CVL | Coast Valuations Ltd

VALUATION REPORT

CLIENT	Pearce Accommodation Ltd
ADDRESS	Chateau Franz
	8-10 Cron Street, Franz Josef
Date:	1 December 2024
Ref:	41985

WEST COAST NEW ZEALAND
UNTAMED NATURAL WILDERNESS

West Coast Property Specialists
• **P J Hines** Registered Valuer • **M L Bolland** Registered Valuer

Our Valuation Services

Coast Valuations Ltd (CVL) are registered valuers who complete all types of valuation and consultancy work of real property.

This work includes valuations of residential housing for the purposes of market value, mortgage finance, matrimonial settlement, estate or insurance as well as valuations of farms, commercial and industrial property, hotels, motels and other going concerns.

Types of work completed include Asset Valuations for Councils, Power Authorities and Major Government Departments along with marketing reports, insurance advice, mortgage valuation work for all major lending institutions as well as Valuation Work for major public and privately owned companies and industries based on the West Coast.

CVL | Coast Valuations Ltd

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Executive Summary

This executive summary must be read in context of and in conjunction with the full valuation report of which this executive summary forms part. All comments, terms and conditions contained in the full valuation report relate directly to this Executive Summary.

INSTRUCTIONS	
Property Address	8-10 Cron Street, Franz Josef Chateau Franz
Instructed By:	Chris Pearce
Instructions:	To determine the market value of the subject property for Sale Purposes.
Prepared For:	Pearce Accommodation Ltd
Other Intended Users:	Cedric Hockey
Mortgagor/Borrower:	Pearce Accommodation Ltd
Assessed Interest:	100% of the various interests subject to critical assumptions as noted in the report.
Basis of Valuation:	Market value on the basis of vacant possession / long term lease
Purpose of Valuation:	Market Valuation and for no other purpose
Job #:	41985

VALUATION DATES	
Date of Instruction:	29 October 2024
Date of Valuation:	1 December 2024
Date of Inspection:	12 November 2024
Date of Issue:	14 January 2025

PROPERTY DETAILS

Brief Description:	The subject property comprises what is known as Chateau Franz Accommodation Complex. It is a mixture of motels and backpacker accommodation situated in Franz Josef. The property operates a mixture of accommodation types ranging from backpacker and dormitory rooms through to twin and shared rooms with motel style accommodation as well as campervan and tent sites. Overall the property is reasonably tidily presented. Some ongoing maintenance has been carried out at various times. We note there will be some capital expenditure required in the medium term future such as replacing the roof, and this has been factored into our valuation. The business is currently operated under a long term lease by Pearce Accommodation Limited. It would appear to be well managed.
Registered Proprietor:	Freehold: Cedric Walter Mark Hockey Leasehold: Pearce Accommodation Limited (Chris Pearce)
Land Area:	2240m^2
Building Area:	1166m^2
Assumptions:	For the purpose of this report a number of assumptions have been made. We have been asked to comment on the likely value under three scenarios. 1. Land and Buildings (subject to a longer term lease) 2. Business (subject to a long term lease) 3. Freehold Going Concern Valuations 1 and 2 assume the current lease has been extended for the remaining period to be 25 years, and the market rental set at $150,000. Valuation 3 assumes the property will be sold in its entirety in a single transaction to a single purchaser and the lease would be extinguished.

TENANCY ANALYSIS

Tenancy Particulars:	Fully leased on a long term basis.

RECENT SALES HISTORY

Sale Date:	Business sold to Pearce Accommodation Ltd in 2016.

FINANCIAL DETAILS

Current Turnover:	$525,660 for the year ending March 2024
Assessed Outgoings:	100%

VALUATION SUMMARY

Valuation Approaches: Direct Comparison Approach, Income Capitalisation Approach, Cost Approach (DRC)

Fair Market Value As At 27 August 2024:

Land & Buildings:

$1,850,000
(One million eight hundred and fifty thousand dollars)

Business:

$425,000
(Four hundred and twenty five thousand dollars)

This valuation includes all chattels, furniture, fixtures and good will associated with the business.

Both the above valuations assume the lease has been extended to 25 years and the rental set at $150,000

Freehold Going Concern:

$2,050,000
(Two million and fifty thousand dollars)

plus GST, if any

This valuation assumes that the property will be sold in its entirety in a single transaction to a single purchaser and the lease extended.

CONSIDERATIONS	
Pecuniary Interest:	The valuer has no pecuniary or other interest.
Reliant Party Statement:	The valuation and all valuation services are provided by us solely for the use of the client.
Third Party Disclaimer:	Our valuation report advice / opinion has been prepared for the private and confidential use of our client and other intended users noted in the report, for the specified purpose and it should not be relied upon by any other party for any purpose. Neither the valuer nor Coast Valuations Ltd shall have any liability to any other party who do. The report should not be reproduced in whole or part without the express written authority of Coast valuations Limited. Our warning is registered here, that any other than those specifically named in this report should obtain their own valuation.

SWOT ANALYSIS

Set out below is our analysis of the strengths, weaknesses, opportunities and threats (SWOT Analysis) for the subject property:-

Strengths:

- Established Business
- Variety of Accommodation styles
- Prominent location
- Very high summer (peak) occupancy vs winter occupancy

Weaknesses:

- Heavily reliant on the tourism industry
- Very high summer (peak) occupancy vs winter occupancy
- Some building upgrades needed in the next few years

Opportunities:

- Sell the complex either in its entirety or separately
- Increaser turnover

Threats:

- Covid 19
- West Coast Economy
- General Economy
- Tourism Industry
- Climatic events

SPECIAL/CRITICAL ASSUMPTIONS

Documents relied upon and provided:	Copy of Lease Copy of Financial Information
Recommended Documents to sight:	N/A
Verifiable Assumptions:	N/A
Assumptions Requiring Further Consultancy:	N/A
Other Assumptions:	In making our valuations of the land and buildings and the businesses we have assumed the lease has been extended to a total of 25 years remaining and the rental set at $150,000.

Valuer:
The valuer who has undertaken the physical/internal inspection of the property

Signature of Valuer/Director on behalf of
Coast Valuations Limited
Peter Hines
B Com (VPM) ANZIV
Registered Valuer

Reliance on this report should only be taken upon sighting the original document that has been signed by the Inspecting Valuer who has undertaken this valuation. The opinion of value expressed herein has been solely arrived at by the Valuer who undertook the inspection and prepared this valuation report.

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Appendix A Certificate of Title

1.0 Assumptions and Special/Critical Assumptions

For standard 'Assumptions' made in this report, refer to Sections 'Extent of Investigations', 'Nature and Source of the Information Relied Upon', 'Terms and Conditions' and comments contained in our report.

Our valuation is subject to the following special/critical assumptions: -

- That all buildings are fully compliant.

For the purpose of this report a number of assumptions have been made. We have been asked to comment on the likely value under three scenarios.

1. Land and Buildings (subject to a long term lease)
2. Business (subject to a long term lease)
3. Freehold Going Concern

Valuations 1 and 2 assume the current lease has been extended for the remaining period, being 25 years, and the current market rental set at $150,000.

Valuation 3 assumes the property will be sold in its entirety in a single transaction to a single purchaser and the lease would be extinguished.

2.0 Scope of Works

Identification and Status of the Valuer

PINZ and NZIV Compliance

We confirm the following:

- The identity of the valuer(s) that has/have completed the report is confirmed within the valuers signatories section in the report.
- The Valuer's fee is not contingent upon any aspect of the report.
- The Valuer has satisfied continuing professional development (CPD) requirements.
- The Valuer has experience in the location and category of the property being valued.
- The Valuer holds a current annual practicing certificate and is both a Member of the New Zealand Institute of Valuers and Member of Property Institute of New Zealand.
- The valuation was performed in accordance with the applicable ethical code and performance standards.
- The Valuer has no pecuniary or other interest that could conflict with the proper valuation of the property or could reasonably be regarded as being capable of affecting their ability to give an unbiased opinion.
- Coast Valuations Limited holds Professional Indemnity Insurance appropriate for the value level in the report. We confirm the registered valuer(s) who are signatories of this report are covered by the Professional Indemnity policy.

Client/Instructing Party

File Reference:	41985
Instructed By:	Chris Pearce
Prepared For:	Pearce Accommodation Ltd

Instructions/Basis of Value

Date of Instruction:	29 October 2024
Property Address:	8-10 Cron Street, Franz Josef
Interest to be Valued:	100% of the freehold interest subject to critical assumptions as noted in the report.
Basis of this Valuation:	Market value on the basis of vacant possession / long term lease
Purpose of Valuation:	Market Valuation and for no other purpose
Special Instructions:	Refer 1.0 Assumptions

Valuation Dates

Date of Valuation:	1 December 2024
Date of Inspection:	12 November 2024

Extent of Investigation

We confirm the following:

- The statements of fact presented in the report are correct to the best of the Valuer's knowledge.
- The analysis and conclusions are limited only by the reported assumptions and conditions.
- No-one, except those specified in the report, has provided professional assistance in preparing the report.

Nature and Source of the Information Relied Upon

We have been provided with the following information:-
Financial information regarding the business
Agreement to vary lease

Recommended Documents to Sight

General Documents:

A **General** document reports on an effect that is common to the area/location and does not have an adverse impact on marketability and value specific to the subject property.

We recommend the following General Documents should be sighted by any party considering taking an interest in this property: Nil

Critical Documents:

A **Critical** document reports on an effect that is specific to the subject property and is considered to have a potential negative impact on marketability and value.

We recommend the following Critical Documents should be sighted any party considering taking an interest in this property: Nil

Restrictions on Use, Distribution or Publication

The Valuation and all Valuation Services are provided by Us solely for the use of the Client. You will not release any part of Our valuation or consultancy report or its substance to any third party without the written consent of one of Our Directors. Such consent will be provided at Our absolute discretion and on such conditions as We may require including that a copy of these Terms and Conditions must be provided to such third party. This clause shall not apply to persons noted as recipients in Your prior instruction to Us or in the Quotation provided. You are obligated to provide any such recipient with a copy of these Terms and Conditions.

Third Party Disclaimer:

Our valuation report advice / opinion has been prepared for the private and confidential use of our client and other intended users noted in the report, for the specified purpose and it should not be relied upon by any other party for any purpose. Neither the valuer nor Coast Valuations Ltd shall have any liability to any other party who do.

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Valuation Standards/Definitions

This valuation has been prepared with conformity to the International Valuation Standards effective date 31 January 2022 as well as Guidance Papers for Valuers and Property Professionals.

Market Value as stipulated by the International Valuations Standards and endorsed by The Property Institute of New Zealand is:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arms length transaction, after proper marketing and where the parties each acted knowledgeably, prudently and without compulsion" *

* IVS effective date 31 January 2022.

This valuation may change in the future because of varying market conditions and the physical state of the property.

Covid 19: The long term effect is unknown. We have made our assumptions and conclusions, based on current trends and evidence available to date.

