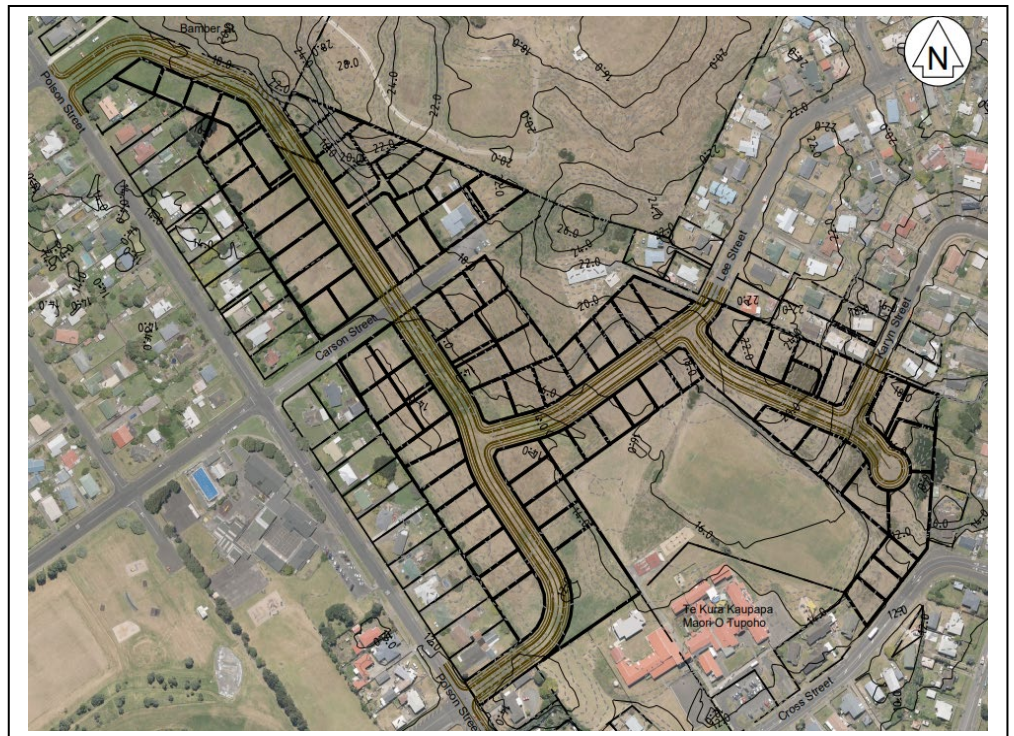


COMMERCIAL VALUATION REPORT

24 Cross Street, 45 Carson Street & 70 Bamber Street Whanganui



Prepared by: Paul Leogreen

Effective Date: 6 November 2020

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Appendices

- *Discounted Cashflow*
- *Photos*
- *Record of Titles*

Version Control

Version 1	Released: 18/11/2020	Released to:	Client: Whanganui District Council Attention: Leighton Toy General Manager Property & Projects
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1. Executive Summary

1.1 Instructions

We refer to emailed instructions received from Leighton Toy – General Manager Property & Projects (on behalf of Whanganui District Council) on 21 October 2020 and our agreed Scope of Works for Valuation Services.

1.2 Lending Institution

N/A

1.3 Client Name

Whanganui District Council
P O Box 637
Whanganui 4500

Attention: Leighton Toy – General Manager Property & Projects

Email: Leighton.Toy@whanganui.govt.nz

1.4 Property Description

A substantial parcel of vacant “Residential” zoned land located to the western periphery of Whanganui City within the area referred to as “Castlecliff”.

The property comprises three adjoining titles (Lot 2 – 66350 sq m, Section 333 - 21316 sq m, Part Section 309 - 1442 sq m and a paper road on Bamber Street of some 5255 sq m) having a total indicative land area of **8.5663 hectares**.

A proposed subdivision plan has been completed (as detailed herein). The development will incorporate a total of 84 residential lots with associated access roading and a land parcel assigned for stormwater attenuation.

1.5 Date of Inspection

6 November 2020.

1.6 Purpose

To assess “**Market Value**” of the subject property “as at date of inspection” for due diligence purposes. The Valuation has been completed in accordance with International Valuation Standards (IVS 2020), the current NZIV/PINZ Valuation Standards. We confirm that we have inspected the subject property and have made suitable investigations.

1.7 Valuation

\$1,400,000 (One Million Four Hundred Thousand Dollars) exclusive of GST (if any) and subject to Critical Assumptions contained in Section 1.11 of this Report.

Equates to **\$16.34/sq m** overall.

1.8 Swot Analysis

Strengths	Opportunities
➤ Large residential land area situated in "Castlecliff". ➤ Property has multiple access to existing street frontages. ➤ Strong residential property market at time of writing. ➤ Strong demand for new residential dwellings.	➤ Develop property as a residential subdivision. ➤ Develop stormwater attenuation areas as a 'park' to maximise appeal of the same.
Weaknesses	Threats
➤ Significant holding costs and up front capital expenditure required. ➤ Irregular and inefficient shape requires additional roading requirement. ➤ Limited buyers for the property as a single entity. ➤ Sloping contour limits lot values and increases earthwork development costs. ➤ "Low" value suburb to periphery of Whanganui restricts lot values.	➤ Significant market uncertainty at date of inspection. ➤ Full impact of Covid-19 event unknown. ➤ Increase in interest rates (unlikely at writing). ➤ Competition from other greenfield subdivisions in Whanganui. ➤ Cost over-run. ➤ Potential future lending restrictions by main trading banks on residential subdivisions. ➤ Political change to housing and ownership policies.

1.9 Critical Assumptions

- i. *The current Covid-19 has created significant market uncertainty. This valuation is current as at 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 that may arise from changes in value caused by Covid-19. Given the valuation uncertainty noted, we recommend that the user(s) of this report review this valuation periodically.*
- ii. The property complies with the terms and conditions of all relevant legislation and the requirements of Territorial Authorities, except as detailed herein.
- iii. The report has been prepared for valuation purposes only and is not intended to be a structural geotechnical or environmental survey. No enquiries in respect of any property or of any improvements erected thereon has been made or any sign of timber infestation, asbestos or other defect whether latent, patent or structural.
- iv. The existing building on 45 Carson Street has been excluded from the valuation and the land is valued as 'vacant' as all improvements will be removed from the property upon commencement of any development.
- v. That the property is able to be developed as a residential subdivision as per attached plans comprising a minimum of 84 residential lots and being consented by the Whanganui District Council.
- vi. That the titles for proposed lots within any future subdivision will be issued with no restrictive covenants/easements registered on the same other than normal covenants associated with a new residential subdivision.
- vii. That no underlying geotechnical issues arise from the subdivision that may limit or create added cost to construct complying dwellings/units thereon.
- viii. That the property has no significant contamination issues that would require reasonable cost to remedy.
- ix. That all normal city utilities and services are able to be connected to potential lots when developed into a more intensive residential subdivision.
- xi. That the stormwater attenuation area (some 2795 sq m) is developed into a pleasant "park" reserve area to maximise use and appeal of the same.

1.10 Valuation Methodology

In undertaking our valuation we have relied on the following methodologies;

Block Value Method - that interprets the evidence of recent market sales transactions of comparable properties in terms of the characteristics of the subject property being valued to derive a market value.

Hypothetical Subdivision Method – that assesses a gross realisable value of a proposed subdivision, then deducting GST, selling and legal costs, profit and risk margin, together with development and holding costs to arrive at a "Residual Land Value".

