

IN THE MATTER of Te Ututu Section
208, Avarua

A N D

IN THE MATTER of a Deed of Lease
dated the 25th April
1972 in favour of
ANNE L. JONASSEN

✓
By Tylor for the Landowners;
Mr Clarke for Miss Jonassen.

Judgment delivered 17th ^{August} July 1984

This is an application to determine the land value content of the Te Ututu Section 208 Block in order to fix its value as at the 18th January 1982.

Mr Tylor for the landowners described the land as opposite to the exit entrance to the airport; containing 2 rood 5 perches in area; and having erected on it 2 holiday cottages and on the road frontage the offices of Doherty & Brown Ltd, Building Contractors. It was described as in a commercially developing area with advantages of position to the airport and other commercial developments in the area. Finally it was explained that it fronted onto an attractive beach and looked out over a motu just offshore. Thus it was presented as a section with desirable residential attributes and in addition with locality commercial qualities that thus made it a highly valued section.

In the course of presenting arguments for and against a high valuation, both Counsel referred to, relied on and argued against the values of comparative sections in the immediate vicinity. These were:-

- a) Air Rarotonga - 29/4/82 - 3 rood 17 perches
Rental \$500 p.a. - related value \$10,000.
- b) Air Rarotonga - 1/9/82 - 3584m² - goodwill of \$15,000
Rental \$200 p.a. - related value \$4,000.
- c) Cook Island Dairy Foods Ltd - 31/5/82 - 1520m²
Goodwill \$15,000 - rental \$350 p.a. - related value \$7,000.
- d) Fryberg - 25/5/77 - 1540m² - Goodwill \$4,500
Rental \$120 p.a. - related value \$2,400.
- e) While on the opposite side of the island - because of this sections beach and frontage onto a motu it was also compared with the ~~Raina~~ Nicholas section at Ngatangia which contains 1100m² and has been valued at \$7,000.

This property and its location is a good example of future valuation assessment difficulties that will undoubtedly arise - that is, should a property in a residential area tending towards future commercial development be valued in relation to comparable residential or commercial values? Here we have a locality where attractive homes have been built and new ones are continuing to be built. However at the same time commercial development has crept into the area and high goodwill prices have been paid to secure sections to establish these commercial enterprises. Should values over the area be related to the commercial values of say 10 or 12 properties; should sections be valued as residential sections and then at a higher figure for commercial sections? - if higher, what percentage increase should this be?

Such a situation has arisen in an interesting way in New Zealand. Te Puke was originally and predominately dairy farming. With the Kiwifruit industry growth, land values have increased from \$500 per acre to \$10,000 and even \$20,000 per acre. This "Kiwifruit value per acre" has placed a related value on dairy farms. For example if there are two 100 acre blocks adjoining and one is used for Kiwifruit growing and the other retained for dairying, and in all respects the blocks are comparable then should the values be different?

Likewise in this area - if there is a trend in values related to commercial demand and commercial development then this must be reflected in the overall values applicable to sections in that area. For example, the value placed on the Cook Islands Dairy Foods section must have an effect on the Fryberg section next door, even if the latter is used only for residential purposes. To do otherwise would be to devise some system of valuation related to usage where a high commercial usage paid a high rent based on a high valuation and a low or no usage residential section paid a nominal rent only. Such is not in accord with accepted valuation principles.

This section is in a developing commercial sphere of influence while at the same time it is still at present enjoying the residential qualities of the lands situation. This is reflected by the two holiday cottages on the lagoon and beach frontage overlooking the motu and the ocean. In addition, and at the same time, the commercial offices of the building contractor are on the main road frontage opposite the airport.

Taking the five properties which Counsel claimed were relative to this section we have the following projections.

1. Air Rarotonga - 3425m² - \$10,000 = \$3m²
2. Air Rarotonga - 3584m² - \$ 4,000 = \$1m²
3. Dairy Foods - 1520m² - \$ 7,000 = \$5m²
4. Fryberg - 1540m² - \$ 2,400 = \$1.50m²
5. Nicholas - 1100m² - \$ 7,000 = \$6m²

I propose to ignore the Nicholas section since it is located on the other side of the island; cannot be regarded as relative and comparable; and is outside the immediate area and usages being considered. Similarly with the Fryberg section which was a rental fixed in 1977.

This section is easily comparable with the Dairy Foods section both as to the date of valuation, viz 1st January 1982; as to usage, viz commercial; and as to locality and frontage onto the lagoon. I do not agree the beach frontage is attractive. However if anything, this property is more desirable since it is larger - the comparison ... being 1520m² to 2125m².

I therefore adopt the market value established by the Dairy Foods lease in May 1982 and fix the value of this section as at the 18th January 1982 at \$10,625 and a Rental of \$531.25 p.a. Costs of \$150 and \$5 filing fee to be paid to Mr Tylor.

Lewis J.
