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Value and Risk Advisory

Valuation Report

Commercial Building

650 Great South Road, Ellerslie, Auckland

Prepared For	650 Great South Road Limited
Valuation Purpose	Product Disclosure Statement
Valuation Date	31 July 2024

Photo of Property

Aerial Image of property (Source: Emap)

Executive summary

Commercial Building - 650 Great South Road, Ellerslie, Auckland

Adopted value – 'As if Complete'

$34,500,000 plus GST, if any

Thirty Four Million Five Hundred Thousand Dollars plus GST, if any

Adopted value – 'As Is'

$31,600,000 plus GST, if any

Thirty One Million Six Hundred Thousand Dollars plus GST, if any

Property description

The subject property comprises a five-level commercial office building including basement car parking, with a total net lettable area of approximately 8,335 sqm along with 295 car parking spaces. The property is situated on an 'L' shaped, 6,573 sqm site on the eastern side of Great South Road in Ellerslie, neighbouring Central Park office precinct.

Constructed circa 1997 the building comprises a reinforced concrete structural frame with concrete columns, beams and floor. Exterior cladding comprises a mix of precast concrete walls with pressed metal finishes and solar tinted glazing with powder coated aluminium window joinery.

We have instructed to provide a valuation 'As Is' and 'As if Complete' in terms of proposed capital upgrades, tenancy fitout works and new leases committed. Our 'As Is' valuation is pre these works, and our 'As if Complete' valuation assumes the works have been completed and the new tenancies commenced. The main theme of this valuation report is the 'As if Complete' basis, however we additionally note our 'As Is' calculations for comparison.

On an 'As if Complete' basis the property is 61% occupied with a net income of $1,343,785 per annum and a weighted average lease expiry of 1.47 years by income. The property is occupied by the Ministry of Health, Kahui Tu Kaha and Te Roopu Taurima O Manukau Trust.

Property details

Prepared for	650 Great South Road Limited
Valuation purpose	Market Valuation for Product Disclosure Statement
Date of valuation	31 July 2024
Date of report	19 November 2024
Valuation methods	Income Approach – Income Capitalisation and Discounted Cashflow Methods
Zoning	Business Mixed Use – Auckland Unitary Plan (operative in part)
Tenure	Freehold – Record of Title NA108C/559
Site area	6,573 sqm
Lettable area	8,335 sqm

Valuation analysis – 'As if Complete'

Initial yield	3.90%	Rate / sqm of lettable area	$4,139
Initial yield (fully leased)	8.43%	Weighted average lease term	1.47 years by income
Equivalent yield	7.23%	Current occupancy	61.21%
Internal rate of return (10 years)	8.04%	Current vacancy	38.79%

Tenancy overview

Kahui Tu Kaha	$1,241,902	3,135 sqm
Ministry of Health	$395,264	1,307 sqm
TRT	$178,891	461 sqm
Balance (car parks)	$4,212	-
Vacancy	$1,089,092	3,432 sqm
Total – before adjustments	$2,909,361	8,335 sqm

Financial summary

Gross passing income	$2,269,053
Gross market income	$3,570,449
Adopted outgoings	$762,873
Net passing income	$1,343,785
Net passing income (fully leased)	$2,909,361
Net market income	$2,807,576

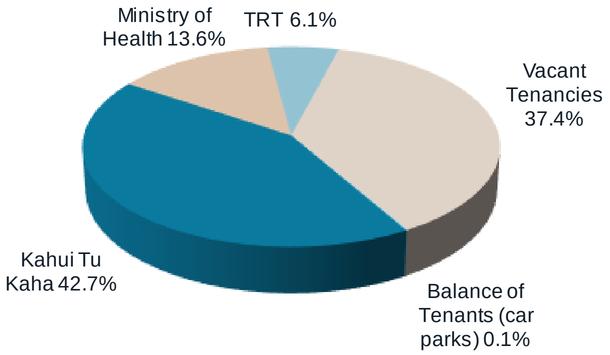
Income capitalisation method assumptions

Adopted cap rate	7.500%
Allowance for capex/expiries	24 months
Market income capitalisation	$33,100,000
Passing income capitalisation	$33,100,000

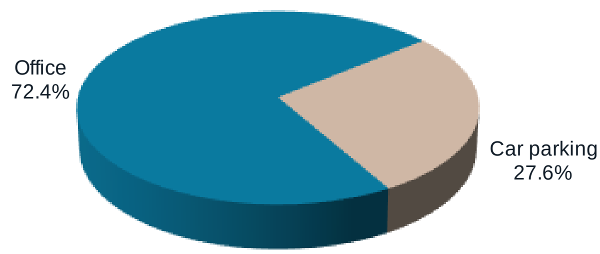
DCF method assumptions

Discount rate	7.500%
Terminal yield	7.625%
Average applied rental growth	2.57%
Value based on DCF method	$35,900,000

Major occupiers



Building components



Valuers

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SWOT analysis

Strengths

- The office floors are presented to a reasonable standard, offering tidy and affordable accommodation.
- High number of onsite car parks.
- Close proximity to public transport and the Southern Motorway interchange.
- Close to Ellerslie Town Centre.
- IEP performance for the office building is 103% of NBS.
- Terms agreed for two new lettings, increasing occupancy.

Weakness

- Risk of cost over-runs for capital expenditure.
- High levels of competition from other landlords within close proximity to the subject, including the buildings within Oyster's Central Park and Millennium Centre.
- In the current market capital contributions / incentives are required to attract new tenants and retain existing ones at lease expiry.
- Short WALT of 1.47 years (by income) 'As if Complete'.
- IEP rating of 64% NBS for the rear car park building.
- Circa 39% vacant by floor area, with 88 vacant car parks and vacant naming rights (As if Complete').

Opportunities

- Potential for interest rate compression in 2024/25.
- Enhance exterior aesthetics.
- Re-negotiate leases that are due to expire within the next few years to extend the overall WALT and mitigate vacancy.
- Introduce fixed rental increases to any new leases in order to provide more certainty around cashflow growth.
- Lease vacant office premises and car parks.

Threats

- Offshore and local factors impacting negatively on economic growth, tenant demand and investor sentiment.
- Relatively high levels of vacancy within the Southern Corridor which has suppressed rental growth in recent years.
- Extended vacancy.
- Interest rates remain high, impacting on property values.

Critical assumptions, conditions and limitations

- The valuation is current as at the date of valuation only, being 31 July 2024. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property).
- We do not accept liability for losses arising from such subsequent changes in value. Without limiting this statement, we do not accept any liability where this valuation is relied upon more than 90 days after the date of valuation, or earlier if you become aware of any factors that may have any effect on the valuation, or such earlier date if it is reasonable to assume that a market participant acting prudently would be aware of any factors that have any effect on the valuation.
- This report is relevant at the date of preparation and to the circumstances prevailing at that time. However, within a changing economic environment experiencing fluctuations in interest rates, inflation levels, rents and global economic circumstances, acceptable returns on investment may, as a consequence, be susceptible to future variation. We therefore recommend that before any action is taken involving an acquisition, disposal or other transaction more than 90 days after the date of this report, you consult the Valuer.
- This valuation has been completed for the specific purpose stated in this report. No responsibility is accepted in the event that this report is used for any other purpose.
- Our valuation assumes the information provided by the instructing party or its agents is correct, and we reserve the right to amend our calculations, if deemed necessary, if that information is incorrect.
- Our valuation assumes all other professional/consultancy advice provided and relied upon is true and correct.
- We have relied on building areas, income figures and expense figures as provided by the instructing party or its agents and made specified adjustments where necessary. Where possible these have been verified through lease documentation and physical measurements.
- Unless otherwise stated all property measurements are in conformity with the Guide for the Measurement of Rentable Areas issued by the Property Council of New Zealand. Where certified areas have not been provided, we have normally undertaken measurement in accordance with Property Council of New Zealand Standards.
- We have relied on the land dimensions and areas as provided in the Record of Title as searched. In certain cases, physical checking of land dimensions and areas is difficult or not practical due to proximity of adjoining buildings, steep terrain or inaccessible title boundaries. Jones Lang LaSalle accepts no responsibility if any of the land dimensions or the area shown on title is found to be incorrect.
- Our valuation assumes that all necessary consents, licences and authorisations for the use of the property and the process carried out therein have been obtained and will continue to subsist and are not subject to any onerous conditions.
- 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.
- 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.

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- 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.
- 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.
- Neither party shall be liable to the other for any loss of or deferment of revenue, opportunity, goodwill, property, production, capital or profit (whether direct or indirect), economic loss, failure to realise anticipated or potential profits or savings, business interruption, or any form of indirect, incidental, punitive, consequential or special losses or damages of any kind.

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Appendices

1 Introduction

1.1 Instructions

We refer to instructions from requesting that we undertake a market valuation of the freehold interest of 650 Great South Road, Ellerslie, Auckland (the Subject/Property), as at 31 July 2024 for and on behalf of 650 Great South Road Limited. We understand that the valuation is to be relied upon for Product Disclosure Statement purposes only.

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

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

We confirm:

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

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

- 650 Great South Road Limited – for 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.

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

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

1.2 Valuation and inspection dates

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

Date of valuation	31 July 2024
Date of property inspection	31 July 2024
Date of preparation of report	19 November 2024

Our valuation reflects the valuer's view of the market as at the inspection date.

1.3 Basis of valuation

Market value

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

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

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

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

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

1.4 Relevant valuation standards and disclosures

The valuations contained herein have been completed in accordance with current International Valuation Standards as well as the Australian and New Zealand Property Institute's Guidance Papers for Valuers & Property Professionals, and in particular with:

- IVS (International Valuation Standards 2022) Framework and General Standards
- ANZVGP 111 – Valuation Procedures – Real Property
- ANZVGP 108 – 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, building areas, tenancy schedule and budgets supplied by the instructing party.

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 Local Authority rates figure used as part of the subject building's operating expenses were provided to us by the client, and varies from the rates provided on the Auckland Council's website. Our adopted figure is the current annual rates charge (exclusive of GST) sourced from the Auckland Council's website.
- We understand that the various car parking tenants are on month-by-month leasing arrangements. For the purposes of this valuation, we have assumed a three-month term from the date of valuation, with expiry of these leases on 31 October 2024.
- We have been provided with the Deed of Lease to Te Roopu Taurima O Manukau Trust (TRT) with a proposed commencement date of 1 November 2024 for a term of 6 years. The lease includes a break right in year 4. If exercised, TRT will not benefit from two months' rent free. For the purpose of this valuation we have assumed TRT will not exercise their break right.
- Our 'As if Complete' valuation assumes the leases to TRT and Kahui Tu Kahu have commenced, the proposed works to be in a completed state and associated capital expenditure has been incurred as at the date of valuation.

2 Property particulars

2.1 Location

The subject property is situated on the eastern side of Great South Road in the Auckland suburb of Ellerslie, approximately 300 metres south of the intersection with Main Highway. In this location the property is approximately 7 kilometres southeast of the Auckland CBD.

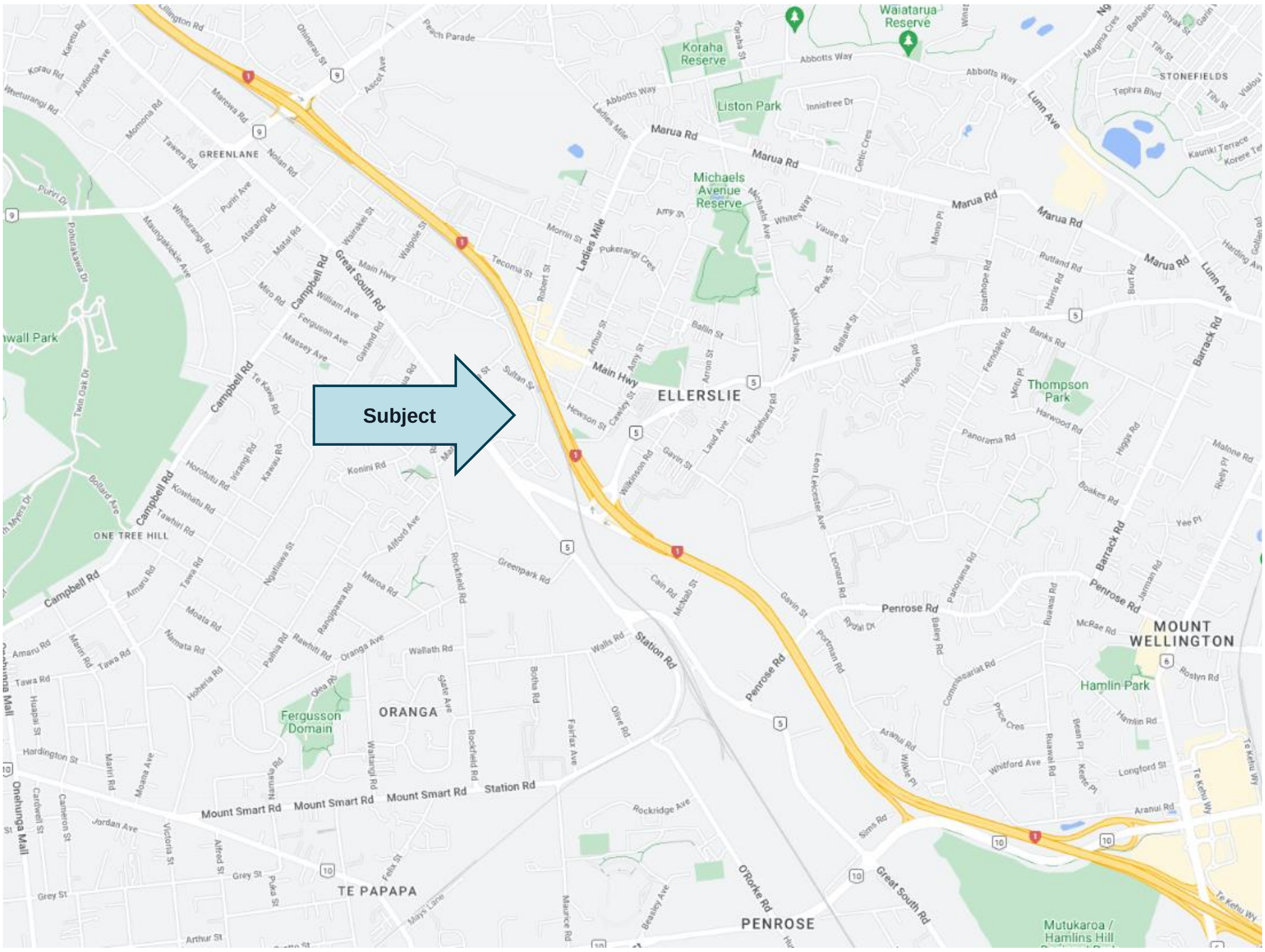
The property is within a pocket of commercial development located between Great South Road and Auckland’s Southern Motorway on the northern fringe of the main Penrose industrial area. This pocket includes a predominance of low to medium rise office buildings which have been progressively developed and upgraded since the 1980s, interspersed with industrial/warehousing uses. Nearby Millennium Centre and Central Park comprise two of the more comprehensive developments in the area, both comprising substantial multi-building office parks. The area is a popular choice for office tenants requiring more affordable rentals and higher car parking ratios than could be achieved within the CBD.

The wider locality is residential in nature with surrounding suburbs including One Tree Hill to the west, Greenlane to the north and Ellerslie to the east.

The property is located within close proximity to the Ellerslie Penrose motorway interchange, a short drive to the south and is well serviced by public transport with the Ellerslie Train Station within 500 metres and Great South Road providing regular bus services between the Auckland CBD and surrounding suburbs.

Overall, this is a popular suburban office location with good access to motorway interchanges and the Auckland Central Business District.

