

VALUATION REPORT

Property Address: 117 Willow Street
Tauranga

Prepared For: 117 Willow Street Investment Group

Attention: Mr Scott McKenzie

Purpose: Capital Raising Purposes

Valuation Date: **12 August 2016**

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Executive Summary

This executive summary must be read in context of and in conjunction with the full valuation report of which this executive summary forms part. All comments, terms and conditions contained in the full valuation report relate directly to this Executive Summary.



Property Address:	117 Willow Street Tauranga
Prepared For:	117 Willow Street Investment Group
Client:	117 Willow Street Investment Group
Purpose of Valuation:	To determine market value of the subject property for capital raising purposes
Basis of Valuation:	<ol style="list-style-type: none">1. Current Market Value 'As Is' subject to the existing leases2. Current Market Value 'As If Complete' of the proposed earthquake strengthening works

Brief Description:

A two level commercial building originally constructed in 1956 currently configured into ground floor retail space and first floor offices. The property is situated on the western side of Willow Street, a short distance south of its intersection with Wharf Street and is within the Tauranga Central Business District.

As at the date of valuation, the building had been assessed at 31% of NBS. The current owners have plans to strengthen the building to 34% being the minimum standard currently set by local and central government.

Tenancy Particulars:

The three front ground floor retail tenancies are currently vacant. At the rear of the ground floor is a small tenancy set to expire on 31 December 2016.

The first floor is currently 100% occupied by six individual tenancies. The property has a weighted average remaining lease term of 3.38 years over the occupied leases, and 2.04 years overall including vacancies providing short term lease security only. The leases are struck on a net basis and provide a current annual passing income of \$142,980 per annum.

Land Area:

824 m²

Net Lettable Area:

1,559.1m²

Registered Proprietor:

PML Nominees (Willow Street Investment Group) Limited

Zoning:

City Centre Business Zone under the Tauranga City Plan

Last Sale:

According to Property Guru records, the property has not sold in the last three years.

Assessed Interest:

Freehold

Valuation Approaches:

Capitalisation Approach & DCF Analysis

Date of Inspection:

12 August 2016

Date of Valuation:

12 August 2016

Market Value - As Is:

\$1,950,000

(One Million, Nine Hundred and Fifty Thousand Dollars)

Market Value - As If Complete:

\$2,400,000

(Two Million, Four Hundred Thousand Dollars)

This valuation is prepared on the basis of plus GST (if any)

Critical Assumptions:

Refer Critical Assumptions section of this report.

Valuer:



Signature of Valuer for and on behalf of
PRP Tauranga
Dylan Barrett, ANZIV
Director, Registered Valuer

Counter Signature:



Counter signatory for and on behalf of
PRP Tauranga
Roger Hills, FPINZ, FNZIV
Director, Registered Valuer

Swot Analysis

Strengths & Opportunities:

- Central convenient location
- Good profile to Willow Street
- Multiple tenancies providing a spread of risk
- Opportunity to occupy the full building
- Strengthening of the investment market over recent times
- Future re-development potential

Weaknesses & Threats:

- Current vacancies
- Current earthquake rating of 31% of NBS
- Detracted marketability given the earthquake risk of the building both before and after the earthquake strengthening work is completed
- No on-site car parking provided
- High retail vacancy rates in Tauranga Central Business District

1 Introduction – Scope of Works

1.1 Instructions

PRP File Reference: 3002629
Instructed By: Mr Scott McKenzie
Property Address: 117 Willow Street
Tauranga
Purpose of Valuation: To determine market value of the subject property for capital raising purposes
Date of Inspection: 12 August 2016
Date of Valuation: 12 August 2016

1.2 Liability to Third Parties and Purpose

This Valuation Report is prepared solely for the party to whom it is addressed and for the purpose stated in the report. PRP Tauranga disclaims any responsibility and will not accept any liability to any other party whether using the report for the specific purpose stated or otherwise.

1.3 GST Assumption

Unless otherwise stated, all financial information and valuation calculations and assessments in this report are on the basis of plus GST (if any).

1.4 Market Value Definition

In accordance with the International Valuation Standards 2013, the definition of market value is as follows:

"The estimated amount for which an interest in real property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

1.5 Qualifications

This valuation report is provided subject to the assumptions, disclaimers and limitations detailed throughout this report and to those included within the Terms and Conditions section of this report.

1.6 Compliance Statement

This valuation has been performed in accordance with the International Valuation Standards 2013 and we confirm that:

- The signing valuer has prepared the valuation report for and on behalf of PRP;
- The valuer has concluded an objective and unbiased opinion of value;
- The valuer has no material connection or involvement with the subject or the party commissioning the assignment;
- The valuer is competent to undertake a valuation assignment. No one, except those specified herein has provided professional assistance in preparing this report.

1.7 Critical Assumptions

Our valuation is made on the basis of the following critical assumptions:

- a) The valuation figures shown in this report are based on the assumption that the structural integrity of the improvements and the underlying land is sound.

As Valuers, we are not qualified to assess the structural integrity of the improvements, nor the stability, load bearing capacity or integrity of the land and we accordingly give no warranty in this regard.

- b) We have proceeded on the basis of advice received in relation to the earthquake strength of the subject building and costings obtained to strengthen the building to a minimum standard of 34% of NBS. In determining our 'as is' valuation assessment, we have had reliance upon these costings and proceeded accordingly. If it is found that the earthquake strengthening works exceed our the quoted amount, then we reserve the right to review our valuation assessment.
- c) In the interest of providing clarity, our 'as is' valuation assessment has had consideration towards the cost involved in strengthening the building inclusive of a 10% costing contingency to a minimum earthquake rating of 34% of NBS.
- d) Furthermore, our 'on completion' valuation assessment has been undertaken on a hypothetical basis based on the earthquake strengthening works being completed and the building achieving a seismic rating of 34% of NBS.

2 Site Details

2.1 Location

Physical Location:

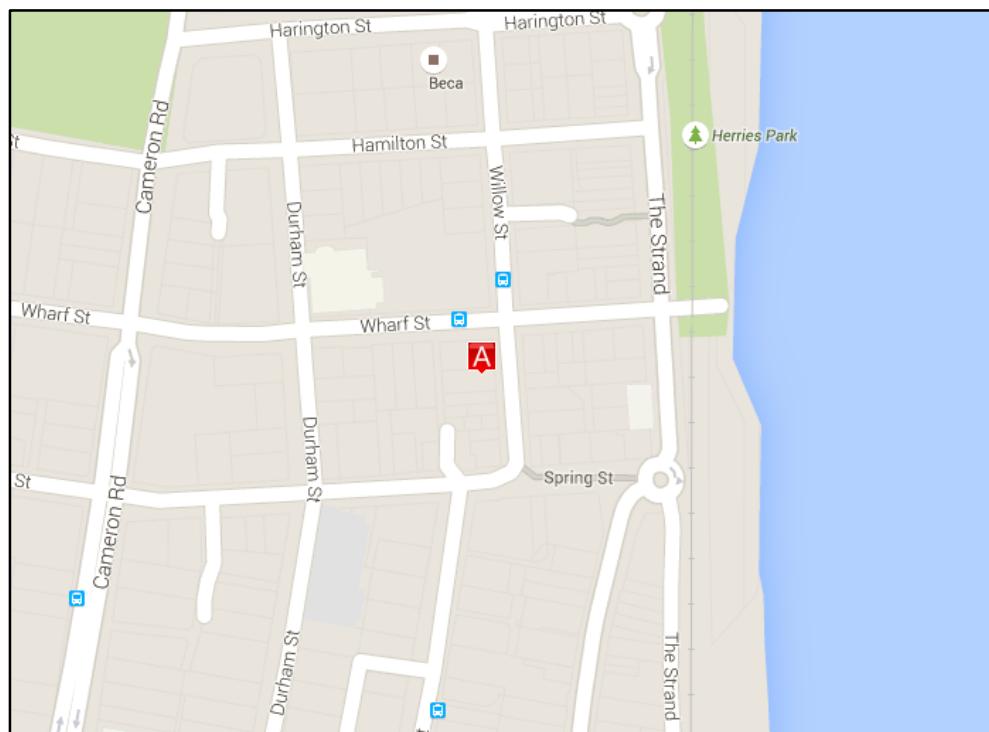
The property is situated on the western side of Willow Street, a short distance south of its intersection with Wharf Street, within the Tauranga Central Business District. Willow Street runs north off Spring Street towards its Brown Street intersection.

The stretch of Willow Street between its intersections with Spring Street and Wharf Street generally comprises of ground floor retail and first floor office space. This area forms the northern periphery of the Tauranga CBD main retail precinct, with both Devonport Road and Grey Street positioned a short distance south of the subject property.

Surrounding Locality:

Willow Street contains a range of building types of varying age, from single storey to multilevel structures, the ground floors of which contain mainly retail shopping and the upper floors office/commercial accommodation. There is kerbside parking on both sides of the street and within reasonable proximity is a council owned parking building.

The following map indicates the position of the subject property:



2.2 Land Description

SITES & SERVICES	
Shape:	Rectangular in shape
Topography:	Reasonably level throughout
Site Area:	824 m ²
Street Frontage:	Willow Street: 23.36 metres (approximately) Rear Service Lane: 23.50 metres (approximately)
Access:	Pedestrian access to both floors directly from Willow Street. Rear pedestrian access available.
Services:	All typical services appear connected.

The following plan shows the approximate legal boundaries of the property in relation to adjoining sites.



Site Contamination:

Our visual inspection did not reveal any obvious signs of site contamination. We note as per our online enquiries with Tauranga MAPI, the subject site is not currently registered as a HAIL (Hazardous Activities and Industries List) site. We assume that the site is free from elevated levels of contaminants and have therefore made no allowance in our valuation for site remediation works.

