

Akaroa Harbour Basin Settlements Study

Research Project: Real Estate Market

February 2008

**Prepared By:
Simes Limited
Phil Wilkinson, Registered Valuer
Rowan Mountfort**

**Prepared For:
Christchurch City Council**

TABLE OF CONTENTS

BACKGROUND vii
 DEFINITIONS ix
 THE PROPERTY MARKET 1
 OVERVIEW OF THE TOTAL STUDY AREA 4
 HOLIDAY HOMES OR PERMANENT RESIDENTS 5
 INFLUENCES OF HOLIDAY HOMES ON THE MARKET 7
 Interest Rates 8
 Housing Affordability 8
 Migration 9
 MARKET TRENDS 10
 DEMAND FOR PROPERTIES 12
 EFFECT OF ZONING AND SECTION SIZES 13
 LAND VALUES AND GROWTH 14
 DEVELOPMENT CONSIDERATIONS 15
 AVAILABILITY OF LAND AND PRICES 16
 Duvauchelle 18
 Takamatua 20
 Wainui 21
 Robinsons Bay, Barrys Bay, French Farm and Tikao Bay 22
 LIFESTYLE PROPERTIES 24
 AKAROA TOWNSHIP 26
 POTENTIAL FOR DEVELOPMENT 28
 Akaroa Sections & Potential Sections 28
 RATE OF DEVELOPMENT 31
 PRICE TRENDS 32
 RENTAL AND INVESTMENT RETURNS 40
 FUTURE OPTIONS 36
 COMPARISON WITH HANMER AND KAIKOURA 37
 Summary 40
 AKAROA HARBOUR BASIN REAL ESTATE STUDY SUMMARY 41
 QUESTIONNAIRE FOR AKAROA REAL ESTATE AGENTS 42
 BIBLIOGRAPHY 51

INDEX OF FIGURES

Figure 1: New Zealand House Price Movements	2
Figure 2: Comparison of House Sales and Mortgage Rates	3
Figure 3: Comparison of House Sales and Immigration	3
Figure 4: Location of Akaroa Harbour Basin Landowners	5
Figure 5: Christchurch and Banks Peninsula Median Dwelling Prices	10
Figure 6: Christchurch and Banks Peninsula Sales Volumes	10
Figure 7: Volume of Total Study Area Sales	12
Figure 8: Total Study Area Dwelling Price Medians	16
Figure 9: Age of Duvauchelle Dwellings	19
Figure 10: Age of Takamatua Dwellings	20
Figure 11: Age of Wainui Dwellings	21
Figure 12: Harbour Basin Lifestyle Sales	25
Figure 13: Age of Dwellings in Akaroa	26
Figure 14: Largest Sites in Akaroa	28
Figure 15: Akaroa Major Building Consents 1996-2006	31
Figure 16: Akaroa Section Sales per Year	31
Figure 17: Akaroa and Christchurch House Medians	32
Figure 18: Akaroa Harbour Basin Vacant Section Sale Medians	33
Figure 19: Kaikoura, Hanmer, Akaroa House Sale Medians	38
Figure 20: Kaikoura, Hanmer, Akaroa Section Sale Volumes	39
Figure 21: Kaikoura, Hanmer, Akaroa Age of Dwellings	39

INDEX OF TABLES

Table 1: Number of Properties by Location	4
Table 2: Percentage of Total Dwellings that are Unoccupied	5
Table 3: Average Days to Sell	11
Table 4: Average House Turnover Rates	12
Table 5: Section Price Ranges	14
Table 6: Capacity of Services	15
Table 7: Property Sales Volumes	17
Table 8: Locations of Lifestyle Properties	24
Table 9: Akaroa Sections and Potential Sections	28
Table 10: Large Residential Zoned Sites Akaroa	29
Table 11: Akaroa and Christchurch Rental Data	35

BACKGROUND

The study provides information and analysis concerning current and anticipated real estate market trends and issues for urban activity, in order to assist in determining potential demands and impacts on natural and physical resources within the Akaroa Harbour Basin.

This report examines the nature of property ownership, market influences, market trends, availability of land, historic rate of development, potential for further development, price trends and future options. It also benchmarks against Hanmer and Kaikoura as similar holiday type destinations. Land supply data has been sourced from Christchurch City Council records and ownership structure from the 2006 census. The report considers the effect of migration using data sourced from the census. House and land sales data have been analysed by district using Simes Limited sales statistics and REINZ data.

Issues relating to market preference and future options have been addressed through survey and interview of local experienced real estate agents combined with our experience as Registered Valuers practising in the district for more than 20 years.

Agents were supplied with a questionnaire; this was responded to in an informal and predominantly verbal manner.

It should be emphasised, that, due to the small number of properties involved in the study, statistical analysis could easily be skewed. This is particularly apparent in the smaller communities where there are very few transactions of property.

The study includes house and section sales, and also rural residential lifestyle properties (not economic units or commercial properties).

DEFINITIONS

CCC	Christchurch City Council
Harbour Basin	The Inner Akaroa Harbour including Urban and Rural properties.
Houses	Sections with a single unit dwelling
Lifestyle	Zoned Rural, between .4 and 10 hectares and with a house.
REINZ	Real Estate Institute of New Zealand
Sections	Vacant land, urban size allotments
Simes	Simes Limited, Real Estate Company, Valuers and Property Managers. Established 1904.
Simes Sale Data	Property Information held and purchased by Simes. Includes information sourced from Christchurch City Roll records, solicitors sales notices and Quotable Value classifications.
Small Holdings	See Lifestyle
Small Settlements	Barry's Bay, Robinsons Bay, French Farm and Tikao Bay
Total Study Area	Akaroa, Duvauchelle, Wainui, Takamatua, Robinsons Bay, Barry's Bay, Tikao Bay, and French Farm Settlements and their immediate hinterland, as identified in the 2007 CCC document 'Identifying the Issues', prepared for the Akaroa Harbour Basin Settlements Study

THE PROPERTY MARKET

Source: R L Jeffries, Urban Valuation in New Zealand

The real estate market deals in real property rights. It is made up of buyers, sellers, lessors, lessees, and others with proprietary transferable interests in real estate.

The real estate market is thus made up of a great diversity of both types of property dealings, and methods of sale and purchase or leasing, within the very heterogeneous nature of real estate itself. Differences in location, zoning, and type of improvements give rise to the major variation between properties, indicative of highly localised markets within the real estate market in New Zealand. The market varies greatly from town to town and city to city and even within the larger cities extreme variations for the same general class of property can occur. In addition, the real estate market is highly sensitive to changes in government policy, particularly fiscal or monetary policy which affects the supply of mortgage money and, to a lesser extent, taxation or other government controls on the sale or leasing and renting of properties. Fluctuations in the equilibrium between demand and supply for each class of property varies as each sub-market is affected by current condition, and overall the market is susceptible to "booms" followed by "slack" periods of market activity.

Throughout this kaleidoscope of changing market activity is underlaid the various types of interests in real property, such as leaseholds, which in themselves are often subject to further local or national influences resulting from their particular legislative, popularity, or institutional changes.

The Context of the National Economy

The general level of values or property prices and the rate of price increases (or fall) reflect the general economic trend in the national economy. In times of rapid inflation one expects to find rising property values. In times of depression one expects to find falling property values. Between these two extremes the general level of property prices will fluctuate generally in tandem with the business cycles of prosperity, stagflation, or collapse, though the relative levels of property prices in general are rarely parallel.

In the national context, the strongest influence upon the general level of property prices comes from the influence of government policy affecting the ability of buyers and/or sellers to transact. Some government policies take the form of economic influences affecting the property market as a sector of the economy generally, such as controls on interest rates and bank lending; while other government policies take the form of legislative or regulatory controls directly affecting the property transactions, their price, rents, or taxation liability.

The *urban real estate market* is especially affected by government immigration policy as in times of high immigration considerable demands are placed upon the existing housing stock as well as for new building to house the new New Zealanders. If such high immigration happens to coincide with a scarcity of supply resulting from other factors, then a strong pressure for an upward movement in house prices and rental levels is created.

Government policy influences the amount of mortgage finance available in the private sector, primarily by controlling the Reserve Bank ratio on trading banks and the requirements as to government stock ratios affecting trustee savings banks, insurance companies, superannuation and pension funds, and building societies.

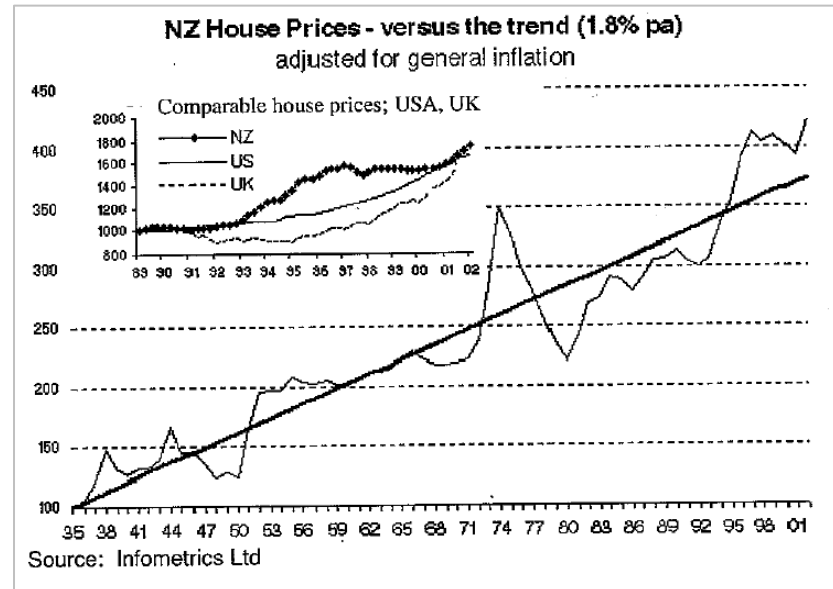
Inflation is a strong motive for attracting people to invest in real estate as it has been long regarded as a very good "hedge" against inflation. In boom times the rate of increase of property prices has greatly exceeded that of the general price level, and in times of depression, property prices have traditionally been reluctant to fall by as much as the decrease in prices generally.

The Impact of Rising Property Prices on Coastal Settlement Communities

Source: Claire Freeman, Christine Cheyne, Paula Ding, Norah Ellery & Jim Williams.

House prices in New Zealand continue a general trend of increasing over time. Property prices in all sectors exhibit cycles rather than smooth increases over time. These cycles are generally caused by a mismatch in supply and demand for property. Unlike the market for other consumer goods the supply of property is slow to react to changes in demand because of the time it takes to supply new buildings. The effect on property prices due to the mismatch between supply and demand works in both directions with prices rising when demand exceeds supply but when demand for property cools and the excess supply cannot easily be stopped quite significant price declines can follow.

Figure 1: New Zealand House Price Movements



New Zealand house price movements from 1935 to 2003 (adjusted for inflation) are shown by the thinner line in Figure 1. The graph illustrates periods where house prices were above and below the general long-term trend (the more solid line) in house price movements. The periods of strong house price inflation in the 1970's are clearly evident as well as the recent increases with property prices remaining above their long-term trend since the mid 1990's.

The inset graph shows that, while over recent years New Zealand house prices have remained above the long-term trend, they have not risen comparatively further overall since 1989 than prices in the United States or the United Kingdom.

The major factors affecting the New Zealand residential property market since 1994 include population growth (driven by migration), lower interest rates and greater investment in real estate by foreigners and ex-patriot New Zealanders. There have also been two general economic recoveries from 1994 to 1996 and since 2000.

The magnitude of the house price increases in the coastal settlements exceeds those in the local regions and New Zealand in general. They impact on the cost of home ownership for existing home owners in these settlements and make ownership of homes very much less affordable for those planning to buy into these locations.

Anecdotal evidence suggests that property sales and prices are easing and historically periods of rapid property price escalation have been followed by periods of price correction. However, the gap that has developed between the price of property in coastal settlements and others is unlikely to go away.

Key Drivers in the Property Market

The key elements that influence the property market are:

- Interest Rates
- Migration
- Housing Affordability

Figure 2 shows the fall in house sales in recent times is almost entirely driven by the rise in mortgage interest rates, with interest rates generally being one of the most important cyclical driver of house sales.

