

30 August 2021
REF: GM21-5057

The Senior Manager Operations
Kaikoura District Council
PO Box 6
KAIKOURA 7300

Attention: Dave Clibbery

Dear Sir,

**Valuation of 'Business A' Zoned Commercial Land,
34 Esplanade, Kaikoura**

Further to instructions received, we inspected the above property on 16 August 2021 for the purpose of assessing current market value.

TYPE OF PROPERTY:

An 'L' shaped 314m² parcel of 'Business A' zoned land occupying an esplanade waterfront position in Kaikoura Township. The property partially incorporates the former Kaikoura District Council office building which is due to be demolished.

NATURE OF BRIEF:

Our brief is to assess current market value assuming sale of the property under normal terms and conditions on the basis the existing building is demolished.

VALUATION SUMMARY:

We assess the current market value of the property to be:-

**\$325,000 excluding any GST payable on sale,
(THREE HUNDRED & TWENTY FIVE THOUSAND DOLLARS)**

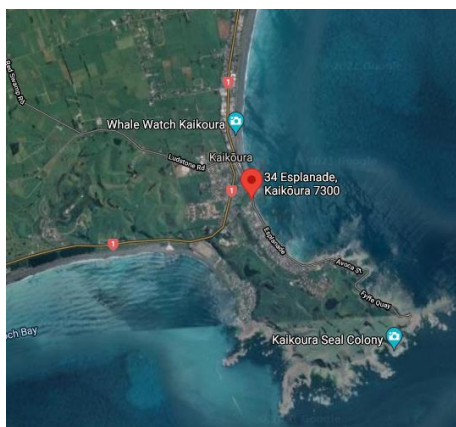


LOCALITY:

The property lies off the western side of the Esplanade forming part of Kaikoura Township within Kaikoura District. The surrounding locality is diverse in nature incorporating the Kaikoura Memorial Hall to the north with the Takahanga Doman and New Zealand Fire Service premises to the south and west. A new premises for the fire service is currently in the process of being developed on Churchill Street and we understand the existing building which lies adjacent will be sold in the short to medium term. The coastal foreshore lies on the opposite side of the Esplanade with the West End commercial precinct lying a short distance to the north. From a commercial viewpoint the property is situated within a fringe location albeit benefiting from ample roadside parking and good exposure to passing pedestrian and vehicle traffic.

Kaikoura caters for primary and secondary schooling together with a wide range of shopping facilities. Christchurch City is located within a comfortable two and a half hours drive to the south with Blenheim being around one and a half hours drive to the north. Normal utility services for the area are reticulated.

The Kaikoura District was impacted by a substantial 7.8 magnitude earthquake in November 2016. This resulted in the closure of State Highway 1 with a number of older commercial buildings having sustained considerable damage (a number have subsequently been demolished). There has been limited new commercial development since the earthquakes with the exception of the new Paper Plus, pharmacy and the former Four Square building. Within the surrounding Kaikoura area other developments include the substantial 118 room Sudima Hotel on the Esplanade which is currently under construction. The Kaikoura Wharf is due to be redeveloped with funding approved from the provincial growth fund (demolition works recently completed). Other new commercial projects include a proposed commercial spa facility along the Esplanade, the new Kaikoura pool complex and a new walkway linking along the coastal foreshore.



RESOURCE MANAGEMENT:

In terms of the Operative District Plan for Kaikoura District the land is zoned **'Business A' (Commercial)**. This zone provides for a broad range of retail, office, commercial and other business activities. Performance criteria for activities which include a maximum building coverage of 60%, 10 metre building height and no residential units on sites with a net area of less than 500m². The District Plan Maps also indicate an archaeological designation (A177) which relates to 'Occupation - Takahanga Lower'. This essentially means any earthworks undertaken in this area would require consent from the Historical Places Trust and also the local Iwi which does lead to higher building costs.

LEGAL DESCRIPTION:

The land is freehold and described as being Lot 2 Deposited Plan 5184 as contained within Certificate of Title Identifier MB3D/211.

There is a historical registration on the title which essentially means any minerals on the land are reserved to the Crown.

