CBRE

Chateau Tongariro - Feasibility Review

Report prepared for Department of Conservation

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Structured Transactions & Advisory Services
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Introduction & Scope of Works

Background

The Chateau Tongariro and 26 ancillary buildings ('Chateau') is currently closed to the public and has been since March 2023, when the previous lessee terminated their lease. The Department of Conservation ('DOC') is currently operating and maintaining the property while exploring potential future options. DOC sought to engage a property consultant to support, define and manage a market assessment via an Expressions of Interest ('EOI') activity for identification of potential interested parties. The purpose of this report is to understand whether there are third parties that may be interested in investing in the Chateau, and in what form the investment opportunity could be.

It is well published that the Chateau has seismic and infrastructure issues. DOC are currently building scenarios for the future of the Chateau, having appointed CBRE to facilitate a market engagement to scout the market for future lessees, both locally and internationally, to take over the lease in the future. DOC seeks CBRE's assistance in undertaking a property assessment to form a 'go to market' approach and to finally undertake market testing to understand the depth of market. The property services are set within a confidential process. CBRE have been appointed to support and manage the EOI activity for Chateau Tongariro.

We recognise the importance of developing a comprehensive strategy that will not only mitigate future financial risk, but also provide value to the stakeholders and assurances to the Minister of Conservation.

Scope of Works

CBRE has been pointed as the property consultants to work alongside DOC in the Chateau Tongariro EOI process. There are two parts sought in the EOI process: Options analysis and development of the scope of the offering to the market, followed by an analysis of any market responses from the EOI process. We have clarified the EOI process in this regard has been scoped to be a 'soft' market sounding. Part A of our report prepares and presents the various options available to DOC, and upon feedback from DOC on the suitability of the options in the wider context of both DOC and the governments commitments, we will refine the options to a 'preferred option(s)', to conclude Part A of our scope. This report forms Part A of our scope. CBRE will then undertake a Soft Market Sounding Process as Part B of our scope, which the later part of this report begins to consider.

CBRE will go beyond identifying the risks and opportunities, working alongside DOC to develop the best way forward. We set out below our approach to this project:

Client Workshops & Inspection (Part A)

We will undertake workshops with the respective DOC teams and consultants to establish the project scope, status, current reports and resources available to establish key reporting outcomes and focus areas.

We will establish the key assignment criterion in these workshops and initiate the internal processes of collating the various datasets that will be required.

We will alongside the DOC team to undertake a physical inspection of Chateau Tongariro and ancillary buildings, to better understand the physical constraints and opportunities.

Documentation Review & Strategy Formulation (Part A)

Building on the workshops undertaken with DOC, CBRE will provide DOC with qualitative and quantitative reporting that addresses:

- The prior reports commissioned by DOC, providing observations, recommendations and suggested amendments or updates to said reporting. Where appropriate, we will utilise our internal Building Consultancy team to peer review any technical reporting undertaken.
- Conduct feasibility testing to determine the various options available for the Chateau Tongariro, as well as determine the financial viability of each scenario. We will work in with our Hotel Valuations & Advisory team to establish accurate value ranges, that will feed into the feasibility modelling.

- Establish and advise on the various methods in which DOC could approach a transaction, as well as identify any significant transaction hurdles. This will include providing recommendations to DOC surrounding essential documentation still required, proposed transaction structures, appropriate timing.

Market Sounding & Transaction Advisory (Part B)

Following the development of the 'preferred option' in Part A, CBRE will conduct confidential soft market sounding on behalf of DOC with a group of selected operators and investors.

Through this we will establish the market appetite for the opportunity, but importantly the transaction conditions precedent to facilitate a successful disposal campaign (i.e., clarification of lease options, concession status, current ski-field operations, seismic requirements, Capex appetite etc.).

Our reporting will provide DOC with clear and concise transaction recommendations, addressing the scope items and will include matrix and modelling where relevant.

Critical Assumptions and Limitations

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Publication	Premise 7 – Neither the whole nor any part of our reports, nor any references thereto, may be included in any published document, circular or statement, nor published in any way without our written approval of the form and context of such publication or disclosure. Such approval is required whether or not CBRE is referred to by name and whether or not the reports are combined with others.
No Pecuniary Interest	Premise 8 – The writer has no pecuniary interest in the said property past, present or prospective, and the opinion expressed is free of any bias in this regard.
Value Estimates	Premise 9 - Any value estimates presented herein are intended to be indicative only and should not be relied upon for any purpose other than internal evaluation. We have not undertaken the normal due diligence investigations and associated assessments that would form part of a registered valuation exercise.

Critical Assumptions and Limitations

We summarise critical assumptions and limitations hereunder that CBRE STAS has relied upon, in performing the feasibility analysis and commentary in this report.

– The value estimates presented herein are intended to be indicative only and should not be relied upon for any purpose other than internal evaluation. We have not undertaken the normal due diligence investigations and associated assessments that would form part of a registered valuation exercise.

– CBRE have carried out a cursory inspection and not physically inspected the entire subject site. We reserve the right to amend our assessment in the event that a full physical site inspection reveals matters that are material to our assessment herein.

– CBRE have formed a high-level view on the potential revenue ranges achievable and costs to refurbish the main Chateau Tongariro building. We note DOC's intention is that further investigations will be commissioned if the proposed project progresses, in order to supplement this preliminary advice, notably Part B of CBRE's scope.

– We have been provided with high-level costs from various sources (detailed within this report), which we have relied upon. CBRE have made amendments to said costing based on benchmark data, where appropriate. We have reviewed the costs provided and compared same to the hard construction costs estimates we have received during our involvement in other, similar, development projects. We are not expert cost consultants and while the benchmark data relied upon is credible, applying it to the hypothetical developments on the subject site carries material risk. Should any of our assumptions prove to be materially incorrect we reserve the right to amend our analysis accordingly.

– Our analysis has relied upon third party data provided from LINZ, Property Guru and other entities and third-party databases as necessary. We have not interrogated or audited the information provided to ensure it is true, accurate and current; we assume this to be the case.

– We have not been provided with any Geotechnical or Contamination Reports for the sites and assume that the options provided as well as generated can be constructed without onerous conditions or costs. We recommend advice is sought in this regard.

– Reflective of the preliminary stage of our investigations, our options testing explicitly excludes any cost or value attributed to Tussock Tavern and the Garage. We do not anticipate additional revenue would be generated from the Garage, however noting seismic strengthening costs and Category 2 Heritage Listed Status. We understand the Tussock Tavern historically performed well alongside the Chateau and thus some value is likely attributable.

– We understand DOC has the ability to charge market rates for the use of Public Conservation Land. We understand the fee for ski fields, for example, are typically set on a percentage of revenue basis. At this preliminary stage of our options testing, we have not included any rental or fee allowance to DOC for the use of the subject land for the purposes of hotel operations under Options 1 and 2 of this report.

– Feasibility analysis is, by nature, acutely sensitive to small changes in key assumptions. Given the limited information available (which has required us to make a number of assumptions) the analysis is subject to a wide margin of error at this early stage. It is important to recognise that the purpose of this analysis is to compare the relative performance of various options, direct further investigation and assist with refining schemes; it is not intended to provide a definitive or final assessment of potential returns.

– As necessitated, our report details further assumptions and limitations throughout.

Executive Summary

Feasibility results

The following table visually illustrates the estimated values implied by each development option. We refer to the body of the report which outlines the basis of the feasibility analysis, which is important to its interpretation.

The feasibility testing indicates 9(2)(g)(i) [redacted] Both options assume that the costs associated with Decommissioning Option 3 will be incurred (if the Chateau was not reinstated).

The table below presents the results of our high-level feasibility testing across Options 1 and 2. While the project is notably challenged from a feasibility perspective at this present stage, the ongoing maintenance and decommissioning costs must also be considered in this context.

Furthermore, our feasibility analysis at this stage does not to any degree account for the offsetting economic benefit to the region from the operations of the Chateau. The wider economic impacts should certainly be examined concurrently at a ministerial level in reviewing our initial feasibility findings. The payback period of the government or like investment may certainly improve and validate the business case for the reinstatement of the Chateau.

Next Steps

We draw the reader to the final section of this report, notably the Critical Information Gaps that should be addressed as a precursor to enable CBRE to undertake insightful market sounding. Furthermore, we detail the outstanding work that needs to be completed and the resulting decision DOC needs to make to enable CBRE to finalise our Part A advice herewithin.

Figure 1: Feasibility summary | waterfall chart – Option 1

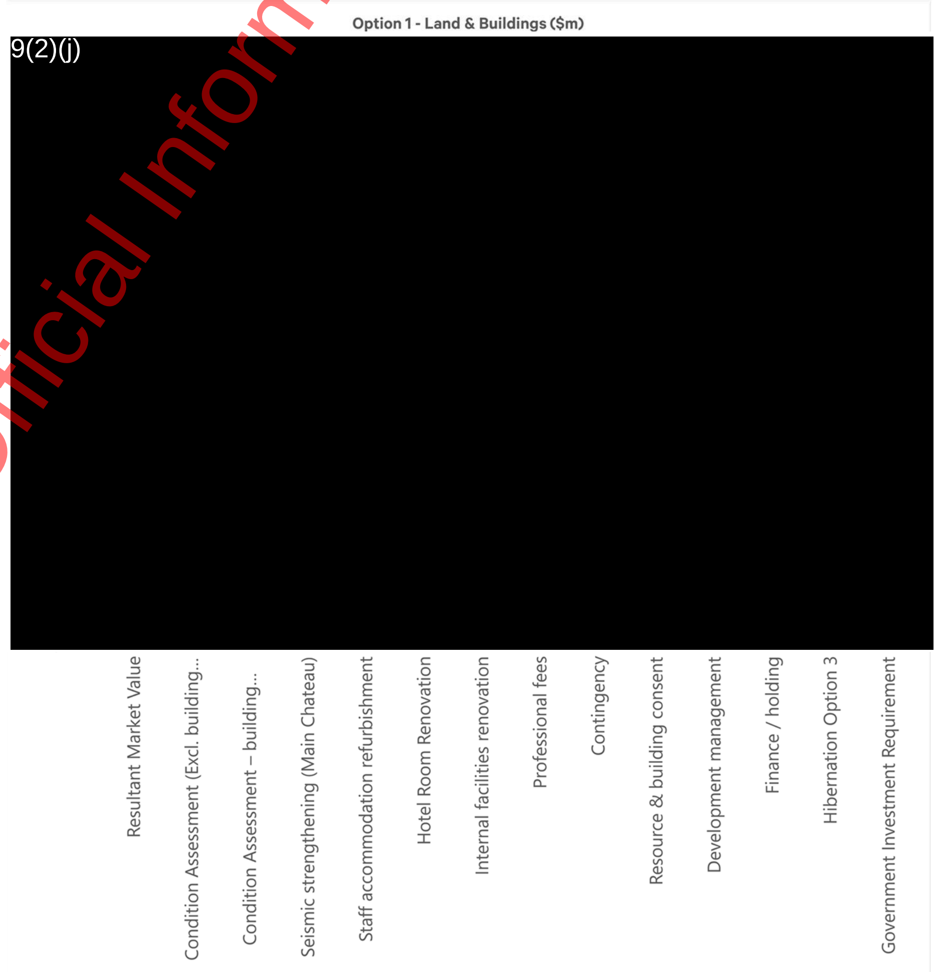


Figure 2: Feasibility summary | waterfall chart – Option 2

9(2)(i), 9(2)(j)

[redacted]

Key risks

We highlight the following key risks in particular and refer you to the body of the report for more detailed commentary on key assumptions (please additionally refer to the critical assumptions and limitations section of this report).