The following map identifies the approximate location of the Property:

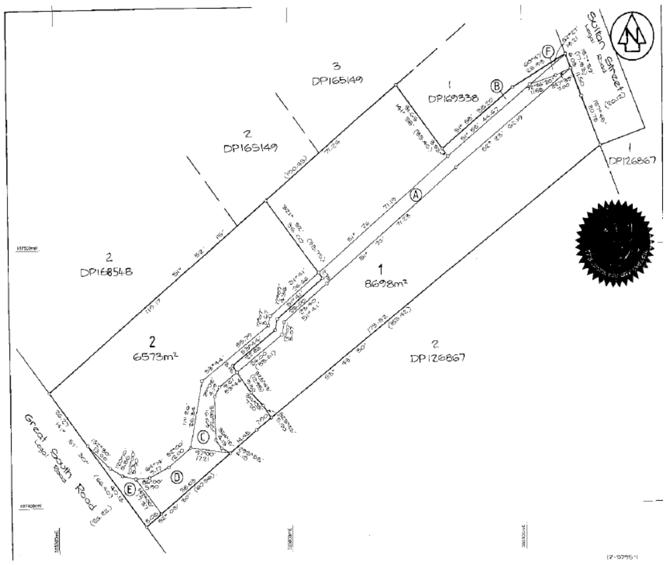


Source: Google Maps

2.2 Title particulars

<table>
<tr><td>Title reference</td><td>NA108C/559</td></tr>
<tr><td>Tenure</td><td>Freehold</td></tr>
<tr><td>Legal description</td><td>Lot 2 Deposited Plan 176485</td></tr>
<tr><td>Area</td><td>6,573 square metres more or less</td></tr>
<tr><td>Registered owner</td><td>650 Great South Road Limited</td></tr>
<tr><td>Registered interest</td><td>

Appurtenant hereto is a party wall right created by Transfer B706744.1
Appurtenant hereto are rights to drain sewage and drain water specified in Easement Certificate C189342.2
The easements specified in Easement Certificate C189342.2 are subject to Section 309 (1) (a) Local Government Act 1974
Appurtenant hereto are rights of way created by Transfer C189342.6
Subject to a right of way over parts marked D and E on DP 176485 created by Transfer C189342.6
Subject to a right of way over part marked C on DP 176485 specified in Easement Certificate D114586.4
This relates to the rear lot (Lot 1) benefitting from a right of way over part of the subject block outlined as “C” below:



Appurtenant hereto are rights of way and telecommunications, water, gas, drainage and power rights specified in Easement Certificate D114586.4
This relates to the subject lot benefitting from the rights above over part of the rear block outlined as “A” and “F” above:
The easements specified in Easement Certificate D114586.4 are subject to Section 243 (a) Resource Management Act 1991
Subject to a right of way over parts marked D, E & Z on Plan 179947 specified in Easement Certificate D114586.5
This relates to the rear lot (Lot 1) benefitting from a right of way over part of the subject block outlined as “D” and “E” above. “Z” is not shown on the above plan but relates a right of way in favour of Lot 1 over the area of the subject land to the east of “C”.
Subject to a right (in gross) to convey electricity over parts marked A, B and C on DP 459138 in favour of Vector Limited created by Easement Instrument 9282515.1
Subject to a right (in gross) to convey telecommunications and computer media over part marked A on DP 469291 in favour of Genesis Energy Limited created by Easement Instrument 9632653.1
This relates to Genesis Energy as Grantee the exclusive right to convey telecommunications and computer media over the servient land (subject), including the right to repair, inspect and maintain the facility.
10460357.3 Mortgage to ASB Bank Limited

</td></tr>
</table>

Source: Land Information New Zealand

We have considered these notifications in arriving at our opinion of value. We refer you to the Record of Title appended to this report.

2.3 Site details

The property is situated to the eastern side of Great South Road in Ellerslie. The site is 'L' shaped, with a frontage to Great South Road of approximately 66 metres. Contour of the site is relatively gentle, falling from the road front to the rear boundary. Improvements are situated more or less centrally within the site, with open car parking situated to the road frontage and towards the northern and southern boundaries. The podium car park building is situated to the rear boundary of the site.

There is an ingress point from the northern part of the Great South Road frontage, and an ingress / egress point to the southern boundary, accessed from Great South Road adjacent to the entrance to Oyster's Central Park which is traffic light controlled.

Site area	6,573 sqm

Source: Emap

2.4 Resource management

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

Local Authority	Auckland Council
Operative Date	2016 – Operative in Part
Planning Instrument	Auckland Unitary Plan
Zoning	**Mixed Use Zone** The Mixed Use Zone is typically located around centres and along corridors served by public transport. It acts as a transition area, in terms of scale and activity, between residential and business zones. It also applies to areas where there is a need for a compatible mix of residential and employment activities. The zone provides for residential activity as well as predominantly smaller scale commercial activity that does not cumulatively affect the function, role and amenity of centres. New development within the zone requires resource consent in order to ensure that it is designed to a high standard which enhances the quality of streets within the area and public open spaces.
Objectives	▪ Moderate to high intensity residential and employment opportunities are provided for, in areas in close proximity to, or which can support the City Centre, Metropolitan and Town Centre zones and the public transport network.

	▪ Activities within the zone do not compromise the function, role and amenity of the city centre and business zones. ▪ A mix of compatible residential and non-residential activities is encouraged. ▪ Mixed Use Zone areas have a high level of amenity.
Development Controls	The Mixed Use zone provides for a range of commercial activities that will not compromise the function, role and amenity of the City Centre and Business zones beyond those effects ordinarily associated with trade effects on trade competitors. Building Height (subject to Height Variation Control): ▪ Occupiable building height: 16m ▪ Height for roof form: 2m ▪ Total building height: 18m Yards: ▪ Rear: 3m where the rear boundary adjoins a residential zone or the special purpose zone ▪ Side: 3m where the side boundary adjoins a residential zone or the special purpose zone Landscape: ▪ Landscape buffer of 2m in depth must be provided along the street frontage between the street and car parking, loading, or service areas which are visible from the street frontage. Minimum dwelling size: ▪ 30sqm for studio dwellings ▪ 45sqm for one or more bedroom dwellings Building setback at upper floors: ▪ Opposite a residential zone: 6m minimum setback, 18m height ▪ All other zones: 6m minimum setback, 27m height Max tower dimension and tower separation: ▪ The maximum plan dimension of that part of the building above 27m must not exceed 55m ▪ Part of building above 27m must be located at least 6m from any side or rear boundary Permitted activities include, but are not limited to: dwellings, integrated residential development, supported residential care, visitor accommodation and boarding houses, commercial services, drive-through restaurants, entertainment facilities, food and beverage, offices up to 500 sqm gross floor area, retail up to 200 sqm gross floor area, supermarkets up to 450 sqm gross floor area, care centres, community, healthcare and education facilities, industrial activities, industrial laboratories, light manufacturing and servicing, repair and maintenance services and warehousing and storage. In terms of development controls, the Mixed Use zone permits the demolition of buildings, alterations to building facades that are less than 25 sqm, additions to buildings that are less than 25 per cent of the existing gross floor area or 250 sqm – whichever is the lesser, and internal alterations to buildings. Construction of new buildings and additions and alterations to buildings that are not otherwise provided for are restricted discretionary activities. Non-complying activities include: cinemas, industrial activities and waste management facilities.
Controls	▪ Macroinvertebrate Community Index - Urban
Overlays	▪ Natural Resources: High-Use Aquifer Management Areas Overlay [rp] – Onehunga Volcanic Aquifer ▪ Natural Resources: Quality-Sensitive Aquifer Management Areas Overlay [rp] – Onehunga Volcanic Aquifer ▪ Natural Heritage: Regionally Significant Volcanic Viewshafts and Height Sensitive Areas Overlay [rcp/dp] – W26, Mount Wellington, Viewshafts
Designations	▪ Airspace Restriction Designations – ID 1102, Protection of aeronautical functions – obstacle limitation surfaces, Auckland International Airport Ltd

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

2.5 Rateable value and rates

We have been advised that the Property's Rateable Value, as at 1 June 2021, being Assessment Number 12342525057, is as follows:

Land value	$17,500,000
Improvements value	$27,500,000
Capital value	$45,000,000

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

Auckland Council notes the Property Rates (excluding GST), as at the year ending 2023/24, is as follows:

Property rates (excl. GST)	$210,128

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 status needs to be clarified, an Environmental Audit should be undertaken. Our valuation excludes the cost to rectify and make good the Property, which may have become contaminated because of past and present uses.

2.7 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 property comprises a five level building including basement car parking with a total net lettable area of approximately 8,335 sqm. Constructed in 1997 the building comprises a reinforced concrete structural frame with steel bracing, concrete columns, concrete beams and concrete floor. Exterior cladding comprises a mixture of precast concrete walls with alucobond (or similar) finish to selected areas and solar tinted glazing with powder coated aluminium window joinery. The roof is longrun zincalume on steel framework.

The general construction of the podium car parking structure includes concrete floors and ramps, steel frame and concrete slab walls to part.

The main entrance foyer at the front of the building is of double height incorporating tiles to floors and walls with a painted plasterboard ceiling incorporating recessed lighting and feature spot lighting. A secondary entrance foyer is provided on the northern side of the building such that the floors are easily sub divisible from a letting perspective. The rear entry foyer is presented to a similar standard although is only single floor height.

Subject Building from Great South Road Frontage

Main Entry Lobby

2.9 Construction

We briefly outline construction details to the building as follows:

Structure:	Reinforced concrete structural frame with concrete columns, concrete beams and concrete floor. Reinforced steel bracing to certain areas.
External walls:	Exterior cladding comprises a mixture of precast concrete walls with alucobond (or similar) finish to selected areas and solar tinted glazing.
Internal walls:	Predominantly plasterboard lining to lettable areas.
Roof:	The roof is long-run profiled metal on steel framework.
Ceiling:	Typically acoustic tiles in a suspended grid system.
Lighting:	Combination of recessed LED and fluorescent lighting with spotlighting to some areas.
Windows and doors:	Powder coated aluminium window joinery.
Key services:	Ducted air conditioning, passenger lifts, automatic sprinkler system.

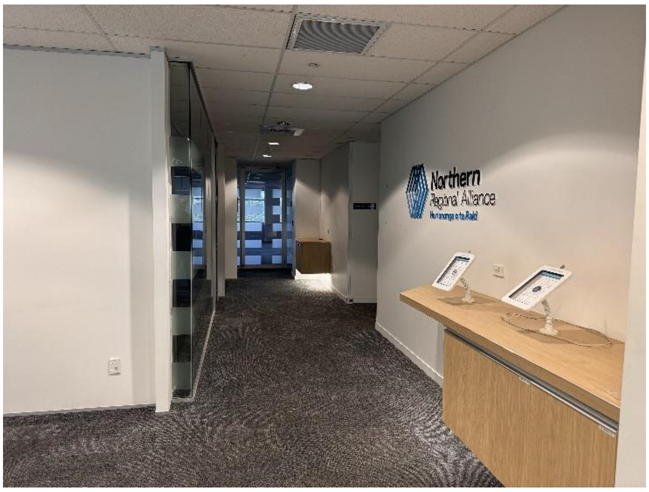
2.10 Accommodation

Office	Internally the office floors have carpet tile flooring with suspended acoustic tile ceilings in an aluminium grid system incorporating predominantly recessed fluorescent lighting. Each of the office tenancies has a mixture of plasterboard and glazed internal partition walls and provide kitchenette facilities and lunchrooms to a varying scale and level of fitout. Separate male and female toilet facilities on each floor are centrally located and appointed to a functional standard. The central core also provides cleaner's cupboard and stairwell.

Ground Floor

Level 1

Level 1



Level 2

Car parking	The property provides covered car parking spaces within the basement of the building, in addition to podium car parking to the eastern boundary. Approximately half of the podium car parks are stacked. There are further open car parks around the exterior of the building, four of them which are partially covered. We have been advised that there are a total of 295 car parking spaces onsite.

Basement car parking

Open car parking

2.11 Lettable areas

The Property's total Lettable Area is approximately 8,335 square metres. A summary of this Lettable Area is detailed as follows:

Building floor area	
Accommodation/level	**Lettable area**
Ground	1,970
Level 1	2,093
Level 2	2,141
Level 3	2,131
Total lettable area	**8,335 square metres**
Car parking	**Spaces**
Covered spaces	197
Stacked spaces	38
Open spaces	60
Total car parking	**295 spaces**

The areas noted above have been taken from Harrison Grierson, areas provided to us within lease documentation and by the client. We reserve the right to review our assessment, if necessary, if provided with a certified floor plan that differs materially from the areas adopted above.

The number and type of car parks and their allocation to each tenant have been taken from advise and a car park schedule provided to us by the client.

2.12 Environmental, social and governance

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

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

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

The subject property dates from the late 1990s and while periodically refurbished since, the focus to date has not especially been on maximizing ESG features. Some initiatives, ie the use of energy efficient lighting, sustainable materials and EV charging, we would expect to evolve naturally over-time with new tenants and fitouts while other, more expensive initiatives, ie construction of end-of-trip facilities or solar arrays we would not necessarily expect to be implemented unless tenant demand dictates and costs are able to be recovered through higher rentals.

2.13 Condition and repair

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

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

A Building Warrant of Fitness is an annual certificate that confirms the Specified Systems in the building have been inspected and maintained, and that the requirements of the Compliance Schedule associated with the operation of the property in its current use have been complied with. We confirm that we have sighted a Warrant of Fitness for the property current through to 21 April 2025, and therefore assume that the property complies with the provisions of Compliance Schedule WOF20442208.

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 requested and not been provided with a copy of the 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.

2.14 Capital expenditure allowances

We have made capital expenditure allowances within our valuation based on budgeted allowances provided by the client, sinking fund allowances and allowances for capital expenditure on expiry of leases. We provide more detail on these allowances below:

'As Is'

- Our budget allowances are based on budgets provided by client and includes specific allowances for:
  - TRT tenancy - $426,534
  - Ground floor bathroom refurbishment - $150,000
  - Level 1 refurbishment - $142,969
- Our sinking fund allowance is based on $5.00 per square metre of NLA
- Our capital expenditure on expiry allowances reflect $300 per square metre of NLA.

'As if Complete'

As previously mentioned our 'As if Complete' valuation assumed the capital expenditure relating to the TRT premises, bathroom refurbishment and level 1 refurbishment have been incurred.

These assumptions equate to the following amounts through the 10 year DCF period:

	Capital Expenditure			
Year	Budgeted (post escalation)	Sinking Fund	Capex on Expiry	Total
Current	$0		$0	$0
Year 1	$0	$43,091	$0	$43,091
Year 2	$0	$44,462	$1,094,568	$1,139,030
Year 3	$0	$45,795	$0	$45,795
Year 4	$0	$47,169	$0	$47,169
Year 5	$0	$48,584	$0	$48,584
Year 6	$0	$50,042	$0	$50,042
Year 7	$0	$51,543	$1,793,771	$1,845,314
Year 8	$0	$53,090	$1,332,651	$1,385,740
Year 9	$0	$54,682	$0	$54,682
Year 10	$0	$56,323	$0	$56,323

Further we outline the total capital expenditure modelled in our 10 year cashflow and the percentage of this total in relation to the adopted value:

10 Year Capital Expenditure	
Total 10 year Capital Expenditure Allowance	$4,715,771
Percentage of Capital Expenditure to Adopted Value	13.67%

The percentage of capital expenditure in relation to the adopted value is a useful to assess whether a prudent purchaser would pay for non-direct revenue generating capital.

2.15 Seismic considerations

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:

	Office Building	Rear Car Park
Year of building construction	Circa 1997	Circa 1998
National risk zone	Low	Low
Compliance with new building standard	103%	64%
Assessment type	IEP	IEP
Assessment completed by	Beca	Beca
Assessment date	9 March 2012	9 March 2012

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

The rear carpark has a rating of 64% and therefore is categorised as Earthquake Risk. This is below the 67% that has become widely accepted in the marketplace as a minimum rating. Given that this structure is used for car parking only, we do not believe purchasers would be overly concerned about the 64% rating. It may be relatively inexpensive to achieve a higher rating, however a detailed seismic assessment (DSA) would most likely be required in the first instance.

We note the market is placing less reliance on IEP documents in recent times, with many investors requiring DSAs to proceed with purchasing assets as lenders have shown reluctance to fund investments with seismic uncertainties.