3.0 Title Details

Title Search: Title searched and attached

Survey Plan: Plan sighted

Title details are summarised as follows from our Title Search:-

DESCRIPTION	UNIT/LOT/CROWN	FOLIO IDENTIFIER	LAND AREA
Freehold	Section 40 Town of Waiho Gorge	WS 3D/1353 Westland	1120m^2
Freehold	Section 39 Town of Waiho Gorge	WS 3C/1260 Westland	1120m^2

Registered Proprietor:

Title WS 3D/1353:
Cedric Walter Mark Hockey as to a ½ share; Cedric Walter Mark Hockey as to a ½ share

Title WS 3C/1260:
Cedric Walter Mark Hockey

Interests of Note on Title:

Title WS 3D/1353:

- Section 8 Mining Act 1971
- Section 168A Coal Mines Act 1925
- Mortgage to The National Bank of New Zealand Limited
- Certificate Pursuant to Section 37(2) Building Act 1991 (also affects WS 3C/1260)

Title WS 3C/1260:

- Section 168A Coal Mines Act 1925
- Section 8 Mining Act 1971
- Mortgage to The National Bank of New Zealand Limited
- Certificate Pursuant to Section 37(2) Building Act 1991 (also affects WS 3D/1353)

Comment on Interests: We have reviewed the above interests and do not believe they have a detrimental impact on the marketability or the market value of this property.

Please see appendices for a copy of the Certificate of Title (additional Pages)

Title & Easements

That this valuation has been prepared on the understanding that no notations, encumbrances, easements, rights of way or encroachments exist by or on the subject property other than those detailed herein. We have not sighted boundary markers and for the purposes of this valuation, have assumed that all improvements have been erected within the legal confines of the land and that no adjoining improvements encroach onto the boundaries.

4.0 Statutory Valuation & Charges

Rating Valuation:

VALUATION ROLL NUMBER	25800 55501
VALUE COMPONENT	AMOUNT
Land Value	$630,000
Improvements Value	$1,320,000
Capital Value	$1,950,000
Local Authority Rates:	$19102.29 inclusive of GST
Effective date:	01st September 2023

We point out that the rating valuations are assessed under statutory criteria and may not reflect the market value at any point in time.

5.0 Location

Physical Location

The following map indicates the location of the subject property within the area known as Franz Josef Glacier.

The subject property is situated towards the southern end of Cron Street, more or less opposite the intersection with Condon Street. Surrounding development is mixed but provides two backpacker hostels and the rear of the Community Centre, which also fronts State Highway 6. There is a sprinkling of residential, motels and staff accommodation in the general area as well as the Department of Conservation workshop.

Cron Street is more orientated towards the accommodation industry, being a wide range of tourist and local services available on State Highway 6. Further north along Cron Street is a variety of tourist orientated businesses including motels, backpackers, the West Coast Wildlife Centre and further north again is the hot pools and some more accommodation complexes. Permanent residents within the town enjoy a small supermarket, service station, Police Station, Medical Centre, primary school and a wide range of tourist orientated businesses.

LOCATION MAP

6.0 Resource Management/Planning

Territorial Authority	Westland District Council
Plan Name/Scheme:	Westland District Plan
Plan Status:	Operative 1 June 2002
Zoning:	Tourist Zone within the Tourist Settlement Policy Unit
Zoning Description/Permitted Activity:	Permitted Activity The foregoing zone summary has been provided for valuation purposes only and should not be relied upon for the purposes of determining whether a particular activity or development is permitted within the zone. Should you require information in this regard we recommend you consult with a Planning Consultant or Local Authority.
Development Controls (if relevant):	Refer District Council
Development Consents:	A significant assumption is that the improvements on this property fully comply, and that the services have the necessary consents and permissions.
Zoning Effect/Conformity:	Conforms with zoning
Heritage Notifications:	A search of the Local Authority planning maps and schedule of Heritage Buildings in the District Plan has not identified the subject property as being listed. Should the subject property be found to have a heritage or archaeological listing/s we reserve the right to reconsider our valuation.

Zoning Map:

Building & Resource Consents:

Presume fully complies.

LIM/PIM Report

We have not obtained a land information Memorandum (LIM) or Property Information Memorandum (PIM) for this property which, unless otherwise stated, a significance assumption is that the property conforms to all requirements of the Resource Management Act 1991, the New Zealand Building Code contained in the First Schedule to the Building Regulations 1992, the Building Act 2004 and any Historic places Trust registration.

Our valuation is conditional upon the buildings conforming with By-Laws and that there are no outstanding council/regulatory requirements over this property. Should a Land Information Memorandum (LIM) or Property information Memorandum (PIM) show this not to be correct, we reserve the right to reconsider our valuation.

Alpine Fault Line / Flooding Issues:

Westland District Council's Planning Maps show that the Alpine Fault Line passes through Franz Josef Village. In the past Council tried to introduce a Fault Avoidance Zone but this was withdrawn some years ago. At this stage the day to day operation of the property is not affected.

We also note that there is some issue associated with the Waiho River to the south of the township. This has caused some issues at the northern end of the township, being well away from the subject property. The Regional Council with Government funding recently completed upgrades and extensions to the current Flood Protection Works adjacent to the township.

The issue also at this stage, is not affecting the day to day operation of the property. In both cases, as far as we are aware, there has been no issues in obtaining finance or replacement insurance within the township.

Te Tai O Poutini Plan:

The Te Tai o Poutini Plan (TTPP) is the combined District Plan for the Buller, Grey and Westland District Councils. It will replace the current individual district plans. Some parts of the Tai o Poutini Plan have immediate legal effect which includes:

- Historic Heritage and Sites and Areas of Significance to Maori

It is currently in Draft form and submissions have been obtained.

In this plan the property is zoned Settlement Zone. This new zoning has similar characteristics to the existing zoning.

Settlement Zone	**SETZ**	**Areas used predominantly for a cluster of residential, commercial, light industrial and/or community activities that are located in rural areas or coastal environments.**

Overlays to the Planning Maps include:-

1. Flood Hazard Susceptibility
2. Earthquake Hazard Overlay 100m
3. Earthquake Hazard Overlay 150m
4. Earthquake Hazard Overlay 200m
5. Airport Noise Contours

Under these overlays some activities and land uses become discretionary. Additional information such as Risk Assessment will be required at a cost to the applicant.

7.0 Environmental Matters

We have not been provided with a full environmental audit of the property, and we have made the following comments based on the information available to us and our own onsite inspection:-

Local Environment Authority's Site Registered:	Not search
Obvious or Potential Environmental Hazards:	Our physical inspection did not reveal any obvious signs of site contamination.
Is an Environmental Audit recommended:	No
Site Comment (if necessary):	N/A

Should an environmental audit be available that shows any detrimental effect on value, it should be referred to valuer for comment on our valuation. In the event that this is made available, to us, we reserve the right to reconsider our valuation, herein.

8.0 Land Description

The land is briefly described as follows:-

Dimension: We refer you to the enclosed Certificates of Title which illustrate the site and have all dimensions noted. Together the adjoining titles have a frontage of 44.29 metres and a greatest depth of 49.96 metres, giving an overall area of 2240m2.

Shape: Rectangular shaped inside lot.

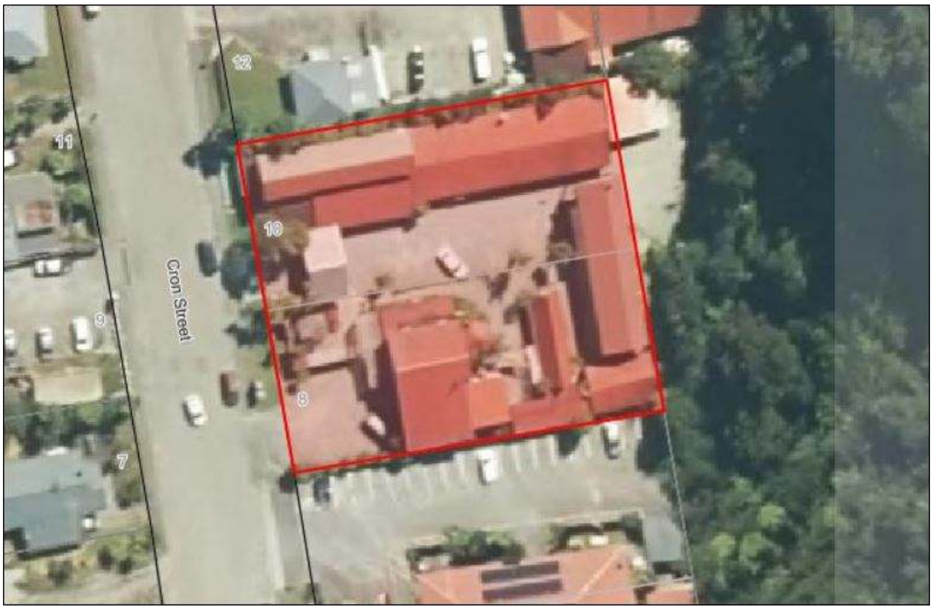
Contour: The site is level with Cron Street at its frontage and basically flat in contour with a slight fall towards the southern boundary.

Layout: The building itself is situated predominantly around the boundary of the building with the original Chateau Franz building residential house set back from the road frontage. Behind it is The Stables and Ski Lodge complex as well as two caravans. The complex is situated adjacent to the northernmost boundary and more recently a two storeyed building straddles the boundary of the two lots at the rear. There are a number of other buildings associated with the property.

Vehicle access onto the site is towards the middle of the site and out onto both the original Backpacker site and the motel site. These are now linked.

The grounds not occupied by the buildings and parking areas have been developed with gardens and lawns. There are a number of tent sites at the rear of the complex where the property adjoins the Westland National Park. This may encroach over the boundary.

Boundaries: No actual boundary pegs were sighted but it appears all improvements lie within the legal perimeters of the title. This valuation is not a boundary survey and we accept no responsibility in connection with such matters.



Services

Power:	Reticulated.
Telephone:	Yes.
Water Supply:	Town.
Effluent:	Sewer.
Roading:	Sealed.

The above services are generally available in this location and we have presumed the property to be fully connected and compliant. No warranty is given as to the condition or remaining economic life of any of these services.

Site Identification:

We have identified the subject property from our inspection and with reference to the attached aerial photos.

Other Issues

Site Contamination

Upon our physical inspection we did not identify any obvious signs of site contaminants.

Environmental Risks

That we have endeavoured to comment on all areas of Environmental concern based on our superficial inspection of the property. An actual environmental audit may reveal matters that affect our valuation herein that were not readily discernible at the time of inspection. In such an event, we reserve the right to reconsider our Valuation figure herein.

9.0 Improvements

General Description

This complex comprises a block of motels, a hostel complex and a two storey accommodation block as well as ancillary other buildings and other improvements. A brief description of each is as follows:-

(i) MOTEL COMPLEX:

Building: This part of the complex originally started life as Bushland Court Motel. It was developed in the early 1970's with the first floor units added at a later date.

Construction: Construction comprises of predominantly concrete foundations and concrete floor with a timber floor to the first floor. The exterior wall cladding is 'shadowline' with aluminium window and door joinery fitted and minidek roof.

Area: The ground floor of this part of the complex totals some 393m2 with a further 68m2 at first floor level.

Layout: The first floor comprises four ensuite units while at the ground floor there is a variety of studio ensuites, two bedroom and shared facility rooms as well as the office and a large covered area.

Unit 22:

Unit 16:

Reception:

Kitchen:

Accommodation:

First Floor: Rooms 19 – 22 Double/twin ensuite.

Ground Floor:	Reception	
	Covered Area	
	Kitchen/Dining	
	Room A	Family Room
	Room B	Family Room
	Room C	Double room
	Communal facilities	Showers, toilets
	Rooms 12 – 18	Double/triple/family ensuite rooms
	Laundry	
	Other:	Covered portico

Comment: Within the reception area a lockable office has been formed while some of the units have been reconfigured with some rewired and redecorated. A covered timber deck has been attached to the front of the units leading from the reception area.