2.3 Legal Details

TITLE IDENTIFIER	LEGAL DESCRIPTION	LAND AREA
712605	Lot 1-2 Deposited Plan South Auckland 75454	824 m ²
Registered Proprietor:	PML Nominees (Willow Street Investment Group) Limited	
Registered Interests:	<ul style="list-style-type: none">Appurtenant to Lot 2 DPS 75454 is a right of way created by Transfer 299687 – 10.8.1938 at 12:40pmAppurtenant to Lot 2 DPS75454 is a right of way created by Transfer 310966 – 6.7.1939 at 11:45amAppurtenant to Lot 2 DPS75454 is a right of way created by Transfer 311928 – 31.7.1939 at 10:05amMortgage to ASB Bank Limited	

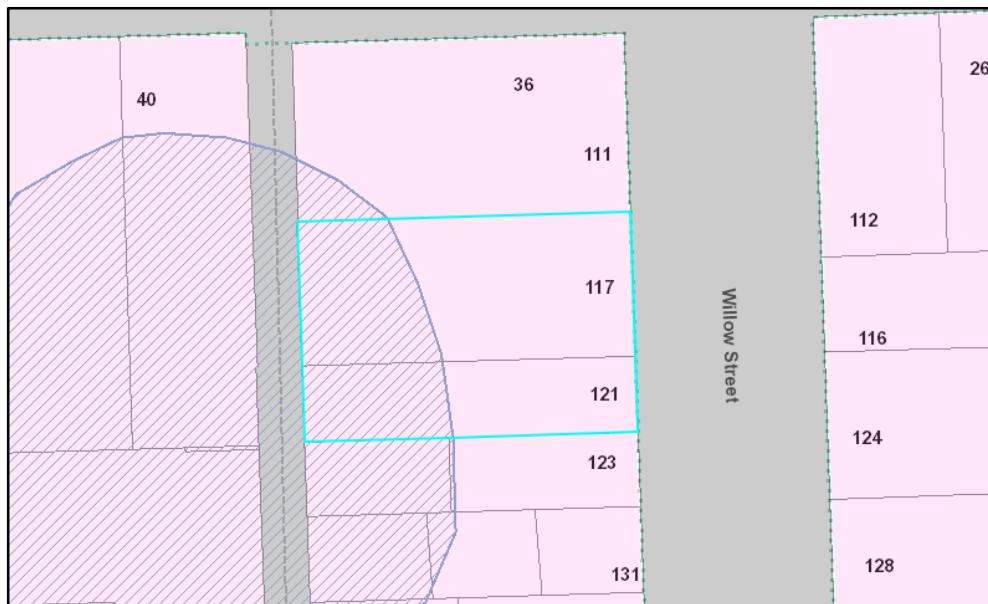
We enclose a copy of the Computer Freehold Register search (refer Appendices).

2.4 Planning

Town Planning details, which we have obtained from online sources, are summarised as follows:-

PLANNING	
Local Authority:	Tauranga City Council
Zoning:	City Centre zone under the Tauranga City Plan
Zone Description:	<p>The purpose of the Commercial Zones is to provide key focal points for commercial developments that are efficiently located throughout the transport network.</p> <p>More specially, the purpose of the City Centre Zone is to maintain and enhance the role and function of the city centre as the principal retail, commercial, civic, entertainment and cultural centre of the city in the Western Bay of Plenty sub region.</p> <p>The zone provisions enable a wide range of land use activities to establish within base environmental standards. The Plan provisions will guide major change in land use and development of both private and public sites, support the development and use of public spaces and pedestrian amenities, and assist its ability to and within the city centre of the public and private transport.</p> <p>Permitted activities within this zone include business activities, general and ancillary retail and office uses, accessory buildings, community facilities, emergency services, homestay, residential activity, minor public recreational facilities, schools and tertiary education premises and visitor accommodation.</p> <p>Building heights vary within the zone with a range of 12 metres through to 49 metres.</p> <p>The subject property is in an area where building heights are permitted to 49 metres.</p> <p>Residential activities shall not be included on the ground floor except where the activity is separated from any street frontage by retail or office activities extending to a depth of at least 15 metres or 50% of the depth of the site, whichever is the lesser.</p> <p>Further, provision may be made for pedestrian access to the residential and car park activities to the street of a width comprising not more than five metres or 25% of the street frontage of the site, whichever is the lesser.</p> <p>The subject use appears to comply and we have proceeded on this basis.</p>
Heritage Notations:	None known

The following plan shows the zoning of the property and the adjoining sites.



2.5 Rating Valuation

The latest rating valuation for the subject property as at 1 July 2012 is as follows:

ADDRESS	LAND VALUE	IMPROVEMENTS VALUE	CAPITAL VALUE	RATES (INCL GST)
117 Willow Street	\$1,770,000	\$1,090,000	\$2,860,000	\$15,503.89

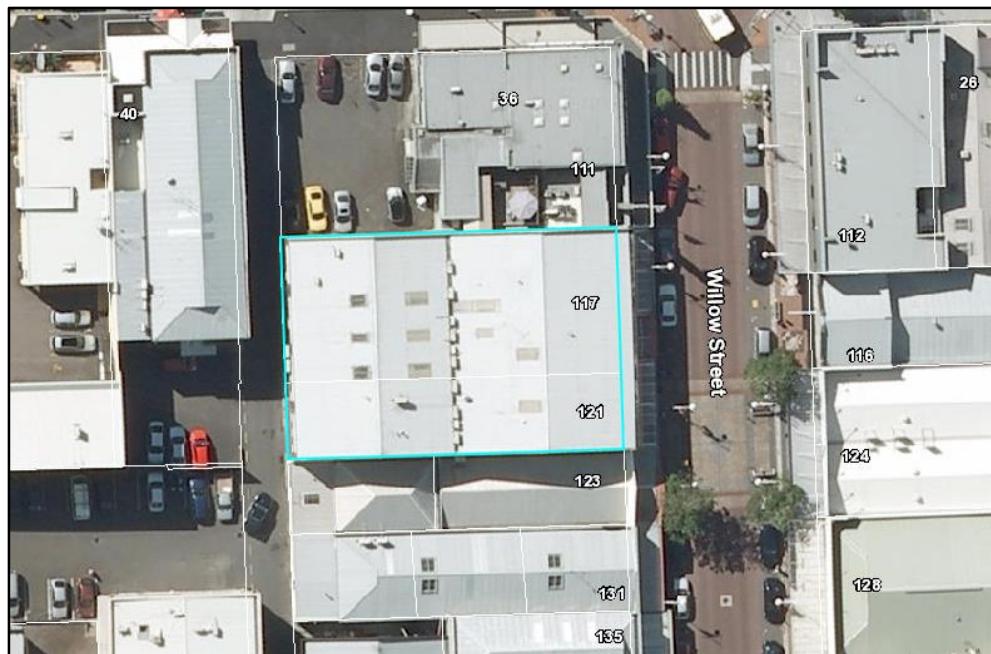
The above values are for rating purposes only and do not necessarily reflect current market value and or sentiment.

3 Improvements

3.1 General Description:

A two level commercial building originally constructed in 1956 currently configured into ground floor retail space and first floor offices. Overall the building comprises typical ground floor retail space and average to good quality first floor office space.

An aerial image sourced from Tauranga City Council Mapi with boundaries approximately delineated, is shown as follows:



3.2 Construction:

COMPONENT	CONSTRUCTION MATERIAL
Foundation & Floor	Reinforced concrete foundations and concrete floors
Structure	Pier and beam main framing
External Walls	A mix of reinforced concrete and concrete block to the side and rear walls and typical retail glazed with some concrete to the front wall
Joinery	Aluminium framed
Roofing	Corrugated iron
Internal Walls	Plasterboard partitioning, some exposed concrete block and timber framing with frosted glass partitioning
Internal Ceilings	Plasterboard and some suspended grid ceiling

3.3 Accommodation:

As at the date of inspection, the subject building comprised of the following configuration.

Ground Floor:

Retail 1 (Northern Front Tenancy):

- Open plan retail space with angled entry glass façade entry with bi-folding entry doors, suspended grid ceilings, under stair storage
- Semi-partitioned rear retail space
- Rear storage area with manual roller door access

Other Features:

- Electronic alarm system

Retail 2 (Middle Front Tenancy):

- Open plan retail space with timber floating floors, display lighting throughout, angled entry façade with bi-folding entry doors, front reception desk
- Rear staffroom with carpeted floors

Retail 3 (Southern Front Tenancy):

- Open plan retail space with exposed polished concrete flooring, display lighting throughout, two window mounted air conditioning units, front glass façade with front entry door, two ceiling fans, ceiling mounted heat pump
- Partitioned rear staffroom facilities with kitchenette

Other Features:

- Electronic alarm system

Retail 4 (Rear Tenancy):

- Open plan partly lined space with an automatic entry door

Common Facilities:

- Vinyl access way with rear pedestrian door access
- Staffroom with kitchenette and cleaner's cupboard
- Wheel chair accessible male toilet facility with toilet and wash hand basin
- Wheel chair accessible female toilet facility with toilet and wash hand basin

First Floor:

Suite 1 (Trade Staff Tenancy):

- Open plan offices with heat pump and entry door
- Four partitioned separate offices each with a heat pump

Other Features:

- Carpeted flooring
- Timber framing with frosted glass partitioning

Suite 2 (Talent ID Recruitment):

- Open plan office / reception area with entry door
- Two separate offices

Other Features:

- Carpeted flooring
- Timber framing with frosted glass partitioning

Suite 3 (Traffic Design Group):

- Reception/waiting area with bi-folding entry doors
- Meeting room
- Boardroom with heat pump
- Open kitchenette facilities
- Separate shower with hand basin
- Server room
- Six separate offices

Other Features:

- Carpeted flooring
- Timber framing with frosted glass partitioning
- Ducted air conditioning throughout

Suite 4 (Campbell Squared Communications):

- Open plan office with bi-folding entry doors and two heat pumps
- Bedroom with heat pump
- File room
- Separate office with heat pump

Other Features:

- Carpeted flooring
- Roller blinds

Suite 5 (Mitchell Partnerships Limited):

- Reception area with front entry door
- Boardroom
- Three separate offices
- Small lunchroom with kitchenette

Other Features:

- Carpeted flooring
- Timber framing with frosted glass partitioning
- Ducted air conditioning system
- Venetian blinds

Suite 6 (Accounting for Futures Limited):

- Open plan office with bi-folding entry doors and two heat pumps
- Separate office
- Staffroom

Other Features:

- Carpet flooring

Common Facilities:

- Male toilet facilities with urinal, two separate toilets and two wash hand basins
- Female toilet facilities (not internally inspected)
- Common use lunchroom with stainless steel insert sink and bench top with cupboard under
- Central hallway with stairwell entry

Other Improvements:

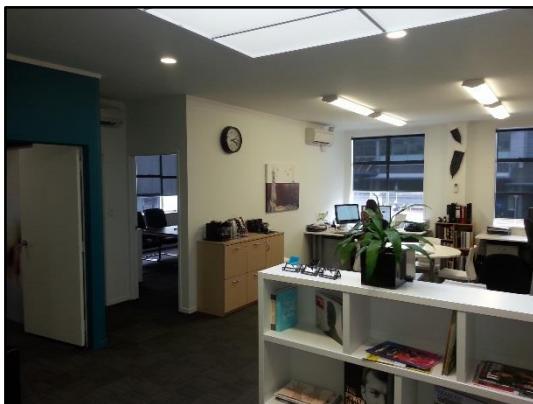
The subject building comprises 100% site coverage with no other improvements upon the subject parcel of land.

