

5 October 2015

Hamilton City Council
Private Bag 3010
HAMILTON 3240

Attention: Sam LeHeron

**RE: PERCIVAL ROAD/RYBURN ROAD
HAMILTON CITY COUNCIL, RUAKURA VARIATION FEASIBILITY**

Further to your instruction we have considered the Percival Road/Ryburn Road locality with regard to providing comment on the Hamilton City proposed zoning of Large Lot Residential relative to the surrounding Ruakura Logistics zone and Ruakura Industrial Park zoned land.

You have requested that we provide an outline of market activity (behaviour) that occurs around the transition of land use from rural and rural residential to industrial and the effect that this behaviour might have on property values.

This market activity can be described in two parts;

- 1) The effect on property value from intensification of land use through change of zoning
- 2) The effect on property value specific to a locality as a result of a change of land use in that locality seen as “unpopular”.

1.0 Executive Summary

- + The value of property increases with intensification of land use from Rural to Rural Residential to Residential to Commercial/industrial use.
- + Value will predominantly be determined by supply and demand underpinned by physical characteristics and regulatory conditions such as zoning
- + Purchaser’s motivations will change dependent upon the highest and best use of that property
- + Examples of land use change from rural or rural residential to industrial clearly show increased value through change of purchaser motivation
- + The introduction of an unpopular use typically triggers a market reaction reflected by a trough shaped value curve which is likely to vary in depth and length dependent upon the perceived effects.

2.0 Background

The locality is approximately 4 kms distance north-east of the Hamilton Central Business District (CBD) and on the eastern periphery of the city. The immediate locality is bounded by Percival Road and Ryburn Road and is a small area of rural residential property ranging in size of sections from .2 ha up to a parcel of 5.1 ha. There are 35 titled parcels within this locality and some 30 owners with 31 of the properties being under 1.2ha in size and the remaining 4 being 2.8ha to 5.1ha. The development includes older original homes with some built between the 1930s and 1950s and a small pocket of recent development built during the 2000s onward.



The total area incorporated within the proposed Large Lot Residential (LLR) zoning is 35.3 ha and is bounded on two sides by the Ruakura Research Centre, the Waikato Expressway designation and then farm land to the east and the Hamilton/Tauranga Eastern branch railway along the southern side.

The land forming part of the Ruakura Research Centre immediately adjacent to the locality has been developed for genetic research while on other land held by Ruakura there are a range of improvements which have provided for mixed commercial activity including small workshops, small office areas with an associated laboratory and a medium scale abattoir which is situated slightly under 1 kilometer's distance from the development.

The Waikato Expressway designation bounds the locality to the eastern side. Work is commencing on this with completion scheduled for 2019. This will be a four lane expressway by-passing the City on the eastern side and with an interchange located a short distance south providing access into the logistics area to be developed adjacent to the interchange and providing access into the City Centre.

Other influences within the locality include the close proximity to the Waikato University campus also within 1 kilometers distance and 2 sets of high voltage transmission lines that pass along Ruakura Road and to the south-west of the locality across the Ruakura land.

Overall this pocket of rural residential development has close proximity to the city and it's amenity but it would not be considered to be prime rural residential which may be as a result of some of the environmental factors adjoining the location and is to some degree evidenced in the standard and nature of development that has occurred over time within the locality.

The locality has been zoned under the Waikato District Council Operative Plan as Country Living, this was retained with the transition of the land into Hamilton City in 2011. It is proposed through variation to the Proposed District Plan of the Hamilton City that the locality, encompassing the 35.3 ha will be rezoned Large Lot Residential. The Country Living zone allowed subdivision to a minimum lot size of 5000m², the Large Lot Residential zone in the notified Proposed District Plan set out to have a minimum lot size of 2ha for subdivision. However, the drafted variation to the Proposed District Plan provides for subdivision with a minimum lot size of 5000m².



3.0 Market Behaviours – Intensification of Land Use Through Change of Zoning

3.1 The basis of change in value from change of land use

The value of a property is a reflection of the “highest and best use”. The market value is defined 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 arms length transaction, after a proper marketing and where the parties have each acted knowledgeably, prudently and without compulsion.”

In general terms the value of a property will increase as the intensification of the land use increases and therefore in the broader sense of this discussion, this would relate to the transition of rural use through to urban use. Within the urban sphere of land use the increase in value typically follows low intensity residential development through to medium and high density development and then into commercial/ industrial activity.

