Executive Summary – Overall findings and key insights

Overview

The Dunedin Waterfront Masterplan is a vision for the development of Dunedin’s waterfront over the next 50 years.

Schemes analysed

Project-by-project static feasibility analysis was undertaken for two different options:

- Architectural Masterplan: scheme designed by Dunedin-based architect Damien van Brandenburg.


Dunedin market overview

The Dunedin market is flat, with few private sector new build projects in recent years. Most new builds have been public entity led projects.

Activity by private developers has largely consisted of refurbishment of older buildings, rather than new buildings.

Findings of the feasibility analysis

In the short term, the commercial feasibility for both

- Architectural Masterplan
- Transitional Masterplan

The analysis demonstrated the need for reduction in development costs and ongoing design flexibility. This would allow developers to design buildings in a way that maximises the viability of individual projects.

Tenure also needs careful consideration. Developers and investors are likely to require freehold or quasi-freehold tenure in order to enable development.

Public sector leadership to

- Architectural Masterplan
- Transitional Masterplan

This would need to be in conjunction with an overall reduction in development costs, and delivery of public realm improvements.

Architectural Masterplan

Transitional Masterplan
Part B
Feasibility analysis methodology
Methodology

This feasibility study has adopted static analysis at individual building level. This focuses on the likely viability of individual buildings, by comparing the potential value realisation of the development less the costs to complete the development.

Individual building analysis was used because it is likely that the projects will be delivered by different developers over time, rather than a single large development by a single developer. Discounted Cash Flow analysis to capture the time effects of the cash flows was not undertaken. Given the very early stage of design, it was considered that the simpler static analysis would be appropriate for preliminary investigations.

The analysis used two stages. Initially the feasibility was tested using indicative market revenue levels. For the Transitional Masterplan, this was followed by analysis using viability based revenue to understand the revenue metrics likely needed for viable projects.

Key indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realisation on completion of the development ($)</td>
<td>Indicative realisation from selling the properties (revenue)</td>
</tr>
<tr>
<td>Development costs ($)</td>
<td>Total costs for completing the development</td>
</tr>
</tbody>
</table>

Analysis using indicative market revenue

Feasibility tested using indicative market revenue levels to understand the likely viability in an open market.

Analysis using viability based revenue (Transitional Masterplan only)

Feasibility tested using viability based revenue to understand the level of revenue required to achieve a viable project. This approach assumes end users (eg tenants) who are willing to pay above market levels in order to initiate development. This is a possibility on projects with long-term revenue commitments (eg office properties) but not where revenue relies on the public open market (eg hotels).

Important assumption

In all cases, the feasibility analysis does not allow for any infrastructure works associated with delivering the building platforms or surrounding public realm. Land costs are limited to the land value assumption specified for projects within each of the feasibility analysis assumption tables.
Important clarifications

This feasibility analysis has been undertaken as an initial test of the likely viability of the individual projects, and to form insights that can be carried into the design process. It is not intended to create project budgets or as a formal valuation of the scheme.

This analysis has been prepared on a desktop basis without access to detailed due diligence materials. The project is in the early stage of design, meaning only limited design information is available. As a result, the revenue and cost assumptions carry significant uncertainty.

The analysis is for advisory purposes. It does not constitute a formal valuation report. It should not be relied upon for due diligence, project financing or project budgeting.

Projections are inherently more uncertain than opinions of current state. The exercise of making projections is necessarily problematic and the resultant figures should be regarded as indicative estimates of probability rather than certainty.

Detailed design, quantity surveyor advice, planning advice, registered valuer advice and market testing will be needed if the analysis is to be relied upon for setting budgets or valuations.
Part C
Architectural Masterplan feasibility analysis
Summary of Findings – Architectural Masterplan
Architectural Masterplan

The Dunedin Architectural Masterplan is a vision for development of Dunedin’s waterfront over the next 50 years.

The plan was developed by Dunedin-based architect Damien van Brandenburg, with the support of Ian Taylor.

