Valuation Report

Market Value Alternative Use
Auckland International Airport
Mangere, Auckland

Auckland International Airport Limited
PO Box 73020, Auckland Airport
Auckland 2150

June 2009 Ref: 15390.1/APS

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15390.1/APS

Executive Summary

Property Address:

Auckland International Airport
Mangere
Auckland

Brief Description:

The wider Auckland Airport International Limited ("AIAL") holding encompasses approximately 1,553 hectares, utilised for aeronautical activities, associated commercial infrastructure and land for future airport development.

In 2010 the Commerce Commission published the Commerce Act (Specified Airport Services Input Methodologies) Determination 2010. This determination included Schedule A under which the land forming part of the Regulated Asset Base ("RAB") and land held for future airport development must be valued on a Market Value Alternative Use basis ("MVAU") for information disclosure purposes.

The land subject to this MVAU valuation is 1,109 hectares being approximately 716 hectares of land forming part of the RAB and 393 hectares for future airport development. An alternative use plan has been developed over 834 hectares of this area incorporating a mix of urban development and regional scale open space (coastal margin), whilst the balance includes an estimated 230 hectares of AIAL owned seabed plus 45 hectares of existing commercial and open space.

At a more detailed level the alternative use plan comprises 10 individual precincts, 16,260 household units and approximately 260,000 sqm of non-residential land. A development timeframe of 17 years is envisaged.

The market for large scale development land, at 30 June 2009, was at a low ebb following the concerted economic down turn since 2007. However, were an opportunity such as the subject land be presented to the market, the near to medium term market fundamentals driven by population growth and undersupply of land are such that we would expect strong demand from on-shore and off-shore investors.

Instructing Party:

Auckland International Airport Limited
PO Box 73020
Auckland Airport
Auckland 2150

Addressed To:	Auckland International Airport Limited PO Box 73020 Auckland Airport **Auckland 2150**
Interest Valued:	Unencumbered Freehold Market Value.
Purpose of Valuation:	To establish the Market Value Alternative Use for Regulatory Reporting Purposes.
Date of Valuation:	**30 June 2009**
Date of Inspection:	**10 June 2011 (inspections during May and June 2011)**
Date of Reporting:	**30 June 2011**
Valuation:	Having regard to available market evidence, core assumptions and other factors outlined later in the body of this report, we confirm our assessed Market Value Alternative Use as: **30 June 2009:** **$482,800,000 plus GST, (if any)** **(FOUR HUNDRED AND EIGHTY TWO MILLION EIGHT HUNDRED THOUSAND DOLLARS)**
Additional Comments:	This valuation has been completed as at 30 June 2009. We have had regard to prevailing market information, expectations and sentiment at that date, and specifically have not had regard to future events that were not reasonably anticipated or foreseeable at that date. The market for many types of property has been severely affected by the recent volatility in both global and local financial markets. In particular lower levels of liquidity and availability of credit have translated into a general weakening of market sentiment towards property resulting in a lower volume of transactions and therefore less certainty around core valuation assumptions and market drivers. In light of these market conditions while property valuations are based on the latest available data, values should not be considered as immune from possible change even over very short periods, as the market continues to show volatility.

Valuer:

ANDREW STRINGER **SPINZ ANZIV**
Registered Valuer
National Director | Valuation & Advisory Services

S N DEAN **FNZIV, AREINZ, FPINZ**
Registered Valuer
Director | Valuation & Advisory Services

Inspection of Property:	Andrew Stringer, Nigel Dean & Darren Park
Valuation Calculations:	Andrew Stringer & Darren Park
Authoring of report:	Andrew Stringer & Darren Park
Director Review:	Nigel Dean

Contact Details:

Colliers International NZ Ltd
Level 27, 151 Queen Street
PO Box 1631
Auckland
Phone No. 358 1888

1.0 INTRODUCTION

1.1 INTRODUCTION AND BRIEF

We have received instructions from Auckland International Airport Limited ("AIAL") to assess the market value of the land based assets of Auckland International Airport Limited for regulatory reporting purposes and have pleasure in reporting as follows.

We confirm that the individual valuers who are signatories to this report are experienced in the location and category of the property valued and that the signatories hereto are Registered Valuers holding an Annual Practising Certificate.

1.2 BASIS AND PURPOSE OF VALUATION

This valuation has been completed as at **30 June 2009**. We have had regard to prevailing market information, expectations and sentiment at that date, and specifically have not had regard to future events that were not reasonably anticipated or foreseeable at that date.

This specific report provides a valuation of certain lands for Regulatory Reporting Purposes, under the Commerce Act (Specified Airport Services input Methodologies) Determination 2010. In accordance with these methodologies the land forming part of the Regulated Asset Base ("RAB") and land held for future airport development must be valued on a Market Value Alternative Use basis ("MVAU") for information disclosure purposes. We confirm the valuation has been completed in accordance with Schedule A of the Commerce Act (Specified Airport Services input Methodologies) Determination 2010.

MVAU is defined in the AIAL Asset Valuation Handbook 2011 as:

> *"the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion, <u>with an explicit assumption that the existing use of the asset is ignored</u>" (Emphasis added).*

Further, the valuation has been completed in accordance with the AIAL Asset Valuation Handbook 2011 and with the relevant Property Institute of New Zealand and Australian Property Institute valuation standards.

1.3 INFORMATION SOURCES

AIAL has provided the following information which has formed part of the valuation process:

- Auckland Airport Asset Valuation Handbook 2011 (Final Draft)
- Market Value Alternative Use Report including Blue Skies Yield Model prepared by Common Ground
- Land Master List

- Land Use Plan 2009
- Common Ground Concept Plan
- Russell McVeagh opinion on Resource Management issues
- First NZ Capital opinion on WACC issues

1.4 ASSUMPTIONS

Property Specific Assumptions

The MVAU methodology requires us to assume that the existing use as an airport is ignored. This necessarily requires further assumptions or basis for valuation, including:

1. Existing uses on AIAL land but outside of the RAB remain and form part of the wider physical, employment and social infrastructure.
2. The existence of physical infrastructure, such as roads, electrical services, stormwater and wastewater services are ignored, however given their existence it is assumed they can be readily replicated without undue regulatory hindrance.
3. Public roads to the boundaries of AIAL's holdings are acknowledged as suitable to accommodate development in the form and scale envisaged.
4. It is assumed that debt funding would be available to meet relevant acquisition and working capital requirements for the project on acceptable commercial terms.
5. There is an implicit assumption that an equivalent airport would exist within the Auckland region in order to deliver the same relative contribution to Auckland's key growth drivers which underpin wider economic forecasts.

General Assumptions

1. We have assumed that the instructions and subsequent information supplied contain a full and frank disclosure of all information that is relevant.
2. We have assumed that there are no easements, rights of way or encroachments except those shown on the Computer Freehold Register or detailed in the valuation.
3. We are not aware of any notices currently issued against the property and we have made no enquiries in this regard. In the course of preparing this report we have relied upon information provided by the owner of the property.

Opinion

The assumptions we have made in respect of our projections are as follows:

1. Within the context of our valuation there are a number of subjective variables that we have incorporated within the valuation based upon our qualified opinion. These may be summarised as:
    - Lot prices
    - Development costs
    - Development and sell down period

- Profit and risk allowance
- Holding costs
- Discount rate

In many instances these variables are not able to be validated by comparable market data and accordingly are based upon our considered opinion. Notwithstanding our comments herein regarding the volatile economic and property conditions present, we have assumed that no material unforseen market changes will occur in the near term.

2. There will be no new taxes or rates introduced which have a material impact on the property over the projected period.

1.5 COMPLIANCE STATEMENT

This valuation has been performed in accordance with the International Valuation Standards (IVS) and New Zealand valuation standards, and we confirm that;

- The statements of fact presented in this report are correct to the best of the Valuer(s) knowledge;
- The analysis and conclusions are limited only by the reported assumptions and conditions;
- The Valuer(s) have no interest in the subject property;
- The Valuer(s) fee is not contingent upon any aspect of this report;
- The valuation has been performed in accordance with an ethical code and performance standards;
- The Valuer(s) has satisfied professional education requirements;
- The Valuer(s) has experience in the location and category of the property being valued;
- The Valuer(s) (as noted in the executive summary and final section of this report) has made a personal inspection of the property and
- No one, except those specified in the report has provided professional assistance in preparing the report

Further, the principal valuer is a Registered Valuer in accordance with the Valuers Act 1948 and holds an Annual Practising Certificate.

We confirm that we are not aware of any conflicts of interest or pecuniary interests of the property being valued on the part of either Colliers International New Zealand Limited or the valuer(s).

2.0 SUMMARY OF ASSETS

2.1 GENERAL

The total land holdings of Auckland International Airport comprises an area of 1,553 hectares. This includes freehold title to both land and seabed for the present and future operations of the airport

As a broad overview, the land holdings can be classified as being either specialised or non-specialised. The earlier definition relates to land beneath identified airport activities as well as including land held to provide future identified airport activities e.g. second runway land. Non specialised land is used for activities not classified as identified airport activities. These would include for example, carparks, commercial development and land held for future commercial development. We summarise the land uses and areas in the table below.

Zone	Description	Area (ha)
1a	Seabed	230.0
1b	Airfield	354.4
1c	Southern Airfield REPA/PSZ	38.8
1d	Southern Airfield Restricted	26.4
1e	Land for Airfield Development	223.1
1f	Restricted by Future REPA/PSZ	42.6
1g	Restricted by Future Airfield	16.8
2a	Aircraft and Freight	28.9
2b	Land for Aircraft and Freight Development	95.6
3a	ITB	11.1
3b	DTB	3.6
4a	Public & Leased Carparks	19.9
4b	Staff Carparks	7.8
5a	Interim Airport Commercial	108.0
5b	Land for Interim Airport Commercial Development	278.9
6	Infrastructure	14.6
7	Other PPE Land	11.0
8	Roads	41.3
Total		**1,552.7**
Less:		
	Existing Commercial Core (4a, 4b, 5a, 5b)	*414.6*
	Other PPE Land (7)	*11.0*
	Roads (part 8)	*17.9*
Total		***443.5***
MVAU Developable Area for Precincts and Open Space		**1,109.2**

We have relied on information provided by AIAL. We have not carried out title searches of each parcel and have proceeded on the basis that the above land is either held in ownership by AIAL or held on behalf and for the benefit of AIAL, for its current and future airport operations.

3.0 RESOURCE MANAGEMENT

Auckland International Airport land was at 30 June 2009 located within the Airport Activities Zone under the Manukau City Operative District Plan 2002. The zone permits a range of activities which are appropriate in association with the airport. In addition a portion of the Airport land is situated within the Mangere-Puhinui Rural Zone and Mangere-Puhinui Heritage Zone.

Designation 231 overlays the zones and is divided into two areas: Area A which covers most of the airport land to the south, while Area B covers the remainder to the north; the border between the two runs along the northern edge of the Proposed Northern Runway.

Development controls for the Airport Activities Zone provide varying height limitations in accordance with Obstacle Limitations set forth in the District Plan and enforce a Coastal Protection Yard of 20 metres to buffer the surrounding coastline from development. Further, all buildings are prohibited on any land that is within the Runway End Protection Area ("REPA") of both the existing and Northern Runway. The zone permits activities that are necessary for the provision of the airport services and the operation of Auckland International Airport Limited, however Area B allows for a further range of commercial activities including retail, office and industrial; the activity in each case must be in connection to the use of the airport. Residential development is generally considered a non-complying activity.

Development controls for the rural zones also provide varying height limitations in accordance with Obstacle Limitations set forth in the District Plan and enforce a Coastal Protection Yard of 30 metres to buffer the surrounding coastline from development. Commercial and retailing activities together with high density residential developers are considered non-complying activities; however household units are permitted, but only as farm houses.

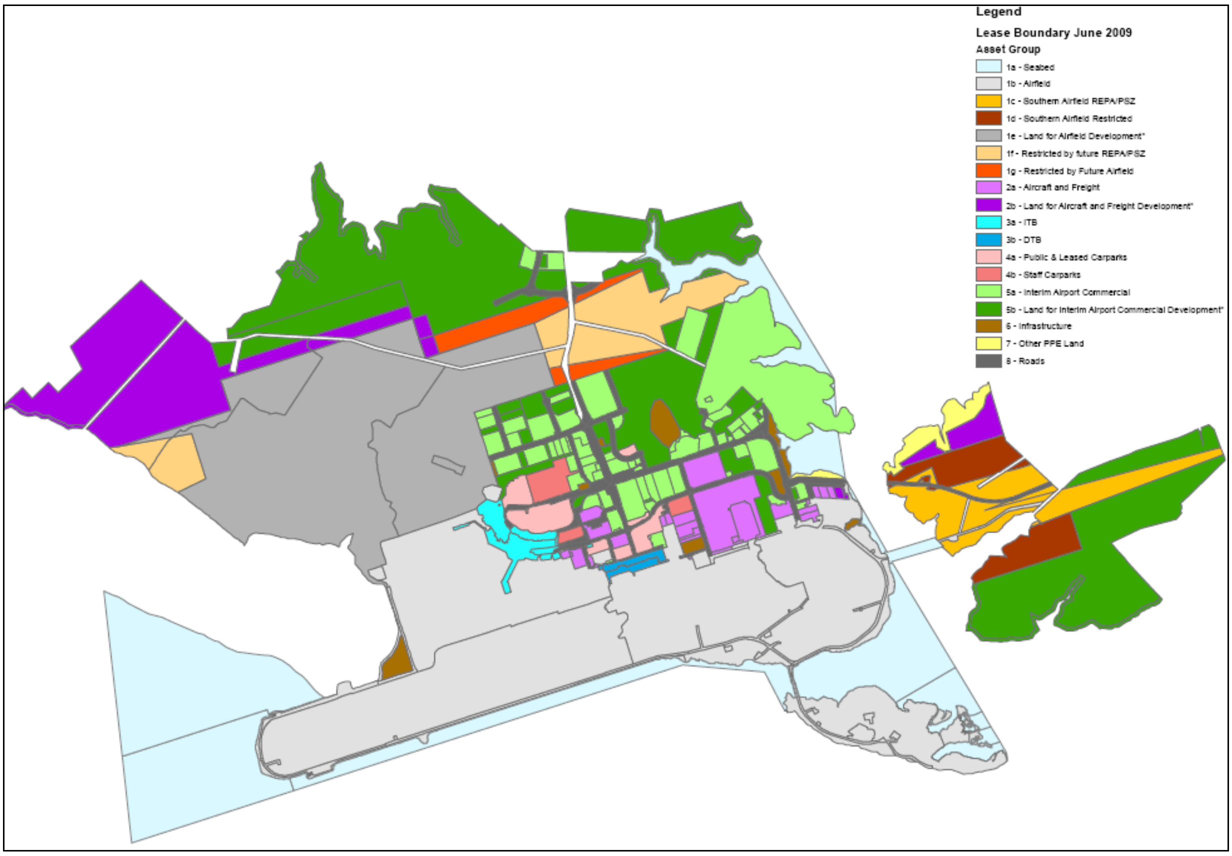
In 2009 Proposed Plan Change 13 ("PC13") to the Auckland Regional Policy Statement was notified, under which the majority of the land designated by Auckland Airport, together with a small portion of land owned by Auckland Airport but outside the designation, was sought to be included within the Metropolitan Urban Limit ("MUL"). At the same time Proposed Plan Change 14 ("PC14") to the Manukau District Council was notified, which essentially sought to rezone Auckland Airport's rural land, included in PC13, to Airport Activities Zone or new business zones.

Therefore in 2009, there was the likelihood that AIAL's rural land would soon be included within the MUL and rezoned for airport activities and business use.

Accordingly for this hypothetical MVAU exercise we have disregarded the existing zoning provisions in so far as they preclude urban development, and contemplate the continued use and in some respects protection of the land as an airport. It is clear that the land is suitable for comprehensive urban development and it is entirely realistic that via a plan change urban uses would be permitted. Thus any risks in our mind in achieving development in the form envisaged under the Common Ground plan would relate to time taken rather than not achieving such an outcome.