While the above transition from rural use through to urban use is likely to bring about an increase in the property value it must be remembered that there are other factors that will influence the property’s value through that transition including market factors such as supply and demand, location, physical attributes of the land then also external influences such as local authority zoning.

Within the transition line we would identify the following property groups:

- + Rural
- + Rural with proximity to urban demand
- + Urban
 - + Within an urban boundary but being held for future development
 - + Within the urban boundary and rezoned

The first category of rural land can be land that extends from the hinterland of an urban area close to the urban centre but where there is no perceived potential for that land to transition to urban use. A premium is often paid for a location close to urban amenities, retail, schools and services. This premium is related to the base rural value of land further from the urban centre.

The second category is rural land with proximity. This can typically be land on the fringes of an urban boundary and may be land that has been incorporated within long term planning discussion documents between local authorities or a regional authority. An example would be that land that was within Waikato District Council and covered by the Urban Expansion Policy as land that will come into Hamilton City at some point of time.

The third category is urban land inside an urban boundary. Within this category the land may either be identified as being held for future urban development and noted as either deferred zoning or as a future urban zone intended to protect later development of the area as it has not yet been fully scoped through the development or preparation of a structure plan. Within this category the potential is seen as real and has been identified but more often is of a long-term nature. It will ultimately be subject to the pressures of demand in terms of the timing of its transition to zoned land.



The second sub-category within the urban land is that which has been rezoned. The potential of this land may also be subject to market demand but also the availability of services which may not be immediately available but which are usually planned and are seen to be available within the short term

Examples of rezoned land being subject to delay in achieving full value can be seen around the Rotokauri locality. The Rotokauri residential land is awaiting the connection to main services, in particular waste water and as a consequence the extent of the development to date is limited and acquisition of development land will incorporate a deferment until such time as those services are anticipated as being available.

Within the same locality the industrial zoned land around Tasman Road had services available but following the Global Financial Crisis in 2008, demand for industrial land stopped and development has only, in more recent years, been undertaken in anticipation of growing demand. The purchase of industrial block land within this locality following the GFC would have reflected a deferment associated with when demand might grow to a point to make development of the land economically feasible.

3.2 Market behaviours associated with intensification of land use

3.2.1 Rural

The purchase of rural land is related to various factors including the productive capacity. Rural land closer to the urban centers is more typically purchased by established buyers, the properties will tend to be well developed and the value will reflect the physical attributes such as the location close to amenities and services as well as that standard of improvement.

3.2.2 Rural land with proximity to urban boundaries

The purchasers of this land can have several motivations and be of different type.

Firstly the purchaser may have a long term capability whereby they are acquiring land for the purpose of realising the long term potential. Land owners within the Hamilton area that typify this type of purchaser include Tainui and the Kimpton and Peacocke families holding large rural land holdings either within the city boundaries or immediately adjacent with the real intention of developing that potential at some point in the future.

The second type of purchaser of this land is those that are looking for the capital gain through acquisition, holding for a long term and then on-selling to developers when the development potential is ripe. As an investment the property typically will show a low return from the cash flow generated through its productive capacity, however over the long term period the capital gain provides the investor with a good return. In the interim the property will provide a home, job (as farm land) and this long term investment prospect.

The premium paid for long term potential is likely to be varied. The premium would be seen as a “rural value plus” in terms of its perception and will vary dependent upon the market phase that influences purchaser’s outlook. In a buoyant phase of the property market where significant new development is being undertaken purchasers tend to have a more optimistic outlook as to the long term value of the property and therefore sway their premium in that direction whilst during recessionary times where the outlook for urban expansion is limited then the premium is more likely to be of a nominal nature.



3.2.3 Urban land

Once land is within the urban boundaries it will typically either have a deferred zoning whereby the future use is identified but the availability of infrastructure is some time away, demand is still remote or possibly the full extent of the development through a structure plan has yet to be considered.

Dependent upon where this land lies within the city development plans, the premium paid may also be a “rural value plus” or if potential is perceived as being more imminent then the premium will more likely be determined on the basis of its “urban potential less” the costs and time deferment until it can be realised.

An example within Hamilton of land within the city boundary but with long term perceived potential is the area to the western part of Rotokauri where sales have more typically shown a “rural value plus” premium rather than that land closer to the existing development where the value has reflected either the residential or development value less a deferment until either services or demand are anticipated as being available.

Ultimately the market value of land will be driven by supply and demand. The growth of demand for land can be real such as a growing population base however at other times the perception carried by the market can often create increase in value for land ahead of actual demand. At the same time perceptions held by the market can often devalue land below its real or underlying value. In both cases the market ultimately returns to an equilibrium representative of supply and demand.



