

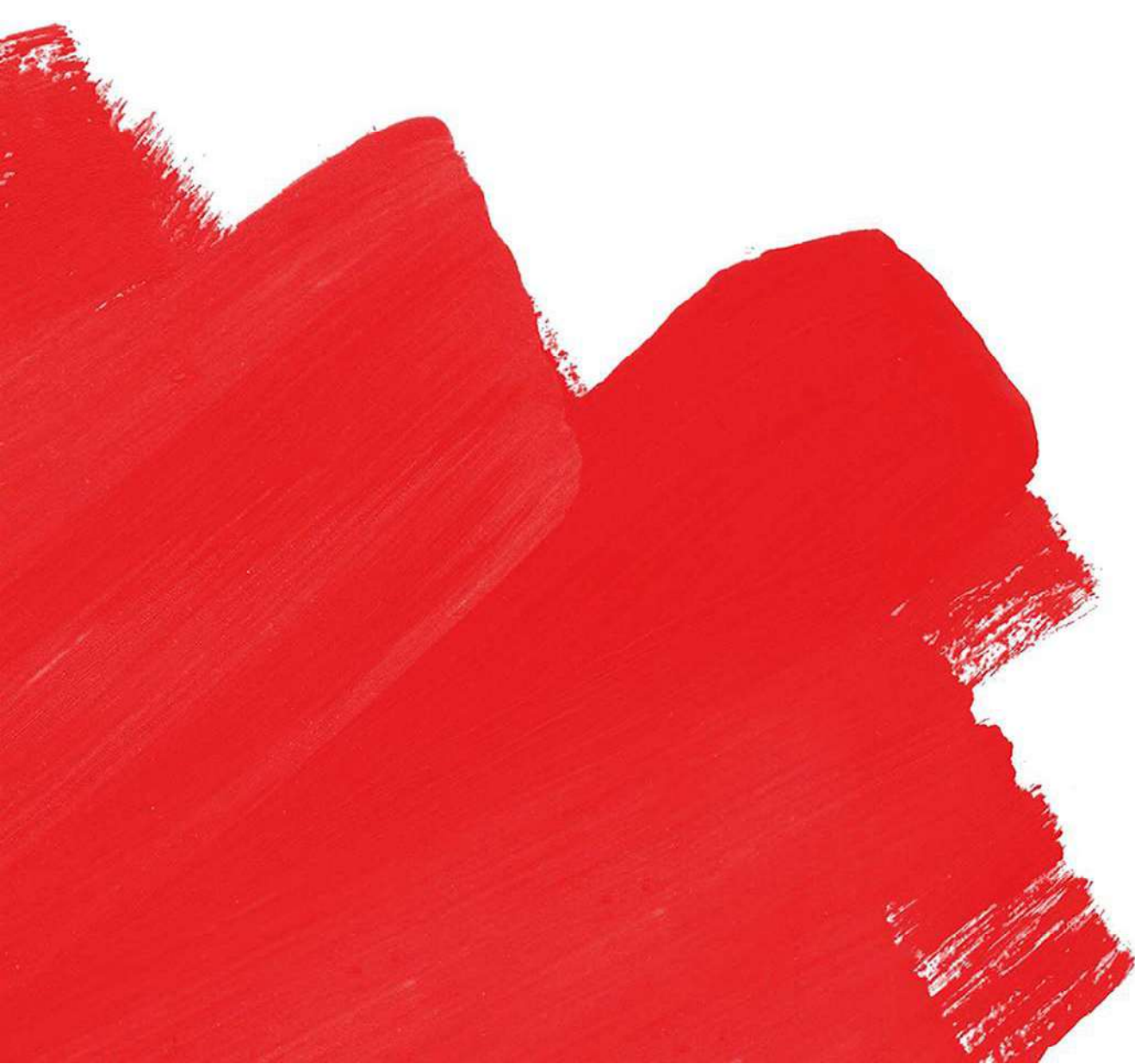
Valuation Advisory

Report prepared for PMG Direct Office Fund for Capital Raising purposes

Grant Thornton House

152 Fanshawe Street, Auckland CBD

30 September 2023



Executive Summary

Grant Thornton House - 152 Fanshawe Street, Auckland CBD



The property comprises a good quality office building completed in 2007, situated on the high profile corner site of Fanshawe and Halsey Street in Auckland's CBD fringe. The property provides a total net lettable area of circa 6,673 sqm over five levels with 73 parking spaces. The average upper floor plate size is approximately 1,493 sqm.

As at the date of valuation, the property is 94% leased to a variety of corporate tenants, with a WALT of 4.28 years and returning a total net rental (after ground rent) of \$2,544,790 per annum plus GST.

The property is of terminating leasehold tenure with a 150 year term from 27 August 2004. The property most recently underwent a market review on 27 August 2019, with the rental being set at \$859,200 per annum plus GST. Rent reviews are 7 yearly, whereby the rent is to be reviewed to 6% of the current freehold market value of the land disregarding the Lessee's improvements. We note that \$48,785 of the ground rent is currently recovered from Capgemini.

Valuation

Prepared for	PMG Direct Office Fund
Valuation Purpose	Market Valuation for Capital Raising
Date of Valuation	30 September 2023
Date of Report	6 October 2023
Valuation Methods	Income Approach – Income Capitalisation and Discounted Cashflow Methods
Zoning	City Centre – Auckland Unitary Plan (Operative in part, 15 November 2016)
Tenure	Leasehold – Record of Title 175800 Freehold – Record of Title 172361
Site Area	2,031 sqm
Lettable Area	6,673 sqm
Adopted Market Value	\$31,000,000 plus GST, if any Thirty One Million Dollars plus GST, if any

Valuation Analysis

Initial Yield	8.21%	Rate / sqm of Lettable Area	\$4,646
Initial Yield (Fully Leased)	9.56%	Weighted Average Lease Term	4.28 years by income
Equivalent Yield	8.22%	Current Occupancy	94.18%
Internal Rate of Return (10 years)	6.90%	Current Vacancy	5.82%

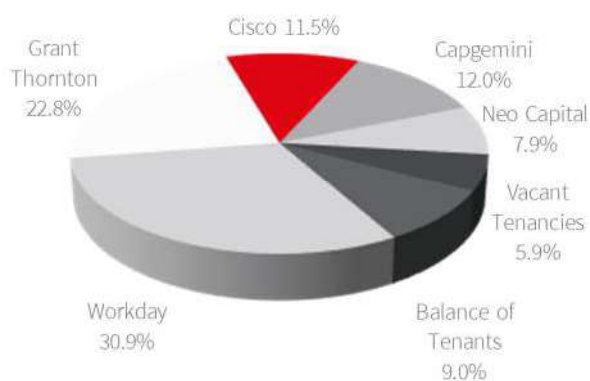
Tenancy Overview

Workday	\$1,136,350	2,280 sqm
Grant Thornton	\$838,239	1,518 sqm
Cisco	\$421,151	707 sqm
Balance	\$1,062,021	1,831 sqm
Vacancy	\$216,166	338 sqm
Total – Before Adjustments	\$3,673,926	6,673 sqm

Income Capitalisation Method Assumptions

Adopted Cap Rate	7.875%
Allowance for Capex/Expiries	24 months
Market Income Capitalisation	\$32,500,000
Passing Income Capitalisation	\$32,500,000

Major Occupiers



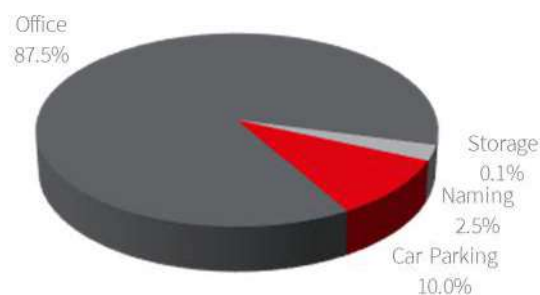
Financial Summary

Gross Passing Income	\$4,324,519
Gross Market Income	\$4,471,326
Adopted Outgoings	\$757,840
Net Passing Income	\$2,544,790
Net Passing Income (Fully Leased)	\$2,962,053
Net Market Income	\$2,762,978

DCF Method Assumptions

Discount Rate	7.875%
Terminal Yield	8.000%
Average Applied Rental Growth	2.65%
Value Based on DCF Method	\$28,800,000

Building Components



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Critical Assumptions, Conditions & Limitations

- The valuation is current as at the date of valuation only, being 30 September 2023. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property).
- We do not accept liability for losses arising from such subsequent changes in value. Without limiting this statement, we do not accept any liability where this valuation is relied upon more than 90 days after the date of valuation, or earlier if you become aware of any factors that may have any effect on the valuation, or such earlier date if it is reasonable to assume that a market participant acting prudently would be aware of any factors that have any effect on the valuation.
- This report is relevant at the date of preparation and to the circumstances prevailing at that time. However, within a changing economic environment experiencing fluctuations in interest rates, inflation levels, rents and global economic circumstances, acceptable returns on investment may, as a consequence, be susceptible to future variation. We therefore recommend that before any action is taken involving an acquisition, disposal or other transaction more than 90 days after the date of this report, you consult the Valuer.
- This valuation has been completed for the specific purpose stated in this report. No responsibility is accepted in the event that this report is used for any other purpose.
- Our valuation assumes the information provided by the instructing party or its agents is correct, and we reserve the right to amend our calculations, if deemed necessary, if that information is incorrect.
- Our valuation assumes all other professional/consultancy advice provided and relied upon is true and correct.
- We have relied on building areas, income figures and expense figures as provided by the instructing party or its agents and made specified adjustments where necessary. Where possible these have been verified through lease documentation and physical measurements.
- Unless otherwise stated all property measurements are in conformity with the Guide for the Measurement of Rentable Areas issued by the Property Council of New Zealand. Where certified areas have not been provided, we have normally undertaken measurement in accordance with Property Council of New Zealand Standards.
- We have relied on the land dimensions and areas as provided in the Record of Title as searched. In certain cases, physical checking of land dimensions and areas is difficult or not practical due to proximity of adjoining buildings, steep terrain or inaccessible title boundaries. Jones Lang LaSalle accepts no responsibility if any of the land dimensions or the area shown on title is found to be incorrect.
- Our valuation is made on the basis that the property is free of further caveats, mortgages, charges and other financial liens and that there are no memorials, encumbrances, restrictions or other impediments of an onerous nature which will affect the value other than those stated in the report or registered on the Record of Title.
- Enquiries as to the financial standing of actual or prospective tenants are not normally made unless specifically requested. Where properties are valued with the benefit of leases it is therefore assumed that the tenants are capable of meeting their obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.
- In the case of buildings where works are in hand or have recently been completed Jones Lang LaSalle does not normally make allowance for any liability already incurred but not yet discharged in respect of completed works or obligations in favour of contractors, sub-contractors or any members of the professional or design team.
- No enquiries in respect of any property, or of any improvements erected thereon, has been made for any sign of timber infestation, asbestos or other defect, whether latent, patent, or structural.
- Substances such as asbestos or other potentially hazardous materials could, if present, adversely affect the value of the property. The stated value estimate is on the assumption that there is no material on or in the property that would cause loss in value. No responsibility is assumed for any such conditions and the recipient of this report is advised that the valuer is not qualified to detect such substances or estimate the remedial cost.
- While due care has been taken to note any contamination liability, our investigations have been undertaken for valuation purposes only, and this report does not constitute an environmental audit. Unless otherwise stated no account has been taken of the effect on value due to contamination or pollution.
- We have undertaken a visual inspection in respect of any building valued but must advise that we have not commissioned structural surveys or tested any of the services and are therefore unable to confirm that these are free from defect. We note further that we have not inspected unexposed or inaccessible portions of any building and are therefore unable to certify that these are free from defect.
- We note we are not experts in relation to assessing the condition of the building structure and cladding, or in assessing the impact or otherwise of water/weather penetration issues. Should the building prove to have structural or weather penetration issues we reserve the right to amend the valuation assessment and any recommendations contained within this report.

- Any elements of deterioration apparent during our consideration of the general state of repair of building/s has been noted or reflected in our valuation. We are, however, unable to give any warranty as to structural soundness of any building and have assumed in arriving at our valuation that there are no structural defects or the inclusion of unsatisfactory materials.
- In preparing the valuation it has been assumed that items such as lifts, hot and cold water systems, electrical systems, ventilating systems and other devices, fittings, installations or conveniences as are in the building are in proper working order and functioning for the purposes for which they were designed, and conform to the current building, fire and government regulations and codes.
- Information on town planning and resource management is often obtained verbally from the local planning authority and if assurance is required Jones Lang LaSalle recommends that verification is sought from the relevant authority that confirms the position is correctly stated within this report, that the property is not subject to other decisions or conditions prescribed by public authorities and that there are no outstanding statutory notices.
- Jones Lang LaSalle's valuations are prepared on the basis that the premises (and any works thereto) comply with all relevant statutory regulations including the Building Act 2004 and the requirements of Territorial Authorities. Where we have obtained a Land Information Memorandum, we comment on this within our report. Where we have not obtained a Land Information Memorandum our valuation is therefore undertaken with the assumption that there are no outstanding requisitions.
- Unless otherwise stated all currencies within this report are in New Zealand Dollars.
- Non-residential valuations are (unless otherwise stated) carried out on the basis that the valuation is plus GST (if any). Residential property valuations are (unless otherwise stated) carried out on the basis that the valuation includes GST (if any).
- A reliant party can only rely on this valuation if received directly from JLL without any third-party intervention.
- The wider global economy continues to face challenges that cumulatively contribute to cost inflation, interest rate changes and consumer confidence thereby resulting in a more volatile transactional market. Issues in the banking and financial services sectors may prove to exacerbate an already volatile situation.
- Real estate markets can mostly be described as functioning but there is reduced transaction activity and the sentiment of buyers and sellers across some markets has been impacted. These factors have led to softer pricing across all sectors. There is a general perception and expectation of continued changes, and there is a risk that continued volatility, coupled with changes in debt costs, will have a direct impact on pricing as yields continue to evolve. There remains evidence of wide bid spreads, price renegotiations and transactions taking a long time to complete, which all add to the market dynamics.

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Appendix 1 – Valuation Definitions

Appendix 2 – Record of Title

Appendix 3 – Lease Summaries

1 Introduction

1.1 Instructions

We refer to instructions requesting that we undertake a market valuation of the leasehold interest of 152 Fanshawe Street, Auckland CBD (the Subject/Property), as at 30 September 2023 for PMG Direct Office Fund. We understand that the valuation is to be relied upon for Capital Raising purposes only.

Our report has been prepared in accordance with the current International Valuation Standards, Australian and New Zealand Property Institute's current Guidance Papers for Valuers & Property Professionals and the instructing parties valuation brief, and we confirm that the prime signatory:

- is independent of both the Instructing Party and Report Recipient;
- is authorised, under The Valuers Act 1948 to practise as a Valuer;
- is suitably registered and qualified to carry out valuations of such property;
- has no pecuniary interest that could reasonably be regarded as being capable of affecting that person's ability to give an unbiased opinion of the Property's value or that could conflict with a proper valuation of the Property;
- has satisfied professional education requirements and has experience in the location and category of property being valued or where applicable, has sought the advice of suitably qualified professionals who hold locational expertise; and
- has made a personal inspection of the property.

We confirm:

- the statements of fact presented in the report are correct to the best of the Valuers knowledge;
- the analyses and conclusions are limited only by the assumptions and conditions which follow within this report;
- the firm, Jones Lang LaSalle and the undersigned Valuers do not have a direct or indirect pecuniary interest in the subject property;
- the professional fee charged in relation to this assignment has not been contingent upon any aspect of this report;
- the valuation contained herein has been performed in accordance with PINZ / NZIV Codes of Ethics and Conduct;

The following parties may rely on this valuation report for the purposes stated above:

- PMG Direct Office Fund

Our report is confidential to the party or parties to which it is addressed, for the specific purpose to which it refers. No responsibility is accepted to any third parties. Neither the whole of the report or any part of it or any reference to it, may be published in any document, statement or circular or in any communication with third parties without our prior written approval of the form and context in which it will appear. Furthermore, this report can only be relied upon when the given party has received the report directly from JLL.

The Agreed Reliant Parties may use and rely on the valuation report for the stated purposes on the following basis:

- Their interests are a joint interest, and any claim by one or more of the parties will be dealt with as a single claim with the intention of joining all the Agreed Reliant Parties to a single claim where that claim was related to reliance for the stated purpose. For the avoidance of doubt, a joint interest cannot be split and are to be treated as a single claim. Only an Agreed Reliant Party is entitled to bring a claim for and on behalf of the Agreed Reliant Parties.
- The interests of the Agreed Reliant Parties are a joint interest in a cause of action founded on the same act or omission and any claim by one or more of the Agreed Reliant Parties will be dealt with as a single claim.

1.2 Valuation and Inspection Dates

The key dates that are relevant for our valuation are shown below:

Date of Valuation	30 September 2023
Date of Property Inspection	25 September 2023
Date of Preparation of Report	6 October 2023

We advise that we have been instructed to value the property as at 30 September 2023, which is our date of valuation. Our assessment assumes that there is no material change to the property or the market between the date of inspection and the date of valuation, and we reserve the right to review the valuation if there are material changes to either the property or the market over this period.

1.3 Basis of Valuation

Market Value

The value given herein is that of the market value of the Property as defined by the International Valuation Standards Committee (IVSC), and endorsed by the API and PINZ, which is as follows:

“Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

We confirm that this valuation has been undertaken on the basis of the price that might reasonably be expected if the Property was sold at the date of valuation assuming:

- a willing, but not anxious, buyer and seller;
- a reasonable period within which to negotiate the sale, having regard to the nature and situation of the Property and the state of the market for property of the same kind;
- that the Property was reasonably exposed to that market;
- that no account is taken of the value or other advantages or benefit additional to market value, to the buyer incidental to ownership of the property being valued;
- that the current proprietor has sufficient resources to allow a reasonable period for the exposure of the Property for sale; and
- that the current proprietor has sufficient resources to negotiate an agreement for the sale of the Property.

Included within this valuation are lessor-owned items of building fixtures, fittings, plant and equipment. These items exclude all movable equipment, furniture, furnishings and tenant owned fit-out and improvements.

1.4 Relevant Valuation Standards & Disclosures

The valuations contained herein have been completed in accordance with current Australia and New Zealand Valuation and Property Standards, and in particular with:

- IVS (International Valuation Standards 2022) Framework and General Standards
- ANZVGP 111 – Valuation Procedures – Real Property
- ANZVGP 108 – Valuation for use in Offer Documents

1.5 Information Sources

The information reviewed or previously provided includes, but is not limited to, the following:

- Record of Title particulars memorialised by Land Information New Zealand;
- Resource Management classifications and controls as stated within the District Plan of the governing Territorial Local Authority;
- Sales and leasing data from various industry sources, including real estate agents;
- Market research and forecasts from JLL Research; and
- Lease documentation, building areas, tenancy schedule and budgets supplied by the Client.

Our valuation is based on a significant amount of information that has been sourced from the instructing party or managing agent and other third parties. We have relied upon the accuracy, sufficiency and consistency of the information supplied to us. Jones Lang LaSalle accepts no liability for any inaccuracies contained in the information disclosed to us.

1.6 Specific Assumptions

Our assessment as to value has been based on the following specific assumptions:

- Several tenants have early break right clauses as a condition in their leases. We have assumed that tenants will not vacate at early expiry dates and have assumed occupation for the entire lease term. Should we be advised otherwise or should there be any material change, we reserve the right to review our valuation accordingly.
- Capgemini have agreed key terms for a new lease to downsize their premises to 768.6 sqm on part level 1 and 6 car parks. We have been provided with a Draft Deed of Lease and Agreement to Lease for this new lease. We understand that negotiations and legals are well advanced with the lease likely to be finalised in the coming weeks. For the purposes of this valuation we have assumed that this lease has been executed in line with the terms provided to us. We note that should this lease not proceed, or terms vary to those provided to us, this may have an impact on the valuation. We have adopted the following within our valuation:
 - We have adopted a commencement date for the new lease of 15 January 2024 (as advised by PMG).
 - We have assumed that the tenant will not exercise their early termination right and will be granted an additional incentive of \$90,000 plus GST.
 - We have treated the balance space on level 1 and car parks as vacant.
 - Capgemini have a current lease over all of level 1 and 13 car parks. We have included the current passing income, outgoings and ground rent recovery received from the tenant until the current lease expiry of 6 December 2023 as 'other income' within our valuation calculations.

2 Property Particulars

2.1 Location

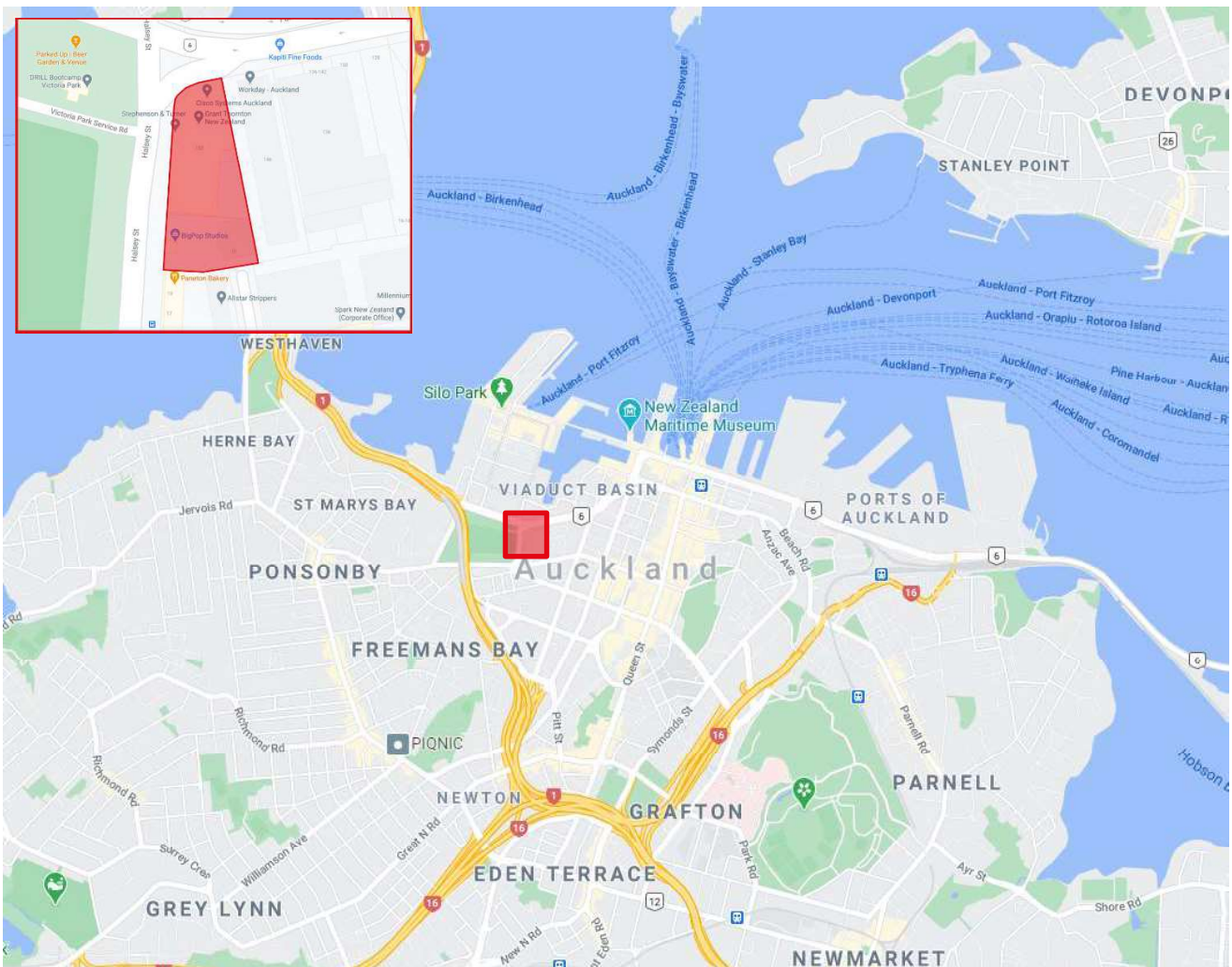
The property is situated along the southern alignment of Fanshawe Street at its intersection with Halsey Street, in Auckland Central, approximately 800 metres west of the Central Business District. The site is in a prominent corner position, benefitting from good profile and exposure to passing vehicular and foot traffic.

