Session 3

SESSION CHAIR - John Green, Chair, LakesWater Quality Society

A REAL ESTATE AGENT'S VIEW

Dave Umbers

Dave comes from a background of a career in farming where he progressed from being a shepherd to a manager of a large scale drystock farm. He then changed careers to Real Estate in 1996.

During the last 17 years Dave has worked in a variety of roles from a sales person to manager to principal and now business owner at VIPREALTY. During this time he has been involved in many millions of dollars' worth of rural transactions. As a business owner and real estate professional he is very interested in the future direction farming will take to ensure our grandchildren will inherit a place to live that is at least as good, if not better than what we have today.

After listening to everybody I have deleted half of my talk as much has been covered. But during the process of the morning I developed an idea of what is missing from this Symposium. There are a couple of major issues that have not been addressed and possibly people are even scared to talk about them. So I am going to be a little non-PC in what I talk about.

The fundamental principle that I see is that all the dairy farmers in the caldera are treated equally. In my view there is equity in life for everything and the likes of Stuart Morrison who has lived in the caldera for 35 years should be treated differently from someone who purchased a dairy farm when this issue was on the table. In business, if things are going to change, and one buys knowing full well of that risk, you wear that risk personally because that is the nature of the beast. I believe we need to step back and say, 'Hang on, some of these guys have purchased these farms inside the last 3, 5 or 10 years and this has been a burning issue during the time that they purchased'. Is it fair that the rest of the farming community wear their loss?

This is an issue that needs discussion because the farmers who have been here for over 30 or 40 years deserve different treatment from the ones who came in the last 5 years knowing there was a big risk. The rules have changed and Taupo is a good example. Anyone who bought there was running a risk of losing money.

Another aspect is the volume of TDRs and what is a realistic value for them. My concern is that the Rotorua market is like Mars compared to Tauranga. I have been selling here for 17 years and it is a very difficult market to make a living in. Ten years ago I used to go to the Professionals car park and there would be all

manner of new cars parked. Go to any real estate car park now and half the cars are bombs. It is not an easy market to sell in and yet today we are talking about sales of bare blocks, 200, 500 or 1,000, the sort of numbers I do not believe are realistic.

To give an example, there are about 10 sales a month in Rotorua for existing lifestyle properties. If we try to sell 500 blocks over the next 10 years, that is one a week. I would be quite happy to retire on a full time lifestyle block, but I would probably earn about $20,000 a year. The reality is we need demand to soak up those numbers to create the compensation for dairy farmers. So returning to my first point, as far as compensation to dairy farmers is concerned, they have made losses, and some have made far greater losses than others. Some have not protected themselves against losses by blindly buying their farms believing that the rules will not change.

There has been talk of $90-120 million compensation for those people to leave their farms with all their equity intact. Is it fair on the rest of the community that they wear the loss that they have created themselves? This is a controversial point. I have a bullet proof vest on and my car has bullet proof glass. If you see me driving around the rural community do not shoot me.

The other question is the research; before I started my business I researched to find out whether my business would have a demand. Is there sufficient demand to get the numbers we are talking about? Has anybody knocked on the doors of people who own the land and asked if a TDR would help them with subdivision of their land? Would they take it up? Or would they want to protect the integrity of their lifestyle block and make sure the other lifestyle blocks do not crowd them out and spoil the character of where they live?

I have lived in the country for 16 years and if somebody decided they were going to subdivide my next door farm and add a house I would feel two things – I would be annoyed because its ruining the character of my property and it would probably be costing me equity in loss of value, because the person who wants to live on my property when I do sell it will think it is worth less than what I thought it is worth before they came along.

The key ingredient for high quality land for TDRs would be great views, north facing, handy to the city and attractive contour, which Phillip talked about earlier. But is there room for another Brunswick Park, or Parklands subdivision? There are 19 bare blocks in Brunswick Park and heaps of bare blocks in Parklands as well. Duncan Realty is doing the subdivision in Central of about 29 lots. So there are already a lot of bare blocks around Rotorua. I am not sure that $300,000 for a larger bare block, which has been talked about, is realistic for it to be profitable with a TDR attached.

I have my doubts but with a smart variation maybe TDRs could work. Around the world, particularly in America, there are developments on golf courses, building houses around the fringes. One thing that Rotorua is renowned for is its outdoor

adventure place to live. My view is that a developer with a specific theme, or multiple themes for outdoor enjoyment, would fly. But a very long term view has to be taken. We are not realistic in doing major developments in Rotorua over the next 5 or 10 years. We have to look out 20 or 30 years to see such projects.

I suggest we create developments that have mixed components of lifestyle - semi urban, urban, even apartments, in spectacular places. This is where a lot of consultation has to take place, because for those TDRs to be valuable there has to be real value in where they go.

This means that resource consents need a longer life. Currently we have 5 year resource consents which is a short time frame. It is very hard to sell a development inside 5 years and many developers have gone broke. There needs to be a long term strategy for resource consents and they need to be easily renewed for a longer life.

My own view is that these types of developments are beyond the current capacity of private developers. The global financial crisis has put a lot out of business. Today the risk is too great for people to do developments which might take 10 years to sell. They need to be in partnership with Iwi, Regional Council, District Council and maybe even the Crown and the local community because we need to create something spectacular, world leading and a new type of environment.

