

## VALUATION REPORT

**Property:** Port of Tauranga Reclamation  
Section 1 Survey Office Plan 59443 &  
Section 1 Survey Office Plan 464237  
Sulphur Point  
Tauranga  
NEW ZEALAND

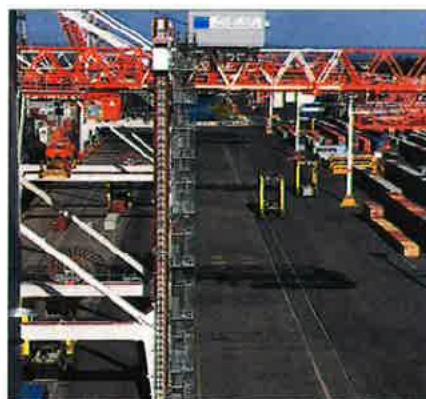
**Type:** Market Valuation for Possible Disposal  
Purposes

**Principal Use:** Crown Interest in Reclaimed Land - Seabed

**Effective Date:** 14 June 2017



Northern Reclamation



Southern Reclamation

**Prepared For:** Crown Property Centre of Expertise  
Private Bag 4721  
Christchurch 8140  
NEW ZEALAND

**Prepared By:** Gribble Churton Taylor Limited  
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H/16/48-VG2  
RJL:EW

8 August 2017



Crown Property Centre of Expertise  
Private Bag 4721  
Christchurch 8140  
**NEW ZEALAND**

**Attention: April Hussey**  
**Senior Portfolio Manager**

Dear Madam

**Re: Market Valuation of Port of Tauranga Reclamation**  
**Section 1 Survey Office 59443 & Section 1 Survey Office 464237**  
**Sulphur Point**  
**Tauranga**

## **1.0 Instructions – Scope of Works**

We refer to the original instructions received from Graham Williams dated 13 December 2016 and subsequent discussions with April Hussey and Diane Cardwell from Land Information New Zealand (LINZ), requesting that we provide our assessments of market value for the Crown's interest in the seabed situated to the eastern side of Tauranga Harbour, being:

- Section 1 Survey Office 464237, comprising **4,000 s.m.** (Northern Reclamation), and
- Section 1 Survey Office 59443, comprising **8,000 s.m.** (Southern Reclamation).

Our assessments are for possible sale/disposal purposes.

This valuation and all valuation services are provided by Gribble Churton Taylor Ltd solely for the use of the Addressee and Client. Gribble Churton Taylor Ltd does not, and shall not, assume any responsibility to any person other than the Addressee and Client. Any person, other than the Addressee and Client who uses or relies on this valuation does so at their own risk.

This valuation has been completed for the specific purpose stated in this report. No responsibility is accepted in the event this report is used for any other purpose.

Following our inspection of both parcels of land dated 14 June 2017, we confirm we have met with Mr Dan Kneebone, Property & Infrastructure Manager for Port of Tauranga Limited (PoTL), we have reviewed the supplied documentation and correspondence, had extensive discussions with a local Tauranga valuer, searched a copy of SO Plan 59443, researched and analysed relevant available market evidence and having made all other necessary enquiries we now report as follows:



## **2.0 Basis of Valuation**

### **2.1 Market Valuation Definition**

This valuation has been completed in accordance with the New Zealand Institute of Valuers (NZIV), The Property Institute of New Zealand (PINZ) and Australian Property Institute Valuation Standards which were reissued in 2012, and the International Valuation Standards (IVS) dated 1 July 2017. Under the International Valuation Standards Council (IVSC) standards, market value is defined as:

*"The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion".*

We would point out that our assessment of value is based on the market evidence as at the date of valuation, however real estate values can vary from time to time in response to changing market circumstances and no warranty can therefore be given as to the maintenance of this value into the future.

### **2.2 Compliance Statement**

This valuation has been performed in accordance with the IVS. We confirm that:

- The statements of fact presented in the report are correct to the best of the valuer's knowledge.
- The conclusions are limited only by the reported assumptions and conditions.
- The valuer has no interest in the subject property, and the valuer's fee is not contingent upon any aspect of the report.
- The valuation was performed in accordance with the NZIV Code of Ethics and the relevant PINZ and NZIV Performance Standards.
- The Registered Valuer who has signed the report, has satisfied professional education requirements.
- The Registered Valuer has experience in the location and category of the properties being valued. Where necessary the valuer has sought independent advice from local sources.
- The valuer has made a personal inspection of the properties.
- No one, except those specified in the report, has provided professional assistance in preparing the report.
- This valuation complies with Generally Accepted Valuation Principles.

### 2.3 Valuation Standards and Guidance Notes

We certify that this valuation complies with IVS, NZIV Code of Ethics, PINZ Code of Ethics and Rules of Conduct, and appropriate and PINZ Valuation Standards and Guidance notes. In particular we have had regard to the following:

IVS 2017	:	Framework
IVS 101	:	Scope of Work
IVS 102	:	Investigation and Compliance
IVS 103	:	Reporting
IVS 104	:	Bases of Value
IVS 105	:	Valuation Approaches and Methods
IVS 400	:	Real Property Interests
ANZVGN 1	:	Valuation Procedures – Real Property
ANZVGN 9	:	Assessing Rental Value
ANZRPGN1	:	Disclaimer Clauses and Qualification Statements
ANZRPGN3	:	Leasing Incentives

### 3.0 Nature of Properties

#### 3.1 Northern Reclamation – SO 464327



This property comprises a **4,000 s.m.** predominantly rectangular shaped site to the northern end of the large Sulphur Point complex, which then extends in a dog leg shape fronting the inner harbour. This is a former seabed lot and described as Section 1, being Part Tauranga Harbour Bed on Survey Office Plan 464327. Currently the property is being used as a road for heavy haulage Port related activities. We are advised that the land was reclaimed in 2013.

### 3.2 Southern Reclamation – SO 59443



This property comprises an **8,000 s.m.** rectangular shaped, former seabed lot located to the southern end of the same complex, being Part of Tauranga Harbour Bed on Survey Office Plan 59443. Currently, the property is being used as a road for heavy haulage Port related activities. We have been advised that the land was reclaimed in, approximately, 1992 by the Port of Tauranga.

