

# Valuation Report

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Market Value Existing Use  
Auckland International Airport  
Mangere, Auckland

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Auckland International Airport Limited  
PO Box 73020, Auckland Airport  
Auckland 2150

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June 2011

Ref: 15390.1/APS

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1. Valuation in Detail
2. Land Use Plan 2011

## Executive Summary

**Property Address:** Auckland International Airport  
Mangere  
**Auckland**



**Brief Description:** The wider Auckland International Airport Limited ("AIAL") holding encompasses approximately 1,553 hectares, utilised for aeronautical activities, associated commercial infrastructure and land for future runway development.

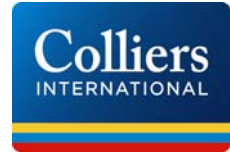
The airfield and future development land includes land used for aeronautical and specialised activities in relation to the airfield (both the existing and proposed second runway), runway approaches, reclamation and seawalls. The reclamation and seawalls land forms part of the international runway and taxiways which has been formed through reclamation over title seabed.

The balance of the land is classified as being either aeronautical related, including the international and domestic terminals, the associated public and staff carparking and aircraft and air freight services, or as being non-aeronautical, which includes land which is currently either in use for non-specialised or contestable activities including land or buildings leased for commercial purposes, commercial buildings, future commercial and business development land with associated roadways and infrastructure.

The airport also comprises various parcels of land which are subject to numerous ground leases. As such we have valued the lessor's interest for these areas.

As specifically requested by Auckland International Airport Limited this report addresses only the land which relates to Aircraft and Freight (2A Zone) under the Land Use Plan 2011. This report is prepared as at 18 July 2012 reflecting the original date of valuation of 30 June 2011.

**Instructing Party:** Auckland International Airport Limited  
PO Box 73020  
Auckland Airport  
**AUCKLAND 2150**



**Addressed To:** Auckland International Airport Limited  
PO Box 73020  
Auckland Airport  
**AUCKLAND 2150**

**Interest Valued:** Unencumbered Freehold Market Value.

**Purpose of Valuation:** To establish the Market Value for Financial Reporting Purposes.

**Date of Valuation:** **30 June 2011**

**Date of Inspection:** **10 June 2011 (inspections during May and June 2011)**

**Date of Reporting:** **30 June 2011**

**Valuation:** Having regard to available market evidence, core assumptions and other factors outlined later in the body of this report, we confirm our assessed Market Value for each component as follows:

**Zone 2A Commercial Land (excludes Lessor's Interest):**

**\$965,000 plus GST, (if any)**  
**(NINE HUNDRED AND SIXTY FIVE THOUSAND DOLLARS)**

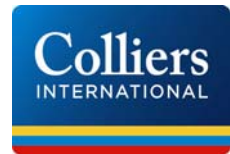
**Zone 2A Lessor's Interests:**

**\$5,300,000 plus GST, (if any)**  
**(FIVE MILLION THREE HUNDRED THOUSAND DOLLARS)**

**Additional Comments:** The market for many types of property has been impacted by the well documented issues in both global and local financial markets over the past 36 months. Whilst a degree of stability appears to have emerged in certain sectors, challenges remain with the market continuing to demonstrate a lower volume of transactions and therefore less certainty around core valuation assumptions and market drivers.

In light of these market conditions while property valuations are based on the latest available data, values should not be considered as immune from possible change even over very short periods, as the market continues to show volatility.

Accordingly if the addressee of this report has any concerns regarding the currency of the valuation, they should contact the Registered Valuer.



**Valuer:**

A handwritten signature in black ink, appearing to read "S N DEAN".

**S N DEAN** FNZIV, AREINZ, FPINZ  
**Registered Valuer**  
**Director | Valuation & Advisory Services**

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Inspection of Property:	Andrew Stringer, Nigel Dean & Darren Park
Valuation Calculations:	Andrew Stringer, Nigel Dean & Darren Park
Authoring of report:	Andrew Stringer, Nigel Dean & Darren Park
Director Review:	Nigel Dean & Mark Parlane

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**Level 27, 151 Queen Street**  
**PO Box 1631**  
**Auckland**  
**Phone No. 358 1888**

## 1.0 INTRODUCTION

### 1.1 INTRODUCTION AND BRIEF

We have received instructions from Auckland International Airport Limited to assess the market value of the land based assets of Auckland International Airport Limited for financial reporting purposes and have pleasure in reporting as follows. As specifically requested by Auckland International Airport Limited this report addresses only the land which relates to Aircraft and Freight (2A Zone) under the Land Use Plan 2011. This report is prepared as at 18 July 2012 reflecting the original date of valuation of 30 June 2011.

We confirm that the individual valuers who are signatories to this report are experienced in the location and category of the property valued and that the signatories hereto are Registered Valuers holding an Annual Practising Certificate.

### 1.2 BASIS AND PURPOSE OF VALUATION

The valuation has been completed in accordance with the AIAL Asset Valuation Handbook 2011 and with the relevant Property Institute of New Zealand and Australian Property Institute Valuation Standards.

We confirm that this valuation has been prepared to establish market value for the purpose of annual financial reporting under International Financial Reporting Standards NZ IAS16 – Property, Plant and Equipment.

We have adopted the International Valuation Standards Committee definition of “Fair Value” as follows:

*“Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s-length transaction”.*

Fair value is generally synonymous with the term market value. Market Value is defined in the International Valuation Standards as;

*“the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, in an arm’s-length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion”.*

Further there is an implicit assumption that fair value or market value embodies the concept of Highest and Best Use. In this instance we determine that highest and best use is indeed its current use and therefore all values are determined on the basis of Market Value Existing Use (“MVEU”).

Where the fair value of an asset is able to be determined by reference to the price in an active market for the same asset or a similar asset, the fair value of the asset is determined using this information. Where the fair value of an asset is not able to be determined in this manner, a fair value of the asset is determined using other market-based evidence, such as by discounted cashflow calculation using

market estimates of the cashflow able to be generated by the asset at a market based discount rate. Where fair value of the asset is not able to be reliably determined using market-based evidence, depreciated replacement cost is considered to be the most appropriate basis for determination of fair value. This situation will usually only arise where an asset is specialised or the only transaction price evident arises in a monopoly context.

We note that the detailed asset listings provided to Auckland Airport match the summary values documented in the report. Further we note that the asset listings are complete and that each asset or specific component of an asset has been included only once.

As specifically requested by Auckland International Airport Limited this report addresses only the land which relates to Aircraft and Freight (2A Zone) under the Land Use Plan 2011.

### 1.3 INFORMATION SOURCES

AIAL has provided the following information which has formed part of the valuation process:

- Market Value Alternative Use (“MVAU”) report prepared by Colliers International dated 30 June 2011 (reference 15390.1/APS)
- Auckland Airport Asset Valuation Handbook 2011 (Final Draft)
- Land Master List
- Land Use Plan 2011
- Occupancy arrangements for leased properties

### 1.4 ASSUMPTIONS

#### ***Property Specific Assumptions***

1. The land subject to this report is separated into distinct uses and sub-zones per the land use plan (as detailed). Individual titles are typically not available for the individual sites within the subzones however it is assumed can easily be produced given AIAL is in total ownership of all relevant lands.

#### ***General Assumptions***

1. We have assumed that the instructions and subsequent information supplied contain a full and frank disclosure of all information that is relevant.
2. We have assumed that there are no easements, rights of way or encroachments except those shown on the Computer Freehold Register or detailed in the valuation.
3. We are not aware of any notices currently issued against the property and we have made no enquiries in this regard. We have not inspected the plant and equipment or obtained any advice on its condition or suitability. In the course of preparing this report we have relied upon information provided by the owner of the property.

#### ***Opinion***

The assumptions we have made in respect of our projections are as follows:

1. Within the context of our valuation there are a number of subjective variables that we have incorporated within the valuation based upon our qualified opinion. These may be summarised as:
  - Holding costs / returns
  - Land values per lot
  - Passenger Growth
  - Discount rates for lessor's interest

In many instances these variables are not able to be validated by comparable market data and accordingly are based upon our considered opinion. Notwithstanding our comments herein regarding the volatile economic and property conditions present, we have assumed that no material unforeseen market changes will occur in the near term.

2. There will be no new taxes or rates introduced which have a material impact on the property over the projected period.

## 1.5 COMPLIANCE STATEMENT

This valuation has been performed in accordance with the International Valuation Standards (IVS) and New Zealand Valuation Standards and we confirm that;

- The statements of fact presented in this report are correct to the best of the Valuer(s) knowledge;
- The analysis and conclusions are limited only by the reported assumptions and conditions;
- The Valuer(s) have no interest in the subject property;
- The Valuer(s) fee is not contingent upon any aspect of this report;
- The valuation has been performed in accordance with an ethical code and performance standards;
- The Valuer(s) has satisfied professional education requirements;
- The Valuer(s) has experience in the location and category of the property being valued;
- The Valuer(s) (as noted in the executive summary and final section of this report) has made a personal inspection of the property and
- No one, except those specified in the report has provided professional assistance in preparing the report

Further, the principal valuer is a Registered Valuer in accordance with the Valuers Act 1948 and holds an Annual Practising Certificate.

We confirm that we are not aware of any conflicts of interest or pecuniary interests of the property being valued on the part of either Colliers International New Zealand Limited or the valuer(s).



## 2.0 SUMMARY OF ASSETS

### 2.1 GENERAL

The total land holdings of Auckland International Airport comprises an area of 1,553 hectares. This includes freehold title to both land and seabed for the present and future operations of the airport.

As a broad overview, the land holdings can be classified as being either specialised or non-specialised. The earlier definition relates to land beneath identified airport activities as well as including land held to provide future identified airport activities e.g. second runway land. Non specialised land is used for activities not classified as identified airport activities. These would include for example, carparks, investment properties and land held for future commercial development. We summarise the land uses and areas in the table below.

Zone	Description	Area (ha)
1a	Seabed	229.9
1b	Airfield	354.4
1c	Southern Airfield REPA/PSZ	38.8
1d	Southern Airfield Restricted	26.4
1e	Land for Airfield Development	223.1
1f	Restricted by Future REPA/PSZ	42.6
1g	Restricted by Future Airfield	15.6
2a	Aircraft and Freight	29.9
2b	Land for Aircraft and Freight Development	95.6
3a	ITB	11.1
3b	DTB	3.6
4a	Public & Leased Carparks	19.8
4b	Staff Carparks	7.6
5a	Interim Airport Commercial	112.6
5b	Land for Interim Airport Commercial Development	275.6
6	Infrastructure	14.6
7	Other PPE Land	10.3
8	Roads	41.3
<b>Total</b>		<b>1,552.7</b>

We have relied on information provided by AIAL. We have not carried out title searches of each parcel and have proceeded on the basis that the above land is either held in ownership by AIAL or held on behalf and for the benefit of AIAL, for its current and future airport operations.

