

Before an Independent Hearings Panel
Appointed by Christchurch City Council

under: the Resource Management Act 1991

in the matter of: proposed Plan Change 14 to the Christchurch District
Plan

and: **Carter Group Limited**
(Submitter 824)

Statement of evidence of Philip Carter (company) on behalf of
Carter Group Limited

Dated: 16 April 2024

Reference: Jo Appleyard (jo.appleyard@chapmantripp.com)
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STATEMENT OF EVIDENCE OF PHILIP CARTER ON BEHALF OF CARTER GROUP LIMITED

INTRODUCTION

- 1 My full name is Philip Maurice Carter.
- 2 I am the owner and director of Carter Group Limited (*Carter Group*). I have been involved in investment and development projects for the last 45 years.
- 3 I have been a Chartered Engineer with a first class honours degree from Canterbury University.

CARTER GROUP

- 4 Carter Group is a privately held, family owned and Canterbury-based company established in 1946. It is a third-generation company, originally founded by my father Maurice Carter in 1946, and which I have run since the 1980s. Carter Group is a significant investor and developer of property in the South Island.
- 5 Carter Group has a strong affiliation with Christchurch's central city and has contributed to, and continues to contribute to, the regeneration of the central city following the Canterbury earthquakes of 2011. Carter Group's investments include hotels, residential property, commercial property, industrial property and central city property.
- 6 Carter Group is proud of the City's heritage and has been involved in the restoration and maintenance of heritage throughout the City, including:
 - 6.1 The development of The Crossing, at 166 Cashel Street, which facilitated the restoration and retention of a 1901 building façade on Cashel Street and the 1933 former Beath's department store building (later Arthur Barnett's) on the Colombo Street corner.
 - 6.2 The full restoration of the Regent Theatre before the Canterbury Earthquakes

BACKGROUND TO OWNERSHIP

- 7 Carter Group purchased the Blue Cottage site in May 2021. The previous owners were Christ's College and it is understood that prior to this, St Andrews College and Girls High School once also owned the site.
- 8 We are aware that some of these parties did explore the potential to delist, or demolish the Blue Cottage but ultimately gave up.

- 9 When Carter Group acquired the site, the Blue Cottage was already in a significant state of disrepair, as previous owners had also simply left it there to deteriorate.
- 10 Carter Group acquired the site because it was one of the few remaining large sites in the Central City with a great location and lookout onto public spaces. It provided an excellent opportunity and potential for a large comprehensive and coordinated master planned development. It is very hard in Central Christchurch to find a site with such a large and regular shape – it is a unique piece of land from a development perspective.
- 11 The state of the Blue Cottage was so bad, and its significance in terms of heritage likely to be limited, that Carter Group did not consider it would be particularly onerous to delist and demolish the building when it acquired the site. Never in my wildest dreams did I think that it would be this difficult, or that we would have to go up against a Council who were of the view that the only way forward is to restore the building no matter the cost.
- 12 Carter Group considers the PC14 process a timely opportunity to finally release this land from the planning constraints which have persisted over the years and which are preventing development outcomes for the whole site. I understand the whole purpose of this process is to enable and intensify the City to provide for more housing, as directed by Central Government. In this respect, development of this site for housing would have a significant and positive outcome for the City.

THE COSTS OF RESTORING THE BUILDING

- 13 All of the advice Carter Group has received to date from its advisors is that the cost of repairing the Blue Cottage to an acceptable standard (i.e. one where the building could then practically be used) would be significant and disproportionate to any returns that might be achieved for doing so. These costs far exceed what Carter Group had initially anticipated.
- 14 I understand the Council has a different view on what the costs of repairing the Blue Cottage might be. Frankly, I prefer the views of Carter Group's advisers when it comes to potential costs. The Council clearly have not accounted for contingencies and risks in their repair strategy – something any reasonable developer would consider an essential consideration for the level of risk present. Nor have the Council considered what standard of repair and refurbishment would be required to make the building functional, compliant and attractive for residential or educational tenants to the point that there is a commercial basis for undertaking the works.
- 15 Since the Council's presentation at the hearing last year, I have engaged Mark Shalders to provide a valuation of the building and its

setting under four scenarios. Mr Shalders' evaluation report is attached at **Appendix 1** to this evidence. In summary:

- 15.1 Scenario 1 entails a 345m² vacant (subdivided) site with the heritage building and heritage listing both removed. There are minimal costs to realise this outcome and a market value of \$975,000.
 - 15.2 Scenario 2 entails a 345m² site, with the Blue Cottage retained in as-is-where-is condition and with the heritage listing and associated constraints remaining in place. There are minimal costs to realise this outcome, however the market value would reduce to \$750,000 given the constraints on the site. However, in addition to this purchase price, any purchaser would be faced with the significant repair costs described below (\$1.61m incl GST), in order to reinstate a functional residential or education building. This equates to total costs of ~\$2.36m¹ for the purchaser to realise a market value of \$1.35m.
 - 15.3 Scenario 3 entails a 345m² site with the Blue Cottage building fully repaired in accordance with Mr Hill's specifications and Mr Chatterton's cost estimates (\$1.61m incl GST). This scenario results in a market value of \$1.35m, which is considerably less than the cost of the repair and underlying value of the land (~\$2.36m total as described above).
 - 15.4 Scenario 4 entails a 345m² site with a new building of an equivalent size to the Blue Cottage. This would entail total costs of approximately \$1.28m (comprised of \$612,950 incl GST for the building² and \$750,000 for the land). This scenario would have a market value of \$1.35m as a minimum.
- 16 From this, it is clear that repair and restoration of the building under Scenarios 2 and 3 would result in a significant overcapitalisation of the site.
 - 17 No reasonable developer in their right mind would spend \$750,000 on land plus a further (at least) \$1.6m odd on restoring a building that is only expected to have an end value of \$1.35m. Particularly not when compared to the cost of a new build, which Mr Chatterton has advised is in the order of \$613,000. This is simply not how a prudent developer would spend their money.
 - 18 I also consider Scenario 4 to be theoretical and unrealistic in practice, given the value and desirability of the land would warrant far more intensive development than a single dwelling on a small site. The 9-unit residential development by Brookfield on the

¹ \$750,000 land cost + \$1.61m repair costs = \$2.36m total.