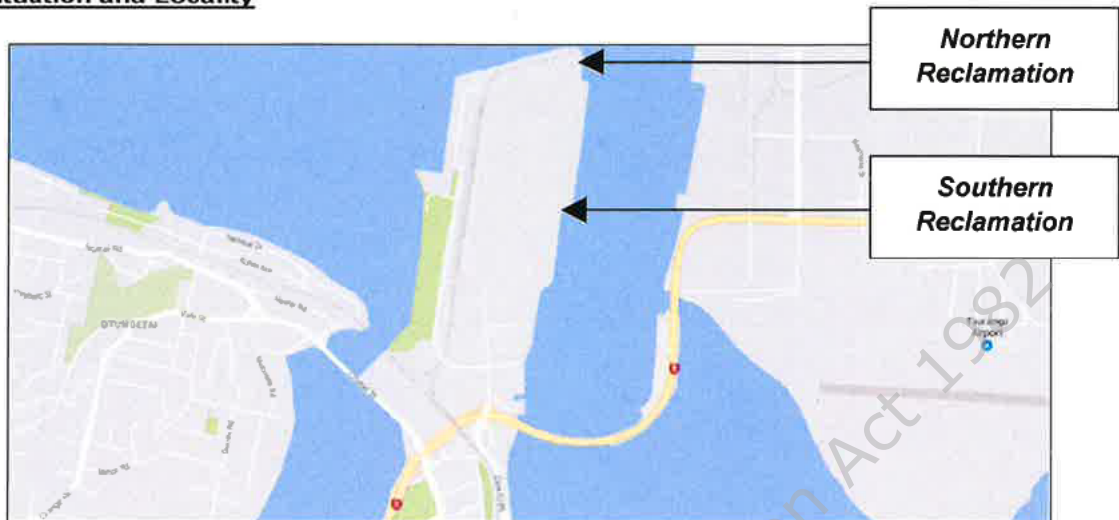
### 3.3 Information Provided

To assist in undertaking our assessments, we have been provided with the following information from the Crown Property Centre of Expertise, LINZ:

1. Instruction and correspondence relating to the subject seabeds.
2. A copy of SO Plans 59443 and 464237 depicting reclamations and aerial photographs depicting both reclaimed land parcels.
3. Copies of the relevant Computer Freehold Register Identifiers.
4. Copy of the LINZ Guide for Reclamation Valuations which has been recently reviewed.
5. Copy of the breakdown of costs directly associated with the construction of the two reclamations by LINZ on behalf of PoTL.

## 4.0 Site Particulars

### 4.1 Situation and Locality



The subject seabed lots are located within the extensive PoTL property, more particularly the Sulphur Point yard, being to the north of State Highway 2, with access via Mirrielees Road. Both seabed lots are situated to the northern periphery of Tauranga, running near to the eastern boundary of the Sulphur Point Port wharf. Surrounding property is of an industrial type nature, ancillary to Port activities, as well as providing convenient access for tenant use of the Port. Access to the two lots can be obtained through a number of staffed, securely operated, electric gates. Along Mirrielees Road the Port appears to own a large number of the more standardised industrial holdings.

The subject seabed lots front the inner Tauranga Harbour, servicing the numerous container and shipping needs of PoTL.

In its current reclaimed form we regard the subject lots as being in prime positions for servicing PoTL. We do note that the two properties to be reclaimed are accessed via PoTL grounds, with development capable of only supporting the Port Industry zone and businesses associated with the Port.

### 4.2 Legal Description and Interests

#### 4.2.1. **Northern Reclamation**

We have been supplied with a Survey Office plan for the Northern Reclamation seabed lot described as being Section 1, being Part Tauranga Harbour bed, on Survey Office Plan 464237. More particularly, the seabed lot is 0.4000 ha. more or less. We attached the SO Plan as **Appendix A**.

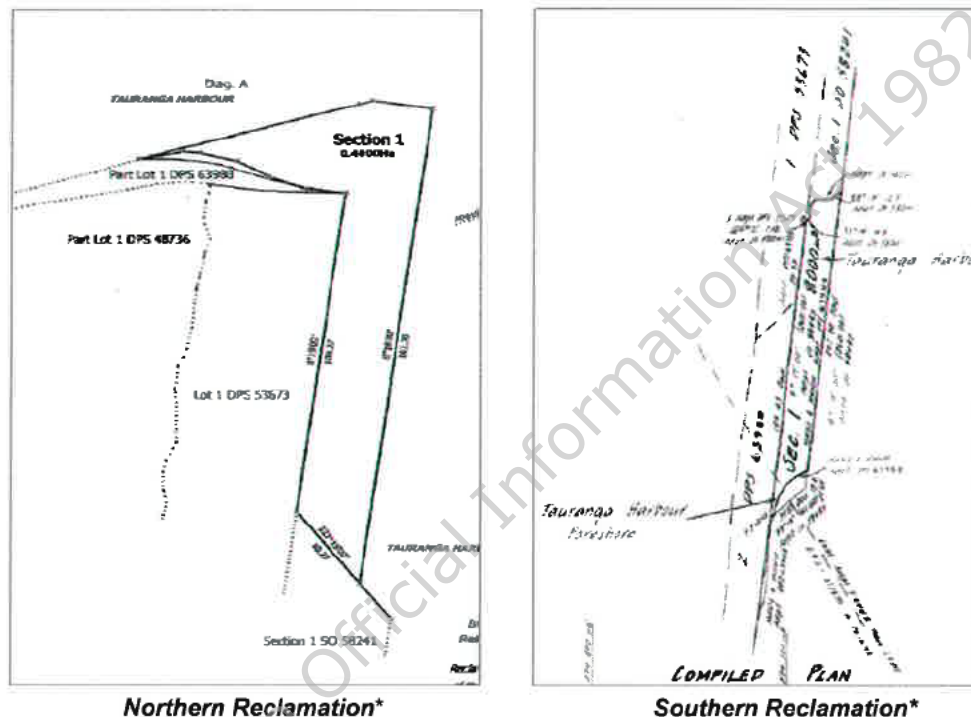
#### 4.2.2. **Southern Reclamation**

We have also been supplied with a Survey Office Plan which shows the Southern Reclamation seabed lot described as being Section 1, being part Tauranga Harbour bed, on Survey Office Plan 59443. We attached the SO Plan as **Appendix B**.