## 2.2 DESCRIPTION OF LAND

### 2.2.1 AIRFIELD AND FUTURE DEVELOPMENT LAND

The airfield and future development land comprises those areas located within Zone 1, totalling approximately 930 hectares, and used for aeronautical and specialised activities in relation to aircraft movement and passenger processing. The land included within the zone comprises the airfield (both the existing and proposed second runway), runway approaches, reclamation and seawalls. The reclamation and seawalls land forms part of the international runway and taxiways which has been formed through reclamation over title seabed.

### 2.2.2 OTHER LAND

The balance of the land comprises those areas located in Zone 2, 3, 4, 5, 6, 7 and 8, totalling approximately 622 hectares and classified as being either aeronautical related, including the international and domestic terminals, the associated public and staff carparking and aircraft and air freight services, or as being non-aeronautical, which includes land which is currently either in use for non-specialised or contestable activities including land or buildings leased for commercial purposes, commercial buildings, future commercial and business development land with associated roadways and infrastructure.

We note that various parcels of land within the wider AIAL holdings have been valued separately are not subject to this report. However for completeness and the ability to reconcile the total AIAL land holding we have included the land areas within our tables.

Predominantly this is the land and buildings in Zone 5 being leased for commercial purposes with further areas located within zones 1B, 2A, 3A, 3B, 4A and 4B.

As specifically requested by Auckland International Airport Limited this report addresses only the land which relates to Aircraft and Freight (2A Zone) under the Land Use Plan 2011.

### 2.2.3 LESSOR'S INTEREST

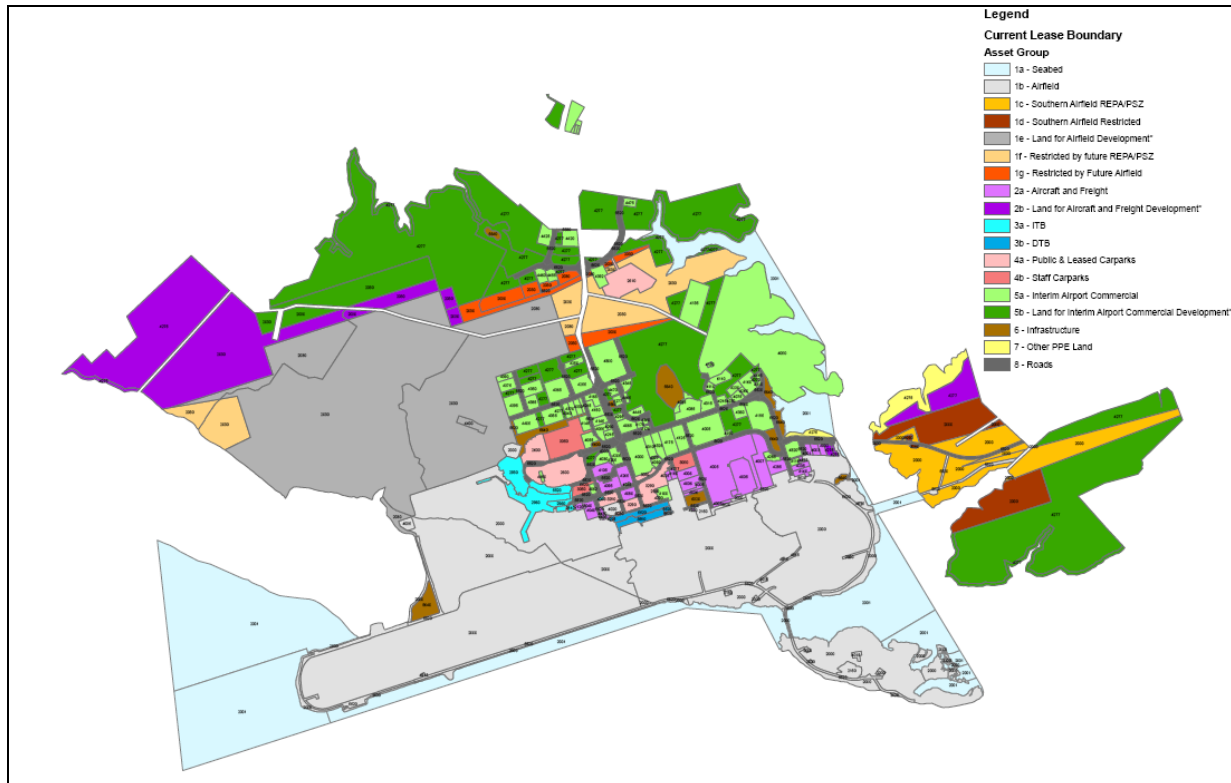
The airport also comprises various parcels of land which are subject to numerous ground leases, and which are included in the land holdings detailed above.

As such we have valued the lessor's interest for these areas, having regard to the specific occupancy arrangements for each lease. These interests are contained within 11 agreements and are variously situated in zones 1 and 2.

## 2.3 LAND USE PLAN

We have been provided with a land use plan prepared by AIAL which provides indicative land uses for the specialised and non-specialised assets within Auckland Airport. Several areas have been divided into smaller sub areas compartmentalising the primarily land uses based on existing or future activities.

We attach a larger copy of this plan at **Appendix 2** with a summary version below.



Within each primary land use area are a number of identified sub-areas which have been based on the various activities carried out within the primary area. The identification of these sub areas is of particular relevance to the allocation of land values appropriate to the nature and intensity of uses on that land.

### 3.0 RESOURCE MANAGEMENT

The Auckland Council came into effect as at 1 November 2010, combining Manukau City, Papakura District, Waitakere City, Auckland City, Rodney District, North Shore City and part of Franklin District Councils into one "Super City". The Auckland Council propose to have one plan, however at present the existing Districts Plan will continue to apply until the new unitary plan is developed.

Auckland International Airport land is located within the Airport Activities Zone under the Manukau City Operative District Plan 2002. The zone permits a range of activities which are appropriate in association with the airport. In addition a portion of the Airport land is situated within the Mangere-Puhunui Rural Zone and Mangere-Puhunui Heritage Zone.

Designation 231 overlays the zones and is divided into two areas: Area A which covers most of the airport land to the south, while Area B covers the remainder to the north; the border between the two runs along the northern edge of the Proposed Northern Runway.

Development controls for the Airport Activities Zone provide varying height limitations in accordance with Obstacle Limitations set forth in the District Plan and enforce a Coastal Protection Yard of 20 metres to buffer the surrounding coastline from development. Further, all buildings are prohibited on any land that is within the Runway End Protection Area ("REPA") of both the existing and Northern Runway. The zone permits activities that are necessary for the provision of the airport services and the operation of Auckland International Airport Limited, however Area B allows for a further range of commercial activities including retail, office and industrial; the activity in each case must be in connection to the use of the airport.

Development controls for the rural zones also provide varying height limitations in accordance with Obstacle Limitations set forth in the District Plan and enforce a Coastal Protection Yard of 30 metres to buffer the surrounding coastline from development. Commercial and retailing activities together with high density residential developers are considered non-complying activities;

In 2009 Proposed Plan Change 13 ("PC13") to the Auckland Regional Policy Statement was notified, under which the majority of the land designated by Auckland Airport, together with a small portion of land owned by Auckland Airport but outside the designation, was sought to be included within the Metropolitan Urban Limit ("MUL"). At the same time Proposed Plan Change 14 ("PC14") to the Manukau District Council was notified, which essentially sought to rezone Auckland Airport's rural land, included in PC13, to Airport Activities Zone or new business zones.

The former Auckland Regional Council and Manukau City Council confirmed PC13 and PC 14 in November 2009. While several appeals were lodged by submitters including Auckland Airport, all appeals relating to the Airport land have been resolved by way of consent orders granted by the Environment Court in 2011. The Auckland Council has yet to publicly notify that PC13 and PC14 are operative in respect of the Airport land however we understand that these are to be made operative in the short term.

Under PC14 a new business zone, the Mangere Gateway Business Zone (Ihumatao) ("MGBZI") applying to land north of the proposed Northern Runway, both within the airport designation as well as

land outside the designation. Development controls generally permit business focussed activities such as commercial and industrial, with residential and retail activities discouraged.

Essentially therefore the zonings and the interface with surrounding uses, has been formulated and dictated by the existing operation of the land as an international airport.

## 4.0 MARKET COMMENTARY

### 4.1 ECONOMIC COMMENTARY

In determining the current market value of the subject property we have had regard to underlying economic conditions and the flow-on implications that these may have on investment and divestment decisions made across the broader property markets. This commentary is effective at June 2011 and is based on the most recently sourced data from Government and independent sources. The following table provides a general overview of immediate past performance and short term projections.

#### New Zealand Institute of Economic Research Quarterly Forecasts

Economy Activity (March Year)	2009	2010	2011f	2012f	2013f
GDP - annual % change	-1.6%	-0.7%	1.0%	1.0%	4.0%
Consumer Price Index	3.0%	2.0%	4.5%	1.8%	2.3%
Unemployment Rate	5.1%	6.0%	6.6%	6.2%	5.1%
Current Account % GDP	-8.0%	-2.4%	0.3%	-3.9%	-6.6%
Trade Weighted Index	61.5	63.1	67.6	66.9	66.1

Source: NZIER Quarterly Predictions June 2011, RBNZ, Statistics New Zealand, New Zealand Treasury, Colliers International Research

#### Key Market Indicators

	6 month change	12 month change	2011F
Unemployment Rate	↑	↑	↓
Floating Rate	↓	↓	↑
Two-year Fixed Rate	↓	↓	-
OCR	↓	↔	↑
NZD/USD Exchange Rate	↑	↑	↓
NZD/AUS Exchange Rate	↓	↓	↑
90 Day Bank Bill Rate	↓	↓	↑
10 Year Govt. Stock	↓	↓	↑
Non-Residential Building Consents*	↓	↓	-
Residential Building Consents*	↓	↓	-

Source: NZIER estimates and forecasts, RBNZ, & Colliers International Research

\*Value of Building Consents only

#### Economic Growth

- Economic activity as measured by gross domestic product (GDP) increased 0.2% in the December 2010 quarter following a 0.2% decrease in the September 2010 quarter. The next release of data, for the March 2011 quarter, will be in late June 2011.