(ii) HOSTEL COMPLEX:

Building: The Hostel Complex originally started life a residential home in the 1960's–1970's but has been upgraded, modernised and extended since that time.

Construction: Construction comprises concrete floor with fibrolite walls, aluminium window and door joinery and a minidek roof.

Area: The building itself is a split level design and is in fact of four differing levels. It offers a total floor area of some 334m2 together with concrete terraces and decks.

Layout: Accommodation offered includes a guest lounge with numerous bedrooms and service rooms at each floor while towards the rear of the building is a kitchen and dining room.

Accommodation:	Rooms 1 – 11	Double/twin/triple/four/five bed. Bunkrooms
	2 x lounges	
	2 x Service areas - toilets/showers	
	Internet room	
	Kitchen	
	Dining room.	

Unit 4:

Unit 6:

Kitchen:

STABLES BUILDING:

Building: The Stables accommodation building is the oldest on site and has been upgraded and modernised a number of times. The building is constructed of concrete floor with vertical board and batten walls with some corrugated iron and concrete, wooden windows and doors and a corrugated iron roof.

Now utilised as a games room and gym. Could be converted back to accommodation relatively easily.

The gross floor area is 73m2.

SKI LODGE:

Building: This building is at the rear of the site. It is a simple functional building of mixed construction with two bedrooms, kitchen/lounge and bathroom with a further toilet with external access only.

It totals 56m2.

(iii) **TWO STOREY UNITS:**

Building: These two storey units were built in 2003 and straddle the boundary of the two lots.

Construction: Comprises concrete foundations and floor slabs to the ground floor and particle board to the first floor, with "Shadowline" exterior walls with aluminium window and door joinery and colorsteel roof.

Gibraltar board lined to the living/bedroom areas and seratone or similar in the service rooms.

Area:

Ground floor	142m2
First floor	100m2

Plus deck and covered areas

Layout: Each room is a standard bunkroom with two to four beds and ensuite bathroom with shower, WC, hand basin. Basic kitchen facilities.

Unit 30:




Accommodation:	First Floor:	Five ensuite rooms (23 – 28)
	Ground Floor:	Three ensuite rooms (29 – 31)
	Laundry:	Formerly on the ground floor.

OTHER IMPROVEMENTS:

Other improvements comprise covered entrance way, shed, storage area and site development.

PLANT AND EQUIPMENT

There is obviously considerable plant, chattels and equipment associated with the business. These are generally in an average condition with ongoing replacement. The value of these have been incorporated into the value of the business.

Condition and Features:

The external condition of main improvements were found to be in fair to average condition overall.

The internal condition of main improvements were found to be in fair to average condition overall.

Upgrade Requirements: Nil

Building Compliance

It has been assumed that all improvements to the property comply with the Building Act 2004, Resource Management Act 1991 and all other relevant laws and by-laws except as detailed herein. Certain aspects of the improvements may not comply. Unless otherwise stated, no Code Compliance Certificate has been obtained.

Whilst we have set out obvious issues noted during our physical inspection, we are unable to state that the property is free of any further defects including Methamphetamine, Asbestos or any other hazardous contaminants.

Weather Tightness

Our valuation is based on the assumption that unless otherwise stated, the external cladding has been fixed in strict accordance with the manufacturer's recommendations and that there are no weathertightness issues with the cladding or design features. We reserve the right to amend our assessment should this assumption be incorrect.

Structural Survey

While we may have undertaken a physical inspection of the property, we emphasise that this report is for valuation purposes only and that it is not and should not be construed to be a structural survey.

10.0 Age and State of Repair

Age of Improvements:	Various
State of Repair of Improvements:	Generally fair to average
Recommended Repairs:	Nil

The building component of this property is at a stage where it needs a reasonably substantial amount of money in terms of upgrading and modernisation. The buildings roof's, with the exception of the newer two storey block, are nearing the end of their economic life while currently not leaking. The exterior, while is reasonably tidy, would benefit from repainting and some upgrading of facilities , especially in the older buildings.

11.0 Building Act 2004

Earthquake Prone Building Policy Compliance

Section 133AB of the Building (Earthquake-prone Buildings) Amendment Act 2016 states that a building or a part of a building is **earthquake prone**, if its ultimate capacity is exceeded in a “moderate earthquake” and the building or part were to collapse, and the collapse would be likely to cause injury or death to persons in or near the building or damage to any other property.

In the Building (Specified Systems, Change the Use, and Earthquake-prone Buildings) Regulations 2005 the term “moderate earthquake” is an earthquake that would generate shaking, at the site of the building, that is of the same duration, but one-third (i.e.33%) as strong as what a new building design at that same site.

In practice, an earthquake-prone building is defined as one that is less than 33% of the new building standard (NBS).

Once a territorial authority has determined that a building or part of the building is earthquake prone it will issue an EPB notice for that building. A building subject to an EPB notice must complete strengthening to the building so that it is no less than 33% of the new building standard (NBS).

We have not been provided with any earthquake assessment for the subject building.

In the absence of any Engineering reports to definitively confirm the same, our valuation is subject to a minimum of 33% NBS compliance. Should an Engineering report reveal a seismic rating of less than 33% NBS, this could affect our valuation conclusion and accordingly we reserve the right to amend our findings should this occur.

Building Act Compliance Schedule

The Building Act 2004 introduced changes to the compliance schedule and building warrant of fitness regime.

The compliance schedule lists the building’s specified systems and the inspection, maintenance and reporting procedures needed to keep them in good order.

The Building Act 2004 requires a Compliance Certificate and a Building Warrant of Fitness for any building (other than residential building) if that building contains any specific system. A specific system is specified in Schedule 1 of the Building Act and generally includes automatic systems for fire suppression, automatic warning systems for fire, emergency lighting, lifts, escalators, mechanical ventilation, emergency power systems as well as some other items.

We also presume that the property has all the necessary Licences and Consents for its current operation.

12.0 Occupancy Details

The subject property is owner occupied and not subject to any formal lease. However, as part of the valuation exercise we have assessed what we believe to be market rental value and used this as one of the basis of the valuation.

Lease Details			
Landlord	Cedric Walter Mark Hockey		
Tenant	Pearce Accommodation Limited		
Guarantor	Christopher David Pearce		
Premises	8-10 Cron St Franz Josef		
Term	15 Years		
Commencement Date		29-Sep-16	
Rights of Renewal	Nil		
Final Expiry Date		28-Sep-31	
Rent (at Commencement)		$140,000	Plus GST
Rent (Current)		$155,000	Plus GST
Rent (actual 2024)		$69,997	Plus GST
Rent Reviews			
Market	29 September 2019, 2022, 2025, 2028		
CPI	29 September 2019, 2022, 2025, 2028		
	Rent Reviews subject to clause 2.7		
	Clause 2.7 states that the rental payable from each review date with the methodology determined by the landlord		
Business Use	Backpackers and Motel Accommodation		
Outgoings	100% of those listed in Section 18 Schedule 1		

Lease Deed of Variation & Rent Review	(unsigned copy provided)	
Dated	1-May-23	(assumed)
Rent Increase	$155,000	
Date of Increase	18-Sep-19	
Variation	Effective 1 December 2022	
Rental	From 1 December 2022 to 30 November 2023	
	Set at 15% Gross turnover	
	From 1 December 2023 onwards	
	Set at $140,000	

Copy of the lease and variation is on file.

Lease Variation 2024
The landlord and tenant have agreed to extend the term of the lease if the two components to the property sell separately being firstly the realty and secondly the business subject to a long term lease It has been agreed to extend the remaining lease term to a total 25 years from any date of sale of either components with the same terms and conditions that exist in the current lease with 3 yearly rent views. This extension may be done by rights of renewal **or** a single term The rental if this occurs will be set at $150,000 plus GST per annum No formal documentation has yet been completed

Comment on Lease:

The leases are of a standard nature but note the final expiry date as it currently stands in the lease is 28 September 2031.

It has been agreed between the parties that if the Land and Buildings or the Business are to be sold separately then the lease is to be extended to a total remaining term of 25 years. We would expect the rent reviews to be similar to what is done at present. We also note the rental will be set on sale of either component at $150,000.

13.0 General and Specific Market Commentaries

West Coast

The West Coast has an export led economy and has much reliance on industries such as tourism, farming, fishing, and mining.

There has been a 0.3% growth in the West Coast economy over the year to March 2024, ahead of the national increase of 0.2% according to Infometrics provisional GDP estimates. The growth was led by improvements in mining activity, and counterbalanced by softer transport, agriculture, and construction output. Growth was strongest in Buller reflecting the impact of mining activity.

Unemployment of West Coast residents rose from 3.3% to 3.4% over the year to March 2024, while nationally it grew from 3.7% to 4%. The effect of a strong recovering tourism sector in Westland is clear, with the district recording a 3.5% decrease in jobseekers.

The agriculture sector is under some pressure with weak prices for meat and forestry products and high input costs while tourism continues to be a strong contributor to the economy.

New Zealand's tourism recovery stalled in the latter half of 2023, as domestic tourists held back, and growth in international arrivals slowed. Tourism continues to recover strongly on the West Coast, with 20% growth in guest nights in the year to March 2024, led by 27% growth in Westland.

The housing market on the West Coast continues to outperform the national trend, with West Coast house values growth of 11% in the March 2024 quarter, the strongest growth of any region. There is renewed interest in the housing market locally and nationally, with the West Coast sell volumes up 4.6% in the year to March 2024, although the stock being listed has eased 9.8% potentially adding tightness to the market. West Coast remains the most affordable regional housing market in the country, although affordability has deteriorated slightly to the year to March 2024.

The Westland property market was exceptionally buoyant during 2006 and 2007 where prices and the demand for property was considered to have peaked on the West Coast.

The market then went through a period of uncertainty which changed again with the new extension of the Westland Dairy Company around 2012. House prices at this time were at similar levels to 2006 and 2007. Market demand and prices continued to increase to 2017 and levelled out slightly in 2018. Prices started to pick up again in late 2018 and have continued to increase through to 2024 with the market experiencing a shortage of accommodation, although interest rates and the cost of living has slowed demand.

Westland Milk Products is the largest employer in Hokitika. The company is investing $70 million dollars in a new lactoferrin plant for the Hokitika factory with this investment being quite significant for Hokitika.

Future projects for the West Coast include ilmenite mine proposals for Barrytown and Hokitika which is expected to generate many new jobs.

In general, the West Coast economy appears to be holding, its ground and has performed reasonably well with house prices having increased.

New Zealand

The economy remains downbeat, with slower spending and investment continuing. Current spending growth remains below inflation as higher interest rates continue to bite. The housing market remains stalled too, with higher listings and still subdued sales as few buyers can access lending. Year-end economic growth has slowed back to 0.2% per annum over the 12 months to March 2024, the slowest year end growth since the original Covid 19 lock. Despite these challenges, exports look to have provided a slightly improved result at the start of 2024, with Lunar New Year delivering a bump in international tourism, and better dairy and horticulture returns.

Construction activity is lower too, and future intentions to build continue to fall too. Jobs activity remains firm, but wider slack in the labour market has seen the unemployment rate increase as migration fuels growth in the labour force, but businesses are hiring less.

Economic momentum is expected to slow and will likely set the tone for a more subdued economic outlook.

