

**BEFORE THE PALMERSTON NORTH CITY COUNCIL**

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*IN THE MATTER OF the Resource Management Act 1991*

*AND*

*IN THE MATTER OF an application by the Anglican Diocese of Wellington for the refurbishment, strengthening and extension to the heritage-listed building known as All Saints Church, 338 Church Street, Palmerston North*

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**STATEMENT OF EVIDENCE OF GARRY MARK DOWSE**

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- [1] My full name is Garry Mark Dowse. I am a Registered Valuer, and a Director of Blackmore & Associates Limited trading as TelferYoung Manawatu independent Property Valuers and Advisors based in Palmerston North.
- [2] My qualifications include a Bachelor of Business Studies (Valuation & Property Management) from Massey University (NZ 1982) and a Master of Business Studies (Property) from Massey University (NZ 2002).
- [3] I have been employed in New Zealand as a Valuer since 1982 and achieved Registered Valuer status in 1986. I am a Fellow of both the New Zealand Institute of Valuers and Property Institute of New Zealand. Prior to joining Blackmore & Associates in December 2003, I held a Lecturer position at Massey University for eight years teaching urban valuation and before that between 1982 and 1995 urban Valuer positions within the public and private sectors. Since joining Blackmore & Associates in 2003 my primary valuation and advisory work has been in the commercial property sector within the Manawatu.
- [4] I have read the Code of Conduct for expert witnesses issued by the Environment Court Practice Note. I agree to comply with the Code of Conduct. I am satisfied that the matters addressed in this Statement of Evidence are within my expertise. I am not aware of any material facts that have either been omitted or altered or might detract from the opinions expressed in this Statement of Evidence.
- [5] I am asked by the applicant to address the question of whether there are any economically viable alternative uses for the All Saints Church, 338 Church Street, Palmerston North other than as a Church (which has been its long-standing function) considering current property market dynamics operating in the Manawatu.
- [6] For the purpose of preparing this evidence I have made the following assumptions based on information provided by the applicant and my own investigations:

- (a) The strengthening of the building to 100%NBS will cost at least \$8 million plus GST. Present evidence suggests that is a reasonable estimate.
- (b) Additional allowance should be made for developer costs and risks in meeting building occupier requirements. I consider a prudent allowance for these factors to be approximately 25% on top of the \$8 million strengthening works cost.
- (c) The land surrounding the Church would be subdivided off and sold at market value. No value would be put to the Church on the retained land; since the building is identified as being earthquake prone (at 3% NBS), has been closed for seven years, and there is an approximate \$8 million cost to strengthen.
- (d) The developer would confront very significant risks and impediments to economic redevelopment, namely:
  - (i) Building demolition will not be granted unless the Local Authority demolishes it itself under the Building Act.
  - (ii) The Church is a Category 1 heritage building (Palmerston North District Plan and Heritage New Zealand/Pouhere Taonga) – giving rise to redevelopment deferment, holding costs and cost to retain building features.
- (e) The current occupier has other reasons to value parts of the building based on history and tradition. A developer would have none of those incentives and values. The assumption is that it would exercise choices based on economic incentives.

[7] Potential viable uses of the building in strengthened refurbished form could include commercial office, retail, hospitality. However, same is improbable given the following observations.

- [8] Assuming value of land to a developer at \$1,500,000 and redevelopment cost of the existing onsite building at some \$10,000,000 we assess commencement date net rent for the completed project would need be minimum \$690,000 per annum plus GST. This rent would provide an initial return of some 6% on land and development cost including developer margin.
- [9] After an allowance for onsite carparks rent, this equates to some \$750 psm upon building rentable area of some 850 square metres. I believe achievement of rent at this level is unrealistic in the current market, far exceeding market expectation for any office, retail, or hospitality space of this size in the Palmerston North commercial property market.
- [10] In Palmerston North, most recent developed turnkey fitted out office has achieved between \$300 and \$350 psm net rent, whilst retail and hospitality has been in the \$200 to \$450 psm net rent range. Variations in rental rates are due to property location, quality etc.
- [11] In my opinion, highest and best permitted use of the land at 338 Church Street if vacant would be for new commercial office space. In terms of retail use it is considered a secondary location where achievable premises rent would be expected to be towards the lower end of the quoted \$200 to \$450 psm range, and where rentals evidence little or no growth over recent years. This has been influenced by a combination of factors including escalating property operating costs and competition from big box retailing, The Plaza Shopping Centre and internet shopping.
- [12] In addressing the applicant's instruction set out in point 5 earlier, I conclude that a commercial property developer would not be interested in 338 Church Street for redevelopment unless the developer had an identified project (including end user) with positive economic return.
- [13] In my opinion, strengthening works cost alone precludes the possibility of finding a viable economic alternative use for the existing Church building at 338 Church Street.

[14] I conclude that the most likely use that will secure the long-term future of the building is its continuation as a Church where economic factors are not as significant in the attribution of value to the site and building.

[15] In conclusion I observe that building costs are escalating. Further delay in consenting the Church Community's planned building refurbishment, strengthening and extension project could present significant risk of putting the cost of redevelopment by the Church beyond the economic means of the Church Community.



Garry Dowse