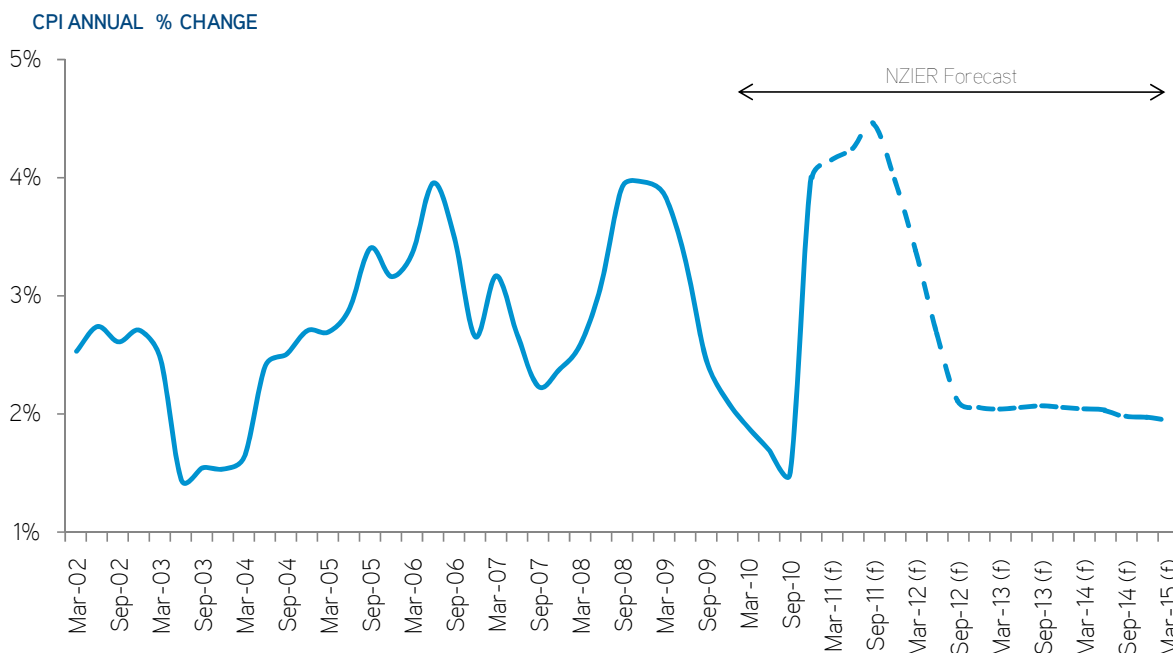
- On an annual basis, economic activity increased 1.5% in the year ended December 2010 compared with the year ended December 2009.
- Canterbury suffered a second severe earthquake (6.3 magnitude) on 22 February 2011 and third severe earthquake (6.3 magnitude) on 13 June 2011 (the first on 4 September 2010, 7.1 magnitude).
- NZIER anticipate economic growth to average just 0.3% in 2011 calendar year, but recover strongly in 2012 to 3.7%. The recovery path is a little stronger than NZIER's earlier forecasts, reflecting a larger Canterbury rebuilding programme than their initial assessments. NZIER forecasts are less optimistic than consensus forecasts of 1.2% and 3.9% growth in 2011 and 2012 respectively.

### ***Interest Rates***

- The Reserve Bank of New Zealand (RBNZ) kept the Official Cash Rate (OCR) at 2.5% on 9 June 2011.
- Reserve Bank Governor Alan Bollard said "Economic activity has been significantly disrupted by the Christchurch earthquake. However, while many firms and households, particularly within Canterbury, continue to be adversely affected, it appears the negative confidence effect of the earthquake on economic activity throughout the rest of the country has been limited."
- RBNZ stated "As GDP growth picks up, underlying inflation is expected to rise. A gradual increase in the OCR over the next two years will be required to offset this, such that CPI inflation tracks close to the midpoint of the target band over the latter part of the projection. The pace and timing of increases will be guided by the speed of recovery, but for now the OCR remains on hold".

### ***Inflation***

- The Consumer Price Index (CPI) rose 0.8% in the March 2011 quarter, influenced by a rise in Goods and Services Tax (GST). This is the largest quarterly increase since a 3.5% rise in the September 1989 quarter when GST increased from 10% to 12.5%. The 2.3% rise follows 1.1% and 0.2% rises in the September and June 2010 quarters respectively. This follows rises of 2.3% in the December 2010 quarter when GST rose from 12.5 to 15%) and 1.1% in the September 2010 quarter respectively.
- The CPI increased 4.5% in the year to the March 2011 quarter, following increases of 4.0% and 1.5% in the years to the December and September 2010 quarters respectively. The latest annual increase is the highest since a 5.1% increase in the year to the September 2008 quarter (when petrol prices peaked).
- While headline inflation rate was 4% in 2010; this is largely due to an increase in GST from 12.5% to 15%, increase in ACC levies and introduction of ETS charges. Excluding these one-offs underlying inflation was just 1.4%, well within RBNZ's 1-3% target band. RBNZ stated "Headline inflation is currently being boosted by recent increases in indirect taxes, food and petrol prices, and surveyed expectations of future inflation have edged up. Despite this, indicators of capacity usage and core inflation suggest underlying inflation remains constrained."



### **Exchange Rates**

- The New Zealand Dollar (NZD) posted a 1.3% appreciation against the US Dollar (USD) over May. The NZD against the USD hit a high rising to 82.5 cents at the end of May.
- According to the RBNZ Trade Weighted Index, the New Zealand dollar increased by 1.0% in May 2011 compared with an increase of 4.5% in the previous month.
- NZIER states that the NZD remains elevated and in a holding pattern. Strong agricultural commodity prices, weakness in major economies and sovereign credit concerns continue to support the NZD. NZIER expects the NZD to remain elevated over the next year and depreciate gradually thereafter.

### **Construction Activity**

- According to Statistics New Zealand's latest data release, including apartments, the seasonally adjusted number of new dwellings authorised in April 2011 fell 1.6% after rising by 2.0% in March 2011.
- Only one of New Zealand's 16 regions recorded more authorised units when compared with the same month last year. The North Island fell 32% and the South Island fell by 38%.
- The value of non-residential building consents was \$252 million in April 2011, down 23% compared with April 2010. Seven of the 11 building types recorded decreases in the value of consents compared with April 2010.

### **The Christchurch Earthquakes**

Christchurch and Canterbury suffered a 7.1 magnitude earthquake on Saturday 4 September 2010 and a series of aftershocks. On Tuesday 22 February 2011 Christchurch was hit by a second major earthquake of 6.3 magnitude with catastrophic loss of life and unprecedented property destruction. A further major earthquake of 6.3 magnitude hit Christchurch on Monday 13 June 2011 further destroying a number of buildings and causing additional damage to the city. At the date of issuing this valuation report the full economic and property market impact of the second and third earthquakes are unable to be quantified for this property and the wider market. It is our view that certain property types and



submarkets will be affected to differing degrees. The impact on the Auckland property market is likely to be low; this being said the effects on the exchange rate, population movements, interest rates, building costs and spending patterns may be influenced. Accordingly the earthquake has added yet another factor to an already uncertain economic environment.

### **Conclusion**

NZIER states that the economy is in a soft patch, but the outlook is for a more gradual but sustainable recovery over coming years. The Canterbury earthquake and spikes in food and fuel prices earlier in the year weighed on economic growth. Signs of resumption in house sales and business lending suggest a broadening recovery will develop later this year. This will be supplemented with the Canterbury reconstruction programme, likely to be in full force by mid 2012.

The global economy has hit speed bumps. Leading indicators have softened and there are increasing signs of moderation in Asia, as monetary conditions tighten to curb accelerating inflation. Heightened uncertainty on global growth is a source of risk for the economy, particularly exports and tourism.

The 2011 Budget delivered few surprises. The main focus was on reversing the fiscal deficit to a surplus within five years by constraining government spending. The Government committed to restraining spending on Working for Families, student loans and departmental budgets. This reduces the risk of a ratings downgrade. Government spending in the economy will slow over the next five years.

Investment property tax rules have tightened, with the 2010 Budget changing the tax depreciation rules for buildings (both residential and non-residential). From the 2011/12 income year, a zero percent depreciation rate will apply to buildings (but not fixtures and fittings) with a life of 50 years or more. Whilst compensatory reductions in taxation have occurred in other areas, in practice it remains unclear how property investors will respond to the new regime.

Notwithstanding New Zealand's stable fiscal policy and the increasingly positive tone of many lead indicators, the economic and financial sector environment as it relates to commercial property continues to be fragile. The banking and finance company sectors continue to work through their distressed asset base in a reasonably well managed manner, although risks of receiverships remain in many cases. Until these issues are resolved and a concerted period of asset price stability ensues, the market will remain fickle.

Private investors remain the principal market participants, albeit relying on significant equity contributions to deals given the scarcity and relative cost of debt. In recent months we have also seen the re emergence of the syndicators, although under relatively strict investment criteria. The anticipated pickup in activity post the budget has failed to materialise and in our view investment decisions remain very much a case by case or sector by sector scenario based on apparent medium term market expectations.

## 4.2 PROPERTY MARKET COMMENTARY

### Background

In respect of the areas classified as aeronautical related or non-aeronautical land we are essentially determining land values for individual parcels relative to current use and zoning. Therefore it is imperative to understand the dynamics of the wider commercial and industrial market in the region and the direct competing supply which will ultimately influence value.

### 4.2.1 INDUSTRIAL MARKET COMMENTARY

The industrial sector continues to lead the commercial property market out of the recession. Figure 4.2.1 presents the industrial sector GDP growth in Manukau City, Auckland Region and New Zealand as a whole.

