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Colliers INTERNATIONAL

10 July 2017

To whom it may concern

Consent under Section 60 of the Financial Markets Conduct Act 2013

1. We refer to the Product Disclosure Statement (**PDS**) for issue of convertible notes by Shopping Centre Investments Limited (**Issuer**) which the Issuer intends to make available to the public and register on the Disclose Register. The PDS will include information and references to the valuation carried out by Colliers International Valuation (ChCh) Limited in respect of Issuer's property known as the Hub Hornby (**Valuation**). The Disclose Register will include a copy of the Valuation.

2. As is required by section 60 of the Financial Markets Conduct Act 2013, we certify that we have given our consent to the inclusion of the Valuation in the PDS and on the Disclose Register and will not withdraw such consent before lodgement of the PDS with the Registrar.

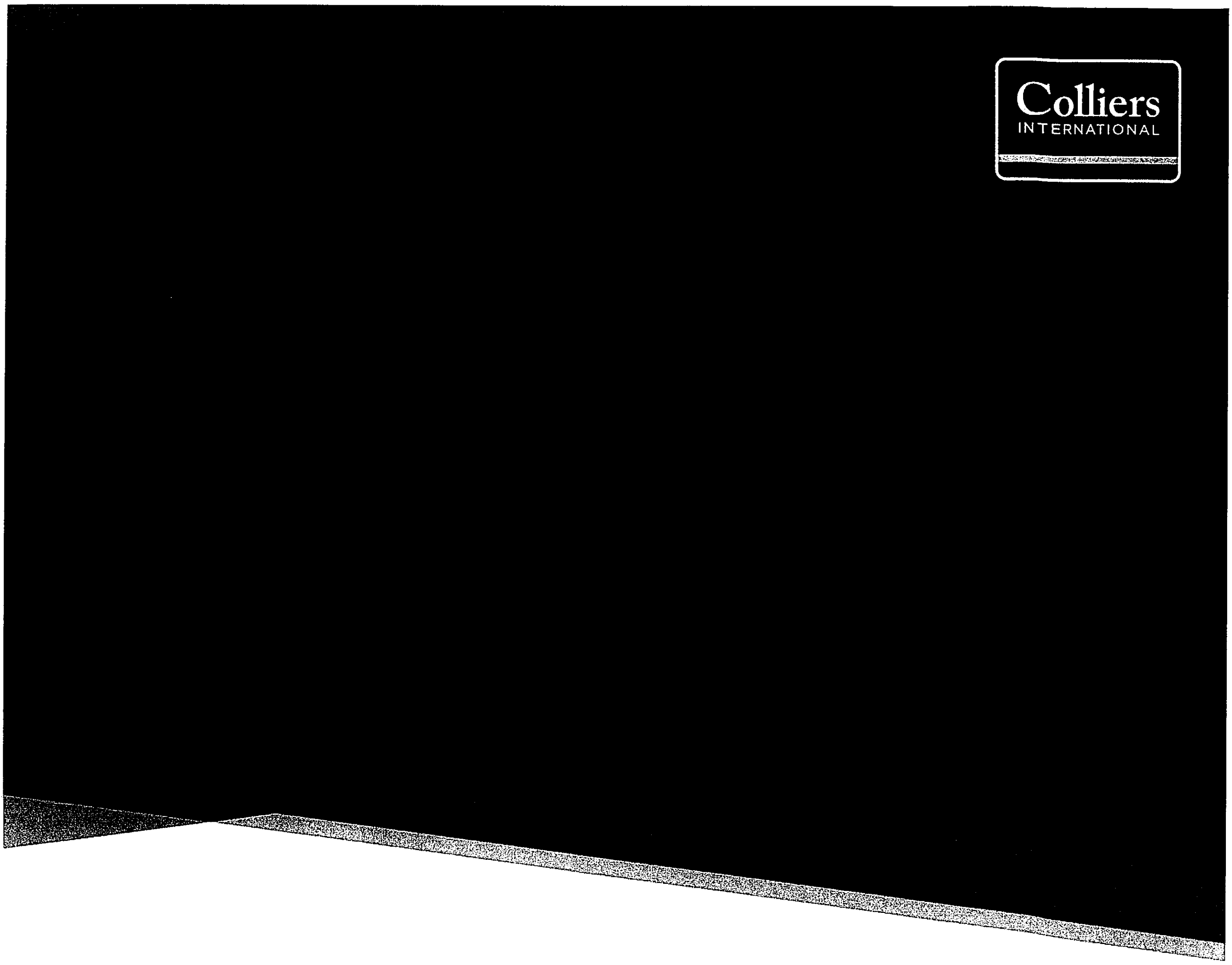
Yours faithfully

Signed for and on behalf of Colliers International Valuation (ChCh) Limited

Gary Sellars, Director

Warren Glassey, Director

Ref: Consent Section 60



Valuation Report - PDS

Shopping Centre Investments Limited

The Hub Hornby Shopping Centre
416 Main South Road,
Christchurch

Shopping Centre Investments Limited
C/- HFK Limited
PO Box 39100
Christchurch 8545
Attention: Michael Keyse

Date: 28 February 2017 Job Ref: 14000/GRS

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Executive Summary

Property Address:	The Hub Hornby Shopping Centre 416 Main South Road 7 – 11 Chalmers Street 13 – 17 Chalmers Street Christchurch
Brief Description:	The Hub Hornby comprises a substantial integrated retail shopping centre constructed in various stages from 1978 through to 2016. Major extensions were completed to the shopping centre during 2014 through to 2016.

The Hub Hornby Shopping Centre is situated in a high profile position at the intersection of Main South Road (SH.1) and Carmen Road in Hornby. Hornby is an important district commercial centre situated 9.2 kilometres west of the Christchurch CBD core.

The shopping centre provides a Pak'n Save supermarket, full line Farmers department store, 68 speciality shops, seven kiosks, eight food court outlets, a detached KFC quick service restaurant and five detached retail shops in Chalmers Street.

Completion of Stage 2 development work has transformed The Hub Hornby from a district shopping centre to a regional shopping centre, a classification currently enjoyed by Westfield Riccarton, The Palms and Northlands in Christchurch.

Extensive carparking is provided at grade and on Level 1.

Located at 7 – 11 Chalmers Street is a detached single level commercial building opposite The Hub Hornby complex occupied by Subway, Cathay and a hospitality premises formerly occupied by Snafu.

Located at 13 – 17 Chalmers Street is a modern single level commercial building which was completed in 2014 and is leased to Coin Cascade and St Pierres.

The leasehold land at 21 Carmen Road, known as the "Hublet" site, is developed into 112 carparks and is leased to the Hornby Working Men's Club and Mutual School of Art Incorporated ("HWMC"). The leasehold land at 21 Carmen Road is excluded from this valuation.

Rentable Floor Area:	24,625.75 square metres		
Instructing Party:	Shopping Centre Investments Limited C/- HFK Limited PO Box 39100 Christchurch 8545 Attention: Michael Keyse		
Addressed To:	Shopping Centre Investments Limited C/- HFK Limited PO Box 39100 Christchurch 8545 Attention: Michael Keyse		
Interest Valued:	Unencumbered Freehold Market Value subject to existing occupancy arrangements.		
Date of Valuation:	28 February 2017		
Date of Inspection:	10 March 2017		
Purpose:	Product Disclosure Statement Purposes		
Land:	Identifiers	-	650093
		-	CB7D/1082
		-	39748
	Area	-	3.6627 hectares
	Zone	-	Commercial Core
Lease Details:	Withheld		

Valuation:

We have assessed the market rent for the property at $10,204,474 per annum inclusive of allowances for turnover rent, casual rent and the embedded electricity network income. After deducting a perpetual vacancy allowance and non-recoverable operating expenses we arrive at a net maintainable base rent of $9,085,010 per annum.

We have applied a capitalisation rates of 7.00% to net maintainable base rent, 11.00% to turnover rent and casual rent components, and 9.00% to the embedded electricity network component and deducted a vacancy allowance for the vacant tenancies equivalent to nine months and made allowance for various capital adjustments to arrive at a market value as at 28 February 2017 of **$132,550,000** plus GST, if any.

Strengthening work is about to be completed on part of the original building and there is some associated deferred cosmetic upgrading required. The estimated cost of strengthening and deferred cosmetic upgrading is $2,360,000. In order to arrive at market value we have deducted the cost of strengthening work and associated deferred cosmetic upgrading.

The following is a summary of our valuation after deducting the estimated costs to complete strengthening work and deferred cosmetic upgrading:

Valuation Summary	
Market Value Following Strengthening	$132,550,000
Less Cost of Strengthening	$ 2,360,000
Net Value	**$130,190,000**

Having regard to the evidence outlined later in the body of this report, we conclude the market value of the property excluding the leasehold property asset at 21 Carmen Road as at 28 February 2017 is:

$130,190,000 plus GST, (if any)
(ONE HUNDRED AND THIRTY MILLION AND ONE HUNDRED AND NINETY THOUSAND DOLLARS)

Additional Comments:

Property valuations are based on the latest available data drawn from the market place. The market for many types of property has been affected in recent years by volatility in both global and local financial markets and in Christchurch by the earthquakes. Supply, demand and location have been key drivers in the Christchurch investment property market post-earthquakes with a current low interest rate environment, and strong investment demand resulting from relatively high liquidity some of which is funded by insurance proceeds.

In light of these market conditions while property valuations are based on the latest available data, values should not be considered immune from possible change even over very short periods, as the market continues to show volatility.

Accordingly if the addressee of this report has any concerns regarding the currency of the valuation, they should contact the Registered Valuer.

Valuer:

COLLIERS INTERNATIONAL VALUATION

GARY SELLARS FNZIV, FPINZ
Registered Valuer, Director
Email: gary.sellars@colliers.com

Inspection of Property:	Gary Sellars
Valuation Calculations:	Gary Sellars
Authoring of Report:	Gary Sellars

Contact Details:

Colliers International Valuation (ChCh) Limited
Level 2, HSBC Tower
62 Worcester Boulevard
PO Box 13478
Christchurch 8013
Phone No. (03) 379-6280

1.0 INTRODUCTION

1.1 SCOPE OF WORK

We have received instructions from Michael Keyse on behalf of Shopping Centre Investments Limited to assess the market value of the property for Product Disclosure Statement purposes. We were specifically instructed to assess market value on the basis that the lessee's interest in 21 Carmen Road is excluded. We report as follows.

This valuation report has been prepared for Product Disclosure Statement purposes and accordingly any information which is considered to be confidential and not appropriate for public disclosure is withheld. We refer to our parent valuation report for the property dated 28 February 2017 and addressed to Shopping Centre Investments Limited which was prepared for financial reporting purposes. All confidential information which has been withheld is contained within the parent valuation report.

We outline in the following subsections key assumptions, limitations and restrictions with regard to this valuation. We further note that this valuation is undertaken in accordance with the agreed written Scope of Work between Shopping Centre Investments Limited and Colliers International Valuation.