Figure 2: Comparison of House Sales and Mortgage Rates

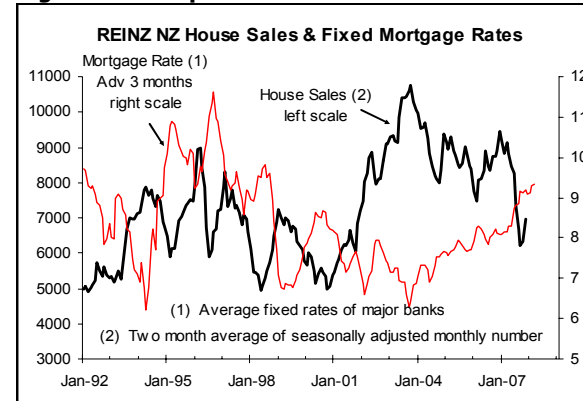
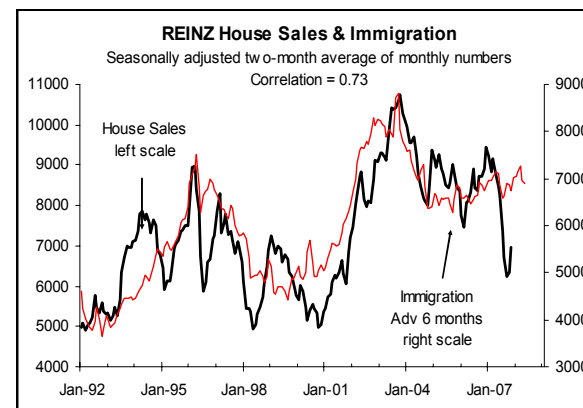


Figure 3: Comparison of House Sales and Immigration



Source: Strategic Risk Analysis Limited (www.sra.co.nz)

We expect market within the Total Study Area to be influenced by these factors, as the rest of the market, although there are peculiarities in relation to the Akaroa Basin as a recognised holiday destination.

OVERVIEW OF THE TOTAL STUDY AREA

The urban areas of the Total Study Area comprise approximately 1673 “rateable” urban type properties the majority of which are situated within Akaroa Township.

Table 1: Number of Properties by Location

	Rateable Properties	Percentage
Akaroa	1017	61%
Duvauchelle	225	13%
Wainui	166	10%
Takamatua	140	8%
Tikao bay	36	2%
French Farm	26	2%
Robinsons Bay	45	3%
Barry’s Bay	14	1%

Source: CCC

94% of the properties are located in Akaroa, Duvauchelle, Wainui or Takamatua. All the communities are within eight kilometres of each other, although separated by lower hill slopes and Akaroa Harbour. The maximum road distance is approximately 20 kilometres between Akaroa and Wainui.

If we exclude vacant sections from the urban properties, Akaroa has just over 70% of the total house stock.

The Harbour Basin has a low-density pattern of urban development. We have estimated that there is approximately 13,000 hectares within the Harbour Basin of which the settlements currently occupy under 2%. The settlements are situated on the lower hill slopes and generally in bays surrounding the harbour edge. Just over 20% of the shoreline is dominated with urban activities. However if the Harbour to the south of Wainui and Akaroa is excluded, urban activities dominate over 32% of the harbour edge.

There is a wide range of businesses in Akaroa, although Duvauchelle is also a small servicing centre with a general store, hotel, garage, primary school, camp ground café and motels.

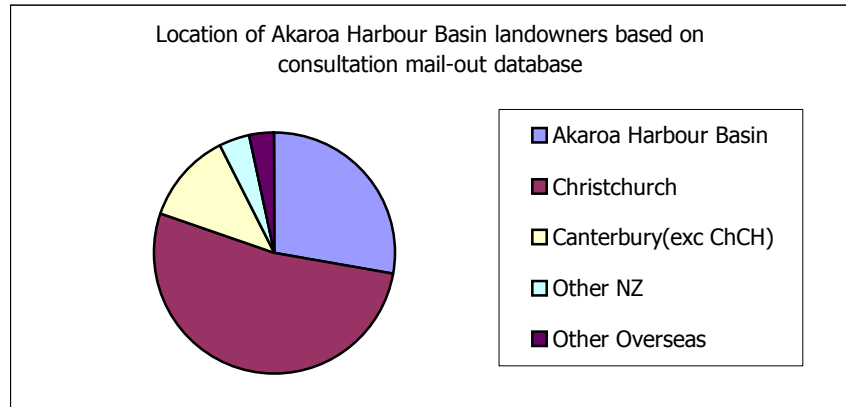
The main areas of employment involve servicing the tourist industry and recreational based activities, including a number of arts and craft galleries, boutique wineries, accommodation, restaurants, tramping, trekking, etc. Traditional farming remains although its economic contribution is declining. There are only a small number of economic farms including two dairy farms although we note that many of the larger stock farms comprise a number of properties often some distance apart. There are a number of smaller holdings with horticultural activities. Cheese making is a popular attraction in Barry’s Bay and aqua farming is continuing to be developed. Close to and in the small settlements are a number of home stays and houses providing bed and breakfast accommodation.

HOLIDAY HOMES OR PERMANENT RESIDENTS

As a popular resort, the Total Study Area is dominated by properties used as holiday homes.

An analysis of the “Christchurch City Council Consultation Mail-out Database” for the whole of the harbour basin indicates that 27.85% of the properties have mailing addresses within the harbour basin, and 72.15% outside the harbour basin. Although the mailing records include a number of properties outside the total study area (9.5%) we believe it provides a good approximation for the percentages of the houses used as holiday homes.

Figure 4: Location of Akaroa Harbour Basin Landowners



Source: Christchurch City Council Consultation Mail-out Database

Real estate agents advise that the majority (over 90%) of their business involves holiday home transactions, and that their studies and their analysis indicates that approximately 80% of urban properties within the Harbour Basin are used as holiday homes. Duvauchelle and Takamatua are regarded as having the highest percentage of permanent residents. Simes undertook a sample survey of four communities within the settlement zone.

- In Tikao Bay 16.7% of the houses appear to be permanent residences.
- In the Bossu/Jubilee Road part of Wainui, 11% appear to be occupied by permanent residents.
- In Archdalls Road, 13% of the houses appear permanently occupied.
- In Takamatua 30% of the “Residents Association” are permanent residents. The Residents Association includes most of the houses in the small settlement zone.

At the time of the Census, “unoccupied” dwellings made up 64% of all the dwellings in Akaroa and 56% in the Harbour Basin.

Table 2: Percentage of Total Dwellings that are Unoccupied

Akaroa	64%
Harbour Basin	56%
Christchurch	6%
New Zealand	10%

Source: Census 2006

We also note that the number of “unoccupied dwellings” in Akaroa has increased 32% between 1996 and 2006. Unoccupied dwellings consist of both “residents away” and “empty dwellings”.

The census also indicates that household ownership has not changed significantly in the last 10 years. At the time of the census, 69% of Akaroa Harbour Basin households owned their usual residence, compared to 64% in Christchurch and 63% in the whole of New Zealand.

Changes in employment patterns have resulted in changes in the make up of owner occupied homes. Middle income jobs traditionally provided by large employers like Telecom, District Council and Power Boards have reduced significantly and in the last twenty years, generally replaced by those involved in the tourist industry, where pay rates are generally lower.

INFLUENCES OF HOLIDAY HOMES ON THE MARKET

Holiday homes make up between 70-80% of the housing stock within Total Study Area and therefore they have a dominating effect on the local market.

Aspects of Holiday Property Market identified by Simes are:

- The above average age of holiday home owners compared to general property ownership. The 2006 census also indicates that the age of the “usually resident” population in Akaroa is increasing significantly above the rates in Christchurch and New Zealand.
- Holiday homes and sections tend to be smaller than permanent residents homes. The styles of holiday homes have changed over the years in that now most have the “conveniences of home”.
- Holiday home purchasers require low maintenance properties and sections.
- Changing social patterns has resulted in more and more holiday home owners now wanting to be within walking distances to places of entertainment. We have observed that the number of restaurants and coffee shops in Akaroa and in Duvauchelle have increased over the last 15 years.
- The demand for infrastructure services is seasonal. However, water sewage and storm water disposal systems must be designed for peak season, which may only be for one or two weeks of the year.
- The demand for community servicing industries is also seasonal. Small businesses in Akaroa tend to thrive over the summer season and survive over the winter. Consequently a small business owner will position themselves where they can survive by servicing the “usual residential population”. Currently this is mainly in Akaroa with some recent growth in service industries in Duvauchelle. We believe that it is unlikely that service industries will place themselves elsewhere in the Harbour Basin although some provision should be considered to allow for a mixed used activity in all the small settlement areas. We envisage a relatively small land area of between 500 square metres and 1000 square metres for the settlements other than Akaroa and Duvauchelle.
- Holiday homes in Akaroa are generally not purchased for investment income. Real estate agents advise that only a very low percentage have their houses available to rent when not in use.
- Holiday homeowners work or earn their income away from the Harbour Basin and therefore house prices are often unrelated to the local economy and employment conditions. This appears to be especially so in the Harbour Basin where the median price range is well above Christchurch (see Figure 5, Pg 15) and is generally set by holiday home purchasers, which are generally in the above average income bracket.
- Location requirements for holiday homes are largely based on leisure and recreational activities which can range from being within walking distance to cafés, restaurants or taverns, being handy to the beach and/or boating facilities or just being in an attractive setting or a combination of the above.

These conclusions are reached after comment from the three real estate agent offices dealing in Akaroa and the writer’s personal experience as a Registered Valuer for 30 years with a particular interest in the peninsula.

Interest Rates

In our opinion, based on searching of titles and discussions with real estate agents, holiday homes tend to carry a low or minimal debt.

The senior Mobile Manager for the Bank of New Zealand Christchurch advises that the level of debt is lower on holiday homes than personal residences. In his experience the number of homes with no mortgages is much higher in Akaroa than Christchurch.

Holiday houses are perceived as non essential items, relative to a permanent residence.

The rate of house sales in Akaroa is relatively low (see page 17).

Therefore, the holiday home market is less likely to be susceptible to interest rate fluctuation.

Housing Affordability

Source Statistics New Zealand Ministry of Social Development

Housing affordability includes capacity of households to meet ongoing house costs and the amount of discretionary income available after housing costs are paid.

Housing Costs to income ratio is a common measurement of housing affordability and is affected by house prices, interest rates, household income and the general state of the economy.

Holiday home owners dominate the Total Study Area. They tend to have greater wealth and/or have high earnings. The influence of high outgoings to income ratios is not seen as critical as those with lower earnings, as there is still sufficient income left to cover basic needs.

Holiday home owners also earn their income away from the Total Study Area, but contribute significantly to the strong growth in land and house prices, creating housing affordability issues for permanent residents and seasonal workers. However given the dominance of holiday home owners in the Total Study Area, the property market is not directly affected by housing affordability issues.

Migration

A significant factor that influences the regional real estate markets in New Zealand is demographic shifts.

The following data is sourced from the 2006 census and the Akaroa Harbour Basin Settlements Study Demographic Research Project.

Between 1996 and 2006 there has been a 1% population growth of "usual residents" within the harbour area. This compares with 10% growth in Christchurch and 11% growth nationally over the same period. The number of "usual residents" is approximately 1305 of which 45% have moved into the area within the last 5 years and approximately one third of these had moved from Christchurch.

Of the 420 residents that had moved out of the Harbour Basin in the last 5 years, 61% moved to Christchurch.

Between 2002 and 2006 New Zealand experienced positive migration. This along with increased business confidence resulted in buoyant market conditions and was a significant catalyst for a number of residential developments. During this time, waterfront properties significantly increased in value throughout New Zealand, mainly due to the demand by migrants who moved from countries where such properties were only affordable to a small percentage of the population. The impact of this has been experienced in Akaroa where market trends and median prices have increased substantially, and have out performed the Christchurch market. This is despite negligible growth in the "usual resident" population.

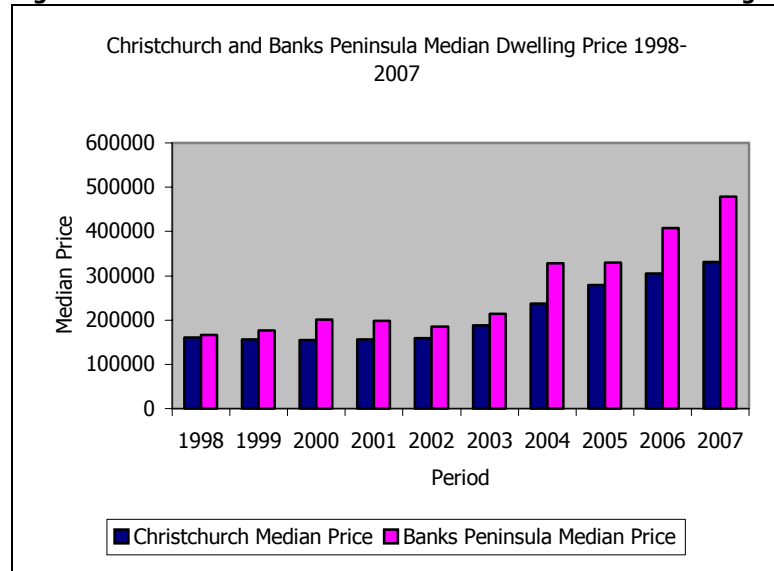
MARKET TRENDS

Property markets are measured and compared by reference to:

- Price fluctuations or trends
- Market buoyancy (Property Sales Volumes)

Over the last 10 years, sale prices have followed similar trends experienced in Christchurch. In general terms, the median price within the Total Study Area has been above the median price in Christchurch, with the gap increasing, particularly over the last six years.

