PROPERTY MARKET REPORT 2010/2011

Prepared by HOLLIS & SCHOLEFIELD LTD
Registered Valuers & Property Consultants

How will the new Motorway Extension Impact You?

Has your property value reduced?

Is your commercial property holding its value or falling?

When are the new rating valuations being issued?

HSL addresses some of the key issues in our local region.

Contact our office for more information.

CONTACT US

Street Address:
Papworth Building
52 Queen Street
Warkworth
(Above the Flight Centre)

Postal:
P O Box 165
Warkworth

Phone:
09 425 8810

Fax:
09 425 7732

Email:
warkworth@hsl.net.nz

Web:
www.hsl.net.nz

Office Hours:

Mon – Fri
8.30am – 5pm

PUHOI TO WARKWORTH MOTORWAY EXTENSION

NZTA recently announced the indicative route (see page 30) between Puhoi and Warkworth. Details are available on www.nzta.govt.nz/puhoi-wellsford.

This will be a greenfields development, meaning it can be built without any disruption to the existing highway. The roadline is indicative, and public submissions are open until 28 January 2011. There will be a number of land owners, particularly from Moirs Hill Road north who will be quite badly affected. Some houses will need to be removed, others will have a road close by. The process of land acquisition will involve NZTA appointing a valuer and the affected owners have the option to appoint a valuer as well. All costs are paid for by NZTA.

We have done a good deal of work on both sides in land acquisition matters, but in this case have determined to remain free to act for land owners for this very important project. In that regard, ring us in the first instance and arrange a time to pop in and have a preliminary discussion about how the process works. In the meantime, make sure that you make your submission to NZTA before 28 January 2011.

Global

We are now three years down the track from the highs in late 2007 as the global credit crunch impacts everyone throughout the developed world. The world's economic recovery is fragile at best and demand for housing at present is subdued.

National

Nationally a number of regions have suffered blows. The mining tragedy on the West Coast, the earthquake in Canterbury, PSA in the kiwi fruit growing regions, the fall of South Canterbury Finance and the Government deficit of over 15 billion, has all taken its toll.

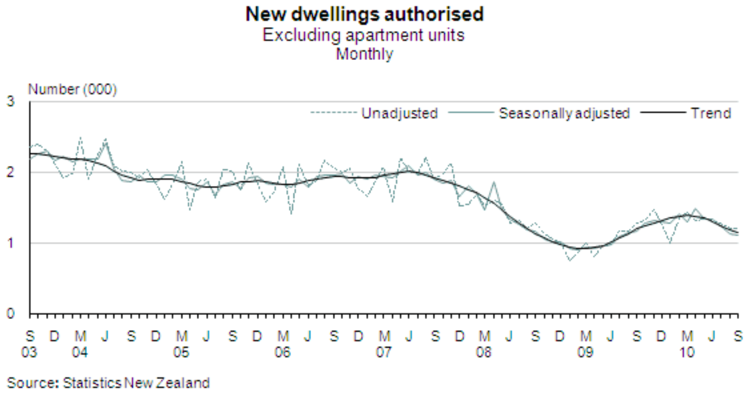
The Reserve Bank rapidly reduced the official cash rate down to 2.5 % in April 2009 and increased it to 3% back in July 2010 where it has remained since. There looks very little scope for an increase in the foreseeable future, which is good news for home owners with mortgages. With the recent changes to the tax laws investment property has become less favourable. The increase in GST seems to offset the personal tax cuts. GDP has marginally increased this year.

In terms of rental properties one would expect rents to increase in the next while, due to landlords seeking to compensate for the loss in depreciation deductibility and investors exiting the residential market (which will reduce rental property supply) to seek better returns elsewhere. Residential building consent numbers in New Zealand are down around 15% from a year ago. House building prices are continuing to increase and more than often cost is not equalling value. It now seems an option for many to buy a modern home rather than to build a new one in terms of cost benefit.

Properties are taking longer to sell with the average time for a property on the market being 43 days, increasing from 31 days a year ago.

Sales volume is still comparably low, people are taking longer and longer to make decisions and any dwellings that have no Code Compliance Certificate or building permit issues are taking the biggest hits in the current market. Not having code compliance is impacting severely on saleability and the eventual sale price achieved. The balance of power in the property market is certainly still with the purchasers, cash is king.

