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## Valuation report



November 3, 2017

3/53A Powell Street,  
Avondale, AUCKLAND

Prepared for ANZ Bank New Zealand Limited/Simone Graham

# Residential Valuation report

3/53A Powell Street, Avondale, Auckland

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# Residential Valuation report

3/53A Powell Street, Avondale, Auckland



| Executive Summary                     |   |                             |           |                             |          |                                       |                  |          |          |                     |                  |
|---------------------------------------|---|-----------------------------|-----------|-----------------------------|----------|---------------------------------------|------------------|----------|----------|---------------------|------------------|
| <b>Client</b>                         | Simone Graham   |                             |           |                             |          |                                       |                  |          |          |                     |                  |
| <b>Title Details</b>                  | Title has not yet been issued   |                             |           |                             |          |                                       |                  |          |          |                     |                  |
| <b>Zoning</b>                         | Auckland Council Unitary Plan – Residential Mixed Housing Suburban  |                             |           |                             |          |                                       |                  |          |          |                     |                  |
| <b>Property Description</b>           | The property under consideration comprises a newly built, three level attached residential unit of three bedrooms constructed on a rear positioned site. The property has a inground pool and timber deck area which is common area and two tandem sealed carparks.   |                             |           |                             |          |                                       |                  |          |          |                     |                  |
| <b>Floor Area</b>                     | 147 square metres   |                             |           |                             |          |                                       |                  |          |          |                     |                  |
| <b>Land Area</b>                      | N/A   |                             |           |                             |          |                                       |                  |          |          |                     |                  |
| <b>Purpose of Valuation</b>           | To assess the market value for mortgage security purposes.  |                             |           |                             |          |                                       |                  |          |          |                     |                  |
| <b>Bank</b>                           | ANZ Bank New Zealand Limited  |                             |           |                             |          |                                       |                  |          |          |                     |                  |
| <b>Market Value Definition</b>        | <p>This valuation has been completed in accordance with the New Zealand and Australia Valuation and Property Standards 2009 and the International Valuation Standards Council (IVSC effective July 1, 2017) International Valuation Standards. These define market value as:</p> <p>“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.</p>  |                             |           |                             |          |                                       |                  |          |          |                     |                  |
| <b>Date of Inspection</b>             | November 3, 2017  |                             |           |                             |          |                                       |                  |          |          |                     |                  |
| <b>Date of Valuation</b>              | November 3, 2017  |                             |           |                             |          |                                       |                  |          |          |                     |                  |
| <b>Market Value</b>                   | <p><b>\$970,000</b><br/><b>(Nine Hundred and Seventy Thousand Dollars)</b></p> <p>This assessment is GST inclusive (if any) and may be apportioned as follows:</p> <table border="0"> <tr> <td>Value of Land and residence</td> <td style="text-align: right;">\$940,000</td> </tr> <tr> <td>Value of Other Improvements</td> <td style="text-align: right;">\$15,000</td> </tr> <tr> <td><b>Value of Land and Improvements</b></td> <td style="text-align: right;"><b>\$955,000</b></td> </tr> <tr> <td>Chattels</td> <td style="text-align: right;">\$15,000</td> </tr> <tr> <td><b>Market Value</b></td> <td style="text-align: right;"><b>\$970,000</b></td> </tr> </table> | Value of Land and residence | \$940,000 | Value of Other Improvements | \$15,000 | <b>Value of Land and Improvements</b> | <b>\$955,000</b> | Chattels | \$15,000 | <b>Market Value</b> | <b>\$970,000</b> |
| Value of Land and residence           | \$940,000   |                             |           |                             |          |                                       |                  |          |          |                     |                  |
| Value of Other Improvements           | \$15,000  |                             |           |                             |          |                                       |                  |          |          |                     |                  |
| <b>Value of Land and Improvements</b> | <b>\$955,000</b>  |                             |           |                             |          |                                       |                  |          |          |                     |                  |
| Chattels                              | \$15,000  |                             |           |                             |          |                                       |                  |          |          |                     |                  |
| <b>Market Value</b>                   | <b>\$970,000</b>  |                             |           |                             |          |                                       |                  |          |          |                     |                  |

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| Executive Summary cont.  |   |
|--|---|
| <b>Extensions</b>  | N/A   |
| <b>Additional Comments</b>   | This valuation is subject to a satisfactory title being issued. |
| <b>Lending Cautions</b>  | None  |
| <b>Valuer's Details</b>  | <b>Andrew Barton</b> B.Com. (VPM)<br>Registered Valuer          |
| <b>This Executive Summary forms part of and should not be used or read independently from the complete report.</b> |   |



# Residential Valuation report

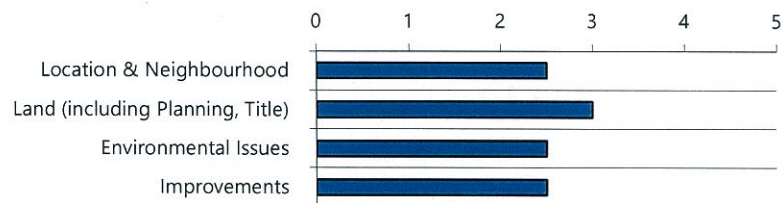
3/53A Powell Street, Avondale, Auckland



## Executive Summary cont.

### Risk Analysis & Rating

A risk analysis is the valuers assessment of the impact on the property of a number of specified factors. This is a simplified analysis on the current experience of the valuer and is not a technical analysis. A risk rating of 1 equals normal or no influencing factors and risk factors elevate from that point.



Risk Code : 1=Low, 2=Low to Medium, 3=Medium, 4=Medium to High, 5=High

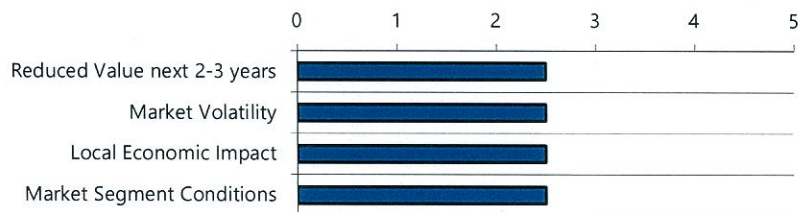
**Location & Neighbourhood:** This Risk Rating reflects an overall rating for these two aspects.