² Being \$533,000 excluding GST, as referred to in Mr Chatterton's summary.

corner of Worcester and Montreal Streets provides a real world example of the density of development that might realistically be expected³. Otherwise, the removal of the Blue Cottage would enable comprehensive development of the site with associated design opportunities and efficiencies.

- 19 I understand the Council has suggested that Carter Group could recoup the costs of the repair through the development of the broader site. This is not a commercial reality and is not how development works. There are also significant spatial implications for development of the remainder of site if the building and its setting remain. The design and layout of any development would be curtailed and result in a sub-par urban development outcome, as well as the lost opportunity costs of not being able to develop that corner of the site generally, or as part of a comprehensive development of the wider site as a whole.
- 20 I also understand that there are very limited external funding mechanisms available to privately held heritage items. Council have not suggested any such funding opportunities exist and I would not expect any adequate external funding to be realistically obtained.
- 21 I am disappointed in the Council's response and position on the request to delist this building:
 - 21.1 The Council have failed to acknowledge this site as a key development site for the Central City, that is negatively affected by the current state of the building and would be considerably enhanced by comprehensive site redevelopment.
 - 21.2 The building is very clearly in a terrible condition, and there is a significant amount of repairs clearly needed. This would have been obvious to Council witnesses at their recent site visit.
 - 21.3 I struggle to conceive how close-minded the Council is being in its consideration of all of the relevant factors in the District Plan to determining whether listing and demolition of the building is appropriate. They seem to be ignoring the financial factors and condition of the building, and simply focusing on heritage values.
 - 21.4 The Council is also inconsistent in how it has applied these factors to other requests to delist heritage buildings in this process (for example, Harley Chambers), despite Carter Group demonstrating that it meets the relevant tests.

³ Refer to the image of this development in Mr Compton-Moen's summary.

IF DELISTING NOT ACHIEVED

- 22 If the delisting is achieved through this process, Carter Group will move quickly to demolish the Blue Cottage and comprehensively develop the Site for residential. Carter Group has already prepared plans for the development of the entire site (without the Blue Cottage).
- 23 The Blue Cottage remains a significant impediment to developing the wider site. Aside from detracting from the amenity and value of any new development on the balance land, it limits the development options significantly, such that Carter Group have no intention of developing the wider site while the Blue Cottage remains.
- 24 Quite frankly, if this process does not achieve the delisting of the Blue Cottage, the property will deteriorate further and site development will remain on hold. The Council cannot compel or dictate to Carter Group how and when to spend its money and for the reasons above, there would be no commercial sense in repairing the building. Conversely, delisting the building would unlock residential redevelopment of the site that enhances the amenity of the site, the surrounding area and the central city and delivers more housing as sought by the PC14 process.

Philip Carter

16 April 2024

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CHRISTCHURCH

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ATTENTION: PHILIP CARTER

Dear Sir

RE: 32 ARMAGH STREET, CENTRAL CITY, CHRISTCHURCH

Thank you for your instructions to provide valuation advice with respect to the above property.

We understand that you are applying to have the Heritage Protection removed from the 'Blue Cottage' and surrounds, that area located at the southern end of your 32 Armagh Street property. We are aware that our report will be used in that application process.

As you are aware we inspected the property internally and externally on 5 December 2023. We have been requested to provide valuation advice under three valuation scenarios which are summarised below for your information.

Please note that this letter has been prepared for the above purpose only and under the above scenarios as described. It should not be considered as a structural survey of the improvements or an engineering survey of the land.

Our letter is abbreviated in content and **will not necessarily comply with all of the Valuation Standards** inherent in a full valuation report of the property.

Each of the valuation scenarios contained in this report have been undertaken on the basis that the setting area surrounding and including the 'Blue Cottage' improvements has been agreed and the property would be available for sale on a separate, unencumbered fee simple title encompassing that agreed area.

Reliance has been placed on documentation provided to us in relation to the size and extent of the setting area and repair costs for the dwelling.

Our summary valuation was completed under three separate scenarios as outlined below:

1. A valuation of the 'Blue Cottage' and setting if subdivided off and the building demolished, and Heritage Listing removed. That valuation relates to the bare unencumbered land value of the site if suitable for redevelopment.

Assessed Value (Scenario 1) - \$975,000

2. A valuation of the 'Blue Cottage' and setting if subdivided off but retained in its current state of disrepair, with Heritage Listing retained, where the bare land value in Scenario 1 is discounted by \$225,000 due to the presence of the building and its implications for site use and development.

Assessed Value (Scenario 2) – \$750,000

3. A valuation of the 'Blue Cottage' and setting if subdivided off, with the building retained and repaired in accordance with the repair strategy and costings supplied by Tom Chatterton. Mr Chatterton assessed a total refurbishment cost, including contingencies, at \$1,452,000 plus GST in his report dated August 2023.

