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NZ Property Institute benefits

The New Zealand Property Institute was launched in 2000 to take the profession into the 21st century. This followed overwhelming support for a new organisation by members of the New Zealand Institute of Valuers (NZIV), the Institute of Plant & Machinery Valuers (IPMV), and the Property & Land Economy Institute of New Zealand (PLEINZ).

The institute has a membership of 3000 key property professionals, who provide services in a number of property related areas involving people, places and spaces. These include; property management, property consultancy, property development, property valuation (rural, residential, commercial and industrial), facilities management, plant and machinery valuation, financial analysis, real estate sales and leasing, project management, and others.

The Institute has 17 branches across provincial and metropolitan New Zealand, a number of overseas members, and is affiliated to a number of other international property organisations.

The Institute's business plan has 3 key goals:

- To become the first choice pre-eminent organisation for property professionals to belong in New Zealand;
- To lead and influence the New Zealand property sector and its environment;
- To provide professional support of members to enhance public confidence in the profession.

The Institute promotes a code of ethical conduct and provides a range of membership services and benefits.

The Institute provides a range of products, services and benefits including:

- The Property Business - published bimonthly in partnership with AGM Publishing, this is the Institute's lfagship publication, which has established itself as the leading property publication in New Zealand.
- JOBMail a weekly email service to all members advertising jobs available in the sector, these job vacancies (and positions sought) are also put on the Institute's website: wwwproperty org.nz.
- Property Registration an added status conferred by the NZ Property Institute Registration Board in the streams of Plant and Machinery Valuation, Property Consultancy, Property Management, and Facilities Management. The Valuers Registration Board registers property Valuers.
- Property Standards - sets standards of practice in New Zealand, and is developing Australasian-wide standards. In addition, the Institute has had. considerable input into the development of International Valuation Standards.
- Code of Ethics and Discipline- has a code and Rules of Conduct, which are enforced by a professional practice committee to ensure that the public are served ethically and have some measure of protection.
- Education- enhancing the quality and skills of the profession through initiatives such as the provision of textbooks, accreditation of university courses, provision of professional certificates, education seminars, audio conference and events.
- Membership Benefits Package- all Institute members are automatically entitled to a number of discounts off the Institute's affiliates products and services. For example 30% subscription discount to the award winning Unlimited Magazine, office supplies, accommodation average savings have been estimated at over $15,000 across a range of products. For further information, please visit: www property org. nz.
- NZ Property Institute Awards - the Institute promotes professionalism and recognises excellence by providing national, internal and tertiary studies awards to key individuals who contribute to the Industry, profession and Institute.
- Property Network the network of 17 branches across the country, and one in London. This provides a local focus point for Institute networking, educational activities and social functions such as the Property Ball, golf days, BBQ's and Christmas functions.
- International Relationships - the Institute has a number of reciprocity arrangements with other countries that have regulated professional marketplaces, allowing some NZ members to practice overseas more easily. In addition, the Institute has an MOU with the Australian Property Institute, an agreement with IFMA (International Facility Management Association), is represented on other international bodies such as IVSC (International Valuation Standards Committee), WAVO (World Association of Valuation Organisations), PanPac (Pan Pacific Congress of Real Estate, Appraisers, Valuers and Counsellors) PRRES (Pacific Rim Real Estate Society), and has a number of other international relationships.
- NZ Property Institute Confidence Index measures confidence and other key indicators in the property sector.
- Career Foundations - a key package, which provides additional support, targeted at university students and graduates needs.
- Schools Project - established in 2003 to promote the Institute, profession and universities offering the Property Degree, to youth (specifically school leavers) throughout New Zealand. Initiatives include visitations by local members to secondary schools, distribution of promotional material to schools, and other communications.
- Property Publishing includes discounted textbooks for student members, the `Property Journal', NZ Property Institute's Statscom, and other publications.
- Library Services the Institute has an extensive range of publications on all aspects of the property profession available to members, who are welcome to request information.
- Property Card- given to all Institute members, and gives entry to Institute events at discounted prices. It can also be used as a form of identification/verification of membership with the NZ Property Institute, when accessing the Institute's affiliates products and services at discounted rates.
- www. properry.org.nz the Institute's website provides information on the Institute and its members, such as `branch events', `find a registered member' and on line publications. Information about the products and services identified above, as well as additional products launched by the Institute, can be also found on the site. The site continues to be developed further.
- Other NZ Property Institute Products and Services - the Institute is also looking at partnering with other organisations to bring more benefits to members and these will be announced as they are progressively launched.

To become a New Zealand Property Institute member: There are eight levels of membership that recognise professionalism and achievement - Student, Graduate, Affiliate, Associate, Full Member, Senior Member, Fellow and Life Member. Not everyone is able to become a New Zealand Property Institute member. To check out how you can become a member either contact us, go to our website for more information, or contact Mike Clark, chairman of the PI membership committee at mac@seagars.co.nz

Submitting articles to the New Zealand Property Institute Property Journal

Notes for Submitted Works

Each article considered for publication will be judged upon its worth to the membership and profession. The Editor reserves the right to accept, modify or decline any article. Any manuscript may be assigned anonymously for review by one or more referees. Views expressed by the editor and contributors are not necessarily endorsed by PI.

Deadline for contributions is not later than January 10, May 10 and September 10 of each year.

Format for Contributions

All manuscripts for publishing are to be submitted in hard copy - typed double-spaced on one side only of A4 sized paper and also in Microsoft Word document format on IBM compatible 3.5" disk or alternatively emailed to head office.

Any photographs, diagrams and illustrations intended to be published with an article, must be submitted with the hardcopy. A table of values used to generate graphs must be included to ensure accurate representation. Illustrations should be identified as Figure 1, 2 etc.

A brief (maximum 60 words) profile of the author; a synopsis of the article and a glossy recent photograph of the author should accompany each article.

Manuscripts are to be no longer than 5000 words, or equivalent, including photographs, diagrams, tables, graphs and similar material.

Articles and correspondence for the PI Property journal may be submitted to the editor at the following address: The Editor, PI Property Journal, PO Box 27-340, Wellington.

INSTITUTE

Why become a member of the New Zealand Property Institute?

NZ Property Institute's primary objective is to represent the interests of the property profession *in New Zealand.*

The New Zealand Property Institute:

- Promotes a Code of Ethical Conduct
- Provides Registration the formal recognition of experience and certified qualification of excellence
- Provides networking opportunities
- Assists in forming professional partnerships
- Provides a marketing tool in the approach to new and existing clients
- Provides The PROPERTY Business 6 times a year in partnership with AGM Publishing
- Distributes national PI newsletters and email updates
- Delivers a National and Branch CPD programme
- Offers membership with the International Facility Management Association (IFMA)
- Offers other international linkages
- Offers networking opportunities between the profession and the universities through the PI "Buddy Programme"
- Promotes annual PI Industry and Student Awards
- Delivers an annual PI Conference
- Offers links and information through the PI website wwwproperty.org.nz
- Provides regular branch breakfast and lunch seminars
- Promotes the annual Property Ball in partnership with the Property Council
- Provides PI Confidence index and PI JobMail

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EDITORIAL

We already know that property is critical to New Zealand, and its people. What we sometimes forget is how important people are to property, in particular the role property professional's play.

It is for this reason that the Property Institute exists. Our role is to support and foster our property professional members to help enhance their performance and contribute to strengthening performance of the overall sector. We do this in numerous ways such as setting standards, enforcing a code of ethics, providing continuing professional development, networking and contributing to the knowledge and education of our members, among a host of other activities.

We also add value by having awards that recognise our tall poppies within the membership. The Institute takes great pleasure in celebrating the success of its members.

To this end The Property Institute made a number of awards to inspirational people at our "Night at *the Oscars"* dinner at our "Destination *Wellywood, the Roar of Property* and Politics" conference in Wellington. Along with over 600 at the dinner, Lord of The Rings Oscar winner Hammond Peek congratulated a number of winners.

Anthony Beverley, of AMP Capital was awarded The Property Institute of New Zealand Industry Award. This award recognises the individual who in a public or private capacity has demonstrated the qualities of leadership and vision and/or positively impacted on the property sector; economy and/or community.

Other awards on the night included The Property Institute Academic Award that is awarded to an academic who has made a major contribution to the property sector by demonstrating exceptional research or teaching performance in the field of property. This year's recipient was Associate Professor Rodney Jefferies who received the award for his ongoing work as Associate Professor at Lincoln University.
Associate Professor Jefferies also received the J NB Wall Award which recognises the best article published in the journal over the last year. The winning article can be found in this edition.

The Property Institute Journalism Award is awarded to recognise excellence based on the relevance to the advancement of the property industry; and/or research into the property industry; and/or analysis and reporting of the property industry. This year's recipient was Ann-Marie Johnson of The Dominion Post.

The Young Property Professional Award is awarded to recognise excellence displayed by a young professional in the property industry. This year the recipient was Pamela Reid from ASB Bank in Auckland.

This edition of the property institute journal contains the Life membership citation of Evan Gamby as well as the citations of those members presented with fellowships. We need to recognize those who have distinguished themselves from their peers and who are providing leadership and inspiration to the institute and the sector. These tall poppies do that.

These Awards, along with our enormously successful conference, with 38 speakers from around New Zealand and the globe, are just some of the many ways that we contribute to having excellent people in property.

Given the success of the conference I have chosen to publish some of the presentations at conference. I hope you enjoy this edition and as always any feedback is greatly appreciated.

Kindest Regards

Conor English

John NB Wall Memorial Award

The New Zealand Property Institute offers an annual award for an article to be published in the Journal. The award has a value of up to $1,000 and shall be paid to the successful applicant who meets the following conditions:

Rules Governing the John NB Wall Memorial Award

a) The competition is open to any author of an original work based on research into or comment on a topic related to the valuation of real property.
b) Entries should be submitted to The Chief Executive of The New Zealand Property Institute PO Box 27 340 Wellington. The closing date is Monday 16th May in each year.
c) Preference will be given to authors who are valuer members of NZPI/NZIV. The author shall provide a brief biographical note which may be published.
d) The article shall not have been submitted to any other journal or published prior to being submitted for entry to the competition.
e) The article shall generally be in the range of 5000-10,000 words including any equivalent space where illustrations, diagrams, schedules or appendices are included.
f) The manuscript shall be type written, double spaced and copies shall also be available in electronic form.
g) The author shall supply a short synopsis of the article, setting out the main thesis, findings or comments contained in the article.
h) The winning manuscript shall become the property of the New Zealand Property Institute and the author shall agree, as a condition of receiving the award, to pass copyright to the Institute and no reprinting or distribution of the article shall take place without the express consent, in writing, of the Chief Executive Officer after he has consulted with the editor of the Property Journal and/or NZIV Council.
i) All applicants for the award shall be advised accordingly.
j) Assessment shall be decided by the Council of the NZIV on the recommendation of the editor of the journal and shall be on the basis of relevancy, quality, research and originality of the article to the principles and practice of valuation. The Council's decision shall be final. An award shall not be made in any year where an article does not meet an acceptable standard.
k) The Council reserves the right to nominate their own awardee should any article not be submitted for consideration by an author or when an article has already been published in the journal.
1) The decisions of the Council on any matter relating to the competition and award shall be non-reviewable and correspondence shall not be entered into nor reasons given.

Rules as at 812 May July 2005

Ground rental valuation modelling

Keywords: Ground leases - ground rental valuation land value rental percentage leasehold investment returns leasehold v freehold investment

Abstract

The fixing of a 'fair' or 'market' annual ground rental, when applying a 'ground rental rate' as a percentage per annum to an assessed vacant land value, is often fraught with difficulty and leads to disputes.

Both lessors' and lessees' advisors, administrators, valuers and arbitrators struggle with reaching a ground rental which shows a fair return to lessors and is affordable to lessees while often primarily relying on past precedent or pragmatism.

Culminating from over 40 years involvement in the valuation profession and in academic research the author has developed a ground rental valuation model that determines the appropriate `ground rental rate' based on equating the long-term costs of building on leasehold land versus freehold land.

The model solves for a ground rental that produces equivalent net present values at differential freeholder's and lessee's required investment returns. These returns reflect the different risks and returns in ground leasing compared to outlaying capital to buy land for erecting a building as an investment property.

1.0 INTRODUCTION

1.1 Background ground rental models

This article seeks to rationalise and respond to criticism of the use of various economic ground rental valuation models presented and applied in precedent-setting ground rental determinations.

These models conform to two broad types as described by Jefferies (1997a):

- Lessor's *return* (or supply) models that seek to determine a ground rental that will give a lessor a desired long-term real rate of return on the land value; and
- Lessee's affordability (or demand) models that seek to determine what ground rental a prudent lessee can fairly afford to pay for the use of the land.

These models which approach the problem exclusively from either a supply (lessor's) or demand (lessee's) side of the market fail to produce any equilibrium position.

Typically, lessor's return models are based on an assumption that the present value of the cash flows from ground rentals and future land value upon termination (or at renewal) must equate the current land value. The author argues that where these cash lfows are discounted at a lessor's expected or required rate of return this will not determine the current land value but the lessor's interest in the land. It is widely recognised in practice that this will usually determine an asset value less than the unencumbered freehold land value.

1.2 Market constraints, returns and fairness

In a free market both sides in a land transaction must agree resulting in a land sale or a new ground lease or the land remains in the hands of the vendor-owner - undeveloped or for the owner to develop.

With a new ground lease, the lessee's expected net rental income, or, where to be lessee-occupied, the notional rental equivalent benefits are assessed, after paying ground rent must reflect an acceptable return to the leaseholder for the changed risk as between investing as a ground lessee versus being a freeholder.

A developer will weigh up the relative risks/ returns compared to leasing versus owning the land.

The difference between the leasehold v freehold tenure including any impact of institutional leasehold ownership constraints is reflected in the respective required investment returns. This difference will determine the ground rental that is affordable and fair making the decision *indifferent* as to lease or to buy the land.

The fixing of a fair or market annual ground rental, when applying a percentage of land value methodology, is often fraught with difficulty and leads to disputes. Lessors' and lessees' advisors, administrators, valuers and arbitrators struggle with reaching a ground rental which shows a fair return to lessors and is affordable to lessees while often primarily relying on past precedent or pragmatism.

Finding that fair annual ground rental, expressed as a percentage of the land value within real world market restraints and returns that is practical while theoretically sound valuation methodology is the focus of this article.

2.0 PRECIS OF RESEARCH

2.1 Model described

The author's ground rental valuation model is based on equating the long-term investment benefits and costs of developing leasehold versus developing freehold land. It is based on the hypothesis that an investor in a new building development would be *indifferent* as between being a freehold owner and buying the land at its current market value or alternatively becoming a leaseholder and leasing the land at a fair annual ground rental (subject to the terms of the lease).

The seminal research work developing lessee affordability approaches to ground rental took place in New Zealand (Jefferies, 1995, 1997a).

2.2 Research discussion paper

This article is an abbreviated version of a discussion paper (Jefferies, 2005b) that simplifies and summarises the findings of the research. The ground rental valuation model is developed in an expanded form in the discussion paper which sets out the detailed math and practical steps needed for its application in valuation practice. The discussion paper also includes a spreadsheet template short-cut DCF form of the model. It includes a case study applying the model to solve a practical valuation problem and sensitivity analysis is applied to test the responsiveness of the model to changes in key inputs.

2.2 Current practice and precedents

The ground rental rate is generally set by latest arbitration determination precedent; followed by pragmatically adopted industry "ruling rates" (Bayleys Research, 1998). Valuers tend to increase (or reduce) over time these rates in line with rising (or falling) interest rates generally (Jefferies, 1995) with variations for different lease terms, types of land and locations.

There have been many major arbitration hearings to fix the rental under perpetually renewable ground leases with resulting awards setting valuation benchmarks and methodologies. On appeal to the Courts, the judiciary have also set legal precedents as to the manner in which leases can be interpreted that affect valuation practice and methodology.

3.0 OUTLINE OF THE GROUND RENTAL MODEL DEBATE

3.1 Ground rental valuation problems, procedures and errors

Though generally ground rental models can be useful in determining appropriate ground rental rates for new ground leases, the more common valuation problem arises, on review or renewal, where the parties are not in a free market bargaining position. The lessor and lessee are contractually bound or `locked-in' by the terms of an existing ground lease.

Typically, a `sitting lessee' is either subject to a rent review or exercising a renewal imposed by the terms of the lease. In the latter case the sitting lessee is also a captive one, due to the high investment in buildings and improvements on the land, and must renew the lease to protect that investment. Typically there is no provision for compensation for the value of the improvements, should the lessee not exercise the right of renewal and/or the lease terminates. The rental needs to be determined in accordance with the prescribed lease procedures and provisions normally by valuation and in event of dispute settled by arbitration (or other forms of dispute resolution).

In New Zealand such ground leases have usually been created over 21 or more years ago and may have been previously renewed for a number of similar terms. Intermediate rent reviews may apply at (variously) 5, 7, 11 year intervals to be fixed "at a fair annual rental excluding the value of any *(specified)* improvements" or words to similar material effect. Other definitions found in New Zealand include the ground rental being based on "unimproved value" or "land exclusive of improvements".

These ground leases pose unique problems as the freehold land never reverts to the lessor and thus intrinsic capital gains in land value can only be reflected in rental increases at review or renewal of the ground lease. This factor therefore invalidates the application of a lessors *retur*n ground rental model that relies on a terminating lease assumption where the lessor's full capital gain through reversion of the land is assumed. When such future land value reversion is computed into the model (instead of a perpetually renewable stream of future ground rentals) to satisfy the lessor's assumed required return on the Lessor's asset value it has the effect of reducing the ground rental calculated to be paid by the lessee. Hence its frequent use by lessee's advocates in ground rental disputes.

A more fundamental error, in a lessor's return ground rental model (i.e. Brown, 1996; Grenadier 2003; Lally & Randal, 2004) is that they are premised on the hypothesis that the current freehold land value at the commencement date is the same as the lessor's interest value.(which if properly valued produces an irresolvable circular argument). Intrinsically and intuitively this can't be true as `something' is `missing' in a leasehold and `gone' from the freehold owner's interest by the very nature of the change in tenure and occupational rights and obligations.

The `right to use' is transferred to the lessee. The ground lessor's required return applied to determine the value of the lessor's asset the lessor's interest is immaterial in determining the fair ground rental. Based on the lessor's required return, once the ground rental is set (or estimated in future reviews), the lessor's interest is capable of valuation. The latter asset value flows from the ground rental not the other way round.

The land value upon which the ground rental is based is usually different from usually higher than

- the lessor's interest value. Normally the lessor's interest value as a proportion of the land value will decline, where there is land value growth, during term and build up again as the next review or renewal is approaching. The exception is, when, during the term, land values decline to such an extent that the ground rental paid is `over-rented', the lessor's interest value can equal or exceed the then current land value but will decline as the next review or renewal approaches. Considerable empirical evidence exists for this (Jefferies, 1991, 1997b). Dale Johnson (2001) also axiomatically acknowledges this, though his model does not distinguish between a leaseholder's and freeholder's (nor lessor's) required return as he adopts the same discount rate for valuing each respective owner's asset value, i.e. in his model the lessor's or lessee's interest.

Thus, it is argued by the author, that the answer to determining a fair annual ground rental rate, to be applied to a given land value, theoretically and in practice, is logically determined from the demand side or lessee's affordability type model and using a lease-or-buy model that follows valuation and financial theory.

3.2 Ground rental determination methodologies

Disputes may arise over the appropriate basis for and value of the land itself, especially where in built-up areas where there is a paucity of vacant land sales, but that is not the problem dealt with in this article. Major and more fundamental disputes less frequently arise over the appropriate ground rental rate to apply, which is the focus of this article.

It follows that once the appropriate land value (LV) and annual ground rental rate (GR%) is determined the ground rental (GR) can be calculated as:

Ground Rental (per annum) = Land Value x Ground Rental Rate

or abbreviated to:

GR = LV x GR% .....Equation 1.

There are other methodologies for valuing ground rents. A "classic" or comparative method relies on comparable open market or new ground rental evidence. A key practical problem is that market data is typically unavailable, of insufficient volume or on non-comparable lease terms. The validity of comparisons with any available recent reviews or renewals of comparable existing ground leased properties can be challenged as lacking an "objective" or "open market" test. Such ground rents, if in comparable locations and on similar lease terms, have invariably been determined on the above (Equation 1) basis. The "comparison" leads to a circular "valuer-led" or "umpire-determined" self-perpetuating ground rental rate basis that lacks fundamental market testing and objectivity (see Section 5.4).

Alternative approaches using residual ground rental calculations based on a hypothetical development of the land allowing for returns on the building investment are possible. These are, however, often criticised or rejected by umpires on the grounds that they are open to significant unreliability The validity of land residual approaches is questioned, due to the number of assumptions required, i.e. building type, scale, cost, occupancy terms, rentals and operating expenses. An additional assumption is required as to the required return on the capital invested in the building only that significantly affects the residual ground rental calculation. The resulting ground rental is highly sensitive to small variations in many of these inputs. The method suffers from being highly subjective and is not favoured as a reliable method of determining ground rentals.

The model developed by the author involves a hypothetical optimum building development but largely overcomes many of the above criticisms by the use of Capital Value to Land Value and to improvement Value ratios, coupled with market capitalisation rates to calculate building rentals that are exogenously and reliably determined from empirical market evidence. The model also requires, as a first step, reconciliation of a defendable residual land value as being in line with current market vacant land sales evidence.

4.0 AN 'INDIFFERENCE' GROUND RENTAL RATE VALUATION MODEL

4.1 Concept and outline of ground rental valuation model

This ground rental valuation model equates the long-term costs of developing leasehold land versus freehold land. It assumes a prospective investor in buildings would be indifferent as between leasing land at a fair annual ground rental or buying the land.

The model is based on freehold residual land valuation methodology.

It relies *firstly* on being able to justify, on a simplified freehold residual valuation methodology, a current market land value, satisfying a freeholder's required return.

It *secondly*, uses the same set of development assumptions, to derive a residual ground rental valuation subject to the terms of lease, satisfying a leaseholder's required return.

The model is structured to express the ground rental as a percentage rate of the freehold land value.

4.2 The model defined

This model `solves' for the *ground* rental *rate* that equates as "indifferent" the net present value (NPV) of net cash flows from investment in buildings on leasehold land (LH) given specific lease terms with the alternative of investing in buildings by purchasing the freehold land (FH), given a land value (LV).

Both scenarios' cash flows will be the same, excluding the ground rental in the case of the leaseholder and excluding the land outlay in the case of freehold land purchase.