In all, confidence is an issue for both consumer and business. Most of the public are trying to reduce debt levels and small to medium businesses are still struggling. High exchange rates are impacting our exporters, which is more than likely going to be the road to recovery in New Zealand in the years to come.



Graph: Building Consent numbers, nationwide

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<u>Local</u>

Positive news to the region is the proposed Puhoi to Warkworth motorway extension which is currently in the early consultation period with indicated routes etc. Timeline for completion is currently estimated at around 2019 and they are indicating a 7 minute time saving once the new toll road is complete.

In Warkworth the first stage of the road widening has finally been finished, the new traffic lights at Woodcocks Road are working very well. It will be interesting to see how the traffic flows are influenced this summer period through the one lane bridge before the Hill Street intersection. The next stage from Hill Street through to Hudson Road is proposed to commence in autumn 2011.

Prime coastal land on the east coast has held steady. During the recession sale volumes were reduced but prices held firm and in some instances have increased in good east coast locations.

Residential land values have fallen quite considerable, partly due to the major banks being reluctant to lend on vacant land without high equity levels.

In general the property market around North Rodney has dropped in the vicinity of 10-15% off the peak levels and prices seem to be about 2005/06 levels. The improved transport linkage with the motorway extension from Orewa to Puhoi has certainly helped the market to some degree and with the proposed motorway gaining momentum this can only be positive to the North Rodney and Kaipara regions in terms of tourism, retail and housing demand.

RATING VALUATIONS

The Rodney Rating Valuations were due to be refreshed in 2010, but the creation of the Super City has delayed the process with the date for the new assessment now 1 July 2011.

In Kaipara the RVs will be reassessed as at 1 September 2011.

The 2007 and 2008 Rating Valuations are well out of date and bare no resemblance or correlation to current market value, although in some areas most sales are less than their Rating Valuation.

If you wish to object to your new RV,
HSL can assist with this matter.

LEAKY HOMES UPDATE

The Supreme Court has refused a Council appeal that it is not liable for leaky homes, stating "Councils owe a duty of care in their inspection role to owners...of premises designed to be used as homes."

This ruling seemingly opens the way for leaky home owners to sue councils, which means ratepayers may now be exposed to an estimated $11 billion to $22 billion repair bill.

There is also a Government scheme whereby victims can apply for a 25:25:50 liability spread between the Crown, Councils and homeowners.

COMMERCIAL & INDUSTRIAL

The commercial and industrial market in all of our small townships has continued to surprise in more ways than one. Looking back, the level of major activity continued through to about mid 2007. But since then there has been very little substantive information. Having said that, areas such as Warkworth have continued to hold value levels as previously established. This area is still regarded as a very good place to invest.

Warkworth

At the top of the market, prime commercial sale prices were as low as 5-5.5% return on market or contract rents. Sales as low as that were the exception however and in general terms 6-7% was being achieved.

Little has changed however. We note virtually every property which has been marketed has sold at or about previously established values and as usual there is little available to purchase. Notable sales include;

Whitaker Road
A peripheral commercial site with a multi tenancy building sold late 2009 for at price which equated 8.7% return on contract rents.

Baxter Street
A prominent small commercial building in a peripheral location sold mid 2009 for just under 7% on market rents.

Neville Street
A prominent commercial site with an older building sold at 6.8% return on contract rents.

Warkworth Hotel

A large strategic commercial site, fronting Queen Street and Neville Street has had multi transactions in recent years. These can be summarised as follows;

- May 2003 for $2,250,000.
- October 2003 for $2,750,000.
- July 2004 for $5,000,000.
- Late 2007 Purchased by Rodney District Council for $4,200,000.
- Late 2010 Sold to private interests for just over $3,000,000, excluding a small area of land along the Queen Street frontage. Strange indeed, considering that there are only two short term tenancies on the property, being the hotel and Mitre 10 Garden Centre.

Heartbreak Hotel: The Warkworth Inn has caused some financial pain.

Countdown
Countdown have obtained consent to do the large supermarket development in the Neville Street/Mill Lane triangle involving a number of properties purchased in 2007. The total land sale price for 5277 square metres analysed to $1,250 per square metre in late 2009. We are not sure yet of a starting date, but the proposed development including additional shops and offices will have a substantial (negative?) effect on traffic flow throughout the town. We are certainly surprised that the experts could somehow show that the traffic flow within this already congested area will be enhanced !