Assessed Value (Scenario 3) – \$1,350,000

In this sense, while I have valued Scenario 3 at \$1,350,000, it must be acknowledged that total refurbishment cost assessed by Mr Chatterton exceeds this value and would therefore result in a substantial over capitalisation of the property. For the sake of comparison, I would also estimate the value of comparable new dwelling (as assessed by Mr Chatterton) on a subdivided off site to be in the order of \$1,350,000, as a minimum. This rebuild option could be considered as a Scenario 4.

It is noted that the Scenario 1 and 3 valuations have not been discounted to take into account the likely and required costs of (as appropriate under each scenario): regulatory costs of removing the listing, regulatory costs of obtaining subdivision consent, regulatory costs to authorise repairs to the building, the actual costs of repair, or any contingencies for risk.

The discounted value concluded in the Scenario 2 assessment does reflect the markets concerns in respect of these costs and risk factors.

The first valuation scenario assumes the land (a 345 m² site once subdivided) to be vacant and free of any heritage protection.

The second two scenarios assume that the "Blue Cottage" is retained on a site of 345 m², firstly in its current state of disrepair, secondly, if repaired as per a strategy provided by Tom Chatterton.

The three scenarios are all derived from our analysis of sales evidence that relates to properties sold in the Christchurch market with heritage protected buildings in place.

Those sales have been analysed using the assessed bare unencumbered land value rates applicable to each property at the date of sale allowing us to estimate either the amount of value these heritage protected buildings added to the land value, or conversely, the reduction in value resulting from the existence of heritage protected buildings on each of the properties.

The sales evidence available shows a significant discounting of properties (ie sale prices below bare land value) where neglected or poor quality heritage buildings are located on those particular properties.

Where the analysis of sales evidence shows a positive value associated with heritage protected buildings, these were typically well presented properties, or those with less restrictive heritage protections in place.

Our sales data and analysis process is detailed in **Appendix A** to this letter. **Appendix B** contains photographs taken during our inspection of the property.

Discounting of sale price levels is particularly pronounced where the optimum development potential in the land parcel is being hindered by heritage protected buildings, particularly those where their heritage protection applies to their principal buildings and surrounding setting.

You will note that the Scenario 3 valuation relates to the upgrading of the existing building retaining its heritage protected status.

We understand that there is a substantially different level of upgrading proposed by a quantity surveyor for Christchurch City Council.

We are not sufficiently qualified to verify or challenge the repair costs supplied by the two experts, however we are concerned about the repair items that have been excluded from the Council quantity surveyor's assessment and because a number of these excluded items are structural or relate to the wall claddings/wall linings or window/door joinery. For that reason we have only presented Scenario 3.

Conclusions

- We have concluded that the value of this site is negatively impacted by the retention of the heritage protected "Blue Cottage" compounded by its current derelict condition. Our assessed value of the property with the current heritage protection in place is \$225,000 lower than our assessed value if the heritage protection was removed.
- We believe that it is not financially viable to upgrade the "Blue Cottage" using the Council quantity surveyor's repair strategy and costings, given that it excludes items that are structural or relate to the wall claddings/wall linings or window/door joinery which would be required to realise value based on a repaired building that is of a suitable standard for residential or educational use.
- We believe that it is not financially feasible to refurbish the "Blue Cottage" in accordance with the Tom Chatterton repair strategy as this would result in the substantial over capitalisation of the property.

We are confident that our assessments as detailed under the three valuation hypothetical scenarios are supported by the available sales evidence relevant to each of those particular scenarios.

If there is any further information you require, please do not hesitate to communicate with the writer.

Yours faithfully

FORDBAKER VALUATION LIMITED



MARK SHALDERS - Dip Urb Val, FPINZ, FNZIV

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Involvement:

Inspection
Valuation Calculation
Report Preparation

Appendix A

BRIEF PROPERTY DESCRIPTION

The 'Blue Cottage' is a single level, weatherboard and iron roof, character dwelling that appears to have been built circa 1875 and was used as a private dwelling before being purchased by Canterbury College in 1916, to later become part of the Christchurch Girls High School.

We understand the cottage was used to accommodate the school caretaker until the 1970's.

The land subsequently passed into the ownership of Christs' College who owned the adjoining land block.

The 'Blue Cottage' property is a listed heritage place, identified on the Christchurch District Plan under Heritage Item Number 390. It is listed under an alternative address at 325 Montreal Street.

The reason for its listing is given as "it being the former home of Ernest Empson, and its association with Christchurch Girls High School. The former dwelling has architectural significance due to the authenticity of its *exterior and retention of some of the original interior detailing. As a small colonial cottage this building has landmark significance within the inner-city's historic western precinct. It has further contextual significance as it stands as a reminder of the style, scale of materials that once dominated the cities colonial built environment.*"

The floor area of the dwelling is approximately 137 m² and in its current layout offers three bedrooms, a living room and service rooms.

We have completed an external and internal inspection of the property, although the internal inspection was limited slightly by an accumulation of materials in the main hallway, holes in the floor due to rotted floorboards, and a lack of electrical lighting to the building.

Internally it was clear that the property was in very poor condition, the fitout of the home is aged with the kitchen facilities very dated and the bathroom areas looking to have been vandalised.

The rotted floors are particularly evident in the middle room on the northern side of the building and there was clear evidence of water leakage which has affected the wall linings and possibly the wall structure. The most visually obvious evidence of the water leakage into the building could be seen in the main hallway.

In its current state the property is clearly not fit for habitation.