Our analysis reflects the preliminary nature of due diligence sought by DOC as per our scope of service. Whilst provided with plans and various costing inputs, in order to complete the modeling assumptions, we have made a number of critical redevelopment assumptions throughout, which have not been verified by third party specialists, notably planning, design, legal and cost consultants. We bring to your attention key risks:

– We are limited in our scope by information withheld by DOC due to legal proceedings at present, DOC had to retain privilege.

– We reiterate that a significant number of costs/provisions contained within our feasibility modelling are indicative only, and have been derived from benchmark evidence (e.g., interior renovation costs).

– The Chateau's location within a National Park restricts some activities e.g., mountain biking and could hinder alterative use proposals, and further limit market appetite.

– The high degree of uncertainty in the outcome of current legal claim will cause uncertainty when engaging with the market (i.e., when undertaking confidential market sounding).

– Uncertainty around the requirement for the Purchaser to obtain a concession from DOC to operate, as a condition of settlement.

– Redevelopment risks: Noting the preliminary stage of investigations coupled with the nature of redevelopment and seismic risk, the cost and conditions assessments may eventuate to be more severe and costly than anticipated at this stage. Conversely, they may be overly cautious, and costs and risk may in fact be lower.

Site Overview

Site context

The subject sites are located within the Tongariro National Park, in the Mount Ruapehu District. The property is located in Whakapapa Village, situated at the base of the north-western slopes of Mount Ruapehu. Whakapapa Village is located 340 km south of Auckland (approx. 4 hours by car) and 340 km north of Wellington (approx. 4 hours by car). The location is reasonably accessible for domestic tourists, however, is not easy access for international tourists with the nearest international airport being ~300 km away.

The Chateau Tongariro accommodation benefits from its proximity to a number of hiking routes and Whakapapa Ski field, being the drawcard for accommodation users year. The Chateau Tongariro operations were previously subject to a Concessions Lease/License, being location on public land. Such concessions are administered by DOC.

The primary focus of this report is the Chateau Tongariro Hotel Accommodation, consisting of 97 hotel rooms at approximately 6,898 sqm GFA, with wider landholdings in excess of 20 ha. Furthermore 20 ancillary buildings form part of the subject property as identified in Figure 4. The majority are staff houses or lodges, as well as a Historic Garage and workshop, and Tussock Tavern.

Figure 3: Aerial image of subject site

Figure 4: Chateau Tongariro Ancillary Buildings Map and Reference Table

Table 2: Chateau Tongariro Ancillary Buildings Reference Table

Map Reference	Building Name	Description
Building 1	Fergussons Cafe includes "Ladies Bath"	Café Category 2 Heritage Listed
Building 2	Thompsons Lodges - includes Huts 1 & 2 and the "undertakers"	Staff Lodge Recommendation to Demolish
Building 3	The Nunnery	Staff Lodge Recommendation to Demolish
Building 4	Garage/Workshop and chemical store	Historic garage and workshop Category 2 Heritage Listed
Building 5	Tussock Tavern	Tavern/Bar
Building 6	Golf Course Generator Shed	Old generator to support historic hydro electric plant Recommendation to Demolish
Building 7	"Engineers House", Hepi Terrace	Staff House
Building 8	98 and 99 Hepi Terrace	Staff Houses
Building 9	65-67 Hepi Terrace	Staff Houses
Building 10	Villas 1-5	Motel accommodation Recommendation to Demolish
Building 11	Villa Garage	Garage for motel units
Building 12	Villas 6-9	Motel Accommodation
Building 13	Staff Units 90-91	Staff Houses
Building 14	Staff Unit 92	Staff Houses
Building 15	Staff Unit 93	Staff Houses
Building 16	Tongariro Lodge	Staff Lodge Recommendation to Demolish
Building 17	Ngauruhoe Lodge	Staff Lodge
Building 18	Ruapehu Lodge	Staff Lodge
Building 19	Staff House 97 (GMs House)	Staff House
Building 20	Covered Carport	Carport near Chateau Demolished October 2023

Document review

Document Register

We have been provided with the following documentation by DOC. We provide the document register below and a high-level summary of each document:

Table 3: Subject Site Descriptions

DOC Chateau Tongariro - Document Register				
Date Uploaded	**Uploaded By**	**Document Title**	**Document Date**	**Document Author**
9/05/2024	Julie Chuor	Building Condition Appraisal	20/12/2023	Prendos
9/05/2024	Julie Chuor	Building Information Gap Analysis	12/09/2023	miyamoto
9/05/2024	Julie Chuor	Initial Seismic Assessment Report	29/09/2023	miyamoto
9/05/2024	Julie Chuor	Building Hibernation Options Analysis	30/01/2024	WT
9/05/2024	Julie Chuor	Detailed Seismic Assessment	24/02/2023	WSP
9/05/2024	Julie Chuor	Chateau Tongariro Ancillary Buildings	N/A	N/A
5/06/2024	Julie Chuor	Chateau estimated costs	N/A	DOC
5/06/2024	Julie Chuor	Condition Assessment Summary	2/10/2023	Heritage Preservati
5/06/2024	Julie Chuor	Seismic Strengthening Estimate	31/05/2024	Prendos
19/06/2024	Julie Chuor	Public interest register	N/A	DOC

Due to the current legal proceedings relating to the Chateau, DOC are restricted in their ability to release some aspects of the due diligence information.

Building Condition Appraisal - Chateau Tongariro Hotel

This document presents a comprehensive appraisal of the condition of the Chateau Tongariro Hotel. The report was prepared for the Department of Conservation by Prendos New Zealand Limited. The appraisal was based on a visual inspection of the property and included examination of the building's structure, roofing, external and internal areas, and health and safety considerations.

Key findings:

1. The Chateau building, originally built in 1929 with various extensions, alterations, and refurbishments since, is in a poor state of repair due to a lack of maintenance over a prolonged period.

2. The building requires extensive works to bring it back into a good state of repair, including full repainting of external areas, roof replacement, and addressing numerous deferred maintenance works.

3. The building is considered an earthquake-prone building with an initial seismic assessment report assessing it as 25% of New Building Standard (NBS).

4. The original hot water heating system is in poor condition, and it is recommended that all heating systems be reviewed by a building services consultant.

Building Information Gap Analysis

Miyamoto International NZ (MINZ) has conducted a gap analysis for the Chateau Tongariro Hotel, as part of the seismic assessment. The analysis involved reviewing existing documents, conducting site visits, and assessing the building's structure. The key findings from the gap analysis include missing original building drawings and site notes, lack of consideration for the upcoming changes to the New Seismic Hazard Model (NSHM), and unknown effects of interconnected buildings on seismic performance.

Unassessed elements such as internal URM masonry partitions, external stairs, floor steel beam to column connections at level 3, and timber walls with assumed hold-down capacity were also highlighted. Other gaps include unassessed entrance port cochere columns and lift structure, soil-structure interaction effects, and limited scope of material testing. Recommendations include acquiring missing data, using the GNS web tool for understanding NSHM, investigating interconnectivity, and expanding the testing scope.

Key findings:

1. Missing original building drawings and site notes during construction.
2. Lack of consideration for potential changes due to New Seismic Hazard Model (NSHM).
3. Unassessed effects of interconnected buildings on seismic performance.

Whakapapa Garage ISA

The Initial Seismic Assessment Report, prepared by Miyamoto International NZ Ltd for the Department of Conservation, evaluates the Old Fire Station building located at State Highway 48, Mt Ruapehu 3951. The report reveals significant seismic risks associated with the building, which currently functions as a storage facility.

The report concludes that the building's seismic rating is 15%NBS(IL2), classifying it as a 'Grade E' building, indicating a very high risk. The key structural weaknesses identified are the unreinforced hollow brick masonry veneer walls which are susceptible to outward fall. Recommendations include strengthening of the building, repair of existing damage, and relocation of the designated emergency point away from the building for safety. A Detailed Seismic Assessment is recommended for more accurate results.

Key findings:

1. The assessment was carried out following the Initial Evaluation Procedure (IEP) as described in the MBIE/NZSEE publication The Seismic Assessment of Existing Buildings (the Technical Guidelines), 2017.
2. The building, constructed in the 1930s, is currently used as a storage facility and is accessed infrequently.
3. The building's expected rating is less than 34% New Building Standard (NBS) in both principal longitudinal and transverse directions, giving an overall rating of 15% NBS when assessed as an Importance Level 2 building.
4. The key structural weaknesses identified are the unreinforced hollow brick masonry veneer walls present around the building which are susceptible to outward fall.
5. The building meets one of the criteria under the Earthquake Prone Building Methodology 2017 for the local territorial authority to identify it as Potentially Earthquake Prone building.
6. The building poses a risk 25 times higher as compared to a building with 100% NBS rating or higher. This could potentially affect occupants.

Tongariro Grand Chateau, Ruapehu Building Hibernation Options Analysis

This document, prepared by WT Advisory NZ Limited, presents an analysis of three options for placing the Tongariro Grand Chateau and 20 ancillary support buildings into hibernation until a future use is determined.

The options range from complete closure and periodic inspection, to maintaining minimal heating and undertaking urgent repairs. The Chateau, a Category 1 Heritage site, and some ancillary buildings are in dilapidated condition and require substantial repair. The analysis includes cost estimates, risk assessments, and estimated timeframes for degradation of heritage value.

Key findings:

1. The Chateau and ancillary buildings are in a dilapidated condition, with substantial repair needed.
2. The Chateau is a Category 1 Heritage building, with certain ancillary buildings also having heritage listings. This imposes constraints on alterations and demolitions.
3. Three options for "hibernation" (i.e., temporary shutdown) of the Chateau have been proposed:
   - Option 1 (Total Hibernation): This involves fully closing the building and turning off all services, which carries the greatest risk of

degradation and potential fire hazards. The estimated cost for this option is 9(2)(j) [redacted]

- Option 2 (Medium Level Hibernation): This option involves urgent weathertightness repairs and retaining the sprinkler systems operational to lessen fire risks. The estimated cost for this option is 9(2)(j) [redacted]. This option requires annual ongoing expenditure of 9(2)(j) [redacted] – we note that the 9(2)(j) [redacted] includes one year's provision of said annual ongoing costs.
- Option 3 (Low Level Hibernation): This option involves providing minimum heating, securing the lower-level windows and doors, and undertaking urgent repairs to limit building fabric degradation. The estimated cost for this option is 9(2)(j) [redacted]. This option requires annual ongoing expenditure of 9(2)(j) [redacted] – we note that the 9(2)(j) [redacted] includes one year's provision of said annual ongoing costs.

Detailed Seismic Assessment - Chateau Tongariro

This document is a detailed seismic assessment for the Chateau Tongariro, prepared by WSP.

The assessment was conducted based on data gathered from site visits, historical documents, and geotechnical investigations. It includes an executive summary, technical summary, and detailed sections on the building's description, seismic assessment, and potential structural weaknesses.

