

Valuation Advisory

Report prepared for Oyster Management Limited for inclusion
within a Product Disclosure Statement

Flight Plastics

75 Wainui Road, Waiwhetu, Lower Hutt

3 November 2020



Executive Summary

Flight Plastics - 75 Wainui Road, Waiwhetu, Lower Hutt



The subject property comprises a substantial processing factory complex of mixed age and construction. It provides warehouse, office administration and yard space along with a substantial area of residual land. The property is located on a circa 4.4 hectare site in Lower Hutt on the fringe of the industrial sector of Gracefield and Waiwhetu, having frontage on the northern side of Wainui Road.

The property is subject to a new 12 year lease to Alto Packaging Limited from settlement at a total annual net rental of \$1,722,470 per annum plus GST with a fully ratcheted market rent review at the twelfth anniversary of commencement if renewed, then 3% annual fixed increases through the balance of the further term.

The improvements are of mixed age, being the site of the original Griffins Biscuit Factory with the buildings on site dating originally from the mid to late 1930s for a small portion, and with the more recent substantial warehouse factory constructed in 2009. There is additional warehousing dating from the 1970s and a two level building dating from the 1960s. The office building dates from the 1950s and was refurbished in the 1990s.

The COVID-19 pandemic and associated restrictions have had a significant impact on the global and local economies. At the valuation date New Zealand is at 'Alert Level 1', with some caution evident following the second Coronavirus linked lockdown in August. Our valuation is based on our opinion of 'Market Value', incorporating an assumption of a willing buyer and seller, and further assumptions outlined below.

Valuation

Prepared for	Oyster Management Limited
Valuation Purpose	Market Valuation for inclusion within a Product Disclosure Statement
Date of Valuation	3 November 2020
Date of Report	3 November 2020
Valuation Approaches	Capitalisation of Net Income and Discounted Cashflow Approaches
Zoning	General Business – Hutt City Council
Tenure	Freehold – Records of Title 871447, WN458/158 & WN465/182
Site Area	44,371 sqm
Lettable Area	18,871 sqm
Adopted Value	\$29,600,000 plus GST, if any Twenty Nine Million Six Hundred Thousand Dollars plus GST, if any

Valuation Analysis

Initial Yield	5.49%	Rate / sqm of Lettable Area	\$1,569
Initial Yield (Fully Leased)	5.49%	Weighted Average Lease Term	12.00 years
Equivalent Yield	5.61%	Current Occupancy	100.00%
Internal Rate of Return (10 years)	7.28%		

Tenancy Overview

Alto Packaging	\$1,722,470	27,871 sqm
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Financial Summary

Gross Passing Income	\$2,340,152
Gross Market Income	\$2,457,117
Adopted Outgoings	\$714,898
Net Passing Income	\$1,625,254
Net Passing Income (Fully Leased)	\$1,625,254
Net Market Income	\$1,742,219

Cap Approach Assumptions

Adopted Cap Rate	5.750%
Allowance for Capex/Expiries	24 months
Market Income Capitalisation	\$28,830,000
Passing Income Capitalisation	\$28,860,000

DCF Approach Assumptions

Discount Rate	7.000%
Terminal Yield	6.000%
Average Applied Rental Growth	2.20%
Value Based on DCF Approach	\$30,220,000

Valuers

Tim Dick FNZIV, FPINZ, MRICS
Registered Valuer - Director
Head of Valuation Advisory - Wellington
+64 4 474 1628
tim.dick@ap.jll.com

Wouter Robberts SPINZ, ANZIV, MRICS
Registered Valuer - Senior Director
+64 9 363 0204
wouter.robberths@ap.jll.com

This is a summary only. It must not be relied on for any purpose. Jones Lang LaSalle's valuation of this asset is subject to assumptions, conditions and limitations as set out in the full text of this Valuation Report.

Property Performance

Market Performance

- The industrial market remains relatively stable, with strong interest from owner occupiers and investors indicating there is no discount being applied to transactions as a result of the COVID-19 related restrictions.
- Industrial vacancies within Petone have declined recently to 2.7% in the last 6 months, while Seaview at present has the highest recorded vacancy at 3.5%.
- Prime warehouse rents now are up to \$200 per square metre dependant on location, size and amenity, while associated office accommodation within the prime sector is up to \$240 per square metre. Secondary rentals remain generally around \$110 per square metre for warehouse and \$140 per square metre for office components.
- Prime yields are now approaching consistently below the 6% bracket, with secondary yields remaining at around 8% to 8.5%.
- Space remains at a premium due to the infrequency of stock turnover, while occupier demand persists. Investors remain cautious, resulting in a slight moderation in overall transaction volumes. However, the market for industrial land in and around Wellington continues to strengthen.

Asset Performance

- Situated in the fringe Lower Hutt industrial precinct of Waiwhetu at the base of the Wainuiomata hill and with residential development across Waiwhetu stream.
- Zoned General Business which covers a wide tract of nearby industrial land allowing for a variety of industrial activities.
- Improvements are mixed age, some potentially an earthquake risk although the main factory/warehouse component was constructed in 2009 and the office/administration area was refurbished in 2009.
- Very good access from Wainui Road to the administration area, carpark and general carpark and yard access at a second ingress point. The residual land is susceptible to flooding from Waiwhetu stream.

Cash Flow Performance

- The property is wholly occupied by Alto Packaging Limited which is a wholly owned subsidiary of Pact Group NZ Limited
- The passing rent reflects rates of \$90 per square metre net over the large factory warehouse, and \$155 per square metre net over the ground floor office area, with lower rental rates for the balance. These rental rates are slightly below our opinion of market rental rates.
- The weighted average lease term for the property (by income) is 12.00 years, which we consider strong for this class of asset, with investors particularly attracted to properties with long lease profiles.
- We have been provided with a detailed operating expenditure budget which shows opex equating to circa \$38 per square metre of lettable floor area. This level of outgoings is in line with our expectations noting the floor area of the property is substantial at 18,871 square metres.
- We have also been provided with a capital expenditure budget which identifies reasonably substantial allowances for roofing and structural/façade work over the next three years. Some of this cost is to be pushed back onto the vendor.

Critical Assumptions, Conditions & Limitations

- The valuation is current as at the date of valuation only, being 3 November 2020. 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.
- 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.

Table of Contents

1	Introduction	9
1.1	Instructions	9
1.2	Valuation and Inspection Dates	9
1.3	Basis of Valuation	9
1.4	Relevant Valuation Standards & Disclosures	10
1.5	Information Sources	10
1.6	Specific Assumptions	10
2	Property Particulars	12
2.1	Location	12
2.2	Title Particulars	12
2.3	Site Details	14
2.4	Resource Management	15
2.5	Rateable Value	16
2.6	Environmental Issues	16
2.7	Heritage	16
2.8	Improvements	16
2.9	Accommodation	17
2.10	Lettable Areas	22
2.11	Condition and Repair	22
2.12	Earthquake Strengthening Requirements	23
3	Property Income and Expenditure	24
3.1	Tenancy Overview	24
3.2	Lease Summary	24
3.3	Building Outgoings and Recoveries	25
3.4	Tenancy Schedule	26
3.5	Income Analysis	27
4	Market Commentary	28
4.1	Economic Overview	28
4.2	Wellington Industrial Market Commentary	28
5	Leasing Evidence	30
5.1	Leasing Evidence	30
5.2	Market Rental Profile	33
5.3	Net Income Assessment	34
6	Sales Evidence	35
6.1	Sales Transactions	35
6.2	Wider New Zealand Sales	36
6.3	Residual Land	39
7	Valuation Considerations	40
7.1	SWOT Analysis	40
7.2	Likely Selling Period	40
7.3	Most Probable Purchaser	40

8	Valuation Rationale	41
8.1	Valuation Overview	41
8.2	Capitalisation Approach	41
8.3	Discounted Cash Flow Approach	42
9	Valuation	46
9.1	Valuation Reconciliation	46
9.2	Valuation Conclusion	46
9.3	Involvement Statement	46

Appendices

Appendix 1 – Valuation Definitions

Appendix 2 – Records of Title

1 Introduction

1.1 Instructions

We refer to instructions from Oyster Property Group requesting that we undertake a market valuation of the freehold interest of 75 Wainui Road, Waiwhetu, Lower Hutt (the Subject/Property), as at 3 November 2020 for and on behalf of Oyster Management Limited. We understand that the valuation is to be relied upon for inclusion within a Product Disclosure Statement purposes only.

Our report has been prepared in accordance with the current Australia and New Zealand Property Institute's Valuation Standards, International Valuation Standards 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:

- Oyster Management Limited - for inclusion within a Product Disclosure Statement

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.

1.2 Valuation and Inspection Dates

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

Date of Valuation	3 November 2020
Date of Property Inspection	21 August 2020
Date of Preparation of Report	3 November 2020

Our date of valuation is the date of this report preparation rather than the date of inspection. As such we assume the condition of the property remains unchanged between our inspection and reporting dates.

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 wherein 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 2020) Framework and General Standards
- ANZVTIP 11 – Valuation Procedures – Real Property
- ANZVTIP 12 – Valuations for Mortgage & Loan Security Purposes
- ANVGN 8 – Valuations 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 and building areas along with additional property documentation supplied by Oyster Property Group.

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:

- The Novel Coronavirus (COVID-19) was declared a 'Global Pandemic' by the World Health Organisation on 11 March 2020. This led to a significant range of restrictions on individuals and businesses locally and throughout the world. New Zealand experienced a nationwide Level 4 Lockdown in March-April this year, and more recently Auckland returned to Level 3 Lockdown in August as the virus re-emerged in community transmission. New Zealand is now at Level 1, however there are continued restrictions on international travel and some caution evident.
The introduction of restrictions on people and businesses alongside significant economic stimulus packages have resulted in fluctuations in asset values, and we note that transactions agreed prior to or during the restrictions may or may not be indicative of current market conditions. We refer to the definition of Market Value outlined above and the principles of 'willing buyer', 'willing seller' acting 'prudently and without compulsion' as adopted within our valuation. Given the circumstances of COVID-19, we have had regard to a range of inputs and market evidence in coming to our opinion of Market Value. Notwithstanding this, there may be a greater range around our opinion of Market Value than would normally be the case, and we recommend interested parties re-confirm the value noted within with us prior to reliance.
- We have sighted information that indicates the Dough Room Building has an NBS (New Building Standard) rating of 40% and the two level portion of the Administration Building has an NBS rating of 50%. We note these assessments are dated 2009 and 2019. We have assumed these assessments remain current as at the valuation date.