4.0 Examples of change in value through transition of land use

4.1 Hamilton City – Tasman Road – Te Kowhai Road

This is an area of land in the western side of the city and at the eastern side of the Rotokauri locality. We have provided the following case study of a parcel of land situated within this area for the purpose of tracking its transition of land use and ultimately property value. We have also included detail of sales activity of land around this block that assist for the same purpose.

4.1.1 The chronological order of Council Planning in the Rotokauri area around the property 103 Tasman Road

- + The property formed part of the Rotokauri area that was brought into the City from Waipa District Council in November 1989.
- + Transitional District Plan. The Hamilton City second review – Transitional District Plan was notified on 29 April 1989 and became operative 19 December 1992.
- + The Transitional District Plan in 1993 provided for Rural Zones – Open Space.

The aim of this zone was to protect land intended for future city expansion from inappropriate uses, development and subdivision which could comprise future settlement patterns and place pressure on Council for the provision of unplanned and uneconomic services.

- + In 1995 under the Transitional District Plan the front block of 20.2343ha was zoned Rural General (Holding).

The rear block of 28.5430ha was zoned Rural General.

The Rural General Zone applied to the majority of rural land within the City. The purpose of the zone was to protect land which was intended for future City growth.

Land that would have been required next for urban use within the 10-15 year planning period was identified by a Holding Overlay Zone Rural General (Holding).

Land adjacent to the North Island Main Trunk Railway Line in Rotokauri was intended for future industrial development. Part of this property was within the Holding Zone

The Holding Overlay Zone is distinguished from the remaining Rural General Zone by more stringent controls on subdivision and a more limited range of permitted uses to ensure development and establishment of rural activities will be compatible within the near future urban environment.

- + Proposed District Plan. This was notified on 30 October 1999 with submissions notified 27 October 2001. The reference version of the Proposed Plan became operative November 2001 subject to three appeals being outstanding.

The property was zoned Future Urban within the Proposed District Plan.

The Future Urban Zone applies to the majority of rural land within the City. The purpose of the zone is to protect land which is intended for future City growth from inappropriate subdivision, use and development to ensure an efficient and logical pattern of future urban development is not compromised.



- + Proposed Hamilton City District Plan – Variation 8 Rotokauri Structure Plan and Stage 1 rezoning. Submissions were called for by 21 October 2005.
- + Variation 8 was not effected being withdrawn in 2006
- + Proposed Hamilton City District Plan – Variation 18 – Rotokauri Structure Plan and Stage 1 rezoning was notified on 27 October 2007
- + The property lies within the area identified for General Industrial purposes.
- + The Stage 1 rezoning became Operative from 13 December 2008.

4.1.2 Transition of value

Through this period of transition defined by Council's forward planning and then ultimately market demand, the property's value and those surrounding, transformed from rural to industrial. What had been a rural location separate from the existing urban development by the main trunk railway and Avalon Drive became an industrial location now bounded by the Te Rapa by-pass section of the Waikato Expressway.

In 1996 and 1998 we undertook valuations of this land for Wintec who were looking to acquire future expansion land for their Avalon Campus.

Between these two dates we recorded an assessed 20% increase in a previously rural value, indicative of market perception of on-coming urbanization of the land.

The following transactions of larger land holdings are indicative of the full transition from rural land to industrial, including this particular property (103 Tasman Road).

+ **Te Kowhai Road, Hamilton**

Sold October 1996 for \$2,150,000

A farm property of 68.04ha situated on the western side of the North Island Main Trunk Railway Line with an extensive frontage to Te Kowhai Road and a return frontage to Ruffell Road.

The property was purchased by developers as a long term holding and ultimately industrial development. The sale reflects a value of \$3.15/m² (\$31,599/ha) and was zoned Rural General (Holding). The land is now being developed some 20 years later with Main Freight and NZ Post as key sites in the subdivision.

+ **Tasman Road, Hamilton**

Sold December 2003 for \$4,035,000

The site has a total area of a little over 48ha with just under half being sandy and peaty loam with the rest having a peat sub-soil. The land had been purchased for possible future industrial development and the sale price equates to \$9.24/m². The land has been developed with Arthur Porter Drive over the last 2-3 years.



+ 103 Tasman Road, Hamilton

Sold December 2003 for \$3,000,000

This property is 25.3472ha zoned Rural General (Holding) and sold equating to a land value of \$11.83/m² (\$118,300/ha). It was bought by an industrial business to establish an open yard for manufacture and storage of concrete products. The location was seen as beneficial for this use as it was “remote” from intensive use and therefore wouldn’t draw complaint about dust and noise.