4.0 LAND USE

We have been provided with a land use plan prepared by AIAL which provides indicative land uses for the specialised and non-specialised assets within Auckland Airport. Several areas have been divided into smaller sub areas compartmentalising the primary land uses based on existing or future activities. We attach a larger copy of this plan at **Appendix 3** with a summary version below.

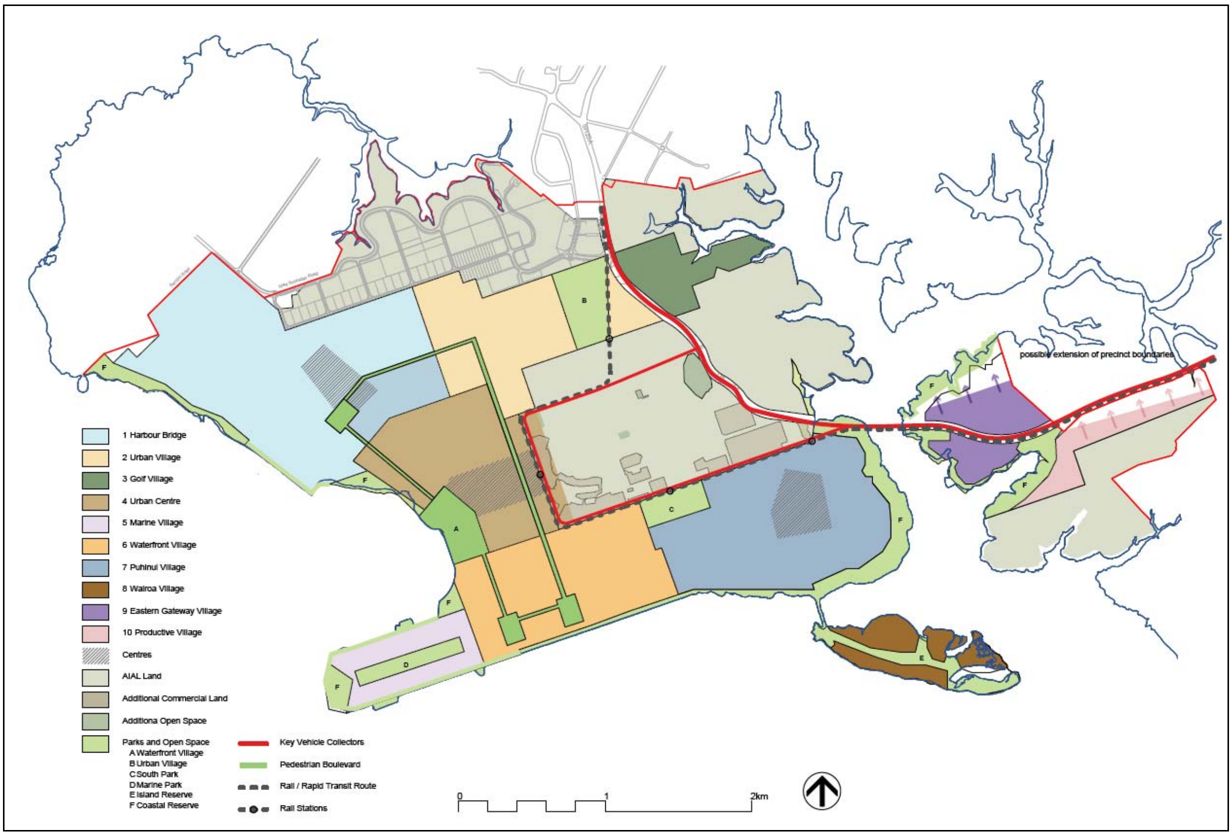


4.1 ALTERNATIVE LAND USE PLAN

For the purposes of assessing MVAU, Common Ground has prepared a land use plan that encompasses only part of the above land, corresponding with the land forming part of the RAB and land held for future airport development

We have been provided with Common Ground's "Market Value Alternative Use Report" which provides a theoretical development opportunity for the land which can be justified on planning and market principles. Whilst a purely theoretical exercise the report effectively forms a draft structure and concept plan, the outcomes of which are defendable in our opinion on both a planning and development perspective.

The plan below details the overall layout, and in particular the distinct precincts which each provide a wider variation in housing typologies, location and extensive public open space. We attach a larger copy of this plan at **Appendix 4** with a summary version below.



Corresponding with the plan above, the table below details the housing mix or typologies contained within each development precinct, along with the areas available for non-commercial development. The area over which this development is envisaged extends approximately 688 hectares. The green spaces are readily identifiable and make up a further 146 hectares.

Precinct	Precinct Name	Gross Area (ha)	Area (ha) Commercial	Area (ha) Residential	Yield (hhu's)	Detached	Urban House	Semi-detached	Terraced	Apartments
1	Harbour Edge	184.5	3.7	180.8	3,616	1,085	1,446	723	253	108
2	Urban Village	73.3	1.5	71.8	1,796	359	539	539	269	90
3	Golf Village	28.2	4.2	24.0	360	18	72	54	162	54
4	Urban Centre	89.0	17.8	71.2	3,133	-	-	940	1,410	783
5	Marine Village	30.8	0.6	30.2	906	-	181	407	272	45
6	Waterfront Village	87.6	1.8	85.8	2,661	399	532	798	798	133
7	Puhinui Village	120.9	6.0	114.9	2,871	861	861	718	345	86
8	Wiroa Village	25.3	0.3	25.0	301	150	120	30	-	-
9	Eastern Gateway Village	30.2	0.9	29.3	439	110	110	154	66	-
10	Productive Village	18.0	0.4	17.6	176	88	71	18	-	-
	Total	**687.8**	**37.1**	**650.7**	**16,259**	**3,071**	**3,933**	**4,381**	**3,575**	**1,300**

The total land subject to the MVAU valuation is apportioned below:

Description	Area (ha)
MVAU Urban Area	687.8
MVAU Open Space	146.1
MVAU Coastal Margin	6.6
Seabed	229.9
Balance Land within Commercial Area	38.8
Total	**1,109.2**

4.1.1 PRECINCT DESCRIPTION

Harbour Edge

A substantial waterfront precinct extending to 184.5 hectares including a small commercial element of 3.7 hectares. Land in this area is a little more undulating but accessed from existing road structures, principally Renton Road and Ihumatao Road which at its eastern extremity connects with George Bolt Memorial Drive. However, the road also connects with Ascot Road in the north via Oruarangi Road.

This land has excellent prospects for development given its wide harbour foreshore though it is fair to say that it faces south-west, accordingly being a little colder. This block of land is sufficiently divorced from where the initial principal activity would occur that development may commence in this location in its own right without compromising the nature of development suggested initially for Puhinui Village. Housing densities would be expected to be relatively conventional.

Urban Village

Bearing in mind that the urban village area is to the east of the harbour edge, it follows that the value amenity from the harbour edge could spill over into the urban village but only after harbour edge is well on the way to being developed. Accordingly urban village will form some relatively modest housing types on relatively level land elements. Part of the sites adjoins George Bolt Memorial Drive and accordingly may be expected to enjoy lesser amenity.

Golf Village

A small pocket of land located to the west of George Bolt Memorial Drive that would be developed to a relatively low density with larger sites as befitting the nature of the land and the fact that it does have some small elements of frontage to Pukaki Creek. The land is generally of level contour and surrounded to the north and south by land independently owned by Auckland International Airport Limited.

Urban Centre

This area of land sits immediately to the west of the existing commercial components not included within this valuation but which are independently owned by Auckland International Airport Limited. The suggested provision within the urban centre area makes extensive provisions in the shape of approximately 17.8 hectares for commercial and/or manufacturing type content. Reasonably heavy emphasis in this area would be on more intensive forms of residential development and it follows therefore that for this to succeed there needs to be an established market created within the area, dictating that the urban centre areas will be developed later rather than earlier. The land is of generally level contour and while it does have some harbour frontage, the frontage is to extensive reserve areas rather than the sea itself.

Marine Village

The marine village land elements are located within a tongue of land that projects out into the waters of the Manukau Harbour and is of level contour but will require reserve margins around the marine edge. The land in this area will be of very high quality given its marine amenity. Accordingly house types may be expected to be reasonably intensified though still maintaining a superior environment.

It is anticipated that the marine village lands will be developed quite early in the proposed development process.

Waterfront Village

The waterfront village elements are located between the marine village and the Puhinui village precincts and again have similar or even greater proportions of water frontage to the south than does the Puhinui village relative to the area involved. The land elements are level and one could reasonably expect a quite high level of amenity with a broad spectrum of use types from relatively low density single family dwellings up to medium intensity urban houses and semi-detached. Additionally, however, a number of terraced houses are proposed within the make-up indicating a significant element of mixed residential use.

Puhinui Village

This is one of the larger precincts, being the second largest behind the Harbour Edge Precinct. This precinct adjoins existing urban services in land not included within this valuation and it is anticipated that in a scheme of development, this land would be developed initially. The land elements are level with extensive harbour frontage and with access to urban amenity.

Wiroa Village

Wiroa Village sits to the south of Puhinui Village and is linked via a causeway across the harbour. This is sensitive land which will be divided into three parcels by provision for reserves. It is anticipated that development in this sensitive environment will be relatively low density. Notwithstanding the sensitive environment, this will be an attractive place to live if developed in a sensitive fashion.

Eastern Gateway Village

This particular parcel is of most attractive land with extensive foreshore to Pukaki Creek and Waiokauri Creek. However, despite this, it is cut by an arterial road being the extension of Puhinui road into the airport and accordingly its environment may be expected to be somewhat compromised. Again it is anticipated that a relatively low intensity environment would be created. This land is somewhat more undulating than the majority of properties and tends to fall from the roadway which runs just below the crest of a ridge which runs through the site and falling to the creek margins. There will be extensive reserves along the creek margins.

Productive Village

The Productive Village elements are relatively close to those in the Eastern Gateway Village and represent an elongated strip a little removed from the alignment of Puhinui Road and generally located to the south of it. Given the somewhat broken contour of the sites, it is anticipated that a number of the properties will have significant outlooks but it is anticipated that development given the unusual shape of the site and its somewhat sensitive nature will be of relatively low intensity.

4.1.2 COMPARISON TO OTHER AUCKLAND ENVIRONMENTS

There are no environments within the greater Auckland area that have the size and scale of a development similar to the subject. However, there are a number of areas where developments of a lesser scale have distinct relevance to many of the precincts noted above.

In particular, reference needs to be made to the Stonefields location in the former Lunn Avenue Quarry being comprehensive housing development.

Development of Stonefields was undertaken on a comprehensive and integrated planning environment basis to produce a wide variety of use types and densities following on from the unsuccessful attempts to turn the Lunn Avenue Quarry into a regional shopping centre.

In general terms the initial thrust of the development was of low to medium intensity housing but with significant elements around the fringes allocated for later elements of high intensity housing designed to comply with the local authority's requirements for intensification. Those requirements initially call for a population density up to 10,000 people within the quarry environment and this has subsequently been significantly reduced but it is nonetheless a more intensive development than much of the surrounding typical urban environment. Provision is made within the quarry for limited commercial development to service the residential content. In addition, significant works were undertaken on a restructuring of the transport infrastructure in the wider locality.

The initial quarry development was to be developed on the basis of a contract with Fletcher Homes wherein the developer entered into a long term contract of supply of lots at pre-determined prices within an initial 10 year horizon for sell down of all lots.

Also of relevance though clearly an inappropriate comparison for low intensity developments, is Viaduct Harbour which is a result of the catalyst of the Americas Cup, ending with significant high density residential living. Much of the residential living was constructed on leasehold land.

However, prior to the catalyst of the Americas Cup, the break-up of the Port of Auckland property portfolio led to a substantial element of land along Fanshawe Street becoming available which as part of the sale of the Ports' portfolio was transferred freehold and subsequently ground leased. These elements of land were developed in a suite of seven to eight level office buildings along the Fanshawe Street edge, essentially providing a barrier between the busy arterial route of Fanshawe Street and the residential elements of the Viaduct Harbour. Essentially there was no master plan for Viaduct Harbour but a number of sites became available given the potential demand and development proceeded at a considerable pace hand in hand with the complete clean-up of the Viaduct Basin and construction of a number of other elements including the reclamation for the Americas Cup Village. In design terms there are few parallels between the Viaduct Harbour and the subject lands, especially given the former's proximity to CBD Auckland. However, the exercise of examining the Viaduct Harbour is useful in the context of endeavouring to gauge the likely demand for high intensity development in a suburban location, especially where it is considered as part of a greenfields development opportunity. In our opinion the high intensity elements of the subject property will tend to follow the creation of a desirable environment in the latter stages of the proposed development.

North of Auckland at Gulf Harbour, land with similar marine characteristics essentially forming part of the north-eastern elements of the Whangaparaoa Peninsula with significant water frontages and access was developed into the Gulf Harbour Precinct, essentially centred around a substantial marina and international quality golf course. The initial element was commenced with declamation works for the marina with the developer subsequently failing in the property depression post the 1987 sharemarket crash and the land being sold to Asian interests who commenced to develop the golf course. In many respects the development proceeded on the basis that the sole objective for the property was the golf course rather than the economics of development. Accordingly a number of fundamental design flaws were made in laying out the development notwithstanding that consent was achieved for approximately 3,000 household units. In some respects it seems apparent that the developers felt that it would be the golf course that would be the catalyst for the development rather than the other way round. In many respects the fate of the Gulf Harbour development comes about as a result of the friction of distance bearing in mind the somewhat convoluted access that residents at Gulf Harbour need to traverse to get to anywhere else. There was a proposal for much improved access directly connecting to the northern motorway but this has not proceeded and the development has languished. The development as a whole is centred around single family dwellings but approximately 20 to 30 hectares of the property around a facility known as the Eastern Boat Harbour was intended to be high intensity apartments and even provision for an hotel. In a number of respects, looking back over the history of Gulf Harbour, the fundamental issue is the difficulty of access rather than a difficulty of development or the market.

Also providing some relevance are the elements of land in what will be a comprehensive development at Long Bay which is still in the early stages of planning for quite intensive developments on sensitive coastal land where development costs will be very high but equally sale prices of individual lots would also be very high given the warm northerly outlook over the Hauraki Gulf. This development is in its infancy but it is being planned in an integrated way.

We also make reference to the substantial urban development which was undertaken in the 1990s in South Auckland around Botany. This may also be considered as a comprehensive development opportunity given the proliferation of mixed use activities centred around the Botany Town Centre which essentially is the focal point for development in the area. However, the other catalyst was the completion of Te Irirangi Drive which connected Manukau City in the south with Botany in the north. Essentially the residential development elements then became available but constrained between the rising land to the east and the existing industrial development of East Tamaki to the west. Botany tends to be predominantly single family residences but there are a number of high intensity examples of apartments and other types of development that result in high density living. It may be fairly said that Botany has been an outstanding success sitting as it did on the eastern extremity of Manukau City.

Hobsonville Point is another example of a comprehensively planned environment. Sited on the former Hobsonville air force base the development extends over 167 hectares with an intended 3,000 household units planned. At June 2009, the project is in its conception stages and expected to commence construction in 2010, being undertaken by the Hobsonville Land Company which is a subsidiary of Housing New Zealand, with development management and built form controlled by AV Jennings, through seven precincts and an estimated development timeframe of 10 to 12 years. The housing stock will be in a variety of forms and very similar ion concept to that envisaged under the concept plan for the AIAL holdings. In particular the relationship with the harbour and major roading networks offers comparability, however in our view the AAL land is on balance a superior opportunity given its proximity to employment nodes and the wider Auckland isthmus.

On an overall basis, comprehensive residential development opportunities within the overall fabric of Auckland City are quite limited, especially those with the benefits of superior access and availability of urban amenities already in place that exist for the subject lands. This situation may be contrasted with that which prevailed in the other fringe development, being Gulf Harbour where there were virtually no amenities, few schools, few retail opportunities and a considerable distance to satisfy future residences requirements for these. The location and convenience of the subject location would in our opinion lead to a most substantial demand and popularity if the land were to become available.

