Market Valuation

PMG Direct Childcare Fund Trustees Limited

26 Dynes Road, Rolleston

Prepared by
Bayleys Valuations Limited
22 July 2020

Valuation Summary

Property Address	26 Dynes Road, Rolleston
Client	PMG Direct Childcare Fund Trustees Limited
Additional Parties	
Instructing Party	Daniel Lem
Purpose of Valuation	To assess the current Market Value for capital fund raising purposes.
Basis of Valuation	Market Value
Valuation Approach	Market Income and Depreciated Cost Approaches
Legal Description	Lot 1 Deposited Plan 528208, Identifier 853207, Canterbury Land Registry.
Interest Valued	Freehold
Zoning	Living Z
Date of Valuation	July 2020
Elevated Valuation Uncertainty	Following the outbreak of the Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11 March 2020, this has impacted global financial markets. We bring to your attention the important comments in Section 1.6 – Elevated Level of Valuation Uncertainty due to Novel Coronavirus (COVID-19)

Property Summary

The property comprises a near new childcare facility at 26 Dynes Road, Rolleston. We have sighted the MOE Licence for 130 children (including up to 25 under 2's)

Rolleston is a growing township situated an approximate 30 minute drive south west of central Christchurch. Significant residential growth has occurred over the past decade and including new provision of services including retailing, new primary and secondary schooling, as well as childcare facilities. The immediate location is currently zoned to allow for residential development. The property backs onto the recently developed Rolleston Christian School catering to Years 1 to 8 and which opened in February 2015 accommodating a potential roll of 300.

Market Value

We are of the opinion that the Market Value of the subject property, subject to the qualifications and assumptions contained in the body of this report, is:

$5,415,000
(Five Million Four Hundred and Fifteen Thousand Dollars)
plus GST (if any)

Valuer Involvement

Valuer	Position	Inspection	Calculations	Reporting
Fiona Stewart B.Prop ANZIV, SPINZ	Registered Valuer	Yes	Yes	Yes

Executive Summary

Property Details

Lettable Floor Area (sqm)	629
Total Land Area (sqm)	3080

Financial Analysis

Net Market Income	$338,000
Passing Income	$346,328
Vacancy	Nil

Valuation Approaches

Income Capitalisation Approach	$5,411,000
Direct Sales Comparison Method	$5,410,000
Depreciated Replacement Cost Approach	$2,084,000
Adopted Value	**$5,415,000**

Valuation Analysis

Market Capitalisation Rate	6.25%
Initial Yield	6.40%
Equivalent Yield	6.24%
Net Rate ($ per sqm)	$8,609
WALT (Income)	13.37
WALT (Area)	13.37

Contents

1. Introduction

1.1 Instructions

In accordance with instructions received from Daniel Lem on behalf of **PMG Direct Childcare Fund Trustees Limited**, we have assessed the Market Value of the property at **26 Dynes Road, Rolleston** for mortgage security purposes.

We confirm that this report and our valuation can be relied upon for finance purposes.

PINZ Professional Practice guidelines and International Valuation Standards require the property be valued as at date of inspection, which we confirm as July 2020.

The outbreak of Coronavirus (COVID-19), which was declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has already led to significant implications on New Zealand and global economies. We bring to your attention the important comments in **Section 1.6 – Elevated Level of Valuation Uncertainty due to Novel Coronavirus (COVID-19)**.

1.2 Basis of Valuation

This valuation has been completed under the International Valuation Standards - IVS (effective 31 January 2020), and the relevant Australia and New Zealand Valuation and Property Standards as approved by the New Zealand Institute of Valuers (NZIV), in particular:

- IVS Framework
- IVS 101 Scope of Work
- IVS 102 Investigations and Compliance
- IVS 103 Reporting
- IVS 104 Bases of Value
- IVS 105 Valuation Approaches and Methods
- IVS 400 Real Property Interests.
- ANZVTIP 11 Valuation Procedures – Real Property

The market value of the property is defined by the International Valuation Standards Committee as follows:

"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."

In adopting this definition of value, we are of the opinion that it is consistent with the international definition of market value as advocated by the New Zealand Institute of Valuers and Property Institute of New Zealand

The property's value has been assessed in accordance with Australia and New Zealand Valuation and Property Standards, and with Bayleys Valuations Limited General Valuation Principles.

1.3 Liability and Confidentiality

The valuation has been prepared for your private and confidential use and for the specific purpose detailed in the valuation. It should not be reproduced in whole or in part, or relied on by any other party for any use whatsoever without first obtaining our prior written consent. We do not assume any responsibility to any other person other than you for any reason whatsoever, including breach of contract, negligence (including negligent misstatement) or wilful act or default by ourselves or by others by reason of or arising out of the provision of the valuation. Any person, other than you, who uses or relies on the valuation does so at their own risk.

This report can be relied upon by the following parties for their respective purposes:

- PMG Direct Childcare Fund Trustees Limited

We reserve the right to review the valuation and revise our opinion after the release of this valuation, if any previously withheld information becomes known to us or erroneous information has been provided and relied upon.

1.4 Information Sources

We have been provided with or obtained information from the following sources:

Information	Source
Computer Register	Land Information New Zealand
District Planning Controls	Local Territorial Authority
Lease Documents	Client

1.5 Compliance Statement

This valuation has been performed in accordance with International Valuation Standards, effective 31 January 2020 and the relevant Australia and New Zealand Valuation Property Standards as approved by the New Zealand Institute of Valuers (NZIV) Council, and we confirm that:

- The statements of fact presented in the report are correct to the best of the Valuer's knowledge;
- The analyses and conclusions are limited only by the reported assumptions and conditions;
- The valuer has no interest in the subject property;
- The valuer's fee is not contingent upon any aspect of the report;
- The valuation was performed in accordance with an ethical code and performance standards;
- The valuer has satisfied professional education requirements;
- The valuer has experience in the location and category of the property being valued;
- The valuer has made a personal inspection of the property; and
- No one, except those specified in the report, has provided professional assistance in preparing the report.

1.6 Elevated Level of Valuation Uncertainty due to Novel Coronavirus (COVID – 19)

The outbreak of the Novel Coronavirus (COVID-19) was declared as a 'Global Pandemic' by the World Health Organisation on 11 March 2020. Travel restrictions and recommendations have been implemented by many countries, including New Zealand. The real estate market that the subject property is transacted in is being impacted by the uncertainty that the COVID-19 outbreak has caused. As at the date of valuation we consider that there is a significant market uncertainty. This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer could not reasonably have been aware of as at the date of valuation). We do not accept responsibility or liability for any losses arising from such subsequent changes in value. Given the valuation uncertainty noted, we recommend that the user(s) of this report review this valuation periodically.

1.7 Previous Sale

We are not aware of any sale of this property in the last three years.

1.8 Previous Valuation

We have previously valued this property as it was then proposed, at 22 June 2017 at **$5,250,000** plus GST (if any) and revalued the property at 21 May 2019 at **$5,300,000** plus GST (if any), and revalued again as at 31 March 2020 at **$5,415,000** plus GST (if any).