We have appended a copy of the relevant pages of the Certificate of Title which should be read in conjunction with this report.

LAND:

The site comprises an 'L' shaped front lot of 314m² with frontage of approximately 10 metres by a depth of around 25 metres.



Aerial Image of Site from Environment Canterbury GIS System

The land widens from approximately 20 metres depth to the south incorporating an additional area of land with a depth of around 7 metres. Contour is virtually level. The land has an open aspect with obstructed views of the Pacific Ocean to the east also including views of the Seaward Kaikoura Mountain Ranges to the north. In terms of our valuation we have assumed the existing building will be demolished with all materials removed from the site. Boundaries appear to lie predominantly open.



Land Photos

VALUATION CONSIDERATIONS:

In order to determine an appropriate value to the subject we have primarily had regard to the direct sales comparison approach to valuation. This approach involves the analysis of sales of properties which have similar characteristics which after making subjective allowances for physical and locational differences are then compared to the subject. Given the existing building will be demolished we have primarily had regard to sales evidence for 'Business A' zoned vacant sites within Kaikoura District. We have also considered sales relating to earthquake damaged or properties with modest buildings to assist with deriving a clearer land value conclusion.

By way of background demand for commercial and industrial properties within the Kaikoura Region has increased during the past 3 years evidenced by an upturn in sales activity. This follows a period of subdued market activity since the peak of the previous property cycle around 2007. New commercial development in Kaikoura has been reasonably limited following on from the global financial crisis. There was a noticeable upturn in the tourist and accommodation related sectors in the period leading up to 2016. Kaikoura was impacted by a substantial 7.8 magnitude earthquake in November 2016. This resulted in the closure of State Highway 1, particularly north of Kaikoura which has now reopened on an unrestricted hours basis. The earthquakes provided some major disruption to the tourist and retail related sectors, although this was compensated for in part by a significant rise in demand for workers associated with the roading and rail network repair projects.

In March 2020 the coalition government initiated a level 4 lockdown due to the COVID 19 pandemic which resulted in the closure of the New Zealand borders. Significant measures have been implemented including softening of the official cash rate, the removal of LVR restrictions and government wage subsidies. Mortgage interest rates have now fallen to historically low levels with residential fixed rates now available in the sub 3% bracket. Local real estate agents are reporting steady enquiry from local investors for commercial investments mainly due to lower returns being achievable from alternative investments (i.e fixed interest). A local number of businesses have experienced trading difficulties since the lockdown period particularly with a lack of international tourism. Whilst this has been compensated for by a rise in domestic tourism the likely extended period of the New Zealand border closures continues to have an impact.

Against this background sales considered indicative of value parameters are outlined hereunder.

Part 13 West End, Kaikoura

Reportedly sold circa April 2018 for \$120,000 in a boundary change to the adjoining owner of the land and buildings at 21 West End (Strawberry Tree). This comprises a circa 185m² parcel of 'Business A' zoned land which occupies a rear position within the West End commercial precinct. The land has been sold without official right of way access and also includes an additional area of potentially usable esplanade reserve land. The sale equates to around **\$650 psm** over the actual land area, although potentially more in the order **\$450 - \$500 psm** after taking into consideration the additional land which would be potentially useable extending through to the flood protection wall adjoining Lyell Creek. Overall inferior to the subject given the lands rear location.

VALUATION CONSIDERATIONS, contd...

17 Yarmouth Street, Kaikoura

Sold May 2020 for \$475,000. This comprises 1,017m² 'Business A' zoned corner site being situated in a fringe commercial location. The property incorporates a derelict 1950's bungalow (100m²) which is of no added value. The land was purchased by a residential developer and we understand their intention is to develop an apartment complex on the land. The sale reflects an effective land price around \$450,000 which equates to **\$442 psm**. Superior on an overall basis due to much larger land size.