The properties location offers good access to transportation networks with ingress / egress points to the northern motorway located 400 metres to the west. Further afield, approximately 900 metres south, the spaghetti junction motorway interchange offers linkages to all major motorway networks.

The Britomart transportation centre is within close proximity, to the east, where all major bus and train routes are accessed. Fanshawe Street is a major thoroughfare linking the CBD to the central city suburb of Freemans Bay and the North Shore. Multiple public transport bays are situated along Fanshawe Street.

Surrounding development comprises multi-level commercial and residential premises, with nearby buildings of note including the new commercial office development at 136 Fanshawe Street, the AT building and Fonterra headquarters. The Wynyard Quarter area has undergone significant development with the construction of several new office buildings which include the Datacom Building, the Bayleys Building and Innovation 5A. The Viaduct Harbour is situated within close proximity, to the northeast. The development of the Viaduct Harbour and Wynyard Quarter continues to enhance the area as an office location with numerous occupiers relocating from the core of the CBD.

The following map identifies the approximate location of the Property:



Source: Google Maps

2.2 Title Particulars

The subject property is held in both a Freehold and Leasehold Record of Title. We summarise these as follows:

175800 – Leasehold Title

Title Reference	175800
Tenure	Leasehold
Legal Description	Section 1-2 Survey Office Plan 65001
Area	2,031 square metres
Registered Owner	PMG Direct Office Fund Trustees Limited
Registered Interest	<ul style="list-style-type: none">▪ 6607239.1 Variation of Lease 6151745.1▪ 6907416.1 Covenant pursuant to Section 108(2)(d) Resource Management Act 1991▪ 7404826.1 Encumbrance to Auckland City Council▪ 11615359.1 Variation of Lease 6151745.1▪ 11961044.3 Mortgage to ASB Bank Limited

Source: Land Information New Zealand

172361 – Freehold Title

Title Reference	172361
Tenure	Freehold
Legal Description	Section 1-2 Survey Office Plan 65001
Area	2,031 square metres
Registered Owner	Whai Rawa Property Holdings LP
Registered Interest	<ul style="list-style-type: none">▪ Subject to Part IVA Conservation Act 1987▪ Subject to Section 11 Crown Minerals Act 1991▪ 6151745.1 Lease Term 150 years commencing on the 27.8.2004 CT 175800▪ 6607239.1 Variation of Lease 6151745.1▪ 10055951.6 Mortgage to Bank of New Zealand▪ 10960876.1 Variation of Mortgage 10055951.6▪ 11615359.1 Variation of Lease 6151745.1

Source: Land Information New Zealand

We have considered these notifications in arriving at our opinion of value. For a detailed summary of the dealings noted above, we refer you to the Record of Title appended to this report.

2.3 Ground Lease Documentation

The site is held under a Ground Lease for a term of 150 years from 27 August 2004. We summarise details of the Ground Lease in the table below:

Ground Lease Summary	
Lessor	Whai Rawa Property Holdings LP
Lessee	KEA Investment Services Pty Limited
Legal Description	Section 1-2 Survey Office Plan 65001
Area	2,031 sqm more or less
Commencement Date	27 August 2004
Expiry Date	26 August 2154
Lease Term	150 years with no further rights of renewal remaining
Commencement Rent	\$2,500,000 plus GST This rent was for the first fifteen (15) years of the term, payable on or before Lease Commencement.
Current Rent	\$859,200 per annum plus GST (if any) This is 6% of the unimproved land value of the site which was valued at \$14,320,000 as at 27 August 2019

	(being the last rent review date).
Rental Review Provisions	<p><u>Clause 3.3: Market Review</u></p> <p>From the Fifteenth (15) anniversary of the commencement date and 7 yearly thereafter the annual rent payable under the ground lease shall be 6% of the underlying freehold market value of the land, disregarding the value of the existence of the Lessee's improvements.</p> <p>Annual rent is subject to a hard ratchet clause, whereby the rent payable upon review shall not be less than the annual rent payable in the twelve month period immediately preceding any such review.</p>
Permitted Use	Use of the Land for any purpose for which the Land is suitable and which complies with any Authority requirements in effect from time to time during the term.
Additional Clauses	<p><u>Clause 4.3: Payment of Charges</u></p> <p>The Lessee shall pay all charges and expenses in respect of all services, utilities and amenities supplied to or used by the Lessee or any part on or under the control or direction of the Lessee or in relation to the Land or any improvements including: electricity, water, gas, telephone rent and charges, NZ Fire Service charges, and collection charges.</p> <p><u>Clause 5.4: Removal of Buildings</u></p> <p>The Tenant must not remove the building without the Landlords consent, not to be unreasonably withheld.</p>

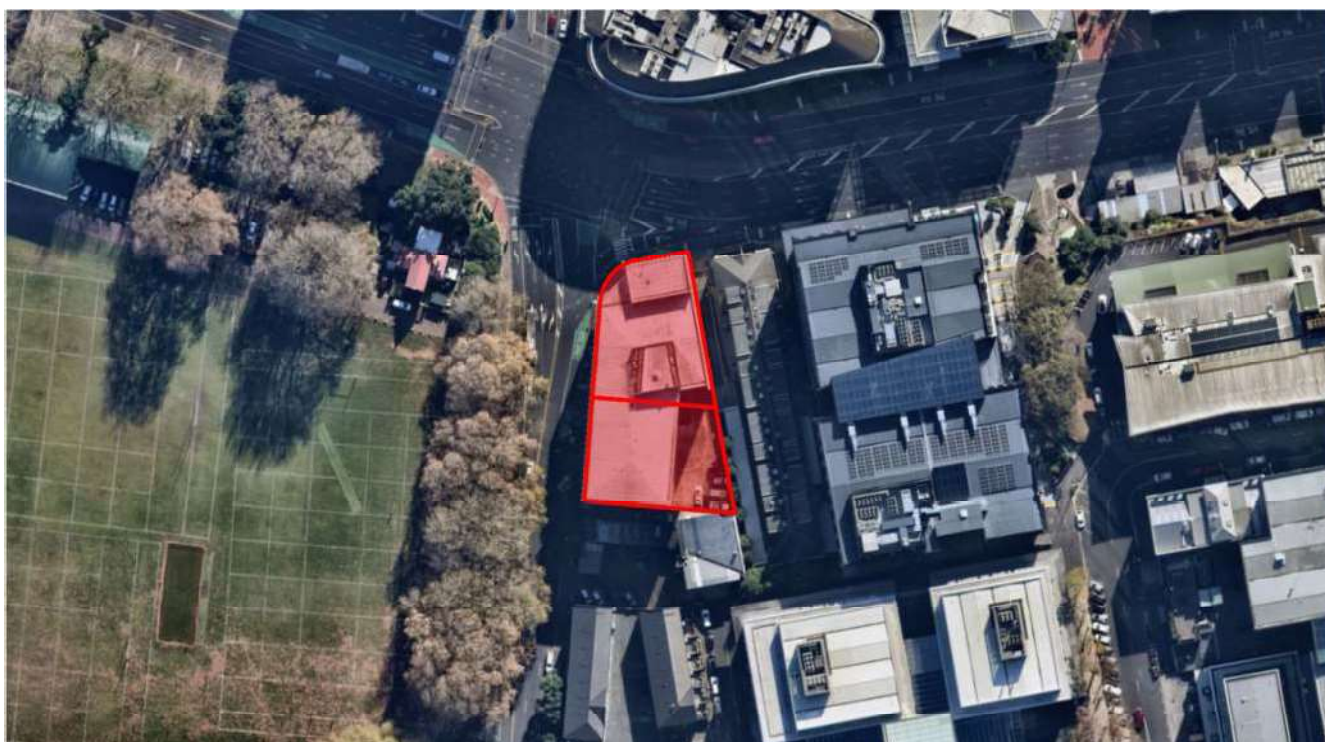
2.4 Site Details

The subject property comprises a more or less rectangular shaped parcel which decreases in width towards the northern boundary, with a total area of approximately 2,031 square metres, held within two sections.

The property is bounded by a commercial building to the south, residential property to the east and Halsey and Fanshawe Streets to the north and west respectively. The site benefits from dual frontages of 21 metres to Fanshawe Street and an extended frontage of approximately 58 metres to Halsey Street, resulting in excellent profile and exposure to passing traffic. The contour is level throughout its depth.

Pedestrian access is provided by way of stairs and mobility ramp into a recessed entry from the corner of Halsey and Fanshawe Streets. An automatic security roller grill provides direct vehicular access into the property from Halsey Street with ground level and basement car parking. The building occupies the majority of the site with those areas not improved by the building being largely asphalt sealed for car parking and vehicular circulation.

Site Area	Area of Section 1	1,033 sqm
	Area of Section 2	998 sqm
	Total Area	2,031 sqm



Source: Emap

2.5 Resource Management

Auckland Unitary Plan (Operative in part, 15 November 2016)

Local Authority	Auckland Council
Planning Instrument	Auckland Unitary Plan
Operative Date	2016 – Operative in Part
Zoning	<p>City Centre Zone</p> <p>The City Centre zone is the top of the centres hierarchy and plays a pivotal role in Auckland’s present and future success. This zone aims to ensure the city centre is an international centre for business and learning, innovation, entertainment, culture and urban living.</p> <p>To maintain and enhance the vibrancy of the city centre, the zone permits a wide range of activities to establish in most parts of the city centre. The zone also manages activities that have the potential to adversely affect the amenity of the city centre or that have the potential to generate reverse sensitivity effects on identified marine and port activity areas.</p>
Objectives	<ul style="list-style-type: none">▪ The city centre is an internationally significant centre for business.▪ The city centre is an attractive place to live, learn, work and visit with a 24-hour vibrant and vital business, education, entertainment, and retail areas.▪ Development in the city centre is managed to accommodate growth and the greatest intensity of development in Auckland and New Zealand while respecting its valley and ridgeline form and waterfront setting.▪ The distinctive built form, scale, identified special character and functions of particular areas within and adjoining the city centre are maintained and enhanced.▪ A hub of an integrated regional transport system is located within the city centre.▪ The city centre is accessible by a range of transport modes with an increasing percentage of residents, visitors, students and workers choosing walking, cycling and public transport.
Development Controls	<p>Building Height: 30 metres</p> <ul style="list-style-type: none">▪ Subject to Height Variation Controls <p>Site Intensity:</p> <ul style="list-style-type: none">▪ BFAR: 3.1▪ MFAR: 4.1 <p>Permitted activities include, but are not limited to: residential activities, community activities, industry activities, commercial services, entertainment services, offices, retail, conference facilities and marae complexes.</p> <p>In terms of development controls, the City Centre zone permits minor cosmetic alterations to a building, internal alterations to buildings and retail less than 1000 sqm gross floor area. Restricted Discretionary activities include: new buildings, external alterations and additions to a special character building, alterations and additions to buildings not otherwise provided for, conversion of a building or part of a building to dwellings, retail between 1000 sqm–5000 sqm gross floor area, visitor accommodation or boarding houses, and the total or substantial demolition of the front façade of a special character building.</p> <p>Non complying activities include: drive-through facilities and service stations not otherwise provided for. In terms of development controls, the City Centre zone does not permit buildings that exceeds the basic floor area ratio specified for the site and buildings that do not comply with standards relating to the admission of sunlight to public places, the Aotea Square height control plane, and the railway station building and garden view protection plane.</p>
Controls	Macroinvertebrate Community Index - Urban
Overlays	Natural Heritage: Regionally Significant Volcanic Viewshafts And Height Sensitive Areas Overlay [rcp/dp] - E10, Mount Eden, Viewshafts
Designations	Airspace Restriction Designations - ID 8302, Satellite earth station transmission paths, Television New Zealand Ltd

The existing improvements would appear to comply with the resource management requirements of the site. Further, we have assumed that the property benefits from existing use rights or has an applicable Resource Consent.

Proposed Plan Change 78 – Intensification

Auckland Council's 'Plan Change 78: Intensification' ('PC78') was notified in August 2022 and closed for submissions in March 2023. PC78 responds to the government's National Policy Statement on Urban Development 2020 (NPS-UD, amended in 2022) and requirements of the Resource Management Act, meaning councils must take active steps to:

- Enable more development in the city centre and at least six-storey buildings within walkable catchments from the edge of the City Centre, Metropolitan Centres and Rapid Transit Stops.
- Enable development in and around neighbourhood, local and town centres.
- Incorporate Medium Density Residential Standards that enable three storey housing in relevant residential zones in urban Auckland.
- Implement qualifying matters to reduce the height and density of development required by the RMA to the extent necessary to accommodate a feature or value that means full intensification is not appropriate.

Within the City Centre zone, PC78 will result in the following changes:

- Removal of Floor Area Ratio (FAR) standards:
Removing the standards will provide developers with more flexibility in building design but still within the constraints of other standards such as tower dimensions and set back controls.
- Removal of the FAR bonus standards:
These standards previously allowed the transfer of additional floor space between sites and buildings however under the plan change all sites will have greater height and/or development capacity and so the transfer of floor space is no longer needed.
- Amendment of the general height control:
This will enable unlimited building heights in the core city centre and heights up to 72.5 metres across the city centre except where special height controls or other qualifying matters apply.
- Changes to current standards (and some new standards) to ensure that tall buildings are of a form that fits the context of the city.

Notwithstanding the removal of some of the core development controls above, the following will be maintained to control the scale and impacts of development:

- The need for all new buildings in the City Centre to go through the Resource Consent process to enable good design outcomes,
- The special height controls which limit building height where certain things need to be protected, for example the admission of sunlight into parks and squares and view shafts to notable buildings and Maunga,
- Controls that set minimum dwelling size and minimum floor to ceiling ratio to ensure that dwellings are of an acceptable size for residents,
- The outlook control, to ensure light, outlook and privacy for dwellings,
- The maximum tower dimension, setbacks from the street, and tower separation distances which will be kept and extended, and
- City centre precincts which will continue to manage area specific outcomes, including height and development capacity.

Whereas, for the subject property, PC78 could enable a higher intensity of development on the site in the future, we note that the site lies within the Coastal Inundation Hazard Zone. Coastal Hazards (coastal erosion and inundation) are a Qualifying Matter within the NPS-UD meaning the anticipated intensification in areas where the hazards apply may be subject to modification. PC78 may therefore limit development within the coastal hazards area in order to avoid increased risk to people or property. We understand Auckland Council will prepare a Coastal Hazards Plan Change that will inform future zoning to apply within these hazard areas.

In summary, the implications of PC78 on the subject property are not fully known as yet. Given the property's leasehold tenure, future intensification carries some value risk. Increased intensification generally translates to higher land values and, for leasehold property, higher ground rental payments.

2.6 Rateable Value

We have been advised that the Property's Rateable Value, as at 1 June 2021, being Assessment Number 12342995606, is as follows:

Land Value	\$14,750,000
Improvements Value	\$34,250,000
Capital Value	\$49,000,000

We note that rating valuations do not take account of a number of key issues affecting value, including land tenure and occupancy arrangements, and are often assessed on an indexed or kerb-side basis. Accordingly, market and rating values may vary significantly.

2.7 Environmental Issues

During the course of our inspection we did not notice any evidence of land or building contamination. Importantly, however, we are not experts in the detection or quantification of environmental problems, and we have not sighted an Environmental Audit.

Our valuation has been made assuming an audit would be available which would satisfy all relevant environmental, and occupational health & safety legislation. If the Property's status needs to be clarified, an Environmental Audit should be undertaken. Our valuation excludes the cost to rectify and make good the Property, which may have become contaminated because of past and present uses.

2.8 Heritage

We have not undertaken any formal heritage searches; the property is not notified on the District Plan as being a heritage structure and our valuation is made on the assumption that there are no heritage issues relating to the Property.

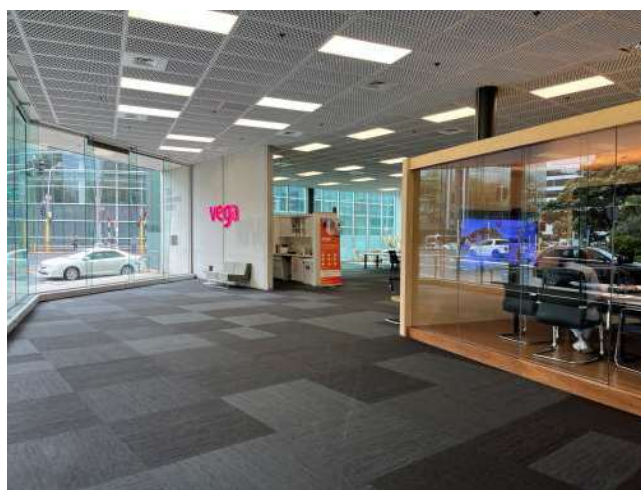
2.9 Improvements

The site is improved with a commercial office building constructed circa 2007 comprising five levels of office accommodation and one level of basement car parking. There is also some ground level car parking available. The building has a total net lettable floor area of approximately 6,673 square metres, together with 73 carparks.

The building has a more or less rectangular footprint with a central core and provides floorplates of circa 1,493 square metres. The floor to ceiling height on the first to fourth floors is circa 3.0 metres, whilst the accommodation to the front ground floor benefits from a floor to ceiling height of circa 4.0 metres. The floorplates allow for flexibility in space planning and are suitable for use as single or multi-let floors.



Exterior



Ground Floor – Neo Capital

2.10 Construction

We briefly outline construction details to the building as follows:

Structure:	Reinforced concrete with concrete columns and beams.
External Walls:	Precast concrete panels and curtain wall glazing.
Internal Walls:	Mixture of glazed and plasterboard lined to lettable areas.
Roof:	Un sighted – assumed reinforced concrete slab with a waterproof membrane.
Ceiling:	Predominantly acoustic tiles in a suspended grid tile system.
Lighting:	Predominately a mixture of recessed and diffused fluorescent lighting to the office spaces and some use of incandescent and feature decorative lighting to the foyer and reception areas.
Windows and doors:	Powder coated aluminium framing and glazed windows.
Key Services:	Air conditioning, security system and fire protection system inclusive of a reticulated sprinkler system. There are three passenger lifts (14 person, 1,000kg) serving all floors. The offices have both perimeter and drop down cabling.

2.11 Accommodation

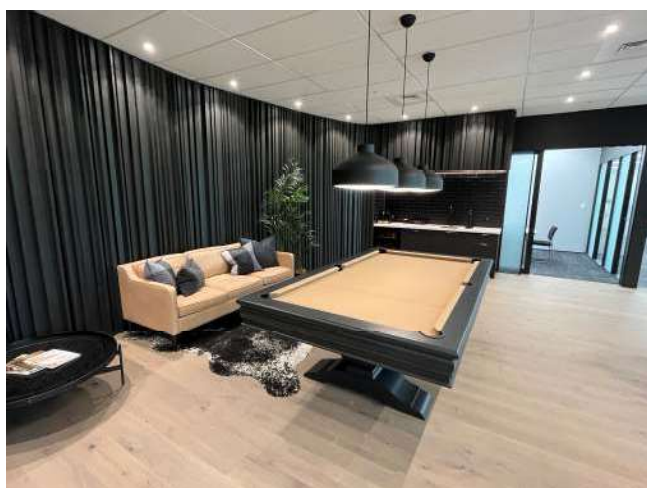
Office Accommodation

Entrance is gained via Halsey Street from which automatic doors open up into a single height foyer area and the main core which provides three passenger lifts servicing all floors and stair access.

The ground floor is bisected by the foyer area and provides one tenancy to either side. The Neo Capital tenancy benefits from a floor to ceiling height of circa 4.0 metres and full height glazing to the street frontages, with the Fanshawe Street frontage being double glazed. Specification to the tenancies generally includes suspended acoustic ceiling tiles with recessed fluorescent lights and carpet flooring.

The office accommodation on levels 1-4 comprises floor plates of approximately 1,493 sqm. All levels are presented to a high standard of office accommodation and benefit from extensive glazing allowing for excellent levels of natural light and views over Victoria Park. Each tenancy generally provides open plan office accommodation with some partitioned offices and meeting rooms.

Male and female toilet facilities are provided on each level in the central core.



Level 1 – Precon



Level 1 – Capgemini



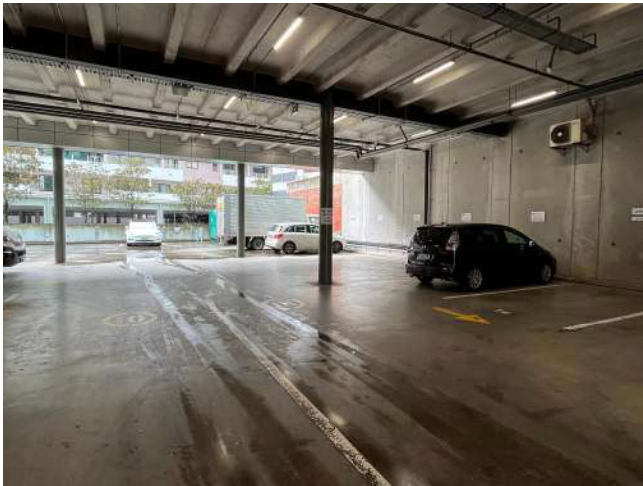
Level 2 – Workday



Level 3 – Workday

Basement & Ground Level Parking:

There are two separate car parking areas which provide for a total of 73 car parks with access provided from Halsey Street. The first area on the ground level provides for both covered and open car parking. The basement level provides for secure, covered car parking. Internal access to the building from the basement car parking is achieved via three passenger lifts which serve all floors and stairs. Bike parking facilities are also provided.