#### 4.2.3. Ownership

We are advised at present that the land is held by the Crown in terms of Section 31 of the Marine and Coastal Area (Takutai Moana) Act 2011 (MACAA 2011), where on commencement of the MACAA, the full legal and beneficial ownership of all existing reclaimed land was vested in the Crown absolutely.

#### 4.3 Site Description



\*Not to scale

As shown above, Section 1 SO 464237 measures 4,000 s.m. and the Southern Reclamation measures some 8,000 s.m. on Section 1 SO 59443.

The Northern Reclamation is situated to the northern point of the Sulphur Point Port property, with an eastern boundary extending some 161.39 metres south, with the southern boundary running in a diagonal direction towards the northwest, having a length of 30.27 metres. The western boundary is 108.27 metres and then extends out to the dog leg meeting in a westerly direction, with the northern end linking back up to a northerly frontage of 66.89 metres.

The Southern Reclamation is a fairly rectangular shaped strip situated to the south of the Sulphur Point Port property and then extending south and curving around at the southern point of its boundary.

As previously mentioned, we have been advised that the Southern Reclamation was constructed in 1992, and the Northern Reclamation was constructed circa 2013.

#### **4.4 Boundaries**

We have made no survey of the properties and their boundaries and assume no responsibility in connection with such matters. Unless otherwise stated, it is assumed that all improvements lie within the Identifier boundaries.

#### **4.5 Land Stability**

Please note this report in no way purports to be an engineering or geotechnical survey into the site's stability and we have assumed that it has no issues concerning land stability or flooding which would materially affect value.

#### **4.6 Contamination**

Substances such as asbestos, other chemicals, toxic wastes or other potentially hazardous materials could, if present adversely affect the value of the property also. Our value estimate is on the assumption that there is no material on or in the property that would cause loss in value. No responsibility is assumed for any such conditions and the recipient of this report is advised that the Valuer is not qualified to detect such substances, quantify the impact on values or estimate the remedial cost.

While due care has been taken to note any contamination liability, our investigations have been undertaken for valuation purposes only, and this report does not constitute an environmental audit. Unless otherwise stated no account has been taken of the effect on value due to contaminational pollution.

#### 4.7 Zoning and Town Planning

Under the Tauranga City Plan Operative September 2013, the adjoining properties have a zoning of **Port Industry**. This zone applies to properties near the harbour within the Port of Tauranga. The purpose of this zone is to provide for activities which for operational purposes need to be close to the harbour and to provide for the operation of the Port of Tauranga, unencumbered by the expectations of amenities outside the industrial zone. This zone is specifically dedicated to these activities given the limited amount of land available near the essential infrastructure of the Port.

The following are permitted activities within the Port Industry zone:

- Accessory buildings and activities.
- Ancillary retail and offices.
- Demolition of a building or structure.
- Fire stations.
- Industry activities.
- Minor public recreational activities and activities.
- Port activities.

Within this zone the two properties would appear to have a maximum building height of 25 metres, with flood light towers having a maximum height of 35 metres and cranes a height of 100 metres.

The objectives around Port noise provide for the day-to-day operations of Port activities, through recognising the specific noise generating characteristics, while ensuring that noise does not adversely affect the amenity of surrounding land uses. Further, activities in proximity to the Port are managed or avoided where they are likely to be situated in a location that could affect the day-to-day operations of Port activities or the rail network, through reverse sensitivity.

We note that parts of the overall PoTL property zoned Port Industry are affected by a flood plain, but note that the two reclamations do not appear to be affected by this flood plain.

#### 4.8 Statutory Valuation

There is no applicable statutory valuation for the subject properties.



## 5.0 Description of Improvements

### 5.1 General



*Northern Reclamation*



*Southern Reclamation*

As previously mentioned the properties were subject to reclamation, with the Southern Reclamation taking place circa 1992, as part of further extension of the Tauranga Port, and the Northern Reclamation taking place circa 2013. Subsequently the land has been used for Port related activities, with both areas being tar sealed to accommodate heavy transport activities and movement of cargo, adjoining the concrete container wharf.





## 5.2 Reclamation Costs

We have been supplied with full costings for the Northern Reclamation, but given the time the Southern Reclamation was completed (some 24 years ago), we have estimated a cost for this reclamation. We set down the costs below:

Northern Reclamation	
Northern Seawall	[ s 9(2)(b) (ii) ]
L - Beams	
Backfill - with sand	
Rock base, seabed to underside retaining (5m)	
Estimated Professional Fees etc.	
<b>TOTAL</b>	
Total Reclamation Area	
Reclamation Cost	

Southern Reclamation	
<i>Est. cost based on northern reclamation rate \$p.s.m.</i>	[ s 9(2)(b) (ii) ]
<b>TOTAL</b>	
Total Reclamation Area	
Reclamation Cost	

The above costs are plus GST, and prior to any inflation allowance to bring these, in line with current day.

## 6.0 Market Considerations

### 6.1 Economic Overview

- The New Zealand economy is remaining steady. Statistics New Zealand data (March 2017) shows that annual Gross Domestic Product (GDP) growth has had a softer growth, rising just 0.5% for the first quarter of 2017. Contributing to this was agriculture, retail trade and manufacturing, as well as construction having its first fall since 2015. Our economy remains strong due to tourism demand, construction activity, and household demand.
- The New Zealand economy is better placed after the 2008 Global Financial Crisis (GFC); with the current account deficit continuing to narrow from the previous quarter (now 3.0% of GDP – June 2017); our external debt falling below 55% of GDP (March 2017). Businesses have been more prudent post GFC and political stability has meant stakeholders have more confidence to plan for the future.