The vision includes:
- A pedestrian and cycle bridge connecting the city and the waterfront
- Ferry terminal and ticketing booth *
- Sustainable Futures Initiative Building
- Eco-tourism centre
- Commercial offices
- Mixed use commercial and residential
- Five star hotel across two large wings
- Cultural centre
- Car park

* The ferry terminal and ticketing booth were excluded from the feasibility study on the basis that they would be supporting ferry infrastructure.
Architectural Masterplan development mix
Pros, cons and risks at initial glance

**Pros**
- Waterfront location
- Beautiful architecture

**Cons**
- Buildings expensive to develop due to beautiful architecture and marine environment
- Detached from Octagon and main retail area (600 to 1,200 sqm walk)
- Local climate not ideal for year-round outdoor spaces

**Risks**
- May lack critical mass of traditional property types (offices, residential, retail, etc)
- Specialist properties are challenging for private investors to develop (hotel, culture centre, Sustainable Futures Initiative Building, etc)
- Tenure needs careful consideration (leasehold tenure could impact on investor demand)
Sustainable Futures Initiative Building – Architectural Masterplan feasibility analysis

The design brief implies a specialist tertiary education style research centre, rather than a generic commercial building.

In order to review the feasibility, we have treated it as an office style building which would be supplemented by specialist user fitout.

Key modelling metrics used for the preliminary feasibility are outlined opposite. There have been no directly relevant buildings to draw evidence from in the market (eg new waterfront buildings). We have therefore assumed the Sustainable Futures Initiative Building will be similar to an office use. Assumptions were based on reference projects, albeit in the context of a lack of locally comparable projects.
Eco-Tourism Centre – Architectural Masterplan feasibility analysis

The design brief for the eco-tourism centre was loosely defined.

We assume the centre would most likely operate as a visitor hub for off-site marine activities. It may also have an on-site learning centre. This would have similarities to a retail ground floor, plus office spaces above.

Key modelling metrics used for the preliminary feasibility are outlined opposite. There have been no directly relevant buildings to draw evidence from in the market (eg new waterfront buildings). We have therefore assumed the eco-tourism centre will be similar to an office/retail use. Assumptions were based on reference projects, albeit in the context of a lack of locally comparable projects.

<table>
<thead>
<tr>
<th>Metric</th>
<th>Prevailing market rate</th>
<th>Adopted metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total gross floor area</td>
<td>s 9(2)(b)(ii)</td>
<td></td>
</tr>
<tr>
<td>Retail gross floor area</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail net floor area</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail net face rents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail yield</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office gross floor area</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office net floor area</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office net face rents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office yield</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development costs</td>
<td></td>
<td></td>
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<tr>
<td>Land costs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Feasibility result

Feasibility assessment
Commercial Offices – Architectural Masterplan feasibility analysis

This project is a commercial office building.

Key modelling metrics used for the preliminary feasibility are outlined opposite. There have been no directly relevant buildings to draw evidence from in the market (e.g., new waterfront buildings). Assumptions were based on reference projects, albeit in the context of a lack of locally comparable projects.

<table>
<thead>
<tr>
<th>Key assumptions</th>
<th>Prevailing market rate</th>
<th>Adopted metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross floor area</td>
<td>s 9(2)(b)(ii)</td>
<td></td>
</tr>
<tr>
<td>Net floor area</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net face rents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yield</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction costs</td>
<td></td>
<td></td>
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<tr>
<td>Land costs</td>
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<td></td>
</tr>
</tbody>
</table>

Feasibility result

s 9(2)(b)(ii)

Feasibility assessment
Waka Mixed Use – Architectural Masterplan feasibility analysis

This project is a retail and apartment building.

Key modelling metrics used for the preliminary feasibility are outlined opposite. There have been no directly relevant buildings to draw evidence from in the market (eg new waterfront buildings). Assumptions were based on reference projects, albeit in the context of a lack of locally comparable projects.
Hotel – Architectural Masterplan feasibility analysis

The project is a large high quality hotel spread over two buildings. The number of rooms is not specified, but the 17,260 sqm gross floor area has been assumed to equate to roughly 240 rooms.