What would they look like? We need to have a massive replanting of natives around Rotorua and create a Redwoods environment with mountain bike tracks, an urban wonderland with forests and parkland in abundance. The one referred to earlier on Country Calendar recently was what I am thinking. For TDRs to work they have to be very valuable.

I am not a communist but I like the concept of community market gardens around a satellite suburb which supplies produce to that community free of charge. There would be benefits for living in that community. We need to get away from more houses for the sake of compensating our dairy farmers and create something unique and magical that people really want to live in.

In Hamurana there is already traffic congestion coming into Rotorua township at 8 a.m., even though there are double lanes. Talking of 500 or 1,000 extra properties in that area, imagine what coming to work in the future would be like. Nobody is going to want to live there.

Regarding the process of TDRs, to establish the market value of them they should be done through a tender or auction process and released on to the market slowly to preserve their real value. I agree entirely with the previous speakers who suggest that we have to go right outside the caldera for the recipient zones. But we do not want to overpopulate the edges of the lakes. In Europe that is exactly what they have done. There are houses almost around the entire perimeter of every lake. We want to retain our beautiful character, something which brings so many people to New Zealand, and particularly to Rotorua to play.

I believe TDRs can work, but I also think we need to take a good hard look at the compensation we are talking about for farmers, because we are not all equal.

John Green
We have a few minutes, is there anybody who would like to ask questions of Dave?

I would like to make a comment because I have the role of Chairman of Grow Rotorua and we are in the process of analysing the growth opportunities for the Rotorua District and will be reporting back to the community in early September.

Currently we have 21 projects, all of which have the potential to bring in $1 to $1½ billion worth of business. They are mainly on themes which embrace retirement, the aging and the health and wellness aspects of Rotorua which are unique. There are some wonderful showcases around the world which we could pick up and run with them as developments.

Another area is district heating schemes and bringing back the geothermal fields for heating houses. We now understand the geothermal fields, how they interact and work. The science has been applied and the technology is now so different to when they were shut down in the 1980s. There are also huge opportunities in agriculture and many other areas. Rotorua has not taken advantage of the opportunities and assets it has, for one reason or another.

Whether the community embrace these I do not know. I can only lead a horse to water, we cannot make it drink. But I have a feeling with the way the Maori economy is going that the amount of money out there means that money is not the problem. It is a case of getting better partnerships from Maori/*Pakeha.* There is a need for change and a need to pursue new opportunities. Picking up Mary Stanton's point regarding employment, if we got the aged care health and wellness business going in a much bigger way, we would create jobs. In my Grow Rotorua hat I see there are huge opportunities for Rotorua.

I have two friends who have gone down to Bethlehem Country Club after living here for 70 years. I say, 'Why are you retiring down there?' They reply, 'You come down and see what we have bought into to enjoy our retirement, there isn't anything like that up in Rotorua.' Why can't we build something like that?

Nick Miller - Just a quick comment and a question. I appreciated the reality check. You mentioned at the end there about tendering TDRs and releasing them in a managed fashion. Could you expand on that because that sounded a promising way of trying to maintain TDR value.

Dave Umbers - My view is that if there is a huge uptake of farmers wanting to take up TDRs and if they come onto the market and flood it they will have no value. We need to protect the value otherwise the process has no integrity. The best way to do that is to slow release because supply and demand creates value. If TDRs are highly sought after, and people are prepared to pay $50,000 or $100,000 for the

valuable properties, if they are on the market at $25,000 we will never know whether that is their true market value. If they are worth $25,000 it will be established through the tender process. It would be set by market forces. Tender or a public auction is a great way to set values. I am not talking as a Real Estate agent here, it is what I believe is the best process where one finds out their real worth. It may be that we do not have to sell as many as we are thinking now to get the money needed, especially if compensation for the farmers is graduated.

Bernie Gardiner, Rabobank – I understand the rational in trying to maximise those values. The problem is that the majority of farmers have loans, some bigger than others, and acquiring those funds early in order to compensate for the loss of income and value, most would not be able to await for some date in the future.

Dave Umbers - Fair comment. I also meant to mention that the allocations of TDRs should be related to the length of ownership of the properties as well as the factors linked to nitrogen. If you have owned a farm for 35 years, you deserve to have more TDRs if you are prepared to mitigate the loss, and more so than if you only owned it for 2 years. There could be a mechanism rewarding change of land use for a long term farm - it is probably a socialist way of thinking.

For the value to be retained we cannot afford to have 100 TDRs come on the market at the same time. The reality is there may only be 20 or 30 a year selling. If that happens the TDRs are going to be a waste of time. But if a sufficient volume is sold to maximise the return on a long term process it could be worthwhile.

Unknown speaker - Dave, we missed a bit of a session this morning, but I was not sure why the TDR zone was so limited. You talked about widening it to outside of the caldera. You will get into some overlapping issues here when we consider Waikato's approach.

Dave Umbers - I am thinking more of the high value areas, such as in Tarawera, Okareka and the other lakes.

Unknown speaker - So recommend taking it wider?

Dave Umbers - Yes, because a good example is a lake edge property at Okareka worth probably about 1.2 million, in Rotorua it is worth $500,000. Unless it is a stunning property, there is a massive difference in value.