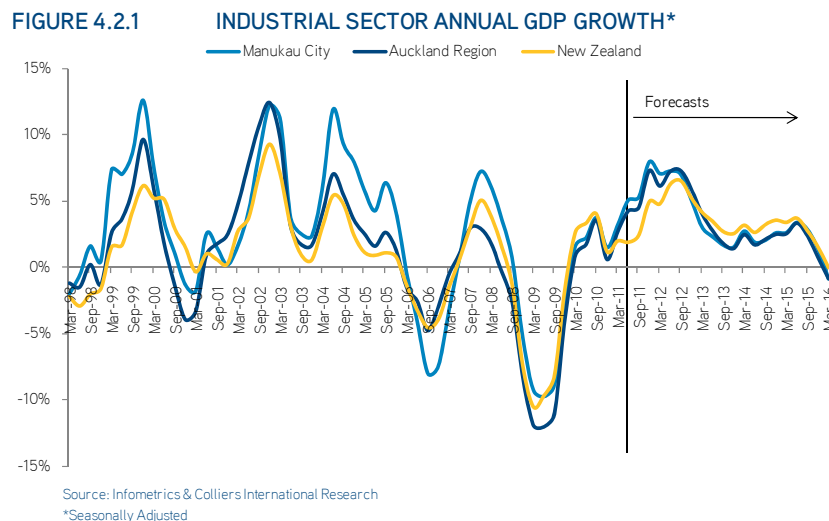
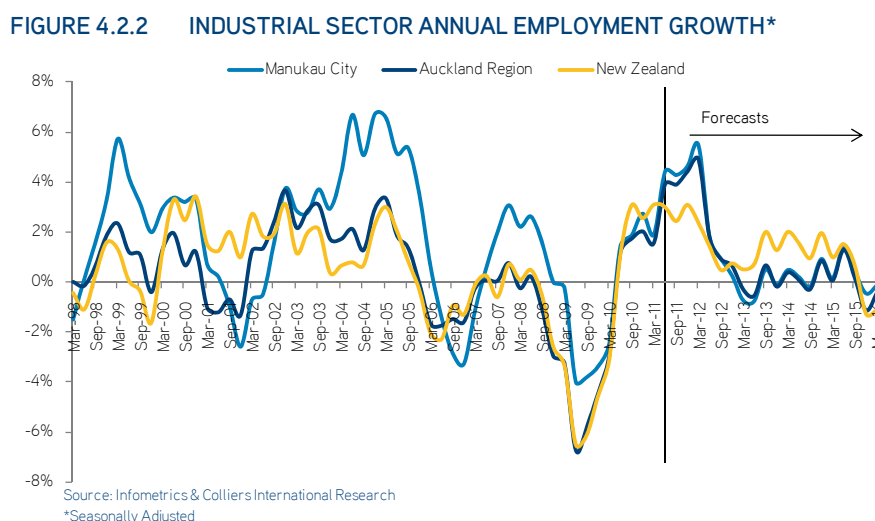


Figure 4.2.2 presents the industrial sector employment growth in Manukau City, Auckland Region, and New Zealand as a whole.



In analysing both Figures 4.2.1 and 4.2.2, there appears to be a recovery in the Manukau City industrial market, with strong economic growth illustrated through GDP and employment growth statistics over time. The recovery although expected to drop progressively over the next four to five years, will remain positive, and should help to fuel a steady yet slow recovery in the Manukau industrial property market.

A challenge to the industrial sector recovery in the general economy continues to be the high exchange rate of the New Zealand (NZ) dollar against the US dollar. The high NZ dollar value against the US dollar currently above 0.87 (largely caused by insistent strength of the Australia dollar), stands to constrain the export-led recovery and stronger economic GDP growth rates.

#### 4.2.1.1 INDUSTRIAL LAND SUPPLY

In 2006, Auckland Region was estimated to have a total of 6,813 hectares of existing business land, of which 5,258 hectares were occupied and 1,555 hectares vacant. Of that 1,555 hectares vacant, 911 hectares were in Manukau City. Table 4.2.1 presents an analysis of estimates for vacant business land in March 2006 from the Auckland Regional Council.

Table 4.2.1 Estimated Vacant Land for Business Land as at March 2006 (hectares)				
Location	Business Land 2006			Business Land Absorption Rate*
	Occupied	Vacant	Total	
Auckland City	2199	146	2345	17
Manukau City	1544	911	2455	50
North Shore City	639	159	798	27
Papakura District	231	100	331	3
Rodney District	33	137	170	2
Waitakere City	612	102	714	10
<b>Total</b>	<b>5258</b>	<b>1555</b>	<b>6813</b>	

Source: Auckland Regional Council Capacity for Growth Study 2006 (published March 2010) & Colliers International Research  
\*Based upon the annual average business land absorbed between 1996 to 2006

The average business land absorbed from 1996 to 2006 was 50 hectares per annum in Manukau City. Applying this average absorption rate to the available vacant business land in Manukau led to the conclusion that there was approximately 18 years of supply.

The situation is very different now. We have sourced and analysed data from Property IQ as well as analysing our own data. Table 4.2.2 presents a summary of vacant industrial land from analysis of data from Property IQ and Colliers International Research.

**Table 4.2.2 Auckland Region Vacant Land Summary 2010**

<i>Location</i>	<i>Classified As Vacant (hectares)</i>	<i>Actual Vacant Land Available (hectares)</i>
Auckland City	115.4	70.9
Franklin District	36.3	30.1
Manukau City	750.2	626.9*
North Shore City	32.1	16.4
Papakura District	44.1	27.7
Rodney District	83.7	68.1
Waitakere City	220.0	198.6
<b>Total</b>	<b>1282.0</b>	<b>1038.7*</b>

Source: Property IQ & Colliers International Research

\*Includes 367.79 hectares of vacant land owned by Auckland Airport currently classified as Dairy Farm land.

The Property IQ data finds that there is approximately 750.2 hectares currently classified as vacant industrial land in Manukau City, including approximately 367.8 hectares close to the airport and used for dairying, owned by Auckland International Airport, with the majority to be developed for industrial use over time. However, using our own knowledge and information, we have concluded that this figure does not represent the amount of available developable land. We have removed from the total industrial land, land which has been developed, rezoned or where vacant parcels have been used for other activities. This leaves 626.9 hectares remaining available currently for industrial development in Manukau City (including 367.8 hectares in the airport area). Removing the large AIAL owned land leaves approximately 259.1 hectares of developable industrial land.

In February 2010, there was approximately 2,049 hectares of business land zoned B5 and B6 for industrial use in the main industrial areas within Manukau City, of which, 1,708.8 hectares is already developed and 340.5 hectares remains vacant. The two biggest industrial areas, East Tamaki and Manukau Central account for 1,136 hectares, or 55%, of all industrially zoned land in Manukau City and 193.2 hectares, or 57%, of all vacant industrial land.

Table 4.2.3 presents an analysis of the availability of vacant industrial land in Manukau City and the uptake of vacant land through development over the last five years.

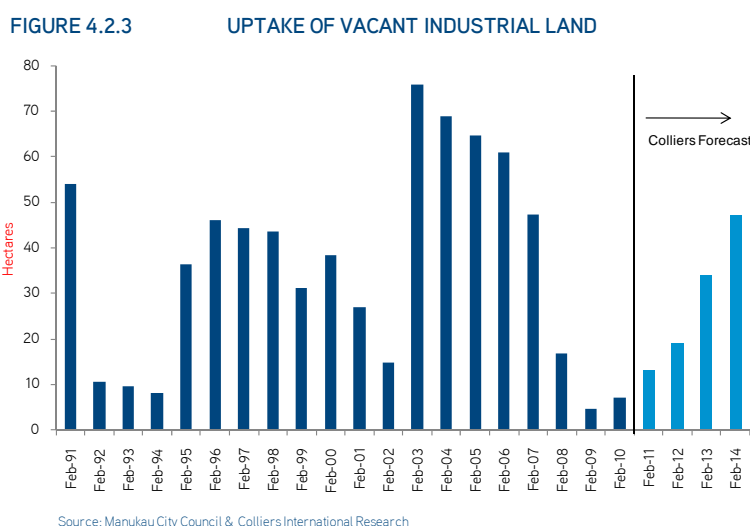
**Table 4.2.3 Manukau City's Industrial Land (hectares)**

<i>Location</i>	<i>Industrial land Feb 2010</i>			<i>Annual uptake of industrial land</i>					<i>Five year average</i>
	<i>Occupied</i>	<i>Vacant</i>	<i>Total</i>	<i>05/06</i>	<i>06/07</i>	<i>07/08</i>	<i>08/09</i>	<i>09/10</i>	
East Tamaki	498.6	59.9	558.5	5.1	5.6	13.3	3.7	0.8	5.7
Manukau Central	444.2	133.4	577.6	8.8	6.2	5.5	6.6	0.0	5.4
Waiouru Peninsula	117.3	38.6	155.9	7.2	18.3	14.1	0.0	0.0	7.9
Airport	246.9	60.8	307.7	35.0	6.7	12.6	5.5	3.7	12.7
Other Areas	401.8	47.8	449.6	8.5	24.2	1.8	0.9	0.1	7.1
<i>Total Manukau City</i>	<i>1708.8</i>	<i>340.5</i>	<i>2049.3</i>	<i>64.6</i>	<i>61.0</i>	<i>47.3</i>	<i>16.7</i>	<i>4.6</i>	<i>38.8</i>

Source: Manukau City Council & Colliers International Research

The annual average rate of absorption over the last five years has been 38.8 hectares with the rate of absorption varying between 4.6 and 64.4 hectares. At the average rate of uptake for the last five years there is sufficient industrial land in Manukau City for the next 8.8 years.

Figure 4.2.3 presents the trend in the uptake of vacant industrial land in Manukau City between 1991 and 2010, together with Colliers International Research estimates of the uptake to 2014.



The uptake of industrial land from 2003 to 2007 has been strong. The majority of the uptake has focused on three areas:

- Airport and surrounding area with a total uptake of 63.5 hectares over the last five years (33% market share).
- Manukau Central with a total uptake of 27.1 hectares over the last five years (14% market share).
- Waiouru Peninsula (basically Highbrook) with a total uptake of 39.6 hectares over the last five years (20% market share).

In assessing the relevance of the five year average take up of 38.8 hectares, it is interesting to note that the average take up over 16 years, since the lowest point of February 1994, is similar, at 41.1 hectares. This gives us confidence that there will be a short-term recovery, but as shown in Figure 1.2.3 we anticipate that despite quite strong annual increases over the next four years, we believe that in February 2014 take up will still be lower than in any of the years February 2003 to February 2007. These estimates we believe can therefore be considered conservative.

Table 4.2.4 presents the number of years worth of remaining vacant industrial land available within the key industrial areas in Manukau City based on a range of absorption rates. The absorption rates presented reflect the average rate of uptake for the last year, the last two years and the last five years.

**Table 4.2.4 Remaining Industrial Land Supply (hectares)**

Location	Total vacant land (ha)	Number of years of remaining supply based on average uptake over the last		
		One year	Two years	Five years
East Tamaki	59.9	74.9	26.6	10.5
Manukau Central	133.4	-	40.4	24.7
Airport	60.8	16.4	13.2	4.8
Total Manukau City	340.5	74.0	32.0	8.8

Source: Manukau City Council & Colliers International Research

At the five year average rate of absorption, Manukau City is likely to run out of vacant industrial land to develop within the next eight to nine years. The current rate of absorption for all the industrial areas forming Manukau City including Manukau Central, the Airport Development Area and East Tamaki as a whole is significantly lower than the five year average, indicating a significant slowdown in the level of new development in these particular areas in the period from 2009 to 2010.