Figure 5: Christchurch and Banks Peninsula Median Dwelling Prices 1998-2007



Source: REINZ

REINZ sales statistics are only available for the whole of the Peninsula, east of Motukarara. They relate to single standard urban size allotments, not lifestyle properties.

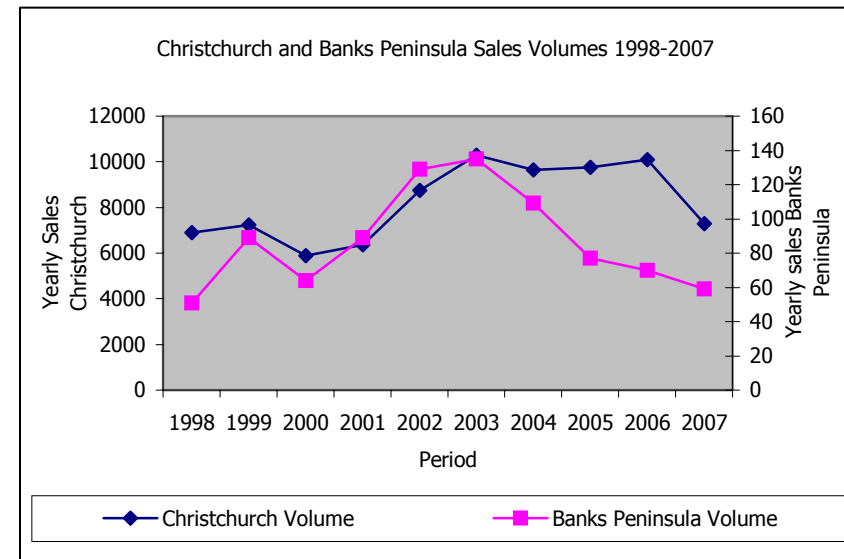
The 2007 median price in Banks Peninsula is \$478,300.

The 2007 median price in Christchurch is \$331,389.

Sale Volumes

In the last 10 years, sales volumes in the Total Study Area has also followed similar trends to that of Christchurch.

Figure 6: Christchurch and Banks Peninsula Sales Volumes 1998-2007



Source: REINZ

DAYS TO SELL

“Days to Sell” is often used as an indicator of market buoyancy. Akaroa Real Estate agents refer to the period between October and April as the “selling season”, where they negotiate approximately 70% of their transactions. This can result in a wide range for “Days to Sell”.

Table 3: Average Days to Sell

Year	Banks Peninsula	National
1998	62	45
1999	89	44
2000	68	50
2001	78	52
2002	84	38
2003	57	28
2004	27	30
2005	29	29
2006	38	34
2007	58	32

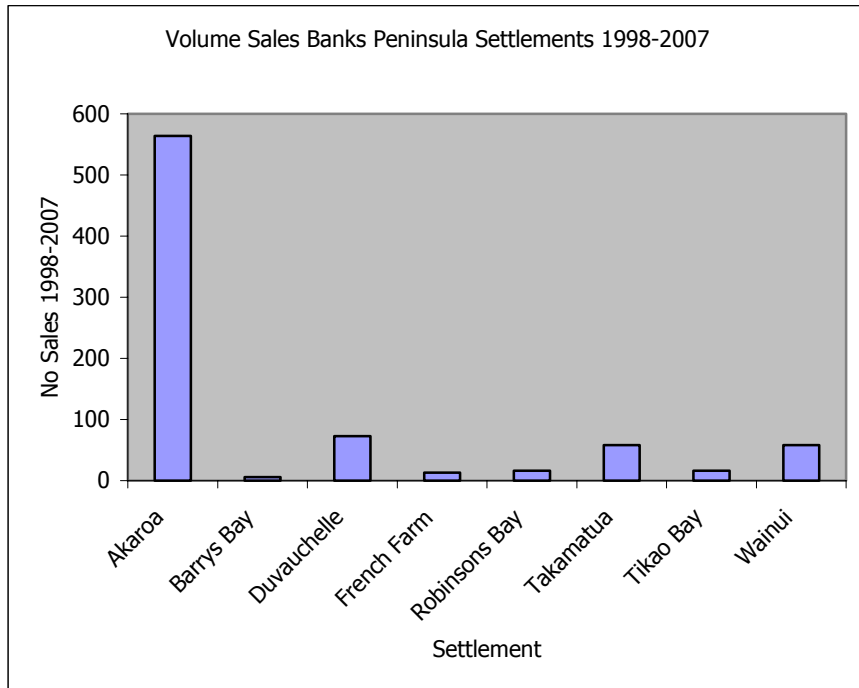
Source: REINZ

The table indicates, apart from 2004, houses in Banks Peninsula take longer to sell than the national average. We believe that owners are more prepared to wait for the “right price” and possibly not subject to as much pressure to sell than those in Christchurch or elsewhere in New Zealand.

DEMAND FOR PROPERTIES

Using Simes sales data, we have analysed house sales volumes within the Total Study Area.

Figure 7: Volume of Total Study Area Sales



Source: Simes Database of Sales

The above graph indicates that the most activity (70%) takes place within Akaroa Township. A further analysis (Table 4) indicates that Akaroa also

has the highest rate of sales on a percentage of basis. Based on sales volumes the average turnover rate for a house in Akaroa is currently 15 years, which is significantly longer than Christchurch, which has an average turnover rate of eleven years.

The low turnover of homes in the Total Study Area, indicates that holiday homes are often purchased for long term enjoyment (many are lifetime purchases), and often the ownership structure is complex, designed to be retained through generations.

Table 4: Average House Turnover Rates

Locality	Average yearly sales in 1998-2007	No Houses	% Turnover	Turnover Rate (years)
Akaroa	56	850	6.6%	15
Duvauchelle	7	133	5.6%	18
Takamatua	6	125	4.6%	22
Wainui	6	122	4.8%	21
Other Small Settlements in Total Study Area	5	106	4.8%	21
Christchurch	8938	98855	9.0%	11
Hanmer	46	630	7.3%	14
Kaikoura	48	522	9.2%	11

Source: Simes Database of Sales

EFFECT OF ZONING AND SECTION SIZES

Allotment sizes are controlled by zoning performance standards, which in turn were often set to allow sufficient area for septic tank wastewater disposal. The urban areas which lack a reticulated sewer system have traditionally been zoned "Small Settlement", which has a 1,000 square metre subdivision standard and the serviced communities of Akaroa and Duvauchelle are dominated by the Residential Zone, which allows a 400 square metre minimum.

The visual impact of urban activities on the landscape will vary depending on individual perspectives or points of view. However, what is noticeable by personal observation, is that the established residential areas on the hillsides within the bays invariably have as much, if not more, regenerative bush than the surrounding farmland. It will appear that as the settlements are dominated by holiday homes, they are generally landscaped to an easy care standard, often dominated by native planting and allowing bush to regenerate. Tikao Bay and Archdalls Road are examples where housing has nestled into an attractive bush setting, surrounding a small bay. We also note the regeneration of bush is evident throughout the Total Study Area. The upper hill slopes of Akaroa are dominated by the "Akaroa Hill Slope" zoning which has a 5,000 square metre minimum site area, which, combined with the high percentage of holiday home usage, has also encouraged bush regeneration.

It would appear that with a holiday home dominated market, the larger the section, the more likelihood that natural regeneration and some native planting will eventuate, resulting in a desirable visual outcome. However, this must be weighed against satisfying demand for house sites, and the opportunity cost of providing large sections, which are often less affordable, and don't necessarily meet the market demand.

We envisage that sections between 600 and 800 square metres will be most in demand in the future for both those wanting holiday homes and permanent residences. This is contrary to trends in larger cities, where high-density developments are encouraged, not only for centrally located properties but now also for Greenfield developments. We believe that the demand for high-density development will be restricted only to central Akaroa Township.

Ideal contour requirements for a hill development, in an area where views are important are sections which are steep enough so that the views of houses are able to be maintained, yet not too steep to incur significant building and access costs.

LAND VALUES AND GROWTH

Prices in the Harbour Basin vary considerably depending on the location, closeness to the Harbour, views, aspect, contour and size.

Typically the highest value sections are those on the water edge or separated only by a road. The lower value sections tend to be in more of a valley setting, lacking views and unserviced.

Real estate agents report that views are generally the most significant factor in determining price in the Total Study Area.

Table 5: Section Price Ranges

Location	Section Price Range
Waterfront sections within the Total Study Area (excluding Akaroa)	\$300,000 - \$600,000
Waterfront sections Akaroa	\$900,000 - \$1,500,000
Hillside Harbour Settlements (excluding Akaroa and Takamatua)	\$180,000 - \$250,000
Hillside Akaroa with good harbour views	\$250,000 - \$550,000
Hillside Takamatua with good harbour views	\$250,000 - \$400,000
Remainder Harbour Settlements	\$150,000 - \$200,000
Remainder Akaroa	\$180,000 - \$250,000

Source: Simes Sale Data

The above price range covers approximately 80% of the sections and has been derived from section sales as well as an analysis of house sales. Agents also report that waterfront sections have always been in demand, with prices significantly increasing during the early 2000’s, which is consistent with waterfront properties elsewhere in New Zealand.

Our observation, as valuers, indicate that premiums paid for “best” properties nationally and internationally tend to increase over time, and therefore it is likely there will always be pressure on any land on or close to the waterfront for residential development throughout the harbour. This will apply in particular to north or west facing blocks, which have the favoured afternoon sunny aspect.

As value is a derivative of demand then the highest demands are in Akaroa and Takamatua. The close proximity of Takamatua to Akaroa indicates the full range of services that Akaroa provides contributes significantly to its popularity, compared to the other settlements in the Total Study Area. As valuers, analysing sales of properties in the Total Study Area, Simes have observed that unless there is obvious subdivision potential, the size of sections is not a significant factor affecting sale prices. Location, views, aspect and contour are of more importance.

DEVELOPMENT CONSIDERATIONS

The availability of, and the potential to provide, reticulated wastewater and water systems along with the availability of larger blocks of suitably zoned land are regarded as essential elements for urban growth. Land developers generally require large blocks to obtain economies of scale in developing or extending existing structure. Within the Total Study Area, Duvauchelle is the only settlement that currently meets these criteria (refer Table 6 below). However there is a reticulated sewage system planned for Wainui, which has zoned land available. There is limited potential in the water and wastewater schemes in Akaroa, although it appears to be capable of servicing the current growth rate of approximately 10 houses per year for the next 5 – 10 years.

Table 6: Capacity of Services

Locality	Waste water	Capacity	Reticulated Water	Capacity
Akaroa	Reticulated	Nearly Full	Yes	Minimal
Robinsons Bay	Septic Tank		Part	
Takamatua	Septic Tank		Yes	Unknown
Duvauchelle	Reticulated	Spare	Yes	Yes
French Farm	Septic Tanks		No	
Wainui	Part Reticulated	None	Yes	Yes
Tikao Bay	Reticulated	None	Yes	None
Barry's Bay	Septic Tank		No	

Source: Akaroa Harbour Basin Settlements Study 2007

Note: Both Ngaio Grove and Ngaio Point are included in Duvauchelle.

Apart from Tikao Bay all the reticulated waste water systems currently discharge to the Harbour.