Condition and Features:

At the date of inspection, the building presented in average condition typical for this style of accommodation. Refer to the photographs provided for an illustration of the current condition and quality of the subject building.

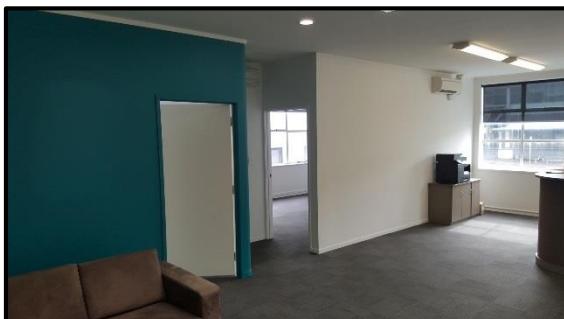


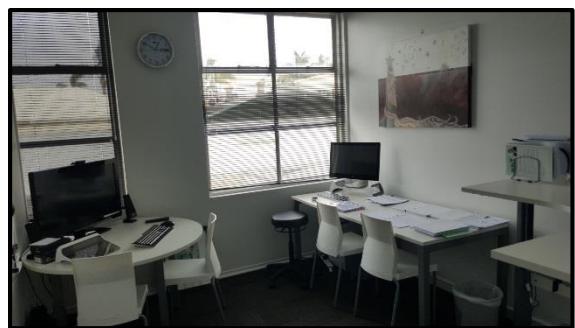
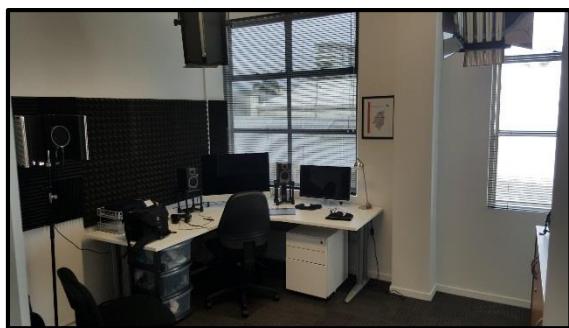
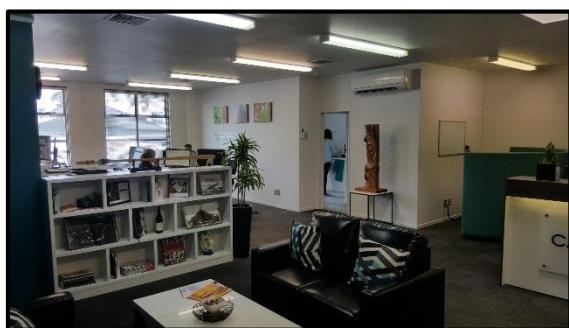






Updated Photographs:





3.4 Ground Floor Lettable Areas

The lettable areas for each tenancy in accordance with PCNZ/PINZ Guidelines for Measurement of Rentable Areas – Retail Premises are as follows:

RETAIL TENANCY 1 (FRONT NORTHERN TENANCY)	LETTABLE AREA (sqm)
Retail Space	345.5 sqm
Share of Common Facilities	32.4 sqm
Total Lettable Area:	377.9 sqm

RETAIL TENANCY 2 (FRONT MIDDLE TENANCY)	LETTABLE AREA (sqm)
Retail Space	138.0 sqm
Share of Common Facilities	12.9 sqm
Total Lettable Area:	150.9 sqm

RETAIL TENANCY 3 (FRONT SOUTHERN TENANCY)	LETTABLE AREA (sqm)
Retail Space	128.0 sqm
Share of Common Facilities	11.9 sqm
Total Lettable Area:	139.9 sqm

RETAIL TENANCY 4 (REAR TENANCY)	LETTABLE AREA (sqm)
Retail Space	96.6 sqm
Share of Common Facilities	9.0 sqm
Total Lettable Area:	105.6 sqm

We note given the style of accommodation, we have attributed a pro-rated share of the common staff toilet facilities at the rear in line with other ground floor retail premises in Tauranga CBD which generally have toilet facilities within each individual retail tenancy. PCNZ/PINZ Guidelines do not clearly state if this configuration of retail should include a pro-rated share of common facilities as rentable areas so we have taken a logical approach to the situation and proceeded on the basis of including a pro-rated share of common facilities as rentable areas in line with other retail tenancies within the Tauranga CBD.

3.5 First Floor Lettable Areas

The lettable areas for each tenancy in accordance with PCNZ/PINZ Guidelines for Measurement of Rentable Areas – Office Premises are as follows:

SUITE 1 – TRADESTAFF PROJECTS LTD	LETTABLE AREA (sqm)
First Floor Office incl. share of Common Facilities	102.4 sqm
Total Lettable Area:	102.4 sqm

SUITE 2 – TALENT ID RECRUITMENT	LETTABLE AREA (sqm)
First Floor Office incl. share of Common Facilities	87.2 sqm
Total Lettable Area:	87.2 sqm

SUITE 3 – TRAFFIC DESIGN GROUP	LETTABLE AREA (sqm)
First Floor Office incl. share of Common Facilities	211.1 sqm
Total Lettable Area:	211.1 sqm

SUITE 4 – CAMPBELL SQUARED COMMUNICATIONS	LETTABLE AREA (sqm)
First Floor Office incl. share of Common Facilities	177.5 sqm
Total Lettable Area:	177.5 sqm

SUITE 5 – MITCHELL PARTNERSHIPS LTD	LETTABLE AREA (sqm)
First Floor Office incl. share of Common Facilities	113.3 sqm
Total Lettable Area:	113.3 sqm

SUITE 6 – ACCOUNTING FOR FUTURES LIMITED	LETTABLE AREA (sqm)
First Floor Office incl. share of Common Facilities	93.4 sqm
Total Lettable Area:	93.4 sqm

3.6 Building Act 2004

Earthquake Comment:

We have been provided with advice received from Mr Richard Arnold of Arnold & Johnstone Ltd noting the current rating of the building as being 31% of NBS. In addition to this advice, we have also received a project cost estimate to undertake some strengthening work to bring the building up to a minimum standard of 34%. The estimated cost to undertake the works is \$232,617 which we have relied upon for valuation purposes assessment. In addition to this, we have allowed for a 10% costings contingency over and above the quoted costings. We understand the required work is to the ground floor only allowing the works to be undertaken with minimal interference to the first floor office tenancies.

Building Act Compliance Schedule:

The Building Act 2004 requires a compliance schedule and a building warrant of fitness for any building (other than residential building), if that building contains any specified system.

The compliance schedule lists the building's specified systems and the inspection, maintenance and reporting procedures needed to keep them in good order.

Tauranga City Council has confirmed the subject building holds a current building warrant of fitness with an expiry date of 15th May 2017.

4 Occupancy Details

4.1 Lease Summary

As at the date of valuation, the three front ground floor retail tenancies remained vacant with the rear tenancy leased to **TIMBERFLOORS.CO.NZ LIMITED** set to expire in December 2016. As at the date of valuation, the first floor was 100% occupied.

The critical terms and conditions for each individual tenancy is summarised on the following pages;

TIMBERFLOORS.CO.NZ LIMITED	
Premises	All that part of the Landlord's Property comprising an area of approximately 93 square metres being the rear tenancy on the ground floor at 117 Willow Street
Lessor	The registered proprietors (from time to time) of the property situated at 117 Willow Street, Tauranga ("Property") collectively called the 117 Willow Street Investment Group.
Lessee	Timberfloors.co.nz Limited (Company number 230899)
Guarantor	Nil.
Lease Memorandum	ADLS Agreement to Lease Fifth Edition 2008
Commencement Date	1 February 2016
Lease Term	11 months
Rights of Renewal	Nil remaining
Final Expiry	31 December 2016
Current Contract Rental	\$6,300 plus GST (partial net lease)
Ratchet Clause	Initial Full Ratchet – not applicable as per lease variation
Rental Reviews	Stepped rental increase at renewal dates, however renegotiated at the initial rent as per the lease variation
Outgoing Contribution	- Utility charges - Rubbish collection charges - Any insurance excess (but not exceeding \$500) in respect of a claim and insurance premiums and related valuation fees.
Permitted Use	Storage, display and retailing of timber flooring and associated products
Tenant's Works	Garage automatic roller door. Upon expiry or the earlier termination of this Lease, the Landlord will retain ownership of the Tenants Works.
Further Terms	Initial agreement included a three month rent free period.

SUITE 1 - TRADESTAFF PROJECTS LIMITED	
Premises	That part of the Landlord's premises known as Suite 1, Level 1, 117 Willow Street, Tauranga, comprising a Net Leasable Area of approximately 104m ² including share of common areas as highlighted in yellow on the attached plan.
Lessor	The registered proprietors (from time to time) of the property situated at 117 Willow Street, Tauranga ("Property") collectively referred to as 117 Willow Street Investment Group.
Lessee	Tradestaff Projects Limited
Guarantor	Tradestaff Group Limited
Lease Memorandum	Deed of Lease
Commencement Date	1 June 2014
Lease Term	Three (3) years
Rights of Renewal	One further option of Three (3) years
Final Expiry	31 May 2020
Current Contract Rental	\$18,000 plus GST
Ratchet Clause	Soft ratchet
Rental Reviews	Market review at renewal. CPI rent review – 1 June 2019
Outgoing Contribution	13% with respect to Level 1 Operating Expenses 6.5% with respect to overall property Operating Expenses
Permitted Use	Professional Offices
Landlord's Fixtures & Fittings	<ul style="list-style-type: none"> - Air conditioning units x 5 - All partitioning - All lighting - Data and electricity cabling within walls/ceiling - All flooring/carpet tiles - Window blinds
Tenant's Fixtures & Fittings	Nil stated
Further Terms	Initial one month rent free period

SUITE 2 – TALENT ID RECRUITMENT	
Premises	Part First Floor of the building, being Suite 2, as outlined in yellow on the plan attached at Schedule A
Lessor	117 Willow Street Investment Group
Lessee	Talent ID Recruitment Limited (1936816) trading as Talent ID Recruitment
Guarantor	Kellie HAMLETT
Lease Memorandum	Heads of Agreement
Commencement Date	1 July 2016
Lease Term	Two (2) years
Rights of Renewal	Nil
Final Expiry	30 June 2018
Current Contract Rental	\$12,900 pa plus GST
Ratchet Clause	Nil
Rental Reviews	Fixed increase in Year 2 - \$14,388 pa plus GST
Outgoing Contribution	11.11% with respect to Level 1 Operating Expenses 5.69% with respect to overall property Operating Expenses
Permitted Use	Commercial Offices
Landlord's Fixtures & Fittings	Nil stated
Tenant's Fixtures & Fittings	Nil stated
Further Terms	Nil.