We confirm that the individual valuer who is the signatory to this report is experienced in the location and category of the property valued.

1.2 BASIS AND PURPOSE OF VALUATION

The valuation has been completed in accordance with International Valuation Standards, API/PINZ Valuation Standards including Guidance Note ANZVGN 8 – *Valuations for Use in Offer Documents* and the Statement of Valuation Conditions attached at Appendix 1 of this report.

We have adopted the International Valuation Standards definition of market value as follows:

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

1.3 INFORMATION SOURCES

Colliers International Real Estate Management, who manage the property on behalf of Shopping Centre Investments Limited, has provided the following information which has been adopted in the valuation process:

- Existing tenancy schedule
- Floor plan layout
- Lease documentation
- Full financial report

Andy Wilkinson of Wilkinson Consulting Limited has provided the following information which has been adopted in the valuation process:

- Engineering reports prepared by Structex
- Earthquake strengthening cost summary prepared by Kingstons

We have searched Computer Freehold Register details independently from public records and rental and sales evidence from our own records.

1.4 ASSUMPTIONS

Verifiable

1. We have assumed that the instructions and subsequent information supplied contain a full and frank disclosure of all information that is relevant.
2. We have assumed that there are no easements, rights of way or encroachments except those shown on the Computer Freehold Registers or in the valuation.
3. A current survey has not been sighted. The valuation is made on the basis that there are no encroachments by or upon the property and this should be confirmed by a current survey or report and/or advice from a Registered Surveyor. If any encroachments are noted by the survey report we reserve the right to review our valuation.
4. We are not aware of any notices currently issued against the property and we have made no enquiries in this regard. We have not inspected the plant and equipment or obtained any advice on its condition or suitability. In the course of preparing this report we have relied upon information provided by the owner of the property.
5. We have inspected all readily accessible parts of the improvements considered necessary for the purposes of our valuation. We have not sighted a structural survey of the improvements, nor its plant and equipment, by a qualified engineer, apart from the Detailed Engineering Evaluation ("DEE") report update prepared by Structex dated 15 May 2013, the Quantitative Detailed Engineering Evaluation report for the KFC building prepared by Structex dated 21 March 2013 and the detailed seismic assessment summary reports prepared by Structex dated 1 September 2016 and 29 September 2016. The valuer is not a building construction and/or structural expert, and is therefore unable to certify as to structural soundness of the improvements. A prospective purchaser or mortgagee would need to make their own enquiries in this regard. We have not inspected unexposed or inaccessible portions of the premises. We therefore cannot comment on the structural integrity, defect, rot or infestation of the improvements.
6. Our valuation is plus GST (if any).

We have assumed that this information is correct and have adopted this information in our assessment.

Opinion

The assumptions we have made in respect of our projections are as follows:

1. There will be no major economic downturn during the projection period, beyond that envisaged at the date of valuation.

2. A continued stable economy and reasonable levels of growth as currently predicted over the next five years.
3. The property manager will continue to manage the property in an experienced professional manner.
4. There will be no new taxes or rates introduced which have a direct impact on the property over the projected period.

1.5 COMPLIANCE STATEMENT

This valuation has been performed in accordance with International Valuation Standards (IVS) and we confirm that;

- The statements of fact presented in this report are correct to the best of our knowledge;
- The analysis and conclusions are limited only by the reported assumptions and conditions;
- We have no interest in the subject property;
- Our fee is not contingent upon any aspect of this report;
- The valuation has been performed in accordance with an ethical code and performance standards;
- We have satisfied professional education requirements;
- We have experience in the location and category of the property being valued;
- The Valuer (as noted in the executive summary and final section of this report) has made a personal inspection of the property;
- No one, except those specified in the report has provided professional assistance in preparing the report; and
- In completing this report we are not aware of any conflicts of interest on the part of either Colliers International Valuation or its valuers.

1.6 DISCLOSURE

The property is managed by Colliers International Real Estate Management Limited which is related to Colliers International Valuation (ChCh) Limited. We understand that three employees of Colliers International Real Estate Management Limited are minor shareholders or have minor shareholder interests through family trust vehicles in Shopping Centre Investments Limited.

The Valuation Report referred to in this letter has been prepared independently of Colliers International Real Estate Management Limited.

No director, officer, or employee of Colliers International Real Estate Management Limited has been involved in the preparation of the Valuation Report.

We confirm that no employee, director or shareholder of Colliers International Valuation (ChCh) Limited intends to be a director, officer or employee of the Issuer.

2.0 SITE PARTICULARS

2.1 LEGAL DESCRIPTION

We refer to the three attached Computer Freehold Registers ("CFRs") at Appendix 3 held at the Canterbury Land Registration District. To summarise:

416 Main South Road, 7 – 11 Chalmers Street & 13 – 17 Chalmers Street

Description	Identifier	Area
Lot 1 DP 473884	650093	3.3987 ha
Lot 2 DP 26107	CB7D/1082	0.1262 ha
Lot 3 DP 26107	39748	0.1378 ha
Total		**3.6627 ha**

The Hub Hornby principal building is located on a prominent island site containing a land area of 3.3987 hectares.

The Computer Freehold Registers are subject to the following interests:

650093 – 416 Main South Road

- Subject to Section 8 Mining Act 1971
- Subject to Section 168A Coal Mines Act 1925
- Notice 670385 imposing Building Line Restriction
- Gazette Notice A155215.1 declaring part of State Highway No. 1, Christchurch on Masham Road and Carmen Road fronting the within land to be a Limited Access Road
- Subject to Part IV A Conservation Act 1987
- Subject to Section 11 Crown Minerals Act 1991
- Subject to a right to convey electricity in gross over parts marked H and I on DP 473884 appurtenant to Orion New Zealand Limited created by Easement Instrument 9713144.8
- Subject to a right to convey electric power, telecommunications and computer media in gross over part marked A on DP 473884 appurtenant to Orion New Zealand Limited created by Easement Instrument 9713144.9
- Subject to a right to convey telecommunications and computer media in gross over parts marked B, C, D and E on DP 473884 appurtenant to Chorus New Zealand Limited created by Easement Instrument 9713144.10
- Subject to a right to convey telecommunications and computer media in gross over part marked G on DP 473884 appurtenant to Vodafone New Zealand Limited created by Easement Instrument 9713144.11
- Subject to a right to drain sewage in gross over parts marked D and F on DP 473884 appurtenant to Christchurch City Council created by Easement Instrument 9713144.12

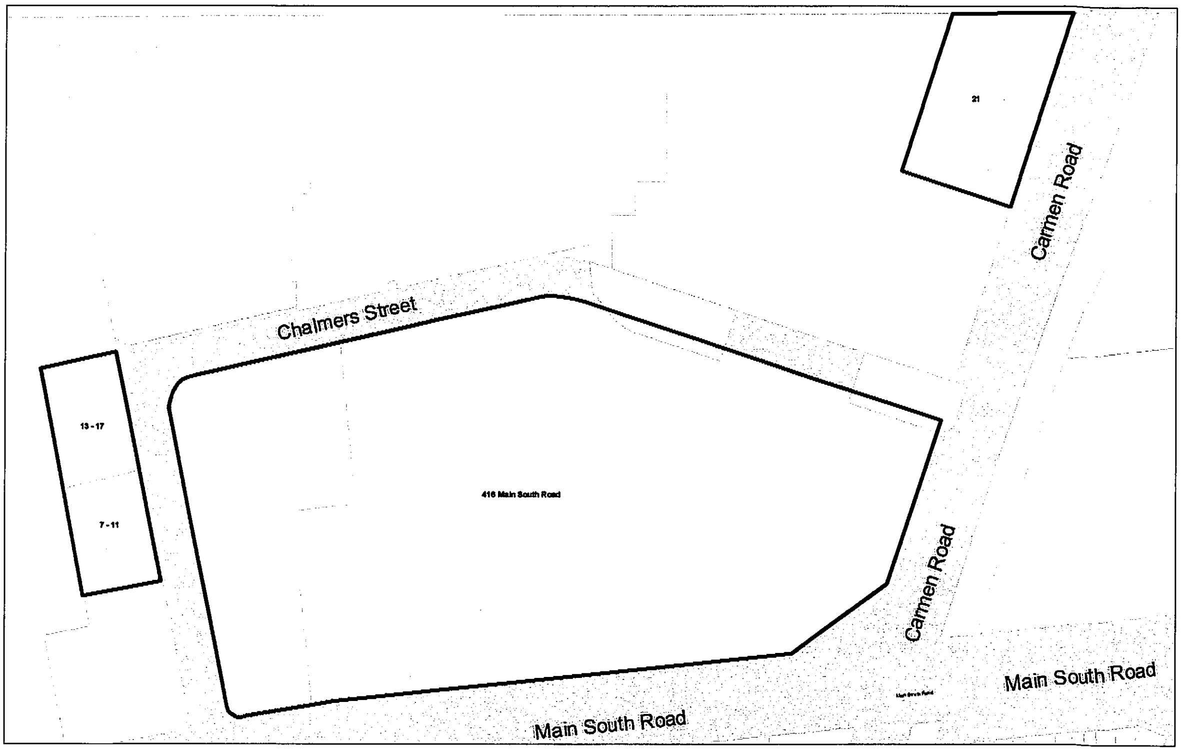
CB7D/1082 – 7-11 Chalmers Street

- Notice 734040 imposing Building Line Restriction
- Subject to a right to drain sewage over part appurtenant to the Christchurch Drainage Board created by Transfer 769462
- Subject to a right to drain sewage over part appurtenant to Her Majesty the Queen created by Transfer 44965.1.

All of these three CFRs are registered in the name of Shopping Centre Investments Limited.

The leasehold property referred to in this report forms part of the adjoining HMWC land located on the northern side of Chalmers Street where there are 212 undesignated carparks leased to Shopping Centre Investments Limited.

2.2 SITE DESCRIPTION



Topography

The property comprises three land components forming The Hub Hornby site and the detached 7 – 11 Chalmers Street and 13 – 17 Chalmers Street.

The Hub Hornby land component comprises a prominent island site forming a total land area of 3.3987 hectares. The property is bounded on all sides by public road with high profile frontages of 207.90 metres to Main South Road and 103.85 metres to Carmen Road. Chalmers Street wraps around the site forming the northern and western boundaries and this frontage measures approximately 430 metres following road realignment.

The land at 7 – 11 Chalmers Street comprises a detached CFR forming a land area of 1,262 square metres with a frontage to Chalmers Street of 42.29 metres and extending to a depth of 30.17 metres along the northern side boundary.

The land at 13 – 17 Chalmers Street comprises a detached CFR forming a land area of 1,378 square metres with a frontage to Chalmers Street of 45.71 metres and extending to a depth of 30.18 metres along the northern side boundary. The new development at 13 – 17 Chalmers Street encroaches over part of the property at 7 – 11 Chalmers Street in order to provide adequate carparking for the new development. A minor boundary adjustment would be required if this property was to be sold separately.