Discounted Cashflow - i.e. the application of the known and potential income stream from section sales over a defined period of years from which are deducted the development costs, development levies, selling costs, holding costs, interest, etc. The discount rates utilised have regard for existing low risk Government Stock to which we have added a margin for investment risk, property type, etc.

1.11 NZIV/PINZ Valuation Standards

The following Valuation Standards have been adhered to:

- International Valuation Standards
 - IVS101 Scope of Works
 - IVS102 Investigation and Compliance
 - IVS103 Reporting
 - IVS104 Bases of Value
 - IVS105 Valuation Approaches and Methods
 - IVS400 Real Property Interests
 - IVS410 Development Property
- Guidance Notes
 - ANZVTIP11 – Valuation Procedures Real Property
 - ANZVTIP 12 – Valuation for Mortgage and Loan Security Purposes
- PINZ/NZIV
 - Code of Ethics
 - Rules of Conduct

1.12 Compliance Statement

This Valuation complies with the current Valuation and Property Standards of the Australian Property Institute (API) and the Property Institute of New Zealand (PINZ), ValGroup Ltd and International Valuation Standards (IVS).

Morgans Property Advisors also confirm that:

- *As a member of both NZIV and PINZ the NZIV Code of Ethics takes precedence*
- *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 valuation was performed in accordance with the PINZ Code of Ethics and the API/PINZ Valuation Standards subject to a Departure from IVA (5.26.16) i.e. as instructed no Mortgage Recommendation as to Quantum or Percentage has been provided*
- *The Valuer and/or JP Morgan & Associates Limited has no interest (financial or otherwise) in the subject property*
- *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*

1.13 General Valuation Policies

This valuation and all valuation services are provided by J P Morgan & Associates Limited (trading as Morgans Property Advisors) solely for the use of Whanganui District Council. J P Morgan & Associates Limited does not and shall not assume any responsibility for any person other than the client for any reason whatsoever including breach of contract, negligence (including negligent misstatement) or wilful act of default of itself or others by reason of or arising out of the provision of this valuation or valuation services. Any person, other than the 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 that this report is used for any other purpose.

In preparing this report and unless otherwise stated services to the property have not been tested nor have we researched Local Authority records to ascertain requisitions affecting the property.

No environmental audit has been undertaken but indications are that the property has no apparent detrimental considerations under the Resource Management Act 1991.

This report is relevant as at the date of preparation and to circumstances prevailing at the time. However, within a changing economic environment, returns on investment and values can be susceptible to variation - sometimes over a relatively short time scale. We therefore strongly recommend that before any action is taken involving acquisition, disposal, borrowing, restructuring, or any other transaction that you consult us.

J P Morgan & Associates Limited has a policy of not contracting out of the provisions of the Consumer Guarantees Act. Accordingly, where there is any conflict between any statement in this report and Consumers Guarantees Act 1993, the latter shall prevail.

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

Yours faithfully

J P Morgan & Associates Ltd

Prepared by: Paul Leogreen (Director)

Registered Valuer SPINZ ANZIV BBS Dip BS

MISSION STATEMENT

"To provide accurate valuation and property advice that is professionally presented on time to maximise the benefit to our clients".

2. Legal and Statutory Details

Total Land Area **8.5663** ha.

2.1 Legal Description

(i) **24 Cross Street**

Freehold site of **6.6350** ha.

Lot 2 on Deposited Plan 323552.

Record of Title Identifier 94581, Wellington Registry.

Owner: Wanganui District Council.

(ii) **45 Carson Street**

Freehold site of **2.1316** ha.

Section 333 Right Bank Wanganui River.

Record of Title Folio 38D Volume 893, Wellington Registry.

Owner: Wanganui District Council.

(iii) **70 Bamber Street**

Freehold site of **1442** sq m.

Part Section 309 Right Bank Wanganui River.

Record of Title Folio D4 Volume 830, Wellington Registry.

Owner: The Wanganui City Council.

2.2 Encumbrances

24 Cross Street - 94581

- Subject to Part IV A Conservation Act 1987.
- Subject to Section 3 Petroleum Act 1937.
- Subject to Section 27B State-Owned Enterprises Act 1986 (which provides for the resumption of land on the recommendation of the Waitangi Tribunal and which does not provide for third parties, such as the owner of the land, to be heard in relation to the making of any such recommendation).
- Subject to Section 8 Atomic Energy Act 1945.
- Subject to Section 5 and 261 Coal Mines Act 1979.
- Subject to Section 3 Geothermal Energy Act 1953.
- Subject to Section 6 and 8 Mining Act 1971.
- 7829734.1 Gazette Notice (2008, page 2384) declaring part herein (8700m² Section 1 SO 401971) is acquired for education purposes and shall vest in the Crown, CIR 424880 issued - 28.5.2008 at 9:00 am.

45 Carson Street – 38D/893

Same as above except 7829734.1 Gazette Notice.

70 Bamber Street – WND4/830

No Interests registered on Record of Title.

Refer search copy of Titles attached.

2.3 Rateable Value as at 1.9.2018

	24 Cross Street 94581	45 Carson Street WN38D/893	70 Bamber Street WND4/830	Total
Improvements	\$ Nil	\$570,000	\$ Nil	\$ 570,000
Land	\$740,000	\$390,000	\$122,000	\$1,252,000
CAPITAL VALUE	\$740,000	\$960,000	\$122,000	\$1,822,000

Note: The Rateable Valuation is assessed for rating purposes only. The value is normally derived from mass appraisal, computer generated methods and does not necessarily reflect the subject property's "Market Value".

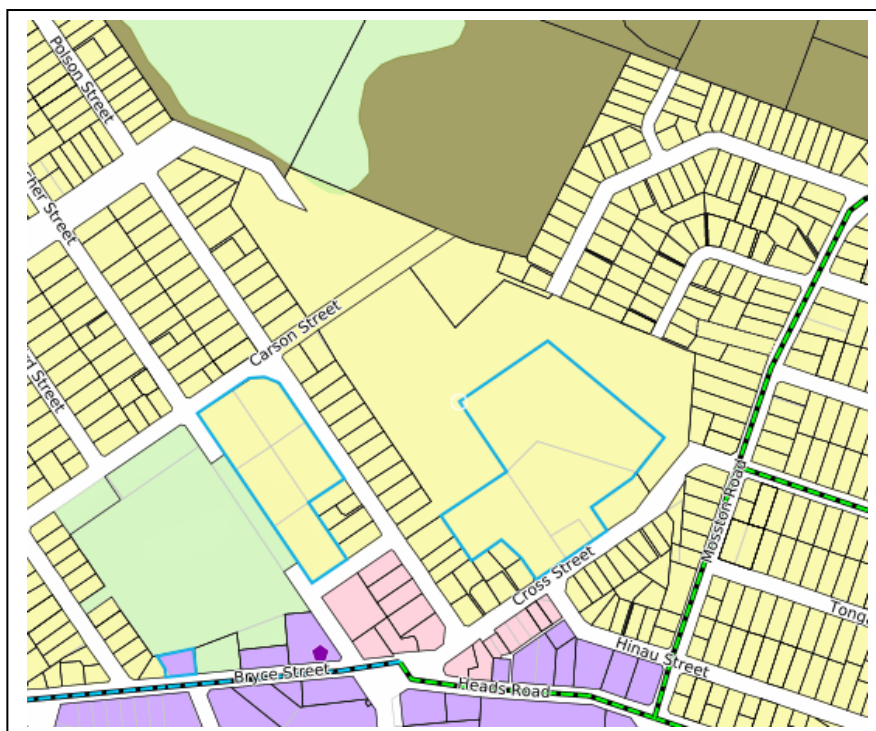
2.4 Current Rates 2020/2021

	24 Cross Street 94581	45 Carson Street WN38D/893	70 Bamber Street WND4/830	Total
Whanganui District Council	\$2,318.89	\$3,143.45	\$1,502.18	\$6,964.52
Horizons Regional Council		\$ 385.06	\$ 159.66	\$ 544.72

Note: The above levies are stated exclusive of GST.