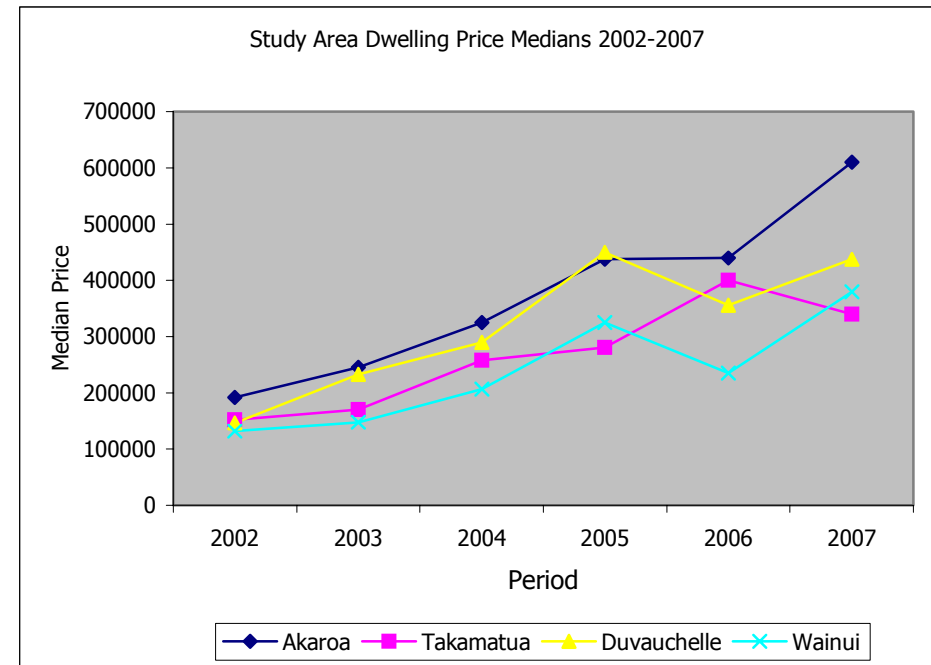
AVAILABILITY OF LAND AND PRICES

From a real estate perspective, the Harbour Basin has a low-density pattern of residential developments. If there was no zoning, land stability or ownership restrictions, there would not be many localities on the lower hill slopes, which would not provide harbour views, an important criteria for holiday home purchasers. The market also pays a significant premium for direct harbour views. All the hillside locations surrounding or adjoining small settlement zones could potentially provide for future growth but demand for a valley location is significantly lower, apart from lifestyle purchasers. This is concluded from comment from sales agents and our knowledge of values of sections/houses with and without views.

Section prices in the Small Settlements, Wainui and Duvauchelle for the most part with higher prices in Takamatua, and Akaroa is the most expensive. However Akaroa, with its north facing aspect and a more complete range of community services and facilities is by far the most sought after locality, as advised by local real estate agents. Community service industries are growing in Duvauchelle, where there are significant numbers of permanent residents.

In general terms, the added value the house makes to the land increases, as the value of the section increases. Therefore we would expect the Dwelling Median Sales Prices in the Total Study Area would reflect the underlying land values.

Figure 8: Total Study Area Dwelling Price Medians



Source: REINZ

AVAILABILITY OF LAND continued

The number of sales in each of the localities is:

Table 7: Property Sales Volumes

	2002	2003	2004	2005	2006	2007
Akaroa	59	39	54	36	35	23
Takamatua	6	9	8	7	7	9
Duvauchelle	9	7	11	5	10	7
Wainui	9	12	7	6	6	5

Given the relatively small number of sales used to calculate medians, conclusions should be treated with caution although the statistics suggest a shift in popularity, or at least faster price growth, in Akaroa relative to the other settlements. Figure 8 indicates the median sale price in Takamatua is lower and has been lower than Wainui and Duvauchelle. However the low number of sales distorts the overall picture. The influence of new houses in Wainui and Duvauchelle has increased their medians, whereas there was only one new house sale in the period for Takamatua. Also during the study period there was only one sale in the 'prime' area of Takamatua but in Akaroa in 2007, there was a high percentage of very high value sales.

Simes Valuations advise that if comparing the same house on similar sections in the Total Study Area, the highest value will be achieved in Akaroa, followed by Takamatua and then both Duvauchelle and Wainui.

Duvauchelle

Duvauchelle is situated at the east end of the harbour and comprises three urban areas with:

- Waterfront properties, motel and hotel and garage at the western end of the township,
- Recreation reserve, golf course, primary school and general store and some service industries adjoining Pawsons Valley Road and camp ground (Council owned), and
- Urban housing on the eastern hill slopes extending to Ngaio Grove and Ngaio Point.

Factors affecting the urban values include:

- Attractive harbour views although to the south.
- Recreational facilities including reserve, camping ground, wharf, golf course, boat ramps.
- Some community servicing businesses and industries.
- Reticulated water and wastewater schemes.
- Tidal nature of the harbour edge, with a predominance of mudflats relative to sandy beaches.
- Ready access to the harbour.

Properties on Onawe Flat Road rarely become available to the market and those in the residential zone in Pawsons Valley Road have tended to have limited views. There has been some limited development in this location and there are a number of lifestyle properties (although zoned Residential), which have future development potential.

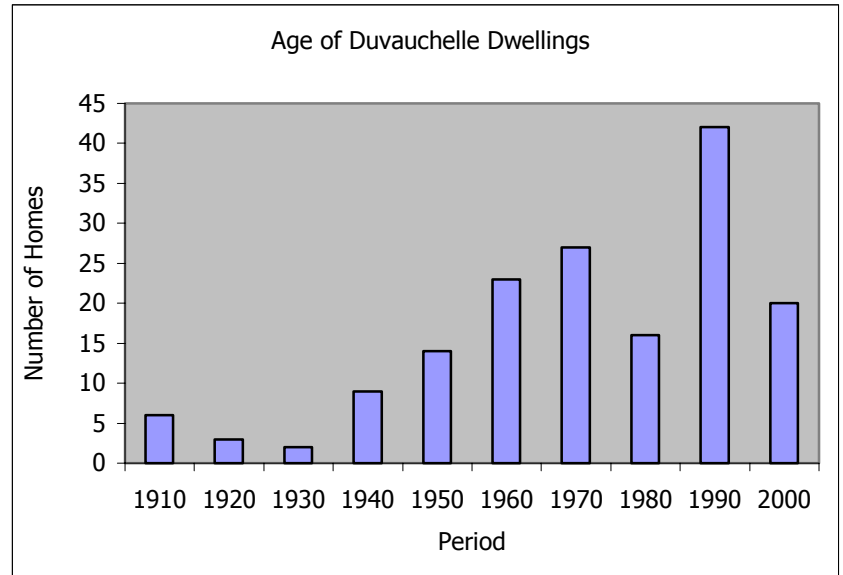
During the last 20 years there have been residential developments on the eastern portion including Ngaio Grove (37 sections), Bayview Heights (20 sections), and most recently Ngaio Point Stage 1 (48 sections). There are sections available in all three subdivisions.

Duvauchelle continued

Of interest, sections in the Ngaio Point subdivision originally sold quickly with prices reflecting the unique nature of the subdivision and the large section sizes. The development occurred on a headland in the harbour and was available on the market in 2001 with prices ranging between \$145,000 and \$250,000. Growth in property prices has been generally consistent with other residential markets with the latest section sales being \$359,000 to \$370,000 for waterfront properties. House construction has been somewhat slower, although over the last 12 months there has been some momentum and there are 17 dwellings built or under construction. Planning for Stage 2 is well underway which will involve a further 28 sections between 700 and 800 square metres. This is despite the residential zoning having provision for a higher density development with a minimum size of 400 square metres. We note that some of the original larger sites have since been subdivided, although we note that there is a Land Covenant which restricts further subdivision of the majority of the sections to 2011.

Section sales in Duvauchelle over the last 10 years have averaged 6.8 allotments per annum. House construction appears to be at a slightly lower rate, given that some sections have been sold more than once before a house was built. We estimate between four and six new houses are being built per year. Within the residential zoned land there appears to be potential for a further 300 allotments, which should meet demands for some time.

Figure 9: Age of Duvauchelle Dwellings



Source: Rating Database

In the above chart we note that growth in the 1990's was mainly due to house construction in the Ngaio Grove and Bayswater subdivisions.

Takamatua

Takamatua is the closest community to Akaroa. The Small Settlement Zone is in three portions including the hillside above the harbour, which contains the majority of the holiday homes, a smaller block at the head of the bay and a small valley community.

Features from a real estate perspective include:

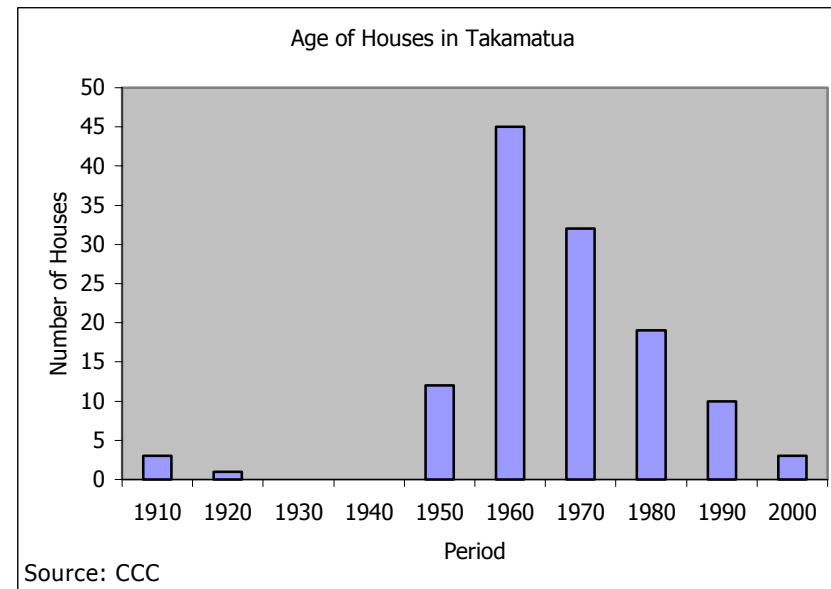
- Community water supply and septic tank system.
- Close to Akaroa.
- Mostly developed during the 1960's and 1970's.
- Minimal block land available for future subdivision.
- Two reserve areas.
- Poor access from the main road.
- Access to harbour and boat launching facilities.
- Predominantly north facing.

Kingfisher Point is a 10.9-hectare block of Small Settlement zoned land, which has recently been developed and provides 25 sections, with the latest asking prices between \$425,000 and \$495,000. The subdivision, like the rest of Takamatua, does not have a reticulated wastewater system, and section sizes range between 1500 and 2900 square metres. We understand titles have just been released and the majority of the sections are still available. The number of sections and minimum section sizes were determined after intensive consultation between the Council, residents and the developer.

Above and surrounding the Kingfisher Point subdivision, there is land that would be desirable for urban housing from a real estate perspective, although like the hillside on the opposite side of the bay, it is identified in the District Plan as an Interim Outstanding Natural Feature and Landscape

Protection Area and is within the Coastal Protection Area. The hillside above the existing settlement zone of Kingfisher and Quail Crescent is zoned rural and could potentially provide further house sites, although sections are generally less valuable the further away they are from the harbour edge.

Figure 10: Age of Takamatua Dwellings



The closeness of Takamatua to Akaroa will result in a steady demand for property over the next 30 years. It is likely that both Akaroa wastewater and water systems will be upgraded and if they were extended to Takamatua, the harbour side hills and the valley areas would become very attractive to developers.

Wainui

Wainui is the largest settlement on the western side of the harbour and has a mix of both residential and small settlement zoning. Features impacting on land values are:

- Good access to sandy beach, and boat ramps.
- Relatively large areas of reserves.
- Facilities include church, tennis court and YMCA camp.
- Views to heads of the harbour.
- Predominance of south facing aspect.

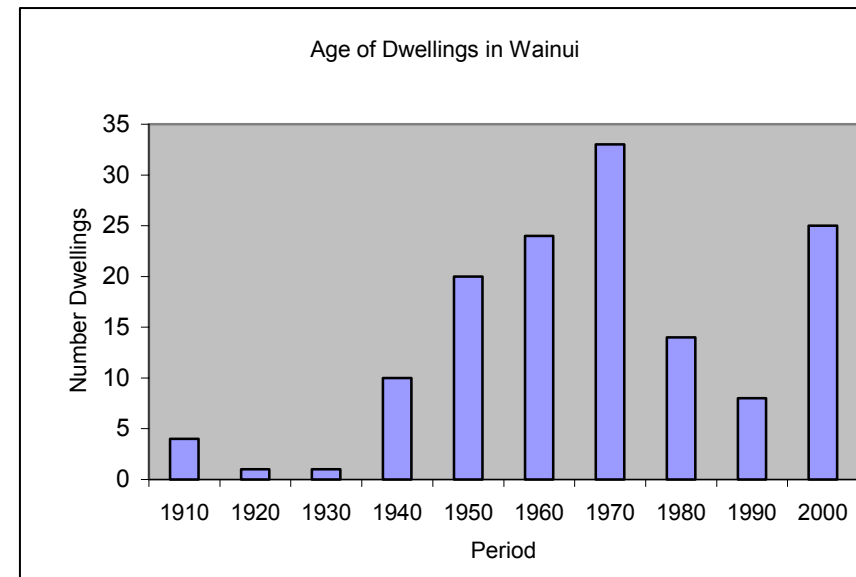
There are effectively six pockets of Small Settlement zoning including three along the waterfront and three inland. In total there are 166 urban type properties with current zoning potential to double this amount. There appears to be adequate potential in the community water scheme to provide for further growth and a reticulated wastewater scheme is proposed. The YMCA camp and conference centre has some employment opportunities and also provides staff accommodation for YMCA employees.