**Land (including Planning, Title):** Land in this instance refers not only to the land physically, but also to access, services, planning and title.

**Environmental Issues:** This aspect of the Risk Analysis covers a range of environmental issues including contamination, for example classification and flooding.

**Improvements:** This aspect refers to all improvements, whether the main building or ancillary improvement (proposed).

### Market Risk\* Rating



\*Risk Code : 1=Low, 2=Low to Medium, 3=Medium, 4=Medium to High, 5=High

**Reduced Value next 2-3 years:** This Risk Rating is an indication of the level of risk of this property reducing in value over the next 2-3 years. It is a forward-looking summary rating taking into account aspects affecting, or likely to affect, the value of the property. The assessment is made on the basis of information that is common knowledge and/or readily ascertainable in the market and having regard to reasonably foreseeable events as at the date of the assessment. The rating cannot be expected to reflect information that was not common knowledge, or conditions, events or circumstances that occur subsequently or unexpectedly.

**Market Volatility:** This aspect reflects the risk of the market changing direction rapidly and having a significant adverse impact on the value of the property.

**Local Economic Impact:** This aspect reflects the extent to which a significant change in the local economy is impacting adversely and/or the risk that it may impact adversely on the value of the property in the 2-3 year time frame.

**Market Segment Conditions:** This aspect reflects the extent to which the condition of the market in this particular market segment is impacting or may impact adversely on the property.

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## 1. Introduction

### 1.1 Instructions

We have been instructed by Simone Graham to assess the current market value of the within described property for mortgage security purposes to be relied upon by ANZ Bank New Zealand Limited.

The valuation has been prepared on the basis agreed with you at the time of our engagement and recorded in the Scope of Work and Terms of Engagement between us.

This report has been prepared for the private and confidential use of the addressee for the specific purpose detailed above. It should not be reproduced in whole or part, or relied upon by any other party for any use whatsoever without the expressed written authority of Knight Frank.

We accept no liability to third parties nor do we contemplate that this report would be relied upon by third parties. We invite other parties who may come into possession of this report to seek our written consent to them relying on this report. We reserve our right to withhold consent or to review the contents of this report in the event that our consent is sought.

### 1.2 Date of Valuation

November 3, 2017

### 1.3 Compliance Statement

Our rules of professional practice require us to include a compliance statement in all our valuations advising that our valuation has been performed in accordance with International Valuation Standards and New Zealand Valuation Standards. This report complies with the provisions of Residential Valuation Standing Instructions Version 1.2 effective November 1, 2017.

We confirm that:

- The statements of fact presented in the valuation are correct to the best of our knowledge;
- Our analysis and conclusions are limited only by the valuation assumptions and conditions;
- We have no interest in the subject property;
- Our fee is not contingent upon any aspect of the valuation;
- Our valuation has been prepared in accordance with an ethical code and performance standards;
- The valuer signing the valuation has satisfied professional education requirements;
- The valuer signing the valuation has experience in the location and category of the property being valued;
- The valuer has made a personal inspection of the property; and
- No one, except those specified in the valuation, have provided professional assistance in preparing the valuation.
- We are obliged to disclose any departure from the statements listed above and provide an explanation for such a departure.

### 1.4 Interpretation

(a) Any references to "we", "us" or "our" within this report means: (i) Knight Frank; (ii) offices, employees, agents, or any other persons within the control of Knight Frank; and (iii) the employee(s) of Knight Frank dealing directly with the instructing client. (b) Any references to "Knight Frank" within this report means Knight Frank only.



## 2. Valuation Policies

You should read this document carefully as it lists the general policies on which we have prepared the valuation. These policies form part of the valuation and apply unless specifically stated otherwise elsewhere in the valuation.

We have proceeded on the basis of there being no issues arising from any of the below which would have an effect on the valuation. If you have any questions or concerns about anything in this section, you should contact us to discuss. If any of the valuation policies on which we have relied in preparing the valuation are incorrect, we reserve the right to review the valuation.

- |     |   |   |
|-----|---|---|
| 2.1 | The standards that apply to the valuation         | The valuation has been prepared strictly in accordance with the New Zealand Institute of Valuer's Code of Ethics, International Valuation Standards and New Zealand Valuation Standards and accompanying Guidance Notes and Technical Information Papers (TIPS).  |
| 2.2 | We hold professional indemnity insurance          | We confirm that as at the date of valuation, we hold in force and effect professional indemnity insurance for our valuations.   |
| 2.3 | The valuation is personal to you                  | The valuation has been prepared for your private and confidential use and for the specific purpose detailed in the valuation. It should not be reproduced in whole or in part, or relied on by any other party for any use whatsoever without first obtaining our prior written consent. We do not assume any responsibility to any other person other than you for any reason whatsoever, including breach of contract, negligence (including negligent misstatement) or wilful act or default by ourselves or by others by reason of or arising out of the provision of the valuation. Any person, other than you, who uses or relies on the valuation does so at their own risk. |
| 2.4 | The valuation is current at the date of valuation | This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of three months from the date of valuation.  |
| 2.5 | The information relied on in the valuation        | Where it is stated in the valuation that information has been supplied to us by a third party, this information is believed to be reliable but we accept no responsibility if this should prove not to be so. Where information is given without being attributable to a third party, that information will have been obtained by a search of records and suitable examination of documents or by enquiry from Government and/ or other appropriate sources. We assume that full disclosure of all relevant information has been made and we accept no responsibility if other information exists which we are unaware of.  |
| 2.6 | Planning information for the property             | Unless otherwise stated in the valuation, our valuation does not take into account the local authorities planning information. You may want to check this yourself or with your legal representative as it could affect the value of the property. There are two planning documents that may be useful: the Land Information Memoranda ("LIM") and/ or Project Information Memoranda ("PIM"). You can get these from your local authority for a fee. We have not obtained the LIM or PIM and we assume there not to be any requisitions from a local authority in respect to either the land or improvements to it.   |