Global
The global economy is steady but slow with the global recovery different by region. Overall, the global economy has been surprisingly resilient, despite significant central bank interest rate hikes to restore price stability.

Reserve Bank
The Reserve Bank has been using its monetary policy and regulatory tools to reduce inflation to achieve the best outcomes for the economy and financial stability. They have been using the official cash rate (OCR) to control inflation and maximise employment. There is co movement between the OCR and mortgage rates, but the co-movement is mainly linked to short term mortgage rates.

In September 2021 the OCR was 0.25%. The Official Cash Rate remains at 5.5%. This current rate is constraining spending and inflation pressures, so the annual consumer price inflation can return to between 1% and 3%. The Consumers Price Index data shows that the inflation rate is continuing to fall with price increases in this quarter the smallest since June 2021.

Inflation reduces the purchasing power of consumers and consequently this drives less consumption. Increasing living costs and higher interest rates is impacting the property market.

The West Coast property market is dependent on jobs and economic activity and while in the short term there may be some challenges. The 12 to18 month outlook is positive if new mine developments proceed. The West Coast has been relatively attractive to outside buyers due to its affordability.

Recent News Updates
The intention of these news updates is to keep our clients informed on the events and news happening throughout the West Coast. In no way do the articles reflect our company's position or support for any specific article. The information contained in this news sheet has been obtained from various local sources and no responsibility is held for any parties relying on the accuracy of this information without independent verification.

Port to export again
Westland Mineral Sands with a mine at Cape Foulwind and another proposed near Hokitika has employed a Greymouth port manager as it prepares for bulk exports by barge from Greymouth **(Grey Star 22 September 2023)**

'**No new mines set to be binned'**
After six years of knocks, the West Coast mining industry has renewed confidence with a new Government and an undertaking that it will drop Labour's promise of 'no new mines on conservation land'. **(Grey Star 19 October 2023)**

House prices lift
West Coast houses ended the year worth far more than a year ago. Figures from realestate.co.nz show prices here rose from $444,948 December 2022 to $486,992 an increase of over 9%. **(Grey Star 30 October 2023)**

Coalmine may be on fast track
Te Kuha mine questions
Westport has pressed pause while it awaits direction from the more mining friendly National Government. There is speculation the Governments promised fast-track bill will help mining companies like Stevenson Mining. **(Grey Star 5 March 2024)**

13 Coast jobs go in a week
A second Greymouth company has restructured, with the loss of five jobs. Design Windows announced layoffs yesterday only days after Coastwood Furniture let eight staff go from its Greymouth factory. (Grey Star, 14 March 2024)

Quake rules relaxed Welcomed in Greymouth
The Government is giving building owners an extra four years to bring earthquake-prone buildings up to scratch. The previous deadline was 2027. **(Grey Star, 18 April 2024)**

Unemployment numbers drop in Greymouth
The number of unemployed in Greymouth on the Jobseeker benefit, has dropped to 849 in March quarter down from 879 in the December quarter. However, numbers are up in Buller, from 588 to 603. **(Grey Star, 23 April 2024)**

Barrytown mine gets green light
The Barrytown mineral sands application has been approved, marking the start of a new era of mining for the Grey district. **(Grey Star, 29 April 2024)**

Siren Gold applies for Reefton fast-track
Siren Gold is applying to have its Reefton goldmining project fast-tracked by the Government. The company is currently focused on the exploration programmes currently under way to test the quartz-gold deposits in the hills around Reefton. The Reefton project has the potential to grow into a significant gold and antimony operation and put Reefton on the global map as a producer of antimony. **(Grey Star, 29 April 2024)**

Westland Milk plans for 2025
The chief executive of Westland Milk Products says the owners are looking to further expand and grow in Hokitika in 2025.Westland has recently invested $40m in a new butter plant and $70m in a new lactoferrin plant both in Hokitika. The company has also committed to pay 10c more than Fonterra indefinitely. **(Grey Star, 13 May 2024)**

Unemployment numbers drop in Greymouth
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House price rise again.
Outside buyers are snapping up houses on the West Coast, helping set a new average record of $430,000. The Real Estate Institute said today the medium price had increased 19.8%. Local agents predict that market activity will increase, and sentiment will become more positive once some key announcements in the mining sector have been made, which could bring more buyers to the area. **(Grey Star, 14 May 2024)**

Local Property Climate for This Class of Property

When considered from a re-letting and vacancy viewpoint at the time of our inspection the immediate local market was characterised by a limited number of comparable premises available for lease. Based on the number of premises available for lease in this locality the market for re-letting the subject property would appear to be moderate at present.

When considered from a saleability viewpoint the number of comparable/similar investment property sales in the locality and generally for this class of investment property would tend to suggest that the market for this type of property is moderate at present.

Notwithstanding the above comment, we note that there are a limited number of similar properties available for sale at present.

Valuers Commentary:

The tourism industry has bounced back from the effects of Covid with good visitor numbers reported over the past two seasons in the Glacier Region. Many businesses have reported increasing turnovers and occupancies and in many cases this, along with the room rates, are higher than pre Covid times. This has had a flow on effect to other auxiliary businesses within the area as well as the residential property market which has been quite buoyant.

We also note with the sale of one of the backpacker complexes in Franz Josef, which will be partially converted to staff accommodation, will mean there may be a shortage of lower tariff beds within the township. This should have a beneficial effect to properties such as the subject property.

14.0 Business Considerations

The subject property operates as Chateau Franz Accommodation Complex. It is a large complex located in Franz Josef with a variety of accommodation types ranging from dorm style rooms through to ensuite twin and double rooms. It is currently run under a long term lease by Pearce Accommodation Ltd (Christopher Pearce) who operate the business. They have operated since October 2016 and management appears reasonable.

We have been provided with extracts of the financial accounts for the past three years and also been provided with pre Covid financial statements. We note, as with all accommodation and tourist orientated businesses within the Glacier Region, was severely affected by Covid and most were in survival mode and many were forced to go into hibernation during the period. We note however, since the bordered reopened, visitor numbers to the region have bounced back and over the past two seasons occupancies, turnovers and room rates in many cases, have exceeded pre Covid levels.

The subject property is heavily reliant on the tourism industry and we note that occupancies during the peak summer months will be at close to 100% while occupancy during the slower winter period will be substantially lower.

Backpacker capacity in Franz Josef has been reduced recently with the sale of Montrose (opposite) which has been bought by a local hospitality business and half the beds space would be utilised as staff accommodation.

A summary of the room types and gross tariffs, provided by the operator, is as follows. We note that occupancy varies as required:-

Room #	Type	Beds
1	Backpacker	4
1A	Backpacker	2
2	Backpacker	5
3	Backpacker	2
4	Backpacker	4
5	Backpacker	4
6	Backpacker	2
7	Backpacker	2
8	Backpacker	2
9	Backpacker	4
10	Backpacker	4
11	Backpacker	4
12	Motel	4
13	Motel	2
14	Motel	2
15	Motel	3
16	Motel	3
17	Motel	2
18	Motel	4
18A	Motel	2
19	Motel	2
20	Motel	2
21	Motel	2
22	Motel	2
23	New Building	4
24	New Building	4
25	New Building	4
26	New Building	4
27	New Building	4
28	New Building	4
29	New Building	4
30	New Building	4
30	New Building	4
A		2
B		2
D		2
Love Shack 1		0
Love Shack 2		0
Ski Lodge 1		0
Ski Lodge 2		0
Stables 1		2
Stables 2		2
		115

The tariffs vary between the peak summer and quieter winter months but we also note vary on a day to day basis depending on demand.

This is summarised as follows:-

Room #	Type	Beds	2024/25 Per Person	Winter Total	2024/25 Per Person	Summer Total
1	Backpacker	4	$40	$160	$56	$224
1A	Backpacker	2	$56	$112	$68	$136
2	Backpacker	5	$42	$210	$54	$270
3	Backpacker	2	$56	$112	$68	$136
4	Backpacker	4	$44	$176	$56	$224
5	Backpacker	4	$44	$176	$56	$224
6	Backpacker	2	$56	$112	$68	$136
7	Backpacker	2	$56	$112	$68	$136
8	Backpacker	2	$56	$112	$68	$136
9	Backpacker	4	$44	$176	$56	$224
10	Backpacker	4	$44	$176	$56	$224
11	Backpacker	4	$44	$176	$56	$224
12	Motel	4	$44	$176	$56	$224
13	Motel	2	$63	$126	$80	$160
14	Motel	2	$63	$126	$80	$160
15	Motel	3	$47	$141	$60	$180
16	Motel	3	$47	$141	$60	$180
17	Motel	2	$63	$126	$80	$160
18	Motel	4	$44	$176	$56	$224
18A	Motel	2	$63	$126	$80	$160
19	Motel	2	$72	$144	$115	$230
20	Motel	2	$72	$144	$115	$230
21	Motel	2	$72	$144	$115	$230
22	Motel	2	$72	$144	$115	$230
23	New Building	4	$44	$176	$56	$224
24	New Building	4	$44	$176	$56	$224
25	New Building	4	$44	$176	$56	$224
26	New Building	4	$44	$176	$56	$224
27	New Building	4	$44	$176	$56	$224
28	New Building	4	$44	$176	$56	$224
29	New Building	4	$44	$176	$56	$224
30	New Building	4	$44	$176	$56	$224
30	New Building	4	$44	$176	$56	$224
A		2	$56	$112	$68	$136
B		2	$56	$112	$68	$136
D		2	$56	$112	$68	$136
Love Shack 1		0		$0		$0
Love Shack 2		0		$0		$0
Ski Lodge 1		0		$0		$0
Ski Lodge 2		0		$0		$0
Stables 1		2	$56	$112	$68	$136
Stables 2		2	$56	$112	$68	$136
		115				

Item	Year Ending			
	Mar-24	Mar-23	Mar-19	Mar-18
Trading Income				
Accomodation Income	$525,540	$360,073	$676,876	$699,152
Other Income	$102	$522	$4,531	$6,287
Laundy Revenue	$17	$439	$3,502	$6,224
Total Trading Income	$525,660	$361,034	$684,909	$711,663
Cost of Sales				
Commission Paid	$41,469	$26,846	$48,917	$43,204
Shop Purchases	$819	$1,158	$6,724	$278
Soup Ingredients	$19,142	$16,820	$19,784	$20,996
Total Cost of sales	$60,611	$44,824	$75,425	$64,478
Gross Profit	$465,049	$316,210	$609,484	$647,185
Expenses				
Administration Expenses	$34,659	$34,892	$62,415	$61,028
Staff Expenses	$79,664	$68,192	$231,773	$213,851
Interest	$0	$0	$0	$0
Occupancy	$167,176	$140,591	$243,497	$235,983
R & M	$24,422	$19,347	$52,192	$93,402
Depreaciation	$20,794	$16,029	$29,848	$35,714
Total Expenses	$326,715	$279,051	$619,725	$639,978
Net Trading profit	$138,334	$37,159	-$10,241	$7,207
Add backs				
Depreaciation	$20,794	$16,029	$29,848	$35,714
Shareholder Salary	$0	$0	$0	$0
Rent	$69,997	$38,384	$140,000	$140,000
Total Addbacks	$90,791	$54,413	$169,848	$175,714
EBITDA and Rent	**$229,125**	**$91,572**	**$159,607**	**$182,921**

As can be seen that the Gross Income for the property for the year ending March 2024 was $525,660 before an allowance for Commissions, well up from the year ending March 2023 which was partially affected by Covid. This level was less pre Covid levels as shown in the year end March 2019 and year end March 2018. We would expect that the Gross Turnover for the coming season will be slightly higher but note that occupancies are relatively high during the peak summer months when tariffs are at a premium. The subject complex has a large number of beds and as such relies heavily on the high occupancy in the peak summer months. This season and last reflects the large number of backpackers returning to New Zealand and Franz Josef.

