CBRE VALUATION & ADVISORY SERVICES

VALUATION REPORT

MVAU AERONAUTICAL LAND VALUATION
WELLINGTON INTERNATIONAL AIRPORT LIMITED
RONGOTAI, WELLINGTON

CLIENT: WELLINGTON INTERNATIONAL AIRPORT LIMITED

DATE OF VALUATION: 1 APRIL 2023

CBRE

VALUATION SUMMARY

Market Value (plus GST if any)

$292,000,000

Two Hundred and Ninety Two Million Dollars

The above valuation is subject to the Special Assumptions and Disclaimers within this Report.

Valuation Summary

SUMMARY OF VALUES - RAB 1 April 23		plus GST (if any)
Deferred Hypothetical Subdivision Approach		$296,500,000
Discounted Cash Flow Approach		$280,600,000
Adopted Market Value		**$288,500,000**
Value Rate (Gross)	103.4 ha	$279 psm
Value Rate (Developable)	87.6 ha	$329 psm
Value Per Potential Lot	66 lots	$4,371,212

Address	Land Area (sqm)	Floor Area (sqm)	Fair Value Improvements	Fair Value Property
6 BRIDGE STREET	443	0	$0	$575,000
8 BRIDGE STREET	444	0	$0	$575,000
10 BRIDGE STREET	444	0	$0	$575,000
16 BRIDGE STREET	445	0	$0	$580,000
16 CAIRNS STREET	443	111	$70,000	$825,000
21 CAIRNS STREET	339	100	$380,000	$890,000
Total incl. GST (if any)			$450,000	$4,020,000
Less GST			$58,696	**$524,348**
Total Less GST (rounded)			**$390,000**	**$3,500,000**

Background

We have been requested to provide the Market Value Alternative Use (MVAU) of the Aeronautical property that constitutes Wellington International Airport Limited for Regulatory Asset Base ("RAB") reporting purposes.

In addition, we have also been requested to provide a separate Market Value for the WANT properties which are not included within the MVAU calculation.

The land included within the RAB comprises 103.4 ha of land comprising the main airport campus but excluding land that is not used directly for airport operations including investment property, carpark operations, all landholdings at Moa Point and leasehold interests.

We have also been requested to value the Wellington Aeronautical Noise Treatment (WANT) properties which are not directly included in the MVAU calculation.

The approach to assessment of MVAU has been prepared in keeping with the Commerce Commission of New Zealand's – Airport Services Input Methodologies Determination 2010 Consolidating all amendments as of 20 December 2016 and in particular – Schedule A Airport Land Valuation Methodology.

Prepared by CBRE Limited

David Cook, B.Prop, B.Com, MPINZ
Registered Valuer
Director – Valuation & Advisory Services

1 INTRODUCTION

1.1 INSTRUCTIONS

Instructing Party:	Karl Edmonds on behalf of the Wellington International Airport Limited.
Purpose of Valuation:	We have been requested to provide the Market Value Alternative Use of the Aeronautical property that constitutes Wellington International Airport Limited for Regulatory Asset Base ("RAB") reporting purposes. In addition we have also been requested to provide a separate Market Value for the WANT properties which are not included within the MVAU calculation.
Basis of Valuation:	Market Value Alternative Use (MVAU) as defined by the Commerce Commission in its Airport Services Input Methodologies Determination 2010. MVAU is the market value of land in its highest and best alternative use which in turn means the most probable use of the land (as detailed below (Section 1.2)).
Date of Inspection:	Various dates, latest March 2023.

1.2 BASIS OF VALUATION

Market Value Alternative Use (MVAU) as defined by the Commerce Commission in its Airport Services Input Methodologies Determination 2010. MVAU is the market value of land in its highest and best alternative use, which in turn means the most probable use of the land, which:

a) Is not the supply of specified airport services;

b) Is not used to the extent that it is influenced by the supply of specified airport services;

c) Is physically possible;

d) Is appropriately justified;

e) Is legally permissible;

f) Is financially feasible, and;

g) Results in the highest estimated value of the land in question.

1.3 MARKET MOVEMENT

This valuation is current at the date of valuation only. The value assessed may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property or particular property sector). Liability for losses arising from such subsequent changes in value is excluded, as is liability where the valuation is relied upon after the date of the valuation.

1.4 RELIANCE

Reliance: This valuation is strictly and only for the use of the following Reliant Parties and Purposes:

- Wellington International Airport Limited for Regulatory Asset Base reporting.

The Client acknowledges and agrees that all material or documents created by CBRE in providing the Services are provided for its benefit and the purposes set out in the Report and may not be relied on by anyone other than the Reliant Parties. We do not assume any responsibility or accept any liability in circumstances where this valuation is relied upon by any Reliant Party after the expiration of 90 days from the date of valuation, or such earlier date if the Reliant Parties become aware of any factors that have any effect on the valuation.

Confidentiality: Any valuation service is confidential as between CBRE and the Reliant Party as specifically stated in the valuation advice/report. Neither the whole of the report, nor any part of it, may be published in any document, statement, circular or otherwise by any party other than CBRE, nor in any communication with any third parties, without the prior written approval of CBRE of the form and context in which it is to appear, which may be conditional on relevant third parties first executing (i) a reliance letter on terms approved by CBRE where the third party wishes to use and/or rely on the relevant information; or (ii) a non-reliance letter where the third party wishes to use the report for information purposes only.

Transmission: Only an original valuation report (hard and/or soft copy) received by the Reliant Parties directly from CBRE without any third party intervention can be relied upon.

Restricted: No responsibility is accepted or assumed to any third party who may use or rely on the whole or any part of the content of this valuation.

Copyright: As between CBRE, the Instructing Party and the Reliant Parties, all intellectual property rights in this Valuation Report are owned by CBRE.

1.5 REFERENCE MATERIAL

In carrying out our valuation, we have referred to:

- Airport Services Input Methodologies Determination 2010 (Amended 20 December 2016)

1.6 SPECIAL ASSUMPTIONS

Assumptions are a necessary part of undertaking valuations. CBRE adopts assumptions for the purpose of providing valuation advice because some matters are not capable of accurate calculation or fall outside the scope of our expertise, or our instructions. Assumptions adopted by CBRE will be formulated on the basis that they could reasonably be expected from a professional and experienced valuer. The Reliant Parties accept that the valuation contains certain specific assumptions, and acknowledges and accepts the risk that if any of the assumptions adopted in the valuation are incorrect, then this may have an effect on the valuation. Refer to the Disclaimers, Limitations and Qualifications Section, which is pertinent to this valuation report.

Particularly critical to our valuation are the following assumptions:

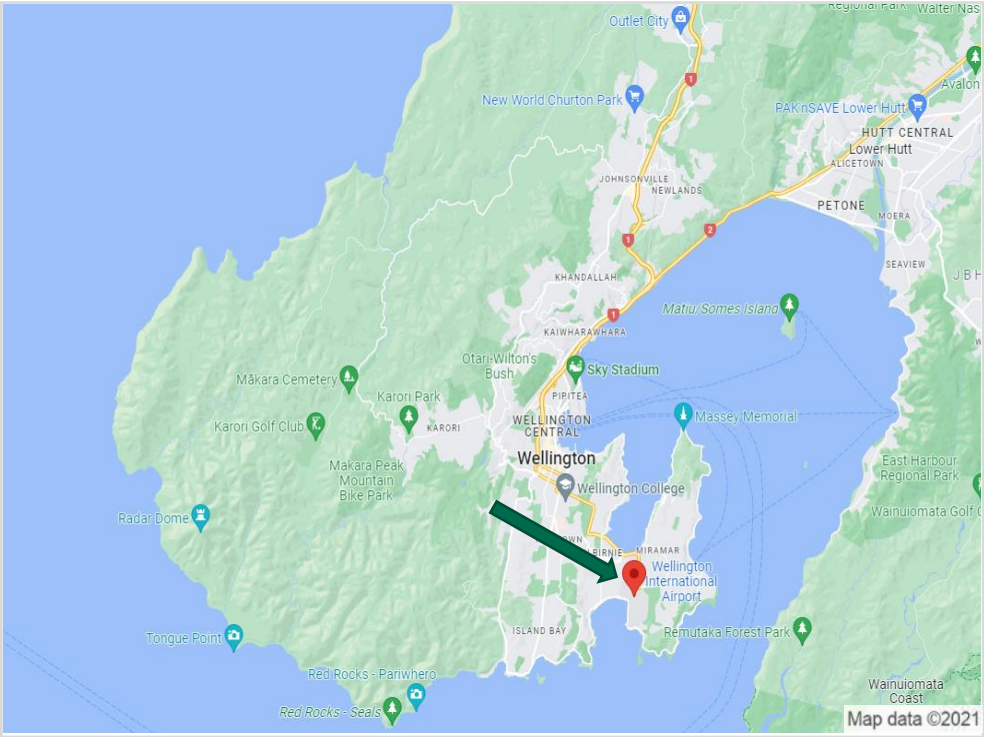
- The land areas adopted for the valuation have been provided by WIAL. We have not searched all titles and proceeded on the basis that the land is all owned by WIAL and that any instruments registered on Market Risk Comment. Given this we have not included a copy of the titles within this report.
- The zoned area adjustments to the Boffa Miskell developable areas detailed within the 2022 Masterplan are based on indicative estimates only. We reserve the right to review our valuation if more detailed allocations are made available
- We note there is a small variance between the actual title areas and those adopted by Boffa Miskell within their 2022 Masterplan. We have been advised this is due to rounding variations between the title and GIS data. Our valuation is made on these basis of the adopted areas as detailed within our valuation methodology and reserve the right to review our valuation if the areas are found to vary materially.

2 GENERAL PROPERTY INFORMATION

2.1 LOCATION

The airport is located approximately nine kilometres southeast of the Central Business District in the eastern suburb of Rongotai. The airport extends from Evans Bay in the north to Lyall Bay in the south. To the east it is adjoined by the Miramar Golf Club and to the west by bulk retail, mixed-use light industrial and residential properties.

Regional Map:



View the subject property in Google Maps.

The main access to the airport is via Cobham Drive/State Highway 1 which links through to CBD and the Wellington Urban Motorway via the Basin Reserve

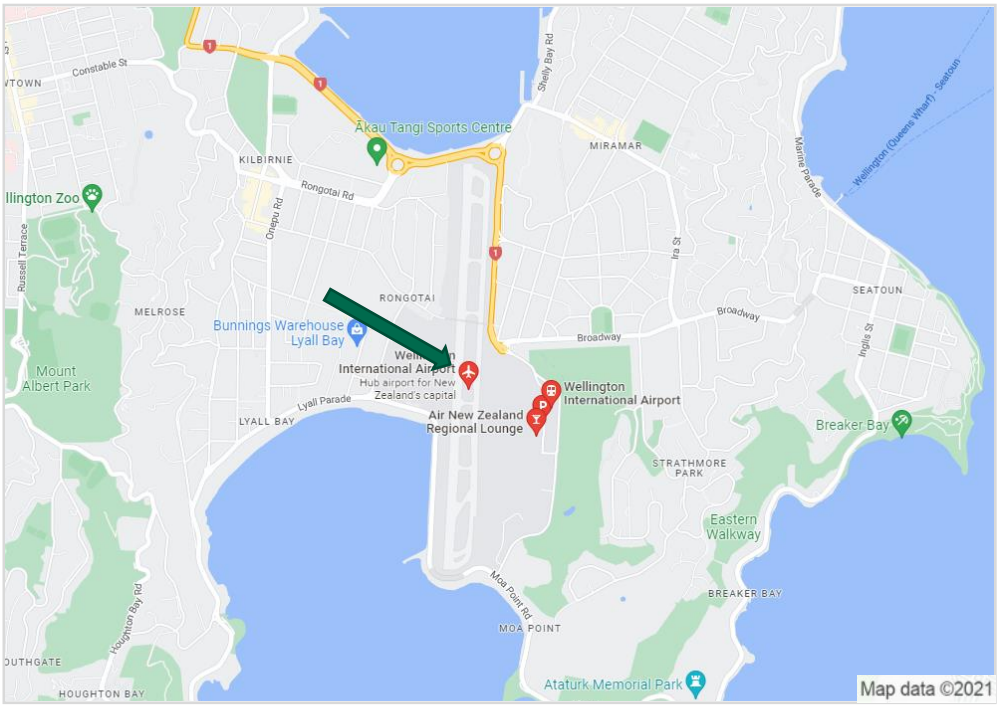
On the western periphery of the airport is the Airport Retail Park providing large format retail the services a significant proportion of Wellington City while Kilbirnie Township is located further to the west providing a traditional town centre including a major bus hub, strip retail and major supermarkets.

Lyall Bay is a popular surf beach which essentially wraps around the southern eastern and southern periphery of the runway.

Moa Point water treatment facility is also located to the south-east of the main airport terminal which is currently undergoing a significant upgrade to minimise waste with the project expected to be finished.

The following location map identifies the property:

Location Map:



View the subject property in Google Maps.

2.2 LEGAL DESCRIPTION

We have been provided with a schedule of title information by WIAL including land areas which are summarised over the page. We also note the following in relation to our valuation:

The schedule includes 17,314 sqm of lessee interests owned by WIAL on Tirangi and Kingsford Smith Street, Rongotai. Including these interests, WIAL's total area of land interests is circa 130 ha.

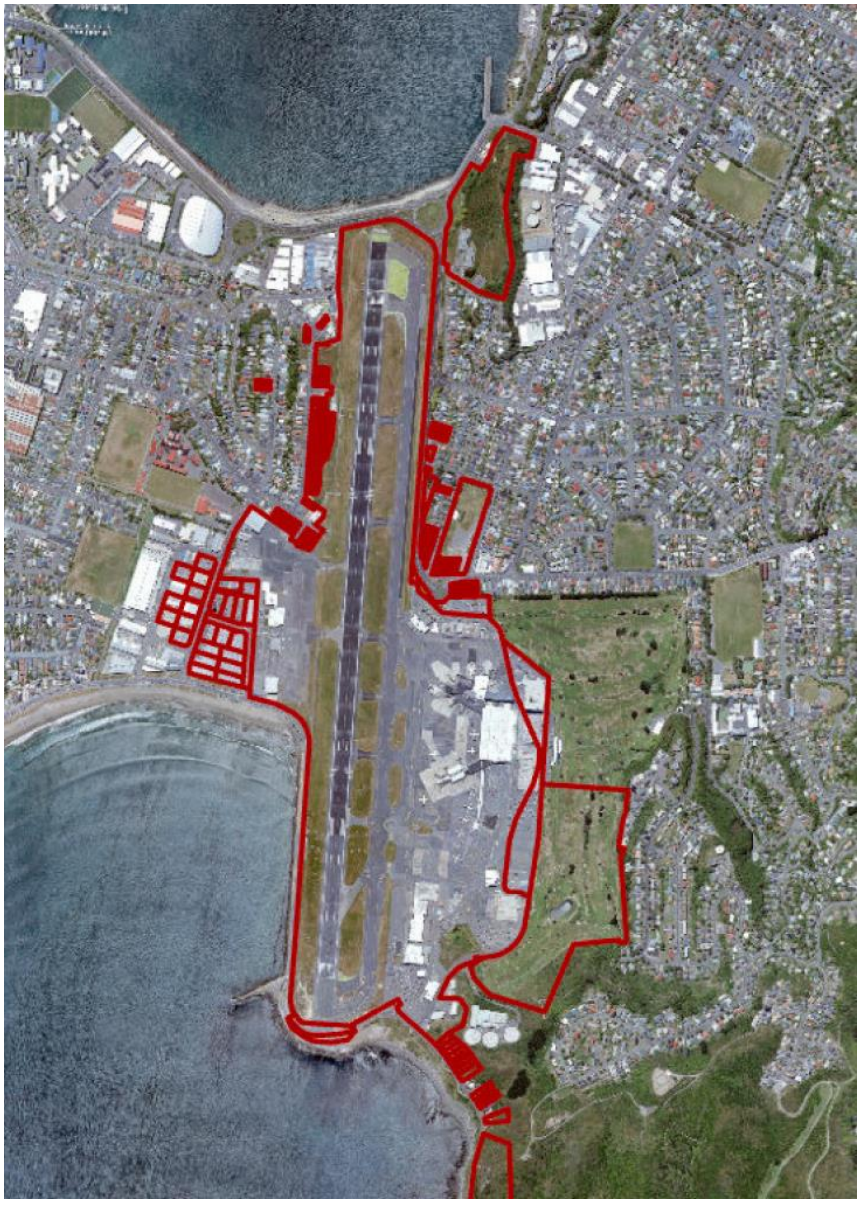
The land areas identified overleaf and adopted for the valuation have been provided by WIAL. We have not searched all titles and proceeded on the basis that the land is all owned by WIAL and that any instruments registered on the titles are not detrimental to value of land for the purposes of this assessment.

Address	Computer Freehold Register	Land Area (sqm)	Classification/Comments:
STEWART DUFF DRIVE	518352	976,943	PPE & Investment Property
MOA POINT LOT 2	WN45A/74	19,042	PPE
360 BROADWAY	WN317/104	269	Investment Property
362 BROADWAY	WN374/298	460	Investment Property
364 BROADWAY	WN47D/260	488	Investment Property
366 BROADWAY	WN327/110	504	Investment Property
368 BROADWAY	WN357/296	506	Investment Property
370 BROADWAY	WN356/267	506	Investment Property
28 STEWART DUFF DRIVE	973798	129,030	PPE
77 WEXFORD ROAD	WN36D/925	57,668	PPE
2 GEORGE BOLT STREET	46C/668	27,054	Investment Property
7 KAURI STREET	918517	18,322	PPE
1B GEORGE BOLT STREET	62499	5,684	Investment Property
113 TIRANGI ROAD	WN46C/667	4,323	Investment Property
48-50 CALABAR ROAD	WN45A/79	2,228	PPE
48 MOA POINT ROAD	WN413/234	1,418	PPE
39A MOA POINT ROAD	458563	1,205	PPE
37 MOA POINT ROAD	WN677/5	865	PPE
38 MOA POINT ROAD	WN413/223	865	PPE
39 MOA POINT ROAD	WN805/14	865	PPE
43 MOA POINT ROAD	WNC3/303	865	PPE
45 MOA POINT ROAD	WN416/120	840	PPE
34 MOA POINT ROAD	WN460/310	783	PPE
33 MOA POINT ROAD	WN415/109	742	PPE
35 BRIDGE STREET	WN260/102	725	PPE
31 BRIDGE STREET	WN16A/1186	724	PPE
33 BRIDGE STREET	WN260/101	724	PPE
39 BRIDGE STREET	WN262/61	787	PPE
250 COUTTS STREET	WN10B/942	718	PPE
41 BRIDGE STREET	WN265/297	716	PPE
43 BRIDGE STREET	WN9C/1416	711	PPE
45 BRIDGE STREET	WN245/70	692	PPE
25 BRIDGE STREET	WN258/187	668	PPE
47 BRIDGE STREET	WN260/75	660	PPE
346 BROADWAY (Broadway/Calabar)	22946	647	PPE
49 BRIDGE STREET	WN272/241	629	PPE
51 BRIDGE STREET	WN267/78	597	PPE
64 CALABAR ROAD	WN309/101	587	PPE
252 COUTTS STREET	WN355/113	573	PPE
54 CALABAR ROAD	WN896/20	544	PPE
254 COUTTS STREET	WN358/16	534	PPE
37 MIRO STREET	WN6A/474	519	PPE
335 BROADWAY	WN42B/707	506	PPE
337 BROADWAY	WN42B/708	506	PPE
341 BROADWAY	WN42B/710	506	PPE
343 BROADWAY	WN42B/709	506	PPE
2 MIRO STREET	WN295/38	506	PPE
372 BROADWAY	WN579/249	506	PPE
13 MIRO STREET	WN863/60	488	PPE
19 MIRO STREET	WN298/135	487	PPE
53 BRIDGE STREET	WN266/102	470	PPE

Continued…

Address	Computer Freehold Register	Land Area (sqm)	Classification/Comments:
34 TIRANGI ROAD	WN36C/959	470	PPE
36 TIRANGI ROAD	WN36B/870	470	PPE
73 BRIDGE STREET	WN297/248	459	PPE
17 MIRO STREET	WN298/224	451	PPE
15 MIRO STREET	WN300/140	450	PPE
15 BRIDGE STREET	WN294/190	446	PPE
17 BRIDGE STREET	WN505/120	446	PPE
21 BRIDGE STREET	WN270/158	446	PPE
19 BRIDGE STREET	WN271/154	445	PPE
3 BRIDGE STREET	WN56A/908	443	PPE
55 BRIDGE STREET	WNB2/184	424	PPE
35A MOA POINT ROAD	297874	419	PPE
36A MOA POINT ROAD	297875	419	PPE
36 MOA POINT ROAD	297876	419	PPE
234 COUTTS STREET	WN370/155	402	PPE
236 COUTTS STREET	WN366/246	402	PPE
238 COUTTS STREET	WN454/120	402	PPE
240 COUTTS STREET	WN409/112	402	PPE
242 COUTTS STREET	WN357/174	402	PPE
244 COUTTS STREET	WN34D/142	402	PPE
61 BRIDGE STREET	WN320/104	399	PPE
57 BRIDGE STREET	WN29D/826	395	PPE
59 BRIDGE STREET	WN320/105	393	PPE
63 BRIDGE STREET	WN300/230	374	PPE
65 BRIDGE STREET	WN304/49	355	PPE
29 BRIDGE STREET	539597	337	PPE
29A BRIDGE STREET	539598	331	PPE
9 MIRO STREET	WN45A/77	321	PPE
67 BRIDGE STREET	WN322/108 WNB3/248	310	PPE
11 MIRO STREET	WN896/19	312	PPE
7 MIRO STREET	WN45A/78	267	PPE
3 MIRO STREET	WN305/266	165	PPE
3 MIRO STREET (32 Broadway Street)	WN287/226	7	PPE
U2/60 CALABAR ROAD	108638	-	PPE
62 CALABAR ROAD	169816	-	PPE
47 KINGSFORD SMITH STREET	34341/WN7B953	1,909	Investment Property
102 TIRANGI ROAD	923462/WN21D634	1,881	Investment Property
108 TIRANGI ROAD	45843/WN21D/632 & WN21D/631	3,864	Investment Property
114 TIRANGI ROAD	39557/WN21D/630	1,932	Investment Property
120 TIRANGI ROAD	57734/ WN7B958	1,932	Investment Property
126 TIRANGI ROAD	923611/ WN7B/955-957	5,796	Investment Property
6 BRIDGE STREET	WN5D/920	443	WANT
8 BRIDGE STREET	WN262/264	444	WANT
10 BRIDGE STREET	WN290/220	444	WANT
16 BRIDGE STREET	WN283/122	445	WANT
16 CAIRNS STREET	WN478/95	443	WANT
21 CAIRNS STREET	WN246/105	339	WANT
	Total	**1,300,168**	

The map provides an approximate indication of the various WIAL land holdings (including WANT, investment and leasehold interests), outlined in red:



2.3 RESOURCE MANAGEMENT

The scope of this valuation includes land with a number of underlying existing and proposed zones which are detailed below. We note that the existing airport designation and planning is to be disregarded in arriving at the MVAU however they have been included for context.

We refer you to Section 5.1. Boffa Miskell Alternative Land Use Plan detailed in the following sections.

2.3.1 AIRPORT

Local Authority and Plan:	Wellington City Council District Plan – Operative July 2000.
Zone:	Airport and Golf Recreation Precinct

Indicative Permitted Uses:	Any activity ancillary to the primary function including: ■ Runway ■ Taxiways ■ Air carrier facilities ■ Fuel storage ■ Refuelling ■ Aircraft maintenance ■ Support and commercial activities
Zone Sub Areas:	Five sub areas are provided. ■ Terminal Area – provides for the terminal buildings, carpark building and associated freight use. Provision is made for non-airport related development to enable a range of complimentary service and facilities to be made available to the travelling public. ■ Rongotai Ridge – provides an important visual reference point and has high visual amenity values. Any development must complement this amenity value. ■ Broadway Areas – the primary gateway to the airport and development should seek to strengthen the visual and physical connection with the terminal building and carparking with high quality visual appealing building. ■ South Coast Area – the industrial area to the south of the terminal close to Lyall Bay. This area contains industrial development. ■ West Side – contains large format retail with further development encouraged to provide high quality retail and non-airport related activities to improve shopping and business for the public and workers.
Objectives:	■ To promote the safe, effective and efficient operation of the Airport ■ To provide for non-airport activities and developments within the Airport area of the Precinct. ■ Protect the character and amenities of identified areas within the Airport area from inappropriate non-airport related uses and development ■ To protect the amenities of areas surrounding, and within, the Precinct from adverse environmental effects. ■ To ensure signage is designed and located in a way which will not detract from the character of the locality, and will not cause a traffic hazard. ■ To prevent or mitigate any adverse effects of the storage, use, disposal, or transportation of hazardous substances, including waste disposal, and from the use of contaminated land ■ To avoid or mitigate the adverse effects of natural and technological hazards on people, property and the environment

Permitted Uses	A range of uses is permitted that are essentially for the safe, efficient, and economic operation of the airport. These include runways, taxiways, terminals, air carrier facilities, fuel storage and aircraft maintenance etc. as well as supporting activities.
Present Use:	The present use appears to comply with the underlying zoning.
Site Controls, Overlays & Designations:	Designation G2, G3, G4, G5 & G6 in relation to airport and airspace uses within the vicinity and land use. Designation M5: Meteorological Purposes. Designation 58: Moa Point Drainage Sewage Treatment
Development Approvals:	None known.
Proposed District Plan:	Under the proposed District Plan the subject property zoning changes to Special Purpose Airport Zone and Natural Open Space Zone.

2.3.2 OUTER RESIDENTIAL

Local Authority and Plan:	Wellington City Council District Plan – Operative July 2000.
Zone:	Outer Residential
Zone Objective:	The Residential zone is characterised by low-rise single dwelling houses on individual lots. Most non-residential activities in the area are of a type that directly service local residents. The focus of the zone is to encourage urban development in established urban areas; control effects from residential activities; and control the establishment of non-residential activities within the zone.
Indicative Permitted Uses:	Residential activities and the demolition and construction of residential buildings, provided they comply with relevant development controls, except for:
Key Development Controls:	8 metre height limit. Standards for building construction and alteration include dwelling numbers, site coverage, yard setbacks, sunlight access and fence height. Standards for activities are set for noise, parking and vehicle access.
Present Use:	The present use appears to comply with the underlying zoning.
Site Controls, Overlays & Designations:	Air Noise Boundary.
Development Approvals:	None known.
Proposed District Plan:	Under the proposed District Plan the subject property zoning changes to Medium Density Residential Zone and will have a permitted height limit of 11 metres.

2.3.3 OPEN SPACE B

An area to the south is zoned within Open Space B. This zone includes areas that are typically vegetated and used for recreation which do not include buildings or structures.

2.3.4 PROPOSED WELLINGTON CITY DISTRICT PLAN

Councils are required to undertake a review of their district plan every 10 years. The Planning for Growth Project was implemented in 2017 by Wellington City Council which involved development of a spatial plan setting out a vision of how the City will grow in the next 30 years which has fed into a full review of the District Plan.

Consultation on the draft District Plan closed in December 2021 and the formal statutory phase has commenced whereby the new proposed District Plan has been notified in July 2022 and the submission period ends September 2022.

As of 18 July 2022, the Proposed District Plan contains rules with immediate legal effect that apply in addition to the rules in the Operative District Plan within the following chapters.

- Ecosystems and Indigenous Biodiversity;
- Historic Heritage;
- Sites and Areas of Significance to Māori;
- Infrastructure;
- Renewable Electricity Generation;
- Signs;
- Subdivision;
- Earthworks; and
- Medium Density Residential Standards.

Under the proposed District Plan the airport zones objectives are:

Proposed Zoning:

The main airport land zoning changes to Special Purpose Airport Zone and Natural Open Space Zone.