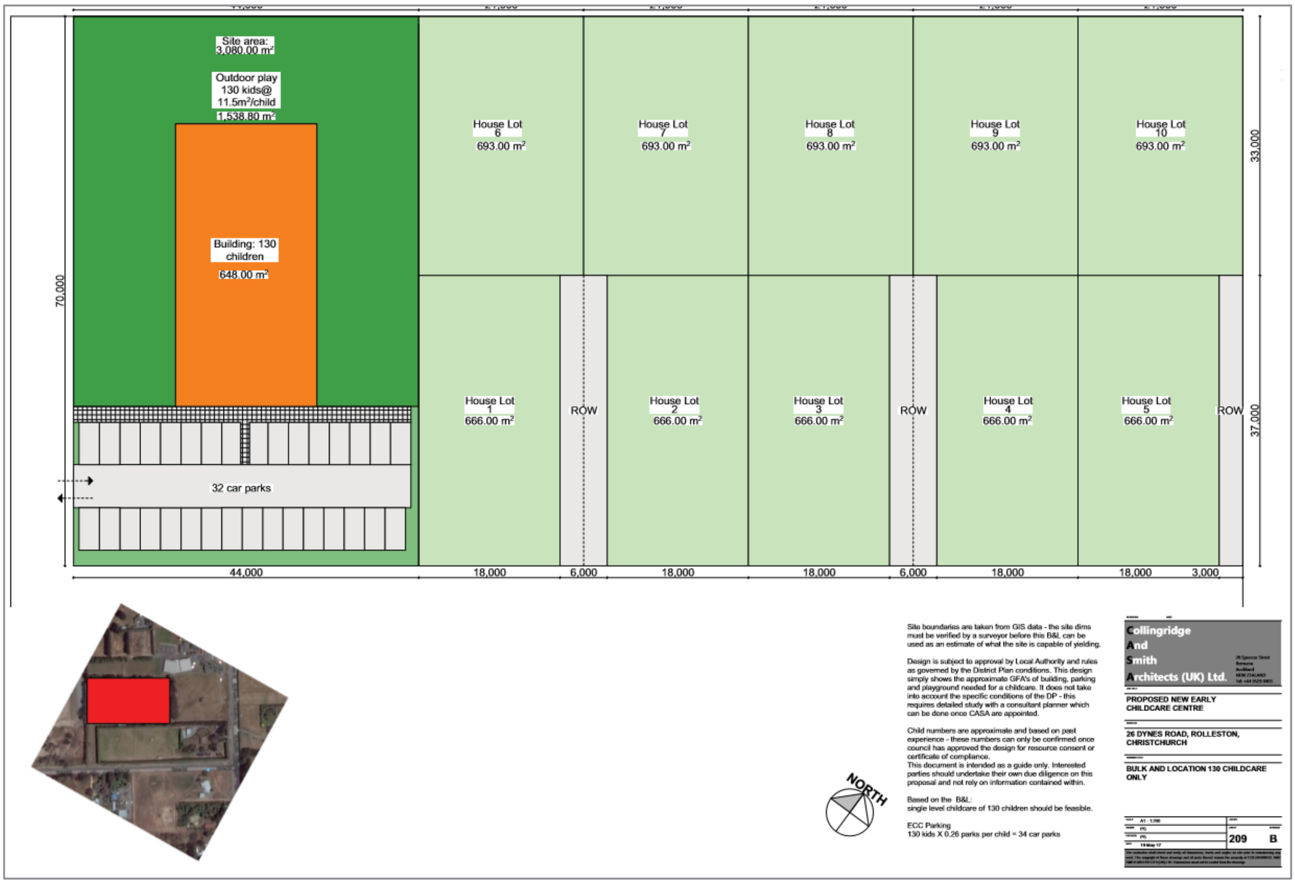
2. Property Details

2.1 Legal Description

We detail below a summary of the Record of Title as below:

Identifier	853207.
Estate	Fee Simple.
Legal Description	Lot 1 Deposited Plan 528208.
Land Area	3080 square metres.
Registered Owners	PMG Direct Childcare Fund.
Interests	• Subject to Section 8 Mining Act 1971. • Subject to Section 5 Coal Mines Act 1979. • Subject to a land covenant which relates to a covenant not to object to use and development of Childcare Centre.

An extract of the Bulk and Location Plan is as follows.



2.2 Site Description

We summarise the site details as below:

Shape	The land is rectangular in shape with dimensions approximately 44 metres by 70 metres.
Approximate Frontages	N/A – a rear site
Topography	The land is generally level in contour, the Rolleston township developed on the Canterbury Plains.
Services	All standard utility services, telecommunications, drainage and water connections are connected or available in the nearby streets
Access	Direct drive on access is off Learners Lane off Dynes Road

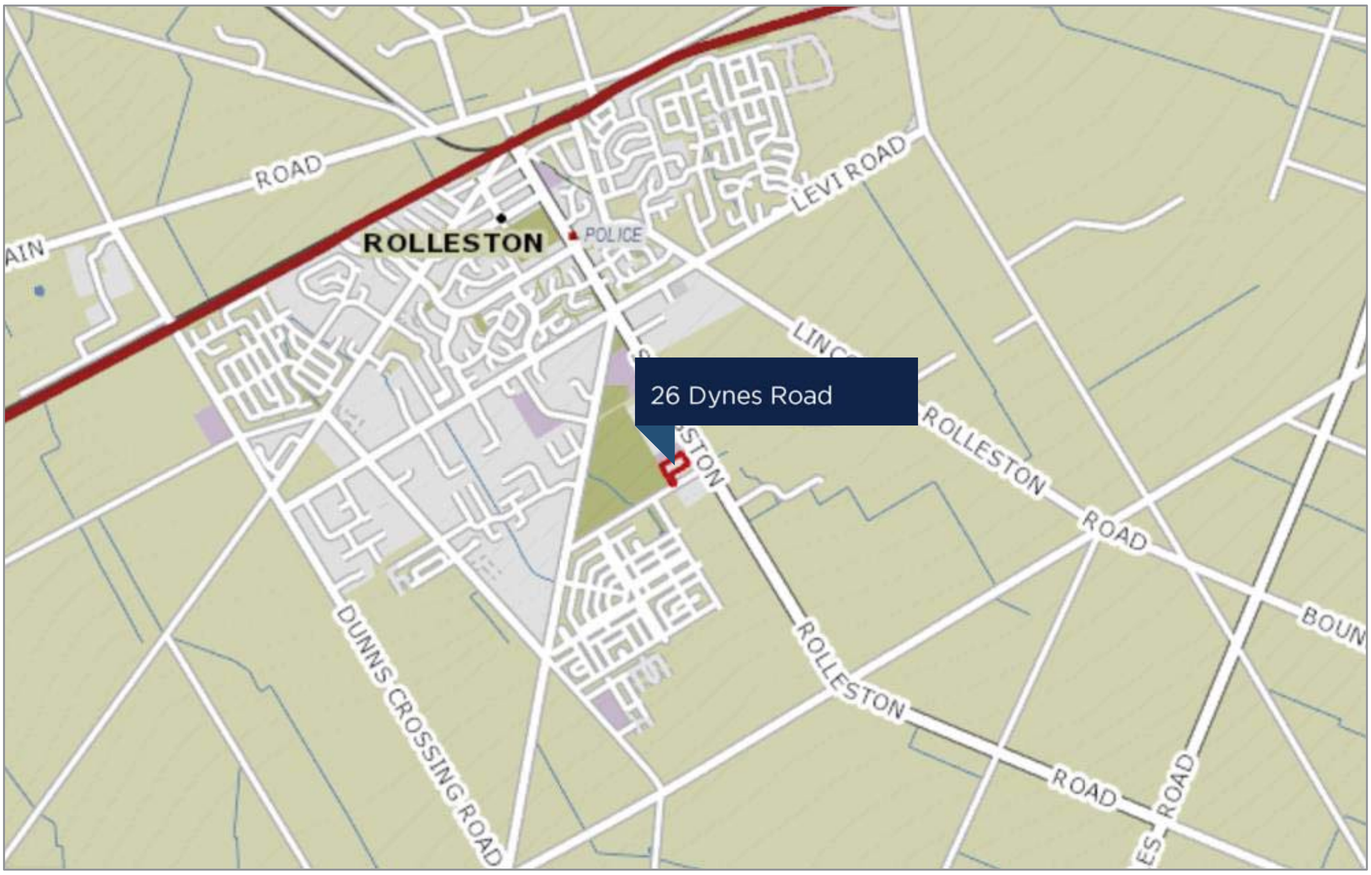
The site is indicated below:

2.3 Locality

We summarise the locality details as below:

Location	The subject property is located off Learners Lane, backing onto Foster Recreation Park and the recently developed Rolleston Christian School, in an area which has been rezoned from rural to residential activities. However, development at this stage surrounding the immediate area remains in a rural/lifestyle use. A Bulk and Location Plan for the larger land holding which shows 10 residential lots alongside the childcare site. This has not yet been developed as such. The position is close to the Faringdon subdivision, which continues to expand. Significant subdivision activity is occurring along Springston Rolleston Road including Falcons Landing subdivision amongst others, and generally comprises modern conventional style family housing. It is also near to the new Rolleston High School and the Aquatic Centre. Rolleston as a location has seen significant growth particularly after the Canterbury earthquakes and is now well served for local retailing including several supermarkets, several primary schools and high school. Further commercial (town centre) development is proposed including a new library.

The locality is indicated below:



2.4 Zoning

Our valuation has proceeded on the basis that the subject property confirms to all requirements of the District Plan in addition to the Resource Management Act 1991 and subsequent amendments.