Externally there has been significant deterioration of the weatherboard cladding with large areas of wood rot evident, particularly to the weatherboards on the western side of the building and with the roofing iron showing clear signs of ageing. Most of the external windows have been boarded over to prevent ongoing vandalism.

The building has also been badly affected by a substantial tree located to its south-eastern corner and which overhangs and impacts on the main part of the roof.

The external walls have been subjected to extensive graffiti and it appears that squatters have been occupying the property.

The layout of the home does not lend itself to a modern dwelling with no usable indoor/outdoor living connections and with the main courtyard area being found to the more exposed eastern side of the property, which is not only facing the prevailing north-easterly wind, but also experiences the most road noise from Montreal Street which adjoins the eastern side of the setting area.

The overall property is held on a large land parcel, however our assessment concentrates on the area that we understand it has agreed to be the setting of the heritage protected dwelling, which is identified on the aerial photograph below with the green surrounding line.



The setting area enclosed by the green line is approximately 345 m².

The northern boundary of the agreed setting area is approximately 1 metre from the northern wall of the building, which limits the useability of any future outdoor living areas, were the building to be repaired and retained as a dwelling.

There are limited site improvements associated with the property other than the pedestrian access ramp to the eastern doorway, some surrounding gravelled and concreted areas and boundary fencing which is generally in poor condition.

POTENTIAL USES OF PROPERTY IF UPGRADED

Planning advice supplied to us from Jeremy Phillips of Novo Group outlines the potential permitted uses for this property under the current SPS or RCC zoning assuming the property was to be brought up to a habitable standard.

These include the following:

- Education activities
- Residential activity
- Care of up to 4 non-resident children in return for monetary payment
- A non-residential activity involving a maximum of 16 vehicle movements per day
- Hosted visitor accommodation up to 10 guests up to 60 days per year and maximum 16 vehicle movements per day
- Un-hosted visitor accommodation up to 10 guests up to 60 days per year and maximum 16 vehicle movements per day
- Un-hosted visitor accommodation up to 8 guests up to 60 days per year and maximum 16 vehicle movements per day

We have considered the possible potential uses of the property if it was to be refurbished to a good condition and considered which of those uses would represent the highest and best use of the property in that repaired state.

We acknowledge that the location of the property is appealing, being on the preferred western side of the inner City and very close to local amenities including the Arts Centre, Art Gallery, Hagley Park/Botanical Gardens and a multitude of hospitality businesses.

The size, shape and layout of the dwelling and surrounds does not lend itself particularly well to any form of education use, and its past association with educational institutions appears to be as a staff cottage rather than housing any dedicated educational activities.

Short-term accommodation uses and daycare for up to four non-resident children is a use that could be applied to many conventional residential properties in suburban Christchurch, and we do not see that the ability to operate on that basis is significantly different from the same potential uses being undertaken from a standard residential dwelling.

The ability to operate as hosted visitors accommodation, and also to some degree un-hosted visitor accommodation, will be severely restricted by the small nature of the building, limited living room facilities at present, and a requirement for significant internal repartitioning to be needed to provide a more practical layout, something that may be of concern to heritage planners as it could well involve changes to the external window joinery and window placement and to the original interior detailing which forms part of the heritage assessment.

Our assessment of the property's value on a refurbished basis therefore concentrates on its potential use as a residential dwelling after suitable refurbishment.

VALUATION SCENARIOS AND CONSIDERATIONS

Scenario 1

In this scenario we have been requested to assess the bare block land value for the subject property if it was sold on a subdivided fee simple site with the building demolished and the heritage listings removed.

As such, it has been valued as a vacant development block.

In order to assess the value for that property, we have set out to draw comparisons from recent sales of other sites in the central City area that have been purchased for their redevelopment land value.

All of the sales have been analysed to arrive at a land value rate per square metre of net land area.

When we refer to net land area, we have excluded any area associated with driveways providing access to rear sites and we have also adjusted our net land areas when analysing values rates if the land parcels are known to be encumbered by easements or rights of way, and where the useable land area for development is restricted.

The available sales evidence is set out below.

Residentially Zoned Land						
Str No.	Address	Sale Date	Sale Price	LV Rate/pm2	Land Area	Zoning
				Excl GST		
166	Chester St	Oct-22	\$795,000	\$1,257	550	RCC
370-372	Madras St	Jun-22	\$950,000	\$1,307	632	RCC
248	Manchester St	Mar-23	\$4,082,609	\$1,348	3029	RCC
353	Manchester St	Aug-22	\$817,000	\$1,390	511	RCC
28-34	Gracefield Ave	Feb-23	\$2,313,000	\$1,565	1,285	RCC
171	Bealey Ave	Apr-23	\$995,000	\$1,741	497	RMD
11	Dublin St	Jul-22	\$2,400,000	\$1,796	1162	RCC
334	Montreal St	Feb-23	\$600,000	\$2,326	322	RCC
305	Montreal St	Jun-23	\$1,733,000	\$2,666	650	RCC

Commercial or Mixed Use Zoned Land						
Str No.	Address	Sale Date	Sale Price	LV Rate/pm2	Land Area	Zoning
				Excl GST		
295-297	Cashel Street	Sep-22	\$2,000,000	\$1,669	1273	CCMU
181	Madras Street	Mar-22	\$800,000	\$1,691	473	CCMU
227	Fitzgerald Avenue	Sep-22	\$2,600,000	\$1,720	1512	CL
10	Armagh Crt	Oct-23	\$475,000	\$1,753	271	CB
71-79	Kilmore Street	Jun-22	\$3,700,000	\$2,305	1605	CCMU
835	Colombo Street	May-22	\$1,867,561	\$2,326	803	CCMU
10	Armagh Crt	Jul-22	\$675,000	\$2,491	271	CB
588-592	Colombo Street	Jun-22	\$1,630,000	\$2,633	619	CCMU
146	High Street	Jun-23	\$4,500,000	\$3,207	1403	CSF
138	Lichfield Street	May-23	\$1,750,000	\$3,405	514	CSF
176	High Street	Jun-22	\$690,000	\$4,012	172	CSF
138	Lichfield Street	Apr-22	\$2,060,000	\$4,016	513	CSF
120	Manchester Street	Apr-22	\$3,785,600	\$4,822	785	CSF

We have separated the sales evidence into two groups.