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 'As if Complete'

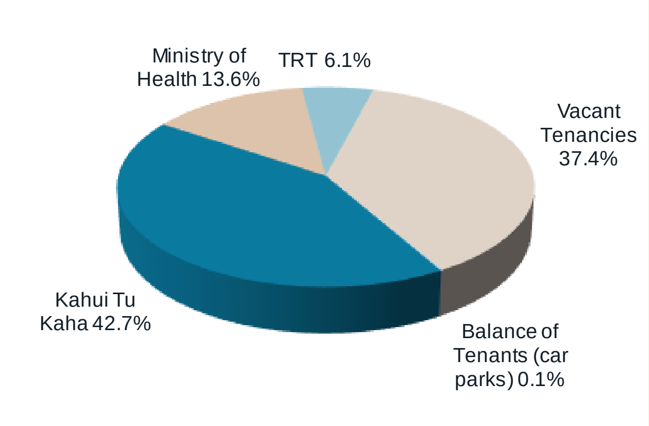
3.1 Tenancy overview

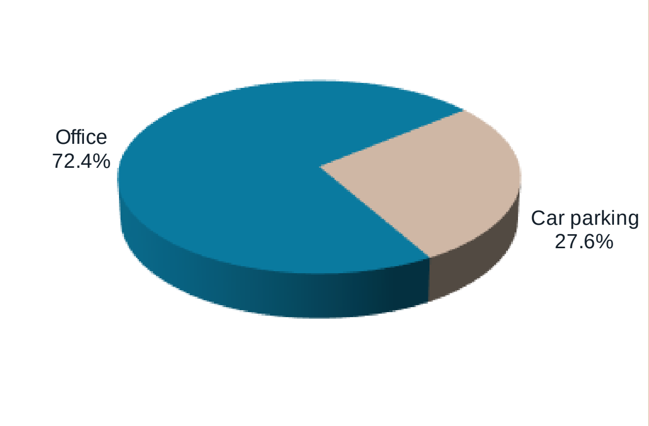
We have been provided with a tenancy schedule and with Lease documentation that was available at the time of valuation.

The net rental from the Property can be summarised as follows:

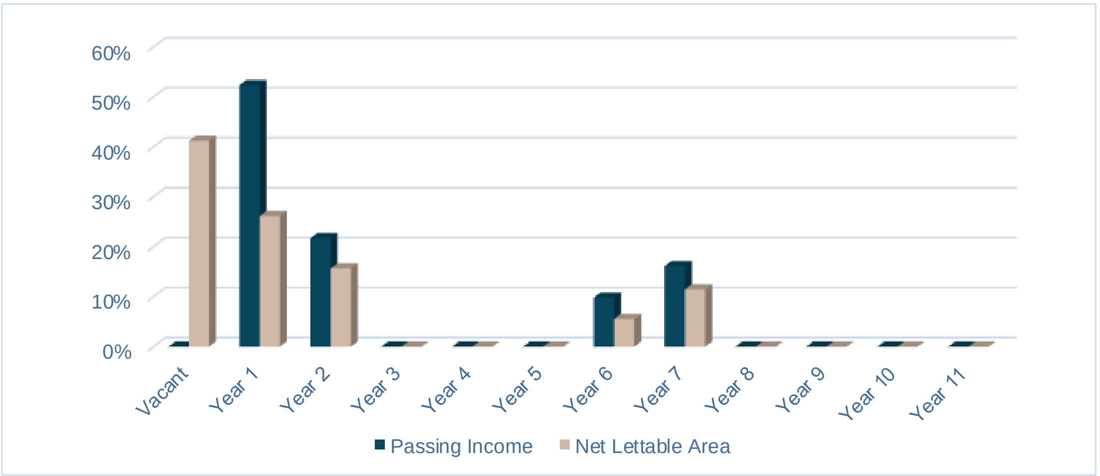
Tenant	Net rental	Lettable area	Proportion of lettable area
Kahui Tu Kaha	$1,241,902	3,135	37.6%
Ministry of Health	$395,264	1,307	15.7%
TRT	$178,891	461	5.5%
Vacant Tenancies	$1,089,092	3,432	41.2%
Balance of Tenants (car parks)	$4,212	-	-
Total	**$2,909,361**	**8,335 sqm**	**100%**

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





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



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

Weighted average lease term remaining	Years
By area	1.50
By income	1.47

3.2 Building vacancy

As at the date of valuation, the Property has vacant accommodation of 3,432 square metres and 88 vacant car parks, which reflects 38.79% by income potential. Current vacant areas are summarised as follows:

Vacancy	Area	Proportion of lettable area	Market income
Ground	1,022	12.3%	$245,347
Level 1	537	6.4%	$131,592
Level 1	601	7.2%	$147,211
Level 2	1,271	15.3%	$324,202
Naming Rights	1	-	$20,000
Car Parks	88 spaces	-	$220,740
Total Vacancy	**3,433 sqm**	**41.2%**	**$1,089,092**

3.3 Building outgoings and recoveries

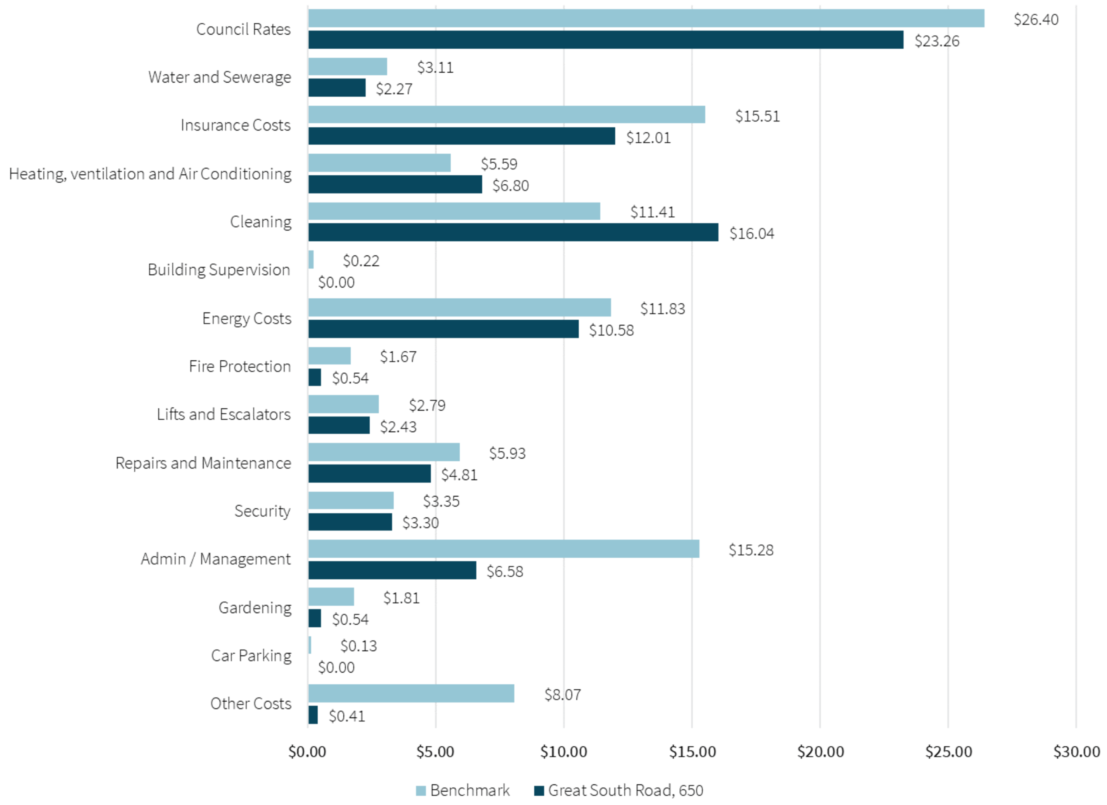
The leases within the Property are structured on a net basis, with the tenants being responsible for payment of rates and other property expenses in addition to premises rental. We have adopted the following allowances for building outgoings within our calculations:

Adopted property outgoings	Per annum	Per sqm of lettable area
Statutory charges	$230,352	$27.64
Operating expenses	$532,521	$63.89
Total Outgoings	**$762,873**	**$91.53**

The above allowances are based on the provided budget for the year ending 2025. 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 JLL benchmarking for other similar buildings.

We consider that the adopted outgoings rate of $91.53 per square metre of Lettable Area. We note Auckland Council has released property rates for the 2023/24 period and we have adopted this figure within our calculations.

We note below a comparison to our fringe and suburban Auckland Office Operating Expense Benchmark below. We have refined our benchmark in this instance to compare to 23 fringe and suburban Auckland office buildings we consider to be peers to the subject property using budgets ending between 2024/2025. The average of the comparable buildings is $113.10 per sqm (compared to the subject of $91.53 per sqm), and therefore note the subject's operating expenses are significantly below general market levels.


Council Rates
$26.40
$23.26
Water and Sewerage
$3.11
$2.27
Insurance Costs
$15.51
$12.01
Heating, ventilation and Air Conditioning
$5.59
$6.80
Cleaning
$11.41
$16.04
Building Supervision
$0.22
$0.00
Energy Costs
$11.83
$10.58
Fire Protection
$1.67
$0.54
Lifts and Escalators
$2.79
$2.43
Repairs and Maintenance
$5.93
$4.81
Security
$3.35
$3.30
Admin / Management
$15.28
$6.58
Gardening
$1.81
$0.54
Car Parking
$0.13
$0.00
Other Costs
$8.07
$0.41
$0.00
$5.00
$10.00
$15.00
$20.00
$25.00
$30.00
Benchmark
Great South Road, 650

3.4 Outstanding/remaining incentives

We have been provided with a schedule outlining the status of outstanding incentives. Current outstanding tenant incentives, as at the date of valuation, are summarised in the table below:

Lease incentives and income support arrangements		
Tenant	**Lease incentives**	**Remaining incentive**
TRT - Ground	Rent free	$84,419
Kahui Tu Kaha - Level 1	Abatement	$77,975
Total outstanding incentives/abatements		**$162,395**

Further we provide additional descriptions of the outstanding incentives below:

- TRT benefits from a five month rent free period on the office accommodation, with four months in the first year and one month in the second year. They also benefit from an additional two months' rent free if they do not exercise their break clause in which we have assumed they will not exercise. In addition, five of their carparks are also rent free for the first year.
- Kahui Tu Kaha benefit from a month's rent free on the office accommodation in each of the first four lease years of the initial lease term.

The total amount of unexpired incentives is $162,395, the present value of which is ($160,037).

3.5 Tenancy schedule

Our understanding of the Property's occupancy situation is detailed in the tenancy schedule below:

Tenant name	Premises	Lettable area	Car parks	Lease start	Lease expiry	Lease term	Next review	Review frequency	Review type	Premises rental	Rental / sqm	Carpark rental	Car Park pcpw	Outgoings recovery	Recovery / sqm
Kahui Tu Kaha	Ground	486.1		Aug 2019	Jul 2025	6.0 years	Aug 2025	1 yearly	Fixed	$142,268	$293	$0		$44,495	$92
TRT	Ground	461.4	25	Jul 2024	Jul 2030	6.0 years	Nov 2025	1 yearly	Fixed	$126,891	$275	$52,000	$40	$42,233	$92
Vacant	Ground	1,022.3				0.0 years								$0	$0
Vacant	Level 1	537.1				0.0 years								$0	$0
Vacant	Level 1	600.9				0.0 years								$0	$0
Kahui Tu Kaha	Level 1	954.8	23	Jul 2024	Aug 2030	6.1 years	Sep 2025	1 yearly	Fixed	$233,926	$245	$59,800	$50	$87,391	$92
Kahui Tu Kaha	Level 2	869.6	84	Aug 2019	Jul 2025	6.0 years	Aug 2025	1 yearly	Fixed	$254,472	$293	$200,290	$46	$79,588	$92
Vacant	Level 2	1,271.4				0.0 years								$0	$0
Kahui Tu Kaha	Level 3	824.5	25	Aug 2021	Jul 2025	4.0 years	Aug 2025	1 yearly	Fixed	$201,239	$244	$58,908	$45	$75,464	$92
Ministry of Health	Level 3	1,306.9	13	Dec 2013	Dec 2025	12.0 years	Dec 2024	3 yearly	Market	$359,384	$275	$35,880	$53	$119,613	$92
Vacant	Naming Rights	1.0				0.0 years								$0	$0
Kahui Tu Kaha	Car Parks	0.0	35	Aug 2021	Oct 2024	3.2 years			Market	$0	$0	$91,000	$50	$0	
Casual Parking	Car Parks	0.0	2	Mar 2023	Oct 2024	1.6 years			Market	$0	$0	$4,212	$41	$0	
Vacant	Car Parks	0.0	88			0.0 years								$0	
Aggregate		8,335.9	295							$1,318,180		$502,089		$448,784	

3.6 Income analysis

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

Passing rental analysis		
Lettable area rental	$1,318,180	58.09%
Car parking rental	$502,089	22.13%
Outgoings recovery	$448,784	19.78%
Gross passing income	**$2,269,053**	**100.00%**
Unexpired incentives in Year 1 (excludes capital contributions)	$162,395	
Outgoings	$762,873	
Net passing income	**$1,343,785**	
Market income on vacant areas	$868,352	
Market income on vacant car park	$220,740	
Vacant area outgoings	$314,090	
Unexpired incentives in Year 1	$162,395	
Potential net income fully leased	**$2,909,361**	

4 Market commentary

4.1 Economic overview

As at 7 August 2024:

New Zealand economic indicators	
Consumer Price Index (CPI)	As at 30 June 2024, the Consumer Price Index reduced to 3.3% on an annual basis from the 4.0% as at 31 March 2024. This is the lowest rate recorded since June 2021. NZIER consensus forecasting has CPI returning to the RBNZ's target range of 1% to 3% by March 2025, while RBNZ expect headline inflation to return to within the 1 to 3% target range in the second half of this year.
Gross Domestic Product	Gross Domestic Product (GDP) in the March 2024 quarter grew by 0.2%. This marks the end of a technical recession, with the previous December and September 2023 quarters retracting 0.1% and 0.3% respectively. On an annualised basis this results in a YTD increase of 0.2%. On a per-capita basis, growth fell by 0.3%.
Official Cash Rate (OCR)	On 10 July 2024 the RBNZ left the OCR unchanged at 5.50%, with the Committee agreeing that the extent of restrictive monetary policy will be tempered over time consistent with the expected decline in inflation pressures. This was a softer tone from May's MPS of a 'higher for longer' rhetoric for the OCR, with of any easing forecast for late 2025.
Government Bonds	The 90-day Bank Bill Benchmark Rate (BKBM) sits at 5.32%, as at 6 August 2024, while 10-year bonds are currently 4.18%, the lowest since June 2023. Longer term rates have shifted lower on the back of weaker than anticipated economic data in the US, in particular the most recent jobs report with US unemployment reflecting a sharper slowdown than expected. This has resulted in the view that US Federal Reserve cuts may occur in upcoming months. The RBNZ provided a less aggressive statement at the July OCR review, and we have since seen medium term rates shifting lower.
Unemployment Rate	The unemployment rate is 4.6%, as of June 2024, which in line with RBNZ expectations and reflects the highest rate recorded since March 2021. This continues the trend upwards, following the unemployment rate in the March 2024 quarter of 4.3%.