# Residential Valuation report

3/53A Powell Street, Avondale, Auckland



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- |   |  |
|---|--|
| 2.7 Inspections of the property                   | We undertake such inspections and conduct investigations as are, in our opinion, correct, appropriate and possible in the particular circumstances. Unless otherwise stated in the valuation, on-site inspections are limited to all readily accessible parts of the land and improvements on it.  |
| 2.8 Structural survey of the building             | While in the course of our inspection due care is taken to note building defects, we are not qualified to undertake, nor have we undertaken, a structural survey of the buildings or structures. We accept no responsibility for any defects that may arise as a result of poor building design, construction methods or building materials. If you have any concerns, you should obtain a report from a suitably qualified person. Defects revealed by a suitable qualified person may affect the value of the property.  |
| 2.9 Land survey of the property                   | We are not qualified to undertake, nor have we undertaken environmental or geotechnical surveys to determine the suitability of ground conditions and services. Unless otherwise stated in the valuation, the valuation is prepared on the basis that these aspects are all satisfactory. In the case of properties that may have development potential, we assume that the property has a load bearing capacity suitable for the anticipated form of development without the need for additional expensive foundations or drainage systems.   |
| 2.10 Boundary survey of the property              | We do not carry out a boundary survey of the property and assume for the purposes of the valuation that there are no encroachments by or upon the title. Any sketch, plan or map we include in the valuation is intended to assist the reader with visualisation of the property and should not be relied on as being definitive.  |
| 2.11 Registrations other than those on the title  | Unless otherwise stated, the valuation assumes that there are no detrimental or beneficial registrations affecting the value of the property other than those appearing on the title. Such registrations including Wahi Tapu and Historic Places Trust registrations may affect the valuation of the property.   |
| 2.12 Installed items forming part of the building | Where applicable, our valuation includes those items which form part of the building. Unless otherwise stated, the valuation is prepared on the basis that items including hot and cold water systems, drainage systems, electrical systems, air conditioning or ventilation systems and other such installations are in proper working order and functioning for the purpose for which they were designed.  |
| 2.13 Compliance with all applicable laws          | The valuation is prepared on the basis that the property complies with all relevant legislation, regulations and consents unless otherwise stated. Failure to comply could adversely affect the value of the property. Legislation that may be of importance includes the Building Act 2004, Resource Management Act 1991, Health and Safety in Employment Act 1992, the Fire Safety and Evacuation of Buildings Regulation 1992, and the Disabled Persons Community Welfare Act 1975.   |
| 2.14 Environmental issues affecting the property  | We have not completed an environmental audit of the property, although any contaminants on the property that may be obvious on inspection may be noted in the valuation. No warranty is given, or is to be implied, in the valuation that the property is free from contaminants. Substances such as asbestos, other chemicals, toxic wastes, or other potentially hazardous materials could adversely affect the value of the property. The valuation is prepared on the basis that there is no material on the property that would affect its value. If you have any concerns, verification that the property is free from contaminants should be obtained from a suitably qualified environmental expert. |
| 2.15 Realisation of mortgages and other security  | No allowances have been made in our valuation for any expenses of realisation or to reflect the balance of any outstanding mortgages or other interests secured against the property, either in respect of capital or interest accrued thereon.  |



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- 2.16 **The Consumer Guarantees Act 1993** Where there is any conflict between anything stated in the valuation and the Consumer Guarantees Act 1993, the Consumer Guarantees Act 1993 shall prevail to the extent of the conflict. Where the valuation has been obtained for business purposes, the guarantees and rights expressed or implied by the Consumer Guarantees Act 1993 will not apply.
- 2.17 **Measurements used in the valuation** Unless otherwise stated, all property measurements are carried out in accordance with the Guide for Measurement of Rentable Areas issued by the Property Council and Property Institute of New Zealand.
- 2.18 **Goods and services tax** In accordance with Property Institute of New Zealand guidance notes, and unless otherwise stated, residential property valuations are inclusive of GST (if any) and valuations of non-residential property are exclusive of GST (if any).
- 2.19 **Exclusion of plant and machinery** Unless otherwise stated, the valuation excludes any plant or equipment erected on or associated with the property. We are not qualified to, nor have we undertaken engineering inspections or taken advice on any plant or equipment and we accept no responsibility for the condition or suitability thereof.
- 2.20 **The meaning of "Market Value"** In the case of market valuations, "market value" is defined as being:  
The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.
- 2.21 **Lender's reliance on the valuation** Unless comments are made to the contrary under our Lending Caution section, the property is considered suitable as a mortgage security.
- 2.22 **Forecast valuations are a best assessment** Future rental rates, costs and property values will be determined by market forces applicable at the time. Where figures are provided within the valuation in analytical or forecast nature, they are not a representation of a known or guaranteed future position and should not be relied on as such.
- 2.23 **Tenancies or leases affecting the property** Where we have relied upon photocopies of any tenancy or lease arrangement, we assume that these are accurate copies and there are no undisclosed changes or dealings that have not been advised to us. Where no photocopies of the tenancy or lease arrangements have been sighted by us, we assume that they contain no clauses or conditions that may materially affect the valuation.

## 3. Land Particulars

### 3.1 Title Details

A title is yet to be issued.

Reference Valuation Policies that apply to the Valuation: 2.10, 2.11 and 2.15

### 3.2 Land Description

**Shape & Dimensions:** Certificate of title has not yet been issued for the property. Once issued the section will comprise a rear irregular shaped site.

**Aspect:** The site has a south eastern aspect with views to the same.

**Topography:** The site is a steep sloping site which slopes down from the front of the section to the rear.

**Access:** Powell Street is a fully constructed road with asphalt carriageways, concrete kerbs and pedestrian footpaths and fully constructed underground drainage. The site has shared access provided by a shared sealed driveway.

