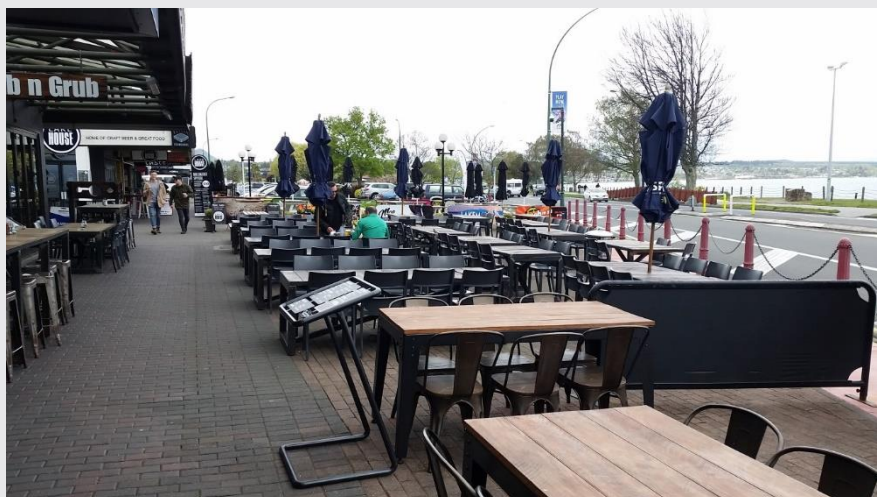




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# Outdoor Dining Sites

Market Rental Report  
Taupo Town Centre

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Prepared for: Taupo District Council

Date: 25 October 2017

Our ref: A:17-368

Registered Valuers and Property Consultants

tkv.co.nz

25 October 2017

Level 1 Le Rew Building  
2 -8 Heuheu Street  
PO Box 1144  
Taupo 3351

Reserves Management and Property Officer  
Taupo District Council  
Private Bag 2005  
TAUPO 3325

Attention: Heather Holt

Dear Madam

Market Rental Report  
Outdoor Dining Sites  
Town Centre, Taupo

In accordance with instructions received, we have inspected the Outdoor Dining Sites in the Taupo Town Centre in accordance with the list provided, to establish the market rental for the various sites, and provide our reporting as follows.

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Keys Valuers Limited specifically prohibit the publication of this report in whole or in part, or any reference thereto, or to the valuation figures contained therein, or to the name and professional affiliation of the Valuers, without the written approval of the Valuer concerned.

We trust this meets your requirements, and if we can be of further assistance please don't hesitate to contact us.

Yours faithfully

**KEYS VALUERS LIMITED**  
Level 1 Le Rew Building  
2 -8 Heuheu Street  
PO Box 1144  
Taupo 3351

## CONTENTS

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|  |    |
|--|----|
| Contents   | 2  |
| Introduction                                     | 3  |
| Site Photographs                                 | 4  |
| Explanatory Notes                                | 5  |
| Basis of Market Rental                           | 5  |
| Identification and Status of Valuer              | 5  |
| Conflict of Interest                             | 5  |
| Market Movement                                  | 5  |
| Liability  | 5  |
| Extent of Investigation                          | 6  |
| Nature and Source of Information Relied Upon     | 6  |
| Reliance Upon This Document                      | 6  |
| Restrictions on Use, Distribution or Publication | 6  |
| Currency   | 6  |
| Transaction Costs                                | 6  |
| Valuation Standards                              | 7  |
| Valuation Standard Departures                    | 7  |
| Background Evidence                              | 8  |
| Auckland City Council                            | 8  |
| Rotorua District Council                         | 8  |
| Thames Coromandel District Council               | 9  |
| New Plymouth District Council                    | 9  |
| Hastings City Council                            | 9  |
| Hamilton City Council                            | 9  |
| Far North District Council                       | 9  |
| Wellington City Council                          | 9  |
| Adopted Methodology                              | 10 |
| Rental Calculation Example                       | 10 |
| Schedule of Rental Recommendations               | 11 |
| General  | 12 |

## INTRODUCTION

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This report has been prepared at the request of the Taupo District Council.