Key findings:

1. The building's earthquake rating is 15%NBS (IL2), making it a Grade E building with a very high-risk safety exposure. This means it is at a 25 times greater risk compared to a new building.
2. The structure has several weaknesses including the lack of out-of-plane strength of unreinforced masonry infills, shear failure of concrete frames due to interaction with infills, and weaknesses in the reinforced concrete moment frames.
3. The seismic retrofit options include reducing the seismic mass, reducing demand through base isolation, and increasing the strength and stiffness of the structure at every floor.
4. The building's historic status requires that any strengthening strategies minimize impact on the building's heritage values.
5. The building is potentially susceptible to liquefaction.

Assessment and Recommendations for Ancillary Buildings at Chateau Tongariro

This document provides an overview of the ancillary buildings at Chateau Tongariro, including their names, descriptions, and categories. It also includes recommendations on which buildings should be demolished.

Key findings:

1. The Fergussons Café (Building 1) and Garage/Workshop (Building 4) are both Category 2 Heritage Listed.
2. There are recommendations to demolish several buildings, including building 2, 3, 6, 10 & 16.
3. The Tussock Tavern (Building 5) is identified as a Tavern/Bar.
4. The Golf Course Generator Shed (Building 6) is highlighted as an old generator to support historic hydroelectric plant.
5. The document also notes that the Covered Carport (Building 20) was demolished in October 2023.

Chateau Tongariro Condition Assessment

This document prepared by Heritage Preservation Field Support Solutions provides an extensive condition assessment and recommendations for preserving the Chateau Tongariro and its contents.

The Chateau, a Category 1 historic place, was closed after a seismic survey deemed it a "very high risk" for occupants during an earthquake. The report provides an overview of the Chateau's environment, the history, and condition of various artworks, furniture, objects, and documents within the Chateau.

Key findings:

1. The Chateau's environment is unpredictable and changeable with a significant seismic risk due to the building's low earthquake rating.
2. Many artworks, including the Carl Kahler painting, "The White Terraces," are in a state of active deterioration with issues such as paint loss, cracking, and canvas drooping.
3. The furniture, particularly the antique wardrobes and sideboard, were found to be at risk from light exposure and potential seismic activity.
4. A range of objects, including a snooker counter, movie projector, and antique silver items, were generally in good condition but at risk from seismic activity.

Seismic Strengthening Estimate for The Grand Chateau and Historic Garage Buildings, Department of Conservation Chateau Tongariro.

This document, prepared by Prendos NZ Limited, presents a detailed estimate for seismic strengthening of The Grand Chateau and Historic Garage Buildings, located at State Highway 48, Whakapapa Village, Mt Ruapehu. It outlines three potential options for the Chateau's seismic strengthening – fibre reinforcing of columns and beams, shear walls and restraints, and base isolation and remedial work – and provides a comprehensive cost breakdown for each of the options. The document also details the estimated costs for seismic strengthening of the Historic Garage building, based on its key structural weaknesses.

The report details the seismic strengthening options for the Grand Chateau Tongariro and the Historic Garage buildings.

Key findings:

1. The seismic rating of the original 1929 construction is likely 15% NBS rating according to the WSP consultant's report. The Historic Garage also has a seismic rating of 15% NBS.
2. Three options were proposed for the Grand Chateau: a) Carbon fibre reinforcing wrap, b) Shear walls and restraints, and c) Base isolation and remedial work. The first two options were estimated to cost 9(2)(j) [redacted] and 9(2)(j) [redacted] (excl GST) respectively. The third option could not be estimated due to insufficient information.
3. The Historic Garage strengthening works, based on key structural weaknesses set out in the Miyamoto Consultants ISA report, were estimated to cost 9(2)(j) [redacted] (excl GST).
4. The report emphasises that the final costs will need reassessment once design options are selected, and the repair scope of works is further developed by Structural Engineers.
5. The report also mentions that any seismic strengthening works to heritage-listed buildings require a Conservation Management Plan, as well as permission and approval from the appropriate authorities.

Geotechnical & Contamination Report

We note that we have not been provided with a Geotechnical Report for the sites and assume that the options provided as well as generated can be constructed on the subject sites.

Similarly, we have not been provided with a Contamination Report for the sites and assume that the options provided as well as generated can be constructed without onerous conditions or costs.

CBRE STAS are not Geotechnical experts. Should any of our assumptions prove to be materially incorrect we reserve the right to amend our analysis accordingly.

Zoning and Land Areas

We have not been provided with a survey of the current/proposed concession area that identifies the precise boundaries. The proposed concession area will likely form various Computer Freehold Register Identifiers. The Grand Chateau accommodation and historic golf course form part of a title of approximately 23.60 Ha of land area zoned Recreational Zone B. In line with our scope of works, we have note searched or reviewed the titles of interests for the subject properties or any ancillary buildings. We reserve the right to amend our assessment in the event that the concession area varies materially from the information with which we have been provided.

Titles & Interests

We have not formally reviewed the property titles, nor have we reviewed any interests thereon. We assume the titles and any interests would not impede the proposed structures/options.

CBRE STAS are not planning and/or legal experts. Should any of our assumptions prove to be materially incorrect we reserve the right to amend our analysis accordingly.

Decommission Costing

We note that we have has sight of decommission costings, provided by DOC. We set out below a table of critical decommissioning costs and note that these costs are addressed in our feasibility analysis within this report.

Table 4: Decommission Costing Options Summary

Building	Category	Innitial Cost (Excl GST)	Ongoign Cost (Excl GST)
Main Chateau	Decommission	9(2)(j) [redacted]	
Main Chateau	Short term hibernation		
Main Chateau	Medium term hibernation		
Ancillary Buildings	Decommission		
Ancillary Buildings	Short term hibernation		
Ancillary Buildings	Medium term hibernation		

Site Inspection Commentary

CBRE undertook a site inspection and local area review on the 29th of May 2024. The purpose of the site inspection was to better understand the physical constraints and opportunities. The full CBRE project team undertook the inspection, being 9(2)(a) [redacted] and 9(2)(a) [redacted] We note the following relevant observations at the time of assessment:

- We did not inspect all 20 ancillary buildings, noting the majority are staff houses or lodges. We internally inspected the Main Hotel Accommodation and the Historic Garage and workshop. We externally inspected Tussock Tavern and a number of the staff houses and lodges.
- Chateau Tongariro: Water ingress in the main lounge area, with damage to the ornate ceilings and floorboards. Structural cracks and unlevel ceilings.
- A number of the hotel amenities were located at basement level including conference centre, a small cinema, plunge pool, sauna, fitness room and salon. The plant room and admin offices were also located at basement/lower levels.
- The New Wing room's were in better condition that the balance of the accommodation, which presented as dated.
- We understand there are minimal asbestos issues.

Workshop 1 Commentary

CBRE undertook a workshop on the 19th of June 2024. The purpose of the workshop was to explore, scope and define the options available for the Chateau opportunity that will be considered by DOC for a decision. CBRE conducted an exploratory workshop with key stakeholders to frame our initial advisory and options development.

Attendees:

- CBRE: 9(2)(a) [redacted]
- DOC: Julie Chuor (Chateau Tongariro, Project Lead), Stephanie Bowman (Permissions Manager, Ski-field expertise), Stacey Wren (Regulatory Authorisation), Alex Lloyd (North Island FM Lead), Michael Christie (Team Lead), Jonty Somers (Chief Legal Adivsor), Vicki Crosbie (National Communications, Concessions), Mere Mokoraka, George Taylor (Operations Manager), Karen Rainbow (Manager), Damien Coutts.

We set out below the key items and themes that were discussed in the workshop.

Ski field Operations

- Investigate the current status of the ski field operations, including license status, the operational impact on the Chateau Tongariro and wider area.
- Investigate potential risks and challenges that climate change poses to the local economy, as well as the hotel's operations and marketability.

Current Ski-field Operations

- Leases/concessions for ski areas located on public land are administered by the Department of Conservation.
- There are two proximate ski-fields to the Chateau, Whakapapa and Tūroa. Both are confirmed to operate the 2024 snow season.
- Tūroa - concession status & legal update:
    - New 10-year concession to Pure Tūroa commenced April 2024.
    - Wider Treaty of Waitangi Settlement occurring.
    - No challenge on the concession at present.
- Whakapapa - concession status & legal update:
    - Receivers are currently trying to sell the insolvent Whakapapa ski field (business and assets). The purchaser will need to secure a concession from DOC to operate` the ski field as a condition of settlement.
    - Ruapehu Alpine Lifts are also in liquidation.
    - The business is continuing operations this ski season, as they seek a buyers.
    - We understand office advice to Cabinet has reported on the risks of the commercial viability of the ski field operations.
    - Being operated by receives for 2024, RAL. Following a number of bailouts, the Government has confirmed no further funding is available.
    - Ruapehu is currently in an Expressions of Interest (EOI) process, which is closing at the time of reporting. If successful, will need a Sale and Purchase Agreement then the purchaser will submit for a 10 year concession, likely the process will not be completed until March 2025 at best.

The following aspects of our agenda were not discussed in detail due to the feedback that the ski fields are not the sole visitor accommodation driver for the Chateau.

- Insight into current visitor numbers, revenue, and profitability.
- Current condition of facilities, services, and infrastructure (e.g., lifts, snowmaking). Not discussed, due to the aforementioned point.
- Past seasons' data (e.g., snowfall, skier visits, financial performance).
- Historic trends, challenges, and successful strategies.
- Impact of external factors (e.g., economic downturns, pandemics).
- Status on any previous reporting into the effects of climate change on snow conditions.
- Consider snow cover decline, shorter seasons, and unpredictable weather.
- Explore adaptation measures (e.g., snowmaking, diversification).

Chateau Tongariro Hotel Operations:

Financial/trading data, occupancy rates, revenue and profit

- Closed February 2023.
- When previously trading, the Chateau offered a 9-hole golf course, a cinema, games room, indoor plunge pool and fitness centre. Visitors had access to two restaurants and a bar onsite. 2004 hotel extension completed to add an additional wing of accommodation.
- Rated poorly for 'value for money' in the last years of operation, scoring poorly for the quality of internal finishes and general dated decor.
- The previous Lessee / Operator, did not pass on trading data to DOC. Some staff remain on DOC's books.
- The last few months of operations were at ~40% occupancy, with facilities limited to guest use only. Pre-covid was a strong year, with year-round operations. Strong trading over summer months (Dec, Jan, Feb) at ~80% occupancy, and 60-70% during the ski-season.
- Historically (early 2000's) had a strong international clientele, more recently national and Australian base.

- Guests were very reliant on the hotel dining facilities, being three restaurants onsite and the ancillary Tussock Tavern (all guests could not be accommodated onsite).

Operational Insights: Staffing rations, utilisation of staff accommodation

- 2010 the hotel was trading strongly, with 105 rooms and 9 villas in operation. 130 staff, the lions share was needed to operate the hotel at large. Staff accommodation very proximate, provided with three meals a day.

Structural Strengthening Scope

- Alternative investigations previously explored. Noted none explored at this stage. 1928 build.
- Introduction of alternative strengthening concepts e.g., utilising the basement level as a structural strengthening area. Not part of DOC's current scope.

