The New Zealand VALUERS' JOURNAL

DECEMBER 1987 VOLUME 27 NUMBER 7

Official Publication of the New Zealand Institute of Valuers

NEW ZEALAND INSTITUTE OF VALUERS

Incorporated by Act of Parliament

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Contributions with a biographical note of the author should be typewritten and sent to the Editor, P.O. Box 27146 Wellington, who reserves the right to accept, decline or modify material. Views expressed by the Editors and contributors are not necessarily endorsed by the New Zealand Institute of Valuers. Copies of manuscript should be retained by the author as they cannot be returned. Deadline - 2 months prior. Business letters, subscriptions and advice of changed address should be sent to the General Secretary, The New Zealand Valuer 1986 ©. The mode of citation of this volume of The New Zealand Valuers' Journal is - [1987] N.Z. Val. (page).

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Contents

Black Monday 1987

These are great days for economic historians, for those with 20:20 hindsight vision, and for all who enjoy schadenfreude (that is the German word which means getting pleasure out of other people's predicament or discomfort). A little does not do much harm. We have all enjoyed the jokes about stock-brokers jumping out of buildings, unless of course you have lost a tenant that way. Lord Keynes was right when he said that economic forecasting is like weather forecasting, good for six hours.

When I was in Hawaii in 1984, after attending the First World Valuation Congress at Cambridge, I called on a friend, a retired professor of business, who showed me the Allied Fleet tied up in port at Pearl Harbour after combined exercises. I was proud to see the New Zealand flag flying alongside those of our war-time allies. There were the Stars and Stripes, the Australian, and the Canadian flags. But I was less sure that I could readily accept the presence of the Japanese warships after having just visited the memorial for the sailors who lost their lives way back on that `day of infamy', December 7, 1941. Some dates stick in your memory like that recent day in financial infamy, Black Monday October 20, 1987.

My friend later took me to see the Professor of Real Estate at the University of Hawaii. We had a very friendly chat and the professor showed me his computer by which he assured me that it was possible to predict the cash flow of buildings for 10 years. "I'm impressed," I said, adding "but that sort of thing won't work in New Zealand," He looked, not only astonished, but I detected an air of disdain. I explained that New Zealand was a dependent economy subject to the vicis-situdes of international trade, and to the whims of politicians. And in any case, you never know what is just around the corner. I quoted as one example the sudden outbreak of the unpredictable war in the Falklands, and the sudden shortage of oil a few years ago. Yet he still was not convinced. I was not to know then, that in the matter of days I would step off the plane and learn about a snap election; nor within a few months the death of that professor; nor that we would experience an economic revolution under the name of a new word Rogernomics; nor that the New Zealand flag would soon no longer be welcome in Pearl Harbour; nor that there would be a Black Monday three years later.

These are topsy-turvy days, when politicians swap philosophies, and the talk at cocktail parties has changed from sport and diet to the stock market. It is not so long ago that captains of industry had taken on the mana of All Blacks and the mantle of prophets promising higher and higher prices. Prices rose in unison with the fortunes of the national hero of KZ7, Chris Dickson. Pretty well everybody was in. Even the most conservative of investment advisers reckoned that blue chips were the thing, or that this new industry or that one would take off like kiwifruit. It seemed fuddy-duddy to still advocate the wisdom of investing in solid real estate. The pundits continued their huckstering and ballyhoo in the daily and weekly press and other news media. Buy, buy, buy was the cry. Those who did the buying are now doing the crying.

Yet history has seen it all before. There was a tulip boom in Holland in 1736 when everyone from parlourmaids to parsons was swept along in the mania to buy tulips. Money was made hand over fist, with prices spiralling up to the top of the pyramid. Then, the crash came like playing-card towers my young grandsons love to topple over. A few years earlier in 1720 the South Sea Bubble caught up the English public and a host of politicians. Nothing spurs a politician into action so much as a problem that concerns himself or a near relative, so attempts were made to bolt the door after the horse had escaped. This practice has continued ever since. The depression of the 1880s seared the soul of my grandfather. Everyone has heard about the crash of 1929 that was never to happen again. Few know, remember, or care about the Standard Insurance, JBL, Circuit, or Securitibank collapses in recent times.

Public memories are surprisingly short-lived for some things, but not for those who have actually had the personal experience of loss. Unfortunately financial experiences are not inherited. Each generation must learn the hard way. In times of inflation a high level of debt has been the tempting siren for many an investor's downfall. A shakedown seems to be needed every few years to teach the lessons of caution and conservatism in financial matters. The problem of inflation has tended to cover up the underlying economic problems of the individual, the country, and the world economy of which we are now but a small and vulnerable part. In recent years many of these problems have been cushioned by the high spending, the modern Welfare State, the affluent society, and the growth of multi-lettered international institutions.

Many share investment advisers were spurred along by extending growth curves based on sophisticated mathemati-cal techniques aided by that modern miracle, the computer. They forgot that garbage in is garbage out. It was like a person driving down the motorway looking in the rear vision mirror and believing it was the way ahead. Now is the time for blow-ing the dust off old text book principles and getting down to fundamentals. Old-fashioned ideas take on a new lustre. Ideas like asset backing, risk factor, true earnings are having a revival.

Let not us of the property world be too complacent. Land has not been immune from frenzied booms and sobering crashes, nor gold nor other commodities for that matter. Every market is directly or indirectly linked through the multiplier and acceleration principles, and the psychology of the marketplace, accelerated by the instant news media. This is a time to return to sound principles of investment analy-sis, sensible caution, and common sense.

Valuers may ask themselves: what is value? Is it just a word, as the economist Joan Robinson suggested, or is it really what a willing buyer will give a willing seller? One thing is certain: governments may come and governments may go; political philosophers may come and undoubtedly will go; frenzied buyers may come and frightened buyers may go; but the inexorable laws of supply and demand will continue to work their way throughout the markets regardless of whom or what they affect. Property is no more immune to these forces (for good or ill) than chalk, cheese, or sealing wax.

After several years of relative obscurity it seems that the stage is now set to develop closer relationships with other professions. Indeed it is now possible for a registered valuer to be a partner in a chartered accounting firm, such is the wind of change.

Obviously the logicalf `irst base' is to get closer to the land based professionals. The Council of Land Related Professions (C.L.R.R) was founded in 1984 and tended to be an Auckland based exercise without a visa to extend south of the Bombay Hills. To the extent developed I believe C.L.R.R was effective and helped participants understand the role each professional has to play in society and, perhaps more importantly, indicated to each of the professions that in no way was a take-over bid envisaged. All of the participating professional groups - valuers, real estate agents, quantity surveyors, property managers and surveyors, have developed the C.L.R.R association at apace and intensity which, until now, hasprobably been acceptable to all involved.

It now seems apparent that all groups discern a need in these modern times to further develop this association so that the functions of C.L.R.R can be more effective. These functions include exchange of information among the group, (both at membership and executive level), economy of educational opportunities, conducting of group seminars, and the provision of a stronger voice to Government and the media.

C.L.R.P conducts an annual Presidents' Meeting whereby the Presidents and Executive Directors of each of the Institutes formally discuss matters of mutual interest. I discern a definite desire to `make things happen' amongst all of the professions.

Already the effectiveness of CL.R.P is demonstrated by the fact that the Institute of Valuers, on the instructions of C.L.R.P, is working towards solving the problems of `indemnity value' within a replacement insurance certificate - a task proving to be extremely difficult.

One of the other ways in which some of the allied professions are co-operating is in the area of financial assistance to Universities. The further development of the professions, and the perception by the community of the professions, could obviously be heightened by the role of those professions within, or to, the University education system. Currently the Institute of Valuers, Property Management Institute and Real Estate Institute are combining equally in this area. Steps are under-way to create an Educational Foundation with the Presidents of the three Institutes being the Trustees. Each of the Institutes will underwrite its contribution to the Foundation, and in order that corporate sponsorship maybe obtained, the Foundation will be approved as a Charitable Trust by the Commissioner of Inland Revenue.

The provision of financial assistance for specific purposes to the Universities enables them to establish or develop that specific purpose earlier than their financial resources would otherwise allow It also indicates to the University Councils the importance placed on these specific purposes by the community, in our case by the sponsoring professions in particular.

In the case of Lincoln College and Massey University the three Institutes seek to sponsor or fund the establishment of a professorial chair in the area of valuation, property management and real estate. The appointment of Professors to these positions is considered to be a large step forward for our professions within the University system. Undoubtedly the benefits will flow through from the quality of education achieved by our graduates, the quality of research emanating from the Universities, and the immediate involvement of the Universities in the Continuing Education of existing members of the professions - all these events must surely be beneficial to each of the professions involved.

In the case of Auckland University discussions are continuing to establish the areas of assistance required.

Not only are we progressing nationally for our mutual benefit but we are also progressing internationally in this shrinking world. Particularly in the area of international finance and commerce New Zealand has an expanding role to play. For some years now the New Zealand Institute of Valuers has been a participating nation within TI.A.VSC. (The International Assets Valuation Standards Committee) and continues to be very competently represented by our Immediate Past President, Graeme Horsley. The benefits flowing directly to the Institute include direct involvement and access to international valuation standards so that our own standards conform with those adopted overseas. The international `standardisation' of standards, including terminology and presentation format, is obviously desirable. Other benefits flow from our continuing contact with overseas valuing bodies, which assists us all to maintain our ranking as a competent profession both in the international valuing world, and within our own society. Much remains to be done to further develop our relationships however, and your Council is working actively in this area on behalf of all members.

R. E. Hallinan

Fourteenth
PAN PACIFIC CONGRESS
of Real Estate Appraisers, Valuer and Counsellors

20th-25th March, 1988
Christchurch Town Hall
Christchurch, New Zealand.

REGISTRATION FEES:

Delegates:	$935 incl. G.ST
Accompanying Delegates:	$440 incl. G.ST

(plus $50 late registration fee if paid after 1st February 1988)

Congress registration, hotel/motel reservations, rental car reservations to:

Convention Management Services
P.O. Box 2607, Christchurch, New Zealand. Ph: (03) 790-275

PROGRAMME 14th PAN PACIFIC CONGRESS

MONDAY 21		
10.45-12 Noon	KEYNOTE	"ARBITRATION - THE ROLE OF THE EXPERT WITNESS" The Chief Justice, The Right Hon. Sir Ronald K. Davison, G.B.E., C.H.G.
1.30- 2.45	GENERAL SESSION	"AN INTERNATIONAL ARBITRATION" UMPIRE: The Hon. Sir David Beattie, GCME GCVD QC ARBITRATORS: J. G. Fogarty,. LLB LLM (Toronto) B. McClelland, LLB QC
TUESDAY 22		THEME - "INVESTMENT"
9.00-10.15	WORKSHOPS	1. PROPERTY INDICES • W. Gardiner AAIV • Russell M. Hunter MAI 2. THE ROLL OF TIAVSC IN THE INTERNATIONAL MARKET • John D. Dorchester MAI CRE
(Sponsor: BANK OF NEW ZEALAND)		3. RETRO-FITTING A CBD BUILDING: A PRACTICAL EXAMPLE • Andrew Malinowski, Bank of N.Z. Portfolio Management
10.45-12 Noon	KEYNOTE	"THE INTERNATIONAL INVESTMENT MARKET" Colin Reynolds, Chase Corporation, Auckland
1.30- 2.45	WORKSHOPS	4.HONG KONG PROPERTY MARKET, PAST, PRESENT & FUTURE •F.K.S.Lau 5. LESSONS FROM THE SINGAPORE PROPERTY COLLAPSE • Lim Lan Yuan SISV 6. JAPAN-TOKYO CBD IN THE MID'80s • Hirotaro Ichikawa, JREI
3.15- 4.30	GENERAL SESSION	SPONSORED ADDRESS: "THE COLLAPSE OF THE RURAL REAL ESTATE MARKET IN NEW ZEALAND - ITS CAUSES, LESSONS,

		RESTRUCTURING, NATIONAL & INTERNATIONAL REPERCUSSIONS"
(Principal Sponsor: WRIGHTSONS)		Panel: Ray Chappel, Rural Banking & Finance Corp. Don Armstrong, Pleasant Point, Howard Morley, Wrightsons.
WEDNESDAY 23		THEME - "LAND USE" - DAY TRIP
THURSDAY 24		THEME - "LIABILITY"
9.00-10.15	WORKSHOPS	7. MASS APPRAISAL SYSTEMS: PRO'S & CON'S • Hamish McDonald, NZ • Shim Kyu Dong, Korea • Low Kam Thin, Malaysia 8. LIABILITY ARISING FROM TECHNOLOGY CHANGES • John D. Dorchester, MAI, CRE • Jack M. Warren, AACI 9. COMPUTERISED INFORMATION SYSTEMS - THE BENEFIT TO THE VALUER • Wayne D. Hagood • Hiroyuki Isobe, Japan
10.45-12 Noon	KEYNOTE	"PROFESSIONAL INDEMNITY - THE UNDERWRITING RISK" • Bernard Teague, Solicitor, Melbourne
1.30- 2.45	WORKSHOPS	10. WHAT THE CONSUMER DEMANDS OF THE VALUER • G. J. Martin, FAIV Adelaide • Henry V. Graham, CRE Alabama 11. IS COMPETITION NECESSARILY GOOD FOR THE APPRAISAL PROFESSION • Ivan Jorgensen, AACI Canada • Funio Kiuchi, Japan 12. EDUCATION OF VALUERS - THE MEASURE OF COMPETENCE • Karen R. Char, MAI • A. P. Laing, Dunedin
3.15- 4.30		13. THE APPRAISER'S ROLE IN RESOLUTION OF NATIVE LAND PROBLEMS • J. W. Charters, ANZIV • Nawawi Arshad, Malaysia 14. NEW PRECEDENTS IN COMPARISON FOR LAND TAKEN - EMINENT DOMAIN • Harold N. Butler, AACI Canada • Charles F. Seymour, CRE Pennsylvania 15. THE ROLE OF THE APPRAISOR & THE LAND & PROPERTY TAX COLLECTOR - CAN THE ROLES BE COMBINED? • Lee Dong-Hyan, Korea A.B. • Peter Meeking, Australia
FRIDAY 25		THEME - "THE PROFESSIONAL PRACTICE"
9.00-10.15	WORKSHOPS	16. PRACTITIONER ADVISING - WHERE DO YOU STOP? • John Larmer, NZ • Scott Langley, CRE Oregon 17. CUTTING THE CONTENT TO FIT THE FEE - THE CONFLICT BETWEEN THE CLIENT AND THE PROFESSION'S VIEW OF ADEQUATE REPORTING • Robert Mason, AACI, Canada • Wayne L. Hunsperger, MAI, USA 18. AUSTRALIAN PRESENTATION OF PRIZE WINNING PAPER
10.15-12 Noon	KEYNOTE	"THE PROFESSION INTO THE 21st CENTURY" • Paul D. Orchard-Lisle, UK
1.30- 2.45	GENERAL SESSION	HOW ARE THE PACIFIC NATIONS & THEIR APPRAISAL INSTITUTES PLACED TO MEET THE CHALLENGES The Americas : Terrell R. Oetzel, MAI Asia : Megat Ghazali Rahman, Malaysia Australia/South Pacific : E. K. Prince, FAIV
3.15- 4.30	GENERAL SESSION	"WHAT'S HOT & WHAT'S NOT" 10 Minute Delivery from each of the Pan Pacific Congress Sponsoring Nations

Arbitration Day - Monday 21st March 1988

One of the highlights of the Congress promises to be Arbitration Day. Rod Jefferies and Peter Mahoney are co-ordinating the entire exercise.

Following the Official Opening Ceremony a keynote address will be presented by the Chief Justice, Sir Ronald Davidson, entitled "The Role of the Expert Arbitrator".

For the rest of the day until 4.30 p.m. an enactment of a formal arbitration will be presented. The arbitration will be in respect of the rental of a fictional South Pacific Island tourist hotel. It will traverse both valuation and legal issues and undoubtedly will be most educational and entertaining to those in attendance. This activity will be conducted in the Christchurch Town Hall Auditorium with a seating capacity of up to 2,644 people.

Members of the Law Society and kindred land-based professions will be invited to attend, as will valuation and law students.

Participants in the Arbitration will be:

Umpire	- Sir David Beattie G.C.M.G., G.C.V.O., Q.S.O., Q.C. (formerly Governor General of New Zealand)
Arbitrators	- Mr J. G. Fogarty Mr B. McClelland
Counsel	- Mr J. Stephenson (for the lessee) Mr M. R. Camp (for the lessor)
Valuers	- Mr L. W. North (Canada) - (for the lessor) Mr P. J. Mahoney (for the lessee)
Chairman	- Mr R. L. Jefferies

As with all other days during the Congress there will be a "happy hour" between 4.30 p.m. and 5.30 p.m. at which it will be possible to meet socially.

Keynote Addresses

The Pan Pacific Organising Committee is particularly pleased with the extremely high calibre of keynote speakers, and is indeed very grateful to them for agreeing to give the nominated presentations to our Congress.

The Tuesday morning keynote address entitled "The International Investment Market" will be presented by the Chairman of Chase Corporation, Mr Colin Reynolds. The Chase evolution over recent years has been nothing short of phenomenal. This paper will also be sponsored by Chase Corporation. The Tuesday afternoon Plenary Session will take the form of a three member panel discussion, principally sponsored by Wrightsons Limited, entitled "The Collapse of the Rural Real Estate Market in New Zealand - its causes, lessons, restructuring, and national and international repercussions".

The panel will comprise:

Mr Ray Chappell, General Manager of Rural Banking and Finance Corporation, and Registered Valuer.

Mr Don Armstrong, Registered Valuer, Local Authority Councillor, Farmer, and member of the Valuers Registration Board.

Mr Howard Morley, Wrightsons Limited and Registered Valuer.

This session promises to be extremely interesting in the light of events over recent times. Each panel member is well qualified to speak on the rural sector.

On Thursday the Plenary Session plans to deal with a valuer's liability to his client, and others, when making a valuation. Most valuers are well aware of the need to hold Professional Indemnity insurance in these modern times. It is essential both from our own perspective and from that of the underwriter or insurer. This paper, entitled "Professional Indemnity - The Underwriting Risk" is now tentatively planned to be presented by Mr B. G. Teague, a barrister from Australia. Mr Teague is understood to be one of the leading legal authorities on this subject in Australia. Very recently Mr Teague has been appointed Judge of the Australian High Court and there is now a possibility he may have to decline. This important keynote address will be sponsored by the Land Professionals Mutual Society Inc., (L.P.M.S.I.).

On the final day of the Congress the keynote address will be presented by Mr Paul Orchard-Lisle of London. This paper "The Profession into the Twenty-First Century" promises to be thought provoking and perhaps controversial. Mr Orchard-Lisle is the Immediate Past-President of the Royal Institution of Chartered Surveyors (R.I.C.S.) and is a senior partner in the international surveying and valuing firm, Healey and Baker, which has some 53 partners, 5 consultants and 30 associates. His paper will enable us all to do some crystal ball-gazing.

Workshop Papers

Throughout the course of the week there will be 6 workshop sessions with delegates having a choice of 18 different topics. The Organising Committee has been keen to present a balanced programme of high quality, suiting the varying requirements of valuers both nationally and internationally.

New Zealand members presenting workshop papers will be:

Paper 3	Andrew Malinowski	(Retro-fitting a C.B.D. building)
Paper 7	Hamish McDonald	(Mass Appraisal Systems)
Paper 12	Alex Laing	(Education of Valuers - the measure of competence)
Paper 13	Jack Charters	(The Appraiser's Role in Resolution of Native Land Problems)
Paper 16	John Larmer	(Practitioner Advising - where do you stop?)

A General Session will be conducted on Friday afternoon at which several speakers from various nations will address the question "How are we placed to meet the challenges?"

Plenary Session and Workshop Session Chairmen have yet to be appointed.

The final business session on Friday afternoon entitled "What's Hot and What's Not" follows on from the extremely successful session of the same name held at the last Pan Pacific Congress in Hawaii. Each of the sponsoring nations will present a brief 10 minute address on the property market in their country. "What's Hot and What's Not" will be a "must" for all those attending the Congress.

Field Day (Wednesday)

This is a day which gives us a break from business and involves a whole day coach excursion to a wide variety of things to see and do in the Methven/Mt Hutt district of Canterbury. A convoy of coaches for all delegates and accompanying delegates will depart the Town Hall and hotels at 8.30 a.m. to attractions such as Mt Hutt Station, Mt Hutt ski-field, a salmon hatchery, garden tours, and tourist developments. Additional "pay as you go" activities will include jet boating, aircraft and helicopter joy rides, golfing, etc. Lunch and the happy hour will be in a vast marquee on Mt Hutt Station. We expect to return to Christchurch by 7.00 p.m. at the latest. Because we will all have had a lot of country air and be exhausted there will be no organised social event that evening.

Interpreters

In terms of the rules of the Pan Pacific Board all business papers will be presented in English. Because many of our Asian visitors are more competent at reading English than understanding the spoken English word it is proposed that our Asian visitors will receive copies of the papers *before* each session. Generally however papers will not be distributed to others prior to the completion of a session. Ample notepaper will however be available.

The Organising Committee does propose employing interpreters, especially during social events so that we shall be able to converse intelligently with our foreign guests.

Social Programme

Many Congress attendees believe the social events are equally as important as the business sessions. At social events it is possible to mix freely amongst fellow valuers and their partners, enabling a broadening of understanding and knowledge in a social atmosphere.

For this reason the Organising Committee has developed an extensive but varied social programme on five of the six evenings during the Congress. On one of these evenings we shall be going to Lincoln College for a barbecue "Aussie Night" and on another evening to Twiggers Restaurant at Addington Raceway notwithstanding the fact that the horses will not be running. The other social evenings will be within the Christchurch Town Hall complex.

The all-inclusive registration fee covers venue hire, transportation, refreshments and meals throughout the Congress.

The *"happy hours"* after each business day present a further opportunity to mix socially. These sessions will be *sponsored* by New Zealand valuers or valuation firms and present an opportunity for these sponsors to make a goodwill gesture to the Congress. The sponsorship will be acknowledged on a special happy hour sponsorship board. Further offers of sponsorship would be gratefully accepted by Neil Darroch on behalf of the Organising Committee.

Membership

Deceased

R. G. Sutherland	Dunedin

Re-Admitted as Intermediate Members

P. H. Murray	Clyde
B. J. Whittaker	Waikanae
K. B. Wilkins	Hastings

Admitted as Students

B. K. McRobie	Auckland
S. W. Wilde	Auckland

Resignations

G. S. Nordstrand	Auckland
E. M. Turnbull	Canterbury
J. C. Webster	Tauranga

Admitted as Intermediate Members

D. M. Avery	Dannevirke
C. J. Barnsley	Wellington
J. H. Burgess	Invercargill
L. G. Charles	Wellington
J. A. Feyter	Wellington
S. W. Francis	Northland
P. R. Hollings	Auckland
B. A. Hutchins	Tauranga
T. M. A. Jones	Auckland
L. A. Kimble	Wellington
T. D. Langley	Napier
F. A. MacBeth	Westport
A. S. McPherson	Christchurch
S. E. J. Newberry	Auckland
M. J. Patterson	Auckland
P. D. Pennycuick	Tauranga
S. J. Rainey	Greymouth
J. E. Rogers	Blenheim
M. K. Tierney	Auckland
R. J. Wilson	Rangiora
V. M. Winiata	Tauranga

Advanced to Associate Status

S. G. Cairns	Dunedin
G. J. Clapcott	Auckland
L. Evans	Auckland
N. R. Parker	Tauranga
W. G. Priest	Auckland
R. M. Pyne	Christchurch
M. T. Sherlock	Wellington
B. R. Stafford-Bush	Auckland
D. J. Stark	Nelson
T. J. Whittaker	Wellington
A. P. Wiseman	Whangarei

Retired Rule 14 (2)

J. N. Hodgson	Palmerston North

Student/Affiliate status to be decided

N. T. Oakley	Dunedin

To be Admitted as Students

C. R. Gemmell	Canterbury
C. C. Townend	Christchurch
L. B. Hegarty	Auckland
M. T. Bates	Christchurch
S. P. McGruddy	Petone
J. M. Lye	Birkenhead

Please note that there was an error on the membership changes noted in the September issue.

Mr P. R. Hollings was listed as having been approved for Intermediate Membership, when in fact he was approved for Student Status.

Publications Received and Noted

By the Assistant Editor - David F. Paton

Proposed Policy on Environmental Assessment Procedures

Ministry of Environment March 1987. Discussion on proposed legislative changes which recognise local authorities as the main implementors of environmental assessment procedures.

Creating Flood Disasters

Water and Soil Miscellaneous Publication Number 77, By Neil Ericksen, an in-depth look at the causes and effects of floods in New Zealand and how we can cope with them.

The Rural Real Estate Market in New Zealand 1986

Research Paper 87/2. Valuation Department. Statistical trends of sales for the various classes of rural land.

New Department of Survey and Land Information Stands Alone

People and Planning June 1987. An outline of the functions of the new Government Department by Jeanette Conland.

Height and Design Controls for Wellington

People and Planning June 1987. City Planner Ken Clarke backgrounds the Wellington City Council's proposal to curb obtrusive development and maintain the city's character.

Housing Provision for the Elderly

A Focus on Four Locations. Research Paper 87/2 National Housing Commission July 1987. An insight into population trends and housing for the elderly in Mount Maunganui, Tauranga, Christchurch, Timaru and Dunedin.

Report of the National Housing Commission

For the year ended 31 March 1987. A brief report on the Housing Market and some regional trends.

Commercial/Industrial Property and the Sales Comparison Approach: Selection, Adjustments, Confidence and Stability

Property Tax Journal Vol. S No. 4 December 1986. Gregory Landretti discusses the use of a Lotus spreadsheet system for the sales-comparison approach.

Property Special

Personal Investor September 1987:

1. Cross Leasing: Carving up the quarter acre - the rewards and pitfalls of making money out of a section by Helen Vause.
2. Avoid getting locked into your Mortgage: The advantages of shorter term mortgages by Jay Mann and Maryan Moss.
3. Tenancy Law: Having a civilised effect on the renting scene. By Anne Byrnes.

Setting up a Word Processing System

Appraiser and Analyst Winter 1986 Vol. 52 No. 4. Adapting programmes to specific tacks such as putting together narrative valuation reports by Scott Williams.

The Application of the Discounted Cash Flow in Feasibility and Highest and Best use Studies

Alfred Zimmer reports on an assignment to determine the feasibility of converting apartment to office space using the D.C.F. method.

New Zealand Meat and Wool Boards' Economic Service Annual Report 1986-87

A brief report of the boards' activities and some key productive co-efficients.

New Zealand Meat and Wool Boards' Economic Service Annual Review of The New Zealand Sheep and Beef Industry 1986-87

August 1987. A comprehensive report on income and expenditure, production, stock numbers and fertiliser application.

Stinging the Nettle

Better Business September 1987. Rowland Woods examines the problem of the major annual cost on a majority of farms namely debt servicing.

Guidelines to Effective Fertiliser Use

Supplement to New Zealand Farmer August 27 1987. A series of articles on efficient use of fertiliser on New Zealand Farms.

How Much Rent to Pay?

New Zealand August 27 1987. John Gardner and Bob Hargreaves explain how to analyse comparable leases and examine how much a prospective lessee can afford to pay.

Residential Tenancies Act 1986 - Some Observations

Recent Law Vol. 13 No. 7 August 1987. Comments on some pertinent features of the act by Dr K. A. Parker.

Catchment Board Bill Riles Farmers

New Zealand Farmer July 23 1987. Errol Parker discusses the proposed Catchment Board Bill before parliament and its `user pays' approach.

What's been Happening in Canterbury?

New Zealand Farmer July 23 1987. An analysis of various farm classes for the 1986 year by Pita Alexander.

Report on the Mid Year N.Z.I.V. Council Meeting

By the Editor

The Mid-year Council meeting was held in Wellington on the 11-12th October 1987. The following is a brief summary of events and action taken by Council.

An apology was received from A. L. (Lindsay) McAlister. All other Councillors and members of Executive were in attendance.

The Minutes of the April 1987 Council meeting were confirmed. Under "Matters Arising" The Councillor Handbook was considered and subject to minor amendments will be printed and circulated to all Councillors.

Life Membership

The existing Rule covering Life Membership is as follows:

Life Members

12. Any Fellow or Associate who has rendered pre-eminent service to the Institute over a long period and who is so recommended by a unanimous vote of the Council may be admitted by the Institute in General meeting as a life member, and he shall thereupon become entitled to all the privileges of a financial member during his life without payment of any contributions or dues: Provided that for sufficient cause, the Institute in general meeting may cancel any such membership.

The procedures that are to be adopted have been agreed as follows:

1. A nominating Councillor is to be responsible for preparing a pro forma citation.

1 (a) Nomination are to arise within Council and written recommendations will not be accepted from Branches.

2. The pro forma citation is to be forwarded to the General Secretary so as to reach Councillors seven (7) days prior to the Council Meeting.
3. The existence of a nomination remains confidential to Council Members.
4. Once lodged the nomination may NOT be withdrawn, except by leave of Council.
5. Nominations may be openly discussed at the Council Meeting as an agenda item (the Minutes recording that discussion on Life Membership nomination(s) took place but without reference to names or Branches).
6. Voting on any Life Membership nomination shall be by secret ballot.
7. There must be unanimous agreement.

Executive Committee Report

Mr Wall presented the report of the Executive Committee and commented on a number of matters including the following:

On-going discussions are taking place with The Insurance Council of New Zealand in respect of the "Indemnity" definition.

There are conflicting opinions by valuers throughout the country as to whether indemnity on the replacement insurance certificate, should be cost or value based, with many valuers looking to the Institute for more guidance.

Your President, the two Vice Presidents, the General Secretary and the Chairman of Executive are meeting with the Minister of Valuation, Mr Tapsell to discuss briefly the proposed review of the Valuers Act 1984 together with the Institute's corporate plan and Government's attitude towards professional associations.

Publicity and Public Relations

Mr Graeme Kirkcaldie presented his report outlining the activities of his committee over the intervening six months since the April 1987 meeting.

A. 1987 Advertising Campaign

As detailed to Council at the April 1987 meeting, direct media advertising during 1987 is taking the form of eight sequential full page advertisements in the New Zealand Listener, with insertions programmed for 9 May, 6 June, 4 July, 1 August, 26 September, 4 October, 21 November. At the October meeting Council resolved that the remaining advertisements for the 1987 year will be discontinued.

B. Public Relations Activities

Following Council's approval in April, Logos Public Relations Ltd were appointed to act on behalf of the Institute of Valuers, and a brief was developed by consultation between Logos and this Committee. A media training course was carried out on Friday 17, and Saturday 18 July, involving the Presidential Trio, the General Secretary and the Chairman of this Committee; the introduction of a news clipping service which requires regular input of topical property/valuation related matters published in the regional press, forwarded to the consultants and intended to focus on items involving property prices, trends and developments, individual valuers and companies, comment from local bodies, Government Departments and other valuation issues, and legal issues/court proceedings involving valuation matters; the introduction of regular local property columns and the regional press or local radio stations which would involve direct branch input on matters of local information but would include input by Logos for matters of national significance; preparation of a presidential profile; and the editing of the annual property market report with a view to producing a release which is more acceptable for media consumption, has wider recognition, and is recognised as a service from a professional body. It may be seen from these proposals that this Committee is seeking considerable input of information from branches in order to provide the public relations consultants with suitable material and it is stressed that co-operation from branch Public Relations Committees is essential for the success of this consent.

Logos has subsequently produced media releases entitled "Valuers Assess the Assets of a Nation". "Pavlova Remains but Slices are Smaller", "Property Conference for New Zealand", and "Ethics Support Professional Standards".

C 1987 Property Market Report

The 1987 report will be presented as a statement for the year concluding October 1987 and is to be released in early December. This is to ensure that the commentary is as topical as possible.

Education Board Report

The report presented by the Chairman Mr Alex Laing covered the business transacted at the three meetings held since the April 1987 Council Meeting.

Continuing Education

The University of Otago submitted a proposal to provide the first steps in a basic education programme for 1988 based initially on 15 regional centres Whangarei to Invercargill, to be achieved by distance teaching techniques using the telecommunications network.

The Board accepted the proposal and will schedule 6 two hour sessions for the period June-August, at regular fortnightly intervals, on matters of a wide diversity of interest to members. A sub-committee is preparing the programme which will be advised at the Council meeting.

Council endorsed the concept of distance teaching and the directions that the Education Board was promoting.

There followed a lengthy discussion on the provision of financial assistance to Universities. The following resolutions were passed by Council.

I. Council agreed to the Trust Concept of funding, The Trust comprising the Presidents of the N.Z.I.V., P.M.I., R.E.1.N.Z..

2_ A sum of $21,750 was set aside in the 1988 budget for financial assistance to universities for valuer education purposes.

Statistical Bureau Committee

The Statistical Bulletin has been upgraded and received considerable favourable comment. This more professional production has largely been achieved by the efforts of the General Secretary Mr John Gibson.

Electronic Data Customers are increasing steadily; new changes have been approved by Council to take effect from January 1988.

New Zealand Valuers' Journal

The cost of producing the N.Z.V.J. has increased substantially over the past year and this is only partly recovered from advertising. Council approved an increase in the subscription rate to $36.00 p.a. plus G.S.T.

There is a continuing strong and growing need for the Professional Directory, which is updated at each issue of the Journal.

It is becoming increasingly difficult to obtain good material for the Journal, particularly with the trend in recent years for Seminar speakers not to produce a written paper.

Council discussed desk top publishing techniques but no firm conclusions were drawn.

Council approved the concept of a compendium of articles from the N.Z. Valuer/Valuers' Journal as a 1989 50th Jubilee project.

Valuation Standards Committee

Mr Horsley, the Chairman of the committee submitted a report outlining progress on the recently published TIAVSC guidance notes and background papers. The committee is editing the international changes and amending the N.Z.I.V. papers where necessary to bring these into line with international standards, and where necessary with the definitions as contained in SSAP 17.

Council endorsed the N.Z.I.V. continued on-going commitment to TIAVSC.

Mr Rodney Jefferies will continue as the N.Z.I.V. Council representative on unitisation.

Council confirmed the need for education and the importance of mandatory standards. The Education Board is to include in its Educaion programme for 1988 the topic of Asset Valuation Standards.

14th Pan Pacific Congress

Organisation for the 14th Pan Pacific Congress of Real Estate Appraisers Valuers and Counsellors is proceeding well and keen interest in the congress has been shown from the USA, Canadian and Australian organisations.

Land Professionals Mutual Society (Inc.)

Mr Roger Hallinan spoke to his report and expressed concern at the standards of reporting. This matter will be taken up by the Education Board.

Financial Accounts

Council passed a resolution that: The practising/Non-practising distinction be removed for the purposes of setting member subscriptions to the N.Z.I.V.

Subscription rates for 1988 were set as follows:

Registered Valuer	$200.00
Non registered Valuer	$120.00
Retired Valuers	$20.00
Students	$20.00
Affiliates	$100.00
Capitation per Branch	$250.00
plus members $15 and students/affiliates $5.00 per head	
Advancement	$20.00
Entry	$20.00

All fees are plus G.S.T.

The Education account, Publication account, Administration Account, Publicity and Public Relation account were adopted by Council. Council also resolved to purchase special display equipment for the use of the Institute for promotional purposes.

Supplementary

A sub-committee was appointed to look at the issue of G.S.T. being recorded in sales informtion and to report back to Executive, and make any submissions on the G.S.T. legislative audit that was currently being proceeded with.

A successful dinner was held in Auckland for the Institute's new Life member, Mr R. M. McGough, with 70 persons attending, including a number from out of Auckland.