TRAFFIC DESIGN GROUP LIMITED	
Premises	That part of the Landlord's premises referred to as Suite 3, Part First Floor, 117 Willow Street, Tauranga, comprising a floor area of approximately 211.10m ² and as highlighted in red on the attached plan
Lessor	PML Nominees (Willow Street Investment Group) Limited (5772328)
Lessee	Traffic Design Group Limited (33644)
Guarantor	Nil
Lease Memorandum	ADLS Deed of Lease Sixth Edition 2012
Commencement Date	1 December 2015
Lease Term	Six (6) years with an early termination clause
Rights of Renewal	One (1) further option period of three (3) years
Final Expiry	30 November 2024 (if right of renewal exercised)
Current Contract Rental	\$36,942.50 plus GST
Ratchet Clause	Full ratchet
Rental Reviews	Two yearly CPI reviews
Outgoing Contribution	26.90% with respect to Level 1 Operating Expenses 13.70% with respect to overall property Operating Expenses
Permitted Use	Commercial Offices
Landlord's Fixtures & Fittings	<ul style="list-style-type: none"> - Internal partitioning (including doors) - Carpet tiles - Light fittings - Air Conditioning - Blinds - Kitchen unit and Zenith hot water unit
Tenant's Fixtures & Fittings	Nil stated
Further Terms	Early termination clause on the day before the fourth anniversary of the Commencement Date by giving a minimum of 6 months notice.

CAMPBELL SQUARED COMMUNICATIONS LIMITED	
Premises	The part of the Landlords premises referred to as Part Level 1, being Suite 4, 117 Willow Street, Tauranga, comprising a floor area of approximately 177.50m ² (which includes a pro rata share of the common areas of the First Floor) and as highlighted in yellow on the attached plan.
Lessor	PML Nominees (Willow Street Investment Group) Limited (5772328)
Lessee	Campbell Squared Communications Limited
Guarantor	Scott Anthony Campbell and Angela Raimarie Campbell
Lease Memorandum	ADLS Deed of Lease Sixth Edition 2012 (4)
Commencement Date	1 February 2016
Lease Term	Three (3) years
Rights of Renewal	One (1) further option period of Three (3) years
Final Expiry	31 January 2022
Current Contract Rental	\$29,287.50 plus GST
Ratchet Clause	Full ratchet
Rental Reviews	Fixed increase in Year 2 - \$31,062.50 pa plus GST then two yearly to market
Outgoing Contribution	22.6% with respect to Level 1 Operating Expenses 11.5% with respect to overall property Operating Expenses
Permitted Use	Commercial Offices
Landlord's Fixtures & Fittings	<ul style="list-style-type: none"> - Internal partitioning including doors - Carpet tiles - Light fittings - Air conditioning - Blinds - Kitchen unit and cabinetry - Automatic hot water unit
Tenant's Fixtures & Fittings	Nil stated
Further Terms	Redevelopment clause allowing the landlord after three years to redevelop the property upon providing six (6) months' notice to the tenant.

MITCHELL PARTNERSHIPS LIMITED	
Premises	All that part of the Landlord's property known as Suite 3, and being an area of approximately 117 square metres and being the area highlighted on the attached plan.
Lessor	The registered proprietors (from time to time) of the property situated at 117 Willow Street, Tauranga ("Property") collectively referred to as 117 Willow Street Investment Group.
Lessee	Mitchell Partnerships Limited
Guarantor	Nil
Lease Memorandum	ADLS Deed of Lease Fifth Edition 2008
Commencement Date	1 March 2016
Lease Term	Two (2) years
Rights of Renewal	Nil.
Final Expiry	28 February 2018
Current Contract Rental	\$23,500 plus GST
Ratchet Clause	Full ratchet
Rental Reviews	Each renewal date
Outgoing Contribution	14.6% with respect to Level 1 Operating Expenses 7.3% with respect to overall property Operating Expenses
Permitted Use	Consultants Office
Landlord's Fixtures & Fittings	<ul style="list-style-type: none"> - Ducted air-conditioning system - Venetian blinds - Carpet - Kitchenette unit - Patch panel for data cabling
Tenant's Fixtures & Fittings	<ul style="list-style-type: none"> - Nil stated
Further Terms	<ul style="list-style-type: none"> - First year of rent was offered at a reduced rent - Signage rights

ACCOUNTING FOR FUTURES LIMITED	
Premises	That part of the Landlords premises referred to as Suite 6, Part First Floor, 117 Willow Street, Tauranga, comprising a floor area of approximately 93.4m ² (including a pro rate share of the common areas of the First Floor of the building) and as highlighted in orange on the attached plan.
Lessor	The registered proprietors (from time to time) of 117 Willow Street, Tauranga, collectively referred to as "117 Willow Street Investment Group" (refer attached members schedule).
Lessee	Accounting For Futures Limited
Guarantor	Neil Murray Anderson
Lease Memorandum	ADLS Deed of Lease Sixth Edition 2012 (4)
Commencement Date	1 May 2016
Lease Term	Two (2) years
Rights of Renewal	Two (2) further option periods of two (2) years each
Final Expiry	30 April 2022
Current Contract Rental	\$16,000 plus GST
Ratchet Clause	Soft ratchet
Rental Reviews	Fixed increase in Year 2 - \$16,740 pa plus GST then CPI review 1 May 2018 and on each subsequent anniversary of the Commencement Date of this Lease and as set out in clause 51 of the attached Further Terms
Outgoing Contribution	11.89% with respect to Level 1 Operating Expenses 6.09% with respect to overall property Operating Expenses
Permitted Use	Commercial Office
Landlord's Fixtures & Fittings	<ul style="list-style-type: none"> - Ceiling tiles - Carpet tiles - Inter-tenancy wall - Glazed access control entry doors - Light fittings - Air-conditioning - Blinds - Fire equipment
Tenant's Fixtures & Fittings	<ul style="list-style-type: none"> - Nil stated
Further Terms	Redevelopment clause allowing the landlord after three years to redevelop the property upon providing six (6) months' notice to the tenant.

4.2 Lease Expiry Analysis

As at the date of valuation, the subject property had a remaining lease term of 2.04 years. The following refers;



4.3 Operating Expenses

We have been provided with an operating expense budget for the subject property with a total of \$59,012 per annum budgeted. For valuation modelling purposes, we have adopted these operating expenses which appear in line with market benchmarks. These charges are applicable to any gross leases and during vacancy periods (if any).

4.4 Contract Rental Analysis

PRP's analysis of the existing net contract rents is summarised in the table below:

TENANT	NLA (sqm)	NET PASSING RENT	
		\$PSM/PW	\$PA
Vacant	377.8		
Vacant	150.9		
Vacant	139.9		
Timberfloors.co.nz Limited	105.6	\$59.66	\$6,300
Tradestaff Projects Limited	102.4	\$175.78	\$18,000
Talent ID Recruitment	87.2	\$148.51	\$12,950
Traffic Design Group Limited	211.1	\$175.00	\$36,943
Campbell Squared Ltd	177.5	\$165.00	\$29,288
Mitchell Partnerships Limited	113.3	\$207.41	\$23,500
Accounting For Futures Limited	93.4	\$171.31	\$16,000
Total	1,559.1	\$91.71	\$142,980

The combined passing net rental for the occupied tenancies is \$142,980 per annum plus GST.

5 Market Commentaries

The property investment market has in the last twelve months shown strength, especially for well leased properties. As the recovery in economic conditions in New Zealand continues we expect to see more resilience in the market.

Recent sales have been generally reflecting tight yield within a yield range of 5.0% - 6.0% bracket for properties with long-term security in place to recognised tenants. This is generally within a price quantum of sub \$3,000,000. As we move into a higher price brackets, the capitalisation rate tends to increase

As the length of lease and the standard of tenancy and tenant declines, the rate of return rises. To this extent, we have seen a number of reasonable quality industrial and retail tenancies selling in the 6.5% to 7.5% range. These properties are generally in a lower \$500,000 - \$1,000,000 price bracket. These range from buildings with average quality tenants in the industrial blocks through to child-care centres.

The reality is that the market is now correctly assessing risk. Higher risk is experienced with a higher capitalisation rate. This now covers a band of 2% to 4%.

In an endeavour to provide some stability in the New Zealand economy, the Reserve Bank has recently reduced the OCR to 2.0% to encourage continual growth in the economy. As a result retail lending rates dropped immediately which, whilst good for businesses, this will continue to put upward pressure on property values.

It is our opinion that capitalisation rates and yields in Tauranga tend to be lower than other major centres in New Zealand. This is a result of the continual high demand to buy commercial property within the city with a large number of investors living in Tauranga. In addition, outside investors perceive the city to be a growth centre.

In summary, the tenant and length of lease are of prime concern in this market. We believe purchasers are reflecting the fact that it is becoming easier to obtain solid tenants in what is an improving market. When rents are slightly above market, and combined with a strong long-term lease there will still be reasonable demand.