Mana Whenua Engagement

- Emphasised as crucial to the process, notably from the onset consultation and involvement is key.
- CBRE to be guided by DOC as to best practice.
- Noted that DOC will provide CBRE with the correct procedure to undertake Part B of the scope of works, regarding Market Sounding, to ensure mana whenua engagement is prioritized.

Crown Concession Licensing

Current Application Methodology and Precedents

- Review the existing application process for concession licenses (related to the subject site, as well as other DOC controlled sites).
    - The majority of ski fields operated in New Zealand operate on Crown land under part 3B of the Conservation Act 1987.
    - DOC is responsible to set fees for third parties operating on crown land (e.g. guiding concessions, leases of land, etc.). The Act is explicit in establishing the Department's ability to charge market rates for the use of Public Conservation Land.
- Investigate any precedents related to the subject site and other DOC-controlled sites.
    - Ski areas are generally granted a lease/licence/easement. The lease (exclusive use) is granted for structures and facilities, and the licence (non-exclusive use) is granted for the skiable terrain. This allows other users to access the land (i.e., paragliders, mountain climbers). The general term granted for ski field concessions is 30-years however, historically some have been granted a term of 40-years.
    - Tūroa was recently agreed as a 10-year concession, we understand the shorter term was struck due to the need to expediate the application (which includes environment and cultural monitoring), active Treaty of Waitangi Settlement redress and the unique situation of ski operation infrastructure requirements.
    - Historically 25-year concessions with 35-year ROR have been common. An initial 30 years is a common term, with 60 years in exceptional circumstances (very few). Majority are 40-60 years at present. 60 years is the max term, usually 30 + 30-year terms. Some 38 year or 40-year terms.
    - Governed by the Conservation Act 1987. Term can trigger public notification. Can be challenged.
- Identify best practices and lessons learned from previous applications.
    - Recommended that CBRE consider a 30-year initial term with a 30-year ROR, being the maximum concession term.

The following discussion points in the agenda, CBRE was generally referred to a number of key documents and legislation. An in depth understanding of the setting and broader context was acknowledged as outside of CBRE's scope of works, and thus is was agreed that DOC would provide CBRE with a summary document in this regard.

- Define the scope of permitted activities under the concession.
- Discuss the duration of the concession term.
- Consider any limitations or restrictions on activities.
- Discussion on overall framework governing concessions.

- Discuss the flexibility to adapt and make changes during the concession period.
- Expanding facilities (e.g., increasing the number of beds) and trade within the concession boundaries.
- Restricted trade activities e.g., distillery

Market Commentary

General Raupehu Hotels Market Dynamics

Introduction

Ruapehu is located centrally in the North Island and an approximate 3hr 30min drive from Auckland, 1hr drive from Taupo and 3hr drive from Wellington. Ruapehu is a popular destination during the winter season for tourists to ski or snowboard on Mount Ruapehu. Other outdoor activities on offer comprise walks and hikes, cycling and mountain biking and water activities.

Ruapehu Hotels Market Performance

Overview

Prior to September 2019, StatsNZ undertook the Accommodation Survey on a monthly basis which detailed the performance of commercial accommodation providers across New Zealand. A replacement to the Accommodation Survey commenced in June 2020 with the Accommodation Data Programme undertaken by Fresh Info however there is currently a gap in the data available.

We have attempted to make comparison with the data available from June 2020 to May 2024 against trends experienced up until September 2019 however some caution should be taken when comparing the two data sources.

The subject hotel is situated within the Ruapehu Regional Tourism Organisation (RTO), where Fresh Info record the hotels market as currently encompassing some 5 officially recognised and active establishments, which make up a total inventory of 165 units.

The following table provides a summary of hotels supply and demand in Ruapehu since 2010.

Table 5: Summary of hotels supply and demand in Ruapehu since 2010

Accommodation Survey (Pre September 2019) - Ruapehu, Hotels									
Year End September	No of Establishments	Daily Capacity	Average Units per Establishment	Unit Nights Available	Unit Nights Sold	Occ (%)	Total Guest Nights	Guest Arrivals	Ave Stay Length
2010	10	473	46	172,761	64,140	37.1	126,741	62,957	2.0
2011	11	494	43	180,258	76,655	42.5	134,449	70,620	1.9
2012	11	484	43	176,997	73,881	41.7	135,257	80,553	1.7
2013	11	520	47	189,679	67,947	35.8	127,680	77,324	1.7
2014	10	518	50	189,093	70,399	37.2	135,962	89,749	1.5
2015	10	537	54	196,022	80,595	41.1	138,363	77,403	1.8
2016	10	483	50	176,723	71,162	40.3	125,249	77,900	1.6
2017	10	412	43	150,294	73,534	48.9	145,209	86,428	1.7
2018	9	401	45	146,235	74,092	50.7	155,361	88,985	1.7
2019	9	399	45	145,676	74,452	51.1	153,241	91,189	1.7
CAAG 5 yr	-3.05%	-7.15%	-4.23%	-7.15%	-1.96%	5.59%	2.59%	4.18%	-1.53%
CAAG 10 yr	-1.64%	-1.87%	-0.23%	-1.88%	1.67%	3.62%	2.13%	4.20%	-1.99%

Source: StatsNZ

Accommodation Data Programme (Post June 2020) - Ruapehu RTO, Hotels									
Year End May	No of Active Establishments	Daily Available Capacity	Average Units per Establishment	Unit Nights Available	Unit Nights Sold	Occ (%)	Total Guest Nights	Guest Arrivals	Ave Stay Length
2022	6	290	48	118,000	53,600	45.4	103,200	53,200	1.9
2023	5	226	45	101,800	65,800	64.6	119,600	63,900	1.9
2024	5	165	33	78,800	55,500	70.4	102,400	55,700	1.8

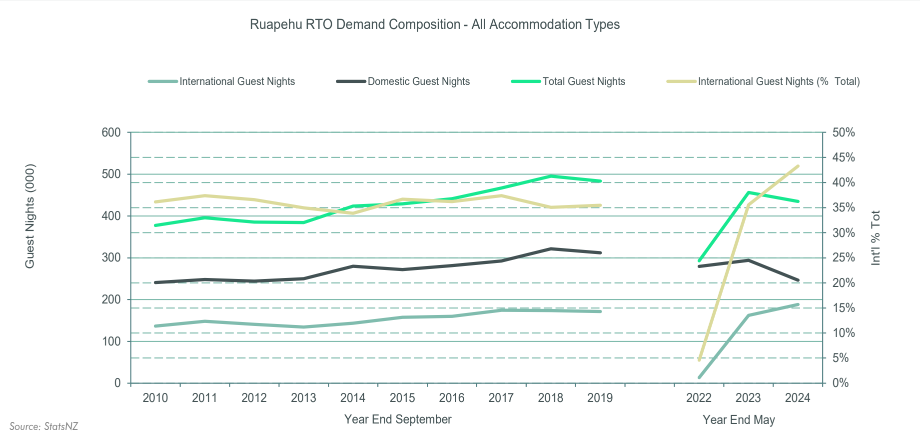
Source: Fresh Info 0.745446731

Accommodation Demand

In terms of room nights sold, the Ruapehu RTO experienced compound average growth over the ten year period to September 2019 of 1.67% and -1.96% over the previous five years. Accommodation demand decreased by 16% over the 12 months to May 2024.

The following chart illustrates the source of accommodation demand to Ruapehu since 2010 across all commercial accommodation. The impact of the border closures and subsequent reopening in 2022 are evident in this data:

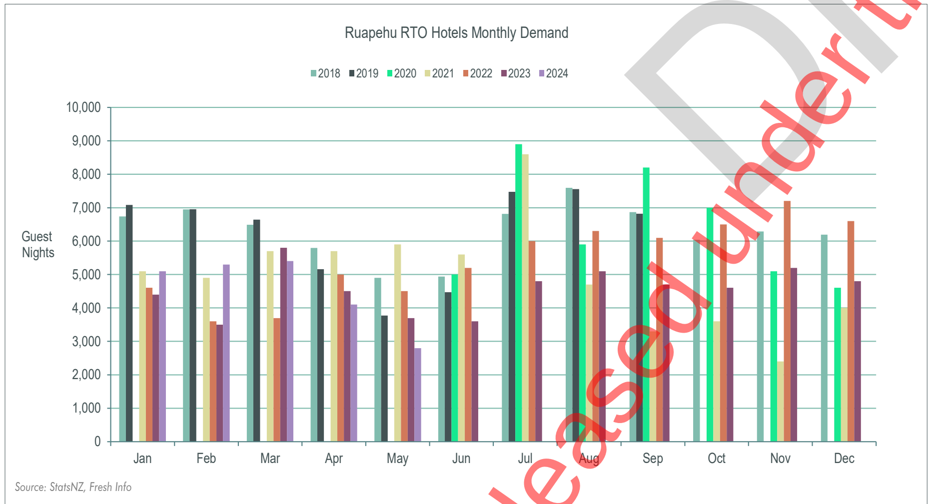
Figure 3: source of accommodation demand to Ruapehu since 2010



As seen above, in the year to September 2019 the international market comprised approximately 35% of total accommodation demand compared with 43% nationwide. Domestic demand in Ruapehu increased at a slightly higher rate than international demand between 2010 and 2019.

The following chart illustrates Ruapehu hotels guest demand on a monthly basis over the three years to September 2019 (StatsNZ data) together with the period from June 2020 to May 2024 (Fresh Info data).

Figure 4: Ruapehu hotels guest demand on a monthly basis

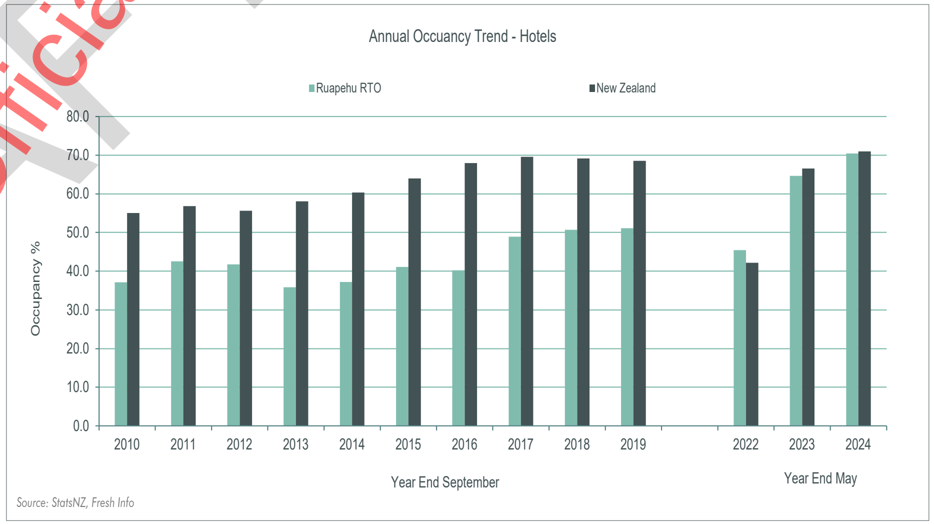


As seen, demand typically experiences a pattern of seasonality with the winter and summer months being the strongest months and a significant decline in room demand over autumn and spring.

Occupancy

We illustrate hotels occupancy since 2010 in the chart below, which demonstrates average occupancy levels gradually increased over the five years to September 2019, broadly following the wider New Zealand trend. The latest data indicates that the Ruapehu RTO achieved an increase in occupancy in the year to May 2024 compared with the previous year from 64.6% to 70.4%. The growth in occupancy over this period was driven by a 23% decrease in supply rather than an increase in demand.