#### 4.2.1.2 VACANT INDUSTRIAL LAND SALES AND LAND VALUE TRENDS

Of the 409 vacant industrial sales recorded in the Auckland Region over the past five years, Manukau City contributes 30% of those. Table 4.2.5 presents the trend in the number of vacant industrial sites sold over the last six years.

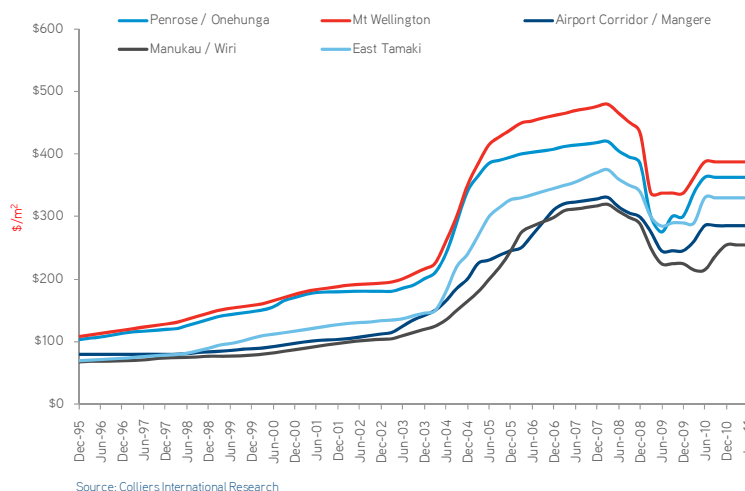
Table 4.2.5 Vacant Industrial Site Sales Activity – Manukau City*							
	2005	2006	2007	2008	2009	2010	Five year average
Number of Sales	80	39	40	17	14	12	24
Total Area (ha)	88.2	46.3	49.6	120.1	34.0	9.0	51.8
Number of Lots 2.5+ ha	4	3	3	1	1	0	1.6

Source: Property IQ & Colliers International Research  
\*Includes all recorded market and non-market sales

While, on average, 24 vacant industrial sites were sold each year over the last five years with an average total land area of 51.8 hectares, there was a significant decline in the number and total land area of sales in 2010. This decline highlights the difficulty being faced by developers to make industrial projects financially feasible in the face of weak tenant demand, scarce and expensive debt, declining property values and the supply constraints challenging the Manukau City industrial market. Only a small number of vacant sites over 2.5 hectares are sold each year, with no sites over 2.5 hectares sold in 2010. These statistics incorporate only vacant industrial sites as classified by the local territorial authorities, excluding sites where a sub-divider develops a building and subsequently on sells the improved property.

Figure 4.2.4 details the trend in land values for the various South Auckland industrial suburbs over the past five years.

**FIGURE 4.2.4 SOUTH AUCKLAND INDUSTRIAL LAND VALUES**

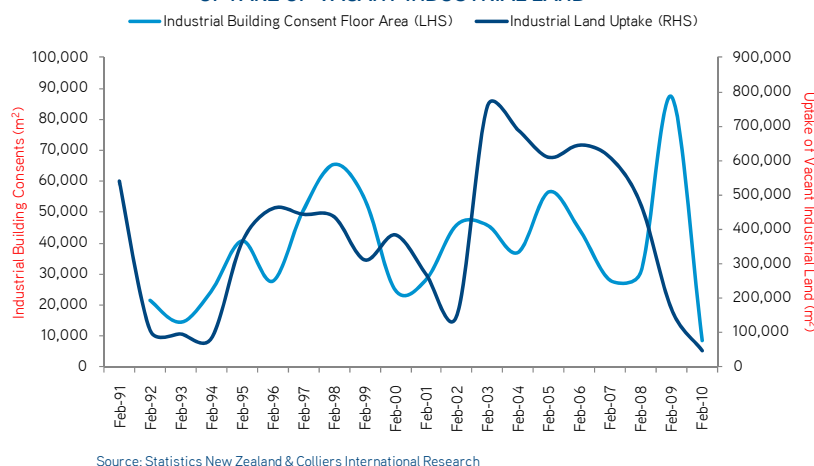


Land values rose significantly from 2003 to beginning of 2008. Most industrial areas saw land values at least double, over this time frame. For example, East Tamaki land sold for between \$100 to \$180 at the end of 2002. By the end of 2007 values had increased to between \$350 and \$425. From 2008, land values softened by around 25% from the peak in the cycle. However, we are now starting to see industrial land values increasing, with indications that values may be starting to stabilise again.

### 4.2.1.3 DEVELOPMENT ACTIVITY

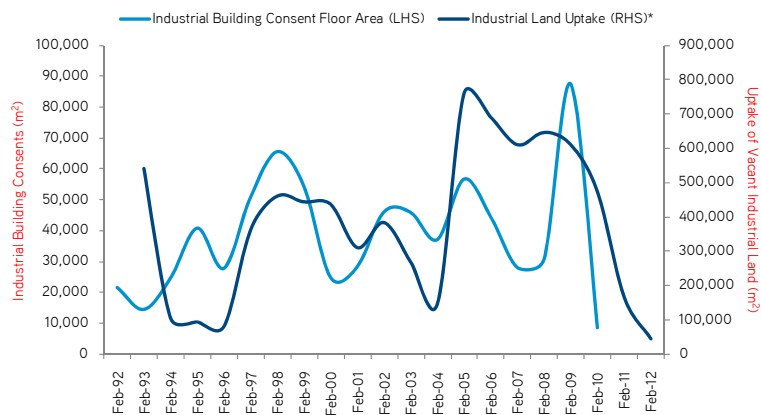
Figure 4.2.5 presents the trend in the number of new building consents issued for factories and warehouses in Manukau City versus uptake of vacant Manukau City industrial land since 1992.

**FIGURE 4.2.5 MANUKAU CITY INDUSTRIAL BUILDING CONSENTS V UPTAKE OF VACANT INDUSTRIAL LAND**



In analysing Figure 4.2.5, there appears to be an approximate two year time lag relationship between the net lettable areas of industrial building consents issued in Manukau City versus Manukau City vacant industrial land uptake over time. Figure 4.2.6 illustrates this relationship taking the time lag into account.

**FIGURE 4.2.6 MANUKAU CITY INDUSTRIAL BUILDING CONSENTS V UPTAKE OF VACANT INDUSTRIAL LAND\***

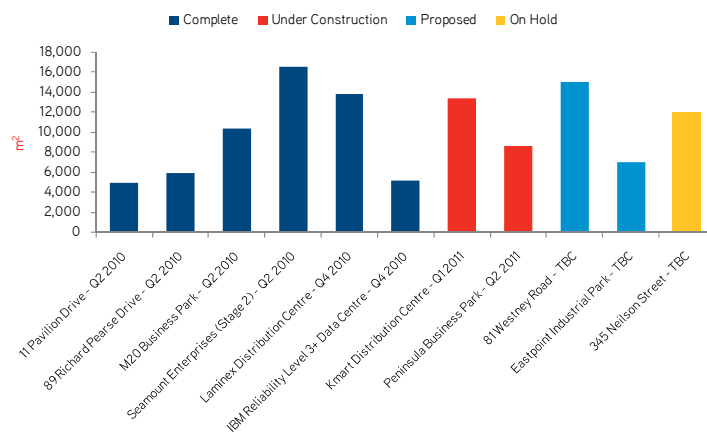


Source: Statistics New Zealand & Colliers International Research  
\*Two year time lag

While the correlation is not strong, it appears inevitable that the record low land take-up will lead to significant fall in building consent applications issued.

Figure 4.2.7 highlights significant current and proposed Auckland industrial developments. Even if all these were developed, the level of new supply would be much less than in most recent years.

**FIGURE 4.2.7 AUCKLAND INDUSTRIAL CURRENT & PROPOSED DEVELOPMENTS 2010 – 2013+**



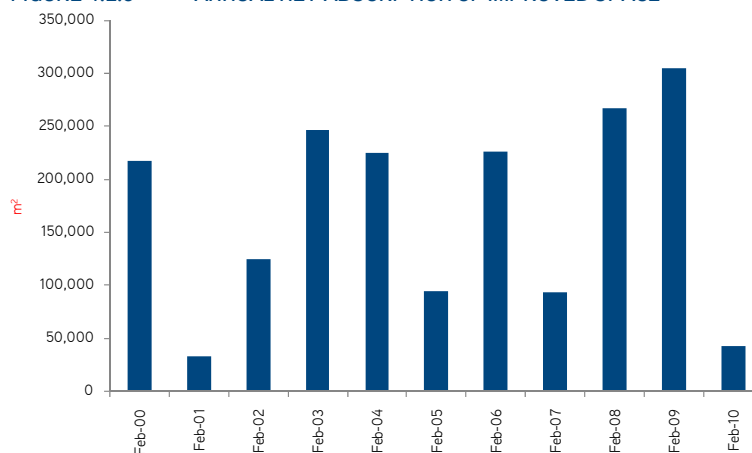
Source: Colliers International Research

#### 4.2.1.4 NET ABSORPTION

Figure 4.2.8 presents the trend in the net absorption of buildings by tenants on industrial zoned land in Manukau City.



**FIGURE 4.2.8 ANNUAL NET ABSORPTION OF IMPROVED SPACE**



Source: Manukau City Council & Colliers International Research

The Manukau City industrial market has after sustaining strong positive tenant demand over the past five years dipped slightly with approximately 43,030 sqm of industrial floor space absorbed over the year to February 2010.

We anticipate that net absorption will increase as the industrial sector recovery gathers momentum by the end of this year.

The growth in the amount of new industrial buildings has increased significantly over the last three years. Table 4.2.7 presents the trend in the total industrial stock and the area of occupied buildings in Manukau City.