All of the CFRs have been valued in conjunction with the shopping centre and form an integral part of the development.

The following is a summary of the land components:

Land Summary	
Address	Area ha
416 Main South Road	3.3987
7 – 11 Chalmers Street	0.1262
13 – 17 Chalmers Street	0.1378
Total	**3.6627**

The land is level in contour as is the surrounding Hornby suburb.

Access to the Site
Access to the land is at multiple points off Main South Road, Chalmers Street and Carmen Road.

Utilities
We understand that the property is connected to all major utility services including electricity, water, telephone and sewerage.

Easements and Encumbrances
The various easements and encumbrances registered on the CFRs do not detrimentally impact on the value of the property in its current built form.

Geotechnical
Major parts of Christchurch, particularly the CBD, southern and eastern suburbs suffered significant land damage in the form of liquefaction during the four major earthquakes in September 2010, February 2011, June 2011 and December 2011. We have inspected the land associated with The Hub Hornby Shopping Centre and there is no sign of any liquefaction on the property, nor in the general Hornby locality.

Other
We have not undertaken a geotechnical survey of the property, and therefore cannot comment as to the subsoil condition of the land. Further, we have not attempted to verify any contamination, which may exist in the site. We recommend that before any action is taken involving this site, that you obtain advice regarding soil stability and contamination from persons appropriately qualified to provide such advice.

2.3 RESOURCE MANAGEMENT

The land was zoned Business 2 in the City Plan for Christchurch.

The land is zoned Commercial Core in the Christchurch Replacement District Plan.

The Commercial Core Zone provides for the major commercial development in a centre and is generally the part of the suburban centre dominated by a mall or supermarket. The rules enable a large scale of development (e.g. greater height of buildings). The Commercial Core Zone can be found in all District and Neighbourhood centres.

Resource consent was granted in 1998 for extensions to the then Hornby Mall. The consent concluded the provision of carparking for the property remained adequate if 150 additional spaces were included to the north of Chalmers Street on the HWMC land.

These carparks were located in the same zone, are within convenient and safe walking distance of the centre, and are surrounded by appropriate land use activities primarily of a retail nature. The Council accepted the lease agreement with the HWMC for their required carparks and considered that the continuation of this lease was necessary to ensure the satisfactory availability of carparking for the Centre.

The consent decision was subject to nine conditions. The important condition relating to carparks was Condition 8 which is recited as follows:

> *"That the 150 carparks on the northern side of Chalmers Street adjoining the Mall form part of the consent and shall be provided in accordance with the existing lease agreement for carparking between the owners of the Hornby Mall and the Hornby Workingmen's Club. This lease agreement is now labelled RC 973717/8 in Council records. This consent shall lapse if the lease agreement for carparking between the owners of Hornby Mall and the Hornby Workingmen's Club or subsequent owners is altered or cancelled so that the required number of spaces is no longer available. The applicant shall present to the Council a current copy of the above lease agreement on the first anniversary of the date of this consent and at any time thereafter on request"*

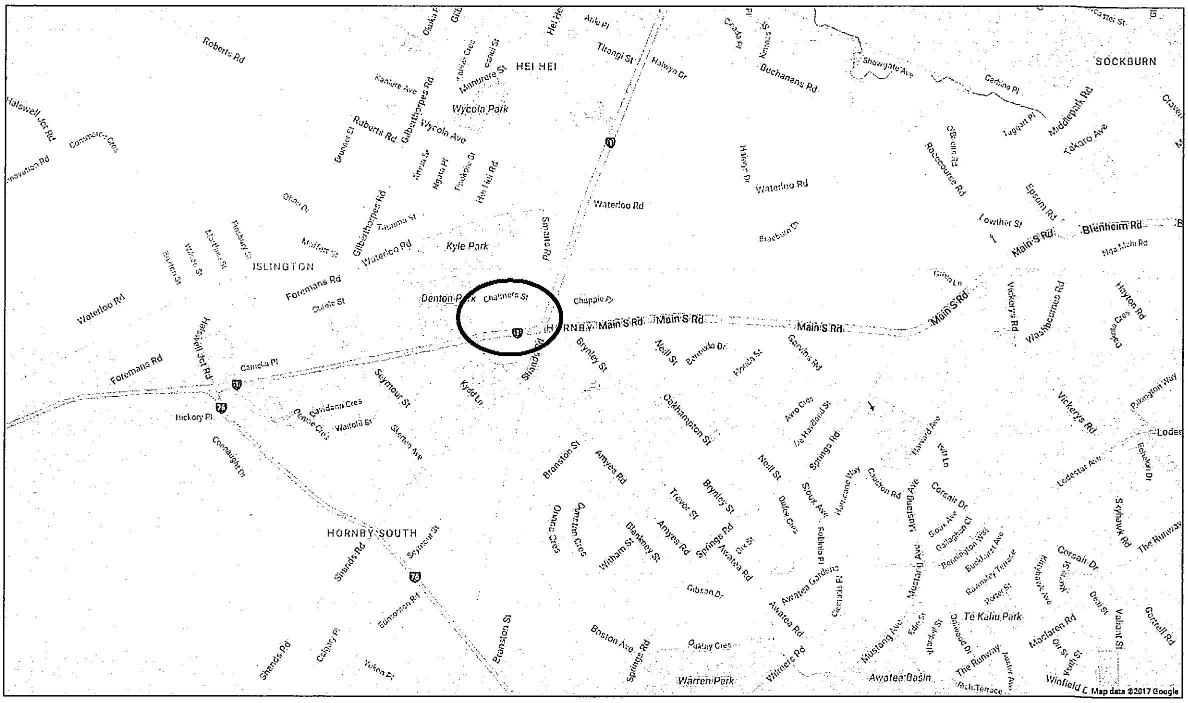
We understand the most recent major extension completed to The Hub Hornby was allowed subject to the above 150 carparks being provided.

The head lease of the HWMC land was for a term of 20 years from 1 April 1992 and expired on 31 March 2012.

An alternative carpark arrangement was negotiated with HWMC which is discussed later in this valuation report.

2.4 SITUATION AND LOCALITY

The Hub Hornby is situated in a high profile position on the northern side of the Main South Road at the intersection with Carmen Road in Hornby. Surrounding the northern and western boundaries of the property is Chalmers Street which links between Main South Road and Carmen Road.



Main South Road (SH. No. 1) is the principal southern outlet highway for Christchurch and carries a considerable volume of traffic during all hours of the day. Carmen Road forms part of an important ring road system providing a convenient bypass route linking the Main South and Main North Roads and passes directly beside Christchurch International Airport which is 6.2 kilometres to the north. Carmen Road becomes Shands Road, south of Main South Road and links with Lincoln township and Lincoln University.

Chalmers Street is a small local road effectively framing the outside perimeter of The Hub Hornby.

Hornby is an important commercial district centre located at the intersection of Main South Road and Carmen Road/Shands Road 9.2 kilometres west of the Christchurch CBD.

Hornby is a large residential and industrial suburb of the city developed from the 1950's and located on the western periphery. Located opposite the property is the Dress-Smart Factory Outlet Shopping Centre. The Dress-Smart concept assembles well known clothing brands to operate clearance shops retailing merchandise which would normally be sold in their sales.

Located to the north of The Hub Hornby, on the opposite side of Chalmers Street is the substantial HWMC facility. Located on this property is a large bulk retail building occupied by The Warehouse and Briscoes. Also located on the HWMC land on the north western side of Chalmers Street is a more recent retail development which is anchored by Rebel Sport with other tenants including Bed, Bath & Beyond, The Baby Factory, Toy World and Anytime Fitness. Associated with this property is a large carpark.

Other retail development in Hornby opposite in Main South Road comprises essentially strip shopping, a service station and service commercial activities. Located adjacent to Dress-Smart is a Caltex service station and a block of strip shops fronting Goulding Avenue.

Diagonally opposite The Hub Hornby, east of the railway line are Branston Buildings which comprise an original strip shopping block.

Located on the opposite side of Carmen Road, to the east of the Hornby Branch Railway is a large Commercial Retail Park zoned site where there is a Countdown supermarket and a Mitre 10 Mega store. Located to the eastern side of this property is the former Mitre 10 Mega store, which was redeveloped into Hornby Mega Centre and accommodates a number of bulk retail outlets including the large Harvey Norman premises. Located at the intersection of Main South Road and Chappie Place is a Wendy's quick service restaurant.

Located at the intersection of Main South Road and Tower Street is a modern single level block of retail shops and a Carls Junior quick service restaurant.

The Hornby commercial centre services the suburbs of Hornby, Wigram, Islington, Templeton, Hei Hei, Prebbleton and Halswell. In addition the centre services a very large physical catchment area to the west of the city and attracts shoppers from as far afield as the rural townships of Rolleston, Burnham, West Melton, Darfield, Hororata, Dunsandel, Springston, Leeston, Lincoln and Tai Tapu.

Over the last twenty years there has been extensive small holding subdivision within a 20-30 kilometre radius of Christchurch city particularly to the west and south. This has resulted in a significant increase in population base in this area and Hornby is ideally situated to service the shopping needs of this locality. Substantial residential development activity is currently occurring at West Melton, Prebbleton, Lincoln, Rolleston and Halswell.

Ngai Tahu is almost finished a major residential and industrial business subdivision on the former RNZAF Wigram Airbase named Wigram Skies. Wigram Skies is a new suburb of 2,000 homes incorporating The Landing, a convenience commercial centre together with the Wigram Industrial Business Park.

A large area of land between Yaldhurst and Buchanans Road, west of Carmen Road has been developed by three developers and will eventually accommodate in the region of 1,100 residential properties of standard, medium and high density. These developments are named Delamain, Yaldhurst Village and Kintyre Estates.