**Services:** Power, gas, telecommunication, town water and sewer reticulation services are all available to the property.

### 3.3 Resource Management

**District Plan:** Auckland Unitary Plan

**Zoning:** Residential Mixed Housing Suburban

**Description:**

The Residential – Mixed Housing Suburban Zone is the most widespread residential zone covering many established suburbs and some greenfields areas. Much of the existing development in the zone is characterised by one or two storey, mainly stand-alone buildings, set back from site boundaries with landscaped gardens.

The zone enables intensification, while retaining a suburban built character. Development within the zone will generally be two storey detached and attached housing in a variety of types and sizes to provide housing choice. The height of permitted buildings is the main difference between this zone and the Residential – Mixed Housing Urban Zone which generally provides for three storey predominately attached dwellings.

Up to two dwellings are permitted as of right subject to compliance with the standards. This is to ensure a quality outcome for adjoining sites and the neighbourhood, as well as residents within the development site.

Resource consent is required for three or more dwellings and for other specified buildings in order to:

- achieve the planned suburban built character of the zone;
- achieve attractive and safe streets and public open spaces;
- manage the effects of development on neighbouring sites, including visual amenity, privacy and access to daylight and sunlight; and
- achieve high quality on-site living environments.

The resource consent requirements enable the design and layout of the development to be assessed; recognising that the need to achieve a quality design is increasingly important as the scale of development increases.

## 3. Land Particulars

### Resource Management continued

**Objective:**

Housing capacity, intensity and choice in the zone is increased.

Development is in keeping with the neighbourhood's planned suburban built character of predominantly two storey buildings, in a variety of forms (attached and detached).

Development provides quality on-site residential amenity for residents and adjoining sites and the street.

Non-residential activities provide for the community's social, economic and cultural well-being, while being compatible with the scale and intensity of development anticipated by the zone so as to contribute to the amenity of the neighbourhood.

**Density:** Sites up to 1000m<sup>2</sup> - 1 dwelling per 200m<sup>2</sup> site area with no density controls for sites over 1000m<sup>2</sup>.

Our valuation has proceeded on the basis that the subject property conforms to all requirements of the District Plan in addition to the Resource Management Act 1991 and subsequent amendments.

Please note that planning information has been obtained via the internet site of the relevant local authority.

Reference Valuation Policies that apply to the Valuation: 2.5, 2.6

### 3.4 Statutory Rating Valuation

A Rating Valuation has yet to be assessed for the subject property.

### 3.5 Current Annual Rates

Rates have yet to be assessed for the subject property. We value on the basis that these are relatively standard for a property of this type.



# Residential Valuation report

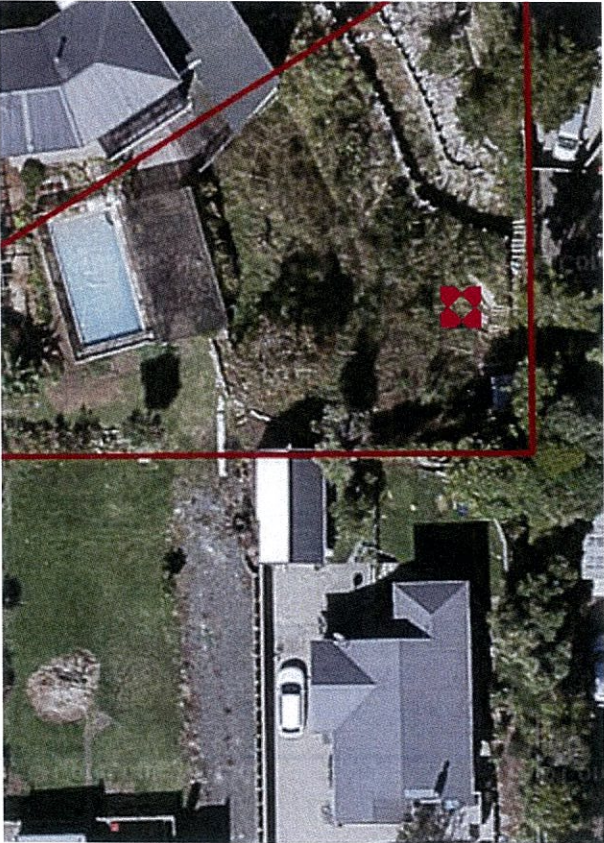
3/53A Powell Street, Avondale, Auckland



## 4. Locality

### 4.1 Location Plans

Location plans are shown below.





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## 4. Locality

Location Plans  
continued



### 4.2 Locality Details

Avondale is one of the many micro-localities that make up the greater Auckland region with the same being flanked by New Lynn to the south, Glendene to the west, Mt Albert to the north east and Mt Roskill to the south east.

The locality is established suburban residential in nature with the surrounding properties comprising of predominantly residential dwellings and units built from the 1910s onwards interspersed with more modern contemporary style developments.

Housing stock in the locality is maintained to an average standard with property values predominantly within the mid-price bracket.

Powell Street is one of the many secondary roadways that make up the greater Avondale locality, traveling in an easterly direction from its intersection with Blockhouse Bay Road and ultimately being a residential cul-de-sac.

More specifically, the subject is located on the southern side of Powell Street, a short distance from the end of the cul-de-sac.

Local body services normal for the area are reticulated. All amenities such as schools, convenience shops, parks and reserves are reasonably close to hand with the New Lynn shops within a ten minute drive. The Auckland Central Business District lies within a fifteen to twenty five minute drive during off peak traffic flows.

We also note the property lies within the zoning several schools including the below-mentioned schools:

- Avondale Primary.
- Avondale Intermediate.
- Avondale College.
- Mt Albert Grammar School.

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## 5. Improvements

### 5.1 Dwelling Description

**Brief Description:** The property under consideration comprises a newly built, three level attached residential unit of three bedrooms and two bathrooms.