49 – 51 West End, Kaikoura

Sold in a private transaction in September 2018 to the tenant for \$500,000. This comprises a prime 453m² parcel of flat 'Business A' zoned land occupying a central position within the West End commercial precinct. The property sold on an 'as is where is' basis with the vendor retaining the insurance settlement. The building (390m²) was originally developed around the 1930's with an extension circa 1950's and was substantially redeveloped during the late 2000's by the tenant for its existing use as the Whaler Bar and Restaurant. The building has sustained some damage during the Kaikoura earthquakes and has a reported estimated repair cost in the range \$800,000 - \$1,000,000. The property had been leased at an annual rental of \$59,500 per annum plus GST and outgoings. In our opinion the sale price lies below land value which reflects the extent of potential earthquake repairs and building strengthening requirements. The sale equates to around **\$1,100 psm** over the land area only. It would appear to represent good buying, although does reflect the vendor has achieved an overall price inclusive of the insurance settlement well in excess of the property's open market value in an 'undamaged' state. Overall superior.

15 West End, Kaikoura

Sold September 2019 for \$580,720 to the adjoining owner in a private transaction. This property had previously sold in June 2017 for \$325,000 to a former tenant of the building (Kaikoura Surf) which had been demolished due to earthquake damage. The site comprises a smaller 255m² 'Business A' zoned front site which lies at the northern end of the West End commercial precinct. The sale indicates a significant premium above the general market for adjoining owner influence (i.e the adjoining owner has the Strawberry Tree Bar and had also acquired vacant land to the rear of the vacant site for redevelopment). The sale equates to **\$2,277 psm** reflecting a significant premium above normal value levels for 'Business A' zoned land within the West End commercial precinct. Similar in terms of size although far superior location.

VALUATION CONSIDERATIONS, contd...

35 West End, Kaikoura

Sold October 2018 at deadline sale for \$701,250 on an 'as is where is' basis. The property was purchased by a local buyer with connections in the building industry and also with another business in the West End (intention is to relocate when their other lease expires into this premises). This comprises the former Kaikoura Four Square premises occupying a 672m² 'Business A' zoned front site within a central location in the West End commercial precinct. The total building equates to 395m² and also benefits from right of way easements over the adjacent access strips to the northern and southern sides. The building has some reasonably significant structural earthquake damage issues (more than \$200,000 estimate to repair). The property had been previously leased at an annual rental of \$48,500 per annum net. This sale appears to represent a very strong price indicating a premium for owner occupation. The building has been subsequently substantially renovated and structurally strengthened incorporating two new retail tenancies. On a land value basis only the sale equates to around **\$1,043 psm**. Overall superior.

Avoca Street, Kaikoura

Sold in a private transaction in July 2021 for \$1,125,000 to the adjoining owner of the Pier Hotel. This comprises a vacant 1,974m² parcel of 'Business B' zoned land comprised within three Certificates of Title located to the eastern side of the Pier Hotel site. The land benefits from dual frontages together with a warm aspect, esplanade waterfront position and panoramic mountain / sea views. The sale equates to approximately **\$570 psm**. This level of value is consistent with historical sales for larger 'business' zoned sites in the Kaikoura District.

26 – 36 West End, Kaikoura

Sold June 2018 for \$2,040,000 to a developer from Christchurch. This comprises the former Adelphi Hotel site which was demolished due to earthquake damage. The land comprises a total area of around 4,333m² within four Certificates of Title. The prime front part of the site comprises around 1,550m² of flat 'Business A' zoned land with a wide frontage of around 62 metres. The balance of the land is accessed off Adelphi Terrace comprising a prime elevated hilltop area of 'Residential A' zoned land plus the steeper limestone cliff. We understand the purchasers intention was to develop seven retail shops along the road frontage within the 'Business A' zoned area with approximately 36 apartments above on the hilltop site which enjoys panoramic mountain and sea views. The sale also included an adjoining residential property which was owned by a different entity. The sale price can be analysed as follows:

Prime Front 'Business A' Land	1,550m ²	@	\$750 psm
'Residential A' Land & Steeper Cliff	2,783m ²	@	\$315 psm

The property is currently under contract in January 2021, although due to confidentially reasons we are unable to disclose the price. Overall a much larger site therefore significantly superior to the subject.