Covered Ground Car Parks



Covered Ground Car Parks

2.12 Lettable Areas

The Property's total Lettable Area is approximately 6,673 square metres. A summary of this Lettable Area is detailed as follows:

Building Floor Area	
Accommodation/Level	Lettable Area
Ground	701
Level 1	1,493
Level 2	1,493
Level 3	1,493
Level 4	1,493
Total Lettable Area	6,673 square metres
Car Parking	Spaces
Basement spaces	52
Ground spaces	17
Stacked spaces	4
Total Car Parking	73 spaces

The areas noted above have been taken from survey plans provided. We understand that these areas have been measured in accordance with the Guide for the Measurement of Rentable Areas as published by the Property Institute and Property Council of New Zealand.

2.13 Environmental, Social and Governance

Environmental, Social and Governance (ESG) has become increasingly important in the real estate world and is expected to evolve and become more influential in the short term. Many occupiers are increasingly making decisions which are strongly influenced by ESG, whilst owners are also seeking to reduce their carbon footprint. Whilst most sectors in New Zealand do not currently have sufficient transactional evidence to identify a specific premium for good ESG features it is considered that they will continue to become more influential. The New Zealand Government has committed to the Climate Change Response (Zero Carbon) Amendment Act 2019 which sets out targeted emission reductions New Zealand needs to meet. In addition the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill, which became mandatory in December 2021 means that a number of larger entities need to provide for climate reporting.

Features which have been influencing value for some time such as location to public transport, potential risk of flooding, regulatory issues, contamination or reducing operating costs continue to play a key role in assessing value. New considerations around Net Zero Carbon, use of sustainable energy and water resources, construction materials and other sustainability features are coming into focus. Many buildings are now going through design and operational certifications with the likes of Green Star and NABERS being particularly relevant in New Zealand. Some leases now contain “green” clauses, whilst we are also aware of some lenders providing more attractive finance terms for properties with good ESG features.

While we are not yet at a point where there is clear sales or rental transactional evidence to prove up the potential of these initiatives, we consider it clear than on a like for like basis with other buildings, there is a potential for a premium to be paid for a building with these features.

As valuers we are guided by market evidence and whilst not experts in some of the specifics of ESG that may represent differences in potential future costs or liabilities to meet regulatory or investor requirements. Properties that do not meet the sustainability characteristics expected in the market may represent a higher investment risk, particularly as occupiers become more conscious of ESG impacts on operational workspace, which could impact on vacancy and rental levels. This means that properties where ESG features are not as strong, are more likely to see value discounts moving forward compared to those with strong ESG features.

2.14 Condition and Repair

We inspected the interior and exterior of the property. The building appears to have been well maintained with no significant deferred maintenance requirements evident.

Our valuation has had regard to the apparent state of repair and condition of the Property; however, we were not instructed to carry out a structural survey or to test any of the services available to the Property. We are therefore unable to report that the Property is free from further defect and we have assumed that no deleterious material was used in the construction.

A Building Warrant of Fitness is an annual certificate that confirms the Specified Systems in the building have been inspected and maintained, and that the requirements of the Compliance Schedule associated with the operation of the property in its current use have been complied with. We confirm that we have sighted a Warrant of Fitness for the property current through to 14 June 2024, and therefore assume that the property complies with the provisions of Compliance Schedule 200700085.

The Health and Safety at Work (Asbestos) Regulations 2016 place requirements on building owners and occupiers in terms of assessing the risks associated with asbestos within buildings. Worksafe New Zealand recommend that buildings constructed before January 2000 are assessed for materials likely to contain asbestos, and if found, formulate a management plan.

As the building was constructed after January 2000 we have not sought further information on asbestos within the property.

2.15 Earthquake Strengthening Requirements

New Zealand is prone to seismic activity and there are requirements on building owners to ensure their buildings are safe for occupants and users as outlined in the Building Act 2004 and Amendment (Earthquake-prone Buildings) Act 2016. These regulations categorise New Zealand into three seismic risk areas and sets timeframes for identifying and taking action to strengthen or remove earthquake prone buildings.

As part of our valuation we have been made aware of the following information:

Year of Building Construction	2007
National Risk Zone	Low
Compliance with New Building Standard	100% NBS
Assessment Type	Letter regarding the IEP
Assessment Completed By	Structure Design
Assessment Date	August 2014

We note the building does not appear on the Earthquake Prone Building Register as published here:
<https://epbr.building.govt.nz/>.

We have been provided with a letter dated 10 August 2014 from Structure Design regarding the IEP of the property. The letter outlines that the building was designed in 2005 and 2006 by Structure Design and peer reviewed by Abacus Engineering to comply with Building codes that are still current and as such it will rate at 100%NBS.

We have therefore assumed that the property has an NBS of 100% due to its construction in 2007.

Ideally for a building of this standing a more detailed seismic investigation would be available, and may result in some occupiers or investors preferring to consider other options.

We are not qualified to undertake a structural survey of the property and have proceeded based on the information available. We recommend interested parties confirm the insurability of the subject building.

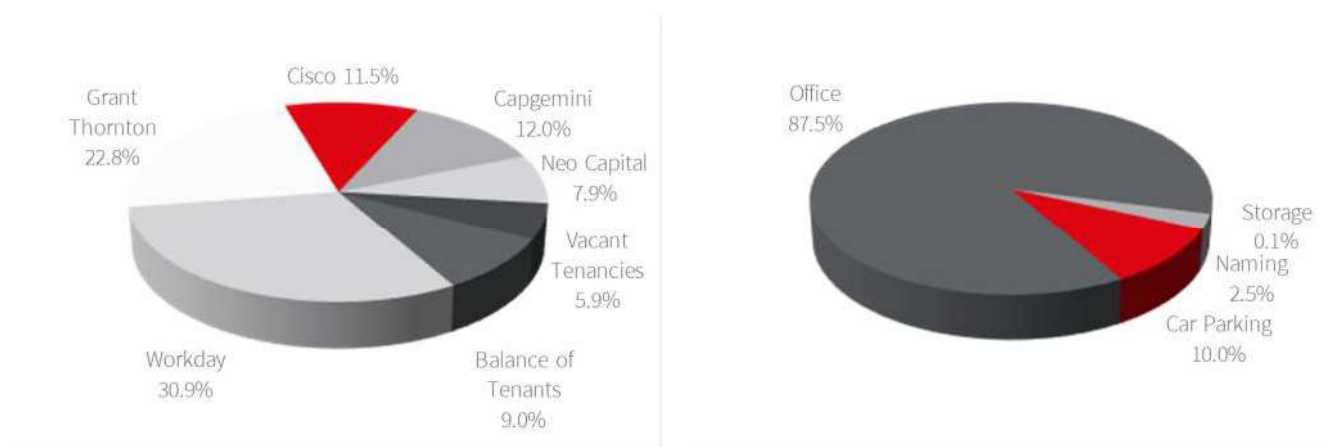
3 Property Income and Expenditure

3.1 Tenancy Overview

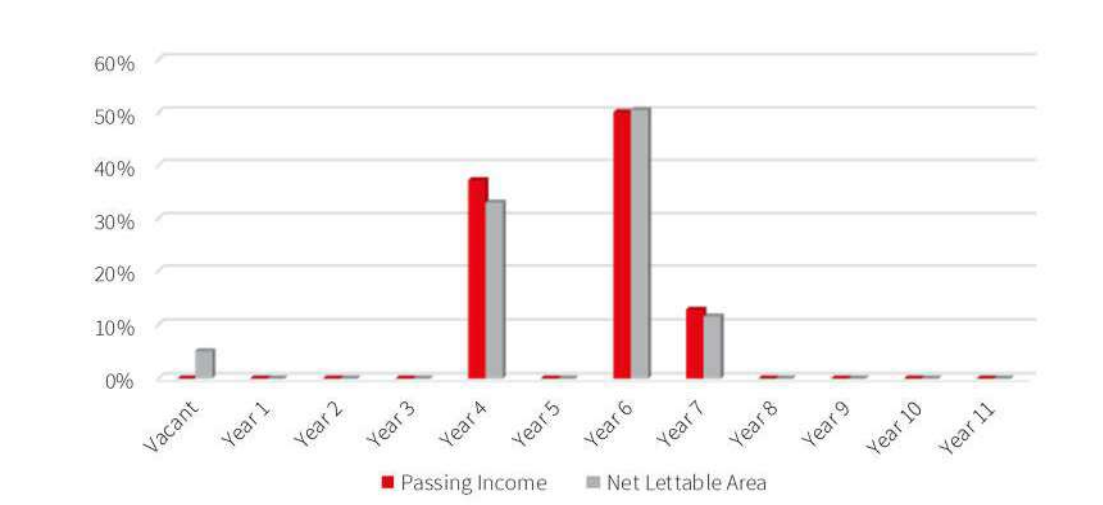
We have been provided with a tenancy schedule and with Lease documentation that was available at the time of valuation. The net rental from the Property can be summarised as follows:

Tenant	Net Rental	Lettable Area	Proportion of Lettable Area
Workday	\$1,136,350	2,279	34.2%
Grant Thornton	\$838,239	1,493	22.4%
Cisco	\$421,151	707	10.6%
Capgemini	\$441,678	769	11.5%
Neo Capital	\$290,532	518	7.8%
Vacant Tenancies	\$216,166	338	5.1%
Balance of Tenants	\$329,811	570	8.5%
Total	\$3,673,926	6,673 sqm	100%

The net rental from the property can be analysed by occupier and component proportion as follows:



The graph below demonstrates the lease expiry profile (by income and area) over a ten-year horizon:



Our calculation of the property's Weighted Average Lease term is as noted below:

Weighted Average Lease Term Remaining	Years
By Area	4.35
By Income	4.28

3.2 Lease Summaries

We attach lease summaries at Appendix 3.

3.3 Building Vacancy

As at the date of valuation, the Property has vacant accommodation of 338 square metres and 7 car parks, which reflects 5.82% by income potential. Current vacant areas are summarised as follows:

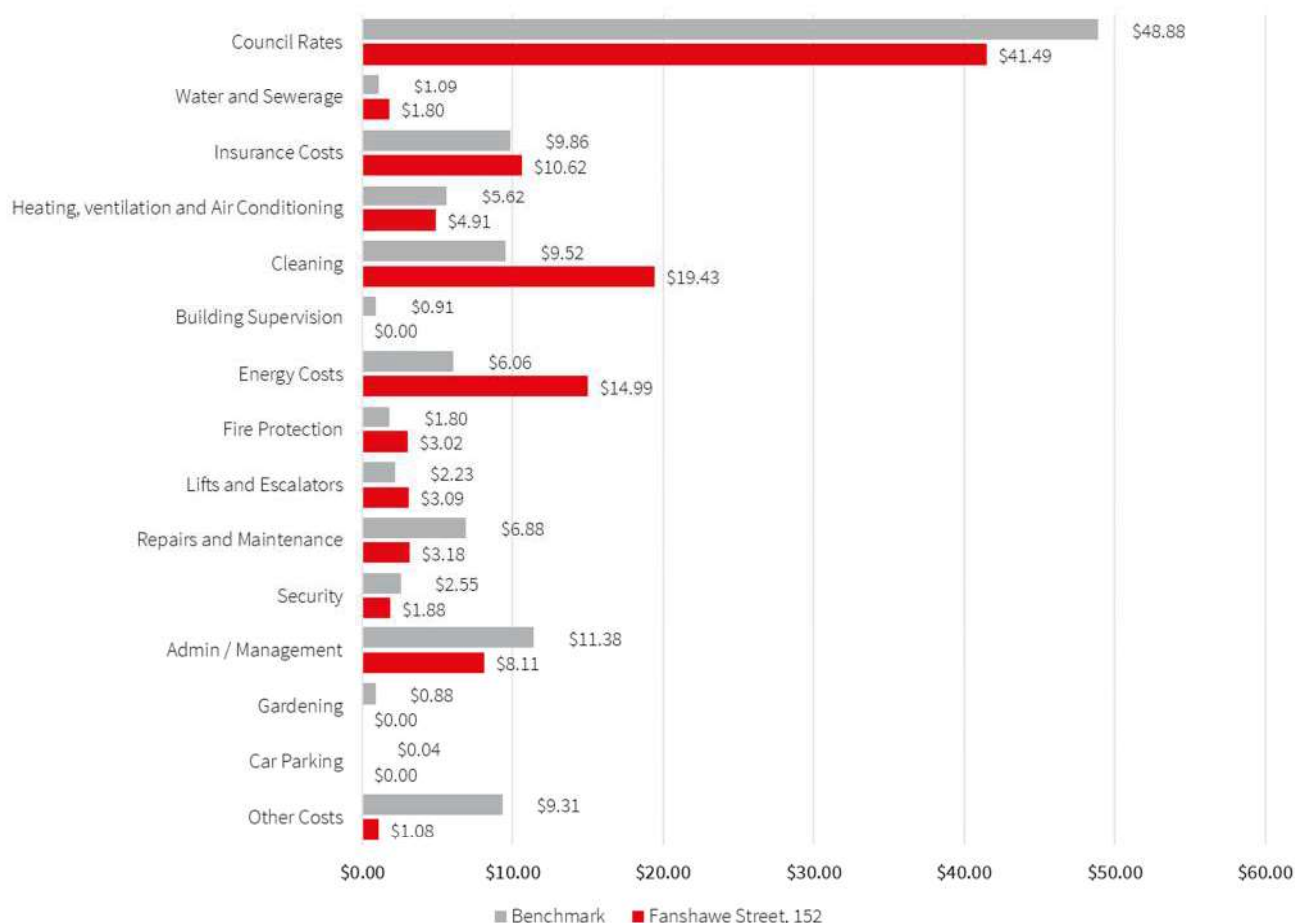
Vacancy	Area	Proportion of Lettable Area	Market Income
Level 1	338	5.1%	\$179,246
Car Parks	7 spaces	-	\$36,920
Total Vacancy	338 sqm	5.1%	\$216,166

3.4 Building Outgoings and Recoveries

The leases within the Property are structured on a net basis, with the tenants being responsible for payment of rates and other property expenses in addition to premises rental. We have adopted the following allowances for building outgoings within our calculations:

Adopted Property Outgoings	Per Annum	Per Sqm of Lettable Area
Statutory Charges	\$288,684	\$43.26
Operating Expenses	\$469,156	\$70.31
Total Outgoings	\$757,840	\$113.57
Ground Rent	\$859,200	\$128.76
Total Outgoings & Ground Rent	\$1,617,040	\$242.32

The above allowances are based on the provided budget for the year ending 31 March 2024. We have had regard to the budget provided and have sought confirmation from the relevant rating authorities in relation to statutory charges and have considered the figures against benchmarks for other similar buildings. We have also considered the appropriateness of the building's outgoings against JLL benchmarks for other similar buildings. For context we note the benchmark comprises 20 Premium and A-Grade office buildings within Auckland's CBD and is current in terms of 2023/2024 operating expense budgets.



The average operating expenses across this selection of buildings is \$117.01 per sqm with a range from \$86 to \$150 per sqm. The operating expenses for the subject building falls marginally below the average indicated by the selection but still within an acceptable margin when the quality and age of the building is considered.

We consider that the adopted outgoings rate of \$113.57 per square metre of Lettable Area are within market parameters for this type of asset in this location reflecting the age and services of the building. We note that current ground rent amounts to \$859,200 per annum, of which only \$48,785 per annum is currently recoverable from tenant Capgemini. The balance of the ground rent is not recoverable from tenants.

3.5 Outstanding/Remaining Incentives

Current outstanding tenant incentives, as at the date of valuation, are summarised in the table below:

Lease Incentives and Income Support Arrangements		
Tenant	Lease Incentives	Remaining Incentive
Capgemini - Level 1	Abatement	\$180,000
Precon - Level 1	Abatement	\$78,172
Workday - Level 2	Abatement	\$343,934
Workday - Level 3	Abatement	\$88,921
Workday - Level 3	Abatement	\$92,145
Cisco - Level 3	Contribution	\$70,000
Total Outstanding Incentives/Abatements		\$853,171

The total amount of unexpired incentives is \$853,171, the present value of which is \$719,297.

3.6 Tenancy Schedule

Our understanding of the Property's occupancy situation is detailed in the Tenancy Schedule below:

Tenant Name	Premises	Lettable Area	Car Parks	Lease Start	Lease Expiry	Lease Term	Next Review	Review Frequency	Review Type	Contract Rental	Rental / sqm	Car Park pcpw	Outgoings Recovery	Recovery / sqm
Neo Capital	Ground	517.6	6	Dec 2022	Nov 2028	6.0 years	Dec 2023	1 yearly	Fixed	\$290,332	\$495	\$110	\$58,782	\$114
PMG	Ground	183.8	2	Jan 2023	Jan 2029	6.0 years	Jan 2024	1 yearly	Fixed	\$102,421	\$495	\$110	\$20,873	\$114
Capgemini	Level 1	768.6	6	Jan 2024	Jan 2030	6.0 years	Jan 2025	1 yearly	Fixed	\$441,678	\$530	\$110	\$87,287	\$114
Vacant	Level 1	338.2	7			0.0 years							\$0	\$0
Precon	Level 1	386.2	5	Nov 2022	Oct 2028	6.0 years	Nov 2023	1 yearly	Fixed	\$202,390	\$450	\$110	\$43,859	\$114
Workday	Level 2	1,493.0	8	Dec 2022	Dec 2028	6.0 years	Dec 2023	1 yearly	Fixed	\$717,610	\$450	\$110	\$169,555	\$114
Workday	Level 3	386.0	7	Jan 2021	Dec 2028	8.0 years	Dec 2023	1 yearly	Fixed	\$213,740	\$450	\$110	\$43,837	\$114
Workday	Level 3	400.0		Nov 2020	Dec 2028	8.1 years	Dec 2023	1 yearly	Fixed	\$180,000	\$450		\$45,427	\$114
Cisco	Level 3	706.7	10	Oct 2023	Sep 2026	3.0 years			Market	\$421,151	\$515	\$110	\$80,257	\$114
Grant Thornton	Level 4	1,493.0	19	Jan 2021	Sep 2026	5.7 years	Jan 2024	1 yearly	Fixed	\$800,195	\$473	\$95	\$169,555	\$114
Grant Thornton	Storage	23.6		Jan 2021	Sep 2026	5.7 years	Jan 2024	1 yearly	Fixed	\$2,997	\$127		\$0	\$0
Grant Thornton	Naming	1.0		Jan 2021	Sep 2026	5.7 years	Jan 2024	1 yearly	Fixed	\$35,047	\$35,047		\$0	\$0
Workday	Signage	1.0		Dec 2002	Dec 2028	26.0 years	Dec 2023	1 yearly	Fixed	\$25,000	\$25,000		\$0	\$0
Cisco	Signage	1.0		Oct 2023	Sep 2026	3.0 years			Market	\$25,000	\$25,000		\$0	\$0
Parkable	Car Parking	1.0	3	Sep 2023	Dec 2023	0.2 years			Market	\$0	\$0		\$0	\$0
Aggregate		6,700.7	73							\$3,457,760			\$719,431	



3.7 Income Analysis

We summarise the Property's total Passing Income as follows:

Passing Rental Analysis		
Lettable Area Rental	\$2,315,748	53.55%
Car Parking Rental	\$254,184	5.88%
Future Lease Agreements	\$887,829	20.53%
Other Income	\$147,327	3.41%
Outgoings Recovery	\$719,431	16.64%
Gross Passing Income	\$4,324,519	100.00%
Unexpired Incentives in Year 1 (excludes capital contributions)	\$162,689	
Outgoings	\$757,840	
Contract Ground Rental	\$859,200	
Net Passing Income	\$2,544,790	
Market Income on Vacant Areas	\$179,246	
Market Income on Vacant Car Park	\$36,920	
Vacant Area Outgoings	\$38,408	
Unexpired Incentives in Year 1	\$162,689	
Potential Net Income Fully Leased	\$2,962,053	

Capgemini have agreed key terms for a new lease to downsize their premises to 768.6 sqm on part level 1 and 6 car parks. We note that Capgemini have a current lease over all of level 1 and 13 car parks which expires 6 December 2023. We have included the current passing income, outgoings and ground rent recovery received from the tenant until the current lease expiry as 'other income' within our valuation calculations.

In addition, under Capgemini's new lease, commencing 15 January 2024, they will pay ground rent of \$29,207 per annum which we have also include as 'other income'.

4 Market Commentary

4.1 Economic Overview

As at 4 October 2023:

- The June 2023 Consumer Price Index rose 1.1% from the March 2023 quarter and is up 6.0% on an annual basis compared to June 2022. Inflation still sits well above the Reserve Bank target range of 1% to 3%, however is forecast by NZIER to moderate over the coming months.
- Gross Domestic Product (GDP) in the June 2023 quarter increased by 0.9% and on an annualised basis results in a YTD increase of 3.2%. This shows a rebound in GDP from the immediately two preceding quarters, with the data suggesting New Zealand has avoided a technical recession.
- On 4 October 2023, the Monetary Policy Committee maintained the Official Cash Rate (OCR) at 5.50%, following the same decision in the previous meeting in August. The Committee agreed that the OCR needs to stay at restrictive levels to ensure annual consumer price inflation returns to the 1 to 3% target range, while supporting maximum sustainable employment.
- The 90-day Bank Bill Benchmark Rate (BKBM) sits at 5.72%, as at 4 October, which is well up from the low point of 0.25% achieved in November 2020 and continues to be up from 4.71% at the beginning of 2023. 10-year bonds currently sit at 5.49%, remaining well above the low of 0.44% in September 2020.
- The unemployment rate is 3.6%, as of June 2023, which is slightly up from 3.4% in both the March 2023 and December 2022 quarters.
- REINZ reports that August 2023 figures show continued optimism and further activity in the property market. While listing numbers remain light, they are up on July and with sales counts having increased this shows some late winter confidence. The REINZ median house price for New Zealand is \$767,000 at August 2023, a 4.1% annualised decrease and down 0.3% from July 2023. National median days to sell has decreased, down 6 days to 43 from August 2022. Sales volumes have increased, up 9.2% on the same month in 2022.
- The effects of tighter financial conditions are now seen to be affecting residential construction with 43,487 new residential consents issued in the year ended July 2023, down 14.1% from the same time in 2022. Meanwhile, commercial construction appears to be more resilient to the current economic conditions, with non-residential consents to the year ended July 2023 summing \$10.115 billion, up 12.6% from the year ended July 2022.
- RLB reports that although construction activity remained solid in the first quarter of 2023, there are increasing signs of slowing demand ahead. In addition, cost and pricing indicators in the construction sector point to further moderation in construction cost inflation from elevated levels. However, partly offsetting the decline in demand will be migration-led population growth and the rebuilding of flood damaged properties caused by recent weather events.