TIAVC STANDARDS
ASSET VALUATION - GUIDANCE NOTES

The International Assets Valuation Standards Committee has published 14 separate booklets on Guidance Notes with Background Papers on the Valuation of Fixed Assets. The Booklets are Titled:

1. Introduction to the Guidance Notes and Background Papers
   List of Members
   Index
2. GNI - Classification of Fixed Assets
   BPI - Classification of Fixed Assets
   GN2 - Asset Valuer
3. GN4 - The Valuation Certificate or The Appraisal Report
   BP4 - The Valuation Certificate or The Appraisal Report
4. GN5 - Categories of Properties held as fixed Assets
5. GN6 - Plant and Machinery valued with Buildings
   BP6 - Plant and Machinery valued with Buildings
6. GN7 - Depreciation Land and Buildings
   BP7 - Depreciation Land and Buildings
7. GN8 - Works of Adaptation and Fitting out
   BP8 - Works of Adaptation and Fitting out
8. GN9 - The Valuer's Relationship with the Auditor

9. GNIO - The Valuation of Plant and Machinery
BP10 - The Valuation of Plant and Machinery
GN11 - Depreciation Plant and Machinery
10. GN12 - Treatment of Work in Progress
11. BPA Leasehold Interests
BPB - Negative Values
12. BPC - Existing Use and Alternative lease Value
BPD - Valuations having regard to Trading Potential
13. BPE - The Valuer's Relationship with the Client
BPF - The Valuer's Relationship with other Professional Advisers
14. Discussion Paper - Effects of Charging Prices with particular reference to the Valuation of Fixed Assets

The booklets have been published over the period 1982-1986 including revisions. Two further booklets are still in the course of printing giving a total of 16 at a cost of £1.25 each. The additional booklets are numbered GN/BP3 and GN/BP13.

These publications are available in limited numbers from the General Secretary, or through the General Secretary's office, they are available from the Secretariat of TIAVSC in London.

Editor

By Regions Property Market Report 1987

The 1987 Property Market Report was released to the Press in abbreviated form in December under the hand of the President.

The following are the full reports prepared by all Branches of the New Zealand Institute of Valuers to provide a National coverage. Copyright. No reproduction is permitted without authorisation. Reports were completed by early October 1987 and are not indicative of market changes evident in the final three months of 1987.

Northland Urban Property Market Report

In Whangarei City the turnover of house sales has dropped but prices have increased slightly. Building activity has fallen away and as a result residential sections are very slow to sell.

High interest rates are being pinpointed as the major cause for the downturn in activity

High interest rates are being pinpointed as the major cause for the downturn in activity, but the large-scale disposal over the last 18 months of more than 700 New Zealand Refinery homes contributed to a temporary oversupply situation and placed additional pressure on the local real estate market.

However price levels have continued on an upward trend with instances of more than $200,000 being paid for the top bracket of residential property in Whangarei City: a quality 1927 residence situated on a subdivisible site in Puriri Park Road in Maunu sold for $232,500, and a large modern home on a hilly bushclad 1.8 hectare site of doubtful subdivision potential fetched $280,000.

Coastal property is particularly buoyant and during 1987 sale prices increased quite markedly. There is a strong Auckland influence in coastal areas south of Whangarei and average beach houses in Mangawhai Heads and Langs Beach have virtually doubled in value over the last three years.

In the commercial and industrial sectors new building activity is still conspicuous but has slowed somewhat during the year. There have been a few changes in the main shopping zone of Cameron and Rathbone Streets which included the sale of the Hallensteins Building for $775,000, but in general ownership of central city property remains quite tightly held.

Rental levels have shown only slight gains during 1987. Rentals of well located retail properties are appreciating steadily, but office and industrial rentals, particularly those in secondary locations, are virtually unchanged since 1986.

A portion of Moturua Island in the Bay of Islands comprising a 5.3 hectare bare block mostly in scrub, with a good sandy beach and anchorage sold by auction in August for $2.02 million. In 1982 planning consent was granted to erect a dwelling and caretaker's cottage but this had since expired. The vendor had previously purchased the land for $18,000 in April 1970.

A 93 hectare vacant block with a nice stretch of sandy coastline situated near Helena Bay, north of Whangarei which had been purchased in March 1981 for $90,000, was advertised in the New Zealand Herald for sale at $300,000 and the vendor was swamped with enquiries. The block which contains a good proportion of hilly/steep and reverted scrub, sold instantly for the asking price.

Northland Rural Sector

Sales volume has increased since last year for virtually all classes of rural property but price levels are still at a relatively depressed level.

price levels are still at a relatively depressed level.

There has been strong buyer interest for top producing dairy farms and small holdings with coastal influence but little demand for other categories in general.

Economic dairy units have been selling within the range of $11 to $16 per kg of milkfat and there has been an increase in the turnover since the Northland Dairy Company finalised plans for the new $80 million Milk Processing Centre at Kauri due to be started in November.

A 66.4 hectare dairy unit in the Parakao area 40km north of Whangarei sold for $250,000 plus $5,000 chattels and would be representative of the average. The property has two houses and the usual range of other buildings. Contour is predominantly flat with some easy undulating. It had been on the market since 1985 originally at $400,000. Production is estimated at 20,000kg milkfat.

Grazing and fattening properties have been selling within the range of 60-100 per stock unit. Location appears to be a bigger influence on the consideration than contour, cover or soil type, and remotely located grazing properties have been particularly difficult to attract buyers.

A typical sale of a sheep and beef fattening unit was $320,000 plus $15,000 chattels on a 257 hectare property situated 35km west of Whangarei at the foot of the Tangihua range. It comprises mostly undulating to easy clay hill country with sound but plain buildings. Carrying capacity is estimated at 3,000 stock units. The property had been on the market since 1985 at $500,000 initialiv.

The market has been particularly buoyant for coastal blocks and previous sales history generally reveals excellent capital gain prospects for this class of property.

Far North

Rural

Generally the turnover of economic pastoral farms was low with sale prices of properties which did sell being at the same levels as last year for similar properties. However whereas last year properties in poorer localities were selling at levels of $10-$12 per kg of milkfat for dairy farms and $60-$90 per stock unit for grazing/fattening farms, this year better located properties were selling for $11-$14.50 per kg and up to $135 per S.U. respectively.

A slight upsurge in mortgagee sales confused the picture a little but considering the economic climate the number of mortgagee sales has been low.

There has been only one sale of an undeveloped economic sized block suitable for horticulture near Kerikeri although bare blocks north of Kaitaia have sold well for avocado production. Few large fully producing kiwifruit orchards have sold over the year but two investment companies bought six producing orchards in the $400,000-$500,000 bracket and one at over $1,300,000. No change in price levels from last year was evident.

Small holdings and lifestyle orchards continued to sell well near Kerikeri and Kaitaia but price levels for these properties remained similar to last year too.

Unlike other rural properties, those with coastal frontage or views showed substantial increases in price levels, with figures around $500,000 or $1,000,000 for attractive lifestyle blocks becoming more common.

Auckland Property Market Report

Residential

1987 saw a strong upward movement in both the volume of sales and the level of values, and this trend appeared to be reflected across the whole of Metropolitan Auckland.

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One of the major Real Estate companies in Auckland reports a 45010 incease in house sales volume over 1986, but a 63.607o increase in dollar sales turnover. Section sales volume remained fairly constant as did the sale of businesses. The period was essentially a catchup one from the previous over supply situation in early 1986. The buoyant market occurring despite the continuing high level of residential interest rates which still range from 1807o to 2307o. At the time of writing there was no firm indication that interest rates were going to fall from their existing high level.

Section prices have also continued to rise throughout Auckland and residential subdivisions are mainly confined to the North Shore, West and South Auckland regions. There continues to be a strong demand for residential redevelopment sites throughout Auckland for unit housing.

Extremely high residential sale prices have been seen in the premium housing belt spread areas Epsom, Remuera and the Eastern Bays region. Approximately 21 properties changed hands in excess of $1,000,000 with the top sale being Florence Court in Epsom which reached $8,000,000 under a special sale negotiation.

Rental accommodation continues to be in short supply and rental rates have risen quite significantly, generally in the range of 2501o to 30016 since 1986.

Current levels are:

I Bedroom flats $120-$140 per week
2 Bedroom flats - $150-$200 per week
3 Bedroom houses - in excess of $200 per week

North Shore Region

There have been definite signs of an increase in property turnover during this year compared with the previous 12 months and the actual number of recorded sales increased by one-third to approximately 12,500. This increase has been accompanied by a smoothing of historical seasonal trends with the sales spread more evenly through the year.

Coupled with the increased volume of sales the average selling prices of houses has increased as shown by the Valuation Department June 1987 figure of $138,730.

As far as the volume of sales is concerned this area is second only to Christchurch, and in the house selling price second to Auckland. This market is responding in quite a different way than is shown by the national averages.

In the residential sector there is a wide range of property prices. Although residences with beach, water, and cliff-top influence are selling in the range $1.2-$1.4 million there are many good homes available at around $150,000 with some new group houses and existing owner occupier flats available below $100,000. A sale of considerable significance was a property fronting Takapuna Beach that had been in family ownership for many years. This contained a number of small cottages and two large dwellings and sold in July 1987 for $6 million.

South Auckland Region

Despite the fact that interest rates have not shown a significant drop over the last 12 months, the residential real estate market of southern Auckland (Papakura, north to Otahuhu and inclusive of Mangere/Otara) has shown fairly steady growth over the last 12 months and in some areas this is as high as 20010.

The South Auckland area contains some of Auckland's cheaper residential real estate while at the other end of the scale there are some fairly large, unique and irreplaceable properties - many of which are rural in character. The capital growth and demand for the latter form of real estate is often less dependent on mortgage levels/interest rates while at the lower end the growth in areas such as Otara, most of Mangere and parts of Papakura/Manurewa has been in the order of 1207o over the past 12 month period although it is now very difficult to find properties which are selling at less than $60,000.

Indications are that there is a continued excess of demand over supply for properties which now form the middle range between $100,000-$150,000. Indeed in some locations such as Pahurehure and Conifer Grove in Papakura and Hillpark, Manurewa, there are surprisingly few properties available at between $175,000-$225,000 with demand being apparently quite strong. On the other hand, while areas such as Totara Heights/Goodwood Heights have shown fairly good growth in the last 12 months, very few properties sell in excess of $200,000.

In these days of multi million dollar sales being the norm in central Auckland for residential properties, we are not aware of any `pure residential' sale in excess of $500,00 within the general South Auckland locality outlined earlier.

With respect to vacant section sales, it would appear that there had been fairly slow movement up until March/April of this year (possibly as a result of the after effects of GST). However, since that time the demand and selling prices of vacant sections has continued to escalate - particularly in the executive areas such as Conifer Grove, Pahurehure and The Gardens, Manurewa. There has been continued activity with respect to cross leasing existing large residential sites - particularly in Papatoetoe.

Prices for all types of residential property within Howick and Pakuranga have continued to increase during 1987. At present local real estate agencies have a shortage of listings for vacant sites with well priced sites including cross leased sites selling quickly. Prices for standard three bedroomed group type dwellings have increased during the year with few properties selling for less than $100,000 and well presented dwellings selling for up to $150,000, inclusive of chattels. Units and townhouses also increased in value during the year, with very few units selling for less than $85,000 and new well appointed townhouses selling for between $200,000 and $300,000 depending on location and views. Superior residential dwellings have also increased in value and there is strong demand for properties with sea views or within close proximity of safe swimming beaches. This has caused prices within the Bucklands Beach peninsula area to increase in value for all types of property and there is a continuing trend to remove the older baches and dwellings on large sites for townhouse or unit development.

West Auckland Region

The highest priced Suburbs within West Auckland are the harbour front areas of West Harbour and Hobsonville, the eastern slopes of Glendene and Te Atatu South and the northern slopes of Titirangi. Strong demand for property in these areas is brought about by:

1. Quality of surrounding homes which are predominantly of good standard and construction;
2. Northerly aspects with landscape, City and Harbour views;
3. Proximity to motorway systems or main arterial roads linking to C.B.D.;
4. In the case of West Harbour, its proximity to Westpark Marina.

The lowest priced Suburbs include Glen Eden, Ranui/ Swanson, Henderson Valley and Kelston. The major influencing factors affecting value in these localities is the high proportion of low cost group housing and their peripheral location.

Average Value Ranges

The following value ranges apply to three bedroom dwellings with some form of garaging and construction and design commensurate with the type of home found in each area.

Area	*Average Value Range ($)*
Avondale	80,000-130,000
Blockhouse Bay/Green Bay	100,000-150,000
New Lynn	80,000-130,000
Titirangi	100,000-300,000
Laingholm/Huia	80,000-140,000
Piha	80,000-180,000
Kelston	80,000-110,000
Glen Eden	85,000-120,000
Glendene/Henderson	-90,000-200,000
Te Atatu North	90,000-150,000
Massey	90,000-200,000
West Harbour/Hobsonville	150,000-300,000
Swanson/Ranui	80,000-120,000

Growth Potential

Those Suburbs showing best growth potential are: Hobsonville/West Harbour, Te Atatu North, New Lynn/Green Bay and Laingholm/Huia.

The West Harbour/Hobsonville area has shown steady growth over the past two years due mainly to the presence of the Westpark Marina and the fact that most of the homes are of good to superior standard, with most developers imposing quality controls. Proximity to the North Western Motorway also allows easy access to the Auckland C.B.D. which is within a 15-20 minute drive.

Te Atatu North is also located close to the North Western Motorway and while being a previously depressed locality, over recent times has shown increased value levels and demand. The majority of homes in the Te Atatu North Peninsula are within the 20-25 year bracket with potential for modernisation by prospective purchasers.

The recent upgrading and expansion works to the Lynnmall Shopping Centre will have an undoubted beneficial affect on the surrounding Suburbs of New Lynn, Blockhouse Bay and Green Bay.

Further out, the bush and beach areas of Laingholm and Huia are becoming more popular as the highly sought after area of Titirangi becomes unaffordable for all but the upper price level purchasers.

Poorest growth levels are seen in areas such as Ranui, Swanson, Glen Eden and Kelston where the majority of homes are of a moderate quality only and there is a predominance of group type housing.

Central Business District

Building activity in the core of the Auckland central business district continues unabated and rentals for prime office space

rentals for prime office space continue to rise

continue to rise despite predictions of pending over supply. There are still some major tenants looking for space and developers are designing buildings to tenants' particular requirements with many tenants now demanding larger floor areas.

Major developments under way include the Fay Richwhite building and the National Bank building both in Queen Street and the first stage of the NZI development due to start before the end of 1987 in Kitchener Street. Various other proposals are under way in Kitchener Street including a carparking building by Mainzeal. Developments under way in Albert Street include the Mid City Tower and Waitemata House developments with major proposals for the Macdow site by Hawkins at the corner of Albert/Swanson Streets and at 123 Albert Street by Chase. Acadia have now demolished the Royal International Hotel for a major redevelopment on the corner of Victoria and Albert Streets opposite the AA Mutual development.

The Chase Wyndham Towers development is under way in lower Hobson Street together with a development by Argus and Mainzeal closer to Fanshawe Street. Apart from these developments there are many other developments on the drawing board including major development proposals by Commercial Securities for the Plaza site in Queen Street and the Kupe proposal in Downtown for the Britomart Carpark and Bus Terminal site. Cromwell are under way with the Anzus House development and intend to start the redevelopment of the ASB property on the corner of Commerce Street this year.

This development activity confirms that there will be a substantial supply of office space reaching the market in 1989-1990.

The level of land values and the number of redevelopment sites in the core of the central business district appears to have steadied compared with the last year.

Recent auctions at 20 Wyndham Street and 76 Albert Street failed to reach reserve expectations but have subsequently sold.

Developers generally are now taking a much more cautious stance in the marketplace. There have been no recent land sales in Queen Street, however land value levels in that street are being projected in the range of $20,000m 2 to $23,000m 2 It is understood that two properties are being negotiated at the present time in lower Downtown and we will be able to report on these at a later date.

Sales in High Street have ranged from $12,000m 2 to $14,000m 2 and in Albert and Kitchener Streets between $9,000m ' to $10,000m 2

Rental levels for good quality office space are currently being negotiated in the core of the central business district in the range from $280/sq.m p.a. to $345/sq.m p.a. excluding rates.

Rental rates for second-hand refurbished space continue to increase and currently lie in the range between $180/sq.m p.a. and $194/sq.m p.a. excluding occupancy costs.

With the amount of demolition which has occurred in the city the older obsolete space is still in demand but supply is now restricted. Although the Auckland City Council have adopted a slightly more flexible approach in relation to providing on-site parking in new developments there is a desperate shortage of short- and long-term parking in the central city core to the stage where rentals have increased dramatically and currently lie in the range around $100/week/space including GST.

Retail rentals in central Queen Street now lie between $950/sq.m p.a. to as high as $1,400/sq.m p.a. for the smaller boutique shops. In the arcades off Queen Street rentals now lie around $600/sq.m p.a. to $700/sq.m p.a.

Yields being achieved on well leased commercial property in the central City core are still in the vicinity of 6010 in Albert Street and Fort Street with lower capitalisation rates having been achieved on some developments which were under-rented.

Demand for good medium sized investment property in the range of $70,000,000 to $80,000,000 still appears to be keen although local investors are now looking to spread their investments into the Australian and International market.

Larger projects in excess of $100,000,000 are now being developed in the downtown area i.e. the National Bank project and which require joint venture funding and ownership or other forms of ownership such as Unit Trust.

In addition extremely large projects are being proposed by NZI and Kupe which will cost in the vicinity of $1 Billion.

There have been a number of strata title office developments undertaken initially in Symonds Street and recently closer to the central City core. We are currently aware of nine of these developments either under construction or proposed and nearly all of these developments have been presold with each floor on a separate strata and generally at yields of between 6070 and 6.5070 closer to the core or between 7070 and 7.5% in Symonds Street and other fringe areas. Many of the strata title floors have been onsold prior to completion showing substantial capital gains. They allow the smaller investor to obtain an investment at a reasonable price in the central City.

Suburban Commercial

This market has also taken an upward trend in areas such as Manukau City, Takapuna, Panmure, Otahuhu, New Lynn, Henderson and Newmarket. Growth in Newmarket over the past 12 months has been the scene of intensive redevelopment activity, this principally taking the form of new showroom and office buildings. Although some of this redevelopment has occurred on Commercial I land, the bulk has taken place on land zoned Industrial 1, a fairly flexible zone which lists offices amongst its predominant uses. As a consequence of this spate of building activity, rental rates have increased dramatically since 1986. Whereas rental rates for new office buildings were typically around the $130 per square metre mark, rentals for space available for immediate occupation are letting for levels around $175-$185 per square metre. Such is the current demand for space, that little differentiation appears to be made for building quality, although this will undoubtedly change as office space supply begins to exceed demand. Buildings scheduled for construction twelve months out are pre-letting for levels around $200 per square metre.

Showroom space in good locations has leased for levels around $270 per square metre with one isolated instance of showroom space on the main road leasing at $310 per square metre.

Retail shops in the heart of Broadway are letting generally around $540 per square metre with usual variations for size, shape and location. Key money up to $100,000 has been recorded.

Future growth in Newmarket is popularly considered to be good with retail space still at a premium and office space still pre-leasing. It would be realistic however, to say that the dramatic growth over the past say 24 months will soon begin to slow down.

In conformity with the general demand for good investment property across Auckland, Newmarket property is in keen demand. This has brought about a steady decline in investment yields or capitalisation rates. Whereas commercial property has historically sold within Newmarket at around say 9010, yields below *8010* are now commonplace and in one isolated instance, we are aware of the sale of a new building from a major developer to an Institutional investor at 7010. The transaction occurred prior to building construction, prior to any leasings, and without any rental guarantees. In general terms, new soundly leased commercial developments in good positions will sell in the 7.5-8.0010 range.

Land values in the heart of the Newmarket retailing area appear to have peaked for the present at around $6,000 per square metre. This represents a rapid rise over land values prevalent some 18 months ago which were settled more around say 52,000-$2,500 per square metre. Land zoned Commercial but back from the central retailing core is selling around $2,500-$3,000 per square metre. One large offering was recently passed in at auction at $2,900 per square metre.

In West Auckland the main commercial centre is Henderson where demand for both retail and office space is the strongest. However, over recent times in terms of retailing, strong competition has come from New Lynn following the major upgrading and expansion works to the Lynnmall Shopping Centre.

There is strong demand for retail space within the main Henderson commercial area, with steady demand also within new commercial developments situated on main arterial roads. A good example is the Lincoln North Shopping Centre some 3.0 kilometres out of Henderson, and on the outskirts of Avondale a small shopping development is presently being constructed with good demand from prospective tenants. By comparison the existing commercial areas within Avondale and New Lynn are experiencing only average commercial growth, although we note various plans for redevelopment work within the existing part of the New Lynn Centre. Below average growth is presently being experienced in the Glen Eden commercial centre, which to our mind is overshopped with fierce competition from nearby New Lynn and Henderson.

Future growth within West Auckland's commercial centres is greatly dependent upon demand and while there is a good demand for well located retail space, demand is only moderate for office space. An example is a recently shelved redevelopment within the Henderson commercial centre by Petron Properties Limited (a division of Chase). Similar but smaller redevelopment proposals have also been shelved for the New Lynn Centre, with developers finding only limited demand for potential office space, as the majority of professional practices and Government Departments are already housed within existing space. Therefore until such time as there is demand from large-scale office tenancies, redevelopment will stagnate within the main commercial centres of West Auckland.

In South Auckland growth has been steady rather than spectacular and is mainly confined to the main commercial centres such as Otahuhu, Panmure, Papatoetoe, Pakuranga, Howick and Manukau City.

In general throughout the City Suburban Rental rates for unpartitioned, unairconditioned and uncarpeted offices range from $85m2 in fringe locations to $140m2 in sound localities and with the annual average increase lying between 10% and 20%.

There is a large variation in Suburban shop rentals between $75m2 for remote Suburban locations to $150m2 in main street centres. Some locations such as Takapuna are attracting considerably higher rates.

Industrial

Demand continues to be strong in the Central City, Newmarket, North Shore, West Auckland and Penrose localities.

Demand continues to be strong in the Central City, Newmarket, North Shore, West Auckland and Penrose localities.

Land values in the Central City are generally in the range of $1,500m2 to $2,000m2 while in Newmarket the range is $1,000m2 to $1,500m2. On the North Shore land is selling at $500m2 to $800m2 depending on locality. Newer industrial subdivisions in Albany have been keenly sought by investors and of particular note is a large parcel of nine hectares of unserviced land purchased in August by the A.R.A. for a refuse transfer station in the sum of $7 million.

Preferred areas in South Auckland attract rates of $300m2 to $500m2 with much lower rates in outlying districts.

In West Auckland the highest growth relates to the Lincoln Road area in Henderson which over the past two and a half years has undergone considerable redevelopment from the original orchards and vineyards to a wide range of industrial and quasi retailing uses. This is due to a number of factors, namely its close proximity to a major commercial centre such as Henderson and its proximity to the North Western Motorway. There is a proposed Scheme Change under way to rezone that land from Moselle Avenue through to the Motorway to a new `Business Zone'. This will allow a wide range of commercial, industrial and recreational uses. Over recent times there have been several property transactions at premium levels indicative of the confidence shown in this area by both developers and investors. The Rosebank Peninsula and New Lynn maintain steady growth with a number of new developments under way. Of most interest is the Aurora Groups $30.0 million development on the former Ceramco land which will provide a comprehensive office park development on the fringe of the New Lynn commercial centre. The substantial upgrading and extension works to the Lynnmall Shopping Centre will also have an undoubted influence on surrounding industrial land.

Land values range from $40m2 to $80m' in remote locations and $150m2 to $250m2 in popular localities such as New Lynn and Lincoln Road. Yields in prime industrial locations are still in the 8.0% to 8.5010 range on net leasing for new or modern buildings.

Yields in outlying districts and for older buildings range up to 11.0070 depending on the location and quality of the structure.

Rental levels continue to rise at about 10-15% per annum and across the board range from - 45m2 for older buildings in secondary situations to 100m2 for new premises in choice positions. There continues to be an oversupply of new industrial premises in the East Tamaki area and owners are offering reduced rentals and rent-free inducements to prospective tenants.

Auckland Rural

Once again activity by city people has dominated the rural land market, particularly for properties close in, and for those

activity by city people has dominated the rural land market,

around the coast. The two most buoyant areas have been related to land in South Auckland, close to the National Yearling Sales Complex, where suitable properties have seen strong demand, both small holdings and larger blocks. Around the coast, several small blocks, with direct coastal access, or outstanding views have sold at levels significantly above 1985-86 and up to double previously indicated price levels.

The rural downturn, which was the dominant factor in the 1985-86 market, appears to have been now bottomed out, and confidence is returning to the various sectors, and apparent but modest increases in prices are evident although buyers are still selective.

Small Holdings

Good quality well located rural residential blocks, were in strong demand for most of the period, but sales activity slowed prior to the election. The most popular areas in South Auckland appear to be Whitford and East Tamaki and close in to Papakura, and most of the standard good quality blocks in the better areas are selling at $400-$500,000. North of the City, rates of increase have been considerably slower but there has been a satisfactory demand for land in the Dairy Flat Waitoki Coatesville area and prices for vacant blocks would appear to be in the order of 10-20070 above previous levels.

Rural residential properties which are not so well located are not selling particularly well and prices need to be competitive before a transaction will occur. A number of recent subdivisions into four to 10 hectare blocks north of the City have sold moderately quickly. Houses being built on these new blocks are generally of better quality than previously.

Sheep Farms

Little activity throughout, particularly in the harder hill country areas, and few available on the market. Any prospective vendors appear to be awaiting an improvement in prices before selling.

Dairy Farms

More activity for the selling season just passed, and both north and south of the City, prices possibly averaging 10010 up on the previous year. At Helensville, a tidy property of 61 hectares, buildings slightly above average, averaging 18,500kg milkfat, sold at the beginning of 1987 for $385,000 which is $20.81 per kg milkfat. This in fact was the 1984 Government valuation as well. Other properties in the area have analysed

$17-20 per kg average milkfat. In the Wellsford district, productive values are comparatively lower, mostly in the range $13-16 per kg depending on locality and buildings. The same applies to the dairying areas south of Auckland, and is fractionally above 1985 levels.

Horticulture

Very little activity and little interest in horticultural land or developed properties. In South Auckland, poorly developed, partially completed horticultural properties are selling in some instances for little more than grassland values, but properties nearing a productive stage are receiving some inquiry. There is a real lack of good evidence of horticultural sales both north and south of the City. Numerous subdivisions of rural land are being carried out, on the presumption that they are suitable for horticulture, but few of the resulting blocks are actually being developed. There is little new development activity being carried out. Market Gardening properties in the Pukekohe-Bombay district are rarely available for sale, but prices paid are sensitive to the current economics of onions, potatoes, squash etc. Overall, the horticultural land market is flat, and is not expected to improve unduly in 1987/88.

Summary

The main thrust of buyer demand is for quality, both rural residential properties close to the City in either direction, or for good quality coastal. At Cape Rodney near Leigh, an 11 hectare block with direct coastal access, rocky but very attractive foreshore sold prior to auction in March for $390,000. This contained a rather plain weatherboard dwelling and various other buildings. In June, the adjoining property, with similar foreshore and similar standard of improvements, an area of 13 hectares realised $535,000 which was more than double the price paid for the same property in Mid 1985.

The present level of activity is expected to continue for at least the next 12 months, an expectation of more interest in the low to medium quality rural residential and more interest in both sheep and dairying.

For economic farms purchasers have sensed an improvement in product prices and are now only hoping for a decrease in interest rates before moving.

Rotorua Bay Of Plenty Branch Property Market Report

Residential

Rotorua

Strong demand for houses in the lower price bracket ($50,000 to $65,000). This price is significantly up on late 1986/early 1987 levels ($48,000 to $55,000).

Some evidence of a reduction in price levels evident in the `Thermal area'. Several properties which sold prior to Government bore closure announcements have resold since at the

evidence of a reduction in price levels evident in the `Thermal area'

same or reduced prices while the overall house market in Rotorua has experienced an increase in prices. Most noticeable aspect however is the uncertainty with what will happen over bore closures leading to a reluctance by would-be purchasers to buy in what is a very attractive established residential area.

Good demand for residential sections at steadily increasing prices. Two new subdivisions sold quickly at $35,000 to $48,000 per lot.

Strong demand for rental accommodation with big rent increases.

Strong demand for rental accommodation with big rent increases. This has resulted in slight upsurge in construction of flats as investment properties and some poorer motels being converted to flats.

Tauranga

Overall sales volume up 30010 on last year at prices 10010 to 15010 up on 1986 prices.

Very strong demand for residential sections

Very strong demand for residential sections at similar increases over 1986 levels. Recent auction of a superior 28 lot subdivision saw 18 lots sold at $132,000 to $152,000 for very good harbour view sections and $61,000 to $76,000 for back lots.

Strong demand evident for ownership flats and residential flat rentals up on last year at levels ranging from $80 to $100 per week for one bedroom units to $120 to $175 per week for three bedroom units.

Taupo

Reports residential demand has been quiet over past nine months. The only spectacular value increases have been associated with lake-side properties where vacant sites have sold at prices ranging between $230,000 to $350,000.

Residential rentals slowly but steadily increasing with a newly built block of two bedroom units being tenanted at between $130 and $145 per week.

Whakatane

Reasonably active house market but only slight escalation in prices over 1986 levels.

Section sales slow, however beach front properties at Ohope showing good demand. Recent sale of vacant beach front section was recorded at $100,000.

Rentals at similar levels to 1986.

Recent earthquake doesn't appear to have affected demand for houses although the level of holiday home sales has dropped since the disaster. This drop may well reflect the general economic downturn as much as the earthquake.

Commercial

Rotorua

Commercial market is still very active and extremely buoyant. Noticeable upsurge in interest from national public property companies. Three properties suitable for development or

Commercial market is still very active and extremely buoyant.

redevelopment have recently sold at prices ranging between $1,200,000 and $1,300,000.

Redevelopment has generally been confined to single and two storey buildings, however a new ten storey building is at present under construction with a further ten storey and several five storey complexes about to commence building. All proposals are tenanted before construction commences in several cases by single tenants.

Most recent sales indicate yields of 9070 to 11070 on gross incomes for freehold properties. Gross returns as low as 8070 have been accepted where rentals are due for review within 12 months.

Rentals for ground and first floor accommodation in new buildings range between $135 and $145 per square metre; with buildings due for completion at the end of 1988 have established rents at between $150 and $177 per square metre. The present rentals compare with $110 and $120 per square metre received in 1986.

Shop rentals in the recently completed Hinemoa Centre were settled between $200 and $270 per square metre for small to medium sized shops with a recently negotiated rent in the prime area of Tutanekai Street at $350 per square metre for the front 15 square metres of retail space.

Industrial properties in prime locations are readily sought after with a recent sale of a near vacant property being recorded at $145,000 compared with the sale of the same property 12 months earlier at $92,500.

Industrial properties in less attractive localities have attracted little demand and have sold at levels little above 1986 levels.

Yields on improved industrial properties show returns of between 11070 and 12010 on gross incomes.

Tauranga

Demand for office space only moderate and future supply appears to be well catered for with five office blocks under construction at present.

Rents for new air conditioned, unpartitioned office space have been set at $118 to $150 per square metre compared with existing renovated space of $97 per square metre. Fully outfitted new offices are renting at $150 to $225 per square metre with carparks an extra $15 to $20 per week.

Retail shop rents are still $130 per square metre on fringe areas with central business district rents now up to $130 to $320 per square metre range. Two recent inner city vacant commercial land sales realised $600 per square metre.

Retail shop rentals in Mount Maunganui are in the $100 to $150 per square metre range while some new shops still being built are to be tenanted at $150 to $215 per square metre.

Very obviously the harbour bridge link-up is being anticipated with these increased rent levels.

Bay Fair shopping centre east of Mount Maunganui Borough centre rentals two years ago ranged between $129 and $170 per square metre. 1987 rent reviews and renewals have been settled at between $200 to $300 per square metre for the smaller shops.

Demand for industrial land and properties has now stabilised. Over supply of smaller multi tenant premises has resulted in vacant buildings available at 1986 rental levels.

Little vacant industrial land available in Tauranga with Mount Maunganui sales being recorded at prices ranging from $25 to $70 per square metre.

Industrial rentals range from $60 to $75 per square metre for warehousing space down to $30 to $45 per square metre for buildings on the outer areas and at Mount Maunganui.

Industrial yields showing little change over recent years with developers now looking at less than 10070 on a property in a good location with favourable lease conditions.

Taupo

Rapid escalation of values evident on vacant land where zoning permits wholesale or semi retail development. 2000 square

Rapid escalation of values evident on vacant land where zoning permits wholesale or semi retail development.

metre site (vacant) in Spa Road sold in early 1987 for $540,000 resold in September 1987 for $750,000.

Last six months has shown a marked slow down in retail rental increases with rents stabilising in the $240 to $270 per square metre range for good pedestrian count locations. For the first time in 15 years vacant shops are readily available for tenancy.

Recent sale of a lake-front 2,000 square metre vacant site has been recorded at $900,000. Site is suitable for motel development after minor demolition costs associated with an old building on the site.

Whakatane

Office space still in demand. The recently constructed multi-storey building has been filled with Government Departments and State Owned Enterprises.

Office space still in demand.

SOE expansion putting pressure on available office space. New rents at $100 to $110 per square metre with older offices at $65 to $76 per square metre.

Industrial properties appear in short supply with very good demand evident. Rentals at $40 to $50 per square metre for outer areas rising to $50 to $65 per square metre for inner properties. A new industrial park is shortly to become available with ready interest evident.

A reasonable demand is evident for retail space at rentals 10070 to 12% above 1986 levels. No vacant shops available and a new shopping complex adjacent to the C.B.D. is in final planning stage.

Rural

Rotorua

Very low volume of open market economic sized unit sales.

Ability to service high interest rates appears to be the major concern of prospective buyers. While economic returns for sheep farmers are poor most appear to be able to weather the storm in the short-term. Those that are forced to sell are relatively small in number in this district and are unlikely to affect overall values and sales.

Many are subdividing off small blocks sometimes containing a second and surplus house effectively reducing the indebtedness and outgoings.

The dairy farm market is only moderately active with sales realising $11 to $13 per kg of milkfat. The economic outlook for dairy farmers is bad and a number of farmers have had to sell at reduced levels mentioned above.

Mortgagee sales have been avoided to date but several are possibly in the pipeline.

Rural market appears to be weakening further and we are advised it will not strengthen until interest rates reduce significantly.

Small holdings market is still quietly active but well below the level of 1986. Goat and deer farms are not selling well and reflect markedly reduced incomes from these once glamorous livestock industries.

Tauranga

Kiwifruit orchard sales are much more prevalent than for some time especially in the middle of the year although slow

Kiwifruit orchard sales are much more prevalent than for some time

down is evident over the last few months apparently as a result of high interest rates and predicted lower returns. Prices firmed at 1986 levels. Corporate buyers still evident contrasted with many syndicates with offshore currency finance keen to sell.

Virtually no sheep, cattle or dairy farms have sold in past 12 months with the peak in goat and deer farms well passed.

A little interest in purchase of forestry land now becoming evident.

Taupo

Still no appreciable volume of `economic unit' sales over past year. With one sale recorded in the last six months just out of Taupo at $105 per stock unit - a level similar to last year.

Handy smaller rural blocks have changed little in price since 1981 with blocks further out proving very difficult to sell.

Similar pattern to Rotorua evident with farmers subdividing off small parts of the farm sometimes containing a surplus house and using the proceeds from the sale to reduce debt burdens.

Whakatane

A few dairy farm sales recorded at levels similar to 1986 prices with one Rangitaiki Plains farm selling at $15 per kg milkfat and two sales at Waimana at $14 per kg milkfat.