Firstly, residentially zoned land which is typically contained in the Residential Medium Density (RMD), or Residential Central City (RCC) zones and, secondly commercially zoned land including the Central City Mixed Use (CCMU) zone, Commercial South Frame (CSF) zone and Commercial Central City Business (CB) zone.

The respective zonings are shown in the tables above.

The subject property is contained within a Special Purpose School zone, although the underlying and surrounding zoning of adjacent sites is Residential Central City.

Planning advice provided to us suggests that that RCC zone would be applicable to this land if the Specific Purpose School zone was removed.

In general terms, land value rates in central Christchurch are at their highest on the western fringe of the City and lowest on the eastern fringe of the City and that trend is clearly identified in the available sales evidence.

There is also an apparent increase in land value rates as the land area reduces i.e. smaller sites attract a higher per square metre land value rate than larger sites, which is not uncommon with development blocks.

The logic is that smaller and lower valued sites are more affordable to a wider range of potential buyers and accordingly have a greater pool of potential buyers.

Large sites, particularly in high value areas, require a significant capital input for both the land purchase and later development which disqualifies many of the smaller players in the market.

Looking at the individual sales above, the closest physically to the subject property in the residential land sales table are described below.

334 Montreal Street sold at a rate of \$2,326 per m², based on an adjusted land area, recognising that the southern part of the land was encumbered by a right of way in favour of an adjoining property.

The title for 334 Montreal Street is also encumbered by a Land Covenant that restricts redevelopment to a maximum 7 metre height in favour of the adjoining landowners. The right of way memorial and Land Covenant both restrict the optimum development of the land and appear to have had a slight diminishing impact on its ultimate sale price.

305 Montreal Street is considered the most comparable with the subject, being a corner site on the north-western corner of Montreal Street and Worcester Boulevard. It sold at \$2,666 per m², has a shape factor similar to the subject and it offers obvious potential for redevelopment. We understand that an 8 unit development is proposed for that site.

Given that the land area of that block was approximately twice the size of the subject, we would anticipate that a slightly lower land value rate would be achieved for that block when compared to the subject land.

Looking at the commercially zoned sites in the schedules above, the property at 10 Armagh Court, situated a short distance from the subject, is a smaller block and has sold twice over the last 18 months. The latest sale was at a lower level than the July 2022 sale price.

That land forms part of a small lane development, being the underlying land areas associated with commercial units that were previously developed on the site. It is a rear site with little, if any, exposure and that lack of exposure would have impacted on its value as a commercial development block.

The 71-79 Kilmore Street block was a large parcel located opposite the Christchurch Town Hall and has obvious locational benefits relative to that facility, but again is a large land parcel with a high capital input required to purchase.

The 138 Lichfield Street property and those sites in High Street indicate the highest land value levels on the periphery of the City. These are in the South Frame zone, both are close to Dux Central and other hospitality businesses and relatively close to the Te Kaha Christchurch Stadium site.

We would expect sites in those locations, and in that underlying zoning, to attract a higher land value rate than the subject land and that is clearly shown in the sales evidence.

After allowing for locational and size factors we have concluded a realistic land value rate for the subject property as being between \$2,750 per m² and \$2,950 per m² which indicates a bare block land value for a site of 345 m² (subject to title, removal of all heritage protection and clearance of improvements) of between \$950,000 and \$1,020,000.

That assumes the property was sold free of any heritage protections.

We have adopted a bare land value of **\$975,000** for the subject property.

The sales evidence has been analysed to arrive at a land value rate excluding GST and as such our assessment is also on a plus GST basis.

Scenario 2

Value of 'Blue Cottage' and setting, subdivided off and the dwelling retained in its current state of repair.

Were the property to be offered to the market in its current state of repair and **without** any heritage protection, it is likely that its optimum market value would be dictated by its underlying bare land value given the high land value rates that are achievable in this location – see Scenario 1 above.

With the heritage protection in place, redevelopment of the land is not a valid option to a purchaser and any purchaser will need to determine whether it is viable to repair the property and retain it for some type of residential, residential rental or educational use.

As discussed above, once refurbished it is most likely to be kept for residential purposes in some form.

With the property currently uninhabitable, any purchaser will need to be confident that they can bring the property up to a proper habitable standard, which will involve completing all necessary structural, weathertightness and upgrading works while still retaining the characteristics of the property that are heritage protected.

In order to assess the value of the property under this scenario, we have considered the combined impact of the badly deteriorated nature of the buildings on the site, and the retention of a Heritage Protection on the building, which would appear to prevent the complete redevelopment of the land parcel in question.

We have looked for instances where properties have sold in Christchurch with damaged or poorly presented heritage protected building improvements in order to gauge the value impact, positive or negative, those types of protected improvement have on the underlying value of the property.