Analysis and discussions indicate that occupancies of motels and other motels and backpackers, are generally good and as would be expected. The above figures are in line with what we would expect for the complex.

For the purpose of this report we have carried out a Pro Forma Budget for the subject property based on what we consider to be a realistic income for the current year and using a mix of industry accepted expenses and actuals depending on the individual scenarios.

For this we have carried out what we consider to be weighted average tariffs for the various type rooms and occupancies as indicated.

Type	WAT
6 Bed Dorm	$38.00
5 Bed Dorm	$41.00
4 bed Dorm	$42.50
Private Room Shared Bath	$107.00
Standard Private Ensuite	$121.50
Motel Ensuite	$153.75

Adopt	6 Bed Dorm	4 beds ave sold
	4 bed Dorms	3 beds ave sold

Room #	Type	or # rooms		W A Tarrif	Tarrif
1	Backpacker	4	3	$42.50	$128
1A	Backpacker	2	1	$107.00	$107
2	Backpacker	5	4	$41.00	$164
3	Backpacker	2	1	$107.00	$107
4	Backpacker	4	3	$42.50	$128
5	Backpacker	4	3	$42.50	$128
6	Backpacker	2	1	$107.00	$107
7	Backpacker	2	1	$107.00	$107
8	Backpacker	2	1	$107.00	$107
9	Backpacker	4	3	$42.50	$128
10	Backpacker	4	3	$42.50	$128
11	Backpacker	4	3	$42.50	$128
12	Motel	4	1	$121.50	$122
13	Motel	2	1	$121.50	$122
14	Motel	2	1	$121.50	$122
15	Motel	3	1	$135.00	$135
16	Motel	3	1	$135.00	$135
17	Motel	2	1	$121.50	$122
18	Motel	4	1	$135.00	$135
18A	Motel	2	1	$121.50	$122
19	Motel	2	1	$153.75	$154
20	Motel	2	1	$153.75	$154
21	Motel	2	1	$153.75	$154
22	Motel	2	1	$153.75	$154
23	New Building	4	3	$42.50	$128
24	New Building	4	3	$42.50	$128
25	New Building	4	3	$42.50	$128
26	New Building	4	3	$42.50	$128
27	New Building	4	3	$42.50	$128
28	New Building	4	3	$42.50	$128
29	New Building	4	3	$42.50	$128
30	New Building	4	3	$42.50	$128
30	New Building	4	3	$42.50	$128
A		2	1	$107.00	$107
B		2	1	$107.00	$107
D		2	1	$107.00	$107
Love Shack 1		0			$0
Love Shack 2		0			$0
Ski Lodge 1		0			$0
Ski Lodge 2		0			$0
Stables 1		2	1	$107.00	$107
Stables 2		2	1	$107.00	$107
		115			

Gross Daily Potential Income		$4,774
Days		365
GrossYearly Potential Income		$1,742,510

Gross income	YE 2024	$525,660
Occupancy		30%

Gross income	YE 2018	$699,152
Occupancy		40%

Gross income	YE 2025	$600,000
Occupancy	budget	34%

Occupancy percentage is a bit meaningless as this complex runs at very high occupancies during the peak summer months and very low during the quieter winter months. When full this complex would be a cash cow as income would be up and expenses at the same level and not really dependant on room numbers sold.

Our Pro Forma Budget is as follows, noting occupancy costs as shown:-

Occupancy Costs	
Heat Light Power	$45,000
Insurance	$35,000
Rates	$25,000
R & M	$50,000
Rent	$155,000
Rubbish	$5,200
	$315,200

Income		
Potential Gross income		$1,742,510
Occupancy at	30.00%	$522,753
	32.50%	$566,316
	35.00%	$609,879
	37.50%	$653,441
	40.00%	$697,004

Budget	
Trading Income	
Accommodation Income	$625,000
Activities Commission	$500
Laundry Revenue	$1,000
Total Trading Income	**$626,500**
Cost of Sales	
Commission Paid (9%)	$50,120
Soup Ingredients	$20,000
Total Cost of sales	**$70,120**
Gross Profit	**$556,380**
Expenses	
Administration Expenses	$15,000
Staff Expenses (15%)	$93,975
Bank Fees	$5,200
Occupancy	$315,200
Vehicle & Travel	$15,000
	-
Total Expenses	**$444,375**
Net Operating profit Inc Rent	**$112,005**

15.0 Sales Evidence

This is an awkward property to value and as such we have utilised all types of accommodation sales as well as backpackers. We have also utilised other investment sales to provide guidance to yields.

Sales evidence, which we have considered, is summarised below:-

Sales Evidence:

Direct Comparison				
Global Village	Greymouth	29/07/2024	$737,000	FHGC
Flax Tree Motel	Hari Hari	15/05/2024	$737,000	FHGC
Westport Motel	Westport	12/03/2024	$1,222,000	L&B
Heritage Park	Haast	19/08/2024	$845,000	FHGC
Montrose	Franz Josef	15/05/2024	$1,200,000	FHGC
Glacier Country Heli Building	Franz Josef	1/03/2024	$475,000	INV
Franz Hire Complex	Franz Josef	9/11/2023	$1,050,000	INV
Rainforest Motel	Fox Glacier	23/09/2022	$1,430,000	L&B
Sunset Motel	Fox Glacier	17/05/2023	$2,550,000	L&B
YHA	Franz Josef	12/08/2022	$2,000,000	FHGC
For sale				
Glen Fern Villas Motel	Franz Josef	6/06/2023	$3,150,000	FHGC
			$2,500,000	L & B
Aspiring Park	Haast	21/09/2024	$4,500,000	FHGC
Beach View Motel	Rapahoe	15/11/2023	$1,275,000	FHGC
Jag Alpine Motel	Franz Josef	2/02/2022	$675,000	Bus
Noahs Ark Backpackers	Greymouth	17/06/2024	By Neg	GC
Duke Backpackers	Greymouth	5/10/2023	$439,000	LHGC
Mahinapua Pub & Backpackers	Hokitika	13/07/2022	$1,895,000	FHGC
Glow Worm Accommodation	Franz Josef	1/11/2024	$1,900,000	FHGC
Adopted Value Range		**$1,800,000**	**$1,900,000**	**L & B**
		$2,100,000	**$2,300,000**	**FHGC**

More details on the most comparable are as follows:-

Sale Property 1		
	Address:	15 Cook Flat Rd, Fox Glacier, Westland
	Sale Price:	$1,400,000
	Sale Date:	23 September 2022
	Land Area:	8852m^2
	Floor Area:	500m^2
Brief Description:	Rainforest Motel. Modest 3 Star complex with mix of unit types. 10 units plus large older residence. Handy location. Analysed yield of 8.25% (approx.).	

Sale Property 2		
	Address:	2 Omau Rd, Cape Foulwind, Buller
	Sale Price:	$1,100,000
	Sale Date:	3 November 2021
	Land Area:	4173.00m^2
	Floor Area:	288m^2
Brief Description:	The subject property is known as the Omau Settlers Lodge Motel. located adjacent to a hotel and the seal colony walk at Cape Foulwind. The complex incorporates eight attractive studio units plus a large two bedroom manager's accommodation home which includes guest lounge and kitchen. Sold as Going Concern ($100,000 attributed to business)	

Sale Property 3

Address:	27 Marine Pd, Carters Beach, Buller
Sale Price:	$1,750,000
Sale Date:	27 October 2021
Land Area:	1214m^2
Floor Area:	593m^2
Brief Description:	The subject property is a brand-new accommodation complex known as Carters by the Sea Beachside Studio Apartments. It is a high-class accommodation complex including 10 studio units plus a manager's residence with a large attached double garage. Land and building sale.

Sale Property 4

Address:	50/42 Main Rd, Whataroa, Westland
Sale Price:	$550,000
Sale Date:	28 July 2021
Land Area:	11313m^2
Floor Area:	770m^2
Brief Description:	Whataroa Hospital Motel. Converted from the former hospital to 10 units including manager's flat. Older but tidy complex. Also included the leased Doctor Surgery. Sold Going Concern ($50,000 attributed to business)

Sale Property 5		
	Address:	350 Main South Rd, Paroa, Grey District
	Sale Price:	$1,460,000
	Sale Date:	7 July 2021
	Land Area:	12731m^2
	Floor Area:	1360m^2
Brief Description:	Charles Court Motel. Going Concern sale of 23 units, large residential house and shed. 3 Star complex requiring upgrading. Underlying value in land. Used as social housing since purchase.	

Sale Property 6		
	Address:	239 Palmerston St, Westport, Buller
	Sale Price:	$1,000,000
	Sale Date:	21 June 2021
	Land Area:	961m^2
	Floor Area:	400m^2
Brief Description:	Westport Spa Motel. Modern design, two storey complex on the Main Road of Westport. Mix of units. Tidily presented. 10 units.	

Sale Property 7		
	Address:	Richards Dr, Hokitika, Westland
	Sale Price:	$3,500,000
	Sale Date:	5 May 2021
	Land Area:	17294m^2
	Floor Area:	980m^2
Brief Description:	The subject property comprises a 23 unit accommodation complex parallel to State Highway 6 at the northern end of Hokitika. It is on a large area of land and incorporates some 15 motels along with 8 self contained cabins as well as having 16 caravan points, camping facilities, ablution areas, a small farmlet and high quality manager's accommodation which incorporates reception / office facilities. Analysed yield estimated at 8%.	

Sale Property 8

Address:	235 Palmerston St, Westport, Buller
Sale Price:	$1,142,000
Sale Date:	17 March 2021
Land Area:	2175m^2
Floor Area:	590m^2
Brief Description:	Buller Court Motel. It comprises a 13 unit motel complex situated on the main street into Westport. The units are built in two wings, one with five two bedroom units and the other having eight studios with an attached proprietor's residence. It lies on a 2175m2 freehold site on the main entry into Westport.

Sale Property 9

Address:	214/210 Weld St, Hokitika, Westland
Sale Price:	$1,775,000
Sale Date:	22 September 2020
Land Area:	1834m^2
Floor Area:	622m^2
Brief Description:	Annabelle Motel. A 1970's 12 unit motel complex in central Hokitika. The units have all been upgraded and the complex has a 3.5 star rating. They include a mix of studio, 1 or 2 bedroomed units plus family apartment.

Sale Property 10

Address:	2 Donovan Dr, Franz Josef Glacier, Westland
Sale Price:	$2,300,000
Sale Date:	16 January 2020
Land Area:	8691m^2
Floor Area:	978m^2
Brief Description:	The Franz Alpine Retreat Motel situated at the intersection of State Highway 6 and Donovan Drive, at Tatare some 4 km north or Franz Josef. It is an area of prominently rural with a sprinkling of resident and other commercial uses. The complex comprises a residential seventeen unit accommodation complex the nine two bedroom chalets, six one bedroom chalets, one two bedroom and one one bedroom cottage room plus a substantial operators house.