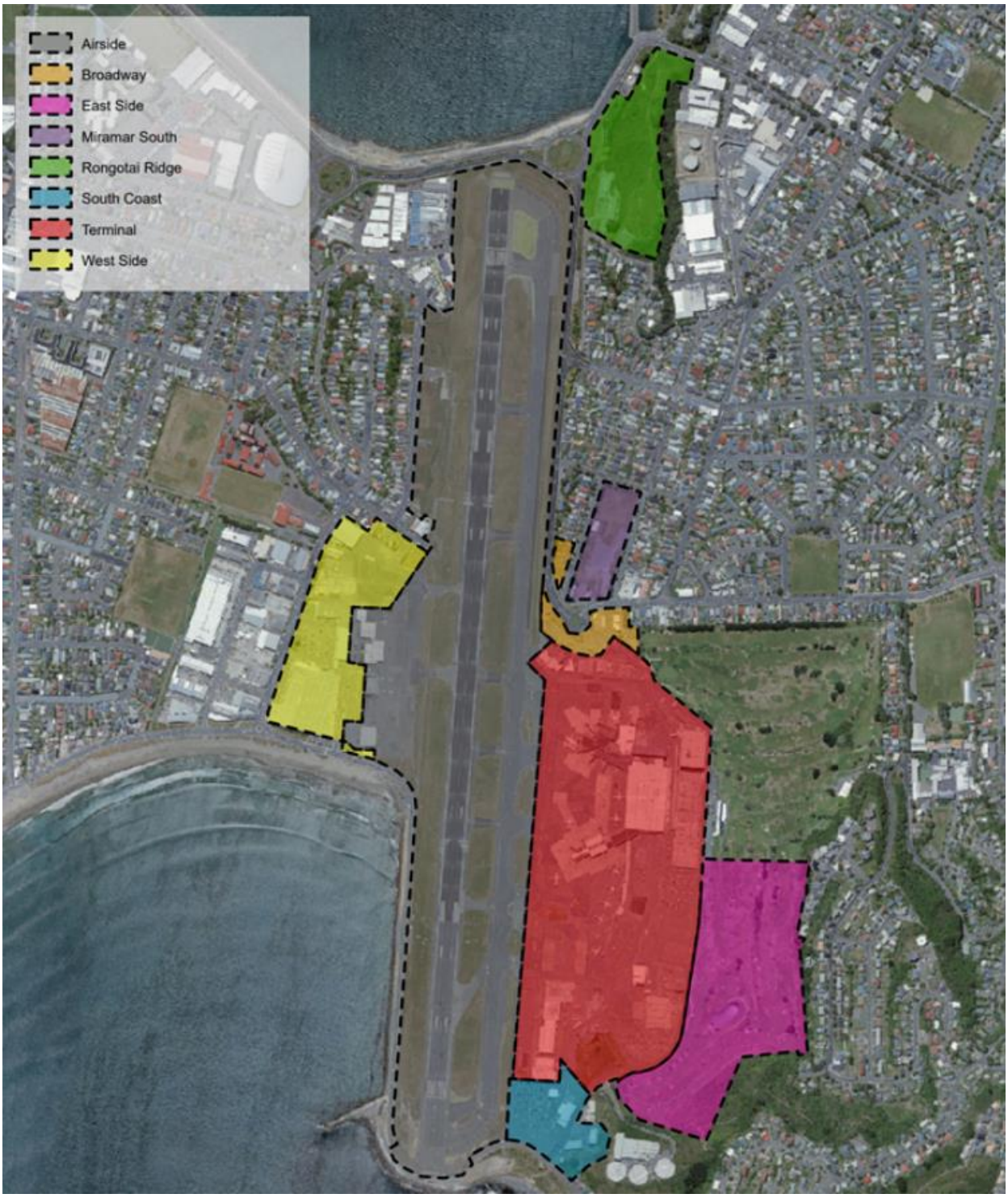
The balance of the existing Outer Residential land will be rezoned to Medium Density Residential zone.

Special Purpose Airport Zone:

Under the proposed district plan there will be six precincts are physically contiguous and identified below as:

- Terminal Precinct: For passengers, the Terminal Precinct is the Airport's heart. It comprises the main passenger terminal, access and roading, car parking, and commercial and passenger support services including visitor accommodation and conference facilities. It also contains airside airport facilities such as hangars, aircraft parking stands, and aviation support facilities.

- Airside Precinct: The Airside Precinct comprises the runway, north-south taxiways, and associated aprons.
- East Side Precinct At the date of District Plan notification (18 July 2022), the East Side Precinct is used as the southern part of Miramar Golf Course. It will continue to be used as such, until growth in air traffic necessitates its redevelopment for aircraft parking / taxiing. The redevelopment may occur in stages. Until it is fully developed, the precinct may also be used for the temporary relocation of parking where it is displaced by construction activity in other parts of the Airport. The precinct will be largely free of buildings and commercial signage.
- The West Side Precinct includes the Airport Retail Park on the eastern side of Tirangi Road. It comprises mainly commercial uses and associated parking. It also includes the Airport's flight control tower, fire station, and some aircraft hangars. Urban design 'edge effects' are an important consideration where the land faces adjacent residential zoned land. The precinct is a valuable resource for the Airport, providing a source of income from ground leases which help to support other aspects of the business. In the long term, the land may potentially be used for Airport operational purposes.
- The Broadway Precinct is located at the entrance 'gateway' to the Airport. Although much of the nearby area is zoned for residential use, the Broadway Precinct is a 'transitional' location with a mix of land uses. Together with the Miramar South Precinct, it forms an important 'gateway' to both the Airport and suburbs to the east.
- The South Coast Precinct fronts the southern coastline and shares a short section of boundary with adjacent residential land. It also abuts land occupied by the Moa Point wastewater treatment plant which is subject to Designation WCC6. The Airport's 2040 masterplan identifies the precinct as the location of a multi-user freight facility.
- The Rongotai Ridge Precinct comprises land located between Wexford Road and Miramar Avenue and is physically separate from other precincts of the 'Main Site'. The upper (ridge) part of the precinct has an existing commercial building used for non-Airport purposes but most of the area is predominantly open space. Any further development in the precinct is constrained by the obstacle limitation surface (OLS) designation (WIAL1) which precludes most potential development opportunities.
- Miramar South Precinct: Most of the Miramar South Precinct was previously the site of Miramar South School. The precinct is subject to a designation (WIAL2) to allow the development of support services to the Airport, including flight catering, rental car operations, and freight operations. At its Broadway end, the Miramar South Precinct forms an important 'gateway' to both the Airport and suburbs to the east.



Proposed District Plan Objectives:

The airport operations continue to be preserved recognising its ongoing use as a locally and regionally significant infrastructure:

- Facilitating development within the airport zone reflecting its use.
- Managing related and non-related airport activities.
- Managing adverse effects generated by activities.
- Managing activities to contribute to carbon neutrality.
- Support the airports resilience.

Permitted Uses:	A range of uses is permitted to support the transport of people and cargo by aircraft and any ancillary activity or service that provides essential support to that function. In order to undertake development various standards must be met in relation to heights, setbacks, building sizes, heights, site coverage etc. In addition commercial retail and access restrictions apply in relation to Miramar South precinct: ■ Miramar South precinct where activities shall be limited to flight catering, rental car operations, freight, ground service equipment storage and associated carparking etc. ■ Retail activities, restaurants etc. shall be located within the Terminal Precinct ■ Vehicle access shall not be provided from Broadway or Rongotai Ridge precincts across the Calabar Road/SH1 frontage. ■ While ancillary retail in the Miramar South and South Coast precinct is permitted, it shall not exceed 10% of gross floor of all buildings in either precinct.
Natural Open Space Zoning:	The purpose of the Natural Open Space Zone is to recognise and provide for open spaces that contain high natural, ecological, landscape and historic heritage values. A low level of development and built form is anticipated to protect the existing values, with buildings, structures, and roads principally accessory to informal recreation and conservation activities. In assessing resource consent applications required under the District Plan, the Council will have regard to the relevant reserve management plan for the area.
Medium Density Residential Zoning:	The Outer Residential Zoned land will change to the Medium Density Residential Zoning. This zone comprises predominantly residential activities with a moderate concentration and bulk of buildings, such as detached, semi-detached and terraced housing, low-rise apartments and other compatible activities. Permitted activities include no more than three residential units, home businesses, support residential activities (up to 10 residents), boarding houses (up to 10 residents) and child care centres (up to 10 children). Higher density housing, larger visitor accommodation and retirement villages can also be developed if certain performance criteria can be met. Where no more than three retail units occupy the site, structures must not exceed 11 metres and a maximum building site coverage of 50% applies.
Site Controls, Overlays & Designations:	Airport related designations and overlays apply to the site which relate to the land uses as an airport including for air-noise, runway safety etc.

Coastal Environment overlay to manage the effects of activities and development on the landward extent of the coastal environment

Risk overlays apply to identify and manage flooding, inundation, tsunami, and liquefaction risks noting that a large proportion of the main airport site is subject to a Low Coastal Tsunami Hazard while a small proportion is subject to a Medium Coastal tsunami hazard. Parts of the site have also been identified as having an inundation hazard and liquefaction hazards

Parts of the site has also been identified as a site of significance to Māori and Natural Environment Values but these make up an insignificant proportion of the site or are located on existing reserve land.

3 ASSET OVERVIEW

3.1.1 LAND

WIAL's land interest comprises circa 130 ha of land and is predominantly level comprising a mixture of reclaimed and naturally formed land

For the purposes of this assessment, we have excluded areas that are not classified as directly providing airport services which is summarised below and then made an additional adjustment for areas detailed in the following Boffa Miskell Alternative Land Use plan (see Section 5.1) which essentially non-saleable under an alternative use scenario (i.e. areas proposed to be used for roads, parks etc.):

NET LAND AREA ANALYSIS

	Ha.
Total Landholding	130.02
Less:	
Moa Point Residential	0.97
Moa Point Reserve Land	1.90
WANT Land	0.26
Investment Property	5.09
Leasehold Land Interests	1.73
	9.95
Boffa Miskell Land Use Plan Area	**120.30**
Less Non-RAB land	16.85
MVAU Area to provide Airport Services:	**103.45**
Less:	
Roads	20.66
Open/Space/Reserves	15.83
	36.50
Net Development Land Area	**66.95**

We note that the WANT properties are valued separately and therefore excluded from the 103.45 ha MVAU area.

NB: We note there is a small variance between the actual title areas and those adopted by Boffa Miskell within their 2022 Masterplan. We have been advised this is due to rounding variations between the title and GIS data. Our valuation is made on these basis of the adopted areas as detailed within our valuation methodology and reserve the right to review our valuation if the areas are found to vary materially.

A plan of the main WIAL owned land is shown below. As it dates from 2020 it excludes any assets acquired since including the southern portion of the Miramar Golf Course:

4 METHODOLOGY & APPROACH

The main approach to value is utilising the Market Value Alternative Use (MVAU). MVAU takes into account the likely use of the land assuming the airport is not on-site. It is considered to represent the Highest and Best Alternative Use (H&BAU) and reflects the requirements set out by the Commerce Commission in that it must be:

- Physically possible;
- Appropriately justified;
- Legally permissible; and
- Financially feasible.

Under the MVAU, the underlying land block value is assessed assuming the most likely use of the land assessed on a Notional Subdivision and/or Discounted Cashflow Approach to assess a Market Value Alternative Use (MVAU).

The approach to assessment of MVAU has been prepared in keeping with the Commerce Commission of New Zealand's – Airport Services Input Methodologies Determination 2010 Consolidating all amendments as of 20 December 2016 and in particular – Schedule A Airport Land Valuation Methodology.

We confirm the valuation has been prepared in keeping with Schedule A;

1. In undertaking an MVAU valuation the valuer must make the special assumption set out in Clause A4.
2. The valuer must disclose in the valuation report how they determined the special assumptions for land zoning and the likelihood, timing and costs (both direct and indirect if any), of moving the special assumption for land zoning to the zoning required for the development of the land in its highest and best alternative use.
3. The valuer may rely on evidence of sales of land as comparable market based data only to the extent the sales were unaffected by the supply of specified airport services.
4. The valuer may rely on evidence of sales of land to, or by, the airport only to the extent the transactions in question:
    a. occurred on an arm's length basis; and
    b. the price and other terms of the sales were unaffected by the supply of specified airport services.
5. The valuer must assume an orderly sale of the aggregated land (in economically manageable parcels) over such time as would likely be needed to achieve the highest and best alterative use of the land.
6. The valuer must give consideration to the physical characteristics of the land (including contiguity), existing title and easements arrangements, zoning, any other restrictions or impediments, and adjoining land uses, when determining the highest and best use, so as to maximise the value in the land's alternative use and market value.
7. The valuer must disclose all material assumptions and special assumptions made in undertaking the MVAU valuation in the valuation report.

8. The valuer must include or attach to the valuation report any expert opinion obtained by the valuer in accordance with Subclause A2(5)(d).

4.1 SPECIAL ASSUMPTIONS

Special assumptions set out in the Schedule and complied with in preparing our MVAU valuation include:

1. The land must be valued as an aggregated parcel (which may be made up of multiple titles) of a size equal to that attributed to the supply of specified airport services.
2. The land must be assumed to be notionally vacant and clear of airport related improvements.
3. The land zoning must be assumed to be the zoning that is most likely to apply if the airport did not exist.
4. The land zoning most likely to apply if the airport did not exist must be determined by having regard to:
    a. The current zoning (other than zoning for aeronautical services or zoning influenced by the airport);
    b. The existing zoning of the land surrounding the airport;
    c. The zoning that applied prior to the land being zoned for aeronautical services; and
    d. Any other relevant matters including:
        i. The physical features of the land;
        ii. Local authority planning objectives and policies, including consistency with regional policy directions;
        iii. Likely permissibility under the Resource Management Act 1991 and any other statutory or regulatory requirements or considerations.
5. Relevant development costs, including construction costs, holding costs and the developer's or investor's profit and risk, must be included in the MVAU valuation.
6. The costs of converting the land to an airport must be excluded from the MVAU valuation, including:
    a. Costs of resources for airport development;
    b. Holding costs during airport development;
    c. Costs of earthworks necessary for the formation to the level airport platform;
    d. Costs of any land reclamation or dredging;
    e. Costs of seawall or other coastal protection systems;
    f. Costs of airport specific drainage systems, including retention ponds;
    g. Professional fees, including those for surveyors, engineers and planners with respect to the abovementioned activities; and
    h. Any other costs incurred in the conversion of land to provide aeronautical services.

7. Costs of remediation or demolition expenditure must be excluded from the MVAU valuation, including the costs of:

   a) Demolition crushing and removal of concreted and sealed surfaces including runways, taxiways, aprons, roading, kerbs and channels;

   b) Demolition of debris removal of airport-specific buildings and structures including runways, taxiways, aprons, roading, kerbs and channels;

   c) Removing above and below ground utilities, including pipelines and cabling required for airport specific activities like fuel pipelines, tanks, runway drainage and lighting and approach lighting; and

   d) Clean up of potential site contamination, including contamination occurring through aircraft and maintenance operations by spills or aircraft and vehicle fuels, paints/solvents, fire-fighting foams, underground and above ground storage tanks, radioactive materials, asbestos, PCBs, pesticides and herbicides or battery acids, or through the operation or waste disposal facilities, vehicle storage, dredging operations, building construction and underground and above ground utility lines/pipes.

   e) Seawalls and reclamation area assumed to be subsumed into the land value and the land is treated as firm natural ground suitable for development.

4.2 VALUATION APPROACHES/METHODOLOGY

Traditional development valuation methodologies are detailed below:

- The Sales Comparison Method whereby recent sales of block land, preferably of similar potential and characteristics in terms of size, average lot realisation values and development costs are compared to the subject. Adjustments are then made to reflect the individual characteristics of the subject property. It is this method that land valuation case precedents have found is the best evidence of market value, however finding directly comparable sales of large blocks with similar characteristics can be difficult.
- Residual feasibility approaches illustrate the amount a purchaser could reasonably afford to pay for the land subject to the revenue and costs associated with a proposed development. In the case of land with subdivisional potential two approaches are often applied, discounted cashflow approach.
  - The Discounted Cashflow Method sets out the periodic cashflows of revenue from section (or improved) sales and the expenditure from development. The net cashflow is then discounted back to present day at an appropriate rate of return (or discount rate) to furnish a current market value. This is effectively the price that the developer can afford to pay and meet the required return relative to the risk perception. This method is more suited for larger scale projects which will be completed in multiple stages over an extended timeframe.
  - The Static Hypothetical Subdivision Approach is somewhat more simplistic than the Discounted Cashflow It is in essence a static model which seeks to determine a residual land value a prudent purchaser would expect to pay for the land in its current state having regard to the costs and risks associated with development and profit. This methodology has historically been widely accepted, however does not adequately allow for timing and holding costs associated with larger subdivisions that would extend through several stages of development. Given the scale and timeframe of the development of large parcels, this approach is sometimes undertaken on a staged basis and then

deferred for an appropriate period depending on the expected timeframe for the land to be developed (known as the Deferred Hypothetical Subdivision Approach.

The approaches adopted for this valuation are the Discounted Cashflow and the (Deferred) Hypothetical Subdivision Approach as we believe that these two approaches address the challenges around the requirement for a long-term development to occur on the land due to the large size of the overall RAB interest.

Our assessment is made on the basis of:

- a freehold titles being available with no registrations that could impact on the value or marketability of the land.
- Its title and land use are not affected by any matter other than detailed within this report.
- Reasonable resources are available in negotiating the prudent sale of the land parcels.
- The property is openly and professionally marketed.

5 MARKET VALUE ALTERNATIVE USE

As previously detailed we have utilised the Market Value Alternative Use (MVAU) approach. Under this approach, we have adopted the following steps:

1. Consider and determine the highest and best alternative use;
2. Consider resource management (including reserve contribution) requirements, amenities in the area, and access to services;
3. Undertake market research and obtain comparable sales to support alternative land uses;
4. For subdivision/residual valuation prepare a land development plan, determine direct and indirect costs to develop the land and determine market demand for the proposed development time period.

Using the above inputs we have then used to calculate the MVAU using our adopted methods detailed in the previous sections.

5.1 BOFFA MISKELL ALTERNATIVE USE PLAN

MVAU takes into account the likely use of the land assuming the airport is not on-site. It is considered to represent the Highest and Best Alternative Use (H&BAU) and reflects the requirements set out by the Commerce Commission in that it must be:

- Physically possible;
- Appropriately justified;
- Legally permissible; and
- Financially feasible.

The initial master plan prepared in 2011 by Boffa Miskell was reviewed and updated in March 2014, and then again in April 2018 to reflect valuation cycles and changes in potential influences that may have come into play in the interim. The updated October 2022 Master Plan similarly reviews the airport land and reflects contemporary changes in the context of the subject land and the extent of the land area itself.

Principal to those changes is the influence of the new Proposed Wellington City District Plan (2022) and the contingent National Policy Statements it reflects in relation to urban development.

The October 2022 Land Use plan state the following in relation to evolution of the document:

"Consideration has been given to the need to revisit this plan in response to any changes in city planning dynamics since 2014. The principal changes are as a result of recent central and local government direction to plan for higher densities and provide for an increased rate of population and household growth in Wellington.

Some of that growth can reasonably be expected to locate at the subject land if it were available to accommodate it. The combinations of density that would enable the most efficient use of this land resource if it became available may also favour higher densities which follows the planning intent towards a more intensified urban form.

In summary, with changes the 2014 master plan remains an appropriate alternative land use for the area. There has been changed to reflect:

- *the influence of coastal inundation on the western lower land area*

- *the additional site area provided for by the golf course*
- *the Proposed District Plan (and attendant national policies) intention for greater utilisation of urban areas"*

The Plan separates the land into various uses and precincts, generally being medium-high density residential, community, open space, commercial/business and retail as detailed below:

The summary of the proposed breakdown of land uses by area is detailed in the in the following Boffa Miskell table:

Key	Typology	2022 gross/ha	WIAL property	WIAL excl investment properties ha
	Metropolitan Centre (6 storey mixed use)	9.1	9.1	8.8
	Business Park	11.3	11.3	11.3
	Large Format Retail	7.6	7.5	3.3
	Community	3.0	3.0	3.0
	Apartments (6 storey residential)	3.8	3.8	3.8
	Apartments (4 storey residential)	20.1	20.1	20.0
	Townhouses (3 storey residential)	33.8	33.8	30.6
	Green in street reserve	3.1	3.1	3.0
	Headland Park	11.7	5.7	5.0
	Public Space / Neighbourhood park	10.0	10.0	9.4
	Roads	22.7	22.6	22.0
	TOTAL	136.2	130.0	120.4

The 130 ha area detailed above includes all airport owned interests including those not included within the RAB including investment property, leasehold interests, various holdings at Moa Point and WANT properties.

The circa 120.4 ha detailed in the above table area calculation excludes these land interests (NB: there is a slight variance in total areas due to rounding).

Commercial land of 16.85 ha which is not included in the RAB has then been removed to calculate the RAB land area of 103.45 ha. Excluding roads, reserves and park areas the net developable area reduces to 66.95 ha which is summarised Section. 3.1.1.

Given the large size of the area to be included within the MVAU assessment, the plan also considers that development may be undertaken by multiple parties and over different stages and therefore the land has been split into seven superblocks/stages which have also been adopted as a development staging plan.

Each lot has also been split by way of land uses within each stage. Timing for the different stages has then been modelled to allow an orderly selldown, with a new stage not being deemed to be ready for sale until absorption of the previous stage is completed (or sufficiently sold down) so as to maintain pricing stability.

This approach also makes a critical assumption that land development will only be undertaken with vertical construction to be undertaken by purchaser of the land.

The Superblock plan and Superblock/stage breakdown as follows:

SUPERBLOCKS (excl investment properties)

Key	Typology	S1a (ha)	S1b (ha)	S2 (ha)	S3 (ha)	S4 (ha)	S5a (ha)	S5b (ha)
	Metropolitan Centre		4.7	2.8	1.4			
	Business Park						0.8	10.5
	Large Format Retail			3.3				
	Community			3.0				
	Apartments (6 storey residential)		1.8		2.0			
	Apartments (4 storey residential)	11.0			4.6	4.4		
	Townhouses (3 storey residential)	7.1	2.5	2.6	4.9	7.8	5.7	
	Green in street reserve	0.3			1.1	0.6	1.0	
	Headland Park			1.1		3.9		
	Public Space / Neighbourhood park	0.4	0.6		1.6	2.8	2.8	1.2
	Roads	2.4	1.5	3.2	3.6	7.4	3.8	0.2
	TOTAL	21.2	11.1	15.9	19.2	26.9	14.1	11.9

5.2 RAB AREA SUMMARY

As Boffa Miskell Masterplan has different land use typologies allocated across each stage, the non-RAB commercial land has been excluded from the various stages as follows:

Land Use	1A.	Adj.	RAB 1A (Ha)	1B.	Adj.	RAB 1B (Ha)	2	Adj.	RAB 2 (Ha)	3	Adj.	RAB 3 (Ha)	4	Adj.	RAB 4 (Ha)	5A	Adj.	RAB 5A (Ha)	5B (Ha)	Adj.	RAB 5B (Ha)	Total Land Area	Saleable Land Area
Metropolitan Centre	-		-	4.65	0.05	**4.60**	2.75		**2.75**	1.40	0.1	**1.35**	-		-	-		-	-		-	8.70	8.70
Business Park	-		-	-		-	-		-	-		-	-		-	0.80		**0.80**	10.50		**10.50**	11.30	11.30
Large Format Retail	-		-	-		-	3.30	0.6	**2.74**	-		-	-		-	-		-	-		-	2.74	2.74
Community	-		-	-		-	3.00		**3.00**	-		-	-		-	-		-	-		-	3.00	3.00
Apartments (6 storey)	-		-	1.80		**1.80**	-		-	2.00	0.8	**1.24**	-		-	-		-	-		-	3.04	3.04
Apartments (4 storey)	11	5.8	**5.16**	0		-	0		-	4.6		**4.60**	4.4		**4.40**	-		-	-		-	14.16	14.16
Townhouses (3 storey)	7.1	0.1	**7.00**	2.5		**2.50**	2.6		**2.60**	4.9	1.0	**3.93**	7.8	2.75	**5.05**	5.7	2.77	**2.93**	-		-	24.02	24.02
Green in street reserve	0.3		**0.30**	0		-	0		-	1.1		**1.10**	0.6		**0.60**	1.0		**1.00**	-		-	3.00	
Headland Park	-		-	-		-	1.10		**1.10**	-		-	3.90		**3.90**	0.0		-	-		-	5.00	
Public Space / Neighbourhood	0.4		**0.40**	0.6		**0.60**	0		-	1.6		**1.60**	2.8		**2.80**	2.8	0.65	**2.15**	1.2	0.92	**0.28**	7.83	
Roads	2.4		**2.40**	1.5		**1.50**	3.2	0.1	**3.08**	3.6	0.2	**3.41**	7.4	0.39	**7.01**	3.8	0.74	**3.06**	0.2		**0.20**	20.66	
Total Gross	**21.20**	**5.9**	**15.26**	**11.05**	**0.05**	**11.00**	**15.95**	**0.7**	**15.27**	**19.20**	**1.97**	**17.23**	**26.90**	**3.1**	**23.76**	**14.10**	**4.2**	**9.95**	**11.90**	**0.9**	**10.98**	**103.45**	
Net Land Area			**12.16**			**8.90**			**11.09**			**11.12**			**9.45**			**3.73**			**10.50**	**66.95**	
Saleable Land Area			**12.16**			**8.90**			**11.09**			**11.12**			**9.45**			**3.73**			**10.50**	**66.95**	**66.95**
Total RAB Adj.		**5.94**			**0.05**			**0.682**			**2.0**			**3.1**			**4.2**			**0.9**		**16.85**	

5.3 PROPERTY ECONOMICS REPORT

We have been provided with a report prepared by Property Economics entitled Wellington Airport Alternative Land Use Economic Assessment dated October 2022. Overall the report indicates that *" the WIAL location offers significant opportunity for the Wellington City (and Regional) market which is likely to be highly sought after."*

We summarise the report further in the following sections:

5.3.1 POPULATION AND HOUSEHOLD ESTIMATES (RESIDENTIAL):

The current population within the primary catchment area for WIAL as of 2021 is approximately 46,170 people containing around 17,240 households based on StatsNZ estimates. This current population is lower than StatsNZ previous (2013-base) medium projections being a reflection of lack of new residential supply being delivered in the catchment rather than low demand.

Wellington City's population under the Sense Partners' medium growth projections is estimated to grow by 31,360 persons or 14.45% which equates to potential demand of 14,215 new dwellings for the 2021-2037 period (1054 dwellings per annum). Under the high growth projection, the potential demand increases to 1,775 dwellings per annum.

Over the same 17-year time horizon (2021 to 2038) the report states that within the primary catchment area the following growth will be sustainable within each of the following property sectors:

5.3.2 RETAIL:

An estimated 44,900 sqm or 41.04% increase of retail accommodation will be sustainable. Under the alternative land use scenario retail allocation is considered by Property Economics to be in the order of 50,000-55,000 sqm of GFA by 2038, requiring the appropriate land allocation considered to be 11-13 ha of developable land.

5.3.3 COMMERCIAL OFFICE:

Commercial office within the WIAL commercial catchment provides for an employment base of approximately 10,670 people. Employment retention in this area is low, with an employment to population ratio of just over 23% retention as compared to Wellington City being nearly 74% retention. This being due to the current catchment not providing an environment in which majority of the residents in this area can work. Increasing retail accommodation as mentioned above will facilitate further amenity.

Adopting a 2-3% of the total Wellington City office market is considered a prudent approach given the wider influence on such a market. Within the alternative land use scenario, a commercial business park has the potential within the next 17 years to generate demand for an additional 47,750-71,740 sqm GFA of commercial office activity resulting in a land requirement of 7-11 ha.

5.3.4 LIGHT INDUSTRIAL:

Property Economics mentions the lack of appropriately located and zoned land in Wellington is a well-documented issue for the city and WIAL catchment. The report recognises that a significant proportion of WIAL land could be rezoned for light industrial activity given the current industrial market demand/supply imbalance throughout the city. This being in the order of around 50 ha based on the level of undersupply. Although, considered more appropriate is a smaller proportion given the high yielding alternative land uses discussed above along with the increasing demand of residential activity in this area.