The purpose of this report is to provide Market Rental recommendations for the Outdoor Dining areas currently being utilised by business operators within the Taupo Town Centre, generally relating to the use of footpath space.

The rental rate is currently charged at \$598.00 (inclusive of GST) per annum for the first 12 square metres then a further charge of \$11.50 per square metre thereafter. Sizes of leased areas range from 12 square metres to 99.4 square metres, resulting in annual rentals ranging from \$598.00 to \$1,646.80 inclusive of GST.

In establishing rental recommendations for the subject leased areas contained within this report, the writer has made enquiries with other Local Authorities to investigate if true market rental evidence exists, while also considering Valuation procedures that have been well established and accepted by the Valuation profession and the New Zealand Courts.

Charging regimes are varied and can be summarised as follows:

- No charge for occupied space.
- Charges dependent upon complying with Councils smoke free objectives.
- A “per table” rate.
- Three tier “set fee” system based upon size and location.
- Per square metre rate for occupied space based upon a percentage of underlying land values.

Further information on the fee levels and structures of other Councils within New Zealand has been provided within this report.

Some of the information contained within this report is commercially sensitive and not available to the public in general. As such this report is not intended for general circulation or publication or reproduction for any purpose without written permission in any specific instance.

## SITE PHOTOGRAPHS

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## EXPLANATORY NOTES

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### **BASIS OF MARKET RENTAL**

This market rental assessment has been completed in accordance with the International Valuation Standards 2017 and the Australian and New Zealand Valuation and Property Standards, where market rental is defined as:

Market Rent is “the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We would point out that our assessment of market rent is based on the market evidence as at the date of valuation, however market rental values can vary from time to time in response to changing market circumstances and no warranty can therefore be given as to the maintenance of this value into the future.

### **IDENTIFICATION AND STATUS OF VALUER**

- a. The statements of fact presented in the report are correct to the best of the Valuer’s knowledge.
- b. All analysis and conclusions are limited only by the reported assumptions and conditions.
- c. Keys Valuers Limited or any of its employees have no interest in the subject property.
- d. The fee is not contingent upon any aspect of this report.
- e. This Valuation has been carried out in accordance with an ethical code and performance standards.
- f. The Valuer has complied with and satisfied professional education requirements.
- g. The Valuer has experience in the location and category of the property being valued.
- h. A personal inspection has been made by the Valuer.
- i. No one except those specified in the report, has provided professional assistance in preparing the report.
- j. The Valuer holds a current Annual Practising Certificate.
- k. Keys Valuers Limited holds Indemnity Insurance appropriate for the value level assessed in the report.

### **CONFLICT OF INTEREST**

We are not aware of any existing or potential conflicts of interest, either on the part of Keys Valuers Limited or any individual members of staff assigned to this assignment, which prevent us from providing an independent and objective opinion of the value of the property.

### **MARKET MOVEMENT**

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 movement 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, we do not assume any responsibility or accept any liability in circumstances where this valuation is relied upon after the expiration of 90 days from the date of valuation, or such earlier date if any factors, un-disclosed or unknown information that have any effect on the valuation become apparent.

### **LIABILITY**

This valuation is strictly and only for the use of our client as stated within this report and for the purpose specifically stated in the “purpose of valuation”. This valuation is strictly confidential between Keys Valuers Limited and our client as stated within this report. Only an original valuation report received by our client directly from Keys Valuers Limited without any third party intervention can be relied upon. No responsibility is accepted or assumed to any third party who may use or rely on the whole or any part of the content of this valuation.



## EXTENT OF INVESTIGATION

We have not audited, measured or “checked” the list of sites provided by the Taupo District Council and have based our calculations on the information provided and have assumed this information to be correct.

## NATURE AND SOURCE OF INFORMATION RELIED UPON

Keys Valuers Limited have obtained information from various third party sources to assist with this report, these include but are not limited to:

- a. Various Local Authorities.
- b. Valbiz (Headway Systems), Property Guru (Corelogic).
- c. Local and Regional Councils.