+ 103 Tasman Road, Hamilton

Sold April 2007 for \$19,010,250

This is the same property of 25.3472ha purchased by the adjoining owner intending to carry out industrial subdivision of the land. The sale was subject to a three year deferment on payment and equated to a land value of \$58.10/m² (\$581,000/ha). The land was zoned future urban at the time although the Rotokauri Structure Plan identified the land as industrial zoning and was in the process of being re-zoned (Variation 18). The deferment until zoning was effective was anticipated as 2-3 years at that time.

These sales show a clear transition of rural value \$31,599/ha through to \$92,400/ha and then \$118,300/ha before the full industrial development value was realized at \$581,000/ha. Obviously there would be usual market improvement in the rural values during this period 1996 to 2007 but this would not account for the extent of the value change.

Smaller parcels in this location were owned and occupied as rural residential but ultimately were sold for impending industrial development.

+ Tasman Road, Hamilton

Sold November 2004 for \$2,300,000

A 4ha site situated on the western side of Tasman Road adjacent to the Avalon Drive overbridge. The land is zoned Future Urban however, at the time of sale it was recognised that Council were intending to rezone this land Industrial within the near future. Analysis of the sale which comprised 4.0ha equates to \$57.50/m².

+ 99 Te Kowhai Road, Hamilton

Sold May 2005 for \$2,350,000

This is a site of 4.0ha being a rear block off the southern side of Te Kowhai Road. The land is zoned Future Urban although also lying within the area to be rezoned Industrial by Council. Improvements included a modern dwelling. Analysis would indicate a land value of \$58.55/m².

+ 103 Te Kowhai Road, Hamilton

Sold January 2006 for \$3,500,000

This is a bare block of 4.6ha with Future Urban zoning although lying within the area for proposed rezoning as Industrial. The property sold with a deferred settlement which would suggest a present land value of \$67.36/m².



+ **67 Tasman Road**

Sold April 2008 for \$3,500,000

Having Future Urban zoning this is a block of 3.7686ha that was purchased on the basis that it would be capable of development within one year. Situated adjacent to the Avalon overpass the land is flat in contour. Analysis of this transaction indicates a land value of \$92.87/m².

By comparison rural residential sales on the western fringe of the City would indicate the following level of value and clearly show the transition of value in accordance with the change of zone and demand for that change of use for rural residential to industrial.

+ **699 Whatawhata Road**

Sold in 12/06 for \$680,000

A 1970's weatherboard finished dwelling with a corrugated iron roof. The dwelling has an approximate floor area of 260m² and is located on a 4.0595ha level site. Site development is average with other buildings including a shed

+ **28B Lindsay Road**

Sold in 01/07 for \$540,000

A 1980's brick finished dwelling with a ribbed steel roof. The dwelling has an approximate floor area of 140m² and is located on a 2.3945ha site. Site development is good with other buildings including a single garage/sleepout, a single carport and a large shed.

+ **244 Blakett Road**

Sold in 01/07 for \$768,000

A 1970's brick finished dwelling with a tile roof. The dwelling has an approximate floor area of 150m² and is located on a 4.5190ha rolling site north of Whatawhata. The site is fully developed with other buildings including a double garage.

+ **383 Te Kowhai Road, Hamilton**

Sold June 2007 for \$1,775,000

Located just to the north west of Te Rapa and Hamilton City Centre. The 4.221ha is all flat land zoned Future Urban in the Hamilton District Plan. Development includes three bedroom dwelling, detached garage, old gable shed and tidy pastures.