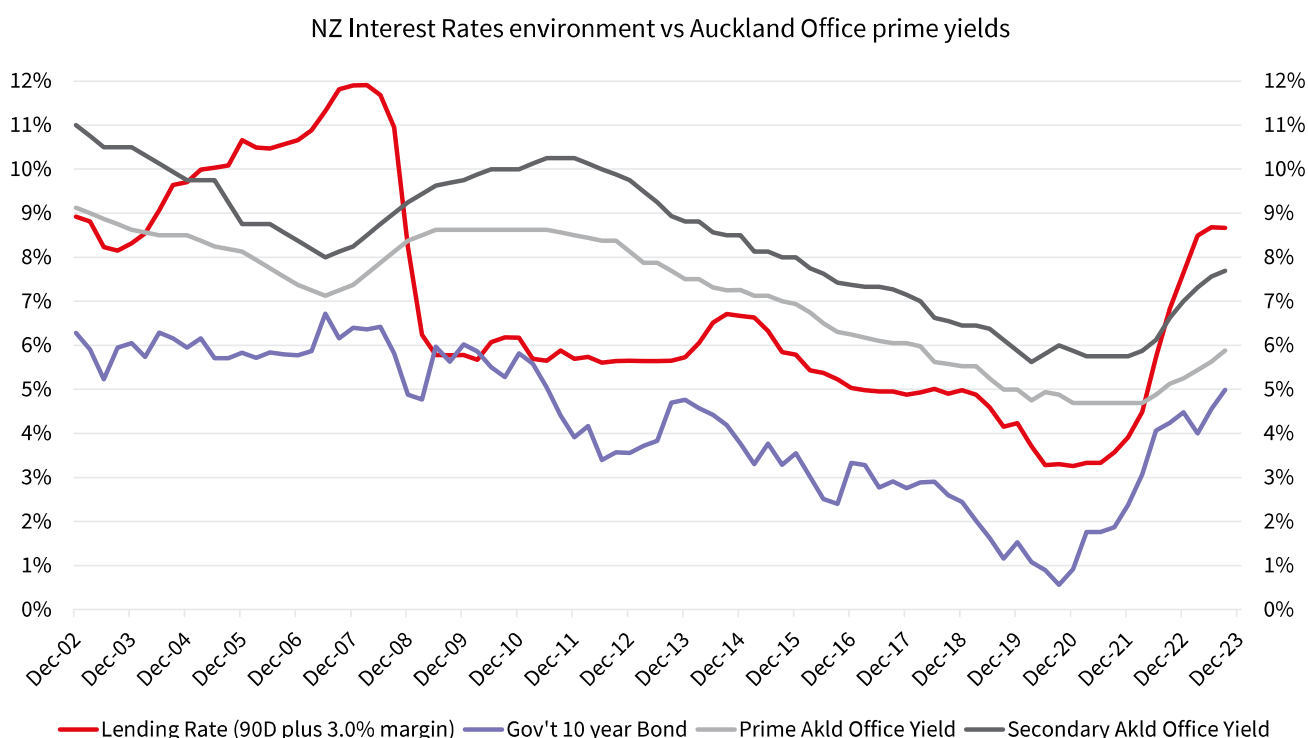
On a global scale, in many countries, headline inflation has steadied or begun to decline. The Federal Reserve of America maintained its key interest rate in its FOMC meeting on 20 September 2023, keeping the federal funds rate to between 5.25% - 5.50%. In the prior FOMC meeting in July, the federal funds rate was increased by 0.25% and in June, the federal funds rate was maintained, following a series of increases. In August 2023, inflation has increased slightly to 3.7% from 3.2% in July, but down from the 9.1% peak in June 2022 which reflected the highest inflation rate in 40 years in the United States.

Global consumer price inflation continues to be at high levels, with annual inflation at 6.0% in Australia and 6.7% in the United Kingdom. The conflict in Ukraine also continues to underpin high commodity prices, with global production costs and constraints further exacerbated by supply-chain bottlenecks created during the COVID-19 period.

The General Elections in 2023 will be held on 14 October 2023 and will determine whether there will be a change of government. As with prior elections we expect that there may be some parties that defer key decisions until after the event as businesses look to understand the likely outcome and any potential changes in policy.

4.2 Auckland CBD Office

Office investment and occupier markets are likely to be impacted in the run up to the New Zealand General election in mid-October 2023, while the Reserve Bank is monitoring the economy for signs that the interest rate tightening is being reflected in consumer spending. The increase in interest rates is starting to be reflected in property yields, as shown with reference to our historic data series below:

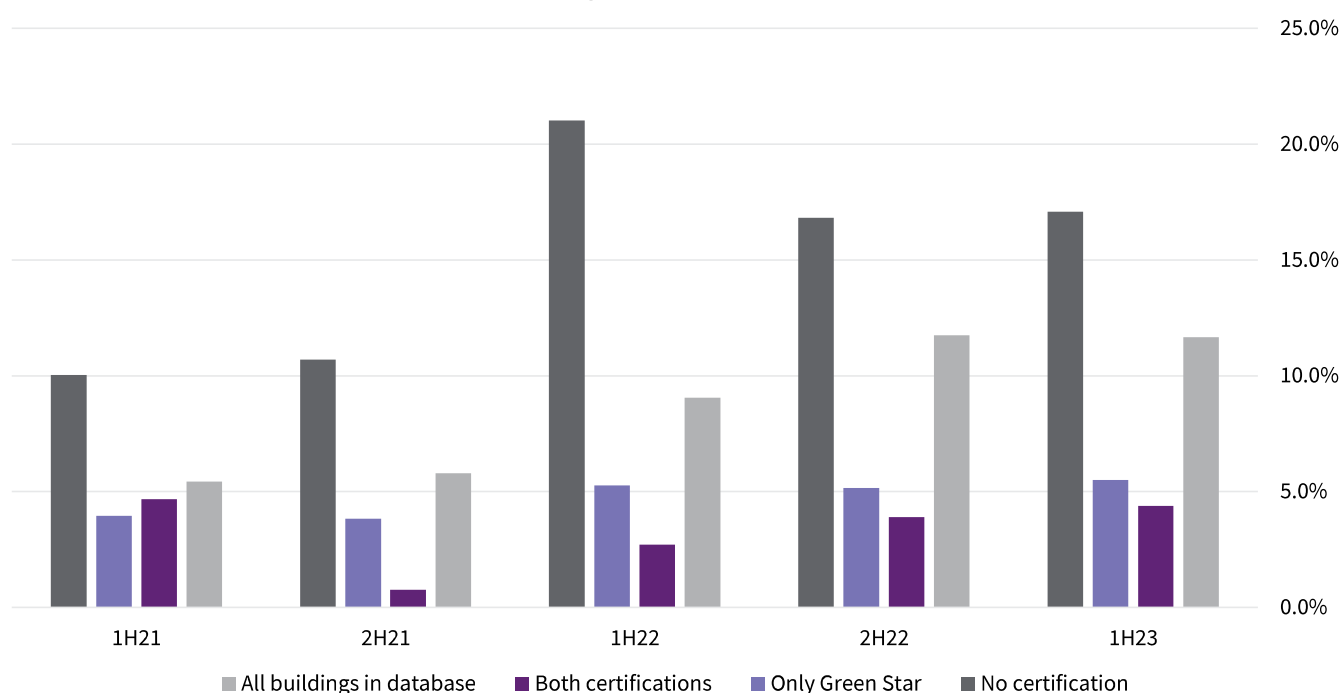


Source: JLL Research, RBNZ, Statistics NZ

Key emerging trends within the Auckland CBD office market are as follows:

- The New Zealand investment market has continued to be affected by higher interest rates and market uncertainty. While sales evidence remains limited for most building grades and locations, yields have increased from a historically low base achieved up to 2021/2022.
- Attracting and retaining tenants will continue to be driven by quality offerings across asset classes. With the employment market expecting to remain constrained, corporates will look to provide quality workplaces to attract and retain talent. This includes preference for offices which support flexible working arrangements, are close to transport nodes, and have access to amenities such as end-of-trip facilities. This has seen the evolving rising rental narrative for prime buildings, and an increased divergence in vacancies between prime and secondary assets.
- The demand for flexible working space is on the rise. The highest concentration of flexible workspaces is located in Auckland, with Regus, Generator, B:Hive and Alberts being the largest flexible workspace providers, occupying prime spaces within Auckland CBD and suburban areas.
- While there are no regulatory requirements for Green Star and NABERSNZ ratings for commercial real estate in New Zealand currently, there is an increasing market-led push for Environmental, Social and Governance considerations. This can be evidenced by the following factors:
 - The number of buildings seeking Green Star certification has increased through the years. Pre 2019 eight buildings were estimated to have the certification. Since 2019 twenty-four buildings have gained certification, with the majority of new build or key refurbishments targeting Green Star and NABERSNZ ratings.
 - For 1H23, vacancy in buildings with Green certifications stood at 3.9%, while vacancy in buildings with no certifications stood at 10.0%.

Average Historical Vacancy



Source: JLL Research

Demand

Heading into the second half of 2023, overall vacancy in the CBD office market increased from 10.8% to 11.8%, this is inclusive of CBD Core and Viaduct. By area CBD Core vacancy increased from 12.9% to 13.5%, while Viaduct vacancy increased from 4.0% to 6.3%.

Analysis of building grades shows a different picture noting that Prime (Premium and A-grade space) vacancies within the Auckland Core CBD decreased by 166 bps to 8.1% (from 9.7%). This represents an uptake of an additional ~9,200 sqm of space. This can also be illustrated by the observation that 10 out of the 21 buildings in this precinct have no vacancy. Analysis divided up by CBD Premium, CBD A-Grade and Viaduct A-Grade is as follows:

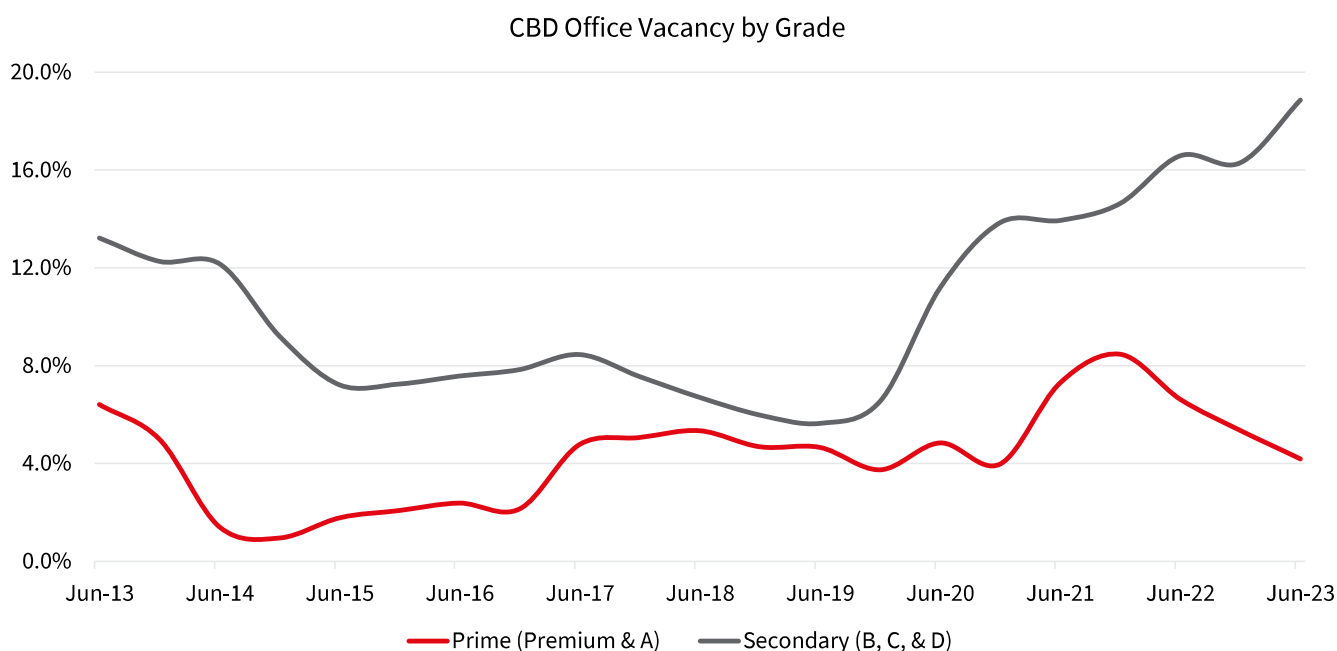
- **Premium:** The vacancy trend for this period was positive for the five premium towers showing a decrease of 307 bps, from 5.9% to 2.8%, showing an uptake of an additional 4,888 sqm of space. This supports the current sentiment of increasing demand for high quality office spaces, especially for those located near the waterfront.
- **A-Grade:** Vacancy in A-Grade buildings also decreased, down 113 bps to 11.0% (from 12.1%), with an uptake of an additional 27,246 sqm of space. This was mostly made up of floors leased at 41 Shortland Street and 23 Customs Street East.
- **Vacancy within Auckland Wynyard Quarter** decreased by 97 bps to 3.1% (from 4.1%), representing an absorption of 2,465 sqm of space, since our previous review in the second half of 2022.

On the other hand, secondary vacancy increased from 16.3% to 18.8%. This is mostly made up of Grade-B buildings at a current vacancy of 20.3%. However, current market sentiment depicts that spaces at the upper end of Grade-B are being taken up fast, and vacancy in Grade-B is expected to decrease to ~18.0 by December 2023.

Accommodation Grade	1H23	2H22	Change
Premium	2.8%	5.7%	(2.8%)
A	4.6%	5.3%	(0.6%)
B	20.3%	18.1%	2.2%
C	16.7%	14.6%	2.1%
D	21.7%	15.5%	6.2%
Prime	4.2%	5.4%	(1.2%)
Secondary	18.8%	16.3%	2.6%

Source: JLL Research

This quarter also saw the decision by Auckland Council to sublease a number of floors in its leased portfolio, such as those at 20 Viaduct Harbour Avenue and at 167-191 Victoria Street West. Our overall measure of available sublease space decreased from 11,122 sqm to 10,683 sqm, with most of the spaces offered for sublease by Auckland Council were taken up within 3 months of offering.



Source: JLL Research

Supply

Within the Auckland CBD there are a number of developments in progress, with notable projects including:

- Precinct Properties are re-developing 1 Queen Street with a completion expected in Q1 2024. The building on completion will be a mixed hotel, retail and office property and provide 6-star NZGBC rated office space over approximately 14,300 sqm. The office component is anchored by Deloitte and Bell Gully, with the hotel branded Intercontinental. The building is fully committed apart from three of the recently released office suites on the lower levels.
- Mansons TCLM are well progressed on 50 Albert Street, recently announced to be anchored by Spark, with a forecast completion in late 2024. The building will provide approximately 28,146 sqm of lettable area over 13 levels, and is targeting a 6-star NZGBC rating. The building is approximately 95% committed and has been pre-sold subject to completion.
- Precinct's Wynyard Quarter Innovation Project's final phase includes three buildings – 117 Pakenham Street (8,700 sqm), 124 Halsey Street (9,700 sqm) and 126 Halsey Street (The Flowers Building). Beca will lease 14,000 sqm across five floors within this development, expected to complete by 2025.
- Mansons TCLM are in the early stages of construction at 121-135 Beaumont Street, which on completion is expected to provide approximately 22,095 sqm of lettable area across 8 levels. The building has been designed to achieve a 6-star NZGBC rating. We expect the building will be available during 2025, and as far as we are aware has no current tenant commitment.
- Redevelopment of 87 Albert Street/16 Kingston Street (owned by Auckland Real Estate). This will be known as The Formery on completion and is expected to have 14,660 sqm of NLA.
- Aotea Central development being developed by MRCB above the Aotea Station, located at the intersection of 50 Mayoral Drive and 299 Queen Street.
- 2-16 Wakefield Street, 12,000 sqm high specification refurbishment being undertaken by PAG Real Estate.
- Precinct Properties and Eke Panuku Development Auckland are in early planning stages regarding development for the Downtown Car Park site. This is currently a seven storey car park building at the corner of Customs Street West and Lower Hobson Street.

In contrast to the wider economic environment the development pipeline for Auckland City is relatively substantial and will likely continue to pull occupiers out of secondary properties towards newer options. This is likely to further compound current secondary vacancy issues and suppress rental growth for these buildings.

Rents

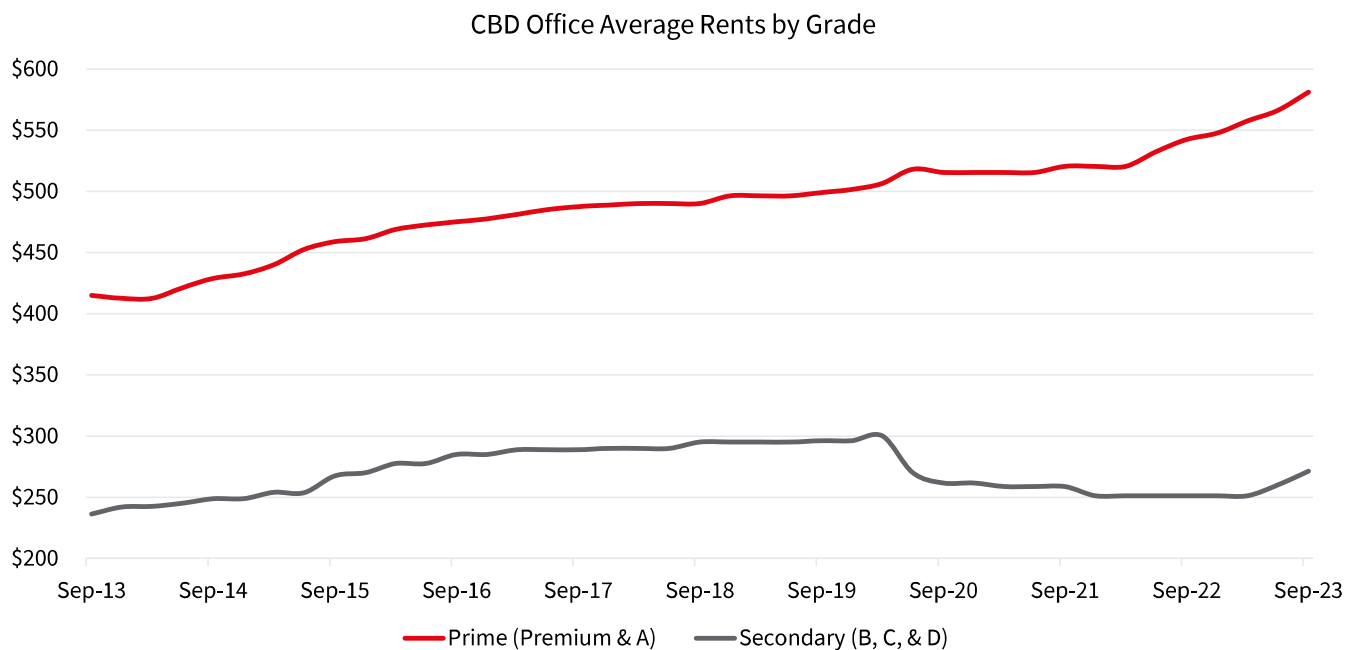
Average net prime rents increased by 2.6% (+\$5 per sqm) this quarter, from \$566 per sqm to \$571 per sqm. This figure constitutes average net rents for premium office at \$670 per sqm and for Grade-A office at \$493 per sqm.

For prime office, there has been more evidence of leases occurring at the upper end of rents, which stands at \$708 per sqm, than at the lower end of \$455 per sqm.

Incentives for prime properties dropped to 12.5% from 14.6%. These are expected to decrease further to 10.4% by end of 2024, as demand for quality workspaces continues to rise. However, as new major supply comes online in 2025, we forecast for required tenant incentives to increase back to 12.5%. Another trend seen is that while historically incentives have been provided as rent-free periods, landlords are preferring fitout-based inducements.

With a number of A-Grade buildings coming to the market in the 2024-2025 period we are forecasting reasonably static rental growth through the next few years.

Operating expenses for all grades are expected to continue to trend upwards to the end of the year, with our expectation currently \$158 per sqm for Prime and \$123 per sqm for secondary.

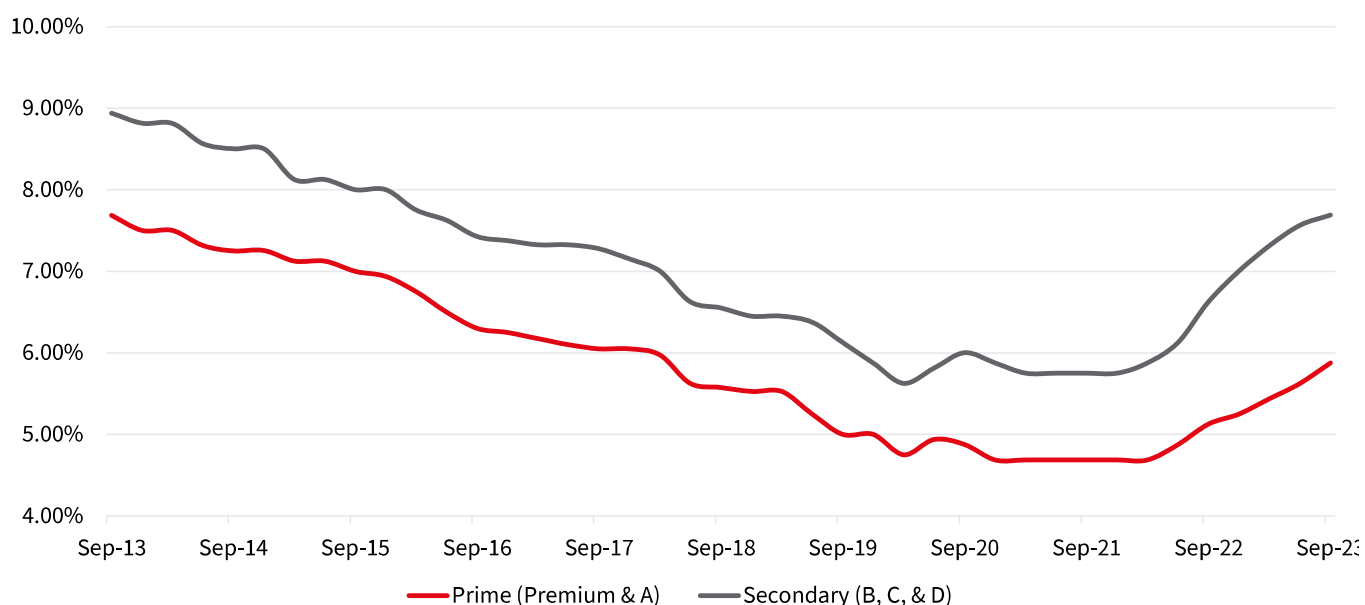


Source: JLL Research

Asset Performance

Average net prime yields softened over Q2 2023 by 25 bps to reach 5.88%. The upper end increased by 13 bps, while the lower end pushed out further, by 38 bps, as the divergence trend continues. Yields are expected to increase further by 13 bps for both prime and secondary by year end. Prime yields are expected to peak at 6.25% by December 2024, while secondary yields are expected to peak at 8.06% at the same time.