VALUATION CONSIDERATIONS, contd...

The information outlined above indicates underlying land values for 'Business A' zoned sites within the West End commercial precinct typically fall within the **\$700 - \$2,000 psm** range. Prices in excess of this level relate to smaller sites or properties which are well suited to the purchasers requirements (i.e adjoining owner). Lower prices relate to sites in more fringe locations as evidenced by the sales in Avoca and Yarmouth Streets.

In terms of additional information we note the following property which is currently under contract, although due to confidentially reasons we are unable to disclose the price.

88 West End, Kaikoura

This property has been marketed over the past year with an asking price of \$400,000 plus GST. This comprises a vacant 516m² 'Business A' zoned site situated towards the southern fringe of the West End commercial precinct directly opposite the main public carpark. The land incorporates around 200m² of effective land area within the front part which is mainly easy contoured with the balance being in the form of a steep limestone cliff. The property is currently under contract to a local buyer, although due to confidentially reasons we are unable to disclose the price, although we can confirm this lies below the list price. The asking price equates to around **\$2,000 psm** over the lands effective usable area. We acknowledge this site is over 500m² in area which does provide the potential for some residential development. Considered superior to the subject mainly due to the lands more prime location within the West End commercial precinct.

We are also aware of another property which has been under contract in a private sale transaction during recent months, although due to the commercial sensitivity of the information we are unable to disclose any details. The property has not been exposed to the market, although is a 'Business A' zoned site within a fringe location which does provide a reasonable value comparison to the subject.

In considering an appropriate value to the subject in contrast to the sales examined we are mindful of the following:

- The property comprises a smaller 'L' shaped 'Business A' zoned front site which has an open aspect and attractive vista mountain and sea views.
- The property falls within a popular entry level price bracket for vacant commercial sites within the Kaikoura market which is likely to have a wider range of potential buyers.
- The land falls short of the minimum area requirement of 500m² to provide the potential for residential living accommodation.
- The site is flat in contour which should result in lower building costs.
- The site benefits from good exposure to passing vehicle and pedestrian traffic extending along the Esplanade, although from a commercial viewpoint is situated within a more fringe location.
- The property is located within an archaeological area which is likely to result in higher costs for any earthworks which requires consultation with the local Iwi.
- The adjacent Kaikoura Fire Station site is likely to be sold within the short to medium term given the fire service are relocating to an alternative site on Churchill Street.

VALUATION CONSIDERATIONS, contd...

We acknowledge the paucity of directly comparable sales evidence particularly for smaller commercial sites within the Kaikoura District and we therefore consider the parameters of value are wide. Value lies below the most comparable property which is currently under contract at 88 West End mainly due to the lands more fringe commercial location. On balance, taking these factors into consideration we would expect the land to readily achieve within the \$300,000 - \$350,000 price range. In terms of our valuation we have adopted a midpoint and conclude current market value as follows.

VALUATION SUMMARY:

<u>LAND VALUE (314m²)</u>	<u>\$325,000</u>
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The above assessment is **exclusive** of GST.

Our valuation is **subject to** demolition to the existing building to provide for a level vacant front site.

Alternatively our assessment equates to **\$1,035psm**. This reflects the site is smaller in size although is situated in a more fringe commercial location.

We confirm Maxwell Valuation Limited has no financial interest or otherwise in the property and that we have no relationship with the vendor, purchaser or agents.

This report has been undertaken for valuation purposes only and does not purport to be a site or structural survey.

The effective date of this valuation is **16 August 2021**.

COVID 19 - DISCLAIMER

The outbreak of the Novel Coronavirus (COVID-19) was declared as a 'Global Pandemic' by the World Health Organisation on 11 March 2020. We have seen global financial markets and travel restrictions and recommendations being implemented by many countries, including New Zealand. The local real estate market that the subject property is transacted in is being impacted by the uncertainty that the COVID-19 outbreak has caused. The landscape and market conditions are changing daily at present. As at the date of valuation we consider that there is a market uncertainty. This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer could not reasonably have been aware of as at the date of valuation). We do not accept responsibility or liability for any losses arising from such subsequent changes in value. Given the valuation uncertainty noted, we recommend that the user(s) of this report review this valuation periodically.