It is a proven methodology when analysing sales to componentise the sale price of a property into three major components. Firstly, the underlying bare land value of the site, secondly the value of any site improvements or other improvements such as garages, swimming pools etc and thirdly, the added value of the dwelling improvements.

It is a common and proven practice to establish the added value of the dwelling improvement (over and above bare land value) on a per square metre of floor area basis.

That is known as the 'Net Rate' methodology.

The 'Net Rate' value of the principal dwelling is established by sales analysis whereby the sale price is split into 3 principal components ie Land Value, Value of Site Improvements and Dwelling Value.

An example of this process is shown below:

Net Rate Analysis Process	
Sale Price	\$500,000
Less Land Value	\$335,000
Less Value Site Improvements	\$15,000
Dwelling Added Value	\$150,000
Dwelling Floor Area (m2)	150
Net Rate per Square metre	\$1,000

The 'Net Rate' of a habitable dwelling will vary significantly depending on the size and quality of the building, its location, and other factors.

If a building is of a poor standard and the optimum of the property is to redevelop the land, that building is likely to have a Net Rate value close to zero, whereas a fully refurbished character home in a good quality location, may carry a net rate or added value rate for the dwelling of \$3,000 per m² to \$5,000 per m² depending on the quality of the dwelling and its location.

We have researched market evidence where damaged or neglected heritage protected character homes have sold and completed similar analysis to determine the market proven Net Rates for this type of property.

Set out below are a sample of sales that relate to transactions where that occurred:

St No	Address	Sale Date	Sale Price	Floor Area	Net Rate
67	Fendalton Rd	Mar-18	\$4,800,000	1085	-\$4,078
14	Kirkwood Ave	Jul-21	\$2,500,000	1024	-\$3,003
104	Glandovey Rd	Sep-15	\$1,610,000	340	-\$1,529
185	Kilmore St	Sep-16	\$850,000	290	-\$569
165	Papanui Rd	Jan-10	\$1,230,000	812	-\$548
74	Heaton St	Dec-17	\$750,000	230	-\$370
279	Montreal St	Sep-14	\$615,000	690	-\$217
166	Papanui Rd	Jan-22	\$2,525,000	438	\$114
88	Chester St	May-20	\$459,000	185	\$130
35	Knowles St	Nov-16	\$957,500	326	\$222

All of the sales have been analysed using bare land value rates that were relevant at the time of the sale occurring, these land values were adopted after reviewing land sales evidence that was available to us at the time of sale.

The green highlighted sale are properties where the retention of their heritage protected dwellings produced a negative added value (per square metre) which indicates that the heritage status of the buildings was preventing those properties from achieving their optimum highest and best use value for redevelopment or where the repair costs for damaged properties are too high for a financially viable repair to be completed.

A brief summary of the individual sales is as below:

67 Fendalton Road

This property is known as 'Daresbury House', being a large parcel of land that straddles the Waimairi Stream. The original Daresbury House has been measured by us previously at 1,085 m² and is a large three level home built in the early 1900's and which was very badly damaged as a result of the Canterbury Earthquake series.

The sale price was recorded in March 2018 at \$4,173,914 however that was made between two GST registered parties and we understand the total purchase price was \$4,800,000 including GST.

Subsequently, an internal transfer was recorded in 2021 at \$5,950,000 however that was between related parties and was not a market proven transaction.

Included within the initial purchase of the Daresbury House and surrounds, was a parcel of sites to the northern side of the Waimairi Stream, held on four separate titles, all fronting Fendalton Road. Those sites added an additional total area of 4,116 m², making up a block of 10,346 m² in net useable area.

We have inspected and valued this property on a number of occasions and in our analysis we have adopted the underlying land value of the block we assessed when valuing the block in March 2018. Part of the land block was contained in the heritage protected setting whereas the northern part of the block was not protected.

Our analysis indicates a net rate value of the 'Daresbury House' building of -\$4,078 pm² after allowing for some site improvements value.

That is a very substantial negative value impact from the building but it also reflects that the protection against the building extends to the setting around Daresbury House which appears to have quite a substantial reach from the

dwelling itself. Further impacting on the value of the property was the location of a number of protected trees and the very high cost of repairing what is a very substantial character home.

The repair cost is sufficiently high to make refurbishment of the badly damaged dwelling unfeasible.

14 Kirkwood Avenue

This is a large rear site in the Ilam area close to the University. The land has a net area of approximately 7,457 m² based on a gross area of 7,967 m² less the area made up into driveway access strips.

Developed on the land was a very substantial heritage protected home, measured by us previously, of 1,024 m² plus a number of modest quality surrounding buildings utilised as residential rental accommodation. The dwelling, when sold, was in poor condition with deterioration evident in a number of areas and with indications of refurbishment works having commenced many years ago but largely incomplete.

The underlying bare land value component of the site has been derived from contemporary sales activity of adjoining properties, in an adjacent small subdivision where land value rates are between \$1,260 pm² and \$1,360 pm² were achieved in 2021 and 2022.

There was a degree of adjoining owner influence associated with the adjacent land sales, which we have factored into our assessment of the bare land value for the 14 Kirkwood Avenue property.

The analysed Net Rate value of the dwelling represented a substantial negative sum of approximately -\$3,000 pm².

That is a large negative value but reflects the very substantial renovation costs that would have been associated were the dwelling to be refurbished, the positioning of the original house in the centre of the block, and the retention of several protected trees. After the land was purchased, we understand that the dwelling was substantially destroyed by fire.