We reserve the right, (under no obligation) to review the valuation and revise our opinion after the release of this valuation, if any information relied upon by third parties or others is subsequently proven to be incorrect.

This valuation report has been prepared on the basis that the party to whom it is addressed has made full disclosure of all information that may affect the valuation. Keys Valuers Limited accepts no responsibility for the consequences of a failure to make such disclosure.

## RELIANCE UPON THIS DOCUMENT

This report may only be relied upon by Taupo District Council. Use by, or reliance upon this document by anyone other than Taupo District Council, and is not authorised by Keys Valuers Limited and Keys Valuers Limited is not liable for any loss arising from such unauthorised use or reliance.

## RESTRICTIONS ON USE, DISTRIBUTION OR PUBLICATION

This report may only be relied upon by Taupo District Council. Use by, or reliance upon this document by anyone other than Taupo District Council, and is not authorised by Keys Valuers Limited and Keys Valuers Limited is not liable for any loss arising from such unauthorised use or reliance.

We accept no liability to third parties nor do we contemplate that this report will 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 the right to withhold our consent or to review the contents of this report in the event that our consent is sought. Keys Valuers Limited specifically prohibit the publication of this report in whole or in part, or any reference thereto, or to the valuation figures contained therein, or to the name and professional affiliation of the Valuers, without written approval of the Valuer concerned.

## CURRENCY

All valuation figures contained within this report have been expressed in New Zealand Dollars (NZD) unless otherwise stated.

## TRANSACTION COSTS

The value provided represents the estimated exchange price of the asset or interest without regard to the seller's costs of sale or the buyer's costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.

## VALUATION STANDARDS

This valuation has been completed in compliance with International Valuation Standards (2017), and Australia and New Zealand Property Standards Guidance Notes, the New Zealand Institute of Valuers (NZIV) Code of Ethics, and the Property Institute of New Zealand (PINZ) Code of Ethics, with particular reference to the following:

### International Valuation Standards:

|          |                                  |
|----------|----------------------------------|
| IVS 101: | Scope of Work                    |
| IVS 102: | Investigations and Compliance    |
| IVS 103: | Reporting                        |
| IVS 104: | Bases of Value                   |
| IVS 105: | Valuation Approaches and Methods |
| IVS 400: | Real Property Interests          |

### Australia and New Zealand Property Standards and Guidance Notes:

|            |   |
|------------|---|
| ANZVGN 1:  | Valuation Procedures – Real Property            |
| ANZRPGN 1: | Disclaimer Clauses and Qualification Statements |
| ANZVGN 9:  | Assessing Rental value                          |

## VALUATION STANDARD DEPARTURES

A “departure” is a circumstance where specific legislative, regulatory or other authoritative requirements must be followed that differ from some of the requirements within the International Valuation Standards. Departures are mandatory in that a valuer must comply with legislative, regulatory and other authoritative requirements appropriate to the purpose and jurisdiction of the valuation to be in compliance with International Valuation Standards. A valuer may still state that the valuation was performed in accordance with International Valuation Standards when there are departures in these circumstances.

Departure deviations from IVS that are not the result of legislative, regulatory or other authoritative requirements are not permitted in valuations performed in accordance with International Valuation Standards.

We can confirm there are no departure deviations from International Valuation Standards within this report.



## BACKGROUND EVIDENCE

In assessing what we believe to be the most appropriate method to establish the “market rental” for the Outdoor Dining Areas for the subject areas contained within this report, the writer has made enquiries with other Local Authorities around New Zealand to investigate if true market rental evidence exists, while also considering Valuation procedures that have been well established and accepted by the Valuation profession and the New Zealand Courts.

As previously mentioned, charging regimes are varied and can be summarised as follows:

- No charge for occupied space.
- Charges dependent upon complying with Councils smoke free objectives.
- A “per table” rate.
- Three tier “set fee” system based upon size.
- Per square metre rate for occupied space based upon a percentage of underlying land values.