With respect to New Zealand wider market statistics, we summarise the following:

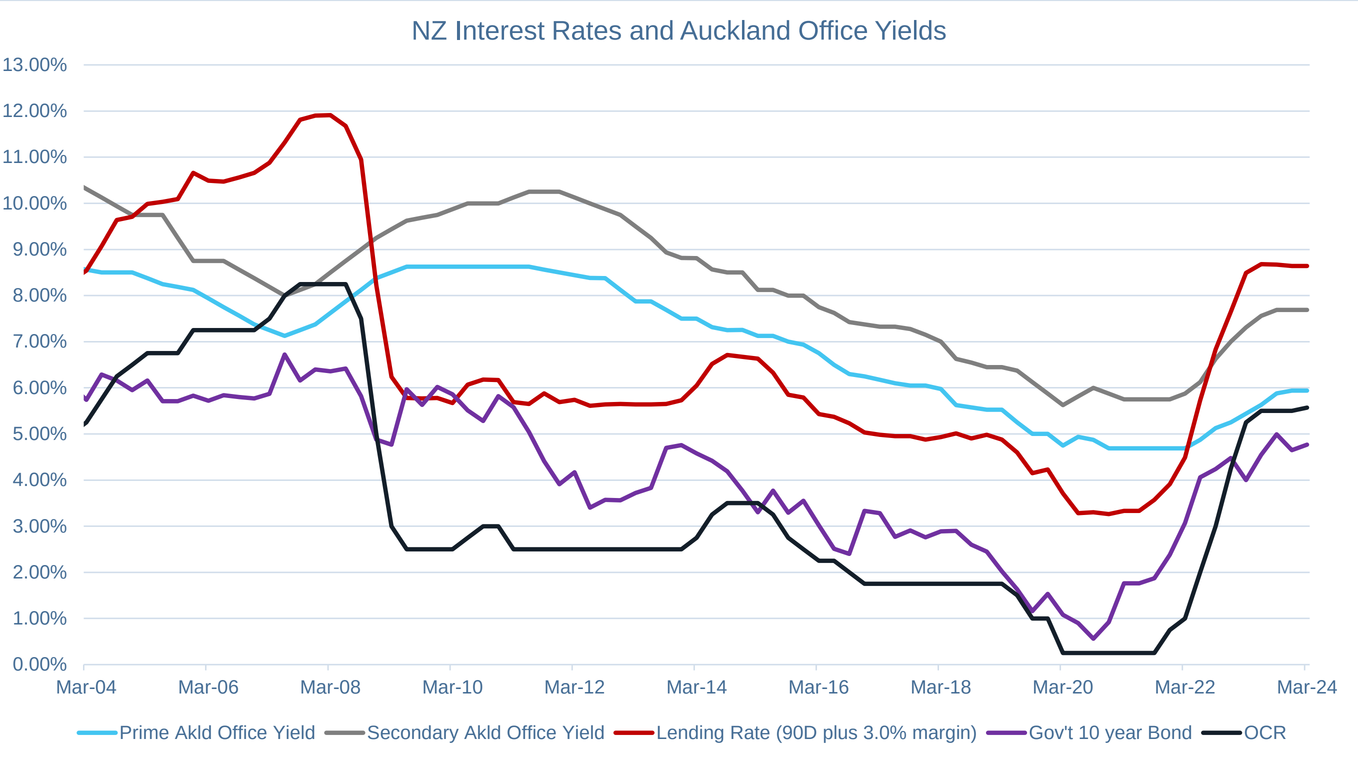
New Zealand wider market statistics	
Residential market	REINZ reports that the property market in June 2024 is reflecting the wider economic climate in New Zealand. New listings have risen, continuing a trend seen in 2024, yet this increase contrasts with a noticeable decline in buyer activity, reflected in lower national sales figures. The REINZ median house price for New Zealand fell 1.3% on an annual basis, however national median days to sell has decreased slightly, down 1 day to 47 from one year prior in June 2023. Sales volumes have decreased significantly, down 25.6% on the same month in 2023.
Building consents	The effects of tighter financial conditions and low confidence are affecting residential construction with 33,627 new residential consents issued in the year ended June 2024, down approximately 24% from the same time in 2023. Commercial construction appears have also slowed with non-residential consents to the year ended June 2024 summing $9.1 billion, down 9.6% from a year prior. Price fluctuations may impact this data, with non-residential construction prices (as measured by the capital goods price index) up 4.6 percent in the year ended March 2024.
Construction	As per the latest RLB Forecast Report for second quarter 2024, there is an expectation that construction cost inflation will continue to ease over the coming years, reflecting the continued easing in capacity pressures in the sector. Building sector firms report a further easing in labour shortages. Although Auckland continues to lead the way in construction activity, there has been a plateau more recently. Nonetheless, Auckland continues to make up around 41 per cent of nationwide construction activity (on a nominal basis). The dominance of construction activity in Auckland reflects demand from migration led population growth in the region. Meanwhile, Canterbury's share of nationwide construction activity has trended higher since early 2022.

4.2 Auckland suburban office

2024 has started with optimism as to the likely interest rate outlook, with the April 2024 Reserve Bank indicating that the tightening cycle is nearing an end. There remain some headwinds however with conflicts in the Middle East and Europe continuing, along with risks to business performance through high holding and operational costs.

An end to interest rate increases would be expected to flow through to commercial property yields, however potential investors are remaining pessimistic on secondary properties, with several examples of risk premiums being factored into purchase decisions and vendors starting to relent on asking prices.

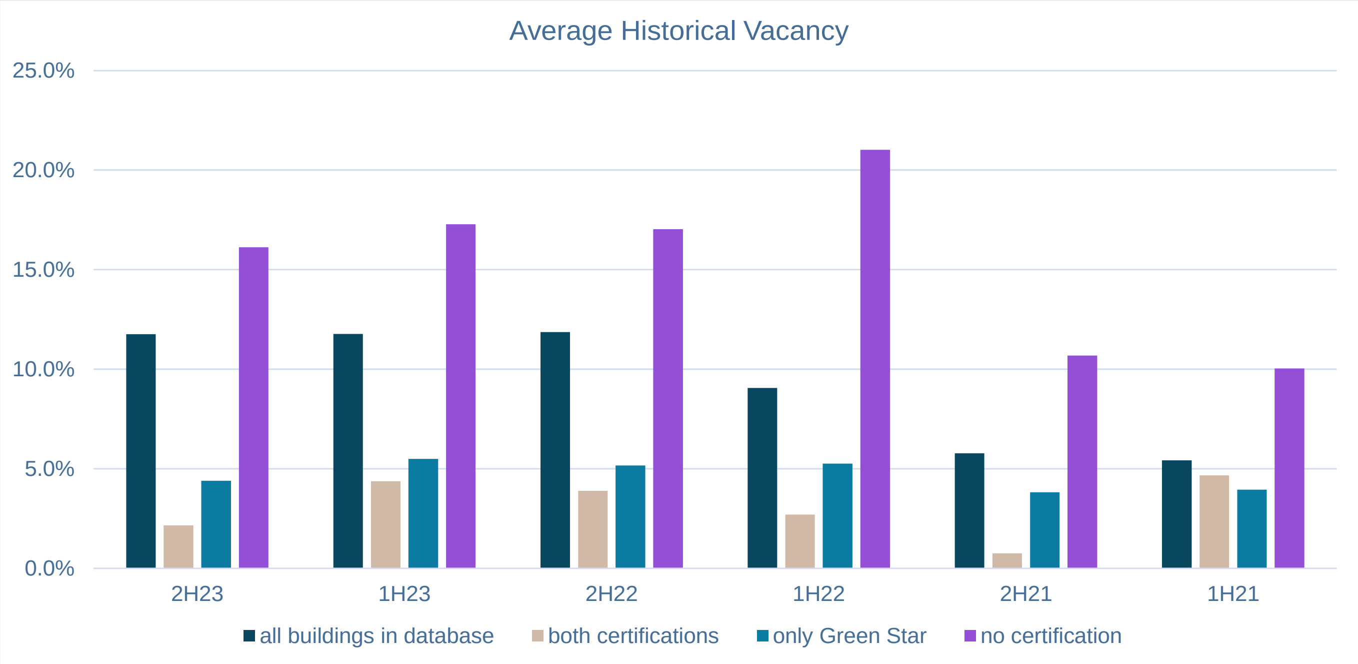
We note our historic data series shown below, comparing the long-term borrowing rates versus prime and secondary yield levels. Our short-term expectation is that the overall expansion in capitalisation rates will slow, but with some expansion in the achievable price level for properties with unquantified risk such as seismic strengthening requirements, vacancy, or other upgrade requirements.



Source: JLL Research, RBNZ, Statistics NZ

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

- Attracting and retaining tenants will continue to be driven by quality offerings across asset classes. Even with the employment market now experiencing some relief, corporates continue to look to provide quality workplaces to attract and retain talent. This includes preference for offices which support flexible working arrangements, are close to transport nodes, and have access to amenities such as end-of-trip facilities. This has seen the evolving rising rental narrative for prime buildings, and an increased divergence in vacancies between prime and secondary assets.
- The demand for flexible working space is on the rise. The highest concentration of flexible workspaces is in Auckland, with Regus, Generator, B:Hive and Alberts being the largest flexible workspace providers, occupying prime spaces within Auckland CBD and suburban areas.
- While there are no regulatory requirements for Green Star and NABERS ratings for commercial real estate in New Zealand currently, there is an increasing market-led push for Environmental, Social and Governance considerations. This can be evidenced by the following factors:
  - The number of buildings seeking Green Star certification has increased through the years. Pre 2019 eight buildings were estimated to have certification. Since 2019, twenty-two buildings have gained certification, with the majority of new builds, or key refurbishments have been targeting Green Star and NABERS ratings.
  - For 2H23, vacancy in buildings with Green certifications stood at 4.4%, while vacancy in buildings with no certifications stood at 16.1%.



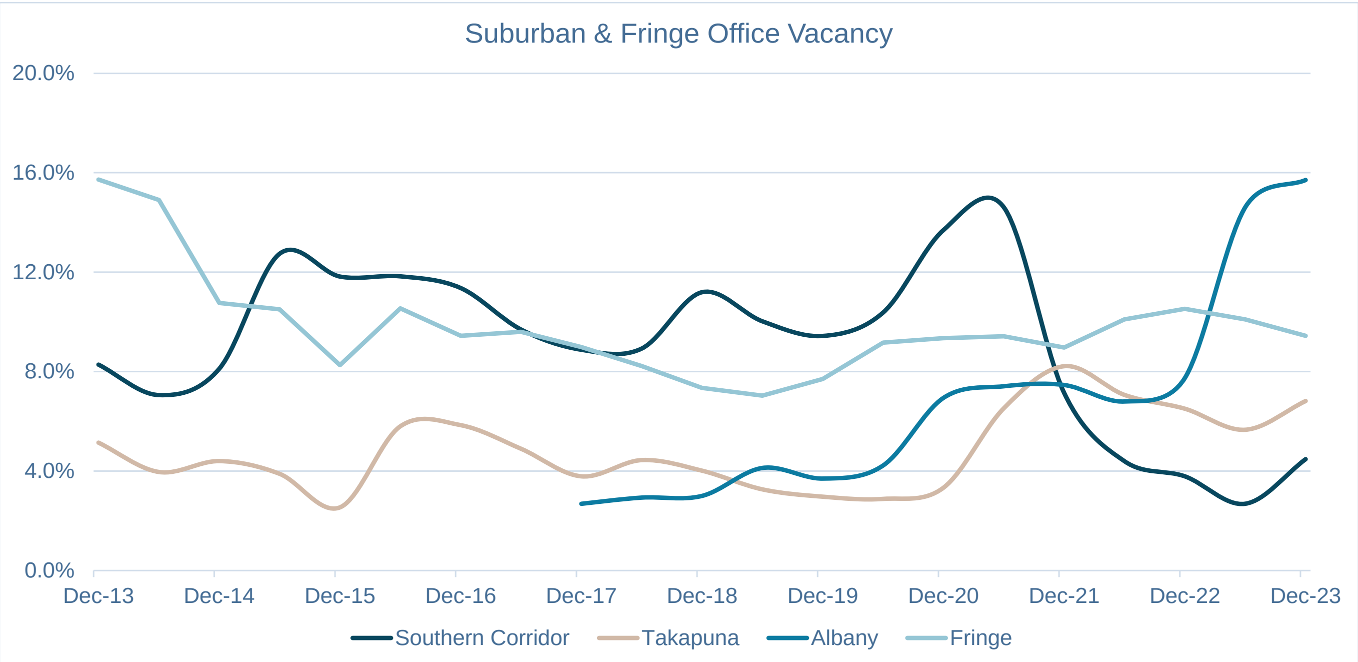
Source: JLL Research

Demand

Overall suburban vacancy increased by 170 bps to 8.0% for 2H23. This was the first time since 2018 when vacancy across all suburbs (tracked by JLL NZ) increased: Southern Corridor up 180 bps to 4.5%, Newmarket up 230 bps to 8.9%, Takapuna up 120 bps to 6.8% and Albany up 110 bps to 15.7%. This was due to several movements, with our understanding of the key transactions being:

- For the Southern Corridor:
  - Central Park (660 Great South Road, Ellerslie): George Weston Foods downsized to about 800 sqm, BOC exited their 880 sqm space and Candor3 exited their 1,200 sqm space.
  - The Millennium (600 Great South Road, Ellerslie): Elections moved out of the 1,500 sqm space.
- ~2,000 sqm remained vacant at 110 Carlton Gore Road, Newmarket.
- For Albany:
  - ~4,700 sqm is vacant at 6-8 Munroe Lane.
  - ~1,600 sqm is vacant at 51 Corinthian Drive, from where Westpac has downsized.

On the other hand, vacancy for fringe decreased, moving 100 bps to 10.3%. New tenants here mostly include STEM-related businesses.



Source: JLL Research

Supply

Kiwi Property's recently completed 3 Te Kehu Way at Mt Wellington is continuing to lease up, with circa 1,900 sqm available in the 5,795 sqm building.

Meanwhile, the ~3,400sqm office for KiwiRail's Auckland Integrated Rail Management Centre at Building 11 of Central Park (666 Great South Road) reached practical completion. KiwiRail has signed a 25-year lease term for this space, and has taken occupancy over this quarter.

We are aware of several suburban new build projects which are proposed, however most are pending, awaiting confirmed tenant interest. Two likely proposals are for a further office building at Sylvia Park, and Mansons TCLM proposal for new building in George Street, Parnell.

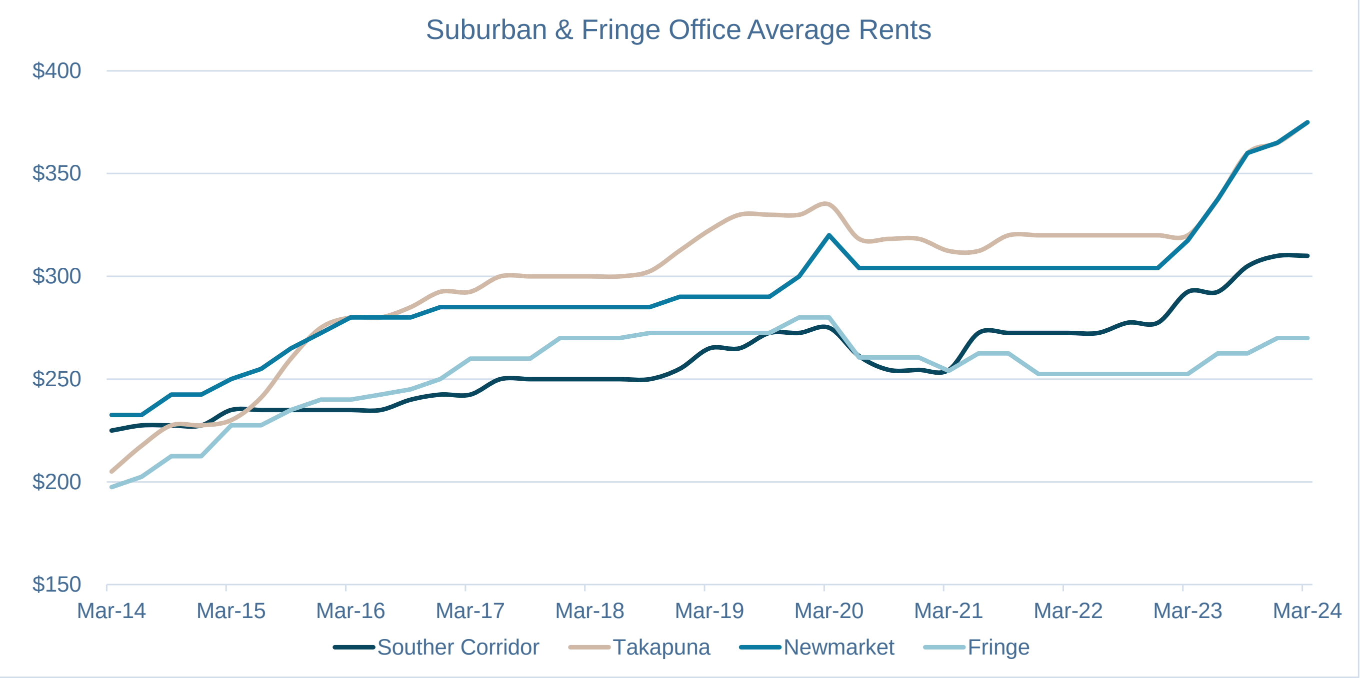
Rents

Average net suburban rents increased by 1.7% (+$6 per sqm), to now stand at $353 per sqm.

