BEFORE THE QUEENSTOWN LAKES DISTRICT COUNCIL

IN THE MATTER of the Resource Management Act 1991 (the "Act")

AND

IN THE MATTER of the Queenstown Lakes District Council Proposed District Plan Hearing Stream 02

RURAL LIFESTYLE MARKET EVIDENCE OF ALEXANDER DOUGLAS REID
21 April 2016

Ayrburn Farm Estate Limited (430)
G W Stalker Family Trust, Mike Henry, Mark Tylden, Wayne French, Dave Finlin, and Sam Strain (534 and 535)
Slopehill Joint Venture (537)
Wakatipu Equities Limited (515)
Crosshill Farm Limited (531)

ANDERSON LLOYD
LAWYERS
QUEENSTOWN

Solicitor: R E Hill
(rosie.hill@andersonlloyd.co.nz)

Level 2,
13 Camp Street,
PO Box 201,
QUEENSTOWN 9348
DX ZP95010
Tel 03 450 0700
Fax 03 450 0799

1. Introduction

1.1 My full name is Alexander Douglas Reid. I am a Senior Valuer at MAC Property Services Limited trading as Colliers International Queenstown. My qualifications include an Associate membershp of the New Zealand Institute of Valuers, Senior membership of the Property Institute of New Zealand plus I became Registered as a Valuer in June 1997 and currently hold an Annual Practising Certificate for the 2016 year. I have worked as a valuer based in the Queenstown Lakes District for the past twenty two years.

1.2 I have been requested to provide evidence in relation to the current value of rural living lots and rural living houses in the Wakatipu Basin and the demand for that rural lifestyle residential product. This evidence addresses rural living lots generally, and does not differentiate between lots located in the Rural Residential, Rural Lifestyle and Rural General zones.

1.3 I confirm that I have read the Code of Conduct for Expert Witnesses contained in the Environment Court Practice Note 2014 and that I agree to comply with it. I confirm that I have considered all the material facts that I am aware of that might alter or detract from the opinions I express, and that this evidence is within my area of expertise, except where I state that I am relying on the evidence of another person.

2. Rural Living Market

2.1 Colliers International Queenstown prepares and issues a current Rural Lifestyle Market Commentary at intervals of about three months. **Attached** in Schedule 1 is a copy of the Colliers Rural Lifestyle Market Commentary finalised on 14 April 2016. I am the primary author of that document and I carried out the research which the document is based on.

Note: The area covered by that Rural Lifestyle Market community includes Glenorchy, the land between Glenorchy and Queenstown, and the Gibbston Valley in addition to what is normally considered to be the Wakatipu Basin.

2.2 The purpose of that Rural Lifestyle Market community is to provide a general picture of the market for rural living vacant lots and rural living houses, including historical data, and providing some general projections into the future based upon current market trends.

2.3 In Schedule 2 to this evidence I **attach** a list of confirmed sales of rural living lots in the Wakatipu Basin during 2015. In respect of that list I comment:

(a) Schedule 2 is sourced from a combination of agent advised sales, Real Estate Institute of New Zealand sales statistics plus digital information sources including Property Guru and Valbiz. A small amount of private transactions could be missed from this data if they have long delayed settlements.

(b) The data just relates to what is normally considered to be the Wakatipu Basin, and does not include Glenorchy, the area between Glenorchy and Queenstown, and Gibbston Valley, (I note one sale on Coal Pit Road in Gibbston has been included in these calculations)

(c) The sales are ranked by price, from the lowest to the highest.

(d) All the sales are of vacant rural living lots. The list does not include sales of rural living dwellings.

(e) The sizes of the lots are detailed in the right hand column. Lot size ranges from one of 2,002m² (which is the only lot smaller than the minimum Rural Residential lot size of 4,000m², although I note it has easement rights over the surrounding common land) up to one of 7.47ha (which is of eleven above 2ha).

2.4 Based upon that data I have been asked to provide my opinion on:

(a) The current average market value, or range of values, for a rural living lot in the Wakatipu Basin;

(b) The size of lot that most purchasers are looking for;

(c) The likely value of houses to be built on those rural living lots;

(d) Future prospects for the rural living lot market in the Wakatipu Basin.