Key modelling metrics used for the preliminary feasibility are outlined opposite. There have been no directly relevant buildings to draw evidence from in the market (eg new waterfront buildings). Assumptions were based on reference projects, albeit in the context of a lack of locally comparable projects.

<table>
<thead>
<tr>
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</tr>
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<tr>
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<td></td>
</tr>
<tr>
<td>Net floor area</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average daily rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupancy rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Room size</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yield</td>
<td></td>
<td></td>
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<tr>
<td>Construction costs</td>
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<tr>
<td>Land costs</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Feasibility result</th>
<th>Feasibility assessment</th>
</tr>
</thead>
</table>
Culture Centre – Architectural Masterplan feasibility analysis

The culture centre is a mid-sized events and exhibition space. It is not a major conference centre.

Key modelling metrics used for the preliminary feasibility are outlined opposite. Revenue assumptions for this type of development are inherently subjective, particularly given the lack of local reference projects. We assumed an owner operator model in order to avoid analysing multiple layers of ownership and operation.
This project is a small covered car park to support the development. The roof is fully landscaped to conceal the car parking use.

Key modelling metrics used for the preliminary feasibility are outlined opposite. Revenue assumptions have been based on our review of comparable developments (albeit with a lack of highly comparable evidence). Assumptions were based on reference projects, albeit in the context of a lack of locally comparable projects.

<table>
<thead>
<tr>
<th>Key assumptions</th>
<th>Prevailing market rate</th>
<th>Adopted metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross floor area</td>
<td>s 9(2)(b)(ii)</td>
<td></td>
</tr>
<tr>
<td>Number of car parks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Car park rent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yield</td>
<td></td>
<td></td>
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<tr>
<td>Construction costs</td>
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<tr>
<td>Land costs</td>
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</tbody>
</table>

Feasibility result

Feasibility assessment
Part D
Transitional Masterplan feasibility analysis
Summary of Findings - Transitional Masterplan feasibility analysis

§ 9(2)(b)(ii)
Transitional Masterplan

This commercial feasibility analysis focuses on the Transitional Masterplan issued 28 September 2018. The Transitional Masterplan is an intermediate approach to the Architectural Masterplan.

Development cost data is largely reliant on preliminary construction cost analysis undertaken by Beca.

The projects included in the feasibility are identified below. Other projects are either not commercial ventures or are not part of the transitional scheme.

<table>
<thead>
<tr>
<th>Plan ref</th>
<th>Project</th>
<th>Included in feasibility?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Fryatt Street – on-grade carpark</td>
<td>Included</td>
</tr>
<tr>
<td>1</td>
<td>Fryatt Street building (future stage)</td>
<td>Excluded</td>
</tr>
<tr>
<td>2</td>
<td>Sustainable Futures Initiative Building</td>
<td>Included</td>
</tr>
<tr>
<td>3</td>
<td>Ferry terminal</td>
<td>Excluded</td>
</tr>
<tr>
<td>4</td>
<td>Eco-tourism Centre</td>
<td>Included</td>
</tr>
<tr>
<td>4</td>
<td>Metro Playground</td>
<td>Excluded</td>
</tr>
<tr>
<td>5</td>
<td>Pop-up Hospitality Building</td>
<td>Included</td>
</tr>
<tr>
<td>6</td>
<td>Commercial Offices</td>
<td>Included</td>
</tr>
<tr>
<td>7</td>
<td>Refurbished G2 Shed</td>
<td>Included</td>
</tr>
<tr>
<td>N/A</td>
<td>Waka Mixed Use Building (future stage)</td>
<td>Excluded</td>
</tr>
<tr>
<td>8</td>
<td>Hotel (4 star)</td>
<td>Included</td>
</tr>
</tbody>
</table>
Transitional Masterplan development mix

The following shows the reduction in scale used for the Transitional Masterplan feasibility analysis.
Transitional Masterplan reference points

**Sustainable Futures Initiative Building**
AVB Dunedin Waterfront Masterplan Design

- Design as specified by AVB within the original Dunedin Waterfront Masterplan design.