6 MARKET COMMENTARY

6.1.1 GENERAL

During the period 2020-2021, prime commercial properties were strongly sought after with analysed investment yields at benchmark levels, buoyed in part by the fall of interest rates to record low levels during this period.

Since late 2021, the New Zealand economy had a strong rebound compared to the previous year, mainly due to the Covid-related disruptions that the national economy went through during 2020. However, since the last quarter of 2022, the economic environment in New Zealand has become more nebulous. The adverse effects of rising interest rates, a tight labour market and considerable inflationary pressures started to come through with greater force into the economy. Late last year, the RBNZ took an even more hawkish position to ensure inflation returns to within its target band over the medium term (1.0%-3.0%), despite the risk of forcing the local economy into negative growth territory this year, derived from a reduction in aggregate demand.

The annual inflation rate for the year to December 2022 was 7.2%. On 23 February 2023 the RBNZ increased the OCR by 50 basis points to 4.75% (in January 2022 the OCR was 0.75%). The OCR is currently at its highest level since 2008 and is now forecast to peak at 5.5% during 2023, however expectations remain uncertain particularly in the wake of recent weather events which have impacted the upper North Island in early 2023. The RBNZ is now forecasting that New Zealand will enter recession from mid-2023. This indicates elevated short-term interest rates over the next 12 months. In contrast, bond yields and swap rates could have reached their peak in late 2022, easing through the first half of 2023.

In our view, the market is now in a transitional phase whereby many vendors' expectations are aligned to 2021 pricing levels, yet purchasers are now impacted by interest rates that are significantly higher than those applicable during the same period. Larger scale purchasers who were active in recent times are now largely inactive. This expectation gap has resulted in a significant drop in the volume of commercial property transactions and it may be some time before expectations start to align and transaction volumes increase.

6.1.2 SENTIMENT

After a relatively static period, positive signs in the development land market emerged from late 2019 with increases recorded for both price and selling volumes (excluding months impacted by the nationwide COVID-19 lockdowns), with a marked acceleration in residential pricing since May 2020. The key drivers for these strong conditions from early 2020 to the end of 2021 included record low interest rates, an influx of returning citizens resulting in strong net migration, volatility from other investment alternatives such as the share market and a lack of return from bank deposits. It was apparent that during the second half of 2020 the Reserve Bank was less concerned about the growth effect of record low interest rates and other economic stimuli on the property market, with their view at the time being that it was better to take the risk of over-stimulating the economy rather than under-stimulating it.

In 2022, rising interest rates combined with a tight labour market, supply chain disruption, and building inflationary pressures have become the key issues affecting the property market. Since late 2021 the Reserve Bank has been lifting the Official Cash Rate to combat building inflationary pressures, including those caused by rapid house price growth during 2020 & 2021. Lenders have increased interest rates sharply, with further hikes expected this year.

Furthermore, there has been a material tightening in credit availability since late 2021, due in part to more rigorous lending policies and the amendments to the Credit Contracts and Consumer Finance Act 2003 (CCCFA) which became effective from 1 December 2021. Some changes to the lending regulations have been made (first round of changes came into force in July 2022), with others taking effect in March 2023, with the aim to increase access to home loans.

Residential sales volumes have been steadily decreasing since mid-2021, while prices have generally decreased from the Q4 2021 peak. The gap between Vendor and Purchaser expectations has increased significantly in many markets for both dwellings and development land. As a result, demand for development sites (in particular small scale, secondary/marginal sites) has been significantly impacted, with many remaining on the market for extended periods. There has been a notable increase in mortgagee listings. Some developers have attempted to dispose of blocks rather than develop them as the margins have become tight; however, in many cases offers received for the land are not meeting the developers' expectations. Retirement Village operators appear to the most active purchaser of residential development land.

Purchaser sentiment is closely linked to interest rates and credit availability. Past experience has shown that consumer and investor behaviour can change relatively quickly during periods of heightened volatility.

6.1.3 REGULATORY RESPONSES

In recent years the Government announced several key initiatives to address the perceived housing crisis, particularly within the key urban centres.

In March 2021 the Government announced measures to deter speculative behaviour by investors and to increase housing supply. These include an extension of the bright-line test from 5 years to 10 years (remains at 5 years for 'new builds') and removal of the ability to claim the interest portion of mortgage payments as a tax deduction. Funds were also created to help development vital infrastructure and assist Kainga Ora in acquiring more land for social housing.

A Fast-Track Consenting process was introduced via the COVID-19 Recovery (Fast-Track Consenting) Act 2020 (FTCA), in an effort to reduce consenting times for key projects deemed to boost employment and economic recovery. An Expert Consenting Panel determines applications for resource consent, replacing the role of local authorities. The Act has a 'sunset clause' and will be repealed three years from commencement, on 8 July 2023.

The National Policy Statement on Urban Development (NPS-UD) took effect in August 2020, which directs local authorities to enable greater supply and ensure that planning is responsive to changes in demand, while seeking to ensure that new development meets the diverse needs of communities and encourages well-functioning, liveable urban environments. It also requires councils to remove overly restrictive rules that affect urban development outcomes in main urban centres.

In December 2021 the Resource Management (Enabling Housing Supply and Other Matters) Amendment Act was passed into law which includes new Medium Density Residential Standards (MDRS) which notably will enable three homes of up to three storeys high to be built on most sites, together with a more streamlined planning process and shorter timeframes for local authorities, effectively bringing the NPS-UD forward by one year.

To implement these changes, the Wellington City Council has made changes to the Proposed District Plan with immediate legal effect as of 18 July 2022 incorporating Medium Density Residential Standards to allow up to three 3-storey buildings (11 metres high with an addition of 1 metre for a qualifying pitched roof) to be built on all residential properties as a permitted activity.

In addition, it has to identified urban areas where even taller buildings can be built such as within the city centre, local centres and commercial areas, and within walking distance of the city centre, public transport stops and local centres. Submissions closed on 12 September 2022.

KiwiBuild price caps increased in July 2022, after being set too low for several years. It is expected that this increase will assist developers in accessing funding, due to the underwrite Kainga Ora provides for KiwiBuild stock.

6.2 WELLINGTON REGION RESIDENTIAL OVERVIEW

In the latest monthly property report produced by REINZ, median prices for residential property across New Zealand decreased 12.9%, from $890,000 in March 2022 to $775,000 in March 2023. This represents a 1.3% increase from $765,000 in the month prior.

Across New Zealand, the number of residential property sales decreased annually by 15.0%, from 6915 in March 2022 to 5,877 in March 2023. Nationally, the median number of days to sell a property increased 9 days, from this time last year, to 45 days in March 2023.

The seasonally adjusted figures show a 2.2% decrease in the median price as we moved from February 2023 to March 2023.

REINZ noted, "The weather events of the beginning of year are still being felt in those regions heavily impacted. The market is likely to remain in this phase as New Zealanders wait for peak inflation, a settling in interest rates and some clarity around the possible outcome of the election. That said, with the number of listings continuing to ease, we may start to see the supply/demand balance change in some areas".

The following table shows the most recent residential market statistics, which we understand covers dwellings as well as units/apartments, sourced from REINZ for the major metropolitan areas in the Wellington Region:

REINZ Wellington Region Dwelling Sales Analysis for March 2023

	Median Price			Volume Sold		
	Mar-23	Feb-23	Mar-22	Mar-23	Feb-23	Mar-22
Kapiti Coast District	$750,000	$855,000	$900,000	86	67	82
Porirua	$840,000	$870,000	$1,052,000	48	33	57
Upper Hutt	$705,000	$685,000	$855,000	64	47	55
Hutt Valley	$722,500	$725,000	$911,500	126	100	106
Wellington City	$860,500	$950,000	$1,063,000	204	161	241
Wellington Region	$750,000	$795,000	$937,000	599	464	619
Percentage Change	Vs...	Feb-23	Mar-22	Vs...	Feb-23	Mar-22
Kapiti Coast District		-12.3%	-16.7%		28.4%	4.9%
Porirua		-3.4%	-20.2%		45.5%	-15.8%
Upper Hutt		2.9%	-17.5%		36.2%	16.4%
Hutt Valley		-0.3%	-20.7%		26.0%	18.9%
Wellington City		-9.4%	-19.0%		26.7%	-15.4%
Wellington Region		-5.7%	-20.0%		29.1%	-3.2%

Wellington now has 17 months in a row of being in the bottom two ranked regions for the year-on-year House Price Index (HPI) movement with March seeing the lowest sales count in the region since 2008. Median prices for the Wellington Region decreased 20.0% annually, decreasing 5.7% since February 2023. Wellington City median prices decreased by 9.4% compared to March 2022, similar decreases were generally seen in other areas year-on-year.

The current days to sell increased to 49 days, which is much more than the 10-year average for March of 32 days. There were 16 weeks of inventory in March 2023 which is 1 week less than the same time last year.

REINZ stated that "Most vendors are realistic in their expectations and are only coming onto the market if they need to. Rises to the Official Cash Rate, a fear of the unknown, and the upcoming election seem to be having the most impact on Wellington's market, according to Wellington salespeople".

Sentiment: While affordability and access to finance remain an issue for many, these factors are compounded by rises in mortgage rates, recession fears and high inflation which are also curtailing activity. Vendors are increasingly realistic with their asking prices, however, demand remains dampened due to mortgage rates and continued affordability concerns.

Competitive Supply: In recent years within Wellington, developments have become more prominent, as developers could not previously keep up with demand. Most new developments in established areas are higher density sold as developed units, terraced houses and townhouses rather than vacant sections. Developable land has been relatively scarce within central Wellington and prices have seen strong growth. Many property developers moved business to the Hutt region and furthermore the Kapiti Coast area due to affordability and profitability potential. The opening of transmission gully has compounded this.

However, in December 2021 the Resource Management (Enabling Housing Supply and Other Matters) Amendment Act was passed into law which includes new Medium Density Residential Standards (MDRS) which notably will enable three homes of up to three storeys high to be built on most sites, together with a more streamlined planning process and shorter timeframes for local authorities, effectively bringing the NPS-UD forward by one year.

Consultation on the Wellington City Council draft District Plan closed in December 2021 and the formal statutory phase commenced whereby the new proposed District Plan being notified in July 2022 with the submission period ending in September 2022. From 18 July 2022, the Proposed District Plan contained rules with immediate legal effect that apply in addition to the rules in the Operative District Plan within various chapters including but not limited to: Medium Density Residential Standards.

In response to the above there has been wider high density residential development through the Wellington region which has significantly reduced the demand shortage. Furthermore we note throughout 2022 and now 2023 inflationary pressure and interest rates have hampered demand.

6.2.1 COMPETITION

We have considered the competition that the subject property will potentially have in the locality and wider Wellington Region, under the Alternative Land Use basis.

Most of the region's growth has been to the north of Wellington City in Churton Park, Porirua, Upper Hutt and the Kapiti Coast. We summarise significant developments as follows:

- Within Shelly Bay, a short distance to the north of the airport, a circa 350-unit development is proposed by The Wellington Company. While work has commenced, no units have yet been released for sale.
- In addition Mt Crawford on the Miramar Peninsula is also being considered for housing however there are no firm plans at this stage.
- On the northern periphery of Wellington City, development is approaching its last stages at Churton Park, while there are ongoing stages around Grenada Village.
- On a larger scale, the proposed Lincolnshire Farm development providing circa 2,000 lots was earmarked for Horokiwi, however this is likely to be delayed as it requires the Takapu Valley – Lower Hutt bypass to be built. Funding is not due to be considered until 2028.
- Many of the larger local developments within Porirua such as The Lakes, Duck Creek, and Carrus Corporation's 1,170 lot Aotea subdivision are nearing completion. There is a small number of circa 30 to 60 lot subdivisions underway around the Transmission Gully entry points.
- The other major development in Porirua is the Ngati Toa's development at Kenepuru Landing which will ultimately contain ~900 dwellings. It is unclear how much of the remaining stock will be offered to the market. Finally, there is also a significant upgrade of the Housing NZ stock in eastern Porirua / Cannons Creek.
- Plimmerton Farm is also earmarked for significant development providing for a total estimated yield of 2,500 dwellings after a plan change was signed-off in February 2021. Development is expected to be undertaken over a 15 – 20-year timeframe, however a release of lots for sale is still expected to be some 5 – 7 years away.
- Within Upper Hutt, the 62 ha, 700 section Wallaceville Estate commenced development in 2016 with a projected development timeline of 15 years however it is now anticipated to be completed in the next 4 – 5 years. The completed product has been mostly duplex/terrace house typologies.
- Based on studies in both Upper Hutt and Porirua which are at the forefront of greenfields development, there is only limited supply of sections in at around 50 sites in each District compared to a more historical average of section availability levels at around 150 to 200 in each District. It is unclear how this will change with the market downturn

7 MARKET ABSORPTION ANALYSIS

A key driver of the market value of development land is the timing of initial outlay to enable subdivision and sell down to provide revenue. Valuations using the residual methodology (in this case the Discounted Cash Flow Approach) are especially sensitive to the adopted timing of sell down, which requires us to have regard to the market's ability to absorb developed product such as residential dwellings or sections.

Based on other projects, development rate depends on the localised demand and stock available, availability of construction resources, availability of debt, the resources of the developers and complexity of the project.

We have considered absorption under the following bases:

- Comparable sale volume analysis
- Implied demographic demand analysis
- Building Consent Analysis

7.1.1 COMPARABLE SALES VOLUME ANALYSIS

This approach considers development and sell down rates of greenfield developments for other developments in the Wellington region. Some case studies are summarised as follows:

- Kenepuru Landing in Porirua has been producing approximately 120 sites per year. We note most of these have been medium density housing albeit with later stages now moving more toward higher density outcomes. The first two stages of this project (~270 lots) were sold down in less than 2 years, with recent sales of terrace house product at circa $1 million. It is anticipated that this will slow down with the market downturn.
- The large 1,170 site Carrus subdivision at Aotea has been producing around 60 to 100 lots per year in 2-3 stages (15 – 25 per quarter).
- The large development at Churton Park (south of Tawa in Wellington) has been producing and selling between 60 to 70 lots per year in 2 stages equating to 15 – 18 per quarter.
- Wallaceville in Upper Hutt has been producing and selling between 60 to 80 per year (15 – 20 per quarter), generally in 2 stages.

7.1.2 IMPLIED DEMOGRAPHIC DEMAND ANALYSIS

Under this analysis it is assumed that there is a positive correlation between population growth and housing demand (i.e. more houses will be required as the population grows).

We have been provided with a Property Economics report which also provides a different insight into potential demand for residential dwellings in the future. A full copy of this has been appended however in summary:

Two forecasts for the anticipated required growth in the number of dwellings Wellington City have been provided:

- Median projection which anticipates an additional 31,360 people requiring 17,920 dwellings or 1,054 dwellings per annum for the 2021-2038 period.

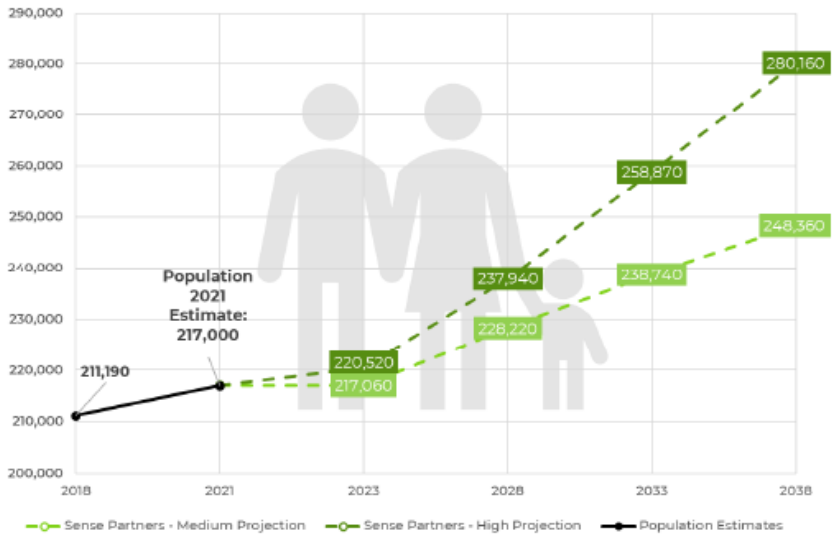
- High projection which anticipates an additional 63,160 people requiring 30,175 new dwellings equating to 1,775 dwellings per annum for the 2021-2038 period.

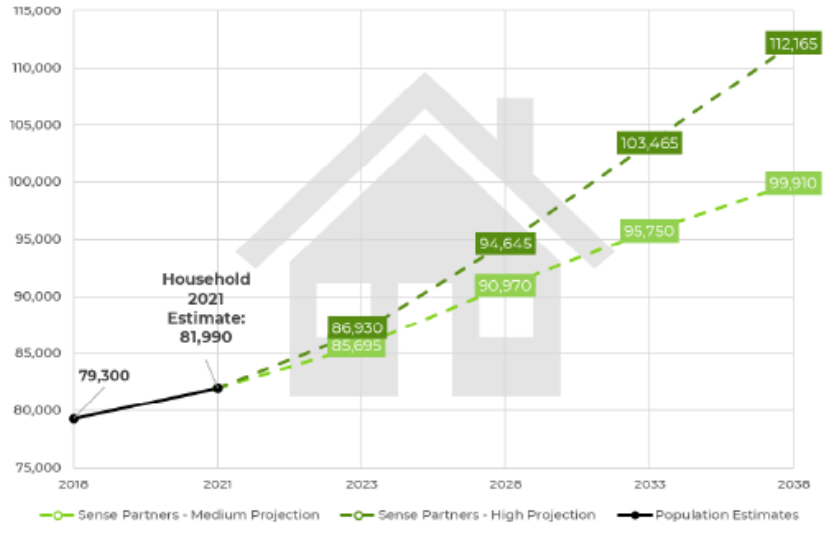
Property Economics consider that with the directive from government within the National Policy Statement on Urban Development 2020 (NPS-UD) and National Policy Statement on Highly Productive Land 2022 encouraging intensification across tier 1 and 2 urban environments, the High population projection should be adopted.

It is important to note that it is anticipated that a significant proportion of the potential demand would be met by the LGWM initiative which includes increasing density within central Wellington and along the transportation routes.

The Property Economics forecasts are summarised as follows:

FIGURE 3: WELLINGTON CITY POPULATION AND HOUSEHOLD ESTIMATES AND FORECASTS





Source: Stats NZ, Sense Partners

7.1.3 BUILDING CONSENTS VOLUMES

We have analysed the quantity of new building consents for dwelling units, townhouses, flats, apartments and retirement village units within the Wellington region. Generally growth has been strong over the analysed period given increased population growth throughout the region among other factors.

The below table compares new building consents within the Wellington region and Wellington City. New building consents within the Wellington region have generally increased from 2012 to 2021, with the largest increase seen in 2018 by 35%, in 2021 there were 7,084 new building consents. Wellington City captures a large portion of new building consents which is likely due to the large amounts of apartment development occurring in the region, although in 2020 and 2021 this has been less prominent following high growth in the other areas.

New Building Consents											
Area	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Average/ Annum**
Wellington City Council	1,202	1,499	1,269	1,445	1,817	2,028	2,467	3,441	3,006	2,270	2,044
% Change	-	25%	-15%	14%	26%	12%	22%	39%	-13%	-24%	9%
Wellington Region	2775	3015	3709	3553	4150	4721	6357	5736	7082	7084	4,818
% Change	-	9%	23%	-4%	17%	14%	35%	-10%	23%	0%	12%
% Captured by WCC	-	50%	34%	41%	44%	43%	39%	60%	42%	32%	43%

Looking at the number of new dwelling consents within the Wellington City there were 960 in 2021 and 876 over the first 9 months of 2022. 2019 reached the highest number of consents over the last 10 years.

Demand towards apartments, townhouses and units continues to be similar to standalone housing in Wellington City, this is expected to be more popular given the new District Plan allowing for higher density development as mentioned in Section 3.

8 DEFERRED HYPOTHETICAL SUBDIVISION APPROACH

We have undertaken a Hypothetical Subdivision Approach which is a residual based valuation methodology. It is a static model which seeks to determine a residual land value that a prudent purchaser could be expected to pay for the property in its current state having regard to the costs and risks associated with development and profit.

This methodology has historically been widely accepted, however does not adequately allow for timing and holding costs associated with larger subdivisions that would extend through several stages of development.

To better reflect these timing issues, this approach is undertaken on a staged basis and then deferred for an appropriate period depending on the estimated timeframe for the land to be developed.

8.1.1 GROSS REALISATIONS

We have been provided with indicative densities for each area which have been used to calculate potential densities under each land use typology.

As the provided development cost estimate (detailed within the following section) only takes into account the works to complete the Boffa Miskell Masterplan and does not take into account specific costs to develop smaller superlots (e.g. minor roads, accessways, extended services etc.) our valuation is made on the basis of developing and selling down larger "raw" land blocks.

Residential

Under the Alternative Use Plan, Boffa Miskell have indicated the following residential typologies and densities for residential land:

- Townhouses up to 3 storeys: Average dwellings per hectare of 60 which equates to a land area per dwelling of 167 sqm.
- Residential Apartments up to 4 storeys: Average dwellings per ha of 75 which equates to a land area per dwelling of 133 sqm.
- Residential apartments up to 6 storeys: Average dwellings per ha of 95 dwellings per ha equating to a land area of per unit of 105 sqm.
- Metropolitan Centre Mixed: High density apartments situated above ground floor retail or community uses with an average density of 110 dwellings per ha.

Non-Residential Lots:

For the non-residential blocks we have estimated average block sizes based on their proposed lay-out within the Boffa Miskell Plan.

Our adopted land value rates and gross realisations (plus GST) are summarised in the following table:

Land Use	Adopted Rate ($psm)	Total No. Lots	Av. Lot Size	Average Lot (Per Lot)	Total Saleable (ha)	Total Value (Plus GST, If Any)
Metropolitan Centre	$1,750	7	12,425 sqm	$21,743,723	8.70	$152,206,058
Business Park	$1,450	8	14,125 sqm	$20,481,250	11.30	$163,850,000
Large Format Retail	$1,450	2	13,678 sqm	$19,833,704	2.74	$39,667,407
Community	$1,450	2	15,000 sqm	$21,750,000	3.00	$43,500,000
Apartments (6 storey)	$1,200	4	7,599 sqm	$9,119,334	3.04	$36,477,335
Apartments (4 storey)	$1,100	17	8,329 sqm	$9,161,380	14.16	$155,743,456
Townhouses (3 storey)	$1,100	26	9,239 sqm	$10,163,245	24.02	$264,244,366
TOTAL GR		**66**	**10,144 sqm**	**$12,964,979**	**66.95**	**$855,688,623**

In establishing these rates we have had regard to market transactions from around the Wellington Region and across New Zealand for commercial, residential and industrial land sales, these are appended to this report.

8.1.2 DEVELOPMENT COSTS & DEVELOPMENT CONTRIBUTIONS:

We have been provided with estimated development costs as prepared by WSP Consultants. The cost of $150,567,800 to apply to the larger 120.3 ha land included within the Boffa Miskell Masterplan.

The costs only relate to development of main infrastructure, public realm and roads to accommodate the potential densities and land uses detailed by Boffa Miskell in their land use plan. They do not take into account costs to further develop the larger raw blocks in to smaller superlots or individual residential sites which would require additional costs for minor roads, accessways, extended services etc.

These costs to apply the land including the commercial property

- Development on costs of 14% for professional fees and 20% for contingencies and costs not directly accounted for.
- Development levies of 7% of the capital development costs.
- No allowance has been made for cost of obtaining resource consents as WSP have assumed that the whole development would be covered by a plan change. We have included a high-level assumption of $50,000 per stage for subdivision consent fees.

We have applied these costs generally on a pro-rata basis however we have not adjusted the subdivision consent costs as these are fixed.

We have summarised the costs and their timing in the following table:

Cost Component	Stage 1A	Stage 1B	Stage 2	Stage 3	Stage 4	Stage 5A	Stage 5B	Total
Headland Park	-	-	$141,504	-	$501,696	-	-	$643,200
Neighbourhood Open Space	$98,451	$147,677	-	$393,804	$689,157	$531,909	$71,279	$1,932,277
Roads, pavements	$5,545,367	$3,996,028	$5,547,185	$6,261,072	$8,631,943	$3,614,699	$3,988,421	$37,584,714
Water, Wastewater & Stormwater Mains	$8,141,757	$5,867,003	$8,144,426	$9,192,560	$12,673,494	$5,307,132	$5,855,834	$55,182,206
Telecom, Gas and Electricity	$2,602,480	$1,875,364	$2,603,333	$2,938,365	$4,051,031	$1,696,403	$1,871,794	$17,638,768
Site Preparation	$1,188,955	$856,768	$1,189,344	$1,342,405	$1,850,732	$775,010	$855,137	$8,058,351
Development Levies	$1,249,728	$900,562	$1,250,138	$1,411,022	$1,945,332	$814,624	$898,848	$8,470,255
Subdivision Consent Fees	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$350,000
Total	**$18,876,737**	**$13,693,401**	**$18,925,930**	**$21,589,229**	**$30,393,385**	**$12,789,777**	**$13,591,312**	**$129,859,771**

We note that we are not cost experts and reserve the right review our valuation if more detailed estimates are available.

8.1.3 PROFIT & RISK

The profit and risk percentage equates to that quantum of monies that a developer would require to compensate for time expended and skill in undertaking the development along with a level of contingency able to absorb unforeseen development costs/additional expenditure. The level of profit and risk is therefore dependent upon the risks associated with the proposed development.

In most instances, developments of a comparable scale attract a profit and risk factor of between 20% - 35% on a raw, undeveloped basis, dependent upon whether Resource Consent is already held or not.

Overall, we consider an appropriate allowance for profit and risk to be toward the upper end of the spectrum, at 25.0% of total development outlay, given the scale of the project, staged nature and selldown timing.

8.1.4 DEVELOPMENT TIMEFRAME

We have adopted an average absorption rate of around four blocks per annum over a circa 15.25 year development horizon.

This is based on Boffa Miskell's indicated midpoint yield estimate of circa 3,000 units to be potentially developed being absorbed at around 200 units per annum noting that different typologies can be absorbed concurrently given they have different price points applying to different market segments.

This absorption rate equates circa 10 – 20% of the potential demand for Wellington City for the 2021 - 2038 forecast as detailed within the appended Property Economics report which we believe is reasonable.

8.1.5 HOLDING COSTS

We have estimated notional holding costs associated with the opportunity cost of capital by applying a rate of 7.00% per annum across the land and construction components. This also assumes that the land purchase is 50% debt funded, while construction cost is 100% debt funded.

Additional allowances have been included for rates payable for the development title and once individual titles are issued for each lot.