Sale Property 11

Address:	45 Cook Flat Rd Fox Glacier
Sale Price:	$2,250,000
Sale Date:	5 August 2021
Land Area:	4474m^2
Floor Area:	725m^2
Brief Description:	The subject property comprises an accommodation complex known as the Lake Matheson Motels. It has a total of 21 units with ancillary buildings and two residential houses. It is situated at the intersection of Cook Flat Road and Pekanga Drive within the township of Fox Glacier. Sold as Going Concern ($250,000 attributed to business). Sold under Covid conditions.

Sale Property 12

Address:	2 Cron St Franz Josef
Sale Price:	$2,000,000
Sale Date:	12/08/2022
Land Area:	3163m2
Floor Area:	1416m2
Brief Description:	This is the Former YHA. A reasonably modern building with mainly dorm style rooms plus managers accommodation. Close to centre of Franz Josef. Was shut at time of sale. Part of a larger transaction and this was the sale price apportioned to this property.

Sale Property 13

Address:	93 Cook Flat Rd Fox Glacier
Sale Price:	$2,550,000
Sale Date:	17/05/2023
Land Area:	5001m2
Floor Area:	915m2
Brief Description:	Sale of the land and buildings of Sunset Motel. 23 units plus owners accommodation. Leased on a long term basis. Yield analysed approx. 8.5%

Sale Property 14		
	Address:	Cowper St Greymouth
	Sale Price:	$737,000
	Sale Date:	29 July 2024
	Land Area:	2332m2
	Floor Area:	440m2
Brief Description:	Global Village Backpackers. Sold as Going Concern. A 1980's style hostel located in Greymouth. Mainly dorm style beds (9 rooms)with shared facilities. Well managed in good average condition enjoying good level of occupancy and turnover	

Sale Property 15		
	Address:	9 Cron St, Franz
	Sale Price:	$1,200,000
	Sale Date:	15 May 2024
	Land Area:	4173.00m^2
	Floor Area:	1230m^2
Brief Description:	The subject property is known as Montrose Backpackers and is located at the southern end of Cron Street within the township of Franz Josef. It is one block back from the main commercial area of Franz Josef which is centred on the Main Road. The complex comprises three main buildings. The original two storey house that was moved to the site in the mid 1990's and a large two storey extension was made to the rear of this at that time. More recently a three storey building was constructed in 2003 and thirdly there is a single storey building which was also moved to the site. The complex offers a variety of room types ranging from bunk rooms, standard rooms through to ensuite rooms with three larger self contained rooms in the newer building plus service room, lounge, laundry, kitchens and decks associated with the property. Sold as Going Concern ($150,000 attributed to business)	

Note: Some photos above are from Google Street View/held on our files.

Summary of Sales Evidence

Sale No	Address	Sale Date	Sale Price ($)	Site Area (m²)	Floor Area (m²)
1	15 Cook Flat Rd, Fox Glacier, Westland	23 September 2022	$1,400,000	8852	500
2	2 Omau Rd, Cape Foulwind, Buller	3 November 2021	$1,100,000	4173	288
3	27 Marine Pd, Carters Beach, Buller	27 October 2021	$1,750,000	1214	593
4	50/42 Main Rd, Whataroa, Westland	28 July 2021	$550,000	11313	770
5	350 Main South Rd, Paroa, Grey District	7 July 2021	$1,460,000	12731	1360
6	239 Palmerston St, Westport, Buller	21 June 2021	$1,000,000	961	400
7	Richards Dr, Hokitika, Westland	5 May 2021	$3,500,000	17294	980
8	235 Palmerston St, Westport, Buller	17 March 2021	$1,142,000	2175	590
9	214/210 Weld St, Hokitika, Westland	22 September 2020	$1,775,000	1834	622
10	2 Donovan Dr, Franz Josef Glacier, Westland	16 January 2020	$2,300,000	8691	978
11	45 Cook Flat Road, Fox Glacier	5 August 2021	$2,250,000	4474	725
12	2 Cron Street, Franz Josef	12August 2022	$2,000,000	3163	1416
13	93 Cook Flat Road, Fox Glacier	17 May 2023	$2,550,000	5001	915

None of the sales are truly comparable due to the mixed nature of the subject property. The sales provide guidance to value levels and returns for properties in the accommodation sector.

While motel sales are not truly comparable they provide guidance to value range and yields (if leased).

Of the sales the most comparable is 2 Cron Street which sold for $2,000,000. It was part of the former YHA Hostel chain and was closed at the time of sale. It was a tidy functional hostel but had some deferred maintenance. This sale was part of a larger transaction and was the sale price attributed to this complex. The YHA Association had financial issues and one company purchased numerous hostels. It is on the same street as the subject property and overall would be a superior property. This sale sets the upper level of value.

The second sale that is comparable, but older, is the sale of Bigfoot Hostel in Fox Glacier in December 2020 for $1,200,000. A mixed use building with bunk rooms, ensuite rooms and restaurant bar. The business was included in the sale for a reported $1 consideration. The building required upgrading / modernisation. This sale sets the lower level.

Global Village Backpackers is a modernised complex in Greymouth offering circa 35 beds mainly in a dorm style with shared facilities. It is a highly regarded and well run complex, similar to the subject property and had been for sale for some time.

Montrose Backpackers in Franz Josef is some 400 metres south of the subject property. It comprises two buildings of differing ages with a variety of room types including dorm and ensuite rooms with multiple public areas. The property has, for any years, been run generally under mediocre management and was closed during the Covid period and only opened prior to sale.

The purchasers are going to utilise the original building for staff accommodation while the newer building with more ensuite rooms will still be run as a backpackers. The complex had been for sale for some time and the original asking price was $1,550,000 FHGC. This sale sets the lower level of value but note the purchase price reflects good buying.

We have also investigated properties known to be on the open market.

Glow Work Accommodation in Franz Josef is listed for sale at $1,900,000 FHGC. It offers a mix of backpacker and motel style rooms on a freehold site (same street as subject).

There is also a number of motels and mixed use accommodation complexes for sale in South Westland ranging between $2,000,000 and $4,500,000 as FHGC or Land Buildings.

After comparing these and other properties for sale and or on the market, I believe the market price range for this subject building to be between **$1,500,000 and $1,600,000 Land and Buildings.**

Sales Evidence

That the sales or leasing evidence which we have utilised has been obtained from reliable sources. We have also, where possible, had discussions with Estate Agents to undertake a process of verification of the data. Should it be revealed that any of the sales or leasing information stated herein, upon which we have relied, is incorrect or misleading, we reserve the right to reconsider our opinion of Market Value as determined herein.

That in most instances it has not been possible for us to inspect sale and lease evidence properties internally. However they have been externally inspected for purposes of carrying out our valuation.

That where there is a paucity of directly comparable sales and leasing evidence in a locality, it is necessary for us to either consider other comparable localities and/or to consider sales and leasing evidence which is dated in the immediate area to gain an understanding of the historical sales and leasing value base for the area.

That in relation to the sales evidence, Contracts of Sale, Special Conditions within Contracts and Side Agreements have not been sighted. We reserve the right to reconsider the Valuation should these documents indicate any matters that materially affect our valuation.

16.0 Marketability & Sales History

Potential Marketability and Market Timing

Having consideration to the assessed market value, current market conditions and the anticipated market appeal of the property, we are of the opinion that an estimate selling period for the property would be**6 to 9 months** assuming an adequate marketing campaign and satisfactory advertising budget.

As selling periods can vary in response to changing market conditions, our assessment of the estimated selling period is based upon the facts and evidence as they exist at the date of valuation and no warranty can be given as to the maintenance of the estimated selling period in the future.

Sales History – The Subject Property

Nil.

17.0 Valuation Approach

Methodology:

To consider our valuation of the subject property we have, where appropriate, adopted three valuation approaches to establish the Highest and Best Use Market Value. The valuation approaches include the Direct Comparison Approach which involves comparing the subject property to comparable sales and letting transactions, The Summation Approach usually on a rate per square metre of lettable building area basis; and the Investment Income Capitalisation Approach which involves estimating the net maintainable income receivable from the property and capitalising this to derive a value. In the case of the Investment Income Capitalisation Approach we draw on elements of Direct Comparison as to the input parameters for this approach.

In selecting the most appropriate primary approach to valuation, we have been mindful of the following determining factors as to the suitability of each approach.

If the property is currently leased as an investment property, we would adopt the Investment Income Capitalisation Approach as the primary valuation method. However if the property is vacant or owner occupied, we would be guided by the manner in which similar properties are transacted in the market i.e. whether or not they are sold predominantly on an investment basis or, alternatively, owner occupier basis, in which case the direct comparison approach may be more appropriate.

Given the subject property's income producing potential as a commercial building, we have adopted the Investment Income Capitalisation Approach as our primary method with the Direct Comparison Approach and Summation Approaches utilised as check methods only.

We have been asked to value the property under three Scenarios, as follows:-

1. **Land and Buildings**
2. **Business**
3. **Freehold Going Concern**

We note, as previously mentioned, that Valuations 1 and 2 will be carried out assuming the lease will be extended for a remaining lease term of 25 years and the rental at commencement set at $150,000 plus GST per annum.

Valuation 3 assumes the property will be sold in its entirety in a single transaction to a single purchaser and the lease will be extinguished.

Land & Buildings:

Direct Comparison

We have adopted the Direct Comparison Approach as a secondary method of assessment. To consider our valuation of the subject property using this approach we have had regard to the individual characteristics of the subject property relative to our analysis of the available market evidence.

The reality is that there are very few investment properties that sell on the West Coast in any given one year. There tends to be a market price range of between $1,000,000 and $2,000,000 for such properties and returns have been as low as 7.5% for gilt edged investment buildings through to much higher returns for older properties which require maintenance or further development.

Direct Comparison				
Global Village	Greymouth	29/07/2024	$737,000	FHGC
Flax Tree Motel	Hari Hari	15/05/2024	$737,000	FHGC
Westport Motel	Westport	12/03/2024	$1,222,000	L&B
Heritage Park	Haast	19/08/2024	$845,000	FHGC
Montrose	Franz Josef	15/05/2024	$1,200,000	FHGC
Glacier Country Heli Building	Franz Josef	1/03/2024	$475,000	INV
Franz Hire Complex	Franz Josef	9/11/2023	$1,050,000	INV
Rainforest Motel	Fox Glacier	23/09/2022	$1,430,000	L&B
Sunset Motel	Fox Glacier	17/05/2023	$2,550,000	L&B
YHA	Franz Josef	12/08/2022	$2,000,000	FHGC
Adopted Value Range		**$1,800,000**	**$1,900,000**	**L & B**

Based on the sales that have occurred and comparing them with the subject property I believe a market price range would be between $1,800,000 and $1,900,000 Land and Buildings at the present time if sold under normal sale conditions.

Income Capitalisation Approach

To consider our investment Income Capitalisation Approach we have:-

- Firstly considered the current passing rental income;
- Deducted appropriate outgoings;
- Adopted a return that investors are currently likely to accept.

On the West Coast at the present time, investment property has generally been selling at returns of between 7% and 9% depending greatly on the quality of building, its location and quality of tenant. However, there have been some new buildings constructed within the town with rent returns now down to 7.5% for such properties. Due to the nature of this investment, we believe a prudent investor would require a slightly higher return noting that income streams are relatively unproven and believe 10% would be appropriate.

Rental Evidence:

We have estimated what we consider to be a realistic rental for the subject property based on both the direct comparison to other complexes in the Glacier Region as well as a percentage of the previous turnover.

Direct Comparison:

There are very few backpacker hostels on the West Coast and most rentals were set some years ago and all pre Covid.