Virtually no sheep farms sold with one being noted selling at 1983 levels. This sale appears to be out of line with the market.

Small holdings slow to sell with vacant land selling at $10,000 per hectare and improved blocks selling in the range of $130,000 to $170,000.

Asparagus properties most of which have been developed over the past seven years are virtually unsaleable except at the equivalent of bare land prices.

Waikato Property Market Report

Residential

The Hamilton residential property market can be described as being relatively steady during 1987. There have, nevertheless been minor fluctuations during the year and these have generally been coincidental with changes which have taken place in residential mortgage interest rates.

residential property market can be described as being relatively steady during 1987.

However, the lower end of the residential market has seen a greater proportional increase in value than the market position overall.

The upper portion of the residential market has been very buoyant during the latter portion of the year. A number of sales over $250,000.00 were completed during this period.

The new house building scene has been noticeable on account of intense competition for new house construction work. Some very reasonable new house construction costs have been noticed.

Despite this the Hamilton residential section market has been quiet overall with few sales at the upper end of the vacant section market.

The residential market in Waikato towns has been generally quiet, but with some minor variations between towns. The residential property market in these towns has reflected the overall decline in economic activity in most of these smaller centres.

Commercial

This last year has seen a very considerable amount of commercial development activity in Hamilton City.

Three new department stores built for Smith and Brown, Farmers and L. D. Nathans range in size from 3,700m' over two floors up to 9,290m ^{2} also on two floors with the rentals ranging from approximately $100/m' up to $202/m- overall.

Only limited numbers of new shops have been built and the rentals have been in the general range of $450-$516/m' of off-prime locations.

In the prime area small shops have achieved up to $850/m2 with rentals close to $600/m' not being uncommon.

It is quite noticeable that there are quite a number of vacant retail premises in the C.B.D. at present and while some of these can be attributed to future development sites, at the same time there are a number in prime areas which, in the past, have usually rarely failed to attract tenants.

Office developments have continued mushrooming both in the C.B.D. and on the fringes. The developments completed to date have, in the main, been let although there is a general feeling that the market has reached saturation point as far as new office accommodation is concerned. However, as always there appears to be an unsatisified demand for Government departments and the new Corporations for new accommodation.

The developments which have either recently been completed or are nearing completion include tower blocks of 8,000m', 5,800m', 4,600m' and 3,OOOm" as well as quite a number of small two storey fringe office buildings.

These smaller developments are attracting tenants who can obtain an `identity' which would otherwise be lost in the multistorey developments.

The top rentals currently being obtained for the new developments due to finish within the next few months are $188/mz which includes air conditioning and carpet. The developments currently completed have achieved rentals of around $160-$166/m' with the smaller fringe developments being at a slightly lower level.

A number of the new smaller Freehold fringe office developments have sold at 9o1o nett return and there are one or two reputed sales of larger, modern commercial developments in the City Centre at yields as low at 8%Io but these appear to involve transfers of shares and other transactions so that it is difficult to obtain a true indication of the investment yield.

Indeed there is growing difficulty in obtaining information on actual rentals and yields for investments in many of the new developments, particularly as developers are offering various inducements to tenants to sign leases, e.g. partitioning packages, free naming right, and provision of telephone systems.

On the industrial scene, the development of larger buildings has been much quieter

On the industrial scene, the development of larger buildings has been much quieter, although there have been a large number of small workshop/showrooms of 100m2-200mI in size that have been developed in Frankton and Te Rapa.

There appears to be an insatiable demand from tenants for this accommodation and rentals of between $86/m2 and $97/m- have been achieved. The investments have also sold fairly readily at 10076 or slightly under. Often these units have been let and sold off plans before construction has even commenced.

It is noticeable that, whereas in the past there has been relatively small differentiation in rental rates for aspects of quality in industrial units, this differentiation is now much more noticeable.

The rentals being obtained for the better quality industrial units of 500m'-800m2 in area have generally been between $53/m' and $59/mz with slightly higher rentals being obtained for showroom type accommodation.

Three large modern industrial properties, leased to subsidiaries of one large public company, have all sold in the recent past at nett return of 11% with the sale prices each being in excess of $1.5m.

With regard to land values, a number of sites have sold in the C.B.D. and the indications are that values have risen rapidly throughout the year. A site in a prime retail location sold for approximately $50,000/u.m.f. earlier in the year and other transactions on the edge of the prime area have indicated land values of around $30,000-$36,000/u.m.f. These values for larger sites equated to between $400 and $450/mz. Another site of just under 4,000m2 close to the Central Core sold for $528/mI or $23,000/u.m.f. Land values of prime, smaller sites appear to be in the region of $1,000/m^2.

The small industrial sites which are being purchased for the showroom/workshop developments mentioned above have sold for around $180-$200/m2 with large serviced sites on State Highway 1 just north of the City being sold for between $250,000 and $300,000/hectare.

Commercial activity in Waikato towns has been quiet overall, with minor fluctuations depending on location, and local economic activity.

Rural

An increase in the volume of transactions for most classes of rural property confirms the market's general acceptance of a new, lower regime of price levels.

This increase in level of activity has not however been universal, and a more selective bench of buyers are now identifying poor quality and paying significantly less for it.

A poor topdressing history, a weed problem, or the need to remedy major structural improvements deficiencies in order to bring the property back to optimum production levels are major contributors to these lower price levels. Remote locations further complicate saleability. Conversely however good quality land, handy to amentities, and in good condition requiring little or no major capital expenditure has been finding a ready market and in some cases a rising market price level. The old maxim that `the cheapest land is the best land' is apparent.

The market is however particularly sensitive to the level of interest rates and the Value of the New Zealand dollar, and the continued high level of both is causing concern and considerable nervousness in the marketplace. This is further aggravated by uncertainty over a perceived high number of potential mortgagee sales. This prospect has a growing reality about it with a significant number of properties in a weak financial position. With no prospect of recovery, lending institutions are perceived as having to eventually move to protect their own position.

Dairy land prices have held steady over the past year with good quality land in favourable locations tending to rise in price level. The recent announcement of $3.35 per kg with final expectations of slightly more has generated some optimism, subject as always to the previously mentioned concern over interest rates and the Value of the New Zealand dollar. Generally prices have equated to $15 to $17 kg; more for good quality, less for a property with a problem.

Fattening land price levels have changed little over the past year although an increase in volume is apparent. In the hill country this has generally equated to $100 to $120 per S.U., with remote higher cost country ranging down to $80 per S.U. and the easier, handy, good quality units ranging up to $200 per S.U.

Forestry has not emerged as a popular alternative land use and a separate market is not identified for it.

Horticultural prices have held steady maintaining previous levels.

Horticultural prices have held steady maintaining previous levels. The costs associated with new investment in this industry and the problems of marketing at acceptable profit margins have discouraged activity in this area.

The horse race, training and breeding industry has continued to illustrate its own particular vigour in the region with major investment in both land and capital improvements. Price levels have risen significantly for land of the right soil type and in the right location. The precise level is however highly variable according to quality and location.

Gisborne Property Market Report

Residential

Volume of sales this year is about 8.5% down on the same period last year, with 10-12% more properties offered for sale. Most sales appear to be under $58,000, however there are proportionally more sales now occurring above $130,000. Excluding these high level sales, there is a slight drop on levels achieved last year. Ownership flat sales have at best maintained previous levels. This reflects fewer newer flats available.

The Wainui Beach area has experienced a similar fall in volume and sales levels, with fewer higher priced properties sold this year.

Vacant Residential

Volume of section sales has fallen by 35% and average price by about $1,000.

Wainui Beach section sales have remained constant with average price moving from $26,000 to $38,000 including beach front sites at $65,000-$75,000.

Commercial

(a) Retail rents have increased by 10% ranging from $70 to $160 per square metre, however values remain unchanged; purchasers are now expecting a 12.5% return while previously accepting 10.5-1101o for good quality property. Suburban commercial has increased similarly to a maximum of $70 per square metre. Turnover remains constant.

(b) Office rents have shown some improvement with first lfoor space ranging from $45 to $65 per square metre. The probable influx of new corporate offices in Gisborne is likely to substantially increase rental levels.

We note the Government Life Building sold in September for $1.1 million (1983 Government Valuation) with current net rents of $155,000; these are expected to increase to $200,000 in March 1988, giving a return on purchase price of 180 . This is a sound building on a prime site, with the Crown the principal tenant for a 12 year term from 1 April 1985.

(c) Industrial Land remains unchanged with 1,011 square metre sites continuing to sell slowly at $20 per square metre.

The rationalisation of Stock and Station firms has resulted in a number of sales at between 1983 Government Valuations and half that level; these are principally larger buildings and some remain unsold. The rural downturn has also resulted in two machinery servicing businesses closing and these properties are likely to sell at discounted levels.

Rural Townships

Very little activity,

Very little activity with Wairoa in particular having a very low turnover with all classes selling close to or below 1984 Government Valuation levels.

Rural

(a) Undeveloped arable land remains at a similar low level to 1986. For larger areas (10-20 hectares) levels for good quality land remains constant at or slightly below $7,400 per hectare, with little extra paid for tile drainage or shelter. Smaller vacant blocks around four hectares have sold up to $11,100 per hectare.

(b) Small `life style' blocks of four hectares plus a superior home, handy to Gisborne, have sold at $210,000 to $240,000. Similar blocks not so highly capitalised also continue to sell readily.

(c) Kiwifruit orchards have sold up to $48,000 per hectare for mature orchard Improvements, however with the pessimistic current season outlook we are anticipating a fall in values.

(d) Vineyards are back in favour with a reported shortage of preferred classical varieties. While there have been very few sales, levels appear to have moved from $4,000 to $6,000 per hectare up to $10,500-$12,00 per hectare, for the vineyard Improvement.

Volume of sales has remained constant, with a substantially increased number offered for sale. Good properties should continue to sell well, while poorer development will be heavily discounted to achieve a sale.

Hill Country

The volume of hill country sales this year has virtually doubled from those sold in 1986. Last year reasonably attractive farms in reliable rainfall areas sold around $62 per stock unit; this year similar properties are selling 5-10% better, and well situated properties with first class Improvements are selling in the $75-$100 per stock unit range. While most sales have been to local purchasers, there has been considerable interest from outside concerns, with one in particular purchasing four properties. Wairoa properties are slower to sell with levels around $55-$60 per stock unit.

There have been no Forestry Sales we are aware of.

Conclusion

The urban situation remains constant with reasonable turnover but little growth.

In the rural sector, flat land is selling at discounted levels, preferred grape blocks are selling readily and kiwifruit have declined in terms of income, appeal, and value.

It is apparent that purchasers of hill country are keen to buy properties in areas with reliable summer rainfall; only two coastal properties have sold, both at levels less than inland sales. However, hill country overall is showing signs of recovery in value terms.

Hawkes Bay Property Market Report

Residential

House sales will be down in number on 1986 levels in the main urban areas of Hawkes Bay - Napier, Hastings, Havelock North. The year has been very quiet overall with little response from all except genuine vendors and purchasers. Very few people are `trading up' to better standards on account of high interest rates and uncertain employment prospects.

Price levels have increased only moderately

Price levels have increased only moderately in all areas while in the Flaxmere suburb of Hastings, certain properties are selling for only a little more than their 1983 Government Valuations.

The normally buoyant Havelock North market has hardened considerably.

Although the higher price bracket has been somewhat restricted several sales in the $200/250,000 price bracket did occur which is the very top end of the market in Hawkes Bay.

159 Thompson Road, Bluff Hill, Napier	- $285,000 (incl. chattels)
40 Busby Hill, Havelock North	- $220,000 (incl. chattels)
47 Pufflett Road, Havelock North	- $215,000 (incl. chattels)

There is an adequate supply of all property types, price bracket etc. on the market but little buyer interest.

Ownership flats development has slowed in most areas with the exception of Flaxmere where building activity in the lower price bracket is very active.

An interesting feature of the entire residential market is the fact that the average selling time has increased significantly from previous years.

Sections are selling slowly in all areas except Flaxmere where the market in the $12/15,000 price bracket is still very active.

Prices have moved only slightly since 1986 levels in all but the very select areas. In Hastings two 800 metre sections adjoining Frimley Park sold for $51,500 each, the highest level yet seen for single unit housing in Hastings.

The Napier City Council subdivision in Greenmeadows

West has been stagnant for 12 months at asking prices of $25/27,000.

The onset of G.S.T. has contributed to the slowing down in the section market with the only active purchasers being the Group and spec. builders who can claim G.S.T. and then disguise it in the package deal on the sale of the completed dwelling.

For the first time in recent years there is no acute shortage of rental accommodation; some properties being advertised at realistic rentals for some time before occupancy.

Commercial

There has been strong interest in both the Napier and Hastings C.B.D. with several significant transactions occurring during the year.

There has been strong interest in both the Napier and Hastings C.B.D.

Noticeable amongst these was the sale of the Broadlands Mall in Emerson Street, Napier which sold for $1.9 million and the Criterion Hotel - shop/office block also in Emerson Street which sold for $2 million.

Several well located Hastings C.B.D. properties also sold in the $400/600,000 range.

Purchasers in Napier and Hastings still require 10.5-11.5 To net for sound well located properties.

In Napier redevelopment sales occurred in the Carlyle Street area with L. D. Nathans purchasing further land for expansion paying $600,000 for the 2,700m ^{2} Max Rae Datsun site. Carter Holts also sold their 8,000m z redevelopment site for 1.5 million and MacDonalds Restaurant is to establish on part of the land.

However Chase Corporation who paid $1.25 million in 1986 for the Cosmopolitan Club site in Emerson Street have opted out of the redevelopment proposal and resold the site for $950,000.

Progressive Enterprises have purchased several properties at a price of approximately $4.5 million on the North-Eastern fringe of the Hastings C.B.D. and a large supermarket/ speciality shop development is imminent.

There are several retail vacancies in both cities and two recent mall developments in Napier City still have shop vacancies.

Industrial

The industrial land market in the outlying areas of Napier and Hastings is static but Inner City land has increased in value since 1986.

Modern well let premises still sell readily with returns of around 11.5-12.5010 net.

Trends in Rents

Rents in new office developments continue to rise as each new development is completed. Rental increases in older buildings appear to be slowing and it is anticipated that there will be more vacancies when the new Government Centre is completed in early 1988.

Prime retail rents in both Napier and Hastings are now in the order of $220-$250 p.s.m.

New office space lets for $120-$150 p.s.m. with industrial rents in new developments at $40-$45 p.s.m.

Rural

Confidence in the farming industry improved through Hawkes Bay during the early part of 1987, bringing a stop to the continuing decline in prices paid for farmland. At the same time a new style of buyer became active in the marketplace - the corporate purchaser.

Either as a farming company listed on the stock exchange, or a farming trust operator the cash purchasing power of these `corporates' quickly hardened vendors' attitudes to negotiations. In some instances, vendors remained in the industry, becoming purchasers of smaller units than they sold to the corporate. By mid 1987 it became common to have more than one prospective purchaser for a farm property, a contrast to 12 months ago when it was difficult to offer only but the best of farm property.

Prices for good pastoral property that bottomed at $80-100/s.u. firmed to around $100-120/s.u.

Developed horticultural properties have remained firm in sale prices this year. Two quality orchards in Hawkes Bay sold this year for $1.4 million and $1.5 million, being 32 and 35 hectares respectively. Apples being the main crop, they each attracted considerable interest from several corporate purchasers.

In contrast to the firm sale price trend for developed horticultural properties, undeveloped horticultural land has continued to ease throughout the year. Last year sales of quality bare land would be around $21,000/hectare whereas this year, $17,000/hectare is more common.

Taranaki Property Market Report

Residential

The residential market in New Plymouth remains flat with a low sale volume of vacant sections although well located sections with views have better saleability. The demand for

The residential market in New Plymouth remains flat

residential sites in the smaller rural townships is poor. Price levels for fair to average quality housing in New Plymouth remain relatively static although the values for executive type housing have increased. Hawera has maintained an active market although prices have been steady.

With the reduction in the energy related projects, residential rentals have fallen with average rentals now being $90-$110 per week for two bedroom units and $120-$140 per week for three bedroom homes.. Few properties are renting at more than $200.00 per week.

The general tone of the residential market has been a stretching out with the average property being oversupplied and sluggish while well located or executive properties are undersupplied and selling comparatively well.

Rural

The rural market in Taranaki remains at a relatively low level with few sales and weak demand for most farming units. Increased milkfat advances early in 1987 lifted the dairy farm market for a short time but in most cases favourable vendor financing was essential to bring about a completed sale. The volume of dairy farm sales has increased but without any upward movement in values.

The demand for sheep and cattle properties remains low, following on from the 1986 year when most hill country properties suffered major income and value reductions.

Locality is assuming even more importance than previously, with isolated properties that have to meet the market transacting at relatively low prices per stock unit.

The demand for bare horticultural land is very weak whilst the financing of developing units remains difficult unless substantial other income is available. Sales of fully developed orchard properties have been restricted in the main to the sale of an interest or partnership adjustment, usually to strengthen the capital base or lower mortgage interest costs. The smaller horticultural units merge into the small rural holding or farmiet category where demand for well located properties with reasonable housing remains steady.

Commercial/Industrial

The New Plymouth marketplace has showed a steady level of activity during the past year. Retail rentals now range between

The New Plymouth markeplace has showed a steady level of activity

$170-$210 p.s.m. for standard well located shops on net two year lease terms although the overall range of rentals is much greater. Central light industrial or commercial premises range between $55-$85 p.s.m. for most existing space. Upper levels of rent have been set where a semi-specialist use with a showroom orientation is involved, a recent example being in excess of $80.00 p.s.m. for over 2,200m2 of warehouse style showroom on a net 2 year lease. New quality office accommodation is now fetching between $110-$150 p.s.m. for most examples. Yields on all classes of commercial and industrial purposes have also increased to range between 10.5%-13%. The Bell Block industrial area is approximately 2% higher on yields required, with a relatively inactive market.

The outlook for New Plymouth is some oversupply in retail accommodation, a steady industrial market, and some further new office developments.

South Taranaki has been more affected by the rural downturn with Stratford showing a wide range of sale values in a difficult market. Hawera remains steadier, although activity has also slowed. Retail rentals generally range from $50-$100 p.s.m. on two year net leases while industrial space ranges from $30-$45 p.s.m. in most cases. At 15 % to 20%, yields are higher due to a lesser expectation of capital growth.

Wanganui Property Market Report

Residential

Vacant land sales in Wanganui City have shown a marked decline to 25 compared with 47 for the preceding six months. Prices have altered from an average of $18,046 to an average of $13,795 for the respective six monthly periods reflecting the lesser standard of sections being sold.

House sales have declined from 439 for six months to December 1987 to 412 for the six months to June 1987 with an increase of some 8% in average price paid. The movements have been fairly even over all groups with buyers showing a preference for well presented properties.

Ownership flats have also declined in numbers sold with a marginal increase in average sale price. Some higher priced lfats have been slow to sell and the cheaper end of the market are selling more readily.

House and flat rentals remain static at around $120 per week for an average three bedroom house.

The Boroughs of the region have generally remained stable in volume and price with the exception of Taihape where numbers sold have increased and prices remained quite steady. Land prices have remained steady in most Boroughs, fallen in Taihape and Waverley and risen in Ohakune.

Commercial and Industrial

Central city commercial property has shown a lesser number of sales with prices increasing steadily. Suburban commercial has shown little movement.

Commercial sales in the Boroughs are few and tend to decline in price as do the industrial properties.

Industrial sales have also dropped in number from 11 for the six months to December 1986 to six for six months to June 1987 but have shown approximately a 10% increase in price.

Rentals

Office space rentals have continued to rise steadily maintaining approximately 1% per month increases for modern space. Old space is becoming increasingly hard to let.

Rentals for retail space are generally around $200 per square metre up to $300 for small well located specialist space. Office rentals range from $80 to $120 per square metre.

Supply of Property

There are a reasonable number of houses on the market in the City and Boroughs through all price brackets. Well located commercial property is in short supply although small sites where plottage is not a factor and parking requirements high, some resistance is evident.

Rural Market

Farm land sales continue to be slow with little change to volume and prices confirmed over the six months ending June 1987. Prices have remained steady for dairying, arable,

Farm land sales continue to be slow with little change to volume and prices

pastoral and horticultural land with little interest in improved horticultural properties. Small holdings close to Wanganui City and the region's Boroughs continue to command increasing prices. Recent trends are towards more enquiry for farm land particularly the better class of well located property with several unconfirmed sales being mooted. Prices are consistent with the few that have sold over recent months.

Wairarapa Property Market Report

Residential

The single residential house market in Masterton and Pahiatua Boroughs has experienced a very full supply of properties on the market throughout the year. While moderate numbers have sold, prices have remained virtually static. Ownership flats in these two boroughs have continued to sell reasonably on a market where supply and demand have remained in balance. Vacant residential site sales have been very few and far between, but even so the Carter Holt subdivision in Upper Plain has gradually filled up with homes. Masterton Borough council's subdivisions in Upper Plain and on Lansdowne hill, priced on recent development costs, have seen virtually no sales because other available vacant residential sites are at such low prices. Towards year's end it appears these cheaper sites are becoming scarce and there is a slight upward pressure on price levels.

While the northern boroughs' residential market has languished the periodic spill-over effect from greater Wellington escalated early in the year so that agents find difficulty maintaining any appreciable listing of houses for sale in Featherston, Martinborough or Greytown. Part of the same effect has reached Carterton. Price levels have risen accordingly on a moderately high turnover of dwellings.

Small residential holdings, especially with land areas of 0.6-1ha have also sold extremely strongly.

Following steep increases in vacant coastal residential sites during 1986, the market has been sustained during 1987 with typical price ranges as follows: Lake Ferry $16,-$20,000; Ngawi $16-$24,000; other Palliser Bay and Cape subdivisions $12,-$19,000; Riversdale Beach $14,-$25,000; Castlepoint $8,-$25,000; Mataikona $12,-$20,000. Baches and seaside homes have also experienced a sustained strong market.

Commercial

Most Wairarapa Boroughs tend to have a surplus of retail shops, but those in prime positions continue to sell well either freehold or on `Key money' basis for tenancies. A feature of the market has seen the `rationalisation' of local stock firm premises, takeovers leading to surplus premises and some sales of continuing-use premises to investors but with lease-backs to the firms. Price levels for retail premises have continued a steady climb.

A dire shortage of suitable accommodation for the larger Government departments became apparent in Masterton over the last year or so, but this should be alleviated by the recent decision to erect a second multi-storey specialist office block commencing shortly. The relatively high costs of building compared with levels of rental return have been the deterrent until now, but urgency to house Inland Revenue and Social Welfare could mean at least a doubling of rentals from present typically $55-$60 p.s.m. for modern first floor office space. Retail and office rentals have typically given 8-14010 nett returns - often in the 10.5-11% range, with escalation of rentals generally up 8-15010 per annum on reviews. There are very recent indications that warehouse type space is increasing sharply in rental levels up to the vicinity of $45 p.s.m.

The industrial market has generally been quiet with few sales, usually at old historical levels of price and giving nett rental returns on the periphery of towns at about 12.5-14010.

Rural

Since the extremely `tender' pastoral land market of 1986 there has been a tendency for the market to settle down somewhat. At present there is a good supply of sheep-beef cattle properties on the market, most of which have genuine vendors, not too severely pressed by economic conditions, but there is a minority very much squeezed by economic conditions of medium produce returns, high interest rates and input prices which are again escalating quickly. There has been a good turnover of grazing and fattening farms during the year, many of these having been purchased with inputs of city money. Prices for the more remote hill country stations range in the $65-$85 per stock unit while handier units or those that offer more lucrative uses than traditional grazing or finishing still reach up to in excess of $200 per s.u.

Hill country pastoral farm prices appear to be stabilising some 10-25% below peak levels reached during the 1981-1984 boom period.

There have been very few sales of dairy farms in the Wairarapa during the year and these give no clear indication of bona fide price levels.

The demand for horticultural units and suitable bare land has continued quite strong, often having to compete with price levels paid for residential small holdings close to the established boroughs. Two adjoining four hectare bare blocks in Martinborough's recognised grape belt recently sold at auction (together) for $126,000.

A major undertaking on Greytown's eastern side saw the syndication of a fattening farm and its development towards 120ha of new apple orchard under border dyke irrigation.

Small residential holdings have continued to sell on a sound market, although since the introduction of G.S.T. last year the demand for those with established houses is slightly better than for vacant blocks. There is a fully adequate supply in proximity of Pahiatua and Masterton, also in Wairarapa South County where subdivisions of farmland have been considerably eased over the last few years and the typical flat 10ha stony silt loam block there sells for around $45,000. Many of these have too much wind for normal horticltural development. A strong demand also exists in Featherston County within commuting distance of Hutt Valley/Wellington transport. Subdivision for rural residential use in that county is largely restricted to `redundant' farm houses on small areas such as 2,000m2.

These sell very readily at historically high prices.

Property Market Report - Manawatu

Volume of Sales

SALES	*1985*	*1986*	*1987* (%z year)
PALMERSTON NORTH			
Houses	1085	1284	620
Ownership Flats	249	284	151
Sections	158	102	32
Improved Commercial	68	46	18
Vacant Commercial	12	4	4
Improved Industrial	40	21	12
Vacant Industrial	39	21	7
Total Sales ALL Properties	1894	1762	844
LEVIN			
Houses	366	361	168
Ownership Flats	61	72	38
Sections	102	36	18
Total Sales ALL Properties	634	469	224

Residential

The house Sales volume in Palmerston North City is higher than for the same half year period in 1986, section sales have fallen with most activity being in the top end of the market. In many cases the Sections are being developed to meet the demand for up market large town houses in top localities. Town house sites in these locations are selling in the $45,000 to $50,000 range.

Overall the sale prices have been slightly up on 1986 with the market having been relatively stable at the lower end of the range. Demand has increased for the top range of properties with prices over $200,000 not being unusual. A City record was established recently with the sale of a quality modern home in a top locality for $650,000 including chattels.

Levin has seen a buoyant market in the past year with a strong demand for all properties.

Commercial and Industrial

A very active market which appears to have recently eased in the Industrial sector. In the Central Commercial area

A very active market

investors are now prepared to accept returns as low as 9010 for modern, well located and fully let buildings. Top Office rentals being asked are up to $150/mz plus outgoings. Considerable redevelopment is being undertaken and a twelve storey retail/office development fronting the Square has just been announced. A new high in shop rentals was achieved recently with 84m2 being let at $430/mmz, the shops are very well located enjoying high pedestrian flows.

Industrial rentals have not moved significantly since last year.

Rural Market in Manawatu, Horowhenua - Southern Hawkes Bay

In recent months there appears to be a slight firming up of the market for rural properties in most categories.

A number of rural corporations and property trusts have been active throughout the district and have purchased a number of farms. These have ranged in type from larger grazing units through to well located dairy and fattening farms. Sale Price-guides based on production are as follows:

Average Dairy farms	$ 13- 15 per kg milkfat
Easy contoured fattening land	$120-200 per stock unit
Hill Country	$ 70-90 per stock unit
Large more remote blocks	$ 50- 70 per stock unit

Small holdings both vacant and improved continue to sell well right throughout the District.

Wellington Property Market Report

Residential

Housing

The residential market for the central Wellington area has remained reasonably buoyant for the initial nine months of 1987. In general terms house prices have increased by some 20010 on average during this period. Throughout this period there has tended to be a general shortage of suitable residential property available on the market, with sales volumes slightly below those achieved during 1986. Real estate agents regularly emphasised this with frequent comments to the news media. Even though the level of demand fluctuated between steady and strong for much of this time, the supply of property available has generally remained tight. As a result, property price increases have been steady, with the average house price, excluding chattels, increasing from $110,870 to $126,582 during the first six months of 1987. Market movement has not been consistent overall, with a limited amount of evidence suggesting that very superior properties have increased sigificantly more in percentage terms. One property of note in a select area of Khandallah that sold in September 1985 for $951,000 resold in May 1987 for $2,000,000. While it is commonly acknowledged that there are a number of better properties available in the Wellington area, they rarely come available.

The market for residential housing in the Hutt Valley has been steady, with the 1987 volume of transactions indicating a slight reduction on figures achieved during 1986. A reasonably buoyant market prevailed at the beginning of 1987, with strong demand evident for housing priced under $110,000. While prices have continued to increase throughout the year, recent market trends indicate that prices may have firmed slightly. A possible cause of this is that the downward trend of mortgage interest rates appears to have stabilised temporarily. Price increases during the first six months of 1987 have resulted in the average house price increasing from $91,507 to $102,629. In general terms it is estimated that house prices have increased by approximately 18010 during the first nine months of 1987. While the Hutt Valley prices are typically at a lower level than central Wellington, it is noted that there have recently been several properties on the market in excess of $1 million. The residential market for superior properties worth over $500,000 remains strong, with the top end of the superior market being fairly comparable to Wellington City.

House prices in Porirua and the Kapiti Coast have remained reasonably buoyant throughout 1987. During the first six months of 1987 the average house price for this area, exclusive of chattels, increased from $85,948 to $96,908. In general terms it is estimated that prices have typically increased by up to 20010 during the first nine months of 1987. There are many instances of people who live up the Kapiti Coast and as far north as Waikanae commuting to and from Wellington to work each day. A high proportion of these commuters have company cars and are therefore seemingly less troubled by typical transportation costs. The volume of sales for the areas of Tawa, Porirua and Whitby have been down on 1986 levels, however prices have shown steady increases. Kapiti Borough has been very active throughout 1987. The volume of sales has been high, and prices have shown steady increases. Electrification of the main trunk line appears to have had some positive effects on this area's popularity.

A very buoyant market for residential rental property suitable for investment purposes has continued throughout 1987. This demand is particularly evident in central Wellington and the Hutt Valley. Residential rentals have risen steadily during 1987, continuing a trend that was evident during 1986. The following rental schedule assumes unfurnished accommodation in average condition. The following amounts would increase in circumstances where carparking was provided:

Wellington Central

	Inner City	*Outer Suburbs*
1 bedroom	$150	$120-$140
2 bedroom	220	150- 160
3 bedroom	285	220- 250
4 bedroom	360	290- 320

In most instances rentals for rental accommodation in other areas such as the Hutt Valley, Porirua and the Kapiti Coast are at levels below those specified for outer suburban areas. In the older established areas of Wellington City and the Hutt Valley there has been a continuation of the trend to convert inner city housing, previously subdivided into investment lfats, back into single residential homes for owner occupation. This in conjunction with virtually no new investment flats having been constructed for some ten years, and many blocks of investment flats having surveyed and sold as ownership units, has resulted in increased demand for rental accommodation of all types.

Sections

Prices for residential land in the area comprising Wellington City and the surrounding suburbs has remained reasonably active during 1987. At the top end of the market demand has continued for land suitable for superior quality residential apartment development in areas such as Oriental Bay. Significant upward value movements for vacant sites suitable for high density flats developments in the central suburbs such as Mt Victoria, Thorndon and Kelburn have been evident. Value increases of up to 30070 during the first nine months of 1987 have been achieved in some central areas. With a continued demand for inner city superior townhouse developments evident, this trend is likely to continue. The overall volume of land sales for Wellington City during 1987 indicates a significant drop in turnover. In fact for the first six months of 1987 the average section sale price only increased some 7070 from $30,886 to $32,183. However an analysis of section sales has indicated that many of the sales, particularly in the established suburbs, are of the poorest sites that have never previously been built on. As a result, the average sale prices realised in the established suburbs are in fact significantly below the actual market values of average quality sites in these areas. Section prices in average quality newly subdivided areas during 1987 have typically been in the $35,000-$45,000 price range.

In the better quality areas the prices achieved have more recently been in the $85,000-$100,000 range. A noticeable trend that has increased during 1987 is that of demolishing homes of average quality in areas of high repute to enable the construction of new homes. Ideally the land area is adequate to provide high quality landscaping in conjunction with a tennis court and/or swimming pool. Analysis of recent development of this style has indicated that the market value is generally significantly in excess of the land acquisition and building/landscaping costs.

Prices for residential land in the Hutt Valley have been very active during 1987. While the overall volume of section sales is going to be less than that achieved during 1986, average section prices for the first six months of 1987 have risen from $26,031 to $28,351, an increase of some 17.6070. Section prices in central Upper Hutt subdivisions currently average $45,000. In new subdivisions on the Western Hills prices are typically in the $18,000-$30,000 range, and in Wainuiomata $12,000-$13,000. A continuing trend on the flat in the Hutt Valley has been the creation of `half sites'. These sites comprise separate parcels of land on cross lease or unit title, usually resulting from the use of `spare' land at the front or rear of existing dwellings. Values of half sites in the central area of Lower Hutt typically range up to $115,000. In lesser quality areas of the Valley floor prices commence at around $30,000. An obvious result of this type of development has been the creation of a premium in value for those existing properties with `half site' potential. Also remaining a popular development concept is to sell an existing house for salvage or removal purposes and develop several superior quality units on the resulting site area.

The volume of section sales from the Porirua area up to and including the Kapiti Coast looks likely to be similar to 1986. Average section prices during the first six months of 1987 rose some 13.6070, from $19,142 to $21,215. In recent months the volume of section sales has generally been fairly brisk. As with the Hutt Valley, the range of section prices varies enormously. Examples include prices as low as $20,000 for sites in the less desirable areas, and as high as $200,000 for good sites with aquatic views in the Whitby, Paremata areas. The volume of newly subdivided sections has generally been high, as a result of high levels of demand. Some of the better areas of Tawa and Whitby are reputed to have experienced increases as high as 30% since new year. As with the Hutt Valley there has been an increasing significance of `half sites' being created, particularly in Kapiti Borough. Here, prices for `half sites' now typically range from $35,000-$85,000 depending on the area of land, quality of locality, and proximity to the beach.

Rural

The market for genuine farm properties has been reasonably steady since 1986. While rural land prices have shown a light downward trend values of total farm units have generally remained steady. There has been examples of several farmers subdividing their properties to reduce their burden of debt and make their properties more marketable.

The demand for small holdings has remained buoyant and can generally be related to residential property movements in most areas. Good quality small holdings with approximately 10 acres of land and a reasonably good home are capable of realising $500,000-$600,000. Very few are available for less than $200,000. One farm property understood to have been worth approximately $400,000 as a farm is said to have been subdivided into six blocks, each block being worth $160,000-$170,000.

Commercial and Industrial

As with 1986, the demand for commercial and industrial property in the Wellington region has continued to be very strong throughout the first nine months of 1987. Despite recent predictions of the market for commercial/industrial property levelling off, there are no significant signs of this occurring in the immediate future.

> *the demand for commercial and industrial property in the Wellington region has continued to be very strong throughout the first nine months of 1987.*

Central city values for commercial and industrial property suitable for redevelopment have continued to increase throughout 1987. Land values have been fueled by a general shortage of commercial and industrial space that has resulted in compound annual rental growth typically lying in the 20-25070 range. The excess of demand over supply for most types of accommodation, together with associated rental growth, has filtered down to regular increases in land values. Increases in land values of up to 5070 per month have been realised in many inner city commercial and industrial locations during 1987.

The resulting excess of demand over supply for most types of accommodation has resulted in difficulties for many organisations seeking new spate or even extra space. Current predictions suggest that the current shortage of accommodation is unlikely to be satisfied until at least 1989. Most buildings currently undergoing construction have been fully leased well prior to building completion.

A disturbing trend during 1987 has been the amount of pressure exerted on city planners and councillors by developers seeking to exceed allowable plot ratios and height limits. Chase Corporation recently achieved major planning concessions with regard to height and plot ratio on the Barretts Site in exchange for the St James Theatre and a cash grant. This decision, in conjunction with the recent approval for major height dispensations for Chase Corporation's Wakefield Centre, have made a mockery of town planning restrictions enforced on other central city developers. Further problems have been created for developers and valuers alike, with district scheme amendments advertised early in 1987 resulting in reduced height limits and view shaft requirements for many of the central city industrial and commercial areas.