Operating Expenses continue to trend up with cost inflation and increases to rates and insurance amounts, with the suburban average sitting at $120 per sqm, up $5 per sqm over 2023.

Average net fringe rents remain unchanged at $270 per sqm from 4Q23. We see further growth limited in this sector through till late 2026.

Within new build suburban and fringe properties, we expect that average required rentals would be in a range $450 to $550 per sqm, with premiums expected for suburbs like Parnell, Newmarket or Takapuna. Operating Expense costs within new build properties would be expected to be higher than the balance of the market, reflecting an average of $125 per sqm.



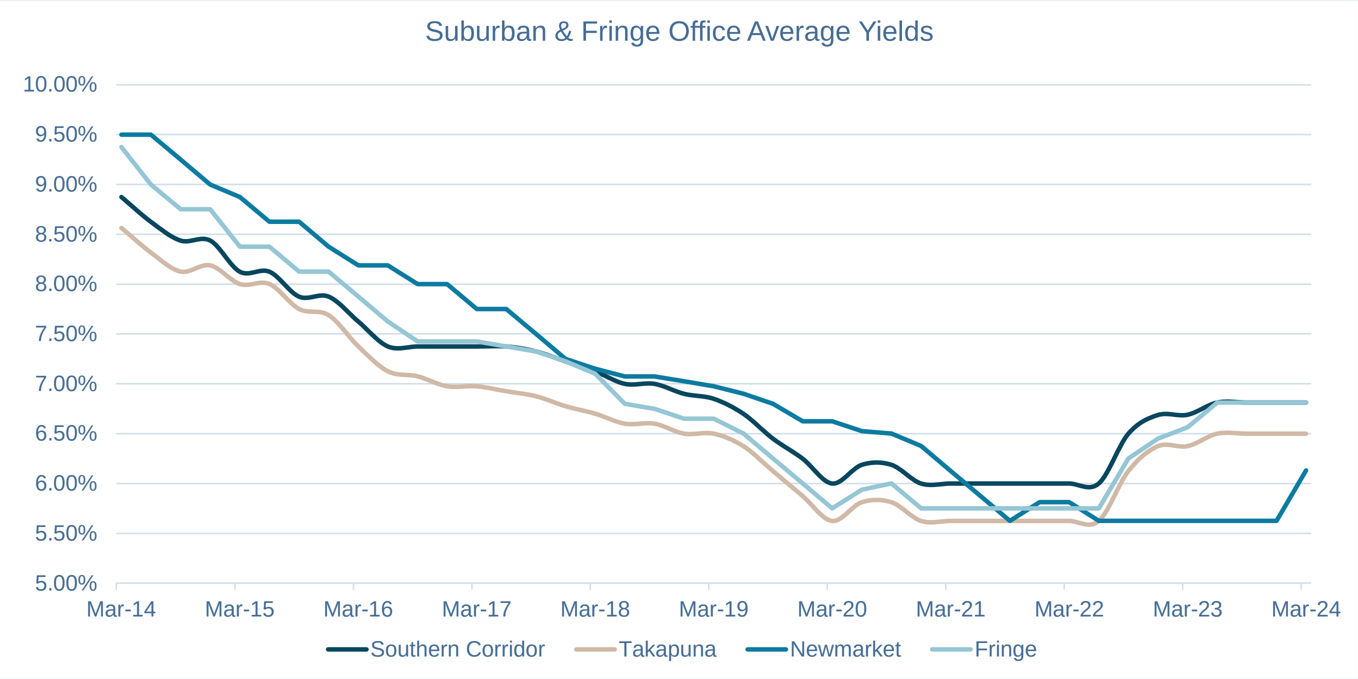
Source: JLL Research

Asset performance

Our monitored average suburban net yield remains constant at 6.60% since the second half of 2023, and following a significant increase over 2023. We expect that yields have potentially reached their peak in this cycle, with the wider market now expecting parameters to improve with forecast interest rate cuts in the medium term.

Suburban commercial sales volumes remain relatively low heading into Q2 2024. Notable sales include the disposal by PMG of 114 Dominion Road in Mt Eden and the combined sales of 300 and 302-308 Great South Road in Greenlane.

While we saw a trickle of transactions during 2023, we were well off the highs seen in 2021, for both value and volume of properties sold.



Source: JLL Research

Auckland office market outlook

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

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

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

We expect yields to be stable during 2024, as they are thought to have reached their peak in this cycle, with tightening not expected before mid-2025.

5 Leasing evidence

5.1 Subject office leasing evidence

In assessing a market rental profile for the accommodation, we have had regard to the recent leases within the property as detailed below:

Property	Tenant	Level	Area sqm	Basis	Date	Type	Parking pcpw	Opex $/sqm	Face Rent $/sqm	Net Effective $/sqm
650 Great South Road	Kahui Tu Kaha	Pt 1	955	Net	Sep-24	NL	$50	$92	$245	$230
650 Great South Road	TRT	Pt G	447	Net	Nov-24	NL	$50	$92	$275	$246

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

Within the subject property, Kahui Tu Kaha agreed to a new lease effective September 2024. The net rental was agreed at $245 per sqm over a first floor tenancy with car parks agreed at $50 per car park per week. We analysed the net effective rental reflecting $230 per sqm.

We have been provided with a draft agreement to lease to TRT commencing 1 November 2024. The net rental was agreed at $275 per sqm over part ground with carparks agreed at $50 per car park per week. We analysed the net effective rental reflecting $246 per sqm.

We note Kahui Tu Kaha are an existing tenant who already occupy 2,180 sqm over ground, level 1 and part level 2 on a lease expiring July 2025. In the context of the new letting to TRT and the evidence quoted below we consider the rent for the new letting to Kahui Tu Kaha to be marginally below market and may be a reflection of the desire to maintain the tenants occupation in the building.

5.2 Suburban office leasing evidence

We have also had regard to recent rental evidence in the wider locality as detailed below:

Property	Tenant	Level	Area sqm	Basis	Date	Type	Parking pcpw	Opex $/sqm	Face Rent $/sqm	Net Effective $/sqm
654 Great South Road, Manukau	Confidential	1	704	Net	Sep-24	NL	Confidential			
1 O'Rorke Road, Penrose	Hawkins	1	1,125	Net	Aug-24	NL	Confidential			
Ford Building, 86 Highbrook Drive, East Tamaki	Confidential	Pt G	227	Net	Jun-24	NL	Confidential			
65B Main Highway, Ellerslie	Ministry of Justice	G	565	Net	Jan-24	NL	Confidential			
Central Park, 666 Great South Road	Belton IT	Pt 7	502	Net	Nov-24	NL	Confidential generally low-mid $300s / sqm			
	Langdon	Pt 2	171	Net	Jul-24	NL				
	Energizer	Pt 1	155	Net	Jul-24	NL				
	Ryman Healthcare	Pt 1	1,067	Net	Jul-24	NL				
	GWF	Pt 2	685	Net	Feb-24	NL				
	Edison	Pt 5	460	Net	Dec-23	NL				
	Kiwirail	G-2	3,358	Net	Aug-23	NL				
	Goodfood	Pt 2	436	Net	Apr-23	NL				
Millennium Centre, 602 Great South Road	NZ Leisure	Pt 3	465	Net	Jun-23	LR	Confidential generally low-mid $300s / sqm			

Property	Tenant	Level	Area sqm	Basis	Date	Type	Parking pcpw	Opex $/sqm	Face Rent $/sqm	Net Effective $/sqm
	DKSH	Pt G	454	Net	Apr-23	NL				
	Toyota	2-3	2,912	Net	Apr-23	Var				
	Audmet	Pt 2	367	Net	Jan-23	NL				
1-7 Marewa Road, Greenlane	Pan Pacific Travel	Pt 1	452	Net	May-23	NL	Confidential			

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

1 O'Rorke Road comprises a two level commercial building in Penrose. The improvements present to a modern standard given construction in circa 2010. Hawkins have recently agreed to a new 3 year lease over level 1. We consider the property to provide inferior quality accommodation in a marginally inferior location.

65B Main Highway provides a four level commercial building in Ellerslie. Ministry of Justice has taken a new lease over 565 sqm on the ground floor January 2024. The property provides a slightly higher standard of accommodation in terms of quality and is therefore considered to be superior.

We note that the office parks such as Central Park and Millennium provide a good level of amenity, with on-site childcare, café and gym facilities plus guest or casual car parking options. Accordingly, the rents at Millennium and Central Park sit slightly above the rents achieved in other standalone buildings in the immediate vicinity and in the southern corridor.

Within Central Park, which is owned and managed by Oyster Property, there has been several recent leasing transactions across the various buildings over the past 12 months. The upper end of the range relates to new-build accommodation for KiwiRail which will provide superior quality accommodation to the subject. The balance of the evidence from existing buildings within Central Park are more comparable to the subject in terms of quality.

The Millennium Centre is also owned and managed by Oyster Property and also provides guidance to rental rates for the location and offering. There has four recent transactions over 2023 for tenancies of between 367 and 2,912 sqm.

On balance we have adopted market face rents of $260 per sqm over the top floor, working down to $240 per sqm over the ground floor. We have adopted incentives equivalent to one month's rental or 8.3%, with our net effective rents reflecting a range of $220 to $240 per sqm.

Regarding the car parking we have considered the current rates in the immediate and wider locality as detailed in the table above. Car park rents are location and format specific with the highest rates generally achieved for secured and covered spaces, with some allowances for scarcity or over supply. We have adopted a market rent of $50 pcpw for the covered car parks, $45 pcpw for the open car parks, and $25 pcpw for the stacked car parks

5.3 Market rental profile 'As if Complete'

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

Tenant name	Premises	Lettable area	Car Parks	Next review/expiry	Review type	Contract rental	Rental / sqm	Car park pcpw	Recovery / sqm	Ideal recovery	Net market / sqm	Gross market / sqm	Car park pcpw	Net market rental
Kahui Tu Kaha	Ground	486.1		Jul 2025	Fixed	$142,268	$293		$92	$92	$240	$332		$116,674
TRT	Ground	461.4	25	Nov 2025	Fixed	$178,891	$275	$40	$92	$92	$240	$332	$49	$174,441
Vacant	Ground	1,022.3		Vacant					$0	$92	$240	$332		$245,347
Vacant	Level 1	537.1		Vacant					$0	$92	$245	$337		$131,592
Vacant	Level 1	600.9		Vacant					$0	$92	$245	$337		$147,211
Kahui Tu Kaha	Level 1	954.8	23	Sep 2025	Fixed	$293,726	$245	$50	$92	$92	$245	$337	$50	$293,726
Kahui Tu Kaha	Level 2	869.6	84	Jul 2025	Fixed	$454,761	$293	$46	$92	$92	$255	$347	$38	$385,795
Vacant	Level 2	1,271.4		Vacant					$0	$92	$255	$347		$324,202
Kahui Tu Kaha	Level 3	824.5	25	Jul 2025	Fixed	$260,147	$244	$45	$92	$92	$260	$352	$50	$279,367
Ministry of Health	Level 3	1,306.9	13	Dec 2024	Market	$395,264	$275	$53	$92	$92	$260	$352	$48	$372,281
Vacant	Naming Rights	1.0		Vacant					$0	$0	$20,000	$20,000		$20,000
Kahui Tu Kaha	Car Parks	0.0	35	Oct 2024	Market	$91,000	$0	$50		$0	$0	$0	$50	$91,000
Casual Parking	Car Parks	0.0	2	Oct 2024	Market	$4,212	$0	$41		$0	$0	$0	$50	$5,200
Vacant	Car Parks	0.0	88	Vacant						$0	$0	$0	$48	$220,740
Aggregate		8,335.9	295			$1,820,269								$2,807,576

5.4 Net income assessment 'As if Complete'

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	$1,318,180	$2,105,576
Car parking rental	$502,089	$702,000
Outgoings recovery	$448,784	$762,873
Gross income	**$2,269,053**	**$3,570,449**
Unexpired incentives in Yr 1 (excludes contributions)	$162,395	$0
Outgoings	$762,873	$762,873
Net income	**$1,343,785**	**$2,807,576**
Market income on vacant areas	$868,352	
Market income on vacant car park	$220,740	
Vacant area outgoings	$314,090	
Unexpired incentives in Year 1	$162,395	
Potential net income fully leased	**$2,909,361**	**$2,807,576**

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:

35 Teed Street, Newmarket, Auckland

Sale Price	$19,600,000	**Sale Date**	June 2024
Initial Yield	7.44%	**Equivalent Yield**	6.92%
IRR	7.80%	**WALT**	5.01 years

The property comprises a four level commercial building situated on a high profile 1,673 square metre site with frontage to Teed, Eden and Crowhurst Streets near its intersection with Gillies Ave in Newmarket. The property provides two interconnected buildings circa 1960's and 2000 providing ground floor retail, two levels of office accommodation and a combination of covered and open car parks. The buildings have been refurbished in recent times and offer a modern standard of office accommodation.

The improvements provide a total net lettable area of approximately 2,754 sqm comprising 1,257 sqm of retail accommodation, 1,497 sqm of office accommodation and 100 secure car parks. The circa 2000 building provides for irregular shaped floor plates with the core positioned to the side of the floor plate and providing a single lift serving all floors and stair access.

As at the date of sale the property is fully leased to various retail tenants and anchored by Heartland Bank. The property is producing a net rental of $1,458,226 per annum, with a remaining WALT of 5.01 years by income.

The property sold in June 2024 for $19,600,000 plus GST. Our analysis reflects an initial yield of 7.44%, an equivalent yield of 6.92% and an IRR of 7.80%. The sale reflects a land and buildings rate of $7,116 per sqm.

272 Parnell Road, Parnell, Auckland

Sale Price	$12,000,000	**Sale Date**	April 2024
Initial Yield	5.63%	**Equivalent Yield**	7.83%
IRR	8.30%	**WALT**	1.35 years

The property comprises a commercial office building constructed circa 1970's providing ground floor retail and office accommodation over four levels plus two levels of basement parking. The property is situated on a 774 square metre site along the eastern alignment of Parnell Road, adjoining the southern alignment of Scarborough Lane, in the fringe Auckland CBD suburb of Parnell.

The improvements provide a total net lettable area of approximately 2,681 sqm comprising 432 sqm of retail accommodation, 2,211 sqm of office accommodation plus storage. Situated below are two levels of secure car parking for 35 vehicles with one open space provided to the Parnell Road frontage.

As at the date of sale the property is approximately 56% occupied by floor area, producing a net rental of $585,147 per annum, with a remaining WALT of 1.36 years by income. Major tenants include Ray White Parnell, Anagenix, Beattie Matheson and Oceanic Navigations.

The property sold in April 2024 for $12,000,000 plus GST. Our analysis reflects an initial yield of 5.63%, an equivalent yield of 7.83% and an IRR of 8.30%. The sale reflects a land and buildings rate of $4,531 per sqm.

17 Ronwood Avenue, Manukau, Auckland

Sale Price	$17,000,000	**Sale Date**	April 2024
Initial Yield	7.26%	**Equivalent Yield**	6.36%
IRR	7.59%	**WALT**	1.58 years

The property comprises three level commercial building situated upon a circa 4,070 square metre site benefitting from a high profile position to Ronwood Avenue. The property is zoned Metropolitan Centre under the Auckland Unitary Plan with a height limit of 72.5 metres.

Improvements provide approximately 2,744 sqm of office accommodation over two levels with a 57 sqm balcony on the second level, along with 305 sqm of retail accommodation to the ground floor together with a canopy and secure covered and uncovered car parking to the rear.

