

BOARD OF AIRLINE REPRESENTATIVES
OF
NEW ZEALAND

LAND VALUATION

WELLINGTON AIRPORT - MARKET VALUE
ALTERNATIVE USE

OCTOBER 2011



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Directors:

Dougal Smith Dip Hort, B.Com (VPM), MNZPI

Paul Mills B.Com (VFM), Dip Grad Com, MNZPI

Associates:

Tom Marks Dip VFM, B (Ag) Com, FNZIV, MNZIPIM

Lyndon Matthews B.Com (VFM), ANZPI

David Oxnam B.Com Ag (VFM), ANZPI

9 October 2011

Attention: John Beckett

Board Of Airline Representatives Of New Zealand
PO Box 2779
Auckland 1140
New Zealand

Dear Sir

**RE: WELLINGTON AIRPORT LAND VALUATION - MARKET VALUE
ALTERNATIVE USE - JULY 2011**

1.0 INSTRUCTIONS

1. Further to your instructions to assess the Market Value Alternative Use (MVAU) of the Wellington Airport land, we have inspected the subject land and obtained information necessary to provide you with our opinion of value as at 1 July 2011.
2. We inspected the property on 6 July and 30 September 2011.
3. We understand that this valuation is required by Board Of Airline Representatives Of New Zealand (BARNZ) and the airlines to assist in consultation with Wellington International Airport Ltd (WIA), and setting future aeronautical user charges at Wellington Airport.
4. This valuation of the MVAU of the Wellington Airport land has been undertaken in accordance with Schedule A of the Commerce Commission Input Methodologies for Airport Services, under Part 4 of the Commerce Act.
5. To assist in this analysis we have relied on information that has been provided by Zomac Planning Solutions (ZPS), Market Economics Ltd (ME), Rider Levett Bucknall (RLB), Jones Lang LaSalle, WIA, and Wellington City Council (WCC). This information includes property details, Certificate of Title / land areas, resource documentation, supply and demand profiles, plus development costing and alternative use master planning information. We have relied on this information and reserve the right to amend our assessment if the information or adopted valuation assumptions prove erroneous.

2.0 PROPERTY REPORT

2.1 GENERAL PROPERTY DESCRIPTION

6. The Wellington airport is located approximately 10 kilometres west of central Wellington in the suburb of Rongotai. The Rongotai isthmus is a low-lying stretch of land situated between central Wellington and the Miramar Peninsula. The airport is bordered by residential and commercial areas to the east and west, and Wellington Harbor and Cook Strait to the north and south respectively.
7. Figure 1 illustrates the general location of Wellington airport.

Figure 1. Wellington Airport Location Map



8. Wellington airport is operated by Wellington International Airport Limited, a company owned by Infratil and the WCC.
9. The airport is the third busiest airport in New Zealand (after Auckland and Christchurch), with a total of 4.49 million domestic passengers, 0.65 million international passengers, and 45,313 aircraft landings in the year to 31 March 2011.
10. The operational airport encompasses approximately 103.2 hectares of land and operates a single 1,934 metre grooved bitumen / asphaltic concrete runway capable of handling aircraft up to the Boeing 767-300 and Airbus A330-200. We understand that the largest

aircraft to use Wellington airport in regular service during 2010 / 11 were the Airbus A320 and the Boeing 737-800.

11. The airport has an elevation of approximately 13 metres above sea level and has a reputation of having rough and turbulent landings, due to the channeling effect of Cook Strait creating significant crosswinds to an aircraft approaching from the south.
12. Figure 2 contains an aerial photograph of Wellington airport.

Figure 2. Wellington Airport Aerial Photograph



2.2 LEGAL DESCRIPTION & TENURE

13. We have searched the Land Information New Zealand property database to obtain a schedule of properties held by WIA. In summary our analysis indicates that WIA hold approximately 113.5899 hectares of land. This is made up of 112.2398 hectares of fee simple land and 1.3501 hectares of leasehold land.
14. Table 1 summarises the legal description and tenure of land held by WIA.

Table 1. WIA – Certificate Of Title Schedule

CT Ref #	Title	Address	Appellation	Area - Ha
Estate In Fee Simple				
1	22946	Broadway & Calabar	Section 1 Survey Office Plan 38354	0.0647
6	518352	Stewart Duff Dr	Part Lot 1 Deposited Plan 78304 and Section 1-3 Survey Office Plan 37422 and Section 3 Survey Office Plan 38205 and Section 1, 5 Survey Office Plan 342914	97.6943
7	62499	2 George Bolt St	Section 1 Survey Office Plan 303569	0.5684
8	WN10B/942	250 Coutts St	Lot 1 Deposited Plan 7159 and Lot 1 Deposited Plan 33243	0.0718
9	WN16A/1186	31 Bridge St	Section 170 Evans Bay District	0.0724
10	WN245/70	45 Bridge St	Lot 27 Block IV Deposited Plan 1950	0.0692
11	WN258/187	25 Bridge St	Lot 18 Block IV Deposited Plan 1950 and Part Lot 19 Block IV Deposited Plan 1950	0.0668
12	WN260/101	33 Bridge St	Lot 22 Block IV Deposited Plan 1950	0.0724
13	WN260/102	35 Bridge St	Lot 23 Block IV Deposited Plan 1950	0.0725
14	WN262/61	39 Bridge St	Lot 24 Block IV Deposited Plan 1950	0.722
15	WN265/297	41 Bridge St	Lot 25 Block IV Deposited Plan 1950	0.0716
16	WN266/102	53 Bridge St	Lot 31 Block IV Deposited Plan 1950	0.047
17	WN267/78	51 Bridge St	Lot 30 Block IV Deposited Plan 1950	0.0597
18	WN270/158	21 Bridge St	Lot 9 Block IV Deposited Plan 1950	0.0445
19	WN271/154	19 Bridge St	Lot 8 Block IV Deposited Plan 1950	0.0445
20	WN272/241	49 Bridge St	Lot 29 Block IV Deposited Plan 1950	0.0597
21	WN287/226	321 Broadway	Lot 3 Deposited Plan 2385	0.0007
22	WN294/190	15 Bridge St	Lot 6 Block IV Deposited Plan 1950	0.0445
23	WN295/38	353 Broadway	Lot 5 Deposited Plan 2385	0.0506
24	WN297/248	73 Bridge St	Lot 40 Block IV Deposited Plan 1950	0.0459
25	WN298/135	19 Miro St	Lot 23 Deposited Plan 5210	0.0487
26	WN298/224	17 Miro St	Lot 22 Deposited Plan 5210	0.0451
27	WN29D/826	57 Bridge St	Section 123 Evans Bay District	0.0395
28	WN300/140	15 Miro St	Lot 21 Deposited Plan 5210	0.045
29	WN305/266	3 Miro St	Lot 4 Deposited Plan 2385	0.0165
30	WN309/101	64 Calabar Rd	Lot 234 Deposited Plan 2385	0.0587
31	WN317/104	360 Broadway	Lot 4 Deposited Plan 5054	0.0269
32	WN320/104	61 Bridge St	Lot 2 Deposited Plan 7024	0.0399
33	WN320/105	59 Bridge St	Lot 1 Deposited Plan 7024	0.0393
34	WN322/108	67 Bridge St	Lot 4 Deposited Plan 7085	0.031
35	WN327/110	366 Broadway	Lot 7 Deposited Plan 5054	0.0504
36	WN34D/142	244 Coutts St	Lot 21 Deposited Plan 6741	0.0402

Table 1. WIA – Certificate Of Title Schedule - Continued

CT Ref #	Title	Address	Appellation	Area - Ha
37	WN355/113	252 Coutts St	Lot 2 Deposited Plan 7159	0.0573
38	WN356/267	370 Broadway	Lot 9 Deposited Plan 5054	0.0506
39	WN357/174	242 Coutts St	Lot 20 Deposited Plan 6741	0.0402
40	WN357/296	338 Broadway	Lot 8 Deposited Plan 5054	0.0506
41	WN358/16	254 Coutts St	Lot 3 Deposited Plan 7159	0.0534
43	WN36D/925	Wexford Rd	Section 1 Survey Office Plan 31875	5.7668
44	WN370/155	234 Coutts St	Lot 16 Deposited Plan 6741	0.0402
45	WN374/298	362 Broadway	Lot 5 Deposited Plan 5054	0.046
46	WN409/112	240 Coutts St	Lot 19 Deposited Plan 6741	0.0402
47	WN42B/707	335 Broadway	Lot 6 Deposited Plan 2385	0.0506
48	WN42B/708	337 Broadway	Lot 7 Deposited Plan 2385	0.0506
49	WN42B/709	343 Broadway	Lot 9 Deposited Plan 2385	0.0506
50	WN42B/710	341 Broadway	Lot 8 Deposited Plan 2385	0.0506
51	WN454/120	238 Coutts St	Lot 18 Deposited Plan 6741	0.0402
52	WN45A/74	Stewart Duff Dr	Lot 2 Deposited Plan 78304	1.9042
53	WN45A/77	9 Miro St	Lot 5 Deposited Plan 78304	0.0321
54	WN45A/78	7 Miro St	Lot 6 Deposited Plan 78304	0.0267
55	WN46C/667	113 Tirangi Rd	Lot 37-38 Deposited Plan 21360	0.4323
56	WN46C/668	1 George Bolt St	Lot 39-51 and Lot 66 Deposited Plan 21360	2.7054
57	WN47D/260	364 Broadway	Lot 1-3 and Lot 6 Deposited Plan 5054	0.0488
58	WN863/60	13 Miro St	Part Lot 20 Deposited Plan 5210 and Lot 4 Deposited Plan 20924	0.0488
59	WN896/19	11 Miro St	Part Lot 19 Deposited Plan 5210	0.0312
60	WN9C/1416	43 Bridge St	Part Lot 26 Block IV Deposited Plan 1950	0.0711
61	WNB2/184	55 Bridge St	Section 122 Evans Bay District	0.0424
62	WN56A/908	3 Bridge St	Pt Lot 1 Block IV Deposited Plan 1950	0.0443
63	WN366/246	236 Coutts St	Lot 17 Deposited Plan 6741	0.0402
Sub-Total – Estate In Fee Simple				112.2398
Leasehold Estate				
2	34241	0	Lot 24 Deposited Plan 21360	0.1909
3	34246	0	Lot 26-28 Deposited Plan 21360	0.5796
4	39557	114 Tarangi Rd	Lot 32 Deposited Plan 21360	0.1932
5	45843	Kingsford Smith St	Lot 33 and Lot 34 Deposited Plan 21360	0.3864
Sub-Total – Leasehold Estate				1.3501
Total				113.5899

15. We note that there are numerous encumbrances registered against the differing Certificates of Title. The effect of these encumbrances has explicitly been accounted for in this valuation.
16. As requested we have not attached copies of the Certificates of Title however they are held on file and are available for reference.
17. On review of WIA reports / documentation we note that there is a small discrepancy in our respective assessments of the land area – excluding all leasehold land this is

112.2398 hectares verses 111.6065 hectares. We have queried this with WIA and as of writing this report we have not received confirmation as to the correct land area.

18. For valuation purposes we have ignored these differences and adopted a comparable MVAU land area of 103.2000 hectares. The balance land (as advised by WIA) encompasses non-airport related commercial, residential and investment land that is excluded from the MVAU valuation.
19. In accordance with the MVAU methodology this valuation assessment excludes all partial interests that WIA may have granted or hold in ground leases at Wellington airport.

2.3 RESOURCE MANAGEMENT & ZONING

20. The WIA property portfolio has a combination of land use zoning under the Wellington City District Plan that was publicly notified in July 2000. These include:
 - Airport and Golf Course Recreation Precinct,
 - Outer Residential, and
 - Open Space B.
21. The zone ordinances governing the Airport and Golf Course Precinct were clarified in Plan Change 57 in March 2008. In summary Plan Change 57 simplified zoning matters within the airport complex and ensured the ongoing use of the operational airport for the movement of goods and passengers, whilst specifically allowing for future development of identified commercial activities.
22. Primary operational functions of the airport are generally classified as permitted activities and cover the terminal buildings, pavements, fuel storage facilities, plus aircraft maintenance and ancillary commercial activities.
23. Development controls within the District Plan govern hours of operation, noise discharge, vehicle parking, lighting, dust, access, hazardous materials storage, signage, plus there are physical construction heights, recession planes, building setbacks, and earthwork limitations that must be met.
24. Subject to location and development controls, commercial activities are classified as discretionary activities.
25. The outer residential zone covers most of the suburban living environments of the city, excluding the central city suburbs. This zone provides for low density permanent residential accommodation. Pertinent redevelopment controls within this residential zone are summarized as follows:
 - ▼ There is no minimum land area for subdivision,
 - ▼ A minimum building site coverage 35% of total land area,
 - ▼ Minimum building platform shall have a radius of 7m,

- ▼ A maximum building height of 8m,
 - ▼ Recession plane 45 degrees on boundary from a height of 2.5m,
 - ▼ A minimum building setback from road boundaries of 3.0m,
 - ▼ A minimum outdoor living area of 50m², and
 - ▼ Each residential unit should provide one parking space off street.
26. The Open Space B land is located at the southern end of the runway at Moa Point. In the District Plan this land is valued for its natural character and informal open spaces. The intention is to keep these areas in an unbuilt natural state.
27. Our review of council records indicates that there is some contamination affecting certain sites within the WIA complex. As discussed we have not undertaken a geotechnical or environmental audit of the land, and in accordance with Commerce Commission Decision 709 have excluded the impact of any contamination and remediation in the MVAU valuation.
28. Please note that we have not searched council records nor compiled a list for Resource Consents that support the development of the property in its existing use. Furthermore we have not carried out a survey of the property and assume no responsibility in connection to such matters.
29. Full copies of the planning documentation as they affect the WIA complex are held on file, and are available if required.

3.0 VALUATION OF MVAU LAND

3.1 METHODOLOGY

30. This valuation has been prepared in accordance with the Commerce Commission Decision 709, entitled “Commerce Act (Specified Airport Services Input Methodologies) Determination 2010.” Schedule A to Decision 709 sets out the mandatory requirements for a valuer to apply when undertaking a valuation of land held by an airport for specified airport purposes.
31. In summary land valuations are required to be performed as if the specified airport land were to be put to its Highest and Best Alternative Use (HBAU). This is termed Market Value in the Alternative Use (MVAU).
32. The key concept of MVAU, is that it reflects the most probable use of airport land, other than for the supply of specified airport services, or a use that is influenced by specified airport services, which is physically possible, appropriately justified, legally permissible, financially feasible, and results in the highest valuation of the land in question.
33. Section A10 of Decision 709 sets out the mandatory valuation steps that valuers must follow when carrying out an MVAU valuation. The mandatory valuation steps are summarised in Table 2.