Figure 5: Hotels occupancy since 2010



We particularly note that occupancy statistics overall do tend to be somewhat misleading as in our experience these surveys produce occupancies that, in most instances, are consistently below the level actually observed from facilities we value. We consider the statistics detailed since 2020 to provide a more accurate representation of actual performance.

Tourism Spend

MBIE release Monthly Regional Tourism Estimates (MRTEs) to provide an estimate of regional monthly expenditure on tourism from both international and domestic consumers. The MRTEs were discontinued in October 2020 due to the impact of COVID-19 and Tourism Electronic Card Transactions (TECTs) are an interim replacement to understand tourism spend activity on New Zealand. These two sets of data use different measures and cannot be compared directly. As such, we use the data to October 2020 as an indication of trends rather than absolute figures.

Data to October 2020

In terms of tourism spend on accommodation services, the Visit Ruapehu Regional Tourism Organisation experienced growth from $152.6 million in 2009 to $201.0 million in 2019, representing a 32% increase over the period. Furthermore, total spend on accommodation services increased by 66% from $30.0 million to over $49.7 million over the period.

The table below illustrates tourism spend on accommodation services in the Visit Ruapehu Regional Tourism Organisation between year ending October 2014 and year ending October 2020. We note that the year ending October 2020 was impacted by the border closures in March 2020.

Table 6: Tourism spend on accommodation services in the Visit Ruapehu Regional Tourism

Country	2014	2015	2016	2017	2018	2019	2020	Market Share 2019	CAAG 5 year
Domestic	18,622,883	20,375,994	19,921,977	22,197,880	27,411,130	25,376,392	27,943,579	51%	6.4%
Australia	2,108,498	2,585,260	3,048,758	3,320,610	4,073,524	3,419,861	1,791,702	7%	10.2%
Europe	6,038,791	5,838,266	7,227,392	8,537,485	12,925,527	14,674,321	9,594,324	30%	19.4%
Asia	875,201	1,340,958	2,152,129	2,321,516	2,838,633	2,549,649	1,065,986	5%	23.8%
Americas	1,581,796	2,154,824	2,705,099	2,846,393	3,608,748	3,208,274	1,853,990	6%	15.2%
Other	175,144	195,286	177,956	200,383	330,187	506,911	199,946	1%	23.7%
Grand Total	**29,402,314**	**32,490,589**	**35,233,310**	**39,424,267**	**51,187,750**	**49,735,408**	**42,449,527**	**100%**	**11.1%**

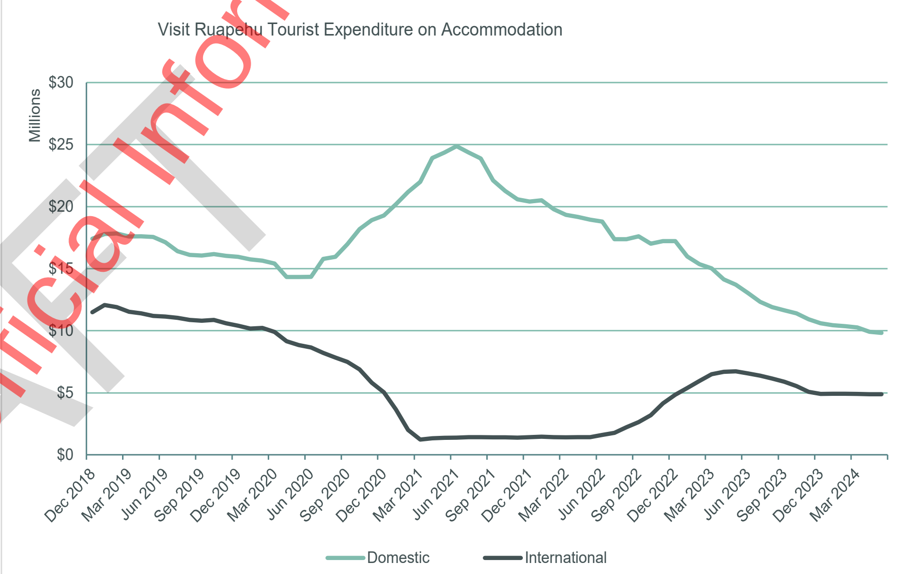
Source: Stats NZ: Monthly Regional Tourism Estimates

The majority of overall spend came from the domestic market which contributed 51% of accommodation. Europe comprised the highest international market by spend in 2019 contributing 30% and Australia contributed 7%. Domestic spend on accommodation increased at an annual average rate of 6.4% over the 5 years to 2019 while International spend increased by an annual average rate of 17.7%.

Post 2019 Data

The below chart illustrates tourism spend on accommodation services for the Visit Ruapehu Regional Tourism Organisation on a rolling 12 month basis between December 2018 and May 2024. The impact of the border closures and domestic lockdowns is evident in the chart with initially strong growth in domestic expenditure as international travel was restricted and domestic leisure travel was strong. The recovery in international expenditure commenced in late 2022 with the latest data showing that international expenditure is 56% below pre-COVID levels whilst domestic expenditure is 44% below.

Figure 6: Tourism spend on accommodation services for the Visit Ruapehu Regional Tourism Organisation



Source: MBIE Tourism Electronic Card Transactions

Ancillary Buildings

Approach

The Options Analysis and Feasibility Assessment in the following section largely relate to the Chateau Hotel accommodation, being the primary and largest physical building. The following table identifies the further 20 buildings that also form part of the subject properties.

Table 7: Chateau Tongariro Ancillary Buildings Reference Table

Map Reference	Building Name	Description
Building 1	Fergussons Cafe includes "Ladies Bath"	Café Category 2 Heritage Listed
Building 2	Thompsons Lodges - includes Huts 1 & 2 and the "undertakers"	Staff Lodge Recommendation to Demolish
Building 3	The Nunnery	Staff Lodge Recommendation to Demolish
Building 4	Garage/Workshop and chemical store	Historic garage and workshop Category 2 Heritage Listed
Building 5	Tussock Tavern	Tavern/Bar
Building 6	Golf Course Generator Shed	Old generator to support historic hydro electric plant Recommendation to Demolish
Building 7	"Engineers House", Hepi Terrace	Staff House
Building 8	98 and 99 Hepi Terrace	Staff Houses
Building 9	65-67 Hepi Terrace	Staff Houses
Building 10	Villas 1-5	Motel accommodation Recommendation to Demolish
Building 11	Villa Garage	Garage for motel units
Building 12	Villas 6-9	Motel Accommodation
Building 13	Staff Units 90-91	Staff Houses
Building 14	Staff Unit 92	Staff Houses
Building 15	Staff Unit 93	Staff Houses
Building 16	Tongariro Lodge	Staff Lodge Recommendation to Demolish
Building 17	Ngauruhoe Lodge	Staff Lodge
Building 18	Ruapehu Lodge	Staff Lodge
Building 19	Staff House 97 (GMs House)	Staff House
Building 20	Covered Carport	Carport near Chateau Demolished October 2023

Reflective of the preliminary stage of our investigations, our options testing explicitly excludes any cost or value attributed to Tussock Tavern and the Garage.

We do not anticipate additional revenue would be generated from the Garage, however noting seismic strengthening costs and Category 2 Heritage Listed Status. We understand the Tussock Tavern historically performed well alongside the Chateau and thus some value is likely attributable.

The balance of the buildings largely relates to staff accommodation. As part of our options testing, whereby reinstatement of the hotel facilities is assumed (Options 1 and 2), we assume at a high-level that the ancillary buildings will be retained as staff accommodation.

No further revenue will be directly generated from the staff facilities, rather this is inherently reflected in the hotel value via a requirement for said facilities to be provided. To varying degrees the staff accommodation needs to be either demolished or repaired. As a placeholder, we have allowed for 9(2)(j) [redacted] (excl GST) to refurbish the staff facilities.

We have not verified this cost, nor have we inspected all ancillary buildings, as this falls outside our scope of works. In due course, DOC must commission the appropriate parties to estimate such refurbishment works and costs.

Options Analysis and Feasibility Assessment

Our options analysis and feasibility assessment below are based on two scenarios, detailed as Option 1 or Option 2, that reflect market-led opportunities available to DOC to reinstate the hotel operations at the Chateau. These options consider the physical Grand Chateau accommodation building in its current form, as well as the use of the majority of ancillary dwellings which related to staff accommodation.

We have modelled and tested two hotel rating levels across Option 1 and 2, a low and high option. The low scenario assumes that a minimal refurbishment has been undertaken whilst the high scenario assumes a full refurbishment of the rooms and public areas to a minimum 4.5-star standard has been completed. The following section presents the assumption of a 4.5 star pitch.

Our analysis considers the likely renovation costs as well as the lease and revenue implications of each option. We set out the individual option assumptions and analysis hereinbelow:

Preamble

The parameters of the opportunity, being DOC land offering concessions rather than freehold tenure, means that we have considered two options to lease the hotel as follows:

Option 1 9(2)(g)(i), 9(2)(j) [redacted]

Option 2 9(2)(g)(i), 9(2)(j) [redacted]

9(2)(g)(i), 9(2)(j) [redacted]

[redacted]

Residual feasibility summary

The table below provides the residual value summary of both Options 1 and 2. The refurbishment costs are applied consistently in both Options 1 and 2, however vary due to the initial indicated market values.

Table 8: Residual value feasibility summary table

	Unit of measure (plus GST)	Option 1	Option 2
Net realisation	9(2)(j), 9(2)(i) [redacted]		
Less:			
Development costs			
Development margin			
Residual value			

Residual Feasibility Assumptions

The following sections provide a detailed breakdown of the physical attributes, cost and revenue assumptions that underpin the feasibility analysis in this report. The indicative feasibility testing is undertaken on a real basis 'as at today' and the cost and revenue assumptions presented below are pre-escalation.

Physical Assumptions

We have been provided with various historic floor plans relating to the Chateau Tongariro, we note that we have not been provided with an updated floor plan nor area schedule. In this regard, CBRE have uplifted the floor plans and undertaken scaled measurements based on said plans. We set out below a summary the area schedule our feasibility modeling relies on. We recommended DOC confirm these assumptions to be reliable at a high-level.