**Eco-tourism Centre**
Toitu Otago Settlers Museum, Dunedin

- Regional history museum in Dunedin, which underwent a $38.5m redevelopment in 2011 and 2012.

**Pop-up Café**
Re:Start Mall, Christchurch

- Temporary mall built from shipping containers while the central city was being rebuilt. Originally intended to be a short-term solution, it remained open for 7 years.

**Commercial Offices**
Quad 7, Auckland Airport

- 8,500sqm low rise office A Grade building located at Auckland Airport with ground floor hospitality.

**Refurbished Shed**
City Works Depot, Auckland

- Conversion of industrial workshops into food and beverage, boutique food producers, and office tenancies.

**Hotel (4 star)**
Novotel New Plymouth

- The 4.5 star Novotel New Plymouth has 85 rooms, gym, restaurant, bar and meeting rooms. Opened in 2018.
Car Park – Transitional Masterplan feasibility analysis

<table>
<thead>
<tr>
<th>Feasibility assessment</th>
<th>Key assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>s 9(2)(b)(ii)</td>
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</tr>
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</table>

Feasibility result: s 9(2)(b)(ii)
Sustainable Futures Initiative Building – Transitional Masterplan feasibility analysis

<table>
<thead>
<tr>
<th>Feasibility assessment</th>
<th>Key assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>s 9(2)(b)(ii)</td>
<td></td>
</tr>
</tbody>
</table>

Feasibility result: indicative market rent  
s 9(2)(b)(ii)  
Feasibility result: viability based rent  
s 9(2)(b)(ii)
Eco-tourism Centre – Transitional Masterplan feasibility analysis
Pop-up Hospitality Building – Transitional Masterplan feasibility analysis

<table>
<thead>
<tr>
<th>Feasibility assessment</th>
<th>Key assumptions</th>
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<tbody>
<tr>
<td>s 9(2)(b)(ii)</td>
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</tbody>
</table>

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![Map Diagram](image-url)
Commercial Offices – Transitional Masterplan feasibility analysis

Feasibility assessment

Key assumptions

Feasibility result: market rent

Feasibility result: viability based

s 9(2)(b)(ii)
Refurbished G2 Shed – Transitional Masterplan feasibility analysis

Feasibility assessment

<table>
<thead>
<tr>
<th>Key assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>s 9(2)(b)(ii)</td>
</tr>
</tbody>
</table>

Feasibility result: indicative market rent

Feasibility result: viability based rent

s 9(2)(b)(ii)
Hotel – Transitional Masterplan feasibility analysis

Feasibility assessment

Key assumptions

\( s\ 9(2)(b)(ii) \)
Appendix 1
Overview of the Dunedin market
Current population

Dunedin is one of New Zealand’s smaller major cities. Population growth rates are projected to be reasonably similar to other major centres, so Dunedin is expected to continue as a smaller major centre.

The implication is that reference projects seen in Auckland, Wellington and Christchurch have been supported by larger population bases, so similar projects may be more challenging to deliver in Dunedin.
Dunedin Market - Recent Developments

- University Precinct: Education -
- George Street Retail Precinct: Retail -
- The Octagon: Retail -
- Otago Museum Science Centre: Education 2017
- Otago Business School Redevelopment: Education 2018
- Otago Polytechnic Student Village: Education 2018
- University of Otago Dental School: Education 2018
- Filleul Street Apartment Development: Residential 2018
- Mall 218 Redevelopment: Retail 2017
- Regus George Street: Office 2017
- Moray Place Hotel (Proposed): Hotel 2018
- Town Hall & Dunedin Centre Refurb: Civic 2014
- Victoria Hotel Expansion: Hotel 2016
- Dunedin Hospital New Build: Civic 2018
- Boutique Hotel (Proposed): Hotel Planning
- Dunedin Law Courts Refurbishment: Civic 2018
- Otago Regional Council Office (Proposed): Office Planning
- Scenic Dunedin Hotel (Proposed): Hotel 2018
- Wains Hotel Refurbishment: Hotel 2018
- Warehouse Precinct Revitalisation: Mixed Use Various
- Port Otago Shed Demolition: Industrial Planning
- Edgar Centre Seismic Upgrade: Events 2019
- University of Otago Marine Science Lab: Education 2017
Regional comparison of property metrics

Insights from reference projects

House prices at similar levels to Christchurch, but lower than markets where apartments are growing in popularity (Auckland and Wellington).