2.5 Resource Management

Zoned “Residential” on Whanganui District Council’s Operative District Plan.



The urban area of Whanganui straddles the lower reaches of the Whanganui River. The extent of urban development generally follows the sweep of the river plain and surrounding terraces. It is greater on the western side of the river, extending beyond the river estuary along the coast to the clifftops beyond Castlecliff.

The urban area takes up less than 1% of the total area of the District but is home to approximately 90% of the District's population.

Urban development is an important component of the District's economy. It provides homes, jobs, shopping facilities, professional and community services and recreation opportunities for people.

4.2 OBJECTIVES

4.2.1 High quality residential areas which consist of:

- A variety of housing forms and densities that are available for different residential lifestyle options;
- Amenity values that are maintained or enhanced;
- Development that is integrated with infrastructure;
- Safe communities through urban design;
- Relatively quiet living environments, compared to the other zones;

- f. Low traffic on roads used primarily for property access with greater traffic on roads with a distribution function;
- g. A range of complementary activities where the effects are compatible with the predominantly residential character, scale and amenities of the area;
- h. Retention of natural and cultural heritage features; and
- i. Street infrastructure that provides opportunities for the roading network as a high amenity public space that reflects the roading hierarchy.
- j. Residential streets that are characterised by open frontages and unencumbered by structures forward of principal buildings.

4.3 POLICIES

4.3.1 Protect and enhance the surrounding landscape and the visual character of the urban environment.

4.3.2 To ensure activities in the Residential Zone:

- a. Maintain or enhance the building scale and residential character;
- b. Recognise streetscape as having high public value;
- c. Avoid or mitigate nuisance from noise, light spill and vibration;
- d. Ensure a high standard of property access and avoid street congestion and excessive traffic on roads; Back to top Whanganui District Plan (includes PC53 effective 28 March 2020) Chapter 4– Residential Environment 4 -4
- e. Avoid or mitigate adverse visual amenity and safety problems from advertising;
- f. Avoid excessive shading of public spaces or neighbouring properties from structures;
- g. Maintain and enhance the natural and cultural heritage features of the zone;
- h. Ensure an adequate standard of on-site amenity;
- i. Maintain reasonable levels of sunlight and daylight access for residential properties;
- j. Maintain reasonable levels of privacy for residential properties; and
- k. Maintain visual amenity by avoiding accessory buildings sited in front of principal buildings.

4.4 RULES – RESIDENTIAL ZONE

4.4.1 Permitted Activities

The following are permitted activities provided they comply with the performance standards in the Residential Zone as well as any other relevant chapters:

- a. Residential activities;
- b. Network utilities as provided for by section Chapter 22;
- c. Community activities on local roads;
- d. Relocated buildings and temporary relocatable buildings that comply with Chapter 19; and
- e. Temporary military training activities that comply with Chapter 19.

4.5 PERFORMANCE STANDARDS – Residential

4.5.1 Noise

4.5.2 Light and Glare

4.5.3 Minor Dwellings

- a. One minor dwelling per allotment.
- b. Must not exceed 60 sq m.

4.5.4 Structures

- a. Height.
- b. Height Recession Plane.
- c. Fences.
- d. Site Coverage.
Buildings shall not cover more than 40% of the net site area.
- e. Accessory Buildings.
- f. Antenna Dishes.
- g. New structures shall not be located on or within 5 metres of the indicative roads.

4.5.5 Amenity

- a. Minimum net site area 400 m² per dwelling.

13 SUBDIVISION AND INFRASTRUCTURE

Note: The following provisions only apply to subdivision and land use activity in the Residential, Rural, Airport Enterprise, Neighbourhood Commercial and Reserves and Open Spaces zones.

Low Impact and Urban Design

Council is a signatory to the New Zealand Urban Design Protocol, a document prepared by a number of agencies to promote the integration of urban design in New Zealand cities. Council is therefore committed to promoting good urban design outcomes.

The Protocol outlines the 7 'C's' of good urban design:

Context: Demonstrating an understanding that subdivision, buildings, land uses, movement corridors, the natural environment and processes, and public places and spaces occur within site specific and broader Whanganui settings.

Character: Reflecting, enhancing and protecting the distinctive natural and physical qualities within the local and broader context of Whanganui in the development proposal. This includes significant cultural and visual landscape features, the surrounding built environment, and historic heritage.

Connections: Enhancing connectivity within multi-modal transportation networks and the links between the different transport modes (pedestrian, cycleway, street) to ensure safe and easy movement for people and the integration of the subdivision with existing and future surrounding neighbourhoods through these networks.

Custodianship: Design that is environmentally and economically safe and accessible. Spaces that are protected as places of value by the community.

Collaboration: Designs that acknowledge the contribution of different disciplines and perspectives, communicating and sharing knowledge for the integration of land use, structures and networks. This includes the wider and affected communities.

CPTED: Crime Prevention through Environmental Design.

Urban design processes are increasingly being recognised as good planning practice in creating liveable environments and is increasingly being implemented through statutory and non-statutory documents.

13.2 OBJECTIVES

13.2.1 Sustainable subdivision and infrastructure development in the residential areas of Whanganui that:

- a. Appropriately integrates infrastructure with land uses;
- b. Provides a safe, healthy and liveable residential environment;
- c. Connects infrastructure and communities together;
- d. Is resource and energy efficient;
- e. Has low environmental impact and integrates the natural environment; and
- f. Avoids, or minimises adverse effects on historic heritage including archaeological sites.

2.6 Zoning Effect

No adverse effects evident. The “highest and best” use of the land is as a more intensive residential subdivision development.

3. Locality

MICRO FACTORS

- 3.1** The nearest primary schools are Castlecliff School on Polson Street and Aranui School on Aranui Avenue with a Maori School – Te Kura Kaupapa Maori o Tupoho adjoining the subject property on Cross Street. The nearest secondary schools are Whanganui High School and Whanganui Collegiate.
- 3.2** Castlecliff's main shopping centre provides a 'Four Square' supermarket, petrol service station, two dairies, three fish'n'chip/Chinese takeaways, two bakeries, a tavern, liquor outlet, hair salon, dentist, and a Sunday morning market. Castlecliff Beach shops include a popular café, art studio, dairy and holiday park accommodation.
- 3.3** Recreational facilities in the area include Castlecliff beach, Castlecliff playground, Castlecliff domain and coastal reserve, golf course, bowling club and Duncan Pavilion.
- 3.4** Castlecliff is a lower socio-economic area with housing development in the immediate locality comprising predominantly 1940's – 1970's era dwellings including a number of 1950's – 60's era "state or ex-state" houses. Market value generally falls in a range of \$220,000 - \$400,000. The few more modern dwellings in the immediate locality have ranged from \$450,000 – to low \$500,000's.

MACRO FACTORS

- 3.5** Wanganui has a permanent population of approximately 43,000 inhabitants. Wanganui was originally established as a port city (Wanganui River providing an "early highway" into the North Island interior) and more latterly as a provincial service centre for a large and productive rural hinterland.

Located on the West Coast of the North Island of New Zealand approximately 200 kilometres north of Wellington. New Plymouth (150 kilometres to the northwest) and Wellington provide the nearest export ports.