Figure 9: Chateau Tongariro Ancillary Buildings Map and Reference Table

Level	Hotel Rooms (Sqm)	Communal Area (Sqm)	Operational Areas (Sqm)	Total (Sqm)
Basement		801	249	1,050
Ground Floor	225	1,298	214	1,737
Level 1	1,140	493		1,633
Level 2	978	434		1,412
Level 3	751	316		1,066
Total	**3,093**	**3,342**	**463**	**6,898**

Figure 7: Chateau Tongariro Basement Floor – Approximate Area Measurements

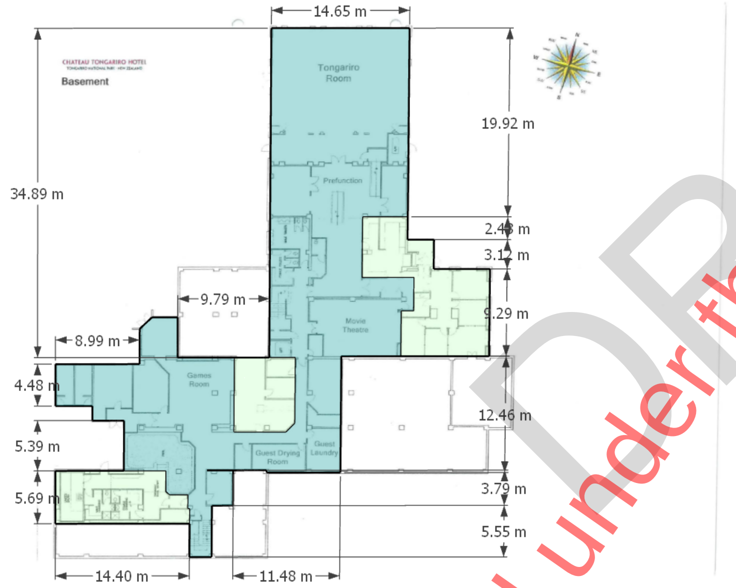


Figure 8: Chateau Tongariro Ground Floor – Approximate Area Measurements

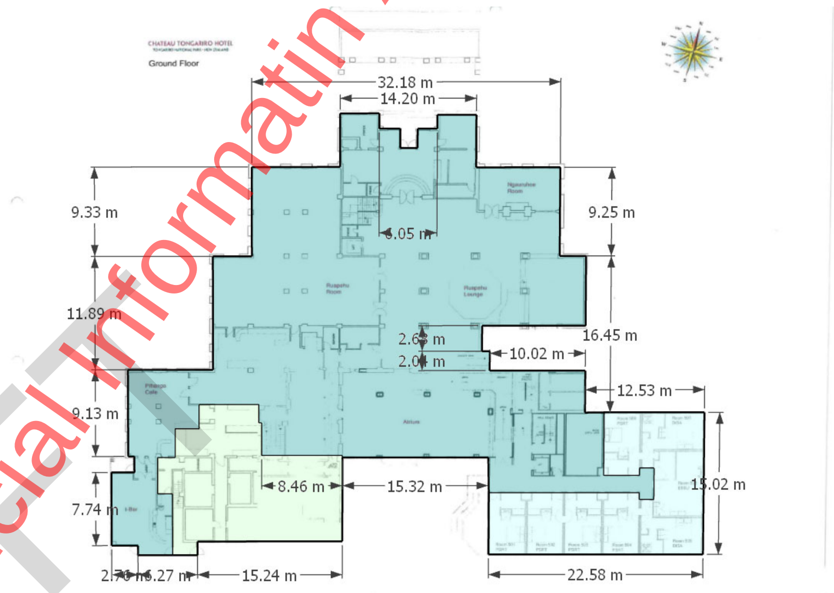


Figure 9: Chateau Tongariro First Floor – Approximate Area Measurements

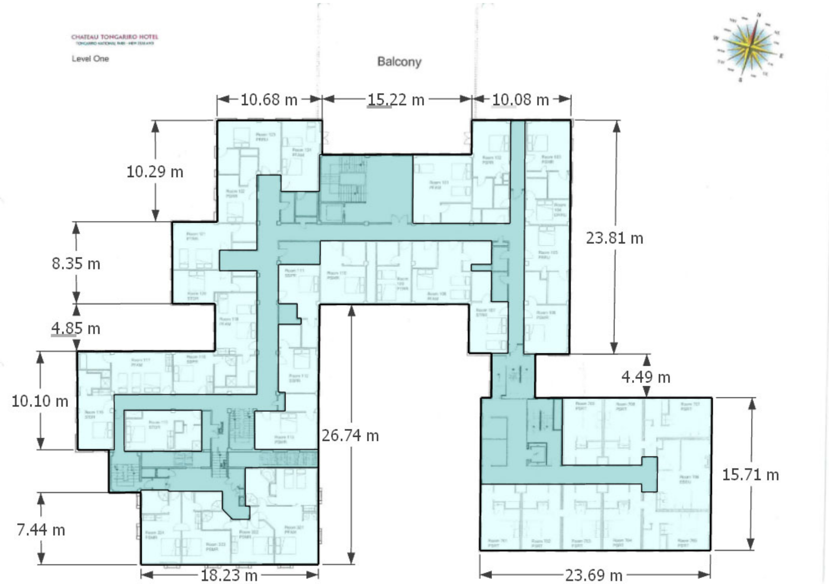


Figure 10: Chateau Tongariro Second Floor – Approximate Area Measurements

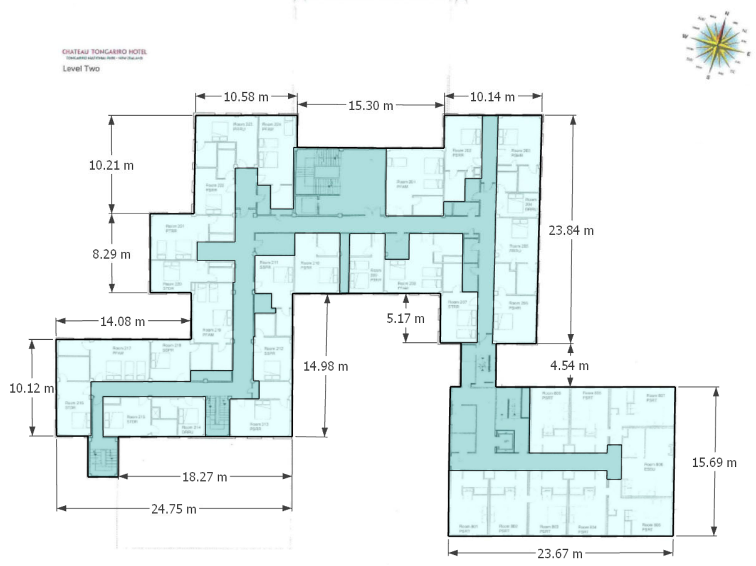
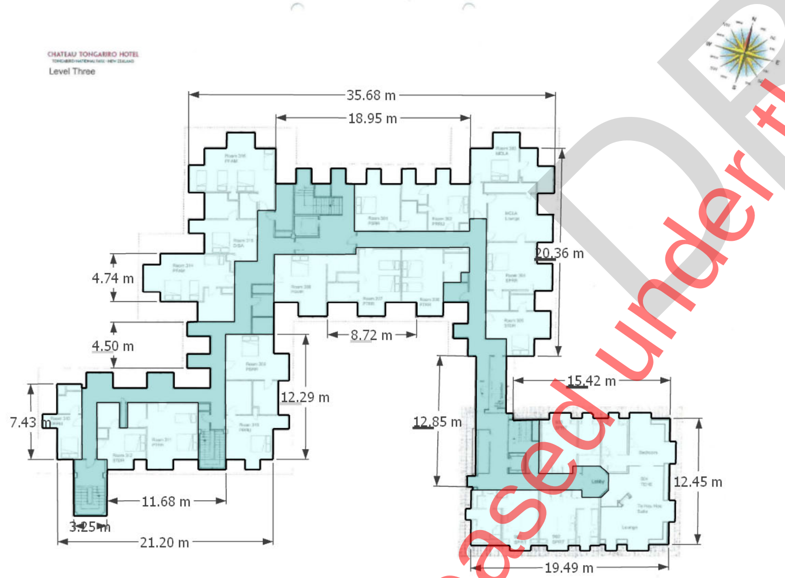


Figure 11: Chateau Tongariro Third Floor – Approximate Area Measurements



We make the observation that based on the floorplans as set out above, we have established the following accommodation schedule on which we base our feasibility and revenue assumptions. We have not included any units that are not located within the main Chateau Tongariro Hotel footprint.

Table 10: Chateau Tongariro | Room Breakdown

Room Breakdown	No.
Standard	46
Standard | Corner	26
Family	19
Suite	6
Total	**97**

Revenue Assumptions

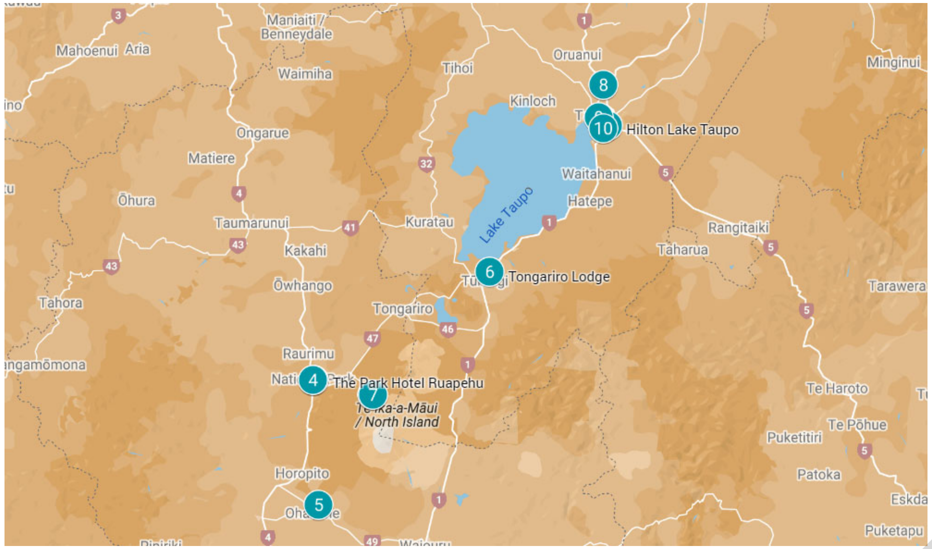
The key inputs of revenue, operating expenses and appropriate yield parameters have been adopted within CBRE's feasibility modeling to derive the resultant residual value within our analysis i.e., the equivalent revenue metric to adopt within a feasibility model.

We have researched room rates across a range of accommodation providers in the wider Ruapehu and Taupo region to determine appropriate room rates for the Chateau under a low and high scenario. The following scenario's assumes that a full refurbishment of the rooms and public areas to a minimum 4.5 star standard has been completed. Furthermore, we have assumed that Whakapapa will continue to provide Ski field amenities.

Table 11: Competitive Set & Tariff Analysis

Competitive Set & Tariff Analysis				
Map Ref	**Property Name**	**Address**	**Star Rating**	**Rooms**
1	Chateau Tongariro		4.0	97
2	The Park Hotel Ruapehu	Cnr State Highway 4 & Millar Street	3.5	80
3	Hilton Lake Taupo	80-100 Napier Road	4.5	113
4	Pipers Lodge	18 Millar Street	3.0	40
5	Powderhorn Chateau Resort	194 Mangawhero Terrace	4.0	32
6	Tongariro Lodge	83 Grace Road	5.0	27
7	Skotel Alpine Resort	Nguaruhoe Place Pl	4.5	48
8	Wairakei Resort Taupo	640 Wairakei Drive	4.0	187
9	Quest Taupo	59-61 Kaimanawa Street	4.0	38
10	Millennium Hotel & Resort Manuels Taupo	243 Lake Terrace	4.0	50

Figure 12: Competitive Set Mapping



Using these room rates and expected annual occupancy levels of between 65% and 70%, we have built up an estimated maintainable trading forecast for the hotel operation using market benchmarks which suggests net income of [redacted] per year and [redacted] per year respectively.