**Table 4.2.7 South Auckland Industrial Building Stock Trends**

	<i>Industrial Stock</i>		<i>Vacant Space</i>		<i>Total Occupied Space</i>	
	<i>Stock (m²)</i>	<i>Change (m²)</i>	<i>m²</i>	<i>Vacancy Rate</i>	<i>m²</i>	<i>Net Absorption</i>
February 1999	3,537,146	-	146,637	4.15%	3,390,509	-
February 2000	3,868,827	331,681	260,431	6.73%	3,608,396	217,887
February 2001	3,948,351	79,524	306,794	7.77%	3,641,557	33,161
February 2002	4,064,618	116,267	298,692	7.35%	3,765,926	124,369
February 2003	4,208,537	143,919	196,624	4.67%	4,011,913	245,987
February 2004	4,416,560	208,023	179,717	4.07%	4,236,843	224,930
February 2005	4,574,649	158,089	243,719	5.33%	4,330,930	94,087
February 2006	4,826,907	252,258	270,203	5.60%	4,556,704	225,774
February 2007	4,940,122	113,215	290,517	5.88%	4,649,605	92,901
February 2008	5,176,160	236,038	260,019	5.02%	4,916,141	266,536
February 2009	5,511,320	335,160	290,416	5.27%	5,220,904	304,763
February 2010	5,727,939	216,619	464,005	8.10%	5,511,320	43,030

Source: Manukau City Council & Colliers International Research

As a result of the significant increase in industrial development activity in Manukau City, the amount of industrial space has increased by 1,153,290 sqm, or 19%, over the last five years. At the same time

vacancy rates have remained fairly constant, averaging just 5.88%. However, in the year to February 2010, vacancy rates have reached levels similar to that in 2001.

Annual net absorption averaged 186,601 sqm over the last five years, with the net absorption of industrial space exceeding 200,000 sqm per annum in the years to February 2006, 2008 and 2009. The long term average over the last 10 years is lower, providing an annual net absorption figure of 165,554 sqm.

Table 4.2.8 demonstrates which sectors of the economy have been increasing their demand for space within Manukau’s industrial market between 2004 and 2010.

Table 4.2.8 Significant Changes in Occupied Industrial Space by Sector							
Sector	2004		2010		Changes 2004 to 2010		
	Total Space Occupied	Proportion of Total	Total Space Occupied	Proportion of Total	Increase in Total Space Occupied	Proportion of Total Change	% Growth 2004 to 2010
Manufacturing	1,906,579	45%	1,928,962	35%	22,383	2%	1%
Wholesale Trade	635,526	15%	771,585	14%	136,058	11%	21%
Business, Community & Personal Services	211,842	5%	385,792	7%	173,950	14%	82%
Transport & Storage	762,632	18%	1,102,264	20%	339,632	27%	45%
Retail Trade	381,316	9%	606,245	11%	224,929	18%	59%
Other	338,947	8%	716,472	13%	377,524	30%	111%
<b>Total Manukau City</b>	<b>4,236,843</b>		<b>5,511,320</b>		<b>1,274,477</b>		<b>30%</b>

Source: Manukau City Council & Colliers International Research

Total occupied space increased by 1,274,477 sqm between 2004 and 2010 or by 30%. Other sector (including the construction sector) organisations have been responsible for the strongest growth in demand followed by the transport and storage sector.

The preceding section highlights an obvious slowdown in activity over recent years, however with the region starting to show positive economic indicators we are confident that there will be a sound rebound in market activity over coming years, and certainly were land under AIAL’s control available to the wider market, very strong demand would be evident.

### 4.3 MARKET EVIDENCE

In order to translate these market dynamics into value, we must also have regard to specific market activity. The sales evidence detailed in the following sections, is supportive of our conclusions for the land areas outside of the airfield activities, relating to associated commercial and quasi industrial uses.

#### 4.3.1 INDUSTRIAL LAND SALES EVIDENCE

Land values rose significantly from 2003 up until mid to late 2007 with most industrial areas experiencing a significant increase in land values over this period. However, since then land values have softened by around 25% from the peak of the cycle. Currently land values appear to be stabilising, with indications that values may be rising slightly in some areas. It is difficult however to

determine a noticeable trend with limited transactional data, in particular for large developed land holdings, in recent years.

Address	Sale Date	Sale Price	Area (sqm)	Area (hectare)	Rate (\$psqm)	Rate (\$pha)	Zone
55 Stonedon Drive <b>East Tamaki</b>	Jun-11	\$1,270,000	3,175	0.32	\$400	\$4,000,000	Business 5 (MCC)
73 O'Rorke Road <b>Penrose</b>	Dec-10	\$2,700,000	7,050	0.71	\$383	\$3,829,787	Business 5 (ACC)
74 Cryers Road <b>East Tamaki</b>	Nov-10	\$3,914,400	13,048	1.30	\$300	\$3,000,000	Business 5 (MCC)
154 Wiri Station Road <b>Wiri</b>	Nov-10	\$2,786,420	10,717	1.07	\$260	\$2,600,000	Business 6 (MCC)
22-26 Airpark Drive <b>Airport Oaks</b>	Aug-10	\$2,900,000	11,816	1.18	\$245	\$2,454,299	Business 5 (MCC)
43 Montgomerie Road <b>Airport Oaks</b>	Aug-10	\$4,772,410	14,241	1.42	\$335	\$3,351,176	Business 5 (MCC)
33 Ha Crescent <b>Wiri</b>	Jul-10	\$4,400,000	15,762	1.58	\$279	\$2,791,524	Business 6 (MCC)
66 Allens Road <b>East Tamaki</b>	Jul-10	\$3,800,000	8,810	0.88	\$397	\$4,313,280	Business 6 (MCC)
130 Kerrs Road <b>Wiri</b>	Jul-10	\$10,725,000	41,518	4.15	\$258	\$2,583,217	Business 6 (MCC)
50 Ormiston Road <b>East Tamaki</b>	May-10	\$1,650,000	4,176	0.42	\$395	\$3,951,149	Business 5 (MCC)
34 & 38 Ormiston Road <b>East Tamaki</b>	Apr-10	\$3,650,000	11,985	1.20	\$305	\$3,045,474	Business 5 (MCC)
12 Pavilion Drive <b>Manukau</b>	Apr-10	\$720,000	2,285	0.23	\$315	\$3,150,985	Business 5 (MCC)
327 Great South Road <b>Manurewa</b>	Apr-10	\$800,000	3,288	0.33	\$243	\$2,433,090	Business 5 (MCC)
29 Bishop Dunn Place <b>East Tamaki</b>	Apr-10	\$1,113,420	3,374	0.34	\$330	\$3,300,000	Business 5 (MCC)
8 Chonny Crescent & 227-231 Browns Road <b>Manurewa</b>	Mar-10	\$5,100,000	30,000	3.00	\$170	\$1,700,000	Business 5 (MCC)
12 Pavilion Drive <b>Airport Oaks</b>	Mar-10	\$720,000	2,285	0.23	\$315	\$3,150,985	Business 5 (MCC)
48 Pavilion Drive <b>Manukau</b>	Mar-10	\$930,000	3,211	0.32	\$290	\$2,896,294	Business 5 (MCC)
200 Neilson Street <b>Onehunga</b>	Mar-10	\$2,500,000	9,930	0.99	\$252	\$2,517,623	Business 6 (ACC)
19 Ryan Place <b>Manukau</b>	Feb-10	\$800,000	2,335	0.23	\$343	\$3,426,124	Business 5 (MCC)

We provide further details from our evidence above for those more pertinent sales.

### **55 Stonedon Drive, East Tamaki**

The property comprises a 3,175 sqm (0.32 hectares) irregular shaped vacant site to the north of Stonedon Drive in East Tamaki and situated between two improve sites. The site, zoned Business 5, sold for \$1,270,000 in June 2011 reflecting a rate per sqm of \$400 or a rate per hectare of \$4,000,000.

### **74 Cryers Road, East Tamaki**

The property, zoned Business 5, comprises a large irregular shaped site situated at the end of a cul de sac being Cryers Road in East Tamaki. The property at the time of sale was undulating in terms of contour and required some additional geotechnical foundation work in order to provide a suitable development platform. The site totalling 13,048 sqm (1.30 hectares) was sold to an owner occupier in

November 2010 for \$3,914,400 which analyses to a rate of approximately \$300 per sqm or \$3,000,000 per hectare.

#### ***154 Wiri Station Road, Wiri***

The property comprises a 10,717 sqm (1.07 hectares) regular shaped corner site improved by a number of older obsolete buildings which were purchased originally as part of a redevelopment proposition whereby the improvements were to provide temporary accommodation. The site sold for \$2,786,000 in November 2010 which reflects a rate of approximately \$260 per sqm or \$2,600,000 per hectare. We understand however that the purchase reflects a clear site with the improvements having been demolished which was a requirement of the purchaser.

#### ***22-26 Airpark Drive, Airport Oaks***

The property comprises two road front sites, zoned Business 5, both of which are relatively regular in shape to the eastern side of Airpark Drive. In terms of contour both sites are relatively level with a combined area of 11,816 sqm (1.18 hectares). The sites were sold together for \$2,900,000 in August 2010 which reflects a rate of approximately \$245 per sqm or \$2,454,299 per hectare.

#### ***43 Montgomerie Road, Airport Oaks***

The above site, zoned Business 5, is situated on a high profile corner position with frontage to Montgomerie Road of some 123 metres and frontage to George Bolt Memorial Drive of some 165 metres. The 14,241 sqm (1.42 hectares) site rises gently from Montgomerie Road and enjoys access via a driveway which has a right of way easement over it from Amelia Earhart Avenue. The site was sold for \$4,772,410 in August 2010 which reflects a rate of approximately \$335 per sqm or \$3,351,176 per hectare. We understand a further \$30 per sqm to \$40 per sqm is required to provide a level building platform. The property was previously sold in September 2009 for \$4,270,000 analysing to a rate of approximately \$300 per sqm or \$3,000,000 per hectare. We understand the property has subsequently resold to Auckland International Airport for at a rate of \$325 per sqm or \$3,250,000

#### ***33 Ha Crescent, Wiri***

The property comprises a large, Business 6 zoned, double lot totalling 15,762 sqm (1.58 hectares) with good frontage to Ha Crescent. The property was sold in July 2010 for \$4,400,000 which analyses to a rate of approximately \$279 per sqm or \$2,791,524 per hectare. The site is fully developed serviced site situated adjacent to the women's prison.