5.0 MARKET COMMENTARY

5.1 ECONOMIC COMMENTARY

In determining the current market value of the subject property we have had regard to underlying economic conditions and the flow-on implications that these may have on investment and divestment decisions made across the broader property markets. This economic commentary is effective at June 2009, and is based on sourced data from government and independent sources. The following table provides a general overview of immediate past performance and short term projections. They are sourced from the June 2009 Quarterly Predictions published by the New Zealand Institute of Economic Research ("NZIER").

New Zealand Institute of Economic Research Quarterly Forecasts

Economy Activity (March Year)	2007	2008	2009f	2010f	2011f
GDP - annual % change	1.8%	3.1%	-1.0%	-1.5%	4.4%
Consumer Price Index	2.5%	3.4%	3.0%	0.0%	1.5%
Unemployment Rate	3.8%	3.8%	5.0%	6.8%	7.8%
Current Account % GDP	-8.3%	-8.0%	-9.0%	-6.2%	-8.1%
Trade Weighted Index	65.6	71.6	62.4	56.7	54.8
NZD/USD	0.696	0.790	0.533	0.540	0.485
NZD/AUD	0.885	0.872	0.780	0.783	0.770
90 day bank bill yield	7.8%	8.8%	3.7%	2.3%	4.4%
10 year govt stock yield	5.9%	6.3%	4.7%	5.1%	5.8%

Source: NZIER estimates and forecasts, RBNZ, Statistics New Zealand, New Zealand Treasury, Colliers International Research

Economic Growth

New Zealand economic activity decreased by 1.0% in the March 2009 quarter, following falls of 1.0% and 0.5% in the September and December quarters respectively, and confirmed that recessionary conditions had extended into a fifth quarter. Annual gross domestic product growth was -1.0% for the year ending March 2009, down from 3.1% recorded in the March 2008 year. This is the largest annual contraction in economic activity since the year ended March 1992 when the economy contracted by 1.3 percent. The main drivers of the decline in economic activity in the latest quarter were from manufacturing and transport and communication industries. Manufacturing activity declined by 7.2%. Value added in the transport and communications declined 4.5%. Partly offsetting these declines were finance, insurance & business services, which grew 2.3%.

Interest Rates

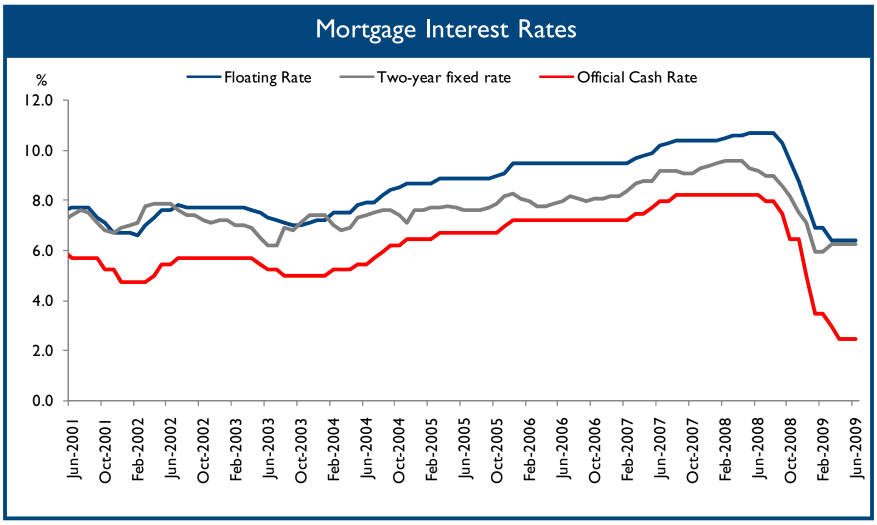
The Reserve Bank of New Zealand (RBNZ) kept the OCR at 2.5% in June 2009. This is after seven consecutive cash rate cuts since mid 2008, which reduced the OCR by 575 basis points in total.

The economic outlook remains weak both in New Zealand and in other countries. However, there are signs that international economic activity is stabilising, and international financial conditions are improving. The RBNZ expect the New Zealand economy to begin growing again toward the end of this year but the recovery is likely to be slow and fragile. Many key economic indicators such as unemployment are projected to keep deteriorating well into 2010.

There remain some material downside risks to activity and inflation, but for the first time in some months the RBNZ can also identify some clear upside opportunities for activity. One such area is a potential rebound in household spending and residential investment as a result of the rise in net immigration and the pick-up in the housing market. Ultimately, however, the RBNZ do not think such a rebound in spending would prove sustainable given the soft outlook for employment, wages and farm incomes and high levels of household debt.

Overall, recent developments point to lower inflationary pressure than previously projected. Annual CPI inflation is likely to fall temporarily below the bottom of the target band later this year, but we expect it to return to inside the band by early 2010 and remain comfortably there over the remainder of the projection.

The RBNZ have cut the OCR by a large amount over the year. RBNZ expects the effects to pass through to more borrowers over coming quarters as existing fixed-rate mortgages come up for re-pricing. Although rising longer-term interest rates overseas are placing upward pressure on longer-term lending rates here, there is room for further reductions in shorter-term lending rates.



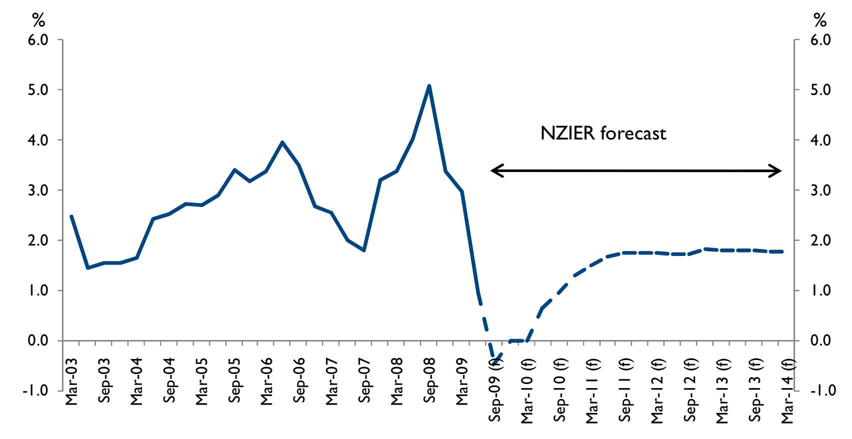
Source: Reserve Bank of New Zealand, Colliers International Research

Inflation

The Consumers Price Index (CPI) recorded an increase of 0.3% in the March 2009 quarter, following a decrease of 0.5%, and an increase of 1.5%, in the December and September 2008 quarters, respectively. On an annual basis, inflation dropped to 3.0% in the year ending March 2009 year. Nine of the 11 groups in the CPI made upward contributions to the increase in the year to March 2009. The most significant upward contributions came from food (up 8.8%), and housing and household utilities (up 3.6%).

With inflationary pressures stabilising, the Reserve Bank is confident that annual CPI inflation will return to within the target band of 1% and 3% over the medium term. However, strengthening commodity prices from 2010 will keep inflation close to the top of the Reserve Bank's target band.

CPI Annual % Change



Source: NZIER, Colliers International Research

Exchange Rates

The New Zealand dollar (NZD) posted a solid 11% appreciation against the US dollar over the month of May, reaching its highest level since October 2008. In trade-weighted terms, the NZD appreciated 6.9%. The NZD outperformed all major currencies over May. As with the Australian dollar, the NZD received support from the combination of a softening USD and rising investor appetite for risk. The S&P sovereign credit rating outlook change from negative back to stable was unexpected and guided the NZD higher. According to the Reserve Bank's Trade Weighted Index, the New Zealand dollar rose by 1.9% in May 2009 compared with an increase of 5.6% in the previous month.

At the time of writing, the New Zealand dollar is trading at 62.6 cents against the greenback, 78.1 cents against the Australian dollar and 44.5 cents against the Euro.

Statistics New Zealand's latest release show that the value of merchandise exports decreased 4.6% ($176 million) in April 2009 from April 2008. This is only the second monthly decrease in exports (compared with the same month of the previous year) since August 2007. This month's decrease in exports was led by falls in crude oil, and aluminium and aluminium articles. The decrease was partly offset by increases in fruit, and meat and edible offal. The value of merchandise imports decreased 18.1% ($745 million) in the April 2009 from April 2008. This month's decrease is the largest since the series began in 1962 (in dollar terms). However, this has been greatly affected by large one-off imports in April 2008. Without these, the movement for this month would be a decrease of $267 million (7.3 percent).

Unemployment

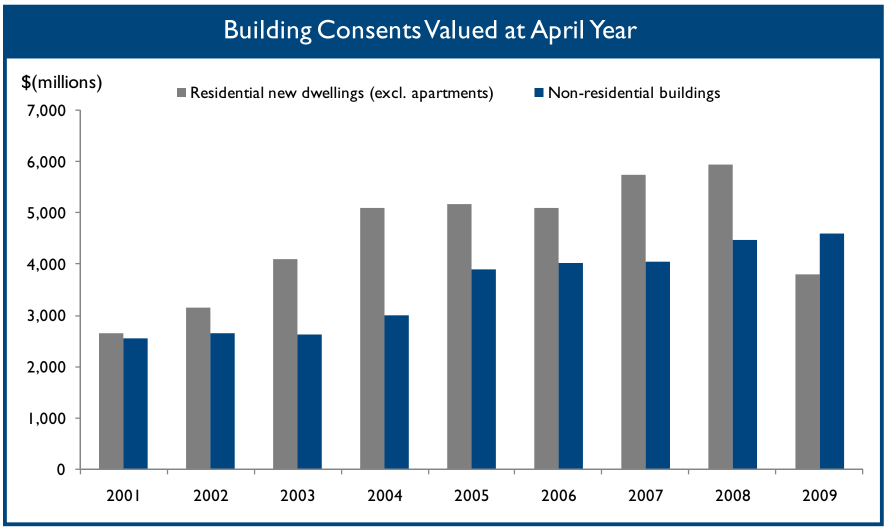
The labour market weakened further in the March 2009 quarter. According to Statistics New Zealand, the unemployment rate increased a further 0.3% and now sits at 5.0%. NZIER forecast the unemployment rate to reach 6.8% in March 2010 and rising to 7.8% in March 2011.

The Hudson Report for April - June 2009 surveyed 1673 employers across New Zealand and found that national employer sentiment has moved into the negative with a net 11.3%. This means that a net balance of 11.3% of the employers surveyed are reporting an intention to reduce their permanent staffing levels over the period. Despite the decline in national sentiment, 64.0% of employers intend to hold their current staff levels steady, 12.4% intend to increase their permanent staff levels, and 23.7% intend to decrease.

Construction Activity

According to Statistics New Zealand's latest data release, residential building consent numbers show the trend for the number of new housing units authorised, excluding apartment units, has continued to fall since June 2007. In the month of April 2009, 810 new dwelling unit consents (excluding apartments) were issued. Fifteen of New Zealand's 16 regions recorded fewer authorised units when compared with the same month last year. The North Island fell 58% and the South Island dropped 55%.

Non-residential building consents valued at $4617 million were issued for the year ending April 2009, an increase of 3.2% compared with the April 2008 year. The largest contributors to the value of non-residential buildings authorised were, hostels and boarding houses (up 35.1%), educational buildings (up 32.2%), followed by office and administration buildings (up 31.1%).



Source: Statistics New Zealand, Colliers International Research

Conclusion

The economy faces a mixed outlook as the impact of a lower OCR is offset at least in part by a rising currency, impacting on the anticipated export led recovery. The low OCR and stimulatory fiscal policy are the main sources of support to the New Zealand economy at present, however it is likely to be some time before the recovery becomes self-sustaining and monetary policy support can be withdrawn. The RBNZ therefore considers it appropriate to continue to provide substantial monetary policy stimulus to the economy. The OCR could still move modestly lower over the coming quarters. As the RBNZ said at the time of both the April and June Monetary Policy Statements, they expect to keep the OCR at or below the current level through until the latter part of 2010.

The 2009 Budget showed a sizeable lift in Crown debt levels over the next few years. The fiscal forecasts show that the operating balance is not expected to return to surplus until 2019, making for ten years of operating deficits. To achieve that outcome the Government has scrapped planned tax cuts and cut Superannuation Fund contributions for around ten years.

New Zealand had experienced a number of years of stronger than expected revenue growth, which resulted in a considerably higher level of government expenditure. The strength of past revenue growth has vanished quickly. In response the Government is not cutting back overall expenditure to match, but making sure that pre-existing expenditure delivers as much value as possible.

The Budget, with the rating agencies overseeing the announcement, has concentrated on keeping the debt position from becoming unmanageable. It would appear the Government has been successful, with Standard and Poor's putting New Zealand's credit rating outlook back up to stable.

Notwithstanding the RBNZ fiscal and Government expenditure based stimulus to the wider economy, ongoing recessionary conditions, combined with scarce and expensive debt funding, continue to support a generally weak outlook for the property sector.

5.2 RESIDENTIAL MARKET COMMENTARY

Background

The market for residential land within the Auckland region has seen a dramatic drop off in activity since the final quarter of 2007, following a concerted period of growth and historically high price levels.

The market can be considered in two distinct categories, both of which are pertinent to our valuation. Firstly there is raw or englobo land being the source for the second category, individual sections. Both markets have been impacted to similar degrees with the raw land market naturally weaker as the demand for residential housing and therefore sections significantly reduced.

The cyclical boom was fuelled by a combination of a concerted period of positive economic growth and increased household wealth, population growth from both internal and external migration, constrained land supply and relatively easy access to debt for both end purchasers and developers.

Over the period from 2000 to 2007 median house and section prices in Auckland increased 67% and 120% respectively. Over the same period median incomes increased 19%, with affordability indices decreasing markedly. Given this, a correction was anticipated by many, however the severity of the down turn was greater than virtually any anticipated and has seen residential building slow to extremely low levels as illustrated by issued dwelling consents to 196 in June 2009 from the cyclically high measure of 1,362 in September 2003.

The principal drivers of the housing market are interest rates, population growth and supply side controls.

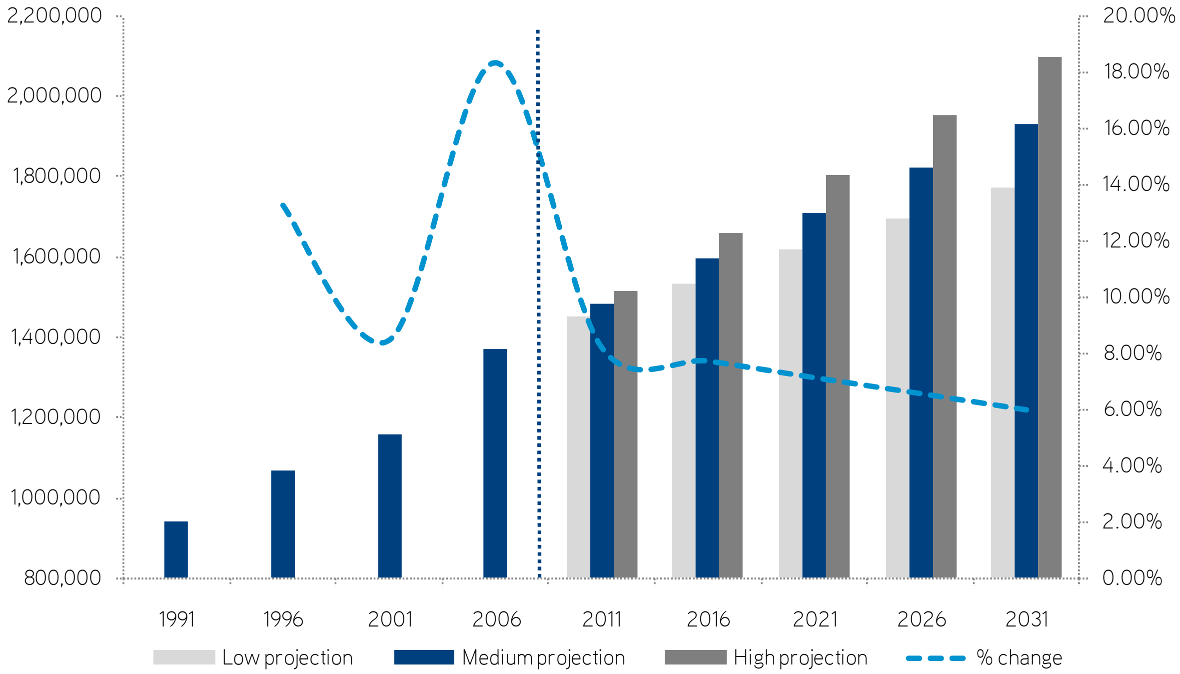
Whilst projected house price performance can be a useful indicator in considering the likely performance of the residential land market, house prices tend to be less volatile than section prices which show a greater propensity to surge and collapse depending on market conditions. One reason for the downside volatility is that sections are typically produced in large volumes and are rarely entirely presold to end users/occupiers so there exists the risk of oversupply which can take considerable periods to absorb. Further section construction is programmed 12 to 24 months in advance of delivery and therefore market conditions at delivery can vary markedly from those at the outset of construction.