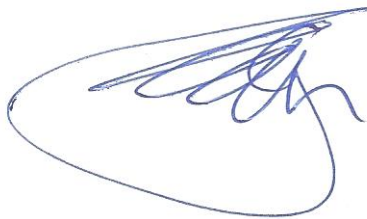
In some instances this report may be transmitted in an electronic format. We encourage any person relying on this report to confirm the valuation is correct in all respects to prevent any fraudulent activity. Please contact the writer for verification.

This report has been prepared by Geoffrey Richard Maxwell, B COM (VPM), SPINZ, ANZIV, MNZIPIM, who has been a Registered Public Valuer since 1999 specialising in the valuation of urban and rural properties in the North Canterbury and Kaikoura Regions.

We trust that this information is sufficient for your requirements but should you have any query regarding this report, or should there be any matter arising, we would be pleased to assist.

Yours faithfully,

MAXWELL VALUATION LIMITED



G R Maxwell

REGISTERED VALUER SPINZ ANZIV MNZIPIM

DDI: 03 319 8957

Mobile: 027 319 8954

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DECLARATION OF VALUATION PRINCIPLES:

1 Compliance Statement

This valuation has been performed in accordance with IVS3 and we confirm that; the statements of fact presented in this report are correct to the best of the Valuer's knowledge; the analyses and conclusions are limited only by the reported assumptions and conditions; the Valuer has no interest in the subject property; the Valuer's fee is not contingent upon any aspect of the report; the valuation was performed in accordance with the PINZ code of ethics and performance 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; and no-one, except those specified within the report; has provided professional assistance in preparing the report.

2 Publication

Neither the whole nor any part of this valuation report or any reference to it may be included in any published document, circular or statement without the written approval of Maxwell Valuation as to the form and content in which it may appear.

3 Information & Documentation

Information has generally been obtained from a search of records and examination of documents or by inquiry to Government Departments or Statutory Authorities. Where it is stated in the valuation report that information has been supplied to us by another party, this information is believed to be reliable but we can accept no responsibility if this should prove to be not so. The information provided by the sources detailed in this report is assumed to be complete and correct. We accept no responsibility for the completeness and accuracy of the information provided.

4 Confidentiality & Disclaimer of Liability

Our responsibility in connection with this valuation report is limited to the client to whom it is addressed and for the express valuation purpose stated. The report is not to be relied upon by any other person or for any other purpose. We accept no liability to third parties nor do we contemplate that this report would be relied upon by third parties. We invite other parties who may come into possession of this report to seek our written consent to them relying on this report. We reserve our right to withhold consent or to review the contents of this report in the event that our consent is sought.

5 Structural Survey

We have undertaken a visual inspection in respect of the building, but have not commissioned a structural survey or tested any of the services and are therefore unable to confirm that these are free from defect. We have not inspected the unexposed or inaccessible portions of the building/s and are unable to certify that these are free from defect. Any elements of deterioration apparent to the general state of repair of the building/s have been noted and reflected in our valuation. No undertaking is given about the structural soundness, weathertightness, or durability of any building or building element associated with the structure (where an owner may have joint maintenance liability). No undertaking is given about absence of rot, insect or pest infestation, deleterious substances such as asbestos or calcium chloride, unsatisfactory materials or hidden defects

6 Site Conditions

The inspection undertaken does not constitute a geotechnical survey or environmental contamination survey and no undertaking, representation or warranty is given as to the stability of the land or in any other regard. Unless notified to the contrary or otherwise stated in this report, our valuation is on the basis that these aspects are satisfactory and that the site is clear of underground minerals or other workings, methane gas or other noxious substances. Where a property has the potential to be further developed, we assume that the site is of a suitable load bearing capacity for the anticipated form of development without the need for additional foundations and drainage systems.