We note ASB has been in occupation since the building's completion in circa 2008 on a 12 year lease and extended their term for a further 5 years till November 2025. We are aware ASB has a further 5 year right of renewal which if exercised would take its occupation through until November 2030. The lease has a combination of fixed rental growth and market rent reviews. The building provides a 100% Grade A NBS rating.

The property sold in April 2024 for $17,000,000 plus GST. Our analysis reflects an initial yield of 7.26%, an equivalent yield of 6.36% and an IRR of 7.59%. The sale reflects a land and buildings rate of $5,474 per sqm.

264 Mount Eden Road, Mount Eden, Auckland

Sale Price	$10,500,000	**Sale Date**	March 2024
Initial Yield	7.09%	**Equivalent Yield**	6.06%
IRR	7.14%	**WALT**	1.51 years

The property comprises a standalone low rise office building constructed circa 1987 with significant refurbishments undertaken in 2019 and 2020. Improvements provide office accommodation over three levels of approximately 2,138 sqm, and 52 covered car parks.

We note that the property occupies a 2,173 sqm freehold site, with dual zoning (Business – Mixed Use and Residential – Mixed Housing Suburban) under the Auckland Unitary Plan. The property occupies a high profile position with a 70 metre frontage to Mount Eden Road.

As at the date of sale, the property was occupied by Cubic Defence and Apex Insurance returning a combined total net income of $743,958 per annum plus GST. We have analysed on the basis both leases expire in October 2025 and July 2028 respectively, however note both tenants have a further right of renewal of three years each.

The property sold in March 2024 for $10,500,000 plus GST. Our analysis reflects an initial yield of 7.09%, an equivalent yield of 6.06% and an IRR of 7.14%. The sale reflects a land and buildings rate of $4,911 per sqm.

25 College Hill, Freemans Bay, Auckland

Sale Price	$19,000,000	**Sale Date**	March 2024
Initial Yield	8.67%	**Equivalent Yield**	6.72%
IRR	7.86%	**WALT**	2.14 years

The property comprises a modern commercial building constructed circa 1990s, with substantial refurbishments undertaken since this date. Improvements provide office accommodation over two levels of approximately 2,959 sqm, along with retail of 101 sqm and storage of 61 sqm, together with 122 onsite car parks provided over three levels.

We note that the property occupies a 2,576 sqm freehold site, zoned mixed use under the Auckland Unitary Plan and is situated on a prominent corner position with frontages to College Hill, Gudgeon Street and Hargreaves Street.

As at the date of sale, the property was 98% occupied by net lettable area with the ground floor retail unit currently vacant, producing a net income of $1,647,913 per annum. The main tenants comprise Whakarongorau, Spark and GS1, along with various car parking licenses, with a weighted average lease expiry of 2.14 years by income.

The property sold in March 2024 for $19,000,000 plus GST. Our analysis reflects an initial yield of 8.67%, an equivalent yield of 6.72% and an IRR of 7.86%. The sale reflects a land and buildings rate of $6,210 per sqm and an underlying rate of $6,500 per sqm.

The property was sold via an off market campaign, and we note we have been advised of seismic upgrade costs, which we have allowed for within our sales analysis.

302 Great South Road

308 Great South Road

302 & 308 Great South Road, Ellerslie

Sale Price	$19,900,000	**Sale Date**	November 2023
Initial Yield	6.49%	**Equivalent Yield**	5.97%
IRR	8.10%	**WALT**	2.01 years

The property comprises two three level commercial buildings situated along Great South Road. The buildings were originally constructed circa 1982, with refurbishments undertaken since this date. Improvements provide office accommodation of approximately 1,901 sqm to 302 Great South Road and 1,568 sqm to 308 Great South Road with total car parking for 116 cars.

We note that the properties occupy a combined site area of 5,240 sqm, zoned Towne Centre under the Auckland Unitary Plan and provides future redevelopment potential. We understand that the properties were purchased along with the adjoining 300 Great South Road by Foodstuffs for construction of a supermarket.

At the date of sale, the property was fully occupied by floor area with tenants including McDonalds, Hanes NZ and Te Whatu Ora, with a remaining WALT of 2.01 years. There are currently 17 vacant car parks.

The property sold in November 2023 for $19,900,000 plus GST. Our analysis reflects an initial yield of 6.49%, an equivalent yield of 5.97% and an IRR of 8.10%. The sale reflects a land and buildings rate of $5,737 per sqm and an underlying rate of $3,798 per sqm.

114 Dominion Road, Mt Eden

Sale Price	$18,500,000	**Sale Date**	November 2023
Initial Yield	6.69%	**Equivalent Yield**	6.73%
IRR	6.47%	**WALT**	3.69 years

The property comprises a three level commercial building situated on the corner of Dominion Road and View Road, Mt Eden. The building was originally constructed circa 1987, with refurbishments undertaken since this date. Improvements provide approximately 2,407 sqm of office accommodation with associated decks, along with 713 sqm of retail accommodation to the ground floor and a basement level providing 296 sqm of workshop space, storage and a loading dock. A two level parking structure provides for 99 car parks.

We note that the property occupies a 3,700 sqm, 'L' shaped site, zoned mixed use under the Auckland Unitary Plan and provides future redevelopment potential.

At the date of sale, the property was fully occupied by floor area with tenants including Finance Now, Connect Group NZ and Bank of Baroda, with a remaining WALT of 3.69 years. There are currently five vacant car parks.

The property sold in November 2023 for $18,500,000 plus GST. Our analysis reflects an initial yield of 6.69%, an equivalent yield of 6.73% and an IRR of 6.47%. The sale reflects a land and buildings rate of $5,416 per sqm and an underlying rate of $5,000 per sqm.

The Kiwi Bacon Building – 317 New North Road, Kingsland

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

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

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

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

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

The sales are summarised below:

Property Address	Sale Date	Sale Price	$ / sqm	Initial Yield	Equivalent Yield	IRR	WALT
35 Teed Street, Newmarket, Auckland	Jun-24	$19.60 m	$7,116	7.44%	6.92%	7.80%	5.01 years
272 Parnell Road, Parnell, Auckland	Apr-24	$12.00 m	$4,531	5.63%	7.83%	8.30%	1.35 years
17 Ronwood Avenue, Manukau, Auckland	Apr-24	$17.00 m	$5,474	7.26%	6.36%	7.59%	1.58 years
264 Mount Eden Road, Mount Eden, Auckland	Mar-24	$10.50 m	$4,911	7.09%	6.06%	7.14%	1.51 years
25 College Hill, Freemans Bay, Auckland	Mar-24	$19.00 m	$6,210	8.67%	6.72%	7.86%	2.14 years
302 & 308 Great South Road, Ellerslie	Nov-23	$19.90 m	$5,737	6.49%	5.97%	8.10%	2.01 years
114 Dominion Road, Mt Eden	Nov-23	$18.50 m	$5,416	6.69%	6.73%	6.47%	3.96 years
The Kiwi Bacon Building, 317 New North Road, Kingsland	Sep-23	$33.00 m	$7,357	6.57%	6.35%	7.18%	2.43 years

6.2 Yield summary

The subject presents to an average standard commensurate with existing use and age.

The above sales reflect a range of initial yields between 5.63% and 8.67% and equivalent yields of between 5.97% and 7.83%. From the above, we have had particular regard to the recent sales of 35 Teed Street, 17 Ronwood Avenue Road, 264 Mount Eden Road and 302 & 308 Great South Road.

35 Teed Street sold recently for $19,600,000 plus GST with our analysis reflecting an initial yield of 7.44% and an equivalent yield of 6.92%. The property provides a four level commercial office building with ground floor retail and a combination of covered and uncovered car parking. Situated on a high profile site with three frontages. Fully let with Heartland Bank occupying approximately 70% of the space and with a WALT of 5.01 years. Situated in a superior location to the subject and overall offering a superior standard of accommodation and longer WALT.

17 Ronwood Avenue sold in April 2024 for $17,000,000 plus GST with our analysis reflecting an initial yield of 7.26% and an equivalent yield of 6.36%. The property provides a three level commercial building providing predominately office accommodation with some retail to the ground floor and a combination of covered and uncovered car parking to the rear. Situated on a 4,070 square metre site zoned Metropolitan Centre. Fully let to ASB with a term expiring November 2025 therefore as a the sale date the lease had 1.58 years remaining. A more modern office building than the subject providing a marginally superior standard of accommodation and with a similar WALT. Although a strong tenant covenant, the upcoming expiry presents a degree of risk given they occupy the building in its entirety.

264 Mount Eden Road sold in March 2024 for $10,500,000 plus GST with our analysis reflecting an initial yield of 7.09% and an equivalent yield of 6.06%. The property provides low rise office accommodation and a combination of covered and undercover car parking. Originally constructed in 1987 the building underwent substantial refurbishment in 2019 and 2020. Fully occupied by two tenants on sale with a relatively short WALT of 1.51 years. We note both tenants have rights of renewal. The property is situated on a 2,173 square metre high profile corner site with wide frontage and dual with dual zoning (Business – Mixed Use and Residential – Mixed Housing Suburban). An inferior building than the subject. The sale price is underpinned by the dual zoning of the site enhancing its future development potential in a popular city fringe location.

302 & 308 Great South Road sold in November 2023 for $19,900,000 plus GST with our analysis reflecting an initial yield of 6.49% and an equivalent yield of 5.97%. The properties provide two generic three level southern corridor office buildings. We understand that the properties were purchased together, along with the adjoining 300 Great South Road. The sale reflects a rate of $3,798 per sqm over the underlying land area. The subject property provides a very similar offering in terms of quality of improvements in a similar location however has high levels of vacancy and a shorter WALT.

In summary, when assessing key valuation inputs we have considered available transactional evidence and current market sentiment and how those inputs may be influenced by movements in interest rates and other macro factors. These considerations have been made alongside allowances for key property specific factors as summarised below and expanded upon in our SWOT analysis.

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

Valuation input	
Capitalisation rate	7.500%
Discount rate	7.500%

6.3 Subject sale history

The subject property has not transacted in the last 3 years.

7 Valuation rationale 'As if Complete'

7.1 Valuation overview

In arriving at our opinion of market value we have had primary consideration to the Income Approach. The Income Approach is based on passing contract or market rental (together with any other income), which is either currently being received, or could potentially be generated by a prudent owner; that is in turn converted to value by applying a capitalisation rate or discount rate to the total annual rental / income sum(s).

We have utilised the Income Capitalisation and Discounted Cashflow (DCF) Methods within this approach, along with a cross check via the Comparable Transactions Method.

7.2 Income capitalisation method

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

We have adopted a core capitalisation rate of 7.500%, with our calculations summarised below:

Income capitalisation method			
Rental income		**Contract income**	**Market income**
Lettable area rental		$1,318,180	$2,105,576
Car parking rental		$502,089	$702,000
Ideal Outgoings Recovery (Full Net Leases)		$448,784	$762,873
Total rental income		**$2,269,053**	**$3,570,449**
Less outgoings expenditure		($762,873)	($762,873)
Net rental income		$1,506,179	$2,807,576
Core Income Capitalised at 7.50%		**$20,082,391**	**$37,434,344**
Value adjustments			
Present value of existing rental reversions		$17,498,097	$123,680
Present value of all outstanding incentives		($160,037)	($160,037)
Vacancies - letting up allowances:			
Present value of downtime	*($705,260)*		
Present value of incentives	*($563,449)*		
Present value of leasing fees	*($220,592)*	($1,489,301)	($1,489,301)
Expiries within the next 24 months - Letting Up Allowances:			
Present value of downtime	*($758,114)*		
Present value of incentives	*($710,611)*		
Present value of leasing fees	*($246,266)*	($1,714,991)	($1,714,991)
Present Value of Short Term Capital Expenditure: 24 months		($1,090,650)	($1,090,650)
Total value adjustments		**$13,043,117**	**($4,331,299)**
Total capitalised value		$33,125,508	$33,103,045
Adopted capitalised value (say)		**$33,100,000**	**$33,100,000**

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

Our adopted adjustments are detailed as follows:

Rental reversions

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

Letting up allowances

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

Unexpired and forecast incentives

We have deducted the present value of all outstanding / unexpired incentives of ($160,037). Further, we have deducted the present value of all forecast incentives that will arise over the next 24 months of ($710,611). The total of both current outstanding incentives and forecast tenant incentives is ($870,648).

Capital deductions

We have allowed for the present value of CAPEX allowances over the next 24 months from the valuation date, which total $1,090,650.

Calculation summary

Having made these adjustments to the core value, we derive a total value of $33,100,000. A sensitivity analysis based on adjustments to our adopted Core Capitalisation rate is as displayed below:

Sensitivity analysis		Contract approach	Market approach
(0.25%)	7.250%	$34,400,000	$34,400,000
Adopted capitalisation rate	**7.500%**	**$33,100,000**	**$33,100,000**
0.25%	7.750%	$31,900,000	$31,900,000

7.3 Discounted cash flow method

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

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

Discount rate

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

We have applied a target discount rate of 7.500% to the cash flows to produce a present value of $35,900,000. Our DCF calculations are summarised overleaf:

Discounted cashflow summary	Year ending	30-Jul-2025	30-Jul-2026	30-Jul-2027	30-Jul-2028	30-Jul-2029	30-Jul-2030	30-Jul-2031	30-Jul-2032	30-Jul-2033	30-Jul-2034	30-Jul-2035
		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		$1,885,307	$1,831,753	$2,833,176	$3,031,475	$3,118,461	$3,195,587	$2,103,114	$2,240,377	$2,583,968	$3,543,031	$0
Outgoings recovery		$448,784	$500,026	$771,358	$838,312	$863,462	$889,365	$580,564	$592,229	$717,750	$1,000,989	$0
Other income		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Gross rental income		**$2,334,091**	**$2,331,779**	**$3,604,534**	**$3,869,787**	**$3,981,922**	**$4,084,952**	**$2,683,679**	**$2,832,606**	**$3,301,718**	**$4,544,020**	**$0**
Rental deductions												
Unexpired incentives - rent free/abatements		($162,395)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Outgoings expenditure		($762,873)	($788,811)	($813,895)	($838,312)	($863,462)	($889,365)	($916,046)	($943,528)	($971,834)	($1,000,989)	$0
Ground Rental												
Net rental cashflow		**$1,408,822**	**$1,542,968**	**$2,790,639**	**$3,031,475**	**$3,118,461**	**$3,195,587**	**$1,767,632**	**$1,889,078**	**$2,329,885**	**$3,543,031**	**$0**
Rental adjustments												
Unexpired incentives - capital contribution		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Letting up allowances - leasing fees		($241,290)	($253,459)	$0	$0	$0	$0	($115,655)	($288,049)	($299,704)	$0	$0
Capital expenditure		($43,091)	($1,139,030)	($45,795)	($47,169)	($48,584)	($50,042)	($572,034)	($1,326,369)	($1,387,333)	($56,323)	$0
Net cashflow		**$1,124,441**	**$150,479**	**$2,744,843**	**$2,984,305**	**$3,069,877**	**$3,145,545**	**$1,079,943**	**$274,660**	**$642,847**	**$3,486,709**	**$0**
Purchase price $34,500,000	After Costs	($34,500,000)										
Sale Price $47,600,000	After Costs											$47,028,800
Annual Cashflow		**($33,375,559)**	**$150,479**	**$2,744,843**	**$2,984,305**	**$3,069,877**	**$3,145,545**	**$1,079,943**	**$274,660**	**$642,847**	**$3,486,709**	**$47,028,800**
Present Value of Rental Cashflow	$13,097,671											
Present Value of Terminal Value	**$22,818,088**											
Allowance for Acquisition Costs	$0											
Total Net Present Value (say)		**$35,900,000**	**Resulting IRR**	**8.04%**								

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

Revenue projections

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

Growth rates

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

Growth	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Office							10 year average		2.57%	
	2.75%	2.75%	2.75%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Car parking							10 year average		2.57%	
	2.75%	2.75%	2.75%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
CPI							10 year average		2.06%	
	2.40%	2.18%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Capex							10 year average		3.06%	
	3.40%	3.18%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Outgoings							10 year average		3.06%	
	3.40%	3.18%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

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

Letting up allowances

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

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

Capital expenditure

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

Cash Flow Year	Tenancy Capex	Building Capex	Total Capex
Year 1	$0	$43,091	$43,091
Year 2	$1,094,568	$44,462	$1,139,030
Year 3	$0	$45,795	$45,795
Year 4	$0	$47,169	$47,169
Year 5	$0	$48,584	$48,584
Year 6	$0	$50,042	$50,042
Year 7	$1,793,771	$51,543	$1,845,314
Year 8	$1,332,651	$53,090	$1,385,740
Year 9	$0	$54,682	$54,682
Year 10	$0	$56,323	$56,323
10 Year Total	**$4,220,990**	**$494,782**	**$4,715,771**
Capex as a proportion of Value	**13.7%**	**Per Sqm of Lettable Area**	**$565.79**

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 7.625% (a 12.5 basis point premium to the going in capitalisation rate) to the market net income at the start of Year 11 in order to calculate the estimated terminal sale price. This value also includes reversions to the forecast market rent as at the end of Year 10, deferred until the next review date.