8.1.6 DEFERRED HYPOTHETICAL SUBDIVISION VALUATION & SUMMARY

Under the deferred hypothetical land value approach, we have assessed a value of $296,500,000 which is calculated as follows:

Deferred Hypothetical Subdivision Approach - RAB

Stage	Assumption		Stage RAB 1A	Stage RAB 1B	Stage RAB 2	Stage RAB 3	Stage RAB 4	Stage RAB 5A	Stage RAB 5B	Total
Gross Realisation										
Saleable Black Land Area		ha	*12.1632*	*8.8987*	*11.0857*	*11.1225*	*9.4515*	*3.7321*	*10.5000*	*66.9537*
No. of Lots			9	11	8	10	17	4	7	66
Average Land Rate ($psm)		$ psm	$1,100	$1,456	$1,442	$1,190	$1,100	$1,175	$1,450	$1,278
Total Gross Realisation (plus GST)		$000	$133,795	$129,578	$159,892	$132,355	$103,966	$43,853	$152,250	$855,689
Selling Costs										
Agency Commissions	1.75% of GR	$000	$2,341	$2,268	$2,798	$2,316	$1,819	$767	$2,664	$14,975
Marketing Fees	$25,000 per lot	$000	$225	$275	$200	$250	$425	$100	$175	$1,650
Legal Fees	$5,000 per lot	$000	$45	$55	$40	$50	$85	$20	$35	$330
NET REALISATION		$000	**$131,184**	**$126,980**	**$156,854**	**$129,738**	**$101,637**	**$42,965**	**$149,376**	**$838,734**
Less: Profit & Risk	% on outlay	%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	
		$000	$26,237	$25,396	$31,371	$25,948	$20,327	$8,593	$29,875	$167,747
OUTLAY		$000	**$104,947**	**$101,584**	**$125,483**	**$103,791**	**$81,309**	**$34,372**	**$119,501**	**$670,987**
Development Costs										
Gross Land Area (ha)		ha	*15.2632*	*10.9987*	*15.2682*	*17.2331*	*23.7587*	*9.9492*	*10.9778*	*103.4489*
Total Development Costs		$000	$18,877	$13,693	$18,926	$21,589	$30,393	$12,790	$13,591	$129,860
Holding Costs										
Sell down		years	2.00	2.25	2.00	2.75	3.00	1.50	1.75	
Adopted Rate			7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	
% of Debt Funding - Land			50%	50%	50%	50%	50%	50%	50%	
% of Debt Funding - Construction			100%	100%	100%	100%	100%	100%	100%	
Financing - Land		$000	$2,966	$3,418	$3,683	$3,856	$2,506	$549	$3,218	$20,196
Financing - Construction		$000	$1,321	$1,078	$1,325	$2,078	$3,191	$671	$832	$10,498
Finance Cost		$000	$4,288	$4,497	$5,008	$5,934	$5,697	$1,220	$4,050	$30,694
Rates (Existing Development Title)	pro-rata	$000	$153	$111	$153	$242	$287	$80	$88	$1,115
Rates Contingency (Completed blocks)	$30,000 per lot	$000	$101	$165	$90	$150	$383	$30	$79	$998
Adopted Holding Costs		$000	$4,542	$4,772	$5,251	$6,326	$6,366	$1,330	$4,217	$32,806
TOTAL COSTS		$000	**$23,419**	**$18,466**	**$24,177**	**$27,916**	**$36,759**	**$14,120**	**$17,809**	**$162,666**
INDICATED RESIDUAL VALUE		$000	**$81,528**	**$83,119**	**$101,306**	**$75,875**	**$44,550**	**$20,252**	**$101,692**	**$508,322**
Rate per sqm (Gross) - prior to deferral		$ psm	*$534*	*$756*	*$664*	*$440*	*$188*	*$204*	*$926*	*$491*
Rate per sqm (Net) - prior to deferral		$ psm	*$560*	*$799*	*$715*	*$522*	*$271*	*$298*	*$950*	*$580*
Deferral Calculation										
CBRE Assumed Deferral		years	0.50	2.75	5.00	6.50	9.25	12.75	14.00	
CBRE Assumed Start Date			Oct-23	Jan-26	Apr-28	Oct-29	Jul-32	Jan-36	Apr-37	
Deferral Rate		%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	
MARKET VALUE (plus GST, if any)		**$000**	**$77,734**	**$63,954**	**$62,903**	**$40,836**	**$18,449**	**$6,008**	**$26,779**	**$296,662**
Rate per sqm (Gross)		$ psm	*$509*	*$581*	*$412*	*$237*	*$78*	*$60*	*$244*	*$287*
Rate per sqm (Net)		$ psm	*$534*	*$615*	*$444*	*$281*	*$112*	*$88*	*$250*	*$339*
									INDICATED MARKET VALUE (plus GST, if any):	**$296,500,000**

8.2 DISCOUNTED CASHFLOW APPROACH

This approach sets out the periodic cashflows of revenue from sales (gross realisations) together with the associated expenditure from development. The net cashflow is then discounted back to present day at an appropriate rate of return (or discount rate) to furnish a current market value.

This residual approach is akin to the Hypothetical Subdivision approach, however instead of being calculated in a 'static' format the profile of net cashflows is given greater consideration. Additionally, the targeted rate of return applied to these cashflows reflects a 'fully funded' return (i.e. includes allowances for the servicing of debt borrowing) and represents an annual rate of return required by the developer over the entire course of the development as opposed to the lump sum profit and risk calculation under the Hypothetical Subdivision approach.

The resultant value effectively represents the price that a developer could afford to pay for the property, to meet the required return and relative to the risk perception. This approach is more suited for larger scale projects which will be completed in multiple stages over an extended timeframe.

We have adopted lot sales levels based on the evidence provided along with a development and sell down profile as detailed within the Deferred Hypothetical Subdivision Approach.

While the discounted cashflow method requires a large number of assumptions, it also allows for the modelling of how change (such as timing, costs and revenues) will affect the value of the property as a development asset.

In order to undertake this approach, we have adopted the following inputs in addition to the gross realisations previously summarised below:

8.2.1 DEVELOPMENT TIMING & SELLDOWN

The same timing and selldown assumptions have been adopted as previously detailed within the Deferred Hypothetical Subdivision Approach.

8.2.2 GROWTH & ESCALATION ASSUMPTIONS

- A land value growth rate of 2.50% p.a. has been adopted with the exception of year 1 and 2 where no growth has been forecast given the current market conditions.
- A cost escalation rate of 3.00% p.a. has been adopted.

8.2.3 DISCOUNT RATE

The preferred measure for evaluating returns on longer term development projects is typically the Internal Rate of Return (or discount rates). An IRR is essentially the discount rate that results in a Net Present Value of zero and in practice the two terms can be used interchangeably. IRR's are nominal (as opposed to real) meaning that growth is allowed for within the cash flow model.

In selecting an appropriate discount rate profile for the subject, we have drawn upon our experience with larger scale land development valuations where we have 'back-solved' discount rates based on the initial sale price and forecast revenue and expenses over the estimated life of the project. As each development project is relatively unique, there can be significant variances. We have also considered IRR hurdle rates for land development projects applicable to our larger developer clients, as these form a key component of how they would price a development opportunity.

The risks associated with the proposed development are the areas of uncertainty that are inherent in the property and proposed development. Identified areas of risk associated with this development are:

- Asset Risk is that related to the specific class of property, including locality, ownership, resource management, age and condition, liquidity of the asset, income earning ability and annual and capital expenditure profiles.
- Development Risk is the uncertainty embodied in project timing, delivery, construction costs, and labour related issues such as industrial relations, health and safety etc.
- Market Risk comprises all those areas that influence the value of the property including supply and demand, rates of uptake in the case of multiple lots, consumer confidence, affordability and demographics.
- Financial Risk relates to sourcing of funds and capital funding.
- Economic Risk relates to change in economic forces which can influence future projections and forecasts.
- Operational Risk relates to the internal management, operations and procedures and the culture of the organisation managing or operating the property.

- Environmental Risk relates to community and political influences that may affect the development / performance of the property, along with risks related to the physical environment.

While the general residential market was strong until late 2021, we are now currently experiencing a pricing correction, with sales volumes having decreased significantly in the last 12 - 18 months. We are also mindful that land developments are a less favourable asset from the point of view of most lenders, who impose more rigorous lending conditions, higher equity levels and higher disclosure requirements. In particular, developments without pre-sales or some form of exit strategy remain more difficult to finance. This benefits those developers with a strong track record and a higher level of non-bank financial backing.

Broadly speaking, analysed IRR's from traditional development projects can be circa 20% to 35%. In the case of the subject, the timeframes likely to be experienced due to the scale of the land holding will be slightly longer, albeit the development of raw land blocks carries a different risk profile to a full masterplan developing including vertical builds. Accordingly, we consider that a discount rate which blends a land holding rate (being rate applicable to the land until development occurs i.e. a passive rate) and an active land development rate would be appropriate.

We have adopted a land holding rate of 10.00% and a development discount rate of 25.00%.

The estimated land value of the WIAL owned land that falls within the Alternative Land Use Plan (excluding Investment Properties, Moa Point and WANT land) under the DCF Approach of $280,600,000 plus GST (if any) equates to an overall land value rate over the gross area of the site of $271 psm and $320 psm over the net developable area.

We refer you Appendix 3 for our full DCF calculations.

9 CONCLUDED VALUE

In reconciling our adopted value, we believe both methodologies provide a good insight into value and therefore have applied the same weighting to both approaches as at 1 April 2023:

SUMMARY OF VALUES - RAB 1 April 23		plus GST (if any)
Deferred Hypothetical Subdivision Approach		$296,500,000
Discounted Cash Flow Approach		$280,600,000
Adopted Market Value		**$288,500,000**
Value Rate (Gross)	103.4 ha	$279 psm
Value Rate (Developable)	87.6 ha	$329 psm
Value Per Potential Lot	66 lots	$4,371,212

10 WANT PROPERTIES

An addition category of assets within the portfolio owned by WIAL is referred to as the Wellington Aeronautical Noise Treatment (WANT) properties. The WANT properties have been acquired by WIAL where it has been unable to adequately mitigate noise from the airport.

Four of these properties have had their improvements removed so are vacant sites (6, 8 10, & 16 Bridge Street), while as at the valuation date the remaining two properties at 16 and 21 Cairns Street are both improved, albeit 16 Cairns Street has a derelict (unliveable) house onsite. 21 Cairns Street comprises a single level three bedroom house with large garage.

These properties have been valued using the Sales Comparison methodology and have been assessed including GST which has then been subtracted.

We summarise these values as follows:

Address	Land Area (sqm)	Floor Area (sqm)	Fair Value Improvements	Fair Value Property
6 BRIDGE STREET	443	0	$0	$575,000
8 BRIDGE STREET	444	0	$0	$575,000
10 BRIDGE STREET	444	0	$0	$575,000
16 BRIDGE STREET	445	0	$0	$580,000
16 CAIRNS STREET	443	111	$70,000	$825,000
21 CAIRNS STREET	339	100	$380,000	$890,000
Total incl. GST (if any)			$450,000	$4,020,000
Less GST			$58,696	**$524,348**
Total Less GST (rounded)			**$390,000**	**$3,500,000**

11 DISCLAIMERS

Valuation Subject To Change	This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movement or factors specific to the particular property). For the avoidance of doubt, this may include global financial crises or force majeure events. We do not accept liability for losses arising from such subsequent changes in value. Furthermore, values vary from time to time in response to changing market circumstances. The valuation is based on available information as at the date of valuation. No warranty can be given as to the maintenance of this value into the future. Therefore, it should be reviewed periodically.
Extent of Investigations	We are not engaged to carry out all possible investigations in relation to the property. Where in our report we identify certain limitations to our investigations, this is to enable the Reliant Party to instruct further investigations where considered appropriate or where we recommend as necessary prior to Reliance. CBRE is not liable for any loss occasioned by a decision not to conduct further investigations.
Information Supplied By Others	This document contains information which is derived from other sources. Where this information is provided by experts and experienced professionals, we have relied upon the expertise of such experts and by necessity we have relied upon the information provided being accurate, whether prepared specifically for valuation purposes or not. Unless otherwise specifically instructed, we have not independently verified that information, nor adopted it as our own. Notwithstanding the above, we have reviewed the provided information to the extent that such a review would be reasonably expected from a professional and experienced valuer having regard to normal industry practice undertaking a similar valuation/consultancy service. The Reliant Parties acknowledge that the valuer is not a specialist in the areas from which the expert information is derived and accepts the risk that if any of the information/advice provided by others and referred to in the valuation is incorrect, then this may have an effect on the valuation.
Lease Documentation	Where applicable, our assessment of value is provided on the assumption that all leases are executed and that individual lease provisions are in accordance with the tenancy information provided.
Disclosure	CBRE must be advised in the event that the Reliant Party becomes aware of any changes relating to the information and advice provided by the Instructing/Reliant Party during the Reliance Period. This includes, without limitation, any changes to information and advice provided in relation to encumbrances, registered/unregistered interests, title, and land area/dimensions. In any such event, this valuation must not be relied upon without consulting CBRE first to reassess any effect on the valuation.
Future Matters	To the extent that the valuation includes any statement as to a future matter, that statement is provided as an estimate and/or opinion based on the information known to CBRE at the date of this document. CBRE does not warrant that such statements are accurate or correct.
Taxation & GST	Unless otherwise stated, all financial information and valuation calculations and assessments in this report are on a plus GST (if any) basis. We are not tax experts and have not been provided with tax or legal advice. The Reliant Party must make its own enquiries if they consider that GST applies.
Site Survey	We do not commission site surveys and a site survey has not been provided to us. We have assumed there are no encroachments by or on the property, and the Reliant Parties should confirm this status by obtaining a current survey report and/or advice from a registered surveyor.

Property Titles	We have assumed that there are no further easements, unregistered interests or encumbrances not disclosed by our title search which may affect market value. However, in the event that a future title search is undertaken which reveals additional easements or encumbrances, CBRE should be consulted to reassess any effect on the value stated herein.
Environmental Conditions	Unless otherwise stated, we have assumed that the site is free of elevated levels of contaminants or subsoil asbestos that would prevent the continuation of the current use of the property. Note our visual inspection is an inconclusive indicator of the actual site condition. We make no representation as to the actual environmental status of the subject property. If any formal testing is undertaken to assess the degree, if any, of contamination of the site and this is found to be positive, this valuation must not be relied upon without first consulting CBRE to reassess any effect on the valuation.
Flooding Caution	The quality, completeness and accuracy of flood mapping varies widely between localities and Councils. We have not verified, and make no representation as to the appropriateness, accuracy, reliability or currency of the flood mapping reviewed. The Reliant Party may wish to confirm the flood mapping information by obtaining an expert hydrologist's report. If further flooding data is obtained, we reserve the right to review and if necessary amend the valuation.
Asbestos/ Hazardous Materials	Unless otherwise noted, we have assumed that the improvements are free of asbestos and hazardous materials, or should these materials be present then they do not pose significant risk to human health, nor require immediate removal. Our visual inspection is an inconclusive indicator of the actual condition/presence of asbestos/hazardous materials within the property. We make no representation as to the actual status of the subject property. If any testing is undertaken and the presence of any asbestos/hazardous materials on site is found to be positive, this valuation must not be relied upon before first consulting CBRE to reassess the valuation.
Planning Information	We assume information provided by the relevant responsible authority is current and accurate. We do not commission formal investigations to verify information provided to us. In the event that a Land Information Memorandum (LIM) report is obtained and the information therein is later found to be materially different to the town planning information detailed within the valuation, we reserve the right to amend the valuation.
Inclusions & Exclusions	Our valuation includes those items that form (or will form) part of the building service installations such as heating and cooling equipment, lifts, sprinklers, lighting, etc., that would normally pass with the sale of the property, but excludes all items of plant, machinery, equipment, partitions, furniture and other such items which may have been installed (by the occupant/operator) or are used in connection with the enterprise carried on within the property.
Side Agreements	In the event that the Reliant Party becomes aware of any side agreements, this valuation must not be relied upon before first consulting CBRE to reassess any effect on the valuation.
Floor Areas	Unless stated otherwise in the valuation, we have assumed that the floor areas have been calculated in accordance with the Property Council of New Zealand (PINZ PCNZ) Guide to Measurement of Rentable Areas or as specifically instructed by the party who we have agreed to provide this valuation. We recommend that the person or entity relying upon this report should obtain a survey to determine whether the areas provided differ from PINZ PCNZ guidelines. In the event that the survey reveals a variance in areas, then the relevant person or entity should not rely upon the valuation and should provide all relevant survey details to CBRE for consideration and possible review of the valuation.

Condition & Repair	We are not building/structural experts and are therefore unable to certify the structural soundness of the improvements. Unless otherwise stated, we have not sighted a qualified engineer's structure survey of the improvements, or its plant and equipment. Any Reliant Parties would need to make their own enquiries in this regard. Unless otherwise stated, we have not sighted a structural report on the property, nor have we inspected unexposed or inaccessible portion of the premises. We therefore cannot comment on the structural integrity, defect, rot or infestation of the improvements nor can we comment on any knowledge of the use in construction of material such as asbestos or other materials considered hazardous.
Currency	All dollars are NZ$.
LIM & PIM	Unless otherwise stated, we have not obtained Land Information Memoranda (LIM) or Project Information Memoranda (PIM) from the Territorial Authority.
Lease Covenant Strength	We do not make detailed enquiries into the covenant strength of occupational tenants but rely on our judgement of the market's perception of them. Any comments on covenant strength should therefore be read in this context. We assume that tenants are capable of meeting their financial obligations and there are no undisclosed rental arrears or breaches of covenant.
Site Conditions	We do not commission site investigations to determine the suitability of ground conditions and services, nor do we undertake environmental or geotechnical surveys. We have assumed that these aspects are satisfactory and also that the site is clear of underground mineral or other workings, methane gas or other noxious substances. In the case of property which may have redevelopment potential, we proceed on the basis that the site has load bearing capacity suitable for the anticipated form of redevelopment without the need for additional and expensive foundations or drainage systems (unless stated otherwise).
Not a Structural Survey	We state that this is a valuation report, and not a Structural Survey.
Director's Clause	Under required circumstances, this report may have been co-signed by a Director of CBRE. In accordance with our internal Quality Assurance procedures, the co-signing Director certifies that he has discussed the valuation methodology and calculations with the prime signatory, however the opinion of value expressed herein has been arrived at by the prime signatory alone. The co-signing Director may or may not have inspected the subject property.

12 APPENDICES

APPENDIX 1 – LAND SALES EVIDENCE

Residential Development/Commercial Sales

Address	Sale Date	Land Area	Sale Price (+ GST)	$/psm Site Area	Zoning
Wellington City					
75 Camperdown Road, Miramar	Dec-22	2,006	c$1,600,000	$780	Medium Density Residential
	Jun-21	2,006	$3,009,876	$1,500	Medium Density Residential
10 Dennis Way, Island Bay	Nov-22	2,124	$752,174	$354	Medium Density Residential
132 Adelaide Road, Mt Cook	Oct-22	910	$4,104,000	$4,510	Centre (prop: City Centre)
8 Rongotai Road, Kilbirnie	Aug-22	395	$700,000	$395	Centre, Metropolitan Centre
28 Adelaide Road, Mt Cook	Apr-22	2,016	$9,880,000	$4,901	Centre (prop: City Centre)
31 & 33 Awa Road, Miramar	Mar-22	1,607	$2,869,565	$1,786	Medium Density Residential
5 Moorefield Road, Johnsonville	Jan-22	433	$1,065,000	$2,498	Centre
27 Dundas Street, Seatoun	Dec-21	868	$3,030,000	$3,053	Centre
Pt 4 Katherine Avenue, Thorndon	Dec-21	1,076	$5,757,050	$5,350	Inner Residential (prop: City Centre)
6 Fifeshire Avenue, Te Aro	Dec-21	367	$1,500,000	$4,471	Central Area
50 Phillip Street, Johnsonville	Oct-21	1,394	$3,100,000	$2,224	Medium Density Area 2
35 Onepu Road, Kilbirnie	Sep-21	456	$1,335,000	$2,964	Centre
30 - 34 Pirie Street, Mt Victoria	Jul-21	1,428	$5,000,000	$3,150	Inner Residential
6 Vivian St, Te Aro	Jun-21	736	$4,250,000	$5,312	Central Area
25 Martin Square, Te Aro	Jun-21	466	$2,050,000	$4,670	Central Area
118 Tory Street, Te Aro	Jun-21	833	$4,300,000	$4,489	Central Area
75 Camperdown Street, Miramar	Jun-21	2,006	$3,009,876	$1,500	Outer Residential
11A Fancourt Street, Karori	Jun-21	2,633	$5,500,000	$1,816	Outer Residential
11-21 Stockport Grove, Churton Park	Apr-21	2,242	$2,000,000	$892	Outer Residential
179 Tasman Street, Mt Cook	Apr-21	341	$1,100,000	$3,226	Centre
8 Burgess Road, Johnsonville	Mar-21	845	$1,705,000	$2,018	Centre
150 Riddiford Street, Newtown	Mar-21	198	$835,000	$4,217	Centre
96 Washington Avenue, Brooklyn	Dec-20	1,649	$2,750,000	$1,668	Outer Residential
33 Bay Road, Kilbirnie	Dec-20	572	$1,850,000	$3,234	Centre
Kilbirnie Bus Barns, Onepu Road, Kilbirnie	Sep-20	22,952	$35,000,000	$1,525	Centre
21 & 39 Roberts Street, Tawa	May-20	2,027	$1,021,739	$504	Outer Residential
28 Stewart Duff Drive, Rongotai	Dec-19	129,030	$31,000,000	$240	Airport Zone
7 Kauri Street, Miramar	Oct-19	18,322	$11,000,000	$600	Outer Residential
Hutt Valley					
743 Fergusson Drive, Upper Hutt	Jan-23	923	$760,870	$824	General Residential (High Density under PC50)
9 Walters Street, Avalon	Nov-22	779	$530,435	$681	General Residential (High Density under PC50)
63 Golders Road, Upper Hutt	Oct-22	1,030	$769,565	$747	General Residential
745 Fergusson Drive, Upper Hutt	Aug-22	1,073	$971,391	$855	General Residential (High Density under PC50)
747 Fergusson Drive, Upper Hutt	Jun-22	1,250	$1,130,435	$904	General Residential (High Density under PC50)
308 Waiwhetu Road, Waiwhetu	May-22	2,194	$2,200,000	$1,003	Suburban Commercial
127 Waterloo Road, Waterloo		2,227	$5,145,000	$2,310	General Residential
8 Myrtle Street, Lower Hutt	Feb-21	1,854	$4,250,000	$2,292	General Residential
45-47 Collingwood Street, Waterloo	May-21	843	$2,067,000	$2,452	Suburban Mixed Use
73 - 77 The Esplanade, Petone	Jul-21	1,312	$1,400,000	$1,067	Petone Commercial Area 2
126 Jackson Street, Petone	Jun-21	1,138	$2,557,000	$2,247	Petone Commercial Area 2
28 Raukawa Street, Stokes Valley	Jan-21	3,043	$2,500,000	$822	General Residential
4 Hutt Road, Petone	Aug-20	425	$430,000	$1,012	Petone Commercial Area 2
35 & 37 Rata Street, 32 & 34 Hewer Street, Naenae	Oct-20	2,703	$2,975,000	$1,101	Residential
11 The Strand, Wainuiomata	Dec-20	10,560	$7,500,000	$710	Suburban Commercial
167-175 High Street, Lower Hutt	Oct-19	1,675	$3,065,000	$1,830	Central Commerical
Kapiti Coast					
77 - 109 Kapiti Road, Paraparaumu	Dec-22	280,000	Conf.	Conf.	Metro Centre Precinct G
Guildford Drive, Paraparaumu	Sep-22	9,100	Conf.	Conf.	General Residential
45 Greenaway Road, Waikanae	Jul-22	3,870	$869,565	$225	General Residential
59 - 69 Raumati Road, Raumati	Jun-22	46,360	Conf.	c $200	General Residential & Rural Lifestyle Zone
5 - 9 Seddon Drive, Waikane	Feb-22	3,627	$1,782,609	$491	General Residential
37 & 39 Greenaway Drive, Waikanae	Sep-21	8,437	$2,119,130	$251	General Residential
240 Kapiti Road, Paraparaumu	Jul-21	18,994	8,364,000.00	$440	General Residential
10 Trieste Way, Paraparaumu	Mar-21	7,365	$5,600,000	$733	Mixed Use Zone
7-13 Seaview Road, Paraparaumu	Jun-21	4,145	$7,250,000	$1,749	Town Centre
Ngarara Development, Waikanae	May-21	367,084	$40,000,000	$227 / $88	Ngarara Development Area
4-16 Kapiti Road, 25, 29 Amohia Street & 2-4 Waimarie Avenue, Paraparaumu	Jun-21	11,350	$12,400,000	$1,093	Mixed Use Zone
10-12 Utauta Street, Waikane	Jul-21	5,052	$3,550,000	$676	General Residential

Industrial Land Sales

Address	Sale Date	Land Area	Sale Price	Analysed $/psm	Zoning
Wellington City					
1 Malvern Road, Ngauranga	Oct-22	9,583	$7,300,000	$1,239	Business 1 (Mixed Use Proposed)
42 Jamaica Drive, Grenada North	May-22	6,567	$4,100,000	$756	Business 2
34 Jamaica Drive, Grenada North	Dec-20	5,308	$4,200,000	$791	Business 2
8 William Earp Place, Tawa	Dec-20	26,765	$16,550,000	$890	Business 1
21-35 Takapu Road, Tawa	Nov-20	24,764	$7,700,000	$325	Business 2
180 Hutt Road, Kaiwharawhara	Jun-20	2,329	$3,000,000	$1,288	Business 1
178 Hutt Road, Kaiwharawhara	Mar-20	1,854	$3,550,000	$1,915	Business 1
Hutt Valley					
28 Dante Road, Trentham	Jul-22	48,456	$14,900,000	$368	General Industrial
7 Peterkin Street, Taita	Jun-22	4,268	$2,400,000	$562	General Business
33B Thomas Neal Crescent, Trentham	Jun-21	5,505	$1,615,000	$293	Business Industrial
21 Masefield Street, Trentham	Jan-21	6,070	$2,500,000	$412	Business Industrial
30 Thomas Neal Crescent, Trentham	Nov-20	21,347	$5,123,280	$240	Business Industrial
124 - 130 Richmond Street, Petone	Jul-20	22,577	$18,800,000	$864	General Business
Porirua City					
9 Prosser Street, Elsdon	Mar-22	2,433	$1,925,000	$791	Industrial
30 Prosser Street, Elsdon	Jun-21	1,849	$1,750,000	$1,024	Industrial
4 Mohuia Crescent, Elsdon	Mid 2021	C 2000	Confidential	$600	Industrial
2 Makaro Street, Porirua	Dec-20	694	$390,000	$562	Industrial

National Sales

Address	Sale Date	Sale Price	Gross/Net Area (sqm)	$Rate Gross/Net ($psm)	Zoning
300 - 328, 350, 370 & 458 Karaka Road, Karaka Karaka	Sep 22	$275,000,000	105	$262	Future Urban (86.7 ha) & Mixed Rural (18.8 ha)
Longburn Farm, 522 Wainui Rd Wainui	Dec 21	$76,500,000	1,910,000	~$30-40	Rural Production / Future Urban
Ferncliff Farm Tauriko	Nov 21	$70,400,000	95,510	$74 $150	Currently Rural
62 - 80 Papakura Clevedon Road Clevedon	Aug 21	$70,000,000	280,000	$250	Single House
17 Napier Road/17 Stoney Creek Road Kelvin Grove, Palmerston North	Aug 21	$19,400,000	340,534	$57	Residential/Rural
220 Falls Road Warkworth	Sep 20	$51,850,000	392,000 280,226	$132 $185	Predominantly Residential
Middle Rd, Iona Rd Havelock North	Oct 20	$57,519,478	693,073 672,551	$83 $86	Some Rural ,some Iona Character Zone, some Open Space
620 Whitford-Maraetai Road Beachlands, Auckland	Apr 20	$38,000,000	799,495 614,444	$48 $62	Countryside Living (Whitford Sub-Precinct B)

Vacant Residential Section Sales - Wellington

Address	Sale Date	Sale Price (incl. GST)	Land Area (sqm)	$ rate psm (incl's demo)
6 Imran Terrace	Jan-23	$460,000	706	$652
24 & 24a Balfour St	Jan-23	$485,000	1,337	$363
68 Beacon Hill Rd	May-22	$329,270	212	$1,553
Lot 2 - 46 Ribble St	Jul-22	$365,000	271	$1,347
Lot 18 - 24A Freeling St	Oct-22	$555,000	463	$1,200
164 The Esplanade	Mar-22	$620,000	556	$1,178
4/35 Raroa Tce, Tawa	May-22	$655,000	646	$1,014
36A Verviers St	Jan-22	$680,000	837	$812
31 Ashton Fitchett Rd	Aug-22	$700,000	690	$1,087
184 Glanmire Rd	Feb-22	$720,000	7,097	$101
3 Mewburn Rise	May-22	$725,000	684	$1,060
32-131 Silverstream Rd	Apr-22	$750,000	1,237	$606
237 Houghton Bay Rd	Feb-21	$800,000	1,408	$568
22 Benares St	Jun-22	$850,000	568	$1,496
33 Awa Rd	Mar-22	$1,350,000	662	$2,077