#### ***130 Kerrs Road, Wiri***

The property comprises a large industrial site sold in October 2009 for \$7,400,000, analysing to \$178 per sqm or \$1,780,000 per hectare overall inclusive of improvements. The site, totalling 41,518 sqm (4.15 hectares) is located within the Wiri industrial area and comprises well maintained 1980s office and warehouse with an older warehouse to the rear, as well as a large proportion of both sealed and unsealed fenced yard. The main clearspan warehouse is metal clad with stud heights ranging from five metres, rising to 6.2 metres with a small portion of higher stud and includes four inset entry bays with double roller doors and two roller doors at the end. The rear warehouse has a 4.5 metre main stud with central pillars and lean-to additions, some of which are not tenatable. Given the low site utilisation, the rate per sqm or per hectare of land is an important metric in this case. We note that this property was subsequently resold in August 2010 to an owner occupier who intends to develop the property and subsequently on sell it on a sale and leaseback. The property has been purchased for \$10,725,000, which analyses to a rate, net of residual improvements and demolition costs, of approximately \$245 per

sqm or \$2,450,000 per hectare. Although representing a significant increase on the previous purchase price, there are very few alternatives available to the purchaser and reflects the shortage of large development land within the greater Auckland isthmus.

#### 4.3.2 COMMERCIAL LAND SALES EVIDENCE

Commercial land transactions tend to be fewer in number than industrial land and in recent times there has been a distinct lack of land purchased for pure commercial use in the suburban environments. That said there are still some relevant transactions, highlighted below:

Address	Sale Date	Sale Price	Area (sqm)	Area (hectare)	Rate (\$psqm)	Rate (\$pha)	Zone
73-75 Remuera Road <b>Remuera</b>	Jun-11	\$7,000,000	4,340	0.43	\$1,613	\$16,129,032	Mixed Use (ACC)
73-75 Remuera Road <b>Remuera</b>	Jun-11	\$1,000,000	713	0.07	\$1,403	\$14,025,245	Residential 7B (ACC)
Cnr Great North & Titirangi Road <b>New Lynn</b>	Dec-10	\$14,379,000	22,092	2.21	\$651	\$6,508,691	Working (WCC)
27 Napier Lane <b>Freemans Bay</b>	Jul-10	\$3,850,000	4,296	0.43	\$896	\$8,961,825	Mixed Use (ACC)
18 Hibiscus Coast Highway <b>Silverdale</b>	Dec-09	\$5,325,000	40,595	4.06	\$131	\$1,311,738	Mixed Commercial (RDC)
50 Rosedale Road <b>Rosedale</b>	Dec-09	\$5,800,000	25,000	2.50	\$232	\$2,320,000	Business 9 (NSCC)
225-235 Rosedale Road <b>Rosedale</b>	Nov-09	\$4,000,000	12,878	1.29	\$311	\$3,106,072	Business 7C (NSCC)
Lot 4 Silverdale Parkway <b>Silverdale</b>	Oct-09	\$5,000,000	11,725	1.17	\$426	\$4,264,392	Mixed Commercial (RDC)
72 Lunn Avenue <b>Mt Wellington</b>	Jul-09	\$9,250,000	25,246	2.52	\$366	\$3,663,947	Business 5 (ACC)
124 Hobsonville Road <b>Hobsonville</b>	Jun-09	\$11,500,000	40,819	4.08	\$282	\$2,817,315	Special Area (WCC)

##### **73-75 Remuera Road, Remuera**

This property is currently under contract for \$8,000,000 with settlement likely to occur in late 2011. The property comprises the former Palmers Site and was purchased by Manson Development for a proposed office complex. The main title of circa 4,340 sqm (0.434 hectares) is zoned Mixed Use. Net of the residential title which has frontage to Remuera Road, and would most likely form the vehicle access off Remuera Road, the sale price analyses to circa \$1,610 per sqm or \$16,100,000 per hectare. The property has direct frontage to the north Auckland railway line on its western boundary and is well located near Broadway and Nuffield Street.

##### **27 Napier Lane, Freemans Bay**

This property comprises a triangular site situated at the corner of Napier Lane and Napier Street with a rear boundary to the Northern Motorway. The site has a total area of 4,296 sqm (0.4296 hectares) and is level in contour to the majority with the rear of the site rising toward the motorway. The site is zoned Mixed Use. The property also sold to Manson Development in July 2010 for \$3,850,000 equating to \$896 per sqm or \$8,960,000 per hectare however we understand that this was a mortgagee sale. A multi-level office and retail development, 'Napier Plaza' is consented for the site and is now under construction after being put on hold for over two years, and is scheduled for completion in mid 2012.

The site benefits from exposure to SH 1, however Napier Lane is not considered to be within a prime location and this is expected to be reflected in the rate achieved.

***Corner Great North Road & Titirangi Road, New Lynn***

This high profile corner site is made up of five separate certificates of title which comprises a total of 22,096 sqm (2.2096 hectares) and sold in December 2010 for \$14,379,000 which equates to \$650 per sqm or \$6,500,000 per hectare overall. The site comprises a large high profile site within New Lynn which has been designated as a growth node within Auckland. The contour of the site is such that it is essentially excavated to basement level, however is detrimentally affected by a steeply contoured creek that renders some 3,500 sqm all but undevelopable and splits the site, resulting in a rate of approximately \$820 per sqm or \$8,200,000 per hectare over the main site area after allowing for the rear area.

***18 Hibiscus Coast Highway, Silverdale***

The property comprises a large block of rural development land, totalling 40,595 sqm (4.06 hectares) recently rezoned for commercial use and situated on the corner of a proposed new extension of East Coast Bays Road into Wainui Road, opposite the proposed Foodstuffs supermarket. The site was acquired by Bunnings for \$5,325,000 in December 2009 for a proposed new store with the rate analysing to approximately \$131 per sqm or \$1,311,738 per hectare which reflects the difficulties associated with its development and the reduced net effective useable site area due to the sloping gullies leading to the Weiti River.

***225-235 Rosedale Road, Rosedale***

The property comprises a 12,878 sqm (1.29 hectare) site situated on the northern side of Rosedale Road and selling for \$4,000,000 in November 2009 analysing to a rate of approximately \$311 per sqm or \$3,106,072 per hectare. The property has been granted resource consent for a mixed use development comprising 82 one bedroom plus study residential units, as well as 2,934 sqm of commercial development with associated carparking.

***Lot 4, Silverdale Parkway, Silverdale***

The property comprises a 13,482 sqm (1.35 hectares) commercial site located to the corner of Silverdale Parkway and Silverdale Street. The large greenfield site was sold in October 2009 for \$5,000,000 analysing to a rate of approximately \$426 per sqm or \$4,264,392 per hectare. The site falls away reasonably sharply from both an east-west to west direction and south to north direction. As a consequence, it will require some reasonably extensive earthworks and retaining as part of its future development. The property adjoins the neighbouring Silverdale town centre and is opposite the large warehouse site. We note that an area will be taken for roadway, reducing the net effective area to 11,725 sqm (1.17 hectares).

***72 Lunn Avenue, Mt Wellington***

The property comprises a major bulk retail development on two freehold titles totalling 26,000 sqm (2.60 hectares) sold for \$9,250,000 in July 2009 including a small industrial building factored at \$750,000 providing a residual value on the vacant land area equivalent to \$337 per sqm or \$3,663,947 per hectare.



### **124 Hobsonville Road, Hobsonville**

The property, comprising a block extending 40,819 sqm (4.10 hectares), was sold in June 2009 for \$11,500,000 reflecting a rate of approximately \$282 per sqm or \$2,817,315 per hectare. The purchaser was General Distributors, the operator of a major supermarket chain, who intended to make provision for a modest mixed use development including a supermarket. It could be argued however that part of the property has a higher value because of a potential higher series of uses for a village centre with the balance being for mixed use.

We are also aware of another large 12,000 sqm (1.20 hectares) site on Lincoln Road that was purchased in December 2009. Details are to remain confidential at this stage, suffice to say the purchase price is in excess of \$700 per sqm or \$7,000,000 per hectare.

Although now dated, the Stonefields Town Centre within the Mt Wellington Quarry residential development was purchased for in excess of \$20,000,000 which equates to a rate of approximately \$776 per sqm or \$7,760,000 per hectare in mid 2008. The property encompasses slightly in excess of 26,000 sqm (2.6 hectares) of commercial land with a proposal in place for an integrated town centre development with ground floor retail accommodation and first floor office space.

### **4.3.2 MARKET EVIDENCE SUMMARY**

The sales evidence above illustrates a range of values achieved for industrial and commercial land sales over the past 36 months. As mentioned previously land values rose significantly from 2003 up until mid to late 2007, however have since softened by around 25% from the peak of the cycle. Currently land values appear to be stabilising with indications that values may be rising slightly in some localities.

Most recent industrial and business sales evidence within the South Auckland locality illustrates rates per sqm of between \$200 and \$400 with sales towards the upper end of this range attributable to sales within the East Tamaki area. More specifically land sales within the Airport Oaks area show land values for business zoned sites of between \$250 and \$350 per sqm, however we note there has been limited transactional evidence in recent years, as AIAL has dominated the market with their own land.

The above land sales are particularly relevant for the land classified as aeronautical related or non-aeronautical land located in Zone 2. We have analysed these land sales and determined land values for the subject areas taking into consideration its current use and zoning and recognising existing relationships with the southern airfield and with the existing international and domestic terminal buildings. Having regard to these sales we have adopted rates of between **\$225** and **\$375** per sqm or **\$2,250,000** and **\$3,750,000** on a per hectare basis.

## 5.0 VALUATION OF MVEU LAND

### 5.1 METHODOLOGY

#### 5.1.1 2A ZONE COMMERCIAL LAND

The 2A Zone commercial land has been valued on a direct comparison basis, whereby land values on a rate per square metre are ascribed to each distinct parcel based on its location, configuration and actual or potential use.

It is apparent in our mind that all other things being equal, land values tend to have their peak adjacent the runway and terminal areas as this is the prime land, with a slowing diminishing level of value as we move away from these areas. There are naturally exceptions for high profile or smaller sites, but this is the general principle.

The individual values have reference to the significant transactional evidence and market trends detailed in previous sections.

#### 5.1.2 2A ZONE LESSOR'S INTERESTS

The lessor's interests arise from leases of AIAL owned land areas to tenants for a prescribed period. In each instance the leases are of a relatively short duration and therefore our methodology is to consider the value in two parts:

1. The value of the income generated by the lease agreement. This is by way of calculating the present value of the rental payments over the remaining term of lease at return of 10%.
2. The added value of the freehold underlying land at expiry of the lease. This is on the same basis as outline for the land above.

There are a number of areas subject to ground leases/licences which are unique in nature whereby the rent payable reflects wider activities than simply those that occur on the relevant land areas. This relates to both the Menzies Building land (ref 73291 and 73292) and the land known as PSVL (ref 4843). In the instance of both we have adopted the value to the underlying land only given the majority of the revenues attributable to the leases/licences are actually derived from activities well outside those site boundaries.