Table 2. A10 – Valuation Steps

Valuation Steps - A10	
(a)	Schedule land to be included in MVAU
(b)	Confirm ownership, tenure and aggregated land area
(c)	Determine existing zoning and likely zoning of the land for the HBAU
(d)	Consider and determine the HBAU, which must be - <ul style="list-style-type: none">- Physically possible- Appropriately justified- Legally permissible and- Financially feasible
(e)	Consider resource management requirements, amenities in the area and access to services
(f)	For notional subdivision / residual value approaches <ul style="list-style-type: none">- Prepare a land development plan (in conjunction with a planner where considered necessary by the valuer). This should demonstrate the valuers view of the likely HBAU development of the land, and provide evidence for the assessment of inputs into the notional subdivision / residual value approaches;- Determine market demand for the proposed development and the time period for the sale or realisation of the developed land in a notional subdivision or development;

Table 2. A10 – Valuation Steps - Continued

Valuation Steps - A10	
-	Determine the direct costs of developing the land, including roading, supply of services, legal, sales costs etc;
-	Determine any indirect costs of developing the land, including developers holding costs etc;
(g)	Undertake market research and obtain comparable sales information to support the alternate land uses including both block sales and developed land sales if both a direct sales comparison and notional subdivision / residual value approaches are to be used;
(h)	Apply suitable adjusted market evidence to airport land as required and taking account of whether a direct sales comparison and notional subdivision / residual value approaches are to be used;
(i)	Reconcile the results of the valuation approaches used and determine a final value for the HBAU; and
(j)	Prepare a valuation report, incorporating all disclosures required by the relevant valuation standards.

3.2 VALUATION CONSIDERATIONS

34. In practical terms we have undertaken this MVAU valuation in a way that is consistent with the valuation of other development land, ie; we have analysed and considered the prevailing market conditions of supply and demand, population and employment projections, plus cost and required developer returns, as they relate to the subject and comparable development land.
35. In accordance with standard valuation practice it is preferable to assess the value of the identified assets on the basis of comparable sales. Unfortunately however in this instance due to the scale, location and strategic nature of the proposed development, there is a paucity of comparable block sales evidence from which to accurately assess its value.
36. We have therefore used the hypothetical subdivision analysis and discounted cash flow approach as the primary method to assess the MVAU value of the WIA land.
37. The discounted cash flow approach simulates the subdivision and on-sale of land, taking into account all costs associated with the development and sale of lots, including a return to the purchaser for risk and other holding costs. The net present value of the free cash flows represents the price that a prudent purchaser would be prepared to pay for the subject land in its present state (block value).

4.0 DETAILED MVAU VALUATION

38. This MVAU valuation follows the steps outlined in Section A10 of Decision 709 (see Table 2 above).

4.1 (A) & (B) WIAL LAND HOLDINGS

39. In accordance with Section 3.2 above we have adopted an MVAU land area of 103.2000 hectares.

4.2 (C) & (D) HIGHEST & BEST ALTERNATIVE USE ASSESSMENT

40. ZPS were commissioned to assess the HBAU for the WIA land holding.

41. In accordance with Commerce Commission guidelines, to determine what is physically possible, appropriately justified and legally permissible on the WIA land, ME were engaged to undertake a preliminary assessment of the prevailing market conditions, and to look at the current and projected catchment extent and market size, including population and employment projections.

42. This market size assessment then provided the basis from which ZPS calculated the future demand for a range of different land uses that could be developed on the WIA land.

43. In discussions with ZPS we have been advised that the key drivers influencing the assessment of the HBAU for the WIA land include.

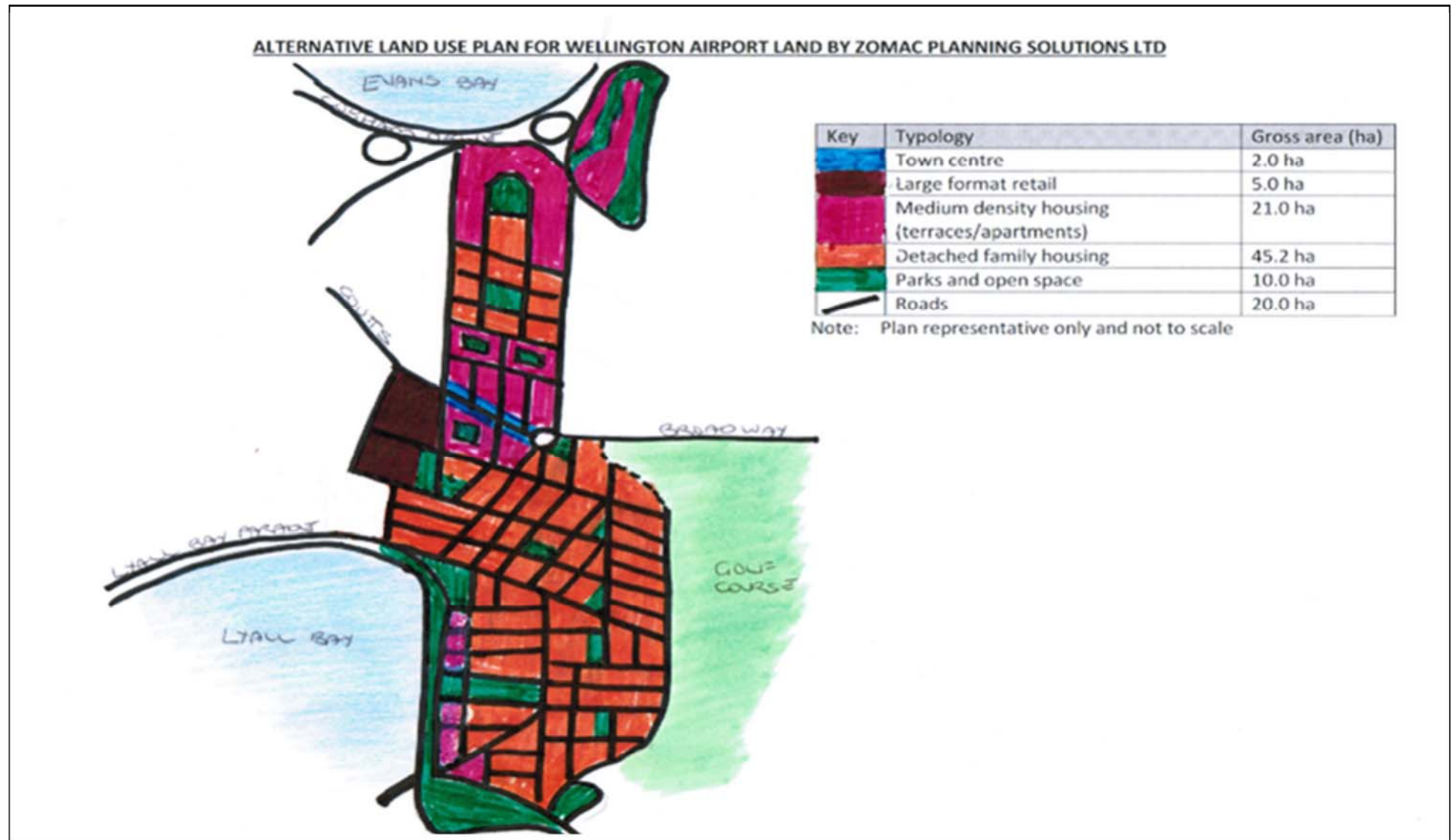
- ▼ ME concluded on page 21 of their report that on the basis of growth projections the area immediately around the airport is expected to experience reasonably slow growth out to 2031, by virtue of it being an established urban area. While redevelopment of WIA land under the HBAU scenario would contribute to an increase in the local population, this would only amount to a 10-15% increase over the population within the sub-regional centre primary catchment.
- ▼ ME state that a new retail / commercial centre on WIA land would be unlikely to lead to a decrease of Kilbirnie's current sub-regional role, and a WIA centre would have something less than a sub-regional role.
- ▼ A WIA centre would however develop into a significant retail destination (but less than a sub-regional centre) and significantly change where residents of the study area (i.e. south and east of the CBD) would choose to shop, creating an initial step change in retail spending patterns. This step change, together with market growth and the new residential activity on the WIA land could support under an alternate land use an additional 30,000 - 45,000m² of additional retail floor space supported in a WIA centre by 2031.
- ▼ ME note that this quantum is indicative only, given the lack of any definite development plan for WIA land, and shows in general terms the size of

centre they expect could develop on WIA land under an alternative land use scenario in the absence of the current airport use.

- ▼ The important final point ME make is that any centre that were to develop under an alternative land use future would have to fit in with the existing land uses in southern Wellington, and would not develop into a very large quantum of floor space (such as in the CBD), but they would expect it to offer a good opportunity to expand the range of retail able to be offered to the area, so would likely develop into more than a small local centre, but less than a sub-regional centre.
- ▼ As part the assessment of the HBAU of the WIA land a meeting was held with WCC planning and policy staff. The purpose of this meeting was to understand whether the proposed hypothetical HBAU plan in terms of retail, commercial, business, and residential activities was in accordance with WCC planning and strategy documents, and the Council's long term vision for the Wellington area. In this regard it was accepted that the HBAU analysis was hypothetical and that development on the WIA land has not been included in any of the WCC planning scenarios. However in light of the Commerce Commission decision and the requirement for WIA and BARNZ to undertake land valuations on this basis every five years, the officers agreed in principle that it was pertinent to work through the WCC planning processes to determine what level of alternative development would hypothetically be supported by the WCC, and undertook to recommend this process to the Council. As of preparing this report no formal process for establishing a common HBAU on the WIA land has been agreed between WCC, BARNZ, and WIA.

44. On the basis of the ME catchment analysis, preliminary discussions with WCC planning officers, and a review of market reports, ZPS have developed the following HBAU master plan for the WIA land.

Figure 3. ZPS – HBAU Master Plan For WIAL Land



45. On the basis of this analysis Table 2 schedules ZPS's assessment of the HBAU land use allocation for the WIA land.

Table 3. ZPS – HBAU Land Use Allocation

Land Use Allocation	Net Area (ha)	Approximate Site Coverage Ratios	Proposed Retail Floor Area m ²	Allotment Numbers / Mix
(a) Town Centre	2.00	70%	14,000	20 x 1,000m ²
(b) Large Format Retail	5.00	50%	25,000	10 x 5,000m ²
(c) Medium Density Residential Apartments	2.00	40%		160 x 125m ²
(d) Medium Density Residential Townhouses	19.00	35%		760 x 250m ²
(e) Detached Family Housing	45.20	35%		904 x 500m ²
(f) Headland Park	5.0			
(g) Neighborhood Open Space	5.00			
(h) Roads	20.00			
Total	103.20		39,000	1,854 lots

46. A full copy of the ME and ZPS reports detailing the HBAU of the Wellington airport land are attached as Appendices I and II to this report.

4.3 (E) RESOURCE MANAGEMENT / AMENITIES / DEVELOPMENT MIX

47. In accordance with sound development practices it is anticipated that the HBAU development of the WIA land would be undertaken in an integrated and comprehensive manner.
48. The ZPS HBAU master plan / land use allocation, proposes to develop an integrated mixed density residential community, that offers a high level of amenity, quality community assets, usable green space areas, a commercial hub, and retail centre.
49. Environmental outcomes anticipated include:
- ▼ An urban form which creates a sense of place and encourages a community to develop.
 - ▼ A safe, comfortable and healthy living environment.
 - ▼ Integration of the roads within the new neighbourhood area with existing arterial roads and public transport routes.
 - ▼ An integrated road network that supports effective and efficient public transport.
 - ▼ An efficient and effective cycle and pedestrian network that connects with existing and potential facilities.

- ▼ Provision of a network of open spaces integrated with cycle and pedestrian facilities.
 - ▼ Opportunities for a wide variety of residential development forms of low, medium and high residential densities.
 - ▼ Medium density development offering housing located in conjunction with a core of community facilities and having ready access to public transport.
 - ▼ Medium density buildings which relate well to each other and to adjoining public and private open space.
 - ▼ A development that meets City Plan policies to achieve an overall increase in residential density, urban consolidation and a compact urban form.
 - ▼ Provisions to enable neighbourhood retail, community, or medical facilities to be located within walkable distance of any part of the zone, or be within walkable distance of a bus stop within the zone.
 - ▼ Provision of neighbourhood shopping facilities.
 - ▼ Provision of community footprint and business facilities.
 - ▼ A sustainable storm water disposal system integrated with open space, reserves, pedestrian and cycle facilities.
 - ▼ The establishment of an overall development concept that provides a defined basis for integrated development of this area.
 - ▼ Protection of groundwater resource from contamination.
50. Based on the ZPS HBAU master plan, approximately 1,824 residential dwellings and 39,000m² of business space will be hypothetically developed on the 103.2 hectare property.
51. We have been advised by ZPS that it will take between 18 and 24 months to obtain the necessary approvals (plan change to convert Airport Precinct zone to a Residential zone), to allow the mixed density residential development to occur on the WIA land.
52. We have assumed for valuation purposes that the current Airport Precinct zoning would allow large format retail activities to be developed and sold on land adjoining the existing retail precinct (excluded from the MVAU land), without the need for a private plan change.

4.4 (F) & (G) VALUATION INPUTS - NOTIONAL SUBDIVISION APPROACH

53. As detailed in Section 4 above due to the scale, location and strategic nature of the proposed HBAU development of the WIA land, there is a paucity of comparable sales evidence from which to accurately assess the block value of the property on a MVAU basis. We have therefore used the hypothetical subdivision analysis and discounted cash flow approach as the primary method to assess the MVAU of the WIAL land.
54. In accordance with standard valuation practice the key inputs to the discounted cash flow approach include.
- ▼ Development of a hypothetical development plan,
 - ▼ Estimation of gross realisations of individual allotments,
 - ▼ Determination of appropriate realisation periods / market absorption,
 - ▼ Calculation of development costs, and
 - ▼ Assessment of an appropriate discount rate.

4.4.1 HYPOTHETICAL DEVELOPMENT PLAN

55. In accordance with advice received from ZPS we have adopted the notional HBAU master plan and land use allocation detailed in Section 4.2 above.