That said, acting to stimulate price growth is the Auckland Regional Growth Strategy which controls both the location and rate of land available to accommodate future housing ostensibly in line with projected population growth, through the implementation of a Metropolitan Urban Limit (MUL). The growth strategy is based around the concept of a compact city and land use intensification, with growth focused in and around existing centres and transport corridors with limited growth through expansion of the urban edge.

In recent times population growth rates have largely outstripped projections with land supply naturally being consumed at an equally greater rate. This has put significant pressure on the demand and supply dynamic which in economic terms delivers a logical outcome of price inflation. The last two years have seen a material decline in demand, however in our opinion whilst this will deliver some 'breathing space' in terms of supply it will not fundamentally address the issue of short to medium term supply constraints.

Notwithstanding the recent slow down in net migration as world economic conditions have weakened New Zealand's attractiveness to new residents, the wider Auckland population is still expected to exceed 1.93 million by 2031 (ARC Medium population growth projection). This reflects average annual growth of almost 22,500 people which when combined with declining household composition rates indicates around 8,200 new dwellings required each year in the Auckland region. The low and high growth projection models indicate 6,000 dwellings and 10,750 dwellings respectively.

AUCKLAND REGION POPULATION



Source: Statistics New Zealand and Colliers International

This is significant growth and outstrips all other areas in New Zealand in percentage terms and is the highest growth area in absolute terms.

Recent consent activity shows projected annualised consents for new dwellings (excluding apartments) across New Zealand will be at approximately 55% of the average of the past 5 years which confirms anecdotal evidence of significantly lower building activity which in turn is likely to lead to significant supply side constraints for new housing over the coming two to three years.

These factors will undoubtedly combine to improve residential building and sales activity.

Interest rates remain a key factor in considering future market performance. Whilst we sit at a point of historically low interest rates these will undoubtedly rise as economic confidence and underlying performance improves. Whilst rising interest rates are normally a negative influencer on residential markets we still have a gap of circa 3% before we reach the levels apparent in the 2006 to 2008 period which suggest some increases can be tolerated without a significant impact on activity. That said sharp or large increases will undoubtedly dampen market sentiment.

An interesting aspect of the recent market has been the apparent reliance of debt as the primary source of capital for many developers and group home builders. Many of these 'under-capitalised' parties have seen their business model become unsustainable as banks lending parameters in terms of absolute levels and loan to value ratios have reduced to more conservative levels, introducing what many market observers and participants would suggest is a more prudent or balanced relationship between risk-return and ensuring developers have greater 'skin in the game'.

Naturally any change in health or confidence in the residential housing market has a direct impact on the market for raw land. The most obvious impact on pricing has been that potential projects have been faced with an extended sell down time frame with lower sales volumes and the principal market response has been lower pricing of end product. The combination of lower end prices and longer development timeframes has a calculable negative impact on the value of raw land.

It is this volatility that represents the greatest element of risk in large scale land development and in turn demands required returns significantly higher than more generic and shorter term development propositions and for that matter simple investment property.

Current Trends

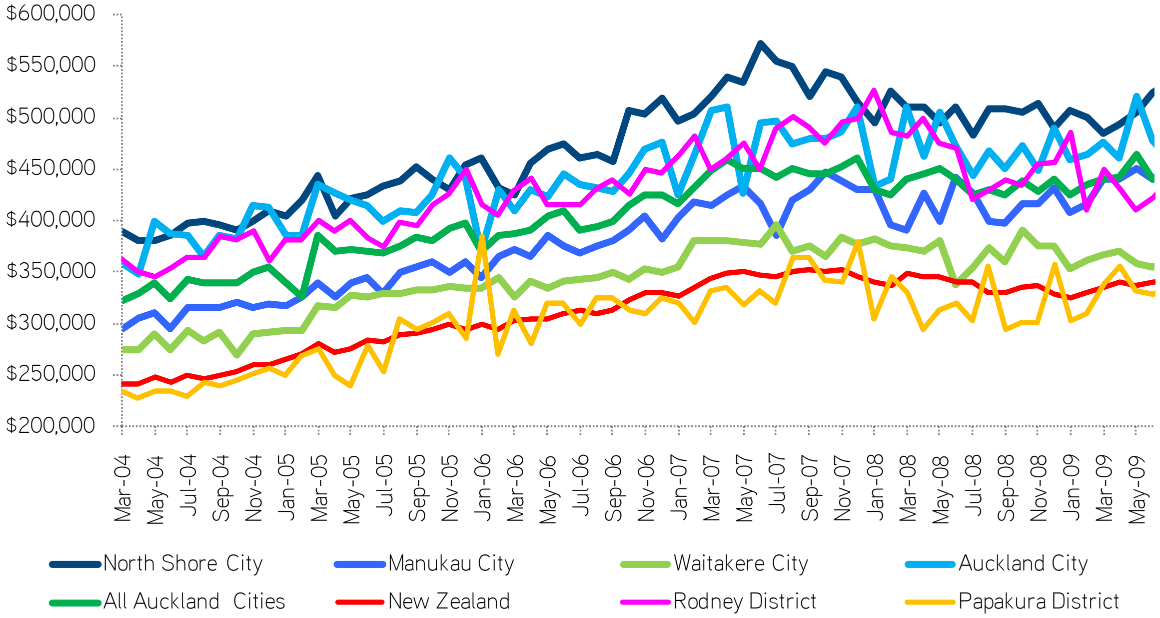
As a proxy for the residential land market, for which there is limited robust data, we have considered the historic performance of the residential sales market in reaching our conclusions for future performance.

The New Zealand residential property market has seen fluctuations over the last 18 months prior to June 2009, however, the latest statistics appear to indicate that the market seems to have reached some stability. For April 2009 the median selling price was $435,000 increasing to $450,000 in May and returning to $435,000 in June.

The mean time to sell at June 2009 has also dramatically decreased from the high levels apparent last winter. This is in contrast to 2008 when the Auckland residential market was in decline, with increasing numbers of property appearing on the market from July to December, and taking longer periods to sell. Values have stabilised in the second quarter of 2009 and have even begun to show upward movement in some areas on the back of low interest rates and low levels of new buildings. Listings in the winter of 2009 are light, but are attracting healthy interest, resulting in properties selling relatively quickly by comparison. This is reflected in the year-on-year value change for Auckland, which is now moving back through the negatives toward zero.

The graph below shows the median house price comparison between the five Auckland Cities and New Zealand. Auckland City has the most volatile median price which is partly due to the impact of inner city apartment sales which cause inconsistencies in the Auckland City median sales price figures.

MEDIAN HOUSE SALE PRICE COMPARISON



Source: REINZ, Colliers International Research

The median price for a house located in Auckland City in June 2009 decreased to $440,750 from $465,000 recorded in May 2009. However the June 2009 median price increased slightly on the June 2008 figure of $440,000.

The number of houses sold in Auckland during July 2009 increased to 2,024 compared to 1,411 in July 2008, however overall the June 2009 figure represents a decrease of approximately 24% from the June 2007 figure at 2,687 sales. The number of sales in January 2009 at 1,149 represents the lowest number of sales in our data set which was taken from January 2000.

We summarise below the historical section and dwelling (including apartments) sales activity within Manukau City compared against the Auckland region to June 2009.

Auckland Region Sales Activity				
Year	Median Section Price	Number of Sales	Median Residential Price	Number of Sales
2003	$147,500	2,639	$295,000	41,288
2004	$207,500	2,127	$336,000	35,894
2005	$221,250	2,174	$371,250	35,193
2006	$248,500	1,648	$396,375	34,082
2007	$275,000	1,972	$445,000	31,184
2008	$257,500	646	$432,875	17,384
2009*	$252,500	518	$435,000	11,156
Manukau City Sales Activity				
Year	Median Section Price	Number of Sales	Median Residential Price	Number of Sales
2003	$146,000	407	$310,000	7,301
2004	$222,000	345	$310,000	7,338
2005	$267,500	298	$343,125	7,817
2006	$268,250	228	$375,150	7,292
2007	$318,500	283	$422,000	6,800
2008	$308,500	78	$416,500	3,530
2009*	$257,500	80	$440,000	2,507

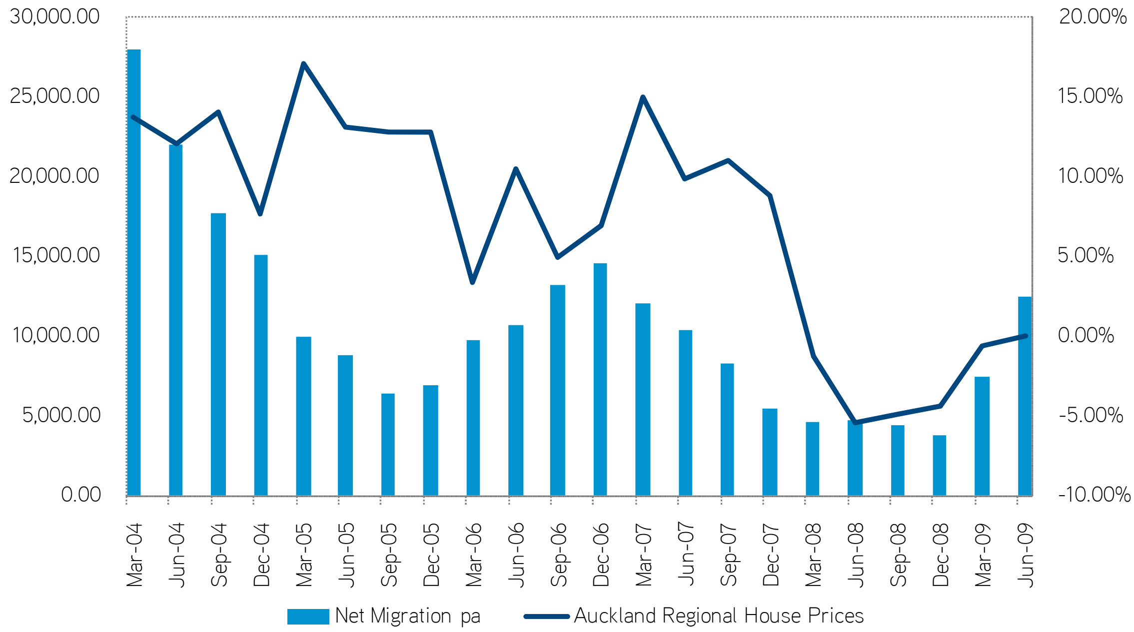
Source: REINZ and Colliers International Research

* YTD to June 2009

The time taken to sell has always been a good indicator of the health of the residential market. The statistics for June 2009 in the Auckland District show approximately 33 days which is a large decrease from the June 2008 time to sell at 51 days. Over the year to June 2009, the median days to sell have fluctuated between 33 and 56 days to sell. Prior to this it has been fairly consistent over the last 3 years with the exception of the second half of 2003 when the market was particularly hot and an average property was on the market for as low as 20 to 25 days. The recent time taken to sell may be reflective of the current change in market sentiment, coupled with the more favourable market conditions, that being a significant decrease in interest rates from the previous high levels tracking around 10%, to the low 6% to mid 6% currently being offered. Furthermore, the increased number of sales continue to be driven by the affordable end of the market, as more investors and first home buyers return to the market as fears of significant loses subside. There is also upward pressure on quality stock, properties located within popular school zones and close to desirable amenities have increased competition amongst motivated buyers.

A further key driver influencing the residential market has been the flow of migrants into New Zealand. It is estimated that as much as 60% of immigrants settle in Auckland, this coupled with high levels of immigration over 2003 pushed demand for housing in Auckland to very high levels. Net migration in 2003 was estimated at approximately 45,000, reducing to approximately 15,000 in 2004. There was a net migration of approximately 7,643 in the December 2007 year. Net immigration has increased recently with the quarter ending June 2009 at 12,515, this is a significant improvement from December 2008 with the figures showing a net migration of 3,814, which is the lowest since September 2001. The latest month to month results suggest net migration has increased, partly attributable to the increased number of ex-pats returning as a result of the global economic and financial conditions, this may also put downward pressure on the existing levels of housing stock. The correlation between net migration levels and median house price movement is shown below and is suggestive of upward pressure on house prices.

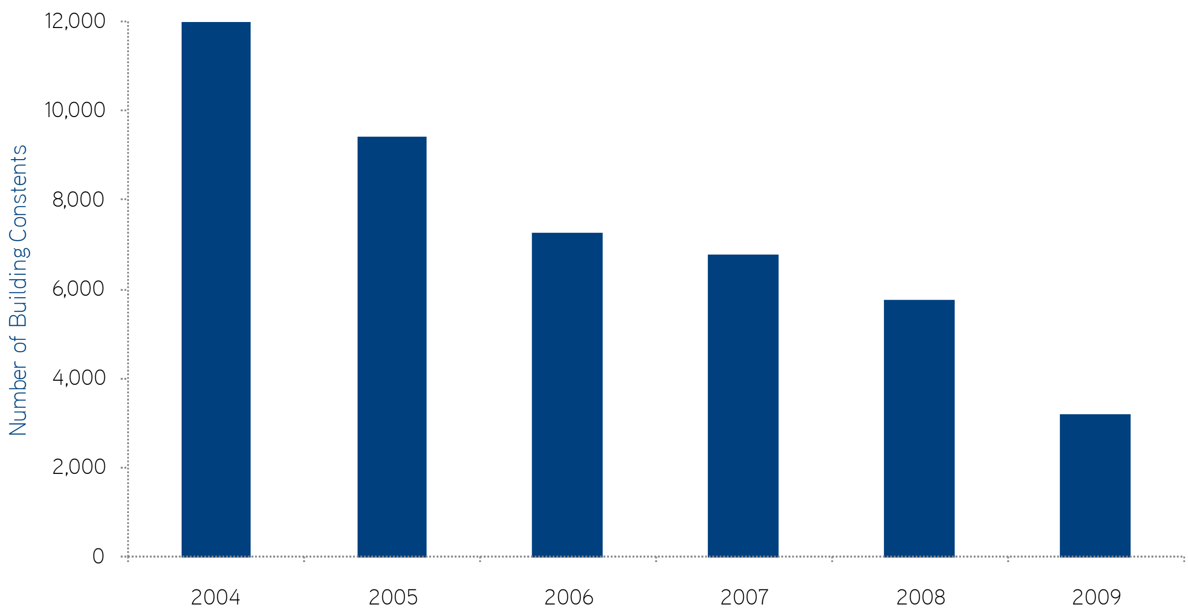
HOUSE VALUES AND MIGRANTS



Source: REINZ, Statistics New Zealand and Colliers International Research

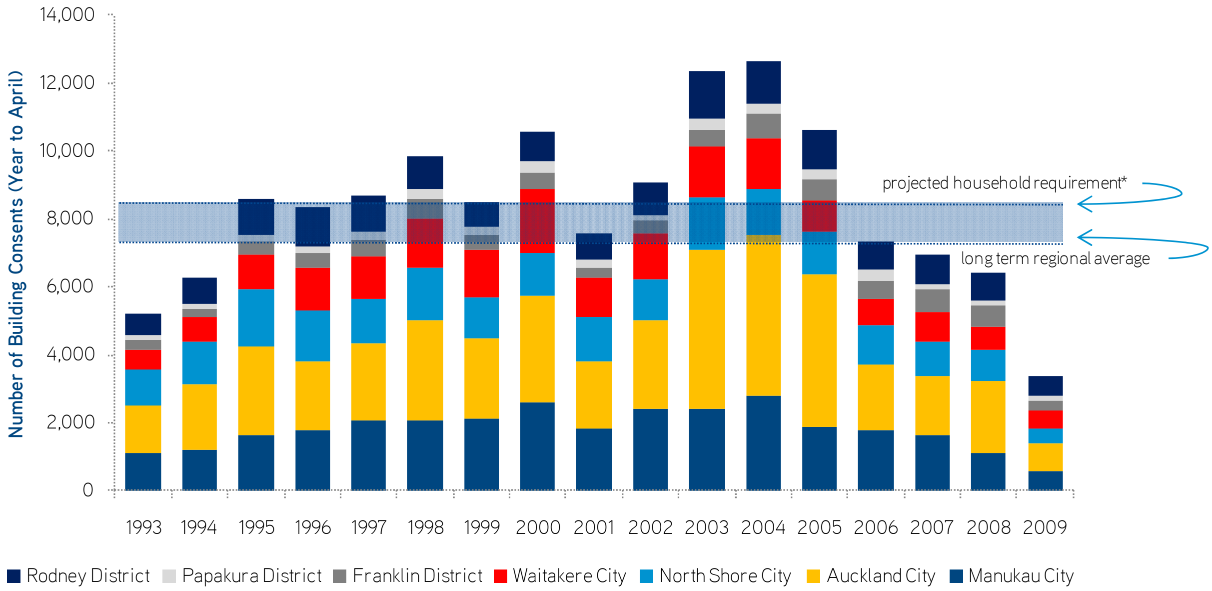
Another measure used to gauge the state of the housing market is the number of new dwelling consents issued per year. The following graph indicates a significant decline in the number of new dwellings placing upward pressure on the supply side of the housing market.