Based upon the limited evidence we would expect the rental for the subject property to be between $140,000 and $160,000.

Actual Rent:

Actual	
Actual Rent	**$150,000**

Rental Assessment:

Rental Percentage of Turnovers are generally between 20% and 25%. Using our adopted turnover a $600,000 excluding commissions as rental can be assessed.

Rental Assessment			
On % Turnover Approach			
Adopt Turnover (Net of Commissions)			$600,000
At	20.00%	$120,000	
	22.50%	$135,000	
	25.00%	$150,000	
Market Rental			**$140,000**

Income Approach

We have also analysed the various rentals within the Glacier region and the West Coast overall back to their m^2 rate and applied this to the subject property.

Income Approach			
Per M2 Approach	**m2**	**$/m2**	**Total**
Main	461	$125	$57,625
Chateau Building	334	$100	$33,400
"New" Building	242	$125	$30,250
Stables	73	$100	$7,300
Ski Lodge	56	$100	$5,600
Total	**1166**		$134,175
Other Improvements	**Weeks**	**$/Week**	
All OB OI	52	$200	$10,400
Total			**$10,400**
Total Rental Value			**$144,575**
Market Rental			**$144,575**
But Say,			**$145,000**
Shows Rate Per m2 Lettable Area	**1166**	m^2	**$123.99**

Rental Summary:

Rentals		
Actual		$155,000
Direct Comparison	$140,000	$160,000
Turnover		$140,000
$/m2		$145,000
Market Rental		**$150,000**
But Say,		**$150,000**

As mentioned, yields for the various sales vary quite considerably depending on their size, location, terms of lease and quality of the investment. Typically, accommodation complexes are slightly lower than other yields within the bigger centres on the West Coast and we believe a rental yield of around 8.5% would be appropriate. Other yields used, include as follows:-

Complex	Analysed Yield
Westport Motel	9.0%
Glacier Country Heli Building	11.0%
Franz Hire Complex	10.5%
Rainforest Motel	9.0%
Sunset Motel	8.8%

Market Rental:

Market Rental				**$150,000**
But Say,				**$150,000**
Shows Rate Per m2 Lettable Area	**1166**	m^2		**$123.99**
Market Rental Capitalised in Perpetuity		$150,000	**8.75%**	$1,714,286
Estimated Market Value			**say**	**$1,725,000**

Yield Matrix		
$150,000	8.50%	$1,764,706
	8.75%	$1,714,286
	9.00%	$1,666,667
	9.25%	$1,621,622

Summation Approach

To consider our summation approach we have: -

- Assessed an estimate of land value;
- Added an estimate of depreciated replacement cost for the improvements based on sales;
- Our valuation on this basis results in a figure of $1,950,000 which we believe is supportive of our valuation by way of direct comparison and investment approaches as follows:

Land Value				
	m²	**$/m2**	**Total**	**But Say,**
Land Value	2240	$270	$604,800	$600,000
Total Land Value:		$268		**$600,000**

Improvements Value

Improvements				
Main Buildings	**m²**	**$/m2**	**$**	**Total**
Reception Kitchen Lounge Rooms A-D	161	$1,000	$161,000	
Units 12-18	232	$1,100	$255,200	
Units 19-22	68	$1,200	$81,600	
Verandahs Stairs Covered Areas			$12,200	$510,000
Chateau Building				
Main Rooms 1-11	334	$900	$300,600	
Covered Areas			$9,400	$310,000
"New" Building				
Main (Both Floors)	242	$1,300	$314,600	
Decks Covered Areas			$5,400	$320,000
Stables Building				
Main	73	$1,000	$73,000	
Covered Area Entrances			$2,000	$75,000
Ski Lodge				
Main	56	$1,000	$56,000	
Covered Area Entrances			$4,000	$60,000
Other Buildings				
Storage			$5,000	
Linkway			$15,000	$20,000
Total	**1166**			**$1,295,000**
Other Improvements				
Spa			$10,000	
BBQ Areas			$10,000	
Driveway Parking			$20,000	
Fencing and other			$15,000	
Total				**$55,000**

Total Value of Improvements	**$1,350,000**
Land Value	**$600,000**

Market Value			**$1,950,000**
But Say,			**$1,950,000**
Shows Rate Per m2 Lettable Area	**1166**	m²	**$1,672**
Shows Rate Per m2 Land Area	**2240**	m²	**$871**

Summary:

We note the different methods provide a wide range of values. Each approach has its merits but generally the Summation Approach tends to set the upper level of value due to the size of the complex. The Income Approach can be subjective due to the adopted levels of Income, Rental Levels and Yields. It also takes into account how well the business is operating.

The Cost Approach tends to over value complexes such as the subject when the business is struggling due to the size and nature of the buildings and potential. In saying this the income approach based upon existing but lower turnovers / rentals tend to under value the complex.

We have adopted a mid point as appropriate.

Direct Comparison Approach	$1,800,000	$1,900,000
Income Approach		$1,725,000
Summation Approach		$1,950,000
Adopted Market Value		**$1,850,000**
Reflects:		
Initial Yield		8.11%

Valuation of Business:

The valuation of this business is relatively awkward as there are very few sales of leases of backpackers on the West Coast and throughout the South Island. We note the last sales of leased premises were the subject property being purchased by Hockey Hostel Ltd, a further sale in Franz Josef at the same time of the Chateau Franz, both of which occurred some years ago. These sales were also done at reasonably favourable terms to the incoming lessee's.

Typically values of businesses are driven two fold but mainly driven from income and profitability available from the premises. We refer you to our earlier apportionment of the net operating profit between the land and buildings and the realty.

We have also taken into account sales of motel leases, while not truly comparable, do give indications to what return prudent investors would require from an accommodation business on the West Coast. It also gives an indication of value range.

Direct Comparison:

Direct Comparison				
Global Village	Greymouth	29/07/2024	$737,000	FHGC
Flax Tree Motel	Hari Hari	15/05/2024	$730,000	FHGC
Glacier Country Campervan Park	Franz Josef	10/07/2023	$285,000	Lease
Montrose	Franz Josef	15/05/2024	$1,200,000	FHGC
YHA	Franz Josef	12/08/2022	$2,000,000	FHGC
Noahs Ark	Greymouth	For Sale	$560,000	FHGC
Duke Backpackers	Greymouth	For Sale	$435,000	FHGC
Adopted Value Range		**$350,000**	**$400,000**	**Business**

The second method would be what return a prudent investor would require. We note from apportionment of the net operating profit between the two parties, being as follows:-

Net Operating profit Inc Rent	$112,005
plus Actual rent	$155,000
	$267,005

Apportion	Realty 60%	$160,203
	Business 40%	$106,802

We would expect a prudent investor would require a return of between 25% and 30% based on the return on the investment. This is summarised as follows:-

Return on Business Investment		$106,802
Yield	25.0%	$427,208
	27.5%	$388,371
	30.0%	$356,007

A further rule of thumb would be a multiple based on the Net Operating Profit. We would expect that this would be in line with motels and be between 1.4% and 1.6% for this type of property. This is summarised as follows:-

NOP		$267,005
Yield	1.40	$373,807
	1.50	$400,508
	1.60	$427,208

A summary of the above values we would expect that the property would be as follows:-

Summary		
Direct Comparison Approach	$375,000	$425,000
Summation Approach		$430,000
Return on Business Investment		$388,371
NOP		$400,508
Adopted Market Value		**$425,000**

Freehold Value Going Concern:

In making our assessment as a Freehold Going Concern we have assumed that the property would be sold in its entirety ie: both the land and buildings and the business sold to the same entity in a single transaction. In assessing this value we note the value range typically comes down to what the added value of the business is to the land and buildings if sold in a single transaction. We note, however, there is no real benefit of the lease, ie: the lease would be extinguished and a premium would not be paid for it.

As can be seen above, we have valued the two components, the Land & Buildings at $1,850,000 and the Business at $425,000 giving a total value of $2,275,000, but note the business value had good will or benefit of the lease at $250,000. The above figure would set the upper limit of the range of value as a freehold going concern.

By deducting from the business value the good will or benefit of the lease, gives an indicated figure of $2,025,000 which sets the lower level.

Typically, we believe the value range is likely to be between these two points.

However, as a check we have used a Direct Comparison, as follows:-

Direct Comparison				
Global Village	Greymouth	29/07/2024	$737,000	FHGC
Montrose	Franz Josef	15/05/2024	$1,200,000	FHGC
YHA	Franz Josef	12/08/2022	$2,000,000	FHGC
Glow Worm	Franz Josef	For Sale	$1,900,000	FHGC
Adopted Value Range		**$2,000,000**	**$2,100,000**	

As a check we can determine the net operating profit.

Net Operating Profit			**$267,005**
	Yield @	13.00%	$2,053,000
		14.00%	$1,907,000
		15.00%	$1,780,600

As can be seen from the above we have assessed the Freehold Going Concern at $2,050,000.

18.0 Goods and Services Tax

When analysing the sales and/or leasing evidence relied upon for this valuation, we have attempted to ascertain whether or not the sale price/rental is inclusive or exclusive of Goods and Services Tax (GST). The sales and/or leasing evidence does not identify whether or not the sale price/rental is inclusive or exclusive of GST. Where we have not been able to verify the matter of GST, we have assumed that the sale price is inclusive of GST (if any) for residential properties and plus GST (if any) for non-residential properties. Should this not be the case for any sale and/rental evidence relied upon, we reserve the right to reconsider our valuation.

19.0 Terms and Conditions

(a) Explanation

The following terms and conditions are the standard terms and conditions that apply to all Valuations or the Valuation Services or consultancy services and Services provided by Coast Valuations Limited.

(b) Publication

Neither the whole nor any part of this valuation report or any reference to it may be included in any published document, circular or statement without the written approval of Coast Valuations Limited as to the form and context in which it may appear.

(c) Information

Information has generally been obtained from a search of records and examination of documents or by inquiry to Government Departments or Statutory Authorities. Where it is stated in the valuation report that information has been supplied to us by another party, this information is believed to be reliable but we can accept no responsibility if this should prove to be not so.

(d) Limitations

Our valuation report is assessed only for the legal description and Rating Assessment provided. It does not take into account any additional land or property that may be held in the same ownership.

(e) Confidentiality

Our responsibility in connection with this valuation report is limited to the person to whom the report is addressed and we disclaim all responsibility to any other party without reference to us.

(f) Purpose of Valuation

The valuation report has been prepared for the specific purpose stated. It may not be used by any other party or for any other purpose without the express written consent of Coast Valuations Limited.

(g) Market Value

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

(h) Date of Valuation

Unless otherwise stated the Date of Valuation shall be the date of Inspection of the property.

(i) Title Boundaries

We have made no survey of the property and no actual boundary pegs were sighted. Unless otherwise stated, it is assumed that all improvements lie within the legal parameters of the title. No guarantee is given that the land is not subject to statutory rights not recorded on the relevant Certificate of Title and not apparent from normal inspection of the property. This valuation is not a boundary survey and we accept no responsibility in connection with such foregoing matters.

(j) Structural Survey

This report is not a structural survey and should not be relied upon as such. While in the course of inspection due care is taken to note building defects, no structural survey has been made and no undertaking is given about the presence of rot, termite or pest infestation, deleterious substances such as asbestos or calcium chloride or other hidden defects including “Leaky Building Syndrome”. We can give no guarantee as to outstanding requisitions in respect to the subject building and we recommend that an appropriate qualified professional be employed to ascertain the physical condition of all structures on the property.