The key feature is that the model `solves' for a ground rental rate using a *differential* lessee's required investment rate of return (YLK) from the freeholder's required investment rate of return (YFH). These respective rates of returns reflect the *different* risks in ground leasing land compared to outlaying capital to buy land for erecting a building as an investment property, the riskier leasehold investment requiring an added risk premium (rp) i.e. (YLHH,).

The basic *indifference* model is expressed using the above abbreviations:

PV of LH net cash flows (incl GR)°PV of FH net cash flows (incl. LV) .....Equation 2.

In net present value (NPV) terms, the cash flows are discounted at the respective leaseholder's required return (YLH) and the freeholder's required return (YFFt)- The ground rental that produces the indifference solution is found by solving for the GR in Equation 2 that makes this equal zero:

NPV of LH cash flows = NPV of FH cash flows = 0 .....Equation 3.

Subject to: YLH > YFH ; and $YLH_{rp} > 0$

In both scenarios the potential highest and best (allowable) uses, estimated building costs, entrepreneurial risk, tenant demand or competing supply risks and thus estimated building net rental cash flows (excluding ground rental) will be the same.

A leaseholder will only benefit from any estimated land value growth during the review term due to the fixed term ground rental but the PV of this is computed into the ground rental paid. The lessee will pay increases in ground rentals as from future reviews or renewals. Offsetting that, the leaseholder does not need to outlay the cost of buying the land. Both leaseholder and freeholder face the same uncertainties and risks for the demand for space, building costs, building rentals, vacancies and un-recovered costs.

This difference is determined by using risk-adjusted leasehold *v. freehold expected* investment *returns* as discount rates over the economic building life or term of lease (if terminating). For the NPVs of the LH and FH scenarios to equate and thus for the investor to be indifferent as between the lease-or-buy alternative, the differential present value of the estimated net building only cash flows should equate the land value at the commencement of the lease.

This is the essence of this model and distinguishes it from lessor's return models used by other authors (i.e. Haslett, 1989; Brown, 1996; Mandell, 1999; Dale Johnson, 2001; Grenadier, 2003; Lally & Randall, 2004) and from previous affordability models (Jefferies, 1992, 1995, 1997a, & 1998).

It is based on the author's model first presented earlier this year at the PRRES Conference in Melbourne in January (Jefferies, 2005a)

Freehold v leasehold scena*rio*s and model implementation

In a typical leasehold scenario the present value of the ground rent at commencement of the ground lease is calculated by the following PVs discounted at the leaseholders required rate of return:

1. $CVcLH$ = PV of the net cash flows from the fully let building (CVLH)
2. Less PV_{LHCom} = PV of building (outlay) (IV) at completion of the construction period (Com)
3. Less PV_{LFIRU} = PV of rental vacancies from completion to being fully rented up (RU)
4. Equals the PV of the investment at commencement (PVLH) including the PV of the ground rental in perpetuity (PV_{LHgr}).

When the land is to be developed to its optimum use which produces a freehold residual land value in line with market evidence then in NPV terms:

$NPV_{LH} = CVCLH - PVLHCom - PVLHRU - PVLHgr = 0$ .....Equation 4.

In a typical freehold scenario the residual value or present value of the land at commencement of a ground lease is calculated by the following present values (PVs) discounted at the *freeholder's* required rate of return:

1. $CVCFH$ = PV of the net cash flows from the fully let building (CVFH)
2. Less PVco,,, = PV of building value (outlay) (IV) at completion of the construction period (Com)
3. Less PVRU = PV of rental vacancies from completion to being fully rented up (RU)
4. Equals the PV of the investment at commencement (PVFH) including the land value (LV,).

When the land is to be developed to its optimum use which produces a freehold residual land value in line with market evidence then in NPV terms:

$NPVFH = CV_{cFH}$ PVcum PVRU LVc = 0 .....Equation 5.

The indifference model in Equation 3 i.e. NPVLH = NPVFH = 0 is therefore expanded as solving for the GR that equates the net present value of the leaseholder's and freeholder's cash flows that equal zero:

C`'cLH - PVLHcom - PVLHRU - PVLHgr = CVcFH - PVcum -PVRU-LVc=0 .....Equation 6.

Present values and *indifference* valuation methodology

A prospective investor should be indifferent as between ground leasing the land or alternatively buying land as a freehold investment over the estimated building's life. A ground rental set at a fair annual rental or buying the land should calculate to equal net present values, being zero where the land was available at fair market price (= IV,).

If the land is used for its highest and best use, or optimum use, the calculated residual freehold land value should equate the fair market value of the land confirmed by comparative sales analysis.

In both the above leasehold v freehold scenarios, Items 1 2, & 3 have the same estimated cash flows except the leaseholder's present values will be lower due to a higher leaseholder's required rate of return. As the CVLH will be lower than the CVFH, i.e. CVLH < CVFH , due to the higher leasehold capitalisation rate ELH > EFH, due in turn to the higher leaseholder's required rate of return YLFI > YFH, there will be an initial comparative `loss' on completion of the building to the leaseholder. This is built into the model in that the same IV at completion is used both to determine the building rentals and the PVs of the respective outlay on the building, reflected in the differential between PVLHCom < PVHCom.

As the frequency and timing of ground rental and building rentals will differ, and as the completion period and rent-up period will be in part years (or months), the model in Equations 4, 5 & 6 are expanded in the discussion paper Oefferies, 2005b). The present values of all the cash flows are calculated separately on the appropriate per payment period basis in the Excel template model in the discussion paper. Allowances are made for time delays in cash lfows from lease commencement to building start, to building completion with payments spread over the construction period and rental receipts over the vacancy period to being fully rented-up. A sample copy of this template model with a case study included is attached in the Appendix.

Required *rates of retu*rn *(required* yields Y) *defined*

Given a freeholder's (FH) annual required return of YFH per annum and a leaseholder's (LH) required risk premium of YLH p per annum, the leaseholder's annual required return is: YFH + YLHp = YLH per annum.

Estimated growth rates, *future* building rentals, capital, improvement and land values

The completed freehold value of the development fully let or capital value (CV) less the (then) land value (LV) gives the (then) added value of the buildings or improvements (IV): i.e. CV LV = IV The ratio of IV: LV represents the relative amount of the capital value contributed by these components of the completed freehold capital value.

The present value, as at the date of land purchase or date of ground lease commencement, of the capital value is defined as CV,. Similarly the present value at commencement of the lease of the completed IV is defined as IVc; and the present value of the LV as IV,. The land value growth rate is defined as IV, per annum.

The current market building costs plus normal holding costs plus normal expected builder's or developer's profit equate the added value of the IV on completion. Thus the CVFH will be the estimated fully let net building rentals Rr capitalised at the freehold fully let capitalisation rate EFH, i.e.:

$$R_{EFH}` = CVFH \quad \text{..... Equation 7.}$$

Holding costs are included due to the DCF discounting at the required return rate.

Local property market data should provide empirical evidence of a normal ratio of IV:LV and thus CV:LV The market should similarly provide evidence of the required freehold rates of return and fully let capitalisation rates EFH; or the latter can be calculated using short-cut DCF formulae (see Equation 12 in the discussion paper, Jefferies, 2005b) as used in the spreadsheet template model in the discussion paper. Comparable sales provide evidence as to market land values IV, as at the commencement date of a ground lease. It is not therefore necessary to explicitly estimate the Rr, IV, or CV as at the building completion date as they can be endogenously based on the land value at commencement, IV,.

Given the time to the building being fully let as RF years the estimated fully let building rentals Rr and the building value IV can be expressed in terms of LVc as follows:

$$Rr = (CV : LV \times IV, \times EFH) \times (1_{+LVi)RF}$$

.....Equation 8.

$$IV = (IV: LV \times LVt) \times (1=LV5)RF$$

.....Equation 9.

Therefore, the capitalised building rental value CVFH is:

$$R_{EFH} = CVFH = (CV : LV \times LV,) X(1+LVg)RF$$

.....Equation 10.

This is the key relational equation from which the building rentals Rr drives the endogenous cash flows in the model.

The freehold and leasehold capitalisation rates are also modelled and further developed in the discussion paper. Their correct derivation and application in the model are essential to its application in practice.

5.0 APPLICATION OF THE MODEL

For the model to work in practice it requires a minimum of assumptions that materially affect the outcome. Nevertheless there a number of considerations required, some of which can be dismissed as not having a material effect on the lease-

or-buy outcome as their discounted differential will show an immaterial effect on the differential NPVs.

This allows the model to proceed, in application, by making market based assumptions relying on the valuer's experience and judgement backed up by empirical evidence of those critical assumptions that drive the model. Each critical aspect is dealt with briefly.

5.1 Step 1: Determining building density, capital value and rental income

Typically, the value of any existing building(s) on the land is to be disregarded in determining the rental under the terms of the ground lease. This is frequently a legal requirement to ensure the rental is assessed on the value of the land only, without regarding the building erected on the land or its current use. In determining the ground rental, however, the valuer needs to have regard to the hypothetical optimum "highest and best" or "most probable" potential use that justifies the current value of the land. This may require consideration of alternative uses and a range or mix of legally allowable uses. This normally introduces almost irresolvable complexity leading to inaccuracy if using a hypothetical land residual valuation approach (see under Section 3.2).

In this ground rental model, provided empirically justified building density in terms of the IV:LV rate is adopted, the actual use and physical scale is largely immaterial as both lease-or-buy estimated cash flow scenarios are equal.

This simplification avoids the need for and complexity of modelling a specific building and its scale, costs, uses and values. Given a market land value multiplied by such a ratio and applying a normal market based initial (fully let) freehold capitalisation rate, produces fully let market net building rentals.

The typical IV:LV ratio can be ascertained empirically based on analysis of comparable types of building developments in the market. Further, acceptable variance in this ratio is unlikely to have a material effect on the ground rental rate, as in PV terms both FH and LH scenarios are only marginally differentially affected.

5.2 Step 2: Confirming the Land Value the PV of the freehold cash flows

A data set of realistic and empirically based model inputs need to be determined that result in a present value of the freehold investment cash flows that derives a residual land value approximating a market comparison based land value. This is an essential test of the model's ability to replicate the market and to give robustness to the model.

Alternatively, using an independently assessed market freehold land value as an initial outlay, other data inputs can be used falling within realistic parameters that produce a net present value (NPV) of zero, applying the freeholder's required return.

It is important that the land value is valid by comparison to direct available land value evidence from comparable freehold land sales. Trial and error, (Goal Seeking or Solver spreadsheet) techniques within defined freehold investment risk and return criteria and other data input parameters (in a spreadsheet application) can be used to arrive at a realistic and feasible set of data inputs that produce a supportable current market land value.

5.3 Step 3: The PV of the leasehold cash flows

Once Step 2 above is achieved, then trial and error (Goal Seeking or other techniques) solve for the ground rental, using the same data inputs except the higher leaseholder's required return to meet the "indifference" test applying the model.

This will be the ground rental (GR) that equates the present value of the estimated net rental cash flows from the leasehold v. freehold scenarios as in Equation 2, or produces the NPV = 0 in Equation 3 & 6. From this ground rental the fair annual ground rental rate (GR%) is calculated as follows:

$$GR\% = \frac{GR}{LVc} \times 100 \quad \text{..... Equation 11.}$$

5.4 Fair annual ground rental

The ground rental produced should satisfy the requirements of being the "fair annual ground rental" or meeting similar definitions, e.g. "market ground rental". It is fair that this should apply to the relevant review period or renewal term of the lease based on the information set existing at the commencement, review or renewal date.

When re-applying the model at subsequent reviews any changed outcomes from the pro-forma model will be replaced by the then future estimates thus adjusting for any market based and realistic input changes at that time.

The model is a forward looking `expectations' model. It does not rely on the past performance of the ground lease investment, nor compensates for any past miss-pricing, but relies purely on future expectations. Any error in the estimated and required returns or movements in these inputs over the review terms are reflected in the risk element in the required returns for the term. At subsequent reviews the application of the model will re-balance the "indifference" between the leasehold and freehold scenarios. It will adjust for any changes in then future expectations while updating the rental for any actual land value growth since the last review date. The land value then applied in the model will result in a new fair ground rental to apply over the next review term, and so on to the termination of the lease or over perpetually renewable terms if that applies.

As the model is totally an expectations model, it is not encumbered by past ground rental settlement precedents that plague traditional

valuation methodologies. It allows a fresh inquiry on a reasonable basis and logically defendable as to what a prudent lessee could fairly afford to pay by way of ground rental as from the commencement of a new lease or renewing an existing lease instead of alternatively buying the freehold. This presents a rational way of beating the cycle of `valuer-led' -'umpire-determined' precedent setting or administrative cum legislative prescription based ground rental rate setting that has plagued some countries, especially New Zealand.

5.5 Required leaseholder's and freeholder's return analysis

The required risk-adjusted investment returns on the respective capital required for investment in the building(s) for a leaseholder, will differ from that required by a freeholder for investment in the land plus building(s).

The leaseholder's risk premium (YLHn,) reflects the building development and investment risk *transferred* from the freeholder to the leaseholder when creating the lease. The lessee is usually obligated to undertake development of the land (if not already improved) subject to the lessor's approval of use, type, timeframe, etc.

From the leaseholders perspective the premium is required compensation for the building development and investment risk, without the offsetting compensation of the land value growth and its prospective capital gain to offset long-term building depreciation.

The lessee is bound to pay the rental irrespective of the degree of success or changes in the entrepreneurial risks and outcomes in carrying out and/or managing the development on the land. Such rental is normally unable to be deferred or postponed and if not paid the lessor can re-enter and take possession of the lessee's improvements and terminate the lease without compensation under typical lease terms in New Zealand. This provides a very secure income stream for the lessor who faces very low risk but equally increases the risk to the lessee.

In addition, leaseholders are likely to face increased financing costs as lenders will impose stricter mortgage terms, often involving an increase in mortgage lending interest rates and/or lower mortgage to value lending ratios compared to a freehold security. This is especially so where the lessor will not subordinate their interest to the mortgagee in event of the lessee's default under the mortgage. North American lenders usually impose additional conditions on leasehold borrowers (Rothenberg, 2003; Kronikoff, 2004). This aspect, in itself will justify a higher leaseholder's required return to cover the increased interest rate on the borrowing required for the building development as well as an increased return to offset the reduced prospect of leverage in equity returns.

This increased risk can only be reflected in a higher required leaseholder's rate of return compared to a freeholder's, i.e. by the leaseholder's risk premium, for the same intensity of capital investment in the building component of the prospective development.

The existence *of* and extent *of* leaseholder's risk *premium* is the most cr*i*tical input *factor in* the model. The ground rental is very sensitive to changes in this risk premium (see Appendix to the discussion paper, Jefferies, 2005b).

The leaseholder's risk premium determines the magnitude of the differential present values of the leasehold v freehold net building rentals over the economic life of the building(s). This in turn affects the level of the affordable fair annual ground rental.

Ideally this risk premium should be able to be derived from DCF analyses of sales of comparable types of leasehold versus freehold properties. This can present practical problems especially where there is thin trading in improved ground leaseholds with modern buildings and also where, due to the owner/occupier nature of sales of otherwise comparable leasehold properties, sales based return analysis is not possible or purely hypothetical.

The required returns, where sufficient sales evidence exists, are derived from market data for fully let leasehold building capitalisation rates (based on initial income returns after ground rental). The methodology required applies the same long term growth assumptions as reflected in alternative fully let building capitalisation rates (see Equations 11 & 12 in the discussion paper, Jefferies, 2005b).

The creation of leasehold tenure splits the returns related to the land and the building investment and in one sense leasing the land has an aspect of cheaper financing than for the freehold. However that comes at an increase in risk partly due to the potential imbalance between land value growth and building income growth offset by depreciation reflected in the inevitable aging and obsolescence in the building, particularly as the building reaches the end of its economic life. To the leaseholder this is not offset by increases in land value. Further, there is the risk that the likelihood of land value growth LVg exceeding building rental growth Rg, adding to the disparity of the returns between a freeholder and a leaseholder.

The model assumes that the ratio of required returns between the freeholder and leaseholder remains constant during the term of the lease, but assumes any rebalancing will be adjusted at each review or renewal.

The leaseholder's risk premium is the most important factor in this model as it drives the differential and thus the fair ground rental rate required to meet the "indifference" test between the leasehold and freehold scenarios. This is an area for further empirical research to determine the extent of this premium in the market in applying this model in any particular case.

In the highly unlikely event that there is no leaseholder's risk premium then the leaseholders and the freeholder's required returns will equate and the ground rental rate will be the same freeholder's ground rental capitalisation rate, i.e. E_{gr} = EFHgr (see Equation 13 = Equation 15 in the discussion paper, Jefferies, 2005b).

Under these conditions the indifference model will collapse to be similar to (but not the same as) the lessor's return model, with the important difference that is a freeholder's and not a lessor's required return that is used to compute the ground rental rate. Where the freeholder's return is (normally) higher than a lessor's required return the ground rental rate will be lower than a lessor's return model will calculate.

The author cannot, however, conceive how a leasehold investment in buildings only on leasehold land for which there is a priority ground rental payment outlay obligation, no long term enjoyment of land value growth and increased entrepreneurial risk would not require a greater return than freehold investment on the same land and in the same buildings. Thus a leaseholder's risk premium should intuitively and logically always apply. This is the crux of this model as compared to a lessor's return model and earlier forms of the lessees affordability model.

5.6 Application to non-commercial land

The model should be able to be applied to a wide range of rental residential apartment, retail, industrial, tourist, recreational and rural production classes of land uses. Its application to owner-occupier classes of land uses such as owner-occupier housing will be more difficult, but feasible, requiring the use of housing ownership cost (rental-equivalent) indifference models.

This model should be equally applicable (in principle) to rural (farming) ground leases. However, the implications and techniques required of productive valuation methodologies and their inputs and required rural investment required rates of return in the rural real estate market will require adaptation and modifications to the way the model is applied in practice.

6.0 ISSUES AND CONCLUSION

Despite differences in legislative and institutional factors affecting ground rental leasehold tenures in different countries, some similarities do exist and the problem of how to determine a fair ground rental rate under different lease terms and conditions is an international one.

In a number of other countries ground rental rates are determined by a variety of processes, mainly administratively, legislative prescription, executive decision, precedent or customary valuation practice and negotiation. Readers are referred to the discussion paper (Jefferies, 2005b) where international comparisons are discussed and comparisons made to New Zealand.

Contemporary valuation issues include ground rental valuations required for reviews of Maori reserved lands and proposed under Crown high country land tenure reforms.

It is hoped that this research and the ground rental model presented will provide an opportunity for the underlying issues to be examined and for a rational resolution to the problems to be achieved.

It is hoped that the ground rental valuation model presented will be helpful and find counterpart applications in other states. The model is flexible enough to adjust for different leasehold terms and conditions. It is hoped that its use will help in determining ground rental rates that are fair and truly reflect the advantages and disadvantages of leasehold land tenure compared to freehold or other forms of land ownership, tenure or land use rights.

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APPENDIX

A sample of the Excel template used by the author to implement the model using short-cut DCF techniques, including a case study follows.

The case study applies the model to a 21 year perpetually renewable ground lease where the assumed ratio of improvements value to land value (IV:LV) was 2.4:1 with a 1.5 year total delay for construction and letting up period to achieve full letting. A land value of $1.Om is assumed. The freeholder's required return (YFH) is 11% p.a., the leaseholder's risk premium (YLH,t,) of 1% p.a. resulting in the leaseholder's required return (YLH) of 12% p.a.. Given an estimated growth in land values Vg) of 3.0% p.a. and building rental growth rates (Rg) of 2.5% p.a., resulted in a NPV of the FH Investment very close to zero. Solving techniques were used determine a set of inputs to give NPV=O, in this case by slightly reducing the effective IV:LV ratio (to 2.393:1).

Clicking on a button "Solve GR% to give NPVLH = NPVFH = 0" runs a macro using Excel's Goal *Seek* utility to give an equilibrium ground rental rate (GR%) of 7.089% p.a of the land value (LV,) as from the commencement of the lease term.

The case study in the discussion paper includes sensitivity analyses such as testing the model for the effect of different risk premiums, changes in Lease terms, different solutions requiring different levels of IV:LV ratios, etc.

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[1] The author would welcome a request for a copy of this, which is available in booklet or PDF file and comes with a simple PowerPoint explanatory presentation. A working copy of the Excel Template file may be released to genuine researchers or for evaluation purposes.

APPENDIX (Cont'd)

Case Study using the ExcelTM model applied to a commercial ground leased property.

Indifference Ground Rental Model Template

Enter data in Red outlined cells only

Inputs: where: FH=fiBehold; LH=leasehold	Definition	Inputs	rnbon	ve pp rate
Ground lease rent review (inYrs)	Grr	21	gip	42 periods
Frequency period of ground rent payments (n Months)	Per	a	p	periods
Payment basis ; EOP(0); BOP(1)	Pay	I	lvgpb	= 02466%pp
Land value growth rate p.a.	LV9	3.00%	lv9p	= 1.4889%pp
Building lease rent review (n Yrs)	Br	2 yrs	brb	24 dais
Frequency period of building rent payments (n Months)	Bar	m s	b	12 periods
Building rental growth rate p.a.	Rg	2.50%u	rgb	= 0.2060%pp
Risk free rate (e equiv to a Govt Stock rate fora 21 tarn)	GS			
FH building investment market premium	Fmp	3.50%		
= FH required risk adjusted return (yield) p.a.	YFH	11 A11% I	YFHb	= 0.8735%pp
LH required extra risk premium (c/ freehold)	LH,	i.00'Yo	Ihrp	0.0830®/opp
LH required risk adjusted return (yield) p.a.	YLH	12.00%	Y LHb	0.9489%pp
Calculated FH fully let capitalisation rate p.a. (e FHbxb)	EFH	&1244%pa	eFHb	= 0.6770%pp
ado Enter first factor only solveforty:LVto	l:V	2.693:1	*YLHp*	=5.8301%pp
Land value at commencement date give NPV FH = o	LV.	%1,4LUU4:1		
PV of fully let Improvements Value @ commence rent date	IV,	443W,47ed		
PV of fully let Capital Value @ c m mencement date	CV0	$3,393,470		
Ground rental rate p.a. Insert Estimate [Defaulr 5%p.a]	GR%	7.0829%		
Ground rental ex Comm	GR	$70,82= o..	grpp	$35,414 pp
Construction period (in Yrs)	Con	.Uv yds	amp	12 periods
Delay to construction start (in Yrs)	Del	U.25 yrs	delp	3 periods
Years to construct	Can	.2 ors	comp	15 periods
Rent up period after building completion (n Yrs)	RU	.25 yrs	rub	3 period
Years ex Comm to fully tenanted	RF	50 errs	rfb	18 periods
Net building rental -fully tenanted	Rr	$2841C0 p.a	nb	$23,842 pp
FH Capital Value fully tenanted	CVFH	$3,521,517		
FH Improvements Value on completion fully tenanted	IV	$2,483,784		
PV of FH value fully tenanted	Cv,,	$3,011,240		
PV of FH building outlay @ completion	PVcom	$-2,042,357		
PV of vacancies during rent-up	PVRU	$31,118		
PV of FH investment at Commencement incl land value	PV FH	$1, ,OW		
Land Value at commencement date	LV	$1,000,dLd-		
NPVofFHinvestment inbuilding =(PV FH LV)	NPVFH			
rent be1&rre -hilly tenanted	Mr	$2 ,11;6 pa.		
Calculated LH building capitalisation rate p.a. = (e LHb x b)	ELH	9.0349%pa ,	eLHb	= 0.75290/.pp
Calculated LH ground rental capitalisation rate p.a. _ (e 9 1P x p)	Eg,	10.6933%pa	eg,	= 5.3466%pp
LH capital value-fully tenanted nil ground rental	CVLH	$3,166,606		
PV of LH Capital Value fully tenanted nil ground rental	PV d.H	$2,871,573		
PV LH building outlay @ completion	PVLHCO,	42039,955		
PV LH vacancies during rent-up		$30,748		
PV LH ground rental in perp	PVLH9r			
NPV LH investment in building	NPV LH			
Difference betvueeri NPV LH & NPV FH...				