CBD Office Average Yields by Grade



Source: JLL Research

Auckland Office Market Outlook

Occupiers and employers are providing a positive market sentiment on the back of a desire for more collaborative, attractive workspaces aiming to have staff in the office and working with the benefits of physical proximity. This is further driving a flight to quality, with a notable divergence in trend for rent levels and vacancies in terms of prime and secondary accommodation.

From an investor perspective, the transactions that have occurred in 2023 are largely opportunistic from the purchasers point of view, and often with an element of compulsion from the selling party. Increasingly however the number of potential purchasers attracted to open market campaigns have increased, and we expect that parties are now largely across the changes that have occurred to funding costs and adjusted to banks revised LVR and Interest Cover requirements. As such we expect transactions to increase in terms of frequency to the year end and into 2024, however coming off a very low base.

We expect that yields overall are likely to continue to soften over the next 12 months as the market adjusts to the most recent information, however with further softening expected to be minor compared to the levels experienced since mid 2021.

Across both the occupier and investor markets, seismic strengthening issues continue to be a headwind, with several sales of properties falling over this year due to weaknesses in due diligence information available. Both investors and occupiers are showing a very high level of caution in this area, which we expect to continue in the medium term.

5 Ground Rental Considerations

The ground lease for the subject property specifies that the rental is to be reviewed every seven years with the next review being 27 August 2026. The lease states that the annual rent payable under the ground lease shall be 6% of the underlying freehold market value of the land, disregarding the value of the existence of the Lessee's improvements.

5.1 Auckland CBD Land Sales

In order to determine the land value of the subject property, we have had regard to a range of sales evidence, with the most relevant detailed below:

Address	BFAR	MFAR	Height Limit	Sale Date	Area (sqm)	Sale Price	\$ sqm	BFAR	MFAR
140-150 Victoria Street West	3.5 : 1	5.0 : 1	40 m	May-23	1,760	\$13,300,000	\$7,557	\$2,159	\$1,511
217-223 Hobson Street	4.0 : 1	6.0 : 1	50 m	Dec-22	2,926	\$23,750,000	\$8,241	\$2,029	\$1,353
50 & 52 Cook Street	4.0 : 1	6.0 : 1	50 m	Dec-21	1,732	\$10,500,000	\$6,062	\$1,516	\$1,010
201 Hobson Street	4.0 : 1	6.0 : 1	50 m	Sep-21	563	\$3,850,000	\$6,838	\$1,710	\$1,140
17-27 Beresford Square	4.0:1	6.0:1	35 m	Sep-21	1,777	\$16,000,000	\$9,004	\$2,251	\$1,501
Part 121-135 Beaumont Street	-	4.55 : 1	46m	Jul-21	5,005	\$70,000,000	\$13,986	-	\$3,075
35 The Strand, Parnell	-	5.1 : 1	18 m	Apr-21	1,934	\$16,100,000	\$8,325	-	\$1,632
121-135 Beaumont Street	-	5.3 : 1	46 m	Mar-21	9,793	\$89,200,000	\$9,108	-	\$1,711
105 Vincent Street	4.0 : 1	6.0 : 1	50 m	Oct-20	536	\$3,350,000	\$6,250	\$1,563	\$1,042
71-73 Wakefield Street	4.0 : 1	8.0 : 1	50 m	Aug-20	319	\$3,000,000	\$9,404	\$2,351	\$1,176
29-31 Anzac Avenue	4.0 : 1	8.0 : 1	50 m	Aug-20	761	\$6,900,000	\$9,067	\$2,267	\$1,133
141-143 Hobson Street	4.0 : 1	6.0 : 1	50 m	Jun-20	1,783	\$11,500,000	\$6,450	\$1,612	\$1,075
151 Beach Road	4.0 : 1	8.0 : 1	50 m	May-20	1,032	\$10,000,000	\$9,690	\$2,422	\$1,211

We provide below further detail on a selection of the above:



140-150 Victoria Street West, Auckland Central

Sale Price	\$13,300,000	Sale Date	May 2023
Zoning	City Centre	BFAR	\$2,159 per sqm
MFAR	\$1,511 per sqm	Rate	\$7,557 per sqm

The property comprises an amalgamated site of approximately 1,760 square metres, with frontage of approximately 26.39 metres to Victoria Street West in Auckland CBD.

The property was improved by a vacant four-level 1960's office building, Rainger House, and a small character building at 140-142 Victoria Street West, which is subject to a Heritage and Special Character Overlay under the Auckland Unitary Plan. The property is zoned City Centre with a 40-metre height limited and a BFAR of 3.5:1 and an MFAR of 5:1.

The property sold in May 2023 for \$13,300,000 plus GST reflecting a land rate of \$7,557 per sqm or \$1,511 per sqm MFAR plus GST.



217-223 Hobson Street, Auckland Central

Sale Price	\$23,750,000	Sale Date	December 2022
Zoning	City Centre	BFAR	\$2,029 per sqm
MFAR	\$1,353 per sqm	Rate	\$8,241 per sqm

The property comprises an amalgamated site of approximately 2,926 square metres with dual frontages to Hobson Street and Nelson Street in the Auckland CBD.

The property was improved by various commercial premises and on-grade car parking. The property is zoned City Centre with a 50 metre height limit and a BFAR of 4:1 and an MFAR of 6:1.

The property sold in December 2022 for \$23,750,000 plus GST reflecting a land rate of \$8,241 per sqm or \$1,353 per sqm MFAR plus GST.



50 & 52 Cook Street

Sale Price	\$10,500,000	Sale Date	December 2021
Zoning	Business – City Centre	BFAR	\$1,516 per sqm
MFAR	\$1,010 per sqm	Rate	\$6,062 per sqm

The property comprises a 1,732 sqm vacant site that sold with an approved Resource Consent for a 15-level residential apartment. The site features dual access from Cook Street and Nicholas Street. The gross sale rate equates to \$6,062 per sqm.



201 Hobson Street

Sale Price	\$3,850,000	Sale Date	September 2021
Zoning	Business - City Centre	BFAR	\$1,710 per sqm
MFAR	\$1,140 per sqm	Rate	\$6,838 per sqm

The property comprises a 563 sqm freehold land parcel with frontage to Hobson Street, a major arterial road linking to State Highway 1 and 16 onramps to its south. The site is zoned for Business – City Centre and has a height limit of 50m.

The BFAR (basic floor area ratio) relating to the site is 4:1 and the MFAR (maximum floor area ratio) is 6:1. The sale reflected a gross sale rate of \$6,838 per sqm, BFAR of \$1,710 per sqm and MFAR of \$1,140 per sqm.



17-27 Beresford Square, Auckland Central

Sale Price	\$16,000,000	Sale Date	September 2021
Zoning	City Centre	BFAR	\$2,251 per sqm
MFAR	\$1,501 per sqm	Rate	\$9,004 per sqm

The property comprises a 1,777 square metre corner site located opposite a future CRL station entrance.

The property is zoned City Centre under the Auckland Unitary Plan, with a 35 metre height limit, a BFAR of 4.0:1 and a MFAR of 6.0:1. The property provides a holding income from a lease to CRL returning approximately \$755,250 per annum.

The property sold in September 2021 for \$16,000,000 plus GST, reflecting a land rate of \$9,004 per sqm plus GST. On a maximum floor area basis the sale price can be analysed to \$1,501 per sqm of floor area.



Part 121-135 Beaumont Street, Auckland

Sale Price	\$70,000,000	Sale Date	July 2021
Zoning	City Centre (Wynyard)	Rate	\$13,986 per sqm
MFAR	\$3,075 per sqm		

We sighted a Sale and Purchase Agreement for the sale of a 5,005 sqm portion of the overall 9,793 sqm site agreed as at July 2021.

The 5,005 sqm block allows for development to a GFA of 22,762 sqm. The property is zoned City Centre under the Auckland Unitary Plan, within Wynyard Sub-Precinct B.

The property is under contract to Winton Property Investments Ltd at \$70,000,000 plus GST, reflecting a land rate of \$13,986 per sqm plus GST. On a maximum floor area basis (based on consented area) the sale price can be analysed to \$3,075 per sqm of floor area.



121-135 Beaumont Street, Auckland

Sale Price	\$89,250,000 plus GST	Sale Date	March 2021
Zoning	City Centre (Wynyard)	Rate	\$9,114 per sqm
MFAR	\$1,712 per sqm		

The property comprises an entire fringe-city block comprising 9,793 sqm, obtaining frontage to Beaumont Pakenham, Daldy and Gaunt Streets and offering a level contour.

The property was sold subject to an existing Resource Consent, which had been granted to provide approximately 52,141 sqm of GFA including 434 apartments and retail spaces over multiple buildings with varying heights up to 46m. The existing improvements of the property (including car park areas) provided an approximate total passing income of \$1,144,047 offering a partial offset to interim holding costs prior to redevelopment.

The property was formally marketed by Colliers International via an on-market sales campaign, with Mansons TCLM purchasing the property. The property is under contract at \$89,250,000 plus GST, reflecting a rate of \$9,114 per sqm plus GST. The settlement date is 31 March 2022. On a maximum floor area basis (based on consented floor area) the sale price can be analysed to \$1,712 per sqm of floor area.



71-73 Wakefield Street, Auckland

Sale Price	\$3,000,000	Sale Date	August 2020
Zoning	City Centre	BFAR	\$2,351 per sqm
MFAR	\$1,176 per sqm	Rate	\$9,404 per sqm

The property comprises a 319 sqm land holding situated on the corner of Wakefield and Lyndock Street. The property is zoned City Centre with a maximum height of 50 metres, a BFAR of 4.0:1 and an MFAR of 8.0:1.

The property sold in August 2020 for \$3,000,000 presumably plus GST, reflecting a rate of \$9,404 per sqm plus GST. On a maximum floor area basis the sale price can be analysed to \$ per sqm of floor area.



29-31 Anzac Avenue, Auckland

Sale Price	\$6,900,000	Sale Date	August 2020
Zoning	City Centre	BFAR	\$2,267 per sqm
MFAR	\$1,133 per sqm	Rate	\$9,067 per sqm

The property comprises a vacant 761 sqm site held in three freehold titles, situated on the western alignment of Anzac Avenue. The property is zoned City Centre with a maximum height limit of 50 metres. The site has a BFAR of 4:1 and an MFAR of 8:1. The vacant site is relatively level at the street frontage with a sharp incline at the rear boundary.

The property sold in August 2020 for \$6,900,000 presumably plus GST, reflecting a land rate of \$9,067 per sqm plus GST. On a maximum floor area basis the sale price can be analysed to \$1,133 per sqm of floor area.



141-143 Hobson Street, Auckland CBD

Sale Price	\$11,500,000	Sale Date	June 2020
Zoning	City Centre	BFAR	\$1,612 per sqm
MFAR	\$1,075 per sqm	Rate	\$6,450 per sqm

The property comprises a 1,783 sqm redevelopment site held within two freehold titles situated on the western alignment of Hobson Street. The property was improved by two buildings totalling approximately 1,563 sqm of commercial space and 18 carparks. The site is zoned City Centre with a maximum height limit of 50 metres, a BFAR of 4:1 and an MFAR of 6:1.

The property sold in June 2020 for \$11,500,000 presumably plus GST, reflecting a rate of \$6,450 per sqm plus GST. On a maximum floor area basis the sale price can be analysed to \$1,075 per sqm of floor area.



151 Beach Road, Auckland CBD

Sale Price	\$10,000,000	Sale Date	May 2020
Zoning	City Centre	BFAR	\$2,422 per sqm
MFAR	\$1,211 per sqm	Rate	\$9,690 per sqm

The property comprises a 1,032 square metre site situated on the western alignment of Beach Road. The site presents to a regular shape and is improved by a two level commercial building in average condition. The property is zoned City Centre under the Auckland Unitary Plan, with a maximum height limited 50 metres.

The property sold in May 2020 for \$10,000,000 plus GST, reflecting a rate of \$9,690 psm. On a maximum floor area basis the sale price can be analysed to \$1,211 per sqm of floor area.

The volume of CBD land transactions has slowed somewhat over the last 24 months. We have been particularly mindful of the two 2021 transactions of 121-135 Beaumont Street, however do note that these provide much larger sites with greater maximum floor area ratios.

The subject site comprises a 2,031 sqm corner site which is situated along Fanshawe Street and Halsey Street and has a MFAR of 4.0 : 1 with a maximum height limit of 30 metres. The best sales to compare to the subject property are those larger sites with a similar low MFAR.

The 2021 transactions of 121-135 Beaumont Street are of particular note. The initial purchase was for \$89,250,000 which reflects \$9,114 per sqm or \$1,712 per sqm of FAR for the entire block of 9,793 sqm. However the subsequent on sale of 5,000 sqm of part of the site cannot be disregarded, despite indicating a significant premium over the initial purchase, with the achieved price of \$70,000,000 equivalent to \$13,986 per sqm or \$3,075 per sqm of FAR. Both sites are significantly larger than the subject, with greater maximum floor area ratios achieved, however illustrate the demand for well-located CBD land.

After adjustments to the main comparable evidence, we consider the land value parameters for the unimproved subject site, are in the order of \$7,800 per sqm or \$1,950 per sqm of maximum floor area ratio. Based on the 6% ground rental factor specified in the lease this reflects a market ground rental of \$950,508 per annum plus GST.

Changes to the Auckland Unitary Plan through Plan Change 78 include the removal of general height restrictions, allowing unlimited building heights in the core city centre and 72.5 metres across the city centre, except where special height controls apply. In addition, the removal of Floor Area Ratio (FAR) standards are proposed as well. FAR varies throughout the City Centre zone under the current precincts of the Auckland CBD.

6 Leasing Evidence

6.1 Office Leasing Evidence

In assessing a market rental profile for the subject office accommodation, we have had regard to recent transactions that have occurred in the subject building:

Subject Leasing Evidence

Property	Tenant	Level	Area sqm	Basis	Date	Type	Parking pcpw	Opex \$/sqm	Face Rent \$/sqm	Net Effective \$/sqm
Grant Thornton, 152 Fanshawe Street	Capgemini	Pt 1	769	NL	Pre-com	Net	\$110	\$152	\$530	\$503
	Cisco	Pt 3	706	LR	Oct-23	Net	\$110	\$114	\$515	\$469
	PMG (Related Party)	Pt G	184	NL	Jan-23	Net	\$110	\$114	\$495	\$422
	Workday	2 & Pt 3	2,270	LR/Var	Dec-22	Net	\$110	\$114	\$450	\$406
	Neo Capital	Pt G	518	NL	Dec-22	Net	\$110	\$114	\$495	\$420
	Precon	Pt 1	386	NL	Nov-22	Net	\$110	\$114	\$450	\$377

* NL = New Lease, NLST = New Lease Sitting Tenant, LR = Lease Renewal, RR = Rent Review, Var = Lease Variation

Within the subject property there have been several transactions over the past 12 months which we have had particular regard to in our assessment of market rent for the subject.

Capgemini has agreed to downsize their current space and take a new lease over a smaller tenancy of 769 sqm at a face rent of \$530 per sqm. They have been provided with a rental incentive, with our analysis reflecting a net effective rent of \$503 per sqm. We understand that the premises is to be provided with new floor coverings, new ceiling tiles, new LED lighting and new blinds.

Cisco recently renewed their lease for a further term commencing October 2023 over their part Level 3 space. The rental rate was agreed to at \$515 per sqm over the circa 706 sqm tenancy, which reflects a net effective rate of \$469 per sqm after taking into account incentives.

Workday have agreed to a new lease renewal / lease variation over their existing Level 2 and part Level 3 office space. The lease was varied/renewed for a further 6-year term from December 2022, with the rental rate agreed to at \$450 per sqm, reflecting an effective rate of \$406 per sqm net.

Neo Capital have taken a new lease over circa 518 sqm on the ground floor from December 2022. The commencement rent was set at \$495 per sqm, with a contribution provided to the tenant, with our analysis reflecting a net effective rent of \$420 per sqm. The premises was provided with new ceiling tiles, new LED lighting as part of the landlord works.

Precon have taken a new lease for 386 sqm of office space on part Level 1. The 6-year lease was agreed at a face rental of \$450 per sqm, reflecting a net rate of \$377 per sqm after accounting for incentives.

Furthermore, we have also considered the recent lease to PMG, a related party to the current building owner. The new lease reflects a face rent of \$495 per sqm and a net effective rent of \$422 per sqm.

We confirm we have reviewed a range of rental evidence in coming to our opinion of market rental of the subject premises. We provide a summary of this below:

Property	Transaction Dates	Size Range	Rental Range
Auckland CBD New Build Office	Pre-com	1,000 – 14,000 sqm	\$650 - \$999 per sqm
Auckland CBD Modern Office	Late 2021 - Late 2023	600 – 5,500 sqm	\$400 - \$799 per sqm

Recent deals within new build properties in the Auckland CBD generally reflect face rates of between \$650 and \$999 per sqm. These are deals for tenants who have pre-committed to new builds and are generally for larger tenancies and multi-floor occupiers.

We have also had regard to various modern office buildings which have been completed in recent years, presenting to a similar high quality as the subject. Recent transactions from within these buildings reflect face rents of between \$400 and \$799 per sqm.

We have been particularly mindful of the recent transactions from within the subject property which generally provide the best evidence as the market rents achievable. Based on these deals and the available market evidence we have adopted a market face rental of \$470 per sqm to apply as the market rent for Level 4. Adjustments have been made on a floor by floor basis to reflect elevation, outlook, quality and fitout. We have applied a premium to the new leases on the ground floor, level 1 and level 3 due to the landlord works undertaken to provide essentially new, good quality space. We have also been mindful of the ground floor providing smaller areas and higher stud space with good exposure to both Fanshawe and Halsey Street. Our adopted market face rental rates for office premises within the subject reflect a range of \$450 to \$530 per sqm. We have adopted an incentive equivalent to 1 month per year of lease term, with our net effective rents reflecting a range of \$412 to \$486 per sqm.

In regards to the car parking we have considered the current car parking rates in the immediate and wider locality as detailed in the table above. Car park rents are location and format specific with the highest rates generally achieved for secured and covered spaces. The evidence above generally reflects rates of between \$100 - \$195 pcpw with the higher rates generally reflective of CBD locations. We note the subject provides a limited number of car parks within the building which we have been mindful in our assessment of market rent. We also note that the new leases within the subject reflect \$110 pcpw for the secure and ground level spaces. We have adopted market rents of \$110 pcpw for the secure and ground level spaces, and \$80 pcpw for the stacked spaces.

6.2 Naming Rights Evidence

We have had regard to a range of naming and signage rents achieved for CBD and fringe buildings. These reflect a wide range from circa \$20,000 per annum to \$300,000 per annum. The market rent of naming rights is subjective with naming rights being more important to some tenants than others and sometimes used as part of an inducement to a lease. Some buildings are more prominent than others and therefore can command higher rentals for naming and signage.

Within the subject property, Cisco has recently agreed to signage rights of \$25,000 per annum. Due to this, Grant Thornton has agreed to vary their naming rights rental to reduce by \$10,000 per annum to \$35,046 per annum. Given the building's good exposure and location on Fanshawe Street and the recent agreements within the subject, we have adopted market rentals in line with the passing rentals of \$25,000 for the two signage rights and \$35,046 per annum for the naming rights.

6.3 Market Rental Profile

We have assessed the market rental profile for the property on a net basis. Our adopted market rental profile is as summarised below:

Tenant Name	Premises	Lettable Area	Car Parks	Next Review/Expiry	Review Type	Contract Rental	Rental / sqm	Car Park pcpw	Recovery / sqm	Ideal Recovery	Net Market / sqm	Gross Market / sqm	Car Park pcpw	Net Market Rental
Neo Capital	Ground	517.6	6	Dec 2023	Fixed	\$290,532	\$495	\$110	\$114	\$114	\$495	\$609	\$110	\$290,532
PMG	Ground	183.8	2	Jan 2024	Fixed	\$102,421	\$495	\$110	\$114	\$114	\$495	\$609	\$110	\$102,421
Capgemini	Level 1	768.6	6	Jan 2025	Fixed	\$441,678	\$530	\$110	\$114	\$114	\$530	\$644	\$110	\$441,678
Vacant	Level 1	338.2	7	Vacant					\$0	\$114	\$530	\$644	\$101	\$216,166
Precon	Level 1	386.2	5	Nov 2023	Fixed	\$202,390	\$450	\$110	\$114	\$114	\$450	\$564	\$110	\$202,390
Workday	Level 2	1,493.0	8	Dec 2023	Fixed	\$717,610	\$450	\$110	\$114	\$114	\$455	\$569	\$110	\$725,075
Workday	Level 3	386.0	7	Dec 2023	Fixed	\$213,740	\$450	\$110	\$114	\$114	\$460	\$574	\$101	\$214,480
Workday	Level 3	400.0		Dec 2023	Fixed	\$180,000	\$450		\$114	\$114	\$460	\$574		\$184,000
Cisco	Level 3	706.7	10	Sep 2026	Market	\$421,151	\$515	\$110	\$114	\$114	\$515	\$629	\$110	\$421,151
Grant Thornton	Level 4	1,493.0	19	Jan 2024	Fixed	\$800,195	\$473	\$95	\$114	\$114	\$470	\$584	\$110	\$810,390
Grant Thornton	Storage	23.6		Jan 2024	Fixed	\$2,997	\$127		\$0	\$0	\$127	\$127		\$2,997
Grant Thornton	Naming	1.0		Jan 2024	Fixed	\$35,047	\$35,047		\$0	\$0	\$35,047	\$35,047		\$35,047
Workday	Signage	1.0		Dec 2023	Fixed	\$25,000	\$25,000		\$0	\$0	\$25,000	\$25,000		\$25,000
Cisco	Signage	1.0		Sep 2026	Market	\$25,000	\$25,000		\$0	\$0	\$25,000	\$25,000		\$25,000
Parkable	Car Parking	1.0	3	Dec 2023	Market	\$0	\$0		\$0	\$0	\$0	\$0	\$110	\$17,160
Aggregate		6,700.7	73			\$3,457,760								\$3,713,486

6.4 Net Income Assessment

The table below presents both the passing income and adopted market net income profile of the Property:

Passing Versus Market Comparison	Passing per annum	Market per annum
Rental Analysis		
Lettable Area Rental	\$2,315,748	\$3,302,166
Car Parking Rental	\$254,184	\$411,320
Future Lease Agreements	\$887,829	\$0
Other Income	\$147,327	\$0
Outgoings Recovery	\$719,431	\$757,840
Gross Income	\$4,324,519	\$4,471,326
Unexpired Incentives in Yr 1 (excludes contributions)	\$162,689	\$0
Outgoings	\$757,840	\$757,840
Contract Ground Rental	\$859,200	\$859,200
Net Income	\$2,544,790	\$2,854,286
Market Income on Vacant Areas	\$179,246	
Market Income on Vacant Car Park	\$36,920	
Vacant Area Outgoings	\$38,408	
Unexpired Incentives in Year 1	\$162,689	
Potential Net Income Fully Leased	\$2,962,053	\$2,854,286

Capgemini have agreed key terms for a new lease to downsize their premises to 768.6 sqm on part level 1 and 6 car parks. We note that Capgemini have a current lease over all of level 1 and 13 car parks which expires 6 December 2023. We have included the current passing income, outgoings and ground rent recovery received from the tenant until the current lease expiry as 'other income' within our valuation calculations.