AUCKLAND REGION RESIDENTIAL BUILDING CONSENTS



The low level of new dwelling consents is largely attributable to a lack of available finance for developers, thus significant shortage of new housing was beginning to become evident in 2009.

AUCKLAND REGION BUILDING CONSENTS BY TERRITORIAL AUTHORITY



Source: Statistics New Zealand and Colliers International
Year to April
*based on medium projected population growth sourced from Statistics New Zealand

We have further analysed building consents by territorial authority which illustrates the high proportion of building consents within Auckland City and Manukau City. Over the past 20 years Auckland City and Manukau City combined have accounted for between 40% and 60% of the total dwelling consents within the Auckland region. Of this Manukau City accounts for between 16% and 26% of the total Auckland region dwelling consents with an annual average of approximately 22%.

Summary of the Residential Market

Auckland is New Zealand's largest residential property market. The market has historically been driven by strong population growth and property values have increased at a faster rate than the national average in recent years.

The 'heat' of the residential market has cooled in Auckland and the New Zealand property market as the rate of growth has slowed significantly since 2007. This effect has been more of a rebalancing of demand versus a complete market downturn. The stigma associated with the public's perception of a market downturn has a direct impact on the market itself, which had resulted in buyers adopting a 'wait and see' attitude. However economic fundamentals at June 2009 appear to be more favourable going forward than 12 months previously, at June 2009 we are witness to stronger net migration rates, historically low interests rates and an existing shortage of good quality stock. June 2009 data also suggests that in the months ahead more vendors are being encouraged back into the housing market.

6.0 VALUATION OF MVAU LAND

6.1 METHODOLOGY

The methodology to complete the MVAU assessment is prescribed within Schedule A of the Commerce Act (Specified Airport Services Input Methodologies) Determination 2010. The methodology compels the valuer to ignore the existing use of the land and to contemplate its highest and best alternative use. In this instance independent advice from Common Ground has been sought as previously detailed.

We have approached the valuation in the same manner that we would for any equivalent large scale development holding; we have had consideration of current and future market fundamentals of demand, supply, pricing, cost and required returns.

Ordinarily there would be a preference to assess the value of the land with regard to sales of equivalent assets observed within the market place. However for a number of reasons this is not practical. Firstly the scale of the holding at approximately 1,109 hectares of developable area is without precedence in terms of a single transaction, or even a small number of transactions in aggregate. Secondly the strategic nature of the land and its scale makes direct comparison virtually impossible on account of the diversity of land use types, land features and its potential influence or dominance of the Auckland market.

Therefore we have primarily utilised the Discount Cashflow ("DCF") Methodology. We acknowledge that DCF analysis has at its core a reasonable number of inputs all of which require varying levels of subjective assessment. However it is by far the most appropriate methodology when we must consider something of this scale, range of potential allotment types and the time scale.

The valuation methodology has been undertaken in four steps;

- We have assessed the market value of Puhinui Village precinct, as the most logical and appropriate starting point for the hypothetical development based on location attributes and current infrastructure and roading. This has been completed under the DCF methodology.
- We have then used the derived rate per hectare and per household unit of the Puhinui Village as the base line for the wider holding applying that rate to the subsequent precincts of the development making appropriate adjustments for such factors as location, density and yield, and making a market deferment of the value for each precinct relative to projected absorption rates and market demand. This produces a notional value of the entire holding under the assumption it could be realised at a single point in time; 30 June 2009.
- Given such an assumption is unrealistic we have deferred the various stages of development with reference to our opinion of likely market demand and absorption for the end housing product over a 17 year development and sell down period, in order to assess the Present Value of the entire holding.
- Finally we have cross-checked our conclusions against expected values for large holdings on a per hectare basis.

In the following section we outline the detailed assumptions that drive the valuation of the Puhinui Village.

There are three further components that need to be considered to conclude the total MVAU value. These are the seabed, other commercial land holdings within the existing CBD area and land situated under roads.

In terms of seabed value, under the MVAU approach we have not recognised any additional value and have reflected the benefit of the control of the seabed in our concluded lot values and therefore underlying precinct values. For the roads and other commercial land holdings in the existing CBD area, we have assumed a value equivalent to the average of the total precinct values given we cannot assume the existence of services etc and therefore this land is essentially ‘raw land’.

6.2 APPLICATION OF METHODOLOGY

6.2.1 DISCOUNTED CASHFLOW ANALYSIS – PUHINUI PRECINCT

As our first step we have undertaken a notional development or feasibility approach in order to determine the market value of the Puhinui Village precinct development utilising a discounted cashflow analysis. The Puhinui Village is in our view the logical initial stage within the wider development concept given its range of household typologies to provide broad market appeal, the excellent infrastructural access, proximity to commercial amenity and employment base and its extensive water frontage. The Puhinui Village comprises approximately 120 hectares with a total of 2,870 household units.

The principle assumptions we have adopted include the following:

Gross Realisation

We have had regard to relevant residential and commercial markets in order to frame our opinion of gross realisation, which is a significant driver of value. We have researched and analysed recent sales within the wider Auckland region area particularly in localities which have been recently developed.

We have had reference in particular to numerous current and future large scale residential development projects within the Auckland region which we have undertaken valuation work on to assist us in our assessment of gross realisation. These include Stonefields, Long Bay, Millwater in Silverdale and Karaka Lakes.

Having had regard to these sales we have adopted a rate of $300 per sqm for the net area of commercially zoned or non-residential land and the following rates (inclusive of GST) for the various housing typologies.

Dwelling Type	Number of Units	Ascribed Value
Detached	861	$265,000
Urban House	861	$215,000
Semi-detached	718	$185,000
Terraced	345	$165,000
Apartments	86	$75,000

Marketing / Selling Costs

We have adopted an allowance for marketing and selling costs which reflects a project selling approach which is typical of this scale of development. Our costs reflect a 1.5% commission structure along with an allowance of 1.0% of gross realisation for marketing.

Legal Fees

We have allowed for a cost of $1,000 per dwelling for legal fees and an equivalent amount for the commercial land in regard to the preparation of sale and purchase agreements and conveyancing.

Profit and Risk / Discount Rate

We have formulated our assessment of an appropriate discount rate having regard to the macro and project risks and key assumptions. In general terms risk as it relates to land developments is multi faceted and includes the following:

Asset Risk – Under the existing District Plan the majority of the land is zoned Auckland International Airport with the balance being zoned Rural. We understand that RSP Plan Change 13 and MCC Plan Change 14 have been notified with the intention of the subject land coming within the Metropolitan Urban Limit ("MUL"). Once operative all the land will fall within the MUL and be zoned either Airport or Mangere Gateway Business Zone. Therefore in 2009, there was the likelihood that AIAL's rural land would soon be included within the MUL and rezoned for airport activities and business use. As such we have proceeded on the basis that whilst normal planning timelines and costs need to be recognised the subject land is suitable for the hypothetical development envisaged, and would not meet any undue opposition.

Development Risk – theoretically the development demonstrates moderate risk given construction is yet to commence. We note that the land is relatively level in nature and with reference to surrounding development and uses the land would not be expected to produce any undue risks or costs in development. We have also proceeded on the basis that all roading and infrastructure currently available to the boundaries of the site would be able to be utilised within the hypothetical development.

Market Risk – the market for residential land has deteriorated in recent times with weaker end product demand making market appetite difficult to judge. We note however that the Concept Plan is logical and appeals to modern design and market logic with distinct precincts and character areas each supporting a mixture of uses and densities. We also note current residential supply side issues within the region are exacerbated by the limited land available within the Auckland region within the MUL which is a positive feature.

Financial Risk – in the current market required returns have increased as a consequence of greater sectoral risk, increased funding costs and a scarcity of available funding at debt and equity level.

Economic Risk – this is apparent but difficult to quantify with the current volatile economic environment, however we would comment that over recent time's sentiment has improved in most areas which suggests diminishing risk of a reversion to prolonged economic downturn.

Operational Risk – if the hypothetical development was to proceed we would expect that a developer would incorporate a competent management team adept at handling the challenges of a project of this size and scope with the ability to deliver on time and within initial budgeted costs. Risk on this basis over the project would be considered typical.

The provision for profit and risk is somewhat challenging in the current circumstances, with no relevant transactional evidence to offer guidance on what a prudent purchaser might require in taking on a development of this scale, overall cost and state of completion. As a "market norm" an allowance in the range of 20% and 30% is generally acceptable for land either in conception stage or early development, whilst rates as low as 15% may be acceptable for significantly de-risked or advanced projects.

We have adopted an overall project level discount rate of **27.5%** at June 2009 recognising the varying risk profile of the precincts and the theory of diminishing risk and therefore required return over the life of longer projects. We would note that this discount rate is applied at a pre-tax and pre-funding cost cashflow level.

In formulating our conclusions on discount rate we have not been able to rely on any recent or relevant market based transactions. We have however canvassed the views of a number of experienced developers and the principal valuer was in mid 2009 involved in the successful sale of Kensington Park, a partially complete master planned community in Orewa which provided a detailed insight into developer's views on required return, development timing in terms of a return to market norms and the impact of the tight funding markets.

It is clear that any developments likely to be undertaken in the present market will require significantly greater levels of equity and that of itself has necessitated an increase in required returns in addition to the increase demanded from the more volatile and therefore risky investment environment.

Our conclusion is reached in the knowledge that a number of risks relating to the project remain and we are comfortable our concluded discount rate fairly reflects these risks.

We have also been privy to a paper prepared by First NZ Capital ("FNZC") which sought to provide comparative market support for a discount rate applicable to the subject development. At June 2009 FNZC considered a 20% pre-tax discount rate as appropriate, having reference to relevant debt costs and required returns on equity. Whilst we have adopted a discount rate higher than this, we do not necessarily disagree with the fundamental rationale or conclusions of FCNZ but believe our adopted rate also has regard to the inter-relationship and risks apparent on our other critical inputs.

Construction Costs

We have adopted development costs for the hypothetical development totalling approximately $120,000,000 plus GST which include civil and earthworks costs but exclude development contributions, statutory holding costs and contingency, which are allowed for separately. These costs equate to a per dwelling rate of approximately $41,000 plus GST and a rate per sqm over the commercial area of $50.

We are not experts in determining civil engineering and development costs however we have under other assignments been provided with development costs for several substantial residential and industrial developments around the Auckland region. Based on our knowledge of these actual and projected costs we believe the above costs are a fair representation of the costs of developing the hypothetical project.

We have made a 5.0% escalation provision for construction costs over the first year decreasing to 3.0% thereafter.

Realisation Period

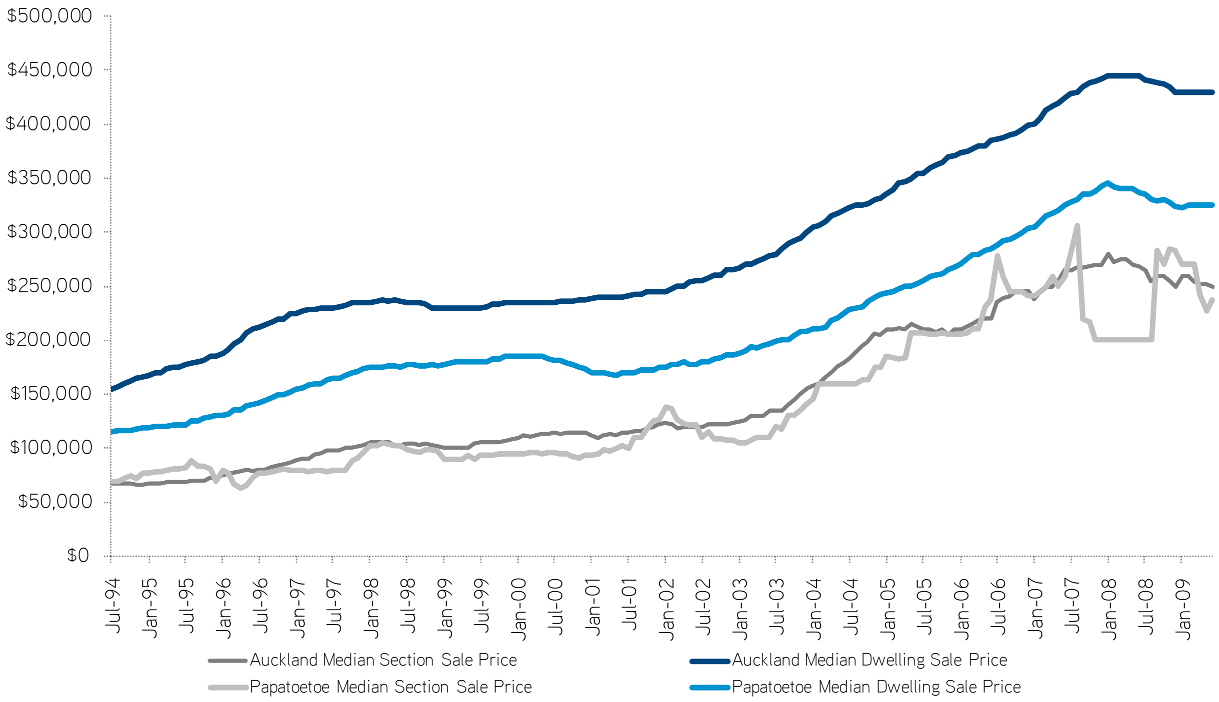
The airport land represents one of few areas available for comprehensive new build development in the Auckland region and therefore there is limited direct comparable supply. In section 5.2 we detailed at length the dynamics of the residential market in terms of significant undersupply and concerted population growth. This coupled with a constrained land supply policy via the MUL gives us confidence at a macro level that strong demand would be evident for such a well planned urban environment.

To give some comparable support for our take up or absorption assumptions we have had reference to the Dannemora/Botany localities within Manukau City which were subject to significant development in the early mid 1990s and early 2000's. During the peak of development building consents as a proxy for demand were in the region of 600 to 800 per annum, representing around 40 to 50% of total consents within the Manukau region. These localities accounted on average for approximately 20% of total building consents in Manukau City over a period of 15 years however did increase to as high as 50% of total Manukau building consents in any one year.