+ **415 Te Kowhai Road, Hamilton**

Sold July 2006 for \$1,615,000

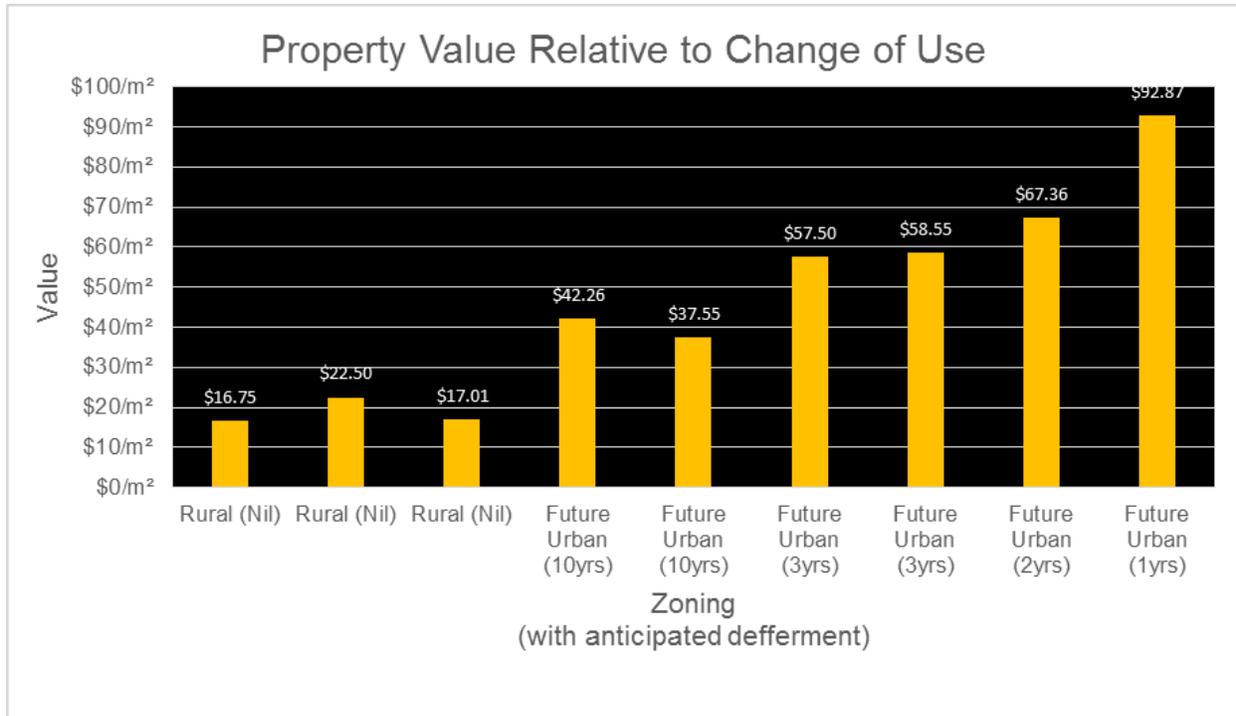
Located just to the north west of Te Rapa and Hamilton City Centre. The 4.3455ha is all flat land zoned Future Urban in the Hamilton City. Development includes average brick and tile dwelling, dwelling built during the 1970's in average condition, garaging and tidy pastures.



The latter two sales (383 and 415 Te Kowhai Road) are properties situated inside the City boundary with long term potential recognized in the value as compared to the other sales located in Waikato District Council without any urban potential.

These two sales were typical of the buoyant market at the time 2003 – 2007 before the GFC as later sales of similar property in the same location do not reflect the same level of anticipated potential as the reality of the deferment of urban potential became apparent.

The following is a graph of the change in value relative to anticipated change of use indicated by the above sales.





4.2 Rolleston/Selwyn District Council IZone – Industrial Park

The Telfer Young Christchurch Office has been involved with valuation and property advice for the Selwyn District Council relating to the proposed expansion of the IZone Industrial Park and the Business 2 Zone over recent years.

The transition of property values around Rolleston are also an example of the transition from rural to urban use and have some relevance in that two large parcels have in the recent past been purchased by the Port of Tauranga and the Port of Lyttleton to develop inland ports around this industrial area.

Key factors are that the land is close to the main trunk railway and State Highway 1 and is to the periphery of Christchurch.

Work undertaken by our Christchurch office has indicated that the rural values surrounding Rolleston for larger economic units would be in the region of \$30,000-\$40,000/ha.

Lifestyle properties of around 4ha size show a land value range of between \$71,000-\$123,000/ha while larger blocks of 10-12 ha size show a land value range of \$38,000/ha to \$49,000/ha.

In March 2013 four adjoining properties ranging in size from 4 ha to 63.5 ha were purchased for a total of \$14 million having a combined land area of 122.2 ha.

This was rural land immediately adjacent to the IZone location with the sale price reflecting an average land value of \$114,500/ha (\$11.45/m²).

This land was subsequently subject to a zone change to Business B2A and following the zone change a 27.0 hectare part of the land holding was sold to Lyttleton Port Company at \$100/m². (\$1,000,000/ha)

On the basis of this market activity it is anticipated that other land immediately adjoining the business park and physically suited to further extension of the Business 2 zoning would attract premium as rural land to reflect the longer term potential of absorption into the IZone industrial locality.