The most recent 'urban' development has been in Seaview Lane, a staged subdivision which began in the mid 1990's. Eight of the 37 sections in Seaview Lane have yet to be built upon.

Real estate agents advise that demand for Wainui does not appear to be any greater than any of the other Harbour Basin communities, apart from Akaroa. Current land and house values reinforce this. Like Duvauchelle, there is some reasonable size and suitably zoned development blocks in the Small Settlement zone, and a new wastewater scheme is proposed for this year, which may:

- Encourage the development of existing residential zoned land.
- Encourage and/or put pressure for rezoning of the existing Small Settlement zone to Residential, which will increase the number of potential sections available, although possibly decrease the size of lots.

Figure 11: Age of Wainui Dwellings



Source: Rating Database

The supply of land available for houses and potential for growth is greater in Wainui than the other settlement areas, apart from Akaroa.

Robinsons Bay, Barry's Bay, French Farm and Tikao Bay

Robinsons Bay

Robinsons Bay comprises three Small Settlement zone areas being Archdalls Road, a small valley settlement and a small cluster of sections on north facing hill above the bay and below State Highway 75. Factors influencing values include the following:

- Beach access.
- Apart from the valley settlement, properties are sited between the main road and waterfront.
- Very limited potential for growth within the Small Settlement zone, as virtually all sections have houses on them.

The Archdalls Road subdivisions of 23 sections was developed in the 1970's and 1980's and is a popular community with houses privately screened, and have walking access to the waterfront. There are minimal opportunities for new development within the community.

Barry's Bay

Barry's Bay comprises two small areas of Small Settlement zoning with the total of approximately a dozen properties, sited within the valley on Barry's Bay Valley Road and on State Highway 75. There are minimal areas available for development within the Small Settlement zone and generally a minimal demand for growth. There is currently one house under construction. Real estate agents advise very little enquiry in this area, possibly due to the wet nature of the valley and lack of access to a sandy beach.

French Farm

French Farm comprises three pockets of Small Settlement zone surrounding French Farm Bay. There is generally minimal potential in the zone for future development, and local real estate agents advise they believe there is a low demand for properties. However the bay is a popular yacht mooring locality and has a number of boat sheds. Within the valley and surrounding hillsides are a number of wineries, home stay and lodge accommodation.

Tikao Bay

Tikao is the most popular of the small communities as evidenced by the number of houses (approximately 36). It features a community water supply and a wastewater scheme with a land based discharge system. It enjoys beach access, has wharf and boat mooring facilities and is often described as an example of a very sympathetic development, with housing privately nestled into a steep valley surrounded by regenerating bush.

The residents association advise that the water and wastewater schemes have no further capacity, and there appears to be little opportunity for further growth within the Small Settlement zone, as most of the sections are built upon.

Summary

There is no documented evidence of the extent of unsatisfied demand for additional sections in the above localities, although we note that there have been Resource Consent applications for new housing on small allotments in the rural zone, close to the small settlements, indicating there must be some demand. Real Estate agents advise that there is a low level enquiry for properties in these small settlements, but this could simply be because of the lack of supply. If land were available, we would expect the demand, based on development rates in Duvauchelle, Akaroa and Wainui, to be in the vicinity of one to two sites per annum per locality. We suggest an allowance should be made for growth in the vicinity of forty houses over the next 25 years between, or in Tikao Bay and/or French Farm, which could warrant the development of small community water and waste water systems.

The rural zoned areas surrounding Wainui could provide for future growth in the long-term future, if required, subject to other environmental considerations including the capacity of water and proposed wastewater schemes.

LIFESTYLE PROPERTIES

There are approximately 57 lifestyle or rural residential properties within the Harbour Basin. Lifestyle properties are classed as those with houses on between 0.4 hectares (1 acre) to 10 hectares and zoned Rural.

Table 8: Locations of the Lifestyle Properties

Akaroa	11
Barry's Bay	5
Duvauchelle	7
French Farm	4
Robinsons Bay	8
Takamatua	13
Tikao Bay	1
Wainui	8

The majority of the properties are sited on the lower hill slopes of the Harbour Basin.

Characteristics of the lifestyle market include:

- Very strong demand. Even when market conditions are weak, real estate agents advise there is a shortage of supply of lifestyle blocks throughout the Harbour Basin area.
- Very high median price, just over \$1,000,000.
- Many have associated businesses, including farm stays, flower growing, horticulture as well as servicing the tourist industry.
- Business activities often change with the sale of the property.
- Most properties have significant landscape improvements.
- Average turnover rate of approximately 10 years.

Real Estate agents advise, and our observations confirm that most lifestyle property owners are permanent residents.

Although there is a very strong presence and demand for lifestyle blocks and small farmlets, there is no specific Rural Residential type zoning in the Total Study Area, apart from the Residential Hill slopes above Akaroa, which have a minimum site area of 5,000 square metres.

Although the provisions for the rural zone are still under review, one house on blocks over 40 hectares is generally allowed as a "permitted activity". Subdivision to four hectares can be achieved as a "discretionary activity" as long as they are outside Coastal or Landscape protection areas. When considering subdivision applications, the Council will also consider Environmental Compensations, and Environmental Mitigation covenants to ensure a desirable outcome can be achieved in terms of screening, allowing the regeneration of bush and location of housing. Consequently the creation of a small holding will often have beneficial effects on the landscape. Our valuation experience suggests the existence of bush on or adjoining lifestyle blocks can substantially enhance their value.

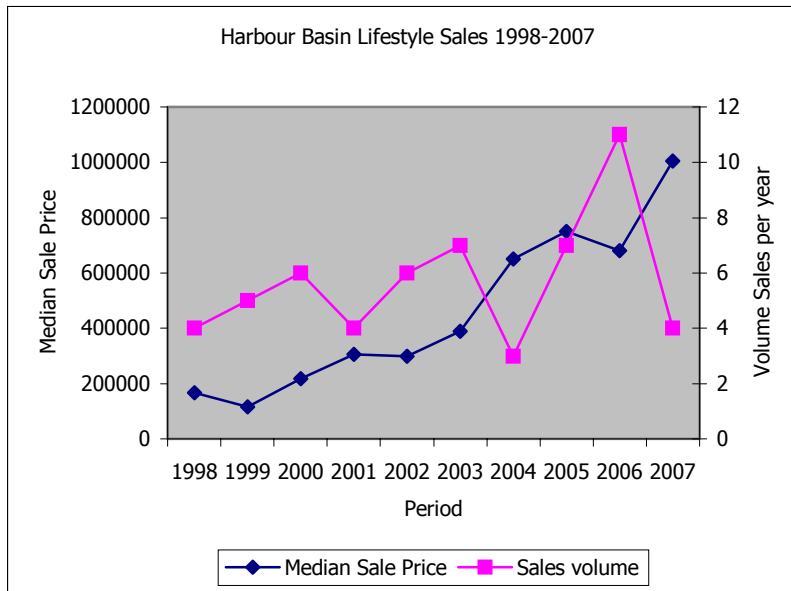
The application of the Rural Residential type zone, which could connect with or integrate with existing Small Settlement or Residential zones, would appear to be one solution for providing for future growth, especially in the valley areas where there is a demand, despite lack of views and distance to the harbour edge. Sizes of allotments could vary to allow for a diversity of use and ownership, and range from 4,000 square metres to 2 hectares.

LIFESTYLE PROPERTIES continued

Whilst having harbour views increases the value of farmlets, other aspects can be just as important including privacy, land contour, aspect and water supply. Like the urban market, the lifestyle market places a significant premium on waterfront properties.

The high median sale price indicates a shortage of supply, and the difficulties of subdividing Rural zoned land to create small holdings.

Figure 12: Harbour Basin Lifestyle Sales



Source: Simes Sales Data

As the volume of properties is low the graph can be sensitive to small changes, but it clearly shows a steady increase in prices for lifestyle blocks.

There are too few sales in the Total Study Area to draw any firm conclusions, however the trend follows the regional and nationwide increase in house prices over the period.

Real estate agents advise there is an unsatisfied demand for lifestyle properties in the Total Study Area.

AKAROA TOWNSHIP

Background

Akaroa is the main servicing centre for the Total Study Area and has 61% of the total residential properties in the harbour and just over 70% of the houses. It is the furthest community of the eight study areas from Christchurch and the township generally has a north-westerly aspect and Harbour outlook.

Christchurch City Council planning staff advises that Akaroa is recognised as the “most intact” colonial township in New Zealand with 140 heritage buildings.

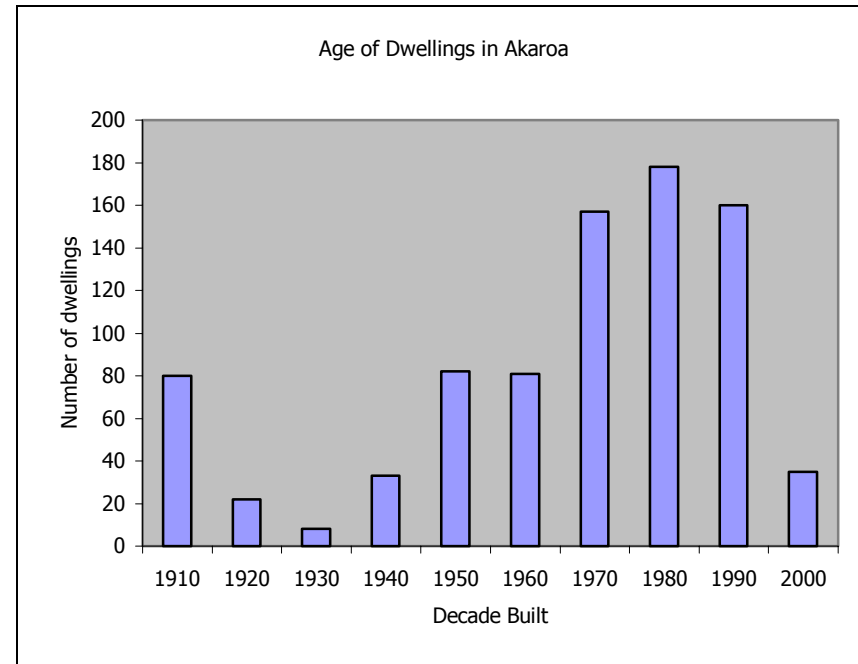
Stock & Age of Housing

The housing stock of Akaroa is described in two rating valuations rolls. Roll number 23961 has the majority of the residential housing and roll number 23940 includes properties on the periphery of the township.

A combination and an analysis of the two rolls indicate that there are approximately 1017 “residential type” properties within the general Akaroa area.

To obtain an understanding of growth in the township we have categorised the housing into the decades they were built.

Figure 13: Age of Dwellings in Akaroa



Source: Rating Database

The housing stock in decade 2000 has been increased on a proportionate basis, being 7 years supply relative to previous decades.

AKAROA TOWNSHIP continued

Figure 13 clearly shows that the most growth occurred between 1970 and 2000. The low growth since the year 2000 is contrary to market trends experienced elsewhere in New Zealand. Reasons for this are varied:

- The market is dominated by holiday home owners. Real estate agents advise that owners generally prefer to purchase rather than develop because of the difficulties envisaged in project management.
- A lack of speculative builders in the Akaroa Harbour market. Speculative builders are those who construct houses without having a buyer committed.
- A lack of presence of group home builders, who generally provide a fairly narrow range and style of house and typically provide a large number of generally similar type of houses in a locality.
- Extra cost of building in Akaroa. Home building companies and private builders advise the cost to build in Akaroa is 20 – 25% more than a similar house in Christchurch. As most of the sections available in Akaroa are on hillsides, construction costs are also higher relative to flat land.
- Lack of available suitable sites on the market.
- A lengthy regulatory process for new housing especially in the Town Centre Zone.