- The sighted Land SPA states the tenant will provide funds available to the landlord to strengthen those buildings that are currently below 50% NBS to a minimum 50% NBS over a 5 year period from settlement. We have therefore not made allowance within our valuation for the cost of these strengthening works.
- We have proceeded on the basis the lease to the tenant will commence on the valuation date.

2 Property Particulars

2.1 Location

The subject property is located in Lower Hutt on the fringe of the industrial sector of Gracefield and Waiwhetu. The site has frontage on the northern side of Wainui Road. The property is a short 2.9 kilometre drive from central Lower Hutt and is some 19 kilometres from the Wellington CBD.

The Seaview/Gracefield industrial area is characterised by developments of mixed age and construction, including many older industrial units developed in the 1970's. In recent years a number of newer premises have been established and older buildings refurbished to provide contemporary industrial accommodation. Predominant occupiers include a number of storage/logistics/freight forwarding, engineering and manufacturing related companies.

Petone and Lower Hutt provide a full range of commercial services and facilities, some 5 to 10 minutes travelling time. State Highway 2 is situated approximately 5 kilometres distance from the subject property and provides access to Upper Hutt to the north and State Highway 1 and Wellington CBD to the south.

The following map identifies the approximate location of the Property:



Source: Google Maps

2.2 Title Particulars

The property is contained in three separate Records of Title which are referenced as follows:

Title Reference	871447
Tenure	Fee Simple
Legal Description	Lot 1 Deposited Plan 532424
Area	2.2215 hectares more or less
Registered Owner	Flight Limited
Registered Interest	<ul style="list-style-type: none">8030078.3 Mortgage to Bank of New Zealand - 18.12.2008 at 11:08 am11359488.2 Consent Notice pursuant to Section 221 Resource Management Act 1991 - 28.3.2019 at 4:56 pm

- Subject to a right of way over part marked A on DP 532424 created by Easement Instrument 11359488.3 28.3.2019 at 4:56 pm
- The easements created by Easement Instrument 11359488.3 are subject to Section 243 (a) Resource Management Act 1991
- Subject to a right to convey water, gas, electricity, telecommunications and computer media, and a right to drain water and sewage over part marked B on DP 532424 created by Easement Instrument 11359488.4 - 28.3.2019 at 4:56 pm
- The easements created by Easement Instrument 11359488.4 are subject to Section 243 (a) Resource Management Act 1991

Title Reference

WN458/158

Tenure

Fee Simple

Legal Description

Lot 1 Deposited Plan 11199

Area

4123 square metres more or less

Registered Owner

Flight Limited

Registered Interest

- Fencing Agreement in Transfer 235085 – 28.7.1937
- 8030078.3 Mortgage to Bank of New Zealand – 18.12.2008 at 11:08am

Title Reference

WN465/182

Tenure

Fee Simple

Legal Description

Part Lot 1 Deposited Plan 7704

Area

1.8033 hectares more or less

Registered Owner

Flight Limited

Registered Interest

- 8030078.3 Mortgage to Bank of New Zealand – 18.12.2008 at 11:08am

Source: Land Information New Zealand

Consent Notice 11359488.2 in Record of Title 871447 relates to conditions of subdivision of land that no longer forms part of the subject property.

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 Site Details

The subject site comprises a substantial land holding of some 4.4371 hectares located on Wainui Road and adjoining the Waiwhetu Stream, which runs along the rear and west extremities of the site. The improvements occupy approximately 40% of the land holding with a substantial portion of the land of approximately 10,000 square metres encompassing a grassed area extending to the north western point, this surrounded by tree establishment. The site has total frontage to Wainui Road of approximately 194 metres and an effective depth of approximately 180 metres.

Council records show flooding has been reported in the area and on the property in 2004 and in the street in 2002. In addition, Council records show the property is in the 1 in 100 year flood area, as modelled by the Greater Wellington Regional Council.

Although the majority of the site is level in contour there is a narrow rising portion on the eastern boundary.

The land is outlined in the following image:

Area of Lot 1 DP 532424	22,215 sqm
Area of Lot 1 DP 11199	4,123 sqm
Area of Pt Lot 1 DP 7704	18,033 sqm
Total Area	44,371 sqm



Source: Property Guru

2.4 Resource Management

Local Authority	Hutt City Council
Planning Instrument	Hutt City District Plan
Operative Date	18 March 2004
Zoning	General Business
Objectives	<p>To accommodate those non-industrial activities which are suitable in the General Business Activity Area and which do not cause adverse effects on amenity values of the area and the receiving environment.</p> <p>To enhance the image and visual appearance of main entrance routes of the City where they pass through the General Business Activity Area.</p> <p>To avoid or mitigate adverse effects on the amenity values of the area and neighbouring areas, and the receiving environment.</p> <p>To maintain and enhance the amenity values of the activity area and neighbouring areas.</p> <p>To avoid or mitigate adverse flood hazard effects on buildings and structures.</p> <p>To avoid or mitigate adverse flood hazard effects on flood protection structures.</p> <p>The General Business Activity Area accommodates a mix of certain commercial and industrial activities. The industrial activities are incompatible in other activity areas, such as residential or recreational areas, due to the nature of industry generated effects. The provision of a separate General Business Activity Area protects other activity areas from the potential adverse effects of industrial activities.</p>
Development Controls	<p>These include but are not limited to:-</p> <p>Minimum depth for side yards is 3m where the site abuts a residential activity. No side yard is required where a service lane is provided.</p> <p>Minimum depth for rear yards 8m where the site abuts a residential activity area. This may be reduced if there is a service lane to the rear of the site and sufficient provision has been made for loading and unloading operations.</p> <p>Maximum height of all buildings and structures is 12m.</p> <p>All buildings or structures shall comply with the recession plane requirements of the abutting residential activity area.</p> <p>Maximum site coverage - 100% subject to compliance with yards and screening requirements and off street carparking, loading and unloading requirements. That portion of the site not covered shall be to the rear of the site, for servicing and parking provision.</p> <p>Where a site abuts or is opposite a residential activity area, servicing of activities must not occur between the hours of 10.00pm and 7.00am, however this shall not apply to any activity on Pt Lot 1 DP 10694, Sec 1 SO 31984 and Secs 70, 71 and 72 Blk XIV Belmont SD where the hours of servicing are not limited (land adjacent to the Seaview Tanker Terminal).</p> <p>All outdoor storage and servicing areas must be screened so that they are not visible from a road or public space. Where this is not practicable such areas must be screened by a close-boarded fence or a fence made of solid material with a minimum height of 1.8m.</p> <p>Where a site abuts a residential or recreation activity area, all outdoor storage and servicing areas must be screened by a close-boarded fence or a fence made of solid material with a minimum height of 1.2m and a maximum height of 1.8m.</p> <p>Where there are 5 or more parking spaces on site, that area is to be screened from the street and adjoining properties by a fence or wall not less than 1.5m in height.</p> <p>All activities shall be provided with an outdoor area for storage of goods, materials and waste products. This area shall be clearly defined at the time an application is made for development or change of use and occupancy and shall be clear of vehicle access, manoeuvring and parking areas.</p> <p>All outdoor storage areas shall be of such dimensions as to adequately provide for the storage requirements of the proposed use.</p> <p>Waste management: All storage and disposal of refuse will be carried out in such a manner so as to avoid causing adverse effects beyond the boundary of the site.</p>

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.

2.5 Rateable Value

We have been advised that the Property's Rateable Value, as at 1 September 2019, being Assessment Number 16071/15000, is as follows:

Land Value	\$7,400,000
Improvements Value	\$5,350,000
Capital Value	\$12,750,000

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.

2.6 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 current 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 as a result of past and present uses.

2.7 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.

2.8 Improvements

The subject property comprises the original Griffins biscuit factory now providing a substantial processing factory complex of mixed age, generally constructed from the 1950s with later additions in the 1960s, 1970s and 2009/2010. It provides two levels of office, along with warehousing and factory, measuring in total approximately 18,871 square metres. The improvements occupy a substantial level landholding complimented by easy drive on access and manoeuvrability.



Administration Block



Factory and Yard

2.9 Accommodation

Administration Building

General construction is concrete foundations, plastered concrete block walls, a mix of steel and aluminium framed window and door joinery, and with pressed metal roofing.

The main entrance to the ground floor is through full height glazed aluminium framed doors, leading to a reception area with ceiling mounted heaters and lighting. This space provides generally open plan office with a small number of partitioned offices. There are heat pump units, sprinkler heads and smoke detectors throughout.

The first floor area is accessed over a flight of stairs from the ground floor, this providing smooth plaster lined masonry exterior walls and plasterboard or similar ceilings with internal plasterboard partitioning. There are signs of water penetration to the ceiling line about the top of the west facing wall and there is access out to a tiled outdoor balcony area.



First Floor Board Room



Ground Floor Office

Staff Cafeteria/Amenities

Extending from the ground floor office area, this provides a staff cafeteria/lunchroom with vinyl flooring, Gibraltar Board lined walls, an older style suspended grid panel ceiling with flushmount lighting and concrete columns with timber feature. It has partitioned toilet amenities along with a meeting room and incorporates a kitchen with stainless steel bench, cupboards beneath and two points of external access.

The toilet areas are finished with vinyl flooring, formica bench units, mirrors, hand basins, urinals and toilet stalls, with wet wall panel to the walls and Gibraltar Board ceilings. These areas also provide associated a changing rooms with timber bench seating, a separate ambulant disabled toilet facility with shower and a first aid/sick bay room.



Cafeteria



Kitchen Area

2009 Warehouse (Factory)

This comprises a substantial warehouse constructed in 2009. The building is steel portal framed with steel support columns throughout, over concrete foundations and floor. It is clad in long run pressed metal to the walls and roof and is a high stud space complimented by Clearlite roofing allowing in additional natural light. It is partitioned to provide a number of specific operational areas including an extrusion area, a wash plant area, a thermoforming area and part of the food-grade warehouse. It also has an adjoining canopy for load in/load out and is fitted with a fresh air circulation system throughout.

In addition, there is further partitioning providing a number of workshops and other bays including some internal offices while at the northern end of the factory is a small area of the original 1930s factory structure which has plastered masonry external walls and where the original timber beam and roof framing remains visible.