In addition, under Capgemini's new lease, commencing 15 January 2024, they will pay ground rent of \$29,207 per annum which we have also include as 'other income'.

7 Sales Evidence

In assessing a suitable capitalisation rate and discount rate profile for the Property, we have had regard to a range of property transactions. From the outset we note a limited number of recent sales for similar Leasehold properties. To this end, we have looked to Freehold sales with an adjustment to the yield and discount rate parameters to reflect the Leasehold tenure. The more relevant sales, both freehold and leasehold, are summarised in the sales schedule and commentary below:

7.1 Freehold Sales Transactions

Auckland CBD Sales Transactions



51 Shortland Street, Auckland

Sale Price	Confidential \$50m+	Sale Date	August 2023
Initial Yield	Confidential	Equivalent Yield	Confidential High 7% range
IRR	Confidential	WALT	2.06 years

The property comprises one of two commercial office buildings, which as a whole form the Shortland Centre constructed circa 1985 by AMP. The buildings have interlinked but separate entry lobbies, along with separate rooftop gardens on top of the podium area of both buildings. The property provides 15 levels of office accommodation, plus retail accommodation off the building foyer and fronting Shortland Street, providing a total net lettable floor area of approximately 11,112 square metres. The accommodation has been refurbished to a good standard over recent years and is well located on Shortland Street, an area popular with legal and financial services occupiers, within the core of the Auckland CBD. The property also includes two podium floors plus three levels of basement car parking providing 145 car parking spaces.

As at the date of sale, the building was ~75% leased to various occupiers including Madison Recruitment, Trustees Executors, Mindale and Blue Barn, returning a net income of ~\$3.74 million per annum with a WALT of 2.06 years by income.

We are not able to disclose the sale price. The sale occurred following an initial transaction failing, with the resulting sale at a significant discount to the initial purchase price. We consider the subsequent sale reflects an element of compulsion by the vendor, with a yield analysis that reflects this.



124 Vincent Street, Auckland Central

Sale Price	\$20,200,000	Sale Date	May 2023
Initial Yield	8.22%	Equivalent Yield	6.90%
IRR	6.35%	WALT	2.96 years

The property comprises an eleven-level office building situated on a 1,458 sqm freehold site zoned City Centre under the Auckland Unitary Plan, located within the uptown office precinct in Auckland CBD. The building was constructed in 1986 and provides circa 4,487 sqm of office accommodation across eight levels, with floor plates ranging from 471 sqm to 634 sqm, together with 63 basement car parking spaces. The building was originally constructed circa 1986, and substantially internally refurbished for Flight Centre as their head office in early 2016. Overall, the improvements present to a tidy standard, providing refurbished office accommodation. We understand that the property underwent seismic strengthening in 2016 to upgrade the building to an NBS rating of 70%.

The property has been available off market for some time, and sold in May 2023 for \$20,200,000. As at the date of sale, the net income from the property at sale is understood to be approximately \$1,660,440 with a weighted average lease term of 2.89 years.

Flight Centre occupy the majority of the building, with a ground level cafe separately leased. Level 6 and part Level 7 were vacant at the date of sale.

The property sold off-market in May 2023 for \$20,200,000. Our analysis reflects an initial yield of 8.22%, an equivalent yield of 6.90%, an IRR of 6.35% and a land and buildings rate of \$4,502 per sqm.



110 Symonds Street, Grafton

Sale Price	\$28,000,000	Sale Date	July 2022
Initial Yield	5.00%	Equivalent Yield	8.29%
IRR	8.58%	WALT	1.01 years

The subject comprises a ten-level office building split into two wings providing 166 car parks with an additional 6 usable car parks located at the top of Symonds Street in Grafton. The property provides approximately 8,730 sqm of office accommodation with floor plates ranging from 324 to 602 sqm.

The building provides a 92% NBS A Grade rating as per 2012. The 1,852 sqm site is zoned City Centre zone under the Auckland Unitary Plan.

As at the date of sale, the property was 50% vacant with development plans for refurbishments to the entire building or level 4 alone.

The property sold in July 2022 for \$28,000,000. Our analysis reflects an equivalent yield of 8.29%, an IRR of 8.58% and a land and buildings rate of \$3,134 per sqm.



35 Graham Street, Auckland

Sale Price	\$65,000,000	Sale Date	April 2022
Initial Yield	Vacant	Equivalent Yield	5.30%
IRR	6.51%	WALT	Vacant

35 Graham Street comprises a four-storey office building including one level of basement storage. Car parking for 11 cars is provided to the perimeter. The property provides approximately 9,880 sqm of office accommodation over three levels, with floor plates ranging from circa 2,900 sqm to 3,485 sqm. A large basement area of circa 2,525 sqm is currently utilised as storage.

As at the date of sale, the property was 100% vacant, having previously been occupied by Auckland Council.

Centuria sold the property sold in an off-market transaction in April 2022 to Mansons TCLM for \$65 million. The settlement date is 1 December 2023, subject to a right for the purchaser to extend the settlement date to 1 December 2024. If exercised, the purchase price increases to \$68 million.

Our analysis reflects an equivalent yield of 5.30%, an IRR of 6.51% and a land and buildings rate of \$5,240 per sqm.



10 Madden Street, Auckland CBD

Sale Price	\$86,000,000	Sale Date	February 2022
Initial Yield	4.04%	Equivalent Yield	5.24%
IRR	6.96%	WALT	8.9 years

10 Madden Street comprises a campus style commercial building designed by Warren and Mahoney. The base build was complete late 2020 with fitout works completed mid-2021. The building present to a modern standard and achieved 5 Green Star rating and 4-star NABERSNZ target.

The property provides approximately 8,114 sqm office accommodation, 127 sqm retail, 35 sqm deck and 37 car parking spaces. As at the date of sale the property was circa 90% occupied by tenants including Media Works, Google and Mito Q across 4 car parks. The property was producing a total net rental of \$3,473,334 per annum plus GST.

The property sold as a part of the Precinct Properties/ GIC transaction in February 2022, where GIC acquired five assets from Precinct's existing portfolio in Auckland and Wellington totalling around \$590m. We have been informed this property was valued at \$86,000,000 as part of the transaction. Our analysis of this value reflects a 4.04% initial yield, a 5.24% equivalent yield, a 6.96% IRR and a land and buildings rate of \$10,436 per square metre.



12 & 14 Madden Street, Auckland CBD

Sale Price	\$100,000,000	Sale Date	February 2022
Initial Yield	4.73%	Equivalent Yield	4.87%
IRR	6.67%	WALT	7.2 years

12 Madden Street comprises a high quality six level office building constructed circa 2017, situated within Auckland's Wynyard Quarter. The property was designed by Warren and Mahoney to provide one of New Zealand's largest purpose-built co-working spaces. The building provides 8,097 sqm of office accommodation across 6 levels, as well as 2 basement levels providing 87 car parking spaces, bike storage and end of trip facilities.

The adjoining N Cole Building at 14 Madden Street comprises a single level building providing approximately 216 sqm of boutique office/showroom accommodation.

As at the date of sale the property was fully leased to Auckland Unlimited until 11 July 2029 along with numerous casual car parking leases, returning a total net rental of \$4,725,612 per annum plus GST.

The property sold as a part of the Precinct Properties/ GIC transaction in February 2022, where GIC acquired five assets from Precinct's existing portfolio in Auckland and Wellington totalling around \$590m. We have been informed this property was valued at \$100,000,000 as part of the transaction. Our analysis of this value reflects a 4.73% initial yield, a 4.87% equivalent yield, a 6.67% IRR and a land and buildings rate of \$12,029 per square metre.

The sales transactions are summarised in the table below for comparison purposes:

Property Address	Sale Date	Sale Price	\$ / sqm	Initial	Equivalent	IRR	WALT
51 Shortland Street, Auckland	Aug-23	Confidential \$50m+		Confidential	Confidential High 7%	Confidential	2.06 years
124 Vincent Street, Auckland CBD	May-23	\$20.20 m	\$4,502	8.22%	6.90%	6.35%	2.96 years.
110 Symonds Street, Grafton	Jul-22	\$28.00 m	\$3,134	5.00%	8.29%	8.58%	1.01 years
35 Graham Street, Auckland	Apr-22	\$65.00 m	\$6,579	Vacant	5.30%	6.51%	Vacant
10 Madden Street, Auckland CBD	Feb-22	\$86.00 m	\$10,436	4.04%	5.24%	6.96%	8.9 years
12 & 14 Madden Street, Auckland CBD	Feb-22	\$100.00 m	\$12,029	4.73%	4.87%	6.67%	7.2 years

7.2 Suburban Auckland & Wellington Sales Transactions

Given the paucity of lower quantum sales within Auckland CBD in 2023, we have also had consideration to recent transactions in the wider Auckland region and in Wellington. We summarise these recent sales below:



The Kiwi Bacon Building – 317 New North Road, Kingsland, Auckland

Sale Price	\$33,000,000	Sale Date	September 2023
Initial Yield	6.57%	Equivalent Yield	6.35%
IRR	7.18%	WALT (Income)	2.43 years

The property comprises a two-level character office building which was originally constructed circa 1950s, and has subsequently undergone extensive upgrades and refurbishments in 2003, 2005 and more recently in 2017. The property is held within three Records of Title providing a combined site area of 5,544 sqm which is zoned Mixed Use under the Auckland Unitary Plan.

Improvements provide a variety of tenancies ranging from circa 67 sqm to 812 sqm, with four office and one café tenant located on the ground floor, and 12 office tenancies on level one. The majority of this accommodation presents to a good quality character style throughout and provides a total net lettable area of 4,486 sqm. The subject property has been strengthened to provide a NBS rating in excess of 80%. In addition to the above, the eastern portion of the site comprising approximately 2,164 sqm provides on grade parking and future redevelopment options, in addition to a two level structure which provides undercroft car parking with open car parking above.

As at the date of sale, the property was 97% occupied by a range of formal and casual short term tenants, with major occupiers including Are Media, First AML, Multi Market Services and Dark Horse. The property is returning a combined net passing income of \$2,095,912 per annum plus GST (including billboard tenancy), with a relatively short term WALT of 2.43 years (by income).

The property transacted in September 2023 for \$33,000,000 plus GST, reflecting an initial yield of 6.57%, an equivalent yield of 6.35%, and a land and building rate of \$7,357 per sqm.



Apollo Health & Wellness Centre – 119 Apollo Drive, Rosedale, Auckland

Sale Price	\$28,000,000	Sale Date	June 2023
Initial Yield	6.98%	Equivalent Yield	6.44%
IRR	7.79%	WALT (Income)	6.39 years

The property was constructed in 2004 and comprises a two level, purpose built integrated medical centre offering medical, commercial, and retail space with 38 covered carparks and some 174 open spaces. Situated on a high-profile corner site with frontage to Apollo Drive and Rosedale Road, being within the wider expanding Albany locality. The medical centre is leased to a variety of tenants on varying lease terms. The major tenant is Apollo Medical Limited (trading as The Doctors Apollo) who account for approximately 24% of the net income with other key tenants including Apollo Pharmacy, Labtests, Motion Health Group and The Radiology Group, together with a wide range of smaller tenancies comprising physiotherapy, dental and various medical specialists.

The property transacted in June 2023 for \$28,000,000 plus GST, reflecting an initial yield of 6.98%, an equivalent yield of 6.44%, with a WALT of 6.39 years (by income). We note that the two vacant tenancies are subject to a three-year vendor underwrite from the date of settlement.



22 The Terrace, Wellington

Sale Price	\$29,400,000	Sale Date	May 2023
Initial Yield	7.12%	Equivalent Yield	6.86%
IRR	7.43%	WALT	5.07 years

The subject is an 11-story commercial building with 4,813 sqm of office accommodation, a mix of ground floor and basement car parking and end of trip facilities. The property has recently undergone an extensive refurbishment program, and is situated to the south west corner of The Terrace and Bolton Street within the Wellington CBD Fringe. As part of the refurbishment program the building has been seismically strengthened to 100% of NBS, with the building designed to achieve 5-star ratings for both NABERS and Green Star.

The property is situated upon a 929 sqm freehold site, zoned Central Area under the Wellington City District Plan. Also located upon the site is an historically listed two level character Cottage to the front of the site alongside the 11-level office tower. The property provides for a total lettable area of approximately 4,813 sqm plus 18 car parking spaces.

As at the date of sale, the property was effectively fully leased (noting 1 vacant car park) and is producing net income of \$2,093,076 per annum with a weighted average lease term of 5.07 years by income.

The property sold in May 2023 for \$29,400,000, reflecting a 7.12% initial yield, a 6.86% equivalent yield, a 7.46% IRR and a land and building rate of \$6,108 per sqm. The sale settled in July 2023.



44 The Terrace, Wellington

Sale Price	\$48,000,000	Sale Date	September 2022
Initial Yield	Conf. (Mid 6% s)	Equivalent Yield	6.98%
IRR	6.80%	WALT	4.57 years

44 The Terrace comprises an extensively upgraded office building, situated on the western side of The Terrace, just south of Bowen Street and the Beehive in Wellington Central. Originally constructed circa 1987, the property provides ground floor retail tenancies, a large central entrance foyer, and 12 levels of good quality office accommodation above, having been extensively refurbished twice, once in the early 2000's and most recently in 2015-2017. The building has a seismic rating of 80% NBS, and achieved a 4.5 Star NABERSNZ rating following refurbishment.

Overall, the property provides a total lettable area of circa 10,325 sqm, being 716 sqm of ground floor retail and 9,609 sqm of office, with no onsite car parking. As at the date of sale, the building was essentially fully occupied (by income) with major government tenants including Ministry of Social Development, Commerce Commission, Energy Efficiency & Conservation and Tertiary Education Commission. The property is returning a gross rental of \$5,133,341 per annum plus GST, with a WALT of 4.57 years.

The property sold in September 2022 for \$48,000,000, in which we understand \$2,000,000 of the sale price was retained by the purchaser for seismic related works. The sale reflects an initial yield of 6.64% an equivalent yield of 6.98%, an IRR of 6.80%, and a land and buildings rate of \$4,649 per sqm.

The sales transactions are summarised in the table below for comparison purposes:

Property Address	Sale Date	Sale Price	\$ / sqm	Initial	Equivalent	IRR	WALT
The Kiwi Bacon Building, 317 New North Road, Kingsland	Sep-23	\$33.00 m	\$7,357	6.57%	6.35%	7.18%	2.43 years
Apollo Health & Wellness Centre, 119 Apollo Drive, Rosedale	Jun-23	\$28.00 m	\$5,735	6.98%	6.44%	7.79%	6.39 years
22 The Terrace, Wellington	May-23	\$29.40 m	\$6,108	7.12%	6.86%	7.43%	5.07 years
44 The Terrace, Wellington	Sep-22	\$48.00 m	\$4,649	6.64%	6.98%	6.80%	4.57 years

7.3 Leasehold Sales Transactions

There is a smaller selection of leasehold assets that have sold in recent times, with the more relevant transactions for the subject property outlined below.



30 Mahuhu Crescent & 8 Tangihua Street, Quay Park, Auckland

Sale Price	\$60,000,000	Sale Date	August 2023
Initial Yield	12.64%	Equivalent Yield	9.20%
IRR	9.44%	WALT	2.43 years

The BNZ and Latitude Buildings in Quay Park comprise two modern leasehold office buildings that were sold into a new Joint Venture between Precinct, PAG and Ngati Whatua in August 2023.

The BNZ Building is fully leased by BNZ with a WALT of 1.08 years, however has been largely vacated ahead of their lease expiry in June 2024. The building was completed in 2008 and provides approximately 7,671 sqm of accommodation over 5 levels with 135 basement car parking spaces. The building has a 5 Star Green Star Rating. We are aware the building had a 50% NBS rating under a 2020 DSA report.

The Latitude Building is multi-let, with major occupiers including Latitude Financial, Fiserve and Customfleet. At the date of sale the building was 68% leased, with a WALT of 4.03 years. The building was completed in 2005 and provides a NLA of 13,653 sqm with 208 car parking spaces. The building benefits from a 2020 DSA report that notes the building is to 80% NBS.

Both buildings are held leasehold, with the initial purchase from HIH at \$60.0 million reflecting the leasehold assets, incorporating 150 year terminating leases with ground rent based on 6% of freehold land value. Precinct Properties and PAG have partnered to buy the buildings leasehold from HIH, with a subsequent sale into a joint venture with the ground lessor, Ngati Whatua.

We note that both buildings have been available for sale within the wider market for an extended period of time, however sold following an on-market sales campaign in early 2023. The sale parameters of the initial leasehold transaction (HIH to Precinct/PAG) reflect an initial yield of 12.64%, an equivalent yield of 9.20% and a combined land and buildings rate of \$2,814 per sqm.



204 Quay Street, Auckland

Sale Price	\$20,000,000	Sale Date	February 2021
Initial Yield	7.79%	Equivalent Yield	7.79%
IRR	8.71%	WALT	5.94 years

The property comprises a multi-level commercial building, situated in a prime Auckland CBD location at 204 Quay Street, with frontage to the Viaduct Harbour. The property is situated on a 2,744 sqm City Centre zoned site, providing approximately 4,252 sqm of retail space, predominantly occupied by restaurants and bars, with circa 1,217 sqm of office accommodation.

At the sale date, the property was leased to eleven tenants, including seven restaurant/bar occupiers and three commercial units (two tenants), with additional supplementary income streams through signage, billboard income and a kiosk. Given the influence of the COVID-19 pandemic, the rental cashflow which is predominantly from hospitality tenants is considered relatively 'risky'.

The property is subject to a perpetually renewable ground lease with 5-yearly rent reviews. The next rent review is due in September 2022.

The property sold for \$20,000,000 in early 2021 reflecting an initial and equivalent yield of 7.79% or alternatively \$3,657 per sqm of NLA.



Subject Property

Grant Thornton, 152 Fanshawe Street, Auckland (Subject Property)

Sale Price	\$36,250,000	Sale Date	November 2020
Initial Yield	7.07%	Equivalent Yield	6.90%
IRR	6.73%	WALT	3.48 years

The property comprises a high quality office building completed in 2007, situated on the high profile corner site of Fanshawe and Halsey Street in Auckland's CBD fringe. The property provides a total NLA of 6,673 sqm over five levels with 71 onsite parking spaces.

The property is of leasehold tenure with a 150 year term from 27 August 2004 and 134 years remaining. Rent reviews are 7 yearly to market from August 2019 and the annual rent payable under the ground lease shall be 6% of the underlying freehold market value of the land.

As at the date of sale the property is 100% leased to a variety of corporate tenants with a WALT of 3.48 years.

The property sold in November 2020 for \$36.25 million. The sale of the lessee's interest reflects an initial yield of 7.07%, an equivalent yield of 6.90% and an IRR of 6.73%.

The sales transactions are summarised in the table below for comparison purposes:

Property Address	Sale Date	Sale Price	\$ / sqm	Initial	Equivalent	IRR	WALT
30 Mahuhu Crescent & 8 Tangihua Street, Quay Park, Auckland	Aug-23	\$60.0 m	\$2,814	12.64%	9.20%	9.44%	2.43 years
204 Quay Street, Auckland	Feb-21	\$20.00 m	\$3,657	7.79%	7.79%	8.71%	5.94 years
Grant Thornton, 152 Fanshawe Street, Auckland	Nov-20	\$36.25 m	\$5,432	7.07%	6.90%	6.73%	3.48 years

7.4 Market Capitalisation Rate Conclusion

In order to assess an appropriate capitalisation rate of yield for the subject property we have had regard to a wide range of sales including both freehold and leasehold sales in the surrounding area, whilst having regards to more recent sales given the lack of more recent transactions. We have had particular regard to the recent leasehold transactions detailed above.

The property is of a terminating 150-year leasehold tenure with 7 yearly market reviews, with the next review on 27 August 2026 whereby the rent is to be reviewed to 6% of the current freehold market value of the land disregarding the Lessee's improvements. The building presents to a high standard, offering modern quality office accommodation and is fully occupied with a WALT of 3.65 years as at the date of valuation.

We note that the subject property sold in November 2020 for \$35,250,000, reflecting an initial yield of 7.07%, an equivalent yield of 6.90% and an IRR of 6.73%. We note that the general market continued to see firming in yields into 2021 and 2022, however has significantly softened since late 2022 and throughout 2023.

We have had particular regard to the leasehold sales of two properties within Quay Park and 204 Quay Street both in Auckland CBD.

The recent sales of the Latitude Building at 8 Tangihua Street and the BNZ Building at 30 Mahuhu Crescent are both leasehold properties located within Quay Park in Auckland CBD. The two properties were purchased together by the ground lessor, Ngati Whatua Orakei, in a joint venture with Precinct Properties, effectively freeholding both sites. On a leasehold basis the sale reflects a combined initial yield of 12.64% and an equivalent yield of 9.20%. The properties are considered overall inferior to the subject however with the sale also constrained by the partnership of the Ground Lessor with the purchasing entities.

204 Quay Street sold in February 2021 for \$20 million reflecting an initial and equivalent yield of 7.79% and an IRR of 9.71%. The property provides a predominantly hospitality offering and includes tenants such as St Alice, Dr Rudis and Danny Doolans. The property has a perpetually renewable ground lease with 5 yearly reviews to market. The property sold fully leased with a WALT of 5.94 years. We consider the subject to provide a superior offering and benefits from a potentially more secure commercial office cashflow.

In addition to the above leasehold transactions we have also had regard to recent Auckland and Wellington freehold transactions above. The range of freehold sales evidence indicates initial yields of between 4.04% and 8.22% and equivalent yields of between 4.87% and 8.29%. We note leasehold properties typically attract a 100 – 175 basis point premium depending on the leasehold structure and period to the next ground rent review. The premium reflects the inferior tenure and future cashflow unpredictability with ground rent reviews generally linked to underlying land values.