(k) Rating Assessment

The Rating Assessment included in this report has been obtained from either the Quotable Value New Zealand website or relevant Local Authority. It is included for general information only and we have not audited its accuracy for any information contained in that report.

(l) Ownership

Legal and beneficial ownership of this report shall remain with Coast Valuations Limited until full payment has been made for it. Coast Valuations Limited reserves the right to withhold permission to use this report or request its return to Coast Valuations Limited until full payment is made.

(m) Statutory Requirements

We have not generally obtained a Land Information Memorandum and have consequently presumed that all buildings conform with By-Laws and there are no outstanding requirements over this property. It is recommended that a Land Information Memorandum be obtained and we could do so at your request.

(n) Services

In preparing the valuation no warranty is given that hot and cold water systems, drainage systems, septic tank / sewer, electrical systems, air conditioning or ventilating systems and other installations, devices, fittings and conveniences as are in the building are in proper working order and functioning for the purpose for which they were designed. Where a flush toilet is provided in a non sewered area, unless otherwise stated, we have presumed that the property is serviced with a septic tank.

Coast Valuations Limited accepts no responsibility for effluent disposal systems being used that do not comply with current codes and we recommend this factor be checked with the Local Council.

(o) Site or Environmental Contamination

A visual site inspection has not revealed any obvious pollution or contaminant. However, no environmental Audit has been obtained and no warranty is given that the site is free of environmental contamination. If such a report is carried out, the valuation may need to be amended to account for the results of such an Audit.

(p) Registrations

Unless stated otherwise, our report is subject to there being no detrimental or beneficial registrations affecting the value of the property other than those appearing on the title(s) so valued in this report. Such registrations may include Wahi Tapu registrations and Historic Places Trust registrations.

(q) Building Act 2004

No warranty is given that the property complies with the Building Act 2004 or conforms to the requirements of the NZ Building Code contained in the Building Regulations 1992 (or any amendment or substitution thereof).

(r) Engineering and Technical Matters

No responsibility is assumed for soil or subsoil conditions, engineering, retaining structures, or any other technical matters which might render the property more or less valuable than as stated in the report.

(s) Leases

Where the property is leased, this report records the nature of the information supplied. That information has been accepted and relied upon at face value. It has been assumed that the information supplied is complete and accurate and that the Lease is fully enforceable. We do not give any warranty as to the legal validity of any Leases, including without limitation the length of the current term, the existence of any rights of renewal, or the financial strength or suitability of any tenant.

(t) Swimming Pools

No warranty is given with respect to any swimming pools within the property being compliant with the requirements of the Fencing of Swimming Pools Act 1987 and any requirements under the Building Code enforced under the Building Act 2004 with respect to swimming pools.

(u) Terms of Engagement take Precedence

These policies shall be read in conjunction with any signed letter of engagement between the Client and subject valuation entity. Where there is any conflict between the provisions of the letter of engagement and these policies, then the provisions of the letter of engagement shall prevail.

(v) Forecasts

Every effort has been made to ensure the soundness and accuracy of the opinions, information and forecasts expressed in this report. While we believe statements in the report are correct, no liability is accepted for any incorrect statement, information or forecast as provided by an outside party.

(w) GST

Unless otherwise stated all commercial and / or rural values contained in this report will be exclusive of GST while all residential and lifestyle properties will be inclusive of GST.

(x) Liability

Coast Valuations Limited disclaim any liability, which may arise from any person acting on material outside of the scope of this valuation. In the event of any of the above assumptions being incorrect as a result of further information supplied, Coast Valuations Limited reserves the right to amend the report to take these matters into account.

(y) Publication Report Disclaimer

The information provided within this publication is our opinion of value based on all information available at the date of report. No responsibility for any loss or damage whatsoever arising in any way for any representation, act or omission, whether expressed or implied (including responsibility to any person or entity by reason of negligence) is accepted by Coast Valuations Limited or any of its associated offices or any officer, agent or employee of Coast Valuations Limited

20.0 Valuation Summary

Market Value:

We are of the opinion that the **Market Value** of **8-10 Cron Street, Franz Josef Glacier** is in the sum of

Land & Buildings:
$1,850,000
(One million eight hundred and fifty thousand dollars)

Business:
$425,000
(Four hundred and twenty five thousand dollars)

This valuation includes all chattels, furniture, fixtures and good will associated with the business.

Both the above valuations assume the lease has been extended to 25 years and the rental set at $150,000

Freehold Going Concern:
$2,050,000
(Two million and fifty thousand dollars)

plus GST, if any

as at the date hereof and subject to:-

1. The assumption that the valuation figures herein is **Exclusive** of **Goods and Services Tax (if any)**;
2. The property having vacant possession as at the date of valuation or subject to existing or amended lease as appropriate;
3. The comments contained herein; and
4. The terms and conditions contained herein.

21.0 Valuers Signatories

Valuer:
The valuer who has undertaken the physical/internal inspection of the property

Signature of Valuer/Director: on behalf of
Coast Valuations Limited
Peter Hines
B Com (VPM) ANZIV
Registered Valuer

Reliance on this report should only be taken upon sighting the original document that has been signed by the Inspecting Valuer who has undertaken this valuation. The opinion of value expressed herein has been solely arrived at by the Valuer who undertook the inspection and prepared this valuation report.

Appendix A Certificates of Title

RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD

Guaranteed Search Copy issued under Section 60 of the Land Transfer Act 2017

R.W. Muir
Registrar-General of Land

Identifier	**WS3C/1260**
Land Registration District	**Westland**
Date Issued	24 September 1975

Estate	Fee Simple
Area	1120 square metres more or less
Legal Description	Section 39 Town of Waiho Gorge

Registered Owners

Cedric Walter Mark Hockey

Interests

Subject to Section 168A Coal Mines Act 1925

Subject to Section 8 Mining Act 1971

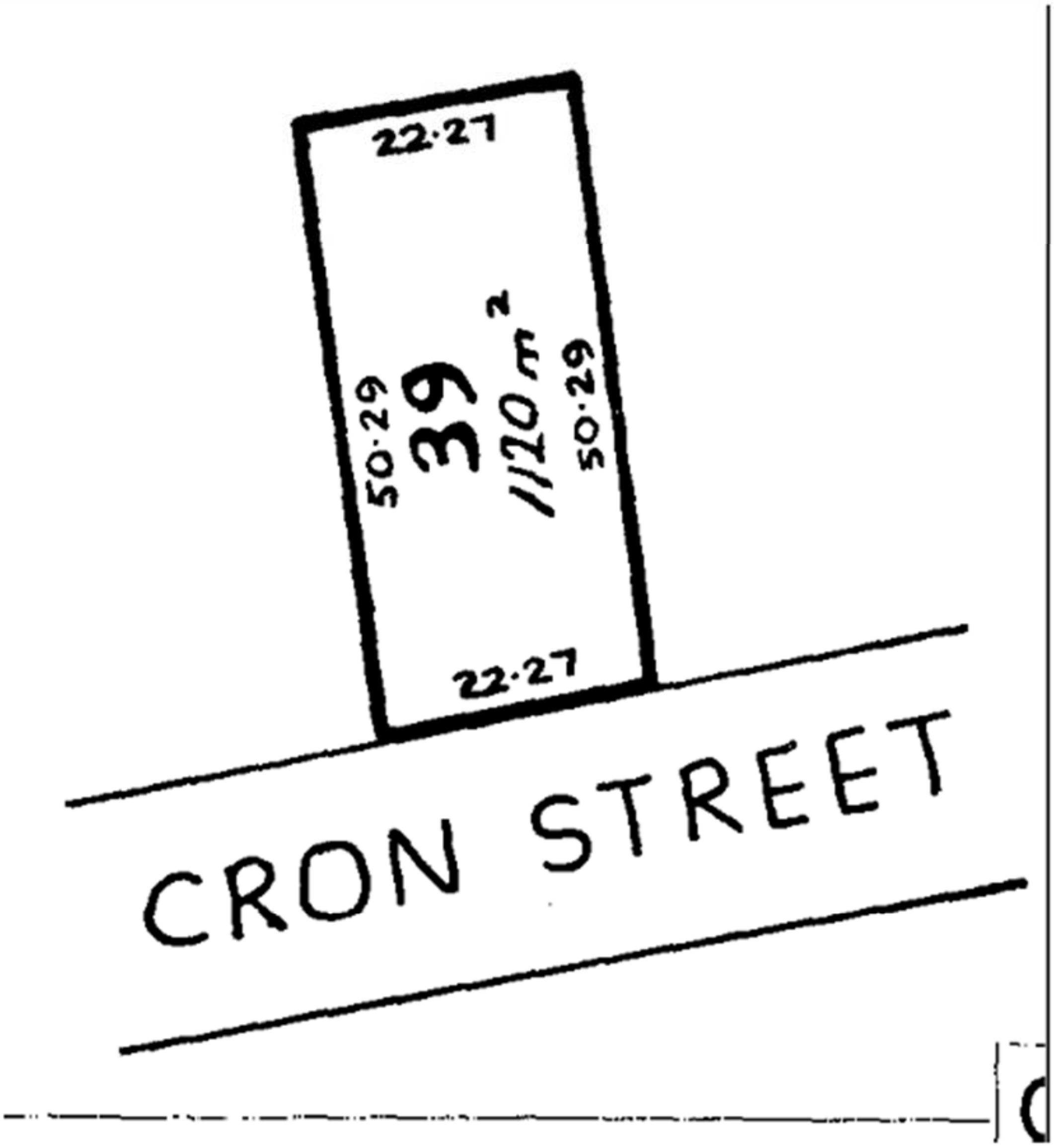
5318231.2 Mortgage to The National Bank of New Zealand Limited - 20.8.2002 at 9:00 am

5742472.1 CERTIFICATE PURSUANT TO SECTION 37 (2) BUILDING ACT 1991 (ALSO AFFECTS WS3D/1353) - 25.9.2003 at 9:00 am

Transaction ID 4222419
Client Reference Quickmap

Guaranteed Search Copy Dated 29/10/24 9:39 am, Page 1 of 2
Register Only

Identifier WS3C/1260



Transaction ID 4222419
Client Reference Quickmap

Guaranteed Search Copy Dated 29/10/24 9:39 am, Page 2 of 2
Register Only

RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD

Guaranteed Search Copy issued under Section 60 of the Land Transfer Act 2017

R.W. Muir
Registrar-General
of Land

Identifier	**WS3D/1353**
Land Registration District	**Westland**
Date Issued	10 June 1980

Prior References
WSPR3C/387

Estate	Fee Simple
Area	1120 square metres more or less
Legal Description	Section 40 Town of Waiho Gorge

Registered Owners

Cedric Walter Mark Hockey as to a 1/2 share

Cedric Walter Mark Hockey as to a 1/2 share

Interests

Subject to Section 8 Mining Act 1971

Subject to Section 168A Coal Mines Act 1925

108606.1 Mortgage to The National Bank of New Zealand Limited - 13.11.1997 at 11.00 am

5742472.1 CERTIFICATE PURSUANT TO SECTION 37 (2) BUILDING ACT 1991 (ALSO AFFECTS WS3C/1260) - 25.9.2003 at 9:00 am

Transaction ID 4222546
Client Reference Quickmap

Guaranteed Search Copy Dated 29/10/24 9:45 am, Page 1 of 2
Register Only

Identifier WS3D/1353