4.4.2 GROSS REALISATIONS

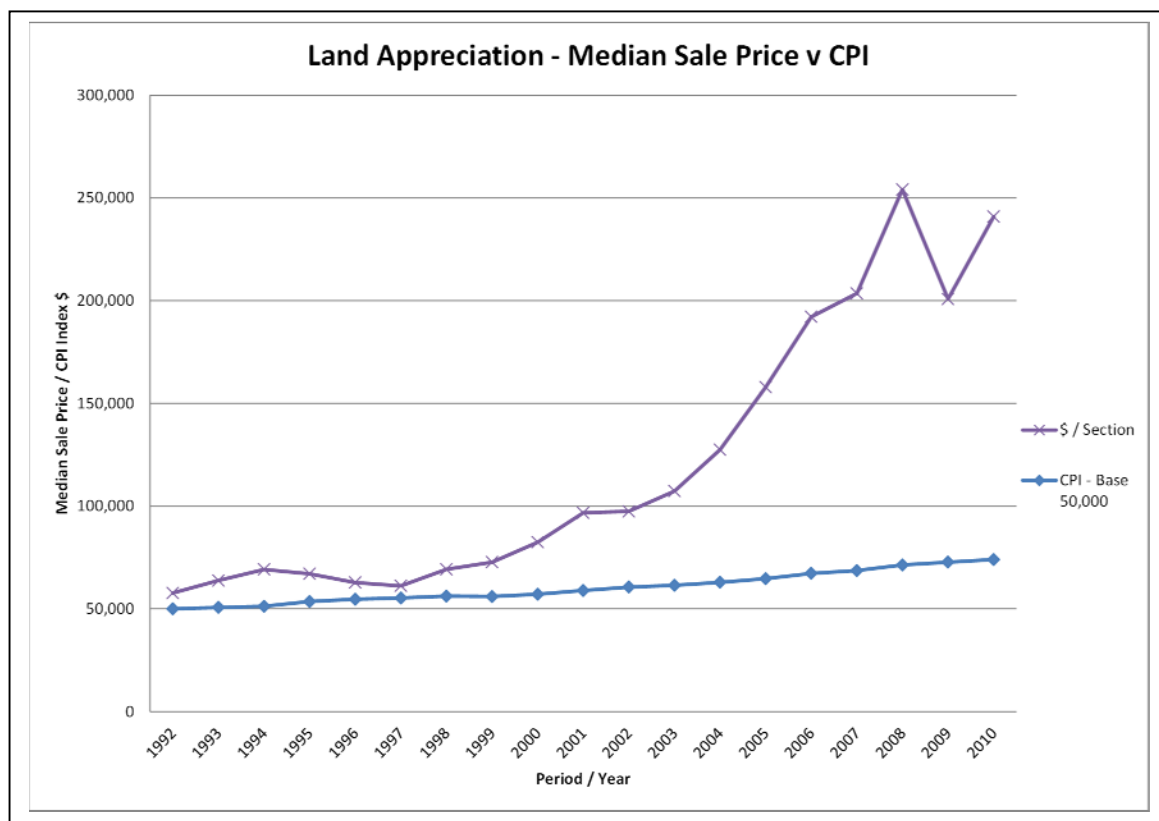
56. In assessing the gross realisations under the HBAU master plan we have researched and analysed sales in greater Wellington, liaised with local industry participants, and have had regard to the current residential, business and retail markets.
57. On the basis of our comparable sales analysis contained in Appendix III to this report we have adopted the following lot realisations.

Table 4. HBAU – Lot Realisations

Land Use Allocation	Net Area (ha)	Allotment Numbers / Size	Gross Realisations per lot (\$ + GST)
(a) Town Centre	2.00	20 x 1,000m ²	1,000,000
(b) Large Format Retail	5.00	10 x 5,000m ²	3,750,000
(c) Medium Density Residential Apartments	2.00	160 x 125m ²	85,000
(d) Medium Density Residential Townhouses	19.00	760 x 250m ²	135,000
(e) Detached Family Housing	45.20	904 x 500m ²	225,000
Other – Roads / Reserves	30.00		
Total	103.20	1,854 lots	

58. Our research indicates that over the medium to long term that land values / median section prices have typically increased at a rate in excess of the rate of general CPI inflation. Consistent with our analysis of comparable block sales we have applied an appreciation factor to the base gross realisation scheduled in Table 4.
59. Our analysis of historical land / residential section appreciation in greater Wellington relative to the general CPI is illustrated in Figure 4.

Figure 4. Land Value Appreciation Analysis – Wellington Median Section Price v CPI Index



Source- Real Estate Institute Of New Zealand Statistics

60. Converting this analysis into a tabular format indicates that median section prices in Wellington have increased at an annual rate of approximately 9.67% over the last 15 years, whilst the CPI has increased a rate of 2.18% per annum.

Table 5. Average Land Appreciation Analysis - Wellington Median Section Price v CPI Index

Period	Median Section Price	CPI
5yr Average	10.30%	2.73%
10yr Average	12.24%	2.63%
15yr Average	9.67%	2.18%

61. Due to the current market environment we have adopted a conservative land appreciation / growth rate across all land classes of 3.5% per annum.

4.4.3 REALISATION PERIOD

62. By virtue of being in a geographically constrained and established urban area, the WIA land under a HBAU scenario represents one of few areas available for greenfields development in Wellington City. As a result the historical demand and projected supply statistics are not directly comparable, therefore it is difficult to predict market demand / absorption of town centre, large format retail, and residential allotments.
63. Preliminary analysis on the commercial realities of developing large format retail and local shopping centre space in the WIA location has been carried out by ME. This has been cross checked against information provided by local property developers and valuers Jones Lang LaSalle.
64. As detailed in Section 4.2 above, ME anticipate that organic growth together with the new residential activity on the WIA land could support an additional 30,000 - 45,000m² of retail floor space in this locality over the next 20 years.
65. On review of the market we note that there are a number of redevelopment properties adjoining the existing retail park on Tirangi Rd that are currently on the market and getting little traction, and that WIA have been an active purchaser of land adjoining its boundaries. After reviewing the sales evidence and discussing the state of the market with local property participants we have adopted a seven year sell down period for the retail town centre and large format retail land uses.
66. In a residential context we analysed historical section sales and Statistics New Zealand building consent data to determine historical absorption rates. A summary of this analysis is detailed in Tables 6 and 7 on the following pages.

Table 6. Historical Residential Section Sales

Year	Hutt City	Porirua City	Upper Hutt City	Wellington City	Total
2000	68	88	77	206	336
2001	67	56	57	156	411
2002	77	66	69	199	452
2003	82	61	96	213	429
2004	66	97	85	181	515
2005	65	191	105	154	604
2006	70	225	130	179	737
2007	76	241	115	305	258
2008	41	70	48	99	554
2009	73	131	85	265	411
2010	52	94	59	206	114
2011 (yr to date)	19	28	10	57	336
5yr Avg	62	152	87	211	513
10yr Ave	67	123	85	196	471

67. Analysis of vacant residential sales from the greater Wellington Region indicates that over the last eleven years on average approximately 471 residential sections have been purchased. The market was particularly active in 2005, 2006, and 2007 and as a result of the Global Financial Crisis has dropped away over the last few years.
68. If the catchment area is reduced to include Wellington, Porirua, and Hutt City the ten year average uptake of vacant residential sections is 386 per annum.

Table 7. Statistics New Zealand – Building Consent Data Wellington Region

Year	Apartments	Residential Dwelling	Total
1991	17	382	399
1992	0	426	426
1993	51	464	515
1994	72	521	593
1995	60	445	505
1996	291	465	756
1997	501	634	1135
1998	584	737	1321
1999	480	759	1239
2000	279	738	1017
2001	463	605	1068
2002	716	536	1252
2003	623	700	1323
2004	428	619	1047
2005	430	465	895
2006	112	521	633
2007	231	567	798
2008	674	378	1052
2009	224	326	550
2010	147	415	562
Averages			
5Yr	278	441	719
10Yr	405	513	918
15Y	412	564	977

69. The building consent analysis indicates that over the last ten years there were on average 513 residential dwellings, and 405 apartments consented in the Wellington Region. We note that Statistics New Zealand record all building consents that are applied for, but not necessarily developed, therefore this analysis generally sets an upper limit and is used to support the historical sales data.
70. On the supply side of the equation we collated data on competing developments in the greater Wellington Region to determine the appropriate market share that the HBAU of the WIA land could potentially achieve. In summary there is potentially a large volume of vacant sections that could be brought to the market immediately. However because of the constrained nature of Wellington City development land and vacant residential sections are predominantly located in western suburbs of Grenada, Woodridge, Greenacres, plus Porirua and the Hutt Valley.
71. From a practical perspective developments in the western suburbs are at a lower value level / price point when compared to the established urban area in Wellington City, therefore they are not directly comparable.

72. In cross check of this supply side assessment we usually review vacant land survey data collected by the Local Authority. We have been in discussions with three Local Authorities and have requested this information, however as of writing this report this data has not been provided to us.
73. We note that the WCC last updated its Urban Development Strategy in 2007. In the supporting reports the WCC stated that they anticipate that based on medium series population projections that approximately 512 new residential dwellings will be required per annum in Wellington City over the next 40 years. On the basis of historical development planners anticipate the following growth patterns to occur:
- 36% of the total growth will be for high density housing. This will predominantly occur in central Wellington, the first section of Adelaide Rd, and smaller areas in Johnsonville, Oriental Parade and along the growth spine.
- 30% of the total growth will be for medium density housing. This will be directed to key centres along the growth spine – Johnsonville, Kilbirnie and Adelaide Rd.
- 34% of the total growth will be low density housing. The majority of this housing will be in the form of greenfield subdivisions in the northern suburbs with pockets of undeveloped land and infill housing within the existing urban footprint.
74. In summary based on the available information, we envisage that the demand for vacant residential sections under the HBAU development scenario will attract approximately 20% of the total demand. This equates to sales of approximately 95 allotments per annum.
75. The demand for high density residential apartments is greatest in suburbs adjoining the Central Business District. In this analysis we have assumed the demand for apartments will equate to approximately 25 units per annum.
76. The demand for terraced house land will equate to approximately 80 units per annum.

4.4.4 DEVELOPMENT COSTS

77. Development costs include:

- ▼ Construction Costs ,
- ▼ Resource Management / Consenting Costs,
- ▼ Marketing / Legal Costs,
- ▼ Management,
- ▼ Local Authority Fees / Development Contributions,
- ▼ Local Authority Rates, and
- ▼ Sea Wall.

CONSTRUCTION COSTS

78. RLB were engaged to provide a construction cost estimate to undertake the Boffa Miskell HBAU development of the WIA land. On the basis of a mixed use development of 109.7 hectares (having a 7.5ha town centre, 10.410ha large format retail park, 13.7ha office park, 23.6 ha of apartments, 15.4ha in townhouses, and 8.6ha detached family houses), RLB calculated the construction cost including a 10% contingency to be \$92,000,000 plus GST.
79. Due to time constraints RLB have not been able to provide updated costings to reflect ZPS's revised assessment of the HBAU master plan for the WIA land. We have been advised however in discussions with BARNZ that RLB anticipate that with a decrease in development area to 103.2 ha, a decrease in large commercial blocks and an increase in residential development land that the construction costs would likely increase.
80. For valuation purposes we have adopted a base construction cost of \$92,000,000. However we reserve the right to amend our analysis should updated costs from RLB for the Zomac land use plan materially differ from the advice based on the costs of undertaking the Boffa Miskell alternative land use.
81. We have made a base construction cost escalation provision of 3.5% per annum over the development period

RESOURCE MANAGEMENT / CONSENTING COSTS

82. We have been advised by ZPS that it would take between 18 and 24 months and cost approximately \$2,000,000, to obtain the necessary approvals (plan change to convert Airport Precinct zone to a Residential zone), to allow the mixed density residential development to occur on the WIA land.

MARKETING / LEGAL COSTS

83. Selling costs have been calculated on the basis of a 2.0% commission, plus a marketing allowance equaling 1% of the gross realisation.
84. Legal costs of preparing sale and purchase agreements and conveyancing have been set at \$1,000 per dwelling unit.

MANAGEMENT

85. A project management allowance has been set at \$250,000 per annum.

LOCAL AUTHORITY FEES / DEVELOPMENT CONTRIBUTIONS

86. In discussions with the WCC we have been advised that development contributions for infrastructure and reserves will be payable over and above the 10 hectares of parks that will be developed and vested to the council.
87. Development contributions have been set at \$6,951 per residential dwelling allotment, and \$86 / m² of retail space.

LOCAL AUTHORITY RATES

88. Local Authority rates have been assessed at \$1,500,000 per annum.

SEA WALL

89. On inspection we identified a number of sea walls fronting Lyall Bay, which have been developed to protect the airport complex from erosion and storm surges. These protection assets are located on WCC land, however we have been advised that they were constructed and are maintained by WIA.
90. Based on costs provided by WIA, we understand that the annualised sea wall maintenance costs over the next 10 years will be approximately \$300,000 per annum.
91. Based on discussions with the WCC we have been advised that even though the seawalls are located on public land, the benefit and hence maintenance responsibility lies with WIA. Furthermore if under the HBAU development scenario the airport land was to be converted to an integrated residential use, it is unlikely that the WCC would take over the management of these assets.
92. From a practical valuation perspective the costs of maintaining the seawalls must be taken into consideration when assessing the MVAU of the WIA land. On the basis of capitalised costs they could be vested to the WCC or alternatively the seawalls could be held in a body corporate by the residents. Either way a cash deposit would be required to fund the maintenance of the sea walls – say \$5m ($\$300,000 / 6\% = \$5m$).

4.4.5 DISCOUNT RATE SELECTION

93. The discount rate reflects the annualised rate of return that an investor would require from undertaking the proposed development. In practical terms profit and risk margins analysed from comparable transactions fluctuate relative to the following factors:
- ▼ The size and scale of the development,
 - ▼ The potential development mix,
 - ▼ The complexity of design and marketability,
 - ▼ The consent-ability and level of planning risk involved,
 - ▼ The state of the market and effective competition,
 - ▼ The availability and security of investment,
 - ▼ Comparative returns available from other investments,
 - ▼ Expectations surrounding future capital appreciation, and
 - ▼ The weight of capital employed in the development.
94. In summary the greater the risk being carried by the developer, the greater the required return / profit and risk allowance.
95. Due to the unique nature and scale of the proposed HBAU development there is little transactional evidence from which direct comparisons can be made. Our analysis of smaller urban development land transactions indicates that the required return / profit and risk allowances range from 10% to 40% of outlay. This has increased in recent years as the global financial crisis has put pressure on property values, reduced funding liquidity, and depressed expectations surrounding future growth.
96. On the basis of discussions with major property developers and analysis of urban development land transactions, we have assessed the pre-tax nominal discount rate to be 27%.

4.5 (H) & (I) MVAU - DISCOUNTED CASH FLOW VALUATION

97. As discussed above the discounted cash flow approach simulates the subdivision and on-sale of land, taking into account all costs associated with the development and sale of lots, including a return to the purchaser for risk and other holding costs. The net present value of the free cash flows represents the price that a prudent purchaser would be prepared to pay for the subject land in its present state.
98. A summary of the key inputs adopted in the MVAU valuation of the WIA land are contained in Table 8.