## 6.0 VALUATION CONCLUSION

### 6.1 2A ZONE COMMERCIAL LAND

Zone	Description	Land Areas	Average Rate	Total
<b>2a</b>	<b>Aircraft &amp; freight</b>	<b>29.8698 ha</b>		<b>\$6,261,437</b>
2a	Aircraft & freight	0.2573 ha	\$3,750,000 per ha	\$964,777
2a	Aircraft & freight (Lessor's Interest)	1.2216 ha	\$4,335,760 per ha	\$5,296,660
2a	Aircraft & freight (Not Valued by CINZ)	28.3909 ha	-	-
<b>Total (value including Lessor's Interest)</b>		<b>29.8698 ha</b>		<b>\$6,261,437</b>
Total (value excluding Lessor's Interest)		28.6482 ha		\$964,777

### 6.2 2A ZONE LESSOR'S INTEREST\*

Zone	Description	Land Areas	Average Rate	Total
2a	Air NZ container park land (airside)	0.9228 ha	\$3,750,000 per ha	\$3,460,440
2a	Container park Nissen hut lease area	0.0386 ha	\$3,750,000 per ha	\$144,856
2a	Menzies bldg land (S part of base)	0.0677 ha	\$6,500,000 per ha	\$440,298
2a	Menzies bldg land (N part of base)	0.1925 ha	\$6,500,000 per ha	\$1,251,066
<b>Total</b>		<b>1.2216 ha</b>		<b>\$5,296,660</b>

\*Note: The above lessor's interests are included in the values detailed under Section 6.1.

## 7.0 GENERAL

Our valuation is subject to the Colliers International Statement of Valuation Qualifications and Conditions as follows:

1. In accordance with PINZ Guidance Notes, all non-residential valuations are on the basis of **plus GST (if any)**. Valuations of residential property are stated as **including GST (if any)**.
2. Where it is stated in the report that information has been supplied to us by another party, this information is believed to be reliable but we can accept no responsibility if this should prove not to be so. Where information is given without being attributed directly to another party, this information has been obtained by our search of records and examination of documents or by enquiry from Government or other appropriate sources.
3. We have been engaged to provide a valuation only and while due care was taken to note obvious building defects in the course of our inspection, we have not been engaged for any purpose other than the valuation and we are not able to advise on matters such as structural or site surveys or any other defects in the building.
4. In preparing the valuation and/or providing valuation services, it has been assumed that a full and frank disclosure of all relevant information has been made.
5. We do not hold ourselves out to be experts in environmental contamination. Our inspection of the site did not reveal any contamination or pollution affectation, and our valuation has been prepared on the assumption that the land is not contaminated and has not been affected by pollutants of any kind. We would recommend that this matter be checked by a suitably qualified environmental consultant. Should subsequent investigation show that the site is contaminated, our valuation may require revision.
6. In preparing the valuation, we have relied on photocopies of the Computer Freehold Register and the leases provided. It has been assumed that these are accurate copies of the original documents and that no dealings or changes have occurred since the date such photocopies were made.
7. This valuation and all valuation services are provided by us solely for the use of our client. We do not assume any responsibility to any person other than the client for any reason whatsoever by reason of or arising out of the provision of this valuation.
8. This report is relevant as at the date of preparation and to circumstances prevailing at the time. However, within a rapidly changing economic environment experiencing fluctuations in interest rates, availability of finance, rents, building expenditure and returns on investments, values can be susceptible to variation over a relatively short time scale. We therefore strongly recommend that before any action is taken involving acquisition, disposal, mortgage advance, shareholding restructure or other transaction, that you consult further with us.
9. The market for many types of property has been impacted by the well documented issues in both global and local financial markets over the past 36 months. Whilst a degree of stability appears to have emerged in certain sectors, challenges remain with the market continuing to demonstrate a lower volume of transactions and therefore less certainty around core valuation assumptions and market drivers.

In light of these market conditions while property valuations are based on the latest available data, values should not be considered as immune from possible change even over very short periods, as the market continues to show volatility.

Accordingly if the addressee of this report has any concerns regarding the currency of the valuation, they should contact the Registered Valuer.

10. **Confidentiality and Disclaimer of Liability**

Our valuation and report is strictly confidential to the party to whom it is addressed and is prepared solely for the specific purpose to which it refers. No responsibility whatever is accepted for reliance on the valuation report for other purposes. Further, no responsibility whatever is accepted to persons other than the party to whom the valuation and report is addressed for any errors or omissions whether of fact or opinion.

11. Neither the whole nor any part of this valuation and/or report or any reference to it may be included in any published document, circular, or statement without our written approval.

12. **PINZ: Valuation Standards & Guidance Notes**

All valuations are carried out in accordance with the Valuation Standards and Guidance Notes recommended by the Property Institute of New Zealand, where the definition of "Market Value" is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

13. Please note that personnel in this firm will or may have stocks, shares or other interests in entities that directly or indirectly hold properties which are the subject of this valuation and/or may have direct or indirect personal relationships with third parties with interests in these same entities. Colliers' valuers are required to abide by an industry standard disclosure regime and Colliers internal policies with respect to conflicts of interest, and will disclose any material conflict of interest that arises in its capacity as valuer concerning the property which is the subject of this valuation.

14. **Valuation Basis**

Unless otherwise stated no allowances are made in our valuations for any expenses of realisation, or to reflect the balance of any outstanding mortgages either in respect of capital or interest accrued.

We trust that this report is suitable for current purposes. If you have any questions, please contact the writer directly.

Yours faithfully

**COLLIERS INTERNATIONAL NEW ZEALAND LIMITED**



**S N DEAN** FNZIV, AREINZ, FPINZ

**Registered Valuer**

**Director | Valuation & Advisory Services**

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Inspection of Property:	Andrew Stringer, Nigel Dean & Darren Park
Valuation Calculations:	Andrew Stringer, Nigel Dean & Darren Park
Authoring of report:	Andrew Stringer, Nigel Dean & Darren Park
Director Review:	Nigel Dean & Mark Parlane

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# APPENDIX 1

Valuation in Detail



BU	Land Use Zone	Description			Valuation Rate \$/sqm	Valuation Rate \$/ha	Totals
2120	2a	Livestock handling facility (airside)	2,572.74	0.26 ha	\$375.00 /m²	\$3,750,000 ha	\$964,777
4001	2a	Hangar 4 (Air Freight NZ/Fieldair) (Not Valued by CINZ)	3,151.65	0.32 ha			
4002	2a	Hangar 6 (Hart) (Not Valued by CINZ)	3,271.29	0.33 ha			
4003	2a	Hangar 5 (Air National) (Not Valued by CINZ)	4,005.10	0.40 ha			
4005	2a	Air NZ facilities (aircraft parking outside intern hangars) (Not Valued by CINZ)	33,106.00	3.31 ha			
4005	2a	Air NZ facilities (car parking) (Not Valued by CINZ)	3,285.40	0.33 ha			
4005	2a	Air NZ Jet Base & mntce facilities land (Not Valued by CINZ)	114,307.44	11.43 ha			
4005	2a	Air NZ leased parking (S of jet base & E of RFS) (Not Valued by CINZ)	2,448.91	0.24 ha			
4006	2a	Air NZ dom hangar land (Not Valued by CINZ)	9,736.61	0.97 ha			
4006	2a	Air NZ Facilities (aircraft parking outside dom hangar) (Not Valued by CINZ)	9,787.20	0.98 ha			
4006	2a	Air NZ leased parking (old Andrew McKee Av) (Not Valued by CINZ)	2,966.18	0.30 ha			
4007	2a	Air NZ leased land (was vacant ref 26) (Not Valued by CINZ)	30,063.29	3.01 ha			
4025	2a	Airwork hangar land (= west striped roof hangar) (Not Valued by CINZ)	2,372.38	0.24 ha			
4040	2a	Air NZ container park land (airside)	9,227.84	0.92 ha	\$375.00 /m²	\$3,750,000 ha	\$3,460,440
4040	2a	Container park Nissen hut lease area	366.28	0.04 ha	\$375.00 /m²	\$3,750,000 ha	\$144,856
4080	2a	Bulk Fuel land (GBMD) incl aviation fuel pipe network (Not Valued by CINZ)	8,120.90	0.81 ha			
4095	2a	Cargo 1 (mainly let to Air NZ - Oglivie Cr) (Not Valued by CINZ)	11,283.44	1.13 ha			
4140	2a	Hangar 1 land (Chair Holding - Hape Dr south) (Not Valued by CINZ)	5,732.85	0.57 ha			
4180	2a	NZ Post Hangar land (= east hangar) (Not Valued by CINZ)	2,878.26	0.29 ha			
4220	2a	Skycare (Walsh Bros Pl) (Not Valued by CINZ)	416.69	0.04 ha			
4235	2a	Hangar 2 (Rescue services - Hape Dr north) (Not Valued by CINZ)	4,526.26	0.45 ha			
4265	2a	Cargo 5 (Menzies - GBMD) (Not Valued by CINZ)	10,342.23	1.03 ha			
4285	2a	DHL warehouse (Laurence Stevens Dr - airside access) (Not Valued by CINZ)	11,245.11	1.12 ha			
4430	2a	Menzies bldg land (S part of base)	677.38	0.07 ha	\$650.00 /m²	\$6,500,000 ha	\$440,298
4430	2a	Menzies bldg land (N part of base)	1,924.72	0.19 ha	\$650.00 /m²	\$6,500,000 ha	\$1,251,066
4435	2a	Air Centre One (Flight centre behind ex NZ Couriers bldg) (Not Valued by CINZ)	898.42	0.09 ha			
4105	2a	Cargo 4 (Air NZ - Oglivie Cr) (Not Valued by CINZ)	9,963.57	1.00 ha			
<b>Total Land - Area 2</b>					<b>29.87 ha</b>		<b>\$6,261,437</b>

# APPENDIX 2

Land Use Plan 2011



**Legend**

**Current Lease Boundary**

**Asset Group**

- 1a - Seabed
- 1b - Airfield
- 1c - Southern Airfield REPA/PSZ
- 1d - Southern Airfield Restricted
- 1e - Land for Airfield Development\*
- 1f - Restricted by future REPA/PSZ
- 1g - Restricted by Future Airfield
- 2a - Aircraft and Freight
- 2b - Land for Aircraft and Freight Development\*
- 3a - ITB
- 3b - DTB
- 4a - Public & Leased Carparks
- 4b - Staff Carparks
- 5a - Interim Airport Commercial
- 5b - Land for Interim Airport Commercial Development\*
- 6 - Infrastructure
- 7 - Other PPE Land
- 8 - Roads