District Plan	Selwyn District Plan
Zoning	Living Z
Zone Description	The Living Z category is given to land prior to it being developed for residential purposes. In this case the Living 1 zoning or similar will prevail given the general medium to low density use of the land in surrounding subdivisions.

2.5 Highest and Best Use

The current use which is as a purpose built and leased preschool is considered to be the highest and best use of the site.

3. Environmental and Statutory

3.1 Contamination

As defined by the Australian and New Zealand Environment and Conservation Council (ANZECC) and the National Health and Medical Research Council (NHMRC) a contaminated site comprises "a site at which hazardous substances occur at concentrations above background levels, and where assessment indicates it poses or is likely to pose an immediate or long term hazard to human health or the environment".

Registered Valuers are not adequately qualified to detect substances of this type. Our role is limited to the detection and preliminary identification of contamination through making reasonable site inspections and making enquiries to appropriate authorities.

During inspections Bayleys Valuations Limited attempts to identify, from on-site observations, any potential or actual contamination issues thereafter recommending further expert advice where appropriate.

We have not completed an environmental audit of the property, although any contaminants on the property that may be obvious on inspection may be noted in the valuation. No warranty is given, or is to be implied, in the valuation that the property is free from contaminants. Substances such as asbestos, other chemicals, toxic wastes, or other potentially hazardous materials could adversely affect the value of the property. The valuation is prepared on the basis that there is no material on the property that would affect its value. If you have any concerns, verification that the property is free from contaminants should be obtained from a suitably qualified environmental expert. The Environment Canterbury's Listed Land Use Register currently has no about hazardous activities and industries on this land parcel.

3.2 Asbestos

During the course of our inspection, no asbestos was evident on site (but we are not experts in this area). If asbestos materials are found to be present, this valuation should be referred back to the valuer for further consideration and possible reassessment.

3.3 Building Warrant of Fitness

With the introduction of the Building Act 2004 and amendments in 2005, building owners have responsibilities to concerning health and safety. The Building Warrant of Fitness is the owner's statement that all automatic systems or all safety features have been inspected and maintained on a regular basis during the previous 12 months. The automatic systems or safety features which require an ongoing inspection are summarised on the Building Warrant of Fitness.

We have been provided with a copy of the Building Warrant of Fitness which expires 1st March 2021.

3.4 Statutory Valuation

The latest Rating Valuation for the property as at 1 July 2018 is as follows:

Land Value	$310,000
Value of Improvements	$2,390,000
Capital Value	$2,700,000

Rating Valuations are carried out under statutory criteria and may not necessarily reflect actual market value.

4. Improvements

4.1 Improvements Description

A purpose built preschool facility has recently been completed on the site. The layout provides for:

- Entrance foyer and central hallway with cupboard off it and feature green wall, skylights.
- Infant room off which are appropriate sleeping rooms and nappy change areas, as well as a kitchenette.
- Under 2's room, two sleep areas off it.
- Over 2's, four spaces configured as two sets of two large rooms subdivided by concertina doors, kitchenettes, toilet and change areas.
- Administration area subdivided into a reception/ office, meeting room, kitchen, staffroom, laundry, accessible toilet.
- Other improvements include sealed drive access and manoeuvring with 32 marked carparks, timber decking surrounding the building. There is extensive landscaping, most of which has been put in by the tenant.

4.2 Construction

Foundations	Concrete Raft slab
Floors	Concrete
Structural	Timber frame
External Cladding	Rusticated Cedar weatherboard
Joinery	Double glazed aluminium
Roof	Pre-coated long run metal

4.3 Internal Finishes

Flooring	Carpet, polished concrete, vinyl
Walls	Plasterboard
Ceilings	Plasterboard
Lighting	Combination compact fluorescent pendants and recessed LED fittings, carpark lighting on sensors

4.4 Building Services

Amenities	Appropriate fit for preschool purpose toilet and change areas, kitchenettes/ art areas/ staff kitchen and room.
Fire Protection	As appropriate for pre-school activity.
Air Conditioning	Ducted ceiling extractor fans to bathrooms and laundry. Extractor fan to kitchen hood, at least 13 commercial heating/cooling heatpump units.
Lifts, Escalators, Stairs	N/A
Security	Electronic access control system including pin pad on front door and infrared sensors in rooms (8).

Condition & Repair

The structure is near new and the condition is therefore very good. We are advised that the Code Compliance Certification has been issued however have not sighted the Certificate.

4.5 Pictures

4.6 Floor Areas

The plans provided indicate a gross area for the childcare centre of 629 square metres.

5. Lease Details

5.1 Lease Documentation

We have been provided with a copy of the following lease documents;

- Agreement for Lease dated 4 August 2017

The above have been perused and are held on file. The salient details are summarised as follows:

Tenant / Lessee	Education Hub Limited
Guarantor	Jenny Marie Tippet, Daniel Scott Tippet, Olivia Maree Cunniffe, Clinton Thomas Cunniffe
Premises	26 Dynes Road, Rolleston
Term	15 years
Commencement Date	Date of practical completion, 8 December 2018
Initial Expiry Date	7 December 2033
Rights of Renewal	Two of five years each
Final Expiry Date	7 December 2043
Commencement Rental	$338,000 plus GST and outgoings
Current Passing Rental	$346,328.32 plus GST and outgoings
Rent Review Frequency	The net rental will be increased by CPI annually during the initial term and any renewal term except: • At the commencement 4th and 5th anniversary of the commencement date and on each renewal date where the rent shall be reviewed to market, and • Provided that the rent determined by market review will not be less than that payable prior to the review date
Proportion of Outgoings	• The lessee will be responsible for all operating expenses for the premises
Business / Permitted Use	• Childcare Centre

5.2 Occupancy and Vacancy

Vacancies

At the time of our inspection, the subject building was 100% occupied.

Impending Expiries

Nil

Outstanding Reviews/Incentives

The lessor provided a rent incentive equivalent to 50% of monthly net rent for the first six months. The full rent is now payable.

Monthly Tenancies

There are currently no monthly tenants within the subject property.

Arrears

We have not been advised of any significant rental arrears within the subject property.

Summary

Our valuation is reliant on information supplied to us relating to matters such as lease provisions, rental income, outgoings and other associated expenditure which appears realistic. We have had access to lease documentation and have verified key data of the major tenancies against supplied schedules.

We are unaware of any side agreements in existence which would alter the terms of the various lease agreements in respect of the property. In the event that a full due diligence report reveals such agreements do exist, the advice provided herein will require revision.

6. Financial Summary

The property is currently occupied by a single tenant returning $346,328.32 per annum plus GST and outgoings with a remaining term of 13 years 8 months or thereabouts. We detail below the associated operating expenses and capital expenditure.

6.1 Lease Expiry Analysis

We have undertaken a detailed lease expiry analysis of the subject building relating to occupied areas only. The indicated WALT and lease profile by income and area is summarised below:

	Income Basis	Area Basis
WALT (years)	13.37	13.37

6.2 Operating Expenditure

Operating Expenses (OPEX) relate to the ongoing costs associated with the occupation or ownership of a building. The lease is structured on a net basis whereby operating costs are recovered from the Lessee including but not limited to; rates, service contracts, insurance costs and other operational costs.

6.3 Capital Expenditure

Buildings require ongoing expenditure to maintain their structural integrity and to future-proof the value of the asset. As this is a new building there is not anticipated to be any significant capital expenditure due in the short term.

7. Market Overview

7.1 Economic Outlook

Introduction

The recent Coronavirus (Covid-19) pandemic has led to significant implications on New Zealand and global economies. A recession is now widely expected as most markets around the world (including New Zealand) have experienced significant economic damage, including; falling stock markets, large scale society lock down, and forced operational closure of businesses, concurrent with the spreading health crisis of the virus. The negative fallout of the Covid-19 virus had immediate effect on the New Zealand Stock Exchange, as well as major disruption to export industries, global trade, the tourism sector, supply chain channels, business and consumer spending and sentiment.

New Zealand entered a State of Emergency and a four week lockdown period in March 2020, where only essential businesses were permitted to continue operating in an effort to contain the virus. Gross Domestic Product (GDP) growth has fallen strongly as a result, with this expected to contract below 0% in 2020. Large conglomerates to smaller businesses have already closed as a result of the pandemic, while others have rolled out large scale redundancies, pay cuts and other schemes to reduce capital expenditure during the effective economic halt.