Option 1 Value Assessment

In order to assess an affordable market rent for hotels, percentage return rates drawn from market comparisons is generally applied to the differing revenue sources. The percentage rates adopted vary according to the profit margin of the department. This means for example that the rent percentage applied to rooms revenue is higher than that applied to food revenue.

As alternative checks, a hotel rent from an affordability basis should ordinarily be no more than 30% of stabilised revenue, no more than 75% of EBITDA.

This analysis suggests a market rent ranging from [redacted] p.a. in our low case to [redacted] in our high case.

Table 12: Option 1 – Market Rent Assessment

Market Rent Reconciliation	
Approach	**Result**
Rent By Revenue	[redacted]
Rent By Profit	
Adopted Market Rent	
Rent per Room	
Rent % Forecast Yr 1 Revenue	
Rent % Forecast Yr 1 EBITDA	

Market Rent Reconciliation	
Approach	**Result**
Rent By Revenue	[redacted]
Rent By Profit	
Adopted Market Rent	
Rent per Room	
Rent % Forecast Yr 1 Revenue	
Rent % Forecast Yr 1 EBITDA	

Whilst the land and buildings cannot be sold, we have considered an indicative book value to the Crown under this scenario whereby we capitalise the market rent. This indicates an indicative value range of [redacted] to [redacted]

Table 13: Option 1 – Value Assessment

Land & Buildings Value				
Net Market Rent				[redacted]
Capitalise In Perpetuity @		8.50%		
Indicated Market Value				
Sensitivity Analysis		**Adopt**		
8.00%	[redacted]			
Adopted Rate		Market Yield		
9.00%		Value per Room		

Option 2 Value Assessment

To determine the likely consideration an investor would be prepared to pay to acquire a long leasehold interest, we have capitalised the net income (EBITDA) assessed previously for the assumed 60 year term. This analysis indicates a value range of between 9(2)(j) [redacted] under the low case to 9(2)(j) [redacted] under the high case.

Under this option the treatment of improvements on expiry of the license must allow the licensee to recover some of their capital invested in fixed assets attached to the land, however only in the event that the licensee is not granted a new license or concession. This would not be the case in Option 1, where there is no key money investment as such.

Table 14: Option 2 – Value Assessment

High Case		
Leasehold Going Concern Value		9(2)(j) [redacted]
EBITDA		
Capitalised for 60 year term @	10.00%	
Indicated Market Value		

Sensitivity Analysis		Adopt
9.50%	9(2)(j) [redacted]	
Adopted Rate		Market Yield
10.50%		Value per Room

Development Costs

We have been provided with various costings relating to seismic upgrade work and building condition assessment works. We note that we have not been provided with costings or estimates relating to building services (mechanical), interior cosmetic refurbishment and hotel room renovations costs.

Based on our industry experience and market knowledge, we have provided placeholder amounts in the absence of said costs. We however reiterate that we are not expert cost consultants and while the benchmark data relied upon is credible, applying it to the hypothetical developments on the subject site carries significant material risk, particularly noting the early stage at which the project finds itself. Should any of our assumptions prove to be materially incorrect we reserve the right to amend our analysis accordingly.

The table below provides a summary of the development/ renovation costs adopted within our feasibility modeling:

Table 15: Cost Summary (Option 1 & 2)

Development/ Refurbishment Cost Assumptions	Note	Option 1	Option 2
Condition Assessment (Excl. building services)	*Provided by DOC*	$ 9(2)(i), 9(2)(j) [redacted]	
Condition Assessment – building services	*Estimate Only*	$	
Seismic strengthening (Main Chateau)	*Provided by DOC*	$	
Staff accommodation refurbishment	*Estimate Only*	$	
Hotel Room Renovation	*Estimate Only*	$	
Internal facilities renovation	*Estimate Only*	$	
Total Hard Construction Costs		**$**	
Professional fees		$	
Contingency		$	
Resource & building consent		$	
Marketing		$	
Development management		$	
Finance / holding		$	
Total Hard Construction Costs & Margins		**$**	

The development cost assumptions reflect the following:

- We have allowed for an amount of 9(2)(i), 9(2)(j) [redacted] per room to renovate the staff accommodation facilities. Our assumption is that the Chateau Tongariro fully operational will employ approximately 100 employees. We have provided a fixed cost per employee count due to the early stage of this assessment and individual building renovation estimates are subject to a higher degree of error.
- With regards to the renovation of the 97 hotel rooms, we have allowed for a high-level cost of 9(2)(i), 9(2)(j) [redacted] per hotel room to (4.5 star standard).
- We have reviewed the available engineering and seismic reports commissioned to date; however we note that our assessment was conducted at a high level.
- We have reviewed the current building services status and costs to remediate. We include known Capital Expenditure costs in our feasibility modelling.

– Based on our experience working on similar development projects, we note that due to the location of the subject site, we assume that an allowance for the increased costs as a result of the site location, both remote and seismic factors, has been provided for.

– We have assumed that development costs (excluding land) 9(2)(g)(i) [redacted] We understand this rate is reflective of similar government/council cost of debt.

– We have not allowed for a development margin, due to the nature of the project (publicly owned).

– Due to the early stage of this project, we have allowed for a 7.5% contingency allowance. Our sensitivity analysis hereinbelow further emphasises the high degree of price sensitivity relating to this project.

Feasibility Summary

The table below presents the results of our high-level feasibility testing across Options 1 and 2. While the project is notably challenged from a feasibility perspective at this present stage, the ongoing maintenance and decommissioning costs must also be considered in this context.

Furthermore, our feasibility analysis at this stage does not to any degree account for the offsetting economic benefit to the region from the operations of the Chateau. The wider economic impacts should certainly be examined concurrently at a ministerial level in reviewing our initial feasibility findings. The payback period of the government or like investment may certainly improve and validate the business case for the reinstatement of the Chateau.

Table 16: Feasibility Summary (Option 1 & 2)

	Unit of measure (plus GST)	Option 1	Option 2
Net realisation	*$000s*	9(2)(j) [redacted]	
Less:			
Development costs	*$000s*		
Development margin	*$000s*		
Residual value	*$000s*		

	15% Cost Reduction	Option 2 Baseline
Resultant Market Value	9(2)(j) [redacted]	
Construction Costs		
Non-Construction Costs		
Hibernation Option 3		
Government Investment Required		

Sensitivity analysis

Residual analysis by its very nature is highly sensitive to small changes to key input assumptions. Given the feasibility analysis undertaken in this report are based on indicative assumptions, the implied residual land values carry a wide margin of error.

The following sensitivity analysis represents the impact an increase or decrease in a development cost item or revenue assumptions would have on the overall residual value of the development. The following charts demonstrate this sensitivity:

Table 17: Sensitivity Analysis of Option 1

Residual Value ($m)

9(2)(j) [redacted]

Table 18: Sensitivity Analysis of Option 2

9(2)(j)

Residual Value ($m)

[redacted]

Option 3: Additional Revenue Streams

Option 3 would coincide with, or be ancillary to, the primary hotel operations established under Option 1 and 2 but seek to further support and supplement additional or alternative revenue streams.

Tongariro National Park is New Zealand's oldest National Park and is a dual world heritage area. As a consequence, the subject sites are subject to the National Park Management Plan; the plan is the primary document against which decisions are made in relation to the park and contains objectives and policies that guide decision making for development and activities within the park. For example, all residential accommodation for skiers and visitors is to be provided outside of the park. In effect, the management plan imposes an additional layer of planning rules that must be given regard to.

Relevant objectives at a high level include maximise recreational experience of visitors, preservation of natural resources and historical and cultural heritage of the park, minimising adverse impacts upon the natural landscape and the biophysical environment, to ensure tangata whenua have opportunity for input into development and management, to limit the effects of large-scale development and intensive use to existing amenity areas, etc.

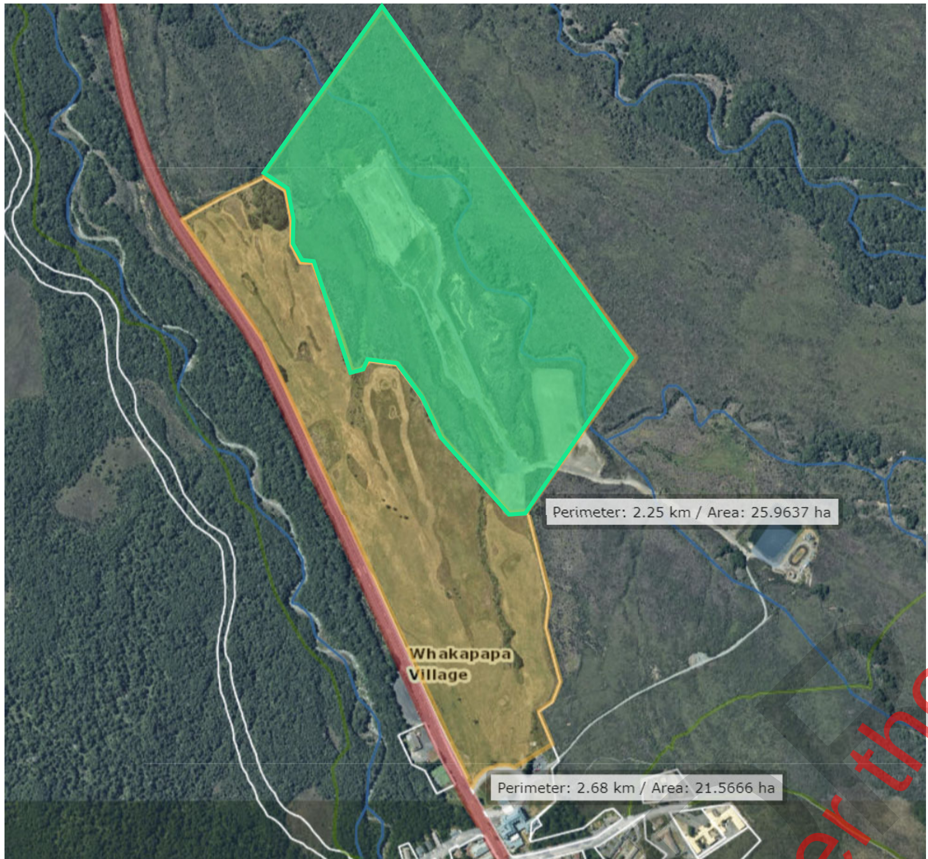
At this stage of our review, we have not pursued the National Park Management Plan to understand how the relevant objectives of the plan would impact on Option 3 uses. As we refine DOC's preferred options, we will look to undertake this work in due course.

In practical terms, we suspect that a new owner/operator of the Chateau will consider that the above objectives impose a higher level of consultations (both with DOC and iwi) and the associated administrative costs, relative to other accommodation operations.

Golf Course Exploration

- Historic performance of 9-hole golf course: The Chateau amenities previously provided for a full 9-hole course, i.e., 3, 4 and 5 par holes. Located immediately to the north of the hotel building, outline in gold on the below map.
- Disestablishment reasoning: Closed 5-6 years ago. Pasture not conducive given alpine climate. Difficult to maintain the fairway and greens.
- Reinstatement of 9-hole course: no information available on the exploration and feasibility of reinstating the course.
- Expansion of current golf course (landholding expansion) to increase to an 18-hole golf course: Not as identified initially by CBRE to the north-east of the previous 9-hole course (highlighted in green below) as this has been identified as potentially suitable land for water-treatment, but rather the land to the east of the Chateau that has historically been identified for aeronautical activities/an airstrip.
- To support destination golf, i.e., attract hotel patronage to Whakapapa Village, the golf course would need to provide 18-holes.