Prime office rents significantly lower than other cities, likely due to older buildings and prevalence of refurbished spaces.

Retail market pricing similar to Christchurch. Market is relatively small but benefits from compact CBD.

Hotel market performance is weaker than larger cities.

<table>
<thead>
<tr>
<th>Regional property metrics</th>
<th>Auckland</th>
<th>Wellington</th>
<th>Christchurch</th>
<th>Dunedin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>Median house price</td>
<td>$852,000</td>
<td>$590,000</td>
<td>$425,000</td>
</tr>
<tr>
<td>Office</td>
<td>Prime office rents (psm)</td>
<td>$484</td>
<td>$481</td>
<td>$370</td>
</tr>
<tr>
<td></td>
<td>Prime office yields</td>
<td>6.4%</td>
<td>6.9%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Retail</td>
<td>Prime retail rents (psm)</td>
<td>$1,014 net</td>
<td>$1295 gross</td>
<td>$825 net</td>
</tr>
<tr>
<td></td>
<td>Prime retail yields</td>
<td>5.6%</td>
<td>6.9%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Hotels</td>
<td>Average daily rate</td>
<td>$214</td>
<td>$177</td>
<td>$161</td>
</tr>
<tr>
<td></td>
<td>Occupancy</td>
<td>86%</td>
<td>80%</td>
<td>77%</td>
</tr>
<tr>
<td>Construction</td>
<td>Building work put in place (12 months to June 2018)</td>
<td>$8.4B</td>
<td>$1.9B</td>
<td>$3.8B (“Canterbury”)</td>
</tr>
<tr>
<td></td>
<td>Crane count</td>
<td>90</td>
<td>8</td>
<td>22</td>
</tr>
</tbody>
</table>

Data sources:
- Residential: REINZ Median house price August 2018
- Office: Colliers New Zealand CBD Office Report 2017
- Retail: Colliers New Zealand Retail Report 2017
- Hotels: Colliers New Zealand Hotel Market Snapshot April 2018; New Zealand Hotel Development Pipeline July 2018; Dunedin estimated as not tracked
- Construction: Statistics New Zealand – Value of Building Work Put in Place (June 2018 data – Table 2); RLB Crane Index Q3 2018
Hotel – Deep dive into market conditions

- Across New Zealand, hotel developments face challenging feasibility. Despite stronger market conditions in other regions of New Zealand, hotel developments have been relatively limited. The majority of projects are located in Auckland and Queenstown, both of which have higher revenue metrics (room pricing and occupancy) than Dunedin.
Appendix 2
Insights from reference projects
Insights from recent developments in Dunedin

**Warehouse Precinct revitalisation**

Prevalence of character building conversions for residential, office and retail uses.

**Regus George Street**

Emergence of coworking (shared office spaces) in Dunedin office market.

**Filleul Street Apartment Development**

Apartment developments tend to be smaller scale (~25 or less) and located in the CBD.

**Otago Polytechnic Student Village**

Demand for student accommodation facilities in the vicinity of the University.

**Wains Hotel refurbishment**

Five star hotel offerings in Dunedin tend to be smaller, boutique properties, and often refurbished rather than new properties.

**Moray Place Hotel (Proposed)**

Examples of interest in hotel development, but there has been some public concern over high rise projects.
Examples of similar waterfront developments around the world

Wynyard Quarter, Auckland, New Zealand

A mixed use redevelopment of marine industrial land to be completed by 2030. Major uses are offices and apartments, along with hotel, restaurants and open spaces.