6 Rental Evidence & Market Rental Assessments

6.1 Rental Evidence – Ground Floor Retail

The most comparable leasing evidence in determining the market rental for ground floor retail space is provided below;

Address	Tenant	Component	Area (sqm)	Rental Rate	Date	Annual Rental
45 Grey Street Tauranga	Falafel Metro	Retail	71.0	\$169.0	Oct-15 Commencing	\$12,000
75 Elizabeth Street Tauranga	Jin Woo, Hwang	Retail Car Parks	127.0 1.0	\$267.7 \$25.0	Sep-15 Commencing	\$35,300
160 Devonport Road Tauranga	Life Unlimited	Offices Entry Offices Carparking Carparking	235.5 16.5 20.0 5.0 14.0	\$164.9 \$45.0 \$150.0 \$20.0 \$15.0	Aug-15 Rent Review	\$58,700
45 Grey Street Tauranga	Carve Barbershop	Retail (1st 15m) Rear Retail / Common Area	63.5 20.5	\$297.6 \$200.0	Apr-15 Commencing	\$21,000
124 Devonport Road Tauranga	NZ Tech Solutions	Retail	95.0	\$221.1	Apr-15 Commencing	\$21,000
176 Cameron Road Tauranga	Four Seasons	Front Retail Portion Showroom/Warehouse Mezzanine Amenities Carparking	127.0 588.0 62.0 4.0	\$160.5 \$85.0 \$80.0 \$22.5	May-15 Rent Review	\$80,000
G10, Goddards Centre 21 Devonport Road Tauranga	Unknown	Retail	64.5	\$300.1	Mar-15 Commencing	\$19,356
146 Devonport Road Tauranga	Cash Converters	Retail Storage Carparking	252.8 68.7 2.0	\$179.1 \$60.0 \$25.0	Mar-15 Renewal	\$52,000
GF/24 Wharf Street Tauranga	Tenancy 5	Retail	173.1	\$173.3	Mar-15 Commencing	\$30,000
Suite 4/117 Willow Street Tauranga	Tenancy 5	Retail	93.0	\$166.7	Feb-15 Commencing	\$15,500
64A Elizabeth Street Tauranga	Storage Box	Retail	480.0	\$226.9	Oct-14 Commencing	\$108,891
19 Wharf Street Tauranga	RYE	Retail Facilities Open Mezzanine	217.8 41.7 45.1	\$185.00 \$180.70 \$92.50	Aug-14 Commencing	\$52,000

Provided above is a range of ground floor retail space leasing transactions located in and around the Tauranga CBD. Rates vary considerably dependant on the size of the tenancy and the position within Tauranga CBD relative to pedestrian flows.

The subject property is located on the fringe of the Tauranga CBD being a short distance north of both Devonport Road and Grey Street. In our opinion, the most relevant leasing evidence for ground floor retail space lies within the vicinity of \$150 - \$200/m² per annum. We consider the subject retail space to align itself within this range.

6.2 Rental Evidence – First Floor Office

The most comparable leasing evidence in determining the market rental for first floor office space is provided below;

ADDRESS	TENANT	COMPONENT	AREA (SQM)	RENTAL RATE	DATE	ANNUAL RENTAL
1 Grey Street Tauranga	Harrison Grierson Tenancy	First Floor Offices Covered Unsecured Carparks	533.5 8	\$240.00 \$30.0	Jun-16 Commencing	\$140,515
46 Spring Street Tauranga	TCC	First Floor Offices Carparks	1,091.0 2	\$177.50 \$25.0	Mar-16 Commencing	\$196,380
610 Cameron Road Tauranga	Edvance	First Floor Offices Carparks	310.0 6	\$179.87 \$20.0	Aug-15 Commencing	\$62,000
293 Cameron Road Tauranga	Mike Pero Real Estate	Offices Carparks	129.0 1	\$191.94 \$20.0	Aug-15 Commencing	\$25,800
141 Cameron Road Tauranga	NZ Nursing	Ground Floor Office Car Parks	227.0 5	\$130.29 \$20	Jul-15 Commencing	\$34,775
29 Grey Street Tauranga	Stratum Consultants	First Floor Office Car Parks	109.0 1	\$197.25 \$23	Apr-15 Commencing	\$22,700
104-106 Cameron Road Tauranga	Sharp	Front Offices Rear Offices Storage Mezzanine Car Parks	315.0 87.8 72.7 60.0 13	\$150 \$110 \$80 \$25 \$25	Apr-15 Renewal	\$81,000
13 McLean Street Tauranga	Young Read Woudberd Ltd	First Floor Offices Carparks	539.2 17	\$169.66 \$1,560	Apr-15 Renewal	\$118,000
6 Wharf Street Tauranga	Annan & Co	First Floor Office Balconies Proportion of Common Area	230.3 42.1 35.4	\$149.99 \$50.00 \$149.99	Apr-15 Commencing	\$41,950
46 Spring Street Tauranga	Suite 2	Level 2 Office	268.0	\$214.10	Jan-15 Commencing (Net Effective Analysed)	\$57,380
94 Grey Street Tauranga	CYFS	First Floor Office First Floor Balcony Basement Car Parks	1,099.6 51 19	\$233 \$75 \$30	Jan-15 Renewal (Gross Rent)	\$289,528
148-150 Durham Street Tauranga	BaseStation	Ground Floor Office Basement Level Carparks	477.0 121.0 6	\$195.70 \$130.00 \$1,820	Early 2015 Commencing	\$120,000

Provided above is a range of second tier office leasing transactions located in and around the Tauranga CBD. Rates vary considerably dependant on the size of the tenancy and the quality of fit-out.

6.3 Market Rental Conclusion

After due consideration of the attributes of the subject property and market evidence as detailed, we assess the net market rental as follows;

TENANT	NLA (sqm)	CONTRACT & MARKET COMPARISON					
		NET PASSING RENT \$PSM/PW	NET MARKET RENT \$PSM/PW	RENT \$PA	VARIANCE	DIFF	
Vacant	377.8		\$132.14	\$49,927	-	-	
Vacant	150.9		\$148.24	\$22,366	-	-	
Vacant	139.9		\$149.45	\$20,903	-	-	
Timberfloors.co.nz Limited	105.6	\$59.66	\$6,300	\$60.00	\$6,336	\$36	0.57%
Tradestaff Projects Limited	102.4	\$175.78	\$18,000	\$170.00	\$17,408	-\$592	-3.29%
Talent ID Recruitment	87.2	\$148.51	\$12,950	\$170.00	\$14,824	-	14.47%
Traffic Design Group Limited	211.1	\$175.00	\$36,943	\$170.00	\$35,887	-\$1,056	-2.86%
Campbell Squared Ltd	177.5	\$165.00	\$29,288	\$170.00	\$30,175	\$888	3.03%
Mitchell Partnerships Limited	113.3	\$207.41	\$23,500	\$170.00	\$19,261	-\$4,239	-18.04%
Accounting For Futures Limited	93.4	\$171.31	\$16,000	\$170.00	\$15,878	-\$122	-0.76%
Total	1,559.1	\$91.71	\$142,980	\$149.42	\$232,965	-\$5,085	

We have assessed the net market rental at \$232,965 per annum plus GST and operating expenses.

7 Sales Evidence

7.1 Investment Sales Evidence

In order to assess the market value of the subject property, we have considered a range of investment sales within Tauranga. We have summaries those of which we consider to be of most relevance as follows:

PROPERTY	SALE DATE	SALE PRICE	INITIAL YIELD	EQUIVALENT YIELD	MARKET YIELD	IRR	Floor Area (sqm)	RATE PER SQM FLOOR AREA	ESTIMATED LAND VALUE	IMPROVEMENTS VALUE (\$/SQM)	WALT
100 First Avenue Tauranga	Jul-16	\$1,830,000	-	6.45%	6.77%			\$2,331	\$923,000	\$1,155	Vacant
71 Devonport Road Tauranga	Jun-16	\$1,900,000	6.56%	8.45%	8.57%		560	\$3,396		\$3,396	1.3
75 Devonport Road Tauranga	Jun-16	\$1,650,000	8.25%	8.25%	8.25%		740	\$2,229		\$2,229	2.5
60E Durham Street Tauranga	Jun-16	\$2,170,000	6.33%	6.33%	6.33%		453	\$4,790	\$205,000	\$4,338	10.0
45 Grey Street Tauranga	Mar-16	\$3,020,500	7.76%	8.41%	8.46%	9.00%	1,729	\$1,747	\$1,085,000	\$1,119	1.3
53 Spring Street Tauranga	Dec-15	\$3,800,000	-	-	6.69%	-	863	\$4,403	\$1,300,000	\$2,897	Vacant
First Mortgage Trust 15 First Avenue Tauranga	Nov-15	\$2,205,000	5.39%	5.39%	5.39%	6.25%	457	\$4,830	\$1,215,000	\$2,166	6.0
103 Third Avenue Tauranga	Oct-15	\$1,475,000	6.50%	7.56%	7.62%	8.20%	623	\$2,368		\$2,368	7.1
Farming House 104 Spring Street Tauranga	Oct-15	\$2,075,000	8.55%	8.93%	9.37%	-	940	\$2,207	\$1,410,000	\$707	1.2
87 First Avenue Tauranga	Aug-15	\$4,700,000	6.97%	7.21%	7.26%	8.00%	1,480	\$3,443	\$1,518,000	\$2,150	2.7
94 Grey Street Tauranga	Aug-15	\$6,100,000	8.31%	8.35%	8.36%	9.15%		\$2,751			3.2
29 Grey Street Tauranga	May-15	\$3,825,000	7.71%	7.77%	7.78%	8.50%		\$2,971			2.7

In addition to the noted sales provided in summary form, we provide further detail of the most relevant sales overleaf.

100 FIRST AVENUE, TAURANGA	JULY 2016	\$1,830,000
Initial Yield: VP		
Equivalent Yield: 6.45 %		
Market Yield: 6.77 %		
Est. Land Value: \$700,000		
Improvements Value: \$1,439/m ²		
WALT: VP		
		
A 1960s single level building situated on First Avenue in a fringe CBD locality. The building is configured into two tenancies supporting showroom, office and warehouse. The property sold with vacant possession.		
Comparison:	A superior quality building reflecting far superior yield parameters in comparison to the subject property.	

45 GREY STREET, TAURANGA	MARCH 2016	\$3,020,500
Initial Yield: 7.76%		
Equivalent Yield: 8.41%		
Market Yield: 8.46%		
IRR: 9.00%		
WALT: 1.30 yrs		
		
The subject property comprises a three level commercial building constructed circa 1955 and then further extended at the rear circa 1965. The ground floor comprises retail space fronting both Grey Street and the adjoining laneway with the upper two levels supporting office space. As at the date of valuation, the building was configured into a total of 21 tenancies. The building has an earthquake rating equal or greater than 34%.		
Comparison:	In our opinion, this sale provides the most recent comparable sale given its marginal NBS rating. Overall, we consider the property provides a superior property and situated in a slightly superior retail locality to the subject property. Overall, we consider it to reflect slightly superior investment parameters.	

24 DEVONPORT ROAD, TAURANGA		DECEMBER 2015	\$1,730,000		
Initial Yield:	5.64%				
Equivalent Yield:	5.64%				
Market Yield:	5.64%				
IRR:	-				
\$/SQM of Floor Area:	\$8,238				
WALT:	10.0 yrs				
					
This property is located in the retail heart of Tauranga's Central Business District. It offers a prime location and a long 10 year lease.					
Comparison:	A similar era of building situated in a slightly superior retail locality to the subject property. The sale price is underpinned by an attractive lease covenant to Heartland Bank. Overall, we consider the property to reflect far superior yield parameters to the subject property.				