New Zealand was announced to be COVID-19 free with no active cases as of 8th June 2020 with a total of 1,148 recovered cases and 22 deaths. As of Monday 8th June 2020 New Zealand entered its lowest level of COVID-19 Alert System being Alert Level 1. Restrictions were eased allowing for freer movement of travel, a reduction in social distancing rules and further opening of businesses. The aftermath of COVID-19 has shown an increase in unemployment with job losses in various sectors, particularly the retail sector being the hardest hit. Unemployment figures are currently predicted to supersede the 6.8% peak recorded during the Global Financial Crisis. The RBNZ predicts the possibility of 150,000 jobs losses over the next six months from May 2020. Despite entering a recessionary period the stock market has since recovered from its March plunge with investors optimistic of a swift economic recovery.

The below table indicates the performance of the New Zealand economy over the previous six months:

Economic Indicator	Period	Rate	Forecasted Trends
GDP	Quarter 4 2019	2.30%	↓
CPI	Quarter 1 2020	2.50%	↓
OCR	May 2020	0.25%	→
Unemployment Rate	Quarter 1 2020	4.20%	↑
10 Year Bond Rate	May 2020	circa 0.50%	→
Net Migration	January 2020	56,504	↓

Migration

New Zealand's unadjusted annual net gain (more arrivals than departures) of migrants for the year to December 2019 resulted in a provisional estimate of annual net migration of 56,504 as at January 2020. January 2020 statistics are up by 15.4% compared to the 12 months to January 2019, net migration rates have been the highest since the last peak three years ago. Long term migrant arrivals and departures both increased during this period, but arrivals grew at a faster rate. Specifically, there was a net loss of New Zealand citizens of 6,001 and a net gain of 62,505 of citizens of other countries in the year to January 2020. The biggest source country for net new arrivals in the 12 months to September was South Africa (11,526 arrivals) followed by India (7,519) and China (4,654). Of the 145,979 long term arrivals in the year to January 2020, 41,166 were New Zealand and Australian citizens, 35,375 were on work visas, 27,744 were on visitors visas, 27,554 were on student visas and 12,969 were on residence visas.

With New Zealand's borders now closed for all except New Zealand residents, we expect net migration to be severely reduced. There was an increase of New Zealanders returning home as a result of the Covid-19 pandemic.

Political

The level of Government debt in terms of a percentage of Gross Domestic Product (GDP) has been steady at around 20 - 25% of GDP over the past four to five years and is currently sitting around 21% of GDP. New Zealand's debt to GDP levels are relatively low in comparison to the United States with 90% and the United Kingdom above 75%. As a result of the Pandemic, the Government announced the first of its 'stimulus packages' on 17 March 2020. This encompassed $12.1b of proposed economic injection to cover $500m for health, $8.7b for businesses and jobs and $2.8b for income support and boosting consumer spending. During the course of the lockdown further government spending packages were announced including $900m loan to supporting Air New Zealand, wage subsidy scheme increase from $5.1b initially to $13.9b, introduction of the Business Finance Scheme for business loans, $130m tertiary student support package, $3.1b tax loss carry-back scheme, $1.4b trades and apprenticeship training and a $1.1b environmental jobs scheme. The 2020 Budget allocated $50b to the COVID-19 Response and Recovery Fund with the government setting aside a further $20.2b for future investment purposes to support the economic recovery. The total package represents approximately 12.4% of New Zealand's current GDP with 6.7% currently invested. Trading Economics predicts Government debt in terms of GDP is expected to grow to 41% in 2021 and 47% in 2022. We are yet to witness the impact of the abovementioned spending and stimulus packages, however, these have generally been met with positive response and are expected to soften imminent economic damage. New Zealand's next election is scheduled for September 2020.

Interest Rates & Inflation

Prior to the Global Pandemic, given the downside risks associated with the effects of the USA Government closure and their extended trade-war with China, coupled with the slowdown in the Chinese economy, lower growth forecasts in Australia and the impacts of the inevitable Brexit plan, a global growth reduction was being witnessed. Nationally, the Reserve Bank announced a cut in the OCR from 1.5% to 1% in August 2019 and maintained this in the following two announcements, with the RBNZ stating "ongoing low interest rates were needed to keep inflation and employment close to their mandated targets".

Most recently, reacting to curtail an imminent economic recession, the RBNZ announced a reduction of 75 basis points to the OCR, reducing this to a new historic low of 0.25%, guaranteed for 12 months. In an additional effort to stimulate lending and aid debt affordability, the Reserve Bank has chosen to put on hold a proposed increase in capital requirements for banks on retail mortgage lending. The RBNZ has announced its plan to keep the OCR at 0.25% for "at least 12 months". The RBNZ's Monetary Policy Committee (MPC) noted that a negative OCR will become an option in the future, although at present financial institutions are not yet operationally ready.

Additionally the RBNZ quantitative easing programme has announced a total bond buy back policy from the government capped at $60 billion to ease monetary conditions.

Following the reduction in the OCR, most retail banks have passed on the entire 75 basis point cut to floating mortgage rates. Some fixed interest rates have also been reduced, but not to the same extent. This should relieve some pressure on current borrowers and also incentivise some levels of additional investment. Anecdotally, we are aware that as at the date of writing this, the major banks in New Zealand are reluctant to take on new customers which could indicate an initial reluctance to lend. The access to capital is important if business and investment activity are to return to New Zealand's economy.

Inflation is now at approximately 2.5% for the year to March 2020, increasing from 1.9% in December of 2019. The Monetary Policy Committee see's annual inflation dropping from 2.5% to approximately a 1% or lower range.

Investment & Construction

Prior to the Pandemic, New Zealand was experiencing relatively low business confidence with the major causes being concerns surrounding government policy, increased labour costs, availability of labour and reduced operating margins. This dwindling confidence has now been exacerbated by the current economic climate and the unknown extent as to the true fallout of the same. We are yet to see if there is any intention of the private sector to enter into new capital projects and the willingness of retail banks to fund such plans, despite all-time low interest rates. This is countered somewhat by the recent fiscal stimulus package announced by the New Zealand Government.

Demand for residential construction leading up to the Pandemic was still strong, mirroring the delayed response to rapid population growth in the last few years. Residential construction continues to move towards apartments and townhouses and is expected to intensify with the estimated housing shortage in Auckland reaching 34,000 dwellings. Residential building consents are up a further 12% over the past year. On the other hand, the construction sector is faced with the hurdle of reduced profitability, with cost and labour constraints restricting the ability for activity to escalate. Furthermore, we are yet to see the impact of the Pandemic on the demand for new projects given the unknown impact on demand levels and values for end product.

In contrast, non-residential demand has been underpinned by office construction activity and refurbishment of retail outlets and industrial buildings. However, supply has not kept up with demand, which has seen vacancy rates falling to record low levels, specifically in Auckland and Wellington with corresponding increases in rent occurring. However, we are yet to witness the impact of the recent Pandemic on rental levels and vacancy rates.

Summary

The short-term projection for the New Zealand economy is difficult to determine in light of recent events. It is now highly likely the economy will enter into a recession, and it is anticipated that the slowdown in economic activity will result in significant job losses, increasing unemployment and increasing pressure on profitability for many businesses. It is likely the effects will be unevenly felt with some sectors such as food production, supermarkets and online sales and learning performing well, and others such as High Street retail and international tourism faring poorly. New Zealand's exit from recession will be linked to the global recovery which again is highly uncertain in terms of form and timing.

Source: Bayleys Valuations, Statistics NZ, Interest, ASB, ANZ, NZIER, RBNZ, Westpac (14 May 2020)

7.2 Market Commentary

Christchurch Market Overview

The February 2011 earthquake has had a significant impact on the city, prompting a general residential shift to the west, where a substantial amount of land was made available for new development. The earthquake had an impact on property prices and the general market in terms of earthquake strengthening requirements, and the ability to obtain insurance and bank lending. This continues to shape the local market with these factors impacting on purchasing ability and pricing. Nearly 10 years on, most of the rebuild in the CBD has been complete, strongly driven by private investors, with a few remaining key anchor projects in the pipeline or under construction. The Covid-19 pandemic has now superseded the earthquakes in terms of market impact and the current economic climate.