Importantly we note that several of the transactions noted above that occurred during 2022 would likely reflect lower prices if they were re-marketed at the current date.

We are now seeing a changing environment with New Zealand coming off a period of record low interest rates, which provided a period of significant yield compression across many commercial property sectors. Firm yields paid for properties across 2021 and into 2022 will need to be considered against borrowing costs and potential requirements for increased equity. A number of properties have been placed under contract or offered to the market but have not transacted in the current environment as investors wait for interest rates to stabilise and for funding to become more available.

Additionally, pricing for core property fundamentals is returning to the marketplace, where investors had strayed away from location, tenant covenant and growth risks with a consequent narrowing of the yield gap between prime and secondary quality assets. We expect this gap to widen as investors again begin to price in the additional risk of poorly located or tenanted assets or low growth lease structures.

Notwithstanding the above, a functional market equally needs willing sellers. We are aware of a number of recent transactions where offers have been received but rejected by the vendor. Many vendors may prefer to try and ride out the short term challenges until more normal conditions return. They may also elect to hold onto existing assets with known cashflow returns, as finding alternative returns may prove to be difficult.

Moving forward, we expect the market will find its balance as interest rates stabilise and vendor and purchaser expectations once more align.

We believe that the leasehold tenure and location of the subject property would result in some hesitancy by potential purchasers. We do however consider the Ngati Whatua Leasehold tenure to remove some of the uncertainty around the potential future ground rent due to the ground rental factor being fixed at 6.0%. In addition, we note that overall investor sentiment has since reduced in recent times although note that there is still good levels of demand for high quality commercial property. Both private and institutional investors are active in the market, with many sitting at very low levels of debt, and keen to capitalise on any perceived economic slowdown in terms of opportunities.

In assessing appropriate capitalisation rates for the subject we have considered the above evidence and comments on the current state of the market against the attributes of the subject property as summarised in the SWOT analysis in section 8.1 below.

Based on the sales evidence, we have adopted the following valuation inputs:

Valuation Input	
Capitalisation Rate	7.875%
Discount Rate	7.875%

8 Valuation Considerations

8.1 SWOT Analysis

The strengths and weaknesses of any investment property generally show the positive and negative characteristics of that property, whereas opportunities and threats represent future external factors or events that could enhance or diminish the value of the asset. We set out our SWOT analysis as inspected as follows:

Strengths	Weaknesses
<ul style="list-style-type: none">▪ Prominent location close to the core of the CBD.▪ The building provides high quality commercial office accommodation in a strengthening fringe office market.▪ Multiple tenants spread the covenant risk.▪ Large floor plates with a centrally located core. The floors can be single or multi-let, and allow for efficient space planning.▪ Excellent levels of natural light, particularly on the upper floors with good floor to ceiling heights throughout.▪ Good access to public transport, the core of Auckland City and the northern and southern motorways.▪ Pleasant outlook to the west towards Victoria Park.▪ 94% leased.▪ Good WALT of 4.28 years.▪ Fixed rent reviews contained in all leases.	<ul style="list-style-type: none">▪ Leasehold tenure generally considered inferior to freehold with more restrictions on redevelopment (landlord consent required) and little underlying land value compared to freehold property.▪ Ground rental is not currently being recovered from most of the tenants.▪ IEP level seismic advice may make the building less desirable to occupiers or investors at this quantum.▪ Next market ground rent review is less than 3 years away (August 2026).▪ Termination clauses in leases.▪ Circa 6% vacancy.▪ Large number of incentives flowing through cashflow, reducing net income.
Opportunities	Threats
<ul style="list-style-type: none">▪ Strengthening fringe location with several new build office properties in the precinct.▪ Renegotiate / renew leases to extend WALT.▪ The limited number of quality CBD investment property currently available for sale and sentiment suggests strong investment demand.▪ Lease vacant space.▪ Purchase Freehold title.	<ul style="list-style-type: none">▪ Possibility of further increases in the Official Cash Rate.▪ Slowdown in global economic growth.▪ Construction of CBD and city fringe offices likely to effect the Auckland CBD office market dynamics over the medium term, particularly rental growth and office vacancy.▪ Significant increase in ground rent at reviews.▪ Downturn in overall investor sentiment.

8.2 Likely Selling Period

We are of the opinion that the likely selling period for the Property is up to 12 months, assuming that the property is presented to the market in accordance with the specific assumptions noted in this report, and with an appropriate level of marketing. The actual time to sell the property may vary depending on the number of potential buyers in the marketplace, availability of comparable properties, access to finance, and changes in market conditions subsequent to the valuation date.

8.3 Most Probable Purchaser

In consideration of the current market, we anticipate the most probable purchaser of the Property to be to be an experienced investor that has the capability to analyse and mitigate the ground lease risk and uncertainty.

8.4 Sales History

The subject property last transacted on 20 August 2020 for \$36,250,000 plus GST.

9 Valuation Rationale

9.1 Valuation Overview

In arriving at our opinion of market value we have had primary consideration to the income approach. The income approach is based on actual or market income, which is currently or could potentially be generated by an owner of the interest, to assess the value. We have utilised the income capitalisation and discounted cashflow (DCF) methods of valuation within this approach, along with a cross check via the comparable transactions method.

9.2 Income Capitalisation Method

The income capitalisation method involves the determination of a sustainable net income from the property, and the application of a capitalisation rate as a measure of expected return from the property. Adjustments are made to the core value for items such as under/over renting, required capital expenditure or current/upcoming vacancy.

We have adopted a core capitalisation rate of 7.875%, with our calculations summarised below:

Income Capitalisation Method		
Rental Income	Contract Income	Market Income
Lettable Area Rental	\$3,112,056	\$3,302,166
Car Parking Rental	\$345,704	\$411,320
Ideal Outgoings Recovery (Full Net Leases)	\$719,431	\$757,840
Total Rental Income	\$4,177,191	\$4,471,326
Less Outgoings Expenditure	(\$757,840)	(\$757,840)
Less Ground Rental	(\$859,200)	(\$950,508)
Net Rental Income	\$2,560,152	\$2,762,978
Core Income Capitalised at 7.88% (Leasehold for 130.9 Years @ 7.88%)	\$32,508,271	\$35,083,715
Value Adjustments		
Present Value of Existing Rental Reversions	\$3,658,626	(\$84,735)
Present Value of All Outstanding Incentives	(\$719,297)	(\$719,297)
Vacancies - Letting Up Allowances:		
Present Value of Downtime	(\$125,300)	
Present Value of Incentives	(\$123,756)	
Present Value of Leasing Fees	(\$40,230)	(\$289,285)
Expiries within the next 24 months - Letting Up Allowances:		
Present Value of Downtime	(\$8,476)	
Present Value of Leasing Fees	(\$2,755)	(\$11,231)
Present Value of Future Lease Agreements and Stepped Rentals	(\$174,663)	(\$174,663)
Present Value of Short Term Capital Expenditure: 24 months	(\$1,801,105)	(\$1,801,105)
Value of Other Income	\$271,265	\$271,265
Ground Rental Benefit Adjustment	(\$982,251)	\$185,804
Total Value Adjustments	(\$47,942)	(\$2,623,247)
Total Capitalised Value	\$32,460,329	\$32,460,468
Adopted Capitalised Value (say)	\$32,500,000	\$32,500,000

From our core value, present value adjustments (for rental reversions, letting up allowances, incentives, future lease agreements and short-term CAPEX) where appropriate have been made in order to derive the resultant capitalised value.

Our adopted adjustments are detailed as follows:

Rental Reversions

From the core value, we have added/deducted the present value of tenant rental reversions, which represents the present value of rental overage / underage for each existing tenancy relative to our adopted rental profile. Further, we have allowed for downtime associated with the leasing up of any current vacancies within the Property.

Letting Up Allowances

Within our capitalisation calculations we have made present value letting up allowances for those tenancies that are expiring over the next 24 months. This letting up allowance includes rental and outgoing void (downtime) as well as leasing / agents' fees.

Unexpired Incentives

We have deducted the present value of all outstanding / unexpired incentives of \$719,297.

Capital Deductions

We have allowed for the present value of CAPEX allowances over the next 24 months from the valuation date, which total \$1,801,105.

Other Income

We have allowed for the present value of any other income attributable to the Property. We have calculated the present value of the remaining income stream for other income resulting in a value addition of \$271,265.

Other income relates to the current passing income, outgoings and ground rent recovery received from Capgemini under their existing lease until the current lease expiry of 6 December 2023.

In addition, under Capgemini's new lease, commencing 15 January 2024, they will pay ground rent of \$29,207 per annum which we have also include as other income.

Calculation Summary

Having made these adjustments to the core value, we derive a total value of \$32,500,000. A sensitivity analysis based on adjustments to our adopted Core Capitalisation rate is as displayed below:

Sensitivity Analysis		Contract Approach	Market Approach
(0.25%)	7.625%	\$33,600,000	\$33,600,000
Adopted Capitalisation Rate	7.875%	\$32,500,000	\$32,500,000
0.25%	8.125%	\$31,300,000	\$31,400,000

9.3 Discounted Cash Flow Method

We have undertaken a discounted cash flow analysis over a 10-year investment horizon to derive a net present value for the Property.

We note that a DCF analysis looks to forecast cashflow performance from the property over a future horizon based on an understanding and due diligence related to the property and the specific market in which it sits. The adopted forecasts incorporate what we consider reasonably foreseeable as at the valuation date in terms of key lease events, capital expenditure and likely growth in rental rates, costs and changes in property values over the cashflow term. We note that the actual cashflows associated with the property may vary significantly depending on management decisions, market conditions or unforeseeable events.

Discount Rate

In assessing an appropriate target discount rate for the property, we have considered primarily the analysis of recent comparable or benchmark property sales, the current level of risk free return, discussions with active property investors as well as consideration of the property's specific investment attributes.

We have applied a target discount rate of 7.875% to the cash flows to produce a present value of \$28,800,000. Our DCF calculations are summarised overleaf:

Discounted Cashflow Summary												
Year Ending	29-Sep-2024	29-Sep-2025	29-Sep-2026	29-Sep-2027	29-Sep-2028	29-Sep-2029	29-Sep-2030	29-Sep-2031	29-Sep-2032	29-Sep-2033	29-Sep-2034	
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	
Rental Income												
Lettable Area and Car Park Income	\$3,360,640	\$3,812,762	\$3,883,896	\$2,651,703	\$4,133,117	\$2,683,441	\$3,465,443	\$4,161,780	\$4,597,744	\$3,886,808	\$0	
Outgoings Recovery	\$690,336	\$790,048	\$815,724	\$564,603	\$867,502	\$541,043	\$725,091	\$887,528	\$976,382	\$839,920	\$0	
Other Income	\$147,327	\$29,791	\$30,387	\$30,994	\$31,614	\$32,247	\$10,964	\$0	\$0	\$0	\$0	
Gross Rental Income	\$4,198,303	\$4,632,600	\$4,730,007	\$3,247,301	\$5,032,234	\$3,256,730	\$4,201,498	\$5,049,308	\$5,574,125	\$4,726,728	\$0	
Rental Deductions												
Unexpired Incentives - Rent Free/Abatements	(\$162,689)	(\$158,275)	(\$132,218)	(\$130,000)	(\$130,000)	(\$55,000)	(\$10,000)	\$0	\$0	\$0	\$0	
Outgoings Expenditure	(\$757,840)	(\$790,048)	(\$815,724)	(\$842,235)	(\$867,502)	(\$893,527)	(\$920,333)	(\$947,943)	(\$976,382)	(\$1,005,673)	\$0	
Ground Rental	(\$859,200)	(\$859,200)	(\$859,200)	(\$1,037,311)	(\$1,037,311)	(\$1,037,311)	(\$1,037,311)	(\$1,037,311)	(\$1,037,311)	(\$1,037,311)	(\$319,843)	
Net Rental Cashflow	\$2,418,574	\$2,825,077	\$2,922,865	\$1,237,754	\$2,997,420	\$1,270,891	\$2,233,853	\$3,064,053	\$3,560,432	\$2,683,744	\$0	
Rental Adjustments												
Unexpired Incentives - Capital Contribution	(\$74,990)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Letting Up Allowances - Leasing Fees	(\$44,592)	\$0	\$0	(\$277,945)	\$0	(\$405,033)	(\$103,621)	(\$53,367)	\$0	\$0	\$0	
Capital Expenditure	(\$1,646,516)	(\$234,974)	(\$242,611)	(\$1,007,319)	(\$706,340)	(\$1,729,256)	(\$793,688)	(\$956,647)	(\$350,598)	(\$121,649)	\$0	
Net Cashflow	\$652,477	\$2,590,103	\$2,680,254	(\$47,509)	\$2,291,080	(\$863,398)	\$1,336,544	\$2,054,039	\$3,209,835	\$2,562,095	\$0	
Purchase Price	\$31,000,000											
Sale Price	\$38,100,000											
Annual Cashflow	(\$30,347,523)	\$2,590,103	\$2,680,254	(\$47,509)	\$2,291,080	(\$863,398)	\$1,336,544	\$2,054,039	\$3,209,835	\$2,562,095	\$37,719,000	
Present Value of Rental Cashflow	\$11,159,786											
Present Value of Terminal Value	\$17,674,701											
Allowance for Acquisition Costs	\$0											
Total Net Present Value (say)	\$28,800,000		Resulting IRR		6.90%							

The main valuation inputs used in our cash flow are summarised as follows:

Revenue Projections

Our revenue projections commence with the passing rents for each existing tenant and, where relevant, include structured annual and market rent reviews, together with ratchet clauses, as provided for under existing leases.

Growth Rates

A summary of the growth rates adopted for the cash flow period are as follows:

Growth	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Office							10 year average		2.65%	
	3.00%	3.00%	2.75%	2.75%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
CPI							10 year average		2.22%	
	3.50%	2.50%	2.25%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Capex							10 year average		3.17%	
	4.25%	3.25%	3.25%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Outgoings							10 year average		3.17%	
	4.25%	3.25%	3.25%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

The market rents have been grown over the 10-year cash flow period by their respective growth rate as set out within the summary table above. In formulating our views as to the appropriate projected rental growth rates we have had regard to forecasts supplied by JLL Research and NZIER. These forecasts have been used as a base from which growth rates appropriate for the Property have been derived.

Letting Up Allowances

We have allowed for a letting up period at the end of each existing lease (being the estimated time to secure a new tenant) and associated probability. We have assumed a new lease term for tenants of 6.0 years and associated agents/leasing costs of 16.00%. Our allowances are outlined in the table below:

Office	Cash Flow Year	Letting Up	Probability	Incentive	Probability	Capex /sqm	Probability
	Vacant	6 months	100%	8.33%	100%	\$0	100%
	Year 1	6 months	100%	8.33%	100%	\$300	100%
	Year 2	6 months	100%	8.33%	100%	\$300	100%
	Year 3	6 months	100%	8.33%	100%	\$300	100%
	Year 4	6 months	100%	8.33%	100%	\$300	100%
	Year 5	6 months	100%	8.33%	100%	\$300	100%
	Year 6	6 months	100%	8.33%	100%	\$300	100%
	Year 7	6 months	100%	8.33%	100%	\$300	100%
	Year 8	6 months	100%	8.33%	100%	\$300	100%
	Year 9	6 months	100%	8.33%	100%	\$300	100%
	Year 10	6 months	100%	8.33%	100%	\$300	100%

Capital Expenditure

Within our calculations we have made capital expenditure allowances for any known upcoming costs, together with our own allowances for capital and refurbishment works coinciding with major lease expiries that we feel would be necessary to achieve our rental growth forecast and which a prudent purchaser is likely to make allowances for. The allowances we have made are as summarised below, split between capex associated with a tenancy expiry or renewal, and general property expenditure:

Cash Flow Year	Tenancy Capex	Building Capex	Total Capex
Year 1	\$0	\$1,646,516	\$1,646,516
Year 2	\$0	\$234,974	\$234,974
Year 3	\$0	\$242,611	\$242,611
Year 4	\$733,400	\$273,919	\$1,007,319
Year 5	\$0	\$706,340	\$706,340
Year 6	\$1,226,537	\$502,719	\$1,729,256
Year 7	\$415,332	\$505,267	\$920,599
Year 8	\$0	\$829,735	\$829,735
Year 9	\$0	\$350,598	\$350,598
Year 10	\$901,989	\$121,649	\$1,023,638
10 Year Total	\$3,277,258	\$5,414,327	\$8,691,586
Capex as a proportion of Value	28.0%	Per Sqm of Lettable Area	\$1,302.48

The above allowances have been adjusted for forecast CPI movements throughout the cash flow.

We have been provided with the following 10 year capex budget (detailed overleaf) by PMG which we have adopted in the building capex (adjusted for CPI) outlined in the table above.

General / Maintenance Capex	Sep-24	Sep-25	Sep-26	Sep-27	Sep-28	Sep-29	Sep-30	Sep-31	Sep-32	Sep-33
Access Control – Lifecycle replacement – tecom system	\$110,000	-	-	-	-	-	-	-	-	-
Air Conditioning & BMS – VRF lifecycle replacement – 9 x units	\$460,000	\$117,300	\$117,300	\$239,292	\$244,078	\$248,959	\$253,939	\$259,017	\$264,198	-
Air Conditioning & BMS – Dehumidifiers / dryers – EOT dry room	\$195,767	\$195,767	-	-	-	-	-	-	-	-
Air Conditioning & BMS – 7 NOX	\$2,370	-	-	-	-	-	-	-	-	-
Auto & Roller Door, Gates – Basement roller door & gate motor	-	-	-	-	-	\$15,000	-	-	-	-
Auto & Roller Door, Gates – Ground floor roller door & gate motor	-	-	-	-	-	-	-	\$15,000	-	-
Auto & Roller Door, Gates – Ground floor auto door	-	-	-	-	-	-	-	-	-	\$12,000
Electrical & Generator – Plant room LED	\$5,000	-	-	-	-	-	-	-	-	-
Electrical & Generator – Generator	-	-	-	-	-	-	-	-	-	\$25,000
Interior – Plants purchase (lobbies)	-	-	-	-	\$5,000	-	-	-	-	-
Interior – Base build bathroom upgrade	-	-	-	-	\$150,000	\$150,000	\$150,000	\$150,000	-	-
Exterior – Window frosting – Vega	\$3,000	-	-	-	-	-	-	-	-	-
Fire – fire panel, detectors, alarms	-	-	-	-	-	-	-	-	-	\$40,000
Lifts & Elevators – Lifts x 3 – allowance for only 1 – condition	-	-	-	-	-	-	-	\$220,000	-	-
Plumbing & Hydraulic – Stormwater pumps x 2, investigate adding 1 more	-	-	-	-	-	-	-	-	-	\$12,000
Roof & Waterproofing – Butynol membrane	-	-	-	-	\$200,000	-	-	-	-	-
Roof & Waterproofing – carpark waterproofing	-	\$65,000	\$65,000	-	-	-	-	-	-	-
Security – Cameras	\$8,000	-	-	-	-	-	-	-	-	-
Sustainability – Rainwater harvesting	-	\$15,000	\$15,000	-	-	-	-	-	-	-
Other – Smart roof access	-	\$1,000	\$1,000	-	-	-	-	-	-	-
Cisco – Base build upgrade	\$102,000	-	-	-	-	-	-	-	-	-
Capgemini – Splitting tenancy, base build upgrade, turnkey fitout	\$889,022	-	-	-	-	-	-	-	-	-
Total	\$1,579,392	\$218,300	\$218,300	\$239,292	\$599,078	\$413,959	\$403,939	\$644,017	\$264,198	\$89,000

Estimated Terminal Sale Price

We have applied a terminal yield of 8.000% (a 12.5 basis point premium to the going in capitalisation rate) to the market net income at the start of Year 11 in order to calculate the estimated terminal sale price. This value also includes reversions to the forecast market rent as at the end of Year 10, deferred until the next review date.

In estimating the terminal value of the property, we have primarily had regard to the increased age of the property at the end of the cashflow and likely occupancy and net income profile for the property.

Transaction Costs

We have made allowances for the following transaction costs within our discounted cash flow:

Transaction Costs	
Acquisition Costs	Nil
Disposal Costs	1.00% of the forecast Terminal Value

Sensitivity Analysis

The table below highlights a sensitivity analysis of the net present value around variations to the discount rate and terminal yield:

Discount Rate		Terminal Yield	
	7.750%	8.000%	8.250%
7.625%	\$30,000,000	\$29,400,000	\$28,700,000
7.875%	\$29,500,000	\$28,800,000	\$28,200,000
8.125%	\$28,900,000	\$28,300,000	\$27,700,000

10 Valuation

10.1 Valuation Reconciliation

The results of our valuation methods are:

Methodology	Valuation
Income Capitalisation Method – Market Income	\$32,500,000
Income Capitalisation Method – Contract Income	\$32,500,000
Discounted Cash Flow Method	\$28,800,000
Adopted Value	\$31,000,000

10.2 Valuation Conclusion

Having regard to the results from the valuation methods described above, together with available market evidence, the comments made within this report, and present market sentiment, we have adopted a rounded valuation figure of \$31,000,000 plus GST (if any).

Our valuation is subject to the comments, qualifications and financial data contained within our report. On that basis, and assuming the Property is free of encumbrances, restrictions or other impediments of an onerous nature that would affect value, in our opinion its market value as at 30 September 2023, is:

\$31,000,000 plus GST (if any)

Thirty One Million Dollars plus GST (if any)

The assessed value reflects an initial passing yield of 8.21%, an equivalent yield of 8.22%, an internal rate of return of 6.90%, and a rate of \$4,646 per square metre of Lettable Area.

We confirm that this report is confidential to the following parties and for the specific purposes noted below:

- PMG Direct Office Fund – for Capital Raising

No responsibility is accepted to any third parties. Neither the whole of the report, or any part of it, or any reference to it, may be published in any document, statement or circular nor in any communication with third parties without our prior written approval of the form and context in which it will appear.

10.3 Involvement Statement

The following parties have been involved in the completion of this valuation:

Inspection of Property	Ben Johnson & Zac Chan
Calculations	Ben Johnson, Hannah Broderson & Zac Chan
Information Review	Ben Johnson, Hannah Broderson & Zac Chan
Report Authoring	Ben Johnson, Hannah Broderson & Zac Chan
Quality Assurance	Isabelle Hoy
Principal Valuer	Ben Johnson

JLL require that all Valuation Reports are reviewed for Quality Assurance purposes before external release. The individual that has undertaken the Quality Assurance review offers no opinion on the subject property(s).