5.0 Market Behaviours – “Unpopular Uses”

This is often colloquially referred to through the acronym NIMBY “Not in my back yard”.

This is a typical market response to the announcement of an unpopular use within a locality.

We have observed and also note from studies completed that the market behaviour that follows such an announcement follows a reasonably predictable pattern although the extent and variation within that pattern may vary as a consequence of the perceived effects.

Following the announcement of an unpopular use in a locality the market generally reacts in a manner where the uncertainty of the effects from the proposed unpopular use result in a decline in property values through a fear of the unknown. Unpopular uses can include prisons, halfway houses, landfills, schools, churches, service stations, change of zone etc.

As the use is integrated into the market and over time, subject to the constraints of the conditions of the consent/zone change the market readjusts and is able to measure more accurately the effects (if any).

The pattern that generally emerges is a recovery of property values back to the comparable existing level or close to it.

This trend or pattern in market activity has been identified in the evidence given to various Environment Court decisions, and endorsed by the Court. For example:

5.1 *Land Air Water Association v Waikato Regional Council (Decision number A110/01) - Hampton Downs Landfill*

- + Two valuers Mr Smyth and Mr Henshaw provided evidence that property values in the locality of a proposed land fill had been detrimentally effected. Because of the small number of properties within the immediate locality there were few sales upon which to base their conclusion.
- + Two other valuers (Mr Dean and Mr Sporle) presented evidence that the perception of the negative influence from an unpopular use may impact values in the short term but that they would then recover after a period of time. In particular Mr Dean provided good analysis of market activity around the Redvale landfill which is a more predominately residential based market. In the court’s eyes this evidence clearly showed that in the long term no reduction in price had been experienced by the adjoining market.
- + The Court in assessing the property valuation evidence in that case reflected para 377 page 99:

“Mr Smyth said that in his view the market retreats from a proposal such as this initially – this has already happened in Hampton Downs – but eventually and over time the market will return. Of the valuers who gave evidence no one was able to give us an opinion as to when the market would return. There was no analysis of market trends in the areas around other landfills in the country⁹⁹ other than the market analysis presented to us by Mr Dean relating to the Redvale landfill. Based on that evidence, which is the best evidence we have, we find that while property prices may well fall for a short while, this will not be sustained and that such fall will be of a temporary nature only. We find that the effect will be minor.”

Mr Bill Bailey is a rural valuer in our office that works in this locality. He advises that the market has restored and that the existence of the Landfill is no longer having a negative impact on the rural values of that locality. This particular locality is also subject to potential influence from the Springhill Prison and the Hampton Downs race track.



5.2 Department of Corrections v Gisborne District Council (Decision A057/99)

- + This was an appeal relating to the application for a land use consent to establish a community service centre, a probation office and periodic detention centre on a site in Gisborne.
- + Concern was raised with regard to a decrease in property values and an adverse economic effect on business in the immediate locality.
- + Evidence was presented by two valuers appearing in support of the respondent's case who, without substantiating evidence, stated that in their opinion properties in this locality would suffer a loss in value as a consequence of the periodic detention centre being established. Both related this loss to being perception of the “unfriendly activity”.
- + Neither valuer appeared at the hearing, their evidence was therefore not able to be tested by cross examination.
- + Evidence was presented by Ms Daly, a Registered Valuer on behalf of the Department of Corrections, which included comparable situations of similar use being established in residential areas with sales evidence in those localities before and after the establishment of the unpopular use clearly showing that no market change had been retained from the establishment of that use.
- + Ms Daly's conclusions were as a result of her investigations and were referred Para 41 page 11 of the decision (paras 9.3 & 9.4 Daly):

“history has shown that effects on value resemble a trough shaped curve following the announcement of the location of an unpopular use. Initially, media publicity fuels concerns however once such a use has quietly persisted over a period of time without causing disruption by a breach of peaceful and quiet enjoyment to surrounding property owners, concerns seem to settle down.

Experience shows that usually, effects on property values are not sustained over the longer term.”

- + In assessing the evidence provided to it, the Environment Court found: Para 44, page 11

“We accept the evidence of Ms Daly and conclude that while property prices may well fall for a short while this will not be sustained and that after a matter of some months prices will return to normal. We thus hold that, on the evidence, the concerns of the submitters cannot be sustained.”