Table 8. MVAU Development Inputs

Description	Rate	Totals
Revenue		
Shopping Centre - 20 Lots @ 1000m ²	1,000,000	20,000,000
Large Format Retail - 10 Lots @ 5000m ²	3,750,000	37,500,000
A - Medium Density Residential Apartments - 160 Lots @ 125m ²	85,000	13,600,000
B - Medium Density Residential Terrace Houses - 760 Lots @ 250m ²	135,000	102,600,000
Low Density Residential Standalone - 904 Lots @ 500m ²	225,000	203,400,000
Total Revenue - Base		377,100,000
Development Expenses		
Legal & Sales Expenses		13,167,000
Base Construction Expense		92,000,000
WCC Development Contributions		16,023,700
Capitalised Seawall Expenses		5,000,000
Local Authority Rates Charges		4,500,000
Resource Management		2,000,000
Project Management		1,125,000
Total Expenses - Base		133,815,700
Variables		
Pre-Tax Nominal Required Rate of Return	27.00%	
Land Appreciation Rate	3.50%	
Development Cost Escalation Factor	3.50%	
Development Period 1/7/2011to 1/1/2023	11 Years	

99. In assessing the MVAU land value of the WIA complex we have followed the guidelines put forward by the Commerce Commission in Decision 709 and taken professional advice from planners, market economists, and construction engineers. In addition we have liaised with the WCC and local industry participants to arrive at an independent assessment of the HBAU of the WIA complex.
100. As part of this MVAU valuation we have analysed and considered the prevailing market conditions of supply and demand, population and employment projections, plus cost and required developer returns as they relate to the subject and comparable development land.
101. In accordance with standard valuation practice it is preferable to assess the value of the identified assets on the basis of comparable sales. Unfortunately however in this instance due to the scale, location and strategic nature of the proposed WIA development, there is a paucity of comparable sales evidence. We have therefore used the hypothetical subdivision analysis and discounted cash flow approach as the primary method to assess the MVAU value of the WIA land.
102. On the basis of the available information it is our opinion that the MVAU of the 103.2 hectare WIA property as at 1 July 2011 to be:

**Ninety Eight Million Dollars
(Plus GST if any)**

\$98,000,000

103. We refer you to Appendix IV and V which contains our detailed discounted cash flow worksheets and our standard valuation policies upon which this assessment is based.

5.0 COMPLIANCE STATEMENT & DISCLOSURES

104. This valuation has been prepared having regard to the International Valuation Standard 3 of the Australia and New Zealand Valuation and Property Standards. We confirm the following:
- ▼ To the best of our knowledge the statements of fact presented in this report are correct,
 - ▼ The analysis and conclusions in the report are limited only by the reported assumptions and conditions,
 - ▼ Property Advisory Ltd has no direct pecuniary or other interest in the property being valued,
 - ▼ Our fee is not contingent upon any aspect of the report,
 - ▼ The valuation has been prepared in accordance with the Property Institute of New Zealand / New Zealand Institute of Valuers Code of Ethics, Rules of Conduct and Valuation Standards,
 - ▼ The Valuer has satisfied professional education requirements,
 - ▼ The Valuer has experience in the location and category of the property being valued,
 - ▼ The Valuer has made a personal inspection of the property;
 - ▼ No one, except those specified in the report, has provided professional assistance in preparing the report.
105. If you have any queries regarding this assessment please do not hesitate to contact us.

Yours faithfully
Property Advisory Ltd



K D Smith
B.Com VPM, MNZPI
Registered Valuer
Director

Attachment I

Market Economic Report

Wellington Airport Alternative Use Scenario Review



WELLINGTON AIRPORT ALTERNATE USE SCENARIO REVIEW

Project Name: Wellington Airport: Alternate Use Scenario Review
Client: Board of Airline Representatives New Zealand (Inc.)
Date of This Version: 4 October 2011
Status of Report: Final
Report Authors: Greg Akehurst, Derek Foy

Prepared For:
Board of Airline Representatives New Zealand (Inc.)

October 2011

m.e market economics
environment • spatial
market economics limited • 4th Floor 2110, 11th Street, Auckland, New Zealand
Level 5, 307 Market Street, Auckland 1010
www.marketeconomic.co.nz

Disclaimer

Although every effort has been made to ensure accuracy and reliability of the information contained in this report, neither Market Economics nor any of its employees shall be held liable for the information, opinions and forecasts expressed in this report.

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1 Introduction

1.1 Background

The Board of Airline Representatives New Zealand (Inc.) (BARNZ) is an incorporated society comprising 21 member airlines operating in New Zealand. BARNZ commissioned Market Economics (M.E) to review assessments that have been undertaken for Wellington International Airport (WIA) relating to the possible alternate uses of airport land in the event that WIA ceased operation. The alternate land uses have been used as a basis for valuing WIA land, pursuant to the Commerce Commission's direction that airport land should be valued by reference to its highest and best use if the airport were to close. This value is then used by WIA to, among other things, justify the landing fees it charges airlines using the airport.

The alternative land use scenarios have been defined in two reports:

- "Wellington Airport Masterplanning: Alternative Land Use Option", Boffa Miskell Ltd, August 2011
- "MVAU Land Valuation, Wellington International Airport Limited", issued 12 August 2011, Telfer Young (Canterbury) Ltd

1.2 Objective

The objectives of this assessment are to provide a preliminary assessment of the current and future demand for potential alternative uses (including residential, retail, commercial and industrial uses) of WIA. A subsequent, more detailed assessment to investigate the likely timing/viability of alternate uses and the impacts of these on the existing Wellington environment is proposed as a Stage 2 assessment.

1.3 Alternative Land Use Assessment

The alternative land use assessment used by WIA presents land areas (in hectares) that could be developed for uses other than airport land, in the absence of WIA, and then applies values to them based on recent sales activity.

The retail areas provided in the Boffa Miskell masterplan's "Developed Option"¹ include:

- 7.50 ha of town centre land, which is then adjusted to 7.12 ha for valuation purposes by Telfer Young². At the indicative site coverage rates Telfer Young

¹ Page 5
² Page 19



presents (65-75%³), this amount of land would yield 46,000 to 53,000m² of retail GFA.

- 10.41 ha of large format retail, adjusted to 7.14ha, which would yield 36,000m² GFA at the 50% coverage rates provided by Telfer Young

In addition to the retail component of the alternative land use, the Boffa Miskell masterplan provides for:

- 13.68 ha of business park (adjusted by Telfer Young for valuation purposes to 12.80 ha). This would yield at least 64,000m² of office space at the site coverage ratio of 50% Telfer Young indicate (assuming all development is single level only).
- 47.57 ha of residential land (45.60 ha adjusted). As a broad indication this could yield a population of 1,500 to 3,000 people, depending on dwelling types.

Under the 'Developed Option' scenario of alternative land use, the Boffa Miskell masterplan therefore indicates that the WIA land would accommodate total retail floorspace of 80,000 to 90,000m² GFA, and commercial/office space of a further 65,000m². This would accommodate a very significant quantum of economic activity, and indicates that the area would be one of the larger centres in Wellington. The label 'suburban shopping centre'⁴, applied by Telfer Young is inappropriate for this type of centre, which would be sub-regional in its focus.

There is limited explanation provided in the Boffa Miskell or Telfer Young reports to describe how the land areas presented were arrived at, or whether there was any underlying assessment to place the resulting supply in the context of the future demand environment. Boffa Miskell did consider impact on the roading network, reserve provision, amenity values and fitting in with existing land uses⁵. No mention is made of considering demand for future supply of the type provided.

These issues and the appropriateness of the land areas provided will be expanded on in our Stage 2 report.

³ Page 20

⁴ Telfer Young p24

⁵ Telfer Young p18



2 Catchment Definition

BARNZ have been provided with retail customer catchments by WIA⁶, which WIA have used to inform the retail assessment underlying the retail component of the alternative land use analysis. In this report, we present several alternative catchments to represent different roles that any centre on WIA land might play. That role would be broadly determined by the size of the centre, and therefore how attractive the centre is to Wellington residents. A very small centre will predominantly serve only people living in its immediate vicinity, playing very much a local role in the provision of goods and services, while a larger centre would have broader draw, however a larger centre faces stiffer competition and quickly becomes not viable in the face of more appropriate retail locations.

The WIA scenario uses a very large catchment in line with the very large amount of retail space that WIA have indicated could be supported under an alternative land use future. Given the existing retail/centres environment, we envisage that any alternative land use of WIA would not support development of a retail centre that would require such a large catchment.

Data summarised in this report is provided for four catchments to quantify market size and demand under different future (WIA) land use scenarios:

- WIA catchment.
- M+E Local Centre catchment.
- M+E Sub Regional Centre catchment (with Kilbirnie).
- M+E Sub-Regional Centre catchment (without Kilbirnie).

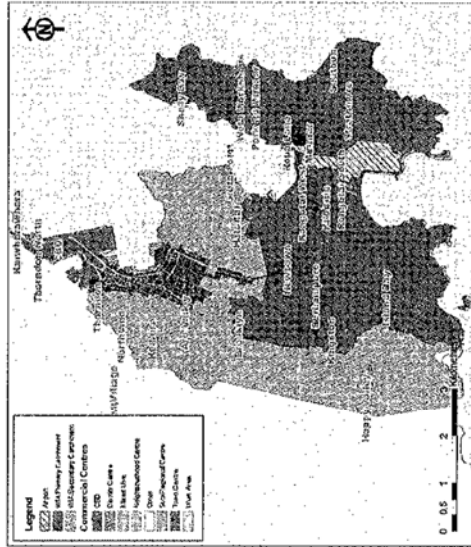
The catchments used in this study are comprised of two parts, which together form the centre's Main Trading Area (MTA):

- The primary catchment is the origin of most of the centre's customers, and typically 65-80% of sales will be made to consumers from the primary catchment.
- The secondary catchment is the area from which a smaller proportion (15-30%) of the centre's consumers originate. These consumers tend to shop at the centre less frequently than primary catchment consumers, because they have alternative centres that are more accessible to them.

⁶ The author of these catchments is unknown, but the document is titled 'Customer Catchments 7, ACAD:5407-wa/7'. We have been told by BARNZ that the catchments were prepared several years ago for the airport in relation to an assessment of retail demand for their land adjacent to the airport.

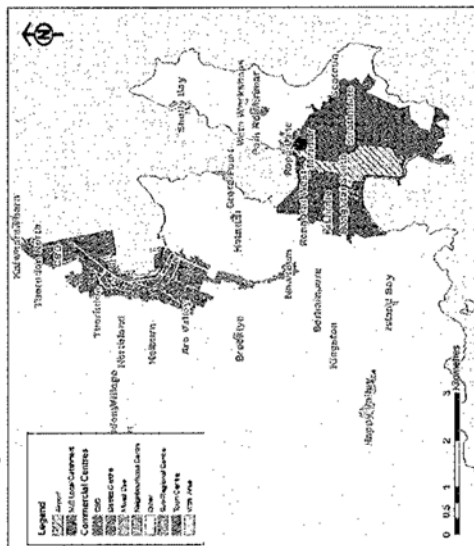


Figure 2.1: WIA Catchment Definition



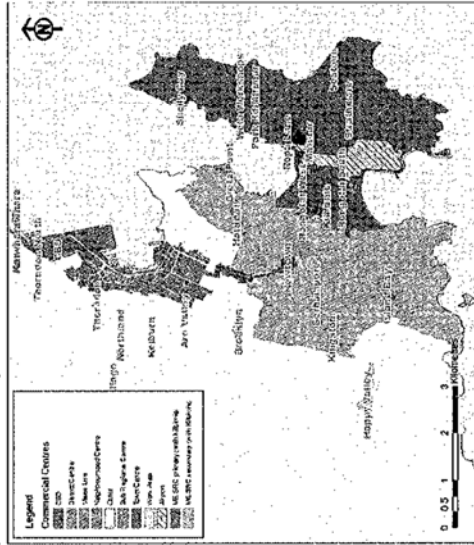
The WIA catchment (Figure 2.1) is the broadest of the four catchments summarised here, and the MTA covers most of urban Wellington, from Kelburn south. A catchment of this size would sustain a very large amount of retail supply, which if developed would be a dominant retail destination within greater Wellington. This catchment defines the extent of the study area.

Figure 2.2: M.E Local Centre Catchment Definition



The M.E Local Centre catchment (Figure 2.2) is the smallest catchment, and shows where WIA retail centre's retail customers would live if only a small amount of retail developed on WIA land. As a smaller centre (local or town), the catchment extent is limited by the location of other local, town and district centres around WIA (e.g. Miramar, Park Rd, Strathmore). In reality if WIA land were to be redeveloped for something other than airport use, something more than retail centre would be likely to develop on this land.

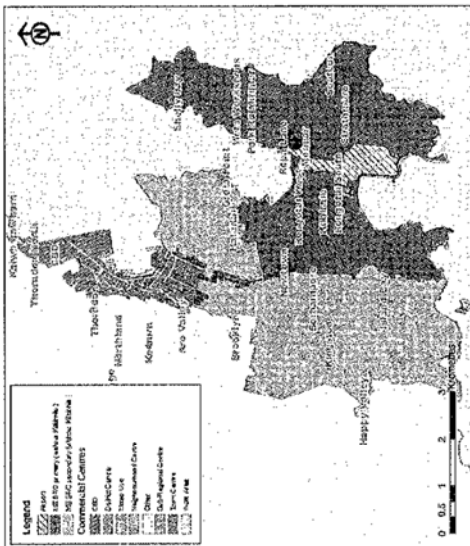
Figure 2.3: M.E Sub-Region Centre Catchment Definition (with Kilbirnie)



The M.E Sub-Regional Centre catchment (with Kilbirnie) (Figure 2.3) shows the extent of the catchment that would serve a large sub-regional centre (SRC) on WIA land, assuming that the existing Kilbirnie SRC retains its current role. It would be unusual to have two sub regional centres so close (say 1.5 km apart) together, the effect of which is that the catchments of each will be constrained by the other. The catchment extent is also constrained by the Wellington CBD. We consider a centre of this type to be the most likely retail centre that would develop under an alternative land use.

Relative to the WIA catchments, the M.E SRC primary and secondary catchments do not extend as far west or north, with the primary catchment being limited to the area east of Kilbirnie.

Figure 2.4: M.E Sub-Region Centre Catchment Definition (without Kilbirnie)



The M.E Sub-Regional Centre catchment (without Kilbirnie) (Figure 2.4) is somewhat larger than would be the case if Kilbirnie continued to play its current sub-regional role. This represents the catchment that would serve a large sub regional centre (SRC) on WIA land, in the event that the existing Kilbirnie SRC is replaced as the commercial node at the end of the main public transport spine, which we consider would be unlikely. This scenario has been modelled in response to indications from WIA representatives⁷ that the community would be better served developing a new greenfields SRC on WIA land rather than rejuvenating the existing Kilbirnie SRC.

Relative to the WIA catchments, the M.E SRC primary and secondary catchments do not extend as far west or north, and the secondary catchment extends nearly as far as the CBD fringe. The primary catchment is also larger than the 'with Kilbirnie' SRC catchments, and extends to Hetaital and Newtown.