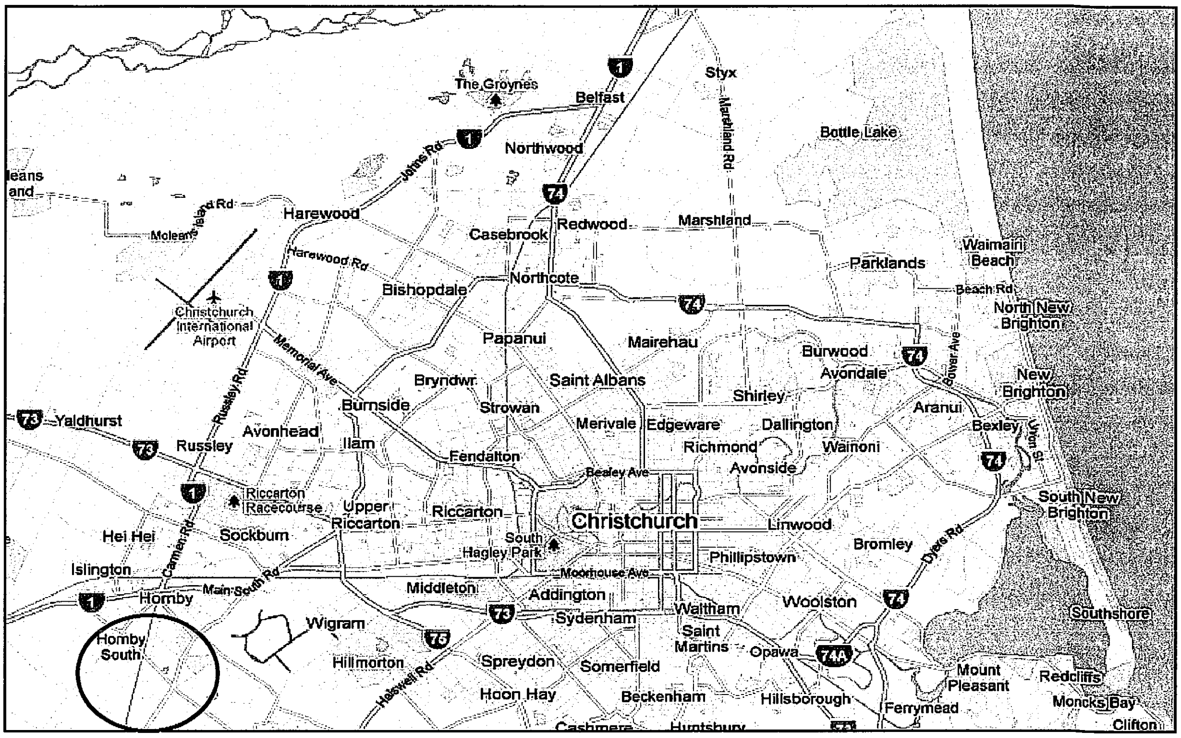
Rezoning of rural land for residential development in Rolleston will allow the population to grow from approximately 3,000 at present up to 14,000. Significant residential development has already been completed in Rolleston and continues.

The Hub Hornby is a landmark site with excellent visibility to all passing traffic entering or leaving the city via Main South Road. The Dress-Smart centre is the only one of its kind in the South Island and attracts Canterbury wide patronage.

2.5 COMPETITION

Christchurch City has largely developed over the years radiating from the central core by a network of principal streets with suburban streets interconnecting. Accordingly, general accessibility around the entire Christchurch area is comparatively straight forward during normal traffic conditions and coupled with limited traffic congestion makes accessibility across the entire Christchurch urban area much more straight forward than many other cities. As a result there is considerable crossover between the various primary retail properties in Christchurch and the CBD with significant numbers of Christchurch residents making use of all facilities.

Shopping centres in direct competition within the Christchurch market include Westfield Riccarton, located approximately 6.2 kilometres to the east, Northlands, located approximately 8.8 kilometres to the north east and The Palms, located at Shirley approximately 11.2 kilometres to the north east.



2.6 ENVIRONMENTAL AND OTHER SPECIAL RISKS

We have obtained a Listed Land Use Register ("LLUR") report from Environment Canterbury for the property. The LLUR records the property as being on the Hazardous Activities and Industry List ('HAIL") because of the following activities:

- A17 – Storage tanks or drums for fuel, chemicals or liquid waste

The report states that the verified HAIL has not been investigated but notes the underground storage tanks on the property were removed in 1994 and 2000.

Whilst the above comments suggest environmental matters may or may not be an issue, the recipient of this report is advised that the Registered Valuer is not qualified to detect such substances, which in many cases are not visible, nor quantify the impact on values without an environmental report.

Substances such as asbestos, other chemicals, toxic waste 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, quantify the impact on values 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.

2.7 STATUTORY INFORMATION

Building Act

Parliament passed the Building Act 2004, which replaced the Building Act 1991 and affects the building consent process. Some new measures came into effect on 30 November 2004, but the main changes came into effect on 31 March 2005, when the 1991 Building Act was repealed.

The main change from November 2004 is that it is now an offence to permit the public use of a building before a Code Compliance Certificate (CCC) for any new building work has been issued. Building owners had until 31 March 2005 to obtain the CCC. After that date, the offence became enforceable.

Recent alterations and/or building work has been undertaken in this building and an appropriate Code Compliance Certificate has been issued.

Under the Building Act, property owners are responsible for the safety and sanitation of their buildings. Certain systems and features such as fire alarms, lifts and air-conditioning require ongoing monitoring and maintenance.

Where necessary, owners must provide a Building Warrant of Fitness (BWOF) annually to verify systems are in working order. This must be accompanied by copies of Independent Qualified Person (IQP) Certificates to support that requirements of the Compliance Schedule have been met for the preceding year. A Compliance Schedule is an inventory of a building's systems and features that specifies inspection, testing and maintenance procedures as well as the frequency of work, and who should perform it.

The Warrant of Fitness is current and displayed in the building and expires on 1 July 2017.

Rating Valuation

As at 1 August 2016:

The rating valuation is contained in four assessments summarised as follows:

Rating Valuation Summary				
Address	Area Ha	Land Value	Improvements	Capital Value
416 Main South Rd	3.3987	$21,000,000	$69,000,000	$90,000,000
7 – 11 Chalmers Street	0.1262	$ 750,000	$ 1,470,000	$ 2,220,000
13 - 17 Chalmers Street	0.1378	$ 900,000	$ 2,120,000	$ 3,020,000
Total	**3.6627**	**$22,650,000**	**$72,590,000**	**$95,240,000**

We point out that rating valuations are carried out under statutory criteria and may not reflect the market value at any point in time.

3.0 DESCRIPTION OF IMPROVEMENTS

3.1 THE HUB HORNBY

3.1.1 Design and Construction

The Hub Hornby Shopping Centre building complex has been constructed in a number of stages from 1978 through to the most recent stage, the Northern Retail Precinct in 2016.

The original Hornby Mall building comprising the central components was constructed in 1978. A three cinema multiplex was added at first floor level in 1991 and the western end of the complex incorporating the former supermarket was completed in 1998/99.

The interior of the entire building was completely refurbished at the same time as the 1998/99 extension with a new floor throughout, new ceilings and a new evaporative cooling system.

A major extension was completed in 2005 at the western end of the complex incorporating a new supermarket, north mall concourse and specialty shops on the northern and southern elevations, together with a rooftop carpark over the supermarket.

A further stage of construction was completed in 2008 providing a financial precinct containing three banks and a café. This component of the building is located on the south eastern end of the complex. During the last five years a further small extension was completed adjacent to the financial precinct named Stage 6B.

Stage 1 of the recent redevelopment comprising a two level Farmers department store and 10 specialty shops was completed in 2014 and Stage 2 comprising a new food court and Northern Retail Precinct together with further Level 1 carparks was completed in 2016.

Design and construction varies from stage to stage although the entire complex has been well co-ordinated to present an integrated shopping centre.

Construction of the original stage comprises a concrete slab floor and foundation, steel frame, external walls comprising predominantly pre cast concrete tilt slab wall panels all supporting a long run metal roof.

The roof line to the retail outlets in this section of the centre is in the form of gables with the suspended ceiling following the rake of the roof line.

The more recent extensions to the original Hornby Mall are of similar construction comprising a concrete slab floor and foundation, precast concrete tilt slab wall panels all supporting a tray metal roof. Design of the later extensions is more conventional.

Flooring throughout the original concourse areas is surfaced with Terrazite and the western public concourse features a gable style ceiling with glazed skylights providing excellent natural lighting. The central concourse features a high suspended mineral fibre panel ceiling.

The 2005 building redevelopment at The Hub Hornby comprised construction of a substantial supermarket addition at the western end of the original building extending out to Chalmers Street. The original supermarket component was redeveloped creating 23 new speciality shops in a north mall concourse together with a new entrance. On the southern side of the building eight new speciality shops were added together with a new southern entrance. The new supermarket extension incorporated a rooftop carpark with vehicular access via a ramp situated adjacent to the southern elevation and pedestrian access via a travellator / escalator off the north mall concourse.

The exterior of this building component is of contemporary architectural appearance and existing building elevations to the south and east have been harmonised with the new building extension.

Construction of the 2005 building component comprises a reinforced concrete frame, concrete slab floors to the supermarket and first floor carpark deck, precast concrete tilt slab wall panels extending above the first floor level to create a parapet. The external panels are provided with an architectural profile and are painted.

Internal finish to the office, service areas and food preparation areas within the supermarket comprise suspended flush gibboard ceilings and gibboard lined walls. At the entry an architectural ceiling has been installed which harmonises with the original mall ceiling finish. The supermarket has an unlined ceiling.

The concrete roof deck is provided with a waterproof membrane and carparks are marked with security lighting installed.

Internal finish to the redeveloped north mall extension within the original supermarket frame, comprises a Terrazite floor to match the existing mall concourse areas. Ceilings throughout the mall concourse have been designed to achieve maximum architectural effect with particular reference to the principal entry, the concourse area opposite the Pak 'n Save supermarket which incorporates special features. Internal finish to speciality shops is in accordance with tenant's requirement and comprises a mix of suspended mineral fibre panel ceiling systems or suspended gibboard ceilings.

Feature aluminium louver facades are attached to the three principal entrance points to the building. The three principal pedestrian entrances to the mall all feature a wind lobby with automatic doors either side of the lobby.

Flooring throughout the original concourse areas is surfaced with Terrazite and the western public concourse features a gable style ceiling with glazed skylights providing excellent natural lighting. The central concourse features a high suspended mineral fibre panel ceiling for the most part.

The most recent development takes the form of a two level department store occupied by Farmers, a new food court and a new North Retail Precinct together with rooftop carparking.

This development involved demolition of the original north eastern part of the existing centre including the cinema, demolition of the three buildings at 45 – 53 Chalmers Street and 13 Carmen Road and realignment of the section of Chalmers Street adjacent to Carmen Road.

The eastern elevation of the shopping centre has now been dramatically improved and now presents a modern contemporary appearance.

The Stage 1 and 2 extensions have been designed to complement the existing exterior façade of The Hub and are of contemporary design and conventional construction. Construction comprises concrete slab floors and foundation, reinforced concrete frame with exterior precast concrete tilt slab wall panels. The carpark deck at Level 1 is concrete.

Interior finish is conventional, similar to the existing modern components of the centre.

The principal retail area in the extension is the Farmers store comprising of ground floor rentable area of 3,000 square metres and a first floor rentable area of 3,000 square metres.

Interior finish in the Farmers store is of high quality with white ceramic tiled flooring in significant areas. Internal walls in the trading area are lined with gibboard and the ceilings comprise a mix of high gibboard and suspended mineral fibre panels. Accommodation provides ground and first floor retail areas with access provided via an escalator system through the central atrium. At ground floor level there is a loading bay fitted with a motorised roller shutter door, stock room and access is provided from the ground floor via a goods lift. There is a Koyo 17 person/1,275kg passenger lift.