Porirua/Northern Corridor Section Sales

Address	Sale Date	Sale Price	Land sqm	$psm land
Kenepuru				
69 Hokioi Way	Nov 22	$519,000	662	$784
71 Hokioi Way	Jul 22	$539,000	572	$942
Ranui				
4B Champion Street	Apr 22	$463,000	798	$580
Paremata				
4 Whitianga View	Dec 22	$520,000	520	$1,000
Aotea				
6 Okupe Grove	Feb 23	$496,000	726	$683
209 John Burke Drive	Dec 22	$550,000	630	$873
10 Te Arapito Close	Oct 22	$515,000	593	$868
Lot 1412 John Burke Drive	Oct 22	$670,000	963	$696
201 John Burke Drive	Oct 22	$535,000	605	$884
175 John Burke Drive	Sep 22	$585,000	702	$833
196 John Burke Drive	Sep 22	$480,000	549	$874
35 Ken Douglas Drive	Jul 22	$640,000	1,482	$432
199 John Burke Drive	Jul 22	$555,000	670	$828
Lot 1345 John Burke Drive	Jun 22	$549,000	516	$1,064
214 John Burke Drive	Jun 22	$590,000	503	$1,173
Whitby				
47 Spyglass Lane	Sep 22	$355,000	703	$505
74 Spyglass Lane	Aug 22	$399,000	1,117	$357
50 Schooner Drive	Jul 22	$540,000	1,030	$524

APPENDIX 2 – MVAU DISCOUNTED CASH FLOW

DISCOUNTED CASH FLOW SUMMARY - WELLINGTON INTERNATIONAL AIRPORT - 01-APR-2023

Market Value - Discounted Cash Flow Approach	**$280,600,000 plus GST (if any)**	**Key Assumptions**	
Value $psm (Net Developable Area)	$320 psm	Target IRR	25.00%
Value $psm (Gross Area)	$271 psm	Target Holding Rate	10.00%

Revenue Growth Yr 1	0.00%	Cost Growth	3.00%
Revenue Growth Yr 2<	0.00%		

Period																		
Quarter Commencing																		
Year							**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**	**Year 11**	**Year 12**	**Year 13**	**Year 14**	**Year 15**	**Year 16**
Gross Sales Revenue																						
	No. Lots	**Sales Pre**	**Sales Post**	**Quarter Starting**	**Average Lot Value**	**Total**	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Stage 1A	9	4	5	Jan 25	$14,866,105	$134,440,470	-	$59,464	$74,976	-	-	-	-	-	-	-	-	-	-	-	-	-
Stage 1B	11	3	8	Apr 27	$11,779,821	$138,141,883	-	-	-	-	$138,142	-	-	-	-	-	-	-	-	-	-	-
Stage 2	8	2	6	Jul 29	$19,986,551	$179,931,153	-	-	-	-	-	-	$179,931	-	-	-	-	-	-	-	-	-
Stage 3	10	3	7	Jul 31	$13,235,463	$156,555,875	-	-	-	-	-	-	-	-	$140,726	$15,830	-	-	-	-	-	-
Stage 4	17	4	13	Jan 34	$6,115,644	$131,506,275	-	-	-	-	-	-	-	-	-	-	$30,550	$93,079	$7,877	-	-	-
Stage 5A	4	1	3	Jan 37	$10,963,164	$59,250,848	-	-	-	-	-	-	-	-	-	-	-	-	-	$14,744	$44,507	-
Stage 5B	7	2	5	Apr 38	$21,750,000	$212,487,904	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	$212,488
Gross Realisation (plus GST)						**$1,012,314,407**	**-**	**$59,464**	**$74,976**	**-**	**$138,142**	**-**	**$179,931**	**-**	**$140,726**	**$15,830**	**$30,550**	**$93,079**	**$7,877**	**$14,744**	**$44,507**	**$212,488**
Costs Of Sell Down																						
Agency Commissions				1.75% per sale		-$17,715,502	-	-$1,041	-$1,312	-	-$2,417	-	-$3,149	-	-$2,463	-$277	-$535	-$1,629	-$138	-$258	-$779	-$3,719
Legal Fees				$5,000 per sale		-$330,000	-	-$20	-$25	-	-$55	-	-$40	-	-$45	-$5	-$20	-$60	-$5	-$5	-$15	-$35
							-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Costs of Sale						**-$18,045,502**	**-**	**-$1,061**	**-$1,337**	**-**	**-$2,472**	**-**	**-$3,189**	**-**	**-$2,508**	**-$282**	**-$555**	**-$1,689**	**-$143**	**-$263**	**-$794**	**-$3,754**
Net Realisation (plus GST)						**$994,268,905**	**-**	**$58,404**	**$73,639**	**-**	**$135,669**	**-**	**$176,742**	**-**	**$138,218**	**$15,548**	**$29,996**	**$91,390**	**$7,734**	**$14,481**	**$43,713**	**$208,734**
Construction Costs (plus GST)																						
	No. Lots	**$/Lot**																				
Stage 1A	9	$2,097,415				-$19,588,319	-$7,749	-$11,840	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stage 1B	11	$1,244,855				-$15,186,767	-	-	-$2,993	-$12,194	-	-	-	-	-	-	-	-	-	-	-	-
Stage 2	8	$2,365,741				-$22,433,394	-	-	-	-	-	-$17,880	-$4,553	-	-	-	-	-	-	-	-	-
Stage 3	10	$2,158,923				-$26,950,309	-	-	-	-	-	-	-$7,558	-$15,456	-$3,936	-	-	-	-	-	-	-
Stage 4	17	$1,787,846				-$41,000,633	-	-	-	-	-	-	-	-	-	-$20,273	-$20,728	-	-	-	-	-
Stage 5A	4	$3,197,444				-$18,992,217	-	-	-	-	-	-	-	-	-	-	-	-	-$4,696	-$14,297	-	-
Stage 5B	7	$1,941,616				-$20,942,118	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-$20,942	-
Total Construction Costs						**-$165,093,758**	**-$7,749**	**-$11,840**	**-$2,993**	**-$12,194**	**-**	**-$17,880**	**-$12,112**	**-$15,456**	**-$3,936**	**-$20,273**	**-$20,728**	**-**	**-$4,696**	**-$14,297**	**-$20,942**	**-**
Other Costs																						
Total Marketing & Advertising						-$2,091,895	-$86	-$118	-$97	-$136	-$134	-$118	-$125	-$139	-$143	-$189	-$259	-$132	-$49	-$172	-$195	-
Total Rates						-$628,839	-	-	-$56	-	-$17	-	-$83	-	-	-$10	-	-$358	-$11	-	-$34	-$59
						-$2,720,734	-$86	-$118	-$153	-$136	-$151	-$118	-$208	-$139	-$143	-$199	-$259	-$491	-$59	-$172	-$229	-$59
Cashflow Summary (plus GST)																						
Net Realisation (plus GST)						$994,268,905	-	$58,404	$73,639	-	$135,669	-	$176,742	-	$138,218	$15,548	$29,996	$91,390	$7,734	$14,481	$43,713	$208,734
Total Costs (plus GST)						-$167,814,492	-$7,835	-$11,958	-$3,145	-$12,330	-$151	-$17,998	-$12,319	-$15,595	-$4,079	-$20,472	-$20,986	-$491	-$4,755	-$14,469	-$21,172	-$59
TOTAL NET CASHFLOW (plus GST, Before Tax & Finance)						**$826,454,413**	**-$7,835**	**$46,446**	**$70,494**	**-$12,330**	**$135,518**	**-$17,998**	**$164,423**	**-$15,595**	**$134,139**	**-$4,924**	**$9,010**	**$90,899**	**$2,979**	**$13**	**$22,541**	**$208,675**

APPENDIX 3 -BOFFA MISKELL ALTERNATIVE LAND USE PLAN

Boffa Miskell

WELLINGTON AIRPORT MASTER PLANNING ALTERNATIVE LAND USE OPTIONS

For Land Valuation Purposes Only

By Boffa Miskell Limited

DECEMBER 2022

Figure 1 Aerial photograph of the current Wellington International Airport

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1. Introduction

Boffa Miskell were engaged in 2011 to prepare a master plan for the airport area (refer Figure 1), following the release of the Commerce Act (Specified Airport Services Input Methodologies) Determination on 22 December 2010 ('the determination'). The master plan is intended to describe alternative uses for the airport area assuming the airport was not on the site.

The purpose of the master plan is to assist with the process of establishing a "Highest and Best Alternative Landuse", and follows the process set out in Schedule A of the determination for establishing the alternative use component of the Maximum Value Alternative Use (MVAU).

The process of preparing the master plan at that time was to:

1) Review the site and its context to understand the opportunities and constraints (such as existing and possible zoning and district plan requirements, contour and land area, surrounding land uses, as well as existing linkages) to alternative land use options;

2) Consider the review undertaken by Property Economics Ltd (PE) in their assessment of alternative land use options and market analysis;

3) Consider a range of land use options and provide preliminary options that describe road patterns, open space and density of development of those:

4) Workshop and refine options with representatives from valuers, PE and Wellington International Airport Limited; and

5) Complete and present the preferred master plan option in a form that allows valuation.

2022 Master Plan Review

The initial master plan prepared in 2011 was reviewed and updated in March 2014, and then again in April 2018 to reflect valuation cycles and changes in potential influences that may have come into play in the interim. The master plan presented in this report similarly reviews the airport land and reflects contemporary changes in the context of the subject land and the extent of the land area itself.

Principal to those changes is the influence of the new Proposed Wellington City District Plan (2022) and the contingent National Policy Statements it reflects in relation to urban development. There is thus some change to the master plan layout provided on page 5.

Note

The master plan has been prepared by Boffa Miskell Limited on the basis of the information provided by others and involves no detailed investigations as to services, infrastructure, hazards or risks associated with the area, or the commercial conditions in the market.

Boffa Miskell Limited provides this report as advice and accepts no commercial liability for the purposes to which it is put to use.

2. Urban Planning Context

Spatial Plan and Proposed District Plan

The contemporary reference for the future form of the city is the Wellington City Spatial Plan and the enablement to this provided by the statutory (Proposed) District Plan. The Spatial Plan, adopted by Council in 2021, is a 30 year growth strategy outlining the 'where' and 'how' the city will grow.

The Spatial Plan reflects the requirements of the National Policy Statement on Urban Development (2020). The Spatial Plan is intrinsically linked with transport planning under the Let's Get Wellington Moving programme. The District Plan is the 'rulebook' for land development that turns the strategy into action and aims to implement the goals and directions outlined in the Spatial Plan.

The Spatial Plan, sets out where urban development will be distributed and to what density to respond to a projected increase in population of 50,000 - 80,000 more people in the next 30 years (25,000 and 32,000 new dwellings). At the upper end of the range this is an increase from the projections referenced in the previous version of this report of 2018 (at that time an additional 31,800 people within the next 20 years).

For the subject area of Kilbirnie and Miramar the Spatial Plan recognises that there are a range of services and amenities to support growth, but also due to topography (refer Figure 2) there are sea level rise risks for lower areas. The transport and future provision for increased capacity public transport (refer to Figure 3 and 4) necessitates under the NPS UD more density/height enabling through the District Plan.

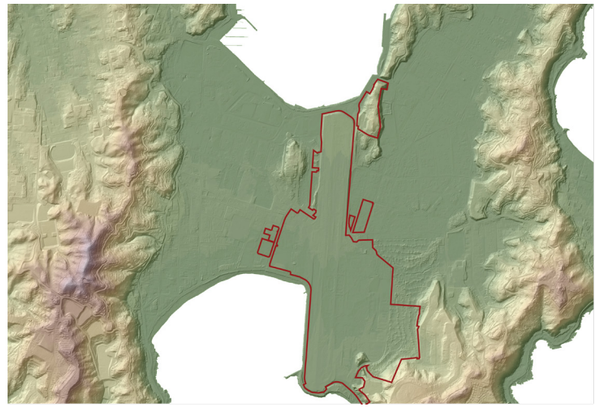

Figure 2. Elevation of airport and surrounding context highlighting the flat low lying topography of the reclaimed airport land

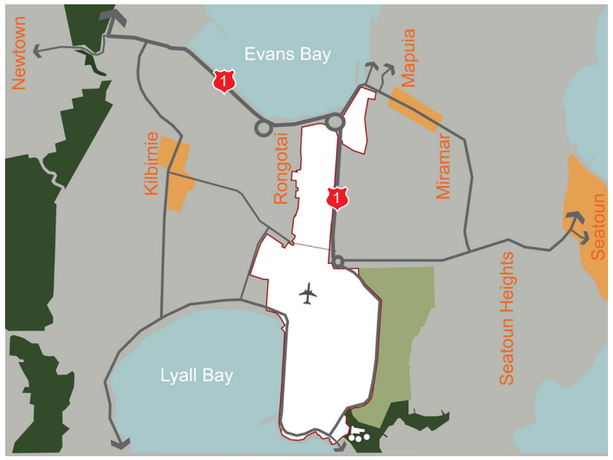

Figure 3. The airport site in the context of centres and the primary street movement routes interfaces

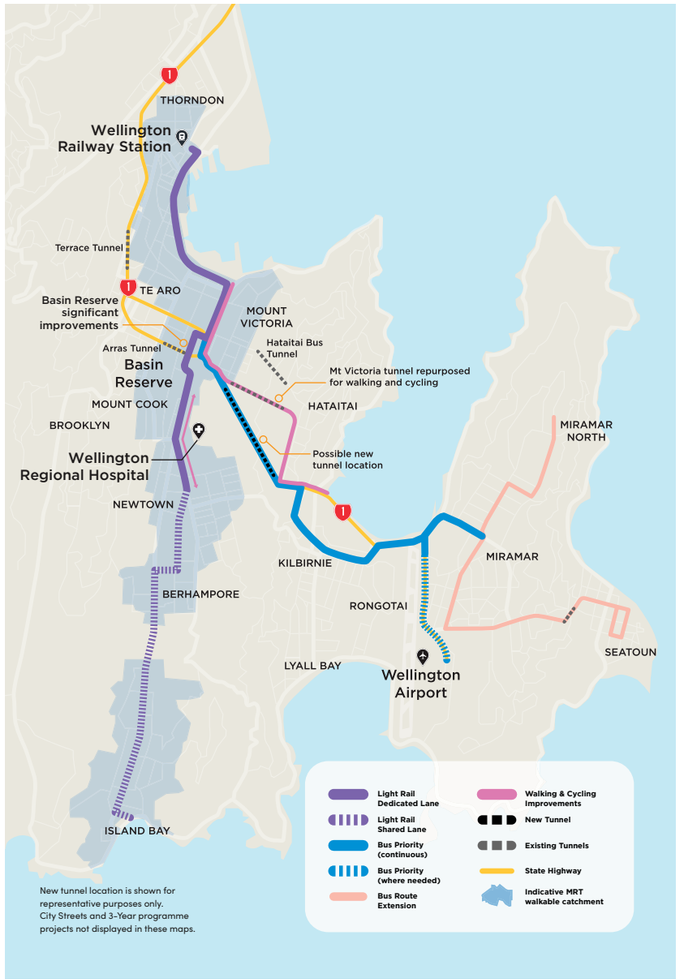

Figure 4. 'Let's Get Wellington Moving' currently preferred option including Bus Priority to the Airport and eastern suburbs - note the Business Case process that will direct any decisions that commit funding to this or any other option is still in train.

LEGEND

- Ridgelines and Hilltops
- High Coastal Natural Character
- Outstanding Natural Features
- SCHED8 Significant Natural Areas
- High Coastal Inundation Hazard
- Medium Coastal Inundation Hazard
- Medium Density Residential Zone
- Neighbourhood Centre Zone
- Local Centre Zone
- Mixed Use Zone
- Metropolitan Centre Zone
- General Industrial Zone
- Natural Open Space Zone
- Open Space Zone
- Sport and Active Recreation Zone
- Special Purpose Zone
- Medium Coastal Inundation Hazard selection

Figure 5. Wellington Proposed District Plan (2022)

For Kilbirnie the Proposed District Plan (refer Figure 5) identifies it as a Metropolitan Centre Zone (the other one is Johnsonville) and allows heights in Kilbirnie centre of 27m (8- 9 storeys) to 15m (4- 5 storeys).

The risk areas for the subject suburbs are reflected on the District Plan map also (Refer Figure 5). For the airport land there are edges affected.

The Proposed District Plan has been assumed to have precedence over the current operative District Plan. There is a statutory process to be followed that may see changes to specific provisions, but the direction within the Plan to see more people living within the existing urban footprint can be reasonably assumed to remain.

In applying the Commerce Commission requirements for a hypothetical situation whereby the airport land can be developed, consideration has been given to how the Spatial Plan and thus the District Plan might have responded were this in consideration at the time the Spatial/ District Plan was being prepared. Even today, with the Proposed Plan well advanced, were the airport land to become available in a way the plan formulation process to date could not have foreseen, a Variation to the still Proposed Plan could be initiated to address the multiple site and context based influences this would bring. The subject land area is large, in a few titles (ie large development area 'super blocks') with significant amenity values, transport linkages, flat topographical conditions, and is strategically located at the 'bridge' to the large catchment of the Miramar Peninsula. The land's availability for an alternative use would have undoubtably resulted in a recalibration of the land use planning for the Kilbirnie suburb.

It is considered that opportunity of the airport land to achieve the city's provision for projected population growth is so significant that it would logically refocus the subject airport land to being the regional centre (rather than Kilbirnie) and allow for Council's objectives for an area with higher density and mixed uses, including local employment, to be significantly more practicably achieved for the southern part of the city. As noted above, to achieve urban 'redevelopment' of the existing urban areas envisaged by the Spatial Plan in Kilbirnie the existing capital assets of buildings and services would need to be removed, and parcels amalgamated to allow large enough development land areas. This urban redevelopment would be far more easily enabled at the airport land given it is largely clear of buildings and services (except around the terminal) and could readily be divided into super blocks ready for market.

Figure 6. Master Plan

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3. 2022 Master Plan

The master plan described in Figure 6 is a progression from the plans prepared in 2014 and 2018. The explanation as to land use types and densities is provided on page 6.

Consideration has been given to the need to revisit this plan in response to any changes in city planning dynamics since 2014. The principal changes are as a result of recent central and local government direction to plan for higher densities and provide for an increased rate of population and household growth in Wellington.

Some of that growth can reasonably be expected to locate at the subject land if it were available to accommodate it. The combinations of density that would enable the most efficient use of this land resource if it became available may also favour higher densities which follows the planning intent towards a more intensified urban form.

In summary, with changes the 2014 master plan remains an appropriate alternative land use for the area. There has been change to reflect:

- the influence of coastal inundation on the western lower land area
- the additional site area provided for by the golf course land
- the Proposed District Plan (and attendant national policies) intention for greater utilisation of urban areas

The mix of uses represents a contemporary approach to a sustainable community that includes residential, community, retail, employment, and open space within a well connected movement network. Provision for dwellings yield is described on page 6.

Key	Typology	2022 gross/ha	WIAL property	WIAL excl investment properties ha
	Metropolitan Centre (6 storey mixed use)	9.1	9.1	8.8
	Business Park	11.3	11.3	11.3
	Large Format Retail	7.6	7.5	3.3
	Community	3.0	3.0	3.0
	Apartments (6 storey residential)	3.8	3.8	3.8
	Apartments (4 storey residential)	20.1	20.1	20.0
	Townhouses (3 storey residential)	33.8	33.8	30.6
	Green in street reserve	3.1	3.1	3.0
	Headland Park	11.7	5.7	5.0
	Public Space / Neighbourhood park	10.0	10.0	9.4
	Roads	22.7	22.6	22.0
	TOTAL	136.2	130.0	120.4

A range of different land uses are described here as 'typologies'. This includes an example photograph and indicative yield for dwelling numbers. As noted previously, the expectation is that if the land was available it would be packaged as large blocks for disposal (see superblocks on page 7) which would enable comprehensive master planning and density done well.

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Approximate Dwelling Yield*

704 to 845 dwellings

Metropolitan Centre Mixed

Metropolitan Centre on Coutts/Broadway connection. A combination of building development, open space and car parking. The Metropolitan Centre could accommodate six storeys mixed use with retail or community uses on the ground floor and residential activity in the upper storeys. Between 100 - 120 dwellings per ha.

11.3 ha

Business

Business park commercial for high value business use and campus style development with potential for light industrial activity

7.6 ha

Large Format Retail

Large format retail extension of existing retail park development. Potential opportunity for multi storey development.

3.0 ha

Community

Community facilities, such as school, sports and recreation or entertainment.

274 to 304dwellings

Residential Apartments 6 storeys

Apartments on the fringe of the metropolitan centre with a higher range density of 90 - 100 dwellings per ha.

1,120 to 1,280 dwellings

Residential Apartments 4 storeys

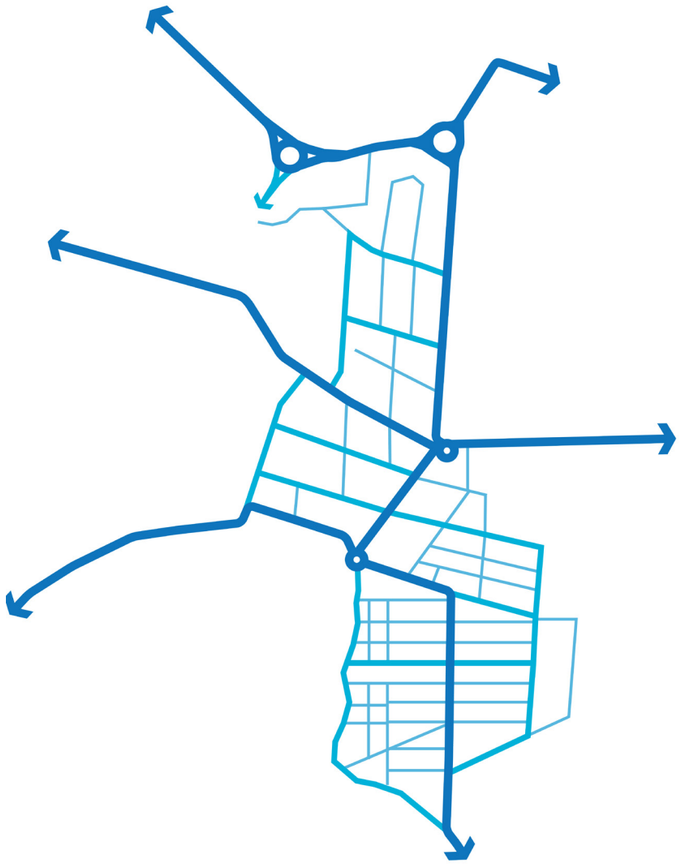
Apartments with coastal aspect with a higher range density of 70 - 80 dwellings per ha.

1,224 to 1,714 dwellings

Townhouses Up to 3 storeys

Townhouses with on site open spaces with a medium range density of 50 - 70 dwellings per ha.

*20% Of the area is excluded from yield calculations, as it is assumed to be used for (pedestrian) mid-block connections, local reserves and open space, car parking and similar small-scale amenities.

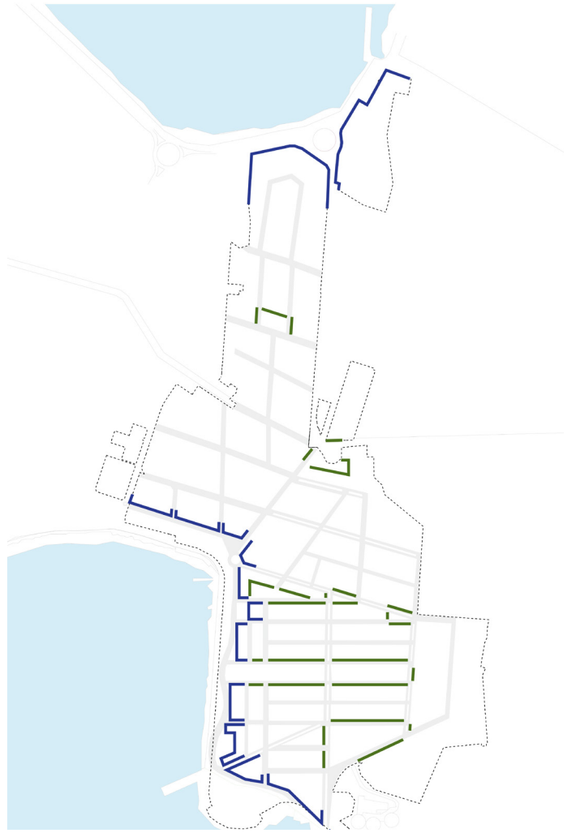


STREET HIERARCHY

(Assumes higher variability in modes of transport use in long term)

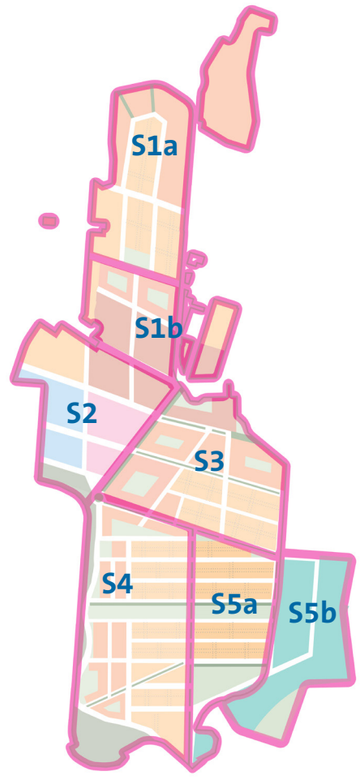
- Arterial (30.0 metres)
- Collector (20.0 metres)
- Local (15.0 metres)

GREEN INFRASTRUCTURE



HIGH AMENITY FRONTAGES

- Waterfront Frontage
- Open Space Frontage



SUPERBLOCKS (excl investment properties)

Key	Typology	S1a (ha)	S1b (ha)	S2 (ha)	S3 (ha)	S4 (ha)	S5a (ha)	S5b (ha)
	Metropolitan Centre		4.7	2.8	1.4			
	Business Park						0.8	10.5
	Large Format Retail			3.3				
	Community			3.0				
	Apartments (6 storey residential)		1.8		2.0			
	Apartments (4 storey residential)	11.0			4.6	4.4		
	Townhouses (3 storey residential)	7.1	2.5	2.6	4.9	7.8	5.7	
	Green in street reserve	0.3			1.1	0.6	1.0	
	Headland Park			1.1		3.9		
	Public Space / Neighbourhood park	0.4	0.6		1.6	2.8	2.8	1.2
	Roads	2.4	1.5	3.2	3.6	7.4	3.8	0.2
	TOTAL	21.2	11.1	15.9	19.2	26.9	14.1	11.9

APPENDIX 4 – PROPERTY ECONOMICS REPORT

PROPERTY ECONOMICS

WELLINGTON AIRPORT
ALTERNATIVE LAND USE
ECONOMIC ASSESSMENT

Project No: 52252

Date: October 2022

Client: WIAL

W: www.propertyeconomics.co.nz E: tim@propertyeconomics.co.nz P: 09 479 9311 PO: Box 315596, Silverdale 0944

SCHEDULE

Code	Date	Information / Comments	Project Leader
52252.2	October 2022	Report	Tim Heath / Phil Osborne

DISCLAIMER

This document has been completed, and services rendered at the request of, and for the purposes of Wellington International Airport Limited only.

Property Economics has taken every care to ensure the correctness and reliability of all the information, forecasts and opinions contained in this report. All data utilised in this report has been obtained by what Property Economics consider to be credible sources, and Property Economics has no reason to doubt its accuracy.

Property Economics shall not be liable for any adverse consequences of the client's decisions made in reliance of any report by Property Economics. It is the responsibility of all parties acting on information contained in this report to make their own enquiries to verify correctness.

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1. INTRODUCTION

Property Economics has been engaged by Wellington International Airport Limited (**WIAL**) to undertake an assessment of the Wellington market, and in particular the southern Wellington urban area, in relation to assessing alternative land use options that are physically possible and appropriately justified on the basis Wellington Airport was no longer operating from the site and that its land holding was available for other development opportunities.

This proposition, while theoretical in nature at this juncture, is to assist in the valuation of the underlying Wellington Airport land, with this report determining what in our independent professional opinion is commercially realistic for the potential alternative land uses given the aforementioned proposition.