⁷ 7 July 2011 email from Kristina Cooper to Mike Foster summarising meeting with WIA on July 5.

3 Market Size

3.1 Background

Note that these population (and household) data reflect the current Wellington environment, and not the environment as it might be under a 'without-WIA' scenario, so excludes the population that might live on redeveloped WIA land. As described in section 1.3 this is likely to be no more than 3,000 people, or around 12% of the existing population living in what would be a WIA SRC centre's primary catchment.

3.2 Population

The different catchments have significantly different resident populations. WIA's MTA covers a large part of Wellington City, with a current (2010) primary catchment population of 59,000, with an additional 44,100 people living in the secondary catchment for a total of 103,100 residents in the MTA (Table 3.1).

Table 3.1: Catchment Population Projections

	Growth 2010-2031				
	2010	2016	2021	2026	2031
M.E Local Role					
Primary	8,800	9,400	9,700	10,000	10,300
Secondary					
Total MTA	8,800	9,400	9,700	10,000	10,300
M.E Sub-Regional Role (with Kilbirnie)					
Primary	24,300	25,900	26,900	27,900	28,700
Secondary	37,100	39,800	41,000	42,000	42,900
Total MTA	61,400	65,700	67,900	69,900	71,600
M.E Sub-Regional Role (without Kilbirnie)					
Primary	37,800	40,500	42,000	43,300	44,400
Secondary	41,200	45,500	47,900	50,200	52,300
Total MTA	79,000	86,000	89,900	93,500	96,700
WIA Alternate Land Use Catchments					
Primary	59,000	63,200	65,400	67,400	69,200
Secondary	44,100	51,300	54,900	58,400	61,800
Total MTA	103,100	114,500	120,300	125,800	131,000

Source: Statistics NZ, Medium Scenario projections

The alternative catchment definitions indicate a MTA population of:

- 79,000 for a SRC in the absence of Kilbirnie.
- 61,400 for a SRC if Kilbirnie continues to function as an SRC.
- Less than 10,000 people if the WIA retail centre were to play only a local role.

Population growth is projected to be slow in the areas immediate around WIA, averaging under 1% per year out to 2031. This is mostly because that part of Wellington is an established area which can accommodate very little in the way of new residential developments beyond in-fill and ad hoc redevelopment of brownfield sites. High growth in and around the CBD is expected to drive population growth in the WIA's secondary catchment to 1.6% per year out to 2031.

3.3 Households

Household growth projections show the same patterns as population growth, with slowest growth in Wellington's established suburban areas which would form the majority of the catchment of any retail centre developed at WIA. Household growth rates are projected to be marginally higher than population growth, due to the declining average household size as the population ages (Table 3.2).

Table 3.2: Catchment Household Projections

	2010	2016	2021	2026	2031	Growth 2010-2031 n	% avg. ann
M.E Local Role							
Primary	3,400	3,700	3,900	4,100	4,300	900	1.1%
Secondary	-	-	-	-	-	-	0.0%
Total MTA	3,400	3,700	3,900	4,100	4,300	900	1.1%
M.E Sub-Regional Role (with Kilbirnie)							
Primary	9,300	10,200	10,800	11,300	11,900	2,600	1.2%
Secondary	15,000	16,500	17,300	18,100	18,800	3,800	1.1%
Total MTA	24,300	26,700	28,100	29,400	30,700	6,400	1.1%
M.E Sub-Regional Role (without Kilbirnie)							
Primary	15,000	16,500	17,300	18,200	19,000	4,000	1.1%
Secondary	16,400	18,600	19,800	21,100	22,300	5,900	1.5%
Total MTA	31,400	35,100	37,100	39,300	41,300	9,900	1.3%
WIA Alternate Land Use Catchments							
Primary	23,400	25,700	27,000	28,400	29,600	6,200	1.1%
Secondary	17,900	21,300	23,100	25,000	26,900	9,000	2.0%
Total MTA	41,300	47,000	50,100	53,400	56,500	15,200	1.5%

source: derived from Statistics NZ Medium Scenario Projections

3.4 Employment

There are several significant employment nodes in the area immediately around the airport, notably at:

- Kilbirnie (1,580 MECs in 2010).

- Mirimar (750 MECs in the Mirimar centre, 1,200 MECs in the Weta Workshops area and 430 MECs in the Park Rd centre).
- Rongotai (610 at Rongotai West, 380 at Rongotai East and 300 at Rongotai South).

In addition to these nodes, there are currently around 970 persons employed (modified employment count, or MECs) at the Airport. These large employment nodes provide a significant consumer base that supports the retail functions of centres in the area. The study area's largest employment node is the Wellington CBD, which is the base for nearly 86,000 MECs⁸, and 6% of study area employment is based at Newtown (6,940 MECs) (Table 3.3).

The CBD is also the biggest employer in the retail and hospitality sectors, and 70% of study area retail employment is located there. The next largest retail centres (in employment terms) are Kilbirnie and Newtown (around 600 MECs each) and Mirimar (300 MECs). Many of the employment nodes in Table 3.3 (Rongotai, Brooklyn, Greta Point and Happy Valley) are dominated by non-retail activity.

Table 3.3: Study Area Employment (MECs, 2010)

Employment Node	Core Retail	Hospitality	Retail and Hospitality	Share of Retail	Share of Total MECs
CBD	4,070	4,650	8,760	69.7%	85,570
Newtown	310	280	590	4.7%	6,940
Kilbirnie	500	110	610	4.9%	1,580
Weta Workshops	-	-	-	0.0%	1,200
Mirimar	220	80	300	2.4%	750
Rongotai West	20	20	40	0.2%	610
Park Rd Mirimar	10	-	10	0.1%	430
Rongotai East	20	-	20	0.2%	380
Greta Point	-	40	40	0.3%	380
Rongotai South	10	10	20	0.2%	300
Brooklyn	20	20	40	0.3%	250
Island Bay	120	50	170	1.4%	250
Happy Valley	-	-	-	0.0%	230
Other	1,150	880	1,980	15.8%	18,230
Total Study Area Nodes	6,450	6,110	12,560	100.0%	117,100

excludes areas outside the WIA MTA

Employment projections for the four catchments in Table 3.4, assume that:

⁸ A further 14,000 people work in the part of the CBD that is outside the study area, and total Wellington City employment is 152,000 MECs.



- employment growth occurs at the same rate as household growth
- there is no significant structural shift in study area employment (i.e. Kilbirnie continues in its current SRC role and employment on airport land remains at comparable levels to 2010 (allowing for growth)).

If WIA ceases operation and an alternative land use replaces it, these projections would likely be different, depending on the new land use. The "Developed Option" in Boffa Miskell's August 2011 report (p5) identifies 40.4 ha of commercial land, comprised of:

- 7.50 ha of town centre
- 13.68 ha of business park
- 10.41 ha of large format retail

Depending on the types of development that occupy this land, employment under a replacement land use might be somewhat higher than the current 970 MECs, although this depends on how much of the WIA land would be developed for employment vs. non-employment uses (i.e. residential or not) and the density of development proposed. The implications of different development options will be for WIA land will be assessed in our Stage 2 report.

Table 3.4: Catchment Employment Projections (MECs)

	2010	2016	2021	2026	2031	Growth 2010-2031 n	% avg ann
M.E Local Role							
Primary	3,200	3,500	3,700	3,900	4,100	900	1.2%
Secondary	-	-	-	-	-	-	0.0%
Total MTA	3,200	3,500	3,700	3,900	4,100	900	1.2%
M.E Sub-Regional Role (with Kilbirnie)							
Primary	8,100	8,900	9,400	10,000	10,500	2,400	1.2%
Secondary	8,000	8,700	9,300	9,800	10,400	2,400	1.3%
Total MTA	16,100	17,600	18,700	19,800	20,900	4,800	1.3%
M.E Sub-Regional Role (without Kilbirnie)							
Primary	12,000	13,100	13,900	14,800	15,600	3,600	1.3%
Secondary	14,800	16,100	17,100	18,200	19,100	4,300	1.2%
Total MTA	26,800	29,200	31,000	33,000	34,700	7,900	1.2%
WIA Alternate Land Use Catchments							
Primary	16,000	17,400	18,500	19,600	20,700	4,700	1.2%
Secondary	98,500	107,400	114,100	120,800	127,400	28,900	1.2%
Total MTA	114,500	124,800	132,600	140,400	148,100	33,600	1.2%

Source: 2010 from Statistics NZ Business Frame

4 Current Demand-Supply (2010)

This section quantifies current (2010) demand for and supply of retail (in \$ and floorspace equivalent terms) in each of the four trade catchments as they currently are. This data does not describe the demand-supply balance under alternative land use scenarios. The summary in this section compares the balance of demand and supply, to show the net leakage into/out of each catchment, so that a negative leakage quantity (\$ or GFA) indicates a net inflow to a catchment, and a positive number indicates a net outflow (i.e. retail demand exceeds the supply of local retail employment to meet those needs). This provides a base for understanding the current flows of retail spend within the study area.

The large number of retail employees in the centres around WIA, especially at Kilbirnie (600 retail and hospitality MECs) and Mirimar (300 MECs) serve a large population living around the airport, and function as the main retail centres east of Newtown.

- The area that would be WIA's catchment (if it were to develop as a local retail centre) currently has a net inflow of spend of around 32%. That is, supply in this catchment exceeds demand from the catchment by nearly one-third (Table 4.1). This is due to the large amount of floorspace that exists in the Kilbirnie centre, which falls within what would be the catchment of a WIA local centre.
- The larger SRC catchments have a significantly bigger resident population, but only limited additional supply compared to the Local Centre catchment. Consequently the SRC catchments have a net outflow (leakage) of retail spend of 16-18% from the primary catchment and nearly 50% from the secondary catchment.
- The WIA primary catchment has a larger net outflow of retail spend than the other primary catchments because it is larger, taking in more residential areas that are not nearby large centres of retail supply. The WIA secondary catchment takes in a large part of the CBD, and therefore has a net inflow of retail spend.

This data shows that there is a significant retail mass in eastern Wellington either side of the Airport (Mirimar and Kilbirnie), as well as a large centre at Newtown, which is in between Kilbirnie and the CBD. The net outflow of retail spend from the SRC catchments in Table 4.1 indicates that the CBD plays a significant role in Wellington retail supply, a fact which is confirmed by the large retail employment base there.

Table 4.1: Retail Demand-Supply Balance (2010)

	\$m		Leakage (%)		Leakage (n)		GFA (m ²)		Leakage (%)
	Demand	Supply	Demand	Supply	Demand	Supply	Demand	Supply	
M.E Local Role									
Primary	\$ 114	\$ 151	-32%	37	15,700	25,600	-9,900	-63%	
Secondary	\$ -	\$ -	0%					0%	
Total MTA	\$ 114	\$ 151	-32%	37	15,700	25,600	-9,900	-63%	
M.E Sub-Regional Role (with Kilbirnie)									
Primary	\$ 356	\$ 292	18%	64	48,700	41,800	6,900	14%	
Secondary	\$ 497	\$ 247	50%	251	69,300	29,400	39,900	58%	
Total MTA	\$ 853	\$ 539	37%	314	118,000	71,200	46,800	40%	
M.E Sub-Regional Role (without Kilbirnie)									
Primary	\$ 541	\$ 453	87	16%	74,400	59,500	14,900	20%	
Secondary	\$ 583	\$ 296	287	49%	81,600	41,700	39,900	49%	
Total MTA	\$ 1,124	\$ 749	375	33%	156,000	101,200	54,800	35%	
WIA Alternate Land Use Catchments									
Primary	\$ 818	\$ 539	278	34%	113,000	69,800	43,200	38%	
Secondary	\$ 976	\$ 1,538	-562	-58%	135,600	257,400	-121,800	-90%	
Total MTA	\$ 1,793	\$ 2,077	-284	-16%	248,600	327,200	-78,600	-32%	

5 Demand Projections

5.1 Background

Retail demand projections indicate how much additional floorspace might be sustainable in the future, over and above current supply. Retail demand changes as the result of two drivers: changing market size (population and household numbers) and changing average spend per consumer. These projections are based on the household projections presented in section 3.3, and make allowance for an increase in spend per household of 1.0% per year in line with recent trends.

This assessment is based on current projections, but also provides an indication as to the additional demand that would be sustained by the new population that would result from developing WIA land for residential uses. The range of likely impacts is to be assessed in detail in our Stage 2 report.

5.2 \$ Demand Projections

Growth in retail demand will average around 2.0% per year out to 2031 in the primary catchments, and between 2.0 and 2.5% in the secondary catchments (Table 5.1). Overall, the highest growth rates will be in the WIA catchment, due to it taking in the CBD, which is projected to experience much faster population growth than other parts of the MTA.

Table 5.1: Retail Demand Projections (\$m, 2010)

	2010-2031					Growth 2010-2031 n	% avg ann
	2010	2016	2021	2026	2031		
M.E Local Role							
Primary	\$ 114	\$ 130	\$ 144	\$ 159	\$ 175	\$ 61	2.1%
Secondary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Total MTA	\$ 114	\$ 130	\$ 144	\$ 159	\$ 175	\$ 61	2.1%
M.E Sub-Regional Role (with Kilbirnie)							
Primary	\$ 356	\$ 407	\$ 450	\$ 498	\$ 550	\$ 194	2.1%
Secondary	\$ 497	\$ 566	\$ 623	\$ 684	\$ 745	\$ 249	2.0%
Total MTA	\$ 853	\$ 973	\$ 1,073	\$ 1,182	\$ 1,296	\$ 443	2.0%
M.E Sub-Regional Role (without Kilbirnie)							
Primary	\$ 541	\$ 618	\$ 683	\$ 754	\$ 829	\$ 288	2.1%
Secondary	\$ 583	\$ 679	\$ 760	\$ 849	\$ 944	\$ 360	2.3%
Total MTA	\$ 1,124	\$ 1,297	\$ 1,443	\$ 1,603	\$ 1,772	\$ 648	2.2%
WIA Alternate Land Use Catchments							
Primary	\$ 818	\$ 932	\$ 1,030	\$ 1,135	\$ 1,247	\$ 429	2.0%
Secondary	\$ 976	\$ 1,162	\$ 1,309	\$ 1,468	\$ 1,639	\$ 663	2.5%
Total MTA	\$ 1,793	\$ 2,095	\$ 2,338	\$ 2,603	\$ 2,885	\$ 1,092	2.3%

In dollar terms these growth rates translate to an additional:

- \$61m of retail demand coming from the area which would be the catchment of a local WIA centre.
- \$43m from the larger main trading area if a sub-regional centre developed as an alternative land use on WIA land, assuming the Kilbirnie centre retains its current sub-regional role.
- \$648m from the larger SRC that would result from creating a large centre on WIA land and a diminution of Kilbirnie's sub-regional role.
- Over \$1 billion increase coming from the very large catchments defined for WIA.