In terms of recent land value movements throughout the Te Aro commercial and industrial areas, developments of less than three storeys generally now represent an under-capitalisation of land. Many central city sites are now also grossly under-capitalised. A potentially unfortunate side effect of the recently released Government Valuations of Wellington City is the increased land tax burden that will hit lessors and lessees of under-capitalised sites the hardest. An example of typical increases in land tax liability that will be experienced is:

1984 land value	: $500,000
Land tax factor	: $0.02
1987/88 land tax liability	: $10,000
1987 land value	: $3,500,000
Land tax factor	: $0.02
Indicated 1988/89 land tax liability	: $70,000

Demand for good quality office accommodation has been the main reason for the inner city commercial construction boom. Many established businesses that expanded as a result of economic de-regulation have found it necessary to seek larger premises. In most cases they have selected modern buildings, and a market preference for air conditioned space has been further emphasised during 1987. It has however been noted that there is often a very poor understanding of the various air conditioning systems by lessees and investors. Some are quite clearly substandard for the buildings in which they have been installed and in some instances lessees are paying premiums for air conditioning systems where the space can in fact be inferior to naturally ventilated accommodation. Good quality air conditioned office accommodation is currently realising $330 nett p.s.m. per annum carpeted, average quality accommodation (non air conditioned) $220 nett p.s.m. per annum, and mediocre accommodation around $190 nett p.sm. per annum. All rentals stated are based on three yearly rental reviews, and exclude any premiums for partitions or views. Carparking rentals in close proximity to Lambton Quay are now in the vicinity of $125 per week (uncovered) and $135 per week (covered) for three yearly terms.

While retail rentals in the central city have also experienced growth at similar compound levels to the office sector, the retailing component has recently enjoyed less importance in most commercial property investments. The growth in central city office accommodation has not seen a significant increase in retail premises available. In fact there have been signs that some retailers have experienced difficult times and are looking to suburban locations to reduce overheads.

The continued high level of investment activity in central Wellington commercial/industrial areas has resulted in a spill over effect to other areas such as Petone, Lower Hutt, Newtown, Johnsonville, Porirua, Tawa, Grenada, Ngauranga, Kaiwharawhara and various fringe locations. With major rental increases experienced in the central locations, many businesses have taken the opportunity to move to peripheral areas.

Some suburban retail areas such as Johnsonville, Newtown and Kilbirnie have thrived during 1987 as a result of a trend towards people doing a higher proportion of their shopping in the suburbs. This change in emphasis has however been at the expense of some central retailers and the less popular suburban commercial locations. A planned major redevelopment of the Johnsonville shopping mall was announced during 1987 that will undoubtedly result in the suburb increasing still further in prominence.

Several significant land sales in the Lower Hutt commercial area occurred during 1987 and there is one development of approximately ten stores currently planned. The commercial area of Lower Hutt has expanded as a result of the new Queensgate shopping centre. Developer and investor interest has been significant in Upper Hutt during 1987 as a result of the new bypass that has eased traditional traffic congestion along Ferguson Drive.

Strong interest has also been shown in the commercial and industrial areas of Porirua. Several sales of low rise property in central Porirua have occurred and demand for commercial accommodation has been such that current height limits will probably be relaxed. One and two storey storey buildings have previously prevailed in this area, however an eleven storey development was recently given planning approval.

1987 has been a very active year for the Wellington industrial/commercial market.

1987 has been a very active year for the Wellington industrial/commercial market. The prevalence of nett leases has been further established and now generally accepted in the marketplace. Nett returns on investment property reduced further from 1986 levels. For superior modern air conditioned buildings nett returns are currently in the 4.5-5.5010 range. These rise by 1.0-2.0010 for fringe locations. Good suburban industrial property in suburban commercial/industrial locations continues to typically return at least 9010 or lower on purchase price.

Outlook

Wellington has a confident future ahead. The recent approval to construct the National Museum in Wellington together with the Lambton Habour Development project will undoubtedly result in Wellington gaining increasing international recognition. It is anticipated that investment returns associated with all sectors of the property market in the Wellington region will continue to enjoy a secure outlook in the medium term.

Nelson District Property Market Report
Rural

Volume of Sales

Total number of Bona Fide farm sales for the six months I January 1987 to 30 June 1987 was 32 compared with 35 for the six months 1 January 1986 to 30 June 1986. A further 21 sales have been notified to date 1 September 1987. In addition 79 smallholding sales have been transacted from 1 January 1987 to 1 September 1987.

The volume and pattern of sales (distribution between the various categories) has seen a complete drop off in T.T. sales (four) and a shift to F.Ls (21) and H.Ls. (20). Smallholding sales have remained static.

To date only one D.L. and eight H.L. sales have been fully economic units. All of the F.L. category sales notified have been uneconomic stepping stone units or farm subdivisions.

Movement in Values

With the paucity of economic sales of grazing and fattening properties available the only evidence can be drawn from the uneconomic units which show a marked decline in values from the 1982 Government Valuations in the Waimea County and a somewhat confused situation in Golden Bay County against the 1985 Government Valuation. If anything can be analysed from the sales in Golden Bay it may show an increase in G.L. properties with coastal boundaries but a decrease in D.L. properties against the 1985 G.V.

H.L. properties have been generally mixed in value with pipfruit properties continuing to sell well at around 5070 to 1007o above last year's levels. Kiwifruit properties have sold well earlier in the year but as returns fall for this year's crop buyer resistance may be felt. Berryfruit units have been hard to sell with poor prices forecast for next season again.

Overall the property categories there has generally been little change in the market. A summary by category would be as follows:

1. Dairy Farms	-10%
2. Fattening Farms	0
3. Grazing Farms	0
4.Horticultural Units	- 5 to+ 5070
5.Smallholdings	+ 10 to+ 20070
6.Forestry Blocks	0

Economic Factors

During 1986/1987 nett returns for grazing and fattening units decreased above budgeted levels because of freezing works competition for stock and higher pelt values for lamb and mutton.

Wool also saw a steady increase in value through to July which since then has fallen slightly for most cross breed wools, with the ever increasing value of the New Zealand dollar.

Pipfruit continues to sell well for good varieties. Kiwifruit has seen a 25070 drop in price recently. Berryfruit has seen poor returns with one export company going into receivership leaving many unpaid growers. Returns for next season look worse at time of writing.

The only interest in forestry land has been for fully established blocks only a few years from milling. No significant sales of land for planting have been notified since the 12 December 1985 tax changes.

Dairy payouts from the Waimea Co-op Dairy where $2.85/kg last season with $2.10/kg being advanced this season, this being amongst the lowest in the country.

General

The year has seen a general increase in farm income for sheep and beef units although this has not been reflected in any significant sales. Dairy farms have suffered a fall in income along with berryfruit growers. Pipfruit growers have had another good season. Kiwifruit growers have seen a large increase in production reduce the value of the crop.

Overall a generally quiet market period with the only real activity being in the horticultural and smallholding markets.

Marlborough Region Property Market Report

Urban Residential

Information available to end of September indicates that vacant residential section sales volume will be down 20070 from 1986 and that for all improved residential categories volume will be down by 10070. At top end of the market section prices have peaked at $38,000. In first quarter of the year there was a good volume of section sales in the $25,000 to $28,000 range - mostly one-off front/rear subdivisions in the Springlands locality. More of the section sales volume in the latter part of the year has been at the lower end of the market where price has firmed up to $17,000 from previous $14,000.

Developed Residential Properties: At the upper end of the residential market the gap between comparable replacement cost and existing well-established modern dwelling price narrowed considerably during the year. There were more sales in the $120,000 plus bracket and an increasing number of properties on the market at the $150,000 plus price level by the middle of the year. A sale price of $200,000 attained in one example and a consequent lift in asking prices was not matched by demand as potential buyer numbers very limited at that level. For average residential properties ($65,000 to $75,000) a new price level established in early 1987, $8,000-$10,000 ahead of that pertaining in the last quarter of 1986, with the new level ($72,000 to $85,000) holding steady for most of the year. At the lower end of the market ($45,000 to $65,000) prices also increased but at a slower rate and less consistently.

A good volume of sales of Residential three zone properties, close to town and suitable for redevelopment, was recorded this year in price range $45,000 to $55,000 for 1,000mz to 1,200m2 sections with wide frontage and three or four unit development potential.

Residential Rentals: Whilst there is a distinct shortage of residential rental accommodation in Blenheim and Picton, rentals remain at the level reported last year, with prospects for increases generally being limited by tenants' inability to pay more.

Urban Commercial

General: Central Market Street properties have been mostly redeveloped during the past 10 years - now market attention has shifted to immediate periphery of the Commercial three zone for redevelopment opportunities and upward movement in land values greatest here. Indicated value levels from small volume of vacant or redevelopment sales are; 500m2 - up to $150,000, 1,500m2 up to $200,000.

Blenheim Borough Council public carpark planning currently a significant factor in the market with purchase/ exchange/relocation negotiations under action.

Commercial Retail: Few sales of developed commercial property - indicate $90,000 to $160,000 range for smaller units, $350,000 to $450,000 for larger shop properties and up to $1,000,000 for multi-unit shop block or large variety store type. Net rental yields 9.5% to 10.5%. Rentals for smaller spaces $230 to $275/mz, medium $150 to $200/mz larger spaces $100 to $150/m2, less favoured locations $75 to $90/mz.

Commercial Offices: With completion in August of a new Government office building a small amount of poorer quality office space became vacant. Completion of the private multi-storey retail/office development at north end of Market Street and other planned superior quality office development will meet immediate and mid-term future demand for good quality space. Only one sale of office property and that for redevelopment. Rental levels - ground floor, small fully serviced suites at retail fringe $100 to $150 per week or $300 to $350/m² for 15m2 to 30m2. Larger good quality spaces $125/m2 average ground floor space $100/m' - first floor space $80 to $100/mz.

Light Industry

Market activity remains centred on main road locations, but redevelopment for owner/occupation also evident in side streets. Overall sales volume consistent with last three years. Land value levels 1,000m2 site - Grove Road $75,000, Main

St $68,000, adjoining side streets $45,000 to $50,000.

Rentals for all classes of light industrial space showing minimal increase on levels reported last year. Resistance by lessees to higher rentals at reviews has seen some relocation of tenancies and changes to owner/occupation.

Urban General

Residential market in county townships showed a gradual increase in price levels during the year in Renwick, Seddon, Spring Creek locations. Renwick section prices in $13,000 to $15,000 range.

Marlborough Sounds recreational/residential market showed a steady volume of sales consistent with previous year and bouyant price levels.

Picton Borough - shortage of low to medium price level improved residential properties during the year. Average section price is in $15,000 to $20,000 range. Price for view sections in central Picton now $30,000 upwards. In Waikawa Bay locality there is a good supply of serviced sections with price for average section in the $22,000 to $25,000 range. Close proximity to Waikawa Marina or with close view of Waikawa Bay command $40,000 upwards.

The Picton Commercial area was dominated this year by Mariner's Mall shopping complex development. Rentals for new shops are setting the standard for the overall commercial area with the previously established level of $90 to $100/m' for front space - now moving to over $130/m2.

Rural

Very few larger farm property sales with volume at similar levels to previous two years reflecting the effects of government policy on the pastoral sector.

There has been a constant trickle of sales of rural residential blocks handy to Blenheim with the recent revival of grape plantings stimulating sales of suitable land and interest in larger plantable blocks by wineries.

General indications are that the few one-man pastoral units currently on the market are being negotiated at around $100 to $115 per stock unit base for good well-situated units having high standard of improvements, with relative deductions from that level for undesirable features.

There has been interest in remote Sounds grazing units, by investors, for the isolated recreational attributes and tourist potential at substantial premiums over genuine farming levels.

Only a few sales in the relatively small dairy sector have taken place at now established levels of $12 to $15 per kg milkfat.

General

A very selective market with marginal improvement since mid 1986.

Canterbury/Westland Property Market Report

Rural Land

The rural land market is still somewhat artificial because of a lack of sales of genuine farm properties and more particularly the better held more sought after properties. There does however appear to be more buoyancy of late. Whilst the recently released Valuation Department's six monthly sales summary indicated an increase in overall volume of rural property sales in New Zealand as a whole, we understand their figures include farmlet sales and hence the actual number of genuine farm sales is not separately categorised. The reality appears to be that there are more buyers about, particularly for the stock fattening and fine wool high country properties, but generally speaking the better type of property in these two categories is not on the market at present. Conversely the demand for cropping properties has fallen significantly presumably because of the decline in profitability of conventional cropping and the prospects of little or no improvement in the short- to medium-term.

evidence that the Corporate type buyer is now entering the farm property market

There is evidence that the Corporate type buyer is now entering the farm property market and the emergence of the New Zealand Rural Property Trust is likely to have some effect on farm prices. It should be remembered that that organisation has a stated policy of buying at a discount on assessed current market value - perhaps as much as 20010. We know the Trust are negotiating on some Canterbury properties, but to our knowledge none have been bought as yet.

It was noted in last year's report that there appeared to be a distinct reluctance upon the part of lending institutions to initiate a spate of mortgagee sales. Over the last 12 months the position has been unchanged. However it now seems likely, with the closure of any further applications under the debt restructuring scheme initiated by the Rural Bank, that the most encumbered farms/farmers will have to be `sold up' to resolve the severe debt problems on those properties with associated accruing unpaid interest and/or capital.

It does appear that the major rural mortgagees acknowledge that this `sell up' of necessity will take some years to complete to avoid wholesale disruption of the rural land market.

Certainly farm prices as a whole and stock fattening properties particularly are now showing a realistic return on going concern value, particularly if the value of the main dwelling is deducted from the overall value of the property to fairly compare farm returns with other commercial business propositions.

Values received for smaller farmlet properties have been unspectacular of late. This very likely reflects the quite considerable influence in the past of the semi-retired farmer buyer who is now no longer in the market because of the marked reduction in the `traditional retired farmer equity pool'. The city farmlet buyer more often than not is more interested in the quality of the dwelling and surrounds on a farmlet property rather than the size and quality of the associated land.

Locational value in terms of blocks of good land close to the city is still a significant factor in propping up the value of such properties. In this regard we note that a number of blocks of good land between 25 and 50 hectares have been sold for horticultural or horse breeding /training uses and have helped to maintain a steady demand for such blocks closer to the city.

We would expect that the less attractive more difficult and less favourably located properties will show a further decline in value in the short-term, whilst the reverse should be the case for the well maintained better located property particularly fattening properties in the more sought after areas.

Residential Property

Residential property values have continued to increase in the previous 12 months. The first half of 1987 showed a 7.2010 increase from $76,000 to $82,700 in the average house sale *values have continued to increase in the previous 12 months*

price. The volume of sales has tended to decline slightly with 3,207 sales being transacted in the six months to June 1987 compared with 3,747 in the preceeding six months.

The lower end of the residential property market has been relatively steady with several major property speculators having ceased trading towards the end of 1986. There are few residential properties available in the under $50,000 range however there are still some areas where a permanent material home can be purchased for $60-$65,000.

The so-called middle range has shown good movement in the last 12 months with a particularly high demand being seen in the properties ranging from $80-$130,000. This is supported by Valuation Department figures which show Fendalton, Merivale, Burnside and Ilam as having double figure percentage increases in the six months ending June 1987.

The upper range of residential properties has shown the most notable movement and it is noted that a sale in the vicinity of $1.15 million has been reported for a property in Helmores Lane. There have also been several sales in recent months in excess of $600,000.

The building trade experienced a short lived drop in work available following the introduction of G.S.T. in October 1986. It would appear that the overall effect of G.S.T. has been minimal although it is noted that some `Spec Homes' have tended to `stick' and the price gap between new and second hand housing is not as great as could have been expected. It would appear that building companies have been forced to absorb some of the G.S.T. content.

No marked change in the residential real estate market appears likely unless the long promised drop in mortgage interest rates arrives.

Section prices have shown a reasonable increase although the volume of sales is down slightly on the previous year. Average sale price in the six months to June 1987 is now $34,000 showing a 6.63010 increase on the previous six months. It is anticipated that section prices should firm as there has been very little development by way of subdivision in recent months. Increases in development costs have made many potential subdivisions uneconomic at the present time.

The domestic rental market has changed only slightly in the 12 months since the last report indicating that once again landlords have been forced to absorb some of the effect of G.S.T. As at September 1986 the average domestic rental accommodation in the Christchurch metropolitan areas was as follows:

1 Bedroom	$75-80 per week
2 Bedrooms	$110-120 per week
3 Bedrooms	$135 per week
4 Bedrooms	$160 per week

Although demand is relatively high the tenants' ability to pay has kept the rents at the existing levels. Once again it is anticipated that the level of rents must increase in the relatively short-term as demand increases and virtually no rental accommodation is being built.

Property values in the areas which could be described as satellite towns of Christchurch, such as Rangiora, Rolleston and Darfield have been somewhat depressed purely as a result of the depressed state of the rural economy. The average section price in Rangiora as at June 1987 was $20,500 which was a 1.96010 increase on the previous six months. The average domestic house price as at June 1987 was $79,500 which was a 6.5801o increase on the previous six months. Domestic rentals remain similar to the Christchurch Metropolitan Area.

Commercial Property - Central City

The buoyancy experienced in the Christchurch Central City commercial property market continued following the trend that has been established since 1983. The Christchurch City skyline is dominated by tower cranes, a situation which is unprecedented in the history of this city. The development of prime building sites fronting the Avon River has continued as has the construction of office buildings in the northwest sector of the city primarily centred on Kilmore Street and Victoria Street. The amalgamation of prime redevelopment sites in the city has continued although most informed commentators predict a plateauing of city land values in view of the possible oversupply of office space and resultant slowing in rental increases.

Late 1986 and 1987 has seen the completion of a number of substantial inner city office buildings including Finance House in Cambridge Terrace, Landsborough House in Durham street, Deloitte House on the old Grenadier site in Oxford Terrace, Westpark Towers in Cashel Street and a number of smaller low rise office buildings including Durham Towers, the large United Building Society Tower block adjoining the Canterbury Centre and the Paynter Corporation Development on the old Clarendon site to name but a few. One of the major developments recently announced for Christchurch comprises a 21-storey building in Armagh Street planned by Advantage Corporation. The building is on a 3,034m2 site providing frontages to both Oxford Street and Armagh Street. The building is reputed to be the largest and most prestigious development of its type in the South Island. Buildings on the site have been demolished and construction is planned to start immediately. The total cost of the building is reported to be $64m.

There is some degree of pessimism as to whether the vast amount of office space to be completed in the next 18 months can be filled. The upsurge in the financial sector over recent times, and the relocation of many of the larger corporate bodies, solicitors, and accountants, etc. has absorbed a considerable amount of the new office space but the uptake of new space simply through relocation has a limit. Furthermore many of the new buildings presently under construction are of a far large scale than previously found in the city.

Retailing in the city is still centred on the High Street and Cashel Street Malls although there has been some resurgence along the southern portion of Colombo Street in the Central City area. Cathedral Square and Colombo Street were traditionally the major retailing areas in Christchurch but there is now fierce competition from the major suburban shopping areas such as Linwood City, Bishopdale and Riccarton.

Attention on the tourist industry is still strong in Christchurch

Attention on the tourist industry is still strong in Christchurch, although the projected upsurge in tourist numbers has not yet been reflected in a dramatic increase in occupancy rates for tourist hotels and motel complexes. The poor start to the skiing season in the Canterbury Region, coupled with the high value of the New Zealand Dollar, had initially resulted in less Australian tourists to the city, although the last two months has seen an increase in tourist numbers.

1987 has seen the commissioning of the Quality Inn situated on the intersection of Durham Street and Kilmore Street a short distance northwest of Cathedral Square, and is directly opposite the Park Royal Hotel. At the present time the Smart Group, owners of the Quality Inn, have the property on the market at a reported price of $22 million.

To cope with the tourist trade many of the existing hotels have been refurbished and there is also a large extension presently underway to the Chateau Regency. One of the major talking points from the tourist view point in Christchurch is the proposal by a group of developers to construct a tourist tower in Victoria Square. The planned tourist tower is to be situated on land vested in the City Council and is proposed to provide a viewing gallery, restaurant and associated tourist shops. The proposal has drawn considerable debate in the city, firstly in view of its proposed location on a reserve and secondly due to its scale. The proposal was originally approved in principle by the City Council but this decision has since been reversed and is now proposed to go to a planning hearing.

Returns on inner city commercial properties have remained reasonably constant in the last 12 months although net yields are possible hardening due to the market perception of a surplus of office space. With the possibility of a surplus of office accommodation there is some trepidation about the future prospects for the older inner city office buildings providing accommodation of a relatively basic standard.

Commercial Property - Suburban

Following the trend experienced in recent years development in the suburban areas has continued. One of the major redevelopment projects has been the construction of a large two-storey office building in the Papanui Shopping area. Papanui is an established retail area although it has been somewhat stagnant over recent years and the new development appears to have brought a new lease of life to this area of the city. The building is quite large by Christchurch suburban standards offering in excess of 1,800m' of lettable space as well as 48 car parks. The building is nearing completion and is virtually fully leased.

Riccarton continues to be the principal suburban commercial area in Christchurch with a considerable amount of new development taking place. 1987 has seen the completion of the large Countdown Supermarket development and associated shopping arcades. A new building for the S.I.M.U. group has recently been completed in Riccarton Road and adjoining this building there is a further office development soon to be completed. Riccarton now supplies a considerable amount of office accommodation at rental levels approaching those of the central city. Once again, however, there is a possibility of an over supply situation as in the inner city area, with some problems with pre-leasing.

1987 has also seen the construction beginning on the three MacDonalds Fast Food outlets in Christchurch City. These are the first three outlets for MacDonalds in the South Island and are strategically located in Riccarton adjoining the Riccarton Mall, in Linwood adjoining Linwood City and on Papanui Road close to Merivale Mall.

Property values in more favoured suburban locations show a continuing upward trend although possibly less dramatic than in previous years. Rental rates showed a similar increase although they did not tend to increase as substantially as in former years. It is apparent however that retailers are prepared to pay top rentals for good sites in the favoured suburban areas.

Christchurch Industrial Market

The industrial property market has shown very steady growth around the city, and in some suburban areas.

The industrial property market has shown very steady growth

Industrial land close to the city is keenly sought after with a very good demand for larger areas where comprehensive developments can take place. The ever increasing prices paid per m' for large blocks would appear to be the barometer for the market level. Demand for space close to the city is buoyant with good demand and increasing rentals, from wholesalers and to some extend retailers with showrooms. Rentals range between $44/m2 for older buildings to $60/mz for new developments with good offices and showrooms.

Eastern suburban industrial land values have been fairly static except for the prominent main road positions where again wholesaling is the main industrial use. With little or no demand from large manufacturers in the past few years, and large areas of vacant land zoned Industrial available the real value of the land has dropped considerably in the past ten years. Rentals however are showing percentage increases in line with other areas.

Western suburban industrial growth continues with good demand for both small and large units. Demand in this area is from the transport industry, multi-national companies and large wholesalers.

Industrial land adjoining the Commercial zone of the central city has recently been rezoned for a new `business zone'. This allows for commercial, industrial redevelopment in this area over the past few years, with the demand coming from car sales yards and other semi-retailing uses. The high land values did not allow economic industrial uses in this area of the city, but now, with a wider range of uses in the zone we could expect to see a renewed interest in this part of the city.

Total industrial sales in Christchurch City have again shown an increase in numbers, being 1001o greater than the previous year. Capital value sales have again shown increases of +2001o for the year. Of significance is the 50016 increase in the average value to now $320,000. The market last year could therefore be described as strong and buoyant.

Mid-South Canterbury Property Market Report

Rural

The volume of rural property turnover has remained similar to the previous two years, 1985 and 1986, this level being approximately half of the peak years of 1981 and 1982.

Clearly the market has settled at a now stable level

Clearly the market has settled at a now stable level following the major decline which occurred in 1986 and it is now considered that the level of market prices has bottomed out at what is believed to be a realistic point.

A feature of the year has been the lack of properties coming onto the market and with buyers outnumbering sellers the degree of choice has been limited.

Fears that the financial pressures would induce an upsurge in forced sales have not been realised, firstly, because the drought years in 1983/84 allowed debt restructuring to be put in place before the farming downturn, and secondly, the reluctance of financiers to initiate action.

The number of properties in dire straits is considered to be low compared to national statistics.

A new trend developing during the year has been the entry of corporate buyers into the rural field investing in 10010 of the properties sold at prudent levels.

The demand for forestry land and horticultural units has largely dissipated and the premium for specialist type properties, such as deer and goats has likewise diminished.

The fine wool high country properties have shown little decline in price level from the peak years, due to the continuing strong price for fine wool and while such properties seldom come on the market, price levels in excess of $100 per stock unit can be expected for such holdings.

By contrast the severe effect on cropping land through cost escalation and heavily reduced crop revenues has seen the average price decline from a high of $4,200 per hectare to $2,200 per hectare.

There has been some recovery on the down country fattening properties which now meet a market of $90 to $130 per stock unit depending on the quality of the holding. This contrasts with the peak period when up to $250 per stock unit was paid.

Interest remains in converting sheep units to dairying under irrigation but on a small scale and now by corporate investors. Few dairy farms are traded and the price level is in the range of $10 to $12 per kilogram of milkfat.

The dominant features of the year has been the stabilising of prices after the record fall in 1986, the low volume of turnover and the lack of good units available for purchase.

Residential

(a) Vacant Sections: Sales volume has continued to fall below the volume recorded in preceding two years.

Sales Volume (Date sale received by Valuation Dept)

	1st 6 months 1985	*1st 6 months 1986*	*1st 6 months 1987*
Timaru City	28	27	16
Waimate, Temuka Geraldine Boroughs	26	18	6
Ashburton Borough	23	11	8
(TOTAL)	(77)	(56)	(30)

However, price levels have remained fairly constant reflecting little change from the 1986 levels.

The downturn in building activity is likely to continue to dampen the volume of vacant section sales.

Typical values for single unit residentialsections are:

Timaru City	Prestigious	Above $35000
	Good	$22000 to $30000
	Medium	$15000 to $21000
	Low	$7000 to $14000
Ashburton Borough	Prestigious	Above $35000
	Good	$22000 to $26000
	Medium	$10000 to $16000
	Low	$7000 to $9000

(b) Existing Housing (excluding flats): The number of sales received during the first six months has increased above the corresponding period in 1986 and is similar to the corresponding period in 1985.

Sales Volume (date sale received by Valuation Dept)

	1st 6 months 1985	*1st 6 months 1986*	*1st 6 months 1987*
Timaru City	289	274	292
Waimate, Temuka Geraldine Boroughs	103	89	98
Ashburton Borough	171	149	177
(TOTAL)	(563)	(512)	(567)

The short-term market continues to fluctuate according to actual supply and demand, however generally price levels have remained relatively constant with little changes from the 1986 levels.

Average House Price (date sale received by Valuation Dept)

	Ist 6 months 1986	*2nd 6 months 1986*	*1st 6 months 1987*
Timaru City	58699	61035	61102
Ashburton Borough	57644	54554	58503

(c) Ownership Flats: The number of sales received during the first six months of 1987 has increased above the corresponding period in 1986 and is the same as the corresponding period in 1985.

Sales Volume (date sale received by Valuation Dept)

	Ist 6 months 1985	*1st 6 months 1986*	*1st 6 months 1987*
Timaru City	55	43	52
Waimate, Temuka Geraldine Boroughs	11	6	14
Ashburton Borough	44	32	44
(TOTAL)	(110)	(81)	(110)

Price levels have remained fairly constant with little change from the 1986 levels.

Average Ownership Flat Price (date sale received by Valuation Dept)

	1st 6 months 1986	*2nd 6 months 1986*	*1st 6 months 1987*
Timaru City	55500	66953	66545
Ashburton Borough	52229	56437	58335

(d) Residential Rentals: Residential rentals have increased between $0 and $5 per week.

2 Bedroom Flats Average Condition - $75 to $90 per week.

Commercial and Industrial

(a) Office

There is limited demand for older space and steady demand for new or quality space.

Timaru and Ashburton (similar) rental range:

Shell rental

- new space	- ground floor	$90 to $110 p.s.m. p.a.
	- first floor	$80 to $90 p.s.m. p.a.
- older style	- ground floor	$50 to $60 p.s.m. p.a.
	- first floor	$30 to $40 p.s.m. p.a.

A number of new developments however few sales.

(b) Retail

Two well located shopping blocks sold this year in Timaru to business interests from outside the district at prices which reflect a confidence in the local retail business. This confirms recent trends of demand for well located space in both Ashburton and Timaru. There continues to be limited demand for poorly located space, especially in the suburbs.

Smaller provincial towns are showing little demand and growth.

Timaru and Ashburton (similar rental range):

Prime	$170 to $220 p.s.m. p.a.
Secondary	$60 to $120 p.s.m. p.a.

(c) Industrial
The rural decline and continued rationalisation of the rural servicing sector has had some effect weakening the industrial market. Rentals and values for large industrial properties in poor locations have shown limited growth however well located properties continue to experience growth.

Typical rentals

Timaru	
- Inner City Service/Warehousing	$45 to $55 p.s.m. p.a.
- Service Industrial	$25 to $40 p.s.m. p.a.
- Older lower quality space	$15 to $25 p.s.m. p.a.
Ashburton	
Good service Industrial	$30 to $50 p.s.m. p.a.
- Older lower quality space	$15 to $25 p.s.m. p.a.

Otago Property Market Report

Service Commercial

1987 has been a year of particular activity in the higher profile commercial service sector, with a growing presence of fast food chain outlets, major oil company interest and a demand for higher quality premises from the service/warehousing fraternity. Redevelopment pressure therefore has seen land values escalate on arterial routes and rentals for warehouse/display premises, which had long been constrained to the $40-$50 per metre square range, are now achieving $60-$80 per metre square under cost related influence.

Design/build and long-term leaseback arrangements are occurring, based on 10-1107o under nett lease terms, but only in growth situations. Traditional plain concrete block premises in lesser situations are displaying very little growth, with some vacancy evident and required investment return tending to exceed 1207o nett.

Continuing redevelopment prospects in the service sector appear to be quite strong,

Continuing redevelopment prospects in the service sector appear to be quite strong, more as result of changing emphasis/demand than of real growth, to the probable short-term detriment therefore of existing basic accommodation.

Industrial

Rentals for small, well located warehouse properties are now easing up around $50-$55 per square metre with larger modern warehouses in proximity to services around $40-$45 per square metre. Not so well located and older store - light industrial type buildings are seeing some resistance in the market with levels of rental varying between $30-$40 per square metre. A growing trend is the sale and leaseback of substantial industrial properties, particularly for more modern warehouse/storage properties in situations such as the Endowment where values are showing a steady increment and rates of investment return reflect both form of development and leasehold land tenure.

In peripheral locations to the main retail area many older buildings are being rejuvenated, particularly those on higher density traffic routes such as Crawford Street, (Reid Farmers, former Dunedin Hire Building and South Corp House, Briscoes Building) indications also suggest refurbishment/redevelopment of some properties in south Princes Street.

Kaikorai Valley Road is continuing to develop as a major Car Sales area and importantly there is steady development of sites in the Donald Street area. Conversely of concern is the lack of interest for Industrial holdings in more peripheral locations such as the Fulton Hogan Industrial estate at Fairfield.

Rural

The demand for good rural holdings has continued this year and good listings are keenly sought. There is a good spread

The demand for good rural holdings has continued this year

of fattening farm sales which indicates a level of value between $80 and $120 per stock unit, whilst the level for dairy farm sales is at $10 to $12 per kilogram milkfat, with few sales to hand in the last 12 months. Finewool properties are keenly sought and level of sales are achieved in excess of the comparative earning capacity with sales at between $120 and $170 per stock unit depending on the location and degree of development.

Looking to the future, the Fattening farms have had a bad start to the season and what appeared to be a reasonably optimistic horizon has been considerably dampened with the current market report as being somewhat slower than the previous three months. The Rural Bank is in the final stages of farmer loan discounting scheme which when completed together with the flow-on effects will return the rural sector to a full free market situation for the first time in seven years. The level of debt servicing for an average property is comfortable around $10 per stock unit while some optimists are gearing closer to the $15 which on today's market forecast must be viewed as particularly optimistic.

Commercial

Two black glass facaded multi-storey buildings have recently been erected providing around 10,000 square metres of office accommodation at rentals of up to $182 per square metre plus all operating expenses on B.O.M.A. floor areas, a new high for Dunedin's Central Business District. Office rentals in existing comparatively new and well appointed buildings have virtually doubled in the past three years. However with demand close to being satisfied and a reduction of space required by Government Departments an over supply of accommodation could easily arise and be reflected in the general level of rentals.

There has been quite a keen demand for retail properties in the prime area of George Street with sales from $500,000 and rentals peaking at around $125 per metre of frontage or $500 per square metre, plus rates, for small premises.

Vacant central city land used for carparking continues to demand premium prices with the latest at nearly two and a half times the Government Valuation of July 1986. Rentals for yard parks range from $16 to $20 per week, covered parks $20 to nearly $30 per week.

Residential Report

Sales of residential property in 1987 would appear to be on par with previous years. The greatest volume of sales appear to be in the $30,000-$70,000 price bracket, the cheapest habitable homes being around $30,000, a lift of approximately $5,000 since last year.

Homes in the upper price bracket have been a little slower to sell, however there have been a number of sales in excess of $200,000 including one in the latter part of 1986 at $300,000. The greater percentage of these high sales have been for new homes or well maintained stately homes in prime positions.

Sales of vacant residential sites have been a little slow, primarily due to the high costs of building, the highest sales being $52,500 for an elevated site in Belleknowes, $45,000 for a level site in Musselburgh Rise, and $31,000 for a site overlooking the Otago Harbour in Waverley. Average sites have generally been in the $12,000-$15,000 price bracket with poor sites in the $2,000-$3,000 price bracket. Due to a lack of vacant residential sites in the Roslyn/Maori Hill area, we have seen sales where older homes on prime sites have been purchased and demolished to allow for the erection of a new home. One noticeable sale was in Erin Street, this being for $91,000, giving an indication of the strong demand for those special properties.

One factor having a significant effect in the more popular areas is that of rating, which is based entirely on land value. With the government revaluation as at 1 July 1986 there have been a number of dramatic rises in the suburbs such as Maori Hill, Roslyn, Belleknowes and St Clair, resulting in some residential properties paying rates in excess of $3,000, while in other parts of town we see substantial properties with rates as low as $330. While this, perhaps, is not a significant factor, for the wealthy it has had a dramatic effect in Maori Hill where middle range properties, especially villas, have been quite hard to sell due to the high rating factor and this has cumulated in the majority of those properties selling under government valuation.

Sales of investment properties have been at considerably higher prices, particularly in the north Dunedin/university area, where we see student accommodation rentals at a proposed figure of $50-55 per room, being an increase of *25010* over the year. Most investors looking for student flats are looking for a return of 2007o gross, however we are seeing sales in anticipation of greater rentals at 18010 for a typical 4-5 bedroom villa, with gross returns of 15 and 16070 being required for new or near new 4-5 bedroom units.