Commercial yields have narrowed throughout 2018-2019, as cashed up investors compete for limited quality stock. Interest rates have been, and are expected to remain relatively low, and deposit rates remain low. Following the lift of the nationwide lockdown during the Covid-19 pandemic, it is likely that a number of businesses will fold. Moving forward, we anticipate investor appetite will be strongly driven by tenant covenants and security. This may have an effect on properties with weaker lease terms, or in a weaker sector, in terms of pricing and investors requiring a higher yield to reflect the added risk.

Risks

The Covid-19 pandemic presents a number of risks for the local and national market. Unemployment is forecast to increase to above 6.8%, with predictions varying under different scenarios of our success in containing the virus. between 10% and 26% based on current models. Jobs that may have been filled by migrant workers may now be filled by NZ residents, particularly looking to reduce unemployment levels.

As we have seen following the Canterbury earthquakes, the loss of workspace and access to offices was limited, prompting a change in work patterns where more businesses were required to work from home. The viability of working from home or in more remote locations may have an effect on business decisions in today's market, by recognising this alternative to save cost for a company or some employees. This is driven and supported by the ability to connect with technology and video conferencing. We anticipate new lease agreements may be subject to rent concessions or benefits in order to secure a tenant. A reduced demand for premises is likely to be seen in the hospitality, accommodation, and office sector, as a result of reduced consumer spending, folding businesses and weakened confidence which does not support the development or expansion of surviving businesses.

Consumer spending has reduced throughout 2019, with fiscal stimulus from the central banks prior to the pandemic, aiming to lift inflation to within target levels. This will remain conservative, with job insecurity, losses, and a market with low confidence. There may be delays on major projects, such as the Metro Sports Facility and Convention Centre, coupled with limited non-essential travel, and reduced business spending in the short to medium term.

Mitigating Factors

Mitigating factors for the local economy are underpinned by sectors of economic diversity, such as; a strong farming sector, farm servicing, manufacturing, Aerospace, and health, among others.

Canterbury has generally been considered an affordable city in New Zealand, recording a significantly lower median sale price in comparison to Wellington and Auckland. Those facing job uncertainty or housing affordability stresses may look to Canterbury as an attractive alternative, boosting internal migration to the region. As a result of supply chain stresses, there may be a reverse-shift to manufacturing onshore, which would provide a more guaranteed supply chain for future global uncertainty, which has a flow on effect to the local and national economy.

Early Childcare Education

There has been an increase in demand for early childhood education centres over recent years. The level of services being offered has continually improved with a government focus on the value of early childhood education, coupled with increasing demand from parents, it has been a relatively fast growing industry.

This demand is a reflection of changing demographics throughout New Zealand, in particular, parents which require ECE in order to continue contributing to the household income. Alternatively, there is an increasing trend among parents to resume work and pursue their careers.

Early Childhood Education Services is a non-compulsory childhood education and care centre available for children under the age of six years old. This is defined in the Education act 1989 as being "premises used (exclusively, mainly or regularly) for the education or care of three or more children (not being children of the persons providing the educational care) under six, and furthermore by the day or part of the day but not for any continuous period of time.

The main types of care or education centres provided include sessional centres, all day centres and flexible programmes for children which can also include after school care. The majority of privately owned early childcare education centres fall within the all day or sessional centres.

Revenue achieved through the operation of an Early Childhood Education Centre is generally split between two main sources, the first being Government funding from the Ministry of Education in the form of a subsidy. The second source of revenue is obtained through private fees from parents or caregivers. In general, parents/caregivers will contribute between $130 to $450 per week (Including GST) depending on the socio-economic location and the type and quality of services provided by the centre.

New Zealand has a high childcare participation rate. Since 2008, the proportion of children enrolled in ECE has risen from 93.6 per cent to 96.6 per cent, while time spent in ECE has reached an average of 21.7 hours a week, up from 13.5 hours in 2000.

Public funding for the sector is reliable and secure, rising from $860 million in 2008 to almost $1.63 billion. The Government committed an extra $396.9 million in last year's budget to fund care for an extra 14,000 children by 2019/20, and its stated goal is 98 per cent of children attending an early childhood service before starting school. The government further announced in May 2020 an additional $278.2 million funding in relation to fully qualified and registered teachers applying from 1 January 2021, in response to the Covid-19 pandemic.

Population growth is also a key determining factor.

There are now approximately 4,698 ECE services in New Zealand. Nationally, on average 152 services open each year.

There are a number of larger Childcare operators that have expanded significantly over recent years including Best Start Educare and listed companies. Evolve Education Group are acquiring privately owned businesses to increase their market share, and the financial firepower at their disposal could make it increasingly difficult for smaller operators and investors to compete.

Best Start Educare (formerly Kidicorp), owned by the Wright Family Foundation, a registered charity, is the largest childcare operator in New Zealand, with more than 250 centres, offering more than 15,000 long day care places.

Evolve, with more than 120 centres across the country operating under several leading brands, including Lollipops Educare, Leaps & Bounds and i.Kids, only entered the market in 2014 but its aggressive acquisition strategy has seen it become a dominant player.

Kindercare is a large privately owned and operated childcare provider with more than 47 childcare centres throughout New Zealand. Kindercare was established in in 1972 and has grown to be one of the larger childcare centre owner / operators in New Zealand.

It is suffice to say that the childcare industry has experienced significant growth which has been fuelled by both the population growth and the inception of Government funding for 20 hours of subsidised care for children over the age of 3.

Investment Considerations for Childcare Property

In general, Early Childhood Education is becoming a stable investment and is more appealing to many investors looking for a passive investment with limited management requirements under modern lease agreements. Key factors behind, this trend are the Government's commitment to subsidise ECE funding allowing tenants to operate on larger scales with increased efficiency and turnover. Tenants are also (in general) opting to commit to long term leases, some of which can have built in fixed rental growth and appealing rights of renewal. Tenants are able to charge higher private fees once demand for their particular ECE offer increases when high occupancy levels have been reached. This results in a reduced risk around a tenant being unable to meet rental obligations.

These factors, along with the reluctance by tenants to vacate due to licencing issues (the value of the business itself), consenting requirements and other specific property use requirements had increased the appeal of Early Childhood Education properties throughout the country, more so in major centres where both parents are required to contribute to the household income due to the higher cost of living.

In recent years the childcare sector has become a popular investment class due to tenants agreeing to longer term lease deals of 10 – 15 years with built in rental growth. The government paid ECE Subsidies generally make up a high proportion of the operators (Tenants) turnover. This helps reinforce the (Landlords) rental stream, as long as the operator is able to maintain high occupancy levels and keep their staffing costs under control.

As the supply levels continue to increase with more competition in the market we may start to see more weighting being placed on tenant covenant within the childcare sector.

Overall childcare investment properties have been attracting sharp yields from what was once considered to be a specialised asset category that was only attractive to those investors with a strong understanding of the childcare industry.

In Canterbury, strong income streams and good returns have attracted investors to the preschool education sector and there has been a rapid increase in the number of centres opening. This has created a need for centres to differentiate themselves in terms of childcare offering and carefully choose their location as the sector becomes more competitive. Initially, a reduced population due to relocations post-earthquakes created some reduction in demand with a few centres advertising vacancies. However, with employment opportunities created for the Christchurch rebuild and relocation of people both living and working in both Christchurch and the surrounding environments, this reduction in demand was short lived. The growth for residential areas such as Rolleston within easy commuting distance for Christchurch, has resulted in new purpose built centres being constructed, especially those close to schools.

8. Rental Evidence

The traditional method of rental assessment is comparison with similar premises that have recently been subject to new leasing deals or rent reviews. Adjustments are then made for factors such as location, quality and presentation, size, lease terms and conditions and other considerations.