Located at Level 1 there is a back of house area providing offices, staff amenities, toilets, meeting rooms/training rooms and café.

3.1.2 Accommodation

The Hub Hornby now provides two majors, 68 specialty shops and an array of associated retail facilities including four ATMs, eight food court outlets, seven kiosks, detached KFC quick service restaurant and five detached shops at 7 – 11 and 13 – 17 Chalmers Street.

Completion of the recent stages transforms The Hub Hornby from a district shopping centre to a regional shopping centre, a classification currently enjoyed by Westfield Riccarton, The Palms and Northlands in Christchurch. To be considered a regional centre and attract customers from a wider base, a shopping centre requires at least one full line department store such as the Farmers, or a large discount department store, one or more supermarkets, and generally 60 or more specialty stores. The total rentable floor area will generally exceed 15,000 square metres, with the average in New Zealand being in excess of 35,000 square metres.

The Hub Hornby as a regional shopping centre following development now attracts additional retail and commercial patronage to the Hornby district.

A modern standalone KFC fast food restaurant and drive thru facility was developed in the carpark at the intersection of Main South Road and Carmen Road in 2007. This building is of new generation KFC format.

The following is a ground floor plan of the completed development. Withheld.

3.1.3 Building Services

The entire mall complex is provided with sprinkler fire protection throughout.

All new speciality shops are fully air conditioned and air conditioning is being introduced to the original mall shops as leases are renegotiated. The supermarket tenant owns the air conditioning system.

Pedestrian access between the ground floor north mall concourse and the first floor carpark is via a travellator providing access from the ground to first floor level and an escalator providing access from the first floor to ground floor level.

Lighting throughout the complex is provided by a mix of suspended incandescent lamps and recessed fluorescent fittings. Ceilings throughout the shops vary in type from the gable style in the original stage to flat suspended mineral fibre panel or gibboard ceilings in modern shops.

A modern toilet block servicing the entire complex is situated between Shops 84A and 85 down a corridor on the southern side of the building. Extensive new male, female and accessible toilets are provided together with baby changing areas. The toilet area is of high quality with tiled walls and floors and superior quality fittings.

Within the new extension, access between levels is provided by two sets of escalators and a lift. There is an escalator system within the Farmers department store and an escalator rising from the food court to the Level 1 carpark. Adjacent to the food court there is a passenger lift which is of 17 person/1,275kg capacity.

3.2 7 – 11 CHALMERS STREET

3.2.1 Design and Construction

The building at 7 - 11 Chalmers Street is single level and accommodates the Subway, Cathay and former Snafu tenancies. The building was completed in the early 1980's and is of conventional design and construction.

Construction comprises a concrete slab floor and foundation, reinforced concrete frame with concrete block infill walls, all supporting a tray metal roof. Extensive glazing is provided to the front and northern elevations framed in aluminium joinery.

Internal walls and ceilings are lined with a mix of gibboard and suspended mineral fibre panel ceiling systems.

3.3 13 – 17 CHALMERS STREET

3.3.1 Design and Construction

The building at 13 – 17 Chalmers Street comprises a single level structure of contemporary design and conventional construction completed in 2014.

Construction comprises a concrete raft foundation and floor slab, precast concrete tilt slab wall panels all supporting a steel portal roof frame sheathed with longrun Colorsteel over insulation and mesh. Elevations feature extensive glazing framed in aluminium joinery.

Internal finish comprises a mostly unlined ceiling throughout the Coin Cascade premises although acoustic panels are installed to approximately 60% of the ceiling area. Within the St Pierre's premises there is a mineral fibre panel suspended ceiling system with recessed fluorescent lighting. Internal walls are lined with gibboard.

3.3.2 Accommodation

Accommodation provides two separate tenancies with the Coin Cascade premises comprising a large open plan games area, a smaller games area, office and male and female toilets. The St Pierres area provides open plan retail accommodation with an accessible toilet.

3.3.3 Building Services

The building is air-conditioned. Facilities in the toilets provide a WC and hand basin in each toilet area.

3.3.4 Other Improvements

Adjoining the building covering the balance of the site is an asphalt sealed carpark where there are 13 carparks. Landscaping is provided to the street frontage and carpark border areas.

Part of the carpark on the southern side of the property encroaches over the boundary of the adjoining property at 7 – 11 Chalmers Street. Should the property at 13 – 17 Chalmers Street be sold separately from The Hub Hornby Shopping Centre complex, then a boundary adjustment to Computer Freehold Registers will be required.

3.4 FLOOR AREAS

Rentable floor areas have been provided by Colliers International Real Estate Management who manage The Hub Hornby and we understand these have generally been measured in accordance with the PCNZ/PINZ standard. The following is an overall summary following demolition:

Rentable Floor Areas	sqm
Withheld	
Total	**24,625.75**

Please refer to the Tenancy Schedule attached at Appendix 2.1 where there is an individual summary of each tenancy rentable area. Withheld.

3.5 SITE DEVELOPMENT

Extensive carparking is provided at ground floor level in the open carpark at the Main South Road frontage and also at first floor deck levels.

Carparking has been increased with the construction of the Level 1 carpark extension which added 190 parks. In total there are 798 carparks available. This equates to approximately 3.24 carparks per 100 square metres of floor area. The following ratios are based on the pre-earthquake carparking and we note that Eastgate in particular has lost a significant number of spaces and retail space.

Carpark Ratio Summary	
Westfield Riccarton	5.10 per 100 sqm
Northlands Shopping Centre	4.10 per 100 sqm
The Palms	4.10 per 100 sqm
Eastgate Shopping Centre	3.30 per 100 sqm
Hub Hornby Shopping Centre – On Completion	3.24 per 100 sqm

The above comparison in relation to the Hub Hornby Shopping Centre is a little misleading in that this property in addition has the benefit of shared use of the substantial HWMC carpark which is situated in front of and beside the adjoining Briscoes and The Warehouse bulk retail stores on the opposite side of Chalmers Street.

Pedestrian walkways around the perimeter of the centre building are surfaced with concrete pavers with verandah weather protection along the southern side of the building.

Advertising is carried by three advertising pylons which carry major tenants' names and logos.

Located on the HWMC property on the northern side of Chalmers Street are a further 212 undesignated carparks which are leased to The Hub Hornby. This carpark is surfaced with asphalt and is well marked.

3.6 CONDITION AND REPAIR

The exterior and interior of the shopping centre has been well maintained throughout.

In the major earthquakes on 4 September 2010, 22 February 2011, 13 June 2011 and 23 December 2011 The Hub Hornby Shopping Centre and the associated building components did not suffer any damage of any note. The Hub Hornby Shopping Centre was open for business on 4 September 2010, the same day as the earthquake and the day following the 22 February 2011, 13 June 2011 and 23 December 2011 earthquakes.

Any minor damage caused by the earthquakes has or will be repaired under insurance policies.

We have reviewed a Detailed Engineering Evaluation ("DEE") report update prepared by Structex dated 15 May 2013.

Structex was engaged to complete a visual inspection and DEE of The Hub Hornby buildings. A qualitative estimate of these buildings' strengths was determined using the NZSEE Initial Evaluation

Procedure ("IEP"). For the mall sections that were to remain following alterations that were being undertaken, Structex completed quantitative calculation analysis, which superseded previous qualitative assessments.

The main mall was assessed in separate sections corresponding to the different original design dates and structural systems. The table below lists the Structex IEP assessment findings as well as updated quantitative analysis findings for the Pak 'n Save, Front Colonnade and Centre Mall sections. The seismic assessment of these sections was carried out in accordance with the New Zealand Society for Earthquake Engineering ("NZSEE") guidelines, considering The Hub to be an Importance Level 3 structure. Each building section as it currently stands has the following estimated seismic strengths as a percentage of New Building Standard ("NBS"):

Building Section	IEP Result (%) NBS	Quantitative Result
Original Supermarket	65%	-
Original DEKA	59%	-
West Mall	64%	-
Centre Mall	59%	74%
Banking Precinct	73%	-
Pak 'n Save Building	60%	70%
Front Colonnade	60%	70%

The report concluded all sections of the main The Hub building remain unlikely to be considered earthquake prone, as previously estimated. Further analysis of the Pak 'n Save, Front Colonnade and Centre Mall sections resulted in higher assessed strengths, confirming initial considerations that the IEP assessment was typically conservative in assessing the seismic strength.

The report stated that there were no critical weaknesses identified and that the minor damage throughout The Hub is typical of low rise commercial and retail structures of this type. The damage was generally confined to simple cracking or spalling of concrete elements and widespread, but minor non-structural damage throughout the shops such as lining board joint opening and ceiling grid damage.

The report stated that the result of the Structex analysis to date, coupled with limited observed damage experienced by the buildings, suggests no need for further investigations is necessary to confirm the sections of The Hub Hornby, are unlikely to be considered earthquake prone.

We have also reviewed a quantitative Detailed Engineering Evaluation Report by Structex for the KFC building dated 21 March 2013. This report confirmed the KFC building had an estimated seismic strength of at least 100% of NBS and is therefore not considered earthquake prone.

We have reviewed recent Detailed Seismic Assessment reports prepared by Structex for the Banking Precinct dated 1 September 2016 and the West Mall dated 29 September 2016.

The reports expanded on the previous Structex initial seismic assessment reports completed in 2013.

The Banking Precinct report states that whilst elements of the Banking Precinct structure have a seismic strength in the range of 80% NBS to 100% NBS, the assessed capacity of two elements, and 35% to 45% NBS is less than would normally be expected for a building designed in 2007. This report recommended the two elements, being part of the roof bracing and a section of wall bracing at the west end be upgraded to at least 73% NBS to restore expected strength and ideally to 80% consistent with the assessed strength of other elements.

The West Mall report stated that the overall percentage of NBS is 45% limited by flexural buckling of the 1998 portal frame structure due to the span link and frame configuration. The West Mall structure is not considered earthquake prone with an overall percentage of NBS at 45%.

Structex recommended strengthening work which would stiffen the building to limit lateral drift to something approaching 67% NBS.

Kingstons has provided a summary of the cost of seismic works to maintain the integrity of the Mall and also a cost for deferred and cosmetic repair work.

The following is a summary:

Earthquake Strengthening and Refurbishment Cost Summary	
Seismic Works	$1,040,002
Deferred and Cosmetic Repair Work	$2,251,293
Total	$3,291,295

Costs incurred to date in relation to the earthquake strengthening work equate to $281,333 which has been paid.

The deferred cosmetic work is estimated to cost $2,251,293 however this work is not required immediately. We understand this work is discretionary although it should be spent on the centre in order to maintain the quality of the building complex. In order to reflect this deferred cost we have deferred it for five years adopting a discount rate of 7.00%.

The following is a summary of our calculation to arrive at the present value cost allowance to be deducted from the market value of the property assuming strengthened.