The current average market value, or range of values, for a rural living lot in the Wakatipu Basin

2.5 The list in Schedule 2 shows an average sale price of $798,531. Excluding 'outlier' lots (such as a substandard one at the lower end or a particularly premium lot at the higher end) a current purchaser wanting to buy a rural living lot in the Wakatipu Basin within the size range of the majority of lots (4,000m² up to about 2ha) could expect to have to pay between about $600,000 - $875,000.

The size of lot that most purchasers are looking for

2.6 Referring to the attached Table, out of total of 52 sales there are 25 sales between 4,000m² - 1ha and a further 11 sales between 1-2ha. While that largely reflects the type of product on the market, with lots smaller than 4,000m² and above 2ha being the exception rather than the rule, I believe that range reflects what purchasers are generally looking for. My thoughts from personal experience and seeing the motivation of a number of purchasers is that a rural living experience with a reasonable amount of privacy, good views, and not too much land to have to look after (sites between 4,000 m² and 1ha) generally meets most people's expectations. This has been evidenced by the popularity of the Ferry Hill – Tucker Beach Road subdivision and development within the Domain Road / Lower Shotover Road triangle.

The likely value of houses to be built on those rural living lots

2.7 In my job as a valuer I visit many rural living homes in order to provide values, primarily for financing purposes and insurance purposes but also for sales transaction purposes. I am generally familiar with construction costs, including additional items such as landscaping. I would expect someone building on a rural living lot in the Wakatipu Basin to spend at least $1 million building a house, including associated landscaping. That figure could be, and often is, considerably higher. I am aware of houses built over the past two year period which would have a construction cost (including landscaping) in the order of $8,000,000 - $10,000,000.

Future prospects for the rural living lot market in the Wakatipu Basin

2.8 I refer to the "Projections" at the bottom of page 3 in the Rural Lifestyle Market Commentary in Schedule 1. At the moment, generally speaking, there is less speculative purchasing, with more people buying to build homes, a tightening of supply and an appreciation in the market resulting in higher sale values.

2.9 I understand that the District Plan Review may result in additional supply of land rezoned from Rural General to Rural Lifestyle. It generally takes time for that kind of additional supply to come to the market. I anticipate that additional supply may affect the current upward trend in values, but I doubt it would cause a significant drop in values unless there was a major change in worldwide economic factors causing a large reduction in demand.

2.10 The long term trends in this market are fairly well illustrated in the two graphs in the Rural Lifestyle Market community in Schedule 1. Broadly speaking, both graphs show steady increasing values over time, with a significant dip caused by the Global Financial Crisis in the 2008-2010 period. I project an increase in median sale values for lifestyle property over 2016.

Doug Reid

21 April 2016

SCHEDULE 1

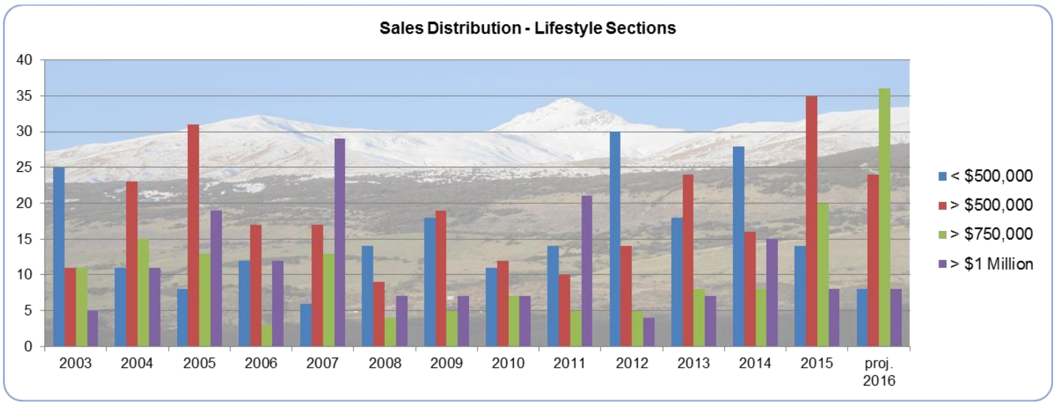
Colliers - Rural Lifestyle Market Commentary dated 14 April 2016

RURAL LIFESTYLE MARKET

After a softening of value levels over 2008 to 2010 the rural lifestyle market recovered with good section sale numbers and strong lifestyle dwelling sales over $2m between 2012 and 2015. In 2015 total section sale numbers were up over 80% in number from 2010, with projections for a continuation of that level through 2016. As major lifestyle subdivisions sell down and remaining stock and sites are built upon we predict a shortage of supply. Additional areas of possible Rural Lifestyle zoned land has been identified by the local authority in the Proposed District Plan that was released late 2015, which may help alleviate a shortage of supply in the medium term.