8.1 Rental Evidence

We have considered a cross section of leasing transactions relating to comparable properties within the locality. A summary of these transactions is detailed below:

Tenant	Property	Location	Rental Date	Rental (pa)	Review Type	No. Children	Rental Analysis		GFA
							$/lic/yr	$/lic/wk	
Minerva House Preschool	90 McFaddens Road	Christchurch	July 2019	$125,000	New	50	$2,500	$48	438
Blossoms Educare	325 Dunns Crossing Rd	Rolleston	Apr 2019	$283,920	New	130	$2,184	$42	680
Seedlings Early Learning Centre	8 Killarney Ave	Christchurch	Nov 2018	$179,148	New	75	$2,389	$46	462
Seedlings Early Learning Centre	2 Hamill Rd	Christchurch	Oct 2018	$176,000	New	75	$2,347	$45	461.6
Evolve Group	306 Beach Rd	Kaiapoi	Aug 2018	$159,120	New	68	$2,340	$45	404
Kindercare	144 Strickland St	Christchurch	Jun 2018	$105,000	Review	50	$2,100	$40	261.5
Annabels Educare	8 Kingsdowne Dv	West Melton	Feb 2018	$165,000	New	75	$2,200	$42.3	520.1
Evolve Group	33 Elizabeth St	Rolleston	Dec 2017	$161,834	CPI annual, market 5yrly	75	$2,158	$41.5	525
Evolve Group	55 Grove Rd	Christchurch	Dec 2017	$143,596	CPI annual market 5 yrly	65	$2,209	$42.48	520
Kidicorp	429 Wairakei Rd	Christchurch	Sept 2017	$142,160	3% fixed annual	64	$2,221	$42.71	378.4
Blossoms Educare	8-10 Johns Rd	Rangiora	2017	$163,800	1.5% fixed annual	75	$2,184	$42.00	516
		Massey, Auckland	2017	$286,000		110	$2,600	$50.00	
ABC	386 Manchester St	Christchurch	2016	$165,000	CPI	67	$2,462	$47.00	383
		Otahuhu, Auckland	2016	$163,800		70	$2,340	$45.00	
		Henderson, Auckland	2016	$214,032		98	$2,184	$42.00	

The rental evidence noted shows rates per child in a range of broadly $2,100-$2,600 per child per annum. The evidence is mainly within larger urban areas, and mostly are purpose built centres. The subject is a new purpose built facility. As such the rental level would be expected to be at the upper end of the range. The more recent evidence indicates limited change to base rents for this type of property over a number of years. Many have CPI growth built in so that actual rentals being achieved for the earlier agreements will be above that recorded.

8.2 Market Rental Conclusion

The sales evidence shows comparable rentals in a range of $2,100 per child to $2,600 per child ($42-$50 per week). Based on the evidence above, we assess a market rental at $2,600 per child per annum ($50 per child per week). This takes into account the building type, the high quality of the internal and external fitout, and the location. The assessment is equivalent to the initial contract rental. We note that the passing rent is now above the assessment due to an annual CPI adjustment.

We assess a current market rental value as follows:

Component	Floor Area (sqm)	Net Market Rent ($/sqm)	Total
Three Trees			
$/child per week	130 @	$50	$338,000
Alternatively			
Area	629.0	$537	$337,999
		Adopt	**$338,000**

9. Sales Evidence

9.1 Sales Evidence

In determining the market value of the subject property, we have considered a range of comparable sales that have occurred in the Childcare market in the Rolleston and Christchurch areas and across the country.

A summary of these transactions is detailed below:

Property/suburb	Location	Sale Date	Sale Price	Rental	Licences	Initial Yield	$ per Licence
325 Dunns Crossing Road	Rolleston	January 2020	$4,700,000	$283,920	130	6.04%	$36,153
52 Langdons Road	Christchurch	July 2019	$3,050,000	$180,000	75	5.90%	$40,666
90 McFaddens Road	Christchurch	April 2019	$1,980,000	$125,000	50	6.31%	$39,600
62 Pokeno Road	Pokeno	March 2019	$5,200,000	$312,000	120	6.00%	$43,333
431 Wairakei Road	Christchurch	October 2018	$2,300,000	$134,000	64	6.09%	$35,937
154 Infinity Drive	Pegasus	Sept 2018	$2,527,000		65	6.02%	$38,877
Mt Wellington	Auckland	Sept 2018	$1,805,000	$45,145		5.19%	
183 Brookside Road	Rolleston	August 2017	$2,700,000	$185,640	84	6.88%	$32,143
	Gisborne	August 2018	$4,200,000	$260,000	100	6.19%	$42,000
306 Beach Road	Kaiapoi	July 2018	$2,300,000	$159,120	68	6.92%	$33,824
	Matamata	July 2018	$4,100,000	$247,000	95	6.02%	$43,158
8 School Road	Tai Tapu	Nov 2017	$1,790,000	$125,000	59	6.98%	$30,339
80-82 Peter Street	Ashburton	June 2017	$2,575,000	$166,000	75	6.45%	$34,333
109 Northwood Blvd	Christchurch	July 2017	$3,700,000	$281,600	128	7.61%	$28,906
396 Manchester St	Christchurch	June 2017	$2,564,000	$165,000	67	6.43%	$38,268
8-10 Johns Rd	Rangiora	May 2017	$2,625,000	$163,800	75	6.24%	$35,000
Balmoral	Auckland	March 2017	$1,600,000	$71,604	27	4.50%	$59,259
Airport Oaks	Auckland	Feb 2017	$4,370,000	$275,236	100	6.25%	$43,700

The more recent transactions have yields broadly between 4.6% and 7.60%. At the lower end of the yield range is a smaller, more affordable entry level premises while the balance are mostly in the range of 5.9% to 6.5%. Most of the sales are for purpose built premises located in larger urban areas. A yield at the lower end of the range could be expected given the location and building type.

9.2 Yield Conclusion

The above evidence indicates a market acceptance of yields between 5.5% and 6.5% irrespective of location. It is perhaps understandable that the market is regarded as a national one, for there is no distinction for location with government subsidies and funding, so if the property is equivalent, a similar yield is likely to apply to investors where ever they are domiciled.

In our view, the most relevant sales in Canterbury is the properties at Dunns Crossing Road, Rolleston, Wairakei Road, Christchurch and Infinity Drive Pegasus, all new purpose built premises on long term leases. The yield rates are 6.02%-6.09%.

The above described yield range was based on sales that occurred pre-Covid-19 restrictions. We point out that the market for well leased modern investment property had been buoyant over the past 18 months with many sales recording benchmark yields. Another trend noted was the convergence of prime and secondary yields due to constraints in supply, heightened demand, and low interest rates.

As a result of the Covid-19 pandemic, negative economic effects have been observed in some sectors of the economy such as tourism sectors. There was an initial expectation that customer demand for childcare centres could reduce due to fears of infection, and loss of parental employment. We are advised that the subject centre remains 100% occupied, with no reduction in occupancy at this stage that is due to the pandemic.

The relative illiquid nature of property in comparison to say stock markets can result in a time lag in which market volatility may be interpreted through property prices. This may be further compounded by the significant government relief / stimulus packages which has deferred mortgage default and subsequent forced sales over the short term, a trend that often skewed data in previous recessionary cycles.

In historic events such as the global financial crisis, a lack of transactional volume, increased number of forced sales and widening gap between prime and secondary yields was observed. Investors chasing yield pursued quality over 'add value' or speculative purchasing resulting in somewhat of a two tier market emerging. Given this is a near new development with a long term lease in place, we consider that yield has not changed on that previously applied.

10. SWOT Analysis

We have considered and summarised the key positive and negative features associated with the subject property. This process assists in determining the appropriate yield and adopted rates for valuation.

Strengths	Opportunities
• Substantial size new preschool facility leased for a long term period of 15 years with 2 five year rights of renewal, and annual CPI plus 1% rental adjustments. • Location next to Rolleston Christian School.	• The property is considered to be fully optimised at a full rental.
Weaknesses	**Threats**
• None identified.	• Potentially a competitive market in relation to childcare facilities in the location. • Slowing residential market may see new residential subdivisions take longer to fully develop and sell, which could impact on the roll growth for a new facility of this type. • Ongoing economic impact of the Covid-19 pandemic. An economic recession is likely to impact employment and in due course, property values.

11. Valuation Approach

In arriving at our concluded value, we have considered relevant economic and other factors and have in particular investigated a summary of sales of comparable properties. There are a number of approaches to valuation including sales comparison, capitalisation, discounted cash flow and depreciated replacement cost.

11.1 Capitalisation of Income Method

For income producing property, the primary method of valuation is the Capitalisation of Income Method. This method is market-derived and considers both sales and leasing evidence in order to determine the current market value. This method involves capitalising the actual contract and/or potential net income at an appropriate market derived rate of return. In situations where the contract rental varies from our assessed market rent the rental surplus or shortfall is calculated on a present value basis, and the capitalised market value is adjusted accordingly. The capitalised value may also be adjusted for costs associated with vacancy/part vacancy if this exists or is pending.