Rentals - Commercial
We have done very few rent reviews in the past two years. For the most part, landlords are opting to "roll over" existing rentals in the interests of goodwill and the economy. We do not believe that rentals are being held at an artificially high level by ratchet clauses in the lease, but rather the levels have maintained and this is certainly highlighted by the fact there are virtually no vacancies.

Industrial
The industrial rental levels are probably down 10-12.5% from the highs of 2007. There have been several new lettings which support this statistic. Once again, very few vacancies within the industrial or business park areas.

New Developments
There are business park developments planned for the land on the northern side of the Hudson Road/State Highway 1 intersection. This is however in need of services and a zone change quite apart from the economy to improve.

Word is that McDonalds are investigating a site in Warkworth.

The Grange property on State Highway 1 south has the change of zoning approved to allow commercial activities including a service station and all types of retail including bulk. The zoning is Retail Service. We understand that the plans for the development are currently stalled.

Perrendale (Stockyard Falls)

The Mega Mitre 10 is well underway and should be open by April 2011. The focus of that development will change now that there is no supermarket going out at Woodcocks Road, but media reports suggest that there are other interested parties.

Mega structure: The new Mitre 10 Mega building, Warkworth

Morrison Drive

The move into a business park type development has continued. Accountants are now located in a new building, and close by is a large new surgical hospital which is an excellent development, and a real bonus for Warkworth.

Alnwick Street

A recently completed, large scale Doctors Surgery and associated commercial development including a chemist and Physiotherapist is now largely occupied.

What's up Doc? The new doctors' rooms on the corner of Alnwick and Percy Streets, Warkworth

To summarise, Warkworth is still regarded as a prime investment location. We would expect this to continue and even though there has been little change in rentals over the past two years, the fact that there are no vacancies suggests that rents might be on the move up again shortly.

Hollis & Scholefield Ltd can provide independent valuation advice on all property types.

Wellsford

There are a number of vacancies in the commercial and industrial sectors of Wellsford, including a few shops and offices in the main street. Despite this there have been a number of interesting sales and some proposed redevelopments.

A new road is soon to be constructed linking Port Albert and Worker Roads, with commercial development in mind.

PGG Wrightsons recently moved into a large new building on Worker Road, right behind their old shop on Port Albert Road.

Right on: The new Wrightsons store on Worker Road, Wellsford.

A large industrial building constructed to a very good standard has sold together with about 1.2 hectares of land for $3,000,000. The actual purchaser is unknown, but there has been mention of a supermarket development.

Irwin Property

The Irwin saw blade factory closed altogether in early 2010. Part of their complex sold to the vendor of the above property, but the main part including a substantial area of good quality factory space has also sold. The details of the buyer and price are confidential, but the fact that it has sold is a very positive outcome for the township.

We understand a number of established businesses from Kaiwaka and Maungaturoto are looking to relocate to this complex.

Te Hana

The Te Hana Marae project was officially opened mid December. This is the vision of a number of very determined individuals who have put together a project which will considerably enhance the tourism for the north of Rodney District. All credit to them and their financial backers.

Haere mai: Te Hana's tourist attraction is nearing completion.

AROUND NORTHERN RODNEY

Wellsford

The residential market at Wellsford has been slow during 2010, with much fewer sales than previous years. Of those properties that did sell, some achieved higher prices than expected, while others appear slightly low, so it is difficult to gauge any clear trend in the market. Prices range from $150,000 to $333,000, with most sales from $225,000 to $265,000. These are generally plain three to four bedroom, 1950's to 1980's houses with a carport or basic garage and may require some renovation. Houses in need of extensive renovation or repair work are being severely discounted, and are generally below $200,000.

Snells Beach

The residential market at Snells has dropped on average 14.6%. The average sale price back in 2007 was around $480,000, now the average is about $410,000. The volume of sales has also dropped from 97 sales back in 2007 down to around 60 YTD. There are plenty of vacant residential land and sections available around the Snells Beach area including the Whisper Cove Development, Kawau Waters and the Mahurangi Ridge subdivision.

Within Snells Beach there seems to be good activity between the $350,000 and $500,000 price band, but with very little activity above $600,000.

The Snells Beach demographics are changing, once a retirees location, now is becoming more focused on younger families, with the opening of the Primary School and also the Lifeway Development, all having a positive impact.