LIFESTYLE SECTIONS

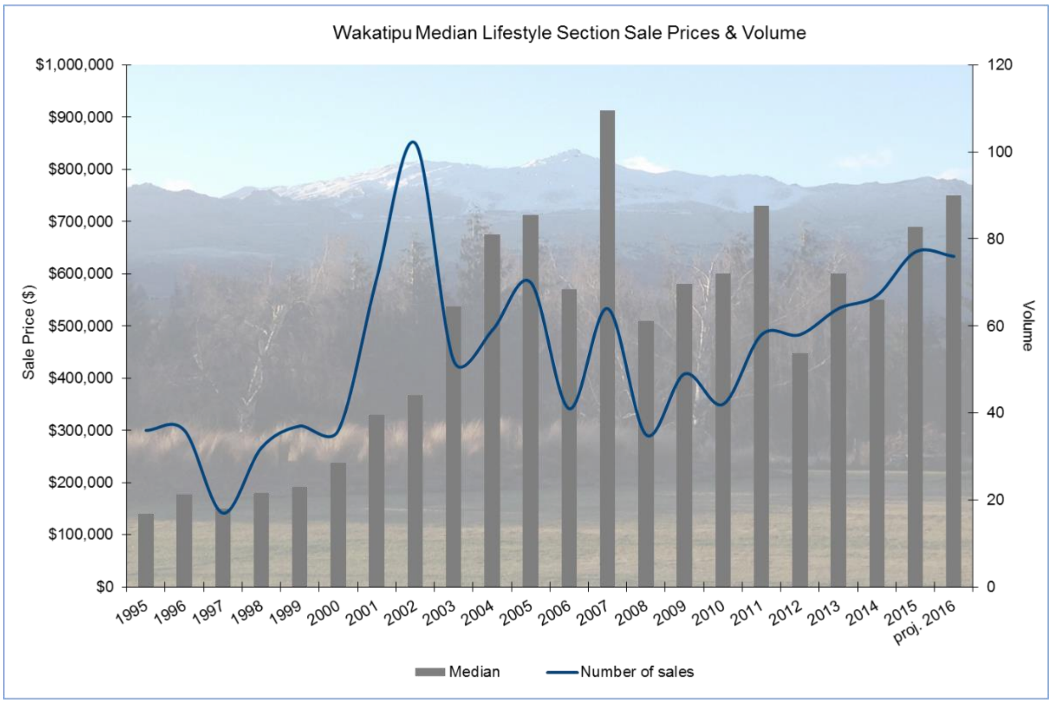
Current sales volume for vacant sites is nearly 20% above the previous five year average of 65 and a ten year average of 56 transactions per year. We recorded 67 section sales in 2014 at a median of $550,000 and 77 sales for 2015 at a median of $690,000. The median sale price decreased from $785,000 in 2011 to $450,000 in 2012 before recovering to $600,000 for 2013. There were only 4 sales in excess of $1m in 2012 with this being the lowest annual total in that sector for ten years. There has been a lift in sales in this price bracket over the last three years with 8 sales in 2015, 15 sales for 2014 and 7 in 2013. We have recorded 2 transactions over $1m over the first three months of the current year.



The period 2008 to 2012 saw a trend toward sites selling at levels significantly discounted from levels in 2006 /2007. These values have now recovered back to levels similar to the previous peak.

The graph below indicates the median lifestyle section sale price increased substantially from 2000, peaking in 2007 then falling back to a level similar to 2004 to 2006. Although this is not a good representation of individual market values as a whole, which have not decreased to that extent. The median sale price showed a steady increase over 2009 – 2011 before falling dramatically in 2012 then rebounding in 2013. The decrease in the median sale price can be attributed to higher volume through 2012 in the lower end of the market inclusive of Threepwood by Lake Hayes and Lookout Point above Bobs Cove on the Glenorchy to Queenstown Road that were in the $200,000 to $300,000 bracket.