Type	*Locality*	*Area/hectare*	*Price*	*Prod./Unit*	*$/Unit*	*Comment*
Dairy Unit	Stirling	62	$200,000	20,000kg	$10/kg	Requires maintenance
Dairy Unit	Taieri	65.4	$272,000	20,332	$13.4	Town supply average
Fattening	South Otago	242.3	$280,000	2,800/su	$100	Fair average improvements
Fattening	Maniototo	236.0	$240,000	1,730/su	$138	Good improvements
Fattening	Maniototo	480	$400,000	3,690/su	$108	Average building - potential
Finewool	Tarras	3950	$660,000	6,000/su	$110	Pastoral lease - Rundown
Finewool	Omarama	2043	$325,000	2,450/su	$132	No dwelling

Southland Property Market Report

Residential

Up to $25,000 - generally slow selling due to the effect of high mortgage interest rates on low income earners. If dwelling requires considerable maintenance, often sells below 1983 Government Valuation levels.

Middle price range ($35,000-$60,000) - most popular price range, reasonable activity - little value appreciation.

Upper middle ($60,000-$110,000) - limited activity until early mid-1987. Slight shortage of modern, low maintenance homes at present.

$110,000 plus - good demand for modern superior homes, particularly following introduction of G.S.T. Highest recorded sale - $200,000 for a spacious 1920s two-storey tudor style home set on a 2,297m2 site in the heart of Gladstone.

Few new homes have been built following the introduction of G.S.T. due to the cost/value differential and lack of population growth. Reasonable demand exists for well located superior quality town houses, these selling particularly well in the Gladstone/Windsor areas - $100,000 - $140,000.

Sections

Slow selling, static values - reflects limited building of new homes.

Prices range from $6,000-$8,000 for South Invercargill sections, to $35,000 for a 506m2 corner site in Rosedale.

Commercial Sales

The market is reasonably buoyant for central commercial properties due to a lack of interest in alternative investments.

However, higher priced properties are requiring higher returns due to increased cost of mortgage finance. Noticeable increase in number of northern buyers purchasing fringe and suburban commercial properties because of the attractive returns.

The market is reasonably buoyant for central commercial properties

Notable commercial land sales include Westpac office redevelopment site, $350,000 -1,011m2, Crawford House office site, $250,000 - 1,012m2, Foodstuffs Supermarket aggregation of site, $1,231,000 - 8,703m2 and an adjoining owner sale to Kentucky Fried Chicken, for $170,000 plus G.S.T. - 711m2.

Improved sales of note include N.Z.I. House, a four-storey office building with basement carparking, built 1960s, $1,000,000, M.L.C., two-storey 1980s building with ground floor retail and first floor offices, $550,000, N.Z.I. Finance House, an older style two-storey structural brick building with ground floor retail and first floor offices $360,000, Courtville Place Arcade, two-storey structural brick, $425,000.

Commercial Rentals

Top central business district retail rates $225-$240 per square metre, with strong increases still being obtained in prime locations. Fringe areas as low as $75 per square metre.

South City Mall Rentals - Static over past two years, but still reflecting highest suburban rate at approximately $200-$225/m2, with other prime suburban retail shops at approximately $100-$120/m2.

Office rentals for prime premises generally $100-$120/m^2, ground floor, with rentals proposed for new office developments at $160-$170/m22 for upper floor, unpartitioned, carpeted and air conditioned space.

Industrial Property

A number of properties for sale, with very little interest, and a definite hardening in value.

Still a good demand for rent of small centrally located service/industrial properties, with rentals $60-$65/m2, falling to approximately $20/m2 for secondary workshop and warehouse buildings in fringe locations.

One industrial sale of note was the purchase of a Tyne Street woolstore by the adjoining owner, at a price of $270,250-2,427m2, G.V. $390,000.

Provincial Towns

Substantial hardening in values with a number of properties on the market, with very little buyer interest except by owner/occupiers. One sale of note was the United Trading building in Mataura which sold after being on the market for many years, at a price of $1.

Special Features

A $10,000,000 Supermarket complex, currently being developed by Foodstuffs; a $2,400,000 office development for K.P.M.G. Peat Marwick; and extensions to Kentucky Fried Chicken in Dee Street.

Proposed developments include office buildings on Crawford House site, Commercial Travellers site, and Westpac site, retail development on Majestic site, office retrofit of John Edmonds building in Tay Street, and redevelopment of John Edmonds in Forth Street.

Rural

The previous season saw low incomes, high costs, and interest rates. Although forecasts for 1986/87 were for little improvement, prices improved and confidence gradually returned.

Sales activity during the winter/early spring period was very limited, but during the summer and autumn the volume of sales picked up significantly resulting in numerous farm settlements in the autumn and winter period of 1987. Values remained at similar levels but during the last quarter have shown a firming tendency on top quality land with good improvements, whilst properties in less desirable locations or where reversion problems are evident are difficult to sell and struggling to hold their value. The market for farmlets is very active, with very strong demand for 20 to 40 hectare range.

The purchasers for farm units are predominantely existing farmers with many owners of Breeding Units purchasing fattening properties as an extension of their operation.

Property Trusts have purchased three units using varying ownership and management structures. The buying power for smaller units and farmlets has a mix of retiring farmers, those employed in the industry, and city people combining a small rural property with employment in the towns.

The majority of sales have resulted from normal activity such as retirements, expansion, ill health, change of occupation, with very few influenced by financial pressures.

Three substantial units carrying an excess of 8,000 stock units have sold, the price ranging from $80m-$90 per stock unit. Smaller properties, 2,500-4,000 stock units, range from $85-$90 per stock unit for poor units, to $100-$120 per stock unit for better units.

Limited dairy sales occurred with values holding in the region of $10/kg M.F.

Rentals

High producing pastural land is attracting rentals of $9-$11 per stock unit while potato contracts are achieving an excess of $700 per hectare, without regrassing.

General

The very active market over the last six months has resulted from a'catching up' period where there was very little activity over the previous two years, better prices for farm produce during the season, and an expectation that interest rates will fall and acceptance that land values have more or less stabilised at present levels.

Demonstration Appraisal of a Motor Fuel Service Station

By William T. Lynam

This topic is of considerable interest to Valuers, particularly at the moment with the impending de-regulation of the Motor Spirits industry and the strong interest shown by the oil companies and other parties in buying key motor fuel outlets.

Editor

Mr Lynam is an associate real property information system specialist with the New York State Division of Equalisation and Assessment, Bureau of Certification and Training.

Introduction

The appraisal of motor fuel service stations is a challenging assignment in today's environment. The oil industry is mature but continuously changing and restructuring to be more competitive. In the 1970s we had several oil `shortages', which brought about enormous changes in marketing strategies and the public attitude toward the availability and use of petroleum products. Today, the oil rich and oil poor nations are in competition for control of the pricing structure of the industry. Most of the major oil companies in the United States are in the process of realigning their retail marketing tactics both nationally and locally.

Local, poorly located, low gallonage locations are being deactivated or sold

Local, poorly located, low gallonage locations are being deactivated or sold often with petroleum product sale restriction clauses. Well-located sites that can achieve high gallonage volumes are being modernised and refurbished with multiple self-service pump islands and sales outlets for marketing automotive products and convenience items. New choice sites that meet oil company criteria for volume and profit are being avidly sought in new populaton areas or at important interchanges.

Since 1981, when Federal price and supply controls were dropped, the major oil companies have closed many refineries, severed their relations with independent jobbers pumping less than approximately 2,000,000 gallons of gasoline per year, and deactivated many service station sites because of market re-evaluations and the oil glut. This flux, which affects all levels of the oil industry, must be taken into account in appraisals of motor fuel service stations for ad valorem tax purposes. Each of the three traditional approaches to value - market, cost and income - should be evaluated for its applicability to the appraisal.

Market Approach

Generally, service station sales are in areas appropriate for small retail sales outlets, and competitive purchasers are buying station property for not only continued station use but other uses, such as fast food, businesses, franchise donut shops, and real estate offices (Kerth 1974). The prices paid for service station sites are comparable to other commercial sales, so appraisers can seek comparables in commercial land sales.

Site Valuation

The most appropriate method of valuing sites is the front foot

most appropriate method of valuing sites is the front foot method

method when the sites are square or rectangular in shape. This method gives the most consistent results (table 1). The square foot method should be used for irregular shaped parcels such as triangular lots.

Given the sales in table 1, a subject property of 20,000 square feet (160'x125'), would be valued at $160,000 (160x $1,000) by using the front foot method. With the square foot method, the subject's value ranges from $100,000 to $160,000.

TABLE 1

Site Valuation: Front Foot vs. Square Foot

Sale #	Selling Price	Frontage	Depth	Sq.Ft.	$/E.E.	$/Sq.Ft.
1	$150,000	150	150	22,500	$1,000	$6.67
2	$200,000	200	125	25,000	$1,000	$8.00
3	$150,000	150	200	30,000	$1,000	$5.00

Improved Site Valuation

When a service station is *a proper* improvement to the site, use the selling price per square foot of *building,* to include land and site improvements. When a service station is an *underimprovement,* use the selling price of *land* per unit, to include building and site improvements.

Site Analysis

Relative ratings from 100% should be given to the subject and comparative sales on characteristics of the site, such as traffic, location, accessibility, and visibility.

Traffic translates directly into gallonage. Traffic levels can come from published sources, such as the New York State Department of Transportation, which publishes highway traffic counts every three or four years, or from sample monitoring. Counts are expressed as the annual average daily traffic volume between selected intersections. Traffic counts by road relate to customer exposure to a site. Smith (1973) relates a method of sample monitoring which results in reasonable accuracy.

Slower traffic is considered better for service station business. Signs that slow or stop traffic are considered conducive to more station business as are intersections with traffic lights. However, streets with dense traffic, multiple lanes, and street lights can result in `traffic bound' situations not helpful to business. The direction of traffic flow is also important because people will be more apt to stop for motor fuel and other services when returning from work (Raleigh 1966).

Improvement Site Layout

Sincline Ave.

The best location is a `swing corner', where the majority of the traffic turns right. Next best is a far corner on the side of the street which is the predominant direction used by people going home. All other corner locations tend to be rated lower relative to these two (Americn Appraisal Co. 1974; Doyle 1970).

Accessibility is measured by an evaluation of frontage, width of entrance approaches, and grade, or steepness, of lot. Sites with narrow streets and dead-end cross-arteries would be rated low, as would those with heavy pedestrian traffic or areas with parked cars restricting access.

Visibility is of considerable importance. A vehicle driver needs time to recognise the station and its brand and make the decision to pull in. The distance from which a station needs to be visible increases with the speed and type of traffic. On thruways, large high-rise signs or state-provided signs advising of services at the next exit suffice; city or local stations need to be visible only for several blocks.

For corner sites, oil companies consider a frontage from 150 to 200 feet and side street depth of 125 feet optimal. A depth greater than 125 feet may be considered excess land. Rowlson (1973) uses a formula that the minimum frontage should be no more than four times the traffic speed limit.

When a service station is allied with other businesses, size will vary according to the need for parking. Larger lots afford parking for customers and employees. Stations with repair bays will need parking area for vehicles to be worked on. Larger sites can accommodate more pump islands and larger buildings and provide greater manoeuverability within the site and ease of entering and exiting.

Sites level with street grade are considered best since they are easy to enter and leave. Sloping lots have undesirable characteristics, such as the need to apply braking or excess acceleration, possible drainage problems, difficulty in filling tanks, checking fluid levels, and jacking-up vehicles for repair.

To dispense petroleum products requires an appropriate location with approved zoning and a permit for storing inflammables. With new stations, it may take many months to procure a permit and may entail public hearings to change existing zoning or acquire a variance from the local regulations. Many communities have restrictions that limit the location, number, and size of service stations in relationship to other improvements.

Also, some communities have stringent codes regarding closed service stations. If the station has been closed for a while, the local codes may require a zoning change to a higher classification, so that the site cannot be used again for selling motor fuels.

Locations on primary arterial highways or on main streets in densely populated residential areas have proved successful for service stations. They have excellent back-up business potential because of the tendency for vehicle owners to purchase from a service station convenient to their homes. Some other preferred sites are motel strips, tourist areas, and truck stops. City and industrial areas are less desirable because vehicles are there for shorter times.

The Cost Approach

The cost approach estimates the land value for its highest and best use, calculates the current replacement or reproduction cost of improvements, deducts depreciation from all causes, and adds the estimated land value to the estimated costs of the improvements to arrive at an estimate of value for the property.

Land estimates should be chosen from comparable commercial land sales. Land acquisitions by major oil companies should be used with discretion since these companies have restrictd their site acquisition to a few choice or strategic locations for which a premium may have been paid.

The replacement or reproduction cost of the improvements, buildings, yard improvements, and fixtures, can easily be calculated by reference to any number of cost manuals and by seeking information from local contractors and builders. Many items of personalty such as dispensing pumps, air compressors, and signs are owned by the oil companies and may not be assessable under local law.

With service stations, depreciation occurs mostly from functional or economic obsolescence. Most service stations are prefabricated units situated on sites considered desirable at the time of placement and generally have an economic life of from fifteen to twenty years; however, it may be as short as ten years or much longer, depending on location and management.

The difficulty of estimating all forms of accrued depreciation suggests that the cost approach should not be relied upon exclusively. For example, a deactivated service station with petroleum restrictions should be discounted heavily because of the marginal contribution of the improvements. If it is a station without petroleum restrictions and/or for a changed use, such as a market outlet for some other product or commodity, the structures should be discounted because there may be little use for the service bays, the building may not be ideally situated within the lot, it may require major renovation to get the improvements in shape for the new market use, and demolition and reconstruction may be necessary.

For stations that change hands for continued petroleum product dispensing, the structures and improvements should be evaluated on how effectively they meet contemporary needs.

If the highest and best use of a station calls for conversion to some other use, functional obsolescence of existing improvements should be measured by the cost to convert to the alternate use. Some characteristic examples of this form of depreciation are inadequate parking space, poor layout on lot for efficient alternate use, out-of-date heating and ventilating system, outmoded construction or architecture, and inability to expand or update.

Economic obsolescence occurs outside the property in many ways: highway relocations, changes in automobile design, changes in marketing methods, changes in population, changes in traffic patterns, public restrictions, changes in consumer spending, increasing property values, and changing highest and best use.

For the reasons mentioned, the cost approach is most appropriate for newly improved sites and less significant for older and changed-use properties.

Income Approach

The income approach considers the value of the property in relation to the income it is estimated to produce over its projected economic life. This approach is most appropriate for estimating the value of an existing station under a long-term lease.

To arrive at economic rents, an analysis should be made of the rents paid by the subject property and by competitive service stations in the same trading area. The rents paid by dealers for operating rights should be ignored as should rents paid for equipment and fixtures, such as electronic cash registers, since these are not income to the property.

After years of charging cents-per-gallon station rentals that did not recover investment costs, the major oil companies in the late 1970s went to `economic' flat rents of so much per month with no gallonage volume tie-ins. Both Amoco and Arco state they are looking for returns of about 10o10 on the value of the land and Area, a 13o1o return on the value of the facility and improvements.

Since price de-control in 1981, new forms of rental programmes have been instituted. One of note is the variable rent programme (VRP) adopted by Mobil and Chevron and, with variations, by other major oil companies. Chevron's programme, for example, looks for a 10o7o rate of return on a `commercial value' that is set for each station. Rent is split between two profit centres: motor fuel (gasoline and diesel fuel) and allied (automotive service, food, car wash, other). The allied profit centre is based on a fixed flat monthly rental, whereas the motor fuel profit centre is leased on a variable monthly rent based on volume.

Assessors/appraisers will be required to analyse these more sophisticated forms of lease if they are to use the income approach. However, the first criterion is the availability of the lease information itself. Amoco, Arco, and Chevron have discussed their programmes with petroleum trade journalists, but Texaco, Shell, and other major oil companies are mum on rental structures. Shell is quoted as "having reached the practical limit in how complicated a rental structure can be. No dealer is known to understand it. No outside person is known to understand it. Studying it in any depth isn't ordinarily possible because documentation is not allowed to leave the hands of sales representatives" (National Petroleum News 1985).

Once rents for land and improvements are arrived at, expenses such as taxes, insurance, utilities, management, and reserves for replacement (for example, pavement) should be studied. Tenants may be responsible in whole or part for these and other expenses, which will have an effect on the overall rent.

Capitalisation rates should be arrived at through market comparisons

Capitalisation rates should be arrived at through market comparisons. The discount rate, or return on investment, in the physical components of land and buildings should be looked at in light of typical expectations of competitive companies under similar economic conditions.

The rate of recapture, or the measure of depreciation, varies widely depending on the age of the service station but generally may be equated with the term of the lease. For example, the reciprocal of a fifteen-year lease would suggest an annual recapture rate of *6.6710.*

Taxes, for assessment purposes, should be treated in the capitalisation rate rather than as an expense. The effective tax rate accomplishes this and is computed by multiplying the level of assessment for the property by the local current tax rate.

The appropriate capitalisation method will be dictated by the assessor/appraiser's ingenuity in arriving at the land or building value. The residual methods are best for capitalising the net income to value after either of these values is determined.

Gallonage

The gallonage method is usually reserved for the oil companies because it tends to value the business rather than the

gallonage method is usually reserved for the oil companies

real estate. If the assessor uses this method, it should be keyed to the potential gallonage for the subject property resulting from a feasibility survey of the volume that the station would dispense.

Once the potential gallonage is estimated, then the rent per gallon can be applied to arrive at an annualised rental, which can be capitalised into a value estimate for the entire property. If the land value is found in the marketplace, the building residual technique can be used, in which the net operating income imputed to the improvements is capitalised to value.

If the historical gallonage of competitive service station sales and the subject is known, then the median dollar per gallon of gasoline sales per year of the sale properties and the gallonage of the subject property should be used to arrive at a value. For example: If the comparables sold for $0.24 to $0.40 per gallon per year, the median is $0.32. (The use of the median dampens the effect of outliers.) If the subject pumps 400,000 gallons per year, the value is $128,000 (400,000x$0.32). Subtracting the value of improvements ($44,000) gives a land value of $84,000. If the property has 150 front feet, the value is $560 per front foot ($84,000/150 front feet).

The problem with the method is all the factors which affect gallonage, such as variations in the price of fuel to meet competition, variations in hours, brand popularity, location, and improvements and allied services (Johnson 1981; Smith 1973; Townsend 1975; Brick and Smith 1975).

Sample Appraisal

The purpose of the appraisal is to produce the market value of the property for ad valorem purposes as of the valuation date of Hot Springs, New York. The date of appraisal is I January 1986. The market value herein presented reflects the appraiser's estimate of the real property only. Equipment, such as hoists, compressors, pumps, and the carwash machinery, are not included. The permanently attached blockwall and carport portion of the carwash is, however, considered part of the real estate.

Identification and Site Analysis

As indicated in figure 1, the tract has 180 feet of Sincline Avenue road frontage and 235+ feet of U.S. 440 frontage. Latest Department of Transportation traffic counts indicate that U.S. 440, the four-lane, divided major north/south artery, has a twenty-four-hour daily traffic flow of 24,000 cars split equally. Sincline, a local connector street between the County Court House and U.S. 440, has only 2,500+ cars per

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SUBJECT SITE PLAN

day. The site has excellent exposure and access, but some access difficulty for northbound U.S. 440 traffic. Two island cuts within U.S. 440 provide crossover access. As indicated by the attached sketch, the site is designed with two 50 + foot U.S. 440 approach aprons and two 40-foot-wide Sincline entrances.

The site is at or above road grade with no apparent surface drainage problems. Both public water and sewerage are available as well as all other necessary utilities for current site utilisation. The tract is zoned by the City of Hot Springs as a C-lA commercial site, which allows highway support facilities such as service stations. The 23,390 square feet are currently 100010 improved with 17,443 square feet of asphalt paving, 4,044 square feet of concrete, and a concrete building-slab area.

The subject property is known as Stan's Gulf Service Station at 1800 Burlington Boulevard, Hot Springs, New York. Its legal description is: "That part of lots 4, 5, 11 and 12, Block F south of U.S. 440 and all of lots 9 and 10, Block F".

Improvement Description and Analysis

The subject site is improved with a 1964 two-bay, porcelain-panelled, steel frame 1176 square foot service station with 18-by-27 foot front canopy. A 16-by-28 foot block, sloped, metal-roofed carport was added in 1978 for an RYKO auto-carwash machine. The two vacuum pumps and washer are owned by the current station manager.

The station was remodelled a few years ago with a face mansard roofline. The built-up tar and gravel roof appears to be in good condition and, with the exception of some exterior paint flaking, the outside appearance is good. A brick screen wall was added along the two exterior half-bath entrances. The ladies' bath has a small vanity with sink, but the men's room has only a wall-hung sink and water closet. Only the rest-room floors are ceramic tiled. Interior rest-room walls are painted metal. There is a raised concrete covered walk along two sides of the building. The 235 square foot office has two plate glass walls and three entrance doors. The two interior office walls are wood panelled. The office has a painted concrete floor and an acoustical tile drop ceiling with both heat and air conditioning facilities. To the rear of the office and rest-rooms is a small parts-storage room accessible from the easterly bay.

The two 12-by-28 foot bays have three glass windowed overhung doors, painted interior porcelain panelled walls, a lift, and floor drain. Shelving and workbench facilities line the rear, easterly bay wall with drive-through capacity design for the westerly bay. A block open storage bin (more than four feet) is located along the rear exterior wall.

There are four yard lights, of which three are located along Sincline Avenue near the uncovered, self-service, three-pump island. The front, three-pump, full-service island is only canopy covered along the southerly side. In general, the improvements are in above average condition with no significant deferred maintenance other than repainting the mansard roof eave. the twenty-year-old station was assigned a fifteen-year-old effective age considering the renovation and current condition. According to Section 97 of Marshall's Valuation Service Cost Statistics, this resulted in a 20010 overall accrued depreciation from current reproduction cost new. The station pumps about 40,000 gallons a month.

Taxes and Assessed Value

The assessor of Hot Springs, as of I May 1985, had assessed the subject property for $90,000, $54,000 allocated to land and $36,000 to improvements. The combined town, county, and school tax rate results in an annual $1,400 expense for ad valorem taxes and special district charges. No significant change in assessment is anticipated for the foreseeable future.

Highest and Best Use

The subject property is located on a major corner location within the Town of Hot Springs along U.S. 440. Annual traffic flow has steadily increased and, although a major increase in gallonage sales volume is not anticipated, the highest and best use of the subject property appears to remain a retail petroleum outlet.

Cost Approach and Analysis

The investigation of U.S. 440/Burlington Boulevard commercial land sales activity resulted in sufficient neighbourhood vacant land sales upon which to develop a market indication for the subject side as if vacant. After the reproduction cost new estimate for the building, carport, and canopy plus paving is developed, the depreciated improvement contribution will be added to this raw land-site value. A brief outline of the more significant land sales is also presented. Marshall's Valuation Service Cost Statistics, Section 62, for service stations was consulted in developing this cost estimate.

Average steelframe station: 1 176 square feet @ $39/square foot		$45,864
2,500 gallon steel tanks: 2 @ 2,000 each		4,000
C/B tin roof carport: 448 square feet @ $9/square foot		4,032
Concrete walks and pump island concrete:		1 500
Metal canopy with lights: 486 square feet @ $7.75/square foot		3,767
Concrete Paving: 4,044 square feet @ $1.30/square foot		5,257
Asphalt paving: 17,443 square feet @ $70/square foot		1
2,210		
Brick screen wall, four yard lights, C/B bin:		2,650
		$79,280
Estimated reproduction cost new:		
Minor deferred repainting:	$500	
Accrued depreciation, 20o/0	1 5,856	
Less total estimated depreciation:		-$16,356
Remaining improvement contribution:		$62,926
Plus raw land market value: 23,390 square feet @ $3.50/.square foot		$81,865
Cost indication:		$144,789 , sav $144,800

The following, briefly outlined, land sales formed the basis for the above $3.50 per square foot factor applied to the subject site. Due to the irregular shape of the subject corner, the square foot method of analysis reflected the subject's current site value more accurately. Also considered was the asking price of the abutting 37,000 square feet. This inferior, irregular-shaped remainder of Block F has been available for an extended period at $110,000 net to seller, or about $3 per square foot. This abutting site has only 80 feet on U.S. 440, but extensive rear street frontage with 100 feet on Sincline and more than 250 feet on Kentucky. Little reliance was placed on this asking price. Sales #2 and #2A, resulting in a $3.50 per square foot adjusted indication for this superior corner, were considered the most significant raw land indication.

Land Sale #1:
Book 738, p. 2190
Date: 1 1 /82
Size: 200 x 150 x 167.8 x 153 feet
Grantor: Royal Bahamian Dev. Corp.
Grantees: First Federal S & L
Consideration: $150,000
Location: Northeast corner, U. S. 440 and Banning Beach Road, Hot Springs, about 6 blocks northeast of subject.
Indication: $5.44 per square foot or $750 per front foot.

This irregular corner is still undeveloped as part of the new Hot Springs shopping centre. Both the northerly 167.8 feet and the easterly 150 feet boundaries of this site abut the paved parking lot for the neighbourhood shopping centre owned by the seller. This corner was considered about 25%10 superior to subject due to the traffic light and abutting access and exposure. Adjusting for time, location, and shape, this sale still set the upper limit of the indicated site value for subject at more than $4 per square foot.

Land Sales #2 and 2A:
Book 721, p.1776 and Book 743, p.2419
Date: 3/82, 2/83
Size: .453 acre each
Grantor: Larry Starks
Grantees: Charles Reiner (#2) and John Watt (#2A)
Consideration: $49,000 and $48,000
Location: North side of U.S. 440 known as Lot 95, Vista Snowshoe S/D.
Indication: $2.48/square foot

These 92-by-200 foot, interior, slightly irregular-shaped sites were, like sale #1, directly on U.S. 440 about 6 blocks west of the subject intersection. The first site is now improved with Dr Reiner's dental office. However, the second sale is an undeveloped office site. A common easement for ingress and egress had to be used to improve access off U.S. 440 to both sites, thereby offsetting improvement cost to the northerly part of the site. Exposure along U.S. 440 was comparable to subject's site. Mr Starks paid $2,500 site preparation expense for access to the sites. However, as interior locatons, both were considered inferior to subject. After adjusting for time, inferior location, and access, the sales indicated $3.50 per square foot for subject using a composite 1.41 factor.

Land Sale #3:
Book 749, p.388
Date: 5/83
Size: 100x111 feet
Grantor: Michael J. Coventry
Grantees: Willard L. Pease
Consideration: $23,000
Location: Southeast corner, Sincline and Kentucky known as Lots 9 and 10, Block A of Lakewood Park, Hot Springs, New York
Indication: $2.07 per square foot or $230 per front foot.

These two 50-foot lots were one block south of U.S. 440 and subject. Abutting Mr Coventry's new duplexes on Kentucky, these sites are now being improved with two duplexes that will front Sincline. The location was considered dramatically inferior, but reflects the value level of rear land south of subject off U.S. 440. No direct adjustment was made to subject using this sale.

Market Approach and Analysis

The following four service station sales were directly compared to the subject. Sales #1 and #2 outside the subject neighbourhood were considered because they have continued operation as petroleum outlets. Sales #3 and #4 within Hot Springs were both closed stations, one with U.S. 440 limited access and one converted to an auto sales outlet. As will be seen after adjusting for time, location, design, condition, and terms of sale, both types of sales tend to bracket subject's current market value level.

Sale #1:
Book 758, p.162
Date: 9/83
Size: 150x 135 feet
Grantor: Richard A. Marston
Grantees: H. E. Schueltheiss
Consideration: $120,000
Location: #997 S.R. 50 at the southeast corner of S.R. 50 and Tenth Street in Cold Water, New York, abutting the City Hall parking lot.

This 1400 square foot, two-bay Chevron station of about the same age as the subject was pumping about 45,000 gallons per month at the time of sale. Design was slightly inferior with no carport bay or room for expansion. Since purchase, the owner has expanded operating hours and dramatically improved gallonage sales. Chevron has reportedly offered to purchase this location for $200,000. Adjusting for time and minor inferior design, this similar corner location indicated $133,000 for subject. (See adjustment chart, table 2.)

TABLE 2
Adjustment Chart

Sale	#1	#2	#3	#4
Price	$120,000	$135,000	$100,000	$100,000
Time	+8,000	+3,500	+2,000	0
Location	0	0	+30,000	+20,000
Design	+5,000	-5,000	0	+10,000
Condition	0	+2,500	+10,000	0
Terms	0	0	-11,000	0
Composite	+13,000	+1,000	+31,000	+30,000
Adjustment Indication	$133,000	$136,000	$131,000	$130,000

Sale #2:
Book 1165, p.411, Yankee Co.
Grantor: Ralph Coynes et ux.
Date: 6/84
Size: 193.5 x 73 x 216x52 feet
Grantees: Jamesway Stores, Inc.
Consideration: $135,000
Location: Southeast corner of U.S. 440/27, Abshied Blvd., and U.S. 300, Rockcutter, New York.

This irregular-shaped corner had 193 to 216 feet on both U.S. 27/440 and U.S. 300 providing access and exposure comparable to the subject's. The 1320 square foot station built in 1960, although closed, appears to be in similar condition to subject except for about $2,500 in deferred maintenance. The attorney handling the sale indicated that the buyer intends to re-open this Sunoco station as a convenience store with gas outlet. With comparable access and exposure, this location was considered comparable to subject. Details on the $75,000 mortgage terms were not available. Only a time and minor condition factor were, therefore, applied to subject, offset by a -$5,000 superior design factor.

Sale #3:
Book 771, p.634; Book 788, p.928
Dates: 3/84, 9/84
Size: 140 x 123 feet
Grantor: John P. Markham : Starks
Grantees: Thomas L. Starks : MTI Properties
Consideration: $90,000 : Resold $100,000
Mortgage: $75,000, 9070, 1 5 years
Location: Northeast corner, S.R. 19 and Main Street, Hot Springs, 5 blocks southwest of subject.

This inferior location had a 1963 Chevron station, purchased at submarket terms by a local realtor who converted the 1600 square foot, two-bay station to an auto sales office and lot. In September 1984, the auto sales office was resold to P.B.I. Properties for $100,000, with seller taking back a 10070 mortgage due in two years. Approximately $7,000 was expended during conversion. This station was comparable in design but inferior in condition to subject even after the conversion. Location was considered 30% inferior due to the site size and inferior corner access/exposure.

Sale #4:
Unrecorded contract
Date: 11/84 contract
Size: 173 x 150 feet
Grantor: American Oil Co.
Grantees: Larry Starks
Consideration: $100,000
Location: Northeast corner of U.S. 440 and Lakeshore Blvd, Hot Springs, about 2 blocks west of subject.

This 1964 Amoco station, now closed, has inferior U.S. 440 access to subject and reportedly only pumped about 25,000 gallons when last operated.

The improvements were larger than subject, partly due to additions. This 1260 square foot, two-bay station had an 1100 square foot attached office subrental area added one year after initial station construction. Reportedly, the current owner, Margaret Streep, had leased this station for some twenty years with a $65,000 purchase option to Amoco, who has supposedly now exercised the option and resold the station to Mr Starks. An adjustment for location was considered because of the inferior access, mainly limited to northbound U.S. 440.

The foregoing four sales resulted in a $130,000 to $136,000 adjusted value range by direct comparison. Sales #1 and #2, although outside the Hot Springs neighbourhood, tend to indicate a slight premium for stations capable of producing about 45,000 gallons per month. Sales #3 and #4 were viewed as speculative conversion purchases, not as significant considering subject's highest and best use. It is, therefore, my opinion that the market indicates, as of January 1, 1985 market value of $133,000.

Correlation and Final Value Reconciliation

The valuation of 1800 Burlington Boulevard, Hot Springs, New York, resulted in the development of a $144,800 cost indication based on a $81,865 site value and a market indication of $133,000 founded on four comparable improved service station sales. An income indication was not developed, since no current leases were found upon which to develop a gross economic rent estimate.

The cost indication was believed to set the upper limit of subject's value because a functional value loss is normally a part of this kind of outlet. The 20% factor for accrued depreciation is believed to account mainly for typical functional and physical loss. There is an approximate $11,800, or an additional 15070, functional obsolescence, in the improvements as currently designed, which is essentially the difference reflected between the market and cost indications.

The $133,000 market indication was considered the most reliable measure of subject's current value even though the two $100,000 Hot Springs service station sales were motivated by speculative or alternative commercial use. Sales #I and #2 outside the neighbourhood were comparable locations that are or will be reopened as petroleum outlets. Therefore the real property portion of 1800 Burlington Boulevard as of I January 1986, has a market value of $133,000.

Conclusion

Motor fuel service stations are undergoing changes in both numbers and types of facilities. The trend is for the major oil companies to refurbish proven sites and to seek strategic

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locations as populations, roadways, and traffic patterns change in order to receive an acceptable return on investment in both land and buildings. The popular method of doing this is marketing motor fuels in association with some other product, most commonly, convenience items.

In terms of the appropriateness of appraisal methods, the market data approach is the most acceptable and enduring. When qualified sales of service station sites are available, a front foot valuation method should be used unless the site is irregular in shape.

For improved sites, when the improvements to the property are proper in terms of highest and best use, use the selling price per square foot of building, to include land and site improvements; when the improvements are not proper, use the selling price per square foot of land, to include building and site improvements.

The cost approach is always an appropriate method and is most useful with new structures. With older or changed-use structures, a charge to physical, functional, or economic obsolescence must be made.

The income approach is appropriate with existing service stations. One of the residual approaches should be used when land or building value is known and economic rental information can be discovered. The property residual method can be used when neither the land nor building value can be estimated reliably. The gallonage valuation method should be left to management or those few appraisers who specialise in service station appraisal, since this method tends to value the business and not the real estate.

Appendix: Checklist for the Appraisal of a Motor Fuel Service Station

1. Site Analysis
    A. Analysis of Legal Description
        1. Type of location
            a. In-town
            b. Interchange
            c. Crossroads and interior lots
            d. Other, for example, neighbourhood station
        2. Methods
            a. Front foot unit
            b. Square foot unit
            c. Per bay
            d. Known gallonage
            e. Predicted gallonage - data regarding automobile increase in area as well as traffic
        3. Traffic counts
        4. Speed of traffic, analysis
        5. Visibility
        6. Location
            a. Far corner
            b. Swing corner
            c. Channelised strip corner
            d. Pull away corner
            e. Near corner
            f. Reverse swing corner
            g. Inside lot
        7. Residential backup
            a. Population density
            b. Quality
            c. Trend
        8. Operaton of business
            a. Evaluation of dealer management
            b. Dealer turnover history
            c. Dealer/product acceptance
            d. Hours of operation
            e. Business type
            f. Competition
            g. Gallonage
        9. Physical characteristics
            a. Frontage (acutal vs. effective)
            b. Depth
            c. Adequate size
            d. Shape, including triangular lots
            e. Topography
            f. Excess frontage
            g. Excess land
            h. Accessibility
        10. Zoning
            a. Probability of zoning changes
            b. Zoning enforcement
            c. Set-back regulations
            d. Turning radius problems (outside, inside corners)
            e. Entrance, exit limitations
        11. Use data
            a. Nonconforming use
            b. Residential use restrictions
            c. Highest and best use
            d. Alternate use
        12. Permits and licenses
            a. State and local ordinances on curb, cuts, distance from corners, distance from similar facilities, etc.
            b. Fuel storage restrictions
            c. Tank testing

It. Service Station Description
    A. Type
        1. Single- and two-bay stations: limitations, legal, physical
        2. Multiple-bay stations
            a. Repairer's licenses
            b. Full-service facilities
        3. Convenience stores with multiple self-service pumps
        4. Abandoned, closed stations
    B. Construction
    C. Site Improvements
        1. Type of improvement
            a. Buildings
            b. Pump islands
            c. Underground pump and tanks
            d. Hoists
        2. Physical condition of improvements
        3. Placement of buildings
        4. Petroleum product marketing equipment installed

III. Estimate of Value
    A. Cost Approach
        1. Site value estimate
        2. Contribution of site improvements
        3. Contribution of existing improvements
    B. Depreciation/Obsolescence
        1. Physical
        2. Functional (architectural)
            a. Curable
            b. Incurable
        3. Economic
    C. Income Approach
        1. Leases, types, analysis
        2. Expenses-netness
        3. Capitalisation rates
        4. Capitalisation methods
    D. Market Data Approach
        1. Market demand for property
        2. Comparative factors
        3. Overall appeal
    E. Correlation and Final Value Estimate

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Maximising Returns Through Effective Financial Management and Control

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Introduction

The last few years have seen a phase of great excitement, opportunity and achievement for property developers and investors. The market environment has been bullish, to say the least, both on the share market and in the property sector and this is evident by the number of Property Companies now listed on the New Zealand Stock Exchange, some 35 in total.