Factory



Extrusion Bay



Thermoforming Area



Warehouse

Dough Room Building

This is the original dough room building constructed in the mid-1960s now essentially used for storage and plant location. It is constructed of concrete foundation and floor, concrete column and beams and concrete flooring at first floor level, with plastered masonry exterior walls and steel window joinery. At ground floor there is the welding workshop and the boiler for the water washing plant.

At first floor level is the original dough room. This is lined in part to walls and ceilings with hardboard or similar and smooth plastered external walls and fitted with some amenities. It has two points of stair access to and from the ground floor and is currently used as a storage and plant room. It provides frosted glazing to the road frontage wall. While to the interior the glazing has been covered over.



Ground Floor



First Floor

1970s Warehouse Areas

These areas provide the original food-grade warehouse storage where the finished product is stored. It is constructed of concrete foundation and floor with timber and steel framing and with pressed metal cladding to external walls and roof. To the interior there are food grade linings to the ceilings with generally hardboard linings to walls. We did note some water leaks at various points throughout although we understand these are being remediated. There are redundant offices to the eastern end, some over two levels.



Exterior



Interior

Store Building

This building is positioned at the rear of the site with concrete foundation and floor, pressed metal over steel and timber frame, and with pressed metal roof. It is an older building constructed circa 1950s and essentially used as storage. It has some timber door and roller door access. This building is hardboard lined to walls and roofline, and sprinklered. It is recorded in the Land Sale and Purchase Agreement that this building will be demolished following settlement of the purchase.



Exterior



Interior

Bale Yard/Carparks

The bale yard is a secure external storage area constructed of a concrete pad with timber framed pressed metal walls and chain-link gates. It provides storage for the raw bales of plastic bottles to be recycled on site. Adjoining this space is the staff car park area, this with asphalt seal and bounded by chain link fencing and gates.

There are gardeners' garages located at the rear of the site adjoining the residual land.



Entrance



Carpark

Site Improvements

Comprises mainly a substantial concrete yard circulation and access area, providing access into the main factory and warehouses. In addition, there are crib retaining walls adjoining the bank to the east and chain link fencing about the perimeter.

Adjoining the administration building is asphalt sealed access providing staff and visitor parking areas, low height brick retaining walls, gravel garden beds, established trees, hedges, fencing and areas of lawns.



Dispatch & Deliveries Area



Administration Building Parking and Access

Residual Land

The residual land is to the northwest of the land holding and comprises essentially a large open grassed area. It is fenced with chain link fencing adjoining the industrial component and is bordered with well-established trees and the Waiwhetu Stream. It has private access only.



Residual Land



Residual Land

2.10 Lettable Areas

The Property's total Lettable Area is approximately 18,871 square metres. A summary of this Lettable Area is detailed as follows:

Building Floor Area	
Accommodation/Level	Lettable Area
Factory/Warehouse	9,048
Services	180
Canopy	703
Store Room	5,107
Ground Office	1,148
First Floor Office	190
Ground Floor Dough Room	1,045
First Floor Dough Room	1,045
Resin Silo/Tower	369
Garaging	36
Total Lettable Area	18,871 square metres

The areas noted above have been taken from documentation provided by Oyster Management Limited. We have assumed these area measurements have been undertaken in accordance with the Guide for the Measurement of Rentable Areas as published by the Property Institute and Property Council of New Zealand. If it transpires any certified area provided to us is substantially different from that provided in the schedule above, we reserve the right to amend our assessment.

2.11 Condition and Repair

We inspected the interior and exterior of the property. The buildings appear to have been well maintained with no significant deferred maintenance requirements evident. We have been advised by the occupiers that water leak repair work has been carried out to the 1970s warehouse roof and that there are two small areas of asbestos roof which are to be secured/managed.

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 9 June 2021.

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.

We have not been provided with a copy of an Asbestos Management Plan, and therefore assume the property has no onerous obligations in terms of management that may impact on the use, saleability or value of the property.

2.12 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:

Building	Two Storey Office Building	Dough Room Building	Storage Building & Canopy	Silo Tower
Year of Building Construction	1955	1965	1970/1981	Unknown
National Risk Zone	High	High	High	High
Compliance with New Building Standard	40% NBS	50% NBS	50% NBS	15% NBS
Assessment Type	DSA	DSA	DSA	DSA
Assessment Completed By	Dunning Thornton	Dunning Thornton	Aurecon	Aurecon
Assessment Date	July 2009	July 2009	2019	2019

Building	Factory/Warehouse	Canteen	Services Building
Year of Building Construction	2009	1955 - Assumed	1955 - Assumed
National Risk Zone	High	High	High
Compliance with New Building Standard	100% NBS - Assumed	40% NBS	50% NBS
Assessment Type		ISA	ISA
Assessment Completed By		Aurecon	Aurecon
Assessment Date		2019	2019

We note these assessments are dated 2009 and 2019 and assume they remain relevant at the date of valuation. We further understand it is recorded that the vendor will set aside funds to be drawn on by Oyster Management Limited to strengthen the Dough Room Building and the Administration building to a minimum of 67% NBS. This work is to be carried out by Oyster Management Limited within 36 months from settlement.

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 draft Lease documentation that was available at the time of valuation.

The Property is occupied by Alto Packaging on an initial twelve (12) year net lease at a commencement rental of \$1,722,470 per annum plus GST.

The events surrounding COVID-19 have led to greater consideration by market participants of the covenant strength of the occupiers within investment property. We are not qualified to advise you on the financial standing of the occupiers, however have formed a view on how we think the market would approach the tenancy profile of the property.

Alto Packaging Limited is Australia and New Zealand's leading sheet and packaging manufacturer. The company has an extensive range of plastic range of plastic sheet rolls and thermo forming rigid plastic packaging as well as offering custom design services. Alto Packaging is a wholly owned subsidiary of Pact Ground NZ Limited which is part of one of the largest packaging companies in Australia and New Zealand. The net lease term nature of the lease protects the landlord against increases in operating expenses and the long 12 year term with fixed growth and hard ratchet would be favourably met in the market.

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

Weighted Average Lease Term Remaining	Years
By Area	12.00
By Income	12.00

3.2 Lease Summary

We summarise below the lease agreement in place:

Lease Summary	Alto Packaging Limited
Documents reviewed	Unsigned Deed of Lease.
Lessee	Alto Packaging Limited.
Demised premises	All of the Land and improvements and more particularly known as, 75 Wainui Road, Lower Hutt, Wellington.
Lettable Area	18,871 sqm
Commencement Date	Settlement date under the Sale and Purchase agreement
Expiry Date	12 years from the commencement date
Lease Term	12 years plus three rights of renewal of five years each
Commencement Rent	\$1,722,470 per annum plus GST
Rental Review Provisions	The rent is to be increased by 3% per annum for the initial 12 years of the lease and on the 12 th anniversary a market review will be undertaken. This market review will have a hard ratchet in place and a sealing of 110% of the rental for the year immediately preceding the relevant market review date. Through any further terms the rental will also have a fixed increase at 3% per annum.
Outgoings Recovery	Essentially a net lease – standard building operating expenses are recoverable from the tenant. A portion of outgoings are not recoverable
Permitted Use	Offices, PET processing, washplant, file extrusion and the production of thermoformed rigid packaging or any other use permitted by Law.
Emergency Provisions	10.6 No Access in Emergency If there is an emergency and the Tenant is unable to gain access to the Premises to fully conduct the Tenant's business from the Premises because of reasons of safety of the public or property or the need to prevent reduce or overcome any hazard, harm or loss that may be associated with the emergency including: (a) a prohibited or restricted access cordon applying to the Premises; or (b) prohibition on the use of the Premises pending the completion of structural engineering or other reports and appropriate certifications required by any Authority that the Premises are fit for use; or

(c) restriction on occupation of the Premises by any competent Authority, then a fair proportion of the Rent and Outgoings shall cease to be payable for the period commencing on the date when the Tenant became unable to gain access to the Premises to fully conduct the Tenant's business from the Premises until the inability ceases.

10.7 No Access in Emergency continued

This clause 10.7 applies where clause 10.6 applies and the Premises is not totally or partially destroyed or damaged. Either party may terminate this Lease by giving 10 Business Days written notice to the other if:

- (a) the Tenant is unable to gain access to the Premises for 12 months; or
- (b) the party that terminates this Lease can at any time prior to termination establish with reasonable certainty that the Tenant is unable to gain access to the Premises for that period.

Any termination shall be without prejudice to the rights of either party against the other.

Our valuation is on the basis that a Deed of Lease is executed in line with the sighted unsigned Deed of Lease. Should the terms within the subsequently executed Deed of Lease differ from the terms within the unsigned Deed of Lease provided, we reserve the right to review our valuation.

3.3 Building Outgoings and Recoveries

The lease within the Property are structured on a net basis, with the tenant being responsible for payment of rates and other property expenses in addition to premises rental. We note there is an element of non-recovery relating to some repairs and maintenance, property insurance buydown and health and safety costs.

We have adopted the following allowances for building outgoings within our calculations:

Adopted Property Outgoings	Per Annum	Per Sqm of Lettable Area
Statutory Charges	\$93,079	\$4.93
Operating Expenses - Estimate	\$524,603	\$27.80
Non-Recoverable Expenses	\$97,216	\$5.15
Total Outgoings - Estimate	\$714,898	\$37.88

The above allowances are based on the provided budget for the year ending September 2021. 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 the Property Council of New Zealand's (PCNZ) benchmarks and other similar buildings.

We consider that the adopted outgoings rate of \$37.88 per square metre of Lettable Area to be in line with our expectations of outgoings for a substantial industrial property of this nature.