104 Glandovey Road

This property has sold several times over the last 15 years and, until recently, has sold at a sale price level below its underlying land value due to its heritage protection that has been in place for much of that time.

It is an appealing stream frontage site on the corner of Glandovey Road and Idris Road, developed with a substantial 1920's vintage house totalling approximately 340 m², with well established grounds and some protected trees.

The September 2015 purchaser was aware of the restrictions coming from the heritage protection of the dwelling, and, although the property had 3 listed protected trees, pre-purchase discussions with the Christchurch City Council confirmed that two of the three protected trees on the site were to be de-listed. That de-listing did not eventuate.

After making a submission to the later judicial review committee who were reviewing heritage protections in the Christchurch District Plan, all but one of the trees on the site were de-listed and the heritage protection order on the dwelling was also removed.

The vacant land value we assessed at the time of that property selling in September 2015 has been used in our analysis. That analysis shows a negative net rate value for the house of -\$1,529 pm² after allowing for some site improvements.

Interestingly, this property subsequently sold to a developer in April 2022 for a consideration of \$4,500,000 without the heritage protection on the dwelling.

185 Kilmore Street

This property sold in 2016 and comprises the former St Lukes Vicarage which is a two level weatherboard building constructed in circa 1859 and totalling approximately 290 m². It is on a front site of 1,329 m² which had obvious redevelopment potential if free of the heritage protection.

That building is Category 1 protected.

It was purchased for repair and refurbishment however, we are aware from an article contained in 'The Press' in August 2017, that the purchasers were looking for additional funding sources to complete the repair project. Their repair cost estimate was approximately \$1,100,000 at that time or around and we understand from the article that some contribution was offered by the Christchurch City Council to assist in the renovation project.

Our analysis of the sales indicates that the net rate attributable for the Vicarage was -\$569 pm² at the time of the 2016 sale.

165 Papanui Road

This is an historical sale comprising a large parcel of land adjoining the southern side of the Merivale Shopping Village and, in 2010, developed with an historical church building of approximately 812 m². That building was heritage protected but was subsequently badly damaged in the Canterbury earthquake series. Applying a provable land value to the site at the date of sale in 2010, results in the church building showing a Net Rate value of approximately -\$550 pm².

174 Heaton Street

This property was sold on an 'As Is, Where Is' basis and comprises a two level dwelling that, when sold, looked to perfectly habitable but required significant outstanding earthquake repairs. It is Category 2 protected under both the Heritage New Zealand and the Christchurch District Plan and contains a number of site improvements.

Our analysis of the sale price, using land value rates applicable at the date of sale, indicate that the 230 m² dwelling offered a negative value to the property of approximately -\$370 pm².

279 Montreal Street

This property sold in 2014 and comprised a block of six, two bedroom, weatherboard flats in damaged condition.

The property again had a Category 2 level of protection under both the Heritage New Zealand list and the Christchurch District Plan.

The flats have a combined floor area of approximately 690 m² and our analysis based on land value rates applicable to the 2014 market showed a negative value of the building improvements of -\$217 pm² overall.

We inspected the property in the immediate post-earthquake period and at that time it was showing signs of significant cracking to the wall area but was subsequently repaired.

166 Papanui Road & 35 Knowles Street

These properties were both heritage protected character dwellings sold in modest condition, with both sold "As Is Where Is" with outstanding earthquake damage.

Their indicated net rates are substantially lower those analysed from contemporary sales of comparable quality properties.

88 Chester Street East

This is one of two adjoining 2 level terraced homes, both heritage protected, with the 88 Chester Street property sold on an 'As Is Where Is' basis.

The dwelling was deemed to be not feasible to repair which is common with 'As Is' properties but it had been upgraded some years prior to the Canterbury earthquake series.

The analysed Net Rate was \$130 pm² which indicated that the market saw some added value in the dwelling.

The adjoining terraced house at 86 Chester Street East that was also heritage protected and had been refurbished in the last 6 years, sold for \$1,290,000 in August 2023 on a stronger market at an analysed Net Rate of \$3,568pm².

The balance of the sales evidence available to us relating to Heritage Protected buildings that our analysis indicates also have a positive added value to the property are shown below:

St No	Address	Sale Date	Sale Price	Floor Area	Net Rate
82	Bealey Ave	Jul-21	\$4,150,000	876	\$1,513
12	Glandovey Rd	Oct-19	\$1,400,000	250	\$1,600
70	Glandovey Rd	Jun-16	\$2,800,000	380	\$2,105
122	Park Terrace	Nov-18	\$2,850,000	400	\$2,500
146	Papanui Rd	Feb-18	\$3,500,000	420	\$2,619
83	Clyde Rd	Mar-19	\$4,500,000	310	\$2,742
86	Chester St	Aug-23	\$1,290,000	185	\$3,568
785	Leeston Rd	Nov-23	\$4,350,000	628	\$4,443
27	Glandovey Rd	Nov-18	\$6,825,000	374	\$5,414

In this schedule are properties which all carry some heritage protection and which sold in an undamaged and generally tidy state.

82 Bealey Avenue, which is 'Elizas Manor House', a substantial and well-presented building when sold in 2021 but the analysed Net Value rate of \$1,513 pm² is relatively low in terms of a good quality character home selling at that time.

To our knowledge the most recent sale of a heritage protected property of a substantial nature is the 785 Leeston Road property which recently sold for \$4,350,000. This is known as 'Meadowbank' and is a substantial three level, weatherboard home, on a large, rural site in the Irwell area.