It is important to realise that the basis of any value is derived from a number of factors such as the quality and security of income, the degree of risk associated with the prospect of both an increase in rental and/or capital gain and the attractiveness of the investment as compared to other forms of investment available in the market place.

Having regard to the analysed sales evidence and the characteristics of the subject property, we consider the appropriate market yield to be in the order of 6.25%.

We summarise our calculations under this method as follows:

Income Capitalisation Approach		
Net Market Income		$337,999
Capitalised in perpetuity @		6.25%
CAPITALISED VALUE		$5,407,991
Capital Adjustments	PV Benefit Rent	$3,000
Indicated Market Value		**$5,410,991**
Say,		**$5,411,000**
Sensitivity Analysis		
6.00%		$5,636,000
6.50%		$5,203,000
Indicated Market Value		**$5,411,000**
Core market yield		6.25%

11.2 Sales Comparison Method

This is also referred to as the "Direct Sales" and "Net Rate" Method. This method analyses comparable sales of commercial/industrial property on a dollar rate per square metre of their lettable floor area. Further adjustments are made for factors such as location, size, profile, tenant covenant, quality of premises and date of sale etc.

After analysis, the sales noted in Section 9.1 indicate a capital value range of $20,000 per child to $51,000 per child. We believe an appropriate rate of $40,000 per child is applicable for the subject and we refer you to our calculations as follows:

License Held	130 children	@	$40,000 per child	$5,200,000

11.3 Depreciated Replacement Cost Method

This is a measure of the intrinsic value of the land as vacant and the estimated value of improvements depreciated for age and condition. It may not reflect the economic potential of the property.

Reference is made to the underlying land value and estimated cost of replacing the improvements less an allowance for depreciation. The valuation calculations are summarised as follows:

Value of Land as Vacant	$770,000
Depreciated Replacement Cost of Improvements	$4,530,000
Total	$5,300,000

11.4 Summary of Valuation Approaches

We summarise the above valuation approaches and methods as follows:

Valuation Method	
Capitalisation of Income	$5,411000
Sales Comparison	$5,200,000
Depreciated Replacement Cost	$5,300,000
Market Value	**$5,415,000**

We find typically properties of this type are purchased on the basis of actual and potential income, and we therefore place most weighting on the capitalisation approach.

12. Valuation Conclusion

Bayleys Valuations Limited confirms that we undertook an inspection of the property at **26 Dynes Road, Rolleston,** on 22 July 2020, in order to assess the Market Value for valuation purposes.

Elevated Valuation Uncertainty

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. In New Zealand, market activity is expected to be impacted in all sectors of the property market.

The current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported on the basis of 'material valuation uncertainty'. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Additionally we recommend frequent review of our valuation as the situation unfolds and a more thorough understanding as to impacts on the property market is understood.

Subject to the critical assumptions and comments noted within this report, we hereby assess the Market Value of the abovementioned property to be:

$5,415,000
(Five Million Four Hundred and Fifteen Thousand Dollars)

We confirm that the above valuation has been expressed on a plus GST (if any) basis.

12.1 Valuation Analysis

Initial Yield	6.25%
Net Rate (land and buildings)	$8,608 per sqm
Net Rate ($ per child)	$41,654 per child

12.2 Value Apportionment

In accordance with NZIAS 40 we hypothetically apportion our assessed value accordingly:

Land Value	$770,000
Improvements Value	$4,645,000
Adopted Market Value	$5,415,000

12.3 Signatory

We thank you for your instructions in this matter. If you require any further assistance, please contact the undersigned.

Prepared By
Bayleys Valuations Limited

Fiona Stewart
B.Prop. ANZIV, SPINZ
Associate Director – Registered Valuer
+64 27 485 2145
fiona.stewart@bayleys.co.nz

13. General Principles

PINZ: Valuation Standards & Guidance Notes	This valuation has been performed in accordance with International Valuation Standards - IVS (effective 31 January 2020), and the relevant Australia and New Zealand and Property Standards as approved by the New Zealand Institute of Valuers (NZIV) Council. The definition of Market Value as defined by the International Valuation Standards - IVS (effective 31 January 2020) 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".
Valuation Basis	No allowances are made in our valuations for any expenses of realisation or to reflect the balance of any outstanding mortgages either in respect of capital or interest accrued thereon.
Information Supplied	The valuation assumes as being complete and correct information provided to us by the sources detailed in our report on any relevant matters including, without limitation, items such as rents, operating expenses, tenure, tenancies and tenants improvements. We accept no responsibility, however, for the completeness and accuracy of information provided to us.
Documentation	Our inspection has included searching of the Certificate(s) of Title and if appropriate and where available, the ground and/or building lease(s) and other relevant tenancy schedules and documents. We recommend that reliance should not be placed on our interpretation thereof without prior verification by your lawyers.
Title	Unless specifically stated in the report, we assume that each property has a good and marketable title and is free from any pending litigation. We further assume that all documentation is satisfactorily drawn and that there were no unusual or onerous restrictions, easements, covenants or other outgoings which would adversely affect the value or negotiability of the relevant interest(s).
Title Boundaries	We have not carried out a detailed site survey and we have of necessity assumed for the purposes of the valuation that all structural improvements have been erected within the Title Boundaries. We do not undertake a measurement of the site or survey but calculate the site areas by reference to identified boundaries of the property and the appropriate Computer Register.
Resource Management Act 1991	Our valuation is on the basis of uses indicated on our copies of the Transitional District Plan, Proposed District Plan and District Plan (as the case may be) and our enquiries of the Territorial Authority as to any Resource Consents for the land.
LIM & PIM	Unless otherwise stated, we have not obtained a Land Information Memorandum (LIM) or Project Information Memoranda (PIM) from the Territorial Authority. It is considered an obligation of the recipient of the report to request a Land Information Memorandum from the appropriate local authority and search legal registrations on the relevant Computer Register, in order to satisfy themselves as to the suitability of the property for their specific purpose.
Valuation	The valuation provided is our opinion of the market value. This value may change in the future due to market conditions and changes to the state of the property. For the purposes of our valuation we have assumed there will be no adverse market changes in the short to medium term.
Validity	Should a period of greater than three months elapse from the date of preparation of the report, it is recommended that the person to whom it is addressed seek confirmation from the Valuer concerned that the valuation can still be relied upon in context of relevant current market situation. Failing to do so will nullify the validity of the report as well strict reliance upon a copy of the same unless previously agreed to in writing between us and the recipient and/or end user. If a copy of the report is relied upon, we cannot guarantee the accuracy of the same which could be at variance with the original document. Furthermore, the reference to the 3 month time period does not imply that the value will remain static during this time. From the perspective of Bayleys Valuations Ltd, this valuation is valid by valuer signature only.