**Age:** Newly built

**Floor Area (approximate):** 147 square metres

**Foundations:** Concrete

**Floor:** Concrete

**Exterior Walls:** Corrugated iron

**Interior Linings:** Plasterboard with paint finish

**Ceilings:** Plasterboard with paint finish

**Exterior Joinery:** Double glazed aluminium

**Roof:** Corrugated iron

Reference Valuation Policies that apply to the Valuation: 2.7, 2.8, 2.12

### 5.2 Accommodation

Details of fixtures, fittings and internal subdivision as noted during our inspection are as follows:

#### **Ground Floor:**

Main entry to open plan living, dining and kitchen area.

Kitchen fittings include stone benchtop, electric oven, range hood, gas hob and cupboard space.

Separate toilet with hand basin.

#### **First Floor:**

Bedroom One with walk-in wardrobe and storage area.

Bedroom Two with built-in wardrobe.

Laundry area in recess with stainless steel tub.

Bathroom with vanity, heated towel rail, toilet, shower, extractor fan.

#### **Second Floor:**

Mezzanine area overlooking living area on second floor.

Master bedroom with two built-in wardrobes.

Bathroom with toilet, vanity, shower, heated towel rail and skylight.

### 5.3 Additional Improvements

In-ground swimming pool and timber decking area which is common area for the units in the complex. Timber decking on first and second level of the unit. Mixed perimeter fencing. Shared sealed driveway. Small amount of lawn area and boundary plantings. Two tandem sealed carparks.

### 5.4 Chattels

Fixed floor coverings, light fittings and dishwasher. All chattels are good quality and are in new condition.

### 5.5 Condition

**Interior:** Presentation is generally good with the unit being recently completed and a relatively good standard of fixtures and fittings used throughout.

**Exterior:** Presentation is generally good with the unit being recently completed.



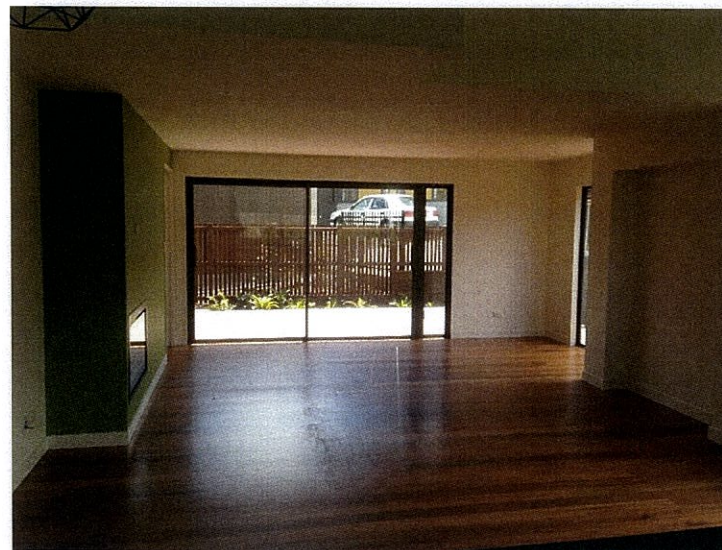
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## 5. Improvements

### 5.6 Pictures



Residential  
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## 5. Improvements





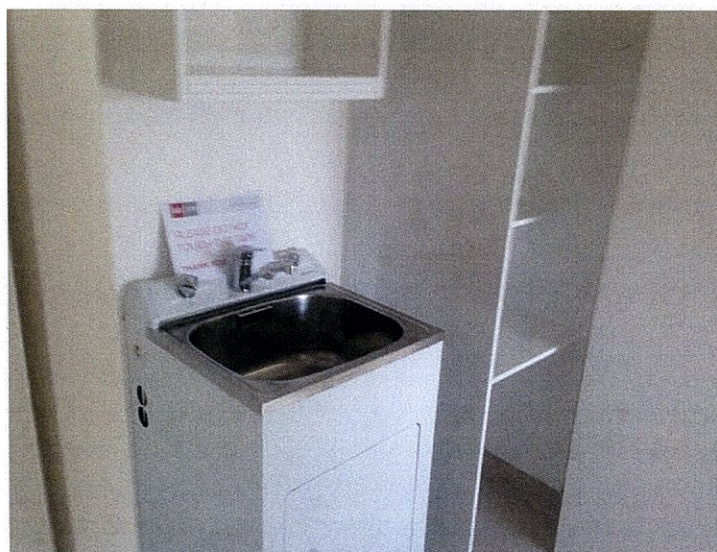
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## 5. Improvements



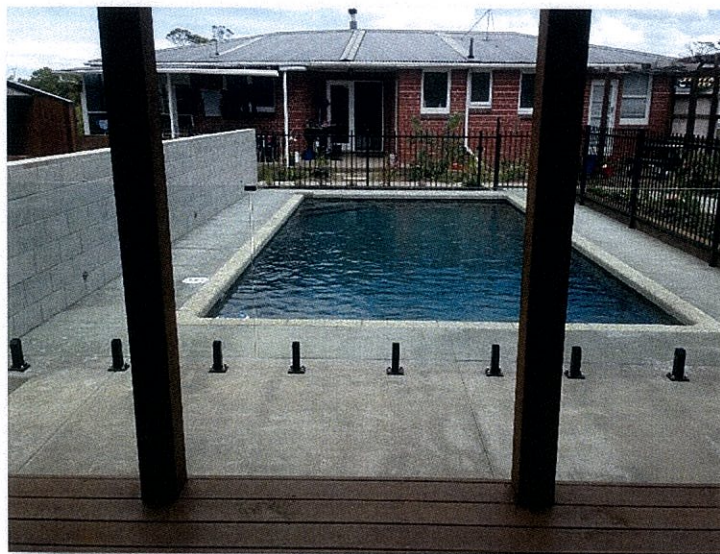
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## 5. Improvements





## 6. Market Overview

### 6.1 Economic Overview

We have been mindful of the current state of the economy when preparing the valuation herein as they influence the occupational and investment demand for property as well as the returns investors require from property investments.