- The Consumer Price Index (CPI) annual inflation for the year to March 2017, rose to 1.0% compared with December 2016. This lift has taken inflation expectations back to the middle of the target band. The Reserve Bank of New Zealand (RBNZ) has left the Official Cash Rate (OCR) at 1.75% (from March 2017). Further reductions are forecast as being unlikely until 2018 at this point in time. Annual inflation is set to average at around 2.0% over the next two years, according to ANZ research data.
- Commodity price levels are still relatively healthy, with beef and forestry showing strong signs of growth. This has been largely led by falling interest rates and strong asset prices delivering a broad-based level of financial conditions that are conducive to solid growth. Dairy prices are tracking sideways over 2017 with a good majority of the price recovery (after a sharp fall) occurring in 2016. The impact of Cyclones Cook and Debbie appear to have affected farmers in the Bay of Plenty region with effects that won't be seen until 2018. Kiwifruit and pip fruit are beginning to see a drop, despite their strong performance over the past year, mainly due to the rapid rise in global demand for New Zealand Dairy products.
- ANZ Bank research data (February 2017) indicates that a net 25% of firms are optimistic about the general economy for the year ahead. This is largely due to an increase in agriculture. Manufacturing and service sectors remained unchanged from December 2016.
- The NZD has risen against the United States Dollar (USD) through 2016 and the beginning of 2017, on the back of strengthening unemployment figures and policy direction undermining the USD. Over more recent months however, there has been relatively modest growth observed. The NZD is forecast to return to the 3.5% - 4.0% zone for the final half of 2017.
- There are new restrictions which have been implemented by the RBNZ from 1 October 2016. This is in relation to residential investment property which now requires a 40% minimum deposit on Loan to Value Ratios (LVR) for 'borrowers who are investors' and 'borrowers who are owner occupiers' requiring a 20% LVR. The current restrictions imposed by the RBNZ appear to be having some effect on the Auckland housing market, with prices only increasing by 1.8% in May 2017. This contrasts with other regions of New Zealand (outside of Auckland) where prices were up 11% year on year in May 2017.
- The European debt crisis has only shown slow signs of recovery, and has been particularly hampered by the recent "Brexit", which has devalued a number of currencies, and potentially destabilised trading arrangements, particularly between the European Union and Britain. The United Kingdom (UK) CPI has remained at 2.3% post "Brexit" (March 2017) with rising pressure for the Bank of England to raise its interest rates. Further, Spain's unemployment rate remains near the 20% mark, with Greece remaining in what can be considered as a 'severe depression'. Growth from the Eurozone over the past year has increased by 1.6%.
- Growth in China was stable in May 2017 with a lot of this economic prosperity conditional upon the economic policy set by The Central Economic Work Conference. Property investment growth slowed after significant expansion since late 2016. Overall, the economy is feeling the pinch from the tighter monetary policy, with the Government's effort to deleverage the financial sector starting to take effect.

## **6.2     Specific Market Conditions**

Tauranga's Commercial and Industrial Property Market has seen some positive growth over the past year or two, backed by population growth, an increase in residential construction, increase in tourism, and a jump in Port-related activities.

Tauranga's city centre has been subject to some revitalisation, with the recent completion of the waterfront development, including tidal stairs, a pier and pontoons, and planned streetscape upgrades over the next few years.

Current figures show that the Tauranga industrial investment trends for prime industrial investments tend to sell at yields between 5.5% - 6.5%, whilst secondary industrial investments are selling between 6.25% - 7.0%. Vacancies for industrial properties, particularly close to the subject and in Mt Maunganui, have seen vacancy rates fall from 4.3% to 3.6% over the past 12 months, indicating an increase in demand and a shortage of supply.

There appears to be strong business growth being underpinned by higher levels of population growth to the region, which in turn is generating increased construction and economic activity. Coupled with the increase in Port activity, this appears to be underpinning the positive fundamentals for the industrial property sector, with prime industrial land rates ranging between \$350 p.s.m. - \$500 p.s.m., and secondary land values between \$200 p.s.m. - \$300 p.s.m.

Overall, the industrial market in Tauranga appears to be performing strongly, with some of this prosperity being linked to the Port.

## **7.0     Valuation Rationale**

### **7.1     Reclamation Valuations, Crown Property Management – November 2016**

We have been supplied with a LINZ publication with regard to Reclamation Valuations, Crown Property Management Version 2.1 dated November 2016. This publication considers the appropriate valuation methodology for both proposed and existing reclamation. The papers state that reclamations are a form of real estate. This theory holds that ownership of real estate has value because there is a market that deals in the rights that arise from this ownership. The valuation approaches outlined in the paper are based on the equivalent full freehold computer interest with no detrimental covenants or restrictions on use. This would be the situation when the owner of adjoining sold or reclaimed land was purchasing new reclaimed land or seabed. In cases where the applicant does not own adjoining land and a new title will eventually be required for the area of the reclamation, the valuation is to be undertaken on a standalone basis.

This paper makes reference to the Department of Conservation (setting the price for a reclamation vesting) Guideline (Version 111) which was a document providing guidance on the process of advising the Minister of Conservation a vesting price for vesting of reclamations under provisions of Section 355 and Section 355AA Resource Management Act. Salient principals included:

- Generally there is no open market for foreshore and seabed.
- There must be recognition given to the valuation principle that "cost does not (necessarily) equal value".
- Reclamation is not an improvement for land valuation purposes and is treated as part of the land value.
- The valuation of the reclaimed land may include a deduction to reflect the benefits and improvements effected by the developer to convert the land from seabed to reclaimed dry land.
- The vesting price recommended to the Minister may include a waiver or reduction to reflect "public benefits".

## 7.2 Hypothetical Development Approach

Initially we have considered the Hypothetical Development Approach, wherein considerations reflect the reclaimed land itself, with the comparison of comparable dry land either with or without water frontage providing the best comparability to the property being valued. Allowances are needed for reclamation/development costs including both physical works and legal/resource management requirements. For the purpose of this approach, and due to the unavailability of comparable reclamation costings, we have utilised known historical reclamation costings held by PoTL, and where necessary made an allowance for inflation to the date of valuation and analysed these on a per square metre rate for some form of comparison. Normally further allowances need to be made for the opportunity cost of capital financing as well. We have been provided with costings of the Northern Reclamation and have made an estimate adjustment for professional fees. We have adopted a similar rate per square metre for the Southern Reclamation to ascertain an approximate cost estimate.