Solve GR% to give:- PVLHRU
NPVLH = NPV FH = 0

National Awards 2005

The New Zealand Property Institute presents a number of awards annually to those who make a significant contribution to the property industry. In 2003 the structure and criteria for these awards and prizes were modified to greater reflect the achievements property professionals make each year. All winners have distinguished themselves from their peers and tonight we acknowledge and reward them in the most appropriate way possible.

The Institute is proud to present the following internal and national awards as well as our `premier' award. In addition, please note that our reviewed tertiary studies awards are to be announced soon.

John N B Wall Memorial Award

This award recognises an original work based on research into or comment on a topic related to the valuation of real property and is awarded on the basis of relevancy, quality, research and originality of the article to the recommendation of the principles and practice of valuation.
As judged by and on the recommendation of Valuers Council

The recipient was...

Associate *Professor, Rodney Jefferies*

The internal awards are designed to commend those members of the Institute who have demonstrated exceptional participation and dedication to the Institute.

Awarded to an individual with an established professional reputation, who is held in high esteem within, and has made a significant contribution to, the property profession.

Those to receive Fellowship awards were:

Alastair William Wood
Kenneth Ross *Taylor*
Jozsef George Bognar
Andrew Craig *Brown*
Warwick Edward Quinn
Michael Ian *Penrose*
Boyd Alastair *Gross*
John Robinson Reid
Roger Maurice Malthus
Alister Maxwell Dick
James *Leonard Glenn*
Michael James Bristow
Cor*n*elis Johannes Pouw
Graham Barton
Brett Whalley
Trevor Thayer

National Awards

The NZ Property Institute is honoured to continue to award their new national award portfolio.

Our `National Awards' are designed to acknowledge key individuals within the NZ property industry, who have significantly contributed to the profession in some way

Thank you very much to all of those who entered for the Awards this *year*. We had a diverse range of nominations of a very high calibre, making the judging decisions very difficult. However, we'd like to congratulate you all, as you have all made exceptional contributions to the Industry, assisting in the growth and sustainability of one of New Zealand's key sectors.

The: Young Property Professional of the Year Award

Awarded to recognise excellence in the field of property by a young professional

The recipient was...

Pamela Reid, ASB Bank

Although only having experienced a short professional career, Pamela has already stood out as being a significant contributor to the profession, industry and Institute.

The: Journalism Award

Awarded to recognise excellence based on the relevance to: the advancement of the property industry; and/or research into the property industry; and/or analysis and reporting of the property industry

The recipient was...

Ann Mar*i*e Johnson, *The* Dominion Post

The: New Zealand Property Institute's Academic Award

Awarded to an academic who has made a major contribution to the property sector by demonstrating exceptional research or teaching performance in the field of property

The recipient was...

Associate *Prof* Rodney *Jefferies*

The Property Industry Award

The recipient was...

Anthony *Beverley*

Anthony Began his valuation Career at Valuation New Zealand Blenheim office, before moving to Wellington where he completed various research projects in the commercial and industrial markets. He

began his career with AMP in March 1991 as a valuer, and now has overall responsibility for the property investment business of AMP Capital Investors in New Zealand. AMP Capital's business includes some of the largest private property funds in New Zealand, including the AMP property portfolio with an asset value of $485 million, the AMP Property securities fund with assets of $100 Million, the listed AMP NZ office trust with assets of $760 Million, and property for industry fund with assets of $245 Million.

The AMP property investment strategies for these funds has been largely driven and implemented under Anthony's direction, and he has always been willing to share his knowledge by participating in Institute seminars and educational forums.

Life Membership

Awarded to any fellow or associate, who has rendered pre-eminent service to the institute over a long period.

This year's NZ Property Institute and New Zealand Institute of Valuers, life membership award went to:

Michael Evan Leigh Gamby

In addition to the ongoing support we've had from our conference sponsors, the NZ Property Institute would like to acknowledge and thank all those who were involved in these awards, including nominees, applicants, panel members.

Life Citation ® Michael Evan Leigh Gamby

He joined Livingstone & Jones Lang Wootton in 1970 and as Assistant Manager was involved in property management and valuation. He established his valuation practice of M E Gamby as a registered valuer in 1972 and joined in partnership with Messrs P J Mahoney and R P Young, forming the partnership of Mahoney Young & Gamby in 1973.

Evan has been active in Institute affairs over many years having taught valuation accounting at Carrington Technical Institute in 1975/76 in the then NZIV'S Education programme and as a guest lecturer at Auckland University from 1991 to 2002.

He has also had a long association with the Institutes Journal, having spent a time during 1973 and 1974 as its Associate Honorary Editor and was Honorary Editor from 1982 to 1988, a period of some six and a half years and a time of considerable enhancement in content presentation and format. He remained a member of the Editorial Board until 1991 and during this time was also a member of the NZIV Education Board from 1985 to 1992. He has published articles and papers in New Zealand which he continues to this day including papers at the Pan Pacific Congress in Real Estate Appraisers, Valuers and Counsellors Tokyo in 1979, Honolulu in 1986, and Pacific Rim Real Estate Society Thailand 2004 and Melbourne 2005.

Evan was awarded fellowship status in 1986 and in 1989 was a receipient of the Institute joint premier award The John M Harcourt memorial Award for "Outstanding service to the valuation profession", in particular his service as editor of the journal.

He is one of the Institute's nominee members of the statutory Valuers Registration Board and has served continuously since 1991.

Evan is a Foundation Fellow of The New Zealand Property Institute and was chairman of The National Education Committee from 2001 to 2003 continuing his long interest and active involvement in education matters. At the request of The Institute he has recently co-authored an Institute white paper titled `Occupational Grouping'.

He has continued his own education and in addition to studying Accounting to advanced financial status in the 1970's, graduated `Master of Property Studies (Distn)' from Lincoln University in 1999. More recently he continues with the theme of education as professor Department of Finance Banking and Property at Massey University's Albany Campus since 2003 where he is responsible for, and lectures part time in, both the post graduate M. Mgt (Property) programme and undergraduate bachelor of Business Studies (VPM). His specialist areas are property Investment and valuation.

Evan has a very busy professional life, today as a director and chairman of TelferYoung (Auckland) Ltd, and is involved in large and complex commercial, local authority and governmental valuations where he has significant experience in leading the process for setting methodology and the basis of valuation for specialist properties including for disposal. Further, Evan was selected in 2001 by The New Zealand Commerce Commission to peer review large infrastructural valuations namely Airport land. He has appeared as an expert witness on a broad range of real estate and valuation matters before the High Court, Land Valuation Tribunal and Environment Court. His expertise is called upon for peer reviews and as arbitrator both locally and nationally.

Fellowship Citations

ALISTER MAXWELL DICK

Max is a director of Hutchins & Dick Limited, based in New Plymouth.

Born in Oamaru, Max was educated at Stratford High School and Lincoln University where he graduated in 1973 with Diplomas in Agriculture, Valuation and Farm Management. He was employed by the (then) Government Valuation Department, initially in Otago before returning to Taranaki in 1977. In 1982, Max joined Frank Hutchins in partnership.

Max has practised in the rural sector since 1974, mainly in Taranaki and the western North island region. He specialises in dairying, sheep and cattle farming, broiler chicken units, specialist rural sector industries and compensation in respect of pipelines, well sites, transmission lines and road realignment. A long-time active member of both the NZPI and NZIV, including past chairman of the Taranaki branch, Max is a strong advocate of the valuation profession and has maintained high standards of professionalism during his career. He is highly regarded for his integrity and expertise by his fellow practioners and the wider community in general.

Private time is spent with mainly outdoor activities, including jogging and duck shooting. Together with Margaret, Max lives on an attractive farm on the outskirts of New Plymouth. Their son is studying at Victoria University.

The Central Districts Fellowship Committee recommends Alister Maxwell Dick be advanced to the status of Fellow.

BRETT LEWIS WHALLEY

It is with great pleasure the Auckland Branch of the NZPI and NZIV unanimously supports the nomination and award of fellowship of both institutes to Brett Whalley in recognition of his outstanding service to both the Institute and the profession as a whole.

Brett was born and educated in Auckland, attended Auckland Grammar, and upon leaving pursued opportunities in the sales and marketing industry, before returning to Auckland University as an adult student to pursue his passion for property, where he completed his Bachelor of Property Administration degree in 1991.

In 1990 he was the recipient of a Property Graduate Scholarship Award and was employed by Valuation New Zealand until 1995. In 1994 Brett obtained his registration and in 1995 was advanced to Associate member of the New Zealand Institute of Valuers, and in 2000 was advanced to Senior Member of the New Zealand Property Institute.

Leaving Valuation New Zealand in 1995, Brett continued to develop his valuation and management skills working firstly with Lyons & Co as the Senior Contract Valuer responsible mainly for residential work, before moving on to work with Darroch Limited (now DTZ) Auckland, as a Senior Valuer consulting and advising on behalf of large corporate clients on various aspects of industrial, commercial and retail properties including vacant land. In 1998 he was appointed Manager of their residential division, where he was responsible for the management, co-ordination and development of the registered valuers and support staff for their North Shore branch.

By mid 2000 Brett joined Premium Commercial Real Estate, where his willing manner and professionalism attracted the attention of Michael Bayley, who offered him the position of setting up a new corporate services division for Bayleys Real Estate. This he undertook and achieved with his usual enthusiasm and professional manner, and in July 2003 was appointed the General Manager of Property Services at Bayleys Head Office including responsibility for valuation and property management services throughout New Zealand. In 2003 Brett also became an Associate of the Real Estate Institute of New Zealand.

Brett has been an enthusiastic and active member of both the New Zealand Institute of Valuers and New Zealand Property Institute in both an administrative and practical manner for a number of years. He was an elected member of the Auckland Branch Committee of the NZIV and NZPI from 1995 2004 consecutively, retiring in 2004 after holding the position of Deputy Chairman NZPI Auckland Branch from 2000 2003 and was Chairman of the NZIV Auckland Branch from 1999 to 2000. From 2000 2002 he was on the select committee for the Graham Bringans Property Education Trust, and was the convener of the fellowship nomination committee for the NZPI NZIV Auckland region for 2000 and 2003.

He has been involved in the organising committee in various capacities for the NZPI / NZIV conferences in Rotorua in 2002 where he gave a well received paper, and the Pan Pacific conference in Auckland in 2003. As well as the above he has also been a member of the NZPI National Committee in 2004, and was involved in the working party of the REINZ Commercial and Industrial Education Review 2003 2004.

Brett has consistently displayed the highest standards of professionalism, ethics and integrity and is respected nationally by members of the profession and by the many people in the community with whom he deals. His quiet, authoritative and unfailing dedication to the efficient practice of the profession is exemplary, and he has consistently made himself available and sought to pass on his knowledge and skills to younger members of both Institutes.

Brett is married to Rachelle and they have two sons, with Brett's other passion being rugby league where he has a Level One National Referees Certificate obtained in 1999.

Brett's advancement to fellow is a reflection of the high level of skill, integrity and professionalism that he consistently delivers to our industry.

MICHAEL IAN PENROSE

Michael Ian Penrose was born in 1957 and educated in Christchurch where he attended Lincoln College and attained a Diploma in Valuation and Property Management in 1979.

Subsequently, Michael gained qualification in the Real Estate Institute of New Zealand examinations in 1984, the Plant and Machinery Institute examinations in 1999, plus Associate status in the Arbitrators and Mediators Institute in 1992.

Michael commenced his valuation career with the New Zealand Government Valuation Department in Christchurch before moving to Hawkes Bay in the early 1980's. He had a total of eight years service which included a short term in the Hamilton office before resigning from the Valuation Department to join the Hawkes Bay firm Rawcliffe and Plested in 1984.

Michael was then admitted as a Partner to the firm Rawcliffe Plested and Penrose in April, 1988. This firm, then became TelferYoung (Hawkes Bay) Limited in April 2000 and he remains a Director in the Company.

He is currently an Associate Member of the New Zealand Institute of Valuers, a Senior Member of the New Zealand Property Institute and an Associate of the Arbitrators and Mediators Institute of New Zealand Inc.

Michael held the position of Secretary of the Hawkes Bay Branch of the New Zealand Institute of Valuers for three years in the early 1980's, is a past Chairman of Val Group which was, at the time a 16 member group of independent valuation practices.

He is currently Chairman of TelferYoung Limited which is a New Zealand wide joint venture of independent Registered Valuers and property advisory practices.

As a dual qualified Valuer, Michael has been involved in a full range of valuation consultancy work providing valuation advice especially within specialist property sectors including hotel, motel, aged care, health and telecommunication fields along with a strong interest in the horticultural sector undertaking orchard and viticultural work from Wairarapa through to north of Auckland. Large national companies and institutions are among his clients.

Michael also acts as a Consultant Valuer to the Napier City Council, the Wairoa District Council and the Hawkes Bay Regional Council in respect to a range of property related matters including rating and leasehold issues.

Michael has been involved in Land Valuation Tribunal, Maori Land Court, and Environment Planning hearings along with the normal general arbitration work within the commercial and industrial sectors. He has appeared as an expert witness on numerous occasions including hearings involving national telecommunications portfolio holdings while also regularly acting in the role of Arbitrator/Umpire to adjudicate in a number of commercial and industrial property valuation disputes.

It is with this broad range of experience, the quality of his work, the esteem in which he is held by his peers and the high level activity within a wide range of property sectors throughout New Zealand that makes Michael well qualified for elevation to the status of Fellow of the New Zealand Property Institute and Fellow of the New Zealand Institute of Valuers.

ROGER MALTHUS

Roger Malthus was born a Cantabrian and after graduating from Lincoln with a Dip VFM in 1970, he spent ten years with the then Valuation Department in Gisborne, Wanganui and Whangarei. Rising quickly to the level of Senior Valuer, he resigned to join the New Plymouth based valuation practice then known as Larmer Coradine & Co, adding NZIV urban professional exams to his qualifications.

During a period of 34 years as a valuer, Roger has carried out a wide range of assignments across the whole urban/rural spectrum with particular responsibility for the Hawera-South Taranaki operations of TelferYoung (Taranaki) Limited which evolved from Larmers. Previously a director, Roger now operates on contract with TelferYoung and his clients, a wide range of lending institutions, professional firms, local authorities, plus individual rural and urban business owners throughout Taranaki.

He is well respected as a meticulous and experienced valuer and has been a member of the Taranaki Land Valuation Tribunal for some years.

Roger has been an extremely active member of the Taranaki Branch of the New Zealand Institute of Valuers since arriving in New Plymouth in 1980 and he is currently Branch Chairman of New Zealand Property Institute. His Candidature for the position of NZIV Central Districts Councillor highlights that he is passionate about the growth of the profession and fully supportive of the Integration of land related professionals. His focus is on assisting with growing the profession to create a diverse and strong career path for property graduates.

Outside of valuation work Roger Malthus has been extremely active in community affairs and remains so. He has been a District Governor of Lions International and spearheaded many fund raising efforts within the community. He is married to Alisa and has two children, daughter who is a lawyer in London and

a son in the fishing Industry. Stepping back from a director role in the practice has seen Roger attempt to spend more time on leisure activities including diving, running and planning major travel excursions in conjunction with Alisa although work demands still find him putting in long hours meeting clients needs.

WARWICK QUINN

Born in Rotorua in 1958, Warwick was raised and educated there, before joining the Housing Corporation in Wellington in 1977 as a Valuation cadet, where he undertook the New Zealand Institute of Valuers Urban Professional Examinations. After 4 years in Wellington, he moved to Palmerston North where he held the position of valuer and property manager in the Councils Property division.

Returning to Wellington in 1983, he joined the National Bank where he also held a dual role as valuer and property manager, until he advanced in 1985 to AMP Property as a senior valuer within the AMP Property Investment Division.

Warwick then crossed to offering his services to the public, initially working with McGregor Sellars who were merged with Richard Ellis Ltd, (now CB Richard Ellis) in 1987. From 1987 to 1992, he practiced within one of the most "interesting" phases of property market post-sharemarket crash in Wellington.

The lures of Palmerston North then drew him back to the heartland, appointed as Regional Manager Landcorp Property Limited (now DTZ New Zealand) from 1992 to 1995. Continuing the progression north, he was appointed as City Valuer/Ualuation Manager of Auckland City Council where he undertook ground breaking valuation and local body initiatives. For example, he introduced contestability into the provision of valuation services for Auckland City (which had maintained its own valuation roll for rating purposes) and progressed steadily onward and upward within the organisation to end up acting Departmental Head for 6 months.

From 1998 to 2004, Warwick was appointed under the State Sector Act 1988 to the highest statutory valuation position in the land; Valuer-General. This was supplemented by a further additional appointment in 2000 to the role of the Chief Crown Property Officer, and further elevation in 2004 to General Manager, Regulatory Group.

The role of Valuer-General included the development of new legislation and internal structures to meet government outcomes for rating valuations, managing the introduction of contestability into the rating valuations market after a one hundred year government monopoly, development of rating valuations rules and standards, devolving the national property data base to the territorial authorities, developing audit, monitoring and reporting regimes for certification of standards and acting as CEO when required.

Warwick also undertook a myriad of standards, regulatory, and strategic committee advisory roles over this period and was awarded the prestigious Chevening Scholarship by the Henley Management College in the UK.

Warwick and his partner Louise, live in Wadestown in Wellington and manage to undertake house renovations and family activities in addition to a huge workload. Warwick is held in extremely high esteem by his peers and the profession, managing to combine the attributes of a friendly and outgoing personality, with a sharp and incisive intellect. Warwick has given of his time generously and has worked tirelessly to educate and inform the property profession and promote and enhance the business and statutory property environment.

For a person of his age, his achievements are outstanding.

MICHAEL JAMES BRISTOW

Mike is proud of his West Coast heritage, although he was largely raised in Christchurch. After a stint as a "Southern Man', working in the Canterbury High Country, higher education beckoned. After studying at Lincoln College-1978-1980, Mike obtained a Bachelor of Commerce (Valuation and Property Management).

Mike commenced employment with the Valuation Department initially in the Masterton Office in 1981, then transferring to West Auckland in 1984. Mikes career in private practice began with Ozich and Cheyne in 1984. He also became a Registered Valuer in that year, advancing to Associate status.

With two partners, Mike purchased Ozich and Cheyne Ltd in 1987. Mike has remained Managing Director of the Company, known as Bristow Barbour and Walker Ltd for almost two decades. Mike has been a prominent practitioner in the retail field in particular. He has been an outstanding mentor to numerous younger valuers.

Mike has a strong interest in the judicial aspects of the profession. Mike studied through Massey University and obtained Associate Membership of the Arbitrators and Mediators Institute of New Zealand.

Mike has made an active contribution initially to the Auckland Branch of the New Zealand Institute of Valuers, including seminar presentations. For some time, he held the key position of Membership Co-ordinator for the Auckland Branch of the New Zealand Property Institute, undertaking interviews and ensuring standards were met.

Mike is married to Yvonne, and they have two daughters in their late teens. Apart from family, Mikes interests focus around sport, although his golfing potential is yet to be fulfilled due to other time demands.

On the community front, Mike has served as a Rotarian and as the Chairman of the Corban Trust in Waitakere City

Michael Bristow is an outstanding member of the profession, who is held in high esteem by both his colleagues and clients. His elevation to Fellow of NZIV and NZPI has the unanimous support of the Auckland Branch.

TREVOR GRAEME THAYER

Trevor Thayer is an established valuer in Invercargill in his own private practice, operating as Trevor Thayer Valuations Ltd and employing another registered valuer. He is involved in the full range of urban and Rural valuations and specializes mainly in commercial and industrial properties for market and mortgage lending assessments, market rents, rental negotiations and arbitrations, feasibility and development reports and insurance valuations.

Trevor has lived most of his life in Southland, having been born in Gore in 1960, and was educated at Waikaka Primary School and Gore High School. He attended Lincoln College in Christchurch where he graduated with a bachelor of Commerce, specialising in Valuation and Property Management in 1981.

His valuation career began in Te Kuiti with the Government Valuation Department where he worked between 1981 and 1982 and then transferred with the department to Invercargill. He became registered as a valuer in 1985 and in that year attained a position as a valuer and lending manager with the Southland Building and Investment Society in Invercargill. In this role he became responsible for the management of all lending, valuations, security and loan servicing and property management of the Society's realty assets.

In 1989, Trevor left Invercargill for some overseas experience, traveling to Europe and Scandinavia and then returning to the city and a position as a valuer with MacPherson and Associates (Southland) Ltd where he was mainly involved in the valuation of rural and provincial urban properties. Trevor then took a position with Landcorp Management Services in 1990, as a valuer specialising in commercial property, projects and property management. He commenced his practice 1995.

Trevor is married to Nicola and they have two children, Hilary aged 12 and Jonathon aged 9. Community interests for Trevor have involved Jaycees, where he was President in 1984/85, membership of Invercargill Rotary Club and former Deputy Chairman of Vibrant Centre Invercargill.