Having regard to the above factors we have determined a sell down rate of approximately 320 dwellings per annum for the Puhinui Precinct with the commercial land to be sold down in line with these projections.

Land Value Escalation

Our research indicates that in the medium to longer term land value growth has typically outstripped residential dwelling growth. We have analysed REINZ data over the preceding 5, 10 and 15 year periods for median dwelling and section prices for both the entire Auckland region and the Papatoetoe area which forms the closest locality to the airport land and shows the following trends.



	Dwellings (Compound Average)		Sections (Compound Average)	
% change (median calculated over 12 months)	**Auckland Region**	**Papatoetoe**	**Auckland Region**	**Papatoetoe**
5 years to June 09	29.45%	36.73%	32.19%	17.16%
10 years to June 09	64.57%	36.08%	90.62%	97.95%
15 years to June 09	105.59%	107.57%	137.63%	128.50%
annual % change (median calculated over 12 months)	**Auckland Region**	**Papatoetoe**	**Auckland Region**	**Papatoetoe**
5 years to June 09	5.89%	7.35%	6.44%	3.43%
10 years to June 09	6.46%	3.61%	9.06%	9.79%
15 years to June 09	7.04%	7.17%	9.18%	8.57%

Our escalation profile for each dwelling unit shows negative growth of 2.5% for the first year with a ‘spike’ of 4.0% and 5.0% in years two and three respectively and 3.0% per annum thereafter. This reflects **2.7%** compound annual growth through the next nine years which compares favourably to long run averages.

Our ‘spike’ in years two and three reflects an anticipated increase in demand due to both a more positive residential market aligned with improving economic sentiment, but also acknowledging that the previously detailed land supply strategy employed by local government is likely to act to create land based inflationary pressures which in our mind are real and can be expected show up in the earlier part of the project rather than the latter. The average rate adopted over the last five years reflects the fact that is very difficult to predict anything other than average levels in the medium term.

When compared to the 5 year Auckland compound average of just over 6.0% and 15 year Auckland average of over 9.0%, the adopted average and maximum growth rates are if anything conservative, however we are mindful of the weak current market environment, the renewed focus on affordability, higher savings rates translating to lower debt servicing ability and importantly that the historic growth rates are distorted by the longest period of concerted growth in recent history.

7.0 VALUATION CONCLUSION

7.1 PRECINCT VALUES

Having regard to all of these inputs we have concluded a value for the Puhinui Village of **$120,000,000** plus GST at June 2009.

This represents $993,000 per hectare or an average value of approximately $40,000 per household unit after allowance for the value of the commercial land.

As summarised earlier our methodology is based on a detailed assessment of value for the Puhinui Village, with that concluded value used as a benchmark for the other precincts. Given the variation in size and more particularly unit types or mix we have based our comparison on equivalent net or "raw" land values for each unit type and extrapolated those over the units within each precinct.

Naturally each precinct has some unique features which require further recognition such as a lack of water frontage, superior access or proximity to key amenities or materially higher or lower densities. Accordingly these factors have been accounted for.

It should be noted that no specific value has been attributed to 146 hectares of open space and reserve land incorporated in the overall plan. The value of this land has been intrinsically allowed for in two ways; firstly as a factor in setting prices for the individual units and secondly supporting the adopted take up scenario on the basis that the significant green space is a key attraction through the amenity it will deliver.

Applying this approach our assessed values in aggregate for the 10 precincts is **$651,269,640** plus GST as detailed below.

Precinct	Gross Area (hectares)	Indicative Yield	Gross Density (dph)	Commercial Land	Start Date	Development / Selldown Period	2009 Value	Value (per ha)	Deferred Value @ 10%	Deferred Value (per ha)
Harbour Edge	184.5	3,616	20	25,831	1-Jul-15	11.00 years	$152,163,669	$824,691	$85,850,000	$465,286
Urban Village	73.3	1,796	25	10,262	1-Jan-18	6.00 years	$70,280,932	$958,812	$31,250,000	$426,330
Golf Village	28.2	360	15	29,631	1-Jan-20	2.00 years	$17,223,281	$610,322	$6,300,000	$223,246
Urban Centre	89.0	3,133	44	124,600	1-Jul-18	8.00 years	$97,756,189	$1,098,384	$41,450,000	$465,730
Marine Village	30.8	906	30	4,316	1-Jul-12	3.00 years	$36,262,043	$1,176,193	$27,250,000	$883,879
Waterfront Village	87.6	2,662	31	12,268	1-Jul-10	8.00 years	$103,756,543	$1,184,030	$94,300,000	$1,076,115
Puhinui Village	120.9	2,870	25	42,301	1-Jul-09	9.00 years	$120,000,000	$992,884	$120,000,000	$992,884
Wiroa Village	25.3	255	10	1,769	1-Jul-11	2.00 years	$18,098,224	$716,194	$14,950,000	$591,611
Eastern Gateway Village	30.2	440	15	6,342	1-Jul-09	2.00 years	$23,469,008	$777,119	$23,450,000	$776,490
Productive Village	18.0	177	10	2,520	1-Jul-09	2.00 years	$12,259,750	$681,097	$12,250,000	$680,556
TOTAL	**687.8**	**16,215**	**25**	**259,841**			**$651,269,640**	**$946,861**	**$457,050,000**	**$664,491**

7.2 MVAU VALUE 2009

Following our conclusions in the previous section it is important to acknowledge that it would be impractical to sell all of the land at a single point in time and realise the aggregate value.

We have therefore considered achievable market share contemplating that the entire project comprises in excess of 16,000 household units plus 260,000 sqm of commercial land. Our analysis of historic records give us confidence that a development of this nature could both command and support a market share of 50% of the Manukau region, 20% of the Auckland and Manukau regions combined and 10% of the wider Auckland region. At its maximum these assumptions provide for the absorption of 1,200 household units per annum. Based on these parameters we have concluded a sell down timeline over 17 years (at an average of 941 household units per annum) with the various precincts having deferred start dates to meet these targets.

This introduces the notion of what return would a notional investor require to hold the land as a separate precinct or block in order to optimise the supply dynamic and not cannibalise pricing through competition. Given that our assessed values in the previous section imply a 27.5% return through development such return in the non-development phase is inappropriate. While there is no market observed data as to an appropriate return for holding land, we are aware of the going rate for long term ground rent reviews at 7.0% to 7.5%. Additionally while that rate may be appropriate at inception, at mid term on a 21 year lease, the equivalent may be as low as 2.0% to 4.0%. We consider that in this locality on the inherent assumptions surrounding MVAU, and given parcel size that a higher rate is appropriate. That said land is usually viewed as a secure investment especially at this time in the property cycle, where future growth seems most probable. The rate adopted must be much less than development risk because there is no requirement for capital input, or risk on both construction or end sales. We are of a view that a 10% return would be sufficient to meet both real holding costs in the form of interest and rates, as well as recognising for the land's low risk, non-depreciable but non income generating characteristics.

As a check on this thinking we have considered a scenario where a realistic investment alternative is simply to sell the land in 2009 at a notional rural or lifestyle basis today rather than wait say the nine years for the Urban Village to come on stream. On this basis the concluded value of that precinct at $426,000 per hectare is entirely supportable by reference to lifestyle development land on the urban periphery of Auckland, albeit for areas more distant from city amenity including Coatesville and Karaka by way of example. These areas would present lower values on the scale of the holding we are envisaging however they do not embody the same intensive urban development potential in the short to medium term. Such peripheral areas will generally exhibit no potential for higher and better uses which could easily be envisage for lifestyle uses on the subject property given its proximity to the urban environment.

We are comfortable that such pricing could be realised in the current market were such a scenario contemplated as highest and best use.

The deferred values are shown in the preceding table and totals $457,050,000.

The three further components detailed previously need to be added to reach the total MVAU value. The table below highlights these values as well as apportions the precinct values between the land forming part of the RAB and land held for future airport development

	Regulated Asset Base ("RAB")		Future Development		Total	
Precinct Land	$306,435,000	*345.4 ha*	$150,615,000	*342.5 ha*	$457,050,000	*687.8 ha*
Open Space	$0	*95.8 ha*	$0	*50.2 ha*	$0	*146.1 ha*
Coastal Margin	$0	*6.6 ha*	$0	*0.0 ha*	$0	*6.6 ha*
Seabed	$0	*229.9 ha*	$0	*0.0 ha*	$0	*229.9 ha*
Balance Land within Commercial Area	$25,750,000	*38.8 ha*	$0	*0.0 ha*	$25,750,000	*38.8 ha*
TOTAL	**$332,185,000**	***716.5 ha***	**$150,615,000**	***392.7 ha***	**$482,800,000**	***1109.2 ha***

Our concluded MVAU value at 30 June 2009 therefore is:

$482,800,000 plus GST, (if any)
(FOUR HUNDRED AND EIGHTY TWO MILLION EIGHT HUNDRED THOUSAND DOLLARS)

The concluded value above represents approximately $580,000 per hectare over the land forming part of the RAB and land held for future airport development, excluding the seabed, coastal margin and commercial land areas.

8.0 GENERAL

Our valuation is subject to the Colliers International Statement of Valuation Qualifications and Conditions as follows:

1. In accordance with PINZ Guidance Notes, all non-residential valuations are on the basis of **plus GST (if any)**. Valuations of residential property are stated as **including GST (if any).**

2. Where it is stated in the report that information has been supplied to us by another party, this information is believed to be reliable but we can accept no responsibility if this should prove not to be so. Where information is given without being attributed directly to another party, this information has been obtained by our search of records and examination of documents or by enquiry from Government or other appropriate sources.

3. In preparing the valuation and/or providing valuation services, it has been assumed that a full and frank disclosure of all relevant information has been made.

4. We do not hold ourselves out to be experts in environmental contamination. Our inspection of the site did not reveal any contamination or pollution affectation, and our valuation has been prepared on the assumption that the land is not contaminated and has not been affected by pollutants of any kind. We would recommend that this matter be checked by a suitably qualified environmental consultant. Should subsequent investigation show that the site is contaminated, our valuation may require revision.

5. In preparing the valuation, we have relied on photocopies of the Computer Freehold Register and the leases provided. It has been assumed that these are accurate copies of the original documents and that no dealings or changes have occurred since the date such photocopies were made.

6. This valuation and all valuation services are provided by us solely for the use of our client. We do not assume any responsibility to any person other than the client for any reason whatsoever by reason of or arising out of the provision of this valuation.

7. This report is relevant as at the date of preparation and to circumstances prevailing at the time. However, within a rapidly changing economic environment experiencing fluctuations in interest rates, availability of finance, rents, building expenditure and returns on investments, values can be susceptible to variation over a relatively short time scale. We therefore strongly recommend that before any action is taken involving acquisition, disposal, mortgage advance, shareholding restructure or other transaction, that you consult further with us.

8. The market for many types of property has been severely affected by the recent volatility in both global and local financial markets. In particular lower levels of liquidity and availability of credit have translated into a general weakening of market sentiment towards property resulting in a lower volume of transactions and therefore less certainty around core valuation assumptions and market drivers.

   In light of these market conditions while property valuations are based on the latest available data, values should not be considered as immune from possible change even over very short periods, as the market continues to show volatility.

   Accordingly if the addressee of this report has any concerns regarding the currency of the valuation, they should contact the Registered Valuer.

9. **Confidentiality and Disclaimer of Liability**
Our valuation and report is strictly confidential to the party to whom it is addressed and is prepared solely for the specific purpose to which it refers. No responsibility whatever is accepted for reliance on the valuation report for other purposes. Further, no responsibility whatever is accepted to persons other than the party to whom the valuation and report is addressed for any errors or omissions whether of fact or opinion.

10. Neither the whole nor any part of this valuation and/or report or any reference to it may be included in any published document, circular, or statement without our written approval.

11. **PINZ: Valuation Standards & Guidance Notes**
All valuations are carried out in accordance with the Valuation Standards and Guidance Notes recommended by the Property Institute of New Zealand, where the definition of “Market Value” is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

12. Please note that personnel in this firm will or may have stocks, shares or other interests in entities that directly or indirectly hold properties which are the subject of this valuation and/or may have direct or indirect personal relationships with third parties with interests in these same entities. Colliers’ valuers are required to abide by an industry standard disclosure regime and Colliers internal policies with respect to conflicts of interest, and will disclose any material conflict of interest that arises in its capacity as valuer concerning the property which is the subject of this valuation.

13. **Valuation Basis**
Unless otherwise stated no allowances are made in our valuations for any expenses of realisation, or to reflect the balance of any outstanding mortgages either in respect of capital or interest accrued.

We trust that this report is suitable for current purposes. If you have any questions, please contact the writer directly.

Yours faithfully
COLLIERS INTERNATIONAL NEW ZEALAND LIMITED

ANDREW STRINGER **SPINZ ANZIV**
Registered Valuer
National Director | Valuation & Advisory Services

S N DEAN **FNZIV, AREINZ, FPINZ**
Registered Valuer
Director | Valuation & Advisory Services

Inspection of Property:	Andrew Stringer, Nigel Dean & Darren Park
Valuation Calculations:	Andrew Stringer & Darren Park
Authoring of report:	Andrew Stringer & Darren Park
Director Review:	Nigel Dean

APPENDIX 1

Valuation in Detail – Puhinui Precinct

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

Valuation Calculations Summary 2009

Puhinui Precinct, AIAL Land, Auckland International Airport, Mangere, Auckland

VALUATION DETAILS

Valuation Date	30 June 2009	**Cash Flow Model Date**	1 July 2009
Project Size (Residential)	2,870 units		
Project Size (Commercial) - Gross	60,430 sqm	**Project Size (Commercial) - Net**	42,301 sqm
Total Site Area	1,208,600 sqm (120.86 hectares)		

CORE VALUATION ASSUMPTIONS

Adopted Discount Rate		27.50%		
Discount Rate Range	19.00% -	27.00%		
Construction Start		1-Jul-10	**Selldown Start**	1-Jul-11
Construction Period		9 years	**Selldown Period (years)**	9 years
			Average Sales - Residential	319 per annum

	No. of Units	Per Unit	Total
Gross Realisation*			
Detached	861	$265,000	$228,165,000
Urban House	861	$215,000	$185,115,000
Semi-detached	718	$185,000	$132,830,000
Terraced	344	$165,000	$56,760,000
Apartments	86	$75,000	$6,450,000
Subtotal	***2,870***	***$212,307***	***$609,320,000***
Commercial	42,301 sqm	$300 per sqm	$12,690,300
Total Revenue			**$622,010,300**
Costs per Unit - Residential		$41,051	$117,815,000
Cost per Area - Commercial		$50	$3,021,500
Costs per Hectare	$1,099,786		
Contingency	10.00%		$12,083,650
Holding Cost			$4,500,000
Development Contributions			$28,700,000
Interest Rate	7.50%		
Selling Costs		1.50%	$9,330,155
Marketing Costs		1.00%	$6,220,103
Legal Costs - Residential		$1,000	$2,870,000
Legal Costs - Commercial			$50,000
Total Costs			**$184,590,408**
Inflation			
Cost (compounded)	3.22%		
Revenue - Residential (compounded)	2.70%		
Revenue - Commercial (compounded)	2.33%		

ADOPTED VALUE

$120,000,000 - GST Exclusive
(ONE HUNDRED AND TWENTY MILLION DOLLARS)

RESULTANT VALUES AND IRR'S ON ADOPTED VALUE

Value per Hectare	$992,884	**Value - Residential Unit**	$39,721 per unit
Resultant IRR	27.27%	**Value - Commercial Area**	$99 per sqm