Wanganui has its own domestic airport, located near the coast on the south side of Wanganui, while Palmerston North (75 kilometres to the southeast) and Wellington provide the nearest large domestic and international terminals.

The city is on the convergence of State Highways 3 and 4 and is some 40 kilometres west of State Highway 1. The north/eastern suburbs are bisected by the Marton New Plymouth railway corridor.

- 3.6** Cultural features include the Wanganui Regional Museum, Sarjeant Art Gallery, Wanganui Glass Studios, River City Traders (Saturday morning river side markets) and the sports facilities associated with Springvale Park and Cooks Gardens.

Tourists attractions include the Wanganui River, the Wanganui National Park and Ski Fields/Adventure Tourism associated with Tongariro National Park 100 kilometres to the north.

The district is well catered for by private and state primary/secondary schooling, most notably Nga Tawa (girls) and Huntley (boys) at Marton, Wanganui Collegiate (co-ed, years 1 to 13), Wanganui High School, Wanganui Girls College, Cullinane College and Wanganui City College.

Other than agriculture, important industries to the city include Affco Imlay (meat processing works), Master Foods processing plant and Axiam Group Limited with its various plants.

- 3.7** Bulk retail type usage has become an increasingly popular form of development for the city with major developments over recent years. At the south-eastern approach to the city is a Mitre 10 Mega Store, Farmlands Merchandise Store and a McDonald's outlet.

On Victoria Avenue, the city's main commercial street, there have been several design-built developments to cater for a variety of bulk retailers including Super Cheap Auto, Warehouse Stationery, Harvey Norman and Noel Leemings. A new Briscoes/Rebel Sport development has been completed on the corner of Dublin Street and Victoria Avenue.

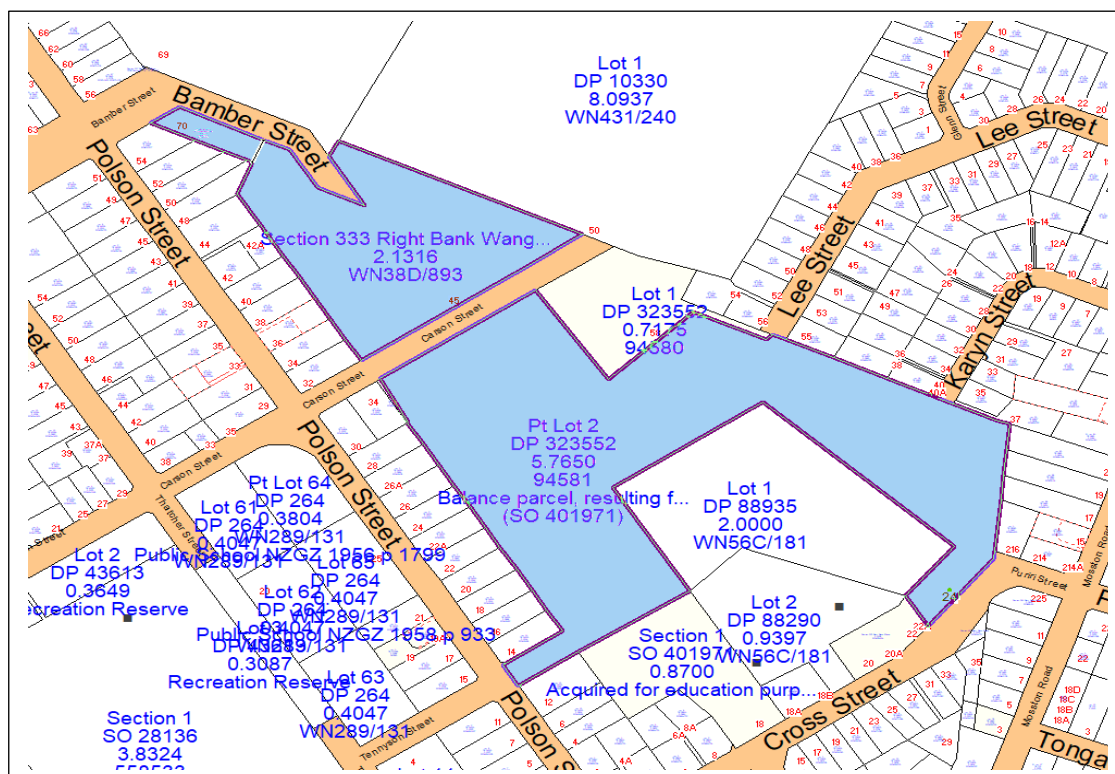
Within the city's, CBD (on Victoria Avenue) other recent design built developments catering for a variety of retailers include the various banks (ASB, ANZ, Kiwibank, Co-operative Bank) along with Whitcoulls.

In addition to this is a new boutique arcade style development that has recently been constructed to accommodate Farmers along with a variety of other smaller retailers.

The former AA building on Victoria Avenue has been converted into seven retail premises while retaining the historic façade.

4. Land Description

4.1 Area: 8.5663 ha.

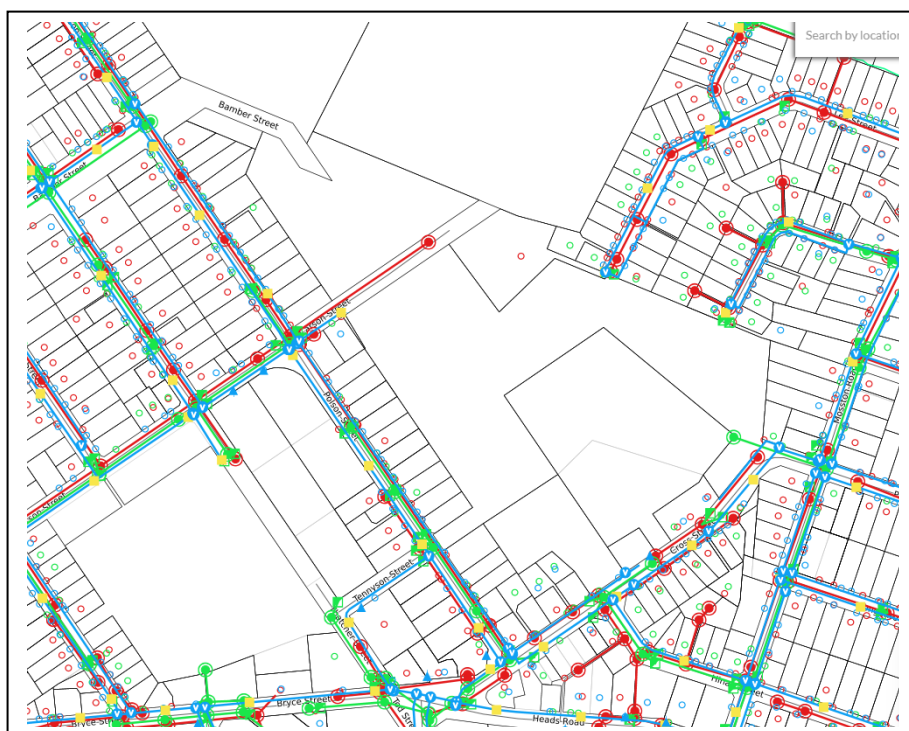


- 4.2** Comprising four separate parcels, the combined land parcels are of irregular shape having access from several streets including Cross Street, Polson Street, Carson Street, Bamber Street, Lee Street and Karyn Street. Carson Street itself runs in a north easterly direction between the titles.

The shape of the land parcels is inefficient" as a residential subdivision, requiring significant roading development with subsequent 'long' service run requirements. The 'length' of this development increases the overall cost of development on a 'per lot' basis and reduces the effective profit margin of the same.