Total Strengthening & Cosmetic Upgrade Cost		
Earthquake Strengthening – Estimated Cost		$1,040,002
Less Costs Incurred to Date		$ 281,333
Cost to Complete		$ 758,669
Deferred Cosmetic Work	$2,251,293	
Deferred – PV @ 7.00% for 5 yrs		$1,605,141
Net Total		$2,363,810
Total		**$2,360,000**

4.0 LEASE DETAILS

4.1 SUPERMARKET LEASE

Withheld.

4.2 FARMERS LEASE

Withheld.

4.3 CARPARK LEASE - HORNBY WORKINGMEN'S CLUB AND MSA INC.

We have reviewed an executed Agreement between SCIL and HWMC dated 16 October 2012. The following is a summary of the principal terms and conditions:

SCIL Land – 21 Carmen Road
SCIL, through its subsidiary, Hornby Enterprises Limited, leases 112 marked and sealed carparks to HMWC for a term of 35 years less one day from date of possession.

HMWC Land – Chalmers Street
HWMC leases 212 undesignated marked and sealed carparks to SCIL for a term of 35 years less one day from date of possession.

Under both leases we have assumed the rent would be reviewed at two yearly intervals although the agreement between the parties dated 16 October 2012 is silent in relation to rent reviews.

The rent for all carparks is (withheld) per week each.

5.0 CANTERBURY EARTHQUAKES

Christchurch and Canterbury suffered a 7.1 magnitude earthquake on 4 September 2010 and a series of aftershocks. On 22 February 2011 Christchurch was hit by a second major earthquake of 6.3 magnitude with catastrophic loss of life and unprecedented property destruction. On 13 June 2011 and 23 December 2011 Christchurch was hit by two further earthquakes of 6.3 and 6.0 magnitude which caused additional property damage.

We draw the following to the attention of the report addressee and authorised users of the report:

- The valuation figure(s) concluded can only reasonably be considered as relevant at the date of inspection. The valuation figure provided in this report is based on the assumption that the improvements and land forming the property are sound and not detrimentally affected by the earthquakes and, if relevant, that insurances will meet any capital expenditure requirements and/or loss of rental income. Third party confirmation of these assumptions has not been provided by the property owner.

- In preparing this report we have used all reasonable skills as a valuer but we are not qualified to assess the structural integrity of the improvements on the property, or impact on building services. We give no warranty as to these issues in respect of the buildings.

- Any damage or other obvious physical issues observed during our inspection are duly noted if considered to be a result of the recent earthquakes. There is a risk that there may be other damage that was not visible to us. We have assumed that all such damage will be covered by insurance to the extent that all damage resulting directly from the earthquakes will be reinstated in a tradesman like manner that will not significantly alter the value of the property relative to its value, had hypothetically the earthquakes not occurred.

- In preparing this report we have used all reasonable skills as a valuer but we are not qualified to assess the stability, load bearing capacity or integrity of the land. We have not seen anything during our inspection of the property that would as a valuer acting reasonably, alert us to any issue in respect of the land stability, load bearing capacity or integrity. There is a risk that there may be other damage that was not visible from our inspection. We give no warranty as to these issues in respect of the land.

6.0 MARKET COMMENTARY

6.1 ECONOMIC COMMENTARY

In determining the current market value of the subject property we have had regard to underlying economic conditions and the flow-on implications that these may have on investment and divestment decisions made across the broader property markets. This commentary is effective as at February 2017 and is based on the most recently sourced data from Government and independent sources. The following table provides a general overview of immediate past performance and short term projections.

New Zealand Institute of Economic Research Quarterly Forecasts

Economy Activity (March Year)	2014	2015	2016	2017F	2018F
GDP - annual % change	1.8%	1.9%	0.5%	1.3%	0.8%
Consumer Price Index	1.5%	0.3%	0.4%	1.3%	2.0%
Unemployment Rate	5.5%	5.4%	5.2%	4.4%	4.2%
Current Account % GDP	-2.6%	-3.5%	-3.1%	-2.2%	-2.9%
Trade Weighted Index	77.6	79.2	72.6	75.3	73.9

Source: NZIER Quarterly Predictions December 2016, RBNZ, Statistics New Zealand, New Zealand Treasury & Colliers International

KEY MARKET INDICATORS

	6 Month Change	12 Month Change	12 Month Forecast
Floating Rate	↓	↓	↓
Two-year Fixed Rate	↓	↓	-
OCR	↓	↓	↔
NZD/USD Exchange Rate	↑	↑	↓
NZD/AUS Exchange Rate	↑	↑	↓
Non-Residential Building Consents*	↓	↓	-
Residential Building Consents	↑	↑	-

Source: NZIER, RBNZ & Statistics New Zealand
*Value of Building Consents only

Key Point Summary

- Economic activity as measured by Gross Domestic Product (GDP) was up 1.1% in the September 2016 quarter. This follows a 0.9% increase in the June 2016 quarter.
- In the Q4 2016 release, NZIER forecast Real GDP growth of 0.5% and 1.3% to the December 2016 and December 2017 years.
- The Reserve Bank of New Zealand (RBNZ) reduced the Official Cash Rate (OCR) in November 2016 by 25 basis points to 1.75% and remained unchanged at the latest announcement on 9 February 2017. The cut in November last year was the second cut in five months and represented a 75 basis point reduction in 2016.
- In the year to the December 2016 quarter, the Consumer Price Index (CPI) increased 1.3% and is finally back in the Reserve Bank's target range of 1-3%. This follows 0.4% increases in the previous three quarters.

Conclusion

The global economic growth outlook remains very fragile with numerous uncertainties with respect to Donald Trump being newly elected as the President of the United States and the effects of the decision by Britain to leave the European Union. The biggest concern of these events is the shift of these countries towards trade protectionism which would have a negative effect on a small open economy such as New Zealand. The success of the Chinese economy transitioning from an investment to consumption led growth is also a continuing risk to the global economy. All these factors cast a shadow over the global growth outlook.

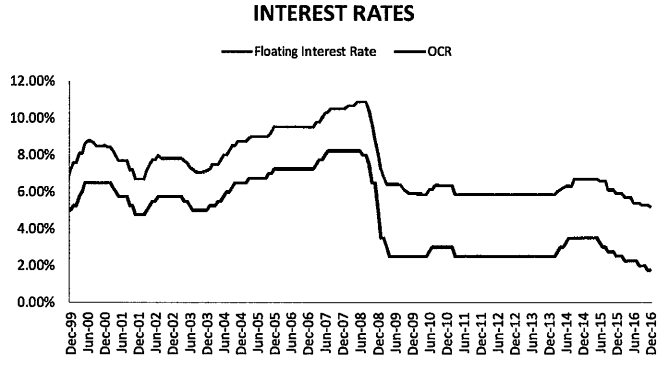
The recent earthquakes centred in Kaikoura and Seddon have caused damage to buildings, road networks and disruptions to business activities, with the most affected being Kaikoura and Wellington. The total cost to rebuild is still uncertain, given the full extent of the damage is yet to be assessed and more earthquakes a possibility in the coming months. The overall effect of the recent earthquakes is expected to be modest on the New Zealand economy.

Despite the events over the recent months, annual growth in the New Zealand economy is expected to rise above 3% on average over the next five years; a key factor being strong population growth which has flowed through to many sectors of the economy including construction and retail spending. The exceptionally strong tourism inflows are also boosting activity in many regions. Net migration hit an all-time high in the year to December 2016. Tourism growth and construction are expected to be the key factors for regional economic development and growth over the next few years.

Official Unemployment Figures show the unemployment rate rose to 5.2% in the December 2016 quarter from 4.9% in the September quarter, mainly due to the increased workforce partition. Meanwhile, the risks surrounding the dairy sector have receded in recent auctions, with global dairy prices having rebounded considerably, reflecting reduced supply and recovering demand.

Strong population growth is continuing to drive housing demand and while residential construction has ramped up over the past few years, housing supply is still falling short of demand. The housing shortage is particularly acute in Auckland. Construction activity has also increased in Hamilton, Queenstown and Tauranga, while the Christchurch rebuild has levelled off.

Also driving demand are the record low interest rates and this has been seen most clearly in the housing market. Although of late, interest rates have begun lifting, despite the OCR cut in November 2016 due to higher funding cost for the banks. Demand from owner occupiers has increased as has demand from investors. To counter the increased demand from investors, the Reserve Bank increased the required deposit to 40% from 1 October 2016. The graph below shows the downward trend in interest rates since late 2014.



Source: RBNZ

Inflation has reached the Reserve Bank's 1-3% inflation target band after two straight years below 2%, inflation is expected to remain in the lower half of the target range over 2017 due to the high New Zealand Dollar and subdued imported inflation countering rising domestic inflation. The Reserve Bank is not expected to lower the OCR below 1.75% with inflation back within the Reserve Bank's target range and a solid growth outlook for the New Zealand economy.

6.2 SHOPPING CENTRE RETAIL COMMENTARY

Historically, the largest owner by number of centres, retail turnover and number of specialty stores had been Scentre Group (formerly Westfield), however with recent divestments including full centre sales as well as sales of 49% interests of assets, the sector is now divided between four major players, these being Scentre, AMP, Kiwi Property and Stride Property. AMP (with the former NZ branch owned assets now owned by Canada's Public Sector Pension Investment Board) includes assets such as Botany Town Centre, Manukau and Northwood Supa Centres, and the Palms, Christchurch and a half share in Bayfair in Tauranga. Kiwi Property Group is another major player, with LynnMall Shopping Centre in Auckland, Centre Place North and Centre Place South, Hamilton, The Plaza, Palmerston North, North City, Porirua and Northlands in Christchurch as well as Sylvia Park, Auckland which is their flagship shopping centre which opened in 2006. Stride Property's retail holding grew significantly in 2015 and 2016 with the acquisition of two former Scentre assets, the development of Auckland's newest mall, Northwest, and the acquisition of two nationwide supermarket portfolios with 33 properties on top of what was already a significant retail portfolio.

Development Update

- Scentre Group (formerly Westfield) has further plans to redevelop and extend St Lukes Shopping Centre and 277 Shopping Centre, however has divested the majority of their secondary stock over the past few years including Shore City, Downtown, Pakuranga, and more recently Glenfield, Chartwell and Queensgate Shopping Centres. The 277 Centre expansion will include 95 new shops, a Farmers store, three large-format high-volume stores, a gymnasium, and 1,400 extra car parks and a pedestrian bridge.
- The proposed Westgate Town Centre is a planned 56 hectare mixed use development. Within the Town Centre Auckland Council continues to invest in new infrastructure including a new library, community rooms, a bus interchange, parks, walkways, a town square and main-street. In addition there are planned offices, restaurants, an enclosed retail mall, bulk retail and specialty retail, entertainment and accommodation facilities.
- We note Stride Property has purchased the development land comprising Zone 5 and has developed the enclosed Northwest Shopping Centre of approximately 27,000 sqm which opened in Q3 2015.
- We also note that Stride Property has recently completed 7,000 sqm of retail, dining and office space on land opposite its existing Northwest Shopping Centre development known as "Westgate Stage Two". Westgate Stage Two is a purpose built main street retail environment, opposite the Northwest Shopping Centre and surrounding the Town Square. Westgate Stage Two is also located adjacent to Auckland Council's multi-purpose Library and Community facility which is planned for completion in 2016.
- Kiwi Property has completed a major expansion of the LynnMall Shopping Centre, including multi-screen cinema and more retail outlets and a dining lane.
- Kiwi Property have also announced a $200m expansion of their flagship mall Sylvia Park, with the extension potentially equating to some 20,000 sqm and a nine level office tower. The initial stage is complete and H&M and Zara have opened their first New Zealand premises.