This Hypothetical Development Approach can effectively neutralise the value of the foreshore and seabed, due to extensive costs in undertaking reclamation works. We do note however, and are conscious that cost does not always equal value, especially in a case such as the subject properties where reclamation works have been undertaken to allow for heavy traffic and Port related activities such as the loading and unloading of cargo from various container ships.

## 7.3 Dry Land Value Approach

As a further approach we have assessed a dry land value, and then applied an appropriate discount percentage to reflect the benefits and improvements effected by the "developer" to convert the land from seabed to reclaimed dry land, as referenced from the above LINZ publication. It is noted that *"deep water reclamations would normally achieve a higher deduction than easy or shallow water reclamations."*

This approach is commonly the basis for setting a market rent on review/renewal. We have sought to compare the subject with known and analysed seabed equivalence discount percentages applied to other foreshore and seabed licences/leases, utilised when assessing market rentals in and around port facilities and other marinas. We have also analysed known sales of seabed holdings that have occurred under the Marine and Coastal Area Act 2011, to derive seabed equivalence discount percentages.

A further consideration when assessing a dry land value is the suitability of the existing reclamation land/sub soil for building on. A separate discount may be required to reflect sub soil reclamation conditions and/or be a further consideration when assessing seabed equivalence discount percentages.

#### **7.4 Lessor Interest Approaches**

The subject reclamations are part of a fully operating commercial Port. Therefore as a check method our view is that the value of the Crown's interest in the reclamation may primarily potential future cash flows generated by a land rental due to occupation. In respect of the subject seabed lots, we are advised there are no formal Deeds of Lease between PoTL and LINZ for the occupation of the seabed. Therefore in undertaking this approach we have assumed a standard perpetually renewable lease would be entered into, with five/seven year reviews and a hard ratchet clause.

By utilising this "economic approach" the lessor's interest is therefore able to be valued pursuant to any potential perpetually renewable lease, which comprises the lessor's right to receive the rent in perpetuity and with this reviewed every five/seven years to a market seabed value at a market related return. If the lessee defaults, not only does the lessor receive the seabed, but also the lessee's improvements. With regard to the subject land parcels, the approach in assessing a land rental could have a premium component attached, as both the north and south reclamations are integral to the PoTL Sulphur Point operations.

In arriving at a combined value of this interest for the subject seabeds, we have undertaken the following:

- Assessed an unimproved freehold dry land value for the properties.
- Assessed market related rental returns on land (ground rental percentage) to determine market rentals.
- The market rentals have been capitalised at an initial yield as determined by sales, market activity and other considerations.

Firstly, we have assessed the present value of future ground rent to be received, discounted at a rate to allow for future growth.

Secondly, we have undertaken a discounted cash flow calculation whereby we have estimated the present value of the future rents to be received in perpetuity, taking into account the five/seven year review periods and our assessed return on land, together with also including a market derived growth rate.

## 8.0 Dry Land Value

### 8.1 Sales Evidence

In order to provide our opinion as to the value of the dry land, we have firstly investigated and analysed the sales of larger properties that have sold throughout the wider Tauranga region. We set down a selection of these for your information, as follows:

Street Address	Suburb	Zone	Sale Date	Analysed Sale Price	Area sm	Analysis \$/m <sup>2</sup>
68 Hewletts Road	Mount Maunganui	Industry	May-17	\$18,405,140	48,820	\$377.00
Lot 2, 2 Truman Lane	Mount Maunganui	Industry	Nov-16	\$800,000	2,131	\$375.41
91 Taurikura Drive	Tauriko	Tauriko Industry	Aug-16	\$5,300,000	34,047	\$155.67
17 Aeropark Way	Mount Maunganui	Industry	Jul-16	\$705,000	1,784	\$395.18
80 Whakakake Street	Tauriko	Tauriko Industry	Jun-16	\$475,000	6,077	\$78.16
59 Glenlyon Avenue	Greerton	Industry	Aug-15	\$1,950,000	20,186	\$96.60
16 Hull Road	Mount Maunganui	Industry	Jul-15	\$1,575,000	4,047	\$389.18
20 Hocking Street	Mount Maunganui	Industry	May-15	\$1,760,000	7,040	\$250.00
*82-86 Hull Road	Mount Maunganui	Industry	Mar-15	\$5,200,000	10,110	\$485.00
18 Mirrieles Road**	Sulphur Point	Port Industry	Nov-14	\$2,851,000	7,270	\$392.16
18 Hocking Street	Mount Maunganui	Industry	Sep-14	\$2,400,000	9,250	\$259.46

\*Analysed on a land value basis

\*\* Lessors Interest Sale

Of particular note, are the following:

- **68 Hewletts Road, Mt Maunganui** sold May 2017 for a reported price of \$18,405,140. A substantial landholding of 4.8820 ha., occupied by Firth, subject to a 2.5 year leaseback, based on 5.50% of the purchase price. We understand there are further provisions for Firth to stay on following the leaseback expiry, for a considerably smaller site area of between 8,000 s.m. – 15,000 s.m. There are a range of buildings currently on site, the majority of which are regarded as being obsolete. This sale analyses to a high level value rate of \$377 p.s.m. Reflecting the leaseback, provides an analysis of \$330 p.s.m. overall. This significant holding is predominantly regular in shape, having access from Hewlett's Road and Macrae Avenue. Given the recent sale date, this sale provides an accurate guide to the buoyancy in the Tauranga/Mt Maunganui industrial market.





- **18 Mirrielees Road, Sulphur Point:** The Lessor's Interest sold in November 2014 for the price of **\$2,851,000**. At the time of sale, the land was leased to AML Limited, on a perpetually renewable 20 year lease from August 2005, at \$142,940 per annum. This sale represented a return of 5.01% or alternatively a value rate over the land area of \$392 p.s.m. The ground rental was due for review in 2015. This property is situated near the entrance of the Port of Tauranga Wharf complex at Sulphur Point, and is subject to high traffic flow, given its position on the corner of Mirrielees Road and the State Highway 2/29 off ramp. The property is flat in contour, and sits at road level (more or less), with post and wire security fencing and a cobblestone driveway entering the property, with the remaining yard being fully concreted. There is a small office situated on this site, as well as a workshop of 228 s.m., with the majority of this property being yard of some 6,462 s.m. The overall property is of a fairly regular shape, with a total land area of 7,270 s.m. We are mindful this is a Lessor's interest sale, however given the property's proximity to the subject lots, we consider the sale to provide some assistance in ascertaining a dry land value.