#### Gross Domestic Product (GDP)

GDP is a useful indicator of our standard of living. Typically, a growing GDP will indicate growing economic production as a nation. This has a flow on effect to consumer confidence and how people may look to improve their standard of living. GDP was up 0.5% in the March 2017, quarter following increases of 0.4% in the December 2016 quarter and 0.8% in the September 2016 quarter. Economic activity for the year ended March 2017 was up 3% when compared with the year ended March 2016. This is a positive trend and New Zealand has a high growth rate when compared to many other developed countries.

#### Official Cash Rate (OCR) and Interest Rates

In June, the Reserve Bank held the Official Cash Rate (OCR) at 1.75% which is one of the highest in the developed world. The OCR is used by The Reserve Bank to influence retail interest rates in order to stimulate economic activity, reign in consumer spending, maintain inflation at a required level, and to bring balance to the New Zealand Dollar. The Reserve Bank's decision to hold the OCR continues to put downwards pressure on retail interest rates (which are at historic lows) and has a strong influence on the property market as it helps to increase affordability by way of mortgage funding. However, the banks have stopped passing on the lower rate to its customers. This has played a part in moderating house price inflation in Auckland along with the Loan to Value Ratio (LVR) controls on Landlords announced in mid- July 2015, and tighter lending criteria. The Reserve Bank's decision to cut the OCR also has the effect of lowering retail deposit rates offered by major banks and as a result are driving down yields of investment property as investors look for stronger investment returns.

#### Inflation

The Reserve Bank is mandated by legislation to maintain inflation to within the 1.0% to 3.0% range. The CPI rose 1.0% in the March 2017 quarter compared with the December 2016 quarter. This follows a 0.4% rise in the December 2016 quarter. The CPI increased 2.2% in the year to the March 2017 quarter. Housing-related prices were the main upward contributor to the latest annual CPI rise. This increase was influenced by housing rentals (up 2.3% nationally and 3.1% in Auckland) and prices for newly built houses excluding land (up 6.7% nationally). High inflation may impact on the affordability of home ownership and occupation.

#### Permanent and Long Term Migration

All regions had a net gain of permanent and long-term (PLT) migration in the May 2017 year, led by Auckland with 36,270 of the nation's 71,964. In comparison, the Auckland region is home to 34% of New Zealand's population (at 30 June 2015). This has an impact on the already limited supply of residential accommodation available in Auckland, thus putting upward pressure on house prices. Recently the Government has implemented policy changes to the New Zealand Residence Programme, and it has been forecast that these changes will see a fall of 5,000 immigrants over the next two years. The full impact of the policy changes are yet to be seen.

#### Summary

In summary, currently all the above-mentioned metrics are pointing to a positive correlation to property prices.

*Source: RBNZ, Statistics NZ, Interest.co.nz. Based on data available as at July 13, 2017.*

## 6. Market Overview

### 6.2 Property Market Overview

The following graph details the median house price movement in the metropolitan areas of Auckland for the five-year period from June 2012 to June 2017.

**Auckland Residential Property Median vs. Stratified Sale Price**



Source: REINZ, Knight Frank

Following the Auckland property markets peak around 2007, market conditions subsequently deteriorated. This was followed by a plateau between 2009 and 2011, since which the Auckland housing market has continued to rise. The median house price in Auckland for the month of June 2017 was \$845,000. This has increased from May 2017 at \$835,000, and is up from June 2016 at \$821,000.

The Reserve Bank of New Zealand (RBNZ) has made changes to the Loan to Value Ratio (LVR) policy which sees residential investors in the Auckland Council area requiring a deposit of at least 40%. In addition, new measures have been introduced to attempt to dampen the heated investment market in Auckland. The measures introduced include non-residents to provide a New Zealand IRD and bank account number and taxes on properties sold within two years of purchase that are not the seller's main residence. More recently additional measures have been introduced, restricting lending to off-shore based earners. We are starting to see some impact of these measures.

The official cash rate was held at 1.75% in June 2017. The Loan to Value Ratio (LVR) controls on landlords announced in mid-July 2015, tighter lending criteria, and retail banks not passing on OCR Cuts to its customers have played a role in moderating house price inflation.

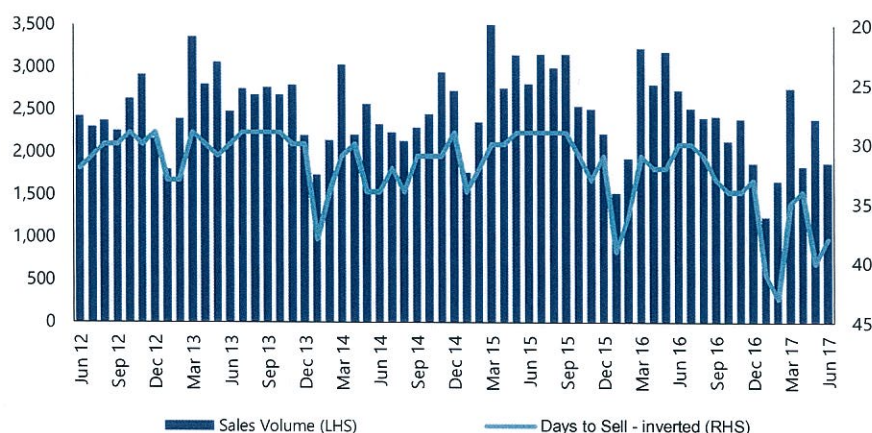
Other key indicators of the housing market are "days to sell" and "sales volume". The "days to sell" captures the median number of days a property is on the market before selling, whilst "sales volume" records the total housing transactions for the month. The said indicators for the overall Auckland region are summarised in the following graph. Please note that we have inverted the "days to sell".