Retail Centre Investment Climate

- Major New Zealand shopping centres are generally tightly held by a small number of property developers and institutions and there have been limited open market sales.
- The large dominant centres can provide significant elements of control within their respective catchments and this may be said of the majority of centres still owned by Scentre Group (formerly Westfield) and Kiwi Property Group. Essentially these centres may be categorised as regional

centres in a New Zealand context although no New Zealand centres are of a size commensurate with Australian regional centres.

- Recent sales evidence however appeared to have highlighted a significant yield differential between malls in growing catchments (such as Albany, The Base, Sylvia Park) as opposed to secondary malls which are older, or where there is direct competition (such as Chartwell and Glenfield).
- Prior to the Global Financial Crisis there was good liquidity for large retail assets with predominantly Australian based REITs chasing New Zealand assets. In 2006 a 50% interest in Bayfair, Tauranga sold, setting a new benchmark for retail centre yields of below 6.0%. Sale activity continued through to 2007 which included The Palms and The Plaza Whangaparaoa.
- Following the Global Financial Crisis there were few major shopping centre sales in New Zealand. Reduced liquidity and sentiment contributed to a blow out in yields during the GFC. Sales that transacted in 2008 and 2009 generally were restricted to smaller packages, with a number of the shopping centres selling under forced sale conditions. There were several significant sales in 2010, often under pressure, with the largest being the sale of the LynnMall Shopping Centre.
- After trending upwards during 2009, property yields reached a plateau in 2011 and started to fall in 2012 and 2013 in our opinion. Demand started to return in the Australian market with several large transactions by Australian funds, however until more recently, significant international demand did not make it across the Tasman Sea.
- Liquidity started to return to the New Zealand market with three sales of circa $75m+ shopping centres occurring in the second half of 2012, to a combination of local and international (Singaporean) investors and has continued to strengthen ever since.
- Over the past two year there have been new entrants to the New Zealand Market, Canada's Public Sector Pension Investment Board purchase of AMP Capital Property Portfolio $1 billion plus portfolio of 18 properties. The portfolio includes the Botany Town Centre and Manukau Supa Centre amongst the portfolio.
- Also of note was the announcement of a joint venture between GIC (Singapore's sovereign wealth fund) and Scentre Group (formerly Westfield) in the ownership of five shopping centres located in New Zealand with a combined gross value of $2.1 billion. Under the transaction GIC acquired a 49% ownership interest from Scentre Group in Westfield Albany, Westfield Manukau, Westfield Newmarket, Westfield Riccarton and Westfield St Lukes. The transaction represented approximately a 4% premium to book value of these shopping centres at 30 June 2014 and an effective implied cap rate of 6.8%. Following the transaction, Scentre Group owned a 51% interest in each of these shopping centres and continues to provide property management, development and construction services.
- There have also been several other Australiana and other international Funds looking in New Zealand for the first time.
- Stride Property acquired two supermarket portfolios in 2015 and 2016 totalling 33 locations around New Zealand. The most recent purchase was in June 2016 being the New Zealand assets of SCA. The total acquisition price of $267.4m represent a yield in the mid 6% range.
- We note that the 2016 marketed The Base in Hamilton attracted offers from Australian based entities, international entities and New Zealand entities which illustrates that the demand for New Zealand stock is perhaps as strong as it has ever been.

Consumer Confidence & Retail Sales

- Consumer confidence, as measured by the Westpac McDermott Miller Index rose slightly to 108 for September 2016, up from 106 in the June 2016. The index has ranged between 106 and 110 over the past year. An index number over 100 indicates there are more optimists than pessimists.

- In the June 2016 year, the volume of actual retail sales rose 2.3% and the value of actual sales rose 2.2%.
- This is a continuation of the generally upwards trend which has occurred since 2010. The total sales volume trend has risen 25% since the last quarter of 2010.
- For the quarter the value changes by region were:

Auckland	+2.8%
Waikato	+1.3%
Wellington	+4.5%
Rest of NI	+2.9%
Canterbury	-0.1%
Rest of SI	+1.5%

Online Retailing

- Promotional emails from daily deal sites like Trade Me, Spreets, GrabOne and Dailydo contributed to the increasing popularity of online retail, as did the opportunity for Kiwis to buy from overseas retailers.
- While in Australia there is an evident trend for overseas retailers to open stores on the back of strong internet sales; the increasing popularity of online shopping in New Zealand may encourage more overseas retailers to open stores here. In saying this, some retail categories are more immune, like dry cleaners or cafes however, fashion is one category where this trend is particularly strong.
- International retailers are more likely to want a small number of flagship stores in key locations than to flood the market on entry. Whether they would prefer to be in a major shopping centre or boutique 'High Street' location would be determined by the requirements of their customers and by the availability of suitable premises. However, when this situation does eventuate, some issues may arise where some local retailers have licenses to sell the international brands.
- Whilst online-only retailers may have taken a large slice of the online sales market in recent years, bricks-and-mortar stores are investing in their multi-channel offering, meaning that online retailers will now have to lift their game to retain market share. This trend is particularly strong in south-east Asia, where the growing number of online shoppers has prompted retail brands to offer innovative services such as online gift registries or online shopping combined with in-store pickup or delivery services.

6.3 CHRISTCHURCH RETAIL OVERVIEW

Christchurch's topographical flatness has allowed the city to be laid out in a uniform grid like fashion with arterial feeders to the central city providing direct access. The consequential ease of access contributed to the historically high level of centralisation of business and shopping functions in the CBD. During the last 30 years, there had been a marked trend in decentralisation of both retail and commercial services in Christchurch.

The continual development and expansion of suburban shopping centres throughout Christchurch together with the proliferation of standalone bulk retail centres had reduced the size of the CBD retail district pre earthquake. Following the 22 February 2011 earthquake, most of the Christchurch retail property building stock was severely damaged and demolished. The only significant retail remaining was Ballantynes department store at the intersection of Colombo and Cashel Street Mall. The only other significant retail within the CBD was Restart which consists of approximately 60 shipping containers which accommodate 31 temporary retain shops on vacant land on the southern side of Cashel Street Mall, between Ballantynes and Oxford Terrace.

Significant new development has recently been completed or is under construction in the Retail Precinct of the Christchurch CBD which is located in and around Cashel Street Mall. Located at the western end of Cashel Street Mall is The Terrace which comprises a significant mixed use development providing hospitality, retail and office accommodation. Further to the east, the substantial BNZ Centre development was recently completed which provides 18,482 square metres of retail and office accommodation plus carparking.

The ANZ Centre development on the former Triangle Centre site with frontages to Colombo, Cashel and High Streets has just been completed and comprises a four level retail and office building development with basement parking.

Opposite the ANZ Centre, The Crossing redevelopment is underway which will provide a mix of retail, office and carparking over 15,726 square metres.

A critical factor in the CBD Retail Precinct being competitive with suburban shopping centres is the issue of carparking. Fears that there would be a shortage of carparking in the retail precinct for shoppers have been removed with the announcement of various proposed carpark buildings including the construction of a replacement carpark building in Lichfield Street which will provide 804 parks. Further carparks are being developed in The Crossing, in Hereford Street and in The Terrace.

The following is a summary of the principal suburban shopping centres in Christchurch.

Christchurch Suburban Retail Shopping Centres

Shopping Centre	Location	Majors #
1. Westfield Riccarton	Riccarton	6
2. Northlands	Papanui	4
3. The Palms	Shirley	3
4. Eastgate	Linwood	3
5. Hub Hornby	Hornby	2
6. Bush Inn Centre	Upper Riccarton	2
7. Merivale Mall	Merivale	1
8. South City Centre	City	2
9. Moorhouse Central	City	1
10. Barringtons	Spreydon	2
11. Avonhead	Avonhead	1
12. Dress-Smart	Hornby	-

The regional shopping centres competing with the Hub Hornby are Northlands, The Palms and notably Westfield Riccarton which underwent significant expansion in 2009.

Westfield Riccarton

Westfield Riccarton was extensively refurbished and includes an extended Farmers store, Kmart, an extended Pak 'N Save, together with an additional 55 specialty shops to the original 99 speciality shops on offer. There is a total of 1,975 carparks allocated for the main portion of the shopping centre and 377 parks for the Rotherham Street side of the development. The refurbished centre provides a superior quality shopping environment and includes a six theatre multiplex located on top of the centre together with two mini majors being Rebel Sports and Briscoes. The centre now has a gross floor area of 47,180 square metres approximately. Riccarton suffered only minor damage and was up and operating in a relatively short period after the February 2011 earthquake.

The Palms

Located at Shirley, this is a large mall on a prominent corner site featuring a Countdown, Kmart and Farmers as the anchors with a Readings theatre complex and restaurant precinct. Extensive easily accessible carparking is provided. This centre has a quite colourful appearance from the exterior with a gabled central roof in the mall. A wide variety of named retailers are present within the centre accommodating a strong fashion element, with a principal feature of the centre being a large central atrium with vaulted ceiling and central palms planted in the centre.

The mall is essentially a T-shape with Countdown towards one end and a Kmart towards the other with Farmers front and centre. Theatres are adjacent to Kmart at first floor level. Extensive alterations to Farmers, theatres and carparks were recently completed to make The Palms one of the largest shopping centres comprising 102 specialities and 1,200 carparks, three majors and an eight theatre Readings complex. It has a total net rentable area of approximately 34,000 square metres.

The Palms suffered major damage in the February and June 2011 earthquakes and has been fully repaired.

Northlands

Northlands shopping centre is a comprehensive shopping centre constructed in 1967 with additions in 1980, refurbishment in 1995/1996 and significant redevelopment and extension in 2003/2004. The centre is fully enclosed and constructed generally over a single level with a majority of the retailing located on this ground level. The cinemas are constructed over a portion of the speciality tenancies with access through the mall direct to Langdons Road.

Northlands has four anchor tenants being Farmers, Pak 'n Save, Countdown and The Warehouse. In addition to these, there is a six screen multiplex cinema complex. This centre has 106 specialty shop tenancies, 7 food court tenancies, 14 kiosks, 6 ATM machines and a total of approximately 1,700 carparks.