5.3 Sustainable Floorspace

This growth in demand translates to an increase in the quantum of floorspace that could be sustained by residents of each catchment (Table 5.2). It does not describe the floorspace that will be sustained in the catchment, because shares of the floorspace supported will be supported in other centres, such as the Wellington CBD, District and Town centres in the catchment and possibly in other sub-regional centres as well. An indicative translation to an amount likely to be supported on WIA land is provided in sections 5.3.1 and 5.3.2.

Table 5.2: Retail Demand Projections (GFA, m², 2010)

M.E Local Role	2010	2016	2021	2026	2031	Growth 2010-2031	
						n	% avg ann
Primary	15,700	17,400	18,900	20,200	21,700	6,000	1.6%
Secondary							0.0%
Total MTA	15,700	17,400	18,900	20,200	21,700	6,000	1.6%
M.E Sub-Regional Role (with Kilbirnie)							
Primary	48,700	54,100	58,600	63,200	68,000	19,300	1.6%
Secondary	69,300	76,700	82,300	88,300	93,700	24,400	1.4%
Total MTA	118,000	130,800	140,900	151,500	161,700	43,700	1.5%
M.E Sub-Regional Role (without Kilbirnie)							
Primary	74,400	82,800	89,300	96,100	102,900	28,500	1.6%
Secondary	81,600	92,300	100,800	110,000	119,100	37,500	1.8%
Total MTA	156,000	175,100	190,100	206,100	222,000	66,000	1.7%
WIA Alternate Land Use Catchments							
Primary	113,000	125,300	135,100	145,300	155,400	42,400	1.5%
Secondary	135,600	157,400	173,100	189,700	206,600	71,000	2.0%
Total MTA	248,600	282,700	308,200	335,000	362,000	113,400	1.8%

5.3.1 Current

Table 5.2 shows the current (2010) floorspace that is supported in Wellington by people living within each of the four catchments. Again, not all of the amounts shown are supported inside the catchment, as shares naturally leak to larger centres with more retail supply that offer consumers better ranges (e.g. the Wellington CBD). The total floorspace currently supported by residents in each catchment is:

- 15,700m² from local catchment households.
- Between 118,000 and 156,000m² from households within the catchment of a WIA sub-regional centre, depending on the future role of the current Kilbirnie SRC. About 45% of this will be supported by primary catchment residents.
- Over 249,000m² of GFA from the large MTA defined for WIA.

The share of this total floorspace supported that would be likely to be supported locally (i.e. on any alternate WIA land use) will depend on the role of any WIA retail centre. By way of indication (and anything else is difficult to assess at present given uncertainties about the exact nature of any alternative land use of WIA land):

- A local centre would serve a small proportion of local retail needs (say 15-25% of the 15,700m², or 2,000-4,000m²) while most retail spend would still leak to other centres (in particular as the CBD).
- A sub-regional centre on WIA land would cause higher shares of spend to be retained locally (say 30-40% of spend from the primary catchment, or 15,000-19,000m², and 5-10% of spend from the secondary catchment, or 3,000-7,000m², for a total of 18,000-26,000m²) if Kilbirnie retains its current sub-regional role. We consider it unlikely that Kilbirnie would stop playing a sub-regional role given the significant investment in built infrastructure in the existing centre.

5.3.2 Future

In addition to the floorspace that can be supported by the current catchment population, an additional amount will be able to be supported by the growth projected within the catchments. The total floorspace (GFA) that the projected demand growth will support equates to around:

- 6,000m² from local catchment households.
- Between 44,000 and 66,000m² from households within the catchment of a WIA sub-regional centre, depending on the future role of the current Kilbirnie SRC. About 45% of this will be supported by primary catchment residents.

- Over 110,000m² of GFA from the large MTA defined for WIA. Again, the secondary catchment dominates this growth, and nearly two-thirds of the GFA supported by population increase (and increasing spend propensity) will be supported by secondary catchment households.

The share of this total floorspace supported that would be likely to be supported locally (i.e. on any alternate WIA land use) will vary depending on the role of any centre on WIA land:

- A local centre would serve a small proportion of local retail needs (say 15-25% of the 6,000m², or 1,000-1,500m²) while most retail spend would still leak to other centres (in particular the CBD).
- A sub-regional centre on WIA land would cause higher shares of spend to be retained locally (say 30-40% of spend from the primary catchment, or 6,000-8,000m², and 5-10% of spend from the secondary catchment, or 1,000-2,000m², for a total of 7,000-10,000m²) if Kilbirnie retains its current sub-regional role. We consider it unlikely that Kilbirnie would stop playing a sub-regional role given the significant investment in built infrastructure in the existing centre.

5.3.3 Total Sustainable Floorspace

This means that by 2031, a centre on WIA land would sustain in the order of:

- 3,200 to 5,400m² if a local centre developed (with 25-30% being supported by growth), with a further 1,900 to 3,200m² from the additional 2,000 households that could develop on WIA land, for a total of 5,200 to 8,600m².
- 25,100 to 36,600m² if a sub-regional centre developed and Kilbirnie continues to play a sub-regional role, with a further 5,300 to 7,900m² from the additional 2,000 households that could develop on WIA land, for a total of 30,500 to 44,400m².

We consider that the retail component of an alternate land use of WIA would comprise both small and large format tenancies and attract customers from what we have called a 'sub-regional catchment', but with the existing Kilbirnie SRC retaining its current sub-regional role. We have not presented numbers for the case where a WIA centre developed in such a way as to mean that Kilbirnie ceased to function as a sub-regional role, as this is considered unlikely.

6 Conclusions

The alternative land use scenario presented by WIA indicates that a significant retail and commercial centre would develop in the absence of Wellington International Airport. This is in the context of growth projections which indicate that the area immediately around WIA is expected to experience reasonably slow growth out to 2031, by virtue of it being an established urban area. While redevelopment of WIA land would contribute to an increase in the local population, this would only amount to a 10-15% increase over the population the SRC primary catchment.

In our opinion a new retail/commercial centre on WIA land would be unlikely to lead to a decrease of Kilbirnie's current sub-regional role, and a WIA centre would have something less than a sub-regional role. However, a WIA centre would develop into a significant retail destination and significantly change where residents of the study area (i.e. south and east of the CBD) would choose to shop, creating an initial step change in retail spending patterns. This step change, together with market growth and the new residential activity that the WIA land could support under an alternate land use could together see around an additional 30,000-45,000m² of additional retail floorspace supported in a WIA centre by 2031 in total (i.e. including large and small format stores).

This quantum is indicative only, given the lack of any definite development plan for WIA land, and shows in general terms the size of centre we expect could develop on WIA land under an alternative land use scenario in the absence of the current airport use. The important point is that any centre that were to develop under an alternative land use future would have to fit in with the existing land uses in southern Wellington, and would not develop into a very large quantum of floorspace (such as in the CBD), but we would expect to offer a good opportunity to expand the range of retail able to be offered to the area, so would likely develop into more than a small local centre.



Attachment II

Zomac Planning Solutions

Wellington Airport Alternative Use Evaluation Assessment





5 October 2011

Mr John Beckett
Executive Director
Board of Airline Representatives New Zealand
P O Box 2779
AUCKLAND

Dear John

RE: WELLINGTON AIRPORT ALTERNATIVE USE EVALUATION ASSESSMENT

In my memorandum via email dated 11 July 2011 I expressed the view that BoffaMiskell's alternative use plan for Wellington Airport was seriously flawed for a number of reasons which are still, in my view and notwithstanding the content of the Boffa Miskell memorandum dated 1 August 2011, valid.

In my July memorandum I stated that:

"a far more realistic plan would comprise say a 2ha shopping centre (a supermarket with a range of specialty shops, commercial services and fast food), an expansion of the existing large format retail area to the west of the existing airport of say around 5ha, no office park development, expanded reserve areas (up to 10% of the net area available for the development) and the balance comprising medium and low density housing where the respective ratios are in the order of 30% medium and 70% low density – a configuration close to BoffaMiskell's option 4 without the declamation."

My initial conclusions have been largely supported by the report called "Wellington Alternative Use Scenario Review" prepared by Market Economics at the request of BARNZ, dated October 2011, my discussions with Wellington Council Principal Planning Officer, Mr Andrew McCloud, and my reading of recent market reports published by Colliers, Bayleys and Barfoot&Thompson.

I have now made some adjustments to my original description of what would be a realistic, rational and feasible alternative use plan for Wellington Airport in my view. A plan is attached identifying the land use components. Its key features are:

- Shopping centre 2ha (at 70% = 14,000sqm)
- Large format retail 5ha (at 50% = 25,000sqm)
- Medium density apartments 2ha (say 160 units @ 125sqm)
- Medium density terrace 19ha (760 units @ 250sqm)
- Low density residential 45.2ha (904 units @ 500sqm)
- Roading 20ha
- Reserves 10ha

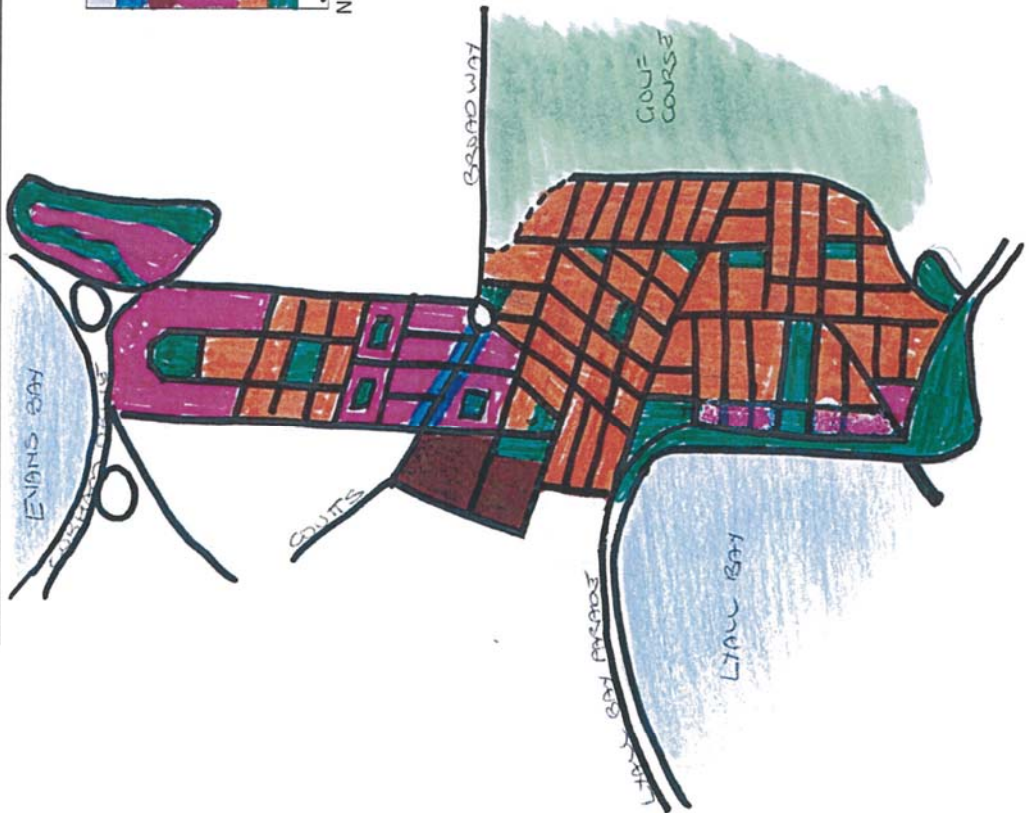
TOTAL 103.2ha

Should you have any queries regarding the foregoing please contact the undersigned.

Yours faithfully
Zomac Planning Solutions Ltd

M.J. Foster
DIRECTOR

ALTERNATIVE LAND USE PLAN FOR WELLINGTON AIRPORT LAND BY ZOMAC PLANNING SOLUTIONS LTD



Key	Typology	Gross area (ha)
[Blue]	Town centre	2.0 ha
[Red]	Large format retail	5.0 ha
[Orange]	Medium density housing (terraces/apartments)	21.0 ha
[Green]	Detached family housing	45.2 ha
[Light Green]	Parks and open space	10.0 ha
[Black line]	Roads	20.0 ha

Note: Plan representative only and not to scale

Attachment III

Wellington Sales Analysis



GENERAL MARKET COMMENTARY

1. Over the last 36 months the investment / development property market in New Zealand has softened due to the Global Financial Crisis and problems with local finance companies negatively affecting business profitability, development opportunities, and the ability of investors to source funding.
2. Anecdotal sales evidence indicates that the volume of property transactions is static and this together with the adverse occupier market fundamentals and perceived earthquake risks make it difficult to obtain the necessary approvals to undertake green field developments.
3. Our consultation with market participants supports this finding and indicates that the perceived risk (environmental, planning, plus construction cost and revenue / sales certainty), of investing and developing property is very high.
4. The effect this outlook will have on the subject property will be to temper the market's expectations over future capital growth, expected gross realisations for residential and business allotments, development marketability, realistic realisation / sell down periods, and the overall profitability and returns achievable from this type of large scale development.

COMPARABLE SALES ANALYSIS

5. In assessing the gross realisations under the HBAU master plan we have researched and analysed sales in greater Wellington and have liaised with local industry participants.
6. The following paragraphs summarise our comparable sales analysis:

RESIDENTIAL

Table 1. Residential Allotment Sales

Location	Sale Date	Sale Price	Land area	Rate per m ²	Comments
Seatoun					
15 Steeple Lane	Oct-10	\$690,000	501	\$1,377	Level, rear waterfront site. Moderate outlook.
19 Steeple Lane	Oct-10	\$630,000	527	\$1,195	Rear site just back from waterfront. Moderate water views.
20 Steeple Lane	Aug-10	\$565,000	509	\$1,110	Corner site just back from waterfront. Limited water views.
88 Burnham Street	Jun-10	\$600,000	595	\$1,008	Moderately rising site in Dorset Cove. Sunny north facing aspect with panoramic views over Seatoun, Seatoun Beach and the Cook Strait.
85 Ludlam Street	May-10	\$975,000	780	\$1,250	Secluded level, rear waterfront site. Wide views and reasonably sheltered.