This assessment is an update to previous reports for WIAL completed by Property Economics for the same purpose dated April 2018, January 2016 and January 2014. This update reflects changes in market parameters, economic metrics, employment composition, and annual trend changes in the economy since 2018 to better reflect current day alternative land use opportunities at Wellington Airport.

This report is to provide WIAL robust market intelligence on the commercial opportunities theoretically available that will assist in understanding the market requirements for alternative land uses and to guide any potential land use options for the associated site.

1.1. RESEARCH OBJECTIVES

The central objectives of this report are to:

- Delineate and illustrate the geo-spatial extent of the likely principal commercial catchment for the Wellington Airport if the subject land were to be redeveloped for alternative land uses.

- Determine the catchment's current population and household base and forecast this over a forward planning period to 2038.
- Project the number of new dwellings required to accommodate future growth under the Sense Partners growth scenario.
- Calculate the level of retail expenditure (demand) generated by the catchment by retail sector, and project this out to 2038 to assist in establishing forward retail demand.
- Based on Property Economics databases, determine at a high level the supply of retail GFA in the catchment, and any broad level over / under provision out to 2038.
- Quantify the level of sustainable retail GFA the market can support applying sustainable retail sector productivities.
- Assess the Wellington commercial office market opportunity by analysing commercial employment trends in the market and changes in the market composition.
- Project future office employment in Wellington and quantify the amount of commercial office space required to accommodate growth out to 2038.
- Determine the appropriate land requirements (ha) at the airport under the alternative land use scenario for each land use activity.

1.2. INFORMATION & DATA SOURCES

Information has been obtained from a variety of what Property Economics consider to be reputable and reliable data sources and publications, including:

- 10-Year Plan consultation document - WCC
- Business Demography Statistics – Stats NZ
- Catchment Map – Google Maps, LINZ, Stats NZ, Property Economics
- Future Commercial Land Demand Forecasts – Property Economics
- Household Economic Survey - Stats NZ
- Population and Household Estimates and Projections – Stats NZ, Sense Partners
- Residential Dwelling Consent Data – Stats NZ
- Retail Floorspace Surveys - Property Economics
- Retail Growth Model – Property Economics
- Retail Trade Survey - Stats NZ
- Statistical Area 2 – Stats NZ

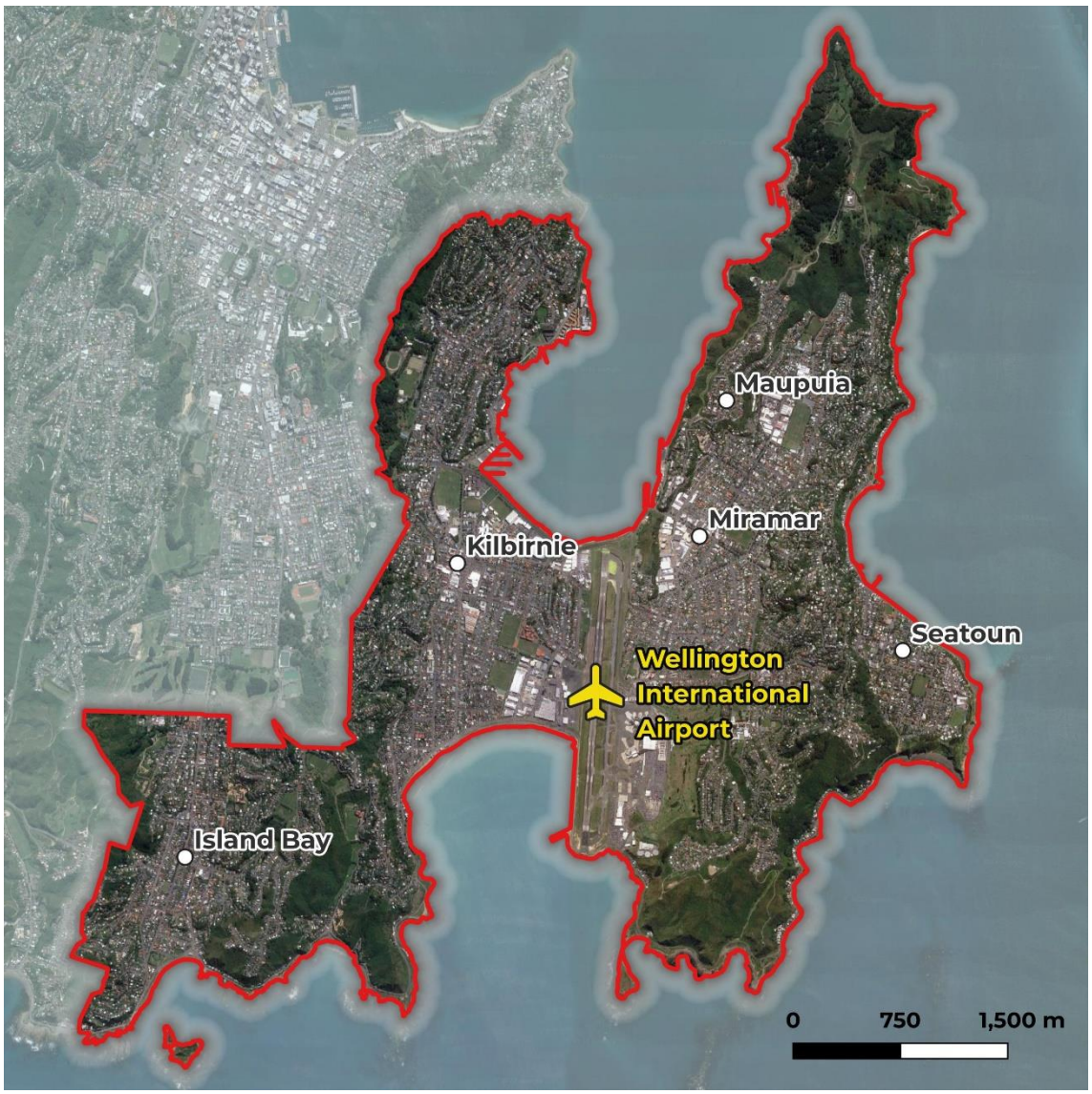
2. PRINCIPAL COMMERCIAL CATCHMENT

The following figure illustrates the likely principal commercial catchment for the Wellington Airport land under an alternative land use scenario. This has been based on the existing commercial centre network, demographic distribution (current and future), Stats NZ Statistical Area 2 (SA2) boundaries for statistical analysis purposes, the roading network, other natural and physical geographic barriers, urban form and known shopping patterns and trade area dynamics for similar areas throughout NZ.

This catchment (Red Outline) represents the area where the Wellington Airport alternative land use scenario proposition would likely derive the majority of its retail and commercial customers, and areas of highest market penetration, but is not intended to represent the entire economic catchment Wellington Airport if commercially developed.

This catchment is used as the study area of the following economic assessment.

FIGURE 1: PRINCIPAL COMMERCIAL CATCHMENT



Source: Google Maps, Stats NZ, Property Economics

3. POPULATION AND HOUSEHOLD FORECASTS

This section presents the latest population and household estimates and growth projections within the identified catchment and the wider Wellington City. These estimates are sourced from Stats NZ and the projections are derived from the latest available Sense Partners 50th percentile (Median) and 75th percentile (High) projections.

Sense Partners Projections are used for a number of reasons, including:

- These are the latest projections that have included the most recent information for a greater level of accuracy.
- These projections, as Property Economics understands, are being adopted by most Wellington Regional territorial authorities as part of their Housing and Business Capacity Assessment processes under their NPS-UD[1] obligations.
- These projections have detailed household / dwelling data that are not projected by Stats NZ.

Given the potential residential development with a yield of circa 2,900 – 3,900 dwellings at WIAL (which is on top of the current residential supply of the market), in combination with the two directives (NPS-UD and NPS-HPL[2]) in encouraging intensification across Tier 1 and Tier 2 urban environments, Property Economics considers that the Sense Partners High growth scenario would be more appropriate to reflect the future population and household base of the catchment over the forecast period.

As such, the Sense Partners High growth scenario (75th percentile) is used as the basis of the retail spend and commercial land demand forecasts in later sections.

3.1. PRINCIPAL CATCHMENT AREA

Based on Stats NZ's latest estimates, the core market has a current (2021) population base of around 46,170 people and contains around 17,240 households (rounded). This equates to a minor net growth rate of 0.9% (or +410 people) and 1.5% (or + 260 households), respectively, over the last 3 years.

Note that this 2021 population and households base of the catchment is marginally lower than Stats NZ's previous (2013-base) Medium projection series utilised in the previous 2018 report, i.e., Stats NZ have updated their base population estimates for NZ and its sub-markets since the 2018 report and this particular area had a slightly lower base population estimate. By itself, this adjustment is not of a scale to alter the recommendations or conclusions reached in original report. However, this is a reflection of a lack of new residential supply being delivered in the catchment rather than low demand.

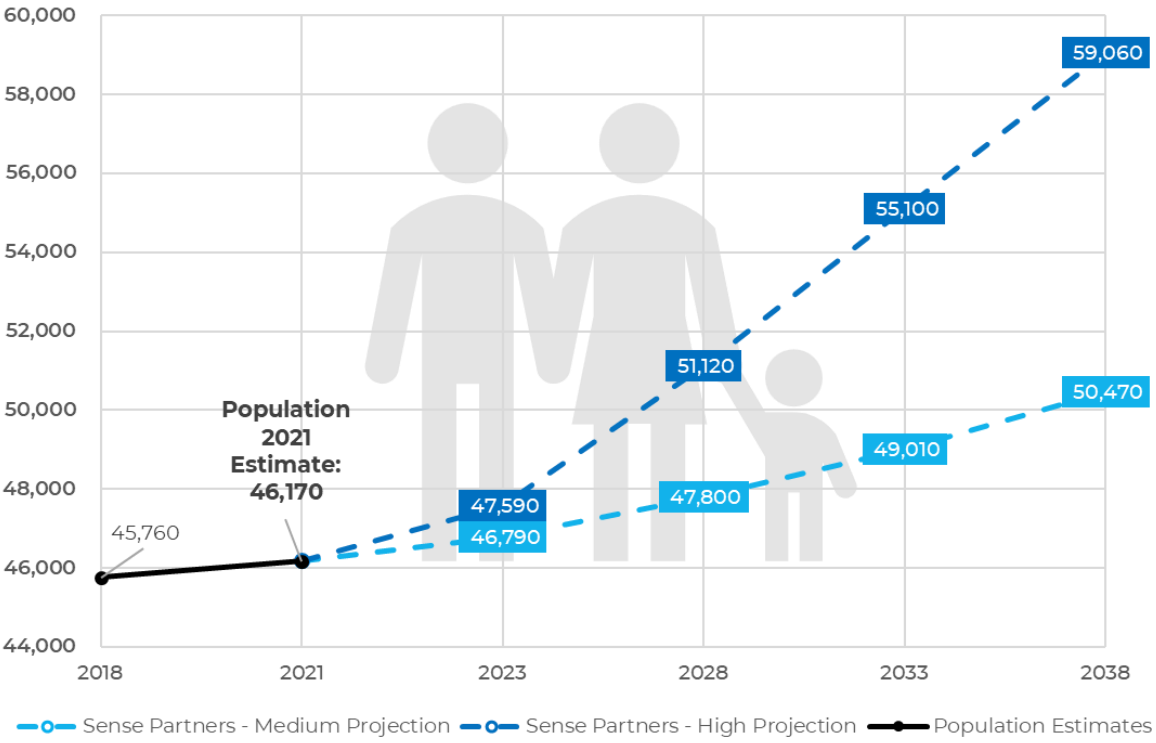
Under the Sense Partners High growth scenario, the 75th percentile, the catchment is projected to have nearly 59,100 people and just over 23,000 households respectively by 2038. This

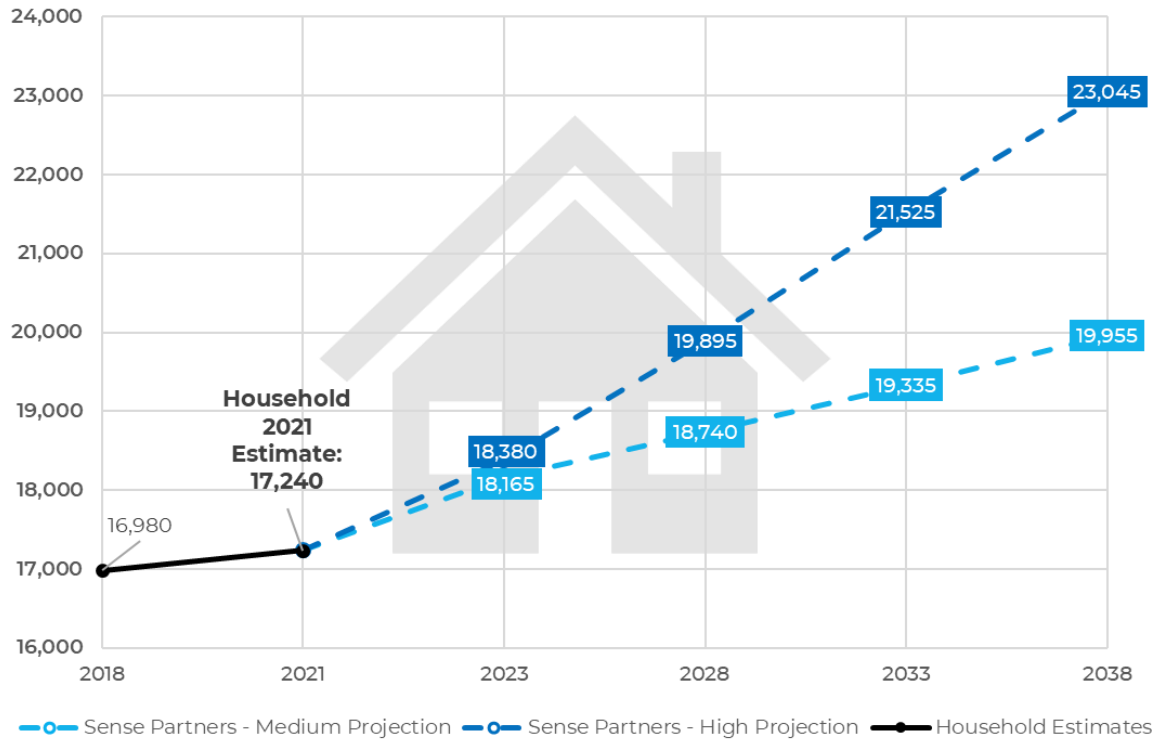
[1] *National Policy Statement on Urban Development 2020*

[2] *National Policy Statement on Highly Productive Land 2022*

represents net localised catchment growth of around 12,890 people and 5,805 households over the assessed period (or +28% and +34% above the 2021 base, respectively).

FIGURE 2: PRINCIPAL CATCHMENT POPULATION AND HOUSEHOLD ESTIMATES AND FORECASTS





Source: Stats NZ, Sense Partners

Under the Sense Partners projections – Medium growth scenario, 2,715 net additional dwellings, over the current 17,240 dwellings, are estimated to be required to accommodate the net growth on a one household per dwellings basis. This is equivalent to around 160 net additional dwelling, on average, each year out to 2038.

Property Economics consider this scenario unrealistically low given the Medium Density Residential Standards recently introduced by MfE that territorial authorities have to give effect to in their District Plans. This significant planning policy change will create materially more development opportunities for new 'higher density' residential development that has not previously been available in the catchment.

Note that growth in the number of households is to increase at a faster rate than the population due to a project fall in the person per dwelling ratio over the forecast period. This trend is not isolated to the identified area but projected to occur across the whole country due to an aging population, smaller families and a higher proportion of 'split' or single parent households.

3.2. WELLINGTON CITY

The figure below following highlights the projected growth profile for Wellington City territorial authority. This provides useful wider market context in which the alternative land use scenario can be considered.

The current (2021) population of Wellington City is around 3% higher than three years ago under Stats NZ's latest population estimates, indicating recent population growth within the city has been concentrated in other areas of Wellington (relative to the catchment area).

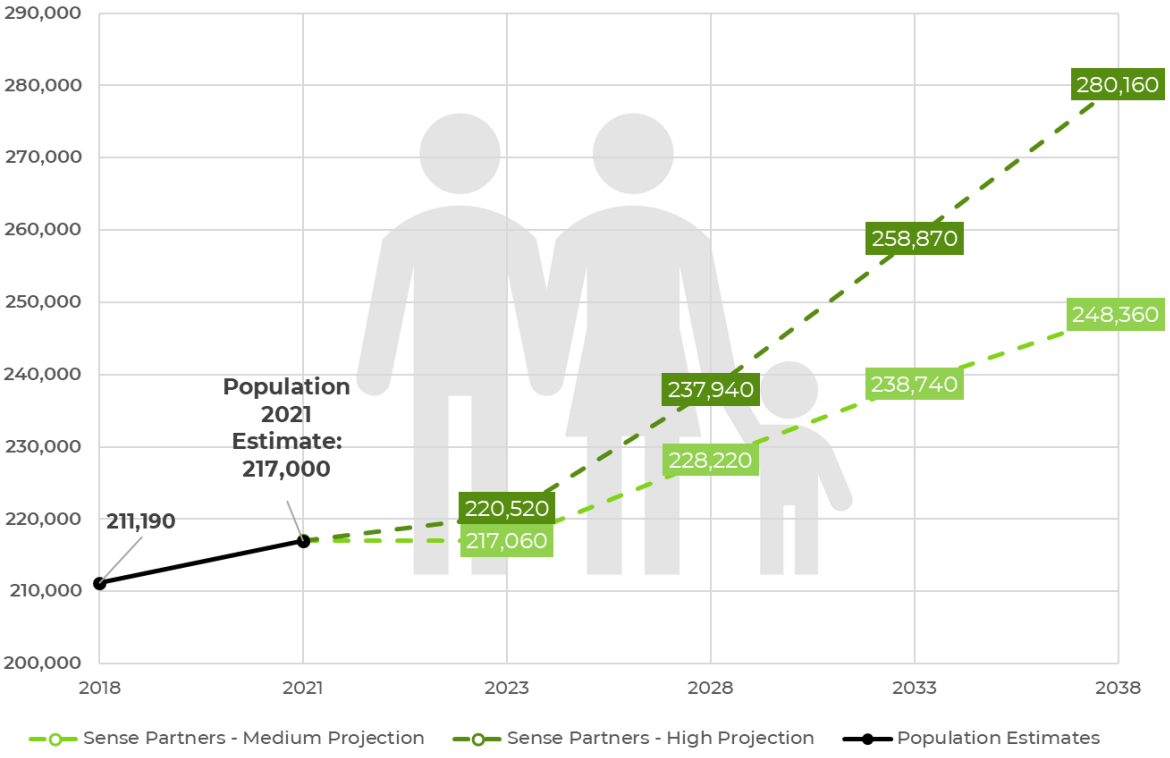
This reinforces the lower levels of growth in the principal catchment is a result of low levels of new residential development and not demand on a comparative basis to the balance of the Wellington City market. This signals a likely 'pent up' or latent demand locally as a result of a short supply of new residential stock entering the local market.

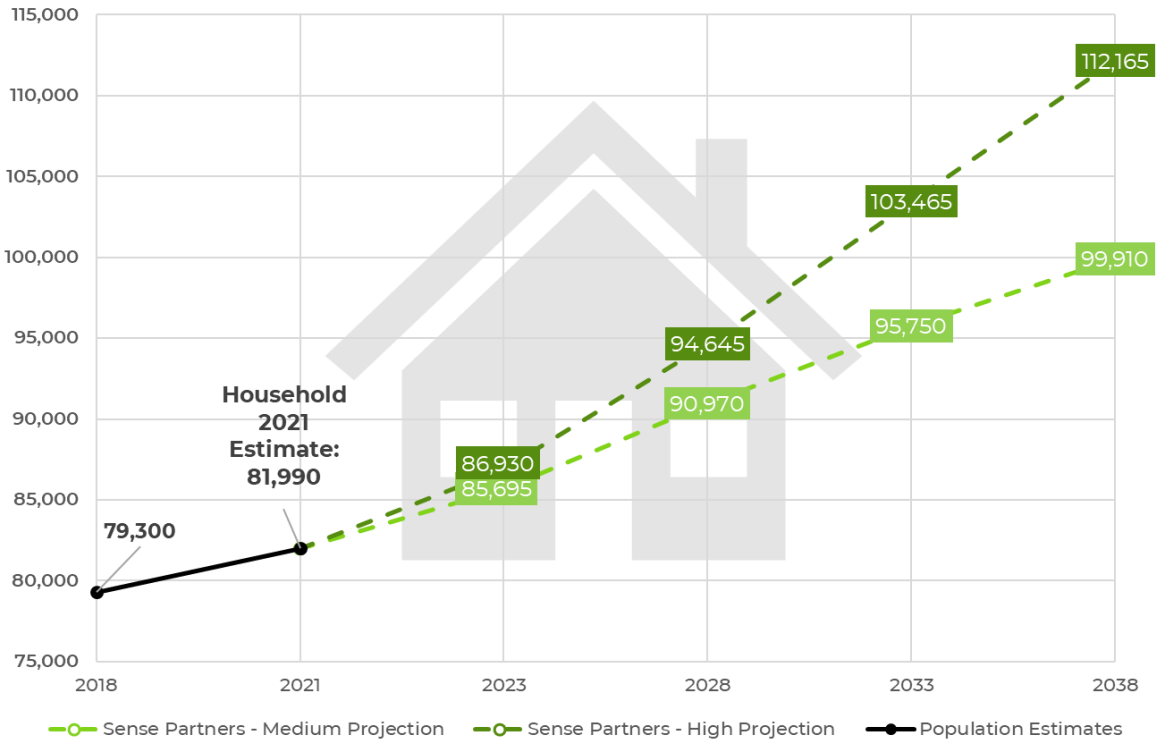
Clearly the lack of developable residential land is hindering the local area's growth profile, however under the alternative land use scenario this issue would be rectified. Therefore, the Sense Partners growth projection for the area is considered to *'low ball'* the likely growth under the alternative land use scenario, particularly given wider Wellington City's higher growth prognosis.

Across the wider Wellington City market by 2038 the population base is forecast to reach nearly 280,200 people and contain around 112,165 households, under the Sense Partners High growth scenario.

In terms of households, under the same growth scenario a total of nearly 30,175 new dwellings would be required in Wellington City by 2038 to accommodate projected High scenario growth. This equates to an average growth of around 1,775 dwellings per annum over the next 17 years.

FIGURE 3: WELLINGTON CITY POPULATION AND HOUSEHOLD ESTIMATES AND FORECASTS





Source: Stats NZ, Sense Partners

Given the latest data trends and the projections above, any residential development potential at the WIAL location is likely to take the form of a mix of higher density (apartment and terraced homes) and medium density (smaller lot stand-alone dwellings) for several reasons:

- The close proximity to the Wellington CBD.
- The potential for master planned residential development.
- The objectives of the Wellington City Council on land use efficiencies.
- The ability for higher density residential product to provide a higher amenity suburb.
- Growing wider housing typology preferences from the market due to increasing divergence in household structures.
- A wider spread of a residential price points and house sizes can be provided to the market.
- A limited supply of suitable flat land in Wellington City for residential development.
- A growing '*baby boomer*' cohort moving into retirement age.

Property Economics sees it as entirely appropriate that any residential development in this location allows for a variety of residential densities and housing typologies to provide a more diverse, comprehensive, efficient, and functional community that better meets the market's preferences.

This is aligned with Council's 10-Year Term Plan consultation document which identifies housing as a priority area and seeks to invest in quality and affordable housing to accommodate the city's growing population. The consultation document states Council wants to actively take the steps to *"avoid an Auckland style housing crisis"* by identifying new land for development, undertaking master planning work and leveraging surplus land for redevelopment. These priority actions support increasing residential densities and higher residential yields from the airport land under an alternative land use scenario.

4. RETAIL EXPENDITURE PROJECTIONS

This section sets out the projected retail expenditure and sustainable GFA forecasts for the principal catchment. These forecasts have been based on the Sense Partners High growth population and household projections, retail shopping patterns, and expenditure flows and have been prepared using Property Economics' Retail Model.

4.1. RETAIL EXPENDITURE MODEL

A more detailed breakdown of the model and its inputs is set out in Appendix 1.

The following flow chart provides a graphical representation of the Property Economics Retail Model to assist WIAL in better understanding the methodology, key inputs utilised and assist in interpreting outputs.

GROWTH IN REAL RETAIL EXPENDITURE

For the purposes of projecting retail expenditure, growth in real retail spend has been incorporated into the model at an average rate of 1% per annum over the forecast period. This 1% rate is based on the level of debt retail spending, interest rates and changes in disposable income levels, and is the average inflation adjusted increase in spend per household over the assessed period.

LAYERED RETAIL CATCHMENTS

It is important to note that the retail expenditure generated in the identified market does not necessarily equate to the sales within that particular area. Residents can freely travel in and out of the area, and they will typically choose the centres with their preferred range of stores, products, brands, proximity, accessibility and price points. A good quality offering will attract customers from beyond its core market, whereas a low-quality offering is likely to experience retail expenditure leakage out of its core market.

For that reason, it is appropriate for modern retail markets to be assessed on the basis of "layered catchments". This is where consumers spread their retail spending across a wider spectrum of centres, with the majority of their "higher order" spend going to "higher order"' centres (predominantly large scale regional or main metropolitan shopping destinations). Meanwhile, convenience spend tends to remain more localised, triggering a layering of centre catchments across the city. In other words, a consumer could be in the primary catchment of numerous centres, not just one.

Therefore, the retail expenditure generated in an area represents the sales centres or retail stores within that area could potentially achieve and is the key influence on what the market can potentially sustain. This should not be interpreted as a negative, but simply represents normal commercial market mechanisms (competition) and is a consideration that needs to be appropriately accounted for in any retail analysis.

EXCLUDED ACTIVITIES

The retail expenditure figures below are in 2018 NZ dollars and exclude the following retail activities, as categorised under the ANZSIC categorisation system:

- Accommodation (hotels, motels, backpackers, etc.)
- Vehicle and marine sales & services (petrol stations, car yards, boat shops, caravan sales, and stores such as Repco, Super Cheap Autos, tyre stores, panel beating, auto electrical and mechanical repairs, etc.)
- Hardware, home improvement, building and garden supplies retailing (e.g. Mitre 10, Hammer Hardware, Bunnings, PlaceMakers, ITM, Kings Plant Barn, Palmers Garden Centres, etc.)

The above activities classified as retail by ANZSIC have been excluded because they are not considered to be core retail expenditure, nor fundamental retail centre activities in terms of visibility, location, viability or functionality. Modern retail centres do not rely on these types of stores to be viable or retain their role and function in the market as such stores have the potential to generate only consequential trade competition effects rather than flow-on retail distribution effects. Therefore, the retail centre network's economic wellbeing and social amenity cannot be unduly compromised.

The latter two bullet points contain activity types that generally have difficulty establishing new stores in centres for land economic and site constraint reasons, i.e. the commercial reality is that

for most of these activity types it would be unviable to establish new stores in centres given their modern store footprint requirements and untenable to remain located within them for an extended period of time (beyond an initial lease term) in successful centres due to property economic considerations such as rent, operating expenses, land value and site sizes.

Trade orientated activities such as kitchen showrooms, plumbing stores, electrical stores, tile warehouses and paint stores are also excluded from the model for similar reasons. As such, demand for these store types is additional to the retail demand assessed in this analysis.

However, in the future, it is increasingly difficult from a retail economic perspective to see these store types establishing in centres (new or redeveloped), albeit they likely have equal planning opportunity to do so. As such, demand for these store types is additional to the retail demand assessed in this analysis.

SUSTAINABLE GFA

This analysis uses a sustainable footprint approach to assess retail demand. Sustainable floorspace in this context refers to the level of floor space proportionate to an area's retainable retail expenditure that is likely to result in an appropriate quality and offer in the retail environment. This does not necessarily represent the 'break even' point, but a level of sales productivity ($/sqm) that allows retail stores to trade profitably and provide a good quality retail environment, and thus economic well-being and amenity.