From our analysis of the housing stock sourced from Simes Sales Data we note:

- 63.4% of the properties are under 40 years old.
- Flats and townhouses on composite titles make up 12.6% of the housing stock.
- The average house size is 120 square metres.
- The average house size for dwellings built after 1990 is 140 square metres.
- The average improved property section size is 651 square metres.

Potential For Development

The valuation rolls indicate there are 141 vacant sections in the township of which, 21 are over 2,000 square metres in size.

Table 9: Akaroa Sections and Potential Sections

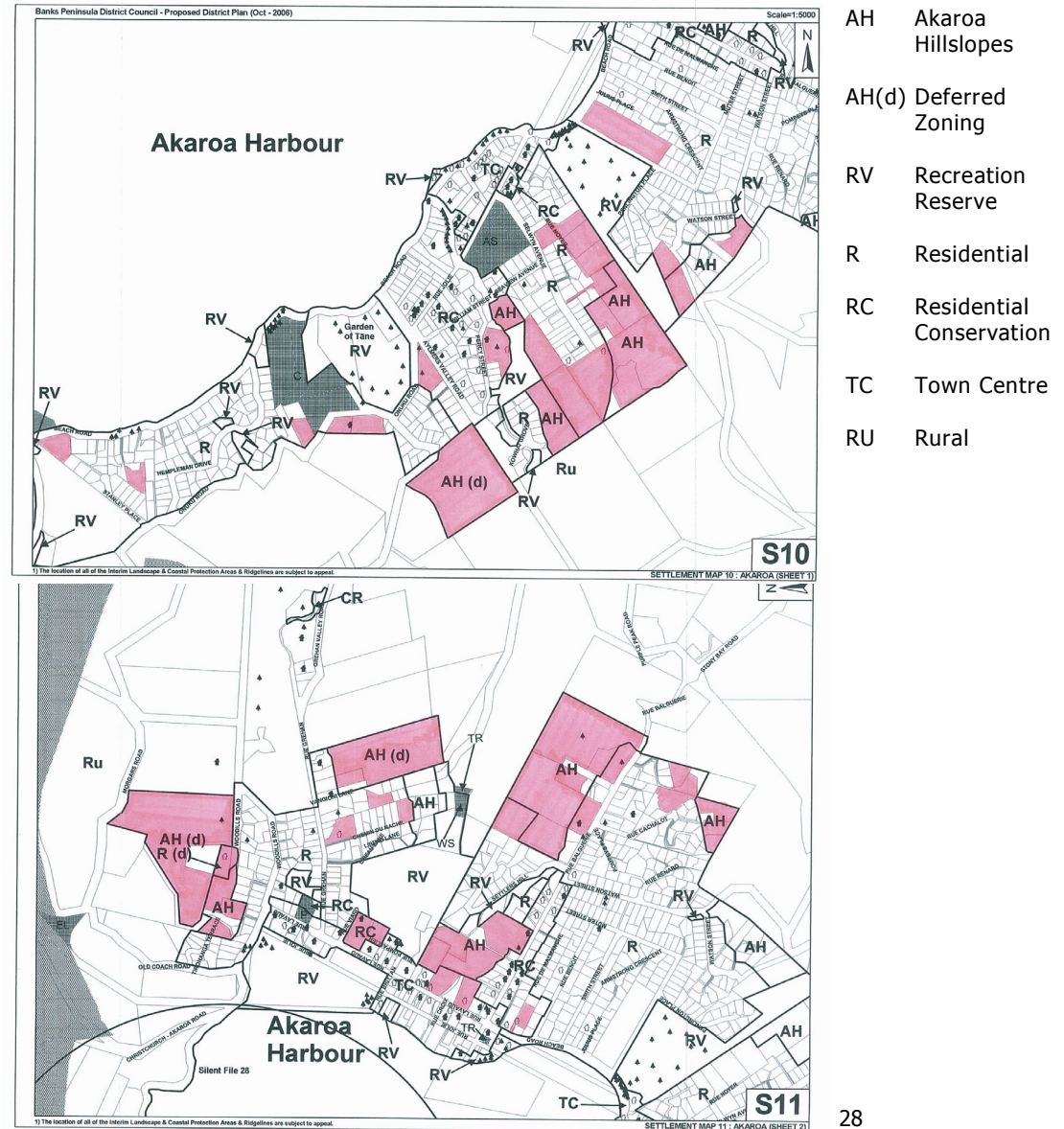
	Number	Potential Sections
Vacant Sites under 1,000m ²	93	93
Vacant Sites between 1,000 & 2,000m ²	27	54
House Sites between 1,000 & 2,000m ²	102	102
Sites over 2,00m ² zoned Akaroa Hill Slopes	24	18
Sites over 2,000m ² zoned Akaroa Hill Slopes Deferred	4	12
Residential zone sites over 2,000m ²	25	55
Residential Deferred zone over 2,000m ²	1	5
Total Potential Sections		339

Source: Simes Database

The City Council also estimated in 2006 there were approximately 326 potential allotments available for settlement. Both calculations exclude Council owned land at Takapuneke, which is unlikely to become available for residential development.

In the following maps we have identified in red, sites over 2,000 square metres along with their respective zoning, except those used for reserves.

Figure 14: Largest Sites in Akaroa



Source: Banks Peninsula Proposed District Plan & Simes Sales Data

POTENTIAL FOR DEVELOPMENT continued

The properties, which contain the largest blocks of residential zoned land, are as follows

Table 10: Large Residential Zoned Sites Akaroa

Address	Land Area
9 Rue Noyer	0.5055
11 Rue Noyer	0.5336
30A Settlers Hill	0.7069
40A Selwyn Avenue	0.8067
2A Kowhai Drive	1.1ha
55 Selwyn Avenue	1.2ha
14 Penlington Street	1.3926

Source: Simes Database

The current Banks Peninsula District Plan was introduced in 1997 and although it has a 'proposed status', it is more or less operative apart from the rural provisions. Prior to this, the Akaroa County Council District Scheme governed planning rules and was introduced in 1988. A comparison of the planning maps indicates that since 1988, there have been only very minor variations in the amount of land within Akaroa township zoned Residential. There has been an increase in the Hill slopes and Deferred zones. It appears that with the land at Takapuneke now not being able to be subdivided, there is possibly less residential land than there was in 1988. The number of the "best vacant sites" available for residential development have also been steadily reduced. As a general observation, of the sections that are still available to be developed, many have some constraints (e.g. being very steep, shaded, lack views etc).

Land subdivisions in Akaroa over the last 15 years have also tended to be somewhat piecemeal, though somewhat suited to Akaroa in that they have not affected the overall picturesque character of the township. They are generally typified by relatively small number of sections, being predominantly on hill slopes and having a lane access. There is a lack of substantial and contiguous land developments.

For land developers to participate in the market, economies of scale are generally required. However in Akaroa Township, we have identified only three blocks zoned residential over one hectare, of which only one, the old school site, appears to have development plans in the near future. This site is regarded as being in a premium location, just above the harbour edge, between the two town centres and is steep enough to allow good views to be maintained, but not too steep to be difficult to develop.

At the current rate of development there appears to be sufficient land stock and sections available for the near future. However it appears that a large number of these sections are not potentially easy to develop, or the owners are not intending to develop. As demand for development increases, pressure will be placed on the current peripheral land surrounding Akaroa. If further land was made available for residential growth, sites that adjoin the waterfront will always attract significant premiums.

Development at the south-western end of Akaroa does not appear to be practical at the moment because of the presence of the wastewater plant and due to Takapuneke being recognised and registered as "Waahi tapu" (spiritually and culturally sacred sites). Although part of the land has been zoned Residential, it is unlikely this area will be ever be subdivided.

POTENTIAL FOR DEVELOPMENT continued

The hillsides above and to the south of the Residential zoned land are zoned predominantly rural (above the Glen and Onuku Road) or Akaroa Hill slopes, the latter, which has a minimum standard of 5000 square metres. Increasing the area of the Hill slopes zone and lowering of density requirements will increase the potential available lots. Reduction of the minimum subdivision standard with appropriate land covenants could ensure that landscape values are retained, and development such as that occurred in The Glen can be replicated. Although the valley locations would appear to be more suited for growth, the lack of views somewhat lessens their demand, although if sites were larger and offered a rural-residential type environment, then they would have much greater appeal, and possibly attract more permanent residences.

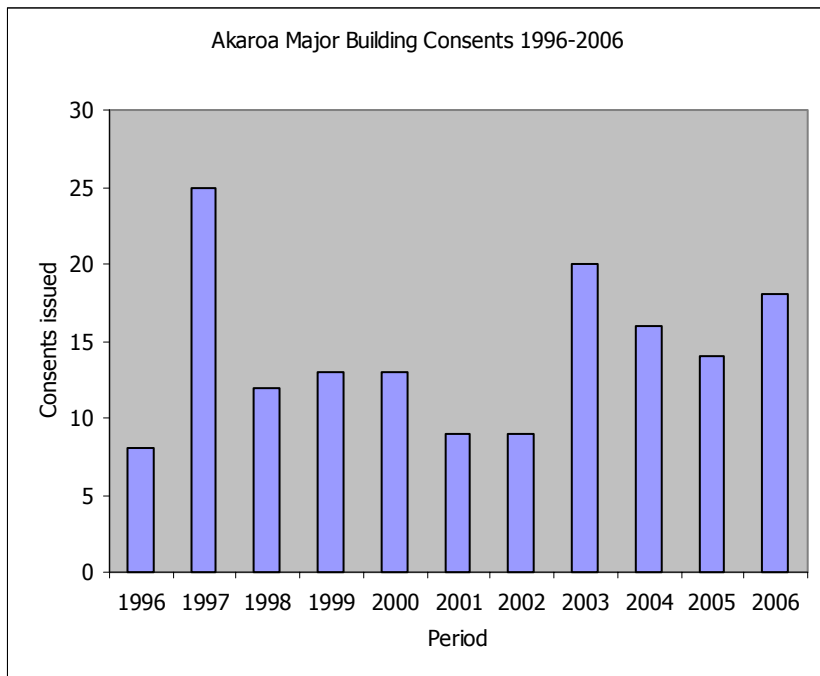
To the north-east and surrounding Children's Bay and towards Takamatua there is potential to provide high valued sites, especially those close to the Harbour, and having both harbour and township views. However much of this area also has high landscape values.

RATE OF DEVELOPMENT

To gain an understanding of the rate of development in Akaroa, we have regarded:

- Major building consents over the last 10 years.
- Section sales over the last 10 years.

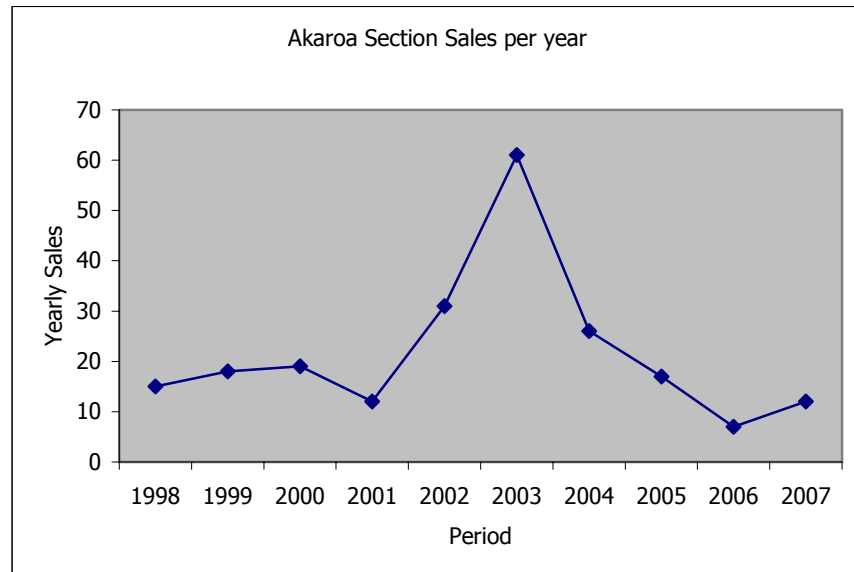
Figure 15: Akaroa Major Building Consents 1996-2006



Source: CCC

New dwelling building permits have averaged 10 per year for the last 10 years.

Figure 16: Akaroa Section Sales per Year



Source: Simes Sales Data

Over the last 10 years there has been an average of 10 section sales per year.