Table 1. Residential Allotment Sales - Continued

Location	Sale Date	Sale Price	Land area	Rate per m ²	Comments
12 Steeple Lane	Mar-10	\$445,000	483	\$921	Level rear site close to the beach. Limited views. Backs on to Seatoun School.
9 Steeple Lane	Jan-10	\$430,000	428	\$1,005	Level rear site close to the beach. Limited views. Backs on to Seatoun School.
21 Boardwalk Lane	Oct-09	\$770,000	562	\$1,370	Level, rear waterfront site. Good outlook.
11 Steeple Lane	Sep-09	\$435,000	468	\$929	Level rear site close to the beach. Limited views. Backs on to Seatoun School.
10 Steeple Lane	Aug-09	\$440,000	439	\$1,002	Level rear site close to the beach. Limited views. Backs on to Seatoun School.
129 Marine Parade	Jul-09	\$380,000	349	\$1,089	Level then steep at rear. Waterfront opposite. Poor afternoon sun.
16 Steeple Lane	May-09	\$625,000	462	\$1,353	Level, rear waterfront site. Moderate outlook.
11 Ventnor Street	Feb-09	\$1,212,500	1,044	\$1,161	Level front site within the heart of Seatoun. Local outlook. Subdivisible.
Seatoun Heights and Karaka Bay					
85M Seatoun Heights Road	Oct-10	\$250,000	591	\$423	Elevated sloping site within a new subdivision with distant water views towards Evans Bay and the airport. Difficult access.
85L Seatoun Heights Road	Sep-10	\$245,000	568	\$431	Elevated sloping site within a new subdivision with distant water views towards Evans Bay and the airport. Difficult access.
85D Seatoun Heights Road	Apr-10	\$275,000	688	\$400	Elevated easy rising site within a new subdivision with distant water views towards Evans Bay and the airport. Difficult access. .
83 Seatoun Heights Road	Feb-10	\$167,500	752	\$223	Elevated sloping site with limited water views. New subdivision. Bisected by accessway. Awkward shape.
85F Seatoun Heights Road	Aug-09	\$250,000	646	\$387	Elevated easy rising site within a new subdivision with distant water views towards Evans Bay and the airport. Difficult access. ..
67 Pretoria Road	Jul-10	\$630,000	548	\$1,150	Elevated site with panoramic water views and sunny north east aspect.
58 Nevay Road	Mar-10	\$600,000	709	\$846	Small building site then falls to rear. Elevated with panoramic water views and good sun. Two cross lease sites.
Miramar					
101A Tauhinu Road	Jan-11	\$157,000	295	\$532	Sloping site.
21A Manuka Street	Jan-11	\$180,000	357	\$504	Level rear site.
34 Ira Street	Dec-10	\$165,000	406	\$406	Level site.
189 Townsend Road	Apr-09	\$170,000	451	\$277	Elevated rear site with local aspect.
193 Townsend Road	Mar-09	\$220,000	883	\$249	Elevated site with local aspect.

Table 1. Residential Allotment Sales - Continued

Location	Sale Date	Sale Price	Land area	Rate per m ²	Comments
Kaiwharawhara					
62 Cameron Street	Jan-11	\$275,000	353	\$779	Drops away with wide harbour view.
16 Satchell Way	Jan-11	\$350,000	712	\$492	Drops away with wide harbour view.
10 Satchell Way	Nov-10	\$270,000	720	\$375	Drops away with wide harbour view.
4 Satchell Way	Jul-10	\$325,000	504	\$645	Drops away with wide city view.
2 Hervey Way	Apr-10	\$460,000	593	\$776	Mainly level with wide harbour view.
54 Cameron Street	Dec-09	\$505,000	573	\$881	Elevated site with wide harbour and city views.
10 Marsh Way	Oct-09	\$535,000	413	\$1,295	Mainly level with wide harbour view.
4 Brasch Way	Sep-09	\$425,000	463	\$918	Sloping site with harbour view.
10 Fore Street	Sep-09	\$250,000	482	\$519	Sloping site.
3 Satchell Way	May-09	\$350,000	458	\$764	Sloping rear site with wide harbour view.
135 Homebush Road	Mar-09	\$350,000	465	\$753	Rear level site then sloping with wide harbour and city view.
Khandallah					
19 Lakshimi Place	Mar-11	\$195,000	225	\$867	Level site with city and harbour views. Newer subdivision.
123 Nicholson Road	Feb-11	\$167,000	506	\$330	Sloping site with harbour and gully view
15 Lakshimi Place	Feb-11	\$220,000	875	\$251	Rear site with city and harbour views. Newer subdivision.
7 Lakshimi Place	Jan-11	\$250,000	800	\$313	Enjoys city and harbour views. Newer subdivision.
8 Lakshimi Place	Dec-10	\$257,000	777	\$331	Enjoys city and harbour views. Newer subdivision.
4 Lakshimi Place	Nov-10	\$195,000	404	\$483	Enjoys limited city and harbour views. Newer subdivision.
6 Lakshimi Place	Oct-10	\$213,000	522	\$408	Enjoys limited city and harbour views. Newer subdivision.
17 Lakshimi Place	Oct-10	\$185,000	250	\$740	Level site with city and harbour views. Newer subdivision.
97 Madras Street	Oct-10	\$165,000	507	\$325	Sloping site with limited outlook.
9 Lakshimi Place	Oct-10	\$257,500	1,277	\$202	Enjoys city and harbour views. Newer subdivision.
50 Mandalay Terrace	Aug-10	\$340,000	722	\$471	Contoured site with resource consent for two dwellings. Enjoys city and harbour views.
125 Nicholson Road	Jun-10	\$350,000	571	\$613	Sloping site with harbour and gully view
5 Arakan Way	May-10	\$345,000	434	\$795	Sloping with moderate harbour view. New subdivision.
127 Nicholson Road	May-10	\$325,000	1,404	\$232	Rear sloping site with harbour and city view. Good access.
4 Arakan Way	Feb-10	\$375,000	651	\$576	Level, no view
121 Nicholson Road	Dec-09	\$170,000	607	\$280	Sloping site with harbour view.
57A Mandalay Terrace	Oct-09	\$138,000	505	\$273	Rear, walk-down site, gully view.

7. Our analysis of vacant residential section sales in Wellington indicates that top prices are being achieved within the seaside settlement of Seatoun, where waterfront sites are selling between \$600,000 and \$1,000,000 depending upon the section size and degree of views. Other less desirable sites in Miramar and Seatoun typically range in size from 350m² to 600m² and transact between \$180,000 to \$250,000 (including GST), increasing to in excess of \$400,000 for elevated sites with a good outlook.
8. On the basis of our analysis and review of the existing housing stocks in Lyall Bay, Rongotai and Miramar, we believe the residential land value range including GST will be \$250,000 - \$260,000 per lot. Excluding GST we have adopted an average rate of \$225,000 per lot.

APARTMENT & TERRACE HOUSING

9. Due to the inseparable nature of the apartment construction process and the inability to sell apartment land and improvements separately the value of the apartment / townhouse land has been assessed with reference to comparable sales of development land and on the basis of a residual development / valuation.
10. The analysis of comparable sales of development land.

Table 2. Block Land – Residential Apartments

Location	Sale Date	Sale Price	Land area	Rate per Unit	Comments
11 Gordon Pl	Jun-11	\$804,000	1,525	\$61,846	Rear located at Newtown. This was a mortgagee sale with consent for 13 townhouses. Implied land value \$527 /m ² or \$61,846 / unit. 3 story terraced houses are currently being developed on the site. Anticipated asking price \$500,000 – \$600,000.
135 Miramar Ave	Nov-08	\$680,000	1,378	\$68,000	Level site located to the east of the main Miramar shopping are. Property initially sold in Nov 08 with resource consent in place for 10 units. Land value \$493/m ² or 68,000 per potential unit.

11. Unfortunately there is a paucity of market evidence and the available sales do not have similar development characteristics as HBAU of the WIA land, therefore this approach cannot be solely relied upon.
12. Under this alternative approach the current market value of the land is determined by way of a residual hypothetical development, including the subdivision, construction and sale of the apartments and townhouses. We note that all roading, reserves, development contributions, and timing of sales (by way of the discounted cash flow valuation) have been encapsulated in the overall development and valuation of the HBAU of the WIA land.
13. This residual valuation method simulates the on-sale of the apartment and town house units, and takes into account all costs associated with the construction and sale of units, including a return to the developer for risk and other holding costs. The free cash flow /

gross margin represents the price that a prudent purchaser would be prepared to pay for the land in its semi developed state, ie; What a prudent investor / developer would pay for the potential apartment / town house cash flows.

Table 3. Apartment & Townhouse Sales

Location	Sale Date	Sale Price	Building Area m ²	Comments
Hataitai				
64/305 Evans Bay Rd	Jun-11	\$495,000	161	Part of a 91 town house development located at Greta Point overlooking Evans Bay. 3 level townhouses are located to the rear of the 2 hectare property with smaller 2 level units on the coast. This sale is of a rear 3 bedroom unit with 2 bathrooms, internal garage access and limited views.
79/305 Evans Bay Rd	Sept-11	\$495,000	161	Greta Point 3 story townhouse
67/305 Evans Bay Rd	Dec-10	\$535,000	161	Greta Point townhouse
22/305 Evans Bay Rd	Mar-11	\$680,000	141	Greta Point townhouse
79/305 Evans Bay Rd	Jul-11	\$495,000	161	Greta Point townhouse
14/305 Evans Bay Rd	May-11	\$705,000	125	2 story Greta Point townhouse well appointed with views.
79/305 Evans Bay Rd	Jul-11	\$495,000	161	Greta Point townhouse
16/47 Hamilton Rd	Jul-11	\$343,000	68	Older 2 bedroom apartment located in Hataitai
18/55 Hamilton Rd	Mar-11	\$380,000	80	3 bedroom apartment – Part of a 27 unit complex
27/55 Hamilton Rd	May-10	\$332,500	65	2 Bedroom apartment
Kilbirnie				
27/25 Tacy St	Jun 11	\$415,000	97	Part of a 45 unit development situated adjacent to the new sports complex at Cobham Park. Close proximity to the airport / Evans Bay with limited views. Level site that has been developed into a combination of single and two storied town houses ranging from 90 to 125m ² . Implied land area per lot ranges from 180- 250m ² .
37/25 Tacy St	Jun 11	\$420,000	122	Two story townhouse incorporating 3 bedrooms with two bath rooms.
40/25 Tacy St	Sep-10	\$450,000	122	Modern two story townhouse
17/6 Vallance St	Aug-11	\$400,000	110	Part of a 40 unit development situated near Kilbirnie Park. Close proximity to the airport / Evans Bay with limited views. Level site that has been developed into 40 two storied town houses of approximately 115m ² . Combination 2 – 3 bedroom with internal garaging.
22/6 Vallance St	Nov-09	\$461,000	110	Modern two story townhouse

Table 4. Residual Analysis - Townhouse & Apartment Lots

Description		Apartment	Town House
Average Gross Realisation		525,000	550,000
Average Build Cost -Ex GST		2,000	1,550
Less			
GST	15.00%	-68,478	-71,739
Build Cost		-280,000	-248,000
Builders / Development Margin	15.00%	-59,546	-62,382
Council Fees	-2,000	-2,000	-2,000
Landscaping / Access / Other etc	6.00%	-14,000	-14,880
Commission	3.00%	-15,750	-16,500
Residual Land Value \$/Unit		82,425	134,499

14. On the basis of our analysis we have adopted the following average land values:

Table 5. Apartment \$85,000 per unit, and

Table 6. Town house \$135,000 per unit.

BLOCK LAND SALES

15. In terms of the direct comparison approach, we have considered block land sales throughout the Greater Wellington area.
16. Given the paucity of evidence we have considered sales throughout the wider Wellington area spanning back a number of years.
17. This includes land already zoned for residential use and land requiring a plan change.
18. Within the greater Wellington area there has been a range of land purchased for residential development though very few sales in recent times. From our research the following sales have been analysed:

Table 7. Block Sales

Property	Sale Date	Price	Area (ha)	Price /m ²	Lots	Zoning	Price per Lot
Wellington							
17 Camrose Grove, Kingston	Mar 10	\$1,785,000	1.9	\$83.40	23	Outer	\$77,609
			1.459	\$13.70		Residential	
215 Happy Valley Road, Owhiro Bay	May 08	\$2,094,000	4.7250	\$44	46	Outer Residential	\$45,522
Lower Hutt							
6 Grenville Street, Waiwhetu	Jun 08	\$3,200,000	1.6221	\$197.27	27	General Residential	\$118,518
52A Oakleigh Avenue, Maungaraki	Apr 07	\$1,200,000 plus GST	1.6708	\$72	Unknown	Hill Residential	-
Stokes Valley Road, Stokes Valley	Oct 06	\$2,100,000 incl GST	2.9601	\$71	Unknown	Residential	-
64 Waipounamu Drive, Kelson	Aug 06	\$3,200,000 plus GST	14.1334	\$23	142	Hill Residential	\$22,535
Upper Hutt							
King Charles Drive, Kingsley Heights	Oct 06	\$5,000,000 plus GST	8.4675	\$59	82	Hill Residential	\$60,976
Main Road North, Emerald Hill	Jun 06	\$5,621,000 plus GST	18.3478	\$31	180	Residential	\$31,228
Brentwood Street, Trentham	Jan-06	\$1,984,500 plus GST	2.0794	\$95	-	Residential	-
Porirua							
Kenepuru Drive	Feb-10	\$10,377,500 plus GST	37.1	\$27.97	400	Suburban	\$26,000
32 Adventure Drive, Whitby	Mar 07	\$1,252,000 plus GST	3.9054	\$50	17	Residential	\$70,590

Comments:

17 Camrose Grove, Kingston sold March 2010 for \$1,785,000 plus GST.

Ex Kingston School. Sold to OTS. Average Wellington location. Generally flat site with steeply sloping land. Elevated site with outlook. Section prices likely to range from \$190,000 to \$225,000 per site.

215 Happy Valley Road that reportedly sold in May 2008 for \$3,000,000

This 4.7250 hectare Outer Residential zoned land has approximately 50% usable, with the remainder steeper hillside. Purchased without consents in place the land has been developed as Kowhai Creek. Residential offering potential for subdivision up to 46 lots. The land analyses to a rate of \$44 per square metre or \$5,522 per site..

6 Grenville Street, Waiwhetu sold June 2008 for \$3,200,000 plus GST.

Ex Waiwhetu School. Sold to OTS. Good central Lower Hutt location. Flat land with good road frontage. Section prices likely to be in excess of \$300,000 per site. Good quality Hutt location.

52 Oakleigh Avenue, Maungaraki, sold April 2007 for \$1,200,000 plus GST

Former primary school located on the level crest of Maungaraki ridge backing on to the Belmont Regional Park. Ideally suited to residential subdivision.

Stokes Valley Road, sold October 2006 for \$2,100,000 plus GST

Undulating block providing elevated views across Stokes Valley. Good central location close to the shopping area. Access off Morrison Grove. Some site development undertaken prior to sale. The land was also sold with resource consent in place. Less desirable location.

64 Waipounamu Drive, Kelson, sold August 2006 for \$3,200,000 plus GST

Moderate to steeply contoured block within the Western Hill. Subdivision consent is currently being sought for the development of up to 130 lots. The land is partly steep and broken and covered in regenerated bush. We understand there was some initial difficulty experienced in gaining consent.

