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23rd January 2023

C.I.I.C.
Avarua
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Kia Orana,

MANIHIKI AIRPORT LANDS VALUATION REPORT

1.0 Preamble

Thankyou for the instructions to provide a valuation report on the Manihiki Airport Lands.

As a background I have visited Manihiki on a number of occasions over the past 40 years, most recently approximately two years ago.

Given the situation with Outer Islands land values and the nominal approach by others my assessment that follows will work in a manner to attempt to develop some clear logical values based on my knowledge of past activity and court decisions in the Northern Group of islands.

The recent advice around the payment for the land block associated with the Tukao cyclone shelter has required an update to this valuation that is now addressed as Issue 2.

2.0 Location

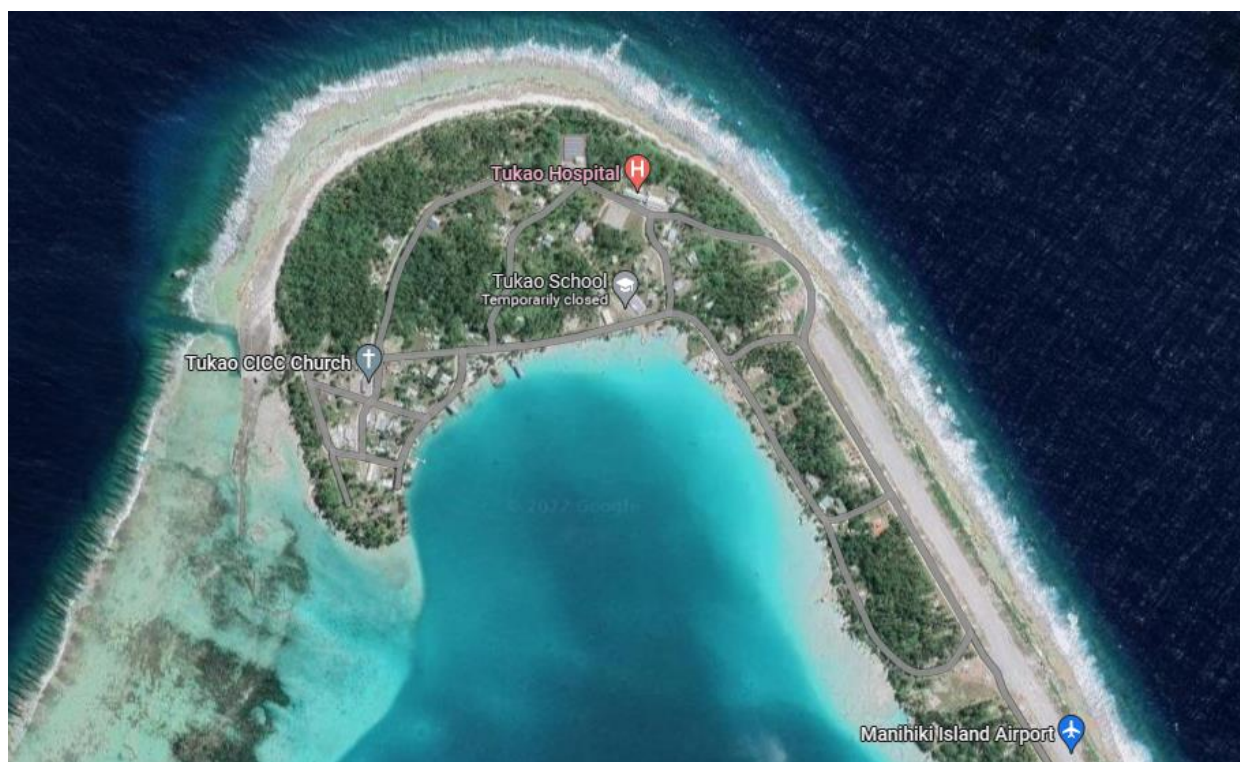
Manihiki Is positioned approximately 1300 kilometres to the north of Rarotonga and is made up of some 60 motu's forming a large atoll.

The two major land masses located at the north western end of the atoll provide two separate villages known as Tukao (location of the airport) and Tauhunu positioned on the western side.

The population sits under 500 with the main industry being pearl farming.



Aerial Location



Airport and Proximity To 'Tukao Village

3.0 Valuation Considerations.

Recent advice around the transaction for land associated with the Tukao cyclone shelter saw a payment of \$ 60,000 by warrant in 2007 for Land Lot Tonei 45,46, and 47 (4047 sq mtrs): Tukao District.