Examples of charging regimes considered are as follows:

### AUCKLAND CITY COUNCIL

| Locality        | Area             | Annual Fee   | Fee per m <sup>2</sup> |
|-----------------|------------------|--------------|------------------------|
| City Centre     | 50m <sup>2</sup> | \$7360 p.a.  | \$147                  |
|                 | 25m <sup>2</sup> | \$3,860 p.a. | \$154                  |
|                 | 12m <sup>2</sup> | \$2040 p.a.  | \$170                  |
| Suburbs         | 50m <sup>2</sup> | \$4160 p.a.  | \$83                   |
|                 | 25m <sup>2</sup> | \$2125 p.a.  | \$85                   |
|                 | 12m <sup>2</sup> | \$1380 p.a.  | \$115                  |
| All other areas | 50m <sup>2</sup> | \$1360 p.a.  | \$27                   |
|                 | 25m <sup>2</sup> | \$860 p.a.   | \$34                   |
|                 | 12m <sup>2</sup> | \$600 p.a.   | \$50                   |

### ROTORUA DISTRICT COUNCIL

The Rotorua District Council has initiated a policy regarding footpath trading in the “Eat Street” precinct. The policy methodology utilises the underlying land value of approximately \$950 per m<sup>2</sup> which is multiplied by 8% return on land value again multiplied by the area utilised for outdoor dining purposes. This results in a rental rate of approximately \$76 per m<sup>2</sup>. Outdoor dining sizes range from approximately 25m<sup>2</sup> through to 120m<sup>2</sup> with annual rentals ranging from \$2000 to \$9000 per annum plus GST. The areas excluding “Eat Street” within the Rotorua CBD are not subject to rental for their outdoor dining space. The justification for implementing a charging regime in the “Eat Street” locality is as a result of the Rotorua District Council constructing the roofing over the footpath area and essentially does provide a return on that investment through the charging regime.

### **THAMES COROMANDEL DISTRICT COUNCIL**

The Thames Coromandel District Council has implemented an outdoor dining policy in 2017. The policy provides for a non-refundable application fee of \$100 plus a \$40 per m<sup>2</sup> lease fee which, if applied for in 2017 allows the lease fee to be waived for the first year.

### **NEW PLYMOUTH DISTRICT COUNCIL**

New Plymouth District Council does charge for Outdoor Dining areas with rental being calculated by establishing a per m<sup>2</sup> rate for the underlying land based upon the latest Rating Valuation. This rate is then multiplied by the area occupied with this then multiplied by 6.5% giving the rental to be paid. This is essentially a 6.5% return for the use of the underlying land.

### **HASTINGS CITY COUNCIL**

As of 2017, the Hastings City Council charges a flat rate of between \$61 and \$253 per annum for outdoor dining space. This is dependent upon whether the premises have a liquor licence and on its conditions.

### **HAMILTON CITY COUNCIL**

The Hamilton City Council 2017/ 2018 Policy for outdoor dining space has recently been reviewed with the current charges fixed at a rate of \$25 per table inclusive of GST. This was a slight increase effective from 1 July 2017.

### **FAR NORTH DISTRICT COUNCIL**

An alfresco dining licence is available from the Far North District Council with a fees and charges policy effective from 18 May 2017. This provides for an application fee of \$101 plus a site inspection fee of \$71 and a charge per table of \$51 inclusive of GST.

### **WELLINGTON CITY COUNCIL**

The Wellington City Council currently has a charging regime in place for outdoor dining on pavement areas. Under its SmokeFree by 2025 policy, the Wellington City Council has a 100% discount for full smokefree alfresco dining areas on Council footpaths with a 50% discount for areas with no smokefree restrictions. This is designed to encourage business owners to promote smokefree outdoor dining areas within the Wellington city area. This is predicted to have a \$78,900 loss of revenue to the Council. Current fees are \$45 per m<sup>2</sup> within the Central City and \$29.25 per m<sup>2</sup> in the suburbs with smoke free dining areas paying no fee.

## ADOPTED METHODOLOGY

As per your instructions, the rental recommendation is to be calculated on a “market rent” basis excluding improvements effected by the lessee or any previous lessee of the land.