3.4 Tenancy Schedule

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

Tenant Name	Premises	Lettable Area	Lease Start	Lease Expiry	Lease Term	Next Review	Review Frequency	Review Type	Contract Rental	Rental / sqm	Outgoings Recovery	Recovery / sqm
Alto Packaging	Factory/Warehouse	9,048.0	Nov 2020	Nov 2032	12.0 years	Nov 2021	1 yearly	Fixed	\$814,320	\$90	\$296,157	\$33
Alto Packaging	Services	180.0	Nov 2020	Nov 2032	12.0 years	Nov 2021	1 yearly	Fixed	\$9,900	\$55	\$5,892	\$33
Alto Packaging	Canopy	703.0	Nov 2020	Nov 2032	12.0 years	Nov 2021	1 yearly	Fixed	\$45,695	\$65	\$23,010	\$33
Alto Packaging	Store Room	5,107.0	Nov 2020	Nov 2032	12.0 years	Nov 2021	1 yearly	Fixed	\$331,955	\$65	\$167,161	\$33
Alto Packaging	Ground Office	1,148.0	Nov 2020	Nov 2032	12.0 years	Nov 2021	1 yearly	Fixed	\$177,940	\$155	\$37,576	\$33
Alto Packaging	First Floor Office	190.0	Nov 2020	Nov 2032	12.0 years	Nov 2021	1 yearly	Fixed	\$30,400	\$160	\$6,219	\$33
Alto Packaging	Ground Floor Dough Room	1,045.0	Nov 2020	Nov 2032	12.0 years	Nov 2021	1 yearly	Fixed	\$73,150	\$70	\$34,205	\$33
Alto Packaging	First Floor Dough Room	1,045.0	Nov 2020	Nov 2032	12.0 years	Nov 2021	1 yearly	Fixed	\$26,125	\$25	\$34,205	\$33
Alto Packaging	Resin Silo/Tower	369.0	Nov 2020	Nov 2032	12.0 years	Nov 2021	1 yearly	Fixed	\$31,365	\$85	\$12,078	\$33
Alto Packaging	Garaging	36.0	Nov 2020	Nov 2032	12.0 years	Nov 2021	1 yearly	Fixed	\$1,620	\$45	\$1,178	\$33
Alto Packaging	Yards	9,000.0	Nov 2020	Nov 2032	12.0 years	Nov 2021	1 yearly	Fixed	\$180,000	\$20	\$0	\$0
Aggregate		27,871.0							\$1,722,470		\$617,682	

3.5 Income Analysis

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

Passing Rental Analysis		
Lettable Area Rental	\$1,722,470	73.61%
Outgoings Recovery - Estimate	\$617,682	26.39%
Gross Passing Income	\$2,340,152	100.00%
Outgoings	\$714,898	
Net Passing Income	\$1,625,254	

4 Market Commentary

4.1 Economic Overview

As at 29 October 2020:

- The Consumer Price Index rose 0.7% in the September 2020 quarter, netting to a 1.4% increase in CPI for the September 2020 year. It is expected pricing pressure will soften over the next 12 months.
- Gross Domestic Product (GDP) was down 12.2% in the June 2020 quarter, which is the biggest quarterly decline of GDP in New Zealand on record, with this largely being caused by the strict restrictions that had been put in place on the activities of both households and businesses within the country and abroad.
- As at 23 September 2020, the Reserve Bank announced that the Official Cash Rate is being held at 0.25% following its emergency 75 basis point reduction from 1.00% in March 2020. It was noted that the Monetary Policy Committee is prepared to use additional monetary tools if and when needed, including reducing the OCR even further.
- The 90-day Bank Bill Benchmark Rate (BKBM) was 0.27% as at 28 October 2020. This has reduced significantly from 2019 where it averaged 1.52%.
- The unemployment rate is 4.0% as at June 2020, which is a 0.2% increase from Q1 2020. Unemployment is forecast to increase significantly due to the effects of the COVID-19 pandemic.
- The REINZ median house price across New Zealand increased by 16.4% in August 2020 to \$675,000, up from \$580,000 in August 2019, and up from \$659,000 (a lift of 2.4%) in July 2020. The number of residential properties sold in August across New Zealand increased by 24.8% from the same time last year (from 6,132 to 7,652) – the highest number of properties sold in an August month for 5 years.
- In terms of the construction sector, private backed development and construction is expected to be muted in the short term, however the Government has announced their intention to fast track infrastructure spend as one method to kickstart the economy post the COVID-19 shutdown.

The whole of New Zealand is currently at Alert Level 1, with strict border controls remaining in place for those entering the country, including a 14 managed isolation or quarantine period. The economic impact of COVID-19 is likely to have longstanding effects, notwithstanding significant monetary and fiscal stimulus which has been implemented by the RBNZ and NZ Government to support New Zealanders and reduce the impact on the NZ economy.

Key initiatives taken to reduce the economic impacts of COVID-19 include the implementation of an increased \$100 billion Large Scale Asset Purchase, a circa \$17-\$18 billion support package which is aimed at those sectors most affected by the impacts of the virus, a \$6.25 billion Business Finance Guarantee Scheme for small to mid-sized enterprises (SME), along with a \$20 million Tertiary Support Package, and \$50 million Media Support Package. In addition to the above, as per the Government's 2020 Budget announcement on May 14, further key initiatives taken in response to COVID-19 include a \$50 billion Response and Recovery fund, along with a \$4 billion Business Support Package.

4.2 Wellington Industrial Market Commentary

In the broader economic environment, Wellington continues to be less sought after by international investors and retains its higher interest levels from the domestic market. Despite the headline market performance being similar, it remains important to note that Wellington undoubtedly has key differences in practical market considerations to Auckland, particularly surrounding the propensity for future supply. High construction and refurbishment costs make new development problematic. The geographical and topographical constraints of the wider Wellington area and associated lack of available development land are also putting pressure on land prices, particularly for industrial property.

Demand

As the New Zealand economy recovers, the industrial market remains relatively stable with overall vacancy rates rising slightly to 3.0%. Only Petone observed a decline, from 3.9% to 2.7% in the last six months. All other markets saw an increase. Seaview saw the highest vacancy at 3.5%, while Porirua remains the lowest in the sector at 2.0%.

Beneath the positive outlook for prime stock, there is less confidence in secondary stock. Non-prime assets see a higher risk of business failure among tenants, as underlying preference for prime stock remains.



Source: JLL Research and Consulting

Supply

Supply bottlenecks persist due to slow market conditions, geographical constraints and rising construction costs. No new supply came to market in the last quarter and the only completion since 1Q20 was a 870 sqm refurbishment.

Given the prevailing physical restrictions on industrial footprint, substantial injections of quality stock into the market appear unlikely. With little to no availability of new industrial space, the easing of market pressure and any possibility of expansion or relocation remains a challenge for the sector over the near future.

Asset Performance

Rents and yields for both prime and secondary industrial space have remained at 1Q20 levels: average rents were \$150 and \$104 psm for primary and secondary respectively. Yields have firmed to now sub 7.0% for prime assets and essentially remain unchanged at 8.75% for secondary stock.

Space remains at a premium due to the infrequency of stock turnover, while occupier demand persists. Investors remain cautious, resulting in a slight moderation in overall transaction volumes. However, the market for industrial land in and around Wellington continues to strengthen.

5 Leasing Evidence

In this version of the Valuation Report we provide a summary of the rental transactions involved in order to protect the privacy requirements of the lessees and lessors involved.

5.1 Leasing Evidence

In determining an appropriate market rental rate to apply to the subject property we have had primary regard to the following evidence:

Location	Date	Status	Type	Area (sqm)	Gross Rate (psm)
Seaview	Dec-19	RR	Warehouse	751	\$145
			Office/Amenities	118	\$180
			Mezzanine Storage	122	\$80
			Carparks	9	\$25
Ngauranga	May-19	NL	Warehouse	2,218	\$145
			Office	97	\$155
			Canopy - Office	63	\$19
			Canopy - Warehouse	57	\$39
			Yard	280	\$29
Trentham	May-19	NL	Warehouse	1,383	\$137
			Ground Office/Amenities	70	\$175
			Mezzanine Office	69	\$175
			Yard	1,150	\$30
Grenada North	Apr-19	NL	Warehouse	1,826	\$145
			Offices	486	\$200
			Carparks - Secure	4	\$25
			Carparks - Sealed	19	\$15
			Carparks - Unsealed	12	\$10
Newlands	Apr-19	NL	Warehouse	3,932	\$153
			Ground Office	410	\$200
			Mezzanine Office/Store	105	\$120
			Carparks	90	\$20
Gracefield	Apr-19	NLE	Warehouse	2,458	\$142
			Office/Amenities	367	\$202
			Yard	1,090	\$33
			Carparks - Front	6	\$27
			Carparks - Rear	11	\$22
		NL	Warehouse	7,583	\$129
Gracefield			Office	435	\$173
			Canopy	1,406	\$57
			Yard	6,686	\$24

Location	Date	Status	Type	Area (sqm)	Gross Rate (psm)
Seaview	Mar-19	NL	Warehouse	1,635	\$140
			Yard	1,195	\$30
			Carparks	6	\$20
Moera	Feb-19	RR	Warehouse	2,863	\$105
			Showroom/Office	403	\$140
			Amenities	41	\$110
			Offices	261	\$135
			Canopy	125	\$45
			Walkway	17	\$35
			Yard - Front	1,221	\$23
			Yard - Rear	505	\$18
Seaview	Oct-18	RR	Warehouse	1,994	\$134
			Office	314	\$173
			Rear Yard	247	\$30
			Carparks	15	\$20
Ngauranga	Jun-18	NL	Warehouse (2005)	1,417	\$142
			Warehouse (1994)	1,495	\$138
			Canopy	46	\$47
			Office/Amenities	323	\$176
			Yard	688	\$33
Grenada North	Jun-18	NL	Warehouse	2,520	\$130
			Canopies	275	\$52
			Office/Amenities	661	\$155
			Carparks	24	\$14
			Yard	600	\$31
Silverstream	May-18	NL	Warehouse	1,000	\$147
			Transit Warehouse	1,200	\$135
			Offices/Amenities	180	\$245
			Canopies	570	\$75
			Yard	4,385	\$25
Ngauranga	Mar-18	NL	Warehouse	3,082	\$134
			Showroom	181	\$184
			Ground Office	86	\$174
			1st Floor Office	240	\$169
			Balcony	18	\$70
			Canopy	46	\$50
			Carparks	72	\$25

The provided evidence shows a trend of rising industrial rentals within the wider industrial sectors of Wellington and in particular within more modern buildings, and those with close links to transport routes. Generally larger premises attract lower rental rates relative to smaller premises. Additional rental is normally achieved for premises which are provided with a gantry crane or service pits.

The industrial evidence above provides a range of rental rates from approximately \$120 to \$153 per square metre over the warehouse accommodation, \$140 to \$245 per square metre over the office and amenities, \$23 to \$35 per square metre over the yard, \$19 - \$75 per square metre to the canopy and generally \$20 to \$30 per park per week for the carpark.

The subject building has been constructed and adapted for the tenant's specific use and is ideal for their current and future operations. The property provides mixed age buildings, some of which are, we understand, to be earthquake strengthened to a minimum of 67% NBS (New Building Standard) over the short to medium term.