- **16 Hull Road, Mt Maunganui** sold in July 2015 for **\$1,575,000**. This property comprises a large front site of 4,047 s.m. The property sits on the edge of the Mt Maunganui industrial precinct, to the northern side of Hull Road, situated within close proximity to the Mt Maunganui side of the Port of Tauranga. The property has a zoning of Industry, and is more or less flat in contour, sitting at road level, with a metalled yard. This sale analyses to a land rate of \$389 p.s.m. This property provides some comparability, however is now somewhat dated. From our research, a positive time adjustment would need to be made.



- **17 Aeropark Way, Mt Maunganui** sold in July 2016 for **\$705,000**. This property is situated to the end of Aeropark Way, being a square site. The property has a zoning of Industry (Industrial A), with an area of 1,784 s.m. This sale equates to a land rate of \$395 p.s.m., and is situated in the industrial precinct of Mt Maunganui, where surrounding property appears to comprise industrial use.



- **Lot 2, 2 Truman Lane, Mt Maunganui** sold in November 2016 for **\$800,000**. This property has a land area of 2,131 s.m., situated within close proximity to the Baypark Stadium. This sale equates to a land rate of \$375.41 p.s.m. We consider this sale to be inferior to the subject lots, given its distance from the Port, but a reflection of the strong industrial market and demand for industrial land in Tauranga at present.

## 8.2 Conclusion on Dry Land Sales Evidence

The evidence indicates the following:

- Industrial zoned land sells between \$78 p.s.m. - \$485 p.s.m., plus GST, with land closer to the Port of Tauranga subject to a premium.
- Land closer to the Port and in the associated neighbouring zone of Industry, appears to sell between \$330 p.s.m. - \$485 p.s.m., plus GST.

Considering the dated sale dates of some of this evidence, and accounting for the current demand and tight supply for industrial zoned land, we would consider the two subject lots to best be considered comparable to the Port Industry zoned land and neighbouring Industry zoned land. On the basis of the dry land sales evidence above, together with other evidence throughout the Tauranga region, we have adopted a dry land value on the basis of **[ s 9(2)(b)(ii) ]** p.s.m., plus GST.

We know that the subject properties would not have much utilisation outside of Port related activities, given their distance and position adjoining the PoTL operations. In our opinion, development on an alternative basis would be fairly unlikely, given their position along the eastern side of the Port, where heavy haulage activities are undertaken and cargo ships are loaded and unloaded. Zoning restrictions also only allow for activities that are essential to Port use. Therefore the subject lots do provide real value to PoTL as the parcels of land form an integral part of the Sulphur Point operations.



In this respect we are conscious that the parcels of land in question are effectively attached to the PoTL operations with the only land based access through the Port itself. However the lots still have direct access from the Harbour. In our assessment of the Dry Land Value we have had regard to market value principles, in particular the willing buyer willing seller principle. We have referred to the *Valuer General v Wellington City Corporation* Supreme Court Case dated 1933 where Judge Kennedy discusses the principle that the existing user cannot be excluded from a list of possible buyers and especially the one most likely to buy and the one to whom the undertaking valued might be of the most value. In this respect the PoTL is the most logical willing buyer, with the land parcels in question forming an integral part of their current operations.

As the land parcels are integral to PoTL's continuing operation, there would be cause to expect the value to have an attached "adjoining owner" premium. The adjoining owner in this respect would be protecting the ownership for continued use and also potentially staving off any potential rivals or commercial entities who, if they were able to purchase the seabed, could potentially command a premium rental and/or impose restrictive terms.

We are also cognisant of the fact that land based access to the subject parcels is over the Ports operations only. In this respect we have had regard to a range of cases dealing with compensation for landlocked parcels, albeit the subject situation being quite different. These cases generally provide guidance on the basis of a landowner obtaining access over an adjoining neighbour and dealt with potential compensation payable by such owner. However in respect of the subject holdings, given the ownership status, we are of the opinion a more appropriate approach would be an allowance for the potentiality of granting an easement over adjoining PoTL land to provide access. We have had regard to a full range of potential easement assessments, which generally range between 25% - 50% of the underlying land value of the easement strip for right-of-way use. An easement does effectively tie up this parcel of land for future development opportunities, and this needs to be taken into account.

Reflecting on previous case law, the position of the parcels of land and PoTL being the most likely willing buyer, we are of the opinion under this method, an easement percentage (if any) would be to the extreme low end of this range. In assessing a suitable access discount, we have reflected the seabed lots' positions, and distance from the closest legal road.

In addition, we have separately analysed whether a reclamation subsoil discount is required, reflecting Tauranga/Mt Maunganui's favourable industrial market, and in line with that adopted in the rating hearing *Westpark Marina Limited v Auckland Council* LVP113/09 – LVP125/09. In this instance we have reflected a discount rate for these considerations in assessing a seabed equivalence discount.

### 8.3 Dry Land Market Value Calculations

We set down our dry land value calculation as follows:

#### 8.3.1. *Northern Reclamation*

Dry Land Market Value - Northern Reclamation			
1)	<u>Dry Land Market Value</u>		
	4,000 sm @	[ s 9(2)(b) (ii) ]	=
			=
		say,	
	Equivalent to		
2)	Dry Land Market Value		=
	Added Adjoining Owner Premium, say		=
			=
	Equivalent to		
3) a.	Dry Land Market Value		=
	<u>Less:</u>		
	Access discount		=
			=
	Equivalent to		
3) b.	Dry Land Market Value incl. Adj. Owner Premium		=
	<u>Less:</u>		
	Access discount	[ s 9(2)(b) (ii) ]	=
			=
	Equivalent to		
Adopt Dry Land Market Value at, say			
			equivalent to

The above figures are plus GST.