The NZIV and the NZPI have received Strong support from Trevor, who has been involved in branch activities since 1985 and was the chairman of the Branch from 1999 to 2002. During this period he guided the Branch through the difficult transition from NZIV to Pi. The Southland Branch of the New Zealand Property Institute does not currently have an appointed Branch Fellowship Committee and the Branch Fellowship Committee of the Otago Branch of the NZPI has been asked to consider recommendations to the NZPI membership committee.

We accordingly highly recommend Trevor Thayer for advancement to Fellow, being a progressive valuation practitioner with a strong following from a wide range of corporate and private clients in the commercial and industrial sectors of the property market in southern New Zealand and being a very significant contributor to the affairs of the Invercargill Branch of NZPI.

ALASTAIR WILLIAM WOOD

Alastair Wood is a director and principal of MacPherson Valuation in Queenstown, having established the practice under the banner of the Dunedin based valuation firm in 1994. He has 20 years experience as a valuer and property consultant since graduating in 1985. Alastair gained registration as a valuer in March 1989 and attained Associate status of the New Zealand Institute of Valuers in May 1997.

His initial valuation experience was gained in Rotorua with the then Government Valuation Department, involved mainly in valuations for rating purposes and later spent three years in the UK where he worked for Barclays Bank in property management and valuation assignments in mainly the south east area of London. Other contract work undertaken included property accounts management for the Property Fund Managers and financial accounting and budgeting for an oil company in the UK.

Alastair also completed real estate qualifications and is an Associate member of the Real Estate Institute of New Zealand and is a director and major shareholder of Harcourts Queenstown Real Estate. His other business interests include management of a company operating a large hotel at Haast and management of Mac Property Services, a property management company he established in Queenstown and which in 2000 was appointed as contractor to the Queenstown - Lakes District Council as property manager, with a portfolio of over 350 properties.

Alastair Wood holds a number of other property related appointments, included Valuer and Consultant for the Queenstown Airport Corporation and a Member of the Southland District of the Land Valuation Tribunal. He was also a member of the consultancy group appointed by the Central Otago District Council to develop a strategy to deal with frequent flooding from the Clutha and Manuherikia Rivers and provided consultancy on compensation issues for a wide range of commercial, rural and residential properties practice in Central Otago including high country stations and rural lifestyle properties and more particularly in Queenstown in commercial, retail, industrial, tourism and accommodation and residential properties, involving market assessments, market rents, lease negotiations and arbitrations.

With a family of three children, Alastair and his wife Beth are actively involved in community affairs in Queenstown. Both enjoy a variety of sporting pursuits and are active members of various sports clubs. Alastair is a keen squash player and mountain bike rider, having recently completed the 53 kilometre Motatapu Challenge.

Alastair has been actively involved in the New Zealand Institute of Valuers and the New Zealand Property Institute, being a member of the working party providing guidance to the NZIV on future directions for the valuing profession and has assisted in the establishment of the Central Otago Branch of the NZPI. This new branch has *yet* to form a Branch Fellowship Committee and the Fellowship Committee of the Otago Branch has been asked to make recommendations to the NZPI Membership Committee. We recommend Alastair Wood as being a highly experienced valuer, consultant and property manager, who at 41 years of age has gained wide respect among his fellow practitioners, his corporate and private clients and the wider community for his expertise and integrity in all property matters and recommend him for advancement to Fellow.

GRAHAM BARTON

Graham was born in Auckland and educated at Takapuna Grammar School.

In 1986 and 87 he did his big OE and traveled extensively in Australia, England and throughout Europe. When he returned he studied at the University of Auckland and in 1990 graduated as a Bachelor of Property Administration (Valuation).

He gained full membership of the Institute of Plant and Machinery Valuers (IPMV) in 1994 and is currently a Member of the NZ Property Institute and a Registered Plant and and Machinery Valuer.

Whilst at University he worked part time for Darroch & Co. Ltd. and joined them full time when he completed his degree. With Darroch he spent two years in Christchurch in charge of their branch there.

Graham joined Ernst & Young in 1995 and during his time with EY he has undertaken a large number of international assignments completing major P&M valuations in China, Vietnam, Australia and the Pacific Islands. Over the past 3 or 4 years he has traveled extensively to and from Australia working on some very significant valuations with EY Australian P&M valuation team. These offshore assignments have included valuations of some of Australia's largest plants for clients such as BHP

He has prepared and presented a number of papers at local and international P&M conferences, made submissions to Commissions and other organisations on P&M matters, is a member of the NZPI Standard committee and has represented the Institute on various FRS committees.

He has also lectured to property valuation students at the University of Auckland.

Graeme Horsley has provided a personal endorsement for Graham's achievements "I think he is one of the most intellectual members of the P&M body in NZ. He is someone who enjoys challenging assignments and is quite capable of debating the issues with clients, partners etc. He is very much respected by EY tax partners in NZ and Australia."

Graham is married to Deanna, has three young children and is a keen surfer and yachty.

The Auckland Branch unanimously recommends the elevation of Graham Barton to the status of Fellow of NZPI.

HANS POUW

Hans was born and educated in the Netherlands. His early career was in marine engineering with the Royal Nedlloyd Company in Rotterdam where he held a Dutch Marine Engineer B Certificate. For a time he was Chief Engineer at a large cool and freezing store complex In Cothen, The Netherlands.

In 1979 he had a change of career path and took up a position with Iteb Utracht as a Loss Adjuster, Surveyor and Plant and Machinery Valuer.

He immigrated to New Zealand in 1984 and started work with Rolle Associates where he proceeded through the ranks until 1994 when he was in charge of the company's machinery valuation division Auckland. He worked around the Pacific as well as all over New Zealand for Rolle clients and spent a lot of time in Fiji.

In 1994 Hans joined Ernst & Young, as Auckland Manager of its plant and machinery division. Hans worked on a multitude of interesting projects in New Zealand, China, Hong Kong and Vietnam. In 1997 Hans joined Richard Ellis in Auckland, the firm that later became CB Richard Ellis to set up its Auckland Plant and Machinery Valuation Office. In December 2004 Hans joined Axiom Rolle PRP in Auckland and is currently Auckland Manager at the firm.

Testament to Hans' skills and level of expertise is that clients he first worked for some 20 years ago still remain with him today as their leading valuation consultant.

Hans lives with his partner and three teenage children in Howick where his spare time is taken up with his two Dobermans, tennis and family matters. He plays tennis as many times as possible every year and also follows soccer and rugby from the comfort of his armchair.

Hans was admitted as a Member of the Institute of Plant and Machinery Valuers (IPMV) in 1990. He is currently a Senior Member of the New Zealand Property Institute and a Registered Plant and Machinery Valuer.

He has served on committees of the IPMV as treasurer and was actively involved on the CPD education committee for the Auckland Branch of the IPMV He has given lectures on plant and machinery valuations to property students at the University of Auckland. He has also acted as a mentor for some of the younger members and is highly regarded in his field.

Hans continues to actively contribute to the Plant and Machinery Valuation profession and the Auckland Branch unanimously recommends his advancement to Fellow of NZPI.

JOZEF GEORGE BOGNAR BPA SNZPI

- Born Auckland 1 January 1965
- Married with two children
- Educated Sacred Heart College, Auckland 1978 - 1982
- Tertiary education, Auckland University 1983 - 1982
- 18 years in the property industry
- Senior member of the New Zealand Property Institute from 19 November 1991
- Registered as a Property Manager and Consultant with the Property & Land Economy Institute
- Work experience:
  1987 1990 Property Manger AMP Investments, Auckland responsible for the marketing and disposal of surplus investment properties.
  1990 1991 Property Sales Officer, AMP Investments, Auckland responsible for the marketing and disposal of surplus investment properties.
  1991 - 1994 Senior Property Manager, AMP Investments, Wellington, managing property staff and investment properties in Wellington
  1994 1995 Asset Manager, AMP Investments, Wellington, responsible for the strategic property management of AMP's Wellington and South Island Property Portfolio
  1995 - date Property management and consultant, O'Brien Property Consultancy Limited.
- Specialises in "hands on" and strategic management of a wide range of land and property assets in both the public and private sectors.
- Provides consultancy and project management services in respect of the determination and implementation of planned property maintenance programmes.
- For the New Zealand Property Institute has:
  Acted as a member of the Wellington executive 1991 - 1998
  Acted as convenor of various sub-committees 1991 - 1998
  Acted as a member of the organising committee for the 1996 National Property Conference

KENNETH ROSS TAYLOR

Ken Taylor is the manger of DTZ office in Alexandra and has been involved in high country and pastoral farm valuation in Central Otago, having been born there in July 1950 and attending Hawea Flat Primary and secondary school in Alexandra. He and his wife Heather have lived in Alexandra since 1985 when Ken was appointed to the Senior Field Officer in the Lands & Survey office in Alexandra. They have a family of four daughters and now are the proud grandparents of two grandchildren.

As well as family interests, Ken is involved in community affairs with chairmanship of the Board of Trustees of Dunstan High School and membership of Alexandra Rotary Club. Ken has a passion for motor vehicles, being a keen stock car fan, and driving all over the South Island to watch them race, and in his spare time is currently working with his father restoring a 1930's Chevrolet car.

Ken studied at Lincoln College in Christchurch after leaving high school and graduated with a Bachelor of Agricultural Commerce in 1974. He began working for the Lands & Survey Department as a field officer in October 1975 in the Christchurch office where he undertook valuations of Crown Land and Marginal Land. He gained registration as a valuer in 1978 and in 1980 attained a Masters Degree in Science, majoring in Resource Management, having studied extra murally through Massey University.

Ken transferred to the Hokotika office and then the Dunedin office of the Lands & Survey Department where he was involved in the full range of valuations for Crown Land disposal, rent reviews, marginal land lending, reserve acquisition and charge fixing for Civilian settlement. He took an active interest in the Otago Brach of the NZIV during his years in Dunedin and was Secretary of the Branch for three years. He gained Associate Membership of the New Zealand Institute of Primary Industry Management. He is an acknowledged expert of high country land and in 1995 presented a paper on high country stations valuations to the seminar at the NZIV national conference held in Twizel.

Ken's management role in the Alexandra office has been under a succession of corporate ownerships from Landcorp, Landcorp Property, Knight Frank and now DTZ. He is held in high regard by rural valuation practitioners and rural managers throughout the South Island, for his expertise and integrity. The Central Otago Branch of the New Zealand Property Institute has yet to form a Fellowship Committee and the Fellowship Committee of the Otago Branch has been asked to make recommendations to the NZPI Membership Committee. We accordingly recommend Kenneth Ross Taylor for advancement to Fellow

JAMES LEONARD GLENN

Jim Glenn grew up in Wanganui. He attended New Plymouth Boys' High School where he took part in many sporting activities. On leaving school Jim worked on farms as a pre-requisite to enrolling at Lincoln University in the Bachelor of Agricultural Commerce course, specialising in rural valuation and farm management. He completed this at the end of 1972 and joined the Valuation Department as an urban valuer in Hamilton in January 1973.

He left the department in October 1975 for travel overseas which included working in agriculture in England for three years. Returning to New Zealand in January 1979, Jim rejoined the Valuation Department, and was registered in December of that year.

Jim's work included six months in Tauranga working throughout the Te Puna and Katikati districts valuing kiwifruit orchards and other intensive horticulture properties.

In November 1982, wishing to establish himself in private practice, he left the Department for a private practice in Thames, staying with that firm for most of the time as a partner until 1994 when he set up his own business, which he continues to run today. His work covers all aspects of valuation throughout the Thames/Coromandel district, including local bodies and government departments as well as private clients.

Jim has been an active member of the New Zealand Institute of Valuers and latterly the New Zealand Property Institute. He served on the Branch Committee during the early 1990s and was Branch Chairman 1996-97. His contribution to the Branch was significant and included the period when the change from NZIV to NZPI was taking place. Jim's commitment of his time is appreciated by branch members in that he travelled at least an hour each way from Thames to Hamilton for all the meetings and activities.

In addition to his involvement with land valuation, Jim has interests in property subdivision and development, as well as forest planting and maintenance. He has been Chairman of Te Mata Forestry since 1995. Other interests include sea and fresh water fishing, boating, claybird shooting, tennis and backgammon.

He is married to Jennifer and they have three children who are currently moving from secondary education to university.

The Waikato Branch Committee has no hesitation in recommending that Jim Glenn be advanced to Fellowship of the New Zealand Institute of Valuers.

BOYD A GROSS

Boyd Gross is a Director of Logan Stone Ltd, Hastings. He commenced employment with Logan Stone Ltd after graduating from Massey University in 1990 and became a Director in 1997.

Born in Tully, Australia in 1968, Boyd, at the age of nine moved to the Wairarapa in 1977 where he attended Martinborough Primary School and Wairarapa College between 1981 to 1984. He distinguished himself in rugby and went on to play in representative teams in Wairarapa, Wanganui, Martinborough and Central Hawkes Bay.

In 1985 Boyd commenced his farming experience in Otane and in 1986 attended Flock House. In 1987 he enrolled at Massey University and completed a Bachelor of Agriculture (Valuation) in 1989 and a Diploma in Business Studies in 1990. Boyd was recognised in his early years by the New Zealand Institute of Valuers and was the recipient of the Young Professional Valuer of the Year Award in 1997. He has since progressed to become a Senior Primary Industry Property Professional undertaking a wide variety of assignments in horticulture, viticulture, controlled environments, post harvest, pastoral and lifestyle properties. His expertise is sought after by a wide variety of clients including the major Trading Banks, Corporates, Private Investment Companies and Family Trusts. His expertise, particularly in viticulture, horticulture and forestry has him undertaking assignments in Hawkes Bay, Central North Island, Wairarapa, Marlborough, Central Otago and other locations throughout New Zealand.

Boyd's interests also extend to Institute Affairs where he is actively involved at both Branch and National levels. In 1998 he was the Convenor of the New Zealand Institute of Valuers Conference in Hawkes Bay and served as Chairman of the Hawkes Bay Branch of the New Zealand Institute of Valuers between 1999 and 2000 and Chairman of the Hawkes Bay Branch of the Property Institute between 2000 and 2002. He is currently Chairman of the National Education Committee of the New Zealand Property Institute and applies a significant portion of his time to promoting ongoing professional education and liaison with the property faculties within the various Universities throughout New Zealand.

Boyd is held in the highest regard by his peers and is deserving of his elevation to Fellow of the New Zealand Property Institute and the New Zealand Institute of Valuers.

JOHN ROBINSON REID

John Reid was born in Wellington in 1961 and moved to Rotorua aged 6. Educated at Rotorua Boys High School and Lincoln University where he graduated in 1983 with a Bachelor of Commerce in Valuation and Property John joined Valuation New Zealand in 1983 and remained with Valuation New Zealand until 1999. In 1999 John completed a degree in Master of Property Studies Lincoln University Thesis being `What is the future for the Central City Retail Sector in Provincial New Zealand'.

John set up his own practice in 1999 and practices today as John Reid & Associates Limited. Married to

Ruth since 1985 they have three teenage sons Mark 17, Kurt 15 and Scott 12.

John's sporting attributes centre around golf where he blazed the trail from the age of 12 becoming school junior golf champion and represented Bay of Plenty at school level, Intermediate Club Champion in 1979 and Bay of Plenty Champion of Champions and Canterbury Junior Golf Team 1980/81. He held the Senior Golf Champion title of the Napier Golf club in 1987. John plays off a 4 handicap and had his first hole in one in July 2002.

His community activities include six years on the Board of Trustees Pakowhai School, Treasurer Badminton Club Member, Taradale Rotary Club of which he is the current Treasurer, he is on the Board of his local church and he is the Manager of the Hawkes Bay Representative Hockey Teams, and for the past 15 years John has found time to look after his small orchard property.

John has been involved in a wide variety of valuation assignments and his extensive research papers in regards to rental space and vacancies are a feature of the Hawkes Bay valuation practice and scene. He has served on the local branch committee for many years and also acted as secretary for a time and from the last AGM John will assume the Chairman's role in the Hawkes Bay.

ANDREW BROWN

Director, Jones Lang LaSalle, Wellington

- Born in 1968.
- Andrew grew up in Nelson, attending Nelson College.
- Attended Lincoln University, graduating - B.Com VPM
- Worked as a Valuer for the Tse Group in Wellington before joining Jones Lang LaSalle in 1995.
- Registered Valuer since 1993

Current Responsibilities

Andrew has overall responsibility for the Wellington office and heads up a team of 20 property professionals.

Experience

Andrew has over 14 years experience in the property industry in New Zealand, the United Kingdom and North America. Andrew has been with Jones Lang LaSalle since 1995.

In 1999 he was one of four candidates in Asia Pacific selected for the Jones Lang LaSalle International Staff Exchange.

Andrew has a wide range of experience particularly within the Wellington market covering the office, retail and industrial sectors.

Education and Affiliations

- Bachelor of Commerce (VPM), Lincoln University, Canterbury
- Senior Member of the New Zealand Property Institute
- Associate of the Real Estate Institute of New Zealand
- Associate of the New Zealand Institute of Valuers
- Registered Public Valuer, New Zealand
- Member of the Royal Institution of Chartered Surveyors (UK)

Andrew lives in Wellington with his wife Victoria, sons Drew and Harry and daughter Fendi.

His interests include: rugby a passionate Crusaders supporter, wine appreciation, fitness and family activities.

Andrew is currently the Chairman of the Wellington Branch of the New Zealand Property Institute.

metropolitan ice Markets

Demand for additional space from occupiers in the Auckland and Wellington office markets, although a little erratic over time, has largely been positive over the last five to ten years.

What is worth noting however is that the composition of that tenant take up, and the industry groups driving it, have changed substantially over that same time. In this article we will seek to examine employment take up, the changing shape of New Zealand central business districts (CBD's), and the likely future supply scenario for both the Auckland and Wellington office markets. In addition we will also discuss some of the long term trends which, over the next five to ten years, will shape once again the continuing evolution of the office markets in New Zealands two major cities.

PRECINCT DEFINITIONS

The Auckland market is characterised by its disparity across the Auckland region. There are several major sub markets within Auckland as well as the central business district.

The central business district in Auckland consists of a core area bound by the major arterials within which are located the `Core' and `Frame'. This central business district (CBD), or the heart of the city, consists of some 450,000 sqm of largely prime office space in the core, and an additional 400,000 sqm in the frame, giving a total of some 950,000 sqm across the CBD.

Immediately surrounding the CBD is the CBD Fringe precinct, consisting largely of sub-precincts, such as the Symonds Street area, the viaduct Harbour precinct, College Hill, Parnell and Grafton all of which contribute about 350,000 sqm to overall supply.

In addition to these sub-precincts outside the CBD core and frame, we also have suburban markets which consist of upwards of 350,000 sqm of total stock and are largely located in the Newmarket southern corridor and disparately through Takapuna and the North Shore.

The inverse applies in Wellington, that being that the Wellington market is largely located within a central area being the CBD Core and Frame with limited office space in what is referred to as `Wellington fringe'.

As such the Wellington market has seen very little suburban drift. The Auckland CBD has suffered from the loss of non traditional CBD tenants which have sort to locate in cheaper and sometimes more functional space outside the immediate area and constrictions of the central business district.

The interesting thing to note is that the Wellington CBD, although appearing somewhat smaller that the Auckland market overall actually has a larger CBD core and frame. It is this inability of the Wellington market geographically to accommodate suburban office markets in a large scale that has forced most occupiers to remain within the central business district, rather than drift out to the suburbs, in our opinion this is something that the Auckland market has suffered from and will continue to suffer from over the medium term.

Auckland: Total Office Space Occupied Space by Precinct

Wellington: Total Office Space Occupied Space by Precinct

DEMAND DRIVERS WITHIN THE AUCKLAND AND WELLINGTON OFFICE MARKETS

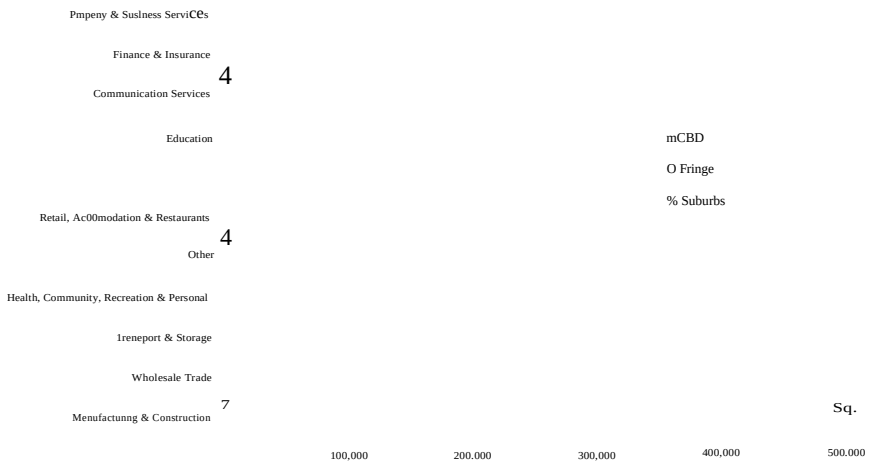
When analysing office space take up within major metropolitan office markets, it is key not only to understand gross movements and indeed net movements of tenants within monitored stock, it is also fundamentally important to understand take-up by industry type over time.

Jones Lang LaSalle research has carried out analysis of both the Auckland and Wellington office market to try and understand the drivers for take-up within each market and sub market.

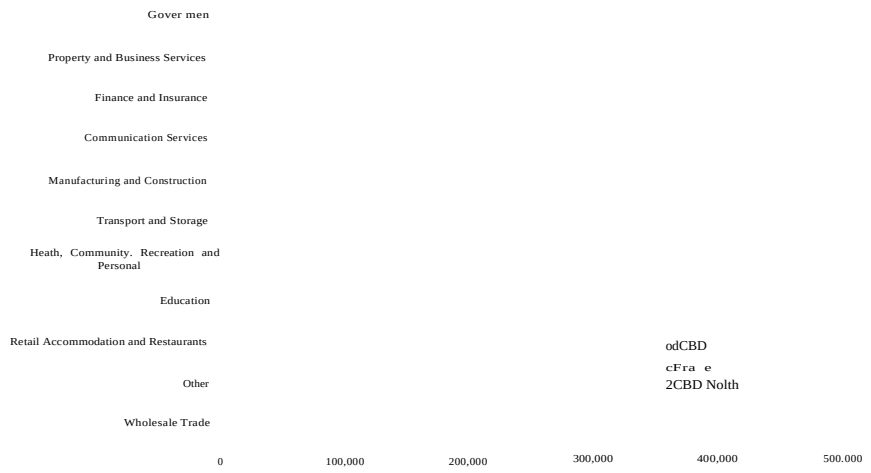
Within the Auckland region it is clear that the major drivers for space take-up are property and business services and the finance and insurances sector. Property and business services consist of occupiers such as accountants, lawyers and a general consultancy. Finance and insurance services generally consist of major insurance providers and banks.