Figure 13: Expansion options. Proposal to reinstate and increase to 18-hole course.



- CBRE have been involved in sales campaigns relating to leisure uses, often associate with visitor accommodation, including golf courses. There has been a heightened interest in golf course development across New Zealand in recent years. A golf course opportunity may elevate and expand the buyer pool and optionality for the Chateau Tongariro, or alternatively provide a complimentary revenue stream. Anecdotally we understand this option may have merits, and certainly warrants further investigation by CBRE.
- We have not investigated in great detail at this preliminary stage, but we understand the following documents would need to be reviewed to better understand this option: National Park Management Plan, Conservation Act, General Policy for National Parks.
- To enable CBRE to investigate this option further, we welcome background information of the air-strip site, to enable us to investigate the golf course expansion.

Other activities

Not viable

- Mountain biking trails, particularly in shoulder and summer seasons. Not permitted in National Parks.
- Private accommodation would not likely be permitted.

Option 4: Non-hotel alternative uses

Option 4 considers a scenario whereby Option 1, 2 and 3 are deemed unsuitable. As we await feedback from DOC on Options 1, 2 and 3, we have not investigated the merits of non-hotel alternatives. Option 4 would seek alternative uses that would leverage the Chateau accommodation facilities to varying degrees. Preliminary ideas include:

- Ministry of Education: leased to school groups, church groups
- Museum or Cultural Centre
- Centre of Research, linked to universities or other institutes
- Self-contained apartments e.g. time-share concept
- Serviced apartments
- Ministry of Justice: Youth programmes, training academy
- Adventure sports hub e.g. climbing, paragliding

SWOT Analysis

Strengths

- Historically, the hotel operations benefited from a strong summer season trade, as well as being supported by the snow season.
- In the context of the North Island, Whakapapa, alongside its competition nearby in Tūroa, are the dominant ski fields.

Weakness

- Whakapapa ski field is heavily reliant on domestic visitors, unlike the South Island ski areas which are exposed to high numbers of international visitors (due to proximity to an international airport, among other factors). This drives a higher level of season pass holders for Whakapapa which brings in pre-season revenue, however this is at the expense of day pass revenue. The domestic market is inherently more difficult to consistently capture as skiers can postpone or cancel visits at short notice, which in turn impacts visitor accommodation.

Opportunities

- An international sales campaign may attract maiden / venture capital, that is attracted and motivated by a landmark 'trophy' asset.
- Changing market dynamics: Mid-July 2024 evidence a better-than-expected inflation rate level, which in turn appears to have improved market sentiment and instilled greater confidence in OCR reductions in the coming month. A reduction in the OCR will likely be the impetus for both a marked positive change in market sentiment and upswing in market activity. This would certainly improve the prospects of an on-market sales campaign.
- Mana whenua engagement may unlock opportunities for partnership.

Threats

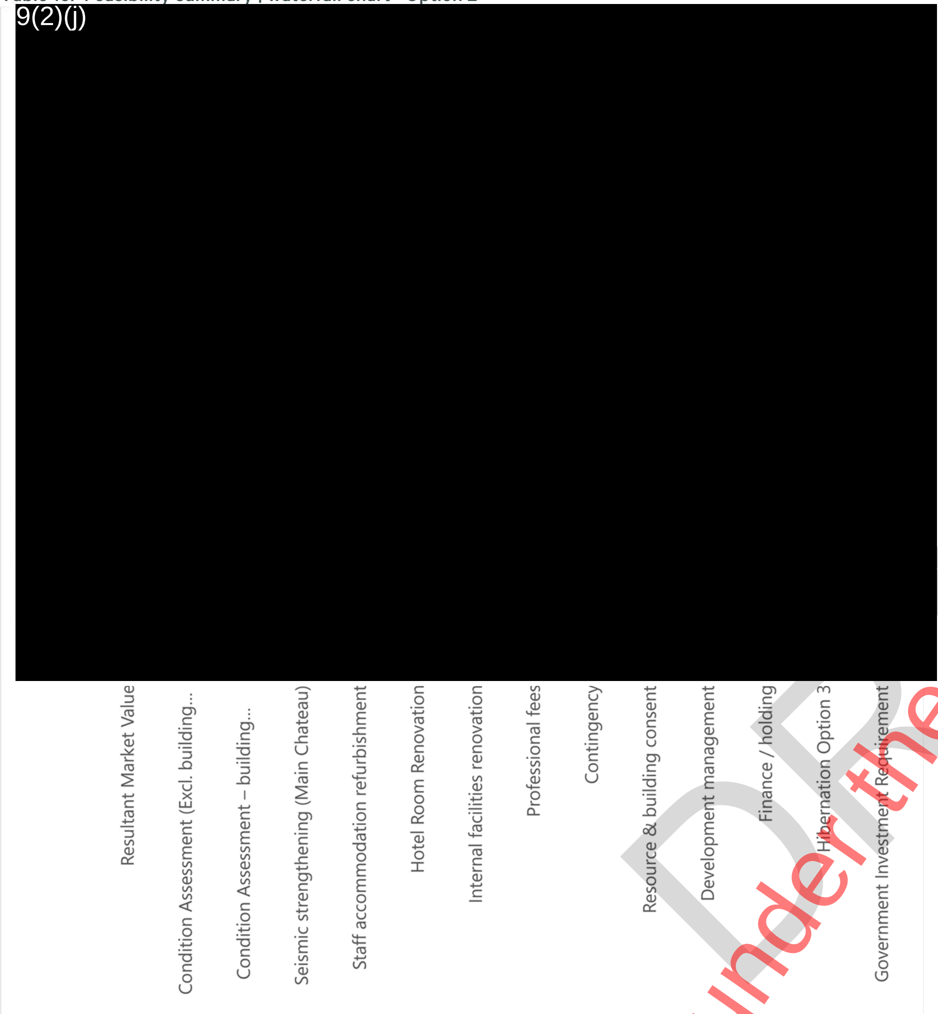
- The Chateau's location within a National Park restricts some activities e.g., mountain biking,
- Uncertainty in the outcome of current legal claim.
- Uncertainty around the requirement for the Purchaser to obtain a concession from DOC to operate, as a condition of settlement.
- Redevelopment risks: Noting the preliminary stage of investigations coupled with the nature of redevelopment and seismic risk, the cost and conditions assessments may eventuate to be more severe and costly than anticipated at this stage. Conversely, they may be overly cautious, and costs and risk may in fact be lower.
- We refer you to the Critical Assumptions section of this report.

Next Steps

Recommendations

CBRE opines that DOC select Option 2 as the preferred structure and enable CBRE to investigate Option 3 as an additional value generation opportunity. To support the investment case further, CBRE are keen to better understand and quantify to some degree to offsetting benefits i.e. value uplift, to the region

Table 16: Feasibility summary | waterfall chart– Option 2



Critical Information Gaps

We have reviewed existing information and documents, noting some restrictions in DOC's ability to share all information. We opine the following information gaps should be addressed to enable insightful market sounding to be conducted by CBRE in the next stage of our scope:

1. Building Services Costs (Mechanical and Engineering Conditions Assessment) – a report has recently been prepared for DOC however this is currently being reviewed at the request of DOC, and unavailable for CBRE's use at this stage. Timing is TBC.

2. A summary of repairs/maintenance costs has been prepared by DOC internally, however due to the current legal position, DOC is unable to share these costs with CBRE. DOC will rather provide CBRE with an updated estimate of the total costs once the aforementioned Mechanical and Engineering Conditions Assessment has been received.

3. Concessions summary information – a summary documents to be provided to CBRE from DOC. Commissioned internally by DOC, CBRE are the document at date of reporting.

4. Mana Whenua Engagement Process. Where appropriate, CBRE can engage with local Iwi to gather feedback on their views and concerns regarding the potential transaction and assess their appetite to be involved in the process. In this regard we would be guided by DOC procedures, however we would welcome the opportunity to leverage the knowledge and resources of our internal Māori Focus Group. We are cognisant however of the confidential nature of this instruction.

5. We have not been provided with any Geotechnical or Contamination Reports for the sites and assume that the options provided as well as generated can be constructed without onerous conditions or costs. We recommend advice is sought in this regard.

6. While we appreciate the Whakapapa and Tūroa ski field operational statuses are a complex and changing position, we suspect an information pack / summary document will need to be prepared as part of a sales campaign. We will verify this further in our Market Sounding stage.

7. An estimate of the cost to repair / reinstate adequate staff accommodation to support the Chateau operations. This is a scope CBRE's Building Cost Consultancy team can certainly assist DOC with.

Decisions DOC needs to make

1. Undertake Workshop 2 (23 July 2024) to review CBRE Part A draft report and provide feedback on which options CBRE should progress further with. The purpose of the draft report review is to establish key focus areas. We envisage DOC to select a 'preferred' option, notably between Option 1 and 2.
2. Dependent upon the outcome of point 1 above, DOC to assist CBRE in investigating the merits of Option 3 further, to enable us to include it within our Market Sounding process.
3. Provide CBRE with feedback on the draft Market Sounding process (including target list, base information and questions), to enable the process to commence hereafter.
4. Review the Critical Information Gaps identified in this report, and commission advice where agreed.

Work to be completed

1. CBRE to undertake any further analysis on the selected preferred option (and potentially Option 3), to further refine the output and financial metrics. DOC to provide any further information that is imminently outstanding (refer to Critical Information Gaps). Finalise CBRE's Part A report.
2. CBRE to undertake a confidential Market Sounding Process, with relevant DOC approvals on the process given the sensitive and confidential nature of this instruction. Thereafter prepare and compile a market sounding feedback report for DOC review. Finalise CBRE's Part B report.
3. CBRE to assist DOC in preparing a transaction facilitation plan, likely to form part of DOC's internal business case for the Minister.
4. DOC & Ministerial internal review.
5. CBRE to provide formal EOI proposal upon Ministerial feedback, or as part of point 3 above if preferred.

Market Sounding

Market Sounding Process

CBRE will conduct confidential soft market sounding on behalf of DOC with a group of selected operators and investors.

Through this process we will establish the market appetite for the opportunity, but importantly the transaction conditions precedent to facilitate a successful disposal campaign (i.e., clarification of lease options, concession status, current ski-field operations, seismic requirements, Capex appetite etc.).

Our reporting will provide DOC with clear and concise transaction recommendations, identify significant transaction hurdles, recommend campaign timing and will include matrix and modelling where relevant.

As part of our Part B scope, we will seek advice from DOC on how they would like CBRE to proceed with regards to Manu Whenua engagement. Recent successful example being Guide related matters for Tongariro National Park, that was built alongside iwi.

Our output will aid DOC in preparing a transaction structure. We will establish and advise on the various methods in which DOC could approach a transaction.

A target list will be prepared by CBRE. We will review the Expressions of Interest Contact list provided by DOC in this process. We note the ability to use confidentiality agreements with the selected list as part of this process. CBRE will obtain approval from DOC before commencing the market sounding interview process, including their approval on the information shared with participants.

CBRE

Thank you

For more information

9(2)(a) [redacted]

9(2)(a) [redacted]

9(2)(a) [redacted]