Location and amenity provided plays a key part in achieved rental for the various comparisons and we note generally the provided evidence is of a smaller size nature than the subject. As a consequence the analysed rental rates from the provided evidence, particularly for the warehouse space, would set the upper limit relative to the subject newer factory premises with the same applying for the balance areas within the subject.

Having regard to the evidence above we have adopted the following market rental profile as displayed overleaf.

5.2 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	Next Review/Expiry	Review Type	Contract Rental	Rental / sqm	Recovery / sqm	Ideal Recovery	Net Market / sqm	Gross Market / sqm	Net Market Rental
Alto Packaging	Factory/Warehouse	9,048.0	Nov 2021	Fixed	\$814,320	\$90	\$33	\$33	\$100	\$133	\$904,800
Alto Packaging	Services	180.0	Nov 2021	Fixed	\$9,900	\$55	\$33	\$33	\$55	\$88	\$9,900
Alto Packaging	Canopy	703.0	Nov 2021	Fixed	\$45,695	\$65	\$33	\$33	\$65	\$98	\$45,695
Alto Packaging	Store Room	5,107.0	Nov 2021	Fixed	\$331,955	\$65	\$33	\$33	\$70	\$103	\$357,490
Alto Packaging	Ground Office	1,148.0	Nov 2021	Fixed	\$177,940	\$155	\$33	\$33	\$155	\$188	\$177,940
Alto Packaging	First Floor Office	190.0	Nov 2021	Fixed	\$30,400	\$160	\$33	\$33	\$165	\$198	\$31,350
Alto Packaging	Ground Floor Dough Room	1,045.0	Nov 2021	Fixed	\$73,150	\$70	\$33	\$33	\$70	\$103	\$73,150
Alto Packaging	First Floor Dough Room	1,045.0	Nov 2021	Fixed	\$26,125	\$25	\$33	\$33	\$25	\$58	\$26,125
Alto Packaging	Resin Silo/Tower	369.0	Nov 2021	Fixed	\$31,365	\$85	\$33	\$33	\$85	\$118	\$31,365
Alto Packaging	Garaging	36.0	Nov 2021	Fixed	\$1,620	\$45	\$33	\$33	\$45	\$78	\$1,620
Alto Packaging	Yards	9,000.0	Nov 2021	Fixed	\$180,000	\$20	\$0	\$0	\$20	\$20	\$180,000
Aggregate		27,871.0			\$1,722,470						\$1,839,435

5.3 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	\$1,722,470	\$1,839,435
Outgoings Recovery	\$617,682	\$617,682
Gross Income	\$2,340,152	\$2,457,117
Outgoings	\$714,898	\$714,898
Net Income	\$1,625,254	\$1,742,219

6 Sales Evidence

6.1 Sales Transactions

In assessing a suitable capitalisation rate and discount rate profile for the Property, we have had regard to a range of property transactions. The more relevant sales are summarised in the sales schedule and commentary below:



180-202 Hutt Road, Kaiwharawhara

The property comprises a bulk retail property occupied by Placemakers in Wellington together with a secondary building which was earthquake prone and provided separate area which was essentially development land. The Placemakers tenant is in occupation on a new nine year lease, while the residual land provides a 2,330 sqm area. The lease provides annual fixed rental increases.

The property sold in June 2020 for \$23,500,000. After deducting the residual land component, the investment component reflects an initial yield of 4.75%, an equivalent yield of 4.60% and an IRR of 5.99%.



32 Jamaica Drive, Grenada North

32 Jamaica Drive comprises three adjoining industrial properties located in the Grenada North industrial area. The buildings date from 2011 – 2013 and are occupied by Coca-Cola Amatil, Rentokil and Desktop Imaging. The buildings provide a mix of reasonably modern office and warehouse accommodation and each with on site carparking.

The property sold in March 2020 at \$14,750,000 indicating an initial yield of 6.50% and a market yield of 6.25%. The Weighted Average Lease Term at sale was short at just 0.7 years, however, we understand extended lease terms across some of the tenancies have been entered into.



9 – 13 Wareham Place, Seaview

This property comprises a clear span warehouse built circa 2008 divided into two tenancies, with Efficient Transport occupying the southern half of the building and Wakefield Metals occupying the balance. The building provides office and warehouse accommodation with associated amenities and incorporates a mechanical ventilation system, while mezzanine storage is provided to part. The warehouse is accessed by two roller doors and a pedestrian door.

This property provides modern clean space and sold in December 2019 for \$4,150,000 with a 1.6 year remaining lease term at an initial yield of 6.32% and reflects an effective market yield of 6.45%.



11 – 13 Gough Street, Seaview

This property comprises a large industrial warehouse and office building originally dating from the 1960s but with subsequent extensions over the years. The warehouse is split into two with the original main warehouse and a more recently added portion. The main warehouse comprises four high stud bays as well as a lower stud lean to. Stud height is near 10 metres to the underside of the trusses and the building is accessed at various points around the exterior allowing for drive through capability. The warehouse also incorporates six gantry cranes providing a mix of two and five tonne capacity. The provided office component is largely open plan. This site is sealed and provides two points of egress off Gough Street.

The sale encompasses a sale and lease back arrangement to Asmuss Steel for a 10 year term with fixed annual increases. The property has a mixed NBS rating of 100% to Warehouses B and D and 67% to Warehouses A and C and the office building.

The property sold for \$8,105,000 in November 2019. At time of sale the Weighted Average Lease Term was 10.00 years, at an initial yield of 7.02% and effective market yield of 6.89%.



43 Seaview Road / 120 Hutt Park Road, Lower Hutt

43 Seaview Road comprises a former Ford Motor Company assembly plant originally built in the 1930s and subsequently converted into multiple tenanted industrial areas. Extensive strengthening and refurbishment works were completed by the vendor prior to settlement. The property provides a total of seven primary tenancies and we understand seismic capacity ranges from 70% through to 100%.

120 Hutt Park Road adjoins the rear boundary with 43 Seaview Road and comprises a large warehouse/office building dating from the early 2000s. The building was extended in 2018 to provide substantial high stud warehouse accommodation for the now existing tenancies. Collectively the two combined properties provide a total net lettable area in excess of 28,000 square metres together with 22,800 square metres of secure yard.

The properties at 43 Seaview Road and 120 Hutt Park Road sold together in July 2019 for a combined price of \$56,170,000. At the time of sale the Weighted Average Lease Term was 6.64 years and the sale indicated an overall effective market yield of 6.84%.



12 Newlands Road, Ngauranga

12 Newlands Road comprises a large high stud warehouse with associated offices and secure drive through yard. The building was sold leased to City Fitness who have recently taken a 15 year lease over the majority of the property as a gymnasium with the exception of Office Max who will occupy the first floor of the tenancy along with five car parks.

The property sold for \$13,220,000 in May 2019 with a Weighted Average Lease Term of 13.49 years, with an initial yield of 6.25% and indicating an effective market yield of 6.11%.



14 – 20 Meachen Street, Seaview

This property comprises two separate buildings on individual titles which sold together as one with the same tenant occupying both buildings on a six year lease. The property has two street frontages with additional access from a rear service lane. The warehouses are of mixed age and construction with relatively low stud heights of 5.1 to 5.6 metres. NBS ratings range from 70% to 100%.

The property sold in May 2019 for \$3,200,000 reflecting a Weighted Average Lease Term of 4.84 years, an initial yield of 6.29% and an effective market yield of 6.25%.



21 Jamaica Drive, Grenada North

This property provides circa 1800 square metres of temperature and humidity controlled warehouse space with a stud height of 7-8 metres. It has a two level office to the frontage and provides a substantial area of sealed yard to the frontage with some gravel yard at the rear. The lease incorporates annual 1.5% increases with 3 yearly market reviews.

The property sold for \$4,850,000 with a nine year lease back in place in March 2019, this reflecting an initial yield of 6.91% and indicating an effective market yield of 6.83%.



6 Hurring Place, Ngauranga

The property comprises a mixed use warehouse and office building subdivided into four tenancies. The building dates from the late 1980s and has seen recent refurbishment and strengthening to 80% NBS.

This property sold in April 2019 for \$12,809,370 based on completion of refurbishment works to the office area. This indicates a Weighted Average Lease Term of 3.98 years, an initial yield of 6.93% and an effective market yield of 6.59%.



23 Centennial Highway, Ngauranga

This property comprises a high stud warehouse building with associated offices and amenities that was built in the early 1990s, subdivided into two tenancies. The Department of Internal Affairs occupy the front portion while the rear unit was vacant at the time of sale.

This property sold in March 2018 for \$6,430,000 with an analysed WALT of 3.75 years and low initial yield reflecting the part vacant nature although with an analysed market yield of circa 5.50%.

6.2 Wider New Zealand Sales

We have also considered a range of recent sales from other locations within the North Island.



25 Langley Road, Wiri, Auckland

The property currently comprises approximately 10,729 square metres of warehouse, 1,223 square metres of office accommodation, and 5,933 square metres of yard space. In addition, to the northern part of the site a new generic warehouse has been designed and consented by Auckland Council. This is currently under construction and will be completed circa May 2020. This will comprise a further 3,242 square metres of 11.50m (to the underside of the knee) stud warehouse and 121 square metres of office and amenities.

The property is subject to a 12 year sale and leaseback to Grayson Engineering with a total net annual rent (including over the new accommodation to be completed by May 2020) of \$2,033,451 per annum plus GST, with annual fixed rent reviews of 2.50%, and a market review at year 6 subject to a 10% cap and collar.

The property sold in December 2019 for \$35,990,000, reflecting an initial yield of 5.35%, an equivalent yield of 5.85%, and an IRR of 8.17%.



5 Sir William Avenue & 10 Barmac Place, East Tamaki, Auckland

The property comprises three interconnecting industrial buildings totalling a net lettable area of 8,058 square metres. The buildings date from the late 1980's and 2000's. The site comprises various hardstand and asphalt sealed areas utilised for access, storage and manoeuvrability, with a total land area of approximately 12,449 square metres. The property is located within the East Tamaki industrial precinct with Light Industrial zoning under the Auckland Unitary Plan.

The main offices for 5 Sir William Avenue are positioned fronting the road with the original 1980's warehouse adjoining to the rear. The warehouse offers clear span accommodation with a stud height of circa 5.5 metres at the knee rising to circa 6.5 metres at the apex. At the rear of the site is a modern warehouse with adjoining canopy to a stud height of circa 8 metres at the knee rising to circa 9.1 metres at the apex.