As is illustrated in the chart, not only are these two industry groups the major occupiers within the overall Auckland market, but it is also worth noting that they have a strong preference towards locating within the central business district.

The majority of these occupiers need to be near their clients and indeed their clients *need* to be near to them. As such, it is easy to understand that they are locationally sensitive and can be referred to as `traditional CBD occupiers'.



Auckland: Total Office Space Occupied Space by Precinct



Wellington: Total Office Space Occupied Space by Precinct

Non-traditional CBD occupiers such as communication services, retail, accommodation, restaurants, other community, recreational and personal services, and various other users have a tendency to locate outside the CBD because their occupational drivers relate to access. These occupiers are therefore not so necessarily locationally tied to being near their clients.

A classic example of this is within the communication sector with major providers such as Vodafone and Telecom, locating in the fringe of the CBD.

Although government occupiers feature in the Auckland market, they do not have nearly the same impact on occupational patterns within the CBD and suburbs that *they* do within the Wellington market. Government accounts for some 42% of total occupied space within the Wellington office markets. As illustrated in the graph, there is a tendency towards locating outside the Wellington CBD core, nearer to parliament.

The traditional CBD occupiers of property and business services and finance and insurance although playing a major market are certainly second to government in terms of their overall space requirements. As such this story of occupational patterns within New Zealand's two major metropolitan office markets is very much a tale of two cities, with one being driven by the wider economy and one being driven by the whims of government policy

FUTURE OFFICE DEMAND

We believe that the outlook for office take up is essentially healthy both in the Auckland and Wellington office markets. Jones Lang LaSalle research indicates that high growth industries over the coming five years will likely drive existing occupancy patterns within both Auckland and Wellington.

Both the major CBD occupiers of financial insurance services and property and business services anticipate a likely growth rate of between 2.5 3.5% per annum over the next five years. This growth is likely to manifest in additional space requirements, with the space requirements being mainly focused in traditional CBD locations.

The fastest growing industries however are ITC industries, cultural and recreational services, and health and community services with wholesale trade also likely to be a major contributor to growth over the next five years. As per our previous chart it is these industries which have a tendency to locate outside of traditional CBD areas, preferring the convenience and access provided by the fringe frame and suburban locations which have grown so quickly especially in the Auckland market in recent years.

If we analyse employment take up in both Auckland and Wellington over the same period, with employment take up being a major driver of space requirements for firms as they expand, we can see that it has been the suburban markets, especially in Auckland that have been the major winners in terms of capturing new employment market share.

As indicated in the attached chart office occupiers have grown some 5.2% in the CBD core and frame between the period 2000 and 2004.

If we compare this to office occupiers within the suburbs of Auckland, we have seen upwards of a 32% growth over the same period. In Wellington the growth rate has been a little more pedestrian however, once again, there is a somewhat substantial disparity between the growth rates of employment in the CBD vs employment in the non traditional CBD areas.

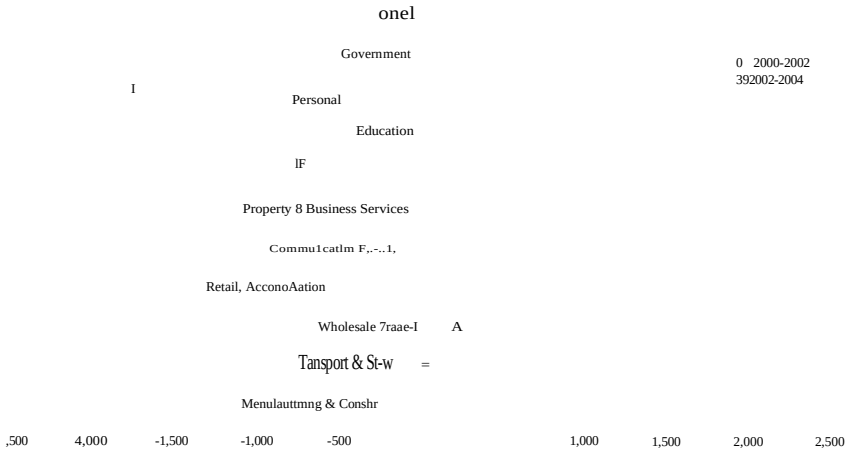
What is interesting to note especially within the Wellington market is that there has been a see-sawing in many industry groups in terms of overall employment over the period 2000 to 2002. The Wellington market has seen an overall expansion in office the number of office occupiers employed in the CBD which has picked up pace somewhat since the beginning of the 2003 calendar year. This expansion, along with recent growth in the government section, has underpinned Wellington's currently strong office market.

The major growth industries however, when we compare Auckland and Wellington office employment take up, have been the educational sector in Auckland which anecdotally has seen substantial growth over that period, as well as property and business services.

The change within the finance and insurance sector tells a contrasting story, with insurance contracting significantly over the first two years of the period 2000 to 2004, with the banking industry then expanding substantially through the second half of the period. Any movement in tenant demand in the finance and insurance sector over the last five years has often been compounded by the northward drift of many major corporate occupiers. Correspondingly in the Auckland market, overall growth in the same sector was near nil whilst fluctuating substantially across the period of study.

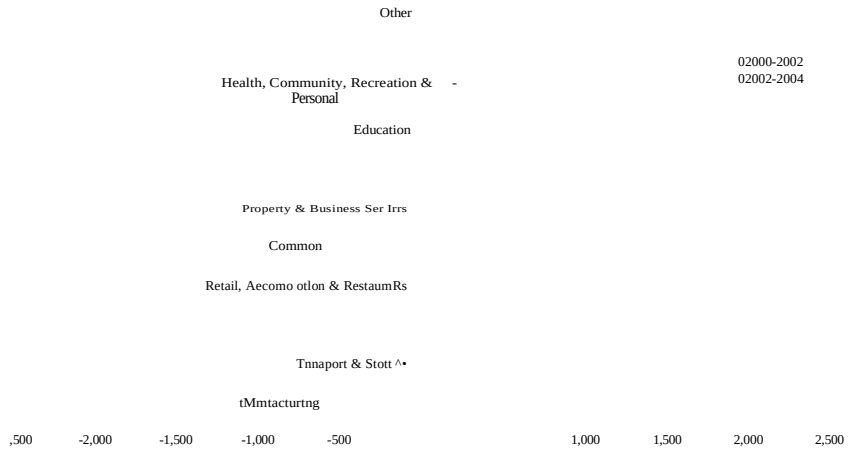
	Office Occupiers Employed 2000	Office Occupiers Employed 2004	Change
CBD Core & Frame	40,750	42,880	5.2%
Fringe	5,780	4,910	-15.1%
Suburban	17,300	22,950	32.7%
	63,830	70,740	10.8%

	Office Occupiers Employed 2000	Office Occupiers Employed 2004	Change
CBD Core	32,400	30,900	-4.6%
Frame	10,000	12,300	23.0%
CBD North	8,900	8,400	-5.6%
Total	51,300	51,600	0.6%



Auckland Employment Take Up

JONES LANG LASALLE.



Wellington Employment Take Up

JONES LANG LASALLE.

Overall, the Auckland office sector, both CBD and suburban, employs approximately 70,000 people whilst the Wellington office sector employs approximately 50,000 people. With Auckland having a labour force nearing three times that of Wellington, it is clear that the Wellington office market plays a larger role in the regional economy than it does in Auckland.

THE CHANGING SHAPE OF THE AUCKLAND AND WELLINGTON CBDS

Throughout the 1980's some 250,000 sqm of investment grade office space was developed in the Auckland CBD and up on the Symonds Street ridge. Through the mid 1990's and early 2000's, a new pattern of development emerged with buildings being located on the CBD edge and towards the waterfront, moving the focus of the CBD from and north-south axis to an east-west parallel.

Approximately 145,000 sqm of development occurred through this period, with the great majority positioned to take advantage of a harbourside aspect within the Viaduct Harbour precinct. This indicates a willingness on the part of occupiers to consider non-core CBD locations and a rise in importance, in the mind of the occupier, of amenity over location.

Infrastructural improvements have played a major part in changing the shape of the Auckland CBD, with motorway development through the Grafton gully providing much better access to the eastern side of the CBD. As such, future growth is likely to pan out across the waterfront and be pushed eastward as part of the east on Quay development takes shape, the Britomart development becomes a major feature of the CBD and the role of a centralised public transport system become ensconced within the psyche of the Auckland commuter.

Auckland CBD: Key; Red dots 1980's Blue dots mid 1990's onward

Wellington CBD. Key is the same as for Auckland.

In the Wellington market a similar construction and development cycle occurred through the late 1980's, although not to the same extent as Auckland. Development in Wellington during the late 1980's was largely concentrated around the south of the CBD core and frame and in the Te Aro area.

The small amount of development activity that has occurred since has taken place largely in the CBD core and frame to the north of the city. As such as is the case in Auckland but perhaps to a lesser extent, Wellington too is showing a northward drift to take advantage of the harbourside aspect that the CBD offers. Whereas the drivers in the Auckland market that relate to this shift in locational preference relate largely to amenity and increased prominence in terms of business location, the shift in Wellington can cynically be referred to as government departments trying to get as close to the mother ship as possible.

Property	Precinct	Likely Completion	Size (sqm)	Likelihood
Britomart Character Office	CBD	Dec-07	25,000	Certain
Lumley Insurance	CBD	Jun-05	18,000	Certain
BNZ	CBD	Mar-07	15,000	Possible
Britomart New Build	CBD	Dec-07	24,000	Likely
Air New Zealand	Fringe	Jun-06	18,000	Certain
Quay Park ?	Fringe	Dec-06	20,000	Certain
Microsoft	Fringe	Sep-06	9,000	Certain
152 Fanshaw Street	Fringe	Sep-07	10,000	Likely
West ac	Fringe	Dec-07	20,000	Possible
Millenium Stage 2	Suburban	Sep-05	19,000	Certain
414 Khyber Pass Road I	Suburban	Aug-06	6,000	Certain
Central Park	Suburban	Jun-05	7,000	Certain
Trends Building	Suburban	Mar-06	5,500	Certain
Sylvia Park	Suburban	Jun-07	10,000	Likely
Ascott	Suburban	Jun-06	10,000	Likely

AUCKLAND AND WELLINGTON OFFICE SUPPLY PIPELINE

As indicated in the chart above, there is a substantial supply risk in the Auckland office markets heading forward over the next 2 - 2 1/2 years. Whereas there is only limited development within the CBD, much of which is already precommitted in the form of the new Lumley Centre.

There is substantial development taking place and/or likely to take place in Auckland's fringe and suburban office markets. The Air New Zealand development, Quay Park, Microsoft in the Viaduct Harbour precinct, 152 Fanshawe Street, and a proposed Westpac building which may or may not go ahead are likely to add substantial amounts of supply to office stock over the next 2 2 lh years.

In the suburban precincts Macquarie Goodman continues to bring on line a substantial addition of office space in the southern corridor, along with several other small to medium sized developers who are taking advantage of an upward shift in the property cycle. Sylvia Park cannot be discounted from this future supply either, with the Kiwi Income Property Trust indicating that they are likely to build some 40,000 sqm of office space as part of their new development in Mt Wellington. In total, we are likely to see in excess of 120,000 sqm of additional office space bought on line towards the end of 2008 in the Auckland office market with an upside risk of more than 200,000 sqm being bought on line if the majority of proposed new developments go ahead.

In terms of a supply threat to the CBD, there is not an immediate threat in that we do not consider proposed projects for the CBD having the capacity to oversupply anticipated demand within the market. Rather there is a risk that the tenants will be drawn from the CBD into fringe and suburban developments as we head forward.

Property	Precinct	Likely Completion	Size (sqm)	Likelihood
'Victoria Street Carparx	CBLi Core	,un-10	ib,UOU	
Min for Defence	CBD =,. orth	Jun-06	18,000	Certain
Min for Environment	CBD North	Se -05	7,000	Certain
Maritime House	Frame	Jun-05	10,500	Highly Likely
Statistic NZ	Frame	Mar-06	9,000	Certain
Willis Victoria Block	Frame	Jun-08	10,000	Possible
22 42 Willis Street	Frame	Jun-09	10,000	Possible
N.O 3 The Terrace	Frame	Jun-06	5,500	Certain

There are several major developments planned for the Wellington market, however a higher degree of sanity would appear to apply to the Wellington market than as currently being applied to the Auckland office market. Several major developments including the Ministry for the Environment, Department of Statistics, New Zealand Defence House and Maritime Tower are all likely to be completed over the next 18 months.

With major refurbishments also taking place at 1 The Terrace, Pastoral House, Oddlands Building and Wool House. Within these developments there is the potential for an additional 50,000 sqm of space to be introduced to the Wellington market over the next 18 months to two years. However, this is unlikely to have a substantial impact on the Wellington market heading forward.

As such, given the possible demand scenarios, Auckland is likely to suffer at the hands of new development to a far greater extent that than Wellington office market is over the next phase of the property cycle.

FUTURE TRENDS

Flight To Quality

Tenant flight to quality remains evident across the secondary grade accommodation monitored by Jones Lang LaSalle in both the Auckland and Wellington market.

Organisations are increasingly viewing their offices not just as work places but making a strong statement about their culture, use for attracting and retaining top talent and as well a means of setting themselves apart from their competitors. Tenants needs are changing, reflecting a preference for efficient floor plates. Many tenants also prefer a side core over the more traditional central core, and want high grade building services.

Tenant consideration of the more qualitative aspects of a prospective relocation is strongly evident. With continuing emphasis placed on effective fit-outs, building services and brand visibility, proximity to leisure activities and of course a good building owner are also major influences in a preference towards quality space.

Real Rental Costs

Jones Lang LaSalle tracks real face rents for premium and secondary CBD fringe stock. The graph indicated below illustrates that over the last 15 years, both in the Auckland and Wellington market, prime rents have failed to keep up with inflation and in many phases of the property cycle have indeed lagged substantially behind.

The net result of this lag on inflation is that in real terms, the cost of accommodation in the CBD is, on average, 26% lower than it was 14 years ago. In prime stock it is 35% below where it was in the early 1990's. Rents which are set within this continuing soft demand and supply scenario have not managed to keep pace in a relatively low inflation environment.

The natural conclusion from this observation is that in both the Wellington and Auckland market it has never been cheaper to occupy prime and landmark space. The tenant capacity to pay increased rents is arguably higher than it ever has been.

This means there should be increased capacity for tenants to pay more, especially considering that business efficiencies have improved substantially over the last 15 years, as has profitability.

Given the comments above however about the supply scenario in that it is likely to be substantial in Auckland and relatively lax in Wellington, the net affect of this capacity to pay more is likely to be felt more in the Wellington market. This is due also to the fact that Wellington is constricted both by supply and by geography where as Auckland continues to see additional supply across its sprawling suburban and fringe markets.

THE IMPACT OF TECHNOLOGY

Technology is changing the way firms operate, with inevitable affect on the way occupiers use offices. For some it is a space saving exercise, whilst others are having to find more room to support new initiatives and equipment.

One example is Minter Ellison Rudd Watts Stone, who leased four floors of the new Lumley Tower on Shortland Street in Auckland. The tenant is now going to occupy three floors and is looking to sub-lease/assign the fourth floor out to the end of their lease term. The original intention was to take half a floor for expansion, but due to better space planning, outsourcing of back office functions and a largely digital law library, it is no longer needed. Hotdesking, hoteling and initiatives that allow occupiers flexibility and support a mobile workforce, will impact on the amount of office space companies require heading forward.

Recent studies carried out by Jones Lang LaSalle internationally indicated that a general up-skilling in computer skills among office executives has also reduced the requirement for support staff, further reducing desk space requirements.

While technological advances may reduce space required in the CBD, there may be increases in demand for suburban locations to house the supporting infrastructure. For example, Air New Zealand recently launched an express online ticketing service. While in the long run this will reduce head office and auxiliary retail costs, the firm now needs room to house service and backup equipment, allowing it to downsize its front end profile. As such is the case with Air New Zealand and many other operators, changing technology does not necessarily reduce space needs, rather it simply changes them.

The Rise or The New Romanticism

Introduction

This presentation further develops my ongoing argument that the "big debates" about the nature of our world continue to reflect the contest between the Enlightenment and Romanticism'. Of course these two modes of thought overlap in their influence on all of our lives. The most "rational" of us is likely to have some affection for "nature" and an appreciation of one or more of the arts. So we are talking about positions on a spectrum rather than a clash between polar opposites.

This presentation examines "Smart Growth", "Growth Management" and "Visioning", as means of managing our urban and rural environments, within the context of this ongoing debate.

The Dark Sides

I have earlier argued that:

- Socialism is the "dark side" of the Enlightenment tradition. Socialists believe that, if we can use science to design a bridge, then we can use science to design society. The consequent argument is that to effect such total or holistic change, the state must own the means of production, distribution and exchange. Socialism focuses on economic theory.
- Fascism is the "dark side" of the Romantic tradition. Fascism favours feelings over reason, holds that truth is culturally constructed, looks to the racial wisdom of the "yolk" and other primitive peoples, worships nature, and promotes the need for great and charismatic leaders to tells the masses what truths are "holistically" true. Fascism, being descended from Romanticism, promotes an aesthetic model of how to organise society.

  Communism combines these two dark sides into an engineered or "scientific" utopia, which also promotes charismatic leaders who are charged with revealing the truth of the Marxist "book" and motivating the masses.

All three belief systems claim the modern world is too complex to depend on spontaneous order, and must be planned if we are to avoid chaos, and that therefore a few wise men2 must direct and control our lives. There are many people who are happy to he planned and only too many who are happy to do the planning.

The present generation of "controllers" has identified a new chaos or dystopia. They claim our population, wealth, technology, and consumption are combining to destroy the planet, or will do so in the future, unless, of course, "environmental planners" take control and "sustainably" manage our lives in order to "save the planet".

Their current response, within the framework of urban planning is "Growth Management" or "Smart Growth".

In his seminal work, The Road *to Serfdom,3* Hayek makes the point that the problem with central planning is that it attempts to form a universal view on matters on which there can be no universal agreement. Therefore any such plan necessarily coerces more people than those who willingly go along with it. Smart Growth is a classic example of this failing. It forces the majority to live where they would not choose to live if given the choice. All those people must be coerced into making second-best choices, and they lose their property rights and their liberty in the process.

1 For a general discussion of Romanticism and its relation to the Enlightenment, see Isaiah Berlin's collection of essays, *The Roots of Romanticism,* edited by Henry Hardy: Pimlico, 1999.

2 In the past they normally have been men.

3 Friedrich A. Heyek's seminal work written just after World War II. For a useful review visit htt ://www brothersiudd comhndex cfm/fuseaction/reviews.detaiVbook id/966, or the *Reader*s Digestversion, which is also on the web.

The Retreat of Socialism

Since the collapse of the Berlin Wall, and the belief systems which shored it up, the communist and socialist ideologies have lost most of their credibility. Some people were persuaded by Fukuyama's claim that we had arrived at "the end of history" or at the end of the history of the conflicting camps of capitalism and communism but they overlooked the fact that the underlying conflict between the Enlightenment and Romantic traditions remains.

And the controllers are always waiting in the wings.

The Economics of Socialism and Fascism Compared

Socialists focused on the way we should manage the economy to generate and distribute wealth. Their solution was for the State to own the means of production, distribution and exchange. They believed their theories were scientific and rational that dialectical materialism could plan the most suitable route to a Utopian future.

Socialism also promoted world-wide revolution as a means of fulfilling its aims.

Socialism was econocentric; socialists believed that economic revolution was necessary if they were to set the world to rights.

Such beliefs no longer gain much traction. Few challenge the superiority of market-led democracies in generating wealth, although many continue to fret about distribution, both within and between economies.

Fascism was primarily an aesthetic model of how to organise the world. Fascist theory has little to say about economics, because economics is "rational" and employs mathematics for calculating costs and benefits and to model outcomes. Romantics prefer to rely on their feelings and emotions. Charismatic leaders resist being constrained by economics or other scientific theories. They prefer to respond to the "popular will" which they can help form and mould. Hence in fascist theory economics is secondary to matters of aesthetics, style, feelings and passion.

While fascists allow property to remain in private hands they insist that the owners use their property to promote the purposes of the state. Friedrich List, the 19th Century economist wrote in The Natural System of Political Economy (1837) with reference to Adam Smith's classic liberal doctrine:

> But this *doctrine* omits a vital *intermediate* stage *between* the individual and *the* whole *world.* This is *the* nation, to which its members *are* united by the tie of patriotism.

It is easy to see why the Fascists found List a more attractive economist than Adam Smith.

While List has his detractors and defenders, the Fascists built their own "economic theory" such as it was, on the premise the interests of the citizen should be subservient to the needs of the state. As the Libertarian Leonard Peikhoff observed:

> *Contrary to* the Marxists, the Nazis did *not advocate* public *ownership of the* means *of production. They* did demand that *the government oversee and* run the nation's *economy. The* issue *of* legal *ownership, they* explained, is *secondary;* what *counts* is *the* issue *of* CONTROL. *Private* citizens, *therefore,* may continue *to hold* titles *to property -- so long* as *the* state *reserves to itself the* unqualified right *to regulate* the use *of their property.*

This strikes uncomfortably close to home.

Romanticism now Prevails over Reason.

Francis Fukuyama believed we had come to the "the end of history" but his 1992 obituary was premature. With the collapse of Communism the Wilsonian dream of peace, democracy and free markets appeared to be coming true.} However, since 9/11 we live in a new (but not unprecedented) debate between democracy and theocracy The Western world is now being challenged by religious fundamentalists and, naturally enough, religion is now central to the arguments on both sides of the debate. The Enlightenment was typically hostile to religious belief but Romanticism embraced it.

The Romantic movement also gives great weight to the arts and artists, especially those artists who promote nature over the man-made or artificial. The charismatic leader is necessarily a person of style and they certainly care about their image. Napoleon, Hitler and Mussolini all linked artists and architects to their cause. They had the best uniforms and logos, and loved orderly parades and well turned out armed forces. Grand architecture provided a suitable backdrop for their public, and highly theatrical, appearances.

The architect, Albert Speer, served Hitler in a way impossible to imagine of any architect serving a Roosevelt or a Churchill. While Roosevelt frequently appeared with engineers at the opening of a hydro-dam or other New Deal projects, the architect Speer was one of Hitler's right hand men, and Hitler took special pleasure in the times he spent with Speer developing their architectural visions for the brave new world.' The German movie Downfall, portrays the last days of Hitler in the bunker. During his final parting with Albert Speer, Hitler is seen contemplating a model of the ideal city architectural monuments and public buildings covering many hectares, with not a residence or other evidence of human beings in sight.