Recent subdivisions are finding it difficult in today's market. Entry level sections at Mahurangi Ridge are on the market asking around

$180,000 - $230,000. Smaller sites within the Kawau Waters Subdivision are generally asking $300,000 - $500,000 price range with higher prices on the beachfront sections.

Algies Bay

At Algies Bay there have been two sales, one for a basic bach which sold at auction for $1,380,000 and another modern home on a beachfront site which sold for $1,700,000. Developed sales start at around $400,000 up to or just over $700,000 back from the beach.

Scotts Landing

At Scotts Landing there are a number of sales in the early $1,000,000 price range with a sale at $2,650,000 for a high quality home on a larger site onto the Te Kapa River.

Omaha

The prime beachfront market at Omaha has remained comparatively upbeat over the past 2-3 years with good prices and quality property remaining largely unchanged. Two vacant sites, side by side in Taumata Road, sold for $1,825,000 and $2,075,000. Two other vacant sites along the water front have sold for $1,555,000 & $1,675,000 during the year. Standard sections back from the water are obtaining $300,000 - $400,000 plus.

Entry level for developed homes in Omaha South is around $525,000. Mid range property is $700,000 to $900,000 with a number of sales of better homes on larger sites achieving $950,000 to $1,300,000.

At Omaha South, a modern architecturally designed home on a good beachfront site sold January 2010 for $3,250,000.

At the established northern end of Omaha entry level houses are generally at or about $450,000, mid range $700,000 to $900,000 for larger renovated homes that obtain sea views of the bay. A quality home beside the estuary sold for $2,250,000 and two other beachfront properties on the eastern side achieved $2,655,000 and $2,600,000 respectively. One auction had 10 prospective purchasers, which indicates there is still fairly good interest in the prime locations. Properties one back are generally selling between $1,000,000 to $1,500,000.

Kowhai Coast

Quality land is still in short supply. Even when the general market reduced, coastal properties sales volumes reduced initially, but prices remained firm and some have increased over this period. At Baddeleys Beach on Kawau Bay, tidal waterfront properties have obtained $1,400,000 to $1,500,000. At Waikauri Bay on the Takatu Peninsula two properties have sold in the past 15 months for $1,300,000 to $1,500,000 and a high calibre home has achieved $2,500,000.

Property at Whangateau, Ti Point, Mathesons Bay, Leigh, and Point Wells has had fairly subdued activity in the past 12 months, although we hear a half-acre waterfront property in Point Wells has reportedly sold for $1,114,000 and in Ti Point Road a larger home on a lifestyle block with views of the estuary, achieved $1,677,000.

<u>Warkworth</u>—Vacant Sites

Since the boom in late 2007 where there was 72 sales, sales volume dropped down to 19 in 2008, with 21 sales in 2009 and 15 sales to date in 2010. There are approximately 75 sections currently listed on the market in the Warkworth township which leaves enough supply based on current trends for about the next four years.

Sales during 2010 have ranged from $120,000 (well below market value) in Blue Gum Drive, $140,000 in Hauiti Drive with two recorded sales in the Meadows Subdivision of $150,000 and $147,500. Good quality sections in better locations are holding firm. In Jade River section sales are generally ranging from $190,000 through to $250,000. In the Northwood subdivision, towards the northern end of the town, level sites have been achieving $295,000.

<u>Warkworth</u>—Houses

Back in 2007 entry level in Warkworth for a three bedroom home on a full site was around $380,000 to $400,000. Now entry level is around $325,000 to $350,000 with mid range property generally around $450,000. New modern brick and tile homes generally $450,000 to $550,000. We note some higher sales, one in Lilburn Street for $875,000 and another in Ashmore Crescent for $760,000 for high quality substantial residences.

There are very few spec builders in the market at present generally because the margins are so small and holding costs eat away the modest profits. The sale prices have reduced in the order of 5-15% since the peak of the boom in 2007, but the hardest hit appears to be vacant residential sections.

<u>Warkworth</u> — Lifestyle Blocks

The lifestyle market around Warkworth starts at $450,000, most in the $650,000 to $900,000 range through to $1,200,000 for better quality homes in good locations. However over these levels there is a severe lack of transactions. No recent sales above $1,200,000 which seems to be a threshold in the rural residential areas around Warkworth and Matakana at present.

Vacant lifestyle blocks east of State Highway 1 have been achieving between $400,000-$750,000 for better quality lifestyle blocks, whilst west of Warkworth sales activity is generally from $300,000 through to $400,000, although we note a sale for $655,000 for a larger 20 hectare block of land in Wyllie Road.

