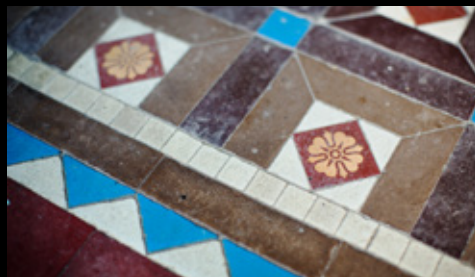


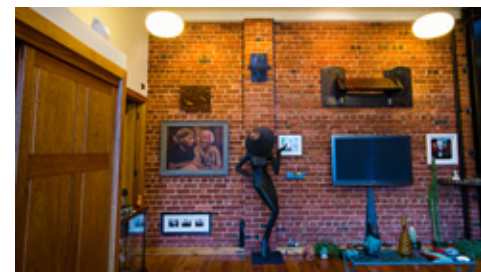
Making heritage work

The Christchurch earthquakes changed the rules around heritage buildings. Dunedin had to decide to bowl or strengthen. *Suzanne Middleton* talked to some enlightened enthusiasts in the old warehouse district who chose the heritage option – and haven't regretted it.



Photography by Isabella Harrex





WHEN BUSINESSMAN Lawrie Forbes bought the lease for the decrepit Reed building in the heart of Dunedin's historic Warehouse Precinct in 2012, he described it as the stupidest business decision he'd ever made.

With two walls on the point of collapse, the neglected 115 year old building was looking down the barrel of demolition.

But Forbes' social conscience paid off. The landowner came on board with rent relief for a year, and the council gave him rates relief for four years and \$50,000 towards immediately strengthening the walls.

Two years on, Forbes' commitment to the once proud building on its prime corner site has paid off. A Perth-based investor, Roger Bray, keen to buy property in the city of his birth, has purchased the building and begun converting it into apartments and a café.

Happy endings like this aren't unusual in Dunedin, where property investors with a love of old buildings receive expert advice and support from the council, and the adaptive re-use of historic buildings has reached a tipping point.

Heritage lovers in Auckland and Christchurch may be tearing their hair out as old buildings get bowled over in favour of new high-rises. But Dunedin has largely escaped this trend, according to another local property investor, Stephen Macknight, in part because demolition and new builds are rarely economically viable.

"It's all about land value being appropriate to the scale of the building. On Auckland's Queen St the high value of land means only a high rise building is economic because there's a rental return on several floors."

In Dunedin, where commercial land at the southern end of the CBD may be worth only \$500-\$700/m² rent from just two or three floors



may be enough to pay off the cost of the initial investment and renovation.

The Macknight family were one of the earliest to start the process, buying their first old building in the heart of the Warehouse Precinct at the depressed southern end of town in 1999. Queens Garden Court was built in 1888 for the NZ Insurance Company, it already had tenants, and the Macknights looked for the most efficient way to renovate it.

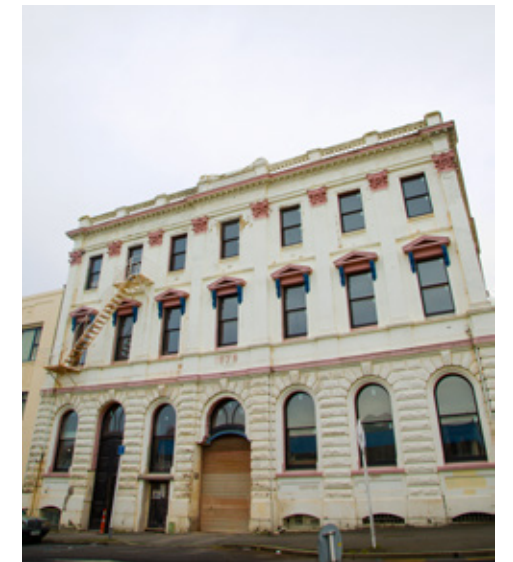
Stephen Macknight is a civil engineer who specialises in earthquake strengthening, so it made sense to do much of the work themselves.

