

6TH MEETING OF THE FINANCE AND ADMINISTRATION COMMITTEE (FAC)

The Hague, The Netherlands, 23 to 27 January 2019

FAC 6 – DOC 08.1

Explanatory note regarding the Secretariat's premises

Secretariat

1. Background

At the 5th Meeting of the Finance and Administration Committee January 2018, Lima, Peru, the Secretariat presented the paper regarding the Secretariat's lease of its premises (FAC-05 Doc 05 Suppl.3) *"The lease for the Secretariat's premises will expire on 28 February 2019...The Secretariat is looking for general support from the Commission to find new and more appropriate premises in early 2019 as described above."*

After reviewing the status of the Secretariat's lease of its premises, the Commission allocated NZ\$64 500 to the budget category of "Premises" for Financial Year 2018-2019, covering 8 months' renting cost in the current office premises, 4 months' in the new one, i.e. office moving, office rent, property insurance, power and cleaning cost.

Therefore, following the 4 months costs, the annual cost as such rate would be NZ\$ 57,000 which is the upper threshold used as maximum annual rent cost.

2. Office space selection

The following paragraphs describe the office hunting process done by the Secretariat from July 2018:

2.1. Essential market facts of commercial property for lease in Wellington New Zealand in 2018:

Office space in Wellington's Central Business District (CBD) area remains tight in 2018. The Market indicator by Precinct provided by Colliers International is (<https://www.colliers.co.nz>):

Precinct	Market Indicators in NZ\$/m ²	
	Prime	Secondary
Thorndon (an inner suburb of Wellington New Zealand)	\$455	\$288
Core	\$588	\$341
CBD Fringe	\$453	\$223

2.2. Selection criteria for the new office:

- Annual rental cost (not including insurance, power and cleaning) below NZ\$57,000 for Financial Year 2019-2020.
- Anti-earthquake rating (NBS – New Building Standard) above NBS 67% (as current facilities).
- Convenient location, reasonable distance for staff members to commute between work and home considering public transport options.
- Space to accommodate the current 7 staff members (at least 120 m² including the common shared area).
- A server room with space for file storage.
- A meeting room big enough to host staff members.
- No reception area required.