<u>Ahuroa</u>

A flourish of recent activity, beforehand has had very limited activity. Smaller vacant lifestyle blocks ranging from around $200,000 through to $280,000 with developed sales of lifestyle properties ranging from $450,000 to $800,000.

Kaipara Flats

Sales in the Kaipara Flats township have achieved around $325,000 to $400,000 for homes on smaller sections in the township. A modern home on a larger rural residential block near the village has recently sold for $1,270,000. Older homes west of Warkworth are achieving around $800,000 to $900,000 but on larger lifestyle blocks.

Our North Rodney property specialist is Steve Jack.
Contact Steve to discuss your property today

Re-Sales in Northern Rodney

This table shows a selection of properties that sold near the peak of the market then resold more recently.

Location	Sale Date	Sale Price	Re-Sale Date	Sale Price	Drop in value %	
Algies Bay	Jul-08	$ 695,000	Oct-09	$ 635,000	9%	
Kaipara Flats	Apr-07	$ 395,000	Sep-08	$ 355,000	10%	
Leigh	Feb-08	$ 730,000	Oct-09	$ 625,000	14%	section
Matakana	Feb-07	$ 651,000	Oct-09	$ 530,000	19%	
Matakana	Feb-07	$ 650,000	Feb-08	$ 600,000	8%	
Omaha	May-07	$ 335,000	Mar-09	$ 299,000	11%	section
Omaha	Feb-08	$ 363,000	Sep-09	$ 257,000	29%	section
Omaha	Feb-08	$ 450,000	Jan-09	$ 350,000	22%	section
Omaha	Nov-07	$ 660,000	Jul-09	$ 605,000	8%	
Omaha	Jan-08	$ 1,150,000	Apr-09	$ 860,000	25%	
Point Wells	Jul-07	$ 660,000	Feb-08	$ 580,000	12%	
Snells Beach	Feb-08	$ 365,000	Mar-10	$ 337,500	8%	
Snells Beach	Jun-08	$ 520,000	Mar-10	$ 415,000	20%	
Snells Beach	Jan-08	$ 580,000	Jun-10	$ 401,000	31%	
Snells Beach	Nov-07	$ 620,000	Feb-10	$ 505,000	19%	
Snells Beach	Mar-08	$ 360,000	Feb-09	$ 330,000	8%	
Snells Beach	Nov-07	$ 340,000	Sep-09	$ 289,000	15%	
Warkworth	Nov-07	$ 380,000	Aug-08	$ 300,000	21%	
Warkworth	Sep-07	$ 270,000	Jun-09	$ 190,000	30%	section
Warkworth	Oct-08	$ 251,000	Oct-09	$ 200,000	20%	section
Warkworth	Apr-07	$ 230,000	Oct-09	$ 200,000	13%	section
Warkworth	May-07	$ 230,000	May-10	$ 150,000	35%	section
Warkworth	Nov-08	$ 535,000	Jul-09	$ 450,000	16%	
Warkworth	Jan-08	$ 350,000	Mar-09	$ 280,000	20%	

KAIPARA DISTRICT

The Kaipara District spans a diverse geographical area from the Waipoua Forest to the Ruawai Plains and from Mangawhai Estuary to the mouth of the Kaipara.

The local property markets within the district are also diverse in their value levels, trends and other characteristics; from renovated bungalows in Dargaville to old baches at Pahi and spec. homes at Mangawhai.

Currently in the Kaipara, no matter where you go, you are likely to see numerous “for sale” signs and, relative to demand, there seems to be an over-supply of properties on the market. Values have fallen as a result, but the extent of the reductions varies across the district and across property types. Bare land, both rural and residential, appears to be the hardest hit. Also, properties that are poorly presented or have perceived flaws are likely to be more heavily discounted by buyers than they would be in a more positive market.

Of course it’s not all doom and gloom. There are success stories and individual scenarios that buck the trend, but in general vendors have to be very patient and very negotiable in order to achieve a sale.

If you’re having trouble selling your place you may like to consider other options such as a swap/trade or a lease-back deal, although you are still likely to have to be very open to negotiation.