## 8.3.2. Southern Reclamation

Dry Land Market Value - Southern Reclamation			
1)	Dry Land Market Value		
	8,000 sm @	[ s 9(2)(b)(ii) ]	= [ s 9(2)(b)(ii) ]
			=
		say,	
	Equivalent to		
2)	Dry Land Market Value		=
	Added Adjoining Owner Premium, say		=
	Equivalent to		
3) a.	Dry Land Market Value		=
	<u>Less:</u>		
	Access discount		=
	Equivalent to		
3) b.	Dry Land Market Value incl. Adj. Owner Premium		=
	<u>Less:</u>	[ s 9(2)(b)(ii) ]	=
	Access discount		=
	Equivalent to		
Adopt Dry Land Market Value at, say			
		equivalent to	

The above figures are plus GST.

## 9.0 Seabed Settlements

### 9.1 Lease Settlements

Of particular regard are seabed lease settlements which we can analyse to provide a seabed value and, as such, a qualified percentage deduction comparing with adjoining land sales/value. Of particular note are the following, which this company was involved in:

- **ORAMS Number 2 Yard, Auckland:** this yard is located on Beaumont Street within the southern reaches of the western reclamation having access through to the Westhaven Marina. This yard comprises an area of 7,053 s.m. and adjoins a seabed of some 2,753 s.m. The Number 2 yard provides a large, pleasure boat, dry stack facility, with the seabed including a lift and field to the structure. We understand the original term of the lease was for 20 years from December 1981, with the lease reviewed on perpetual renewal on 23 December 2001 at a rental of \$140,000 p.a. plus GST for both the land and the seabed. The rental was split at \$70 p.s.m. for the land area, with the seabed at \$8.50 p.s.m. The rental was based on a **6%** lease return, and we note the seabed rental was assessed on the basis of **50%** of the assessed land value.
- **Half Moon Bay Marina, Auckland:** this is a large marina development to the eastern reaches of Auckland, comprising some 500 berths. Large improvements comprise restaurant and shopping centre, service buildings with offices, extensive ancillary carparks, boat ramps and boat storage areas, as well as docking facilities for car ferry. The seabed is subject to a licence which was renewed for a 21 year term as at 1 October 1995. The seabed comprises a land area of 7.9364 ha. We are aware the seabed rental was set at arbitration at \$295,000 p.a. plus GST. We are advised that this rental was set on the basis of an underlying seabed value of **60%** of the neighbouring land value.
- **Bayswater Marina, Auckland:** this property comprises a large **3.3415 ha.** foreshore and seabed, which was reclaimed in 1996 and currently comprises a Marina development known as Bayswater Marina on the North Shore of Auckland. The property is subject to a terminating lease to Bayswater Marina Developments for a term of 105 years from 27 January 2006. We note the rental was due for first review as at 27 January 2011, and we note was agreed between the parties in early 2013 at \$172,500 per annum plus GST. We note this was a negotiated agreed figure. The rental was set on the basis of an underlying sea bed value of 50% of the dry land value, and at a ground rental rate of **5.75%**. There were further deductions in respect of public access over a coastal strip, which affected the dry land value of this strip by approximately 50%. The agreed rental was an increase of some 14.33% over the commencement rental.

## 9.2 Seabed Sales

Of particular regard are seabed sales that have occurred under the MACAA over the past four years which we can analyse to provide a seabed value and as such a qualified percentage deduction comparing with adjoining land sales/value. Of particular note are the following:

- **Bayswater Marina, Auckland:** The foreshore and seabed was purchased by the Bayswater Marina owner in late 2013 for \$3,725,000 plus GST. The property comprises a large **3.3415 ha.** foreshore and seabed, which was reclaimed in 1996 and currently comprises a Marina development known as Bayswater Marina on the North Shore of Auckland. The property was subject to a terminating lease to Bayswater Marina Developments for a term of 105 years from 27 January 2006 at a contract rental of \$150,885 plus GST per annum. The sale price was assessed utilising a seabed equivalence factor of **46.08%** after allowance for certain dry land restrictions including restrictive zoning and restrictive coastal strip discounts. Alternatively this sale reflects a yield of 4.05% on the contract rental. Interestingly, on the basis of the Hypothetical Development Approach the derived value was approximately -\$17,000,000 plus GST. This marina is located in Auckland's inner harbour and would be classed as a moderate seabed depth. Valued by the writer.
- **Havelock Marina, Marlborough:** The Crown's interest in the reclamation comprised **8.8724 hectares.** We understand this property transferred in 2015 for \$496,000 plus GST. We are advised the purchase price was discounted by 8% from the assessed value of \$540,000 plus GST, the sale process restriction under s.44 of the Marine and Coastal Area (Takutai Moana) Act 2011. On the basis of the assessed dry land value the assessed seabed market value, prior to the commercial discount (8%), analyses to a seabed equivalence factor of **25.71%**. This factor appears low, and inconsistent with factor ranges previously held as appropriate. This marina is located to the end of the Kenepuru and Pelorus Sounds in Marlborough, regarded as a fairly shallow seabed depth.

In terms of the subject seabed, given its position, size, shape and exclusive harbour frontage, we believe a discount above the regarded minimum of 33% for a shallow seabed, would be applicable. We are of the opinion the seabed in question prior to reclamation would be regarded as being moderate to deep in depth and subject to extensive tidal flows. Tauranga Harbour is a large tidal estuary, with an area of some 200 square kilometres. Approximately 290,000,000 tonnes of water flows through the entrance during each tidal change, which generates currents up to four knots in the main entrance channel to the north of Sulphur Point. Sulphur Point acts as a choke point for the movement of water in the southwestern part of the estuary. As is evidenced by the considerable cost of reclamation detailed under Section 5.2., the subject seabed lots would be considered fairly difficult propositions, compared to other known and analysed seabed sales.

In this case we adopted a discount from our assessed dry land value within the range of 60% to 70%. Alternatively we have assessed the seabed value at 35% of our assessed dry land value.

## 10.0 Market Value Calculations as at 14 June 2017

### 10.1 Hypothetical Development Approach

#### 10.1.1. Northern Reclamation

Hypothetical Development Approach - Northern Reclamation				
<u>Assessed Dry Land Market Value</u>				
4,000 sm @	[ s 9(2)(b)(ii) ]	=	[ s 9(2)(b)(ii) ]	
<u>Reclamation Costs</u>				
As at 2013				
4,000 sm @		=		
Adjusted for Inflation - CPI (All groups)				
March 2013 Indicie				
March 2017 Indicie				
Adjusted reclamation costs		=		
Assessed value under this approach at, say				

The above figures are plus GST.