Naturally, during this boom period little time has been spent on maximising return through management; as any mistakes, were covered by capital gain. Indeed, there would be little time to analyse a property as in many instances, a property was on-sold before the ink dried on the Sale and Purchase Agreement and, in some instances, not only once.

The Stock Market hopefully has now corrected itself with Investment and Property Companies experiencing some of the greatest falls. Recently, Real Estate agents seem to have a larger choice of properties for sale even if some of these properties are not formally for sale but can be purchased if the right price is offered. These, together with the pending over-supply of office accommodation, must at the very least be warning signs of a property decline. If this trend continues, then maximising the returns on properties will once again come to the forefront, as will professional property advice because the market will become more demanding as mistakes will not be hidden by quick capital growth, and there will be a need to differentiate between a good location, central or otherwise, and a fringe property. Tenant Covenants will also become more important and for some investors even at the expense of location.

Property Portfolio Performance

The property portfolio forms part of an investment as follows:

Investment Portfolio
1. Fixed interest
2. Equity Investment
3. Property

Property may then be subdivided further.

Geographical Location
- Auckland
- Wellington
- Christchurch
- Provincial
- Off-Shore

Use
- Retail
- Industrial
- Office
- Other

Individual Property
- Book Value Return
- Market Value Return
- Current Rent Return
- C.P.I.
- Pay-back
- I.R.R.

The above three investment functions, plus Off-shore investment, are compared in terms of income return and capital growth but it should be remembered that when comparing each sector the return must be risk adjusted, otherwise property stands little chance.

Appendix A (i) shows the average returns from each sector and as can be seen, equity out-performs all sectors, hence demonstrating the need for risk adjustment.

It must be remembered that property is a form of investment and that it competes with other investments. Consequently, the Property Manager of a Portfolio needs to battle with the Fund Manager to encourage a greater proportion of funds to be invested in the property sector. Fund Managers can be traditional and use the `rule of thumb' theory of ⅓ in each sector - (in practice between 20% and 25%). Naturally the ideal situation is to increase and decrease the size of the property portfolio, depending on its potential but recently the share market and the property market seem to have moved together.

property is a form of investment and that it competes with other investments

As an example, in a recent analysis a portfolio made up of roughly ⅓ in each sector, would show a weighted return of 24.72%, a ratio of equities at 21% property at 48% and Government Stock at 30% - a drop of 22.5%; ratio of 37%, 38% and 25% respectively, gives 26.5%.

As shown, property belonging to a Fund is reliant on the Fund's performance to attract investment into that pool, or basket, and if property is the best form of investment, then the Property Manager should ensure that his property pool receives the most funds. Since Rogernomics, we now operate in a free market; the Superannuation Funds Investment Regulations 1983, which required 41076 to be invested into areas directed by the Government, namely Government Stock and Local Authorities, has now been repealed. I therefore looked back to 1984 when I presented a lecture at Massey University when the regulations applied to see how the allocation of funds has changed, if at all, seeing that the Government directive no longer applied, and Fund Managers were free to allocate funds at will.

The figures appear in Appendix A (ii).

In Appendix A (ii) I have taken out the National Mutual `D' Sector, as the purpose of the discretionary portfolio is to select a mix to earn the highest possible return subject to a low-level of risk. Thus the Fund Managers must have some faith in the property sector as the percentage has increased from 22076 to 4007o. However, in the normal course of events where the Fund Managers, at their discretion, choose the mix, there appears to be little change in philosophy in a de-regulated environment than in a controlled environment as the Fund Managers maintain the 207o rule for property. This relates to market value and not the cash flow of the Fund.

The exception was the CML Fund which has been selling property to reach the 2007o.

Appendix A (iii) shows a portfolio pie-chart of a hypothetical 1987 institutional investor. In this type of environment, the Property Managers are limited in the way they can influence the return, therefore, they must concentrate on the property sector analysis and control.

The Wyatt Company (N.Z.) Limited has recently started to include sector splits in its investment performance survey and an extract from the March 1987 report is included showing the proportionment in Life Offices and non-Life Offices. The percentages invested in property are worthy of a close study.

Appendix A (iv) shows Life Offices keeping closer to the 2007o than non-Life Offices. It is also interesting to note the portion of overseas investment in equities something the property sector has not followed with the exception of Property Companies.

The Wyatt Company and the Association of Superannuation Funds of New Zealand Inc. produce investment performance surveys. The former, analyses figures of specific Fund Managers' choices while the latter averages the results of a number of Funds. Given these two surveys one is then able to compare one's own Fund, especially the property sector, to the size and performance of other Funds. Appendix B encloses the graphs and charts of these organisations and yields so that your firm can be compared. It is however, important to ensure that, when analysing your own Fund, you apply the same rules that apply to the surveys.

The institutional Property Managers are, in a way, frustrated by the Fund, especially when compared to the Property Companies which are able to invest all or at least a greater percentage of their funds in property, with no thought being given to the other sectors. These properties are shown in Appendix C, (source Jardens), being the listed Property Companies on the New Zealand Stock Exchange. The list shows their values as at 31 October 1986 and 30 March 1987 and, where no values appear in October, Companies were not listed thus one can identify the number of Companies which have been listed since the last I.I.R. Property Conference in Auckland, last October.

To these is added another column showing the gross return, where available, for the period 28 March 1986 to 27 March 1987. The gross return is the share price growth plus dividends being re-invested. One only needs to compare these returns with those of the Institutions and you cannot help but be amazed at the discrepancies which range from -23% to over 20007o and even if Jardens' methods of calculating the return differ, the point is made. Once again risk adjustment is necessary.

Appendix C (ii) plots three property share prices since the last Property Seminar and now there is no doubt that the market is falling and one of the lessons learnt during the share price downturn is that the property shares relate to the Share Market irrespective of whether properties are appreciating or not. Thus, asset backing has become the buzz-word and the property market is looking for another vehicle to market its wares, preferably in an area which has less volatile trends. This now appears to be the unlisted Property Trust, and at present I am aware of the following Trusts:

- NZI Property Trust
- NZI Prime Property Trust
- Qtran Property Trust
- Tower Property Growth Trust
- The Property Trust
- Mace Property Trust

No doubt time will tell whether these will be successful, however, and monitoring their progress will be interesting.

Referring to the Australian North's review of Property Trusts 86/87, it is interesting to note that there are some 25 listed Trusts and 40 unlisted Trusts. Perhaps some of these will move into the New Zealand market.

Geographical Location and Use

It is dangerous to generalise in this area but, nevertheless,

security needs to be maintained by spreading the portfolio throughout the country,

some security needs to be maintained by spreading the portfolio throughout the country, preferably in areas that offer the highest return.

Appendix D (i) shows a recent survey carried out by BNZ Portfolio Management Services, showing both the geographical and use breakdown of four leading Funds. The suggested property portfolio may therefore be as follows:

Geographic Distribution:

Auckland	40%- 50076
Wellington	4007o - 50%
Christchurch	507o -10%
Other	507o - 10070

Composition by Use:

Office	6007o - 7007o
Retail	15%- 20%
Industrial	1507o - 20%
Other	5%- 10%

Appendix D (ii) is a suggested pie-chart showing a portfolio geographical spread while Appendix D (iii) shows it by use.

Regarding the geographical distribution, no account is taken of overseas investments and many listed Property Companies anticipating a property decline in New Zealand, are taking precautions by investing overseas and to preserve their share value. On the other hand, it could be just a passing fad born of a mature bull run where cash-rich Property Companies are looking for another home to park their money. In either way, it makes practical investment sense because it recognises that national boundaries are nothing but artificial restrictions to efficient property investments. It is also in line with today's economic environment of the move towards global investment of which New Zealand now forms part. Property Companies have already shown the way and I believe in the future, property pools and the pending Property Trusts, will have to look the same way if they are to remain competitive.

Overseas experience shows a growth in investments where each investment sector has to perform in its own right and while the Fund Manager may adhere to his traditional ratios, despite de-regulation, a growing number of investors will identify and direct their Funds into sectors of their own choice (e.g. NZI's recent Trusts). As these Funds increase in number, their performance will be monitored especially the property sectors which have lacked close scrutiny in the past, and the property market will in the future, become subject to performance measurement.

Naturally, it is in America where performance measurement, be it of the Pension Fund or Mutual Fund, has reached its height. A whole industry of Pension Fund Consultants has grown up in the past 15 years to measure Managers' performance and advise Pension Fund Trustees on the location of funds. The result is that the American Fund Managers have long grown accustomed to having their performance analysed and measured each quarter. The criticism of such details analysed is that this has led to over-trading, as Fund Managers seek short-term gains to boost their immediate performance at the expense of long-term prudence. Perhaps this is a game which only the stupid will play. Here one should look at our own Institutions whereby they provide a Fund for maximum growth with a maximum of security such as the National Mutual Discretionary Portfolio (D Sector) which maintains a high percentage in property (40.607o).

Usually, short-term trading of a long-term portfolio of chasing the market's latest buzz will blow up in the Manager's face. It is far more important for the Fund Managers to pick the major turns in the market.

Quarterly measurement, despite being subject to criticism is accepted by most American Fund Managers and they believe it is here to stay nor do they see it as a bad influence, provided that a Manager is given at least three years to prove his worth.

At present, both the Wyatt Company and the Association of Superannuation Funds, produce upper and lower quartile charts for investment and the latter on each individual sector so the median could be a possible Property Performance Index, however, I believe that should such an index develop it should be monitored by property-orientated people rather than accounts-orientated people.

Property Index

In brief, I would like to comment upon a property index for, I believe, if one is recorded for New Zealand then it would have to be broken down into its geographical location and then, in turn, use. The index would require an agreement on definition of the ingredients of average performance, statistics, and a vehicle or institution for maintaining the details of the index. I understand Keys Preston Maskell are working on such an index and if they extract the information from Funds managed by them alone, then the index can be of some use because there is a constant factor in analysis. In fact, objectives of the UK Property Index refer to calculation from a core portfolio of each client. Companies such as Jones Lang Wootton also produce Property Indices and again, if produced from details of properties managed by them, the index will be useful.

Nevertheless, there are some problems which distinguish Real Estate from Securities which would need to be overcome. Thus, for the sake of argument, if a property index was established based on a certain portfolio mix of offices, retail and industrial, there would be a danger that many Property Managers could try to copy the Index with similar investments rather than go against the Index. After all, there is a tendency that the Property Manager would play it safe and would be concerned about capital growth and preservation rather than taking a risk by going against the trend to achieve a higher yield.

I have also heard that indexation is a form of `investment socialism' for it ultimately means everyone is doing the same thing. Indices do not tell you when to sell your properties and convert them into cash for investment in other areas. I therefore believe each Property Company, Property Trust or Institution, should be analysed on its merits for comparison purposes. For the true comparison will be at the retail end i.e. the price of the unit, the share or otherwise. At present, only the Share Market analyses listed Property Companies on an equal basis but as more Property Trusts come onto the market performance of each will be more important than competing against a Property Index.

Individual Property

The first thing a Property Manager needs on a property is a good database record. This traditionally has always been the property record card listing the title, property records and lease details. This role is now being take over by the computer and there are a number of programmes available. The computer makes it easier to store historical information which, in turn, should be used by the Property Manager for investment analysis. In Appendix E (i), a schedule is enclosed analysing each property under the following headings:

Book Value Return
Market Value Return
Current Rental Return
Pay-back
C.P.I.
Internal Rate of Return

(a) Book Value

This is truly historical information but one which the Fund Manager, or Trustee, can easily relate to as it does give a return on monies invested. Nevertheless, from a property point of view, just looking at this return can be dangerous as it inevitably always give a good return and if it is taken in isolation it will be misleading.

(b) Market Value Return

Today's capitalisation rate is recorded if leased at market rental, i.e. the cap rate. I place this information alongside the return on current rental as, in many cases, the latter is below market, especially if the rents are a year or two old. I understand some institutions take this point further and carry out an investment value of the property by applying today's capitalisation rate to today's rental and ignoring the terms of the Lease. I do not favour this exercise as I believe it is possible to present value the next rent review and include it in the market value of the property.

(c) Current Rental Return

This is self-explanatory and shows the market value return on the current rental which can now be compared with the above. If the rent has been recently assessed then this return should equal the capitalisation rate, provided net rents are used.

(d) Payback

This is a relatively simple calculation which takes in the rental paid to date and the future rent and sees in how many years the property repays itself. This was an idea presented by Professor James Graaskamp from Wisconsin University when he visited New Zealand some years ago, and although I considered it futile, I have found that it has been warmly received from a curiosity point of view and surprisingly does highlight problem properties very easily. Its greatest asset is in identifying Lease-back properties which had been Leased to a Head Tenant on a long-term basis with few or no rent review periods. A pay-back for such a property is around 13/14 years as opposed to the average of around between seven and eight years. It then becomes a worthwhile tool in persuading Fund Managers to sell the property as cash in hand could equal future value.

(e) Market Value/CPI

At present there is no property index to measure against. I believe, one of the main functions of property investment is, to ensure the properties which are held in the Fund, should maintain and preferably improve on inflation. Basically, the formula takes the purchase price of the property and increases its value by the CPI index and then the property is valued on today's date. The CPI inflated figure is then divided into the Market Value figure with the result of either over or under one. This analysis lets you know whether the initial purchase was prudent. If the property was purchased at an inflated figure with the hope that time would correct the situation, on a book value basis this may be the case as it shows a good return, however, if compared on market value CPI basis, it may be found that it does not keep pace with inflation. Alternatively, if a property was purchased cheaply and its market value has increased greatly, then the benefit would show. Properties which do not keep up with inflation should be investigated further and possibly sold if there is no future growth in the locality.

(f) Internal Rate of Return

This has come in vogue in the last few years when it was not possible to compare a market return on a property with the money market which was achieving higher rates or return. Thus by using a discounting cash flow method of establishing the present value of future cash flow requirements, it was possible to show a higher return to compete with the money market returns. This calculation is especially necessary where Fund Managers allow a 207o return above the capitalisation rate, for capital growth and then compare it with the return on the money market. The internal rate of return at least enables the Property manager to show that property does compete with the finance sector and some Fund Managers believe this to be important, while others accept that it can be fairly hypothetical because of assessments made as to the future. I recall that the method was important when I first started work, and then disappeared for a while and is now back in.

In a recent example, while considering the purchase of a property, I found that an attempt was made to purchase the same property in 1982 but then the purchase was analysed by a finance person who believed that growth occurs in the first ten years - then the capital growth was 27010 p.a. therefore, further growth would be limited to inflation. Since then the property has increased 44010 p.a. It is surprising that even today, capital growth is ignored in future calculation by some and a need exists for property people to market as many statistics as possible if Funds are to be encouraged into our sector.

General

As you can no doubt imagine, carrying out the calculations for the above manually for a large property portfolio, can take a considerable length of time, however, now with the advent of the spreadsheet, the above calculations can be carried out easily, consequently, one is now able to provide more and more information when presenting reports.

Effective use of Computer Programmes

I would like to refer you to the Appendices in this paper for the bar charts, pie charts and spreadsheets are all product of the computer. They have all been designed on the Lotus Symphony spreadsheet which can be best described as a fantastic calculator and I find it a very useful tool. Most of the factual information on the spreadsheet would be stored on the Property Management System, the old property card. Hence today each Property Manager should have a computer system recording all the information traditionally on a property record card on a computer database. The Bank is currently changing its property database from the mainframe computer to a network or cluster system; based on personal computers. Before commenting further I would like to briefly describe some of the systems I have seen demonstrated which will give an indication of the way Property Management Systems have developed in the last few years.

These in order of viewing have been as follows:

Syscorp

This system was developed by Robin St Clair in conjunction with Keys Preston Maskell, hence has the advantage of being developed by a New Zealand Property Consultant to meet the requirements of a New Zealand Property Company. The system was a stand-alone system and I believe one of the first Property Management systems developed on a Personal Computer rather than a mini- or main-frame computer in New Zealand. This system was eventually purchased by Bank of New Zealand Officers' Provident Association.

Blueprint Property Management System

The Government Life entered into a Joint Venture to market the system which runs on Datapoint equipment. The system was designed to cope with some 130 properties and 1,300 tenants and has automated rental collections, occupancy details, maintenance programmes, recoverable and non-recoverable costs, budgets and financial planning, portfolio analysis. I viewed the system before Goods and Services Tax, was included.

The system consists of four inter-related modules:

Property Register
Tenant's Register
Electronic Diary
General Accounting System

The Property Register is the information base for all details recorded for each property including physical characteristics, property management, information, historical information on purchase price, capital expenditure, legal description and zoning information and vendor information. Each property is then further defined into floors and suites within a floor. The use of each suite is recorded together with the rental information and frequency of payment.

The Tenant's Register module holds information relating to tenants, including Lease information, Lease renewal, rights, Tenancy and sub Tenancy Agreements, outgoings for each tenancy, full rental details and existing options to purchase, Lease Guarantees and assignments.

The Electronic Diary module reminds the Property Manager or Owner of dates relevant to properties or tenants, including individual Lease transactions, rent reviews, insurance reviews, contract renewals, maintenance and inspections due. This can also be as a general office diary, together with a Contract section which stores information on Contracts covering any property.

The General Accounting System module can be used as a stand-alone programme but is a particularly powerful adjunct to the Property Management System. When interfaced, the General Accounting System can produce accounting information connected with individual tenancies and properties.

The General Accounting System can also handle budgets for the total portfolio and/or individual properties within the portfolio. The General Accounting System simplifies management reporting and there is an ability to create specific or ad hoc reports by use of a report generator. An optional extra was available which has an interface availability to multi-plan, a spreadsheet, as well as to vista word, Datapoint's word processing software.

Trust Real Estate System

This system was developed by the International Data Applications to meet the Bank of America's property requirements and is very American-orientated and it operates as follows:

Trust System Interface: Passes information to the Bank's Trust Accounting System and is capable of supporting multiple Trust whether prime or main-frame computers.

True Split Interest Accounting: Information passed to the Trust is organised by ownership interest and not property. Third party and co-ownership interests are also identified for automatic distributions allocations and reporting. In the New Zealand content this would appear to be useful when managing property which is owned by a number of parties and the ability of this system to cater for the need that results.

Real Estate Management.- Tracks and maintains all information pertaining to properties, tenants, Leases, loans, capital assets and Insurance Policies. Here transactions are processed for related properties without regard to ownership and management and control are organised by property.

Loan and Note Management., This includes complete loan administration for tracking and control for all Real Estate loans, both asset and liability instruments. Suitable for New Zealand for mortgages although many institutions would not use this option.

Active Cash Management., This provides the necessary information to effectively manage its cash accounts, advance information about cash requirements and excesses allows the Trust to plan investment and transfers, thereby optimising cash flows.

Complete Professional Accounting: This is a fully integrated single transaction/double entry system that includes complete general ledger, accounts payable, accounts receivable and fixed asset management modules. The system supports cash accrual and is fully expandable through a user-defined chart of accounts. Allocations are automatically determined and billed to tenants and the system copes with residential and commercial Leases to be encoded for automatic billing of all types including percentage rent, escalations and CPI indexed increases, among others.

Comprehensive Reporting: Reporting can be achieved by Trust, Property Management Officer, property, split-interest or mortgage.

The system was impressive but would need some adjustment to New Zealand conditions, i.e. GST and perhaps a multi-currency sector as some Property Companies are now moving into overseas investment.

Property Investment Management System

This system was developed by ICL and City Realties Limited and Coopers Lybrand. This system has been available in New Zealand for nine months with the first two users being Robert Jones Investments and City Realties. The system has nine modules:

• Tenant Register •
Creditors Register •
Asset Register
• Maintenance Module •
Multi-currency
• Debtors Register
• General Ledger Register •
Project Module
• Property Register

The programme can interface with Compu Sheet (a spreadsheet) and Jet word processor. It was also interesting to note that electronic mail was part of the package.

General Comment

It was only a few years ago that there were no choices for Property Management computer programmes as most were developed on main-frames and specially tailored for the user Company. With the test development of personal computers it was not long before individuals discovered the PC potential especially through the use of spreadsheets. Certain Companies started to develop Property Management Systems based on the personal computer, and in hindsight, it is now interesting to note that such Companies as Keys Preston Maskell, Government Life and City Realties must have started their computer development roughly at the same time. The latter two are now marketing their Property Management systems as Joint Ventures with hardware and software developers. I am also aware that IBM are marketing a Stowe Property Management system but I have not seen this system and I am also aware that Jones Lang & Wootton have a Property Management System based on a mini-frame as have Harcourts. No doubt there are other systems but I have no information on them.

One may well ask what is the common denominator between these systems and what is to be expected of a computer system?

During my work with computers I have formed an opinion but I will be the first to admit that it may not be correct and may have easily been superseded by technology. I now do not favour a Property Management System to be installed on a main-frame because property portfolios do not use the full capacity of a main-frame and there is usually a need to share the computer with others. There is then a danger of overall breakdowns perhaps caused by other sections and that the property operation part of the main-frame may not have priority for access or even repairs. The development of the PCs has opened up a new area of a cluster network which consists of a number of personal computers connected to a file server which can then run independently in the Property Division. A similar effect may be achieved by using a mini-computer system. The property sector operation can then be linked to a main-frame so that it can serve as a back-up and, in turn, other users can be given access to the information accumulated by the Property Division.

An example of this would be in a portfolio situation when the Fund Managers would like to know the total value of properties at a given time they could pick up the information with their PCs from the main-frame. Naturally, should there be any information that you do not wish outside parties to use, a password system can be installed or, alternatively, the information could be stored on the master file within the environment of the Property Division and if you are still worried about access it could be locked on your own PC and then, in turn if absolutely necessary, stored on a floppy disk and locked away.

Sketch drawing of a network layout is enclosed in Appendix F and as you can see, a number of PC terminals are connected to the master file. These terminals are PCs with a hard disk storage. This is useful as spreadsheet operations can be carried out on this PC and stored without the need of using the master server. The system adopted by Group Properties is as per example with the master file being a Novell 286B which can have from 109 megabytes to 2 gigabytes. Master servers can have `dumb' terminals (i.e. no disk storage) but then they become limited in their use, although this would not be the case with mini-computer.

Now moving on to the software packages, all the above systems have the following in common.

A Property Management System that interfaces with an accounting system, this is absolutely necessary for any Property Management System as a Property System on its own becomes a glorified property record card if it is not interfaced with other functions. The Property Management System must be capable of pulling out areas of interest to the Property Manager such as listing all Government Valuations so that a Land Tax Return may be prepared. It will also need to list any of the items which are normally recorded on a property record card such as the person responsible for the property, listing a specific owner's properties, etc. The interface with the accounting system is necessary so that when details of accounts are fed into the Property Management System the account is processed through the accounting system.

Thus in the case of an Insurance Premium, the accounting system identifies the fact that it needs to be paid and prints out a cheque for payment. At the same time it apportions the premium between the tenants and the building if it is a recoverable item then at the end of the month, or quarter, types out an Invoice which is posted to the tenants for payment. One provision for the future could be the ability to pay the account by computer directly to the Insurance Company's account. Thus, the accounting system needs to have the ability to print Invoices, cheques effect payment by direct credit and now identify the GST element.

No computer system is complete without its interface with a word processor and a spreadsheet.

No computer system is complete without its interface with a word processor and a spreadsheet. For investment analysis it is important to be familiar with a spreadsheet because I have found the spreadsheet to be the most useful tool when it comes to budgeting, projecting cash flows and analysing operating expenses.

I will discuss the Symphony Spreadsheet as it is the one I am most familiar with and it has the ability to set out figures in a horizontal and vertical manner. Thus for the sake of budgeting an income, one can list all one's properties and project incomes on a monthly basis for, say, four or five years, to include the next rental review. Naturally, it is not necessary to know the monthly income after, say, 12 months and on a spreadsheet it is quite an easy matter of totalling that year's income so that after the next year, all future incomes appear on an annual basis. I f one had to do such a calculation it just would never be done but armed with such information, it is possible to plan more accurately for the future.

In Appendix G the future income of a Pension Fund is analysed over the next five years and that particular property portfolio shows that in 1986/87 the greater cash flow is generated in Auckland and if the property portfolio remains constant in all sectors, based on today's growth patterns, the situation will reverse in 1990 when Wellington will produce a greater growth pattern. This does not necessarily mean that there is greater growth in Wellington than in Auckland but for this particular portfolio, the location of its Wellington properties are perhaps more central where a greater growth may be experienced in the future than in the Auckland spread of properties. Armed with such information, one can then make value judgements as to where the next investment should be if regional ratios are to be maintained.

Regarding expenses on properties, the computer holds more historical information, consequently historical information from the database can be extracted and placed onto the spreadsheet to analyse a particular property's outgoings over a certain period, in terms of costs for each individual outgoing and again, converting the information into a bar chart one is able to highlight certain aspects of the outgoings. Using this system in Appendix H, the outgoings for a building have been analysed over the past six years in a net Lease situation. Initially, it was believed that net Leasing would load outgoings on top of a base rent and that this type of a Lease arrangement would be better than the traditional Lease where a gross rent was paid. It soon became apparent that a rent had to relate to the market and whether be it a gross Lease or net Lease, the occupancy cost of occupying the property must remain constant. Thus, a net Lease, plus outgoings, must equal the gross rent. This is now common in the marketplace, however, I believe it is erroneous to consider the situation in one point of time (i.e. the year of the rent review) because discrepancies arise.

I would now like to refer to the bar chart and, as can be seen, the rent and outgoings in the first year are identified. The rent remains constant while the outgoings, slightly increase, therefore all things being equal, when the rent was compared to a gross Lease in Year One, it was compatible but the tenant on a net Lease then started to lose as his operating costs increased. This situation was then repeated for the second rent review. Using cost escalations as they have occurred in the past, the next three years show a greater gap as outgoings continue to increase. I therefore believe that when gross and net Leases are compared, inflation for the rent period must be taken into account for either the net Lease is set too high or the gross Lease too low and some compromise needs to be made to even out this discrepancy as the occupancy costs must relate to the marketplace.

Another factor that must be considered at rent review time,

some buildings are more efficient than others and not all Landlord costs are identical

is that some buildings are more efficient than others and that not all Landlord costs are identical as in some instances the air conditioning costs, perhaps those relating to incremental units and fans are placed on tenant meters rather than Landlord meters. The spreadsheet enables more information to be stored and analysed than would normally be possible, hence, Property managers are better informed for their negotiations. Regarding outgoings, I note that Darroch Simpson in their March Magazine, Darroch Aspect, say that it would be in the interests of both owners and Lessees to establish a standard accounting system for building outgoings under the following account headings:

- Rates - including water rates
- Land Tax
- Building Management
- Insurances
- Lift-running costs
- Air conditioning running costs
- Window Cleaning
- Common area - cleaning, lighting
- Repairs and Maintenance (lifts, fire, heating account, building, telephones, security services, rubbish removal and sundries).

I also understand that BOMA are pursuing a similar course of action and it is certainly an area that needs to become more sophisticated in its analysis and record keeping and we, as Property Managers, should be leaders in this area. Not only will Valuers' benefit but also we, as Managers, for in buildings where discrepancies occur these could then warrant further investigation to see whether an area is not running efficiently.

Control systems for plantroom management can not go unmentioned as they play an effective part in reducing the cost of outgoings in a building but there is a danger that these sometimes are only used as a glorified time clock and alarm rather than using the system for effective management. Systems require some 12 months to two years of fine tuning before they can become fully understood by operators and utilised to their full capacity (i.e. to stop/start chillers, relatively to the loads, monitor costs to buildings if the system is run on the central plant). One of the building complexes owned by the Provident Association in Wellington is run by Aircrave Engineering Limited while in Auckland the Queen Street building utilises Honeywell Controls for a similar function.

Summary

The software required by a Property Manager independent of any hardware system should include:

1. Property Management System
2. An Accounting Package
3. A Spreadsheet
4. A Word Processor

Other useful packages may also be added thus for investment work, it would be useful to include the N.Z.I.V. Valpac.

I believe the greatest tool for market analysis and in turn, the best tool for effective financial management and control, is the Spreadsheet.

But like a calculator, computers in investment are an aid, not a cure-all. They aid the investment decision; they do not make it. After all, property investment is an art and not a science. Good Managers therefore understand that, property investment is all about change and anticipating it.

Finally, I would like to thank Margaret Trott for her typing, Leonie Stapler for the computer work and Jenica Holden for editing my notes.

INVESTMENT PERFORMANCE - INSURANCE CO'S

Source:Wyatt Co Investment Survey 3/87

60.00%

50.00%

40.00%

30.00%

20.00%

10.00%

0.00%

1979 1982 1984 1986

FOR PERIOD SINCE:

EQUITY FUNDS PROPERTY FUNDS

FIXED INTEREST FUND GOVT STOCK FUNDS

PORTFOLIO MIX

	PROPERTY		SHARE		FIXED INTEREST		
	1983	1987	1983	1987	1983	1987	1987
AMP (A)	20.00%	17.00%	38.50%	51.90%	41.50%	21.70%	9.40%
CML (C)	41.00%	20.90%	18.00%	52.90%	41.00%	27.90%	-1.70%
NATIOIIAL MUTUAL (M)	19.80%	21.00%	36.70%	51.00%	43.50%	28.00%	
SECTOR AVERAGES	26.93%	19.63%	31.07%	51.93%	42.00%	25.87%	3. 85%
IIATIOII_:L MUTUAL (D)	22.10%	40.60%	16.90%	26.70%	61.00%	32.70%	

SOTJ C COMPANY'S VARIOUS QUARTERLY PORTFOLIO REPORTS

(inOTZ: 1987 FIGURES ARE EXTRACTED FROM DECEMBER 1986 AND MARCH 1987 PUBLICATIONS)

PORTFOLIO MIX

SOURCE: Co Quarterly portfolio Reports

OTHER (3.0%)

PROPERTY (19.0%)

FIXED INTEREST (26.0%)

SHARES (52.0%)

The Wyatt Company (N.Z.) Limited
Investment Performance Survey
Appendix C
Investment Manager Sector Splits

In the table below we show for five life office managers and four non-life office managers, the `sector split' of the assets under their management.

For the life office managers, the figures relate to the life office's discretionary unit.

For the non-life office managers, the figures are in respect of the manager's total superannuation plan assets under discretionary management.

Investment Manager	Equities NZ	Equities Overseas	Property	Fixed Interest	Short Term
	(%)	(%)	(%)	(%)	($)
Life Offices					
AMP	49	8	17	24	2
CML	39	10	25	24	2
GLO	8	3	11	71	7
NMLA	33	18	21	28	t
Norwich	53	15		27	5
Non-Life Offices					
BNZ	32	2	10	42	14
Leadenhall	18	28	28	13	13
Southpac	25	10	11	45	9
Mildenhall	22	18	34	1.7	9

* National Mutual's short term assets are included in its other funds.

The Wyatt Company (N.Z.) Limited
Investment Performance Survey
Appendix B
Life Office Sector Unit Yields

The yields achieved by AMP, CML and NMLA on their equity, property, fixed interest and government stock units are detailed below. The figures quoted are average yields for various periods ended 31 March 1987.

(a) Equity Funds

Equivalent Annual Yields for the Period Since

	1.4.79	1.4.82	1.4.84	1. 4.86
AMP	41.6%	48.3%	49. 3%	51.9%
1.MLA	40.41.	46.9%	44. 8%	56.3%
CML				64.3%

(b) Property Funds

Equivalent Annual Yields for the Period Since

	1.4.79	1.4.82	1.4.84	1.4.86
AMP	20.0%	22.8%	27.0%	40.6%
NMLA	20.7%	25.0%	26.3€	33.4%
CML				37.8%
Westpac		23.1%	25.2%	27.2%
Leadenhall		26.2%	22.2%	35.1

(c) Fixed Interest Funds

Ecuivalent Annual Yields for the Period Since

	1.4.79	1.4.82	1.4.84	1.4.86
A.MP	14.9%	17.7%	14.8%	20.3%
NMLA	15.9%	18.7%	15.4%	21.2%
CML	included in government stock.			

(d) Government Stock Funds

Ecuivalent Annual Yields for the Period Since

	1.4.79	1.4.82	1.4.£4	1.4.56
AMP	1=.2%	14.9%	12.Q`	17.6`
i1'. __,	1=.53	15.6%	12.6%	2.53
CML.				23 .31'

The WYATT Company (NZ) Limited

Investment Performance Survey

Upper Quertke

Lower QuerU$s

Annual Yield

701

Your Fund's Annual Yield for the Six Years to
31st March 1907 compared with the
Upper and Lower Quartile Performance.

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40

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Jun Sep Dec Liar Jun Sop Doe liar Jun Lap Doc Liar Jun Sop Dec Liar Jun Sop Doc Mar Jan 9cp Doe Liar

1981 1902 1903 1004 19115 1CCB 1CC7

Annual *for* the Qacrtor enfh'

ASFONZ Investment Performance Survey Yields

Fund No.

Year		Number of Funds	Upper Quartile	Median	Lower Quartile
	Equity				
1980		29	31.29	22.63	16.02
1981		36	62.12	51.23	38.00
1982		26	11.91	1.75	-6.04
1983		26	30.77	19.39	13.68
1984		26	104.27	84.90	56.22
1985		29	44.78	25.45	19.64
1986		19	86.84	63.70	32.67
	Public				
1980		34	9.71	5.23	2.03
1981		41	16.12	12.64	9.76
1982		32	14.12	12.21	10.87
1983		33	13.58	11.58	10.45
1984		31	23.79	18.80	13.88
1985		32	10.72	5.26	0.33
1986		23	21.18	16.80	11.76
	Fixed				
1980		34	12.32	9.92	7.50
1981		41	16.32	14.75	13.42
1982		31	19.24	16.60	13.30
1983		34	24.07	18.69	16.27
1984		33	21.49	17.15	14.43
1985		32	18.55	13.56	8.30
1986		23	22.83	19.23	14.20
	Property				
1980		21	12.10	9.49	2.10
1981		27	15.18	11.86	8.62
1922		24	32.64	18.69	14.29
1983		24	31.25	19.65	16.46
1984		25	23.52	19.52	9.59
1985		21	22.02	16.41•	12.59
1966		18	36.15	19.52	8.45
	Total				
1980		38	13.75	11.16	8.41
1981		45	29.29	22.12	15.09
1982		33	18.25	13.57	9.93
1983		35	20.90	16.65	13.68
198		33	93	29.8-	16.05
;CIS		32	n	1 7^	10.67
		27			

The quartile results have been transferred to the graphs on the reverse of this schedule. To assist in your appreciation of the results, we suggest that you incorporate your fund percentages over the past few years onto the graphs.