District Snapshots

Mangawhai

Plain 600 to 700m^2 sections	$ 95,000 to $130,000.
Plain 3-4 bed house with garage	$300,000 to $400,000.
Vacant 1 to 2 Ha lifestyle blocks	$150,000 to $230,000.
3 to 4 bed with garage on 1-2 Ha	$350,000 to $450,000

Kaiwaka

Plain 600 to 700m^2 sections	not enough sales
Plain 3-4 bed house with garage	$180,000 to $250,000.
Vacant 1 to 2 Ha lifestyle blocks	$140,000 to $200,000.
3 to 4 bed with garage on 1-2 Ha	$300,000 to $400,000

Maungaturoto

Plain 600 to 700m^2 sections	not enough sales
Plain 3-4 bed house with garage	$200,000 to $300,000.
Vacant 1 to 2 Ha lifestyle blocks	$140,000 to $200,000.
3 to 4 bed with garage on 1-2 Ha	$300,000 to $400,000

Dargaville

Plain 600 to 700m^2 sections	$ 70,000 to $100,000.
Plain 3-4 bed house with garage	$200,000 to $280,000.
Vacant 1 to 2 Ha lifestyle blocks	not enough sales
3 to 4 bed with garage on 1-2 Ha	$300,000 to $400,000

Re-Sales in Kaipara

This table shows a selection of properties that sold near the peak of the market then resold more recently.

Location	Sale Date	Sale Price	Re-Sale Date	Sale Price	Drop in value %	
Dargaville	Jan-08	$ 260,000	Mar-10	$ 215,000	17%	
Dargaville	Feb-08	$ 305,000	Jan-10	$ 260,000	15%	
Kaiwaka	Jul-08	$ 325,000	Jun-10	$ 270,000	17%	
Mangawhai	Mar-07	$ 218,000	Apr-10	$ 205,000	6%	section
Mangawhai	Jun-07	$ 278,000	Oct-10	$ 200,000	28%	section
Mangawhai	Apr-07	$ 483,000	Mar-10	$ 465,000	4%	
Mangawhai	Feb-07	$ 185,000	Apr-10	$ 90,000	51%	section
Mangawhai	Mar-07	$ 452,500	Jul-10	$ 395,000	13%	
Paparoa	Jul-07	$ 280,000	Jun-10	$ 240,000	14%	

Operative Plans, Proposed Plans, Structure Plans, Plans about Plans….

The Kaipara Operative District Plan remains the dominant planning document at present, however in 2009 the KDC released their Proposed District Plan.

Over 450 submissions were received on the Proposed Plan and the hearings concluded in August 2010. The Hearings Panel have finished deliberating and decision documents are being drafted.

Variation 1 regarding outstanding landscapes and natural features was publicly notified on 2 December 2010 and submissions close on 28 February 2011.

The Mangawhai Structure Plan (MSP) was adopted by Council in 2005 as a 20-year strategic framework to help guide decisions on development, infrastructure and environmental matters in Mangawhai.

The MSP carries less weight than the Operative Plan, but has been incorporated into the Proposed Plan, which will give effect to the MSP once the Proposed Plan becomes operative.

The MSP is the only structure plan in Kaipara. Structure plans for other towns and areas will be created as needed. In the mean time the Proposed Plan includes Growth Area Plans for Baylys, Te Kopuru, Tangiteroria, Dargaville, Kaiwaka, Mangawhai, Matakohe, Pahi, Tinopai, Maungaturoto, Ruawai and Paparoa.

The purpose of these Growth Areas is to provide future direction for residential and business growth plus assist in the development of Structure Plans.

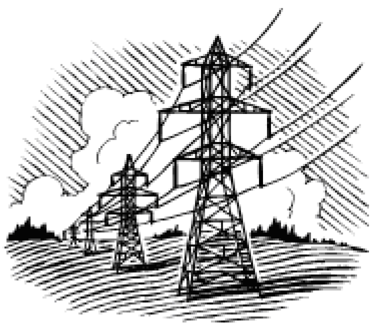
POWER PYLONS

Meridian Energy is planning to build a wind farm near Pouto and Northpower are planning to build a new 220 kilo volt transmission line from the wind farm to the Brynderwyn Ranges, including a crossing over the Northern Wairoa River.

This is being touted as a big positive for the western Kaipara District as it will create jobs and help provide a more reliable power supply.

Of course if you own one of the 60-odd properties over which the line will traverse then your outlook may not be so rosy.

Under the Public Works Act 1981 you are entitled to compensation if your property is directly affected by the proposed work, i.e. the lines will run across your land.