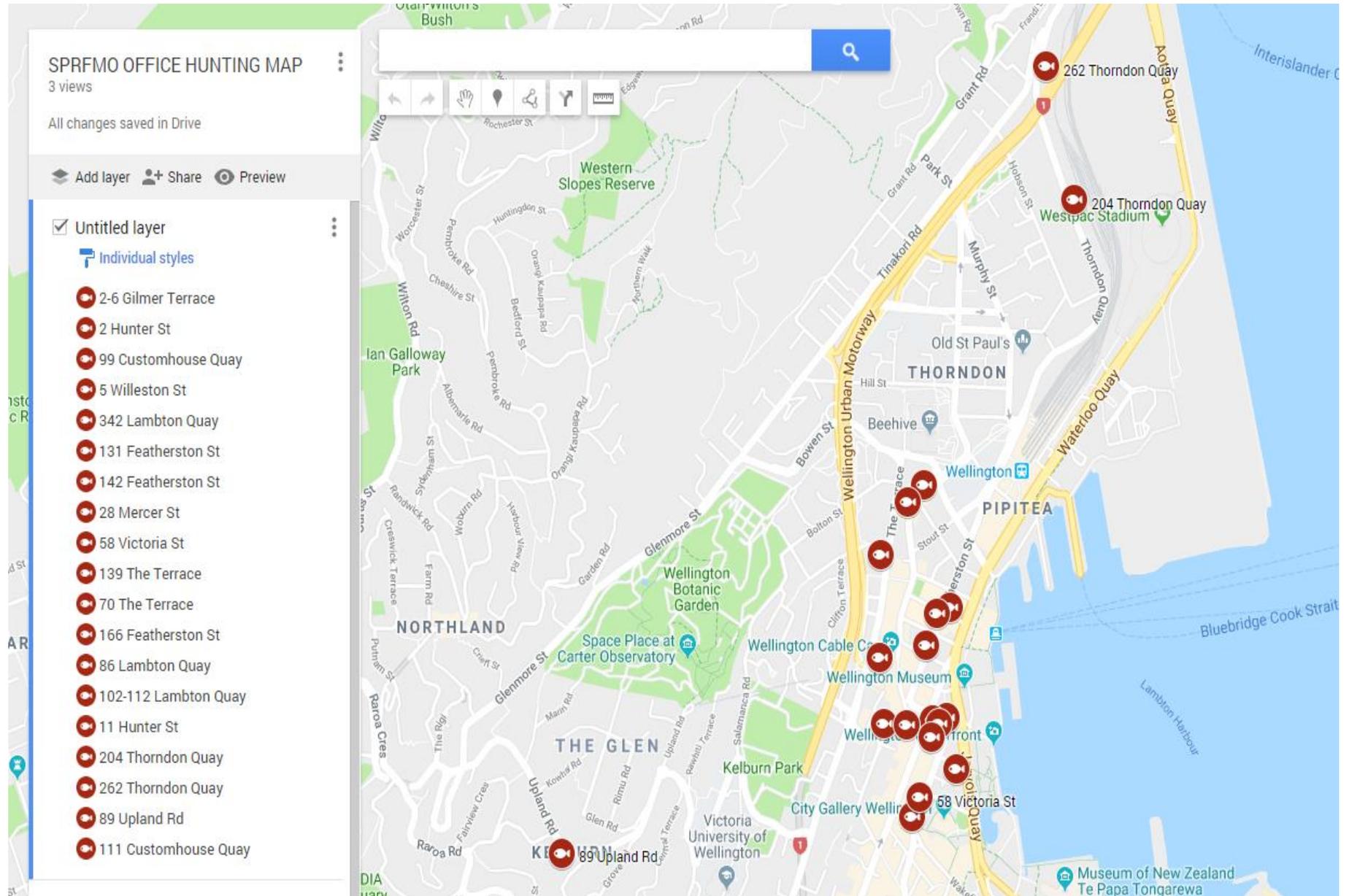


2.3. Office options assessed:

Addressing to the key selection criteria for the new office, whilst all care and diligence have been taken to find a reasonably priced one, the Secretariat has assessed 23 offices in the Wellington Core, 2 in the Thorndon and 1 in the CBD fringe areas.

Among the 3 shortlisted ones, Level 26 Plimmer Towers (the same building and the same floor as in the current SPRFMO facilities) is the selected one. The table below provides the office hunting records:

Properties	Area in m ²	Rent/m ²	Annual Cost in NZ\$	NBS Rating	Precinct	Shortlisted
Properties Listed under CBRE						
Level 26, Plimmer Towers	130	400	52 000	74%	Core	Yes
Level 8, ASB Tower, No. 2 Hunter St.	130	450	58 590	80%	Core	Yes
Level 16-5, Plimmer Towers	134	364	48 951	74%	Core	No
Level 16-4, Plimmer Towers	137	320	43 712	74%	Core	No
Level 20, Plimmer Towers	148	370	54 575	74%	Core	No
Level 8, Perpetual Guardian House, 99 Customhouse Quay	150	375	56 216	100%	Core	No
Level 8, Dell EMC House, No. 5 Williston Street	150	415	62 250	85%	Core	No
Level 4, No. 342 Lambton Quay	135	420	56 633	80%	Core	No
Level 5, No. 131 Featherston Street	119	310	36 890	70%	Core	No
Level 7, No. 142 Featherston Street	110	420	46 326	85%	Core	No
Level 6, Simpl House, No. 28 Mercer St.	148	360	53 244	70%	Core	No
Level 1, Ballinger Building, No. 58-60 Victoria Street	134	450	60 165	unknown	Core	No
Level 2, Willis House ex Asteron House, No. 139 The Terrace	151	390	58 890	80%	Core	No
Level 2 Solnet House, No. 70 The Terrace	148	420	62 110	100%	Core	No
Properties Listed under Colliers International						
Level 1, No. 166 Featherston Street	154	360	55 559	100%	Core	Yes
Level 1, No. 166 Featherston Street	149	340	50,524	90%	Core	No
Level 7, TVNZ House, No. 86-90 Lambton Quay	111	410	45,330	100%	Core	No
Level 9, Ranchhod House, 102-112 Lambton Quay	130	375	48,750	100%	Core	No
Level 5, Jackson Stone House, No. 11 Hunter Street	152	360	54,720	94%	Core	No
Level 11, No. 175 Victoria Street	175	340	59,534	90%	Core	No
Level 5, No. 11 Hunter Street	152	360	54,720	94%	Core	No
Level 2, 204 Thordon Quay	168	265	44,520	70%	Thorndon	No
Level 4, No. 262 Thordon Quay	200	320	64,000	70%	Thorndon	No
Level 2, No. 89 Upland Road, Kelburn	200	320	64,000	70%	CBD Fringe	No
Properties Listed under Regus						
Level 31, Plimmer Towers	100	450	45,000	74%	Core	No
Properties Listed under Harcourts						
Level 3, 111 Customerhouse	165	320	52,800	unknown	Core	No





2.4. New Lease: Starting from 1 May 2019 onwards (Tenancy 2 on Level 26 Plimmer Towers):

- Area: 130 sqm; NZ\$400 per sqm;
- Term: 9 years, from 1 May 2019 to 30 April 2028;
- Rent review clause: 30 April 2028¹;
- Annual increases 3%;
- Annual Rent (NZ\$) for the first 6 years as:

Financial Year	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Annual Rent in NZ\$	52 000	53 560	55 167	56 822	58 526	60 282
Common Area shared cost per annual in NZ\$	2 839	2 924	3 012	3 102	3 195	3 291
Total annual rent including common shared area in NZ\$	54 839	56 484	58 179	59 924	61 722	63 574

3. Recommendation

The FAC is invited to consider recommending the Commission approving the proposed budget amount allocated to SPRFMO premises, particularly considering that the annual rent for Financial Year 2019-2020 is below the threshold of NZ\$ 57,000.

¹ A review clause is added to the Lease contract where a penalty of 1/3 of the shortfall (landlord losses (NZ\$ 45 000) to accommodate the premises according to the tenant requests) will be paid by the tenant (NZ\$ 15 000) if leaving the premises in year 6.