5.3 Valuation study of the Waihi market

- + Over the life of the current mining activity we have been involved in preparing evidence in relation to the impact of mining on the town of Waihi. In addition, various reports have been prepared by
 - + Mr R P Young (Robertson Young Telfer – now TelferYoung)
 - + Messrs Cullen and Porter – Townsend Cullen and Associates
- + The most recent report by Mr Young - November 2003 statement of evidence on the Favona underground mine concluded: para 5 page 2

“I conclude that mining has increased Waihi residential property values over and above those which would have pertained had the mining activity never occurred. The Favona project will extend this beneficial effect beyond the proposed closing date for the Martha Mine.”

- + The most recent report by Mr Cullen – December 2010 Statement of Evidence on the Trio Underground Mine Project. In response to concerns over the loss of value and saleability of properties raised in submissions, Mr Cullen concluded: para 63 page 13

“As discussed earlier in my evidence, the effect is really one of perception, which is exacerbated by the media and at times by the real estate industry. The greatest potential impact on property values is at the time of the notification of a proposal, however, as demonstrated by the overall sales data in Waihi in the medium and long term property values are still at a higher level than they would have otherwise be without mining activity.”

5.4 Waihi Mining – Golden Links Project

We were asked by Waihi Gold Company Ltd, to address the concerns raised in submissions about any influence of the Golden Link Project (GLP) on property values and present this as evidence to the Environment Court Hearing.

The Correnso underground mine is part of the GLP, a proposal to mine underneath an area of residential development in Waihi East. The Golden Link Project Area (GLPA) extends over some 519 properties of which 218 will be in the more immediate location of the Correnso underground mine.

Our research of various markets provided us with the following conclusions.

The proximity above the mine is likely to be the primary cause of change to property value during the announcement, planning and development stages of the project a period estimated as two years. The initial negative reaction will reduce as the market becomes accustomed to the underground mining activity and more particularly ground stability concerns are allayed.

The overall pattern of market reaction expected following the announcement of the GLP is one of a trough curve with a sudden initial downward movement of property value during the first 12 months, flattening during the next 12 months then responding positively over the next 2 to 3 years and more or less restoring to usual market levels of activity and pricing in the medium to long term while mining continues in Waihi.



This was measured in the following table being a summary of the approximate discount assessed as applicable to the various locations established and relative to the market periods from the announcement. This included our opinion of the market reaction to proximity of property to Correnso Mine having determined that the market will not consider property damage or vibration as material influences on property value. It is important to note that the assessment of the market reaction at each stage of the life of a project and for each group is subjective.

Property proximity category	Announcement Phase (0-6 months)	Planning & Consent (6 mths – 18mths)	Mining Short Term (0-2 yrs)	Mining Medium Term (3-7 yrs)	Mining Long Term (8 yrs +)
ABOVE	No sales activity.	15% - 20%	10%	5%	0%
FRINGE	Limited sales activity.	10% - 15%	5%	0%	0%
OUTER	Slow sales activity	0%	0%	0%	0%

This assessment of influence on valuation is a holistic assessment for all of the property in each of the proximity categories. We would expect some variation around these amounts within each proximity.

We have undertaken market surveys every six months since the approval of the GLP consent. The market activity and behaviour has been stable with the assistance of a Property Policy put in place to maintain market activity in the locality through these initial stages at levels similar to those that existed before the announcement of the underground mining proposal. The level of assistance to the market that has been required to achieve this, supports the conclusions arrived at before the Consent approval.

Actual mining is about to commence which is the third phase indicated above.

The trough curve referred to in the *Department of Corrections* case is likely to vary dependent upon the perceived effects that an unpopular use may have in a community.

The greater perception of effect or more negative the use is perceived, the deeper and longer the curve.

Should effects from an unpopular activity be actual or maintain a “real perception” within the market it is possible that the curve will not return to a similar level as before the activity was announced.

In our opinion such effects would have to be quite real and measurable for this to occur.

We would point out that the change in property value is not the actual effect resulting from the use or change in zoning but a culmination of the influences (effects) that the use or change of zone may have on the locality, being both negative and positive influences.

We would recognise that often there can be a loss of amenity, particularly to the existing owners/occupiers of property in an area, however this loss of amenity can often be offset by positive factors resulting from the change and manifest it-self ultimately in no loss of actual value, and sometimes improved value through the long term as referred to in the Waihi market.



In summary the effect on market activity or behaviour can be identified along a timeline such as:-

- + Short term - this would include the initial announcement of an unpopular use incorporating the uncertainty of potential effects that it would generate in the market place. Within this short term there would also be the notification of the project to the public in general which would be followed by planning application including hearings, submissions and potentially appeals, and where successful, the construction or implementation of the “use” or “activity” in the locality.
- + Medium term – this would be the phase following the implementation and through a period where the market absorbs the activity and its impacts on the environment and general amenity of the locality.
- + Long term – this is the period following the establishment of the use or activity within the locality and where there has been no adverse event occur. The market adjusts after measurement of effects (both adverse and beneficial), typically to market levels that precluded the announcement of the unpopular activity.