Hollis & Scholefield can provide compensation valuations and we offer a free initial half-hour discussion to land owners who are affected by public works.

RURAL

We noted 2 years ago that within this area it was difficult to find a farm sale that has been agreed on a productive basis. At that stage in 2008 all the properties had sold on their ability to yield titles/subdivision which meant that properties in the Kaipara District were in strong demand under the 4 hectare rule. This is no longer the case because of the economy and the change in planning rules.

Farm sales have remained few and far between. We have noted several dairy farms sold, particularly along the west coast from Kaukapakapa north which include;

Tauhoa
318 hectares sold March 2010 for $5,050,000 as a Going Concern. Mostly heavy Kaipara clay flat land, average improvements. Our analysis suggests the value equates to $34 per kg milk solids excluding shares.

Hoteo
251 hectares sold July 2010 for $4,846,000. Also Kaipara clay soils, the improvements include a good home and other improvements. This sale price analyses to $32 per kg milk solids, excluding shares.

Ruawai
139 hectares, good Ruawai flats sold recently for $4,620,000. This analyses to $31 per kg milk solids excluding shares.

Peak Road Helensville
208 hectares sold May 2010 for $3,200,000. This contained quite large areas of bush and unimproved land, large areas of pasture, and fairly basic improvements. The price reflected a strong possibility of subdivision, but was still quite remarkable in the present economy.

Woodcocks Road
201.6 hectares sold mid 2010 for $1,150,000. This is virtually all pre 1990 forestland which had been harvested and had minor subdivision potential. The first sale of cutover forestry land for some time, but there might be some ETS ramifications.

ARC—Regional Reserve
It was recently reported in the Herald that the ARC have purchased 381 hectares of mostly hill country which backs onto the ARC Reserve at Te Muri/Wenderholm. A good farm property with two houses, wool shed etc and a subdivision potential, but with access issues. Not really a coastal property, but good views nevertheless and access to the beach across a wide expanse of reserve. The reported price is $15,000,000 which caused a good deal of consternation amongst the politicians.

OUR CONCLUSIONS

Looking through our conclusions and the background to the report from 2009 we hardly need to change a word at this time. We can however emphasis several conclusions where we consider that generalisations made by property commentators are not appropriate to this area.

- For the residential property market, we have seen 10-15% reduction in the general levels of values. This is certainly not across the board, but is a guide to the reduction which has occurred from the very highest levels in 2006/2007.

- Warkworth in particular has remained an exceptional area for commercial and industrial development. For the most part value levels and commercial rent levels have maintained over this period, with only a slight reduction in industrial rentals evident. At the same time there have been some significant developments carried out, in particular medical related and bulk retail.

- There has been a slow but steady uptake of vacant sections throughout the region. Most areas have had an excess vacant section stock for several years now. Most of these subdivisions are selling at slightly below premium levels in Warkworth and Snells. A more significant reduction is evident at Mangawhai where the excess stock was greater. These have now found a level which is acceptable to all parties including bankers and while it is not buoyant, we are noticing a better level of activity now.

- There were limited rural residential sales throughout the district through 2009, but the level of activity has improved recently. For the most part, value levels have not declined significantly other than where there is an element of pressure to sell.

- NZTA have released their preferred route for the next motorway extension from Puhoi to Warkworth. This will involve the taking of parts or all of a number of properties, but the first part at least will be through large areas of undeveloped land. Public submissions close 28 January 2011—don't forget!