7 Title

We have made no survey of the property and assume no responsibility in connection with such matters. Unless otherwise stated it is assumed that all improvements lie within the title boundaries. Unless otherwise stated our report is subject to there being no detrimental registration(s) affecting the land other than those appearing on the title(s) valued in this report. Such registrations may include wahi tapu registrations and Historic Places Trust registrations.

8 Plant and Machinery

The valuation is conditional upon any lifts, hot and cold water systems, drainage systems, electrical systems, air conditioning or ventilating systems and other installations being in proper working order and functioning for the purpose for which they were designed.

9 Site or Environmental Contamination

Our valuation and report is conditional upon the land being free of any contamination or industrial waste problems unless otherwise noted.

10 Measurements

All property measurement is carried out in accordance with the Guide for the Measurement of Rentable Areas issued by PCNZ/PINZ or variations thereof, unless we specifically state that we have relied upon another source of information or method.

11 LIM & PIM

The valuation assumes, unless otherwise stated, that a Territorial Authority Land Information Memorandum / Project Information Memorandum would not reveal any non-complying features and/or requisitions.

12 Resource Management Act 1991, Building Act 2004, Health and Safety in Employment Act 1992, and Evacuation of Buildings Regulations 1992. Disabled Persons Community Welfare Act 1975.

Unless otherwise stated in our report, our valuation is on the basis that the property complies with the above legislation or that the legislation has no significant impact on the value of the property.

13 Mortgage Recommendation

The value provided in this valuation report is Maxwell Valuation Limited opinion of the market value on a willing buyer/willing seller basis. That value may change in the future due to market conditions and changes to the property. Any decision to lend should take these factors into account and allow a reasonable and prudent margin between the amount advanced and the market value given in this valuation. Additionally the margin should also recognise the consequences and costs of a forced sale.

14 Tenant Covenant

Unless specifically requested, we do not make detailed enquiries into the covenant strength of occupational tenants but rely on our judgement of the market's perception of them. Any comments on covenant strength should be therefore be read in this context. If the property is subject to a lease, our valuation is on the basis that the tenant is capable of meeting it's financial obligations under the lease and that there are no arrears of rent or breaches of covenant.



**RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD
Historical Search Copy**




R. W. Muir
Registrar-General
of Land

Constituted as a Record of Title pursuant to Sections 7 and 12 of the Land Transfer Act 2017 - 12 November 2018

Identifier MB3D/211
Land Registration District Marlborough
Date Issued 08 August 1980

Prior References
MB1B/765

Estate Fee Simple
Area 314 square metres more or less
Legal Description Lot 2 Deposited Plan 5184
Original Registered Owners
The Kaikoura County Council

Interests
Subject to Section 59 Land Act 1948

Identifier

MB3D/211

References -
Prior C/T 1B/765
Transfer No. -
N/C. Order No. 99692

Land and Deeds 69



REGISTER

CERTIFICATE OF TITLE UNDER LAND TRANSFER ACT

This Certificate dated the 8th day of August one thousand nine hundred and eighty under the seal of the District Land Registrar of the Land Registration District of Marlborough

WITNESSETH that THE KAIKOURA COUNTY COUNCIL a body corporate under the Local Government Act, 1974

is seized of an estate in fee-simple (subject to such reservations, restrictions, encumbrances, liens, and interests as are notified by memorial underwritten or endorsed hereon) in the land hereinafter described, delineated with bold black lines on the plan hereon, be the several admeasurements a little more or less, that is to say: All that parcel of land containing 314 square

metres more or less situate in Block XI Mount Fyffe Survey District being Lot 2 on Deposited Plan 5184

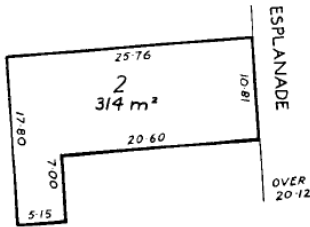
DISTRICT LAND REGISTRAR



MARLBOROUGH, Assistant Land Registrar

Subject to the reservations and conditions imposed by Section 59 of the Land Act, 1948

A.L.R.



Measurements are Metric

No. 3D / 211

No. 3D / 211

Register copy for L. & D. 69, 71, 72