** Revenues for residential include GST, commercial excludes GST*

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

Puhinui Precinct Annual Cashflow Summary 2009

AIAL Land, Auckland International Airport, Mangere, Auckland

Year Ending June 30	*Total*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*
		Jul-09	*Jul-10*	*Jul-11*	*Jul-12*	*Jul-13*	*Jul-14*	*Jul-15*	*Jul-16*	*Jul-17*	*Jul-18*
REVENUE											
Gross Sales Revenue	$711,424,570	$0	$68,621,308	$71,638,743	$74,540,599	$76,776,817	$79,080,121	$81,452,525	$83,896,101	$86,412,984	$89,005,373
Selling Costs	-$20,705,614	-$790,472	-$2,300,624	-$2,300,624	-$2,300,624	-$2,300,624	-$2,300,624	-$2,300,624	-$2,300,624	-$2,300,624	-$1,510,152
GST Payments	-$90,952,769	$0	-$8,766,688	-$9,157,751	-$9,530,661	-$9,816,581	-$10,111,078	-$10,414,411	-$10,726,843	-$11,048,648	-$11,380,108
TOTAL NET REVENUE	**$599,766,187**	**-$790,472**	**$57,553,996**	**$60,180,368**	**$62,709,314**	**$64,659,612**	**$66,668,419**	**$68,737,491**	**$70,868,634**	**$73,063,712**	**$76,115,113**
COSTS											
Land and Acquisition	$120,000,000	$120,000,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Construction Costs (inc Cont)	$157,772,982	$7,561,263	$9,491,079	$10,942,422	$16,145,410	$18,952,528	$25,871,703	$29,494,153	$21,069,276	$18,245,149	$0
Development Contributions	$28,700,000	$1,592,850	$1,922,900	$2,152,500	$3,085,250	$3,515,750	$4,663,750	$5,166,000	$3,587,500	$3,013,500	$0
Land Holding Costs	$5,601,691	$500,000	$512,500	$525,312	$538,445	$551,906	$565,704	$579,847	$594,343	$609,201	$624,431
TOTAL COSTS	**$312,074,673**	**$129,654,113**	**$11,926,479**	**$13,620,234**	**$19,769,106**	**$23,020,184**	**$31,101,157**	**$35,239,999**	**$25,251,119**	**$21,867,850**	**$624,431**
Net Cash Flow (before interest)	**$287,691,514**	**-$130,444,585**	**$45,627,517**	**$46,560,134**	**$42,940,208**	**$41,639,428**	**$35,567,262**	**$33,497,491**	**$45,617,515**	**$51,195,862**	**$75,490,682**
FINANCING											
Interest Charged	-$27,206,374	-$8,563,264	-$8,870,371	-$6,083,372	-$3,171,853	-$517,514	$0	$0	$0	$0	$0
Net Cash Flow (after interest)	**$260,485,140**	**-$139,007,849**	**$36,757,146**	**$40,476,762**	**$39,768,355**	**$41,121,914**	**$35,567,262**	**$33,497,491**	**$45,617,515**	**$51,195,862**	**$75,490,682**

APPENDIX 2

Valuation in Detail - MVAU

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

Valuation Calculations Summary 2009

AIAL Land, Auckland International Airport, Mangere, Auckland

Precinct	Gross Area (hectares)	Indicative Yield (HHU's)	Gross Density (dph)	Commercial Land Area (sqm) - net	Start Date	Development / Selldown Period	2009 Value	Value (per ha)	Deferred Value @ 10.00%	Deferred Value (per ha)
Harbour Edge	184.5	3,616	20	25,831	1-Jul-15	11.00 years	$152,163,669	$824,691	$85,850,000	$465,286
Urban Village	73.3	1,796	25	10,262	1-Jan-18	6.00 years	$70,280,932	$958,812	$31,250,000	$426,330
Golf Village	28.2	360	15	29,631	1-Jan-20	2.00 years	$17,223,281	$610,322	$6,300,000	$223,246
Urban Centre	89.0	3,133	44	124,600	1-Jul-18	8.00 years	$97,756,189	$1,098,384	$41,450,000	$465,730
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Wiroa Village	25.3	255	10	1,769	1-Jul-11	2.00 years	$18,098,224	$716,194	$14,950,000	$591,611
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Productive Village	18.0	177	10	2,520	1-Jul-09	2.00 years	$12,259,750	$681,097	$12,250,000	$680,556
	687.8	**16,215**	25	**259,841**			**$651,269,640**	**$946,861**	**$457,050,000**	**$664,491**

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

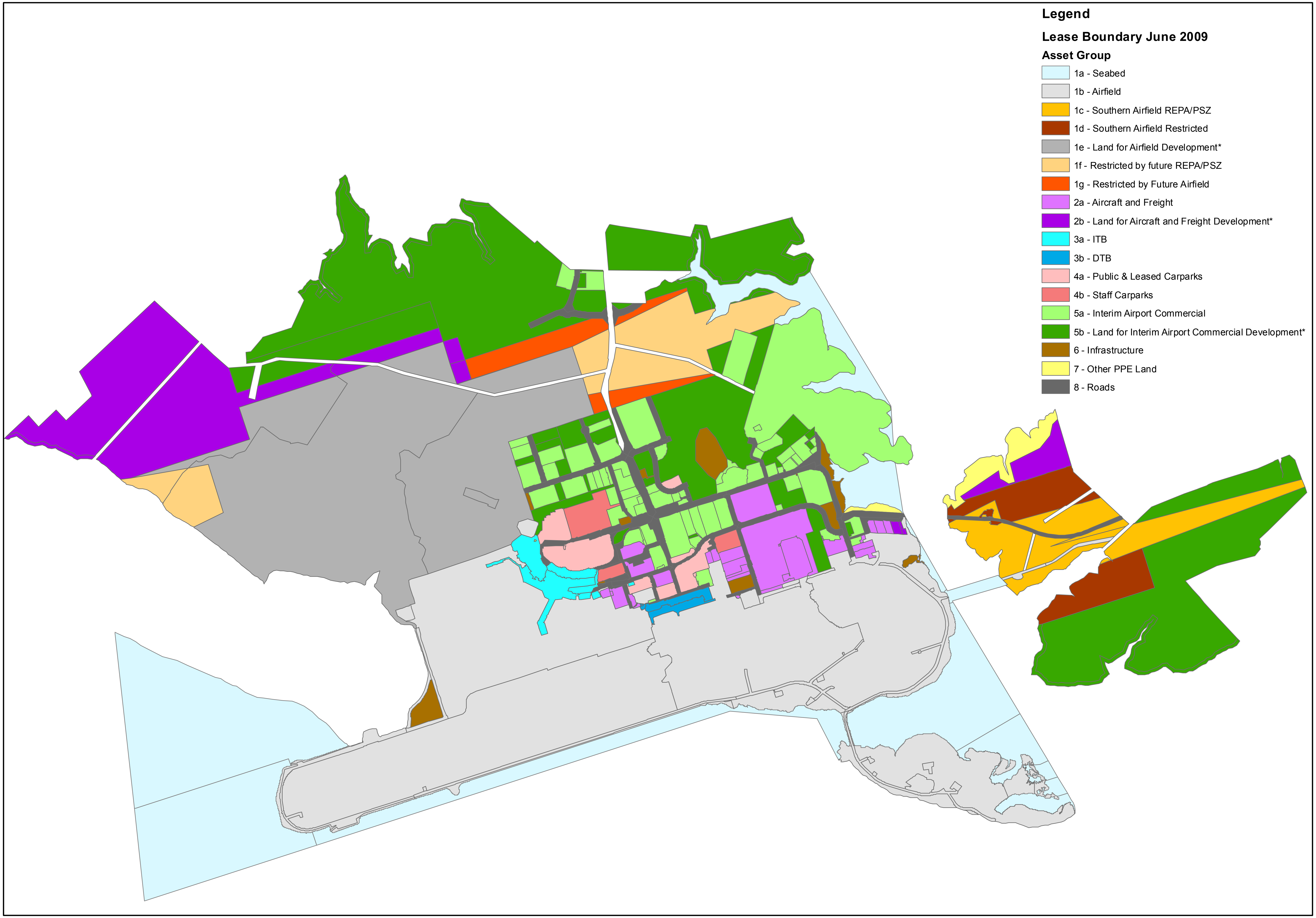
Development Timeline 2009

AIAL Land, Auckland International Airport, Mangere, Auckland

	HHU's	Start	Period	End date	Jul-09	Jul-10	Jul-11	Jul-12	Jul-13	Jul-14	Jul-15	Jul-16	Jul-17	Jul-18	Jul-19	Jul-20	Jul-21	Jul-22	Jul-23	Jul-24	Jul-25	Jul-26
Harbour Edge	3,616	Jun-16	11	Jul-27																		
Urban Village	1,796	Jan-19	6	Jan-25																		
Golf Village	360	Jan-21	2	Jan-23																		
Urban Centre	3,133	Jul-19	8	Jul-27																		
Marine Village	906	Jul-13	3	Jul-16																		
Waterfront Village	2,662	Jul-11	8	Jul-19																		
Puhinui Village	2,870	Jul-10	9	Jul-19																		
Wiroa Village	255	Jul-12	2	Jul-14																		
Eastern Gateway Village	440	Jul-10	2	Jul-12																		
Productive Village	177	Jul-10	2	Jul-12																		
Selldown (units pa)						**627**	**960**	**779**	**1,081**	**954**	**954**	**980**	**980**	**980**	**1,020**	**1,020**	**1,200**	**1,200**	**1,020**	**1,020**	**720**	**720**
Market Share - Auckland Region						*7%*	*11%*	*9%*	*13%*	*11%*	*11%*	*11%*	*11%*	*11%*	*12%*	*12%*	*14%*	*13%*	*11%*	*12%*	*8%*	*8%*
Market Share - Manukau Region						***30%***	***45%***	***37%***	***51%***	***45%***	***44%***	***45%***	***45%***	***45%***	***47%***	***47%***	***56%***	***53%***	***45%***	***47%***	***33%***	***33%***
Market Share - Auckland South Region						*12%*	*19%*	*15%*	*21%*	*19%*	*18%*	*19%*	*19%*	*19%*	*20%*	*20%*	*23%*	*22%*	*19%*	*20%*	*14%*	*14%*

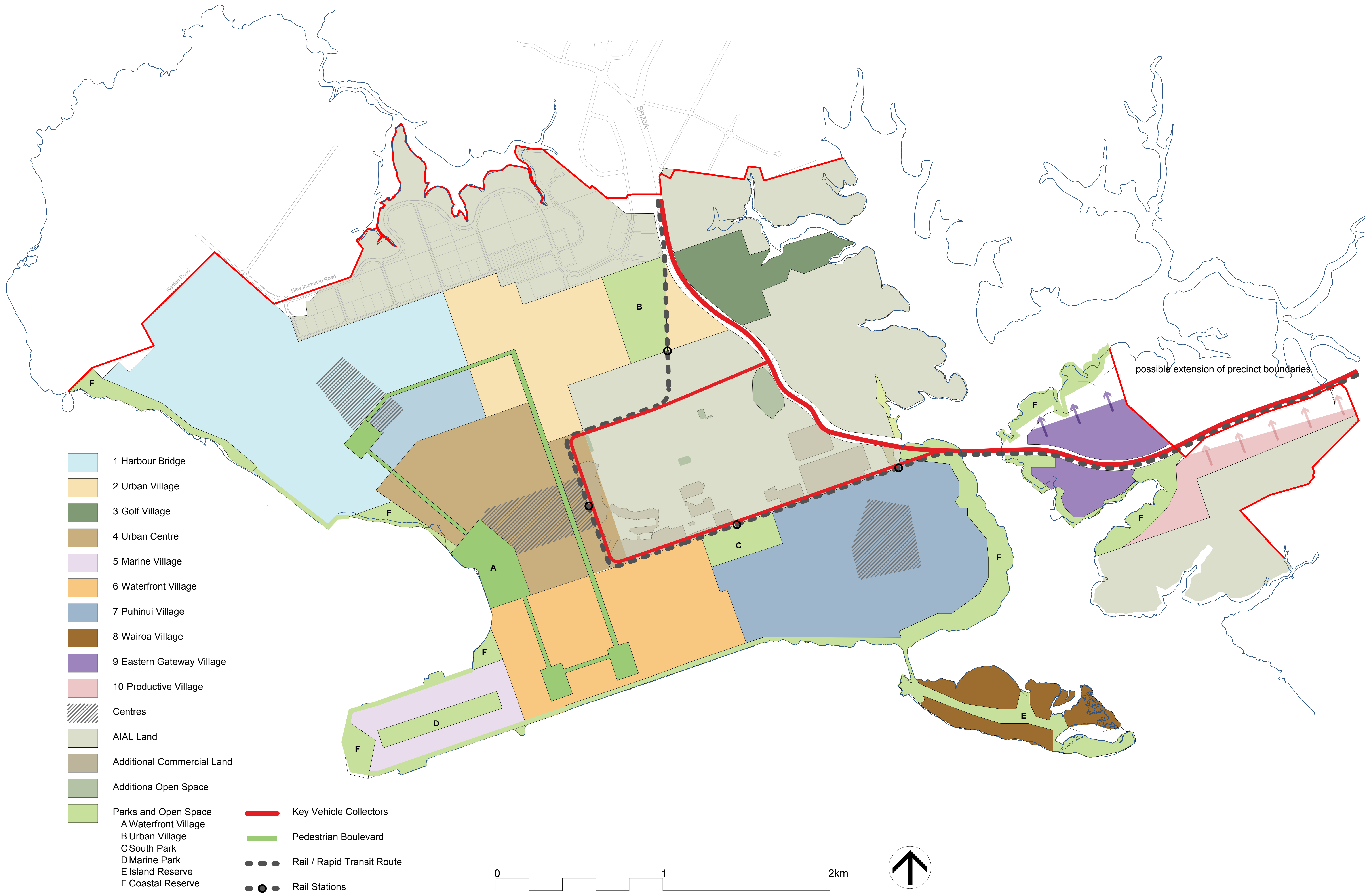
APPENDIX 3

Land Use Plan 2009


Legend
Lease Boundary June 2009
Asset Group
1a - Seabed
1b - Airfield
1c - Southern Airfield REPA/PSZ
1d - Southern Airfield Restricted
1e - Land for Airfield Development*
1f - Restricted by future REPA/PSZ
1g - Restricted by Future Airfield
2a - Aircraft and Freight
2b - Land for Aircraft and Freight Development*
3a - ITB
3b - DTB
4a - Public & Leased Carparks
4b - Staff Carparks
5a - Interim Airport Commercial
5b - Land for Interim Airport Commercial Development*
6 - Infrastructure
7 - Other PPE Land
8 - Roads

APPENDIX 4

Common Ground Concept Plan



Renton Road
New Ihumatao Road
SH20A
possible extension of precinct boundaries
A
B
C
D
E
F
1 Harbour Bridge
2 Urban Village
3 Golf Village
4 Urban Centre
5 Marine Village
6 Waterfront Village
7 Puhinui Village
8 Wairoa Village
9 Eastern Gateway Village
10 Productive Village
Centres
AIAL Land
Additional Commercial Land
Additiona Open Space
Parks and Open Space
A Waterfront Village
B Urban Village
C South Park
D Marine Park
E Island Reserve
F Coastal Reserve
Key Vehicle Collectors
Pedestrian Boulevard
Rail / Rapid Transit Route
Rail Stations
0
1
2km

APPENDIX 5
Land Sales Evidence

MARKET EVIDENCE

RESIDENTIAL BLOCK LAND SALES

Address	Sale Date	Sale Price	Area (sqm)	Area (hectare)	Rate ($psqm)	Rate ($pha)	Zone
Kensington Park Cnr Puriri Avenue & Centreway Road **Orewa**	Jun-09	$20,000,000	127,300	12.73	$157	$1,571,092	Residential H (RDC) Residential M (RDC)
295 Murphys Road **Flat Bush**	Feb-09	$4,500,000	31,204	3.12	$144	$1,442,123	Flat Bush Residential Zone 2 (MCC)
275 Ormiston Road **Flat Bush**	Jun-08	$21,000,000	57,970	5.80	$362	$3,622,563	Flat Bush Residential Zone 1 (MCC)
132 Flat Bush School Road **Flat Bush**	Jun-08	$10,900,000	48,972	4.90	$223	$2,225,762	Flat Bush Residential Zone 1 (MCC)
249 Ormiston Road **Flat Bush**	Apr-08	$9,600,000	46,457	4.65	$207	$2,066,427	Flat Bush Town Centre (MCC) Flat Bush Residential Zone 1 (MCC)

Kensington Park, Corner Puriri Avenue & Centreway Road, Orewa

Kensington Park comprises a partially complete master planned community in Orewa which sold by mortgagee sale for $20,000,000 in June 2009. The sale included a number of partially completed residential dwellings together with two partially completed apartment buildings and a residual land area of approximately 127,300 sqm (12.73 hectares). After taking into account the partially complete elements of the development the sale reflects a rate of $157 per sqm or $1,571,092 per hectare over the residual land.