It is necessary to separate the Gross Floor Area into:

- Net retail floorspace (Sustainable Floorspace); and
- Back office floorspace that does not generate any retail spend.

A store's net retail floor area only includes the area which displays the goods and services sold and represents the area to which the general public has access. By contrast, the Gross Floor Area typically represents the total area leased by a retailer. Back Office Floorspace in a retail store is the area used for storage, warehousing, staff facilities, admin functions or toilets and other 'back office' uses.

These activities typically occupy around 25-30% of a store's GFA. It is important to separate out such back office floorspace from sustainable floorspace because back office floorspace does not generate any retail spend. For the purposes of this analysis a 30% ratio has been applied.

Furthermore, retail stores in general can be split into Specialty and Large Format Retailing (LFR). Specialty retailing generally consists of smaller, boutique more specialised stores typically operating within, and offering products from, a specific retail sector. These are typically stores for items such as clothing, footwear, pharmaceuticals, and food and beverages, with the vast majority of store sizes for this type of retailing under 500sqm GFA.

LFR activity is typically identified as stores with a larger store footprint, generally over 500sqm GFA, and includes store types such as supermarkets, furniture, appliances, hardware and department stores. It is important to note that these store type examples are not mutually exclusive and can include a range of products across a number of retail sectors.

LFR stores, while large in floorspace terms comparatively, typically represent only a small proportion of physical stores nominally. These LFR store types, with the exception of supermarkets, generally trade at lower productivities on a per sqm basis relative to smaller Specialty stores, but are able to remain profitable by selling more in terms of volume, having superior 'purchasing power' (i.e., LFR stores can typically purchase goods at lower wholesale costs on a per unit basis due to the larger volumes bought, particularly for national retail chains), and typically lower per square metre rental rates.

4.2. PRINCIPAL CATCHMENT AREA

Given the differences between Specialty and LFR retailing specifically, the following table illustrates the level of retail expenditure generated within the identified core market and sustainable GFA categorised by Specialty and LFR activity type, based on Sense Partners High growth scenario projections.

TABLE 1: CATCHMENT RETAIL EXPENDITURE ($M) AND SUSTAINABLE GFA (SQM) FORECASTS

Retail Expenditure ($m)	2021	2023	2028	2033	2038	Net Growth (2021 - 2038)
Specialty Retailing	$305	$321	$357	$394	$431	$126
LFR	$262	$274	$305	$340	$377	$115
Total	**$567**	**$595**	**$661**	**$735**	**$808**	**$240**

Sustainable GFA (sqm)	2021	2023	2028	2033	2038	Net Growth (2021 - 2038)
Specialty Retailing	59,300	62,300	69,200	76,400	83,500	24,200
LFR	50,100	52,400	57,900	64,400	70,800	20,700
Total	**109,400**	**114,700**	**127,100**	**140,800**	**154,300**	**44,900**

Source: Property Economics The identified catchment currently (2021) generates an estimated $567m per annum of retail expenditure. This is broadly representative of the '*pool*' of retail spend that that the alternative land uses at the airport site would be competing for within the catchment area.

This market is projected to increase to around $808m per annum by 2038 under the High growth scenario. To put this into context, the catchment currently is attributable to 15% of all annualised retail expenditure generated within the wider Wellington City market.

Note under the alternative land use scenario there is likely to be higher growth (than projected) which would increase the annual retail expenditure generated higher than shown above.

Sustainable retail GFA levels for Specialty Retailing currently equates to around 59,300sqm and 50,100sqm for LFR. The proportional split in terms of GFA between these store types is assumed to remain relatively constant over the forecast period, remaining at around 54% Specialty and 46% LFR.

For broader context, the following table shows the retail expenditure and sustainable GFA projections for the entire Wellington City market (identified commercial catchment inclusive) over the assessed period. This again highlights the wider Wellington market and any large-scale retail centre / destination developed on the Wellington Airport land under the alternative land use scenarios would compete in.

TABLE 2: WELLINGTON CITY RETAIL EXPENDITURE (($M) AND SUSTAINABLE GFA (SQM)

Retail Expenditure ($m)	2021	2023	2028	2033	2038	Net Growth (2021 - 2038)
Specialty Retailing	$2,052	$2,137	$2,381	$2,653	$2,926	$874
LFR	$1,747	$1,805	$2,012	$2,266	$2,530	$784
Total	**$3,799**	**$3,942**	**$4,394**	**$4,919**	**$5,456**	**$1,658**

Sustainable GFA (sqm)	2021	2023	2028	2033	2038	Net Growth (2021 - 2038)
Specialty Retailing	405,500	422,000	470,100	523,600	577,400	171,900
LFR	357,400	368,900	409,200	459,000	509,900	152,500
Total	**762,900**	**790,900**	**879,300**	**982,600**	**1,087,300**	**324,400**

Source: Property Economics

Projected net Wellington City territorial authority retail expenditure growth equates to around $1.7b (rounded) higher annually by 2038 compared to the current 2021 base year, increasing the city's generated retail market to nearly $5.5b per annum by 2038.

In terms of sustainable retail GFA, market growth over the period equates to an additional 324,400sqm GFA being sustainable by 2038 above the current base year, giving a total sustainable market size for the city if spend was internalised (i.e., excludes any net inflows / outflows of expenditure) of around 1,087,300sqm GFA.

5. CATCHMENT RETAIL PROVISION

To gauge the current level of over / under provision of retail GFA in the identified commercial catchment there is a need to quantify the current level of material retail provision in the identified area. Utilising Property Economics' existing in-house databases of retail audits undertaken in 2011/12 of centres within the identified catchment as a barometer enables the alternative land use scenarios commercial catchment current retail demand / supply equilibrium to be broadly estimated.

The 2011 / 12 audit data, while dated, is still considered to provide useful guidance today to utilise as basis of current supply given Property Economics understands cumulatively there has not been a material change in new / additional retail GFA developed in the local area (excluding airport terminal developments) subsequent to the audit and applying updated retail employment data as a proxy for quantifying any new retail GFA.

Assessment of retail employment shows that retail sectors experienced a net increase of around 200 employees since 2012, predominately in Food and Beverage Services. Further analysis into Retail and Commercial Service building consents shows that over this same period around 5,500sqm for new development within the WIAL commercial catchment was consented. This indicates that there has likely been some new retail development within the catchment albeit not to a level that changes the conclusions reached in this report, and also it may not all represent 'new' GFA but a conversion of some existing GFA from alternative commercial uses.

While there is a slight upshot since 2012, the level of retail employment change in considered immaterial in terms of its likely reflection on the net differential in retail GFA in the catchment since 2012 and its effects are likely within the margin of error of the original retail audit. On that basis Property Economics has maintained the 2012 supply data as a relevant broad representation of the current catchment retail supply, albeit with a caveat that the food and beverage sector is likely to be slightly higher than indicated.

The results of the original retail audit are displayed in Table 3, and highlight the GFA, number of retail stores, and the respective percentages by ANZSIC retail sector.

For transparency, the original retail audit involved measuring the net retail floorspace of all retail stores within the catchment centres by sector. These figures were then translated to GFA using an average 70% net to GFA ratio.

Within the catchment there were approximately 125 retail stores with an estimated 45,300sqm of retail GFA. The vast majority of the retail provision is encompassed in two main retail centres - Kilbirnie and the Airport LFR Centre.

The vacancy level in the area at the time of the original audit was negligible at only 1% of total GFA and is illustrative of a market with tight supply. This is likely to still be the case today with the high food and beverage sector employment data. Given the recent 'recovery' in the retail market nationally (from the post-GFC market slowdown), and with retail market growth forecast over the coming years, this vacancy level is considered very low and will place upward pressure on retail rents and tighten investment yields unless additional supply is developed.

TABLE 3: ESTIMATED WIAL COMMERCIAL CATCHMENT RETAIL SUPPLY

ANZSIC06 RETAIL CLASSIFICATIONS	Store #	Store %	GFA #	GFA %
Supermarket Retailing	3	2%	6,500	14%
Food Retailing	13	10%	1,700	4%
Clothing, Footwear and Personal Accessories Retailing	14	11%	2,500	6%
Furniture, Floor coverings, Houseware and Textile Goods Retailing	6	5%	6,000	13%
Electrical and Electronic Goods Retailing	3	2%	1,600	4%
Hardware, Building and Garden Supplies	5	4%	2,400	5%
Pharmaceutical and Personal Care Goods Retailing	3	2%	500	1%
Department Stores	3	2%	11,400	25%
Recreational Goods Retailing	17	14%	5,500	12%
Other Goods Retailing	10	8%	2,000	4%
Food and Beverage Services	40	32%	4,300	9%
Vacant	6	5%	700	2%
Under Construction	1	1%	200	0%
Total	**124**	**100%**	**45,300**	**100%**

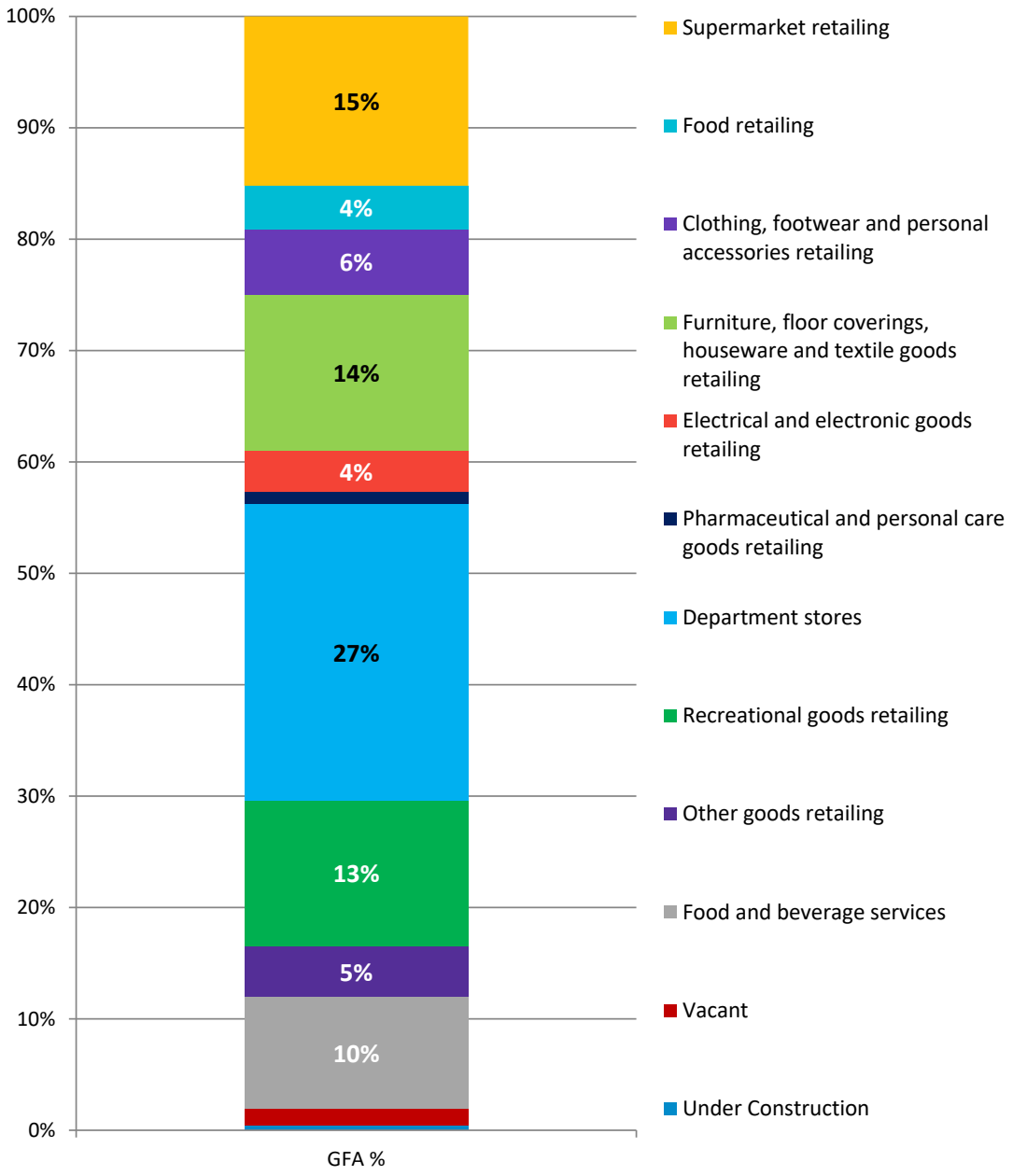
Source: Property Economics

It is worth noting the supply data represent a 'snapshot' in time and retail stores are constantly opening, closing and relocating due to a variety of individual store circumstances. In this regard the retail market is fluid and undergoing constant change.

The retail sector representing the largest proportion of the market in terms of store count is Cafes, Restaurants & Takeaways with 37 stores, or 30% of the total catchment retail market by store number. This is likely higher today. This activity type will be an important component of any retail centre within the alternative land use scenarios. Department stores represent the largest sector by GFA (25%) and not unexpectedly supermarkets represent the second largest sector with retail GFA footprint of around 6,500sqm (14%). Both these sectors are key anchor store types for any higher order retail centre and likely to be important elements in any retail centre development on the airport land.

Figure 4 below illustrates the current retail GFA composition distributed by retail sector. This is a graphic representation of the GFA information in Table 3.

FIGURE 4: ESTIMATED WIAL COMMERCIAL CATCHMENT RETAIL GFA COMPOSITION



Source: Property Economics

While the Department Store sector represents 25% of GFA, there are only 3 stores in the catchment representing only 2% of the store count. In contrast there are 36 Cafes, Restaurants and Takeaway stores in the catchment that cover 8% of the catchment retail GFA, but account for 30% of the retail stores in the catchment. This is due to a lower average store size, which when combined, the average store size per tenancy for Cafes, Restaurants and Takeaway stores is under 100sqm.

Table 4 breaks the original retail audit down further into store numbers in three store size categories, namely 0-499sqm, 500-999sqm and 1,000sqm GFA plus.

TABLE 4: CATCHMENT RETAIL STORE SIZE BREAKDOWN (SQM)

ANZSIC06 RETAIL CLASSIFICATIONS	Store Count				GFA (sqm)			
	0-499	500-999	1000+	Total	0-499	500-999	1000+	Total
Supermarket Retailing		1	2	3		900	5,600	6,500
Food Retailing	13			13	1,700			1,700
Clothing, Footwear and Personal Accessories Retailing	13		1	14	1,500		1,000	2,500
Furniture, Floor coverings, Houseware and Textile Goods Retailing	4		2	6	1,200		4,800	6,000
Electrical and Electronic Goods Retailing	2	1		3	700	900		1,600
Hardware, Building and Garden Supplies	3	1	1	5	300	600	1,500	2,400
Pharmaceutical and Personal Care Goods Retailing	3			3	500			500
Department Stores	1	1	1	3	400	600	10,400	11,400
Recreational Goods Retailing	14	3		17	3,200	2,300		5,500
Other Goods Retailing	9	1		10	1,100	900		2,000
Food and Beverage Services	40			40	4,300			4,300
Vacant	6			6	700			700
Under Construction	1			1		200		200
Total	**109**	**8**	**7**	**124**	**15,600**	**6,400**	**23,300**	**45,300**
Total %	**88%**	**6%**	**6%**	**100%**	**34%**	**14%**	**51%**	**100%**

Source: Property Economics

This sheds a different light on the catchment's retail composition. Currently, a significant 88% of the catchment retail stores are small (below 500sqm) specialty / finer grained retailers. However, these smaller boutique stores only represent 34% of catchment retail GFA. Average store GFA in the 0-500sqm category is 140sqm.

Interestingly, retail stores 500sqm GFA plus represents only 12% of store numbers but 65% of catchment retail GFA. Stores over 500sqm GFA are typically classified as LFR and within the catchment these stores have an average GFA of 2,000sqm.

This retail market composition is expected to be similar for any retail centre development on the airport land, albeit there is market potential for a slightly higher proportion of Clothing, Footwear, and Personal Accessories Retailing, and Food and Beverage stores than current exists in the catchment.

6. FUTURE RETAIL OPPORTUNITY

The retail supply data above of around of 45,000sqm GFA, when assessed against currently (2021) generated catchment demand as determined in the earlier sections, equates to a level of retail internalisation within the catchment at present of around 42%. This is considered low relative to market demand and is fuelled by the lack of retail provision within the catchment both in terms of scale and quality. Therefore, when assessing the potential retail market under the alternative land use scenarios, it is not simply a matter of assessing the future market growth within the catchment, but the current under provision within the catchment that any development on the WIAL land would have the potential to address.

Property Economics recognise not all retail demand should or could be satisfied within the catchment, as some of this demand would be met in the CBD for example. However, a higher level of retail internalisation can be sustained and would provide a more efficient retail network for the city, and therefore would provide an opportunity to better meet Council objectives and RMA principles. A current retail internalisation rate of around 60% is considered more appropriate for this catchment, which equates to current shortfall of around 20,300sqm GFA currently[3].

Adopting a 65% - 70% internalisation rate at the end of the forecast period (i.e., 2038), assuming that the catchment improves its economic competitiveness and standing within the catchment as its market critical mass grows, there is an additional market potential of around 55,000sqm – 63,000sqm within the market. Not all this 'demand' should be allocated to a single new centre, however the bulk of this demand would most efficiently be met within one centre (i.e., around 50,000sqm GFA).

The current Kilbirnie and Miramar centres have significant constraints on their ability to expand by any material degree and doing such would be difficult commercially given the small land parcels and multitude of landowners, and therefore a new centre on the WIAL land would provide an opportunity to efficiently cater for this demand in an effective and consolidated manner. It is worth noting there has been no material growth or change in the aforementioned centres despite market demand allowing such, and encouragement from a policy perspective within the District Plan.

While the current Wellington District Plan identifies Kilbirnie Town Centre as a regional centre, this is by virtue of default (i.e., the only centre in southern Wellington that comes close to such a status) rather than trading performance and market penetration. The alternative land use scenarios would provide a '*game changing*' proposition that would force the entire planning of southern Wellington to be reviewed. This would require the District Plan to be changed under such a scenario, and therefore looking at the current District Plan framework and specific provisions suite for southern Wellington is not considered the benchmark for such an exercise. The Regional Policy Statement and District Plan's higher order objectives would provide more useful guidance in this instance.

[3] *2021 Sustainable GFA (109,400sqm) * 60% Retention Rate - Existing retail Floorspace (45,300sqm)*

Further to the strategic direction likely to be adopted in this area is the issue of capacity in the existing centres of Kilbirnie and Miramar. In terms of retail development potential neither centre is considered to have a material level of at grade retail development capacity in the order required to support future demand. The level of growth expected in his area under the alternative land use scenarios is likely to continue to facilitate the exodus of retail spend from the identified catchment and local community unless a comprehensive alternative proposition was facilitated.

The alternative land use scenarios and WIAL land holding encompass such an extensive and significant piece of land in the context of Wellington that the District Plan would have to change to maximise the potential benefits the land could offer Council and the community. In essence, such a scenario could address many of the existing land use shortcomings in southern Wellington (of which only a few are outlined in this report), and leverage benefits to the community that might not otherwise materialise if the District Plan were not to change.

As such, the alternative land use scenario proposition in effect would provide an opportunity Council is likely to embrace to review its District Plan provisions rather than marginalise and confine development based on the current District Plan, as the current District Plan provisions would not be 'fit for purpose'. The alternative land use proposition allows Council to reposition its planning for southern Wellington and allow it to maximise opportunities generated under such a proposition.

Given the retail analysis above and in the preceding sections, an appropriate retail allocation for the alternative land use scenarios and the WIAL land is considered to be in the order of 50,000-55,000sqm GFA by 2038. This level of retail provision is best provided at ground level only from a retailer perspective, and given it would be a suburban environment, and therefore an appropriate land allocation is considered to be 11-13ha of developable land. This excludes other land uses such as community facilities, public parks, infrastructure, etc. typically often form part of a commercial centre.

Whilst there is projected to be growth in the market, the COVID-19 pandemic has had a significant impact on the market activity and future certainty. The retail market has gone through a period of high volatility since the COVID-19 pandemic from no activity during shutdown periods, to high levels of trading during initial post-COVID shutdowns, to productivity issues with staffing shortages and rehiring issues, to now a high inflation period where consumer discretionary spend is coming under significant pressure. These swings in the market create a high degree of uncertainty in the market over the foreseeable period. This will temper retail growth opportunities and increase competitiveness in the market.

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7. COMMERCIAL OFFICE MARKET ASSESSMENT

This section assesses commercial employment composition trends for Wellington City and the catchment between 2000 and 2021, according to ANZSIC[4] commercial employment categories. The employment data is sourced from the latest Stats NZ Business Demography Data which does not include the number of working proprietors within sectors.

7.1. CURRENT WELLINGTON MARKET

The Wellington City commercial (office) market has several attributes that make it unique in terms of employment growth and distribution. First, the location of Central Government within the City provides a comparatively disproportionate level of Public Administration and Safety employment, while the sitting Government and national economy dramatically influences the growth of this sector. The following table following illustrates this point with net growth in the Public Administration and Safety sector over 117% between 2000 and 2021. The growth in this sector has ramped up in recent years with the current government being a major drive of this growth.

Second, the geography of Wellington City has resulted in a consolidated market approach to office activity with limited dispersal such as that seen in virtually all other major cities in New Zealand. This consolidation has meant that intensified centres have significant economic value to the City.

While Wellington City only accommodates 40% of the Region's population, over 60% of the Region's jobs (and in fact 73% of commercial office employment) are located within the City's boundaries. This illustrates the strength of the centres within the City and their competitiveness for this regional activity.

Since 2010, total employment across all industries in Wellington City has increased a net 14%, with commercial (office sector) activity's net increase tracking at a relatively lower level (10%). The Wellington City commercial office employment base in 2010 represented 13% of New Zealand's commercial office employment base, which has decreased slightly to 11% currently.

This diminishing trend can be primarily attributed to the employment loss (around 7,650 people cumulatively) in Information Media and Telecommunications and Administrative and Support Services sectors between 2005 and 2021.

Specifically, the COVID-19 pandemic and consequently the slowdown in business activities have led to a decline of around 2,000 people in the employment of these two sectors between 2020 and 2021 alone. This loss was largely offset by the continuing employment growth of other commercial sectors, leading to a minor decline of Wellington City's overall commercial employment base.

It can be expected that Wellington City would continue to experience a rate of growth in commercial employment higher than the current rate if there was no pandemic.

[4] *Australia New Zealand Standard Industrial Classification.*

TABLE 5: WELLINGTON CITY COMMERCIAL EMPLOYMENT TRENDS (2000 – 2021)

ANZSIC	2000	2005	2010	2015	2020	2021	2000-2021 Growth	
							Count	%
H Accommodation and Food Services	1,220	1,340	1,460	1,550	1,850	1,660	440	36%
J Information Media and Telecommunications	6,250	6,710	6,400	4,960	4,000	3,600	-2,650	-42%
K Financial and Insurance Services	9,170	7,690	9,440	9,850	9,370	10,100	930	10%
L Rental, Hiring and Real Estate Services	1,330	1,510	1,450	1,440	1,530	1,470	140	11%
M Professional, Scientific and Technical Services	16,700	18,130	20,530	23,360	26,530	26,380	9,680	58%
N Administrative and Support Services	9,240	10,900	8,400	8,060	7,990	6,360	-2,880	-31%
O Public Administration and Safety	5,670	7,490	9,130	9,620	11,510	12,320	6,650	117%
P Education and Training	1,110	1,330	1,550	1,760	1,940	1,930	820	74%
Q Health Care and Social Assistance	2,400	2,670	2,900	3,250	3,490	3,780	1,380	58%
R Arts and Recreation Services	690	690	930	960	1,040	1,000	310	45%
Total Commercial Industries	**53,780**	**58,460**	**62,190**	**64,810**	**69,250**	**68,600**	**14,820**	**28%**
Total All Industries	**120,640**	**132,105**	**140,750**	**146,040**	**160,715**	**160,385**	**39,745**	**33%**
Commercial Proportion	**45%**	**44%**	**44%**	**44%**	**43%**	**43%**	**-2%**	

Source: Stats NZ, Property Economics

7.2. WIAL COMMERCIAL CATCHMENT

The commercial catchment for a potential re-use of the Wellington Airport land under the alternative land use scenarios has been outlined earlier in this report and is likely to form a similar area for the commercial competitiveness of a commercial centre located here.

The following figure shows the historic and current employment composition for the catchment over the last 21 years. Based on Stats NZ's latest data, the catchment has a current (2021) employment base of around 10,670 people, which represents 30% net growth over the last 21 years.

There has been a clear change from an area that was comprised of over 40% industrial activity in early 2000s to a more balanced area with a growing market for commercial and retail activities. This is not uncommon in areas where the underlying land value increases over time and land supply is constrained.

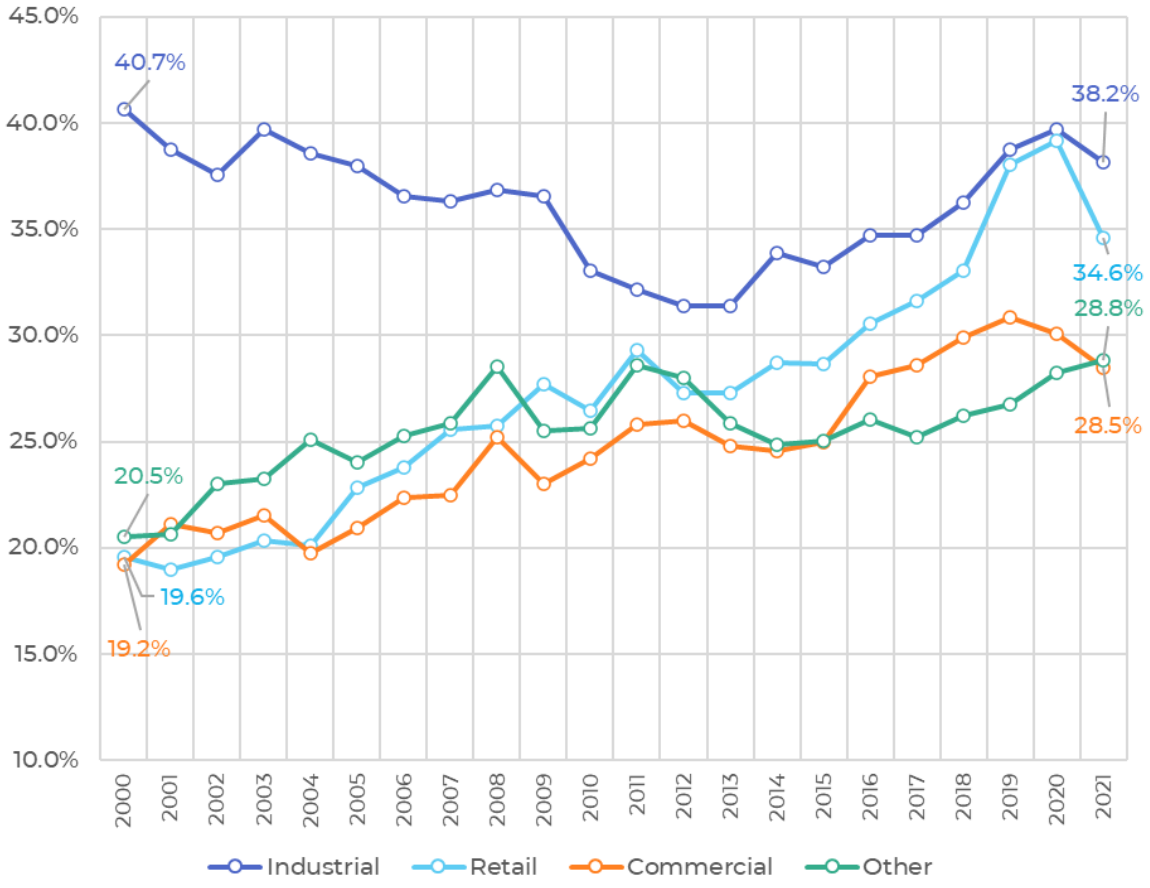
Of interest is the level of employment retention in this area (or employment internalisation). While the Wellington Region has an employment to population ratio of around 50% and the City of nearly 74%, this catchment is operating more as a dormitory suburb with just over 23% retention, i.e., there is significant employment leakage out of the identified WIAL commercial catchment. Even if this catchment exhibited the same average ratio as the Region, it would

accommodate over 23,000 more jobs. This equates to net additional +12,400 jobs above the current (2021) employment level.