## 6. Market Overview

Property Market  
Overview continued

**Auckland Residential Property Market**

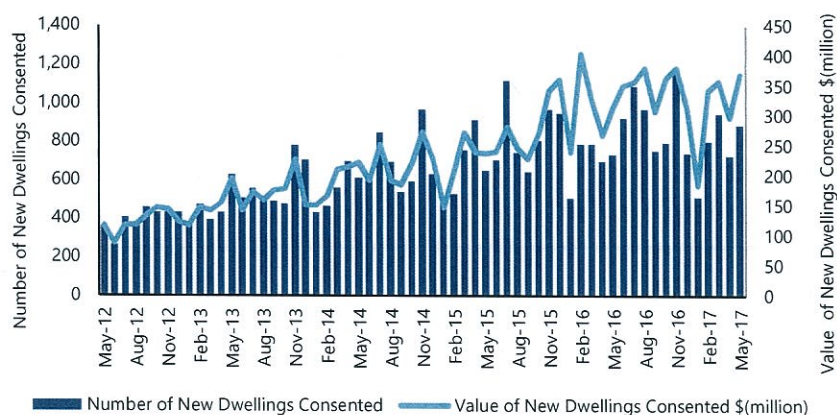


Source: REINZ, Knight Frank

As illustrated above, these indicators are generally mirroring the sale price trend. From 2011 the number of properties sold has continued to increase, though in the past few years there have only been several months with over 3,000 sales. The last twelve months have experienced lower number of sales than the same months in the previous year possibly reflecting some uncertainty around new lending policies.

The median number of days to sell a property in the month of June 2017 was 38 days. This is down from last month, which had a median number of days to sell of 40 days and down from February 2017 which has a median of days to sell of 43. The 10-year average for this statistic is 35 days. To date, the average days to sell in 2017 sits at 39 days, whereas the previous years have seen the median number of days averaging closer to 31 days.

**Number and Value of New Dwellings Consented in Auckland**



Source: Statistics New Zealand, Knight Frank

## 6. Market Overview

### Property Market Overview continued

Nationally, the number of residential building consents increased (8%) in the year to May 2017, this trend shows an overall continued increase over the last 5 years. Nationwide, 2,794 new dwellings (including 123 apartments) were authorised in the month of May 2017 with 855 (31%) of those being in the Auckland region. The trend for the number of new dwellings consented in Auckland reached a new peak in November 2016, being at its highest level since July 2016.

With an overall understanding of the current economic and property market, our analysis of market transactions upon which our valuations are based on are displayed within the next section.

### 6.3 Local Market Activity

2017 has seen a slowing in the price increase for residential property within Auckland's suburban suburbs. We highlight press articles and anecdotal feedback from Real Estate Agents specialising in the suburban areas, all indicating that clearance levels at auctions are well below the highs achieved in the early stages of 2016. This is off the back of a slight increase in interest rates, stricter lending criteria and more attractive rental returns in other provincial areas of New Zealand.

With the strong year on year increase in residential property values throughout 2012 - 2016, volatility is becoming evident within certain localities of Auckland that have been typical of investor purchasers such as South Auckland and also properties appealing to the developer market. Whilst the OCR remains at record lows, it is apparent that the major banks are no longer passing this discount on to its customers and that long term interest rates are starting to rise. We consider this to increase risk to various suburbs of Auckland, whereby lending ratios are tight on investment properties with low yields and also development projects facing strong inflationary pressure on building costs.

Our analysis of sales transactions highlights a continued increase in values through to September 2016, however recent data is suggesting a slight fall in values from this peak.



## 7. Valuation Rationale

### 7.1 Valuation Methodology

The most appropriate approach to the valuation of the subject property is considered to be the Sales Comparison Approach. This method of valuation analyses comparable sales after making allowances for such factors as date of sale, location, standard of accommodation, discernible differences between the properties and other pertinent factors to assist in our assessment of market value.

### 7.2 Sales Evidence

In assessing appropriate levels of value, we have analysed recent sales activity of comparable properties which have sold in the immediate area or within comparable locations. Our analysed sales evidence is provided below.

#### 3/11 Himikera Avenue



|                         |            |
|-------------------------|------------|
| Sale Date               | July 2017  |
| Sale Price              | \$880,000  |
| Approx Floor Area (sqm) | 136        |
| Land Area (sqm)         | Crosslease |
| Bedrooms                | 3          |

The property comprises a rear positioned site that is improved with a residential two level attached townhouse constructed in the 1980s with construction comprising weatherboard facade with concrete roofing. The townhouse is one of two in the block and has been modernised throughout its life so was in a tidy condition as at the time of sale.

**Comparison Comment:** Overall considered inferior to that of the subject property when taking into consideration the more dated townhouse.

#### 242D Blockhouse Bay Road



|                         |            |
|-------------------------|------------|
| Sale Date               | April 2017 |
| Sale Price              | \$950,000  |
| Approx Floor Area (sqm) | 171        |
| Land Area (sqm)         | 400        |
| Bedrooms                | 4          |

The property comprises a rear positioned site that is improved with a residential dwelling constructed in the 2000s with construction comprising brick and concrete block facade with concrete tile roofing. The dwelling was in a tidy condition as at the time of sale.

**Comparison Comment:** Overall considered slightly inferior to that of the subject property when taking into consideration the inferior presentation of the dwelling.

## 7. Valuation Rationale

### 703c New North Road



|                         |             |
|-------------------------|-------------|
| Sale Date               | August 2017 |
| Sale Price              | \$1,000,000 |
| Approx Floor Area (sqm) | 160         |
| Land Area (sqm)         | 201         |
| Bedrooms                | 4           |

The property comprises a rear positioned site that is improved with a residential attached townhouse, one of two in the block, constructed in the 2000s with construction comprising corrugated iron facade and roofing. The dwelling was in good condition as at the time of sale and well presented.

**Comparison Comment:** Overall considered superior to that of the subject property when taking into consideration the larger townhouse with four bedrooms provided and attached double garage.

### 703a New North Road



|                         |             |
|-------------------------|-------------|
| Sale Date               | June 2017   |
| Sale Price              | \$1,025,000 |
| Approx Floor Area (sqm) | 160         |
| Land Area (sqm)         | 243         |
| Bedrooms                | 4           |

The property comprises a rear positioned site that is improved with a residential townhouse constructed in the 2000s with construction comprising corrugated iron facade and roofing. The dwelling was in good condition as at the time of sale and well presented.