In this 21st Century, post-socialist world, political debate now focuses on aesthetic issues and concerns.

From the stasist "left" Naomi Klein condemns the power of labels and logos. From the dynamist "right"

See Michael Mandelbaum, *The Ideas that Conquered the World,* PBS Public Affairs: New York, 2002.

5 The Luftwaffe certainly contributed to "slum clearance" programs in England and indeed some of England's own architects expressed some pleasure in the "clean slate" the blitz provided.

Virginia Postrel6 delights in our new awareness of aesthetics as a means of expressing the individual self. Old Marxists shake their heads.

Style now determines status more than wealth if only because style is now more scarce than money. Hundreds of television programmes around the world tell us how to dress right, makeover our homes, landscape our gardens, and reshape our faces and bodies. Our schools used to teach cooking as "Home economics". Modern cookbooks are about how to cook and present your meals to enhance your standing with your peers and to match the decor.

Roger Sandallr reminds us that, because it is descended from Romanticism, fascism is an aesthetic movement and has therefore always appealed to many artists, architects, poets and novelists. Artists tend to share the fascist conviction that society is a canvas on which great leaders, or other visionaries, can impose their grand designs. They put the red bits precisely there, and the green bits precisely there, and if successful they will impose their vision on a pliant world and produce a great work of social art. Architectural "visionaries" see themselves as great artists using people and resources to create their vision of an ideal world.

Sandall further reminds us that, while some of our best friends may be artists, we should not depend on them to defend our freedoms. He writes:

> Many artists *are control freaks-and* that means trouble. *Painters* know just *where* a splotch *of red* must go. Musicians know exactly *when* to flatten a note. And writers *of course* know how to cut and slash their *paragraphs of prose.* The trouble being that when *some* artists *go* into politics *they* know exactly *where people* should *go,* and what *they* should *look* like, and how to cut and slash Mr and Mrs John Citizen to put them *in order."*

Attitudes to the Future

The Enlightenment tradition was confident that new knowledge and technology would build a future better than anything in the past. The Enlightenment tradition believes in the idea of progress, whether the progress advances the development of human society, the evolution of ideas, or of personal wellbeing or of species and even the Universe.

Consequently, Socialism was forward looking. The past was a bad memory The aim of Socialism and Communism was to build a new Utopia a Utopia so superior that it would be worth suffering present pain to achieve this new golden age. This was a natural consequence of its descent from the Enlightenment. For Marx, the Communist Utopia was the next step forward in the progressive evolution of human society.

Romanticism is much more strongly oriented to the past. Rousseau, the father of Romanticism as we know it looked backward to a time of natural simplicity when men were born free but now everywhere live in chains. He single handedly created the myth of the "Noble Savage". For the Romantics, our "Heritage" is where we find all that is good, and what remains of it must be preserved; if possible, our future buildings should reflect the past rather than accept the present. Romantics seek to preserve the past even if such protection impedes "progress". A building need only be old to be classified as an architectural treasure.

Consequently, fascism looked to the past to its models. The yolk or forest people, living close to nature, hold a "racial wisdom" superior to the knowledge of the modern scientific state. The fascist state is a nation based on a single tribe. There is no room for other tribes who must be exiled, defeated in war, or subject to a "Final Solution".

Attitudes to Purity.

While the extremists of both communism and fascism were strongly committed to purity of thought and belief, the drive for racial purity was most stridently expressed and implemented by fascism.

In the modern world the Romantic regard for purity is embodied in attempts to maintain pure genetic strains in plants and animals. Some environmentalists promote "eco-sourcing" of native plants to prevent "genetic pollution" and use such terms with remarkable candour. Preventing the "mongrelisation" of plants is only a short step to preserving the genetic purity of people.

Much of the new Romantics' hostility to genetic modification relates to this Romantic longing for purity.

The longing for racial and tribal purity explains why fascism was never a truly international movement. Unlike the Communists, the Nazis had little interest in converting the Africans and other remote communities to their cause. There was no "Fascintern" to match the Commintern.l00

The Contemporary Expression of Romanticism

In spite of all the parallels being drawn it is probably wrong to speak of a revival of 20th Century fascism.

The present day Romantic resurgence fails to meet two of the essentials of fascism as we knew it last century.

This new movement is not driven by strident

6 I know that Virgina Postrell's major work *The Future and its Enemies* argues that "right" and "left" are now obsolete terms but it is difficult to think of better adjectives to separate out these two authors. It is true than many from the political right are "stasists", but in my experience it is hard to find many from the left who are "dynamists". *The Future and its Enemies* is strongly "anti-planning".

Roger Sandall, a New Zealander now living in Australia, who is best known for his book *The Culture Club* and essays such as *The Perils of Designer Tribalism.* His web page htto://www.culturecult.com/ is always worth a visit. The quoted paragraphs are from a short essay *Artists and Politics.* He is himself a writer and film maker, so we can presume he knows the company he keeps.

There are exceptions to prove the rule. Vaclav Havel, poet and playwright, comes to mind.

9 Romanticism has its roots in Germany in the middle of the 18th Century, but Rousseau is the single author most commonly identified with the movement as we recognise it today.

10 Conspiracy theorists believe that capitalism is the real international fascism, but those leaders who actually practiced fascism were disdainful of capitalism.

nationalism it claims to be international, especially in matters of the environment. But of course their "environment" includes everything and excludes nothing. The new Romantics campaign against global markets, while endorsing world government.

This ambivalence lies behind what the late Alistair Cooke described as one of his favourite placards sighted at a youth rally protesting outside a meeting of the World Trade Organisation.

It pleaded:

"Join the international movement against Globalisation!"

Also the new Romanticism, as expressed in extreme environmentalism, does not celebrate traditional charismatic political leaders, or even need them. One source of leadership tends to come from rather dull intellectuals beavering away in University offices writing about the next resource to run out, the Peak Oil disaster, the Population Bomb and so on. The chaotic crowds who protest against world trade are light years from the goosestepping ranks of the old fascist ideal.

But the movement is supported by charismatic leadership from those rock stars such as Bob Geldof and Bono, who entertain huge crowds in casual clothes swaying in unison, lit by thousands of hand-held light-sticks, rather than the shafts of Speer's Klieg lights.

In an aesthetic driven democracy these superstars can wield real power over the mob and consequently over politicians. Much Third World debt is about to be cancelled.

The Rise of Urban Romanticism

The new Romanticism does not meet all the tests of classic fascism. But the new designer movement, self-labeled "Smart Growth", is surely its consummate expression.

These new "Urban Romantics" (or dense thinkers) speak the language of aesthetics. They talk of "greenbelts", of "greenfields" and "brownfield" development and see the control of the colour of buildings as a natural extension of the control of land use itself.

All paintings must sit within a frame. Hence they design great cities firmly bounded by an urban fence surrounded by unspoiled nature the greenbelt of open space.

They want towns to be pure towns, and the countryside to be pure countryside, with a tidy line between them. Urban Romantics insist that all "urban" activities remain within urban areas, so the countryside remains "pure" and unsullied by commerce. They seek to maintain the historical schism between urban sophisticates and rural folk at precisely the time when this distinction is completely breaking down.

Urban Romantics see their local territory as a giant canvas on which they can execute their vision of an ideal world of "vibrant communities" - whatever they may be - and in which people abandon the transport technology of today in favour of walking, cycling, and trains.

Oh, how they adore those trains.[11]

The Great Divide.

The traditional planners of my time were steeped in the tradition of reason. People who went into planning were typically civil and traffic engineers, urban geographers, or surveyors, and the occasional architect who was more interested in the architecture of public space than in land use planning. We were generally mathematically literate, were interested in the planning and design of infrastructure, and in generally managing the conflicts between incompatible land uses.[12]

The planners of my time were, and still are, embedded in the Enlightenment tradition. I suspect most of you in this room are too regardless of your particular calling.

But when we try to challenge the plans of the Urban Romantics we are trying to communicate across a huge paradigmatic divide.

The story goes that the philosopher Carlyle was walking down a narrow Scottish lane with a friend when they had to stop their conversation because two women were having a raging argument over their heads, screaming at each other from the dormer balconies of their two storey dwellings.

Carlyle said to his friend "They will never agree - they are arguing from different premises."

We face a similar problem in our dealings with the Urban Romantics.

Those planners who promote "Smart Growth" visions no longer come out of the tradition of reason and the enlightenment.

They have entered the field because they hold passionate beliefs about "nature" and are determined to "save the planet" from the predations of human progress.

They are Romantics.

They believe in their feelings and emotions and are convinced that their feelings are more true than our "old fashioned" data and statistics and analysis. They insist our arguments are "reductionist" while their own are "holistic".[13]

William Blake, the English Romantic poet, regarded Locke and Newton as the villains of the

[11] Trains have always been important symbols to artists especially the artists of social revolution. Lenin waxed enthusiastically over the train as a symbol of socialist progress.

[12] I could write a similar essay about the attraction of socialism to engineers and scientists. it's not only artists who are attracted to power and control. They simply find it through another channel.

[13] In *The Open Society and its Enemies Volumes I and I/* and in *The Poverty of Historicism,* the late Sir Karl Popper argued that "holistic thinking" is the handmaiden of fascism, because "holists" not only try to study society by an impossible method, but also plan to control and reconstruct society as a whole.

modern movement because they "killed the spirit by cutting reality into some kind of mathematically symmetrical pieces". Blake famously said "Art is the Tree of Life ... Science is the Tree of Deatn".14

A 19th Century anonymous French jingle set out the good Romantic's view of the Enlightenment tradition; it translates as:

> *Obedience* is sweet to the vile heart *of the* classicists;
> They always have someone as a model *or* as *a law.* An artist must listen only to his *own self,*
> And pride alone fills romantic souls.

This attitude helps explain the Urban Romantic's refusal to be bound the language of legislation. They regard the law as no more than a novel which provides a set of words to be "deconstructed" and "reconstructed" to suit their purpose. No artist can be constrained by the niceties of law their freedom of expression must be absolute.

Economic theory is similarly too constraining (it is a discipline after all) while the very idea of cost-benefit analysis is offensive to the Urban Romantics because "you cannot put a price on the environment".

In my day we planned systems applying rigorous methods of analysis to the design of transport, drainage, and other systems.

Today's Urban Romantics ask the people, "What do you want your city to look like in fifty years time?" These time spans are surely "hubris squared"; businesses can barely plan beyond six months. Urban Romantics claim to be guaranteeing the needs of future generations even though we, today, can have no idea what the needs of those future generations will be.

However, in total confidence they proceed to develop their "visions" and deliver nightmares.

Sometimes we are asked to choose from three or four of these different "visions" -overlooking the fact that the future contains an infinite number of possibilities. We should ask what happened to all the others. The few alternative visions presented have one thing in common. They all transfer power from the people to the Urban Romantics who will then use those powers to impose their "vision" on the canvas of the region.[15] The rest of us have to do as we are told, and suffer the costs, which are enormous. The Urban Romantics don't care they have power and have no concern for the consequences. When did you last hear a Smart Growth planner express real concern for, or even refer to, housing affordability.

We authorize them to paint the picture - and we are reduced to blobs of paint on the "artist's" palette. This is surely a novel destination for the new "Road to Serfdom".

Actually, not quite as novel as I originally thought when I first drafted this paper. Isaiah Berlin writes:"

> The whole [romantic] *movement, indeed,* is an *attempt* to impose an *aesthetic model* upon reality, *to say* that *everything* should obey *the* rules *of art. For* artists, indeed, perhaps some *of the* claims *of* romanticism *may appear to* have a great deal *of* validity. But their attempt *to convert life* into *art presupposes* that human beings are stuff, that *they are* simply a hind *of* material, *even* as paints *or* sounds *are* a hind *of* material:...

We can be quite certain that left to their own devices the people will not settle into any one of these three or four "landscapes". We cannot predict the future because we cannot predict future knowledge. The internet has hugely increased our freedom to locate outside main centres. The thrust of most new technology is towards decentralization - decentralization of transport, of sewage treatment, of water treatment and, increasingly, even energy generation and distribution.

Yet the Urban Romantics seek to re-centralise urban settlements by constraining all new activities inside an urban fence. One common strategy is to require all new dwellings to be served by reticulated systems of water supply and wastewater treatment - again at precisely the time when highly effective on-site treatment systems and roof-water collection systems are becoming available.

The other fatal flaw in these "visioning" exercises is that they survey the wrong population.

The need to develop the "vision" is always justified by a perceived need to manage the "problem of growth". Hence the exercise begins with some scary claim that the population of city X will grow by Y thousands or millions over the next Z years.

The Urban Romantic visionary then asks the existing population (or a small and carefully chosen sample of the existing population) where these hordes of newcomers should live.

We know that existing people have quite strong preferences about where newcomers should go, but these are usually remarkably different from where the newcomers themselves want to go. Certainly, in New Zealand, newcomers show little enthusiasm for land around railway stations or other "transport nodes". Unsurprisingly they prefer the beaches, the mountains, the countryside, or the nearest "Hobbit-like" village.

Asking existing people where future growth should occur is like surveying the residents of retirement homes about their next choice of surfboard, or animal rights activists where to locate factory farms.

Naturally our own response is to challenge these "visions" with facts and figures. Their response is to ignore them. Statistics that describe the real world are of no interest to Urban Romantics at all. We may as well tell painters to value their work by measuring the weight of paint on the canvas.

We are arguing from different premises.

14 Berlin, *op cit,* pps 49 50.

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15 Hence, if you feel you must respond, "Tick all the boxes". (See cover page.) Berlin, *op cit,* p 145.

How should we Respond?

You might conclude from this line of argument, I am suggesting that we cannot win.

However, I want to suggest that we can win the argument, and indeed are winning the argument, and that we are more likely to win more quickly if we better understand the gulf that exists between our two paradigms.

To begin with I strongly believe we should start calling the "Smart Growth" planners "Urban Romantics", and their belief system "Urban Romanticism". At present they hold the branding high ground with "Smart Growth". After all, who wants to support "Dumb Growth"?

I suspect this new name will help the general population better understand the motives of the people they are dealing with. The "Smart Growth" people are not "Smart" in the sense that they have great knowledge and wisdom. They are a bunch of Romantics who are motivated by dreams, and their desire to exercise power to satisfy their aesthetic ideals. The very word "Romantic" has little appeal to most people in the New World.

It is difficult to imagine any candidate for New Zealand office declaring "Vote for me! I'm a Romantic!"

Nothing will change as long as the planning schools keep turning out new generations of Urban Romantics. It is probably impossible to reform the existing schools, their romantic bias is too well entrenched. We should probably try to get the business and property schools and departments of economics to realize there is a huge market out there for graduates who are suitably trained in urban analysis and planning. The present graduates soon find they are hated by both the general public and the politicians who employ them, and their attrition rate is high. I suspect that many would prefer to have been trained in skills which are more appreciated in the real world.

We should also keep generating our stream of facts, figures and statistics, because in the end, the scientific tradition will provide a better fit with the real world. The problem the Urban Romantics face is that their dreams simply don't come true. The general public comes to realize that our critical predictions have proven correct while the Urban Romantics' visions have not translated into a liveable reality The people may have voted for "a vibrant intensive community" but then hate the high rises when they spring up next door.

The East Germans had no freedom to chose where they wanted to live and were forced to inhabit "slab" dense developments.17 Since the Berlin Wall came crashing down, and they were allowed freedom to choose, some three million of them have decided to abandon one million apartments in these dense communist developments (around $200 billion replacement cost) and live elsewhere. '8 We have yet to see a reverse flow of Urban Romantics moving to East Germany to refill this massive number of vacant apartments.

The other great weakness of Urban Romanticism is that, like the Romantic movement and its unsavoury descendents, the movement is driven by an arrogant elite. The visions of the Urban Romantics simply do not reflect the preferences of the majority of the population.

Hence we should spend little time arguing directly with the Urban Romantics because they will simply ignore us.

We should go over their head and deal directly with the public.

Grass roots organisations such as Save *our* Suburbs 1' in Australia make good use of statistics and data and use them to draw the links between the actions of the Urban Romantics and the consequent destruction of their suburbs and way of life. And we know the success of similar grass roots rebellions in Oregon, Wisconsin and elsewhere.

Eventually, this grass roots revolt translates into a political movement in which the democratic process removes the Urban Romantics from government and replaces them with those who seek to promote and preserve the genuine New Zealand dream.

This dream is not uniquely New Zealand. People's preferences prove to be much the same anywhere in the "surveyed" world. Where people are given a choice the majority seek a single family home on a decent sized bit of land. Of course our housing needs are different during different phases of our life cycle. Students want compact apartments, families with children have their own special needs, many retirees seek active retirement on small farms in the countryside, and eventually, we may all need a place in a retirement village.

The market is capable of providing all these choices in the right place at the right time, and at an affordable price.

When people are given their choices, anywhere in the world, their preferences are remarkably similar.

The Urban Romantics of Smart Growth believe they know better.

They don't.

Thank you for mounting this excellent conference, and thank you for inviting me to attend and to make this presentation.

Owen McShane, Director
Centre for Resource Management Studies
Kaiwaka, New Zealand

17 See the report by Randal O'Toole and Wendell Cox, on their visit to Halle Neustadt, *(VanishingAutomobile Update 53)* the East German city which two Swedish researchers had judged to be a model of the "Sustainable City." Sadly this city was sustainable only for as long the citizens lived both under tyranny and in poverty.

13 Refer 17 Royal Institution of Chartered Surveyors *2005 European Housing Review.*

19 htto://www.sos.ora.au/new home.html is the web page of the Sydney branch and the excellent text *Suburban Backlash by* Miles Lewis, which is rich in statistics and data, tells the story of "the battle for the world's most liveable city", which refers to Melbourne. (Our friends from Sydney will disagree.)

Case Notes

In the High Court of New Zealnd
Christchurch Registry CP 59/02
Between
Canterbury Regional Council (Plaintiff)
and
Terrence John Musson and Margaret Allison Musson (Defendant)
Hearing: *22 November 2002*
Appearances: PF Whiteside *for* Plaintiff
PL Mortloch *for* Defendants
Judgment:
12 February 2003

Judgement of Panckhurst J

Introduction:

[1] The issue in this case is whether the filling of former gravel pits effected an improvement to land in terms of the Public Bodies Leases Act 1969. If the deposit of the hard fill by a previous tenant gave rise to an improvement, it is to be disregarded in reaching a valuation of the land for rent review purposes. The dispute is one between lessor (the plaintiff) and the lessees (the defendants). A declaratory judgement is sought in order that the basis of approach to the valuation of the land in the context of a periodic rent review is understood by instructed valuers.

Background:

[2] The land the subject of the lease is an area of 3.7285 hectares situated adjacent to the intersection of Johns and Sawyers Arms Roads, on the outskirts of Christchurch. Considerable evidence was adduced concerning the history of the land extending back to the nineteenth century. For present purposes it is sufficient to note only some features of that evidence. In 1948 the subject land (as part of a much larger area) was acquired by the North Canterbury Catchment Board. Being close to the Waimakariri River it was subject to lfooding when adequate stop banks did not exist.

[3] In the mid 1960s Scotts Engineering Co Limited obtained an informal lease of an area which included the subject land from the Board. Scotts' business was based in the city, but it used the site for the operation of a subsidiary company Sandblasters and Metal Sprayers Limited. Over a period of years this company slowly filled two old gravelpits on the land essentially with sand previously used in its sand-blasting operation. It largely comprises the hardfill with which the pits were eventually filled to give rise to the present dispute.

[4] Subsequently in 1973 the Board granted Scotts a registered lease over about twelve hectares for 21 years and with a permanent right of renewal. This lease represents the genesis of the current lease in relation to which the valuation issue arises. In 1984 the Board subdivided an area of its land at the corner of Sawyers Arms and Johns Road. The seven lots created were eventually the subject of separate leases.

[5] In 1985 a company Roydvale Transport Limited (in which Mr Musson was the principal shareholder) took a sublease of part of the land leased by Scotts. Roydvale erected a building on site, which it used as an operations base and for the repair and maintenance of its vehicles. In 1989 Roydvale agreed to take additional land in terms of its sublease, which agreement included a term for payment of $65,000 to purchase the buildings and other improvements on the additional land.

[6] In 1992 Mr Musson agreed to acquire the lease then held by Scotts for $53,000. Thereby he obtained the security of a permanently renewable lease, rather than remaining a sublessee. By this time, as a result of a further scheme of subdivision, the area of the lease had reduced to 4.2075 hectares. Also ownership of the land had by this time passed from the Board to the Canterbury Regional Council. In the event Mr and Mrs Musson, rather than Roydvale, became the lessees. Accordingly a total of $118,000 was paid to Scotts in two tranches, being $65,000 in 1989 for improvements and $53,000 in 1992 to acquire the lessee's interest.

[7] Subsequently Mr and Mrs Musson agreed to surrender a small portion of the leased land and in 1996 a new memorandum of lease was executed. It provided for a term of eighteen and a half years from 1 April 1996 (being the balance of a twenty-one year term) with perpetual rights of renewal subject, of course, to periodic rent reviews. In that regard the lease stipulated that rent was to be determined in accordance with the First Schedule to the Public Bodies Leases Act 1969, but as amplified in the First Schedule to the lease.

[8] In terms of the First Schedule to the lease the term of any renewed lease would be twenty years with rent reviews every five years. Clause 3 of that Schedule provided that all existing improvements made on the land before 1 April 1994 were not to be taken into account for rent review purposes. The filling of the shingle pits was completed well before April 1994. Therefore the question is whether the hardfilling of the pits represents an improvement existing on the land at 1 April 1994?

Canterbury Regional Council's Argument

[9] Mr Whiteside for the lessor closely examined the terms of the memorandum of lease in order to advance a submission that the usage of the word *"improvements"* throughout it was inconsistent with an interpretation which extended to hardfill of previous gravel pits being viewed as an improvement. He

began by noting that clause 1 of the lessee covenants reserved to the lessor "all ... metals, minerals ... stone, gravel, clay ... and *other* metals *or* minerals whatsoever in *under or* upon *the demised* premises". This suggested, it was said, that hardfill albeit placed by a tenant was not an improvement. Attention was also drawn to clause 12 of the lessee's covenants, whereby a prohibition is placed upon removal of any "soil, shingle, gravel or minerals..." from the land.