Firstly, we would now provide an overview of the evidence sourced:

| District                           | Charging Regime   |
|------------------------------------|---|
| Auckland City Council              | \$27 to \$170pm <sup>2</sup> depending upon size and location |
| Rotorua District Council           | Eat Street, 8% of land value (based on rating value)          |
| Thames Coromandel District Council | \$40pm <sup>2</sup>   |
| New Plymouth District Council      | 6.5% of land value (based on Rating Value)                    |
| Hastings City Council              | \$61 to \$253pm <sup>2</sup> flat rate                        |
| Hamilton City Council              | \$25 per table  |
| Far North District Council         | \$51 per table  |
| Wellington City Council            | \$29.50 to \$45pm <sup>2</sup> , smokefree no charge          |

After consideration of the above evidence from various Local Authorities around New Zealand, we have concluded that there is no consistent arrangement for the charging of outdoor dining space. However, for the purposes of this report we now provide what we believe to be the preferred method.

We believe the preferred method of charging for outdoor dining sites within the Taupo District would be utilising a percentage return on the “averaged” value of the underlying land sourced from the latest Rating Valuation information.

We believe this approach would provide the following benefits:

- The Rating Values are updated every 3 years.
- Rating Valuations account for changes in locations.
- Simple to administer by the Council Staff.
- Minimal input required from outside consultants.
- Percentage return can be altered in-line with changing economic conditions.

### RENTAL CALCULATION EXAMPLE

For the purposes of clarity, we have provided an example calculation below, showing the methodology utilised to arrive at the assessed rental.

| Market Rental Calculations                          |                                   |                             |
|---|-----------------------------------|-----------------------------|
| Tenancy   |                                   | Rent                        |
| Coffee Plus, Horomatangi Street (26m <sup>2</sup> ) | \$1,500pm <sup>2</sup> x 26m @ 8% | \$3,120                     |
| Adopt   |                                   | <b>\$3,120</b><br>per annum |

Having now clearly shown the methodology utilised to establish the rental recommendations for the subject sites, we have proceeded to undertake this analysis for all the sites covered within this report, with a full schedule of the sites covered and the calculations for these listed below.