King Charles Drive, Kingsley Heights, sold October 2006 for \$5,000,000 plus GST

Undulating hill land containing an area of 8.4675 hectares located to the southeast of the Upper Hutt city centre. In the process of being developed into 82 lots.

Main Road North, Emerald Hill, sold June 2006 for \$5,621,000 plus GST

Mainly level land containing an area of 18.3478 hectares located to the east of the Upper Hutt city centre. To be developed into 180 lots.

Brentwood Street, sold January 2006 for \$1,984,500 plus GST

Ex school site in popular Upper Hutt location. Flat site with good road frontage. Analyses to \$105 per square metre allowing for demolition.

Kenepuru Drive, Paraparaumu, ex Porirua Hospital site, sold February 2010 for \$10,377,500 plus GST

Generally flat to undulating land which forms part of the Kenepuru Hospital site which recently sold from CCDHB to OTS. The land has been generally contoured and is serviced by existing roads and infrastructure, though may need to be upgraded in terms of any redevelopment. Contains approximately 3.5 hectares of covenanted reserves and landfill. Parts of the site were affected by contamination and the property also included a significant number of institutional buildings which require demolition before redevelopment can occur. Allowing for demolition costs and clean up of any contamination, this sale analyses to 33.7 hectares usable land at \$36.28 per

square metre, with covenanted reserves and unconsolidated fill of 2.4 hectares at \$6 per square metre. Given the location, the land is ideally suited to residential development or alternatively could be developed for industrial use though a Plan Change would be required.

32 Adventure Drive, Whitby, sold in March 2007 for \$1,252,000 plus GST.

Undulating land with good views of Pauatahanui Inlet plus 1.5 hectares of bush reserve. Proposal for 11 residential lots and six larger lifestyle lots. Analyses to \$50 per square metre for 2.4 hectares of good land and \$2.50 per square metre for the bush reserve.

19. In summary the above sales indicate strong prices being paid for prime subdivisible land within Wellington City and within the greater Wellington Area, with discounted levels for steeper or more peripheral blocks.

COMMERCIAL

20. Research of vacant industrial or commercial land sales both in the eastern suburbs plus the wider Wellington area indicate that there are very few transactions over the past 24 months.
21. This can be attributable to a combination of two reasons. Firstly, within any established built up area there are few (if any) vacant sites that have not been built upon. Secondly, current market conditions regarding new developments are not favorable. Financial institutions are less likely to lend on investments that provide no immediate return. It is for these reasons we have also considered sales from other localities to assist in determining current market land values.
22. Wellington International Airport Limited continues to purchase existing residential properties which abut the airport apron. A recent purchase was in December 2009 for 236 Coutts Street, Rongotai which shows an equivalent land value of \$1,082 per square metre.
23. We note that there was a relatively recent sale in June 2010 of a rear site of 1,525 square metres along Gordon Place in Newtown which is surrounded by industrial properties but was developed for residential. This was a mortgagee sale and showed \$527 per square metre. Thirteen unit 3 story terraced houses are being developed on the site. Anticipated asking price \$500,000 – \$600,000.
24. In November 2009 there is a transaction showing for the large Tip Top factory at 194 Adelaide Road, Newtown. The purchase price was \$8,250,000 which equates to an overall land value of \$1,601 per square metre for the 5,151 square metres site. The site contains many older existing buildings and it has been a difficult transaction to analyse. It adjoins the former Benchmark site to the north which was purchased by Progressive for a new Countdown Supermarket.

25. Looking further back, there are the older lessee's interest sales purchased by the likes of Bunnings, Wellington Airport and Friday Properties (Foodstuffs) which we have tabled below
26. The rate shown in the \$/m² column represents the total sale price (including buildings) of the lessee's interest in the property divided by the land area.
27. In nearly all cases, the buildings are dated and the current uses undercapitalise the land.
28. As can be seen Wellington International Airport Ltd has been an active purchaser with Friday Properties (Foodstuffs) now having leased (medium term) one of their buildings.
29. 56 Kingsford Smith Street sold twice, with the subsequent sale being much lower than the first – we have been unable as yet to determine the rationale behind these transactions.
30. Bunnings was a key purchaser who was keen to establish a major outlet in Wellington. One of their main requirements was to secure a large enough site (at least 10,000 square metres) in order to best develop their optimum business model.

Table 8. Commercial Leasehold Sales

Property	Date	Land Area (m ²)	Sale Price	Rate (\$/m ²)	Purchaser
28 Kingsford Smith Street	Aug-07	2,169	\$1,626,750	\$750	Bunnings
5 Kingsford Smith	Aug-07	400	\$300,000	\$750	Lyall Bay Properties
36-46 & 52-54 Kingsford Smith	Mar-07	10,250	\$8,000,000	\$750	Bunnings
32 Kingsford Smith	Mar-07	2,169	\$1,843,000	\$850	Bunnings.
126 Tirangi Road & 41-51 Kingsford Smith	Mar-07	5,796	\$2,934,225	\$506	WIAL
56 Kingsford Smith Street	Dec-06	2,223	\$950,000	\$427	Nautilus Properties.
108 Tirangi Road & 25-27 Kingsford Smith	Dec-05	3,864	\$2,600,000	\$673	WIAL
56 Kingsford Smith	Sep-05	2,223	\$1,600,000	\$720	BS Developments No.10 Ltd
114 Tirangi Road	Apr-05	1,932	\$1,640,500	\$849	WIAL
29 Kingsford Smith & 120 Tirangi Road	Nov-04	3,864	\$3,375,000	\$873	Friday Properties is purchaser of both.

31. The last freehold sale at Rongotai was 24 Kingsford Smith Street which sold in March 2007 for \$3,300,000. Over a site of 2,169 square metres, including an older building at the front, the land value analyses to \$1,521 per square metre. Bunnings have subsequently taken a ground lease from the owner, Rongotai Estates Limited.

32. Anecdotal evidence suggests a decrease in land values for most areas within Wellington, although there is limited conclusive evidence in the subject locality.

ADOPTED LOT REALISATIONS

33. On the basis of our sales analysis above we have adopted the following lot realisations.

Table 9. HBAU – Lot Realisations

Land Use Allocation	Net Area (ha)	Approximate Allotment Numbers / Size	Gross Realisations \$ + GST	
			\$/Lot	\$/m ²
(a) Town Centre	2.00	20 x 1,000m ²	1,000,000	1,000
(b) Large Format Retail	5.00	10 x 5,000m ²	3,750,000	750
(c) Medium Density Residential Apartments	2.00	160 x 125m ²	85,000	660
(d) Medium Density Residential Townhouses	19.00	760 x 250m ²	135,000	560
(e) Detached Family Housing	49.72	904 x 500m ²	225,000	450
(f) Headland Park	5.0			
(g) Neighborhood Open Space	5.00			
(h) Roads	15.48			
Total	103.20	1,854 lots		

Appendix IV

Detailed Valuation Worksheets



BARNZ02 - WAIL Valuation - MVAU

Input Summary

Input Assumptions	Valuation / Start Date	Area	Lot m ²	Net Area	Net Revaluations	Area	Lot m ²	Net Area	Net Revaluations	Area	Lot m ²	Net Area	Net Revaluations
Non-Conservation Events	1-Jul-11												
DCP Planning & Approval (Date)	18 Months												
Start Design / Concept Planning	0 Months												
Detailed Design	0 Months												
Procurement	0 Months												
Construction	0 Months												
Earthworks / Infrastructure	0 Months												
DCP Final Startling	1-Jul-12												
DCP Period	0 Months												
Discount Rate Analysis													
Target Pre Tax Required Rate of Return	27.00%												
Pre-Development Holding Returns	10.00%												
Goods & Services Tax	15.00%												
Land Appreciation	3.50%												
Development Cost Escalation Factor	3.50%												
Base Scaling Factor - Revenue	0.00%												
Base Scaling Factor - Build Costs	0.00%												

Development Stage	# / Lot	Area	Lot m ²	Net Area	Net Revaluations	Area	Lot m ²	Net Area	Net Revaluations	Area	Lot m ²	Net Area	Net Revaluations
A) Shopping Centre	20		1,000,000		1,000,000		1,000,000		1,000,000		1,000,000		1,000,000
B) Large Format Retail	10		500,000		500,000		500,000		500,000		500,000		500,000
C) A - Medium Density Residential Apartments	160		125,000		125,000		125,000		125,000		125,000		125,000
D) B - Medium Density Residential Apartments	790		250,000		250,000		250,000		250,000		250,000		250,000
E) Low Density Residential Standalone	914		450,000		450,000		450,000		450,000		450,000		450,000
F) Retailing	0		0		0		0		0		0		0
G) Public Reserve	0		0		0		0		0		0		0
H) Other	0		0		0		0		0		0		0
Sub-Totals	1,854		1,025,000		1,025,000		1,025,000		1,025,000		1,025,000		1,025,000

Development Stage	Pre Sales	Sales / Year	Sales Start Date	Sales End Date	Period Yrs	Level / Unit	Buildings / Unit	Development Costs	Net Realisation	Gross Margin
A) Shopping Centre	2	5	1-Jul-13	1-Jul-13	1	4.50	30,506	1,000,000	1,000,000	0.00%
B) Large Format Retail	2	3	1-Jul-13	1-Jul-13	1	4.50	1,071,271	3,250,000	3,250,000	0.00%
C) A - Medium Density Residential Apartments	20	20	1-Jul-13	1-Jul-13	1	7.50	17,071	85,000	85,000	0.00%
D) B - Medium Density Residential Apartments	85	89	1-Jul-13	1-Jul-13	1	9.00	44,697	135,000	135,000	0.00%
E) Low Density Residential Standalone	120	95	1-Jul-13	1-Jul-13	1	9.00	73,033	225,000	225,000	0.00%
F) Retailing	0	0								
G) Public Reserve	0	0								
H) Other	0	0								
Total	229	203	1-Jul-13	1-Jul-13	1	8.50	163,237	1,632,000	1,632,000	0.00%

Development Stage	Total Cost	Land Value Allocated (Exc GST)	Area m ²	Land Value / m ²	Total	Difference / Gross Margin	Statistics
1 - Shopping Centre	7,500,000	22,850,000	1,000,000	22,850	22,850,000	15,350,000	4.5%
2 - Large Format Retail	15,000,000	46,370,000	500,000	92,740	46,370,000	35,620,000	3.0%
3 - A - Medium Density Residential Apartments	4,900,000	16,900,000	125,000	135,160	16,900,000	13,900,000	3.0%
4 - B - Medium Density Residential Apartments	27,900,000	126,535,115	125,000	1,004,281	126,535,115	88,635,115	20.0%
5 - Low Density Residential Standalone	76,040,000	249,387,856	450,000	554,200	249,387,856	173,317,799	54.7%
6 - Retailing	0	0	0	0	0	0	0.0%
7 - Public Reserve	0	0	0	0	0	0	0.0%
8 - Other	0	0	0	0	0	0	0.0%
Total	118,462,000	455,262,915	1,025,000	444,266	455,262,915	316,933,866	45.8%

Appendix V

Valuation Policies



Valuation Policies

The following are the general policies upon which our appraisals and reports are normally prepared. These apply unless specifically mentioned otherwise in the body of the report. These policies form part of the report.

1. Property Description

The appraisal is based on the property description included in this report including any undertakings given by the owner and defined in the report.

2. New Zealand Institute of Valuers Asset Valuation Standards

The appraisal has been prepared in accordance with the IVSC standards.

3. Appraisal Basis

No allowances are made in our appraisal for costs of realisation or to reflect any outstanding debt including accrued interest.

4. Information Supplied

Where stated in the report that another party has supplied information to us, the information is believed to be reliable however we accept no responsibility should it prove not to be so. Where information is given without being attributed directly to another party the information has been obtained by our search of records and examination of documents or by inquiry from Government or other appropriate sources.

5. Title

Unless specifically stated in the report, we assume that:

- ▼ all improvements lie within the title boundaries;
- ▼ the subject property has a good and marketable title free from any pending litigation.

We also assume that all documentation is satisfactorily drawn and that there are no unusual or onerous easements, restrictions, covenants or other outgoings which would adversely affect the value or negotiability of the relevant interest(s). Such registrations may include Wahi Tapu and Historic Places Trust Registrations.

6. Inspections

We undertake such inspections and conduct investigations as are, in our opinion, correct, appropriate and possible in the particular circumstances.

7. Building Act 1991, Health and Safety in Employment Act 1992, Resource Management Act 1991

- ▼ Fire Safety and Evacuation of Buildings Regulations 1992
- ▼ Disabled Persons Community Welfare Act 1975

Unless otherwise stated in our report, our appraisal is on the basis that the subject property complies with this legislation or it has no significant impact on the value of the business. In particular, our appraisal assumes all necessary resource consents have been obtained for the proposed water and irrigation development.

8. Site Conditions

We do not carry out investigations on site in order to determine the suitability of ground conditions and services, nor do we undertake environmental or geotechnical surveys. Unless notified to the contrary, our appraisal is on the basis that these aspects are satisfactory and also that the site is clear of underground mineral or other workings, methane gas or other noxious substances.

In the case of properties that may have redevelopment potential, we assume that the site has a load bearing capacity suitable for the anticipated form of development without the need for additional expensive foundations or drainage systems.

9. Environmental Contamination

Our appraisal assumes that no contaminative or potentially contaminative use is, or ever has been, carried out on the property. Unless specifically instructed, we do not undertake any investigation into the past or present uses of either the property or any adjoining or nearby land, to establish whether there is any potential for contamination from these uses and assume that none exists.

10. Taxation – GST / VAT

In preparing our appraisal, no allowances are made for any liability which may arise for payment of income tax or any other property related tax, whether existing or which may arise on development or disposal, deemed or otherwise. We also specifically draw your attention to the fact that our appraisal is exclusive of any Goods and Services Tax that may be incurred.

11. Confidentiality and Disclaimer of Liability

Our appraisal and report is strictly confidential to the party to whom it is addressed and is prepared solely for the specific purpose to which it refers. No responsibility whatsoever is accepted for reliance on the appraisal report for other purposes.

Furthermore, no responsibility whatever is accepted to persons other than the party to whom the appraisal and report is addressed for any errors or omissions whether of fact or opinion.

The valuer(s) accept no responsibility whatsoever for the accuracy of the statements and opinions expressed in the report and that the report is prepared as an employee of and on behalf of Property Advisory Ltd and only Property Advisory Ltd accepts responsibility for its contents.

12. Publication

Neither the whole nor any part of our reports, nor any reference thereto, may be included in any published document, circular or statement, nor published in any way without our written approval of the form and context of such publication or disclosure. Such approval is required whether or not Property Advisory Limited is referred to by name and whether or not the reports are combined with others.