Land contour ranges from relatively level to the sites (Lots 1 – 28) on the south western side of the main access road off Polson Street. Sites (29 – 39) slope slightly upward on the northern side of this street. Lots 40 – 77 have a slightly steeper slope and Lots 78 – 85 steeply sloping.

- 4.3** All normal city services run to the boundaries of the land parcels (sewage laterals run up Carson Street) and include electricity, water, stormwater and sewerage. This valuation assumes that any residential development will be able to connect directly to existing services.



Land Survey

We have made no survey of the property and its boundaries and assume no responsibility in connection with such matters. Unless otherwise stated it is assumed that all improvements lie within the Title boundaries. Any sketch, plan or map in this report is included to assist the reader in visualising the property and should not be relied upon as being definitive.

Unless otherwise stated, we have not undertaken investigations or been supplied with geotechnical reports with respect to the nature of the underlying land. Unless otherwise stated, we have assumed the land to be firm and suitable ground for the existing and/or potential development without the need for additional expensive foundation and retaining work or drainage systems.

Contamination

Unless otherwise stated our valuation and report assume that the land and buildings are unaffected by harmful contaminants or noxious materials which may impact on value. Verification that the property is free from contamination and has not been affected by noxious materials should be obtained from a suitable qualified environmental expert.

5. Proposed Subdivision

5.1 A proposed subdivision plan has been provided and our valuation assumed the same to be completed and forms the basis of our valuation determination.

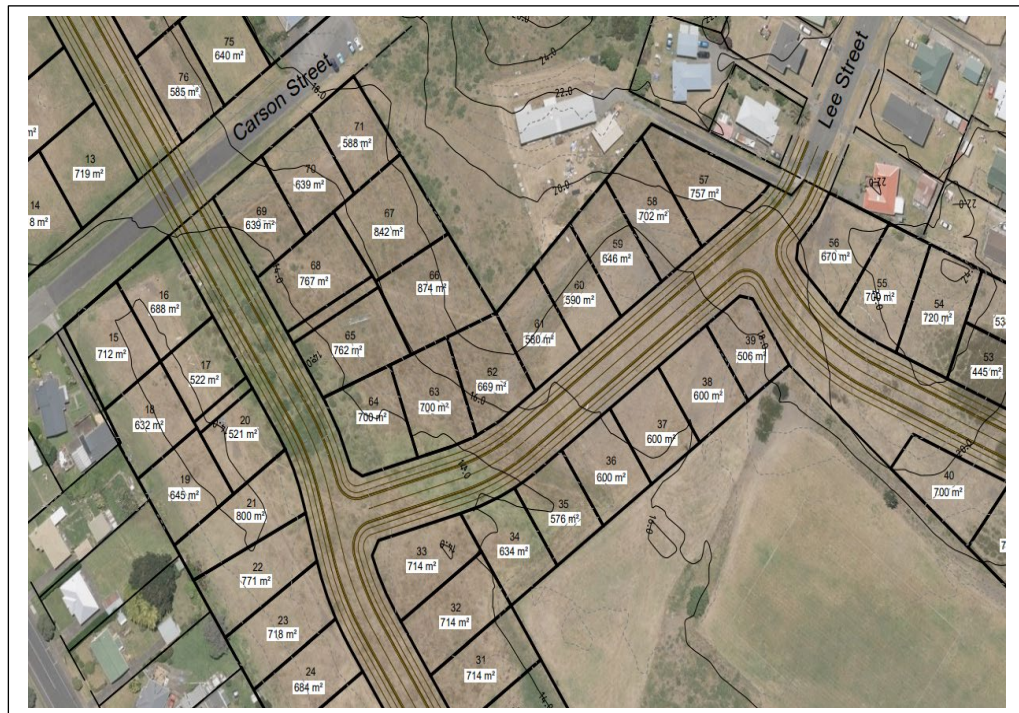
The subdivision incorporates a total of 84 residential lots together with an additional lot designed for stormwater attenuation. Roads to be development providing access to the lots.

Lot sizes range from the smallest at 445 sq m to the largest at 1138 sq m. The majority of the sites are between 600 sq m to 800 sq m.

As mentioned previously, the proposed subdivision has several access points from various streets bordering the same.

The following plans show Lot areas and layout;







Land Survey

We have made no survey of the property and its boundaries and assume no responsibility in connection with such matters. Unless otherwise stated it is assumed that all improvements lie within the Title boundaries. Any sketch, plan or map in this report is included to assist the reader in visualising the property and should not be relied upon as being definitive.

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Contamination

Unless otherwise stated our valuation and report assume that the land and buildings are unaffected by harmful contaminants or noxious materials which may impact on value. Verification that the property is free from contamination and has not been affected by noxious materials should be obtained from a suitable qualified environmental expert.

6. Market Commentary

6.1 Market Commentary

Whanganui District	September 2019	August 2020	September 2020
Median Sale Price	\$330,000	\$365,000	\$400,000
No. of Sales (dwellings only)	64	82	82
Median Days to Sell (district)	29	31	25

Source: REINZ Statistics

The recent data released by the REINZ showed the market within Whanganui District as being buoyant with strong sale prices and sales volume. The full impact of Corona Virus is yet to be felt with recent sales still indicating good volume and consistently strong prices. The restricted amount of houses for sale have still resulted in an active seller's market resulting in continued multiple offer scenarios and sale prices near or above asking prices.

Factors contributing to the positiveness of the local market included the following:

- low interest rates
- positive economic influences
- affordable homes and
- positive migration as people look to moved out of larger cities

From a national perspective, the economy had slowed in the last say 12 months, with a decrease in net migration, and continuing house price softness in the bigger centres tempering growth and household spending. The Official Cash Rate (OCR) was cut from 1% to 0.25%. Lenders have subsequently cut both lending and deposit rates to record low rates.

The population of Whanganui District has increased in recent times (current estimate 47,300). In addition, first home buyers who have been members of KiwiSaver for a number of years, are now able to access their KiwiSaver funds to aid in the purchase of a property. There has certainly been a "shortage" of listings – down to under a third of what was previously on the market post GFC. As a result, this has had a positive impact on values.

Anecdotal evidence suggests that within the \$250,000 - \$350,000 price bracket there has been limited supply of properties on the market. However, despite the increased levels of activity there were still a number of properties being offered to the market in fair only condition.

We would consider the property to be located in an area that is largely confined to the lower price bracket for Whanganui.

7. Covid-19 Commentary

7.1 Almost all business or commercial enterprises have been affected by Covid-19. The most severe impact has been in the retail, travel, hospitality, building/construction, tourism and entertainment sectors. While the government has been proactive in providing financial assistance through a wage subsidy, tax relief and various other measures, the general economy has ‘stalled’ and/or retracted. Consumer confidence and spending habits have been negatively impacted.

7.2 The Reserve Bank has dropped the Official Cash Rate to 0.25% which is unparalleled in modern times. Some experts have been indicating a potential move to a negative rate position. This move has encouraged/retained activity in the housing market particularly ‘first’ home buyers. The housing market is dependent on confidence. However a downwards shift in confidence is anticipated as job losses are expected to increase in 2021.

Experts have been predicting a decrease in house prices but to date there has been no evidence of same.

7.3 The Whanganui economy remain reasonably insulated from Covid-19. Tourism in particular is not big in the region, relatively speaking.

Notwithstanding many businesses have experienced a decline in activity/turnover. As at late October, the country has been through a second Level 2 and Level 3 (Auckland) ‘lockdown’ and subsequently returned to Level 1. This occurred after a “bounce” in economic activity post the countrywide lockdown under Level Four in April/May.