Six months later they bought Consultancy House, a seven storey reinforced concrete building from 1910, and began bringing it up to scratch. Since then they've added three more buildings to their portfolio; Stephen's brother Michael owns and occupies a fourth.

Reviving the old

Lawrie Forbes and his wife Sarndra (above) own several heritage buildings in the Warehouse Precinct.

Right: Riah McLean wanted a semi-industrial, but homely feel for her Vogel St Kitchen business



HERITAGE LOVERS IN CHRISTCHURCH MAY BE TEARING THEIR HAIR OUT AS OLD BUILDINGS GET BOWLED OVER BUT DUNEDIN HAS LARGELY ESCAPED THIS TREND

Tenants in the Macknights' buildings are a mix of lawyers, health professionals, accountants, architects and high tech startups; plus there's retail and other small businesses.

Still, Macknight says investment in heritage buildings in Dunedin isn't a get-rich-quick scheme. Annual rents range from around \$150 to \$250/m² in Dunedin and they don't alter much. Compare this with rents of around \$500/m² for newly built office spaces in Christchurch, and "it's not an easy way to make short term gains", Macknight says.

"If you look at the long term, the equation changes a bit. Rent goes up and as long as you're covering the interest, your debt goes down."

But mostly Macknight does it because he and others, are passionate about Dunedin and its history.

"People have realised that aesthetics and creating a nice environment in buildings are just as important as being practical. Buildings are one of the few things you can retrofit in a contemporary way."

Another building owner with the technical skill to work on buildings himself is Zeal Steel owner Lawrie Forbes, who owns several heritage buildings with wife Sarndra and business colleague Craig McNaughton. Forbes'



rule of thumb is that the building's purchase cost must be low, because the cost of earthquake compliance isn't.

Earthquake strengthening for one and two storey buildings using steel and bracing diaphragms costs \$100-\$200/m². That's approximately \$80,000 for 400m² of floor space on two levels. Add another \$1,000-\$2000/m² for a fire rating and full refurbishment, and you aren't looking at rental returns much above 9%, even on a cheap building, Forbes says. Managing costs is essential, and it helps if you enlist others just as keen on preserving history as you are.

"I've found two people who are passionate about this city and they both give me guidance, one as a quantity surveyor and the other as a project manager. Without them these projects wouldn't be in the state they're in today. Dunedin also has excellent builders with great





Long-term vision
The Macknight family were among the earliest investors to buy and renovate property in what was then the depressed southern end of town

experience restoring heritage buildings.”

But heritage isn't always a business decision. Forbes bought the Reed building using his heart not his head, because he couldn't bear to see another beautiful building flattened and the site become a car park. Then he managed to save it and keep it in a holding pattern until a new buyer fell in love with it.

Forbes says compliance can be a significant problem in terms of protecting and strengthening old buildings. He is currently working on 76 Vogel St in the Warehouse Precinct. Turning the two storied former John McIndoe Printers building into suitable premises for the Vogel St Kitchen, a café/restaurant and homeware business owned by Riah McLean.

A recent talk he gave called “the age of consent”, described a mindblowingly convoluted consent process. Step one was a change-of-use resource consent (\$4,000), plus consultants' fees (\$20,000). Then there was \$2,500 for a preliminary site investigation report and geotechnical review (because it's a Hazardous and Industrial List site, and \$1000 for a soil management plan. The building consent costs included \$41,000 for architectural drawings and specifications, and the design for earthquake strengthening, fire, mechanical, electrical, ventilation and other services. The consent itself cost \$5,000 and when it became clear that the project was not stacking up financially, design changes bumped the consent cost up another \$1,500. The compulsory archaeological assessment on the building's history cost \$2,000. Total compliance cost \$77,000, plus a few extras.

Still, McLean couldn't be happier with the spaces Forbes is creating for her business. She



THE RULE OF THUMB IS THAT THE BUILDING'S PURCHASE COST MUST BE LOW, BECAUSE THE COST OF EARTHQUAKE COMPLIANCE ISN'T

says she knew as soon as she walked in that this was the perfect spot for her café/restaurant, which will feature woodfired pizzas and fresh seasonal food.

