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27 March 2025

Russell Hooper Consulting
GREYTOWN

Attention – Russell Hooper

RE: TOWN HALL FEASIBILITY STUDY

By way of background the writer is a Registered Valuer with 18 years professional experience, 15 years of which have been focused on Wairarapa commercial property. The writer acts for the bulk of the region's property developers having advised on the majority of commercial development projects over the last decade.

As per your instructions we have prepared a high level feasibility assessment for the various options outlined at 64 Chapel Street within the Silverwood Architects 2025 report.

We have used the options under consideration and outlined in the report. These are as described below:

a) Option 1 – Full demolition of Town Hall and Municipal Building (and Civil Defence Building)

b) Option 2 – Partial demolition:

   i. Option 2a – Retention of Municipal Building and demolition of the Town Hall

   ii. Option 2b – Retention of the Municipal Building façade only

c) Option 3 – Decommissioning and mothballing the Town Hall and Municipal Building

d) Option 4 – Retention and strengthening the Town Hall and Municipal Building for active use, with the buildings strengthened to 80% NBS.

We have approached the redevelopment of 64 Chapel Street from a commercial perspective. We consider the highest and best use of the various options to be office accommodation. Under commercial circumstances the investment needs to generate a return to the investor.

For this high-level assessment we have made the following assumptions:

- Expected Returns: As a standard industry approach, we have assumed an 8% return on construction costs and a 4.5% return on land costs, based on our experience with similar projects. This means the rental income must meet these returns to make the project financially viable.
- Financing: We assumed a typical commercial financing setup. The expected rental income for all options assessed isn't enough to cover debt payments, which we show as Net Cashflow in our calculations.
- Lettable Area: The rentable space is based on the total floor area (GFA) from the RPS cost report. This is likely to be higher than the Net Lettable Area (NLA) for all options but is used for consistency.
- Rental Rate: We used a consistent rental rate of $400 per square metre, which is high for the Masterton office market.
- Seismic Strengthening: We have not undertaken an analysis for the option of 34% seismic strengthening

because potential tenants (e.g. government agencies, large corporates) usually require buildings to meet at least 80% of the New Building Standard (NBS).

To determine feasibility we have compared the required returns against prevailing market rents. We are of the firm view the market does not have the capacity to meet the rent necessary to support the project cost under any of the various options. We have proceeded to capitalise our assessed market rent to arrive at a hypothetical market value. The differences between project cost and market value are expressed as 'Net Project Equity' within our workings.

We have approached your request at a high level and the information provided is not to be relied on for any other purpose than the current resource consent submission.

Should the reader require further information please do not hesitate to contact the writer.

Yours faithfully
WAIRARAPA PROPERTY CONSULTANTS LTD

Daniel J. Lovett BBS (VPM) MPINZ
Registered Valuer

Return On Capital Analysis

Option 1 Project Cost - Total						$	34,670,739
Net Return on Construction	@		8.00%			$	2,773,659
Land	2851.00	m² @	$ 750.00	/ m²		$	2,138,250
Land Value - Say						$	2,140,000
Net Return on Land	@		4.50%			$	96,300
Total Required Net Return (Rent)						$	2,869,959

Market Value Analysis

Lettable Area	2825.00	m² @	$ 400.00	/ m²		$	1,130,000		
Net Market Income						$	1,130,000		
Capitalised @					5.500%		5.750%		6.000%
					$ 20,545,455	$	19,652,174	$	18,833,333
Capitalised Value						$	19,652,174		
Vacancy Allowance		@		months		$	-		
PV Benefit / Shortfall of Contract Income						$	-		
Indicated Value						$	19,652,174		
Market Value- Say						$	19,650,000		
Option 1 Project Cost - Total						$	34,670,739		
Net Project Equity						-$	15,020,739		

Hypothetical Debt Analysis

Option 1 Project Cost - Total				$	34,670,739
Debt - Say	@	65.00%		$	22,535,980
Term (Years)		15			
Annual Payments	@	6.00%		-$	2,320,367
Net Income				$	1,130,000
Annual Net Cashflow				-$	1,190,367
Monthly Net Cashflow				-$	99,197