7.4 The impact on commercial property is “mixed”. There will be some tenants that do not recover fully. Rent relief will be a factor for landlords to consider. The risk of property ownership will see yields pushed up in many situations. However low interest rates will go some way to reduce this risk.

Modern commercial properties with strong tenants/lease covenants will likely see no reduction in value with investors keen to see ‘returns’ better than that offered by bank deposits, etc. The most sought after properties will be modern industrial. The least sought after will be retail.

Bankers have become increasingly selective about what funds are available for investor/developers. Greenfields and certain commercial developments have seen funding withdrawn in many cases.

7.5 Uncertainty and reduced confidence will be the theme for the medium term as Covid-19 continues to play a part in the international market. A further return to Level Three or Four lockdown in New Zealand would cause significant duress both nationally and internationally.

Given the dynamic circumstances at play, then values across all property types are likely to fluctuate.

Regular reviews of value assessments are recommended.

8. Sales Evidence

8.1 Block Sales

In arriving at our assessment we have collated and analysed the few 'block' sales that have occurred in recent years. a number of sales. While the sales may not be necessarily directly comparable with regards to location/construction, by having regard to such sales data, we are provided with a guideline for assessing the value of both the land and the improvements. A sample of these sales are included below.

55 Roberts Line/152 Paterson Street, Aramoho	May-20	\$898,250	Land Area: 4.9654 ha. Analysis: Equates to \$18.09 per sq m Comment: Two adjoining parcels of essentially flat Residential" zoned land to the northern sector of Whanganui. Superior locality. Considered superior at very good buying by a developer.
Cedar Drive, Aramoho	Dec-19	\$1,500,000	Land Area: 2.7534 ha. Analysis: Equates to \$54,48 per sq m Comment: An irregular shaped slightly sloping parcel of "Residential" zoned land to the northern sector of Whanganui. Superior location. Considered superior.
120 Mosston Road	Nov-19	\$500,000	Land Area: 2.9665 ha. Analysis: Equates to \$18.54 per sq m Comment: A large parcel of flat and level "Residential" zoned land within the Springdale Structure Plan Area to the western sector of Whanganui. Purchased by a developer. Superior locality, Inferior market conditions at time of sale, considered superior.
9 Birch Place, Aramoho	Jan-16	\$236,000	Land Area: 4115 sq m Analysis: Equates to \$57.35 per sq m. Comment: A regular shaped flat and level parcel situated to end of a cul-de-sac. Ideal for subdivision. Superior locality, considered superior.

Comment:

The above block values reflect sales of varying size parcels of vacant residential land blocks within Whanganui. The above sales are situated in superior localities to the subject property and despite some variance in land areas and the location the above sales are considered to provide a 'ceiling' value for the subject property.

With reference to the above therefore we consider a square metre rate of between **\$16.00/sq m - \$17.00/sq m** to be a fair reflection of current market expectations.

8.2 Residential Sales – Vacant Sites

6 Cross Street, Castlecliff	21/08/2020	\$152,000	Land Area: 739 sq m Analysis: Equates to \$205.68 per sq m
1/40 Egmont Street, Castlecliff	16/02/2020	\$120,000	Land Area: 918 sq m Analysis: Equates to \$130.72 per sq m
60 Karaka Street, Castlecliff	04/08/2020	\$150,000	Land Area: 986 sq m Analysis: Equates to \$152.13 per sq m
9 Laird Street, Castlecliff	18/03/2020	\$ 85,000	Land Area: 521 sq m Analysis: Equates to \$163.15 per sq m
43 Seafront Road, Castlecliff	10/09/2020	\$110,000	Land Area: 470 sq m Analysis: Equates to \$234.04 per sq m
44 Seafront Road, Castlecliff	10/09/2020	\$110,000	Land Area: 481 sq m Analysis: Equates to \$228.69 per sq m
43 Tawhero Road, Gonville	12/11/2019	\$150,000	Land Area: 745 sq m Analysis: Equates to \$201.34 per sq m
3 Attrill Place, Tawhero	05/09/2019	\$105,731	Land Area: 708 sq m Analysis: Equates to \$149.34 per sq m
1 Morrell Street, Tawhero	21/10/2019	\$128,700	Land Area: 475 sq m Analysis: Equates to \$270.95 per sq m
5 Morrell Street, Tawhero	08/10/2019	\$150,000	Land Area: 413 sq m Analysis: Equates to \$363.20 per sq m
7 Morrell Street, Tawhero	25/11/2019	\$148,000	Land Area: 421 sq m Analysis: Equates to \$351.54 per sq m
13 Morrell Street, Tawhero	22/01/2020	\$148,000	Land Area: 540 sq m Analysis: Equates to \$274.07 per sq m

Comment:

The above sales of vacant residential sites are all located in the Castlecliff, Gonville and Tawhero suburbs. The most relevant sales are the Castlecliff sales, with both Gonville and Tawhero situated closer to central Whanganui and considered superior localities. The above sales fall in a range of **\$130.72/sq m - \$363.20/sq m**.

From the plans and information provided and taking into consideration the location, shape and contour of the subdivision, the continued strengthening of the residential market and limited supply of residential land, a square metre rate range of between **\$135.00/sq m - \$230.00/sq m** for the individual residential lots is considered appropriate.

9. Valuation

9.1 (i) Block Value Method

Total Land Area	8.5663 ha	@	\$16.00/sq m	=	\$1,371,000
		@	\$16.50/sq m	=	\$1,413,000
		@	\$17.00/sq m	=	\$1,456,000
INDICATED BLOCK VALUE					\$1,410,000

(ii) Hypothetical Subdivision

Assumptions:

- A formal subdivision plan has been provided for the subject property and we consider the same with assumptions as follows;

The market value of each lot has been assessed and an overall “averaged” completed Lot value has been assessed at \$123,000. Assuming a 2.5% annual increase in land value, the “averaged” Lot value over the term of the development is \$131,000.

The subdivision incorporates 84 residential lots with land designated for stormwater attenuation.

We assume that the residential subdivision will commence development in 2021, with a six year development and sell down period from 2021 - 2026.

Based on our analysis of development cost the hypothetical subdivision herein provides a summarised development cost per site at \$54,000 each.

- Development costs include the development of roading, all servicing and Development Levy costs, legal and survey costs together with associated earthworks required to complete the subdivision. A 10% contingency allowance is included.

Subdivision Proper

84 Lots	@	\$131,000 average	=	\$11,004,000
Gross Realisation including GST				\$11,004,000
<u>Less:</u>	Selling Expenses			
	- GST	\$1,435,000		
	- Agents Commission/Marketing (3.5%)	\$ 385,000		
	- Legal Costs	<u>\$ 118,000</u>		
				<u>\$ 1,938,000</u>
Net Realisation				\$ 9,066,000
<u>Less:</u>	Allowance for Profit & Risk – (27.5%)			<u>\$ 1,955,000</u>
Outlay				\$ 7,111,000
<u>Less:</u>	- Development Costs – (\$54,000/Lot)	\$4,990,000		
	- Holding Costs – (2.25 years @ 4.50%)	<u>\$ 720,000</u>		
				<u>\$ 5,710,000</u>
INDICATED RESIDUAL BLOCK VALUE				\$ 1,401,000

(iii) Discounted Cashflow Method

A Discounted Cashflow has been reconciled including the following anticipated income and expenses assuming the development is completed comprising a six year development and on-sell period.