[10] Mr Whiteside also pointed to various of the lessee's covenants where improvements were referred to with reference to their being *"upon"* or "on" the land. This was in the context of various obligations cast upon the lessee not to erect buildings or improvements without consent, to maintain insurance cover over buildings and improvements, and, not to conduct dangerous or noxious activities in or upon the premises or any improvements.

[11] Then with reference to clause which define the lessee's rights to remove or receive compensation for improvements Mr Whiteside argued that their expression was inconsistent with a construction of improvements which extended to hardfill deposited in former gravel pits. Such clauses are of a standard kind. They contemplate a general right of removal unless the lessor elects to pay compensation, coupled with an obligation upon the lessor to use reasonable endeavours to have a new tenant take over improvements at valuation. Counsel's point was that none of these provisions sensibly applied to hardfill deposited in a previous gravel pit with subsequent re-establishment of the ground surface. Removal, in such circumstances, was an alien concept. In general, therefore, Mr Whiteside submitted the drafting of the lease with reference to improvements was incompatible with their extending to compacted hardfill.

[12] Mr Whiteside then turned to the relevant part of the Public Bodies Leases Act 1969. The rent review provisions of the lease (clauses VI and VII) provide that the lease is one granted under s7(1)(e) and that the provisions of s22 of the Act apply. The former empowers a public body to lease land for a term not exceeding twenty-one years, with perpetual right of renewal and at a rent to be determined by valuation in accordance with the First Schedule to the Act. Section 22, in keeping with the First Schedule itself, prescribes the rent review process. In general terms this is that the lessor in anticipation of each review must obtain a valuation of the fair annual rental of the land, notify the lessee thereof and allow the lessee two months within which to accept the rental or invoke an arbitration process.

[13] Of greatest relevance for present purposes is clause 3 of the First Schedule as that clause is amplified in the First Schedule to the lease. Clause 3 provides:

> "In making the said valuation no account shall *be* taken *of the* value *of the following improvements on* the said land: *[`Specifying,* as the lessor thinks fit, the kinds *of* improvements, *whether* made during the *term or* at any other time, which *are not* to be taken into account in the valuation of *the rent.']."*

[14] Then, the First Schedule to the lease includes this:

> *"3. Under* Clause 3 *of the* said First Schedule no account shall be taken *of the* values *of* the following improvements on the said land:
>
> a. Improvements as *defined* in Section 14 (9) *of the* Public Bodies Leases Act 1969 made *after 1* April 1994 by the *lessee* with the consent in writing *of the* lessor to *or* on the demised premises except such as shall have *been* purchased acquired *or* paid *for* by the *lessor;*
>
> b. The following improvements made *prior to* 1 April 1994 all *improvements* existing on the demised *premises* at that *date."*

It is (b) which is of present relevance, since the subject gravel pits were filled many years prior to 1994. As I understood the argument emphasis was again placed upon the fact that improvements were referred to in clause 3(b) as those "existing on the demised *premises* at (1 April 1994)". Because the hardfill was not something "on" the land it could not qualify as an improvement.

[15] Finally, Mr Whiteside took comfort from various decisions concerning the assessment of the unimproved value of land, including *Cox* v Public *Trustee* [1918] NZLR 95 (SC), Commissioner *of* Crown Lands v Kinney *Brothers* (1965) NZ Valuer 273 and *The Proprietors of* Atihau-Wanganui v Malpas [1979] 2 NZLR 545 (CA). In particular Mr Whiteside relied upon an observation of Archer J in the Land Valuation Court in Kinney *Brothers* at 275:

> "The value *of* land `exclusive *of improvements'* is sometimes descr*i*bed as its value `in its natural state' *whatever* that may mean. It is *unnecessary* to attempt to *define* this somewhat *obscure term, however for* the function *of the* valuer is not to value the land as it existed many years ago, but as it would have *been* at the relevant date *for* valuation if at that date it had no improvements *upon* it."

Mr Whiteside's point was that improvements were in the nature of changes effected to the natural state of land. Because the subject gravel pits were not a natural attribute of the land, but man-made, their removal (by the dumping of hardfill) should not be characterised as an improvement. Perhaps the point could equally be made by saying that the work restored the land, rather than improved it.

Lessee's Argument:

[16] Mr Mortlock on behalf of Mr and Mrs Musson began with the caution whether the case was one susceptible of declaratory relief, or whether on account of material disputed facts it was inappropriate for such jurisdiction. However, in the end that contention was not seriously pursued.

[17] Counsel contended there was little profit to be gained from a close examination of the wording of the lease itself. In particular he was sceptical of the suggestion that the description of improvements as something "on" the land was determinative of their nature. Rather he focused upon the scheme of the lease which Mr Mortlock described as long term with a permanent right of renewal. Moreover counsel suggested that the clauses of the lease provided substantial protection to a lessee with reference to improvements made. Thereby lessees had an incentive to effect improvements in the knowledge that compensation was payable for them by a subsequent incoming tenant, or failing payment that there was a right of removal. Hence, said Mr Mortlock, it would be inconsistent with the scheme of the lease to restrictively construe the words "all improvements" as used in clause 3(b) of the First Schedule to the lease.

[18] But primary reliance was placed upon the definition in s14(9) of the Public Bodies Act 1969:

> "In this *section* the term *`improvements'* means substantial improvements of *a permanent nature; and* includes reclamation *from* swamps; clearing *of* bush, *gorse,* broom, *sweetbrier, or scrub;* cultivation (including the clearing of land *for cropping,* and the clearing and ploughing *of* land *for,* and the laying down *of the* land *for or* with, grasses); planting with *trees or* live hedges; the laying out and cultivating *of gardens; fencing;* draining; roading; bridging; sinking *water* wells *or bores, or* constructing water tanks, water supplies, water *races,* irrigation *works,* head *races, border dykes, or sheep* dips; making embankments *or protective* works *of any* kind; in any way improving *the character or fertility of the* soil; *the erection of any* buildings; and the installation *of any telephone or of any* electric-lighting *or electric-power* plant."

[19] For completeness it is to be noted that s14(10) provides that "in this section *the term* `value *of improvements*' means the added value which at the time *of* valuation *the* improvements give to the land; and `valuation', in relation *to improvements,* has a *corresponding* meaning."

[20] Mr Mortlock submitted there were three elements to the definition of improvements. First the relevant work must be substantial in nature. As to this attention was drawn to evidence that the volume of hardfill required to fill the gravel pits was in excess of 30,000 cubic metres. Second, the nature of the work in question must improve the land. Here the notion of betterment was referred to in the course of submissions. Third, any such improvement or betterment must be of a permanent nature. In this instance, counsel argued, the requirements of scale, betterment and permanence were all amply satisfied.

[21] Further, Mr Mortlock did not accept the argument that in assessing whether an improvement had been effected it was necessary to view the land in its natural state, that is before the gravel pits were dug. He pointed to s14(9) which contemplates the clearing of gorse, for example, as a potential improvement. Gorse being an introduced plant was not therefore something that afflicted the land in its natural state. Nonetheless its clearance could in terms of the section constitute an improvement.

[22] Essentially, in reliance upon the s14(9) definition and in particular the three defining elements identified from it, Mr Mortlock submitted that the hardfill effected an improvement in the circumstances of this case. He sought a declaration to that effect.

Discussion:

[23] Surprisingly the only reported judgements which raises a question similar to the present is a case discovered by Mr Whiteside and cited by him in argument. It is *MacDermott v* Valuer *General* [1956] NZLR 240 (SC) another decision of Archer J sitting in the Land Valuation Court. The case concerned the valuation of four sections described as formed largely as a result of the filling-in of a gully. The issue was the unimproved value of the sections in terms of the Valuation Act 1953, and in particular whether the fill was an "amenity" within the meaning of that term as used in the definition of *"improvements"* in s2 of the Act. Alternatively, as the Judge put it, whether such fill merged in the unimproved value.

[24] Archer J in an oral decision thought the case involved a difficult question of law which might be the subject of a case stated to the Court of Appeal. However such was not done because of the relatively small amount at stake (it being a question of unimproved value in order to arrive at a rating liability). At p 242 the Judge observed:

> "I am inclined to think that (the answer) might, in *part, depend on the facts of the case, on the character of* the filling, and on the circumstances *of* the subdivision."

However in the end result unimproved values were fixed at amounts which were between the competing valuation figures which excluded any value for the fill (treating it as an amenity or improvement) on the one hand and allowed full value for it (as merged in the unimproved value) on the other. But the court preferred intermediate figures, essentially as a pragmatic answer

to the problem and to reflect the circumstance that the soundness of the fill was questionable.

[25] If anything, the judgement is more consistent with the fill being viewed not to he an improvement, but as merged into the unimproved value. Otherwise there was no reason to make any allowances for its presence, even at discounted amounts on account of the question of soundness. But I do not consider it would be safe to read even this much into the decision. It is quite apparent from its terms that no endeavour was made to answer the so-called difficult question of law.

[261 Accordingly I approach the present case in terms of first principles and without the assistance of any decisions in point. I was generally attracted to the argument advanced on behalf of the lessees based upon the three elements drawn from s14(9) of the Act. That is the submission that the essence of an improvement is the fact of betterment of the land, provided such is substantial and permanent.

[271 But to my mind two questions must be confronted if primary reliance is to be placed upon the s14(9) definition. First it appears in Part II of the Act which is headed "Leases *of* Farmland" and s14 covers "compensation *for* improvements". The section contains a rent review code very similar to that under the present lease. It is within this context that s14(9) appears.

[281 Although it is a definition in a part of the Act which deals with farmland I do not see that as in any way diminishing the utility of the definition. The subject land was it seems low quality farmland at earlier times, although it is now used for commercial purposes. But in any event, regardless of its context, the parties chose to incorporate s14(9) into the memorandum of lease and its terms are therefore determinative, subject to the next issue.

[291 Although the s14(9) definition is imported into clause 3(a) of the first Schedule to the lease, it does not appear in clause 3(b). Post 1 April 1994 improvements are defined in terms of the statute, but not those prior to then. There is no apparent reason for this distinction. It would have been a simple matter for the lease to import the statutory definition in both contexts (if that was intended), leaving the only distinction between the two parts as the added requirements in clause 3(a) (written consent and non-acquisition by the lessor). But such was not done. Effect must he given to the clause as drawn. It may not be construed as if clause 3(b) also imported the statutory definition.

[301 It follows that Mr Mortlock's argument suffered from undue emphasis upon the s14(9) definition. Rather I think it necessary to assess whether the filling of the gravel pits constituted an improvement as that concept is generally understood and in the context of this lease. Approached in that way I think there are countervailing factors.

[31] On the one hand the defining elements which Mr Mortlock took from s14(9) are, I think, of equal application in relation to improvement in general. That is that to constitute an improvement work must for the betterment of the land or premises, be substantial in nature and have the quality of permanence. I accept that the filling of the gravel pits did improve the subject land in a substantial way and permanently.

[32] On the other hand clauses in Part IV of the lease suggest hardfill was not an improvement in the context of this lease. Clause 2 provides that the lessee shall not be liable to pay compensation for any improvements, but that the lessee shall be entitled to remove them. Clause 3 provides that absent removal the lessor may acquire the improvements at valuation or will use reasonable endeavours to have an incoming tenant do so. Where the incoming tenant does acquire the improvements the lessor is obliged by clause 4 to use all reasonable endeavours to obtain payment to the benefit of the outgoing lessee. Finally, clause 5 entitles the lessor to require the former lessee to remove improvements and, if such is not done, for it to do so and recover the cost.

[331 There can be no question that the present hardfill is incapable of removal by an outgoing lessee. The dumped material has no recovered value. The right of a lessee to remove this material is therefore illusory. In short, regardless that the dumping of hardfill from either the lessor, or an incoming lessee, are equally illusory. In short, regardless that the dumping of hardfill in the gravel pits substantially and permanently improved the land, such work is nevertheless of a nature which is incompatible with the scheme of the removal and compensation clauses in Part IV of the lease.

[341 This suggests to me that the better view is that as it was dumped the hardfill merged with the land, or put another way became part its unimproved value.

[35] I am also influenced by Archer J's observation in Kinney *Brothers* recorded earlier at paragraph [15]. He suggested that it was unhelpful to equate the value of land exclusive of improvements with its value in its natural state, because the latter is a "somewhat *obscure term".* But the judge added that "the function *of the* valuer is not to value the land as it existed *many* years ago, but as it would have *been* at the *relevant date for* valuation *if at* that *date* it had *no improvements upon it".* The present is a new lease which the parties entered into in April 1996. By that time the land had long ago experienced both the destruction wrought by gravel extraction and the restoration brought about by the deposit of the hardfill waste. Thereby it was restored to something approaching its natural state. But more importantly for present purposes that was its condition at the commencement of the present lease (and at any rent review date). The function of any valuer, I conclude, was to value the land as he found it at the relevant date for its revaluation.

[36] It may be said that the notion of merger of the hardfill with the land to become part of the unimproved value is at odds with the s14(9) definition. For example "reclamation *from* swamps" is included as an improvement. Yet work of that nature is, like hardfill, incapable of removal.

[37] This point, I think, highlights the significance of the drafting distinction between clauses 3(a) and 3 (b) of the schedule to the lease. The Act's definition of improvements in relation to farmland is tailored to that situation and is suitably broad. In the unlikely event of farming type improvements effected to this land post 1 April 1994 such would not impact upon the unimproved value, regardless that their removal (in the absence of compensation paid to the improver) was impossible. But absent the statutory definition I am driven to the view that an answer which is sensible and workable in the context of the lese as a whole must be adopted in relation to pre 1994 improvements.

Conclusion:

[38] For the reasons I have endeavoured to explain I conclude that the question posed in the statement of claim must be answered in favour of the Regional Council. There will be a declaration as sought, namely that the filled gravel pits are not an improvement within the meaning of clause 3(b) of the First Schedule to the memorandum of lease.

[39] In the absence of any arrangement to the contrary costs must follow the event and should be calculated on a 2B basis. Leave is served to counsel to apply in the event of difficulty.

In the Court of Appeal of New Zealand
CA35/03
Between
Terrence John Musson and Margaret Allison Musson
- Appellants
And
Canterbury Regional Council Respondent
Hearing: *5 May 2004*
Coram: McGrath J
Chambers J
O'Regan J
Appearances: PL *Mortloch for* Appellants
PF Whiteside *for* Respondent
Judgement: 2 August *2004*

Judgement of the Court delivered by O'Regan J

[1] This is an appeal against a decision of Panckhurst J to grant a declaration under the Declaratory Judgements Act 1908 to the respondent, the Canterbury Regional Council, to the effect that hard fill in gravel pits on land leased by the Council to the appellants is not an improvement for the purposes of the calculation of rent under the lease.

Facts

[2] The appellants lease an area of land adjacent to the Waimakariri River on the outskirts of Christchurch from the Council. We will call this land the "leased area". The land had passed to the Council from the North Canterbury Catchment Board.

[3] the leased area was acquired by the Board in 1948, as part of a much larger area. At that time there were not adequate stop banks so the land was subject to flooding.

[4] In 1963 the Board leased land including the leased area to a company called Scotts Engineering Limited. Scotts had a subsidiary company which undertook sandblasting, and this company undertook sandblasting activities on the site. In the period up to 1981, the gravel pits on the land were filled, much of it because of the activities of the sandblasting operation, which dumped sand in the gravel pits.

[5] In 1973 the Board granted Scotts a lease of the land for a period of 21 years with rights of renewal. When advertising for applications to lease the land the Board specified the value of improvements on the land at $30,900, which was the value of the three buildings on the land. Scotts sought a rent reduction because of the reclaiming of the gravel pits on the land, but this was declined by the Board in 1974.

[6] A formal lease between the Board and Scotts was signed in 1982. In the late 1980s Scotts assigned its leasehold interest in parts of the land and surrendered other parts of the land. A new lease was then entered into in 1989 with the subsidiary of Scotts which used the land incorporating the leased area, Sandblasters and Metal Sprayers Limited. Later in 1989, a company associated with the appellants, Roydvale Transport Limited, subleased part of the area leased by Sandblasters. Roydvale paid Sandblasters $65,000 to purchase buildings and other improvements on the subleased land.

[7] I 1994, Sandblasters assigned its 1989 lease to the appellants. The appellants paid $53,000 as consideration fro the assignment.

[8] In 1996, the appellants and the council agreed to execute a new lease. The lease was signed on 6 May 1996 and provided for a lease for a term of 18 years six months from 1 April 1996, with perpetual rights of renewal. The lease was registered at the Land Transfer Office on 5 August 1996.

[9] The lease says that the Council leases to the appellants the land described in Schedule A of the document, which in turn refers to CIT 41A/45 and C/T 41A1147, Canterbury Registry, which together amount to 3.7285 hectares. Part VI of the schedule B to the lease says:

> VI AND IT IS HEREBY AGREED by and between the parties hereto as follows that is to say that this lease is granted under Section 7(1)(e) of the Public Bodies Lease Act 1969 with a perpetual

right of renewal for the same term as the original lease at a rent to be determined in accordance with the First Schedule to that Act (as the same is amplified in the First Schedule hereunder) AND the provisions of the said First Schedule to the said Act (amplified as aforesaid) shall be implied herein and form part hereof as if the same had been set forth herein at length.

[10] Accordingly, the calculation of rent must be made in accordance with the First Schedule to the Public Bodies Lease Act 1969 (the Act), which sets out standard provisions for inclusion in renewable leases granted under s7(1)(e), as modified in the lease itself. The First Schedule to the lease (which, rather enigmatically, has a Schedule A, a Schedule B and a First Schedule) provides for rent reviews to occur on a five yearly basis. The First Schedule to the Act provides a process for determining rents at each rent review Of particular relevance in this casse is cl 3 of the First Schedule to the Act which says:

3. In making the said valuation no account shall be taken of the value of the following improvements on the said land: *[Specifying, as* the lessor thinks fit, the kinds *of* improvements, *whether* made during the term *or* at any *other* time, which *are* not *to be* taken into account in the valuation *of the rent.]*

[11] This provision, in turn, modified by cl 3 of the First Schedule to the lease. That clause says:

3. Under clause 3 of the said First Schedule no account shall be taken of the values of the following improvements on the said land:
   a. Improvements as defined in Section 14 (9) of the Public Bodies Leases Act 1969 made after 1 April 1994 by the lessee with the consent in writing of the lessor to or on the demised premises except such as shall have been purchased acquired or paid for by the lessor.
   b. The following improvements made prior to 1 April 1994 - all improvements existing on the demised premises at that date.

[12] Clause 3.a of the first Schedule to the lease cross-refers to the definition of improvements in s14(9) of the Act. That provision says:

(9) In this section the term `improvements' means substantial improvements of a permanent nature; and includes reclamation from swamps; clearing of bush, gorse, broom, sweetbrier, or scrub; cultivation (including the clearing of land for cropping, and the clearing and ploughing of land for, and the laying down of the land for or with, grasses); planting with trees or live hedges; the laying out and cultivating of gardens; fencing; draining; reading; bridging; sinking water wells or bores, or constructing water tanks, water supplies, water races, irrigation works, head races, border dykes, or sheep dips; making embankments or protective works of any kind; in any way improving the character or fertility of the soil; the erection of any buildings; and the installation of any telephone or of any electric-lighting or electric-power plant.

[13] Notably, however, cl 3.b of the First Schedule to the lease refers only to "improvements", so, on the face of it, the term "improvements" as used in cl 3.b does not cross refer to s14(9) of the Act.

High Court Judgement

[14] Panckhurst J observed that the issue had to be determined from first principles, as there was no relevant New Zealand authority He referred to the decision of Archer J in MacDermott and *Anor v Valuer-General* [1956] NZLR 240 in which the Land Valuation Court confronted the issue as to whether filling on a section could be an improvement for the purposes of the Valuation of Land Act 1951. Archer J expressed the view that the answer could depend on the facts of the case, on the character of the filling, and on the circumstances of the subdivision, but in the end did not find it necessary to answer the question. Archer j noted that the bulk of the filling had been put on the sections fortuitously and at little cost. He said it could lead to an equitable result if the Court were to hold that the filling should be regarded as an improvement and valued as if it had been put there at higher cost, or, on the other hand, that it should be ignored entirely and treated as merged in the unimproved value.

[15] Panckhurst J considered the definition of improvements in s14(9) of the Act and accepted that there were three elements to this definition, namely:

(a) The work must be substantial;
(b) The nature of the work must improve the land;
(c) The improvement must be of a permanent nature.

[16] The Judge noted that s14(9) applied only to farmland, but did not consider that to be a concern in this case, since the parties had incorporated the definition in the lease even though the leased area was not being used as a farm. However he noted that cl 3.b of the First Schedule to the lease referred to "improvements' without cross-reference to s14(9), in contrast to cl 3.a. The Judge determined that the definition of improvements in s14(9) was not imported

into cl 3.b. The issue which had to be determined was whether the fill was an improvement in the more generic context of cl 3.b.

[17] The Judge then considered other provisions in the lease to assist with the interpretation of cl 3.b of the First Schedule. In particular he referred to the provisions in Part IV of Schedule B to the lease which dealt with improvements. He referred to:

(a) Clause 2, which says that the lessor is not liable to pay compensation for improvements or buildings, but that the lessee was entitled to remove them at the end of the term.

(b) Clause 3, which says that if improvements are not removed the lessor may acquire them at valuation or use reasonable endeavours to have an incoming tenant do so;

(c) Clause 4, which obliges the lessor to account the lessee for any sum received from an incoming tenant in consideration for the value of improvements; and

(d) Clause 5, which entitles the lessor to require the lessee to remove improvements erected or effected by the lessee in some circumstances.

[18] Panckhurst J considered that hard fill was not capable of removal, and had no recovered value, so that the right of the lessee to remove it would be illusory. He thought that it followed that the associated right of the lessee to seek compensation for the value of the hard fill either from a lessor or an incoming lessee would be equally illusory. He saw the work of filling gravel pits as of a nature which was incompatible with the scheme of the removal and compensation clauses in Part IV of the lease. Thus he was inclined to the view that the hard fill merged with the land as it was dumped, and became pan of its unimproved value.

[19] Panckhurst J referred to the observation by Archer J in Commissioner *of Crown* Lands v Kinney *Brothers* (1966) New Zealand Valuer 273 that it was not the function of a valuer to value land in its natural state, but rather in the state it would have been in at the relevant date of the valuation, if, at that date, it had no improvements on it. He noted that , in the present case, the land had experienced the destruction wrought by gravel extraction and the restoration brought about by the deposit of hard fill waste. He said that it was filled at the time of the commencement of the present lease and that the valuer's function was to value the land as he found it at the date of valuation.

