December 20th 1996 nr. 106

- Comes to application for lease of real estate for buildings that leaseholder has, or will get on the site, § 1
- Stronger rights for leaseholders of sites for private housing and cabins than for other purposes

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Leaseholders disposal

- Judicial disposal
 - Leaseholder has no access to undertake a judicial act connected directly with the property
- Actual disposal
 - build up the site
 - raise a building
 - the right to lease may be subject to mortgaging

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The Ground Lease Act in relation to market price

- Rental adjustment, § 15
 - main rule according to national price index
 - exception can only be carried out once
- Equity of redemption, §§ 32, 36, 37
 - only housing and cabin purposes
 - housing; 30 years after the time of agreement, and then every second year
 - cabin; 30 years after the time of agreement, and then every 10th year

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Rental adjustment - example

- Estimated market price 150,- NOK/ square meter
- Wanted return 6 pst
- Gives an annual fee on 9 000,- NOK/ decare (appr 1 130 €/ 1 770 \$)

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Equity of redemption - example

- Estimated market price 150,- NOK/ square meter
- Wanted return 6 pst
- Gives an annual fee on 9 000,- NOK/ decare (appr 1 130 €/ 1 770 \$)
- The main rule in GLA gives a redemption price on $30 \times 9\,000,- \text{ NOK} = 270\,000 \text{ NOK/ decare}$
- Exception 40 % gives 60 000,- NOK/ decare
- The Supreme Court of Norway has set the minimum redemption amount to an annual fee divided on 5,0 pst, which in this case gives a price at 180 000,- NOK/ decare

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Valuation – general reflections

- Leasehold sites are not subjects for trading in an open market
- Only one purchaser
- Lack of available market prices

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Different kinds of valuation objects

- Single sites
 - area based leasehold
 - point based leasehold
- Site areas
 - differentiated prices
 - for further leasehold
- Valuation in special cases

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Single sites - area based leasehold

- Normal situation
- Defined area and property borders
- Demand on surveying for sites leased for longer than 10 years



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Single sites - point based leasehold

- Area not defined in the contract
- Mostly sites for cabins
- Approximately 1 daa, according to GLA § 16
- High prices achieved by trade of mountain cabins



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Differentiated prices within site areas

- Site areas
 - resource-demanding to estimate the value of each site
 - different pricezones
 - spesific valuation as required
- Single sites
 - the possibility to raise a building makes up the main value of the site
 - valuation often has basis in normal site of 1 000 square meter
 - large sites – lower price per square meter that exceed 1 decaare

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Site areas for subletting

- An actor B leases a large area from property holder A
- B sublets sites for housing to C, D, ...
- C,D,...are raising houses on their sites
- The ground lease act comes to application only for agreements between B and C, D,..., not for the agreement between A and B



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Valuation in special cases

- Sites with a high level of utilization
- Sites with special regulations
- Sites for public or common use purposes
 - site value follows of an alternating usage

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Final reflections

- Complex legal situation
- Considerable political awareness
 - several changes in the Ground Lease act since 2002
 - new changes 2008 for government property
- A tendence towards stronger rights for leaseholders

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**Thank you !
Questions?**

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