

## Vendor Statement - 29/05/2020

### Property

The property is called the **Normanby Tavern & Bistro**, and is situated at:

**454 North Road, Normanby, North-East Valley, Dunedin**

### History

The property was established on the current site around 115 years ago. In those days it traded as the **Normanby Hotel** and included guest accommodation. Strategically located at the start of the main arterial route north to Christchurch, in those days the Normanby Hotel was a two-storey structure with guest rooms upstairs.

In the early 1960's, the new Northern Motorway was established at the Gardens-end of North-East Valley, and the need for accommodation declined. In the 1970's & 80's (in conjunction with Speights Breweries) the Hotel became a Tavern & Bistro, the entire top floor was removed, and the property changed its appearance dramatically, to look more in keeping with a modern Tavern of that era. An off-licence was also granted.

### Location

The Tavern caters to the North-East Valley area, which at the last census had a population of 5,514 people. It is an older, more established part of Dunedin, with a mature population. There is no immediate competition, with the closest competing establishment being 2.3 kilometres away, and no off-licence within four kilometres. The **University of Otago** is a little over three kilometres away.

### Current Owners

For the past 25 years the Tavern has always been subject to a lease. We purchased the Tavern around 10 years ago as a commercial property investment under the name **Isslington South Limited**. At the time, the lease was held by two guys who successfully ran the Tavern under the name **Normanby Tavern (2005) Limited** until 2017, when sadly, one of them passed away. The annual rent was **\$55,000** per annum plus Opex.

The lease was then sold to Richard and Susanne Dagg, who ran the Tavern under the name **Two Dags Limited**. Susanne had managed the Bistro for the previous lessee, and had always wanted to run a Tavern.

The rent remained at \$55,000 per annum.

After a couple of successful years, and as a result of personal issues, the lessees decided to close the Bistro in January of this year (not long before the impact of Covid-19) and to continue to run the bar.

### Lessor Acquisition

During Covid-19 lockdown, we negotiated with the Dags' and released them from all obligations under the lease, in return for the transfer of ownership of the plant, equipment and chattels. Richard Dagg also agreed to re-open the Tavern, (post Covid-19) under our direct ownership for a period of three months whilst we considered our best options going forward.

This was done, and the Tavern (minus Bistro) was re-opened on the 21 May 2020 in our name.

### **Current Status**

We now have total control of the land, building, business, plant, chattels and stock. The Tavern holds a current on-licence as well as off-licence. The opening of the Tavern post-Covid-19 is purely to keep all the licences active to ensure a sale as a going-concern. No further marketing of the Tavern is planned.

### **Approximate Value**

The current CV of the property is **\$620,000**. There is no recent Registered Valuation (RV), however the last RV undertaken around 2010 came in at **\$580,000**.

In late 2019 the property (land & buildings only) was listed for sale at **\$680,000** and we received a conditional offer of **\$648,000** that subsequently fell-over due to finance.

### **Land Area**

The land is 1,313m<sup>2</sup> in area, with the Tavern occupies approximately 40% of the site, and the rear car park the balance (ref. Aerial Site Plan).

### **Alternative uses**

Very recently we took the opportunity to visit the Dunedin City Council Planning Department, and enjoyed a productive session with a Senior Planner. There are alternative uses available for the property in the event that a purchaser wanted options available to them other than running a hotel.

### **Zoning**

1. The land is zoned Residential One, but with existing-use rights for the operation of a hotel. Whilst this is unusual, it is of immense benefit to the property. This situation probably occurred as a result of the Hotel/Tavern being in place before zoning came into vogue. The property has special exemption to operate as a Hotel/Tavern under existing-use rules.
2. The 1,313m<sup>2</sup> site occupies a corner site with two street frontages. The car park entrance is via Antrim Street.
3. The Dunedin City Council (Council) recently introduced the new 2GP (Second Generation Plan) and fortunately, the Tavern zoning remains unchanged as Residential One, with existing special exemption.
4. Under 2GP the emphasis is on land, and not the buildings that sit on the land. Note: this will also be an advantage to the property -see #3 below.
5. Currently, the Council is also considering reducing the residential section subdivision size to one residential unit per 200m<sup>2</sup> (currently one per 500m<sup>2</sup>) however, at the time of writing, we are not sure how advanced this plan is.

### **Residential/Commercial Uses**

Because the zoning is already Residential One, there are a number of development options available including fully residential, or a mix of residential and commercial. The current restrictions include the 500m<sup>2</sup> per residential unit rule (although a departure from this could be sought) and whilst the land qualifies for two residential units as of right, being a corner site and assuming the Tavern was demolished, you could apply to build three residential units. You will also note from inspecting the Aerial Site Plan, that the car park occupies nearly two-thirds of the land, which again, is an advantage.

*Therefore, the following options could be considered:*

1. Erect a dwelling on the rear car park (or maybe a relocatable, or portable building) use it as a residential investment, and continue operating or leasing the hotel. This can be done as of right.
2. As per above, erect the dwelling, and then any time thereafter, subdivide the site and sell the dwelling once the subdivision is completed, or use as residential investment. The Tavern continues as owner/operator or lease, or could be sold separately. If car parking for the Tavern is required, a small strip could be allocated for this as long as the dwelling complies with the minimum 500m<sup>2</sup> per residential unit rule.
3. A third option would be to complete steps 1 & 2 and convert the existing hotel into a large dwelling or a multi-room student accommodation. The advantage of a residential conversion is that under 2GP, no boundary restrictions need to be observed. This is a positive because the hotel is built right on the street boundary. Subdivision could still take place, and both residential units could be sold separately, or together, or retained as two residential investments.
4. The last option is to demolish the Tavern, build two new dwellings, or make application to the Council for (say) three dwellings or townhouses.
5. In the event that Council allows 200m<sup>2</sup> per residential unit sites, then six or more dwellings could be envisaged. We have concept drawings by an Architect available for six, two and three storey town houses.

### **Summary**

Land for residential development is very scarce in the Valley. Recently a Realtor appraised the land value (assuming residential use) at \$600,000 plus.

The property has good fall-back value and strong residential development potential. In addition, Bottle-O, had made approaches to establish a franchise bottle store by converting half the area of the Bistro into a Bottle-O shop. This hasn't been followed up. The Tavern has an off-licence, but seldom trades from it.

### **Vendor Finance**

The vendor is looking to nett \$600,000 plus stock at valuation (around \$10,000). The vendor can assist with 50% finance at (say) 4.25% with mortgage security.