-- - UPPER QUARTILE
MEDIAN
LOWER QUART::,E

TOTAL

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80 8 .83 - 84 i5, • 8I6

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FIXED - - ; :: : --PROPERTY'.. '

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COMPANY	(MARKET PRICE @31/10/86 (5)	MARKET PRICE(@30/4/87 Cs)	MARKET PRICE @29/9/87 ($)	(GROSS RETURN @27/3/87 (%)
ACADIA	1.00	0.72	1.01	
ADVANTAGE	0.25	0.19	0.14	
ALLIED PRP		1 12		
AMURI CORP		0.72	0.70	
ARAHI	1.40	0.75	0.55	61.89
ARECO	0.26	0.25	0.19	
ARGUS	4.80	3.12	2.75	
A B, PROPS		080		
AURORA	5.70	3.20	4.10	150.12
BAKER	3.75	2.00		
CHASE	7.90	4.07	4.86	43.77
CITY REALTIES		0.66		
COM SECS	3.20	2.70	2.40	207.89
CRUISE CORP		0.60		
GEN PROP	2 65	1 47	145	42 60
HARCbURTS		0.65	0.67	
HOBSON	1.65	0.58	0.45	26.91
HOTELCORP		0 34	0 20	
JAMES SMITH	5.55	5.50	7.25	148.76
LAKELAND	0.90	1.05	0.52	54.54
LANDMARK	2.05	1.19	1.38	81.63
MAINSTAY	1.06	0.90	0.65	24.64
MAINZ PROP	1.25	1.20	1.40	
MARKHAM		1.40	1.50	
MAYFAIR		3 55	2 55	
PAC METRO		0.48		
PAYNTER		3.25	3.15	
PRIME WEST	0.34	0.16	0.13	
PRORADA		0.42	0.54	
RAINBOW CORP	3.80	1.20	2.92	103.01
RENOUF PROP	3.10	1.45	2.70	-23.47
ROBT JONES	11.65	1.98	2.91	186.49
SMART GROUP	3.45	2.00	2.18	81.44
ST MARTINS		0.62	0.58	
TERRACE	1.40	1.25		
WELLESLEY	4.14	2.30	2.72	

PROPERTY COMPANIES - SHARE PERFORMANCE

(SourceL O'Connor Grieve & Co)

0

OCT '86 NOV DEC JAN '87 FEB MAR APR MAY JUN JUL AUG SEP

MONTHS

C. Pool Sizes and Structure

Pool Composition by Property Sector

As At 3.1 December 1986 ($ million)

	AMP		CML		N I1LA		W IM	
	$		$		$		$	
Office	248	(66%)	24.7	(57%)	138.6	(56%)	77.1	(58%)
Retail	53	(14%)	0.9	(2%)	47.0	(19%)		
Industrial	41	(11%)	15.5	(36%)	42.1	(17%)	13.3	(10%)
Other	34	(9%)	1.1	(3%)	19.8	(8%)		
Liquid Assets			0.8	(2%)			42.6	(32%)
Total	$375	(100%)	$43.0	(100%)	$247.5	(100%)	$133.0	(100%)

The greatest weighting of the pools is in the office sector which, given the buoyant conditions of this sector, has served pool performances well.

Pool Composition by Geographic Distribution

As At 31 December 1986 ($ million)

	AMP		+ CML		NMLA		WIM	
	$				$		$	
Auckland	240	(64%)			133.7	(54%)	35.6	(39%)
Wellington	120	(32%)	1		76.7	(31%)	55.0	(61%)
Christ-church	8	(2%)			*37.1	(15%)	0.1	(0.1%)
Other	8	(2%)	X					
Total	$375	(100%)	$43.0	(100%)	$247.5	(100%)	90.7	(100%)

\+ CML does not provide a geographic breakdown of their holdings by dollar value. However their property pool includes properties in each of the areas indicated with a tick mark.

* Three properties not in Christchurch are included in this breakdown.

As expected the major emphasis of the property pools is in the Auckland and FWell.inaton regions. These two regions have continued to experience high demand in office space.

NOTICE TO MEMBERS

ADVICE OF AGM 1988:- The Annual General Meeting of the N.Z. Institute of Valuers will be held at the QUALITY INN, Willis Street, Wellington on MONDAY 2nd MAY 1988 at 5.00 p.m. A formal notice to members will be posted in the New Year.

FORMATION OF COMPANIES:- There has been a good deal of correspondence with this office recently regarding the incorporation of valuing practices and the use of the words `registered valuers'.
Executive at their meeting of 20 November CONFIRMED the position as stated in the December 1986 issue of the Valuers Journal at page 109.

Executive has driected that the following legal opinion be brought to member's attention:
"We are of the opinion that the use of the designation "Registered Valuer(s)" in association with a company or firm name in circumstances when the company or firm is not comprised entirely of registered valuers is prohibited only where the circumstances of the use are such that it is intended to cause, or may reasonably cause, any member of the public to believe that any particular person or persons are registered valuers when in fact they are not. Beyond that, each case will depend on its own facts and we cannot offer any more precise guidance which would be of general application."

PROPERTY PORTFOLIO
GEOGRAPHIC DISTRIBUTION

OTHER (10.0%)

AUCKLAND (40.0%)

PROPERTY PORTFOLIO
COMPOSITION BY USE

OTHER (5.0%)

RETAIL (20.0%)

OFFICE (60.0%)

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1et\Vare Installation Supplement for Gateway G/NET

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Figure 1-8
Sample Gateway G/NET
Network Layout

PROPERTY PORTFOLIO

RENTAL INCOME BY REGION

60.00%

50.00%

40.00%

30.00%

20.00%

10.00%

0.00%

1986/87 1987/88 1988/89 1989/90 1990/91

® AUCKLAND WELLINGTON
® CHRISTCHURCH ® PROVINCIAL

4 STOREY OFFICE BUILDING

WELLINGTON

30

28

26

24

6

4

1982 1983 1984 1985 1986 1987 1988 1989 1990

YEAR END 31 MARCH

® RENTAL OUTGOINGS

MR HAMISH McDONALD APPOINTED VALUER-GENERAL

Mr Hamish McDonald has been appointed Valuer-General, Valuation Department to take effect at the end of February 1988 upon the retirement of Mr Stan Ralston.

As Valuer-General, Mr McDonald is responsible through his department for a number of statutory requirements including the preparation and maintenance of district valuation rolls. Under the banner of Valuation New Zealand, the department also operates a number of commercial activities such as the provision of special valuations and consultancy services. It also markets information about properties and real estate market statistics.

Mr McDonald has been Deputy Valuer-General since 1984 and prior to that, held a number of positions with the department including four years as Chief Valuer. He commenced his Public Service career in the Lands and Survey Department.

In 1986, Mr McDonald was awarded a New Zealand Public Service Senior Sabbatical Fellowship enabling him to attend the Australian Administration Staff College's Advanced Management Programme earlier this year.

Mr McDonald is married with two children and has Diplomas in Agriculture, and in Valuation and Farm Management, both from Lincoln College. He is a Registered Valuer and a Fellow of the New Zealand Institute of Valuers, having held a number of executive positions in the institute.

Publications of the New Zealand Institute of Valuers

Elsewhere in this issue of the N.Z. Valuers' Journal we publish a full list of the publications of the Institute. These are available from the Office of the General Secretary on the basis stated.

We have recently commissioned an update to the publication "Land Compensation" by Squire Speedy. This update, in the form of two "gum-in" pages incorporates Amendment No.2 (1987) to the Public Works Act. This brings Squire's textbook completely up-to-date and is recommended to all practitioners.

Other texts which are immediately available include "Financial Appraisal" and the three very popular Whipple texts "Commercial Rent Reviews, Law and Valuation Practice", "Accounting for Property Development", and "Real Estate Valuation Reports & Appraisals."

We now have available a limited number of sets of the International Assets Valuation Standards Committee publications "Guidance Notes with Background Papers for the Valuation of Fixed Assets for Financial Statements." These are available at $62.55 packing & Postage and G.S.T. inclusive.

We also draw members' attention to the publication "Leasing and Alternative Forms of Land Tenure" the comprehensive record of the 1985 Tauranga Seminar covering Leasing, Motels, Maori Land Leases and Horticultural Syndication and Share Farming.

Arbitration
The Tender Trap

By James Green

James Green J.P., EC.I. Arb, A.A.A. (International Member of the London Court of Arbitration) holds six Fellowships in Construction and related Institutes in New Zealand, UK U.S.A.

He is a past President of the Institute of Quantity Surveyors and New Zealand Branch of the Chartered Institute of Arbitration (London), being the founder of the Branch and its inaugural President for three years.

James Green received a Todd Foundation Award to study Small Claims Tribunals and Arbitration process in U.K. and U.S.A.

He was appointed Grade I International Arbitrator in 1979 in London and New York.

James has been involved on the Royal Commission on Courts giving submissions on accepted dispute systems outside of the Courts but within the Legal System.

He recently returned from U.S.A. where he studied Arbitration of Domestic Disputes and Private Criminal Matters.

This paper was presented at Waikato University to the Waikato Branch of the New Zealand Institute of Valuers June 1987.

Arbitration has been broadly defined as a hearing before

> "An independent third person agreed to, and appointed by the parties to the dispute for his/her expertise and experience in the area of the dispute who will determine the issues put before them and whose decision will be final and binding upon the parties."

As long ago as 1854 in *Burchell* vs. *March* - the High Court held that:

> "Arbitration as a mode of settling disputes should receive every encouragement from the Courts."

And, 100 years later in Prima *Paint* vs. *Flood and Conkin (1967)* the same court said that it was national policy to encourage Arbitrations and further said:

> "The unmistakenly clear purpose that Arbitration procedure when selected by the parties to a contract be speedy and not subject to delay and obstruction by the Courts."

From the early English times the *Arbitrement* as it was called was to be determined not according to law

> "but according to their opinion and judgement as honest men who act in fairness and equity."

Essentials of Arbitration (British Judicial System)

As there is no `statutory direction' there has been much litigation as to what is and what isn't Arbitration, and who is or isn't an Arbitrator. Much of this has arisen because for as under the present law it appears that an Arbitrator cannot be sued for negligence, want of skill, or breach of a term of a contract both expressed or implied.

Many of the books written on or about Arbitration such as, Russell, Paris, Mustill and Boyer all at least agree that there are seven essential elements to be observed when considering an adjudication for a third party.

1. There must be a dispute or difference.
2. The dispute or difference must be `justiciable' that is to say that the only valid Arbitration Award is that which is capable of enforcement by the Courts.
3. The parties in dispute must agree not by `coercion or compulsion at law' but of their own accord, to submit their dispute to a third party.
4. The agreement to submit to Arbitration must be a binding contractual obligation.
5. It must provide for the settlement of the dispute or difference by a third person chosen by themselves or by somebody they have agreed they should appoint the third party.
6. There must be a formal reference of the dispute to the Arbitrator.
7. That third party expressly or impliedly be required to decide according to law.

In the case of Orion Compania Espanola vs. Belford Maatschappij (1962) 2 Lloyds Reports 257 the dispute clause provided that the Arbitrators were to be:

> "relieved from all `judicial formalities' and might abstain from following the strict rule of law. They shall settle any dispute under this agreement according to equitable rather than strictly legal interpretation of its terms."

It was held that Arbitrators had to apply a fixed and recognisable system of law.

The Arbitrator therefore must decide according to English Law - but what law?

Four things must be distinguished:

1. The `proper' law of the Contract which is usually the law to be applied by the Arbitrator.
2. The law of the place where the contract is to be performed as for example Statutory Regulations which are applicable.
3. The law in which the parties have expressly agreed should be applied in the Arbitration.
4. The law of the place where the Arbitration is to be held.

In *James Miller and Partners Lid* vs. *Whitworth Street Estates Ltd 1 All E.R. 796 (1970) a* Scottish building company carried out work on an English company's Scottish factory - a dispute arose and a Scottish Arbitrator was appointed - he used Scottish procedure which was in conflict with English procedure the matter was referred to the Courts and their decision was that Scottish Law should prevail.

Dicey and Morris in their 1968 Edition Conflict of Laws say at page 1048:

> "Where the parties have failed to choose the law governing the Arbitration proceedings those proceedings must be considered `prima facia' as being governed by the law of the country in which the Arbitration is held."

The Arbitration Clause

What is a suitable Arbitration clause?

Parties who agree to have their disputes arbitrated do not, as business persons, want them ventilated in the Courts, in public, and subject their business affairs to scrutiny, and be exposed to the eyes of their competitors. In my experience business persons require *a commercial decision* and *not a legal one*, they want a quick low cost answer to their dispute, usually by persons having the expertise in the area of the dispute.

The Appointment

Who can be the Arbitrator?

Anybody who the parties agree can be an Arbitrator and they are not required to have qualifications, training, or even be of full age.

Bacons Abridgement (1610) says:

"Every person must use his own discretion in the choice of his Judges, and being at liberty to choose who they like best, cannot afterwards object to the want of honesty or understanding to them, or that they have not done him justice."

It is not infrequent to find that the parties have agreed that the Arbitrator should possess certain qualifications. If the Arbitrator does not possess them, his appointment is a nullity, and any Award he/she may make will have no effect. The same principles apply to the possession of qualifications are equally applicable to express a `disqualification' - e.g. that the Arbitrator `shall not be a lawyer'.

Pando Compania Navena vs. *Filmo (1975)* where 'Commercial Men' were nominated, Commercial Lawyers were excluded - however a retired solicitor who was a full-time Maritime Arbitrator was a 'Commercial Man'. The Court has no discretion to allow an Award given by a disqualified person to stand. Other possible disqualifications would be:

1. *An interest* in the subject matter to be decided such as to prevent the Arbitrator being capable of impartiality.
2. *Bias* against one party.
3. Being *a necessary witness* for one party.

Therefore the Appointment stems from:

(a) Statutory Requirements
(b) Agreement by the parties
(c) The contract requirements under an Arbitration Clause
(d) By the Courts (sec. 6la and 62a) District Court Rules Special Referees - Rule 118 Code of Civil Procedure.

There has been much said about Arbitrators who deal with two Arbitrations concerning related references - especially in Construction Contracts involving the `Main Contractor and Sub Contractors' - just the same as `Head Leases and Sub Leases'.

There is no power for the Courts to intervene in this instance - it has no mandate to attach conditions to the appointment of an Arbitrator or direct the Arbitrator how he should conduct the Arbitration.

Abu Dhabi Gas vs. *Eastern Bechtel Corporation (1982)* Lord Denning giving his reasons said that this course was highly desirable to avoid inconsistent findings.

In order to be validly appointed four essential essential elements must be considered.

1. The Arbitrator must be told, of his appointment *Tradex Export S.A. vs. volkswagenwerk A.G. (1970)*
2. It is necessary to inform the other side.
3. It becomes necessary that the Arbitrator is willing to act and have intimated his willingness to accept an appointment.
4. It is necessary to tell the appointee him/herself. That is obvious because they have to start acting at once.

Therefore the use of an Arbitrator can be:

To a single Arbitrator.

To two Arbitrators, who before entering on to the Reference appoint an Umpire who takes no part in the deliberations unless the Arbitrators disagree and then he enters or. to the Reference. The Arbitrators then become `functus officio', however it is common for them to act as advocates for each of their respective parties.

To three Arbitrators - one who becomes an Umpire under the Act. However, unless a contrary intention is expressed in the agreement, where there are three Arbitrators the Award of any two will be binding.

Conducting the Arbitration

It becomes worth noting that in 1982 Awards made by Three Past Presidents of The Chartered Institute of Arbitrators were set aside for disregarding the basic principles on which Arbitrators should proceed, the three Arbitrators were removed for `misconduct'. The decision from the English Court of Appeal turned on the following points.

1. The Arbitrator should only use his skill and knowledge if it were a `Quality Arbitration' e.g. poor materials, bad workmanship, etc.
2. That he makes a decision on the evidence put before him and on nothing else unless the Reference says otherwise.
3. There was a breach of natural justice.

In *Fisher and Others* vs. *P.G. Welfare Ltd (1981)* an Arbitrator appointed for his expertise was concerned with a dispute over a block of flats where defects were alleged. By the time the hearing took place four years later the builder had gone into liquidation and was no longer represented. This did not concern the claimants as any Award would be honoured by the National House Building Council.

The hearings took place `ex parte' and in the absence of the respondents or any representatives.

An action was taken in the High Court to have the Arbitrator removed for misconduct - the Award was set aside.

Mr Justice Ackner said:

"An Arbitrator when dealing with the facts need not accept `in toto' the evidence of either side. Moreover where he is chosen for his own expertise he may rely upon that. However he was sitting as *a legal arbitrator* and not as a *lay expert."*

A breach of `natural justice' had been established as it is of the very essence of a fair hearing that the parties should have an adequate opportunity of dealing with any criticism of their claim or defence whether the source of that criticism comes from the opposing party or the tribunal who makes the decision.

On appeal Lord Denning said:

"There are some arbitrations in which the Arbitrator is expected to act on his own knowledge and form his own opinion without recourse to evidence such as an Arbitrator deciding whether goods are up to sample.

In others Arbitrators are expected to receive evidence and the submissions of advocates and be guided by them in reaching their conclusions.

In such cases the Arbitrator is often chosen for his knowledge of the trade or profession so he can follow the evidence and submissions - but he must act Judicially."

Although often Arbitrators are given an `unfettered discretion' as to the procedure they choose it must be a Judicial Discretion - that is according to the law.

When considering the basic principle behind Arbitration - a speedy and cheap way of settling disputes, why is it that many Arbitrators are all too willing to follow the procedures of the Courts. Lawyers are firmly convinced that the English legal system is faultless. The reality however is that the Civil and Criminal procedures of the English Courts can not only conceal the truth, but also deny justice - and the following views bear this out.

1. The English adversary system may result in both sides suppressing facts which are perhaps for different reasons inconvenient.
2. The Judge is not allowed to call evidence even if he knows it exists, and which could be decisive of the issues, if the parties themselves do not call it.
3. Complex procedure of the Courts prevents any lay person from conducting his own litigation. It increases enormously the costs, being full of illogical inconsistencies, such as the rule that, "if something is not denied it is admitted". In view of the fact that it is said that it is always for the plaintiff to prove his claim - this is an unjustified and barbaric denial of justice.
4. Written pleadings must only contain allegations of fact.
5. To limit evidence to that which is admissible in a Court of Law is to exclude very often the most relevant. English law of evidence is a hotch porch of inconsistencies.
6. There are other defects in the legal system, but the most fatal flaw is the concept that there must be an oral hearing to which Judges must come with their minds like a clean slate - and until addressed by Council have no knowledge of the facts and law, and entirely dependent upon what is adduced before them.

This, to start with, in my view, is a spurious assumption.

Quite often the Arbitrator has a clear and concise view of the facts and often can spot an omission of a critical fact. If the Arbitrator brings out this new topic in his final question to the witness he must, in my view, invite the parties to re-examine on this head - even if granting a short adjournment is necessary.

In *Enoch and Zaretsky* vs. *Bock and Co. (1910)* Lord Justice Farwell said:

"If an Umpire knows of a witness who can give evidence he should inform both parties and invite them to do so - the conduct of the Umpire in calling a witness, examining him, and having his evidence admitted is *legal misconduct."*

The Award

For an Award to be valid it must do the following:

1. *Settle all matters submitted* in the Arbitration *AND NO MORE.*
2. *The Award must be certain* performance by a party must be made clear.
3. *The Award must be consistent.* In a claim for damages on fraudulent misrepresentation the Arbitrator acquitted the respondent of all fraud - but ordered him to pay damages.
4. *The Award must be in conformity with the submission.* I f there are specific instructions as how the Award is to be made - they must be followed - Award invalid.
5. *The Award must befinal.* An interim Award may be made at any-time provided it expressly professes to be one.

Common practice is to divide the Award into two parts:
The Recitals (but brief)
The Award

Speaking and Non Speaking Awards

Non Speaking Awards do not give the Arbitrators' reasons.

Speaking Awards give reasons, these forming part of the Award - this opens the Award to Challenge as to an error of law on the *fact of the Award.*

Reasons may be given as a separate document - but not forming part of the Award.

Because of interference by the Courts in Arbitration Awards it is the practice not to give reasons.

The Lord Chancellor Lord Mansfield (1705-1793) once wrote:

Consider what you think justice requires and decide accordingly - but never give your reasons - for your judgement will probably be right but your reasons will certainly be wrong.

Some Arbitrators feel that giving reasons are a difficult and technical exercise - this is quite wrong - nothing technical and above all legalistic is required. For all you simply say is:

"I award the claimant $500.00 because I didn't believe the respondent" - that's all.

London Arbitrations
or Arbitration in London `the usual way'

1. Each party appoints an Arbitrator who is not a lawyer.
2. The parties send their files to the Arbitrator they have appointed.
3. Two Arbitrators meet and discuss the issues, claims and counterclaims in the absence of the parties - if they agree they make a joint Award.
4. If they disagree, they appoint an Umpire and they become advocates for the party who appointed them. Normally no evidence is called, there is no cross examination - the advocates when they withdraw leave the paper with the Umpire.

This procedure I feel is one which valuers tend to follow - however it must be specifically stated that the London Arbitration procedure will be followed otherwise the Arbitrators are left open to charges of technical misconduct and a `breach of natural justice'.

In conclusion I would say this to you.

Take a tip from an old campaigner.

There are no easy Arbitrations, all must be treated on their individual complexity.

1. Be certain that you have been properly appointed.
2. Ensure that every notice, letter, etc. gets to the person it is sent to - you need proof of service.
3. If in doubt about anything, hold a preliminary meeting between the parties.
4. Hold the reigns tightly - drive your own cart your way, providing always you stick to the rule of natural justice.
5. Be bold and courageous - strict to fairness, justice and equity.
6. Always hear the other side - do not view work or premises with one party only.
7. Remember you are there because of your special expertise and to act in the best interest and convenience of the parties.

Always remember that at bottom, ours is a society built on individualism, competition and success. These values bring great personal freedom and mobilise powerful energies. At the same time they arouse great temptations to shoulder one's competitors aside, to cut corners, to ignore the interests of others in the struggle to succeed.

In such a world, much responsibility rests on those who Umpire the contest.

Immunity of the Arbitration

The judgement in *Avenson* vs. *Casson, Beckman, Rutley and Co. (1975) 3 All E.R. 901* did two things:

(a) The immunity of the Arbitrator properly appointed has not been varied.
(b) The position of the `Quasi Arbitrator' now is altered as he assumes the role of an assessor, valuer, or certifier.

Sutcliffe and Thakrah (1974) A.C. 727
An assessor, valuer, certifier makes a decision using his skill and expertise to prevent a dispute happening.

A properly appointed Arbitrator is appointed after the dispute has happened, and must make a decision on the evidence before him - he must act Judicially.

However what happens when the Arbitrators act as advocates in front of an Umpire - being `functus officio' do they now lose their judicial immunity? Is there immunity as an advocate?

The advocates position has been decided in:

Ronde! vs. *Worsley (1969) A.C. 191*

Although *Rondel and Worsley* was concerned about a negligent action against a barrister, the House of Lords had in mind advocates other than barristers.

And although dealing with litigation and not Arbitration the (ratio de cendendi) of the case is surely sufficient to cover the position of an Arbitrator acting as an advocate. Lord Reid in his judgement said:

> "It is in the public interest that barristers and advocates should be protected against such actions."

If this is correct, one difficulty is whether or not the immunity extends to all work performed by the arbitrator/advocate, or only part of the work.

For example, it is sometimes necessary for an arbitrator/advocate to obtain additional evidence before presentation of the case.

While on the one hand the actual presentation is within the advocate's immunity - it becomes arguable whether the immunity extends to cover negligence in obtaining the additional evidence.

Therefore there may be a risk to an arbitrator/advocate in respect of work performed by him before presenting the case, unless he excluded liability for negligence by way of an appropriately worded disclaimer when he changes from Arbitrator to Advocate.

Agriculture - Beyond the Pain
The Future and Future Prospects

By Neil W. Taylor

Neil TaylorMAg.Sc., FN.ZS.FM is a Director of the New Zealand Meat and Wool Boards' Economic Service.

He was educated at Waitaki Boys High School, Canterbury University and Lincoln College, from which he graduated M.Agr. Sc. and is a Past President and Fellow of the New Zealand Institute of Agriculture Science.

Neil is a Fellow of New Zealand Society of Farm Management and member of its Registration Board. In addition he is a member and Deputy Chairman of Lincoln College Council.

In his job Neil is primarily responsible for much of the physical and financial forecasting work of the two producer boards.

He has addressed farming industry and agricultural economics conferences both in New Zealand and overseas.

The following paper was presented as an address to the Waikato Branch of the New Zealand Institute of Valuers Conference 25th June 1987.

As the quotation reads, you either `forget the future, or forget the past'. I suggest we forget the future at our peril. Too much time is spent in analysing the past, and while it can be a guide to assist us in our future planning, we spend too little time looking beyond the short-term. In fact the events of the present tend to overly dominate our thinking, yet what we do know for certain is that the future won't be like the present. It is therefore very timely and indeed appropriate that we look beyond the present, and the pain currently being experienced, and to the future.

> *the events of the past three years have internationalised New Zealand to a degree not yet full appreciated.*

It is most important now and again, to stand back from our day to day activities and reassess where we and the industry are heading, both in terms of the agricultural sector within New Zealand, and New Zealand and its agricultural industry in the world scene. This latter point is critical, for the events of the past three years have internationalised New Zealand to a degree not yet fully appreciated. This has to have a major influence on where we in agriculture and New Zealand as a country, go in the future. We have `joined the world' and are no longer a shielded and protected island in the South Pacific. Thus New Zealand agriculture in the future will be influenced to a large degree by economic and trade policies throughout the world, and especially our trading partners, as much or more than it will by our own internal policies.

What we have to do then is assess world trends, many of which we can have little influence on, and concentrate on those areas in which we have some influence, most of which by definition will be internal in nature.

In this paper I will address both the international factors that will cause an end to the pain, as well as the main internal issues which need to be addressed.

Let's attempt to put the New Zealand farming industry in perspective. In the period post-World War II New Zealand exported large volumes of mainly unprocessed pastoral products to markets largely in Europe. We filled shortages in their local production, and this happy situation remained so until the impact of the Common Agricultural Policy (CAP) within Europe started to have its influence. The CAP, drawn up in a time of food shortage and aiming at self sufficiency, which over time and in changing circumstances has resulted in massive over production of agriculture products in Europe. It is now increasingly seen as outdated. Not only outdated but costly, absorbing almost 60% of the European Community (EC) budget. This move towards self sufficiency has been serious for New Zealand. When the United Kingdom joined the EC and adopted the CAP in 1973 it was 70% self sufficient in beef and veal. In 1984 it was 101%. For sheep meats it rose from 49% self sufficiency to 78% by 1986, and is still rising as restraints placed on dairy and grain production have stimulated livestock production. (Last year United Kingdom sheep numbers grew by over 3%).

Our traditional export products have come under pressure not only in our main markets but in third country markets too as we compete with dumped EC surplus production. Recent studies of the cost of the protection of the EC agricultural industries, in terms of income foregone by New Zealand farmers, is in the range of $40,000 to $50,000 per farmer per annum. This is a major cost and one which has had a large bearing on our industry profitability. What will change this? Obviously changes in attitude towards this policy by politicians, finance ministers and agricultural ministers in the EC are necessary. The absurdity of producing food stock piles which can only be disposed of on world markets at give-away prices with enormous subsidisation is becoming increasingly appreciated, and promising changes are already taking place.

In addition, though longer-term, is the progress taking place with the GATT negotiations, and the awareness of the need to free up agricultural trade, and remove protectionism in all agricultural producing countries.

Discussions held in Cairns last year, Taupo and Ottawa earlier this year, and recently Venice at the group of seven meeting, and finally at the GATT negotiations in Geneva later this year, are maintaining the pressure in this area. Remember agriculture was not even felt sufficiently important to discuss in the past!!

So the world scene is very important to us. But clearly we can do more than just sit and wait. Eating habits are changing rapidly and we have to change the way we export too. Convenience foods are the order of the day, and in the higher income markets consumption in this type of food is increasing rapidly. For example the U.K. per capita consumption of meat based convenience foods was 0.5 ounces per week in 1970 but by 1986 it had risen to 5.7 ounces, an increase of 1000010. How well do New Zealand exports of frozen lamb carcases fit this trend? (N.B. 1985 77010 of lamb was exported in frozen carcase form). Not at all well I suggest!

Obviously there is an urgent need to move more of our exports into branded differentiated products, ready for the oven. With increasing numbers of consumers owning microwaves there is less and less desire to spend valuable entertainment time in the kitchen preparing the meal based on the family joint. In fact in the U.S.A. today convenience meals have to be capable of being prepared in 20 minutes. But latest studies are showing that the next round will require a preparation time of only five minutes, as increasingly families `gaze' rather than `dine' at home. (This applies especially to the mobile `Dinky's' - double income no kids yuppies!)

If we in New Zealand can increasingly think of our pastoral products as raw materials, rather than end products themselves we have come a long way. The issue is not that we are

The issue is not that we are producing the wrong product, but I suggest we are selling the bulk of it in the wrong form

producing the wrong product, but I suggest we are selling the bulk of it in the wrong form. There is enormous potential here to increase the returns from our pastoral products by recognising that they are the basis of a good product industry and developing them to meet the specific requirements of that industry. We have to add maximum value at minimum cost both on and off shore, in joint ventures and alone.

So *where* we sell, *what* we sell and the *domestic policies* of those countries, are the international issues of the future, and there are some positive signs. If we are prepared to change and adapt to the new international conditions New Zealand agriculture will have a major place in the world markets. But change we must, and rapidly.

On the local scene the domestic inflation rate, absolute, and relative to our trading partners, is clearly the number one problem, currently and certainly in the future. Our future role is in the production of quality low cost agriculturally based products. This will not change dramatically in our life time. But if we continue to run a high inflation rate policy we are `shooting ourselves in the foot' when we could and should be lfeet footed. Likewise the exchange rate should be at an equilibrium level, reflecting our true terms of trade.

Currently there is more land in production, world-wide, than is needed to provide the world with its food and fibre requirements. Land will go *out* of agricultural production across the world, and into amenity, recreation use, or simply reserves, as high technology pushes up per animal, per plant, and per hectare production especially with genetic engineering. There are in fact less people starving in the world today than ever in the past, in spite of the imbalances in world agricultural production and demand.

What this suggests is that the land that will stay in production in the future will be, other things equal, the low cost per unit of output land. This is where New Zealand agriculture currently has an advantage, and so long as we control our costs and continue our technology improvements we should retain this advantage in the future.

But production is only one area. We will I believe be capable of maintaining our competitive edge in production. But we must consolidate this by efficient processing, transport, and marketing. Obviously per unit transport and distribution costs become less important as the product is further processed and made more valuable. But New Zealand is generally a long way from our main markets. New technology in transport of the new generation of products e.g. chilled meat, and extended shelf life, will need to be further developed, while holding or reducing costs. Progress is being made but must be speeded up, for time is against us.

Industry organisation both from an economic and political viewpoint will be increasingly important in the future. Do we have in place structures capable of transmitting true market signals to the producer? I suggest not for many of our products. Similarly does the structure ensure that the shares of the cake are evenly distributed, or is it distributed according to economic muscle? Are the participants taking a long or short-term view? These will be real issues in the future I suggest.

Will foreign ownership of agricultural land become an issue in the future? Do we have a view on this? I suggest we definitely should. Land ownership issues are being discussed more in relation to corporate versus private ownership structures. There is a place for both, and indeed when compared to most other agricultural countries we have a much higher proportion of our land held in freehold title. Historically, and especially in recent years, we have devoted a large proportion of our resources simply to ownership of, rather than production from, our land.

Turning more to the on-farm issues. The industry appears to have lost its way to some extent. Farmers were encouraged to increase production by a range of policies in the recent past. They were compensated for the high costs being imposed on them by protection of secondary industry. More recently they were told that they had over-produced relative to the market. They were encouraged to diversify, yet the real problems I suggest were not in production, but more in processing and marketing.

There is pain out there, of that there is no doubt. But not all farmers are in financial stress, with some 70010 of the total debt in the industry held by 30010 of farmers. Clearly a significant proportion of farmers are in difficulty and do not have a future in the industry, even if inflation and interest rates return to acceptable levels. But what of the remainder? There is, I believe, a need to take a much longer-term view of industry prospects than has been traditional.

Do these farmers stay with sheep, beef and dairy or do they diversify into alternative land uses? I suggest strongly that diversification in production needs to be looked at very carefully before embarking on capital intensive, higher risk

diversification in production needs to be looked at very carefully

alternatives to the more traditional farming activities. In some of the recent ventures, there was little worthwhile or reliable research carried out, especially in relation to marketing of the products of these ventures, particularly as volumes start increasing. There was promotion of the industry aplenty, for short-term gains but the real measure is the long-term sustainability of the industry, based on true product returns, and not capital stock values.

This is not to say that there won't be new ventures. The industry will need to innovate even more, and we don't know yet whether alpacas, llamas, or even deer fibre or plant or embryo multiplication may be a winner in the future. Perhaps the sale of our technical services overseas may be a sizeable agricultural earner. The industry should be flexible, yet not be chasing fashions.

The long-term prospects for beef look sound with U.S. beef numbers at their lowest level for 25 years, and could fall even further. Much of our'export production goes into the fast food industry in the U.S.A. - a growing industry.

With wool, the market spread is wide and with cross-bred supplies not expanding prices should remain firm. This fibre is going into end uses at the top end of the fibre market and so has real market strength. (One of the issues for fine wool producers however is the rapid growth in Australian sheep numbers - now at 156 million (130 million in 1978) and likely to grow higher as their farmers move out of wheat).

For lamb the short- to medium-term prospects are not bright with increasing supplies in the U.K. and severe competition from white meats in virtually all our markets. The potential for improvement through further processing with this product, which as a raw material is of high quality, and being recognised as an acceptable alternative source of protein for the health conscious consumer is enormous. This is where the greatest scope for diversification remains - in our main industry, using that raw material in a wider and more diverse manner, selling more consumer-ready premium priced products to a wider range of markets. But time is against us, and there is real urgency needed in this area. Already wool and pelt returns are exceeding the net carcass value for lamb.

Given that the farming industry of the future will live off market returns it is likely that some of our harder hill country will again revert to its natural cover, as the economics of farming that country become and remain marginal. This is unfortunate but history has a habit of repeating itself, and that country is often high cost per unit of output country.

Probably we will see larger more extensive farms, especially on the hill country with greater emphasis again on lower cost, store stock production, while on the other hand the intensive low-land farms will continue to finish stock efficently and go to other intensive uses e.g. dairying. (The past has seen these different systems become merged). There will need to be a greater degree of specialisation than in the past if improved economic efficiency is to be achieved, and that is crucial.

What this implies is a return to the more traditional systems of the past, albeit more efficiently operated.

We will need to be looking carefully at resource allocation in terms of the physical environment, the financial returns available and the management skills available in the production and marketing activities. Successful agriculturalists `after the pain' will need to be more astute business men with a higher level of business management skills. The industry will be leaner and more businesslike, with `way of life' aspects perhaps not so apparent. Clearly the gap between the `top' group of farmers, and `lower' will widen.

Much is made of the need to follow market signals and be `market-led'. But remember the kiwifruit success - largely production driven, but gaining for itself a significant slice of the fresh fruit market of the world by advertising and promotion. There is a lesson there - we have to and can capitalise on our production advantages of a kind climate, favourable soils and management skills, by good processing distribution and market promotion of consumer ready or service industry ready products. We have many of the basic resources in place - but we need to capitalise on them more efficiently. Changing our on-farm production activities is not necessarily the answer I suggest.

Summary

There are exciting prospects for the industry I believe in the medium- to long-term. The industry must be looking forward to the year 2000, not back to the past. We are in a new era. There is an urgent need to better capitalise on the opportunities which present themselves than we have in the past. New Zealand has internationalised itself and no longer are there ready markets for our products. We have to win them and hold them against world competition. We can do this if we really want to.

With the growing realisation of the huge costs of protection of agricultural producers in other countries, and the likelihood of some rationalisation in this area, New Zealand is well placed to take advantage of the opportunities presented by this most significant change in the international trading environment.