10 Barmac Place comprises both medium and high stud warehouse accommodation with adjoining warehouse offices and amenities. The medium stud warehouse features clear span warehouse accommodation with a stud height of circa 7.1 metres at the knee rising to 7.5 metres at the apex. The high stud warehouse adjoins the eastern elevation of the medium stud warehouse component, comprising further clear span accommodation with a stud height of circa 9.9 metres at the knee rising to circa 10.6 metres at the apex.

At the date of sale, the property was leased to Integrated Packaging Group with rent set at \$935,403 net per annum plus GST. The property is leased for a term of 12 years from August 2015 with two further right of renewals of 6 years. The lease also includes 2% yearly rental increases with rent reviews 3 yearly to market.

The property sold in November 2019 for \$17,330,000, reflecting an initial yield of 5.80%, an equivalent yield of 5.58%, and an IRR of 7.61%. The sale price reflects a land and buildings rate of \$2,151 per square metre.



27-29 Neales Road, East Tamaki, Auckland

The property comprises a purpose-built industrial development which was originally constructed circa 1996, with extensions added in 1997 and 2001. The property provides a total net lettable area of approximately 11,016 square metres, inclusive of an industrial steel store and good quality office accommodation situated to the road frontage.

Improvements include an approximate 9,985 square metre high-stud, column-interrupted warehouse with a stud height of approximately 8.5 metres at the portal knee, rising to approximately 10.3 metres at the apex. Two canopies of approximately 151 and 160 square metres are provided to the front and rear perimeters of the warehouse, respectively. Approximately 540 square metres of office and amenity accommodation is located to the frontage of the property, with additional warehouse and distribution office accommodation provided to the rear of the warehouse.

Additional site improvements comprise predominantly concrete sealed yard space for carparking and vehicle manoeuvrability, along with some minor landscaping.

At the date of sale, the property was fully occupied by Vulcan Steel Limited on a renewed 15 year term from 1 July 2011, with no further rights of renewals remaining. The lease is currently returning a net rental of \$1,340,000 per annum plus GST, with reviews set two yearly to market levels.

The property sold in October 2019 for \$25,223,000, reflecting an initial yield of 5.31%, an equivalent yield of 5.26%, and an IRR of 7.55%. The sale price reflects a land and buildings rate of \$2,290 per square metre.



51-61 Spartan Road, Takanini, Auckland

The property comprises a modern industrial building constructed in the early 2010's, located on the southern side of Spartan Road, within the industrial suburb of Takanini approximately 580 metres from the Southern Motorway interchange.

Improvements comprise high stud workshop with a single level of associated offices to the road frontage and extensive yard areas.

The property has been leased to MaxiTRANS for a term of 12 years with annual fixed rental increases of 2.75% and market reviews every 6 years, at a rental of \$920,000 per annum plus GST and outgoings.

The property sold on a sale and leaseback basis for \$17,200,000 plus GST (if any) reflecting an initial yield of 5.35% and a weighted average lease term of 12 years. We have analysed the sale to reflect an equivalent yield of 5.46% and an IRR of 7.89%.



48 Honan Place, Avondale, Auckland

The property comprises a 7,782 square metre industrial property across two separate units, situated on a 15,463 square metre freehold site zoned Light Industrial under the Auckland Unitary Plan. The property is located at the end of Honan Place, off Rosebank Road in Avondale.

The main building was originally constructed in 1996, being fully sprinklered and providing a mixture of 6 metre stud manufacturing area, and 9 metre stud warehouse along with office accommodation provided over two levels, overlooking the harbour. In 2015, the building underwent major refurbishment. A new bulk store with a canopy was constructed during this refurbishment, along with a new building which is also fully sprinklered, with an approximate 11 metre stud height. Construction is a mixture of tilt slab concrete and long run iron.

At the date of sale, the property was leased to TCI New Zealand Limited with the rental set at \$925,000 net per annum plus GST. The lease commenced in April 2015 and is set for a 12 year term with market reviews every 2 years.

The property sold in October 2019 for \$16,750,000, reflecting an initial yield of 5.52%. We have analysed the sale to reflect an equivalent yield of 5.60% and an IRR of 7.92%. The property had a WALT of 7.50 years at the time of sale.



26 Sharpe Road, Hamilton

The property comprises a highly specified large logistics warehouse with a total of 16,009.69 square metres of rentable area. The site is held in three different records of title being 25 Sharpe Road, 26 Sharpe Road, and 341 Airport Road. The property is located in a developing industrial area to the south of Hamilton city.

The warehouse has an area of 13,245 square metres and has a high stud height of 9.0 metres to 13.3 metres and provides two levels of offices totalling 577.68 square metres. Services include a charging bay, sprinkler room, workroom and storage space. Both side canopy and loading canopy are provided, totalling 1,687 square metres.

The premises is leased to Torpedo 7 Limited from March 2017 for a term of 10 years with four rights of renewals of 9 years each. The lease provides rent reviews to take place in 3 yearly intervals, including renewal dates, and is set to increase to the lower of CPI adjusted rent and the amount equivalent to the annual rent payable during the period of 12 months immediately preceding the relevant review date increased by 2.5% for every 12 months since the last scheduled rent review date. There is a remaining 6 years on the lease. A ratchet clause provides a cap and collar that prevents the annual rent from falling less than 90% of the annual rent payable immediately prior to the relevant rent renewal date, or more than 110% of the annual rent payable immediately prior to the relevant renewal date.

The property sold in March 2020 for \$27,756,521 reflecting an initial yield of 5.59%, an equivalent yield of 5.52% and an IRR of 6.91%.

Confidential

5 Reliable Way, Mt Wellington, Auckland

The property comprises a manufacturing and distribution facility, located in Mt Wellington, Auckland. The property is situated on a large circa 2 hectare site which is zoned Light Industry under the Auckland Unitary Plan.

Improvements comprise approximately 11,000 square metres of net lettable space, which was constructed circa 1990. The tenant has occupied the property since 2015, on a triple net lease expiring in 2027.

The property sold in June 2020 for circa \$25,000,000, reflecting an initial yield of 5.50%. We have analysed the sale to reflect an equivalent yield of 5.74% and an IRR of 7.55%. The property had a WALT of 7.17 years at the time of sale.



12-16 Brigade Road, Mangere, Auckland

The property comprises a coolstore development which was purpose built for Wrightson's in 1988 for a venison processing facility. The property has been subsequently upgraded and extended, and was refurbished both internally and externally in 2017. The property sits on a large 1.0491 hectare site on the northern side of Brigade Road in the Airport Oaks precinct, and has two access points from Brigade Road and full drive-around capabilities.

The premises provide a total of approximately 4,500 square metres of lettable area including a circa 150 square metre canopy. The freezer component provides approximately 3,187 square metres, with the refrigeration system designed around maintaining internal areas at an operating temperature of 4°C, with the insulated panelling walls being approximately 125mm to 200mm thick. There are 10 cart docks, some of which are canopy protected. The office block to the road front is also in good condition having been recently refurbished.

Following the refurbishment, the property was leased by My Food Bag on a 9 year lease commencing October 2017, with a commencement rent of \$802,067 net per annum plus GST. The lease incorporates fixed annual increases of 2.50% from October 2020. We understand the lease is on a triple net basis.

The property sold in April 2019 for \$13,200,000 plus GST reflecting an initial yield of 6.08%, an equivalent yield of 6.08%, and an IRR of 8.06%.

We believe tenant covenants will be a key consideration in the future for investors. The initial lease term of 12 years from commencement will help to underpin the value, with investors likely to be attracted to longer term lease assets that provide greater security. Discounts may be provided for slightly inferior locations and where expiries are approaching.

When considering the yield profile of the subject, we have had regard to the following:

- Long term lease with initial 12 year term
- Fixed rental growth
- Buildings to be strengthened to a minimum 67% NBS
- Established industrial location
- Low interest rate environment

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

Valuation Input

Capitalisation Rate	5.750%
Discount Rate	7.000%

6.3 Residual Land

The residual land encompasses an area of approximately 10,000 square metres adjoining the west side of the complex and is bounded by the Waiwhetu Stream. As previously indicated the Waiwhetu Stream is susceptible to flooding and Hutt City Council notes the subject property is in an area having an identified flood potential of one in one hundred years. We understand the residual land was last impacted by flooding in 2004.

As a result of this susceptibility to flooding the residual land component would retain limited added value in terms of potential development land but does retain a pleasant park like environment.

7 Valuation Considerations

7.1 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">▪ Blue Chip Tenancy Covenant▪ Rental uplift of 3% per annum▪ Established industrial location▪ Freehold tenure in three Records of Title▪ Long term lease▪ Future development potential▪ Net lease protects landlord from increases in OPEX	<ul style="list-style-type: none">▪ Mixed NBS ratings▪ Dated buildings with some potential capex requirements in the medium to long term▪ 10% rental cap on renewal▪ Located in a 1 in 100 year flood zone▪ Minor element of non-recoverable outgoings
Opportunities	Threats
<ul style="list-style-type: none">▪ Scarcity of available industrial development land in Lower Hutt may provide future development opportunities▪ Improve quality of buildings to increase market income on renewal	<ul style="list-style-type: none">▪ The economic and social impacts of COVID-19 have the potential to be persistent▪ Possible change to legislation in relation to seismic strength requirements for buildings▪ Competition from new or refurbished space entering the market▪ Future seismic events▪ Risks from offshore from macro-economic factors impacting on income growth or property values

7.2 Likely Selling Period

We are of the opinion that the likely selling period for the Property is up to 3 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.

7.3 Most Probable Purchaser

In consideration of the current market, we anticipate the most probable purchaser of the Property to be a high net worth investor, syndicator or institutional investor.

8 Valuation Rationale

8.1 Valuation Overview

In arriving at our opinion of market value we have had consideration to the capitalisation and discounted cashflow (DCF) approaches to valuation, along with a cross check via the market comparison approach.

8.2 Capitalisation Approach

The capitalisation approach 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 5.750%, with our calculations summarised below:

Direct Capitalisation Approach		
Rental Income	Contract Income	Market Income
Lettable Area Rental	\$1,722,470	\$1,839,435
Ideal Outgoings Recovery (Full Net Leases)	\$617,682	\$617,682
Total Rental Income	\$2,340,152	\$2,457,117
Less Outgoings Expenditure	(\$714,898)	(\$714,898)
Net Rental Income	\$1,625,254	\$1,742,219
Core Income Capitalised at 5.75%	\$28,265,287	\$30,299,461
Value Adjustments		
Present Value of Existing Rental Reversions	\$1,039,977	(\$1,024,898)
Present Value of Short Term Capital Expenditure: 24 months	(\$446,140)	(\$446,140)
Total Value Adjustments	\$593,837	(\$1,471,038)
Total Capitalised Value	\$28,859,124	\$28,828,423
Adopted Capitalised Value (say)	\$28,860,000	\$28,830,000

From our core value, present value adjustments (for rental reversions, 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.