Further you provided me with a copy of Judge Savages decision around “Compensation payable in respect of Native Customary land at Rakahanga, Manihiki (Tauhunu & Tukao) and Penrhyn (Omoka & Tetautua)”

The compensation figure was set at \$ 26,522 per quarter acre (1000 sq metres) in 2017. This figure was the result of two independent valuers agreeing on a set value of \$ 20,000 being an appropriate value of a lease, plus a ‘weighted value’ that increased the value to arrive at a ‘Freehold Land Value’

The freehold land value approved for the solar farm site allowed for aspects covering :

| | |
|----------|-------------|
| Economic | factor of 5 |
| Social | factor of 6 |
| Physical | factor of 4 |

Given the more recent information we have the following :

- Cyclone Shelter land —4047 sq metres @ \$ 60,000 in 2007 --- equates to \$ 14,825 per 1000 sq metres
- Solar Farm land -- Judge Savages decision --- Base rental \$ 20,000 per sq metre in 2017

Just comparing these two land blocks suggests value growth of 35% over ten years. A figure that in the writers view would be a fair assessment of growth at a time when pearl industry activity on the island was strong before dropping away somewhat.

Both the solar farm land and the cyclone shelter land are in close proximity to each other with photos of each herewith :



Tukao Solar Farm



Cyclone Shelter

Recent discussion has taken place around land location and its protection from Cyclone activity. It is fair to say that 'elevation' is the main factor in 'protecting' assets on land from cyclone activity. The projected occurrence of cyclones is very difficult to determine although it has been 25 years since cyclone Martin devastated the island.

The Solar Farm and the Cyclone shelter land lots sit

- Close to and amongst residential areas
- Have some tree growth protection
- Solar farm grounds appear to support growth
- Likewise areas around the cyclone shelter.

In comparison the Manihiki Airport lands as detailed in the following photo are

- Close to Ocean and susceptible to sea rise and potential sea ingress from generally high seas. (Without any topographical survey details this land appears that it could receive sea 'slop' that would not necessarily run further inland during spring tides with wind driven waves)
- Open and unprotected
- Generally hard pan underlying coral sands and rubble unsuitable for agricultural use.
- Not generally suitable for residential development ----- although some residential could be built on the inland side of the airfield lands.

In times past this area of land would have supported coconut trees, and possibly contributed to a strong copra yield, prior to being prepared as an airstrip.

In viewing this today any regrowth of coconut trees is suggested as the only likely 'alternative' use that would be long term with no guaranteed monetary return given the historical down grading of the 'copra' value world wide.

It is however accepted that the coconut tree is the 'tree of life' and will always play a part in the lives of Pacific Islanders.



Manihiki Airport Runway



North East Corner of Manihiki



Tukao General Area.

4.0 Valuation Calculations

From the information now available, it is the writers view that the 2017 \$ 20,000 per 1000 sq metres still becomes the starting point in assessing the value for the subject lands.

While the 'weighted value' components (Economic, Social and Physical) added to the land values determined for the solar farm, given the above data and comment, it is the writers view that these components would not necessarily apply to the subject lands.

From the photos provided it is clear that the majority of residential construction in Manihiki is focused closer to the lagoon than the open ocean, suggesting that very minimal residential living would likely take place on the airfield land. The two aerial photos now provided I believe support this comment.

Land Court Judges have accepted valuers position, on many court contested land issues in Rarotonga that as comparable land blocks double in size then a 10% deduction in value per square metre accrues.

Applying this principle to the total block would discount the value to a very small figures, however a 70% reduction would not seem unreasonable.

In this instance we are looking at a land block totaling to 20.2090 Hectares. (as noted on the plan)

Using the \$ 20,000 and a 70% discounting of the 'solar farm' base land value suggests the value to sit at \$ 6,000 per 1000 square metres.

5.0 Land Rental

I have been asked to comment on a likely land rental that may apply should a 60 year lease be arranged for the said lands.

Having knowledge of the arrangements at Aitutaki I believe it reasonable to apply a similar approach for Manihiki.

Aitutaki area is approximately four times larger at 80 Ha, with the current rental being paid at \$ 300 per acre (per 4000 sq metres) plus VAT.

Equating this to Manihiki would result in a rental of \$ 15,000 approximate per year plus VAT.

6.0 Summary

**From the foregoing the assessed value of a 1000 sq metre portion of the
subject land is \$ 6,000**

**This suggests the overall value of the subject land to be
\$ 1.200,000**



**D.B.Eggelton
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January 2023**