To ensure that there is a future for those that survive the pain of the present, a complete freeing up of the labour market in New Zealand (as well as the financial market) is necessary. It goes without saying that we have, above all, to provide an investment environment which encourages investment in productive activities, with emphasis on production and profit and not capital gain, where inflation is at or below our trading partners' levels and where we have a realistic exchange rate. Given that the farming industry will remain the key industry on which New Zealand will continue to depend for its employment, and foreign exchange earnings, certainly over our life time.

a complete freeing up of the labour market in New Zealand (as well as the financial market) is necessary.

DEPTH TABLES

2. Application

By Munroe L. Graham

The following tables were omitted from the September 1987 issue of *The New Zealand Valuers'Journal* and should be referred to in conjunction with the second *of Mr* M.. L. Graham's articles on Depth Tables.

TAOLE 1

	J10	J15/10	318/10	320/10	J25/10	J30/10	J40/10	350/10	J60/10	J75/10	3100/10	3120/10	3150/10
Depth	2D D+S	50 20+3S	14D 50+9S	3D F+ 2s	7D 2D+5S	4D 5.3S	50 DNS	60 D+-5s	7D D+65	17D 20+155	11D D+10S	13D D+12S	160 D+1SS
m	t	t	%	t	t	t	t	t	t	t	t	t	t
0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	67	63	61	60	58	57	56	55	54	53	52	52	52
10	100	100	100	100	100	100	100	100	100	100	100	100	100
15	120	125	127	129	131	133	136	138	140	142	143	144	145
20	133	143	147	150	156	160	167	171	175	179	183	186	188
25	143	156	163	167	175	182	192	200	206	213	220	224	229
30	150	167	175	180	191	200	214	225	233	243	254	260	267
35	156	175	185	191	204	215	233	247	258	270	285	294	303
40	160	182	193	200	215	229	250	267	280	296	314	325	337
45	164	188	200	208	225	240	265	284	300	319 4	341	355	369
50	167	192	206	214	233	250	278	300	318	340	367	382	400
55	169	196	211	220	241	259	289	314	335	360	390	409	429
60	171	200	215	225	247	267	300	327	350	378	413	433	457
70	175	206	223	233	258	280	318	350	377	410	453	479	509
80	178	211	229	240	267	291	330	369	400	439	489	520	557
90	180	214	233	245	274	300	346	386	420	464	521	557	600
100	182	217	237	250	280	308	357	400	438	486	550	591	640

TABLE 2

RETAIL TABLES

LONDON 10 m

D.5

S.5

AUCKLAND 10 m

4D

D + 3S

Depth m	Factor %	Zone %	Factor %	Zone %
1	32		1.3	
2	45		25	
3	55		36	
4	63		47	
5	71	100%	57	100%
6	77		67	
7	84		76	
8	89		84	
9	95		92	
10	100		100	
11	105		107	
12	110		114	
13	114		121	
14	118		127	
15	122	41%	133	60%
16	126		139	
17	130		145	
18	134		150	
19	138		155	
20	141		160	
21.	145		165	
22	148		169	
23	152		173	
24	155		178	
25	158	32%	182	40%
26	161		186	
27	164		190	
28	167		193	
29	170		1.97	
30	173		200	
40	200	27%	229	29%

Formulas given produce factors which must be multiplied by 100 and rounded-off to give the percentages shown.

TABLE 3

RESIDENTIAL DEPTH TABLE
AUCKLAND

J20/10, AJ/10 m

Formula : $\frac{3D}{D + 2S}$

Depth (m)	Factor (o)	Zone (o)
0	0	
5	60	100
10	100	
15	129	50
20	150	
25	167	30
30	180	
35	191	20
40	200	
45	208	14
50	214	
55	220	11
60	225	
65	229	8
70	233	
75	237	7
80	240	
85	243	5
90	245	
95	248	5
100	250	

INDUSTRIAL DEPTH TABLE
AUCKLAND

J100/10 m

Formula $\frac{11D}{D + 10S}$

Depth ((n)	Factor (0)	Zone (o)
0	0	
5	52	100
10	100	
15	143	83
20	183	
25	220	71
30	254	
35	285	60
40	314	
45	341	53
50	367	
55	390	46
60	413	
65	433	40
70	453	
75	471	36
80	489	
85	505	32
90	521	
95	536	29
100	550	

TABLE 4

AMERICAN RESIDENTIAL DEPTH TABLES

Depth m	A	B	C	D	E	F	G	H	I	J	K	L	H	N	O	P	Q	R	S	T	U
0																					
10	44	57	50	50	48	58	53	50	58	51	45	44	41	37	49	57	53	50	47	43	46
20	18	84	80	79	81	82	79	78	82	78	79	74	73	71	79	81	82	80	81	75	77
30	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
40	111	112	114	112	110	116	118	120	116	118	115	120	119	120	415	111	113	113	112	115	116
50	121	118	125	122	118	129	135	138	126	135	126	134	130	126	124	119	122	126	127	126	128
60	120	123	133	130	125	141	150	155	132	149		144	136	131	127	123	130	133	134	134	140
100	149	132					183	202	214					148	131				154		176

Table 4
This table was developed in conjunction with Table 5 in order to develop a table suitable for the assessment of residential land in the Auckland area, as existing tables used by public institutions and private valuers currently all have serious short-comings. The tables are each headed by a letter from the alphabet which due to lack of space, corresponds with the name of the table in accordance with the following schedule:

A	4321 (4Om std)	K	King
0	Somers 30	L	Janssen
C	Jerrett 30	M	Leenhout
D	McMahon (Pittsburgh)	N	Chicago
E	Lindsay Bernard	0	Illinois
F	London (Harper, Edgar, Reeves)	P	Millwauke
0	Hoffman	Q	St Paul
H	One Third, Two Thirds	R	Newark
I	Hobbs (Muncie)	S	Denver
J	Davies	T	Los Angeles
		U	Cambridge

Tables N to U inclusive as well as some of the other tables are derived from basic originals including Tables A, B. C, F, G and H.

TABLE 5

AUCKLAND SINGLE RESIDENCE DEPTH TABLES

30m STD

Depth m	Somers	London	Jerrett	NZIV	AK1	AK2	AK3	ACC	American	J20/30
10	57	58	50				62		37 - 58	56
20	84	82	80	95	88	78	78		71 - 84	83
30	100	100	100	100	100	100	100	100	100	100
40	112	116	114	108	112	111	106	112	110-120	111
50	118	129	125	118	123	115	114	122	118-138	119
60	123	141	133	124	130	119	119	130	123-155	125

Legal Decisions

CASES RECEIVED

Notice of cases received are given for members' information. They will be printed in The New Zealand Valuers' Journal as space permits and normally in date sequence.

CASES NOTED

Cases `noted' will not normally be published in The New Zealand Valuers' Journal.

Copies of cases `received' and 'noted' may be obtained from the Registrar of the Court under whose jurisdiction the cases were heard. (A charge is normally made for photocopying.)

IN THE HIGH COURT OF NEW ZEALAND
INVERCARGILL REGISTRY

C.P. 96/86

BETWEEN: SHOTOVER MINING LIMITED

Plaintiff

AND

LAURENCE ROBERT AITKEN BROWNLIE

Defendant

Date of Hearing:	15-19 June 1987 Dunedin 6-10 July 1987 Invercargill 13-17 July 1987 Invercargill 7 August 1987 Invercargill
Counsel:	M.H.N.Haggitt) for Plaintiff R. J. M. Sim) T. L. Savage) for Defendant
Date of Judgment:	30th September 1987

RESERVED JUDGMENT OF McGECHAN J.

PROLOGUE

This is a claim for damages under the Contractual Remedies Act 1979, or relief under the Contractual Mistakes Act 1977, by the purchaser of a gold mining licence relating to an area of the Shotover River. The purchaser is disappointed in the volume of mining material available. The vendor is disappointed in that the purchaser has not made two final instalment payments due and seeks to recover those payments by way of counterclaim. Questions both of fact and law arise. While the dispute arises in the context of modern times and laws, and the latest mechanised alluvial gold recovery methods, the issues in the end differ very little from those which must have occupied the minds of the Wardens Courts of Central Otago at a time when this country was still very young. Gold and human nature change very little with the passage of time.

A full copy of the decision is held by The General Secretary. It has not been printed as it runs to 190 pages.

IN THE MAORI APPELLATE COURT OF NEW ZEALAND
TAIRAWHITI DISTRICT

IN THE MATTER of the Maori Affairs Act 1953

AND

IN THE MATTER of an application by KATHLEEN KARARAINA MATO and TE PAEA SAPPHIRE JUNE DODD for a combined partition of NUKUTAURUA 3C3A and NUKUTAURUA 3C3B

AND

IN THE MATTER of an Appeal by the owners of NUKUTAURUA 3C3B other than the applicants against a Provisional Decision of the Maori Land Court given on 20 January 1986

Coram:	Chief Judge E. T. J. Durie (Presiding), Judges K. B. Cull, A. G. McHugh, H. K. Hingston and H. B. Marumaru.
Hearing:	At Gisborne, 19 June 1986.
Mr T. G. Woods:	Counsel for the Appellants, the owners of Nukutaurua 3C3B other than the applicants.
Mr R. A. Barber:	Counsel for the Applicants for the combined partition, Mrs K. K. Mato and Mrs T. P. S. J. Dodd.
Mr GRWebb:	Counsel for the Department of Internal Affairs.

JUDGMENT OF THE MAORI APPELLATE COURT

Delivered at Wellington on 25 June 1987.

The full Appellate Court of the Maori Land Court composed of five judges has recently issued a decision which deals with a matter of considerable importance to the Maori people and local bodies. It relates to the creation of Maori reservations under Section 439 of the Maori Affairs Act 1953 where part only of land in one title is set aside for marae, burial or other special purpose.

The main issue raised in the case is whether the creation of such reserves is to be treated as a subdivision of the land under Section 271 of the Land Government Act 1974 so as to bring into play the provisions of Part XX of that Act. The effect of Part XX amongst other things would be to require the Maori owners to provide for general public use by way, of esplanade reserves, strips of up to 20 metres in depth along the seashore or Lakeshore frontages of the parent block.

In the case under review portion of the land lay between a road running through the block and the sea and the whole of the seaward severance of just under two acres would have been taken for public esplanade reserve. The Maori owners objected to this action. They gave evidence that the sandy seashore severance was of great importance to them - it was a burial ground of important ancestors and this fact was accepted by the lower Court.

The owners wanted to have this piece of land set apart as a private Maori reservation although they were prepared to create a public access way through portion of it to the sea along the route of a long used track.

The Maori Appellate Court decision deals at some length with the provisions of Section 439 of the Maori Affairs Act and traces the interesting history of the law relating to Maori reservations and the close involvement of the Crown in their creation. This review commences with the instruction of the Colonial Office in the first settlement of New Zealand and examines Crown involvement right through to present day procedures.

The Appellate Court also examines the statutory provisions of the Local Government Act 1974 in its application to the creation of Maori reservations.

The finding of the Appellate Court is that the issue of a gazette notice setting apart portion of a block of land as a Maori reservation is a `division' of that land which is caught within the definition of a `subdivision' by Section 271(3) of the Local Government Act 1974. The Court also finds that the Crown acting through the Secretary of Maori Affairs creates the reservation by its gazette notice and for a purpose outside those for which the Crown is liable to provide public reserves under Section 272 of the Local Government Act 1974.

The consequence therefore is that when Maori reservations are created over any part of a block of land where the parent land fronts the sea or a lake, the Maori owners do not have to yield up any land for esplanade purposes.

This decision removes a serious concern for those land owners wishing to reserve part of their lands as they will no longer lose control of any of their land.

It also will serve to clarify the position for local bodies most of whom had adopted a sympathetic attitude to the creation of Section 439 reserves, but have had some doubt as to the interpretation of the statutory provisions.

The decision is useful also for its historical review of Crown involvement in the creation of Maori reserves.

In *LUONI* vs. *MINISTER OF WORKS AND DEVELOPMENT* (Bisson J. and Mr I. W. Lyall, HC, Admin Div. - Hamilton, M 388/85; 9/4/1987), where the frustration of a subdivision of rural land through declaration of a limited access road had resulted in a Tribunal award of $8,300 plus 1007o compound interest (such interest commencing two years after the date of the NRB resolution as to the road), the HC has recalculated the basic loss at $9,000 and awarded 1007o compound interest (rejecting L's claim for inflation adjustment as in *Drower* [1984] 1 NZLR 26) from the date of Gazetting of the NRB resolution. (13 pp)

IN THE MAORI LAND COURT OF NEW ZEALAND
WAIARIKI DISTRICT

IN THE MATTER of an Appeal by RAUKAWA MANAHI or JOHN RAUKAWA GLEESON against an order of the Maori Land Court made on 3 March 1986 under s. 440 of the Maori Affairs Act 1953 vesting the shares of Hinerongonui Shirley Ann Manahi in PUKAHUKIWI KAOKAOROA No. I Sec. 21 in Winnie Ruby Birkholz.

Present:	Judges K. B. Cull (Presiding), R. M. Russell and H. B. Marumaru.
Place:	Auckland
Hearing:	21 October 1986
Decision:	Delivered at Hamilton on 16 April 1987

Appellant in Person
Mr J. Turrall for Hinerongonui Shirley Ann Manahi and Winnie Ruby Birkholz.

IN THE MAORI APPELLATE COURT OF NEW ZEALAND
WAIARIKI DISTRICT

IN THE MATTER of an Appeal by HINEKEHU HONATANA against an Interim decision give on 15 April 1986 on an application for Partition of TORERE 34A

Coram:	Judges K. B. Cull (Presiding), R. M. Russell and H. B. Marumaru
Hearing:	At Rotorua, Tuesday, 14 October 1986
Decision:	Given at Hamilton on 14th April 1987

Mr Ian Peterson for Appellant
Mr G. Meroiti for Respondents

IN THE MAORI APPELLATE COURT OF NEW ZEALAND
WAIARIKI DISTRICT

IN THE MATTER of Section 42 of the Maori Affairs Act 1953

AND

IN THE MATTER of an Appeal by Monica Manaena against an order made by the Chief Judge on 4th April 1986 under Section 452 of the Maori Affairs Act 1953 in respect of succession to HARIATA WHIRIPO in TAREWA EAST No. IA and KAITAO ROTOHOKAHOKA 2Q

Coram:	Judges R. M. Russell (Presiding), A. G. McHugh and H. B. Marumaru.
Hearing:	At Rotorua, 16 October 1986
Decision:	Delivered at Gisborne, 9 April 1987.

IN THE HIGH COURT OF NEW ZEALAND
WHANGAREI REGISTRY

IN THE MATTER of Section 25A of the Valuation of Land Act 1951

AND

IN THE MATTER of objections of valuations by J. P. FOOTE AND COMPANY LIMITED AND OTHERS

BETWEEN: J. P. FOOTE AND COMPANY LIMITED AND OTHERS

Appellants

AND

VALUER-GENERAL

Respondent

Hearing:	31 October, 1 November 1985
Counsel:	J. J. McGrath for Appellants C. J. McGuire for Respondent

IN THE HIGH COURT OF NEW ZEALAND
CHRISTCHURCH REGISTRY

No. M.133/87

IN THE MATTER of Section 12 of the Arbitration Act 1908

BETWEEN: G.U.S. PROPERTIES LIMITED

Plaintiff

AND

GOVERNMENT LIFE INSURANCE CORPORATION

Defendant

Hearing:	1 September 1987
Counsel:	D. H. Hicks and Carolyn M. Risk for Plaintiff M. R. Camp for Defendant
Judgment:	4 September 1987

This case, following on as it does from Dawson-Welsh *and* Jefferies *in the September 1987 issue of the Journal, continues a trend towards legal debate on the specific wording of rent review clauses in various lease contracts. This, the third of such recent cases, will be of special interest to practitoners and probably of even more interest, to those in the legal profession who draft the rent review* clauses. This *may have the effect of seeing future lease contracts being very specific in setting out the intentions of the parties as to the appropriate methods of fixing rentals and hopefully, the legal profession will seek assistance from those who will be required to grapple with those* clauses *at frequent intervals namely, the valuers.*

R. M. McGough

JUDGMENT OF HOLLAND, J.

The plaintiff is the lessee of a shopping mall in Christchurch described as the Merivale Mall and adjoining properties. The defendant is the plaintiff's lessor by virtue of a lease dated 7 September 1982 for a term of 21 years from I May 1980 to 30 April 2001 with a provision for rent review every three years.

In accordance with the terms of the lease the rent review for the three years commencing on 1 May 1983 and the ensuing three years commencing on 1 May 1986 was referred to two arbitrators and an umpire. The arbitrators issued their award on 18 December 1986. They were originally cited as defendants in the proceedings but by consent they were dismissed from the proceedings at an early stage. The plaintiff alleges that the arbitrators have misconducted the arbitration in that they have made an error of law in the award. It seeks an order of the Court setting aside the award and remitting the dispute back to the arbitrators for hearing pursuant to the provisions of the Arbitration Act 1908.

It is common ground between the parties that if the arbitrators have made an error of law as alleged by the plaintiff the error is one in the award itself and also is not an error of law on a question specifically referred to the arbitrators for determination but is an error of law by the arbitrators in the course of determining the question to be decided by them. It is likewise common ground that if an error of law as pleaded is established the award should be set aside and remitted to the arbitrators for reconsideration.

The proceedings before the arbitrators were lengthy involving the hearing of evidence and submissions over seven days in the months of July and October 1986. The award itself comprises only four pages but specifically incorporates the reasons for the award which are contained in an additional 99 pages.

Fortunately the issue before this Court is a narrow one. It involves the interpretation of the rent review clause in the lease which is as follows:

"4. IT IS HEREBY FURTHER MUTUALLY AGREED AND DECLARED as follows:

(a) Three Yearly Rent Reviews: That the respective yearly rentals payable hereunder for each of the successive three (3) yearly periods (computed from the First Revision Date) of the term hereby reserved shall be whichever is the greater of the two amounts following namely:

(i) The amount of the yearly rent payable hereunder at the rate payable immediately prior to the period under review for rent (after including therein any increases in rent that may have been agreed upon by the parties hereto pursuant to the terms of this Lease or by any other arrangement); or

(ii) Ten per cent (1007o) of the market value of the premises (but such market value shall not include any alterations fixtures or fittings paid for and owned by the Lessee) determined as at the commencement of each of the said periods under review. For the purpose of this paragraph the market value of the premises shall be such amount as is agreed upon by the Lessor and the Lessee and in default of such agreement then the market value as determined by valuers by arbitration in the manner provided in Clause 5(f) hereof."

For some years prior to the date of the lease the plaintiff company or associate company had operated a supermarket on part of the site. By a deed dated 18 August 1980 the defendant agreed to erect certain extensions and improvements to the existing shopping centre and upon completion to lease the land together with all buildings and improvements thereon to the plaintiff. The lease is over a block of land which includes the Merivale Mall and other properties. The Mall contains a supermarket which is sublet by the plaintiff to another company in its group of companies and 40 separate specialty shops and four kiosks which are the subjects of subleases or tenancy agreements granted by the plaintiff. The initial rental for the premises was fixed at $390,000 per annum and the lessee was liable for all outgoings.

The issue between the parties is whether when determining the market value of the premises the arbitrators were bound to take into account the existence of the lease for the balance of its term thus preventing the defendant as lessor from obtaining possession of the property and leasing direct to the occupiers of the supermarket, specialty shops, and kiosks, or whether such factor was irrelevant. In general terms the issue was whether the lessor was entitled to what might be described as the head-lessee's mark up in respect of the subletting of the premises. The amounts involved were considerable. More than one valuer was called before the arbitrators on each side but the lessor claimed that the market value of the premises without regard to the lease as at I May 1983 was $8,200,000 and at I May 1986 was $11,900,000. The lessee claimed on the basis of its valuers' evidence allowing for the continuing term of the lease that the market value of the property at 1 May 1983 was $5,400,000 and at 1 May 1986 was $7,900,000.

The question at issue in this Court is solely a matter of the proper construction to be placed on clause 4(a)(ii) in the lease. This was recognised by the arbitrators in the reasons for their award but with respect to them I consider that they, like counsel in the argument before them and this Court, may have placed too much regard on decisions of the Court interpreting similar but not the same words in documents in different circumstances and reported in the law reports. The general principles to be applied in interpreting a deed or a memorandum of lease registered under the Land Transfer Act 1952 are:

1. The words used are to be applied in their ordinary and literal sense unless the document discloses a clear contrary intention or such an application would lead to an absurdity.
2. The document must be construed as a whole.
3. The case of ambiguity consideration may be given to such extrinsic evidence as is admissible for that purpose.

Although when specific words have been held to have a specific meaning by the Courts and that specific meaning has come to be accepted so that contracts and deeds are made on that understanding, the Court will adhere to that recognised construction of those words, nevertheless, the primary function is still to determine what the parties intended by the use of the words. Where documents are prepared by legal advisers and words are used that have a specific meaning then the Court in interpreting the document will readily infer that the parties meant the construction which judicial precedent, followed by frequent use, has applied to the words. There is, however, a danger when construing a document between parties that by placing too much reliance on what has been decided in other and different cases, the true meaning of the parties as expressed by their words will be overlooked.

Both the arbitrators and counsel appear to have placed great reliance on English decisions in the House of Lords, the Court of Appeal and the High Court. Those cases are *Ponsford* vs. *H.M.S. Aerosols Limited* (1978) 2 All E.R. 837, *Thomas Bates and Son Limited* vs. *Wyndham's (Lingerie) Limited* (1981) 1 All E.R. 1077, and *Lear and Anor* vs. *Blizzard* (1983) 3A11 E.R. 662.

Counsel for the plaintiff also referred me to a recent New Zealand High Court decision which was not referred to the arbitrators, namely *Jefferies* vs. R. *C. Dimock Ltd and Giltrap Holdings Limited* (Auckland Registry CL2/87 Judgment 16 June 1987, Barker J.). All of those cases were concerned with the question before the Court or the arbitrators being one requiring the determination of an appropriate rental. In the present case the parties have clearly determined the basis on which the rental is to be assessed and that is a percentage of the market value of the premises. The issue for determination is accordingly not what is the appropriate basis for determining the rental but solely what is the appropriate basis for determining the market value of the premises included in the lease.

There are issues of principle explained in the cases which are of assistance in determining the issue but they by no means are conclusive. The arbitrators in their reasons have considered the three English cases at length and recognised that there was a different result in the *Ponsford* decision as against the result received in the two cases of *Thomas Bates* and *Lear.* At p25 of their reasons they stated:

"We think that Mr Camp's analysis of the rent review clause is the correct one; that a Ponsford approach should be adopted; and that accordingly we should judicially assess the market value of the demised premises at the rent review dates without taking into account the head lease ..."

It may be that this statement does no more than reflect that the arbitrators, having considered these decisions, have reached a conclusion which has a similar result to that in the *Ponsford* case. If for other reasons than merely regarding the *Ponsford* case as being a binding precedent the arbitrators have reached that view then they may not have committed any error of law but the facts in the *Ponsford* case are so far removed from the present facts that it may have been unwise merely to apply the *Ponsford* case to the present lease as a precedent.

If the words selected by the parties in the document are capable of more than one meaning, regard should first be had to the surrounding matrix of facts at the time the document was executed. It does not appear to me that the arbitrators paid much attention to those facts. The arbitrators in their award have not referred in any detail to what those facts were. Counsel for the defendant submitted to me that the arbitrators had heard all the evidence and must be presumed to be aware of the matrix of facts and to have taken them into account. I do not consider it would be proper to make that assumption. The question before this Court is whether the answer reached by the arbitrators to the question which they posed was correct at law. The reasons which they have given do not necessarily accord with the approach which I should have taken. The only evidence before the Court on these proceedings is the lease and the award of the arbitrators with their reasons and appendix. I must consider the matrix of facts as they are shown from those documents to ascertain whether the plaintiff has established an error of law.

The following matters appear to me to be relevant in considering the proper meaning to be given to the words in clause 2(a)(ii) of the lease.

I. The lessor had prior to the lease developed the property in accordance with the deed to which both lessor and lessee were parties and the lease appears to be pursuant to that deed.
2. Although the plaintiff had occupied the premises prior to the lease this was a new lease and not pursuant to any right of renewal or the like in an earlier lease.
3. There is no evidence as to the market value or any value of the premises at the time the lease was negotiated.
4. It would seem from the reasons given by the arbitrators that they had the deed before them but it has not been produced to the Court.
5. The basis of the original and subsequent rentals was determined by the parties without any qualification as to its being fair or reasonable or in accordance with market rentals. It is simply 1007o of the market value of the premises. That may in 1980 have been a reasonable rental but the parties must have contemplated that with fluctuations in interest rates and returns and other investments that percentage could well vary substantially over a 21 year period. It is clearly a provision to give the lessor a predetermined return on its capital investment secure at $390,000 per annum for the 21 years but with the provision that every three years the actual return may be varied upwards in the event of the market value of the premises increasing.

The fifth point just referred to persuades me that the parties intended that the words, `the market value of the premises' should have their ordinary meaning without adding to them the words 'subject to the lease' or `after taking into account the provisions of this lease' or the like. Undoubtedly it would have been in the contemplation of the parties that the plaintiff intended to sublet all or most of the demised premises and at a profit. There is, however, no evidence that that profit was taken into account either way in determining the rental which was fixed for the first term of the lease. I am also influenced to some extent by the fact that the parties specifically deleted from the market value any alterations, fixtures or fittings paid for and owned by the lessee. Had the parties intended the term `market value' to be subject to the provisions of the lease there would not have been such need to make this exception as clearly arose if the term `market value' was to be assessed regardless of the provisions of the lease.

If the parties had intended the market value of the premises to be subject to the provisions of the lease one would have expected them to have said so in the document. Mr Hicks is undoubtedly correct when he asserts that all that the defendant has to sell is the property subject to the lease but I consider that that begs the question. The parties have chosen the term `market value', not `fair value'. The plaintiff's case may well have been difficult to answer if the word `fair' value was used because that would contemplate a value that was fair between the lessor and the lessee in the circumstances which must include the existence of the lease. The use of the word `market' however tends to support the contention that the parties intended the value to be assessed without regard to the particular situation which existed between them because of the lease.

I assume that the valuers in giving evidence have made appropriate deductions for the risk and additional cost to a head lessor in replacing one lessee of substance with up to 44 smaller lessees with varying dates and terms as to their rights to occupy. That would be reflected in the percentage return that an owner would expect on leasing the property. There is a certain element of circularity in this proposition because the parties here have chosen the percentage return on which the rental is to be assessed but the market value of the property must mean the capitalised return which a landlord would expect to receive from the property intended to be leased but not at that time subject to a lease.

I turn now to consider whether there is anything in the authorities to indicate that such an approach and conclusion is contrary to any expression of principle previously expressed by the Courts. Counsel for the plaintiff has referred me to two modern works, namely *Commercial Rent Reviews, Law and Valuation Practice* by Whipple, and *Rent* Reviews *and Variable Rents* (2nd Edition) by Clarke and Adams. I have considered these two works and in particular the passages referred to me by Mr Hicks. In both instances they amount to no more than an analysis of the three English cases earlier referred to. There is nothing else in the two works which assists me.

Mr Hicks further submitted that in the case of an ambiguity a construction against the lessor should be adopted by virtue of the contra proferentem principle. In this respect he referred me to Halsbury 4th Edition Volume 12 paragraph 1472, and Woodfall on Landlord and Tenant 28th Edition Volume I paragraph 1079. I do not doubt that there are circumstances where the contra proferentem principle may be applied against a lessor where as is suggested in Clarke and Adams at p190 the authors say:

> "The phenomenon of the standard form of lease presented by landlord's solicitors to the tenant's solicitors on a `take it or leave it' basis is very common, and it provides an obvious example where the rule should be applied if an ambiguity is shown to exist."

The references in Halsbury and Woodfall relate more to the general proposition that in the case of a lease a covenant will not be construed as giving a lessor the power to derogate from his own grant if the words are fairly capable of another construction.

In the first place I do not consider it necessary to rely on such rules of construction which must be a last resort. I am satisfied as to the meaning of the words without relying on any such rule of construction and I do not consider it appropriate to apply such a rule of construction to persuade the Court away from a conclusion it has already reached. The rules may be appropriate if the Court is left in doubt as to alternative meanings but are not appropriate if the Court has reached a view as to the appropriate meaning. In the second place I do not consider the rules apply in any event. The clause is one relating to the assessment of value of the premises for determining the rent. Whichever construction is adopted it does not amount to a derogation of a lessor's grant. In addition there is no suggestion here of this lease being on a printed form and submitted to the lessee on a `take it or leave it' basis. Undoubtedly it is the lessor's grant but the evidence does not satisfy me that in this particular case it is the lessor's document in such circumstances that the contra proferentem principle should apply.

The *Ponsford* case (supra) resulted in a divided Court. Three of the five law Lords agreed with two of the three Lords Justice of appeal who in turn had allowed an appeal from a decision of the High Court. That demonstrates that the point of law in that case, which has some similarity to the present case, was not a point in respect of which there was a clear and unanimous answer. Nevertheless the facts are materially different. The lease was for 21 years with a rent review after the first seven years and the second seven years. The review provision provided that the rent for the second and third terms was to be the same rent as provided for the first term "or such sum, whichever be the higher, as shall be assessed as a reasonable rent for the demised premises for the appropriate period". That assumption was to be made, failing agreement between the parties, by an independent surveyor. The majority opinions of the House of Lords were very much influenced by the fact that there was no primary provision for the rent to be agreed between the parties which would indicate that the rental was to take into account the peculiar circumstances existing between the lessor and lessee rather than a reasonable rent on the open market. The assessment which was to be made failing agreement was solely a matter of determining what was "a reasonable rent for the demised premises". The majority of the law Lords considered that that phrase simply meant the rent at which the demised premises might reasonably be expected to be let without regard to the peculiar position of the existing lessor and lessee. The facts of the case were that during the first seven year period the premises had been severely damaged by fire and restored by the lessor in accordance with the terms of the lease but substantial further capital improvements had been made at a cost of approximately 32,000 pounds by the lessee. The conclusion of the majority of the House of Lords was that the review clause required the lessee to pay a rental which was a reasonable rental for the demised premises without regard to the fact that included in those demised premises were improvements effected by the lessee and not contributed to financially in any respect by the lessor.

This decision was substantially relied on by the arbitrators in making their award. It certainly is an argument in support of the award and there is nothing in the majority opinions which would support a contrary view. The two minotiry opinions in the House of Lords considered that the word `reasonable' must mean in all the circumstances including the existence of the lease. With respect, there maybe much to be said for the minority opinions, but in so far as their opinions were dependent on the use of the word `reasonable' in the rent review provision they do not assist the plaintiff in this case.

The *Thomas Bates* case (supra) was one where the landlord sought rectification of the lease which was for a term of 14 years at an exclusive rent of 2,350 pounds per annum for the first five years and subject to review every five years thereafter. The rent review clause, however, merely stated that the rent was to be, "such rents as shall have been agreed between the lessor and the lessee". The High Court had ordered rectification of the lease providing that it was the common intention of the parties that in default of agreement the rents payable were to be determined by a single arbitrator to be appointed by the President of the Royal Institution of Chartered Surveyors. The Judge at first instance, however, directed that the rental was to be a market rental. The Court of Appeal upheld the decision in the High Court that rectification should be granted but disagreed with the trial Judge that the appropriate measure was the market rental. The Court distinguished the *Ponsford* case on the basis that the primary method of assessment of the rental was by agreement of the parties and that accordingly that contemplated a rent which would have been reasonable for the particular landlord and the particular tenant to have agreed under the lease having regard to all the circumstances relevant to any negotiations between them of a new rent from the review date. The basis of that decision is essentially that where parties primarily provided that the rental shall be a rental *agreed* between the parties that contemplates taking into account the particular circumstances of the parties. Hence the subsequent provision providing for assessment in the event of failure to agree must be an assessment of what the parties should have agreed had they been reasonable. In the Court of Appeal, counsel for the lessor acknowledged that he could not uphold the decision at first instance that the appropriate measure was the market rent but the Court of Appeal specifically held that that concession was well made.

The situation here is quite different. The primary provision is to determine the market value of the premises. In the event of the failure of the parties to agree on the market value of the premises then the arbitrators are to fix that market value but there is no provision that the market value primarily shall be the market value agreed between the landlord and the lessee. The case is distinguishable from the present primarily on the ground just stated, but also on the ground that what was required to be assessed after rectification of the lease was granted was the rental and not the market value of the premises.

In *Lear's* case the issue involved the exercise of an option to *renew* a lease at the expiration of the original term "at a rent to be agreed between the parties ... or in default of agreement at a rent to be determined by a single arbitrator". For similar reasons that case is distinguishable from the present facts.

Likewise the recent decision of Barker J. in *Jefferies* (supra) is also distinguishable. That case involved a lease for 21 years with a rent review clause every three years. The review clause provided "the rental fixed at each review shall be such rental as is agreed upon by the landlord and the tenant and if they cannot agree, to be determined by arbitration ...". Not surprisingly Barker J. applied the reasoning of the English Court of Appeal in *Thomas Bates* and *Lear* but for the same reasons as those two cases are distinguishable from the present so is the decision in *Jefferies.*

I have not referred to the argument that the lease itself defines the term "the premises" as being "the said land together with all buildings and improvements thereon". The term "the said land" is clearly the land leased by the lessor to the lessee and described in the schedule to the lease. It could be submitted that on a literal application of the definition of the word "the premises" in clause 4(a)(ii) of the lease the earlier definition of those words excludes the possibility of them being subject to the lease. I am not at all sure that Mr Camp actually advanced this submission, but in any event I consider that such a submission begs the question which is really to determine what the parties meant as the basis on which the market value of the premises was to be assessed rather than what were the premises themselves.

Mr Hicks submitted that the words "for the purpose of this paragraph" in the last sentence of clause 4(a)(ii) indicated that the market value was to be such amount as is agreed upon by the lessor and the lessee and that accordingly the peculiar circumstances of the lessor and the lessee should be taken into account in considering what was meant by market value. I do not accept this submission. The sentence means no more than that for the purposes of that paragraph the parties could agree as to the market value and in that event the basis on which they agreed would not be material, but the sentence goes on to provide that in default of such agreement the value shall be determined by arbitration and that must mean "the market value of the premises as stated at the commencement of the paragraph but excluding lessee's fixtures and fittings".

Mr Hicks further submitted that the commercial purpose underlying clause 4(a)(ii) was to assess a new rent for each review period having regard to changes in the relevant circumstances at the beginning of each such period and that at no stage had the parties contemplated that the lease would be surrendered, or have they provided for a renewal at three yearly intervals. The term was for 21 years. In general, that submission must be accepted, but the acceptance of that submission does not really answer the question. By agreeing to a formula based as a fixed percentage of a market value to be assessed the parties clearly contemplated a change in circumstances affecting the market value of the premises, but the commercial purpose is also a provision that the rental shall be fixed on the basis of a return to the lessor on the capital investment at a predetermined rate and not a rental which is necessarily fair or reasonable to both the lessor and lessee or either of them.

It follows from the foregoing that the arbitrators have reached a correct conclusion as to the question of law and accordingly have not erred. The reasons for this conclusion in this judgment may to some extent be different from those relied on by the arbitrators, but that may not be remarkable in the light of the difference in judicial opinion emphasised in the *Ponsford* case. The conclusion is, however, that it has not been demonstrated that there has been any error of law by the arbitrators in the conduct of the proceedings and the defendant is entitled to judgment.

I did not hear any argument as to costs. Clause 4(c) of the lease provides:

> "The lessor and the lessee who shall each bear half of the costs in connection with any valuations or arbitration under this clause 4".

In the absence of any argument as to costs it is appropriate that I should reserve them. If the defenddnt wishes an order for costs then an application can be made by memoranda if desired.

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