Capital Deductions

We have allowed for the present value of CAPEX allowances over the next 24 months from the valuation date, which total \$446,140.

Calculation Summary

Having made these adjustments to the core value, we derive a total value of \$28,830,000. A sensitivity analysis based on adjustments to our adopted Core Capitalisation rate is as displayed below:

Sensitivity Analysis		Contract Approach	Market Approach
(0.25%)	5.500%	\$30,220,000	\$30,190,000
Adopted Capitalisation Rate	5.750%	\$28,860,000	\$28,830,000
0.25%	6.000%	\$27,610,000	\$27,580,000

8.3 Discounted Cash Flow Approach

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 7.000% to the cash flows to produce a present value of \$30,220,000. Our DCF calculations are summarised overleaf:

Discounted Cashflow Summary		Year Ending	02-Nov-2021	02-Nov-2022	02-Nov-2023	02-Nov-2024	02-Nov-2025	02-Nov-2026	02-Nov-2027	02-Nov-2028	02-Nov-2029	02-Nov-2030	02-Nov-2031
			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			\$1,722,470	\$1,774,144	\$1,827,368	\$1,882,189	\$1,938,655	\$1,996,815	\$2,056,719	\$2,118,421	\$2,181,973	\$2,247,433	\$0
Outgoings Recovery			\$617,682	\$628,800	\$643,891	\$660,633	\$680,452	\$700,865	\$721,891	\$743,548	\$765,854	\$788,830	\$0
Other Income			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gross Rental Income			\$2,340,152	\$2,402,944	\$2,471,260	\$2,542,822	\$2,619,107	\$2,697,680	\$2,778,610	\$2,861,969	\$2,947,828	\$3,036,263	\$0
Rental Deductions													
Unexpired Incentives - Rent Free/Abatements			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Outgoings Expenditure			(\$714,898)	(\$727,766)	(\$745,233)	(\$764,609)	(\$787,547)	(\$811,173)	(\$835,508)	(\$860,574)	(\$886,391)	(\$912,983)	\$0
Ground Rental													
Net Rental Cashflow			\$1,625,254	\$1,675,178	\$1,726,027	\$1,778,214	\$1,831,560	\$1,886,507	\$1,943,102	\$2,001,395	\$2,061,437	\$2,123,280	\$0
Rental Adjustments													
Unexpired Incentives - Capital Contribution			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Letting Up Allowances - Leasing Fees			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Expenditure			(\$420,675)	(\$28,667)	(\$226,207)	(\$212,613)	(\$239,415)	(\$12,271)	(\$602)	(\$13,019)	(\$639)	(\$84,843)	\$0
Net Cashflow			\$1,204,579	\$1,646,511	\$1,499,821	\$1,565,601	\$1,592,145	\$1,874,235	\$1,942,500	\$1,988,376	\$2,060,798	\$2,038,437	\$0
Purchase Price	\$29,600,000	After Costs	(\$29,600,000)										
Sale Price	\$35,640,000	After Costs											
Annual Cashflow			(\$28,395,421)	\$1,646,511	\$1,499,821	\$1,565,601	\$1,592,145	\$1,874,235	\$1,942,500	\$1,988,376	\$2,060,798	\$2,038,437	\$35,194,500
Present Value of Rental Cashflow		\$12,325,360											
Present Value of Terminal Value		\$17,891,099											
Allowance for Acquisition Costs		\$0											
Total Net Present Value (say)			\$30,220,000	Resulting IRR		7.28%							

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
Industrial							10 year average		2.20%	
	1.00%	1.50%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
CPI							10 year average		1.78%	
	0.80%	1.40%	1.60%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Capex							10 year average		2.78%	
	1.80%	2.40%	2.60%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Outgoings							10 year average		2.78%	
	1.80%	2.40%	2.60%	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

As the initial lease term is for a period of 12 years we have not made any letting up allowances associated with the tenancy.

Capital Expenditure

Within our calculations we have made capital expenditure allowances for any known upcoming costs which a prudent purchaser is likely to make allowances for. The allowances we have made are as summarised below:

Cash Flow Year	Tenancy Capex	Building Capex	Total Capex
Year 1	\$0	\$420,675	\$420,675
Year 2	\$0	\$28,667	\$28,667
Year 3	\$0	\$226,207	\$226,207
Year 4	\$0	\$212,613	\$212,613
Year 5	\$0	\$239,415	\$239,415
Year 6	\$0	\$12,271	\$12,271
Year 7	\$0	\$602	\$602
Year 8	\$0	\$13,019	\$13,019
Year 9	\$0	\$639	\$639
Year 10	\$0	\$84,843	\$84,843
10 Year Total	\$0	\$1,238,950	\$1,238,950
Capex as a proportion of Value	4.2%	Per Sqm of Lettable Area	\$65.65

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

Estimated Terminal Sale Price

We have applied a terminal yield of 6.000% (a 25.0 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	
Disposal Costs	1.25% 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		
	5.750%	6.000%	6.250%
6.750%	\$31,590,000	\$30,780,000	\$30,040,000
7.000%	\$31,010,000	\$30,220,000	\$29,490,000
7.250%	\$30,440,000	\$29,660,000	\$28,960,000

9 Valuation

9.1 Valuation Reconciliation

The results of our valuation methods are:

Methodology	Valuation
Capitalisation Approach - Market Income	\$28,830,000
Capitalisation Approach - Contract Income	\$28,860,000
Discounted Cash Flow Approach	\$30,220,000
Adopted Value	\$29,600,000

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 \$29,600,000 plus GST (if any).

9.2 Valuation Conclusion

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 3 November 2020, is:

\$29,600,000 plus GST (if any)

Twenty Nine Million Six Hundred Thousand Dollars plus GST (if any)

The assessed value reflects an initial passing yield of 5.49%, an equivalent yield of 5.61%, an internal rate of return of 7.28%, and a rate of \$1,569 per square metre of Lettable Area.

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

- Oyster Management Limited – for inclusion within a Product Disclosure Statement

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.

9.3 Involvement Statement

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

Inspection of Property	Tim Dick, Wouter Robberts
Calculations	Tim Dick
Information Review	Tim Dick, Wouter Robberts, Rachel Oatham
Report Authoring	Tim Dick, Rachel Oatham
Quality Assurance	Brad Chemaly
Principal Valuer	Tim Dick

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, Valuation Advisory

Jones Lang LaSalle

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 wherein 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 – Records of Title



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




R. W. Muir
Registrar-General
of Land

Identifier 871447
Land Registration District Wellington
Date Issued 28 March 2019

Prior References

WN490/14 WN491/31

Estate Fee Simple
Area 2.2215 hectares more or less
Legal Description Lot 1 Deposited Plan 532424

Registered Owners

FLIGHT LIMITED

Interests

8030078.3 Mortgage to Bank of New Zealand - 18.12.2008 at 11:08 am

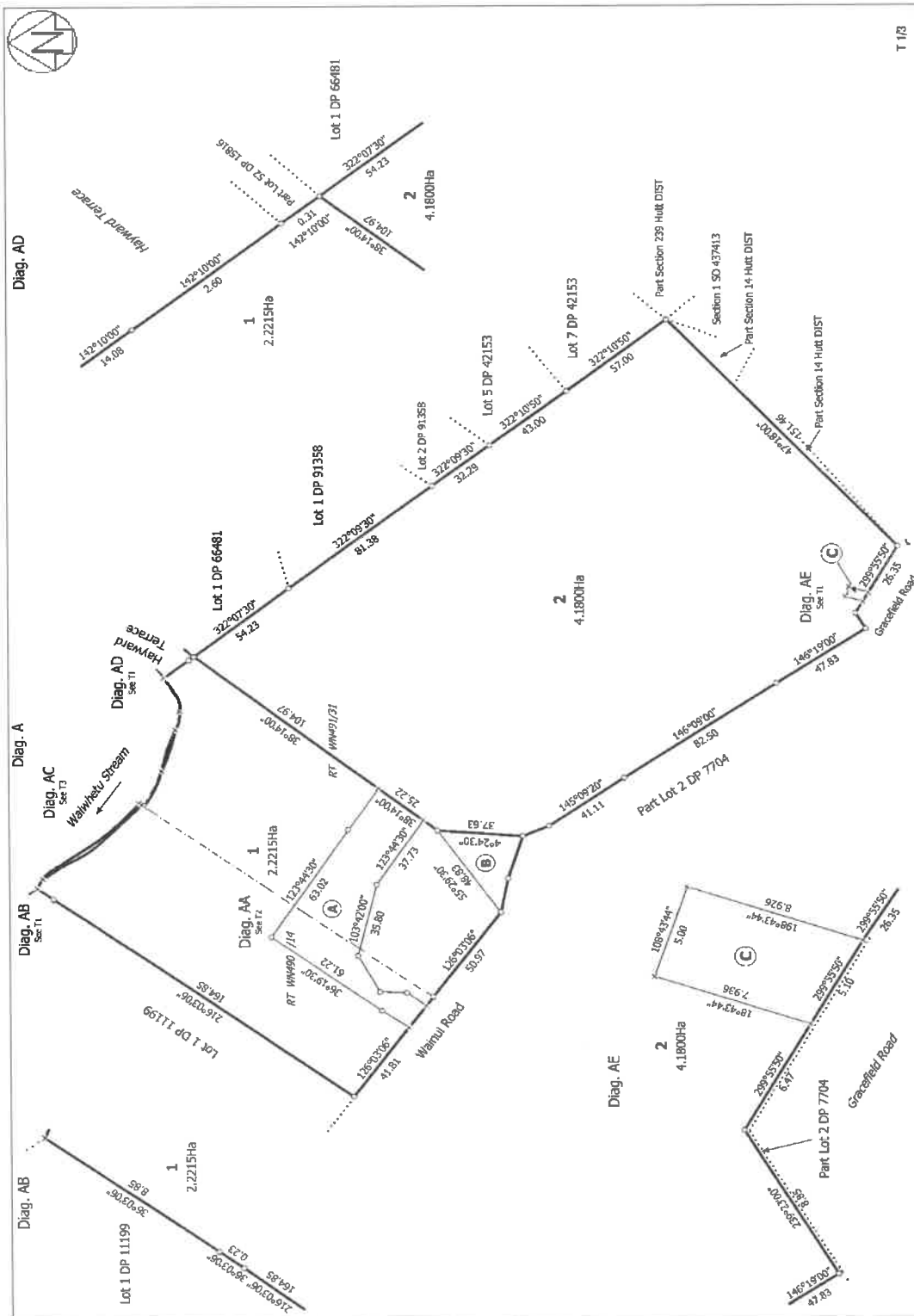
11359488.2 Consent Notice pursuant to Section 221 Resource Management Act 1991 - 28.3.2019 at 4:56 pm