Navy Pier, Chicago, United States

A revitalisation of the historic Navy Pier funded through a public-private partnership. Public parks, a cinema and promenade are cornerstone features of the redevelopment.

Viaduct, Auckland, New Zealand

Redeveloped in the 1990’s to accommodate the America’s Cup defense. The area consists of high-end apartments, hotel, retail, and restaurants.

Cardiff Bay, Cardiff, Wales

The project started in the 1980’s and features mainly residential and office developments. The project was part of a wider docklands revitalisation plan.

Clyde Quay Wharf, Wellington, New Zealand

Formerly a passenger terminal now converted into luxury apartments with high quality amenities and ground floor retail.
Sustainable Futures Initiative Building – Insights from reference projects

Insights from reference projects

- Specialist projects are typically delivered directly by tertiary institutions or by Crown entities.

- Private sector involvement typically relates to generic commercial buildings, or where rental rates are based directly on achieving feasible development.

University of Otago
Portobello Marine Laboratory, Otago

$5m marine laboratory opened in 2017 with 200 sqm teaching facility and 6000L viewing tanks.

Lincoln University AgResearch Facility, Christchurch

27,000 sqm facility to house 700 scientists and students in Canterbury, jointly owned by Lincoln University and AgResearch and tenanted by DairyNZ.

University of Auckland
Leigh Marine Laboratory, Northland

$10m upgrade in 2011, adding a new three storey science building with offices and meeting spaces and extending existing accommodation and workshops.

Gracefield Innovation Quarter, Wellington

34,000 sqm of laboratories, office space, workshops and pilot labs in Lower Hutt developed by Callaghan Innovation.
Eco-Tourism Centre – Insights from reference projects

**Insights from reference projects**

- Likely to operate as a visitor hub and meeting point for offsite activities. This could include retail type booths leased to tourism operators, and support offices.

- Generic building design would preserve the value of the property over time, by enabling flexibility for other uses (e.g., contemporary offices or retail), rather than only eco-tourism.

**Orokonui Ecosanctuary, Dunedin**

$2.2m visitor and education centre built to a 5 Green Star standard. Completed in 2009.

**Waitomo Caves Visitor Centre, Otorohanga**

Visitor centre with dining areas for 240 people as well as booking, retail and exhibition amenities. Completed in 2010.

**Christchurch Botanic Gardens Visitor Centre**

Visitor centre housing a function room, café and permanent exhibition room. Completed in 2014.

**Te Kōngahu, Waitangi**

Architecturally designed museum and education centre built as part of a $14m redevelopment of the Treaty Grounds at Waitangi.
Commercial Offices – Insights from reference projects

**Insights from reference projects**

- **Recent office developments in Dunedin are typically refurbishments of existing buildings.**

- **New buildings in other markets are typically regular shaped and larger due to better cost efficiencies (external façade is a key cost item).**

- **Larger floor plates (1,200 sqm +) are preferred in order to secure larger corporate tenants willing to pay premium rents.**

**Warehouse Precinct, Dunedin**

- Recent office developments in Dunedin are typically refurbishments of existing buildings.

**Regus George Street, Dunedin**

- Recent emergence of coworking in Dunedin. This is shared office spaces provided on a “rent a desk” basis.

**10 Waterloo Quay, Wellington**

- 10,000 sqm of commercial offices with ground floor retail developed by Willis Bond & Co on the Wellington waterfront.

**Wynyard Quarter, Auckland**

- Several commercial offices in Wynyard Quarter developed by Precinct Properties. Some of the space operates as shared office spaces. Minor retail only – typically eateries.
Waka Mixed Use – Insights from reference projects

Insights from reference projects

Luxury apartment buyers are typically wealthy locals (e.g. downsizing) or overseas buyers seeking premium apartments

Tenure needs to be freehold or prepaid leasehold

Retail would likely focus on food and beverage offerings

Dedicated car parking is expected for luxury apartments

Princes Wharf, Auckland (1990s)

Former commercial wharf redeveloped into a hotel and apartments with offices and ground floor commercial (retail or offices). Leasehold tenure with ongoing ground rent has impacted long-term value.