The secondary areas of Glenorchy, Glenorchy Road area and Gibbston Valley attributed the majority of the 14 sales under $500,000 over 2015 and 38% of the total vacant sales for the 2014 year.

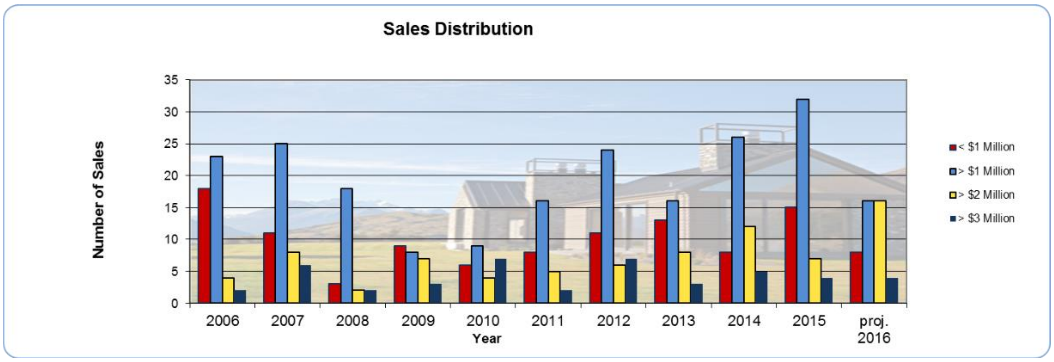


Vacant lifestyle sales of note include:

- Lot 1 Upper Hawthorne has re-sold for $2.0m in September 2015. This land obtains views overlooking Lake Hayes with the surrounding mountains as a backdrop including Coronet Peak, Cecil and Walter Peaks to the west, and the back of the Remarkables.
- Lot 18 at Closeburn sold in March 2014 for $2.85m. An attractive elevated site with panoramic lake and mountain views.
- Lot 10 Preserve Drive in Jacks Point sold in May 2015 for $1.575m. The property receives wide panoramic views of the lake and surrounding mountains including Ben Lomond to the north-west and Cecil Peak to the west.

LIFESTYLE DWELLINGS

We have recorded 58 lifestyle dwellings sales for the 2015 year at a median of $1.335m in comparison to 51 sales with a median of $1.844m in 2014. Over 2015 we noted 11 sales over $2m. The 2014 median was the highest recorded over the last thirteen years.



The graph above shows a strong recovery in sale numbers for property in the $1m to $2m price point in 2012, 2014 and 2015 plus increased transaction numbers above $2m. In 2012 and 2013 we saw a decrease in transactions below $1m with eight recorded for 2014. Only two have been recorded year to date. We have projected overall 2016 sales transactions to be in the mid 40's, around 20% down on 2015. 58 sales in 2015 eclipses the record sales level achieved in 2014

Improved sales of note:

- 142 Tucker Beach Road sold in July 2015 for $3.7m. A substantial rustic styled two level three bedroom, three bathroom high quality residence with extensive use of schist stone to exterior plus feature interior walls.
- 73 Mooney Road sold in February 2015 for $6.4m. A substantial 'barn style dwelling' constructed over two levels. In addition there is a converted barn / sleepout plus a three bedroom historic cottage modernised to a good standard and subject to subdivision.

PROJECTIONS

- A reduction in the number of proposed lifestyle developments and consents issued.
- We believe there will be little speculative buyers for vacant sites with the majority of the purchasers intending to build as opposed to hold.
- With large increases in building costs over the last three years purchasers may look to obtain the finished product and avoid the risk of further building cost escalation.
- With a tightening of section supply as current stock is sold down in the $500,000 to $1.0m range, we expect there could be further good value growth over the next twelve months, accompanied with a reduction of sales volume 2017 and onwards.