6.0 Summary

Rural land that is close to an urban centre but with no potential will attract a premium but this is related to locality factors and convenience in terms of location to retail, school and social amenity associated with the urban centre.

Rural land with proximity to an urban centre and identified as having longer term potential for absorption into that urban development will typically show a premium based on a “rural base value plus” premium allowance. The extent of that premium will be weighted in accordance with the market perception of when that urbanisation may take place.

Land within the confines of an urban boundary can be seen to be in two categories. Firstly land that has been identified for future urban development and is being held until a structure plan is prepared or infrastructure is available and secondly land that has been rezoned and is ready for immediate development or alternately may have some short term deferment awaiting the availability of services and/or demand.

The extent of the premium for land that is in that holding phase will be dependent upon the market perception and as such could sit between a “rural base value plus” a premium (if long term) or alternately an “urban development value less” deferment (if medium term or perception of imminence exists).

The premium attached to land that has been zoned and is awaiting development will be approached on the basis of the “urban development value less” a deferment anticipated by the market until services and/or demand is available to make development feasible.

Ultimately the value of property is determined by supply and demand.

Where demand exceeds supply the property values will increase.

Where demand and supply are balanced in that there is a constant supply meeting the typical market demand values will tend to be level.

Where demand has fallen below supply, typically as a consequence of economic conditions then a reduction in property value is required to attract purchase. This is exemplified by the recent drop in property values following the GFC of 2008 and more recently, the improvement in residential property values largely as a consequence of increased demand through net migration growth in markets such as Auckland and more recently in the Waikato.



7.0 Conclusion – Percival Road

The market value of the land as Large Lot Residential (as proposed) will be based on the location for rural residential and a longer term potential for industrial development. This is akin to that urban land identified as being in a holding period.

Existing owners are likely to feel a loss of amenity through the establishment of the inland port and a change of the surrounding environment from that which has, to date, been predominantly rural.

Initial values may be impacted by a market perception of industrial activity being developed in the inland port area immediately to the south until such time as the activity and its effects can be measured.

General property value within the Percival Road locality is already influenced by the existence of the East Coast Branch railway, transmission power lines which pass to the south of the area and the impending construction of the Waikato Expressway which will border the locality on the eastern side by 2019/20.

Upon establishment of the inland port and the implementation of mitigation requirements including set-backs, landscape screening and potentially alternate access to this location so avoiding the inland port activity we could anticipate that property values will re-establish based on the rural residential occupancy offered and the position next to the industrial activity. In the longer term, potential for substantive capital gain through change of use is likely to positively effect values.

The retention of the rural residential zoning amongst the surrounding Logistics Zone may alter the natural dynamic of supply and demand toward highest and best use. Potentially this could slow a typical market transition as the intensification of use will require the rezoning of the area. Longer term investors could potentially see this as an additional hurdle to unlocking higher value as compared to acquiring land close-by with the Logistics Zone albeit being subject to similar deferral of demand and services.

The retention of the rural residential zoning (Large Lot Residential) maintains a market perception of a residential area next to industrial development.

Given that this is a relatively small market of some 30 owners it is quite likely that as time passes and with the change of property ownership new purchasers are likely to be more accepting of the locality as a position close to new employment created around the inland port and logistics area with a long term potential for capital gain.

The creation of new access to the locality from within Ruakura or if from Powells Road could impact on the residential based value, the extent of this would be dependent on when this was established relative to the longer term potential of the land being used for logistics purposes.



As with the examples at Te Kowhai in Hamilton and the IZone Industrial Park in Rolleston outside Christchurch, we would fully anticipate that once demand is sufficient to warrant industrial development of the locality, values will surpass those based of rural residential occupancy and demand.

There is potentially a detraction to the saleability of property in this locality in that period as transition draws closer. People looking for a lifestyle option may be detracted from the locality on the basis that relocation would be required within a short to medium term. However we would anticipate that those buyers would be replaced by purchasers in the market that see the impending capital gain and are prepared to invest on the basis of holding the land at low return but with offsetting capital gain providing a good return over that medium term period or buying for their own future use. At this point we would anticipate value being represented by the industrial value with deferment of the anticipated period until zoning is effective

Yours faithfully

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