Clyde Quay Wharf, Wellington (2014)

Redeveloped heritage listed wharf comprising retail and offices at ground level and 76 luxury apartments above with basement car parking, completed in 2014. Tenure is prepaid terminating leasehold (no ongoing ground rent).

Lighter Quay, Auckland (early 2000s)

Multi-unit residential and hotel project. Leasehold tenure with ongoing ground rent has impacted long-term values.

30 Madden Street, Auckland (2017)

91 residences in the Wynyard Quarter comprising apartments, maisonettes and penthouses, parking, and ground floor retail and hospitality spaces. Tenure is prepaid terminating leasehold (no ongoing ground rent).
Hotel – Insights from reference projects

Insights from reference projects

- Large and very high quality relative to current market
- Hotels often struggle to achieve short-term feasibility thresholds due to high construction costs, so tend to be multi-generation investments
- High end hotels in Dunedin tend to be smaller, boutique properties and are often refurbished rather than new builds

Distinction Dunedin
Refurbishment of former Chief Post Office into 4.5 star luxury hotel.

Hilton Auckland (1990s)
166 room five star Hilton hotel and 400 apartments developed on a former commercial wharf in the Auckland CBD.

Park Hyatt Auckland (under construction)
$200m development of five star, 195 room hotel on Auckland’s waterfront. The hotel will also have a ballroom, entertainment facilities, health centre and day spa.

Trinity Wharf Tauranga
123 room, 4.5 star hotel in Tauranga located across three central piers.
Culture Centre – Insights from reference projects

Insights from reference projects

Most likely to be a civic or charitable project

Availability of plenary and breakout spaces is critical for hosting conference style events (needs to meet requirements for wide range of events)

Len Lye Centre, New Plymouth

$11.5m art gallery, gift store and cafe. Entry is free for New Plymouth residents, but a $15 charge will be introduced from August 2018 for all others.

Shed 10, Auckland

$18.6m restoration of a 2,204 sqm heritage listed building on Queens Wharf. The space is now used as a terminal for the cruise industry and an events space for up to 3,000.

The Cloud, Auckland

$10m, 2,697 sqm temporary structure designed to provide flexible space for the 2011 Rugby World Cup fan zone. It now operates as an events space for up to 4,500 people.

Cloud Gate ("Chicago Bean"), Chicago

Large public art sculpture in major public park. Not a functional building, but provides architectural statement.
Car Park – Insights from reference projects

Insights from reference projects

Car parking is critical for supporting other uses in the development (particularly apartment and office which will need dedicated parking).

Higher levels of car parking may be needed to adequately provide for the overall scheme.

Reference projects are substantially larger than the proposed car park, reflecting the critical mass of development they serve.

Waterfront land not ideal for car parking because it places a low value use on high value land.

Britomart Car Park, Auckland

1,250 car parks over multiple levels. Les Mills gym and other retail along the front of building. The building also offers valet parking for retail and office uses in the Britomart precinct. Whilst Britomart precinct is on the waterfront, the car park building is behind Ports of Auckland Wharf (not directly waterfront).

Downtown Car Park, Auckland

1,890 car parks over multiple levels. Building is set back slightly from the waterfront. There has been debate at various times as to the merits of a large car parking building on the waterfront.
Summary of Findings – Key themes from the market sounding

<table>
<thead>
<tr>
<th>Issue</th>
<th>Key theme from market sounding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Architectural Masterplan Option</td>
<td>s 9(2)(b)(ii)</td>
</tr>
<tr>
<td>Transitional Masterplan Option</td>
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<tr>
<td>Public sector intervention</td>
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<td>Vision</td>
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<td>Extent</td>
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<td>Tenure</td>
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<td>Planning</td>
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<td>Design</td>
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<td>Construction costs</td>
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<td>Materials</td>
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<td>Demand</td>
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<tr>
<td>Connectivity</td>
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Introduction

The market sounding involved interviewing a sample of developers in order to gain feedback and insights in relation to the proposed schemes.