- Income from proposed residential subdivision is included at an “average” price over the six year period and assumes a 2.50% increase in section values on an annual basis.
- All selling and legal costs are deducted.
- Interest at 4.50% of outlay is calculated over the sell down period totalling \$807,000.
- Development costs are accounted for over the first five years with the subdivision developed in a staged manner being 20.00% in Year 1, 25.00% in Years 2 and 3, 20% in year 4 and 10% in year 5.
- Rates, advertising and contingencies are also accounted for.
- GST is accounted for on an “exclusive” basis.
- The Gross Realisation (GST exclusive) from sales totals \$9,547,000. After selling and legal costs, the net realisation is \$9,047,000.

- Total development costs including interest costs is calculated to be circa \$6,015,000 over the period 2021/2026. Development costs include the cost of Development Levies, roading services and associated storm water drainage requirements.
- The Total Net Income from the development will be circa \$3,032,000.
- Discount rates of 14.00% - 15.00% have been utilised reflecting the current low risk Government Stock to which we then allow a suitable margin to reflect the appropriate risk of the development. The discount rate reflects the lower value locality, the demand for new dwellings and the limited residential land supply.
- Values are ascertained as follows:

At 14.00% Discount Rate	\$1,454,000
At 14.50% Discount Rate	\$1,418,000
At 15.00% Discount Rate	\$1,382,000

9.2 Reconciliation

From the above analysis, each methodology has provided the following indication of value:

Block Value	\$1,410,000
Hypothetical Subdivision	\$1,401,000
Discounted Cash Flow	\$1,382,000 - \$1,454,000

On balance and having regard to methodologies employed we reconcile market value of the subject property as described herein at **\$1,400,000** (One Million Four Hundred Thousand Dollars) exclusive of GST (if any).

Market Value determination equates to **\$16.34/sq m** overall.

Market value is defined within IVS as being “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

10. Certification

10.1 Experience

The principal signatory has a minimum of five years' experience in valuing the subject class of asset, has all appropriate qualifications and registrations enabling them to practice as a valuer and has not been subject at any stage to disciplinary action by the relevant professional governing body.

10.2 Independence

The signatory has no direct or indirect pecuniary or other interests in the property being valued, and is not aware of any other potential conflicts of interest.

10.3 Professional Indemnity Cover

We certify that J P Morgan & Associates hold professional negligence insurance for an amount not less than 20% of the subject valuation assessment.

10.4 Reporting Valuer

The valuation report has been prepared by Paul Bernard Leogreen, a Registered Valuer and Associate of the New Zealand Institute of Valuers and Senior Member of the Property Institute of New Zealand. Mr Leogreen holds a current Practicing Certificate and has in excess of 25 years valuation experience within the Palmerston North and surrounding regional markets assessing residential, commercial and industrial property.

We confirm Mr Leogreen has no direct or indirect pecuniary interest in the property being valued and is independent of the instructing party, vendor, purchaser, or agents beyond existing brief.

11. Conclusion

- 11.1** The subject property comprises a total land area of 8.5663 hectares in three titles plus part on adjoining 'paper' road. The land parcels are zoned "Residential" in the Whanganui District Council's Operative District Plan. The land parcels vary from a slight slope through to steeply sloping contour. The more steeply sloping areas and associated Lots thereon have completed market values 'discounted' to reflect the same.

The subject property is situated in 'Castlecliff', a lower socio-economic suburb to the western periphery of Whanganui. Housing development in the immediate area comprise predominantly 1940's – 1970's era dwellings including a number of "state" and "ex-state" houses. Overall presentation is considered average.

The standard of dwelling development in the area limits the market values of individual Lots on completion of any proposed development. This has been considered as part of the valuation assessment.

- 11.2** At inspection a proposed subdivision plan has been provided by the Whanganui District Council. Our valuation assumes that the subdivision is consented with no significant changes to that detailed herein.

The subdivision will comprise a total of 84 Lots having direct access off several adjoining streets including Cross Street, Polson Street, Bamber Street and others.

The subdivision will be fully serviced with formed streets and all normal city services. A stormwater attenuation area has been allowed.

- 11.3** Our assessed market value and associated development costs are considered to fairly reflect both current market expectations and indicated infrastructure costings.

The "highest and best" use of the subject property is as a residential subdivision. Taking into consideration the strong demand for vacant residential sites in the current market the interest for a land parcel such as this on the western periphery of Whanganui may be considered average to good. It is anticipated that assuming current market conditions being maintained and no unreasonable delays to achieve consent, that the proposed six year development and sell-down period may be achieved.

- 11.4** Should the property be placed for sale, it is recommended that a 'competitive' sale process be completed, i.e. a tender. This will maximise the offer that any prospective purchaser will place on the property to secure the same. This approach may provide the potential to achieve any market 'premium' that is present in the market at time of writing.

- 11.5** Should you require any further information please do not hesitate to contact the writer.

Morgans Property Advisors

November 2020

Discounted Cashflow

Whanganui District Council

Assessed Stages - Proposed Subdivision

24 Cross Street, Whanganui

Income

			2021	2022	2023	2024	2025	2026	Total
2021	Sold in calendar year	Avg. Price							
	8	\$123,000	\$984,000						\$984,000
2022	15	\$126,000		\$1,890,000					\$1,890,000
2023	18	\$129,000			\$2,322,000				\$2,322,000
2024	18	\$132,000				\$2,376,000			\$2,376,000
2025	14	\$135,000					\$1,890,000		\$1,890,000
2026	11	\$138,000						\$1,518,000	\$1,518,000
Total	84								
Gross Realisation (including GST)			\$984,000	\$1,890,000	\$2,322,000	\$2,376,000	\$1,890,000	\$1,518,000	\$10,980,000
Less: GST on sections as developed			\$128,000	\$247,000	\$303,000	\$310,000	\$247,000	\$198,000	\$1,433,000
Gross Realisation (excluding GST)			\$856,000	\$1,643,000	\$2,019,000	\$2,066,000	\$1,643,000	\$1,320,000	\$9,547,000
Less:									
Selling Expenses									
Agents Commission			\$34,000	\$66,000	\$81,000	\$83,000	\$66,000	\$53,000	\$383,000
Legal Costs			\$11,000	\$21,000	\$25,000	\$25,000	\$20,000	\$15,000	\$117,000
Net Realisation			\$811,000	\$1,556,000	\$1,913,000	\$1,958,000	\$1,557,000	\$1,252,000	\$9,047,000
Outlay			\$811,000	\$1,556,000	\$1,913,000	\$1,958,000	\$1,557,000	\$1,252,000	\$9,047,000
Less:									
Interest on Outlay @			\$407,000	\$136,000	\$102,000	\$81,000	\$81,000	\$0	\$807,000
Less:									
Development Costs									
Averaged Development Costs per Lot			\$54,000	\$4,536,000	\$1,162,000	\$975,000	\$499,000	\$0	\$4,734,000
(Subdivision 20% developed in Year 1, 25% Year 2)									
(25% Year 3, 20% Year 4, 10% in Year 5, 2.5% increase in Costs p.a.)									
Contingencies			\$91,000	\$116,000	\$119,000	\$98,000	\$50,000	\$0	\$474,000
Total Expenses			\$1,405,000	\$1,414,000	\$1,412,000	\$1,154,000	\$630,000	\$0	\$6,015,000
NET INCOME			-\$594,000	\$142,000	\$501,000	\$804,000	\$927,000	\$1,252,000	\$3,032,000

Indicated Net Present Value	14.00%	\$1,454,000
Indicated Net Present Value	14.50%	\$1,418,000
Indicated Net Present Value	15.00%	\$1,382,000