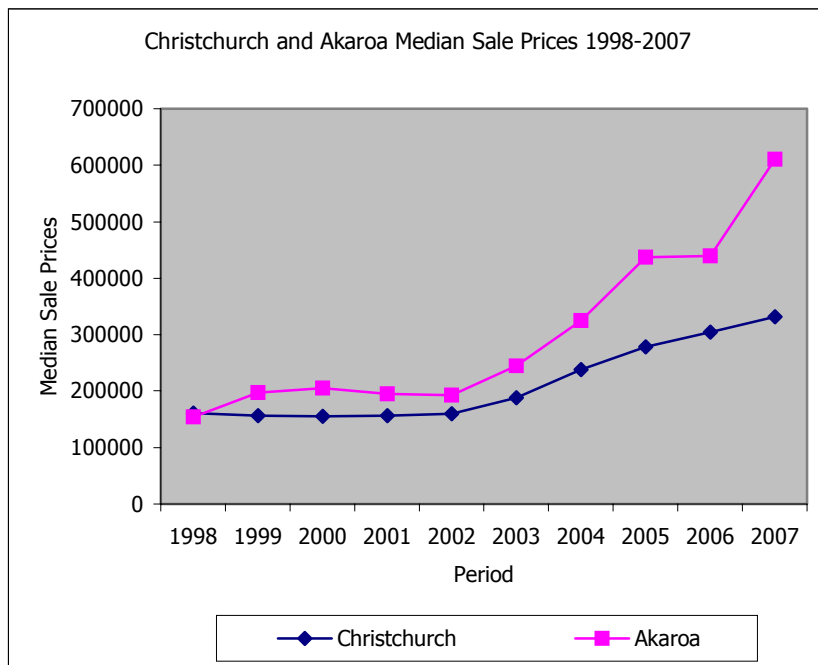
Number of sections sales, number of major building consents plus analysis of the age of houses in Akaroa indicates that current growth is approximately 10 houses per annum.

PRICE TRENDS

We have used REINZ statistics to analyse real estate sales and determine sale trends in the township and have made market comparisons to the Christchurch market.

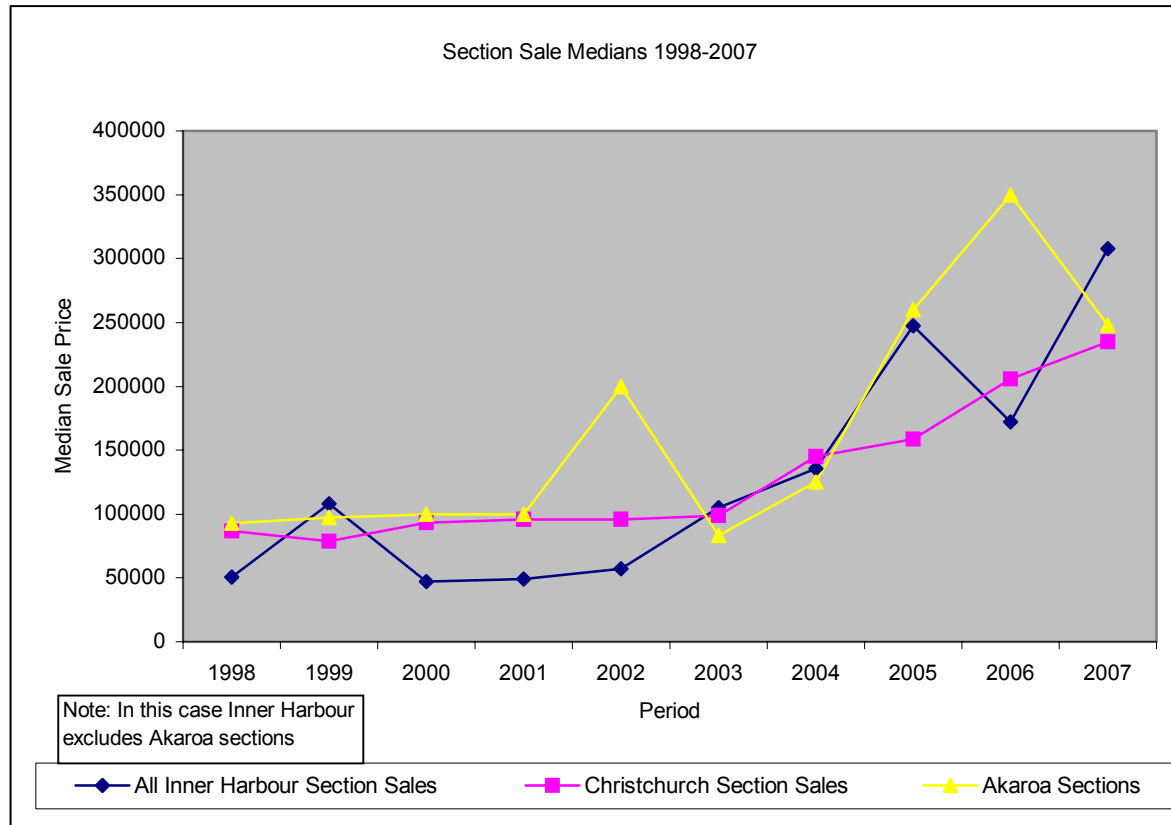
The graph above indicates the median price in Akaroa is well above Christchurch, with the gap also increasing over time. The 2007 median for Akaroa is somewhat distorted with a low number of total sales with a large percentage of high value sales, whereas the 2005 and 2006 years indicate a more appropriate comparison.

Figure 17: Akaroa and Christchurch House Medians



Source: REINZ

Figure 18: Akaroa Harbour Basin Vacant Section Sale Medians



Source: Simes Sales Data

As the volume of section sales is low in the Akaroa and in the Harbour Basin, the graph is sensitive to a small number of high or low sales. For instance during the study period, the section sales in the Harbour Basin were influenced by the Ngaio Point subdivision, a somewhat unique and high valued subdivision on a prominent headland. In Akaroa the majority of section sales are situated in small subdivisions on hillsides away from the harbour edge.

However generally the section sale prices follow a similar trend to that of Christchurch.

PRICE TRENDS continued

We conclude from the above analysis the following:

- Despite the low current rate of development in Akaroa, there is good demand for improved properties. Section sale prices in Akaroa and Christchurch are on similar levels, but there is significant differential between the median house prices, indicating that there is a stronger demand for houses than for sections. We believe this is a reflection of the higher building cost in Akaroa and possibly difficulty in managing construction away from home, given that the majority of purchasers reside away from Akaroa.
- The housing market in Akaroa is relatively modern, 63% of homes are under 40 years old.
- The average house is 120 square metres and the average house built after 1990 is 140 square metres. This appears below major city sizes possibly reflecting the holiday home nature of the housing.
- The average section size is 651 square metres.
- Section take up and new housing both are currently at 10 per annum which is well below the levels achieved between 1970 and 1990 which average 16.5 new houses per year.
- There are no blocks of land larger than 2 hectares available and zoned for development. The largest Residential zoned blocks are between 1.1 and 1.4 hectares.
- Previous land developments have been slow to sell, especially in more recent years.

RENTAL AND INVESTMENT RETURNS

Information sourced from the Department of Building and Housing indicate that house rentals in Banks Peninsula are similar to an “average” Christchurch suburb, despite the median price being significantly higher.

Real Estate agents advise that there is an absence of investors purchasing in Akaroa, due to the low return on capital invested.

The median price was for the same three month period as the rental data, sourced from REINZ.

The Average Rental Return and Median Rental Return for Akaroa are below that of Christchurch, due mainly to the high median price in Akaroa.

Table 11: Akaroa and Christchurch Rental Data

Akaroa	Average rent	Median Rent	Average rental return	Median Rental return
4 Br House	\$365	\$370	4.26%	4.31%
3 Br House	\$296	\$290	3.45%	3.38%
2 Br House	\$302	\$250	3.52%	2.91%
Median Sale price	\$446,000			
Aranui, Avondale, Bromley				
4 Br House	\$337	\$342	7.30%	7.41%
3 Br House	\$292	\$290	6.33%	6.28%
2 Br House	\$244	\$242	5.29%	5.24%
Median Sale price	\$240,000			
Belfast/Redwood/Styx				
4 Br House	\$411	\$410	6.30%	6.29%
3 Br House	\$320	\$315	4.91%	4.83%
2 Br House	\$237	\$232	3.64%	3.56%
Median Sale price	\$339,000			
Fendalton/Merivale				
4 Br House	\$454	\$450	4.53%	4.49%
3 Br House	\$388	\$372	3.87%	3.71%
2 Br House	\$309	\$295	3.08%	2.94%
Median Sale price	\$521,000			

Source: Department of Building and Housing

FUTURE OPTIONS

In completing this report we surveyed the opinion of property professionals in Akaroa. There was virtually unanimous agreement that long term growth within the Harbour region will be mostly centred around Akaroa Township and it is essential that growth is controlled to maintain the uniqueness of the village style community. The limitations of the water scheme and wastewater plant service are currently seen as the major constraints for future growth.

Unfortunately the most desired aspects for development are those that are most at risk by property development i.e. the village style community and picturesque setting versus the demand for sections with harbour frontage or those with close views of the harbour or those sited on the hillsides above the town centre.

Current growth in Akaroa is approximately 10 new houses per year and with potentially an excess of 300 sections available, there appears to be sufficient land to cater for growth for the planning period. However many of these sections may not be available for development for one reason or another. Discussions with real estate agents indicate that they perceive a lack of variety and a lack of numbers of sections being available in the future.

There is no easy solution to the unaffordability of housing for permanent residents. It is also likely rents will continue to increase, in line with the general market. A solution could be the further development of the valley areas to the south of the township. These areas include; Woodhills Road, Rue Grehan, Rue Balguerrie and Alymers Valley Road where we would

expect lower price housing to be located, this is less likely to appeal to developers as the real demand is for sections with views. However allowing more subdivision or a rural residential type zone in this area, may result in existing land owners making land available for development. This would be a gradual process.

Allowing more land available on the hill slopes above and to the northeast of Akaroa will cater for long term growth, However, low density performance standards are necessary to lessen the visual impact of development. Our observations indicate there is sufficient land available to cater for growth that will provide for Harbour views without requiring development of prominent ridges and significant landscape areas, the very attributes that contribute to the popularity of Akaroa.

The impact of housing can be reduced by Land Covenants placed on titles. However it appears that "housing type" covenants are not favoured by owners or purchasers as they tend to be opinion or judgement based. However land and subdivision covenants can encourage development of desirable features (e.g. bush settings and private and natural screening). Height restrictions can also lessen the visual impact of contentious home styles as well as maintain views in hillside developments.

The effect of regulatory and restricted housing covenants can have a detrimental effect on land values, whereas Land Covenants often can have a positive effect.

COMPARISON WITH HANMER AND KAIKOURA

In order to identify key components of the real estate market in Akaroa, we have provided a comparative assessment with other tourist destinations. The locations, which we felt were most similar to Akaroa, were Hanmer Springs and Kaikoura. These locations are of a similar size, are popular tourist destinations, are within 2 hours drive of Christchurch and have a high percentage of holiday houses.

In order to gauge a comparison between the selected locations we have looked at the following indicators sourced from REINZ data

- Number of rating assessments in the three different locations.
- 10 year sales history looking at median prices, and sales volumes for both dwellings and sections.
- Age distribution.

Number of Rating assessments

In order to assess the size of the urban market we have looked at the total number of rating assessments across all property types in each of the 3 locations. They are as follow:

- Akaroa: 1017
- Hanmer: 1083
- Kaikoura: 771

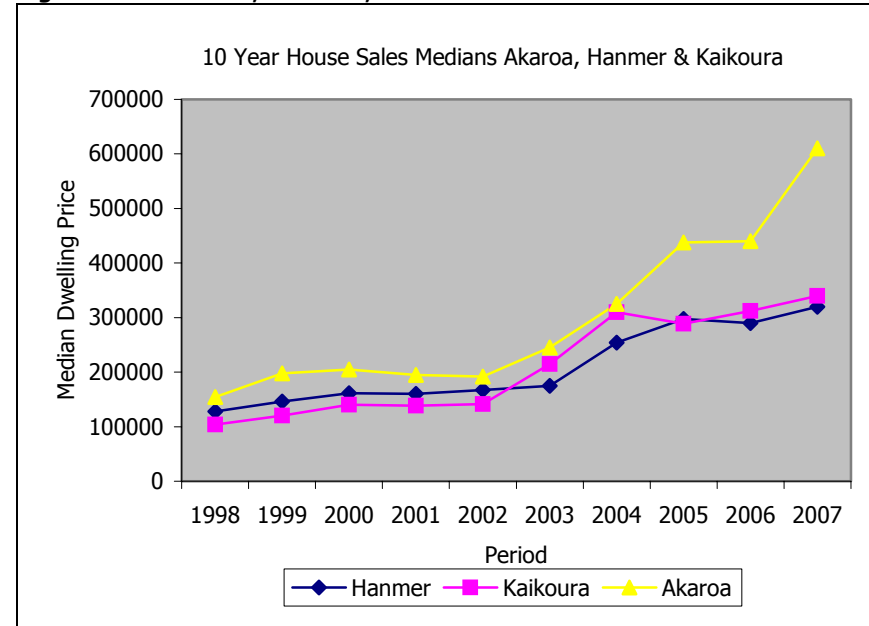
Sales History

The following chart shows the median sale price for dwellings in each of the 3 locations. During the period analysed, the median dwelling price for house properties in Akaroa has exceeded the medians achieved for house sales in both Hanmer and Kaikoura, with the price differential having grown considerably in the past 4 years

Akaroa 2007 median	\$618,000
Hanmer 2007 median	\$320,000
Kaikoura 2007 median	\$340,000

The 2007 volume of sales in Akaroa is low and includes a number of high value properties. The combined 2006/2007 median is just under \$500,000 which we believe reflects more accurately the state of the market.