## SCHEDULE OF RENTAL RECOMMENDATIONS

| Locality / premises        | Area m <sup>2</sup> | Land Value m <sup>2</sup> | Multiplier | Annual Rental   | Weekly Rental | Rental per m <sup>2</sup> |
|----------------------------|---------------------|---------------------------|------------|-----------------|---------------|---------------------------|
| <b>Horomatangi Street</b>  |                     |                           |            |                 |               |                           |
| Tank Juice Bar             | 14.0                | \$1,500                   | 8.0%       | \$1,680         | \$32.31       | \$120.00                  |
| Coffee Plus Café           | 26.0                | \$1,500                   | 8.0%       | \$3,120         | \$60.00       | \$120.00                  |
| Pita Pit                   | 12.0                | \$1,500                   | 8.0%       | \$1,440         | \$27.69       | \$120.00                  |
| Kefi                       | 14.0                | \$1,500                   | 8.0%       | \$1,680         | \$32.31       | \$120.00                  |
| Salute Deli                | 14.0                | \$1,500                   | 8.0%       | \$1,680         | \$32.31       | \$120.00                  |
| Wabi Sabi                  | 12.0                | \$1,500                   | 8.0%       | \$1,440         | \$27.69       | \$120.00                  |
| <b>Tongariro Street</b>    |                     |                           |            |                 |               |                           |
| Café 99                    | 20.6                | \$1,500                   | 8.0%       | \$2,472         | \$47.54       | \$120.00                  |
| <b>Heuheu Street</b>       |                     |                           |            |                 |               |                           |
| Replete Café               | 14.0                | \$1,500                   | 8.0%       | \$1,680         | \$32.31       | \$120.00                  |
| Robert Harris              | 12.0                | \$1,500                   | 8.0%       | \$1,440         | \$27.69       | \$120.00                  |
| <b>Tuwaharetoa Street</b>  |                     |                           |            |                 |               |                           |
| Element Bar                | 99.4                | \$1,100                   | 8.0%       | \$8,747         | \$168.22      | \$88.00                   |
| Vine Eatery                | 45.0                | \$1,100                   | 8.0%       | \$3,960         | \$76.15       | \$88.00                   |
| Tommi's                    | 25.0                | \$1,100                   | 8.0%       | \$2,200         | \$42.31       | \$88.00                   |
| Dbar                       | 19.5                | \$1,100                   | 8.0%       | \$1,716         | \$33.00       | \$88.00                   |
| Portofino                  | 22.8                | \$1,100                   | 8.0%       | \$2,006         | \$38.58       | \$88.00                   |
| Hell Pizza                 | 24.0                | \$1,100                   | 8.0%       | \$2,112         | \$40.62       | \$88.00                   |
| Pitch                      | 15.0                | \$1,100                   | 8.0%       | \$1,320         | \$25.38       | \$88.00                   |
| SMK                        | 14.0                | \$1,100                   | 8.0%       | \$1,232         | \$23.69       | \$88.00                   |
| Malabar Beyond India       | 20.4                | \$1,100                   | 8.0%       | \$1,795         | \$34.52       | \$88.00                   |
| Grill @ 42                 | 15.0                | \$1,100                   | 8.0%       | \$1,320         | \$25.38       | \$88.00                   |
| Seakraft                   | 12.0                | \$1,100                   | 8.0%       | \$1,056         | \$20.31       | \$88.00                   |
| Noodle Canteen             | 12.0                | \$1,100                   | 8.0%       | \$1,056         | \$20.31       | \$88.00                   |
| Indian Affair              | 24.6                | \$1,100                   | 8.0%       | \$2,165         | \$41.63       | \$88.00                   |
| <b>Ruapehu Street</b>      |                     |                           |            |                 |               |                           |
| Master of India            | 12.0                | \$1,200                   | 8.0%       | \$1,152         | \$22.15       | \$96.00                   |
| Piccolo                    | 12.0                | \$1,200                   | 8.0%       | \$1,152         | \$22.15       | \$96.00                   |
| McDonalds                  | 24.0                | \$1,200                   | 8.0%       | \$2,304         | \$44.31       | \$96.00                   |
| <b>Roberts Street</b>      |                     |                           |            |                 |               |                           |
| Café Baku                  | 12.0                | \$1,100                   | 8.0%       | \$1,056         | \$20.31       | \$88.00                   |
| Dixie Browns               | 20.0                | \$1,100                   | 8.0%       | \$1,760         | \$33.85       | \$88.00                   |
| Subway                     | 12.0                | \$1,100                   | 8.0%       | \$1,056         | \$20.31       | \$88.00                   |
| Taste Café                 | 60.0                | \$1,100                   | 8.0%       | \$5,280         | \$101.54      | \$88.00                   |
| The Lake House             | 62.0                | \$1,100                   | 8.0%       | \$5,456         | \$104.92      | \$88.00                   |
| Pub n Grub                 | 59.5                | \$1,100                   | 8.0%       | \$5,236         | \$100.69      | \$88.00                   |
| Burger Fuel                | 12.0                | \$1,100                   | 8.0%       | \$1,056         | \$20.31       | \$88.00                   |
| Waterside                  | 12.0                | \$1,100                   | 8.0%       | \$1,056         | \$20.31       | \$88.00                   |
| <b>Total Rental Income</b> |                     |                           |            | <b>\$73,882</b> |               |                           |

## GENERAL

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Should a period of greater than three months elapse from the date of preparation of the report, it is recommended the person or party to whom it is addressed seek confirmation from the Valuer concerned that the valuation can still be relied upon in context of the relevant current market situation. Failing to do so will nullify the validity of the report as will strict reliance upon a faxed copy of the same unless previously agreed to in writing between the Valuer and recipient and/or end user.

We trust this valuation report, which is valid with an original signature only, satisfies your present requirements. If we can be of any further assistance, please do not hesitate to communicate with the writer.

Yours faithfully  
**KEYS VALUERS LIMITED**



ALEX I KEYS  
REGISTERED VALUER  
ANZIV, SPINZ, BBS (VPM)