An informal approach was used, rather than highly structured competitive dialogue or expressions of interest campaign.

Interviews were held with a total of ten participants, representing leading local and regional / national developers and investors. Participants were chosen due to their local expertise and/or track record of undertaken other large development.

An additional ten parties were approached, but chose not to participate. Reasons were either too busy to participate, or were not interested in the project.

The content of the discussion varied depending on the background of the participant. Topics generally included:

- Perceptions of the viability of the Architectural Masterplan scheme option.
- Perceptions of the viability of the Transitional Masterplan scheme option.
- Feedback on a range of other aspects including tenure, planning, design, market demand, etc.
- Any other concerns, risks or ideas.
## Architectural Masterplan option

### Trends from the market sounding

<table>
<thead>
<tr>
<th>Issue</th>
<th>Key theme</th>
<th>Representative quotes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall perception of viability of the Architectural Masterplan option</td>
<td>The Architectural Masterplan scheme was seen as an exciting idea, § 9(2)(b)(ii)</td>
<td>§ 9(2)(g)(i)</td>
</tr>
<tr>
<td></td>
<td>The overall perception was that there would be a substantial cost premium associated with the architectural design, § 9(2)(b)(ii)</td>
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</tbody>
</table>
# Transitional Masterplan option

## Trends from the market sounding

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<tbody>
<tr>
<td>Overall perception of viability of the Transitional Masterplan option</td>
<td>The Transitional Masterplan option with transitional land use was considered more realistic than the Architectural Masterplan option, s 9(2)(b)(ii)</td>
<td>s 9(2)(g)(i)</td>
</tr>
<tr>
<td>Public sector intervention</td>
<td>s 9(2)(b)(ii)</td>
<td></td>
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</tbody>
</table>
## Other development issues

### Trends from the market sounding

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<tr>
<td>Vision</td>
<td>Vision critical for ensuring good quality urban outcome. Strong vision is desirable, but concern that if the vision is too aspirational it will lead to potentially viable developments being declined because they do live up to the very high aspirations of the vision.</td>
<td>s 9(2)(g)(i)</td>
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<tr>
<td>Extent</td>
<td>Concern that the masterplan only addresses the immediate waterfront, The surrounding leasehold tenure means that regeneration of those properties is unlikely. Suggested actions included full master-planning of the wider area, rezone to mixed use, and freeholding so that the wider area can regenerate.</td>
<td></td>
</tr>
<tr>
<td>Tenure</td>
<td>Needs to be freehold or at minimum prepaid terminating leasehold (e.g. 125 years, no ground rent). Local developers strongly believe it needs to be completely freehold.</td>
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</table>
Other development issues

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<td>Planning</td>
<td>Need clear planning rules so that developers have certainty about outcomes. Common concern is reverse sensitivities between industrial uses and residential / accommodation, which could result in planning applications being declined.</td>
<td>s 9(2)(g)(i)</td>
</tr>
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<td>Design</td>
<td>Need design guidelines to ensure that buildings are well designed, as opposed to compliance with a specified building design. Need flexibility so that design can be commercially viable.</td>
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<td>Construction costs</td>
<td>Perceived that construction costs, even for traditional building designs, will be very high due to ground conditions and marine environment.</td>
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Other development issues

Trends from the market sounding

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<td>Materials</td>
<td>Several recommendations to use lightweight timber structures to minimise weight, improve sustainability, and due to better long-term performance in marine environment. Perceived that concrete and steel structures will have long-term maintenance issues within marine environment.</td>
<td>s 9(2)(g)(i)</td>
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<td>s 9(2)(b)(ii)</td>
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Other development issues

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<td>Connectivity</td>
<td>Concern that the railway lines between the CBD and the inner harbour are a major obstacle for end-users. The planned bridge may not fully solve this problem because users are often unwilling to traverse bridges, so may choose to remain in the CBD.</td>
<td>s 9(2)(g)(i)</td>
</tr>
<tr>
<td>Other</td>
<td>Other miscellaneous ideas and comments</td>
<td></td>
</tr>
</tbody>
</table>