104 SPRING STREET, TAURANGA		OCTOBER 2015	\$2,075,000		
Initial Yield:	8.55%				
Equivalent Yield:	8.93%				
Market Yield:	9.37%				
IRR:	-				
\$/SQM of Floor Area:	\$2,238				
WALT:	1.2 yrs				
					
This is a centrally located two level building dating from 1985 and externally refurbished in 2014. The property is currently configured to provide for two office tenants with 18 onsite carparks. The property has a seismic strength of 52% NBS and we were advised the strengthening cost to bring up to at least 67% NBS is in the vicinity of \$100,000. We understand the ground floor tenant has renewed their lease however the first floor tenant will vacate in December 2015.					
Comparison:	In our opinion, the sale property is located in a similar location to the subject property with a superior NBS rating. Overall we consider this property to set slightly tighter yield parameters in comparison to the subject.				

29 GREY STREET, TAURANGA	MAY 2015	\$3,825,000
Initial Yield: 7.71%		
Equivalent Yield: 7.77%		
Market Yield: 7.78%		
IRR: 8.50%		
\$/SQM of Floor Area: \$2,971		
WALT: 2.7 yrs		
		
Iconic Rydal House is located in the heart of Tauranga's Central Business District. It is situated on a 721m² parcel of land with 1308m² of lettable building area. This property has an NBS rating of 75% being a desirable level for the market.		
Comparison:	Overall we consider this to be a superior property in all aspects and to set a lower yield than the subject.	

7.2 Investment Sales Evidence Conclusions - As Is

In concluding yield parameters, we have particularly taken note of the following:

- Willow Street location
- Profile to Willow Street
- Multiple tenancies providing spread of risk
- Size of the asset and price bracket of the asset
- Size and quality of the accommodation provided
- Current vacancies
- Current demand for ground floor retail and first floor office space in Tauranga CBD
- Earthquake rating of 31%
- Current confidence being shown by investors in the current market
- Future re-development potential
- No on-site car parking facilities provided detracting from the marketability of the property from both a leasing and sale perspective

In conclusion, we are of the opinion the following investment parameters are appropriate for the subject property As Is;

- Market Capitalisation Rate: 10.00%
- Terminal Yield: 9.25%
- Discount Rate: 10.00%

7.3 Investment Sales Evidence Conclusions - As If Complete

In concluding yield parameters, we have particularly taken note of the following:

- Willow Street location
- Profile to Willow Street
- Multiple tenancies providing spread of risk
- Size of the asset and price bracket of the asset
- Size and quality of the accommodation provided
- Current vacancies
- Current demand for ground floor retail and first floor office space in Tauranga CBD
- Earthquake rating of 34% (minimum)
- Current confidence being shown by investors in the current market
- Future re-development potential
- No on-site car parking facilities provided detracting from the marketability of the property from both a leasing and sale perspective

In conclusion, we are of the opinion the following investment parameters are appropriate for the subject property As If Complete;

- Market Capitalisation Rate: 9.25%
- Terminal Yield: 8.75%
- Discount Rate: 9.25%

8 Valuation Approach – As Is

8.1 Introduction:

To establish our opinion of the property's market value, we have considered its Highest and Best use and adopted both the Income Capitalisation Approach and Discounted Cashflow methods of valuation.

We consider that these approaches provide the most reliable indication as to the market value for the subject property.

8.2 Capitalisation Approach:

We have considered value on a Capitalisation Approach whereby the net income has been capitalised into perpetuity from valuation date, at an appropriate capitalisation rate. The adopted capitalisation rate reflects the nature, location and financial profile of the property together with current market criteria, as evidenced by the sales previously detailed.

Overall we consider the appropriate capitalisation rate for the subject property to lie in the range of 9.75% - 10.25%. Accordingly, we have adopted a capitalisation rate of 10.0% reflecting the risk associated with the earthquake rating of the building. To this we have made appropriate adjustments for any over or under renting as well as the costs associated with strengthening the building to a minimum standard of 34% of NBS. The following calculations refers.

CAPITALISATION APPROACH 'AS IS'		
	Market Rent (\$pa)	Contract Rent (\$pa)
NET RENT		
Office	\$133,433	\$136,680
Retail	\$6,336	\$6,300
NET PASSING INCOME (BEFORE VACANCIES)	\$139,769	\$142,980
ADJUSTMENTS		
Potential Future Income - Vacant Tenancies	\$93,196	\$93,196
FULLY LEASED NET INCOME	\$232,965	\$236,176
Capitalisation Rate	10.00%	10.00%
CAPITALISED VALUE	\$2,329,652	\$2,361,762
CAPITAL ADJUSTMENTS		
Vacant Tenancies - Letting Up Allowance (incl. commissions)	-\$73,471	-\$73,471
Vacant Tenancies - Incentive Allowance	-\$9,875	-\$9,875
P.V. of Capitalised Rental Reversions		-\$21,433
P.V. of Overage Rental	\$10,677	
Earthquake Strengthening incl. 10% Costing Contingency	-\$255,879	-\$255,879
TOTAL CAPITAL ADJUSTMENTS	-\$375,653	-\$407,763
	\$1,953,999	\$1,953,999
ADOPTED MARKET VALUE	\$1,950,000	\$1,950,000

8.3 Discounted Cashflow:

The discounted cashflow analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of both rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including a target or pre-selected internal rate of return, rental growth, sale price of the property at the end of the investment horizon, costs associated with the initial purchase of the property and also its disposal at the end of the investment period.

Having regard to these factors, we have carried out a discounted cashflow analysis over a ten-year investment horizon in which we have assumed that the property is sold at the commencement of the eleventh year of the cashflow.

Our discounted cashflow analysis is undertaken using the following parameters:

- Average annual market rental growth of 2% over the investment period.
- Average annual CPI growth of 2% over the investment period.
- A minimum capital expenditure allowance equivalent to 1.5% of gross income per annum reflecting the age and condition of the building.
- General refurbishment allowance of \$50.0 per square metre (in today's dollars) over the total floor area of the building in Year 11.
- The remediation costs of strengthening the building to a minimum standard of 34% of NBS
- A release up period of 6 months.
- Rental incentives of one month for any new tenancies
- Lessor Works/Make Good Allowance of \$25 per square metre
- Following the expiry of the current leases, any new leases are for a 2 year lease term with market reviews on a 2 yearly basis.

Our discounted cash flow analysis is as follows overleaf.

VALUATION PERIOD	1	2	3	4	5	6	7	8	9	10	11
YEAR ENDING	Aug-16	Aug-17	Aug-18	Aug-19	Aug-20	Aug-21	Aug-22	Aug-23	Aug-24	Aug-25	Aug-26
CASHFLOW FORECASTS											
Rental Income	\$236,715	\$238,946	\$244,464	\$244,662	\$251,420	\$254,546	\$260,105	\$262,191	\$269,835	\$272,783	\$280,736
NET INCOME	\$236,715	\$238,946	\$244,464	\$244,662	\$251,420	\$254,546	\$260,105	\$262,191	\$269,835	\$272,783	\$280,736
CAPITAL ADJUSTMENTS											
2) Letting Up Allowances	\$59,251	\$8,062	\$56,307	\$8,388	\$58,582	\$8,727	\$73,302	\$9,079	\$76,263	\$9,446	\$43,231
3) Leasing Commissions	\$14,220	\$1,935	\$13,514	\$2,013	\$14,060	\$2,094	\$17,592	\$2,179	\$18,303	\$2,267	\$10,375
4) Future Incentive Provisions	\$9,875	\$2,687	\$18,769	\$2,796	\$19,527	\$2,909	\$24,434	\$3,026	\$25,421	\$3,149	\$14,410
5) Capital Expenditure (% Income)	\$3,551	\$3,584	\$3,667	\$3,670	\$3,771	\$3,818	\$3,902	\$3,933	\$4,048	\$4,092	\$4,211
6) Lessors Works/Make Good	\$8,357	\$2,652	\$14,825	\$2,759	\$15,424	\$2,871	\$19,019	\$2,987	\$19,788	\$3,107	\$10,400
7) Refurbishment / Strengthening Work	\$255,879	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$95,025
TOTAL CAPITAL ADJUSTMENTS	\$351,133	\$18,921	\$107,082	\$19,626	\$111,365	\$20,419	\$138,249	\$21,204	\$143,823	\$22,061	\$177,653
										Terminal Yield	9.25%
										Commission	2.00%
										Legal	-\$57,147
											-\$3,572
NET CASHFLOW	-\$114,419	\$220,025	\$137,381	\$225,036	\$140,055	\$234,127	\$121,856	\$240,986	\$126,012	\$250,722	\$2,796,615
SENSITIVITY ANALYSIS											
										Terminal Yield	
										8.75%	9.25%
										9.75%	
										9.00%	\$2,175,000
										\$2,100,000	\$2,025,000
										10.00%	\$2,025,000
										\$1,950,000	\$1,900,000
										11.00%	\$1,875,000
										\$1,825,000	\$1,750,000

8.4 Valuation Reconciliation – As Is

Having regard to the above approaches and the available market evidence, we have reconciled the value as follows:

VALUATION RECONCILIATION - AS IS		
Capitalisation Approach:	Assessed Value:	\$1,950,000
	Capitalisation Rate:	10.00%
Discounted Cash Flow Approach:	Assessed Value:	\$1,950,000
	Target IRR:	10.00%
	Terminal Yield	9.25%
ADOPTED VALUE - AS IS		\$1,950,000
	Initial Yield:	7.33%
	Indicated Equivalent Yield:	10.02%
	Yield on Market Income:	11.95%
	Indicated IRR:	10.00%

The above valuation is plus GST (if any).

9 Valuation Approach – As If Complete:

9.1 Introduction:

To establish our opinion of the property's market value 'as if complete' of the proposed earthquake works, we have considered its Highest and Best use and adopted both the Income Capitalisation Approach and Discounted Cashflow methods of valuation.

We consider that these approaches provide the most reliable indication as to the market value for the subject property.

Each approach is considered below;

9.2 Capitalisation Approach:

We have considered value on a Capitalisation Approach whereby the net income has been capitalised into perpetuity from valuation date, at an appropriate capitalisation rate. The adopted capitalisation rate reflects the nature, location and financial profile of the property together with current market criteria, as evidenced by the sales previously detailed.