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

Transaction costs

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

Transaction Costs	
Acquisition Costs	Nil
Disposal Costs	1.20% of the forecast Terminal Value

Sensitivity analysis

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

Discount Rate	Terminal Yield		
	7.375%	7.625%	7.875%
7.25%	$37,400,000	$36,600,000	$35,800,000
7.50%	$36,700,000	**$35,900,000**	$35,200,000
7.75%	$36,000,000	$35,200,000	$34,500,000

8 Valuation

8.1 Valuation reconciliation ‘ As if Complete’

The results of our valuation methods are:

Methodology	Valuation
Income Capitalisation Method - Market Income	$33,100,000
Income Capitalisation Method - Contract Income	$33,100,000
Discounted Cash Flow Method	$35,900,000
Adopted Value	**$34,500,000**

8.2 Valuation conclusion

Having regard to the results from the valuation methods described above, together with available market evidence, the comments made within this report, and present market sentiment, we have adopted a rounded valuation figure ‘As if Complete’ of $34,500,000 plus GST (if any).

Our valuation is subject to the comments, qualifications and financial data contained within our report. On that basis, and assuming the Property is free of encumbrances, restrictions or other impediments of an onerous nature that would affect value, in our opinion its market value as at 31 July 2024, is:

As If Complete:

$34,500,000 plus GST (if any)

Thirty Four Million Five Hundred Thousand Dollars plus GST (if any)

The assessed value reflects an initial passing yield of 3.90%, an equivalent yield of 7.23%, an internal rate of return of 8.04%, and a rate of $4,139 per square metre of Lettable Area.

As Is:

$31,600,000 plus GST, if any

Thirty One Million Six Hundred Thousand Dollars plus GST, if any

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

- 650 Great South Road Limited – for 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.

8.3 Likely selling period

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

8.4 Most probable purchaser

In consideration of the current market, we anticipate the most probable purchaser of the Property to be an institutional investor, overseas investor, or syndicator.

8.5 Involvement statement

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

Inspection of Property	Ben Johnson
Calculations	Ben Johnson ,Claire Gulliver, Risheeka Chhiba
Information Review	Ben Johnson, Claire Gulliver, Risheeka Chhiba
Report Authoring	Ben Johnson, Claire Gulliver, Risheeka Chhiba
Quality Assurance	Brad Chemaly
Principal Valuer	Ben Johnson

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

Yours faithfully,
Jones Lang LaSalle, Value and Risk Advisory

Ben Johnson BProp, ANZIV, SPINZ
Registered Valuer - Senior Director
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ben.johnson@jll.com

Claire Gulliver BBS(VPM), ANZIV, SPINZ, MRICS
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N:\NZVAL\VALUATIONS\Auckland City\Great South Road 650, Ellerslie\2024\2.July\Reports & Workings\Great South Rd 650 - MV Calcs - July 24 - 'As If Complete'.xlsm

Appendix 1 – Valuation definitions

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

Appendix 2 – Record/s of title

RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD

Search Copy

R.W. Muir
Registrar-General
of Land

Identifier **NA108C/559**
Land Registration District **North Auckland**
Date Issued 04 March 1997

Prior References
NA103B/136

Estate Fee Simple
Area 6573 square metres more or less
Legal Description Lot 2 Deposited Plan 176485
Registered Owners
650 Great South Road Limited

Interests

Appurtenant hereto is a party wall right created by Transfer B706744.1

Appurtenant hereto are rights to drain sewage and drain water specified in Easement Certificate C189342.2

The easements specified in Easement Certificate C189342.2 are subject to Section 309 (1) (a) Local Government Act 1974

Appurtenant hereto are rights of way created by Transfer C189342.6

Subject to a right of way over parts marked D and E on DP 176485 created by Transfer C189342.6

Subject to a right of way over part marked C on DP 176485 specified in Easement Certificate D114586.4 - 4.3.1997 at 2.26 pm

Appurtenant hereto are rights of way and telecommunications, water, gas, drainage and power rights specified in Easement Certificate D114586.4 - 4.3.1997 at 2.26 pm

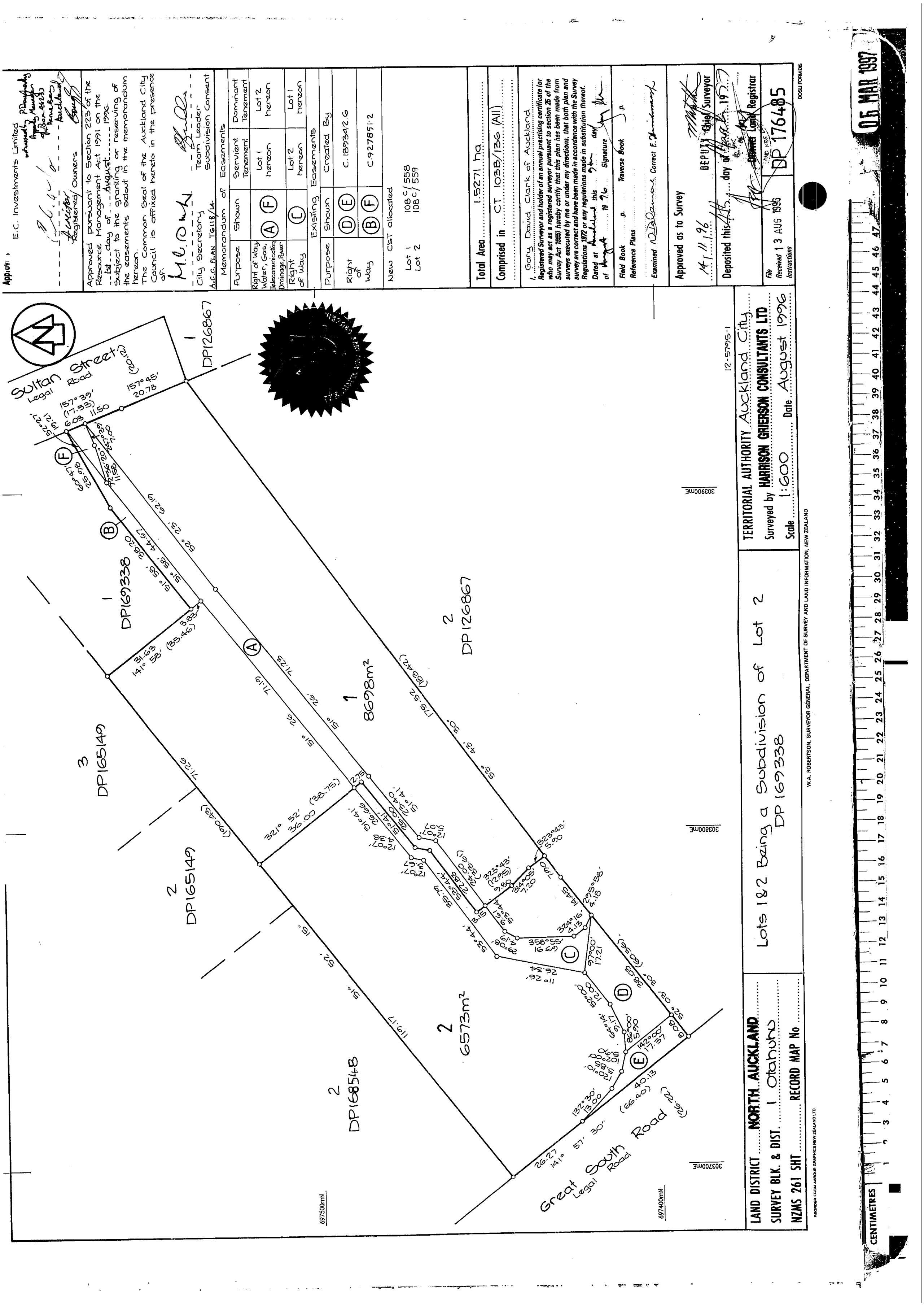
The easements specified in Easement Certificate D114586.4 are subject to Section 243 (a) Resource Management Act 1991

Subject to a right of way over parts marked D, E & Z on Plan 179947 specified in Easement Certificate D114586.5 - 4.3.1997 at 2.26 pm

Subject to a right (in gross) to convey electricity over parts marked A, B and C on DP 459138 in favour of Vector Limited created by Easement Instrument 9282515.1 - 5.2.2013 at 9:05 am

Subject to a right (in gross) to convey telecommunications and computer media over part marked A on DP 469291 in favour of Genesis Energy Limited created by Easement Instrument 9632653.1 - 10.6.2015 at 5:07 pm

10460357.3 Mortgage to ASB Bank Limited - 15.6.2016 at 4:22 pm


DP 176485
Lots 1 & 2 Being a Subdivision of Lot 2 DP 169338
TERRITORIAL AUTHORITY Auckland City
Surveyed by HARRISON GRIERSON CONSULTANTS LTD
Scale 1:600
Date August 1996
LAND DISTRICT NORTH AUCKLAND
SURVEY BLK. & DIST. I Otahuhu
NZMS 261 SHT
RECORD MAP No
Total Area 1.5271 ha
Comprised in CT 103B/136 (All)
New CsT allocated
Lot 1 108C/558
Lot 2 108C/559
Sultan Street
Legal Road
Great South Road
Legal Road
8698m²
6573m²
DP126867
DP169338
DP165149
DP16854B
05 MAR 1997
CENTIMETRES

Appendix 3 – Valuation Calculations ‘As Is’

Executive summary

Property	Commercial Building - 650 Great South Road, Ellerslie, Auckland
Land Area	6,573 square metres
Lettable Area	8,335 square metres
Car Parking	295 spaces - 1 car park per 28.25 sqm
Prepared For	650 Great South Road Limited
Purpose	Product Disclosure Statement
Date of Valuation	31 July 2024
Valuation Methods	Capitalisation of Net Income and Discounted Cashflow
Valuation	**$31,600,000 plus GST (if any)**

Valuation Analysis

Initial Yield (Net Passing)	3.02%
Initial Yield (Fully Leased)	9.17%
Equivalent Yield	7.26%
Internal Rate of Return (Ten Year)	8.16%
Weighted Average Lease Term - Income	0.50 years
Weighted Average Lease Term - Area	0.47 years
Occupancy As Valued	46.66%
Capital Value per square metre of NLA	$3,791 /sqm
Under/Over Renting Proportion	Under rented: (66%)

This information in this summary is derived from and should be read in conjunction with the full text of the accompanying report.

Income Capitalisation Method

Value Based on Market Capitalisation	$30,400,000
Value Based on Contract Capitalisation	$30,400,000
Capitalisation Rate	7.50%

Discounted Cashflow Method

Value Based on DCF Method	$32,700,000
Discount Rate	7.75%
Terminal Capitalisation Rate	7.63%
Nominal Assumed Rental Growth	2.57% pa
Nominal Assumed CPI	2.06% pa

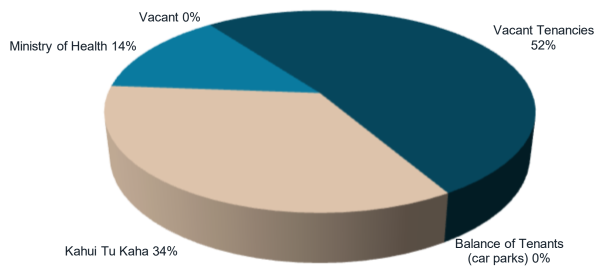
Contract and Market Rental Income Summary

	Contract	Market
Rental Income	$1,399,033	$2,807,576
Other Income		
Recoverable Outgoings	$319,160	$762,873
Gross Income	$1,718,193	$3,570,449
Total Outgoings	($762,873)	($762,873)
Less Year 1 Incentives		
Net Income	**$955,319**	**$2,807,576**

DCF Sensitivity Analysis

Discount Rate	Terminal Yield		
	7.38%	7.63%	7.88%
7.50%	$34,100,000	$33,300,000	$32,600,000
7.75%	$33,400,000	**$32,700,000**	$31,900,000
8.00%	$32,700,000	$32,000,000	$31,300,000

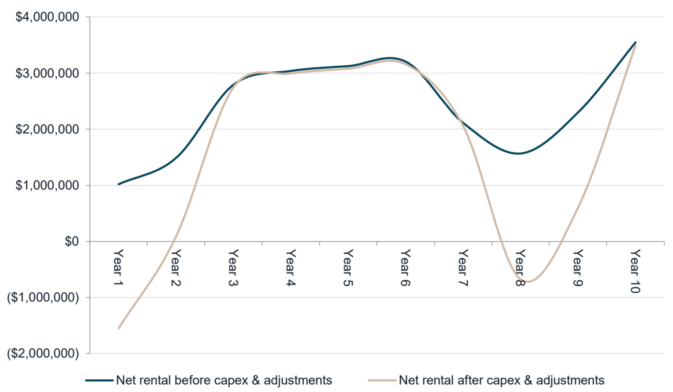
Major Tenant Occupancy Profile by Rental Income



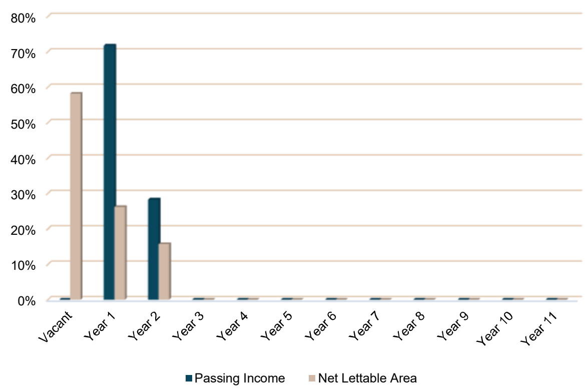
Capex and Letting Up Assumptions

	Year 1	Year 2	Year 3
Capex	$2,241,412	$1,139,030	$45,795
Letting Up	$2,251,489	$1,890,163	$0
Unexpired Incentives	$0	$0	$0

Projected Net Rental Cash Flow



Lease Expiry Profile



		Contract Income	Market Income
Rental Income			
Lettable area rental		$957,363	$2,105,576
Car Parking Rental		$441,669	$702,000
Ideal Outgoings Recovery (Full Net Leases)		$319,160	$762,873
Total Rental Income		**$1,718,193**	**$3,570,449**
Less Outgoings Expenditure		($762,873)	($762,873)
Net Rental		**$955,319**	**$2,807,576**
Rental Adjustments			
Less Long Term Vacancy Allowance @ 0.00%		$0	$0
Core Income		**$955,319**	**$2,807,576**
Core Income Capitalised at 7.50%		**$12,737,591**	**$37,434,344**
Value Adjustments			
Present Value of Existing Rental Reversions		$24,824,413	$93,808
Present Value of All Outstanding Incentives		$0	$0
Vacancies - Letting Up Allowances:			
Present Value of Downtime	($970,247)		
Present Value of Incentives	($824,428)		
Present Value of Leasing Fees	($305,368)	($2,100,043)	($2,100,043)
Expiries within the next 24 months - Letting Up Allowances:			
Present Value of Downtime	($787,061)		
Present Value of Incentives	($739,558)		
Present Value of Leasing Fees	($255,669)	($1,782,288)	($1,782,288)
Present Value of Future Lease Agreements and Stepped Rentals		$0	$0
Present Value of Short Term Capital Expenditure: 24 months		($3,264,870)	($3,264,870)
Value of Other Income		$0	$0
Total Value Adjustments		**$17,677,211**	**($7,053,393)**
Total Capitalised Value		$30,414,803	$30,380,951
Adopted Capitalised Value		$30,400,000	$30,400,000
Adopted Value			**$31,600,000**