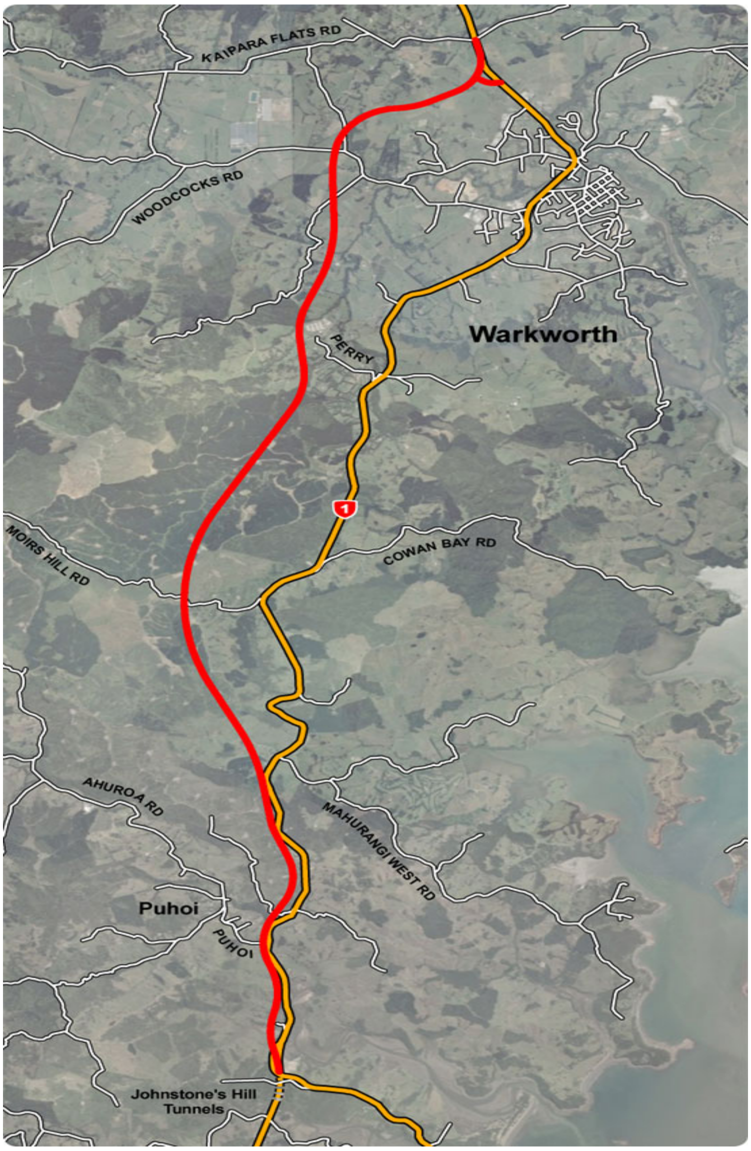
- Residential rentals have shown some increase over the period because of the lesser number of house sales out pricing the first home buyers off the market for the time being. This demand for rental accommodation is expected to continue.

- We believe that this downturn has more than ever highlighted the basic fundamentals of property investment. Learn from what has happened, and don't be put off property investment because of the adverse market commentary.

- The most important lesson to learn is that **location** remains the most important fundamental.

"VALUE IS WHAT YOU THINK YOU HAVE: UNTIL YOU TRY TO SELL"
Squire Speedy 1973

Proposed Puhoi to Warkworth Motorway



Hollis & Scholefield Limited, who are we?

We are the largest firm of valuers all based in Rodney. All our valuers are registered and associate memebers of the New Zealand Institute of Valuers.

We have had considerable experience of valuing all types of property for all purposes in this area. We are accepted by all major lending institutions for mortgage valuations.

Guy Scholefield in particular has had extensive litigation and court experience over the years including arbitrations.

Ray Hollis commenced as a registered valuer and farm management consultant in the Lower North in 1970. Guy Scholefield joined in 1978, which was the beginning of the Hollis & Scholefield partnership. Steve Jack joined in 2003 and purchased Ray's share as co-director, though Ray remains as a consultant. Steve began valuing the Rodney & Kaipara Districts in 1993 and has extensive knowledge of the north Rodney area. Gareth Nicholl has been with HSL since 2002 and specialises from Wellsford north and the entire Kaipara District.

PROPERTY MARKET REPORT 2010/2011

Prepared by HOLLIS & SCHOLEFIELD LTD
Registered Valuers & Property Consultants

Have a safe and happy festive season from the HSL Team.

Guy Scholefield
Dip VFM FNZIV FPINZ
warkworth@hsl.net.nz

Steve Jack
B Com VPM ANZIV SPINZ
steve@hsl.net.nz

Ray Hollis
Dip FNZSFM ANZIV SPINZ
Reg Farm Mgmt Consult.
ray@hsl.net.nz

Gareth Nicholl
BApplSc RVM
ANZIV MPINZ
gareth@hsl.net.nz

CONTACT US

Street Address:
Papworth Building
52 Queen Street
Warkworth
(Above the Flight Centre)

Postal:
P O Box 165
Warkworth

Phone:
09 425 8810

Fax:
09 425 7732

Email:
warkworth@hsl.net.nz

Web:
www.hsl.net.nz

Office Hours:

Mon – Fri
8.30am – 5pm