[20] Panckhurst J noted that the notion that hard fill could merge and become part of the unimproved value of the land was at odds with the definition of improvements in s14(9) of the Act. He noted that, for example, the s14(9) definition included "reclamation from swamps" yet work of that nature would be, like hard fill, incapable of removal. He said this exemplified the significance of the distinction between cl 3.a of the First Schedule to the lease, which cross-referred to the s14(9) definition, and cl 3.b of the same schedule, which did not.

Appellants' arguments

[21] On behalf of the appellants, Mr Mortlock argued that the term "improvement" as it appeared in cl 3.b of the First Schedule to the lease had to be given its natural meaning. He accepted that the definition in s14(9) of the Act did not apply to cl 3.b.

[22] Mr Mortlock said that Panckhurst J was wrong to derive assistance in the interpretation of cl 3.b of the First Schedule from other provisions in the lease. He said the provisions in Part IV of Schedule B were provisions intended to protect a lessee on termination of a lease, but were not relevant to determining which improvements were to be taken into account in the event of a rent review.

[23] Mr Mortlock said that "improvement" is a word in everyday use in lease documents, and simply means something which is so related or fixed to the land as to be part of the land and which makes use of the land more beneficial. He said that an improvement must be intended to b on the land indefinitely or permanently and as a matter of practicality needed to be a work of substance or significance. He said that plain literal meaning should be applied, and no restriction should be read in by reference to provisions in the lease which have no application in the case of a rent review

[24] Mr Mortlock said the form of the lease was imposed on the appellants by the Council, so that the Council should not be heard to claim a restricted meaning for the term "improvement" in cl 3.b. He said that cls 2-5 of Part IV of Schedule B do not apply to the hard fill in this case because those clauses apply only to improvements or buildings effected or erected by the lessee, and the hard fill was placed on the land by prior lessees in this case. Thus he said these provisions could not assist with the interpretation of cl 3.b. Mr Mortlock said the judge was wrong to attach any significance to the fact that it would not be practical to remove the fill at the termination of the lease he pointed out that there was no right of removal in this case because the fill had not been placed there by the appellants, so the issue was academic in the present circumstances.

[25] Mr Mortlock said the lease as drafted required a valuer calculating rental to exclude from the calculation of the value on which rental would be based all improvements on the land that were made prior to 1 April 1994. He said the judge's finding that the hard fill effectively restored the land to its natural state was not in keeping with that requirement. He said it was not appropriate to assess improvements by reference to the natural state of the land in most cases the lessees will take the land well after it has ceased to be in its natural state.

Arguments for the Council

[26] On behalf of the council, Mr Whiteside argued that the judge was right to differentiate between cl 3.a and cl 3.b, and to determine that the definition

in s14(9) of the Act applied to the former but not to the latter. However he also noted another distinction between cl 3.a and cl 3.b. In cl 3.a, reference is made to improvements to or on the demised premises. On the other hand, cl 3.b refers to "all improvements existing on the demised premises". Mr Whiteside said that hard fill in gravel pits may be an improvement to the demised premises but not an improvement on the demised premises. Mr Whiteside argued that, if the parties had intended that the hard fill in the gravel pits was to be excluded from the calculation of rents during the term of the lease then they would have used the words "improvements existing to or on the demised premises" in cl 3.b.

[27] Mr Whiteside said that Panckhurst J was right to interpret cl 3.b in the context of the lease document as a whole. He relied not only on cls 2-5 of Part IV, as Panckhurst J did, but also on a number of other provisions in the lease.

[28] The first of these was part I of schedule B, which provides certain exceptions and reservations from that lease. That provision says:

> THAT there are hereby excepted and reserved from this lease all mines metals minerals milling timber and timber like trees flax coal lignite stone gravel clay kauri-gum and other metals or minerals whatsoever in under or upon the demised premises and (subject to the right of the Crown) all antiquities and valuables found during any excavation of the demised premises with full power and liberty to the lessor its agents servants and guarantees or licensees to enter upon the demised premises for the purpose of searching for working winning getting and carrying away all such metals minerals milling timber and other things so reserved as aforesaid and for such purpose to make such roads erect such buildings sink such shafts and do all such acts and things as may be necessary PROVIDED ALWAYS that the lessor will allow to the lessee an abatement of the rent payable hereunder in fair and just proportion to the interference to the lessee occasioned by the exercise of any such powers by the lessor or any agent servant grantee or licensee of the lessor and the amount of any such abatement shall in default of agreement be determined by arbitration in manner hereinafter set forth.

[29] Mr Whiteside said that the fill in the gravel pits consisted of sand concrete soil and the like, and that *each* of these consisted of minerals stone gravel clay or water, all of which were excluded from the lease. He noted that stone gravel clay metal and minerals were excluded if they were "in under or upon the demised premises", and contrasted this with cl 3.b which refers to improvements existing "on" the demised premises.

[30] Mr Whiteside relied on a number of provisions in Part II of Schedule B to the lease, including:

(a) Clause 2, which requires the lessee to pay rates on the demised premises or any improvements on the demised premises;

(b) Clause 3, which requires the lessee to keep the buildings erections and other improvements in good repair;

(c) Clause 12, which prohibits the lessee from removing from the demised premises any "soil shingle gravel sand or minerals";

(d) Clause 13, which requires the lessee to notify the lessor if there is soil blowing away from the land, and the lessee to prevent the blowing of soil if required;

(e) Clause 15, which says the lessee is not to erect any workshop storeroom office or other building or any fence or any other improvement whatsoever without the lessor's consent;

(f) Clause 16, which obliges the lessee to insure all buildings and improvements of an insurable nature;

(g) Clause 18, which prohibits the lessee from carrying on any dangerous noxious or offensive occupation trade or calling on the demised premises or any improvements;

(h) Clause 28, which requires the lessee to comply with statutory requirements relating to the demised premises or any improvements;

(i) Clause 32, which says the lessee must not remove or cause to be removed from the demised premises any buildings or erections or other improvements whether affixed to the land or not, without the consent of the lessor;

(j) Clause 33, which says that the lessee must not excavate on the demised premises (except for the purpose of foundations for buildings or digging of wells) without the lessor's consent.

[31] Mr Whiteside argued that all of these provisions suggested that filling in of gravel or shingle pits would not be an improvement. He placed particular reliance on cl 12, which prohibits the removal of soil shingle gravel sand or minerals, because he said that under the Act, improvements belong to the lessee an, if the fill in the gravel pits belong to the lessee, then a prohibition on removal of the fill (soil shingle gravel sand or minerals) would be inconsistent with the lessee's ownership of the fill in the former gravel pits.

[32] Mr Whiteside argued that the interpretation contended for by the Council was consistent with the commercial purpose of the lease. He said that leases under the Act contemplate that improvements are effectively owned by the lessee, which is why they

are ignored when the rent is fixed. He said this also explained the right to remove improvements at the end of the lease. Since the removal of the fill was "illusory" as Panckhurst j had found, the implication was that the fill was not an improvement. He said it was obvious that, as a matter of practicality, the fill could not be removed under Part IV of Schedule B because the provisions of that Pan apply only to improvements made by the lessee itself, not by prior tenants.

[33] Finally Mr Whiteside said that there would be no unfairness to the appellants in adopting the approach suggested by the Council. He said there was nothing in the evidence to show that the appellants had paid anything to previous tenants for the fill, and indeed the evidence suggested that the payment made to the previous tenant for the assignment of the lease and for the purchase of improvements did not involve any payment for the hard fill in the gravel pits.

Discussion

Section 14(9)

[34] We proceed on the basis that the reference to improvements in cl 3.b is a reference to that term as commonly used, not as it is defined is s14(9) of the Act. We agree with Panckhurst j that there is a difference between cl 3.a and cl 3.b in that respect. For that reason the broad definition of "improvements" which appears in s14(9) does not assist with the interpretation of cl 3.b, which is at the heart of this case. It is, however, notable that where a lessee has made improvements of the kind described in s14(9), then the provisions elsewhere in the lease dealing with improvements could be expected to apply. Yet many of the improvements described in the definition in s14(9) (for example clearing gorse, clearing land for cropping or improving the fertility of the soil) are not improvements of the kind to which the provisions relating to removal of improvements and compensation for improvements can readily be made. That tends to support the appellants' argument that only limited support can be gained from other provisions in the lease when interpreting cl 3 of the First Schedule.

Part I of Schedule B

[35] We do not accept the Council's contention that Part I of Schedule B can be interpreted as stating that the lessee has no interest whatsoever in minerals stone gravel clay and the like. Under the teens of the lease, the lessee leases "the land described in Schedule a", which in turn refers to land described by reference to deposited plans and certificates of title issued under the Land Transfer Act 1952. In the absence of any indication to the contrary in the lease, what is leased is the lessor's full interest in "land" as that term is broadly defined in the Land Transfer Act 1952. That definition is:

> land includes messuages, tenements, and hereditaments, corporeal and incorporeal, of every kind and description , and every estate or interest therein, together with all paths, passages, ways, waters, watercourses, liberties, easements, and privileges thereunto appertaining, plantations, gardens, mines, minerals, and quarries, and all trees and timber thereon or thereunder lying or being, unless specially excepted.

[36] In our view, the effect of Part I is to limit the activities which the lessee may undertake on the land in the course of the exercise of the lessee's rights of occupation of the land so that the lessor's interest in the things specified in Part j is preserved. But it does not, as Mr Whiteside appeared to suggest, restrict the lessee's interest to some limited right of occupation of the surface of the land, and deprive the lessee of any interest in anything below the surface. We think there is force in Mr Mortlock's argument that such an interpretation would lead to an absurd outcome in relation to foundations for buildings erected on the land and underground services such as water pipes, gas pipes, electricity cables, telephone cables and the like.

[37] Mr Whiteside sought to argue that the exception for stone, gravel, clay and minerals in Part I of the lease was irreconcilable with hard fill, which was largely comprised of such substances, being an improvement. That argument was based on the premise that an improvement belonged to a lessee and was therefore excluded from the lessor's interest in the land. In our view, that premise is incorrect. An improvement is part of the land, and in the absence of any agreement to the contrary is the property of the lessor. In this case the lease gives contractual rights to the lessee in relation to improvements, such as a right to compensation for some (but not all) improvements at the expiration of the lease, a right to remove improvements at the expiration of the lease in some circumstances and the right for value of improvements to be excluded from the value of the land used for the purpose of the calculation of rent. Those contractual protections for a lessee do not, however, alter the fact that, as a matter of property law, the improvements are part of the land which is owned by the lessor and leased by the lessee. That means that there is no significant support derived from Part I of the lease when interpreting the scope of cl 3.b of the First Schedule to the lease in this case.

Interpreting "improvements" in the context *of the* lease

[38] Mr Whiteside placed considerable weight on the apparent limitation of the concept of "improvements" in Part II and Part IV of the lease to improvements of a kind which were in the nature of buildings or structures which were capable of being removed and for which compensation could be readily calculated

in the event that they were not removed. In effect his argument was that the term "improvements" has precisely the same meaning wherever it is used in thte lease, and given its apparently limited meaning in Parts II and IV, the same limited meaning should be given to the term in cl 3.b.

[39] We do not accept that argument. Some of the references to improvements in other provisions are limited by their own context. For example cl 15 of Part II talks about erection of improvements, which limits the class of improvements to which it relates to those which can be "erected". Clause 16 deals only with improvements which are of an insurable nature.

[40] The provisions of Part IV dealing with compensation for improvements and removal of improvements relate only to improvements effected by the lessee itself, while cl 3.b addresses itself to the different situation namely improvements already on the land prior to the commencement of the lessee's lease. Thus, in the context of the current lease, some inconsistency between those provisions and c13.b would not necessarily be of great moment.

[41] Mr Whiteside placed particular weight on the fact that cl 12 in Part II prohibits the removal of shingle soil gravel sand and minerals by the lessee, which he said was inconsistent with the appellants' argument that the fill amounted to an improvement. He said if the appellants were correct that the hard fill was an improvement, then they would effectively own the fill, and, if that were the case, would be entitled to remove it, which meant that it would not be possible to reconcile the lessee's right of removal of an improvement under cl 2 of Part IV and cl 12. Again we do not accept that this argument is correct in the context of the current lease, though it may have had some weight in interpreting earlier lease documents relating to this land. In the present context, there is no right on the part of the appellants to remove the bar fill, because the right of removal applies only to improvements effected by the appellants themselves. And, as we have already said, there is no basis on which we should interpret the lease as giving the lessee ownership of the hard fill. Thus we do not agree that the prohibition on removal of soil shingle gravel sand and minerals is necessarily inconsistent with the interpretation of cl 3.b contended for by the appellants.

[42] For similar reasons we do not think there is any weight in Mr Whiteside's argument that cl 32 of Part II, which prohibits removal of improvements without the consent of the lessor, and cl 33, which prohibits excavation without the consent of the lessor, are of particular assistance in the interpretation of cl 3.b of the First Schedule. In our view, there is no irreconcilable conflict between the interpretation of cl 3.b contended for by the appellants and those provisions.

[43] We accept that, while previous lessees would have been entitled, as a matter of law, to remove the hard fill if it were an improvement, that would have been almost certainly of no practical value to them. Similarly any claim by a prior lessee for compensation for fill which has been dumped in holes would have been unlikely to amount to much, if anything. But the fact that a right has no practical worth does not mean that it did not exist. There will be many occasions when improvements on land are of negligible value to a departing tenant for example electricity lines which have no inherent value unless they are connected to the power supply at one end and providing electricity to a profitable operation at the other. No one would seriously suggest that the electricity lines did not constitute an improvement to the land, but it may be that at the end of the lease they would not be removed and that any right of compensation would be of negligible value.

[44] We conclude that, although context may assist with the interpretation of provisions in a contract, the other provisions of the lese referring to improvements in this case provide only limited assistance in the interpretation of cl 3.b.

Plain meaning

[45] Panckhurst J accepted (at para[311) that the filling of the gravel pits did improve the land in a substantial way and permanently He accepted that there was a betterment of the land to which the lease related, and that this betterment of the land to which the lease related, and that this betterment was both substantial and permanent. Thus the filling of the gravel pits amounted to an improvement as that term is commonly understood. However he found that the contextual arguments, which have not found the same favour with us, led to the conclusion that the fill did not amount to an improvement for the purposes of the present lease.

[46] Having taken a different view on the contextual arguments, we fall hack on the plain meaning of the word. It is broad in its scope. In Aithau-Wanganui v Malps [1979] 2 NZLR 545 at 552, Cooke and McMullin JJ said that all work done or material used at any time on or for the benefit of land by the expenditure of capital or labour by any owner or lessee will be an improvement if its effect is to increase the value of the land at the relevant valuation date. In the same case at 557, Richardson j concurred in that formulation, and added, "The underlying concept is of the expenditure of effort and money which increases the value of the land." Panckhurst j was right to find that the gravel pits were an improvement in the normally understood sense of the term. In our view, that leads to the conclusion that the fill can amount to an improvement for the purposes of the present lease.

"to or on"

[47] That leaves the last point, which is the argument that cl 3.b of the First Schedule is limited to improvements "on" the land, in contrast to cl 3.a

which refers to improvements as defined in s14(9) of the Act "to or on" the land. Mr Whiteside argued that the limitation in cl 3.b to improvements on the land excluded improvements which were under the land or improvements which enhanced the land (such as clearance of gorse or improvement of soil quality) which were not physically on top of the land.

[48] We accept there is some force in this argument, but ultimately we are not convinced by it because:

(a) Clause 3 of the First Schedule to the Act deals with "improvements on the said land", and this wording has been faithfully reproduced in the introduction to cl3 of the First Schedule to the lease. Thus, the only improvements which can be excluded from the valuation for the purposes of the calculation of rent are improvements "on the said land", whether they are under cls 3.a or 3.b. The fact that improvements to or on the land under cl 3.a are included within the general concept of "improvements on the said land" in the introductory wording of cl 3 of the First Schedule to the lease would support the contention that there is no particular significance in the addition of the words "to or" in cl 3.a. That suggests that improvements to or on the land and improvements on the land should be seen as essentially synonymous;

(b) A limitation of cl 3.b to improvements which are physically siting on top of the surface of the land would exclude improvements of the kind which one would normally expect to be taken into account. Examples of these have already been given underground services and the foundations of buildings. Similarly cables suspended above the ground could in some cases be seen as improvements, though they are not "on the land" in the physical sense.

[49] In our view, the term "improvements on the land" should be interpreted as applying to anything which is of a nature that it constitutes a betterment of the land concerned which is substantial and permanent. In our view, so long as those improvements have been made on the land, and not adjoining land, for example, then they should come within cl 3.b for the purposes of the calculation of rent.

Commercial considerations

[50] Mr Whiteside argued that the appellants' case had no commercial justification because the appellants had not paid for the fill in the gravel pits and they should not therefore be entitled to get the advantage of a reduction in rent which results from the fill being treated as an improvement. Mr Whiteside said there was no evidence that the appellants had ever paid anything to the previous lessee for the fill in the gravel pits. He said there was not therefore any unfairness to them in the fill not being treated as an improvement.

[51] As pointed out in paras [6] and [7] above, the Mussons (or their associated company) paid $65,000 for improvements to the previous lessee, Sandblasters, and $53,000 as consideration for the assignment of the lease. There is nothing in the contemporary documents which indicated that the improvements for which payment was made included the fill in the pits, and the appellants did not contend that there was ever any explicit acknowledgement to that effect. Nevertheless the appellants argued that they had purchased alll the improvements on the land and that, to the extent that the gravel pits constituted an improvement for Sandblasters, then they would continue to constitute an improvement for the appellants.

[52] We accept that there is no strong argument founded on equity or fairness in favour of the appellants, but in our view, the absence of any such argument is of no significance. This case is about the interpretation of the lease, and that is essentially a matter of contractual construction.

[53] In any event, the fairness arguments cut. both ways. There was no evidence that the Council or the Board had ever paid anything for the fill in the pits. Yet the Council's position is that it is entitled to a higher rental for the leased area because the fill has enhanced the utility of that land. That position is no more meritorious than that of the appellants.

[54] We observe that the standard form of lease contemplated by the Act provides for the parties to specify in cl 3.b the improvements which existed at the time the leasae was signed and which were to be excluded from the value of the land for the purposes of the calculation of rent. It seems to be contemplated that the parties will list specific improvements so there is no dispute in the future as to what should be excluded. If that approach had been followed here, this dispute would never have arisen. Having adopted the open-ended and general wording in cl 3.b in this case, we do not think the Council should be aggrieved when that yields a result which the Council did not anticipate.

Result

[55] We are satisfied that the hard fill in the gravel pits on the leased area is an improvement for the purpose of cl 3.b. We therefore allow the appeal. The appellants are entitled to costs which we set at $6,000 and disbursements (including reasonable travel and accommodation costs for Mr Mortlock) as agreed by counsel or, if agreement cannot be reached, as determined by the Registrar. Costs in the High Court should be determined in that Court in the light of this judgement.

Solicitors:
Mortlocks, Christchurch *for* Appellants
Wynn Williams & Co, Christchurch *for Respondent*

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Date

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Type of Construction (i.e. House/Flats/Office/Shed etc)

Construction Details

(If insufficient space please continue on separate sheet)

Areas

Contract Price (Excluding GST)

Analysis

Element Floor Area Cost/M2 Modal Multiple

Notes

GrOstings

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Sefton Hip Roofed Bungalow, January 2005
Contributed by Denis J Milne, *North Canterbury* Valuations
Construction: Hip roof bungalow with integral double garage on a small lifestyle block.
Areas: 221.49m2
Contract price: $223,073 (excl. GST)
Analysis:
Total: 221.49m2 Net Modal Rate: $693.41
Notes: Country build factor 1% of contract price per 10km. The distance from the main centre is 14km. The allowance for architecture/draughting fees is $1,346.

S ngank Hip Roofed Bungalow, July 2005
Contributed by Denis *J Milne, North* Canterbury Valuations
Construction: 4 Bedroom office and dual facilities with an attached single carport on a small lifestyle block.
Areas: 192.71m2
Contract price: $188,926 (excl. GST)
Analysis:
Total: 192.71m2 Net Modal Rate: $827.40
Notes: Country build factor 1% of contract price per 10km. The distance from the main centre is 38km, and the allowance for the architecture/draughting fees is $2,007. House constructed by Builder Today Homes.

Hip Roofed Bungalow, July 2005
Contributed by Denis J Milne, North *Canterbury* Valuations
Construction: 4 Bedroom and study Villa style dwelling with triple bathrooms, double internal garaging and rolled verandah, built on a level site at Cust. Company Builders.
Areas: 223.90m2
Contract price: $173,537 (excl. GST)
Analysis:
Total: 223.90m2 Net Modal Rate: $946.23
Notes: Country build factor 1% of contract price per 10km. The distance from the main centre is 45km, and the allowance for the architecture/draughting fees is $4,451. House constructed by Today Homes.

Amberley Hip Roofed Bungalow, June 2005
Contributed by Denis J *Milne,* North *Canterbury* Valuations
Construction: Superior 5 bedroom dual bathroom with triple integral garage constructed on a flat rural residential holding. Built of brick with Colorsteel roof.
Areas: 214.13m2
Contract price: $282,190 (excl. GST)
Analysis:
Total: 214.13m2 Net Modal Rate: $940.76
Notes: Country build factor 1% of contract price per 10km. The distance from the main centre is 40km, and the allowance for the architecture/draughting fees is $2,789. House constructed by Benchmark Homes.

Fernside Hip Roofed Bungalow, May 2005
Contributed *by* Denis *J Milne, North Canterbury* Valuations
Construction: 4 bedroom dual bathroom with attached double garage situated on a flat site.
Areas: 217.65m2
Contract price: $289,310 (excl. GST)
Analysis:
Total: 217.65m2 Net Modal Rate: $957.18
Notes: Country build factor 1% of contract price per 10km. The distance from the main centre is 36km, and the allowance for the architecture/draughting fees is $2,755. House constructed by North Canterbury Company builder Benchmark Homes.

West Eyreton Hip Roofed Bungalow, May 2005
Contributed *by* Denis *J Milne, North* Canterbury Valuations
Construction: 4 bedroom dual bathroom with internal double garage situated on a flat site. Brick V. cladding with colrtile roof and is Dble GI. joinery
Areas: 192.32m2
Contract price: $217,387 (excl. GST)
Analysis:
Total: 192.32m2 Net Modal Rate: $805.78
Notes: Country build factor 1% of contract price per 10km. The distance from the main centre is 40km, and the allowance for the architecture/draughting fees is $2,394. House constructed by Peter Ray Homes.

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