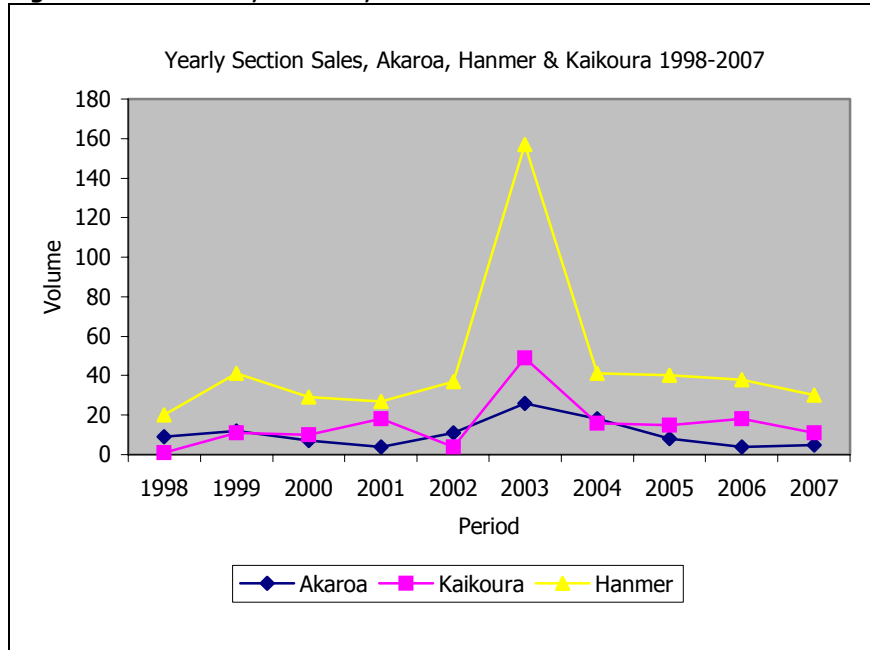
Figure 19:Kaikoura, Hanmer, Akaroa House Sale Medians



Source: REINZ

COMPARISON WITH HANMER AND KAIKOURA continued

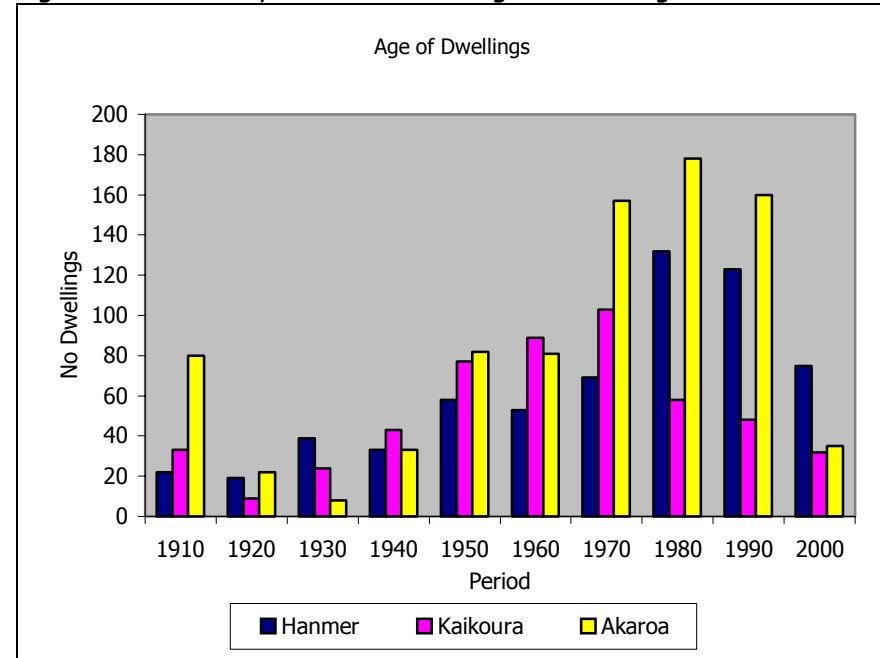
Figure 20: Kaikoura, Hanmer, Akaroa Section Sale Volumes



Source: REINZ

Akaroa has the least section sales per year with Hanmer recording the greatest sales volume over the past 10 years. There has been a high level of investment in Hanmer particularly in recent years, with a peak in 2003 where approximately 160 sections were sold.

Figure 21: Kaikoura, Hanmer Akaroa Age of Dwellings



Source: Rating Databases Data

The three locations generally have similar growth patterns.

We have also analysed section sales data, which indicates that generally the prices for an "average section" are on a similar level in the three locations, and the sales volumes have also followed similar trends.

Summary

- The median price for sections in the three locations is similar but the median price for houses is significantly higher in Akaroa.
- Growth since 2000 in Akaroa is below that of both Hanmer and Kaikoura.
- The influence of large subdivisions is evident in Kaikoura and Hanmer but not so much in Akaroa.

AKAROA HARBOUR BASIN REAL ESTATE STUDY SUMMARY

- The eight study areas comprises 1673 properties of an urban nature with over 60% situated in Akaroa, the main servicing centre for the Harbour Basin communities. For example of the eight communities within the Total Study Area, four make up only 6% of the properties. (Barrys Bay, Tikao Bay, Robinsons Bay, French Farm).
- Approximately 28% of the houses are permanently owner/occupied with the majority of dwellings used as holiday homes.
- Over 90% of urban real estate transactions involve holiday homes and the majority are owned by Christchurch residents.
- Holiday home purchasers are not as affected by the local economy. They earn income in a location away from where they purchase.
- Future growth will be largely centred on Akaroa, assuming a continuation of both the current demand for properties there, and of the present zoning patterns. However, the other Harbour Basin settlements could continue to grow, often because they offer a more affordable alternative to Akaroa.
- There is a significant demand for lifestyle blocks, and shortage of supply. There is a real demand for the application of a "Rural Residential" zone, which would adjoin and possibly integrate into the settlement areas.
- The majority of property transactions in the Harbour Basin take place in Akaroa. Real estate agents report that demand for Akaroa far exceeds the remaining Harbour Basin settlements.
- Properties in Akaroa are on average sold once per 15 years compared to Christchurch of one in 11 years.
- Properties in Akaroa are expensive. The median price is well above Christchurch, Hanmer and Kaikoura.
- Growth in Akaroa and in the harbour is slow. Lack of growth in Akaroa is regarded as contributing to the uniqueness of the town and one of the reasons why prices are high.
- The domination of holiday homes has resulted in a short "peak season" population. This results in difficulty in developing community service industries.
- Holiday home purchasers in Akaroa are generally not looking at housing as property investments or for redevelopment. Investment returns are poor given the high median price. Long-term house rentals are similar to Christchurch.
- Lack of reticulated wastewater and water supply is regarded as the main restriction to growth in Akaroa in the short term.
- Although there are theoretically sufficient sections available to cater for the existing growth in Akaroa, many are not regarded as desirable sites being either shaded, difficult to develop or lacking views.
- Harbour edge properties are of significantly higher value than the remainder. The quality of harbour views is often the most overriding factor influencing value.
- Apart from lifestyle properties, houses lacking harbour views are in the lowest price range.
- It is regarded as essential by those involved in the property market, that any growth is controlled and that growth does not affect the village and colonial character of Akaroa partly created by the preservation of many of the original buildings, enhanced with retention of landscape values.

QUESTIONNAIRE FOR AKAROA REAL ESTATE AGENTS

Akaroa Real Estate Market Research Project

Simes Valuations are currently preparing a report and an analysis of the urban real estate market in the Akaroa Harbour Basin for the City Council. The information gathered will hopefully assist in the decision making process relating to the management of urban growth in the settlement areas and identify demands, constraints and supplies within the localities. The study is information gathering and will be one of many reports addressing future issues.

As your office is on the interface of the market we would appreciate your input into the study especially in regards to current market trends, and future property demands.

We have therefore prepared a simple questionnaire, which addresses some of the issues. We also seek your comments in regards to growth constraints within the settlements and ask whether there is a demand for growth and whether the current demand is being met.

The study identifies eight settlement areas and they are Akaroa, Takamatua, Robinsons Bay, Duvauchelle, Barrys Bay, French Farm, Tikao Bay & Wainui.

If possible, I would like to meet with you to discuss the various aspects of the property market.

Please find attached a questionnaire relating to the study and the areas where we seek information. We would also appreciate comments on any other aspects of the market, which you consider relevant.

Yours faithfully

SIMES LTD MREINZ



P. WILKINSON B Com (Ag), ANZIV

Registered Valuer

phil.wilkinson@simes.co.nz

PERMANENT RESIDENCES & HOLIDAY HOME PURCHASERS

1. Approximately what percentage of your urban property transactions involve buyers seeking permanent residences, as opposed to holiday homes, in Akaroa?

2. Is this figure similar/above/less in the settlement areas outside Akaroa Township?

3. Are the requirements for holiday home purchasers different to those seeking a permanent residence?

4. If they are, what do you consider the most significant differences are?

5. What are the most common requirements for both holiday and permanent residents?

LOCATIONS

Akaroa has 61% of the urban properties, Duvauchelle 15%, Wainui 10%, Takamatua 8% and the balance 6%.

1. Do these percentages relate approximately to buyer demand? If not, please make comments.
2. Has the urban buyer requirements in terms of location changed significantly in the last 10 years?
3. Are there any locations where you believe demand outstrips supply now or will do in the future?
4. Where do you think the greatest future demands for property will be in the Harbour Basin?
5. What is needed for growth to happen in Akaroa or in the other settlement areas?
6. Are there any types of property where there is a lack of supply i.e. small holdings, apartments, townhouses?

SECTION SUPPLY/SUBDIVISION/DEVELOPMENT

1. How many sections are you currently marketing as:
 - a) General Agency?
 - b) Sole Agency?

2. Are you aware of any future proposed land subdivisions within the Akaroa Harbour and if so where?

3. Are you able to discuss aspects of future, present or past subdivisions that you have been involved in?

4. Are there areas in the Harbour Basin, where demands for sections outstrip supply or where you think this is likely to happen in the future?

5. From a marketing point of view, where would the most suited or best localities be for a proposed subdivision, assuming there were no servicing or zoning constraints?

6. What section size should a developer aim to produce?

7. Any comments on demand for sections?

8. Have you been involved with "spec" builders within the Harbour Basin?

9. How would you describe the demand for new housing?

BIBLIOGRAPHY

Background

Akaroa Harbour Basin Settlements Study 'Identifying the Issues' Christchurch City Council October 2007

The Property Market

"Urban Valuation in New Zealand" Volume 1 Rodney Jefferies New Zealand Institute of Valuers 1978

"The Impact of Rising Property Prices on Coastal Settlement Communities" Claire Freeman, Christine Cheyne, Paula Ding, Norah Elley & Jim Williams Department of Geography University of Otago

Rodney Dickens Managing Director & Chief Research Officer Strategic Risk Analysis www.sra.co.nz

Overview of the Study Area

Christchurch City Council rating valuation database as provided through Headway systems

Holiday Homes or Permanent Residents

Christchurch City Council Consultation Mail-out database

Interest Rates

Tony Mounce Bank of New Zealand Mobile Manager

Migration

Akaroa Harbour Basin Settlements Study 'Identifying the Issues' Christchurch City Council October 2007

2006 Census of population and dwellings

Housing Affordability

Statistics New Zealand, Ministry of Social Development

Market Trends

Real Estate Institute of New Zealand published monthly statistics Canterbury and Westland statistics

Development Considerations

Akaroa Harbour Basin Settlements Study 'Identifying the Issues' Christchurch City Council October 2007