Overall we consider the appropriate capitalisation rate for the subject property to lie in the range of 9.0% - 9.5%. Accordingly, we have adopted a capitalisation rate at 9.25% reflecting the risk associated with the minimum 34% earthquake rating of the building.

The following calculations overleaf refers:

CAPITALISATION APPROACH 'AS IF COMPLETE'		
	Market Rent (\$pa)	Contract Rent (\$pa)
NET RENT		
Office	\$133,433	\$136,680
Retail	\$6,336	\$6,300
NET PASSING INCOME (BEFORE VACANCIES)	\$139,769	\$142,980
ADJUSTMENTS		
Potential Future Income - Vacant Tenancies	\$93,196	\$93,196
FULLY LEASED NET INCOME	\$232,965	\$236,176
Capitalisation Rate	9.25%	9.25%
CAPITALISED VALUE	\$2,518,543	\$2,553,256
CAPITAL ADJUSTMENTS		
Vacant Tenancies - Letting Up Allowance (incl. commissions)	-\$73,471	-\$73,471
Vacant Tenancies - Incentive Allowance	-\$9,875	-\$9,875
P.V. of Capitalised Rental Reversions		-\$23,752
P.V. of Overage Rental	\$10,961	
TOTAL CAPITAL ADJUSTMENTS	-\$119,490	-\$154,203
	\$2,399,053	\$2,399,053
ADOPTED MARKET VALUE	\$2,400,000	\$2,400,000

9.3 Discounted Cashflow:

The discounted cashflow analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of both rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including a target or pre-selected internal rate of return, rental growth, sale price of the property at the end of the investment horizon, costs associated with the initial purchase of the property and also its disposal at the end of the investment period.

Having regard to these factors, we have carried out a discounted cashflow analysis over a ten-year investment horizon in which we have assumed that the property is sold at the commencement of the eleventh year of the cashflow.

Our discounted cashflow analysis is undertaken using the following parameters:

- Average annual market rental growth of 2% over the investment period.
- Average annual CPI growth of 2% over the investment period.
- A minimum capital expenditure allowance equivalent to 1.5% of gross income per annum reflecting the age and condition of the building.
- General refurbishment allowance of \$50.0 per square metre (in today's dollars) over the total floor area of the building in Year 11.
- A release up period of 6 months.
- Rental incentives of one month for any new tenancies
- Lessor Works/Make Good Allowance of \$25 per square metre
- Following the expiry of the current leases, any new leases are for a 2 year lease term with market reviews on a 2 yearly basis.

Our discounted cash flow analysis is as follows overleaf.

VALUATION PERIOD	1	2	3	4	5	6	7	8	9	10	11
YEAR ENDING	Aug-16	Aug-17	Aug-18	Aug-19	Aug-20	Aug-21	Aug-22	Aug-23	Aug-24	Aug-25	Aug-26
CASHFLOW FORECASTS											
Rental Income	\$236,715	\$238,714	\$243,955	\$244,662	\$251,420	\$254,546	\$260,105	\$262,191	\$269,835	\$272,783	\$280,736
NET INCOME	\$236,715	\$238,714	\$243,955	\$244,662	\$251,420	\$254,546	\$260,105	\$262,191	\$269,835	\$272,783	\$280,736
CAPITAL ADJUSTMENTS											
2) Letting Up Allowances	\$59,251	\$8,062	\$56,307	\$8,388	\$58,582	\$8,727	\$73,302	\$9,079	\$76,263	\$9,446	\$43,231
3) Leasing Commissions	\$14,220	\$1,935	\$13,514	\$2,013	\$14,060	\$2,094	\$17,592	\$2,179	\$18,303	\$2,267	\$10,375
4) Future Incentive Provisions	\$9,875	\$2,687	\$18,769	\$2,796	\$19,527	\$2,909	\$24,434	\$3,026	\$25,421	\$3,149	\$14,410
5) Capital Expenditure (% Income)	\$3,551	\$3,581	\$3,659	\$3,670	\$3,771	\$3,818	\$3,902	\$3,933	\$4,048	\$4,092	\$4,211
6) Lessors Works/Make Good	\$8,357	\$2,652	\$14,825	\$2,759	\$15,424	\$2,871	\$19,019	\$2,987	\$19,788	\$3,107	\$10,400
7) Future Refurbishment Allowance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$95,025
TOTAL CAPITAL ADJUSTMENTS	\$95,255	\$18,917	\$107,075	\$19,626	\$111,365	\$20,419	\$138,249	\$21,204	\$143,823	\$22,061	\$177,653
										Terminal Yield	8.75%
										Commission	2.00%
										Legal	-\$3,788
NET CASHFLOW	\$141,460	\$219,797	\$136,880	\$225,036	\$140,055	\$234,127	\$121,856	\$240,986	\$126,012	\$250,722	\$2,966,357
SENSITIVITY ANALYSIS											
										Terminal Yield	
										8.25%	8.75%
										9.25%	
										Discount Rate	
										8.25%	\$2,625,000
										9.25%	\$2,450,000
										10.25%	\$2,375,000
											\$2,300,000
											\$2,225,000
											\$2,150,000

9.4 Valuation Reconciliation – As If Complete

Having regard to the above approaches and the available market evidence, we have reconciled the value 'as if complete' of the earthquake strengthening as follows:

VALUATION RECONCILIATION - AS IF COMPLETE		
Capitalisation Approach:	Assessed Value:	\$2,400,000
	Capitalisation Rate:	9.25%
Discounted Cash Flow Approach:	Assessed Value:	\$2,375,000
	Target IRR:	9.25%
	Terminal Yield	8.75%
ADOPTED VALUE - AS IF COMPLETE		\$2,400,000
	Initial Yield:	5.96%
	Indicated Equivalent Yield:	9.25%
	Yield on Market Income:	9.71%
	Indicated IRR:	9.10%

The above valuation is plus GST (if any).

10 Previous Sale

According to Property Guru records, the property has not sold in the last three years.

11 Terms and Conditions

Explanation

1. The following terms and conditions are the standard terms and conditions that apply to all Valuations or the Valuation Services or consultancy services and Services provided by PRP Tauranga
2. These terms and conditions form part of the appointment of PRP Tauranga by the Client to provide the Services.
3. The Valuation and all Valuation Services are provided by PRP Tauranga subject to these Terms and Conditions;

Definitions

4. The following definitions apply to these Terms and Conditions and the provision of our Valuations, Valuation Services and Services:-

Client shall mean **117 Willow Street Investment Group / Property Managers Limited**;

'Confidential information' means information that:

- (a) Is by its nature confidential;
- (b) Is designated by Us as confidential;
- (c) You know or ought to know is confidential; and
- (d) Includes, without limitation:
 - (i) Information comprised in or relating to any of Our intellectual property in the Services or any reports or certificates provided as part of the Services; and
 - (ii) The Quotation which We have provided to You.

'Date Of Valuation' means, in relation to any Valuation, Valuation Services, Services or consultancy services or advice, the date of preparation of our report or the specific date as at which our opinions are stated to apply (the Relevant Date).

'Director' means a Director noted on the New Zealand Companies Office records for PRP Tauranga

'Fee' means the amount agreed to be paid for the Services by You as set out in the Quotation.

'Parties' means You and/or Us as the context dictates.

'Quotation' means the written quote provided by Us in relation to the Services.

'Relevant Date' means the specific date that our opinion is stated to apply where we are instructed to value at a specific date other than the date of inspection.

'Services' means the Valuation, Valuation Services, asset management, property management, facilities management or consultancy services or advice provided by Us pursuant to these Terms and Conditions and the Quotation.

"Valuation" shall include a Valuation, Valuation services, or feasibility study, made or given in relation to any real or personal property, freehold or leasehold property, asset, liability or item or items of plant and machinery, proposed development, infrastructure, carbon, water or native title property right, business, fixtures, fittings or other property;

"Valuation Services", shall include any oral or written advice, opinion, recommendation or statement communicated to the Client by Us consequent upon or incidental to the request for a Valuation;

"Valuer" means the individual valuer that has undertaken the valuation or valuation services;

'We', 'Us', 'Our (s)' means PRP Tauranga , our employees, contractors, servants and agents;

'You', 'Your' means the Client engaging Us to perform the Valuation, Services or Valuation Services;

Your Obligations

5. You warrant that the instructions and subsequent information supplied by You contain a full and frank disclosure of all information that is relevant to Our provision of the Valuation, Valuation Services or Services. You also accept all risk and any loss that might occur should you withhold any relevant information from Us.
6. You warrant that all third party expert or specialist reports provided to Us by You for the purpose of Us providing the Valuation, Valuation Services or Services are provided with the authority of the authors of those reports.
7. You authorise and licence Us to incorporate Your intellectual property within Our report(s).
8. The Valuation and all Valuation Services are provided by Us solely for the use of the Client. You will not release any part of Our valuation or consultancy report or its substance to any third party without the written consent of one of Our Directors. Such consent will be provided at Our absolute discretion and on such conditions as We may require including that a copy of these Terms and Conditions must be provided to such third party. This clause shall not apply to persons noted as recipients in Your prior instruction to Us or in the Quotation provided. You are obligated to provide any such recipient with a copy of these Terms and Conditions.
9. If You release any part of the valuation or consultancy advice or its substance with Our written consent, You agree: a) to inform the other person of the terms of our consent; and b) to compensate Us if You do not do so. We have no responsibility to any other person even if that person suffers damage as a result of any other person receiving this Valuation, Valuation Services, Services or consultancy advice.
10. You agree that We do not and will not assume any responsibility to any person other than the Client for any reason whatsoever including, without limiting the generality of the foregoing, for breach of contract, negligence (including negligent mis-statement) or wilful act or default of itself or others by reason of or arising out of the provision of the Valuation, Valuation Services or Services and notwithstanding that any damages have been suffered or incurred by that person as a result of the provision of this Valuation or those Valuation Services to the Client or the use of either of them (or any part of either of them) by the Client for any purpose whatsoever;
11. You must pay our Fees within 14 days of the date of a correctly rendered invoice, unless otherwise dealt with in the Quotation. Fees that remain unpaid for a period of 30 days or more will attract an administration charge of 2% of the total of the invoice calculated per month or part thereof.
12. You agree that We reserve the right to reconsider or amend the Valuation, Valuation Services, Services or consultancy advice, or the Fee set out in Our Quotation to You, if we identify information or facts that were not provided to Us in the at the time of quoting that reveal that the task is much greater than we initially anticipated from the information you provided. In such circumstances, once We have identified additional issues that necessitate additional work, we will advise you of the additional fees for additional time required to complete the task.