#### 10.1.2. Southern Reclamation

Hypothetical Development Approach - Southern Reclamation				
<u>Assessed Dry Land Market Value</u>				
8,000 sm	@	[ s 9(2)(b)(ii) ]	=	[ s 9(2)(b)(ii) ]
<u>Reclamation Costs</u>				
Estimated based on supplied Northern Reclamation costings				
8,000 sm	@	[ s 9(2)(b)(ii) ]	=	
Adjusted for Inflation - CPI (All groups)				
March 2013 Indicie				
March 2017 Indicie				
Adjusted reclamation costs				
Assessed value under this approach at, say				

The above figures are plus GST.

The above assessments by way of this approach provide below zero values. As discussed earlier this is somewhat of a nonsense as the properties in our opinion do have utility, which is evidenced by their current use and the applications made to purchase the parcels by PoTL.

We also note that the adjusted reclamation costs for the Southern Reclamation are based on 2013 costings.

**10.2 Lessor's Interest Assessments**

In considering the value of the lessor's interest in the land, taking into account the assumption of a potential lease in perpetuity with five year reviews, hard ratchet clause, land value growth, reversion of improvements, etc. it would be our opinion that the lessor's interest would be nearly equivalent to the freehold value of the seabed. This is reflected in a ground (seabed) rental factor of 6.00%. Our lessor's Interest calculations provide a close range of:

Northern Reclamation:

[ s 9(2)(b)(ii) ]

Southern Reclamation:

In providing the lessor's Interest market value under the Reversionary Value Approach, it is necessary to include the following key inputs, amongst others:

Estimated Growth/inflation Rate in Land Values	2.75% p.a.
Monetary Discount Rate (Internal Rate of Return)	9.00% p.a.
Net Discount Rate (Net Internal Rate of Return)	6.08% p.a.

We set down our combined Reversionary Value Approach calculations as follows:

**Northern Reclamation**

Present Value of Benefit to Run

Perpetual Lease Reversion

Round to:

[ s 9(2)(b)(ii) ]

The above figures are plus GST.

**Southern Reclamation**

Present Value of Benefit to Run

Perpetual Lease Reversion

Round to:

[ s 9(2)(b)(ii) ]

The above figures are plus GST.

For the purposes of the potential "Lessor's Interest" calculation we have adopted the following:

Northern Reclamation:

[ s 9(2)(b)(ii) ]

Southern Reclamation

[ s 9(2)(b)(ii) ]

The above figures are plus GST.

### 10.3 Neighbouring Land Dry Value Approach

We set down our primary seabed equivalence calculations as follows:

#### 10.3.1. Northern Reclamation

Dry Land Market Value - Northern Reclamation				
<u>Assessed Dry Land Market Value</u>				
4,000 sm	@	[ s 9(2)(b) (ii) ]	=	[ s 9(2)(b) (ii) ]
Seabed Equivalence deduction	@		=	
Adopt Dry Land Market Value at, say				equivalent to

The above figures are plus GST.

#### 10.3.2. Southern Reclamation

Dry Land Market Value - Southern Reclamation				
<u>Assessed Dry Land Market Value</u>				
8,000 sm	@	[ s 9(2)(b) (ii) ]	=	[ s 9(2)(b) (ii) ]
Seabed Equivalence deduction	@		=	
Adopt Dry Land Market Value at, say				equivalent to

The above figures are plus GST.



#### 10.4 Market Value Conclusions – 14 June 2017

As discussed above we have utilised a threefold approach to our assessment of the underlying seabed lots market value. For the purposes of this instruction we have placed significant emphasis on the Neighbouring Zone Dry Land Value approach and its equivalence. Furthermore, as a backup approach, we have utilised more standardised investment approaches to assess the Crown's Interest in the land reflecting five/seven year reviews, hard ratchet clause and reversion.

Therefore as at 14 June 2017 we assess the "seabed market values" at:

##### Northern Reclamation

[ s 9(2)(b)(ii) ]

And potential "Crown's Interest" at:

[ s 9(2)(b)(ii) ]

The above assessments are plus GST.

##### Southern Reclamation

[ s 9(2)(b)(ii) ]

And potential "Crown's Interest" at:

[ s 9(2)(b)(ii) ]

The above assessments are plus GST.

## **11.0 Statement of General Valuation Policies**

### **11.1 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 Gribble Churton Taylor Limited as to the form and context in which it may appear.

### **11.2 Total Compliance**

It has been assumed that all improvements to the properties comply with the terms and conditions of all relevant legislation and requirements of Territorial Authorities except as detailed herein. In this regard, our valuation is subject to the property complying with both the Resource Management Act (1991) and the Building Act (2004). We note that we have not been provided, nor sighted a Land Information Memorandum (LIM) report. If any doubts exist in respect to these items, we recommend that appropriate advice be sought.

### **11.3 General**

Where it is stated in the 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 not to be so. Where information is given without being attributed directly to another party, this information has been obtained by our search of records and examination of documents or by enquiry from Government or other appropriate departments.

This report contains some information that is confidential to the Addressee or the Client. It is therefore subject to the terms and conditions of the Privacy Act 1993.

No responsibility is assumed for legal matters, questions of survey, opinions of Identifier, hidden or unapparent conditions of the property, soil or sub-soil conditions, engineering or other technical matters, which might render the property more or less valuable than stated herein.

We certify that the registered valuer who has signed this report holds a current practising certificate and is at least ANZIV qualified, as is indicated.

We remain available if you require any further information or assistance.

Yours faithfully

**GRIBBLE CHURTON TAYLOR LIMITED**



**R J Lawson ANZIV, SPINZ**

Registered Valuer

Director

## **APPENDICES**

- A.** Northern Reclamation - SO Plan 464237
- B.** Southern Reclamation - SO Plan 59443

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**APPENDIX A.**

Northern Reclamation - SO Plan 464237

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**APPENDIX B.**

Southern Reclamation - SO Plan 59443

Released under the Official Information Act 1982

