

COLLIERS INTERNATIONAL PRESS RELEASE

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Incentives needed to strengthen heritage buildings in Wellington

Colliers International Property Management and Heritage Property Management have joined forces to call for tax changes and / or government assistance to help fund earthquake strengthening of heritage buildings in Wellington.

Although this latest call follows the devastation of the Christchurch earthquake, the companies – which are together responsible for over 70 properties in Wellington - have been actively lobbying Government on the issue since early July, when they sent a letter to four ministers on the subject.

Evan Harris, Director of Colliers International Property Management, said: "With earthquake strengthening rules in the news, it is timely to focus attention on how Wellington's building owners should be incentivised to carry out this work sooner rather than later. If the government wants to see our heritage buildings retained, there should be tax relief and / or assistance in this area."

"We have seen a number of cases where earthquake strengthening is required but economically it does not stack up. We therefore support moves towards a change in tax treatment to enable this important activity to take place."

Peter Dowell of Heritage Property Management, also the Chair of the Wellington branch of NZ Historic Places Trust, said: "New Zealand has approximately 15,000 heritage and earthquake prone buildings - of which Wellington has 3,800. We are concerned that the current depreciation and regulatory regime does not encourage owners of these properties to undertake upgrading and earthquake strengthening to retain their heritage values. This will result in, at best, deteriorating or demolished buildings."

Mr. Dowell adds that councils have very limited pools available for owners who wish to apply for grants, but that there are sound economic grounds for the change. "Wellington's pool is \$250,000, which represents a drop in the bucket compared to the total cost to upgrade the potential 3,800 earthquake-prone buildings in the city. However, case studies have shown that the payback for central and local government revenue is less than 2 years. And, in 2007, the Spargo report estimated a benefit of historic property to Wellington of \$39 million, relating mainly to tourism. It concluded that heritage buildings are worth investing in to benefit the local economy and future generations."

He says that earthquake-prone building owners are additionally penalised. "Their insurance premiums are loaded - assuming they can obtain insurance after Christchurch - and in the current recessionary environment, banks are declining applications for funding for earthquake strengthening."

Christchurch-based Harris says the heritage buildings that had been strengthened in the city survived the earthquake much better than non-strengthened particularly the older brick buildings. "If there were incentives for owners to strengthen, we would have seen more strengthening, and more heritage buildings still standing."

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For more information, please contact:

- George Hulbert, george.hulbert@colliers.com, mobile: 021 677 886

NOTES TO EDITORS:

- Peter Dowell of Heritage Property Management and Alison Pharaoh of Colliers International Property Management jointly wrote to a group of Ministers on July 6th this year, requesting the Government revisit the current tax regime to encourage investors to strengthen their historic buildings.
- Peter Dunne, Minister of Revenue, declined this request on 13 August. He responded that "from a tax policy perspective, allowing a deduction for the cost of upgrading and earthquake-



strengthening heritage buildings, when these costs ought to be capitalised against the value of the building, would create a distortion in favour of investment in heritage buildings.”



Alison Pharaoh
Consultant Business Development

Level 8, 36 Customhouse Quay
PO Box 558, Wellington 6140

New Zealand

TEL +64 4 471 6620

DIRECT +64 4 471 6629

FAX +64 4 471 6621

MOBILE +64 21 242 0657

EMAIL alison.pharaoh@colliers.com

www.colliers.co.nz

Colliers International Property Management
(Wm) Limited - Previously Livingspace
Wellington Limited