Yours faithfully,

Jones Lang LaSalle, Value and Risk Advisory



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Appendix 1 – Valuation Definitions

Net Passing Income	The annual sum of the current base rent, any supplementary income and recoverable outgoings, less total outgoings.
Net Income, Fully Leased	The annual net passing income as above, plus estimated income from vacant tenancies and any immediate reversions.
Capitalisation Rate	The capitalisation rate adopted within the valuation applied to either the net income, fully leased (excluding supplementary income) or net market income prior to adjustments for vacancy, rental reversion and capital expenditure.
Initial Yield	The net passing income from an investment divided by the sale price or value adopted for the investment.
Market Yield	The assessed net market income divided by the sale price or value adopted.
Equivalent Yield	A market yield which reflects additional adjustments for capital expenditure, letting up assumptions or the present value of rental reversions after the capitalisation of income.
Discount Rate	A rate of return used to convert a future monetary sum or cash flow into a present value.
Internal Rate of Return (IRR)	The discount rate at which the present value of the future cash flows of the investment equals the acquisition cost of the investment.
Terminal Yield	Alternatively referred to as a Reversionary Yield, being the anticipated yield from an investment property once a reversionary value is attained at the end of the cashflow with adjustments for vacancy allowances.
Ten Year IRR	The IRR (as above) for which the property would achieve based on the present value of all the net cashflows over a 10-year period given the assessed value.
Market Rent	The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
Market Value	The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
Highest and Best Use	The use of an asset that maximises its potential and that is physically possible, legally permissible and financially feasible.
Weighted Average Lease Term (WALT)	The weighted average lease term remaining to expire across the property or portfolio, it can be weighted by rental income or lettable area.
Fair Value	Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Appendix 2 – Record of Title



**RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD
Search Copy**




R.W. Muir
Registrar-General
of Land

Identifier 172361
Land Registration District North Auckland
Date Issued 30 August 2004


Prior References

DOC 6131708.1	NA85A/276	NA85A/277
T D394811.1F	T D394812.1F	

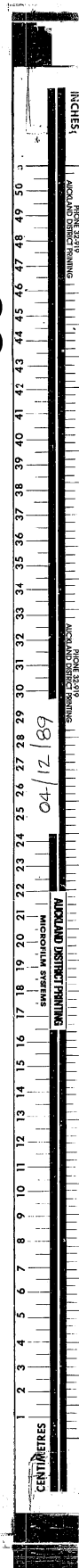
Estate Fee Simple
Area 2031 square metres more or less
Legal Description Section 1-2 Survey Office Plan 65001
Registered Owners
Whai Rawa Property Holdings LP

Interests

Subject to Part IVA Conservation Act 1987
Subject to Section 11 Crown Minerals Act 1991
6151745.1 Lease Term 150 years commencing on the 27.8.2004 CT 175800 issued - 16.9.2004 at 9:00 am
6607239.1 Variation of Lease 6151745.1 - 13.10.2005 at 9:00 am
10055951.6 Mortgage to Bank of New Zealand - 25.5.2015 at 4:12 pm
10960876.1 Variation of Mortgage 10055951.6 - 5.12.2017 at 5:36 pm
11615359.1 Variation of Lease 6151745.1 - 6.12.2019 at 9:21 am

Approvals		ROADS SHOWN ARE LEGAL										
		<p>SCHEDULE</p> <table border="1"> <tr> <th>DESCRIPTION</th> <th>FORMERLY</th> <th>CROWN LAND</th> </tr> <tr> <td>Sec 1 S065001</td> <td>Pt 7 DP31743</td> <td>GN498967.1</td> </tr> <tr> <td>Sec 2 S065001</td> <td>Pt 7 DP31743</td> <td>GN498967.1</td> </tr> </table>		DESCRIPTION	FORMERLY	CROWN LAND	Sec 1 S065001	Pt 7 DP31743	GN498967.1	Sec 2 S065001	Pt 7 DP31743	GN498967.1
		DESCRIPTION	FORMERLY	CROWN LAND								
Sec 1 S065001	Pt 7 DP31743	GN498967.1										
Sec 2 S065001	Pt 7 DP31743	GN498967.1										
<p>Total Area 2031 m²</p> <p>Comprised in GN498967.1 All</p>		<p>BRUCE WILLIAM ROBERTSON OF AUCKLAND Licensed Surveyor and holder of an annual practicing certificate in who may act as a registered surveyor pursuant to section 25 of the Survey Act 1980 hereby certify that this plan has been made from surveys executed by me or under my directions, that both plan and survey are correct and conform with the provisions of the Survey Regulations 1974 or any regulations made in substitution thereof. Dated at AUCKLAND this 19th day of SEPTEMBER 1989 Signature <i>B. Robertson</i></p>										
<p>Field Book p. Transvers Book p.</p> <p>Reference Plans</p> <p>Examined in Campbell Corner <i>Robertson</i></p> <p>Approved as to Survey 2/11/89 <i>Asst. Chief Surveyor</i></p> <p>Deposited this day of 19</p>		<p>File 5/1060/15</p> <p>Received SO 65001</p> <p>Instruction T1/89/1168</p>										
<p>LAND DISTRICT NORTH AUCKLAND Survey Blk. & Dist. XVI WAITEMATA NZMS 261 Sheet Record Map No. Auckland 9C</p>		<p>TERRITORIAL AUTHORITY AUCKLAND CITY Surveyed by <i>Robertson</i> Scale 1:250 Date AUGUST 1989</p>										

W.A. ROBERTSON, DIRECTOR GENERAL/SURVEYOR GENERAL, DEPARTMENT OF SURVEY AND LAND INFORMATION, NEW ZEALAND





**RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
LEASEHOLD
Search Copy**




R.W. Muir
Registrar-General
of Land


Identifier **175800**
Land Registration District **North Auckland**
Date Registered 16 September 2004 09:00 am

Prior References
172361

Estate	Leasehold	Instrument	L 6151745.1
Area	2031 square metres more or less	Term	150 years commencing on the 27.8.2004
Legal Description	Section 1-2 Survey Office Plan 65001		
Registered Owners			
PMG Direct Office Fund Trustees Limited			

Interests

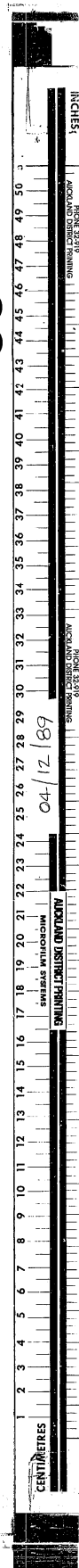
6607239.1 Variation of Lease 6151745.1 - 13.10.2005 at 9:00 am
6907416.1 Covenant pursuant to Section 108(2)(d) Resource Management Act 1991 - 15.6.2006 at 9:00 am
7404826.1 Encumbrance to Auckland City Council - 6.6.2007 at 9:00 am
11615359.1 Variation of Lease 6151745.1 - 6.12.2019 at 9:21 am
11961044.3 Mortgage to ASB Bank Limited - 21.12.2020 at 12:39 pm

Approvals		ROADS SHOWN ARE LEGAL	
			
SCHEDULE DESCRIPTION FORMERLY CROWN LAND Sec 1 S065001 Pt 7 DP31743 GN498967.1 Sec 2 S065001 Pt 7 DP31743 GN498967.1		Total Area 2031 m ² Comprised in GN498967.1 All	
TERRITORIAL AUTHORITY AUCKLAND CITY Surveyed by Scale 1:250 Date AUGUST 1999		SECTION 1 AND 2 BUILDINGS OF THE GENERAL GOVERNMENT Pt 7 DP 31743 998 m ²	
LAND DISTRICT NORTH AUCKLAND Survey Blk. & Dist. XVI WAITEMATA NZMS 261 Sheet Record Map No. Auckland 9C		DISTRICT LAND REGISTRAR SO 65001 Received Instruction T1/98/1168	

FIELD BOOK p. Transvers Book p.
 Reference Plans
 Examined in Campbell Corner
 Approved as to Survey 2/11/89
 Deposited this day of 19
 Chief Surveyor
 Date at AUCKLAND this 19th day of SEPTEMBER 1989 Signature S. N. D.

DOSH FORM D15

W.A. ROBERTSON, DIRECTOR GENERAL/SURVEYOR GENERAL, DEPARTMENT OF SURVEY AND LAND INFORMATION, NEW ZEALAND



Appendix 3 – Lease Summaries

Lease Summary	Neo Capital
Documents reviewed	Signed Agreement to Lease dated 27 July 2022
Lessee	Neo Capital Holdings Limited
Demised premises	Ground Floor, 152 Fanshawe Street, Auckland
Lettable Area	517.60 sqm 6 car parking spaces
Commencement Date	1 December 2022
Expiry Date	30 November 2028
Lease Term	An initial six (6) year term, with one (1) further right of renewal of six (6) years.
Commencement Rent	Premises: \$256,212 pa Car Parks: \$34,320 pa Total: \$290,532 per annum plus GST
Current Rent	Total: \$290,532 per annum plus GST
Rental Review Provisions	Annual fixed 3% rental reviews. Market review on the Third Anniversary of the Commencement Date subject to a hard ratchet clause.
Outgoings Recovery	Net lease – standard building operating expenses are recoverable from the tenant.
Permitted Use	Commercial Offices.
Special Provisions	Lease Incentive In consideration for the Tenant renewing the lease, the Lessor will provide an incentive equivalent in value to \$220,000 plus GST either through a contribution to the Tenant's fitout or a monthly rent rebate spread over some or all of the initial Lease Term.

Capgemini existing lease

Lease Summary	Capgemini (Intergen)
Lessee	Intergen Limited
Demised premises	Level 1, 152 Fanshawe Street, Auckland
Lettable Area	1,106.80 sqm 13 car parking spaces
Commencement Date	7 December 2015
Expiry Date	6 December 2023
Lease Term	An initial eight (8) year term, with two (2) further rights of renewal of three (3) years each remaining.
Commencement Rent	Unknown
Current Rent	Total: \$542,761 annum plus GST
Rental Review Provisions	Fixed 3% annual rental reviews. Market rent reviews on renewal.
Outgoings Recovery	Net lease – standard building operating expenses and ground rent are recoverable from the tenant.
Permitted Use	Commercial Offices.

Capgemini new lease

Lease Summary	Capgemini
Lessee	Capgemini New Zealand Limited
Demised premises	Part Level 1, 152 Fanshawe Street, Auckland
Lettable Area	768.6 sqm 6 car parking spaces
Commencement Date	TBC – advised as 15 January 2024 for the purposes of this valuation
Expiry Date	6 years from the commencement date
Lease Term	6 years

Commencement Rent	Office: \$407,358 Car Parks: \$34,320 Total: \$441,678 per annum plus GST
Current Rent	\$441,678 per annum plus GST
Rental Review Provisions	Fixed 3% annual rental reviews. 3 yearly to market. Rental is subject to a passing rental ratchet with a 10% cap.
Outgoings Recovery	Net lease – standard building operating expenses and ground rent are recoverable from the tenant. Ground rent is \$38 per sqm, increased annual by 2% on each anniversary of the commencement date.
Permitted Use	Commercial Offices.
Special Provisions	<p><u>Clause 1.2:</u> Notwithstanding anything to the contrary, the annual rent payable during each of the 36 months starting on the commencement date shall abate by \$2,500 plus GST.</p> <p><u>Clause 51 – Termination Right:</u> the tenant may give the landlord a non-binding written notice of intention to terminate this lease with effect from the day prior to the 3rd anniversary of the commencement date, provided that any such notice is received by the landlord at least 13 months prior to the termination date.</p> <p>Within 10 working days after receipt by the landlord of any indicative notice, the landlord shall submit to the tenant a tax invoice for \$100,000 plus GST (surrender fee).</p> <p>If the tenant has given an indicative notice in accordance with clause 51.1, then the tenant may terminate this lease with effect from the termination date, provided that:</p> <ul style="list-style-type: none"> (a) The tenant has also given the landlord a formal written notice of termination with effect from the termination date, and the landlord has received that notice at least 12 months prior to the termination date; and (b) The tenant has paid the landlord the surrender fee, in cleared funds, and has done so at least 12 months prior to the termination date. <p><u>Clause 52.1 – Further Incentive:</u> if the tenant does not exercise the termination right pursuant to clause 51, then notwithstanding anything to the contrary, the annual rent payable during each of the 36 months starting on the 3rd anniversary of the commencement date shall abate by \$2,500 plus GST.</p> <p><u>Clause 2 – Expiry of Original lease:</u> the term of the original lease will no longer expire on the original expiry date, but will be extended so as to expire at midnight on the day immediately prior to the commencement date of the lease to be entered into pursuant to this agreement.</p> <p><u>Landlord's Works:</u></p> <ul style="list-style-type: none"> ▪ The construction of an inter-tenancy wall so as to physically delineate the Premises ▪ The laying of new carpet and floor coverings ▪ The installation of new ceiling tiles <ul style="list-style-type: none"> ▪ The installation of new LED lighting ▪ The installation of new blinds
Landlord's Fixtures and Fittings	Carpet and other floor coverings, suspended ceiling (grid and tiles), air-conditioning, lighting, blinds, distribution board, wall linings, fire sprinkler system.

Lease Summary	Precon
Documents reviewed	Signed Agreement to Lease dated 20 June 2022
Lessee	Precon Limited
Demised premises	Level 1, Tenancy B, 152 Fanshawe Street, Auckland
Lettable Area	386.20 sqm 5 car parking spaces, more specifically 2 uncovered and 3 covered car parking spaces
Commencement Date	1 November 2022
Expiry Date	31 October 2028
Lease Term	An initial six (6) year term, with one further right of renewal of three (3) years
Commencement Rent	Premises: \$173,790 pa Car Parks: \$28,600 pa Total: \$202,390 per annum plus GST

Current Rent	Total: \$202,390 per annum plus GST
Rental Review Provisions	Annual fixed 2.5% rental reviews. Market reviews are upon renewal and are subject to a hard ratchet clause.
Outgoings Recovery	Net lease – standard building operating expenses are recoverable from the tenant.
Permitted Use	Commercial Offices.
Special Provisions	<p>Lease Incentive</p> <p>In consideration for the Tenant renewing the lease, the Lessor will provide an incentive equivalent in value to \$159,058 plus GST in three parts. Part 1 is as follows:</p> <ul style="list-style-type: none"> a) Year 1 Rebate - \$59,876 applied in 12 equal monthly instalments. b) Year 2 Rebate - \$46,570 applied in 12 equal monthly instalments. c) Year 3 Rebate - \$26,612 applied in 12 equal monthly instalments. <p>Part 2 is a \$20,000 contribution to the cost of the kitchen.</p> <p>Part 3 is a \$6,000 contribution to the feature floor as part of the Tenant Fitout.</p>

Lease Summary	Workday
Lessee	Workday (NZ) Unlimited
Demised premises	Levels 2, 152 Fanshawe Street, Auckland
Lettable Area	Level 2: 1,493 sqm Level 3A-1: 386 sqm 8 car parking spaces relating to level 2 and 7 car parking spaces relating to level 3 premises Signage Rights
Commencement Date	Level 2 - 17 December 2016 Level 3 – 1 November 2019
Expiry Date	16 December 2028
Lease Term	An initial six (6) year term, with two (2) further rights of renewal of three (3) years each. <i>We note that both Workday leases have been varied to now expire on 16 December 2028.</i> <i>The Level 2 lease has been varied to one further term of six (6) years and one further term of three (3) years.</i>
Current Rent	Total: \$956,350 per annum plus GST <i>We note that as part of the 2022 Lease Variation, the passing rental was varied to a total of \$742,610 per annum plus GST and \$213,740 per annum plus GST over the Level 2 and Level 3A-1 spaces respectively. This includes signage rights.</i>
Rental Review Provisions	Level 2 - 4% rental reviews on every second anniversary of the commencement date Level 3 – Annual fixed 2% rental reviews. Market reviews on renewal dates. Market reviews are subject to a soft ratchet clause. <i>The rent reviews over Level 2 have been varied to 2% fixed increases per annum.</i>
Outgoings Recovery	Net lease – standard building operating expenses are recoverable from the tenant.
Permitted Use	Commercial Offices
Special Provisions	<p>Renewal</p> <p>The Tenant shall not be able to renew any of the Leases without simultaneously renewing the other Leases.</p> <p>Lease Incentive</p> <p>The monthly rent shall abate by \$8,333.33 plus GST each month from the period starting on 17 December and ending on 16 December 2028.</p>

Lease Summary	Workday
Lessee	Workday (NZ) Unlimited
Demised premises	Levels 3A-2, 152 Fanshawe Street, Auckland
Lettable Area	400 sqm

Commencement Date	1 November 2020
Expiry Date	16 December 2028 <i>We note that both Workday leases have been varied to now expire on 16 December 2028.</i>
Lease Term	An initial 5-year term, with two (2) further rights of renewal of three (3) years each. <i>We note that both Workday leases have been varied to now expire on 16 December 2028.</i>
Commencement Rent	\$186,400 per annum plus GST
Current Rent	\$180,000 per annum plus GST <i>We note that as part of the 2022 Lease Variation, the passing rental was varied to a total of \$180,000 per annum plus GST.</i>
Rental Review Provisions	Annual fixed 2% rental reviews. Market reviews on renewal dates. Market reviews are subject to a passing rent ratchet clause.
Outgoings Recovery	Net lease – standard building operating expenses are recoverable from the tenant.
Permitted Use	Commercial Offices
Landlord's Fixtures and Fittings	Ceilings, base lighting, walls, DB board, sprinklers, front entry doors, flooring, window blinds, any fixtures and fittings installed by the lessor as part of the base building works prior to the commencement date
Special Provisions	Renewal The Tenant shall not be able to renew any of the Leases without simultaneously renewing the other Leases. Lease Incentive The monthly rent shall abate by \$8,333.33 plus GST each month from the period starting on 17 December and ending on 16 December 2028.

Lease Summary	Cisco
Documents reviewed	Deed of Renewal and Deed of Covenant. Partially Signed Undated Deed of Renewal and Variation of Lease.
Lessee	Cisco Systems New Zealand Limited
Demised premises	Level 3, 152 Fanshawe Street, Auckland
Lettable Area	706.70 sqm 10 car parking spaces <i>(lease has been varied to also include signage rights)</i>
Commencement Date	1 October 2019
Expiry Date	30 September 2026 <i>We note that the Tenant has exercised its first right of renewal option.</i>
Lease Term	A four (4) year term from 1 October 2019, with two (2) further rights of renewal of three (3) years each remaining. <i>We note that the Tenant has exercised its first right of renewal option.</i>
Commencement Rent	Premises: \$243,812 pa Car Parks: \$34,580 pa Total: \$278,392 per annum plus GST
Current Rent	\$446,150.50 per annum plus GST
Rental Review Provisions	Annual fixed 2.75% reviews. Market reviews on renewal. Market reviews are subject to a hard ratchet clause.
Outgoings Recovery	Net lease – standard building operating expenses are recoverable from the tenant.
Permitted Use	Commercial offices.
Special Provisions	Lessee Incentive In consideration for the Tenant renewing the lease, the Lessor will provide an incentive equivalent in value to \$70,000 plus GST either through a contribution to the Tenant's fitout or a monthly rent rebate spread over some or all of the initial Lease Term.

Lease Summary	Grant Thornton
Lessee	Grant Thornton Auckland Limited.
Demised premises	Level 4, 152 Fanshawe Street, Auckland
Lettable Area	1,493 sqm 18 car parking spaces 23.6 sqm storage Naming rights
Commencement Date	1 October 2007
Expiry Date	30 September 2026
Lease Term	An extended six (6) year term from 1 November 2019, with one (1) right of renewal of five (5) years remaining.
Commencement Rent	Premises: \$880,870.00 pa Car parks: \$120,380 pa Naming Rights: \$50,000 pa Total: \$1,051,250 per annum plus GST
Current Rent	\$838,239 per annum plus GST
Rental Review Provisions	Annual fixed 2% rent reviews. Market review on renewal dates. Market reviews are subject to a hard ratchet clause.
Outgoings Recovery	Net lease – standard building operating expenses are recoverable from the tenant.
Permitted Use	Commercial Offices
Special Provisions	<p>15.1.1 – The Lessee will not be required to pay rent for the common areas on the ground floor;</p> <p>15.1.2 – If the Lessee elects to enter into a further term of the lease after the initial 12 year term, it will not be required to renew the Naming Rights, but if the Lessee's notice to renew does not specifically state that the Naming Rights will be surrendered at the end of that term, the Naming Rights will be deemed to have been automatically renewed</p> <p>18.1 - The Lessee has the Right of First Refusal to purchase the building</p> <p>19.1 – The Lessor grants to the Lessee the right to nominate the name by which the Building will be known (Naming Rights) on the terms and conditions in this section.</p> <p>The Outgoings payable by the Lessee will include a share of the ground rent payable under the Headlease being \$30.00 per square metre rented by the Lessee from the Commencement Date (excluding Carparks) with an annual increase of 2% for years 1-12 (inclusive) of the Lease.</p> <p>Second Schedule: 3.9.7 – 3.9.10 – In assessing the current market rent the valuers shall disregard the value of any goodwill attributable to the Lessee's business and the value of the Lessee's fixtures and fittings and any improvements rent. In assessing the current market rent the valuers shall have regard to the terms and conditions of this lease, the then current BOMA basis of measurement, the period of time until the next review date and to the Lessee's obligations to pay a contribution to the Operating expenses, the rental value of comparable premises and the fact that the Premises are used for commercial office purposes. In assessing the current market rent the valuers shall make no deduction on account of any concession previously granted to the Lessee or on account of any premium paid by the Lessee and take into account the general condition and quality of the Premises and of the Building other than any deleterious condition caused by the Lessee.</p> <p>Variation of Naming Rights Rent</p> <p>The naming rights shall reduce by \$10,000 per annum to \$35,046.54 per annum from 1 October 2023 due to the landlord granting Cisco signage rights on the building.</p>

Related Party Lease

Lease Summary	PMG
Lessee	PMG Property Funds Management Limited
Demised premises	Ground Floor, 152 Fanshawe Street, Auckland
Lettable Area	183.80 sqm 2 covered car parking spaces
Commencement Date	9 January 2023
Expiry Date	8 January 2029
Lease Term	An initial six (6) year term
Commencement Rent	Premises: \$90,981 pa Car Parks: \$11,440 pa Total: \$102,421 per annum plus GST For the avoidance of doubt, ground rent is an obligation of the lessor, as such the lessor will not on charge or seek recovery of the same from the lessee.
Current Rent	Total: \$102,421 per annum plus GST
Rental Review Provisions	Annual fixed 3% rent reviews. Market review on the Third anniversary of the lease. Market reviews are subject to a hard ratchet clause and greater to market or 3%.
Outgoings Recovery	Net lease – standard building operating expenses are recoverable from the tenant.
Permitted Use	Commercial Offices
Special Provisions	Lessee Incentive The Lessor will provide an incentive equivalent in value to \$70,000 plus GST either through a contribution to the Tenant's fitout or a monthly rent rebate spread over some or all of the initial Lease Term.

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