13. You agree that neither the whole nor any part of Our Valuation or the substance of any of Our Valuation Services or Services may be communicated to any third party (whether by way of inclusion in a document, circular, statement, prospectus, Product Disclosure Statement (PDS), public offer document or otherwise) without first obtaining the written consent of one of Our Directors. Neither the whole nor any part of Our valuation report or Valuation Services report or any reference to it may be included in any published document, circular or statement, prospectus, Product Disclosure Statement (PDS), public offer document, nor published in any way, without written approval by one of Our Directors as to the form and context in which our Valuation or Valuation Services may appear. Notwithstanding the foregoing, the Client agrees that in the event that it does communicate to a third party the whole or any part of this Valuation or the Valuation Services it shall also communicate to that third party these Terms and Conditions. Furthermore You agree to indemnify Us in the event of any failure so to do;
14. You agree that every right, immunity, exemption and limitation or liability in these terms and conditions shall continue to have its full force and effect in all circumstances notwithstanding any breach of contract or the Terms and Conditions hereof by Us or any person entitled to the benefit of these Terms and Conditions;
15. You agree that if any provision or any part of a provision hereof is unenforceable for any reason whatsoever, such unenforceability shall not affect any other part of such provision or any other provision of these Terms and Conditions;

Intellectual Property

16. All Our intellectual property contained within any advice We provide, remains Our property. We only grant you licence to use Our intellectual property to carry out the purpose for which the advice was provided.

Property or Valuation Circumstance Specific Qualifications, Assumptions and Conditions Precedent within our reports

17. We are providing You with our professional opinion as valuers. Our opinion is usually provided by way of a valuation report. That report will set out a number of important qualifications, assumptions and conditions precedent which We may need to make, in addition to these Terms and Conditions, relative to the circumstances of the particular property or properties (real or personal property) under consideration.
18. You agree to read these qualifications, assumptions and conditions precedent carefully, and understand that if the assumptions that we have made or relied on are circumstances that do not prevail or eventuate, or are found later to be inaccurate, Our opinion as to value may be materially different. You agree to solely bear the risk in relation to any loss you might suffer, should this occur.
19. The qualifications, assumptions, and conditions precedent that We make will usually depend on the circumstances of the property being valued and are made in relation to matters that We do not have expertise to verify or We cannot verify information provided to Us within the time required to complete the valuation. These will be set out in detail in the Valuation, Valuation Service report or Services report that We provide to You.
20. These qualifications, assumptions and conditions precedent typically will relate to:-
 - (a) Land contamination and environmental risk;
 - (b) Town Planning Information;
 - (c) Town Planning and Development Controls and Consents;
 - (d) Title including Notifications on Title such as Easements, Caveats, Restrictions and other dealings;
 - (e) Building Areas;
 - (f) Building Structural Integrity;
 - (g) Building compliance with the New Zealand Building Code;
 - (h) Pest Infestation;

- (i) Leases, Licences and Tenancies;
- (j) Plant and Equipment within Buildings;
- (k) The veracity of and sources of Sales and Letting Information and Transaction
- (l) The nature of forecasting, future value assessment and discounted cash flow analysis;
- (m) The basis of Value where access to the property is restricted; and
- (n) Whether or not the property has been completed where a development.

21. You agree that we will include property specific qualifications, assumptions and conditions precedent within Our reports as circumstances require. Furthermore You agree that it is Your responsibility to carefully read and consider these qualifications, assumptions and conditions precedent and discuss them with Us if they cause You any concern.

Executive Summary

22. That Our executive summary in Our Valuation or Valuation Services Report must be read in context of and in conjunction with the full valuation report of which this executive summary forms part. All comments, terms and conditions contained in the full valuation report and Quotation relate directly to this Executive Summary.

Appendix A Certificate of Title

	COMPUTER FREEHOLD REGISTER UNDER LAND TRANSFER ACT 1952	  R. W. Muir Registrar-General of Land															
Search Copy																	
<p>Identifier 712605 Land Registration District South Auckland Date Issued 23 December 2015</p> <p>Prior References</p> <table border="0"> <tr> <td>149843</td> <td>149844</td> <td>241400</td> </tr> <tr> <td>241401</td> <td>SA58A/289</td> <td>SA58A/290</td> </tr> <tr> <td>SA58A/291</td> <td>SA58A/292</td> <td>SA58A/293</td> </tr> <tr> <td>SA58A/294</td> <td>SA58B/449</td> <td>SA58B/450</td> </tr> <tr> <td>SA58C/212</td> <td>SA58D/372</td> <td>SA58D/373</td> </tr> </table> <hr/> <p>Estate Fee Simple Area 824 square metres more or less Legal Description Lot 1-2 Deposited Plan South Auckland 75454</p> <p>Proprietors PML Nominees (Willow Street Investment Group) Limited</p> <hr/> <p>Interests Appurtenant to Lot 2 DPS 75454 is a right of way created by Transfer 299687 - 10.8.1938 at 12:40 pm Appurtenant to Lot 2 DPS 75454 is a right of way created by Transfer 310966 - 6.7.1939 at 11:45 am Appurtenant to Lot 2 DPS 75454 is a right of way created by Transfer 311928 - 31.7.1939 at 10:05 am 10187919.4 Mortgage to ASB Bank Limited - 23.12.2015 at 3:11 pm</p>			149843	149844	241400	241401	SA58A/289	SA58A/290	SA58A/291	SA58A/292	SA58A/293	SA58A/294	SA58B/449	SA58B/450	SA58C/212	SA58D/372	SA58D/373
149843	149844	241400															
241401	SA58A/289	SA58A/290															
SA58A/291	SA58A/292	SA58A/293															
SA58A/294	SA58B/449	SA58B/450															
SA58C/212	SA58D/372	SA58D/373															
<i>Transaction Id</i> <i>Client Reference</i> rlevis001		<i>Search Copy Dated 12/08/16 1:41 pm, Page 1 of 2</i> <i>Register Only</i>															

Appendix B Tenancy Schedule

117 Willow Street - 117 Willow St Investment Group as at 1 AUG 2016										
Tenant Name	Lease Code	Area Type	Area Location	Area Sqm	Rent per sqm pa	No. Car Parks	Rent per Car Park pa	Total Rent per Lease pa	Rent for WALL Calc	Review Date
Accounting for Futures Limited	117 W-ACCOU OFF	Level 1		93.40	171.31			16,000	16,000	4,410 2 Years
Campbell Squared Communications Ltd	117 W-CD...	OFF	Level 1	117.50	165.00			29,288	29,288	7,287 3 Years
Macmillan Match Limited	117 W-MATCH OFF			113.90	207.41			23,500	23,500	4,888 2 Years
Talent ID New Zealand Limited	117 W-TALEN OFF	Front First Floor Suite		87.20	148.51			12,950	12,950	3,751 2 Years
Timber Floors Co. NZ Limited	117 W-TIMBIE RET	Rear Tenancy		50.00	67.74			6,300	6,300	1,600 1 Year
Tradestar Projects Limited	117 W-TRADE OFF			102.40	175.78			18,000	18,000	4,794 3 years
Traffic Design Group	117 W-TDG... OFF	First Floor Main Tenancy		211.10	175.00			35,942	35,942	7,982 6 Years
LEASED TOTALS				877.90				142,980	142,980	33,052
Vacant Areas										
Area Type	Area Location	Area Sqm	Market Rent per sqm pa	No. Car Parks	Market Rent per Car Park pa			Market Rent pa		
RET	Ground Floor, Unit 4	143.81	225.00					32,357		
RET	Ground Floor	132.94	225.00					29,811		
		344.50	215.00					74,057		
VACANT TOTALS				621.26				136,335		
GRAND TOTALS				1,498.15				279,316		
Weighted Avg Yrs to Run										
1.3021										

Appendix C Earthquake Strengthening Cost Estimate

	A	B	C	D	E	F	G	H
1	117 Willow St - Overall Project Works							
2								
3	<i>External Refurbishment - (per Hawkins budget 11 Dec 2015)</i>							
4								
5	demolition				18,500.00			
6	traffic mgt				3,265.00			
7	canopy & ext doors				32,045.00			
8	Painting incl scaffolding				17,500.00		71,310.00	
9								
10	Seismic							
11	concrete				14,650.00			
12	structural steel				84,600.00			
13	Prov sum for further							
14	blockwork strengthening				15,000.00		114,250.00	
15								
16	<i>Labour for both</i>					15,840.00		
17								
18	<i>Prelim & General</i>				20140			
19	<i>Contractor's Margin</i>				11077		31,217.00	
20								
21						Total External & Seismic	232,617.00	
22								
23	<i>Plus</i>	Consent fee alice per Hawkins			10,000.00			
24		any addit structural engineers fees- alice			15,000.00			
25								
26		<i>Façade - downnines, rainheads per THC</i>			4,000.00			
27								
28		<i>Fire Protection - Type 2 system</i>						
29			AFS Total Fire		\$8,285			
30			Fire Security		\$10,116	10,000.00		
31			associated carpentry			3,000.00		
32								
33		<i>Emergency Lighting</i>						
34			L1 quote - RYE		10,270.00			
35			Grnd - allowance only		10,000.00			
36								
37		<i>Design Fees & Project Mgt - Envisage Design</i>						
38			Design		17,500.00			
39			Project Mgt		4,000.00			
40					83,770.00		83,770.00	
41								
42	<i>Plus</i>	<i>Fitout allowance Ground Floor - for tenants</i>				130,000.00		
43								
44	<i>Plus</i>	<i>Level 1 works - per Hawkins</i>						
45			Common Area	quote	9,074.00		9,074.00	
46								
47								
48	<i>Plus</i>	<i>Level 1</i>	WC repaint - alice as quoted		3,000.00			
49				handles	250.00		3,250.00	
50								
51	<i>Plus</i>	<i>Roof - as quoted by TH Commercial Roofing</i>						
52								
53			Main roof replacement		55,200.00			
54			Cap & apron [south elevation]		3,050.00			
55			roof penetrations		7,750.00			
56			internal box gutter, gutter &					
57			rainheads		10050			
58			less alice elsewhere		4000	6,050.00		
59			plus assoc carpentry alice			3,000.00		
60			plus assoc aircon removal &					
61			reinstatement		5000.00		80,050.00	
62								
63								
64								
65						Total Other	306,144.00	
66								
67						Subtotal	538,761.00	
68								
69				Contingency			30,000.00	
70								
71						Total Overall Budget	568,761.00	