Return On Capital Analysis

Option 2a Project Cost - Total						$	52,044,583
Net Return on Construction	@		8.00%			$	4,163,567
Land	2851.00	m² @	$ 750.00	/ m²		$	2,138,250
Land Value - Say						$	2,140,000
Net Return on Land	@		4.50%			$	96,300
Total Required Net Return (Rent)						$	4,259,867

Market Value Analysis

Lettable Area	5110.00	m² @	$ 400.00	/ m²		$	2,044,000		
Net Market Income						$	2,044,000		
Capitalised @					5.500%		5.750%		6.000%
					$ 37,163,636	$	35,547,826	$	34,066,667
Capitalised Value						$	35,547,826		
Vacancy Allowance		@		months		$	-		
PV Benefit / Shortfall of Contract Income						$	-		
Indicated Value						$	35,547,826		
Market Value- Say						$	35,550,000		
Option 2a Project Cost - Total						$	52,044,583		
Net Project Equity						-$	16,494,583		

Hypothetical Debt Analysis

Option 2a Project Cost - Total				$	52,044,583
Debt - Say	@	65.00%		$	33,828,979
Term (Years)		15			
Annual Payments	@	6.00%		-$	3,483,125
Net Income				$	2,044,000
Annual Net Cashflow				-$	1,439,125
Monthly Net Cashflow				-$	119,927

Return On Capital Analysis

Option 2b Project Cost - Total						$	37,994,557
Net Return on Construction	@		8.00%			$	3,039,565
Land		2851.00	m² @	$ 750.00	/ m²	$	2,138,250
Land Value - Say						$	2,140,000
Net Return on Land	@		4.50%			$	96,300
Total Required Net Return (Rent)						$	3,135,865

Market Value Analysis

Lettable Area		2812.00	m² @	$ 400.00	/ m²		$	1,124,800	
Net Market Income							$	1,124,800	
Capitalised @						5.500%		5.750%	6.000%
						$ 20,450,909	$	19,561,739	$ 18,746,667
Capitalised Value							$	19,561,739	
Vacancy Allowance			@		months		$	-	
PV Benefit / Shortfall of Contract Income							$	-	
Indicated Value							$	19,561,739	
Market Value- Say							$	19,560,000	
Option 2b Project Cost - Total							$	37,994,557	
Net Project Equity							-$	18,434,557	

Hypothetical Debt Analysis

Option 2b Project Cost - Total				$	37,994,557
Debt - Say	@	65.00%		$	24,696,462
Term (Years)		15			
Annual Payments	@	6.00%		-$	2,542,816
Net Income				$	1,124,800
Annual Net Cashflow				-$	1,418,016
Monthly Net Cashflow				-$	118,168

Return On Capital Analysis

Option 4a Project Cost - Total						$	29,589,677
Net Return on Construction	@		8.00%			$	2,367,174
Land	2851.00	m² @	$ 750.00	/ m²		$	2,138,250
Land Value - Say						$	2,140,000
Net Return on Land	@		4.50%			$	96,300
Total Required Net Return (Rent)						$	2,463,474

Market Value Analysis

Lettable Area	2316.00	m² @	$ 400.00	/ m²		$	926,400		
Net Market Income						$	926,400		
Capitalised @					5.500%		5.750%		6.000%
					$ 16,843,636	$	16,111,304	$	15,440,000
Capitalised Value						$	16,111,304		
Vacancy Allowance		@		months		$	-		
PV Benefit / Shortfall of Contract Income						$	-		
Indicated Value						$	16,111,304		
Market Value- Say						$	16,110,000		
Option 4a Project Cost - Total						$	29,589,677		
Net Project Equity						-$	13,479,677		

Hypothetical Debt Analysis

Option 4a Project Cost - Total				$	29,589,677
Debt - Say	@	65.00%		$	19,233,290
Term (Years)		15			
Annual Payments	@	6.00%		-$	1,980,313
Net Income				$	926,400
Annual Net Cashflow				-$	1,053,913
Monthly Net Cashflow				-$	87,826