**Comparison Comment:** Overall considered superior to that of the subject property when taking into consideration the larger townhouse with four bedrooms provided and attached double garage.

### 3/1553 Great North Road



|                         |             |
|-------------------------|-------------|
| Sale Date               | June 2017   |
| Sale Price              | \$1,029,000 |
| Approx Floor Area (sqm) | 179         |
| Land Area (sqm)         | 330         |
| Bedrooms                | 5           |

The property comprises a rear positioned site that is improved with a residential dwelling constructed in the 2000s with construction comprising brick and weatherboard facade with corrugated iron roofing. The dwelling was in a tidy as at the time of sale. An inferior location to the subject property but a larger dwelling providing 5 bedrooms, 2 studies and 3 bathrooms.

**Comparison Comment:** Overall considered superior to that of the subject property when taking into consideration the larger dwelling providing 5 bedrooms.



## 7. Valuation Rationale

### 7.3 Summary of Sales Evidence

After assessing the most comparable recent sales in the location as mentioned above, we have determined the most relevant sales for comparison to be 3/11 Himikera Avenue, 242d Blockhouse Bay Road and 703c New North Road.

3/11 Himikera Avenue comprises a smaller, more dated townhouse than the subject property. Overall, we believe the sale helps to identify a lower limit when assessing a value range for the subject.

242d Blockhouse Bay Road comprises a larger townhouse than the subject property but is slightly more dated. Overall, on balance we believe the sale helps to identify a good indication of value range for the subject.

703c New North Road comprises a larger townhouse providing one extra bedroom than the subject property. Overall, we believe the sale helps to identify an upper limit when assessing a value range for the subject.

In summary, the subject property comprises a rear positioned steep sloping site within the Avondale suburb. It is improved with a modern three level attached townhouse that benefits from a inground swimming pool in the common area and two tandem carparks.

We note that there is a significant lack of comparable sales evidence of newly built townhouses in the immediate locality. We have therefore expanded our search to include slightly older townhouses and other localities.

After analysis, the abovementioned sales help to identify a value range of between \$880,000 and \$1,000,000 and given the respective attributes we have chosen a figure towards the upper end of this range.

### 7.4 Most Recent Sale of Subject Property (if within three years)

**Date of Sale:** November 2017

**Sale Price:** \$920,000

**Comment:** We have been advised that the property is under contract at this price. We believe that the comparable evidence supports a value of a figure higher than this price.

## 7. Valuation Rationale

### 7.5 SWOT Analysis

A SWOT analysis summarises the outcomes of this assessment. Key points under the headings "Strengths", "Weaknesses", "Opportunities" and "Threats" are outlined below:

| SWOT Analysis  |
|--|
| <p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>▪ Newly built.</li> <li>▪ Three bedrooms.</li> <li>▪ Pool as common area.</li> </ul>  |
| <p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>▪ Relatively steep section.</li> <li>▪ Attached unit.</li> </ul>   |
| <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>▪ Further develop landscaping.</li> </ul>   |
| <p><b>Threats</b></p> <ul style="list-style-type: none"> <li>▪ Ongoing impact of LVR restrictions.</li> <li>▪ Ongoing impact of changes to capital gains tax.</li> <li>▪ Unknown impact of foreign buyer ban on existing improved properties.</li> <li>▪ Ongoing impact of recent bank lending restrictions on foreigners.</li> <li>▪ Unknown impact of potential additional Reserve Bank restrictions on LVRs.</li> <li>▪ Unknown impact of increasing interest rates.</li> <li>▪ Unknown impact of recent change of Government.</li> </ul> |

### 7.6 Reconciliation of Sales Evidence

| Address                  | Sale Date   | Sale Price  | Comparison        |
|--------------------------|-------------|-------------|-------------------|
| 3/11 Himikera Avenue     | July 2017   | \$880,000   | inferior          |
| 242D Blockhouse Bay Road | April 2017  | \$950,000   | Slightly inferior |
| 703c New North Road      | August 2017 | \$1,000,000 | superior          |
| 703a New North Road      | June 2017   | \$1,025,000 | superior          |
| 3/1553 Great North Road  | June 2017   | \$1,029,000 | superior          |



## 8. Valuation Conclusion

### 8.1 Valuation Conclusion

With due consideration and further analysis of a selection of property sales, particularly those noted prior, and having particular regard to the physical characteristics of the subject property, we have assessed the market value of the subject property as follows.

| Market Value Assessment               |                  |
|---------------------------------------|------------------|
| Value of Land                         | \$940,000        |
| Value of Other Improvements           | \$15,000         |
| <b>Value of Land and Improvements</b> | <b>\$955,000</b> |
| Chattels                              | \$15,000         |
| <b>Market Value</b>                   | <b>\$970,000</b> |

### 8.2 Mortgage Recommendation

We have not been requested to provide a mortgage recommendation.

We advise that we have no knowledge of the applicant's ability to service any mortgage and anticipate that this will be reflected in the amount finally advanced by the mortgagee.

# Residential Valuation report

3/53A Powell Street, Avondale, Auckland



## 8. Valuation Conclusion

### 8.3 Valuation Certification

Acting under instruction from Simone Graham, Knight Frank has undertaken a valuation of 3/53A Powell Street, Avondale, Auckland. We confirm that we have inspected the property as herein described on November 3, 2017 and have prepared this report.

**Nature of Interest:**

Vacant Possession

**Additional Comments:**

Satisfactory title being issued

Subject to the overriding stipulations contained within the body of this report, we are of the opinion that the current market value of the subject property as at the date of inspection is:

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**\$970,000**

Nine Hundred and Seventy Thousand Dollars

Inclusive of GST

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This certificate of valuation forms part of, and should not be used or read independently from, the complete report.

**KFNZ Ltd t/a Knight Frank**

A handwritten signature in blue ink, appearing to read "A Barton", enclosed within a blue oval.

**Andrew Barton** B.Com. (VPM)

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