14 April 2016

SCHEDULE 2

Sales of Vacant Rural Living Lots in the Wakatipu Basin in 2015

COLLIERS INTERNATIONAL QUEENSTOWN

Colliers INTERNATIONAL

Recent Vacant Rural Land Sales

Rapid No / Lot	Address	Sale Price	Sale Date	Area
10	Mace Lane (Butel Park)	$375,000	Aug-15	9,034 m²
387	Crown Range Road	$450,000	Nov-15	2.5 ha
Lot 4	Coal Pit Road	$500,000	Jul-15	2.1170 ha
404 (Lot 5)	Speargrass Flat Rd	$515,000	Jan-15	4,020 m²
7	Mace Lane (Butel Park)	$518,000	Dec-15	5,312 m²
Lot 21	Littles Road	$525,000	Jan-15	1.7 ha
	Littles Road	$525,000	Nov-15	2 ha
Lot 15	Ellen Johnson Dr	$543,000	Nov-15	9,242 m²
Lot 44	Jane Williams Pl (Threepwood)	$550,000	Jun-15	8,084 m²
3	Baird Lane	$550,000	Sep-15	1.7962 ha
Lot 23	Littles Road	$555,000	Oct-15	1.8669 ha
Lot 3	Speargrass Flat Rd	$570,000	Jun-15	
Lot 1	Hansen Road	$570,000	Aug-15	4,500 m²
Lot 38	Threepwood Road	$600,000	Nov-15	2,002 m²
60	Arrow Junction Road	$610,000	May-15	2.969 ha
Lot 15	Littles Road	$640,000	Oct-15	4.5073 ha
536 (Lot 1)	Speargrass Flat Rd	$645,000	Jul-15	5,797 m²
Lot 2	Mountain View Road	$662,500	Sep-15	1.6040 ha
Lot 32	Domain Rd	$685,000	Jul-15	1.0208 ha
Lot 42	Threepwood	$690,000	Sep-15	9,200 m²
Lot 9	Lake Hayes - Arrow Junction Highway (SH 6), Morven Hill	$695,000	Sep-15	6,417 m²
1358	Gibbston Highway	$708,000	Nov-15	
6 (Lot 24)	Matagouri Dr	$710,000	May-15	1.8314 ha
Lot 31	Domain Rd	$720,000	Jul-15	8,960 m²
Lot 4	Arrow Junction Road	$740,550	Nov-15	1 ha
51	Morven Ferry Road	$745,000	Sep-15	4.6021 ha
Lot 29	Domain Road	$750,000	Mar-15	8,700 m²
49	Morven Ferry Road	$750,000	Jul-15	7.4738 ha
Lot 26	Domain Rd	$750,000	Jul-15	1.01 ha
	Littles Road	$750,000	Aug-15	
Lot 28	Domain Rd	$750,000	Oct-15	1.0274 ha
Lot 10	Tucker Beach Road	$750,000	Dec-15	9,269m²
111	Alec Robins Rd	$765,500	Jul-15	8,400 m²
Lot 12	Tucker Beach Road	$780,000	Aug-15	6,144m²
Lot 12	Hansen Road	$780,000	Oct-15	6,144 m²
Lot 4	Hayes View Lane	$800,000	Oct-15	6,516 m²

Rapid No / Lot	Address	Sale Price	Sale Date	Area
17 (Lot 7)	Wilding Road	$825,000	Jul-15	4,018 m²
5	Baird Lane	$825,000	Sep-15	2.092 ha
458	Speargrass Flat Rd	$825,000	Oct-15	5754 m²
Lot 2	Wilding Road	$830,000	Nov-15	4,837 m²
Lot 2	Sicilian Lane	$836,050	Mar-15	4,434 m²
Lot 7	Elysium Way	$860,000	Jul-15	4.69 ha
Lot 1	Sicilian Lane	$865,000	Aug-15	4,038 m²
3 / 353	Lower Shotover Rd	$950,000	Oct-15	4.4046 ha
8 / 188	Domain Rd	$975,000	Oct-15	4,647 m²
6	Caldwell Lne	$1,000,000	May-15	5.0127 ha
1	Hidden Island Rd	$1,075,000	Oct-15	1.4050 ha
13 (Lot 24)	Bendemeer Lane	$1,150,000	Sep-15	2.9719 ha
Lot 10	Preserve Drive	$1,575,000	May-15	1.337 ha
Lot 6	Wilding Road	$1,850,000	Dec-15	1.85 ha
144K	Arrowtown - Lake Hayes	$1,860,000	Feb-15	5,358 m²
Lot 1	Upper Hawthorne	$2,000,000	Sep-15	4.9699 ha
	Count	52.00		
	Median	**$747,500**		
	Average	$798,531		
	Total	**$41,523,600**		