The land area of the block precluded any further subdivision of the block under the prevailing rural zoning and, as such, the dwelling did not appear to hinder the development potential of the land in the foreseeable future. Extensive renovation work has been carried out to the property over recent years including, re-roofing, external and internal redecoration, replumbing, rewiring and selected upgrading of the kitchen and bathroom areas. The grounds also provided a very appealing and private, sheltered setting.

That sale shows an analysed Net Rate of over \$4,400 pm² which suggests to us that there was no provable discounting of the sale price in that instance, caused by its heritage protection.

We believe that lack of discounting reflects the good standard of presentation of the dwelling combined with the limited impact the dwelling has on the development potential in the rural block land.

Looking at the other sales relating to well-presented protected buildings such as 86 Chester Street, 785 Leeston Road and 27 Glandovey Road, it is fair to conclude that refurbished heritage buildings in some settings do not necessarily reduce the market value of a property unless they stymie its redevelopment potential.

The more heavily damaged dwellings have a more obvious and provable negative value impact.

In summary, there is market evidence showing the diminishing effect on value that comes from poorly presented, heritage protected dwellings, particularly where they are on sites which have significant redevelopment potential and that potential is being hindered by the retention of the home.

The highest levels of value impact come from poor quality dwellings, where the cost of repair is significant when compared to the anticipated sale price of the property when complete.

'Daresbury House' and the 14 Kirkwood Avenue property are exceptional examples because of their size and the complexity of the repair works required. Both sales show that the heritage protection had a significant negative impact on their land value by reducing the subdivisional potential of the surrounding land.

In the instance of the 'Blue Cottage', the dwelling is relatively small and technically would appear to be repairable, however the full cost of repairs are unlikely to be recovered in the added value of the dwelling on completion of that repair program.

This is explored in the **Scenario 3** valuation below.

In its current condition, we believe that a provable value rate that could be applied to the dwelling in its current state recognising the very poor standard of presentation of the property overall, should be between $-\$1,500 \text{ pm}^2$ and $-\$1,750 \text{ pm}^2$.

Over our measured floor area of 137 m^2 that suggests that the dwelling is diminishing the property's bare land value by between **$-\$205,000$ and $-\$240,000$** based on the sales evidence available to us.

If we adopt a negative value for the protected dwelling of **$-\$225,000$** , this gives the net value of the property under the Scenario 2 assessment.

In Scenario 1, we have assessed an unencumbered bare land value of **$\$975,000$** which indicates a value for the property retaining the existing heritage protected and dilapidated 'Blue Cottage' as being **$\$750,000$** .

Bare Land Value	\$975,000
Value of Dwelling	$-\$225,000$
Net Value with House Retained	\$750,000

Scenario 3

This scenario explores the potential value of "Blue Cottage" and its setting if upgraded in accordance with the works detailed in the Tom Chatterton repair schedule.

We have been provided with a statement of evidence by Tom Chatterton on behalf of the Carter Group which relates to a full repair of the dwelling for occupation and use.

At the satisfactory completion of Mr Chatterton's repair works, we would expect the dwelling to be fully complete and presented to a marketable level.

Any potential buyer of the property is not expected to face any additional upgrading costs other than any additional landscaping work over and above Mr Chatterton's landscaping allowance.

The added value rate, or Net Rate, on the completed home is likely to be in line with the higher rates indicated by the sales evidence pertaining to refurbished heritage protected character dwellings.

We are aware of only two character homes that have sold in recent times in the inner City. The most comparable of those sales is the heritage protected 86 Chester Street property shown in the sales schedule on Page 9 at an analysed Net Rate of \$3,730 pm².

A property at 214 Worcester Street sold in November 2023 at a consideration of \$777,500 being a tidily presented character villa of 130m² with upgraded kitchen and bathroom areas on a small site of 225m² in a less desirable location just east of Barbadoes Street. That property does not carry any heritage protection. Our analysis of that sale indicates a Net Rate of \$3,135 pm².

When assessing the appropriate net rate to apply to the 'Blue Cottage' we have considered the style and appearance of the dwelling after completion of the proposed upgrading together with its proposed level of specification.

The completed dwelling will have a plain external appearance and will lack the character features that are clearly evident in most well refurbished homes of the late 19th century/early 20th century era.

For that reason, we do not believe that the 'Blue Cottage' when renovated will offer the same level of market appeal as more ornate homes like 86 Chester Street or 214 Worcester Street and that reduced market appeal will be reflected in its end value.

On the assumption that the renovation works proposed in the 'Chatterton' report are fully and professionally completed, we would expect the value rate attributable to the 'Blue Cottage' would be between \$2,250 pm² and \$2,750 pm².

Additionally an allowance of \$30,000 has been made for the proposed landscaping works included in Mr Chatterton's costings.

The concluded value of the property under this scenario is \$1,350,000 as shown below:

Value upon completion of Chatterton Scope of Works				
Land Value – As an unencumbered site				\$975,000
Dwelling	137 m2 @	\$2,250	\$308,250	
	137 m2 @	\$2,750	\$376,750	
Dwelling Value		Adopt		\$345,000
Site Improvements				\$30,000
Total Value on Completion				\$1,350,000

There is a significant disconnect between the cost of completing the upgrading works detailed under Mr Chatterton's scope of works and the increased value of the completed property.

The added improvement value we have assessed under this scenario is \$375,000 above bare unencumbered land value or approximately \$600,000 above our Scenario 2 value.

That would suggest that the full cost of implementing Mr Chatterton's refurbishment scope would not be recovered in added value to the property.

Appendix B