Morgans Property Advisors
7/11/2020

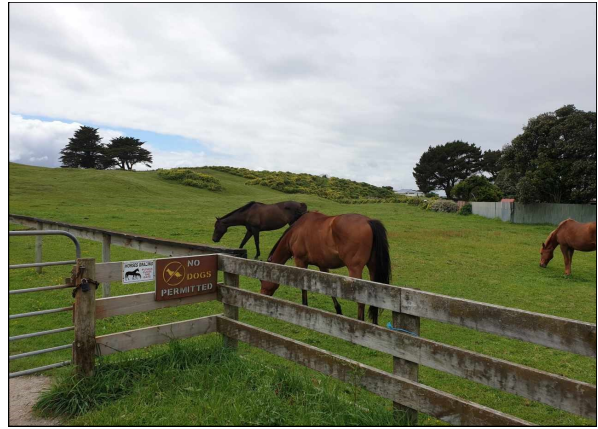
24 CROSS STREET, 45 CARSON STREET & 70 BAMBER STREET WHANGANUI

NOVEMBER 2020



**24 CROSS STREET, 45 CARSON STREET &
70 BAMBER STREET
WHANGANUI**

NOVEMBER 2020





RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD
Search Copy




R.W. Muir
Registrar-General
of Land

Identifier **94581**

Land Registration District **Wellington**

Date Issued 03 June 2004

Part-Cancelled

Prior References
WN56C/182

Estate Fee Simple

Area 6.6350 hectares more or less

Legal Description Lot 2 Deposited Plan 323552

Registered Owners
Wanganui District Council

Interests

Subject to Part IV A Conservation Act 1987

Subject to Section 3 Petroleum Act 1937

Subject to Section 27B State-Owned Enterprises Act 1986 (which provides for the resumption of land on the recommendation of the Waitangi Tribunal and which does not provide for third parties, such as the owner of the land, to be heard in relation to the making of any such recommendation)

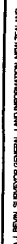
Subject to Section 8 Atomic Energy Act 1945

Subject to Section 5 and 261 Coal Mines Act 1979

Subject to Section 3 Geothermal Energy Act 1953

Subject to Section 6 and 8 Mining Act 1971

7829734.1 Gazette Notice (2008, page 2384) declaring part herein (8700m2 Section 1 SO 401971) is acquired for education purposes and shall vest in the Crown, CIR 424880 issued - 28.5.2008 at 9:00 am





RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD
Search Copy




R.W. Muir
Registrar-General
of Land

Identifier **WN38D/893**

Land Registration District **Wellington**

Date Issued 28 March 1991

Prior References

GN 454155.1

Estate Fee Simple
Area 2.1316 hectares more or less
Legal Description Section 333 Right Bank Wanganui River
Registered Owners
Wanganui District Council

Interests

Subject to Section 27B State-Owned Enterprises Act 1986 (which provides for the resumption of land on the recommendation of the Waitangi Tribunal and which does not provide for third parties, such as the owner of the land, to be heard in relation to the making of any such recommendation)

Subject to Section 3 Petroleum Act 1937

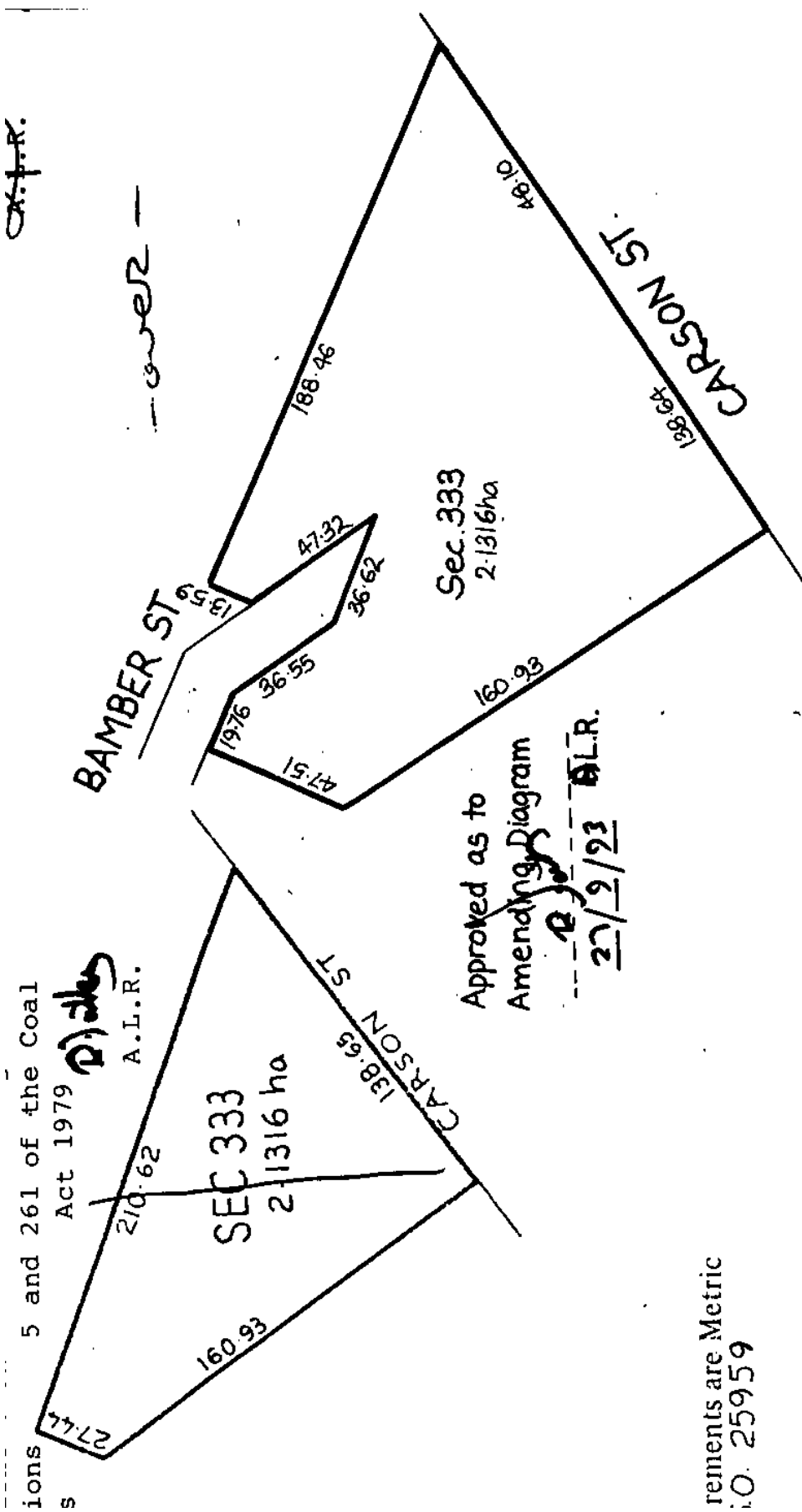
Subject to Section 8 Atomic Energy Act 1945

Subject to Section 3 Geothermal Energy Act 1953

Subject to Sections 6 and 8 Mining Act 1971

Subject to Sections 5 and 261 Coal Mines Act 1979

Subject to Part IV A Conservation Act 1987





RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD
Search Copy




R.W. Muir
Registrar-General
of Land

Identifier **WND4/830**
Land Registration District **Wellington**
Date Issued 22 October 1965

Prior References
WNA4/455

Estate Fee Simple
Area 1442 square metres more or less
Legal Description Part Section 309 Right Bank Wanganui
River

Registered Owners
The Wanganui City Council

Interests

Bomber St
11947
324.11
Pt Sec 309
389.700-17.0
99.79