Subject to a right of way over part marked A on DP 532424 created by Easement Instrument 11359488.3 -
28.3.2019 at 4:56 pm

The easements created by Easement Instrument 11359488.3 are subject to Section 243 (a) Resource Management Act 1991

Subject to a right to convey water, gas, electricity, telecommunications and computer media, and a right to drain water and sewage over part marked B on DP 532424 created by Easement Instrument 11359488.4 - 28.3.2019 at 4:56 pm

The easements created by Easement Instrument 11359488.4 are subject to Section 243 (a) Resource Management Act 1991





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




R.W. Muir
Registrar-General
of Land

Identifier **WN458/158**
Land Registration District **Wellington**
Date Issued 28 July 1937

Prior References

WN362/149

Estate	Fee Simple
Area	4123 square metres more or less
Legal Description	Lot 1 Deposited Plan 11199

Registered Owners

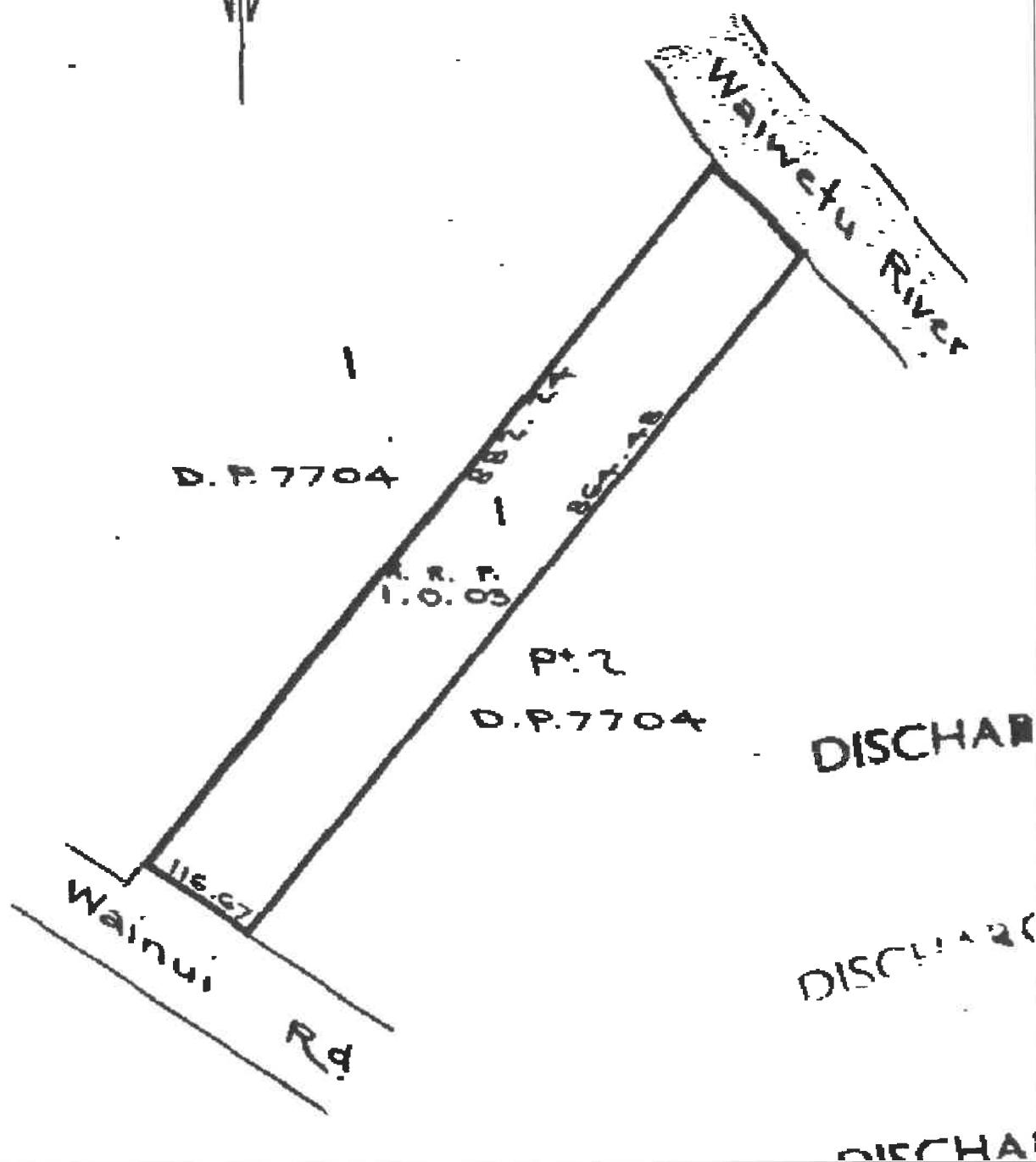
FLIGHT LIMITED

Interests

Fencing Agreement in Transfer 235085 - 28.7.1937
8030078.3 Mortgage to Bank of New Zealand - 18.12.2008 at 11:08 am

Identifier

WN458/158





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




R.W. Muir
Registrar-General
of Land

Identifier **WN465/182**
Land Registration District **Wellington**
Date Issued 08 September 1938

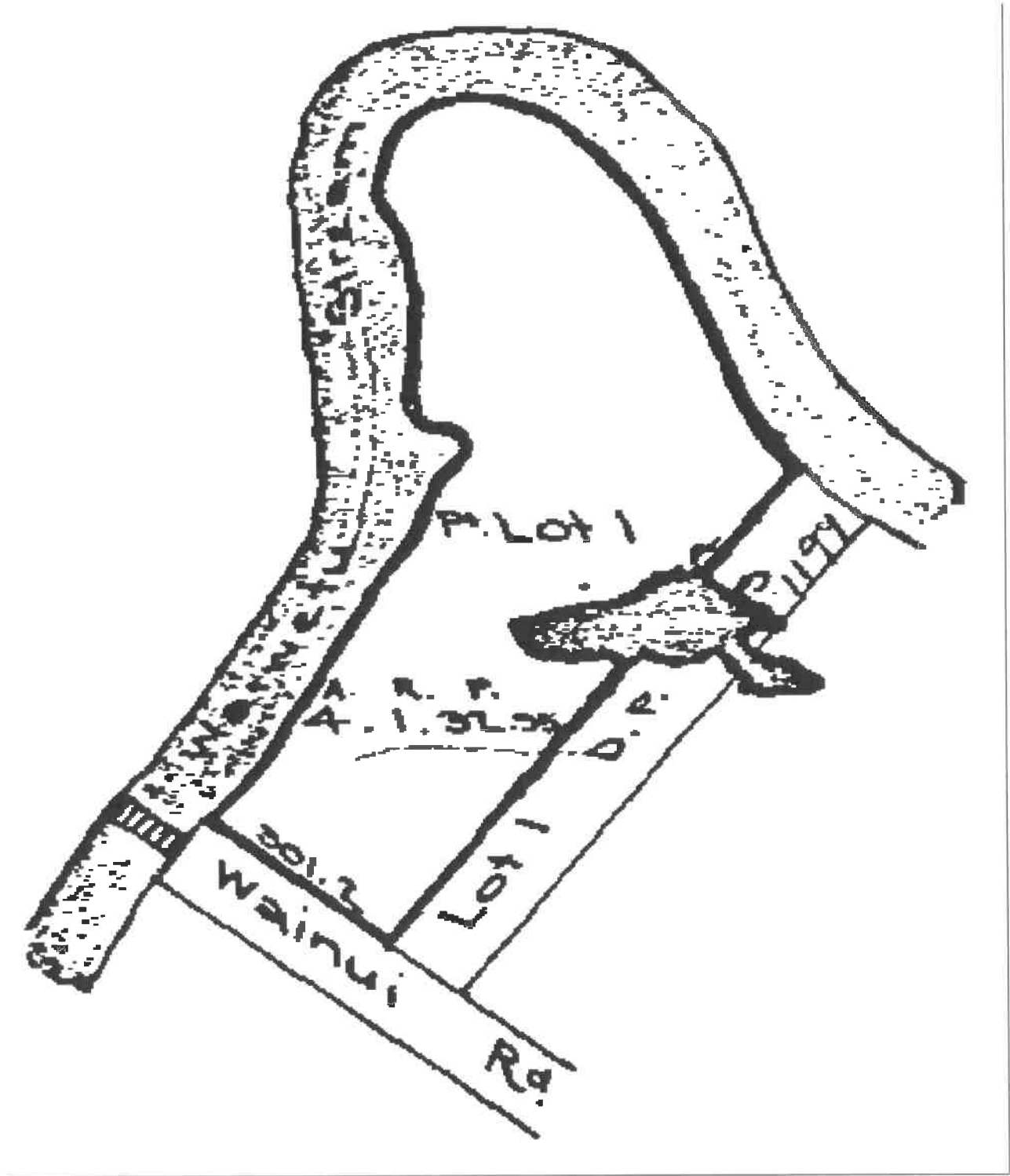
Prior References
WN362/148

Estate	Fee Simple
Area	1.8033 hectares more or less
Legal Description	Part Lot 1 Deposited Plan 7704

Registered Owners
FLIGHT LIMITED

Interests

8030078.3 Mortgage to Bank of New Zealand - 18.12.2008 at 11:08 am



JLL offices

Level 16
188 Quay Street
PO Box 165
Auckland 1140

Phone: +64 9 366 1666

JacksonStone House
Level 10, 3-11 Hunter St
PO Box 10-343
Wellington 6143

Phone: +64 4 499 1666

First Floor, 1 Papanui Road
Merivale
PO Box 6466
Christchurch 8442

Phone: +64 3 375 6600

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