“I wanted to respect the building for what it is with a semi industrial look, but homely with a lot of character. I want people to feel that it's like home,” says McLean.

She regards Dunedin as her spiritual home. Her mother grew up here and her great grandfather worked as a printer in the building in the 1900s.

Archaeologists Hayden Cawte and Sheryl McPherson own three buildings in the Warehouse Precinct, including the 1884 Harbour Board building in Jerry St, which cost only \$60,000 to buy last year, but will need \$250,000-\$300,000 to be spent on earthquake strengthening.



Dunedin renaissance
Archeologists and business people Sheryl McPherson (above) and Hayden Cawte turned one of their building streetfronts into a design and fashion concept store to bring people into the Warehouse Precinct area. Once a busy commercial district, it had become rundown, but now is attracting small businesses and professionals.



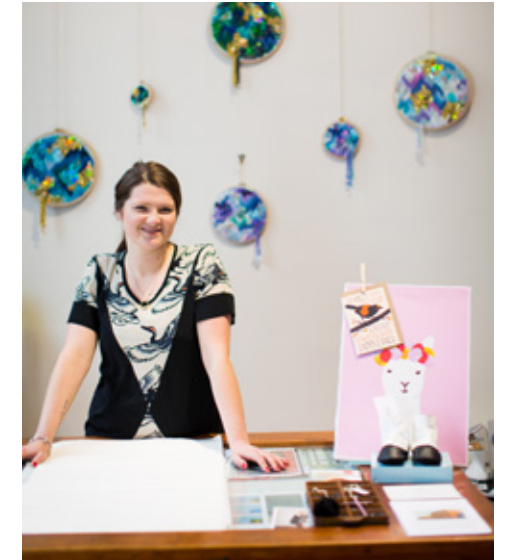
Currently the top floor is rented to artists as individual studios, and gives a return on investment of around 30%, but that will drop to under 8% once it's been earthquake strengthened, Cawte says.

He bought Salisbury House in Bond St (formerly home to the *Evening Star* newspaper) in 2004 at the age of 24 as a venue for his future business activities. Cawte and McPherson turned the streetfront into a design and fashion concept store as a way to bring Dunedin people into Bond St area.

“We wanted people to change their view of how they saw this part of the city. This was once the commercial hub of New Zealand, and while it was a little tired and run down, the majestic architecture remained. By bringing high fashion and creative design into the area we have been able to cultivate an image of trendiness and innovation.”

Cawte says renovating the Warehouse precinct buildings has created relatively cheap creative spaces that don't exist anywhere else. And the model where council and private developers work together to revitalise parts of the city could be replicated in the “underwhelming” Princes St area.

He says the economics is about not paying too much initially, upgrading the buildings



FORBES BOUGHT THE REED BUILDING USING HIS HEART NOT HIS HEAD, BECAUSE HE COULDN'T BEAR TO SEE ANOTHER BEAUTIFUL BUILDING FLATTENED AND THE SITE BECOME A CAR PARK

over several years in partnership with tenants, and taking a longer term view on return on investment.

The Dunedin City Council provides advice and support for building owners who want to upgrade and lease their buildings, says heritage planner Glen Hazelton. He says the Christchurch earthquake acted as a catalyst in Dunedin, forcing important decisions on the future of the older parts of the city.

“It's about finding new uses for these buildings and filling the area with people again. Also the change in this area can become a sign of what's possible for the bigger Dunedin context where physical regeneration goes hand in hand with creating a new identity for the city,

“We want to comfortably celebrate the old and new and combine them in really exciting and innovative ways.”

1934



A PIONEER IN COOKING

New Zealanders have enjoyed the latest innovations in kitchen appliances for almost a century. Designed to suit any home, the Shacklock Orion was the first electric range manufactured in New Zealand. Although small, it was fit for purpose. It was advertised as suitable for shepherds' huts, hotels and dwelling houses, places where the Sunday roast was a welcome reminder of home.

2014



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