Analysis

Weighted Lease Duration	
By Income	0.50 years
By Area	0.47 years
Current Vacancies	
By Area	4,848 sqm
Proportion of NLA	58.16%
By Market Income	$1,497,459
Proportion of Market Income	53.34%

Performance Indicators on Adopted Value	
Initial Yield (Net Passing)	3.02%
Initial Yield (Fully Leased)	9.17%
Equivalent Market Yield	7.26%
Rate per sqm of Lettable Area	$3,791 /sqm
Net Income	
Net Passing Income	$955,319
Net Passing Income (Fully Leased)	$2,896,491

Discounted Cashflow Method

Commercial Building - 650 Great South Road, Ellerslie, Auckland

31 July 2024

Discounted cashflow results	
PV of rental income	$10,358,620
PV of terminal value	$22,294,160
Acquisition costs	$0
Total net present value	**$32,652,780**
Adopted net present value	$32,700,000
Adopted value	**$31,600,000**
Adopted discount rate	7.75%
Internal rate of return	8.16%

Sensitivity analysis*	**Terminal yield**		
Discount rate	7.375%	7.625%	7.875%
7.500%	$34,100,000	$33,300,000	$32,600,000
7.750%	$33,400,000	**$32,700,000**	$31,900,000
8.000%	$32,700,000	$32,000,000	$31,300,000

* Rounded Values

Key property statistics	Valuation date	Terminal period
Weighted average lease term - income	0.50 years	3.49 years
Weighted average lease term - area	0.47 years	3.47 years
Occupancy	46.66%	100.00%
Initial yield (net passing)	3.02%	7.60%
Initial yield (fully leased)	9.17%	7.60%
Capex assumptions		
Total allowance over DCF period	$6,919,079	$830.14 /sqm
Proportion of adopted value	21.90%	

Year ending	**30-Jul-2025 Year 1**	**30-Jul-2026 Year 2**	**30-Jul-2027 Year 3**	**30-Jul-2028 Year 4**	**30-Jul-2029 Year 5**	**30-Jul-2030 Year 6**	**30-Jul-2031 Year 7**	**30-Jul-2032 Year 8**	**30-Jul-2033 Year 9**	**30-Jul-2034 Year 10**	**30-Jul-2035 Year 11**
Rental income											
Lettable area and car park income	$1,464,070	$1,773,039	$2,835,929	$3,036,479	$3,126,062	$3,205,115	$2,382,090	$1,990,815	$2,550,761	$3,542,985	$0
Outgoings recovery	$319,160	$500,026	$771,358	$838,312	$863,462	$889,365	$649,644	$521,077	$717,750	$1,000,989	$0
Other income	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Gross rental income	$1,783,231	$2,273,065	$3,607,287	$3,874,791	$3,989,523	$4,094,480	$3,031,735	$2,511,892	$3,268,511	$4,543,974	$0
Rental deductions											
Unexpired incentives - rent free/abatements	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Outgoings expenditure	($762,873)	($788,811)	($813,895)	($838,312)	($863,462)	($889,365)	($916,046)	($943,528)	($971,834)	($1,000,989)	$0
Net rental cashflow	$1,020,357	$1,484,254	$2,793,391	$3,036,479	$3,126,062	$3,205,115	$2,115,688	$1,568,364	$2,296,678	$3,542,985	$0
Rental adjustments											
Unexpired incentives - capital contribution	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Letting up allowances - leasing fees	($329,188)	($263,567)	$0	$0	$0	$0	$0	($393,090)	($311,624)	$0	$0
Capital expenditure	($2,241,412)	($1,139,030)	($45,795)	($47,169)	($48,584)	($50,042)	($51,543)	($1,851,847)	($1,387,333)	($56,323)	$0
Net cashflow	**($1,550,243)**	**$81,657**	**$2,747,596**	**$2,989,310**	**$3,077,477**	**$3,155,073**	**$2,064,145**	**($676,573)**	**$597,721**	**$3,486,663**	**$0**
Purchase price	$31,600,000										
Acquisition costs @ 0.00%	$0										
Gross purchase price	$31,600,000										
Net sale price after costs @ 1.20%											$47,028,800
Annual Cashflow	**($33,150,243)**	**$81,657**	**$2,747,596**	**$2,989,310**	**$3,077,477**	**$3,155,073**	**$2,064,145**	**($676,573)**	**$597,721**	**$3,486,663**	**$47,028,800**
Running yield (pre acquisition costs)	2.99%	4.17%	7.84%	8.51%	8.75%	8.96%	5.91%	4.12%	5.78%	8.90%	-
Running yield (post acquisition costs)	2.99%	4.17%	7.84%	8.51%	8.75%	8.96%	5.91%	4.12%	5.78%	8.90%	-
Running IRR	5.64%	8.20%	8.97%	9.30%	7.50%	6.66%	7.23%	7.68%	7.96%	8.16%	-

Letting Up Allowances	**Year ending**	**30-Jul-2025**	**30-Jul-2026**	**30-Jul-2027**	**30-Jul-2028**	**30-Jul-2029**	**30-Jul-2030**	**30-Jul-2031**	**30-Jul-2032**	**30-Jul-2033**	**30-Jul-2034**	**30-Jul-2035**
Speculative Leases		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Downtime (gross rent)		($1,049,411)	($818,473)	$0	$0	$0	$0	($1,199,366)	($802,416)	($219,136)	$0	$0
Incentives (as rent free)		($867,715)	($638,453)	($174,845)	$0	$0	$0	$0	($1,037,884)	($961,367)	$0	$0

Growth and cost assumptions

	Current vacancies	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**	**Average/Range**
Office	**Assumed lease term**	6.0 years	**Review frequency**	1 yearly								
Rental growth rate (net)		2.75%	2.75%	2.75%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	**2.57%**
Letting up assumption	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months	**6 months**
Letting up probability	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	**100%**
Applied incentive (Gross)	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	**8.3%**
Incentive months equivalent	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months	**6 months**
Capex allowance	$1,454,355	$0	$1,094,568	$0	$0	$0	$0	$1,798,757	$1,332,651	$0	$0	**$682 /sqm**
Car Parks	**Assumed lease term**	6.0 years	**Review frequency**	1 yearly								
Rental growth rate (Net)		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.00%**
Letting up assumption	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months	**6 months**
Letting up probability	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	**100%**
Applied incentive (Gross)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.0%**
Incentive months equivalent	0 months	0 months	0 months	0 months	0 months	0 months	0 months	0 months	0 months	0 months	0 months	**0 months**
Capex allowance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Growth Rates		**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**	**Average**
Naming Rights		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.00%**
Car parking		2.75%	2.75%	2.75%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	**2.57%**
CPI		2.40%	2.18%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	**2.06%**
Capex		3.40%	3.18%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	**3.06%**
Outgoings		3.40%	3.18%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	**3.06%**
Ground rental		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.00%**
Other income		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.00%**

Tenancy Schedule
Commercial Building - 650 Great South Road, Ellerslie, Auckland
31 July 2024

Tenant name	Premises	Tenancy Area sqm	Car Parks	Lease Start	Lease Expiry	Next Review	Review Frequency	Review Type	Contract Rental	Premises per sqm	Car Park pcpw	Outgoings Recovery	Net Market per sqm	Gross Market per sqm	Car Park pcpw	Net Market Rental
1. Kahui Tu Kaha	Ground	486.1		1-Aug-19	31-Jul-25	1-Aug-25	1 yearly	Fixed	$142,268	$293		$44,495	$240	$332		$116,674
2. Vacant	Ground	461.4	25									$0	$240	$332	$49.00	$174,441
3. Vacant	Ground	1,022.3										$0	$240	$332		$245,347
4. Vacant	Level 1	537.1										$0	$245	$337		$131,592
5. Vacant	Level 1	600.9										$0	$245	$337		$147,211
6. Vacant	Level 1	954.8										$0	$245	$337		$233,926
7. Kahui Tu Kaha	Level 2	869.6	107	1-Aug-19	31-Jul-25	1-Aug-25	1 yearly	Fixed	$506,141	$293	$45.23	$79,588	$255	$347	$40.23	$445,595
9. Vacant	Level 2	1,271.4										$0	$255	$347		$324,202
10. Kahui Tu Kaha	Level 3	824.5	25	1-Aug-21	31-Jul-25	1-Aug-25	1 yearly	Fixed	$260,147	$244	$45.31	$75,464	$260	$352	$50.00	$279,367
11. Ministry of Health	Level 3	1,306.9	13	15-Dec-13	14-Dec-25	15-Dec-24	3 yearly	Market	$395,264	$275	$53.08	$119,613	$260	$352	$48.08	$372,281
12. Vacant	Naming Rights	1.0										$0	$20,000	$20,000		$20,000
13. Kahui Tu Kaha	Car Parks	0.0	35	1-Aug-21	31-Oct-24		1 yearly	Market	$91,000	$0	$50.00	$0	$0	#DIV/0!	$50.00	$91,000
14. Vacant	Car Parks	0.0	2									$0	$0	#DIV/0!	$50.00	$5,200
15. Casual Parking	Car Parks	0.0	2	31-Mar-23	31-Oct-24		1 yearly	Market	$4,212	$0	$40.50	$0	$0	#DIV/0!	$50.00	$5,200
. Vacant	Car Parks	0.0	86									$0	$0	#DIV/0!	$48.20	$215,540
	GLA	8,336 sqm	295					Passing Rental	$1,399,033		Outgoings Recovery	$319,160			Market Rental	$2,807,576
	NLA	8,335 sqm						Net Passing Rental	$955,319		Vacant Outgoings	$443,713				
											Outgoings Shortfall	$0				
											Total Outgoings	$762,873				

Annualised Receivable Income
Commercial Building - 650 Great South Road, Ellerslie, Auckland
31 July 2024

Tenant Name	Premises	Year 1 30-Jul-2025	Year 2 30-Jul-2026	Year 3 30-Jul-2027	Year 4 30-Jul-2028	Year 5 30-Jul-2029	Year 6 30-Jul-2030	Year 7 30-Jul-2031	Year 8 30-Jul-2032	Year 9 30-Jul-2033	Year 10 30-Jul-2034
Kahui Tu Kaha	Ground	$142,268	$0	$123,263	$125,775	$129,909	$133,195	$136,563	$69,134	$72,675	$147,176
Vacant	Ground	$0	$180,539	$184,310	$189,323	$194,230	$199,142	$100,814	$105,978	$214,618	$220,046
Vacant	Ground	$0	$253,924	$259,227	$266,278	$273,180	$280,089	$141,793	$149,055	$301,856	$309,489
Vacant	Level 1	$0	$136,192	$139,037	$142,818	$146,520	$150,225	$76,051	$79,946	$161,900	$165,995
Vacant	Level 1	$0	$152,357	$155,539	$159,770	$163,911	$168,056	$85,077	$89,434	$181,117	$185,697
Vacant	Level 1	$0	$242,103	$247,160	$253,883	$260,463	$267,050	$135,192	$142,116	$287,804	$295,082
Kahui Tu Kaha	Level 2	$506,141	$0	$470,760	$480,355	$496,145	$508,692	$521,556	$264,034	$277,557	$562,089
Vacant	Level 2	$0	$335,535	$342,543	$351,860	$360,981	$370,109	$187,365	$196,961	$398,873	$408,959
Kahui Tu Kaha	Level 3	$260,147	$0	$295,144	$301,160	$311,060	$318,926	$326,991	$165,537	$174,015	$352,404
Ministry of Health	Level 3	$395,264	$131,755	$264,615	$399,562	$414,500	$424,982	$435,729	$370,727	$77,943	$471,326
Vacant	Naming Rights	$0	$15,524	$21,131	$21,709	$22,268	$22,832	$23,409	$5,889	$12,458	$24,916
Kahui Tu Kaha	Car Parks	$45,974	$92,894	$94,568	$98,769	$101,323	$103,885	$79,439	$82,411	$111,966	$114,797
Vacant	Car Parks	$2,636	$5,345	$5,494	$5,644	$5,790	$5,936	$3,005	$6,240	$6,398	$6,559
Casual Parking	Car Parks	$2,380	$5,308	$5,404	$5,644	$5,790	$5,936	$4,539	$4,709	$6,398	$6,560
Vacant	Car Parks	$109,260	$221,564	$227,734	$233,928	$239,992	$246,061	$124,567	$258,643	$265,184	$271,890
Total Receivable Rental Income		$1,464,070	$1,773,039	$2,835,929	$3,036,479	$3,126,062	$3,205,115	$2,382,090	$1,990,815	$2,550,761	$3,542,985

Market Rental Income - Year Start
Commercial Building - 650 Great South Road, Ellerslie, Auckland
31 July 2024

Tenant Name	Premises	Year 1 31-Jul-2024	Year 2 31-Jul-2025	Year 3 31-Jul-2026	Year 4 31-Jul-2027	Year 5 31-Jul-2028	Year 6 31-Jul-2029	Year 7 31-Jul-2030	Year 8 31-Jul-2031	Year 9 31-Jul-2032	Year 10 31-Jul-2033
Kahui Tu Kaha	Ground	$116,674	$119,923	$123,263	$126,695	$129,899	$133,184	$136,552	$140,006	$143,546	$147,176
Vacant	Ground	$174,441	$179,299	$184,292	$189,425	$194,215	$199,126	$204,162	$209,325	$214,618	$220,046
Vacant	Ground	$245,347	$252,180	$259,203	$266,422	$273,159	$280,067	$287,149	$294,411	$301,856	$309,489
Vacant	Level 1	$131,592	$135,257	$139,023	$142,895	$146,509	$150,214	$154,012	$157,907	$161,900	$165,995
Vacant	Level 1	$147,211	$151,310	$155,524	$159,856	$163,898	$168,043	$172,292	$176,649	$181,117	$185,697
Vacant	Level 1	$233,926	$240,441	$247,137	$254,019	$260,443	$267,029	$273,782	$280,706	$287,804	$295,082
Kahui Tu Kaha	Level 2	$445,595	$458,005	$470,760	$483,870	$496,107	$508,652	$521,515	$534,704	$548,225	$562,089
Vacant	Level 2	$324,202	$333,231	$342,511	$352,050	$360,952	$370,080	$379,439	$389,035	$398,873	$408,959
Kahui Tu Kaha	Level 3	$279,367	$287,148	$295,144	$303,364	$311,036	$318,901	$326,966	$335,234	$343,712	$352,404
Ministry of Health	Level 3	$372,281	$382,649	$393,305	$404,259	$414,482	$424,963	$435,710	$446,728	$458,025	$469,608
Vacant	Naming Rights	$20,000	$20,557	$21,129	$21,718	$22,267	$22,830	$23,408	$24,000	$24,606	$25,229
Kahui Tu Kaha	Car Parks	$91,000	$93,534	$96,139	$98,817	$101,315	$103,878	$106,504	$109,198	$111,959	$114,791
Vacant	Car Parks	$5,200	$5,345	$5,494	$5,647	$5,789	$5,936	$6,086	$6,240	$6,398	$6,559
Casual Parking	Car Parks	$5,200	$5,345	$5,494	$5,647	$5,789	$5,936	$6,086	$6,240	$6,398	$6,559
Vacant	Car Parks	$215,540	$221,543	$227,712	$234,054	$239,973	$246,041	$252,263	$258,643	$265,184	$271,890
Total Market Rental		$2,807,576	$2,885,765	$2,966,131	$3,048,736	$3,125,834	$3,204,881	$3,285,928	$3,369,024	$3,454,221	$3,541,573

Value and Risk Advisory

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