Practising Certificate	This valuation has been carried out by a Registered Valuer carrying a current practising certificate.
Insurance	BVL hold Professional Indemnity cover that is at a level accepted by our large corporate clients and banks and it is at/or above industry standards. A copy of our certificate is available upon request.
Acceptance of Reports	The use of this report by the client/instructing party for market value/mortgage purposes in its current format is deemed an acceptance by the same of all value, terms, conditions and specification contained herein unless advised to the contrary immediately.
Inspections	We undertake such inspections and conduct investigations as are, in our opinion, correct in our personal judgement, appropriate and possible in the particular circumstance.
Legislation	Building Act 2004, Health and Safety at Work Act 2015, Fire Safety and Evacuation of Buildings Regulations 2006, Disabled Persons Community Welfare Act 1975. Unless otherwise stated in our report, our valuation is on the basis that the property complies with this legislation or it has no significant impact on the value of the property.
Structural Surveys	The valuation report does not purport to be a structural survey and we accept no responsibility for the omission of building or other defects which may not be apparent without such a survey.
Deleterious Materials	Unless stated in our report, we do not carry out investigations to ascertain whether any building has been constructed or altered using deleterious materials or methods. Unless notified, our valuations assume that no such materials or methods have been used (e.g. asbestos, PCBs).
Site Conditions	We do not carry out investigations on site in order to determine the suitably of ground conditions and services, nor do we undertake environmental or geotechnical surveys. Unless notified to the contrary, our valuations are on the basis that these aspects are satisfactory and also that the site is clear of underground mineral or other workings, methane gas or other noxious substances. In the case of properties which may have redevelopment potential, we assume that the site has load bearing capacity suitable for the anticipate form of redevelopment without the need for additional and expensive foundations or drainage systems.
Environmental Contamination	Our valuations assume that no contaminative or potentially contaminative use is, or ever has been, carried out at the property. Unless specifically instructed, we do not undertake any investigation into the past or present uses of either the property or any adjoining or nearby land, to establish whether there is any potential for contamination from these uses and assume that none exists.
Plant & Machinery	Our valuations include items usually regarded as forming part of the building and comprising fixtures, such as lifts, boilers, heating, ventilation, air conditioning, water, drainage, electrical, lighting, fire detection and sprinkler systems. We have assumed the fixtures are in proper working order and functioning for the purpose for which they were designed.
Taxation, GST	In preparing our valuations, no allowances are made for any liability which may arise for payment of income tax or any other property related tax, whether existing or which may arise on development or disposal, deemed or otherwise. In respect to Goods and Services Tax we specifically draw your attention to the fact that our valuation is on the following basis: • Non Residential - Market and rental valuations are (unless otherwise stated) carried out on the basis that valuation is plus GST (if any). • Residential - Market and rental valuations are (unless otherwise stated) carried out on the basis that the valuation includes GST (if any).

Publication	Neither the whole nor any part of our reports, nor any reference thereto, may be included in any published document, circular or statement, nor published in any way without any written approval of the form and context of such publication or disclosure. Such approval is required whether or not Bayleys Valuations Ltd referred to by name and whether or not the reports are combined with others.

Appendix

1. Record(s) of Title

RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD
Search Copy

R.W. Muir
Registrar-General
of Land

Identifier **853208**
Land Registration District **Canterbury**
Date Issued 05 December 2018

Prior References
CB29K/780

Estate	Fee Simple
Area	9593 square metres more or less
Legal Description	Lot 2, 5 Deposited Plan 528208

Registered Owners
Foster Mews Limited

Interests

Subject to Section 8 Mining Act 1971

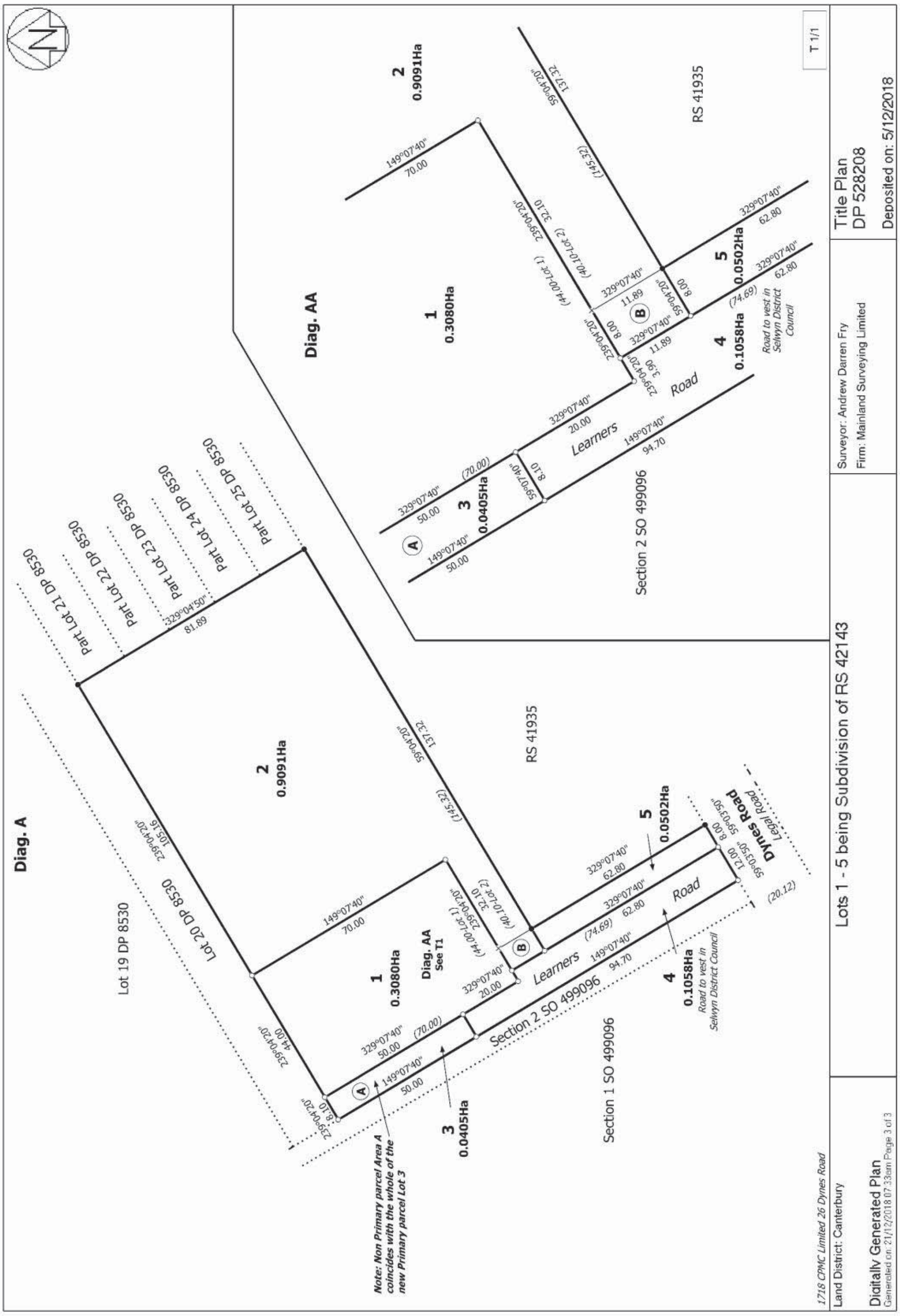
Subject to Section 5 Coal Mines Act 1979

Subject to a right (in gross) to convey telecommunications and computer media over part Lot 2 DP 528208 marked B on DP 528208 in favour of Chorus New Zealand Limited created by Easement Instrument 11243820.3 - 5.12.2018 at 8:58 am

The easements created by Easement Instrument 11243820.3 are subject to Section 243 (a) Resource Management Act 1991

Land Covenant in Easement Instrument 11243820.4 - 5.12.2018 at 8:58 am

Fencing Covenant in Transfer 11333856.1 - 11.2.2019 at 2:51 pm


Title Plan
DP 528208
Deposited on: 5/12/2018
Surveyor: Andrew Darren Fry
Firm: Mainland Surveying Limited
Lots 1 - 5 being Subdivision of RS 42143
Land District: Canterbury
Digitally Generated Plan
1718 CPMC Limited 26 Dynes Road
T 1/1
Diag. A
Diag. AA
Diag. AA See T1
1 0.3080Ha
2 0.9091Ha
3 0.0405Ha
4 0.1058Ha
5 0.0502Ha
Road to vest in Selwyn District Council
Learners Road
Dynes Road
Legal Road
RS 41935
Section 1 SO 499096
Section 2 SO 499096
Lot 19 DP 8530
Lot 20 DP 8530
Part Lot 21 DP 8530
Part Lot 22 DP 8530
Part Lot 23 DP 8530
Part Lot 24 DP 8530
Part Lot 25 DP 8530
Note: Non Primary parcel Area A coincides with the whole of the new Primary parcel Lot 3

Auckland
Bayleys Valuations Ltd
Bayleys House
30 Gaunt Street
Auckland 1010, New Zealand
+64 9 375 7427

Manukau
Bayleys Valuations Ltd
2 Harris Road, East Tamaki
Auckland 2013
New Zealand
+64 9 273 6666

Hamilton
Bayleys Valuations Ltd
96 Ulster Street
Whitiora, Hamilton 3200
New Zealand
+64 7 834 3232

Wellington
Bayleys Valuations Ltd
The Bayleys Building
Level 6, 36 Brandon Street
Wellington 6011, New Zealand
+64 4 499 6033

Christchurch
Bayleys Valuations Ltd
3 Deans Avenue, Addington
Christchurch 8011
New Zealand
+ 64 3 375 4700