Of note, the catchment accommodates around 21% of the City's population but only 6.7% of its jobs, and only 3.4% of the city's commercial jobs. This suggests land availability constraints are affecting local employment provision (and development of it) and highlights compelling evidence to suggest this imbalance (or underperformance locally) would be corrected if Wellington Airport was no longer sited in its current location and opportunity for such provision provided.

The 2015 to 2019 data highlights a surge in growth within the WIAL Commercial primarily due to an increase in Information Media and Telecommunication Industries and Professional, Scientific, and Technical employment as part of the post-GFC recovery. Conversely 'Other' employment (Hospitals, Schools, Art Galleries and etc.) have remained relatively stagnant since 2013.

FIGURE 5: WIAL COMMERCIAL CATCHMENT EMPLOYMENT COMPOSITION BY BROADER SECTOR



Source: Property Economics, Stats NZ

The following table drills down on the relevant commercial employment sectors in more detail to highlight employment composition on a temporal basis over the 2000 – 2021 period.

It shows while Professional, Scientific and Technical Services sector has been the predominant employment provider the composition of commercial activity within the WIAL catchment proportionally is different from Wellington City as a whole. It is important to note however that much of the activity identified here is located in this catchment due to the operation of the Airport itself.

It is clear from the level of activity indicated that this catchment is not providing an environment in which the majority of residents in this area can work. The catchment at present does not provide a competitive business environment that has the ability to accommodate jobs for these residents. As such, the alternative land use scenarios are likely to in effect create a more competitive business environment for commercial office activity to locate. This would improve market efficiencies and productivity, supporting an allocation of such in any alternative land use plan.

TABLE 6: WIAL CATCHMENT COMMERCIAL EMPLOYMENT COUNT TRENDS

ANZSIC	2000	2005	2010	2015	2020	2021	2000-2021 Growth	
							Count	%
H Accommodation and Food Services	97	114	113	161	290	237	140	145%
J Information Media and Telecommunications	54	132	183	168	382	326	272	504%
K Financial and Insurance Services	55	75	89	69	82	73	18	33%
L Rental, Hiring and Real Estate Services	148	173	187	188	272	218	70	47%
M Professional, Scientific and Technical Services	422	558	565	694	797	815	393	93%
N Administrative and Support Services	421	184	370	308	144	159	-262	-62%
O Public Administration and Safety	70	165	141	78	107	101	31	45%
P Education and Training	116	124	150	152	179	188	72	62%
Q Health Care and Social Assistance	148	150	136	165	137	136	-12	-8%
R Arts and Recreation Services	44	40	53	65	74	82	38	87%
Total Commercial Industries	**1,570**	**1,720**	**1,990**	**2,050**	**2,460**	**2,340**	**770**	**49%**
Total All Industries	**8,200**	**8,675**	**8,965**	**9,180**	**11,245**	**10,665**	**2,465**	**30%**
Commercial Proportion	**19%**	**20%**	**22%**	**22%**	**22%**	**22%**	**3%**	

Source: Property Economics, Stats NZ

7.3. FUTURE COMMERCIAL LAND DEMAND

Using the earlier identified population forecasts, historical business demographic trends and the changing demographic profile of Wellington City, Property Economics have projected office employment for Wellington City out to 2038 factoring in changing labour force participation rates over the period.

The sector projected employment for the following areas is based on a variety of factors including:

- National and Regional GDP and employment projections.
- Population projections – these are key both to labour force projections and population-based employment
- Labour force projections (skilled / unskilled)
- Labour force participation rates
- Regional ability to accommodate growth, especially the potential relocation of business (industrial) activity from the wider area
- Wellington City's sub-national relative business land supply and prices
- Trended growth from at least the past 21 years at a Stats NZ Statistical Area 2 level
- Economic development directions
- Locational criteria by sector
- National / Regional and local supply of inputted goods and location of market
- Business sector analysis
- Increasing working age

It is also important to note that these projections do not factor in changes in land prices resulting from changes to Wellington City's competitiveness and price changes in surrounding areas. These factors can influence where businesses decide to locate, however given the unpredictability of land values, for the purpose of this assessment it has been assumed that relative prices between Wellington City and surrounding region remain constant over the forecast period.

The following table outlines the projections for Wellington City from the process above. It is projected that by 2038 Wellington City will have commercial employment base of approximately 80,260 people, which is 12,250 people higher than the current base year. The large proportion of commercial activity is also driven by growth in the wider region and therefore represents a larger proportion of activity than would typically be expected.

In total Wellington City is estimated to require an additional 363,300sqm of commercial floorspace by 2038 based on forecast growth (assuming the current market is in equilibrium). To facilitate this floorspace it would require around 78ha of land, if the commercial development were only one level or 'at grade'.

Typically, commercial development, over a citywide area inclusive of higher density development, will be accommodated at between 2 - 3 levels. Applying this average would necessitate around 18 - 56ha of land for Wellington across the entire City, with much of the activity locating in centres that will develop at greater densities.

TABLE 7: WELLINGTON CITY OFFICE FLOORSPACE AND LAND REQUIREMENTS (2038)

	2021	2038
Commercial Employment (ECs)	68,010	80,260
Commercial Employment Growth (ECs)		12,250
Additional Commercial Floorspace (sqm)		363,300
Additional 'At Grade' Net Land (ha)		78
Additional 2-Level Average Net Land (ha)		39
Additional 2-Level Average Gross Land (ha)		56
Additional 3-Level Average Net Land (ha)		26
Additional 3-Level Average Gross Land Area (ha)		18

Source: Property Economics

7.4. POTENTIAL WIAL LAND OFFICE MARKET

The Wellington Airport location is highly accessible (due in part to the infrastructure provided for the Airport) and therefore could provide a highly competitive business location environment for office activity within Wellington City. The table following illustrates the potential market that exists for office activity within the alternative land use scenario commercial catchment, in particular this location.

While highly accessible to the market, and with the potential to provide a commercial centre with significant agglomeration benefits, the competitive nature of the WIAL location will in large part be determined by the level of amenity that can be supported in this location. As such the level of supportable retail will play a substantial role in determining the level of competitiveness and therefore commercial office activity that could be supported here.

Given the preceding sections on sustainable retail indicating that around 50,000sqm GFA of retail activity (regional centre) could be sustained by 2038 in a single retail destination, the following table outlines the potential commercial activity range that could be accommodated within a commercial business park in this area.

It is important to note that even though the potential to accommodate over 2,000 commercial ECs in a comprehensive centre exists, thereby providing over 50,000sqm GFA, this would not 'equalize' the retention of employment within the area with the corresponding ratio only rising to 33% (with further growth experienced in other areas around the catchment). This underlines the commercial reality of the potential commercial provision outlined below.

Adopting a 2% - 3% range of the total Wellington City office market is considered a prudent approach given the wider influence on such a market. A commercial business park within any alternative land use scenario centre has the potential within the next 17 years to generate demand for an additional 47,750 – 71,470sqm GFA of commercial office activity within the catchment providing a competitive centre with a high degree of amenity is enabled and would provide the local economy with sustainable agglomeration benefits.

This is likely (and most appropriate) to be provided efficiently to the market in higher density multi-storied development rather than a more dispersed at-grade development that consumes land inefficiently, albeit a mix would be likely. If this level of commercial provision were developed at-grade only, this would absorb between 10 – 15ha of land.

However, given land supply is tight within Wellington and competition between land uses more intensive, it is considered more likely that the commercial provision is likely to be delivered to the market across higher density development. Therefore, adopting a 2-level average like across the city, this would result in a land requirement between 7 – 11 ha. This is considered a more appropriate land allocation for such activity within the alternative land use scenarios for the WIAL land.

TABLE 8: POTENTIAL WIAL CATCHMENT COMMERCIAL ACTIVITY (2038)

	WIAL (2%)	WIAL (3%)
Commercial Employment Capture (ECs)	1,610	2,410
Additional Commercial Floorspace (sqm)	47,750	71,470
Additional 'At Grade' Land (ha)	10.3	15.4
Additional 2-Level Average Net Land (ha)	5.2	7.7
Additional 2-Level Average Gross Land (ha)	7.4	11.0
Additional 3-Level Average Net Land (ha)	3.4	5.1
Additional 3-Level Average Gross Land Area (ha)	4.9	7.4

Source: Property Economics

To enable more efficient use of the land resource, a growing trend for mixed use developments allow more intensive use of the vertical space in centres. This is particularly the result of the NPD-US and the renewed interest in developing around transport nodes, and in particular future rail transport stations. WIAL alternative land use opportunity would facilitate this type of development where multiple land uses can be developed on a site across multiple vertical layers. This improves efficiency and productivity of the land.

7.5. LIGHT INDUSTRIAL LAND USES

The lack of appropriately located and zoned industrial land in Wellington is a well-documented issue for the city. The topography of the city makes many areas either unsuitable or commercially impractical to develop for such activities which typically require flat or gently sloping land.

Like in many other parts of the country, Wellington has had large tracts of its industrial zoned land allocation consumed by non-industrial activities over the last few decades, particularly since the emergence of land hungry LFR activity which typically has larger site requirements. This has reduced the quantum of land available for industrial activity and also driven up land costs making the land economics of such development increasingly difficult in many parts of Wellington.

Wellington Regional Council has signed up to the WRS the region's economic development strategy which has the aim of:

> "*To build a resilient, diverse economy – one that retains and creates jobs, supports the growth of high value companies and improves the region's position in relation to the national GDP and economy*".

In 2007 Property Economics undertook a regional industrial land demand assessment indicating the need for over 300 hectares of additional industrial land by 2026. In 2010 Boffa Miskell undertook an assessment of vacant industrial land supply which showed that within Wellington City over 50% of all vacant industrial land supply had a slope over 15 degrees. These two pieces of information lead to an inherent demand for additional industrial land capacity within Wellington City over the medium to long-term, particularly with the higher growth profile for the city than a decade ago when the original work was completed.

The industrial market likely to be attracted to a location such as that provided by the WIAL site is more likely to take the form of light industrial. Requiring higher levels of amenity, access to semi to skilled labour, general accessibility and with higher land intensity, light industrial activity is more likely to be accommodated in more semi-centralised areas rather than seek cheaper land elsewhere.

Sectors that are likely to be attracted to this location include: Data storage, industrial services, industrial specific development warehouses (such as Weta Workshop and studio space), and technology sectors, along with the production of high value-added goods.

In terms of the WIAL commercial catchment identified earlier in this report, there is a clear lack of industrial zoned land available for additional light industrial development, with industrial land vacancy non-consequential in the area. This is not for 'dirty / smokey' industry, but activity categorised as light industry by the ANZSIC classification system and similar to that seen in Miramar which can complement commercial centre activity.

A significant proportion of the WIAL land could be rezoned for light industrial activity given the current industrial market demand / supply imbalance in Wellington City, i.e., in the order of 50ha, based on the level of undersupply in the market and future growth requirements. However, a smaller proportion is considered more appropriate when balanced against the higher yielding alternative land uses discussed in this report, and the increasing demand for residential activity in the area.

8. SUMMARY

Property Economics have undertaken an assessment of the Retail, Commercial and Industrial markets within Wellington City and the economic environment within which it exists. This assessment was then refined to include the locational attributes of southern Wellington and in particular those that were exhibited by the Wellington International Airport area.

The analysis and forecasts in this assessment showed:

- The current supply of retail floorspace in the identified catchment is significantly below the retail needs and potential of the current market.
- There existed a significant level of future demand (through population, household and real retail expenditure growth) for retail generated by this area.
- The existing supply underrepresented the market and the potential for the existing centres to growth was curtailed.
- There existed under these conditions the potential for sustaining a substantial (regional) retail centre within this catchment.
- The WIAL land represented an excellent opportunity for such a centre.
- There existed the potential to significantly reduce the retail leakage from this area allowing a retail offer of some 50,000-55,000sqm GFA.
- The current level of employment retention within the catchment was proportionately low.
- Demand estimates for commercial office space in the wider Wellington area called for an additional 56ha of land (at a 2 - level average).
- With a capture rate of only 2 - 3% of the City's office employment the catchment would need between 7 - 11 ha of commercial land (at a 2 - level average)
- The industrial market in Wellington City has suffered significantly from poorly located sites and under supply of flat and viable locations. The WIAL location has the potential to offer flat large sites with significant degrees of amenity. This would likely result in high demand for industrial land in this location.

Overall, the WIAL location offers a significant opportunity for the Wellington City (and Regional) market which is likely to be highly sought after.

APPENDIX 1: PROPERTY ECONOMICS RETAIL MODEL

This overview outlines the methodology that has been used to estimate retail spend generated for the identified catchment out to 2038.

Statistical Area 1 2018 Boundaries

All analysis has been based on Statistical Area 2 2018 boundaries, the most recent available.

Household Estimates

Statistics New Zealand have not published household estimates below the national level since 2017. As a driving input into Property Economics Retail Expenditure Model, several assumptions have been made. Specifically, the household count from the 2018 Census (available at the SA1 level) have been used to estimate the 2020 household numbers based on the population growth from Statistics NZ's population estimates which are available at the Statistical Area 2 level, while also making adjustments for changes in the population per household ratios at a national level.

Population Growth

The population growth projections utilised in projecting future household retail growth are shown earlier in this report. Although the demographics at the household level drive the estimates in the distribution of the household retail spend, the growth in population has been used as the input to project future retail growth.

Statistics New Zealand's latest household projections are based on the assumption of a decreasing household size, resulting in proportionally greater household growth than population. However, the Household Expenditure Survey shows a clear positive relationship between household size and retail expenditure. Therefore, relying solely on the household growth as an indicator without adjusting for the changing demographic would artificially inflate the projected retail growth.

Given the recent trends of an increasing household size contrary to the projection assumptions, Property Economics believes projecting the retail growth based on future population growth rather than households is a more appropriate assumption. This is ultimately a conservative assumption in the decreasing household size scenario and will be more accurate the less the demographics shift.

International Tourist Spend

The total tourism retail spend has been derived from the Tourism Satellite Account and distributed to each District according to the data as published by MBIE. Within each district, this has been distributed on a 'spend per retail employee' basis. Employees are the preferred basis for distributing regional spend geo-spatially as tourists tend to gravitate toward areas of commercial activity, however they are very mobile.

Total Tourist Spend Forecast

Growth is forecast in the model at 3% per annum.

Average Household Retail Spend

The 2019 Household Expenditure survey breaks down average weekly spend by retail category on a national level by annual household income brackets and by the average number of usual residents. These have been applied to each of the geospatial units based on the distribution of household size and income for that geospatial unit as determined in the 2018 Census.

While there are variables other than household income that will affect retail spending levels, such as wealth, access to retail, population age, household types and cultural preferences, the effects of these are not able to be assessed given data limitations, and have been excluded from these estimates.

Real Retail Spend Growth (excl. trade-based retailing)

Real retail spend growth has been factored in at 1% per annum. This accounts for the increasing wealth of the population and the subsequent increase in retail spend. The following explanation has been provided.

Retail Spend is an important factor in determining the level of retail activity and hence the 'sustainable amount 'of retail floorspace for a given catchment. For the purposes of this outline 'retail' is defined by the following categories:

- Food Retailing
- Footwear
- Clothing and Softgoods
- Furniture and Floor coverings
- Appliance Retailing
- Chemist
- Department Stores
- Recreational Goods
- Cafes, Restaurants and Takeaways
- Personal and Household Services
- Other Stores.

These are the retail categories as currently defined by the ANZSIC codes (Australia New Zealand Standard Industry Classification).

Assessing the level and growth of retail spend is fundamental in planning for retail networking and land use within a regional network.

Internet Retail Spend Growth

Internet retailing within New Zealand has seen significant growth over the last few decades. This growth has led to an increasing variety of business structures and retailing methods including; internet auctions, just-in-time retailing, online ordering, virtual stores, and etc.

Additionally, growth of internet retailing for virtual stores, auctions and overseas stores is leading to a decrease in on-the-ground spend and floor space demand. In order to account for this, a non-linear percentage decrease of 8% in 2020 growing to 12.5% by 2043 has been applied to retail expenditure encompassing all retail categories in our retail model. These losses represent

the retail diversion from on-the-ground stores to internet-based retailing that will no longer contribute to retail floor space demand.

Retail Spend Determinants

Retail Spend for a given area is determined by: the population, number of households, size and composition of households, income levels, available retail offer and real retail growth. Changes in any of these factors can have a significant impact on the available amount of retail spend generated by the area. The coefficient that determines the level of 'retail spend' that eventuates from these factors is the MPC (Marginal Propensity to Consume). This is how much people will spend of their income on retail items. The MPC is influenced by the amount of disposable and discretionary income people are able to access.

Retail Spend Economic Variables

Income levels and household MPC are directly influenced by several macroeconomic variables that will alter the amount of spend. Real retail growth does not rely on the base determinants changing but a change in the financial and economic environment under which these determinants operate. These variables include:

Interest Rates: Changing interest rates has a direct impact upon households' discretionary income as a greater proportion of income is needed to finance debt and typically lowers general domestic business activity. Higher interest rates typically lower real retail growth.

Government Policy (Spending): Both Monetary and Fiscal Policy play a part in domestic retail spending. Fiscal policy, regarding government spending, has played a big part recently with government policy being blamed for inflationary spending. Higher government spending (targeting on consumer goods, direct and indirectly) typically increases the amount of nominal retail spend. Much of this spend does not, however, translate into floors pace since it is inflationary and only serves to drive up prices.

Wealth / Equity / Debt: This in the early-mid 2000s had a dramatic impact on the level of retail spending nationally. The increase in property prices has increased home owners unrealised equity in their properties. This has led to a significant increase in debt funded spending, with residents borrowing against this equity to fund consumable spending. This debt spending is a growth facet of New Zealand retail. In 1960 households saved 14.6% of their income, while households currently spend 14% more than their household income.

Inflation: As discussed above, this factor may increase the amount spent by consumers but typically does not dramatically influence the level of sustainable retail floor space. This is the reason that productivity levels are not adjusted but similarly inflation is factored out of retail spend assessments.

Exchange Rate: Apart from having a general influence over the national balance of payments accounts, the exchange rate directly influences retail spending. A change in the $NZ influences the price of imports and therefore their quantity and the level of spend.

General consumer confidence: This indicator is important as consumers consider the future and the level of security/finances they will require over the coming year.

Economic / Income growth: Income growth has a similar impact to confidence. Although a large proportion of this growth may not impact upon households MPC (rather just increasing the income determinant) it does impact upon households discretionary spending and therefore likely retail spend.

Mandatory Expenses: The cost of goods and services that are necessary has an impact on the level of discretionary income that is available from a household's disposal income. Important factors include housing costs and oil prices. As these increase the level of household discretionary income drops reducing the likely real retail growth rate.

Current and Future Conditions

Retail spend has experienced a significant real increase in the early-mid 2000s. This was due in large part to the increasing housing market. Although retail growth is tempered or crowded out in some part by the increased cost of housing it showed massive gains as home owners, prematurely, access their potential equity gains. This resulted in strong growth in debt / equity spending as residents borrow against capital gains to fund retail spending on consumption goods. A seemingly strong economy also influenced these spending trends, with decreased employment and greater job security producing an environment where households were more willing to accept debt.

New Zealand's economy has been market by several key events over the last two decades. Firstly, this trend temporally reversed in light of the worldwide GFC recession in 2008 with economic uncertainty and job losses reducing consumers' willingness and ability to accept debt. Following this however, New Zealand's economy recovered with growth in the first half of the decade driven by the Christchurch Earthquake Rebuild. Additionally, rapid inflation in the construction industry has contributed to the rapidly rising house prices. This has had a significant impact on reducing the disposable income which has flow-on effects to the rate of retail growth. Finally, most recently the COVID-19 Global Pandemic resulted in a National Lockdown with retailers forced to close under Alert Level 3 and 4.

Despite this, New Zealand's economy so far has not fallen to the same extent economists predicted heading into the first lockdown during the first quarter of 2020. Data available on Statistics New Zealand showed that total Electronic Retail expenditure declined by only 0.2% between 2020 and 2019. This is in comparison to the average annual growth of just over 5% per annum between 2010 – 2019.

From an economist perspective, COVID-19 represents significant uncertainty and thereby making the already difficult job of anticipating the future, that much harder. There are several unpredictable factors that will decide the fate of worldwide economy and it is difficult to accurately predict what long term impacts this global pandemic will have on international travel, the domestic economy and retail trends as it relates to internet retailing.

Impacts of Changing Retail Spend

At this point in time a 1% real retail growth rate is being applied by Property Economics over the longer term 30-year period. This rate is highly volatile however and is likely to be in the order of 0.5% to 1% over the next 5 – 10 years rising to 1% - 2% over the more medium term as the

economy stabilises and experiences cyclical growth. This would mean that it would be prudent in the shorter term to be conservative with regard to the level of sustainable retail floor space within given centres.

Business Spend

This is the total retail spend generated by businesses. This has been determined by subtracting International Tourism retail spend and the Household retail expenditure from the Total Retail Sales as determined by the Retail Trade Survey (RTS) which is prepared by Statistics NZ. All categories are included with the exception of accommodation and automotive related spend. In total, Business Spend accounts for 36% of all retail sales in NZ. Business spend is distributed based on the location of employees in each Census Area Unit and the national average retail spend per employee.

Business Spend Forecast

Business spend has been forecasted at the same rate of growth estimated to be achieved by household retail sales in the absence reliable information on business retail spend trends. It is noted that while working age population may be decreasing as a proportion of total population, employees are likely to become more productive over time and therefore offset the relative decrease in the size of the total workforce.

APPENDIX 5 – WSP SUBDIVISION COSTS

15 December 2022

Wellington International Airport Limited
PO Box 14175
Wellington 6241
Attn: Karl Edmonds

Our Ref.: 5-C4332.01

Dear Karl

2022 Update of MVAU: Civil Works Costs

WSP has been commissioned by Wellington International Airport Ltd ("WIAL") to produce an estimate of the civil works costs associated with the development concept proposed for highest and best alternative use of airport land. The estimated costs and assumptions used in determining that estimate are as follows.

1. Land Area Budget

Development costs have been calculated using parameter costs applied on an area or length basis. The land area budget used for the cost calculation is tabulated below. There have been changes from the 2018 development master plan, primarily an increased relative mix of residential development with business park areas.

Total Land Area Budget

Land Use Category	2018 Area (m^2)	*2022 Area (m^2)*
Town Centre	73,000	88,000
Business Park	27,100	113,000
Large Format Retail	86,000	33,000
Community	0	30,000
Apartments (6 storey residential)	201,000	38,000
Apartments (4 storey residential)	43,000	200,000
Townhouses (3 storey residential)	79,000	306,000
Green in street reserve	122,000	30,000
Headland Park	50,000	50,000
Public Space	50,000	94,000
Roads	205,000	220,000
TOTAL	1,098,000	1,202,000

The area assumed for the road corridor is tabulated below.

WSP
Wellington
L9 Majestic Centre
100 Willis Street
Wellington 6011, New Zealand
+64 4 471 7000
wsp.com/nz

Area of new road corridor

Type	Length (m)	Width (m)	Area (m²)
Arterial	1,700	30	51,000
Collector	3,400	20	68,000
Local	6,800	15	102,000
TOTAL	**11,900**		**221,000**

2. Civil Works

The civil works components included in the development costs are as follows.

Earthworks

Earthworks include two components: an allowance for general site clearance and preparation plus the excavation for the roading/utility corridor. The cost for latter component is included in the roading cost.

Roading

The road estimate is based on the cost and component make-up of typical Wellington roads and include allowances for

- Sealed traffic lanes
- Centre Island
- Parking
- Cycleway
- Berm
- Footpath
- Kerb & Channel
- Signs & Road markings
- Street Lights

Utilities

Costs have been included for the installation of all public utilities within the roading corridor. These utility assets are:

- Water supply
- Storm water
- Sewerage
- Gas pipelines
- Power and Communication ducting

Neighbourhood open Space and Public Space

Development cost of these spaces includes allowance for the following:

- Grassed areas
- Landscaping (trees, shrubs and gardens)
- Park furniture (rubbish bins, seats)
- Playground furniture (swings, seesaws etc)
- Tracks and paths

- Gates, fences and walls
- Lighting
- Toilets and utility connections

3. Development Cost Estimate

Cost Rates

The cost rates used account for the degree of greenfield/brownfield associated with a development of this size, type, and location. Also. rates have been discounted to reflect cost savings from appropriate timing of work and where assets can be installed simultaneously (e.g. costs savings from shared trenching and from easier installation where utilities can be laid prior to areas being paved). Unit costs have been updated to reflect current market rates. Pavement costs have risen close to 20% since the previous valuation. Pipeline networks (utilities) have increased significantly more rising 75% in the last 4 years.

Development on-costs of 14% have been included for professional fees for investigation, design and construction supervision. An additional contingency allowance of 20% has been factored into the cost rates to cover all other costs not accounted for directly.

Resource Consents

No allowance has been included for the cost of obtaining resource consents. It is assumed that the whole development would be covered by a plan change so no resource consents would be needed to implement the works.

Development Levies

An allowance of 7% of the capital development costs is included for Development Levies.

Exclusions

"On-site" development costs (landscaping, utility connections, paved areas etc.) have been excluded from the civil works estimate to reflect that the developer would be selling serviced bare land. Accordingly, the sale price of these properties has been established on this basis.

Cost Estimate

An estimate of development costs is tabulated below.

Development Cost Estimate

Item	Cost ($)
Headland Park	$643,200
Neighbourhood Open Space	$2,313,600
Roads, pavements	$43,707,000
Water, Wastewater & Stormwater Mains	$64,171,000
Telecom, Gas and Electricity	$20,512,000
Site Preparation	$9,371,000
Development Levies	$9,850,000
TOTAL	**$150,567,800**

Yours Sincerely

John Vessey
Technical Principal Valuations & Economic Advisor

VALUATION DEFINITIONS AND TERMINOLOGY

Net Income Estimate, Fully Leased	The total current net income for the subject property plus the estimated income from vacant tenancies. The total current net income is the sum of the current base, outgoings recoveries and sundry income, less total outgoings expenses (including non-recoverable expenses). The estimated income from vacant tenancies reflects our market assessment of gross rent for these tenancies.
Net Passing Income	The sum of the current base, outgoings recoveries and sundry income, less total outgoings (including non-recoverable expenses).
Outstanding Tenant Incentives	The total cost of all outstanding tenant incentives as at the date of valuation including unexpired rent free periods, outstanding fitout or cash contributions and rental discounts.
Initial Yield	Initial yield reflects the net contract income (including any outgoings for vacant tenancies) as a percentage of the assessed value.
Adopted Capitalisation Rate (or Equivalent Yield)	The capitalisation rate applied within our valuation to the net income estimate fully leased (as defined above). The term equivalent yield (as utilised within our analysis of comparable sales) essentially reflects a derived capitalisation rate based on the analysed purchase price adjusted for any under/over renting, surplus land, capital expenditure, vacancy allowances and other below the line adjustments.
Terminal Yield	The capitalisation rate applied within our valuation to the net passing income forecast during Year 11 of our Discounted Cash Flow (DCF) analysis. From this capitalised amount capital adjustments are made to arrive at a selling price for the property at the end of Year 10 of the DCF. Our adopted Terminal Yield is supported by the estimated terminal occupancy profile and the capital expenditure allowed throughout the cash flow, and at the end of the projection, which reflects efficient asset management practices in ensuring the property maintains its competitive position with its peer group.
Target Internal Rate of Return (IRR)	The discount rate applied to the annual net cash flows of the property and the hypothetical sale of the property at the end of Year 10 to arrive at the adopted value (excluding any balance land) using the Discounted Cash Flow approach.
Ten Year IRR (Indicated)	The Internal Rate of Return which the property would achieve over a 10 year period given the forecast net cash flow and assessed value. This analysis excludes the value of any balance land.

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