295 Murphys Road, Flat Bush

The property comprises an irregular shaped site with a narrow frontage of 77.29 metres to Murphys Road. The contour is undulating with a stream/drain situated to the northern and southern boundaries and the property sloping into these. The property is zoned Flat Bush Residential 2 Zone to approximately 50% with the remainder being zoned Stormwater Management and Public Open Space 6 Overlying Area together with some Proposed Road Zoning throughout. The Stormwater Management and Public Open Space 6 Overlying zones limit development and provide environmental corridors which are to be vested with council. The property sold in February 2009 for $4,500,000 which based on the site area of 31,204 sqm reflects a rate of $144 per sqm or $1,442,123 per hectare. We understand at the time of sale there was resource consent in place for a 63 apartment unit development.

COMMERCIAL BLOCK LAND SALES

In recent years there has been limited activity in terms of large blocks of subdivisible land in excess of 10 hectares. We detail those which we are aware of in the table below.

Address	Sale Date	Sale Price	Area (sqm)	Area (hectare)	Rate ($psqm)	Rate ($pha)
321 Rosebank Road **Avondale**	Dec-08	$11,111,000	101,300	10.13	$110	$1,096,841

321 Rosebank Road, Avondale

The property is situated to the southern end of the established Rosebank industrial area and comprises a total land holding of approximately 10.13 hectares in three freehold titles. The land had been utilised for market gardening and part of the eastern rear land was overgrown with some regenerative bush and scrub. The property was purchased in December 2008 for $11,111,000 reflecting a rate of $1,096,841 per hectare. We understand that in order to develop and subdivide the land, there is a statutory requirement to vest the coastal land in reserve. After deducting for this land a residual net usable area of approximately 8.4 hectares would remain which analyses to approximately $1,320,000 per hectare. We note that there were some development issues, including potential contamination issues, which had to be addressed prior to development and subdivision.

In addition we also note the following transactions and information by way of background for our assessment.

The property located at 70 Plunket Avenue was purchased for $24,750,000 in 2007 and incorporates a partially improved block with surplus land available for future development. The total site area of the land is 7.3 hectares with approximately 4.2 hectares of the block being surplus development land. Excluding the improvements the rate for the future development land excluding the improvements analyses to approximately $235 and $245 per sqm or $2,350,000 and $2,450,000 per hectare. The adjoining property was also acquired by the same purchaser for $21,100,000. The site incorporates an older improved industrial building with surplus land available for future development. After allowing for improvements the residual area totals approximately 5.8 hectares and analyses to a rate of between $225 and $230 per sqm or $2,250,000 and $2,300,000 per hectare.

Also in 2007, Lion Breweries purchased a large block of land for approximately $55.1 million analysing to a rate of approximately $330 per sqm or $3,300,000 per hectare. The block is a large, relatively narrow 16.7013 hectare block of raw land although with relatively good contour and without any significant development issues. Lion have secured this site for its new manufacturing facility by way of a deferred settlement and will relocate and develop the site as it vacates its former Newmarket site.

As further background, but acknowledging the limited direct applicability we provide below an analysis of large block land and subdivision sales that have been transacted over the past seven to eight years.

Name:	**Interplex @ Albany**	***Address:***	Triton Drive, Mairangi Bay
Developer:	Kitchener Group (original subdivision – Northbridge Properties & Kea Property Developers are the two remaining significant holders of	***Total Site Area:***	47.36 hectares

undeveloped lots.)

Total Developable Area:	40 hectares	***Area left to Develop:***	Lots 100% sold by Kitchener Group – approximately 20% of lots still to be developed.
Yield:	84%		
Purchase Price:	$10,685,500	***Date:***	November 2001
Analysed Rate:	$22.56 per sqm gross $26.70 per sqm net	***Gross Realisation of Individual Sites at Purchase:***	$160 to $200 per sqm
Key Tenants:	Metrix, NZ Post, Billabong, Penguin Group & Northbridge Properties.		
Description	Interplex @ Albany is a 40 hectare freehold business park made up of both light industrial (warehouse and showroom) and office units. Suited to design build tenants. The site is zoned Business 9 and 10 under the North Shore City Council's District Plan, allowing a wide range of uses, including; office, warehouse, light manufacturing and distribution activities. Under the business parks Development Code however, it specifically prohibits activities and premises that would detract from the quality and professional environment that Kitchener Group was promoting, such as; automotive panel beating, agricultural spraying and boat building. The Development Code also controls the location, appearance and construction of business premises on the lots, eg landscaping is to be a minimum 15% of each lot.		

Name:	**Silverstone Business Park**	***Address:***	Wainui Road, Silverdale (adjoining the Northern Motorway)
Developer:	Cornerstone Group	***Total Site Area:***	53.9 hectares
Total Developable Area:	36.1 hectares	***Area left to Develop:***	36.1 hectares (100%)
Yield:	67%	***IRR:***	22%
Purchase Price:	$52,000,000 (confidential)	***Date:***	March 2007
Analysed Rate:	$96 to $97 per sqm gross $141 to $144 per sqm net	***Gross Realisation of Individual Sites at Purchase:***	Industrial - $300 to $380 per sqm Retail – Commercial - $400 to $575 per sqm
Estimated Development Costs:	$80 per sqm		
Key Tenants:	Only just released		
Description	Silverstone Business Park is a leading edge subdivision covering more than 125 acres of prime land adjoining the northern motorway. The site will accommodate a mix of business activities with a future working population in excess of 2,000 full time employees with its own, soon to be built, motorway access. Silverstone Business Park is zoned Knowledge Economy under the Rodney District Plan, allowing a wide range of uses including; Residential, Offices, Retail, Warehousing, Light Manufacturing and Distribution. This high tech business park will be where companies conduct business, surrounded by other equally successful operations. It will be home to companies ranging from owner-occupiers to multinationals. Employees will work alongside green open spaces.		

There were some outstanding resource management issues in respect of development which related to the provision of infrastructure and services, particularly roading and the PENLINK crossing. This however did not have a significant impact on the value due to the staging of the development. The development costs associated with this land subdivision was high due to generous roading reserve and drainage areas, as well as the typography requiring a significant amount of engineering. The estimated development costs were in excess of $85 per sqm. The net yield land area was significantly reduced as recreation and drainage reserve land areas were set aside in lieu of cash contribution and development levies.

Name:	**The Gate Industry Park**	***Address:***	373 Neilson Street, Penrose
Developer:	Macquarie Goodman	***Total Site Area:***	15.42 hectares
Total Developable Area:	13.57 hectares	***Area left to Develop:***	4,000 sqm (5.0%)
Yield:	88%	***IRR:***	18.5%
Purchase Price:	$13,100,000	***Date:***	November 2000
Analysed Rate:	$85 per sqm gross $96 per sqm net	***Gross Realisation of Individual Sites at Purchase:***	$150 to $200 per sqm
Key Tenants:	SCA Hygiene, Toll Holdings, Winstone Wallboards, Recall, Norman Ellison and BJ Ball.		
Description	The property comprises a high quality industrial park incorporating a number of standalone developments, the majority of which are purpose built and constructed to a high specification. Zoned Business 6 under the Auckland City Council District Plan. This zone makes provision for business activities that are potentially offensive or noxious or have other adverse environmental effects that make them incompatible with more sensitive activities – Business 6 zoned areas are a scarce resource. Permitted activities include; heavy industry, electricity generation (gas fired) motor vehicle dismantling and transport depots.		

Name:	**Savill Link**	***Address:***	Savill Drive, Otahuhu
Developer:	Macquarie Goodman	***Total Site Area:***	26.6 hectares
Total Developable Area:	25.6 hectares	***Area left to Develop:***	72,506 sqm (28%)
Yield:	96%	***IRR:***	20%
Purchase Price:	$34,400,000	***Date:***	April 2004
Analysed Rate:	$129.50 per sqm gross $134.40 per sqm net	***Gross Realisation of Individual Sites at Purchase:***	$140 to $180 per sqm
Key Tenants:	Toll Logistics, Nylex and Furniture City		
Description	The property comprises a high quality industrial park incorporating a number of standalone developments, the majority of which are purpose built and constructed to a high specification. Zoned Business 6 under the Auckland City Council District Plan. This zone makes provision for business activities that are potentially offensive or noxious or have other adverse environmental effects that make them incompatible with more sensitive activities – Business 6 zoned areas are a scarce resource. Permitted activities include; heavy industry, motor vehicle		

dismantling, sales and service premises and standalone offices.

This was a high yielding industrial park primarily due to major roading existing through the block and the shape of the site which allowed for ease of subdivision and development.

Name:	**Westney Industry Park**	***Address:***	Westney Road, Mangere
Developer:	Macquarie Goodman	***Total Site Area:***	37.8 hectares
Total Developable Area:	30.4 hectares	***Area left to Develop:***	96,817 sqm (32%)
Yield:	81%	***IRR:***	-
Purchase Price:	Not applicable	***Date:***	December 2004
Analysed Rate:	$150 per sqm net	***Gross Realisation of Individual Sites at Purchase:***	$140 to $170 per sqm

Key Tenants: Linfox Logistics, Toll International, Super Cheap Auto, DTC Holdings, Daniel Silva, Supply Chain Solutions and Gluck IDS Limited.

Description The property comprises a high quality industrial park incorporating a number of standalone developments, the majority of which are purpose built and constructed to a high specification. Zoned Business 6 under the Manukau City Council District Plan. This zone makes provision for activities of a light to medium intensity including offices and a limited range of retailing. The Business 5 zone is intended to provide a buffer between the potentially offensive activities in the Business 6 (industrial zone) and residentially zoned areas. A wide range of activities are permitted including; retail sales, entertainment facilities and activity, equipment hire premises, light industry, motor vehicle sales or service premises, offices, service stations, taverns and travellers accommodation.

Macquarie Goodman purchased the lessee development rights through a staged development process equivalent to an initial rate of $150 per sqm. Development land in future years is to be acquired at the initial purchase rate plus CPI.

Name:	**Highbrook Business Park**	***Address:***	Highbrook Drive, East Tamaki
Developer:	Macquarie Goodman	***Total Site Area:***	153 hectares
Total Developable Area:	107.6 hectares	***Area left to Develop:***	78.15 hectares (73%)
Yield:	70%	***IRR:***	20%
Purchase Price:	$90,000,000	***Date:***	July 2004
Analysed Rate:	$58.80 per sqm gross $84 per sqm net	***Gross Realisation of Individual Sites at Purchase:***	Industrial - $180 to $240 per sqm Office/Retail - $375 to $450 per sqm Overall - $190 to $250 per sqm
Estimated Development Costs:	$56 per sqm		

Key Tenants: Exel, NZ Post, McPhersons Consumer Products, BMW, Cottonsoft and OfficeMax.

Description Highbrook is where leading companies do business, surrounded by other equally successful businesses. It is where employees love to work, alongside water and green open spaces, and is located just 15 minutes from the CBD and airport, with direct motorway access. Highbrook's various zonings enables it to be home to small, medium and large businesses, in a balanced mix of commercial, retail, distribution and clean manufacturing. Each business site is carefully located to make the most of light, privacy and views. Highbrook Business Park will also offer 40 hectares of parks and 14 kilometres of walkways, plus esplanades and sports fields.

The purchase involved the acquisition of shares in the ownership company of which 75% was acquired by the developer, Macquarie Goodman Group Limited.

Name:	**Airpark I & II**	***Address:***	Airpark Drive, Airport Oaks
Developer:	Trans Tasman (original subdivision)	***Total Site Area:***	Airpark I – 34.9 hectares Airpark II – 52 hectares
Total Developable Area:	Airpark I – 29.5 hectares Airpark II – 41.2 hectares	***Area left to Develop:***	Airpark I – Lots 100% sold, approx 3.13 hectares left to develop (6.0%) Airpark II – Lots 100% sold, approx 13.93 hectares left to develop (33%)
Yield:	Airpark I – 85% Airpark II – 79%	***IRR:***	Airpark I – 20% Airpark II – 18%
Sale Price:	Airpark I – $12,500,000 Airpark II – $16,500,000 Airpark II – $30,050,000	***Date:***	Airpark I – June 2002 Airpark II – June 2003 Airpark II – November 2004
Analysed Rate:	Airpark I – $35.83 per sqm gross – $42.40 per sqm net Airpark II – $31.73 per sqm gross – $40.05 per sqm net Airpark II – $57.74 per sqm gross – $72.80 per sqm net	***Gross Realisation of Individual Sites at Purchase:***	Airpark I – $85 to $115 per sqm Airpark II – $129 ti $159 per sqm Airpark II – $150 to $190 per sqm
Estimated Development Costs:	Airpark I – $28 per sqm Airpark II – $32 per sqm Airpark II – $29 per sqm		
Key Tenants:	DHL, Mondiale, Bendon and Hellman Logistics		
Description	An 87 hectare business park subdivision located adjoining AIAL. Stage 1 was subdivided into 30 large format industrial sites ranging from 6,000 to 50,000 sqm. Stage 2 comprised 49 large format industrial sites. Both parks were originally developed by Trans Tasman, however Airpark II was subsequently on-sold to a consortium with approximately 7.4 hectares in 12 lots having been pre-sold at around $10,500,000. Airpark I sold within a 13 month development period due to pent up demand for the development sites and selling down one large block of 5 hectares to one		

owner developer. The total average gross realisation of the individual lots analysed to $120 per square metre and at the time the total costs of the subdivision net of profit and risk analysed to approximately $55 per square metre, making it a very profitable subdivision at the time.

The Airpark II subdivision again exceeded expectations in terms of development selldown and at the time of the purchase by the consortium approximately a third of the development costs had been expended. The total gross realisation analysed to just under $160 per square metre with initial sales in the subdivision selling for between $180 and $210 per sqm. Later sales in the subdivision are now achieving in excess of $300 per square metre.

Name:	**Southward Block**	***Address:***	Corner Harris Road & Cryers Road, East Tamaki
Developer:	Manson Group	***Total Site Area:***	8.28 hectares
Total Developable Area:	7.98 hectares	***Area left to Develop:***	0%
Yield:	96%	***IRR:***	-
Purchase Price:	$18,500,000	***Date:***	June 2005
Analysed Rate:	$170 per sqm gross $180 per sqm net	***Gross Realisation of Individual Sites at Purchase:***	$300 to $350 per sqm
Estimated Development Costs:	$15 per sqm		
Key Tenants:	Southward Engineering		

Description

This was a large block of land originally owned by Southward Engineering who had a large heavy duty engineering steel store on approximately 1.7 hectares to the front of Harris Road. The property was successfully sold at tender in June 2005 to the Manson Group for $18,500,000. The property at the time comprises of three titles and a total land area of approximately 8.2780 hectares with the steel store having an area of just over 7,800 sqm and returning a net income of $694,888 per annum plus GST. A proposed scheme and subdivision plan had been lodged for the block to subdivide the property into smaller titles. Allowing a purchase price of $7,300,000 for the steel store provided an estimate value of the land between $170 and $180 per square metre over the net useable balance of site area.

Approximately half of the block, being a 4.2292 hectare block including the large Southward Engineering building, was purchased from Manson Group for $13,500,000. Having deducted for the building, the rate paid for the residual land lay in the vicinity of $225 to $230 per square metre. The residual land was then subdivided into seven further lots ranging from between 4,611 sqm up to 1.0198 hectares. They subsequently achieved rates of between $299 and $350 per square metre.