Northlands was relatively unaffected by the February 2011 earthquake with only minor damage and no down time in terms of operation. The Northlands multi-level carpark and part of the building were subsequently closed following engineering investigation and strengthening has been carried out.

Eastgate

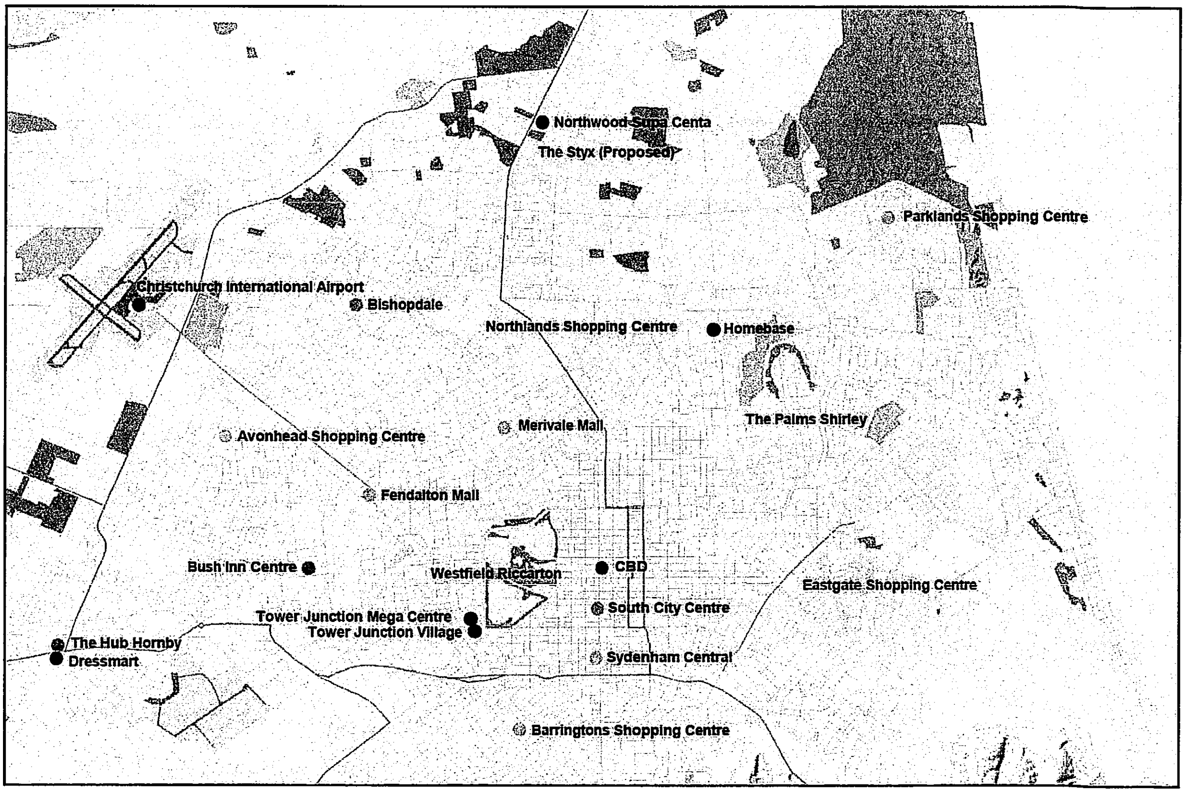
This district centre is located directly to the east of the CBD and comprised a relatively modern centre on a prominent site and contained a Countdown (5,100 sqm), Farmers (7,800 sqm), The Warehouse (9,700 sqm) and 70 specialty shops. The centre is situated in one of the less affluent areas of Christchurch but where younger age groups are predominant. Anchor tenants are the strong suite of this mall, while the specialty offer is weak.

Eastgate was severely damaged in the February 2011 earthquake. The multi-level carpark and many of the specialty shops were demolished. Eastgate now is essentially two majors comprising a Countdown supermarket and The Warehouse, both of which are now accessed directly off the carpark together with a more limited number of specialty shops and a foodcourt. The Farmers vacated 6,000 square metres at Eastgate with 1,500 square metres of this area subsequently leased to Lincraft.

Merivale Mall
This is a low rise suburban neighbourhood mall with a limited profile and of older design with numerous external shops facing onto the carpark. The mall comprises a number of established South Island retailers, particularly the supermarket, Fresh Choice. The centre includes several predominantly high end fashion stores as well as convenience retail and restaurants. The centre contains approximately 40 speciality shops over two levels with a total rentable floor area of 7,656 square metres. There are approximately 450 carparks provided.

Merivale Mall was relatively unscathed in the February 2011 earthquake although part of the more historic frontage onto Papanui Road was severely damaged.

Proposed Developments – The Styx
AMP Capital and their joint venture partner were successful in an application to the Christchurch City Council for a private plan change to rezone land between Radcliffe Road and the Styx River. The land is now zoned Business 2. It plans to build the Styx Centre modelled on Auckland's Botany Town Centre, a development with 1,100 carparks and up to 47,000 square metres of retail and office space as well as community facilities. This project remains within the planning process and will unlikely commence in the short to medium term.



6.4 EARTHQUAKE EFFECTS ON CATCHMENT

The various earthquakes which occurred in Christchurch in 2010 and 2011 caused catastrophic damage to large residential areas, in particular the eastern suburbs and the hill suburbs. The Government through the Canterbury Earthquake Recovery Authority ("CERA") announced on 23 June 2011 that all land in Greater Christchurch and in the Waimakariri District had been zoned into four residential zones – red, orange, white and green. There are 7,860 residential properties in Christchurch and Kaiapoi/Pines Beach situated in the red zone with a significant number of these located in the eastern suburbs. It is not feasible to rebuild on land in the red zone and all insured home owners were offered a relocation package.

Approximately 10,000 homes have been demolished and homeowners relocated to other suburban areas of the city and nearby townships.

Large major subdivisions particularly north and west of the city were the beneficiaries of the relocation of residents from the eastern suburbs. West of the city, significant residential development has been and continues in Wigram, Halswell and Rolleston which have all had a positive effect on The Hub Hornby shopping centre's catchment area.

The greater Christchurch Urban Development Strategy ("UDS") sets out the settlement pattern for the future development of Greater Christchurch for the 35 year term from 2007 until 2041. The UDS defines the number of households that can be developed together with housing density.

The Regional Policy Statement ("RPS") provides an overview of the resource management issues of Canterbury and sets out how the environment is to be managed in an integrated and sustainable way.

Originally Proposed Change No.1 ("PC1") since replaced with Chapter 12A, to the RPS, and more recently by the Land Use Recovery Plan ("LURP") sets out the land use distribution, household densities for various areas and other key components for consolidated and integrated urban development in Canterbury.

PC1, and the Officer's Recommendations defined greenfields urban growth areas within the Municipal Urban Limit ("MUL").

PC1 to the Canterbury RPS was revoked on 17 October 2011 and replaced by Chapter 12A, which more recently was replaced by the LURP on 6 December 2013.

The Christchurch Replacement District Plan is now operative and essentially re-zoned most of the areas within the LURP for residential development.

Since the earthquakes there has been a general population shift from the east to the west which has been driven by availability of land for new residential development and better subground conditions. Significant areas of land have been and are currently being developed on the south western, western and north western edges of Christchurch.

In our opinion The Hub Hornby Shopping Centre is one of the best placed existing shopping centres to take advantage of the development potential of new residential households in the short to medium term and has obviously benefited from the relocation of a number of home owners from the damaged eastern suburbs.

In the immediate locality, Wigram Skies which comprises the Ngai Tahu development of Wigram Airbase is currently in the final stages of development and will accommodate 2,000 new residential households.

7.0 VALUATION CONSIDERATIONS

7.1 VALUATION METHODOLOGY

Contract Income Approach
The first method of valuation considered is that of direct capitalisation of passing income. This is considered to be a well proven method of determining value for an investment property where income is receivable for a reasonable term from secure tenants.

However, this method can prove less effective where the current contract rent varies from the assessed market rent due to over or under renting, vacant space and a number of other factors.

Market Income Approach
This approach requires the assessment of a current market rental for the property and capitalisation at an appropriate yield. It is then possible to make capital adjustments to allow for the difference between contract rent (either over or under) discounted until a notional equilibrium point in the lease term. Vacancies and other capital adjustments are made where appropriate.

Discounted Cashflow
In addition we have carried out a discounted cashflow valuation over a 10 year horizon in accordance with established practice.

This method involves projecting the cashflow of the property over the 10 year period and making explicit forecasts for many variables within the property including:

- Discount Rate
- Growth Rates
- Sustainable Rental Levels
- Vacancy Allowances
- Capital Expenditure and Outgoings
- End of Period Valuation / Terminal yield

7.2 LEASING EVIDENCE AND MARKET RENTS

Overview
The Hub is now completed and in its first year of full trading following construction. Attached at Appendix 2.1 is a Tenancy Schedule where there is a full summary of all existing lease details and analysis of the base rent for each individual tenancy.

Rental Evidence
The following is a summary of comparable base rental evidence from other shopping centres throughout Christchurch for supermarkets and specialty shops:

Christchurch Supermarket Rental Evidence

Location	Tenant	Date dd.mth.yr	Area sqm	Net Rent $ psm	Opex. $ psm	TOC Rent $ psm
Church Corner	Countdown	02.15	5,065.46	$240.00	$ 61.00	$301.00
Hub Hornby	Pak 'n Save	03.15	Withheld	Withheld	Withheld	Withheld
New Brighton	Woolworths	08.13	2,051.85	$165.27	-	-
Beckenham	Countdown	08.13	3,975.79	$210.00	$ 40.00	$250.00
The Palms	Woolworths	04.12	3,823.80	$197.45	-	-
Ferrymead	Woolworths	04.10	4,194.89	$161.05	-	-
Eastgate	Countdown	12.14	5,260.00	$180.00	$ 60.00	$240.00
Northwood	Countdown	04.14	3,421.30	$270.37	$ 34.58	$304.95
Northlands	Countdown	06.13	4,845.74	$241.45	-	-

Speciality Shop Rental Evidence

Centre	**Rent Range $ psm**
Westfield	1,000 - 2,000
Northlands	700 - 1,000
The Palms	600 - 1,000
Eastgate	450 - 850
Merivale	600 - 950
South City	400 - 600
Barringtons	325 - 550
Avonhead	300 - 500
Dress-Smart	300 - 500

The following is a summary table of Farmers rents all analysed on a gross or total occupancy cost ("TOC") basis.

Farmers Department Store Rents

Location	Area sqm	TOC Rent $ psm	Comments
Northlands	5,456	$238.64	
New Plymouth	6,000	$180.00	Two level store
Palmerston North	Unknown	$190.00	
Hornby	Withheld	Withheld	
Albany	7,000	$250.00	Rent believed high
Whangarei	5,100	$140.00	
Richmond, Nelson	4,756	$172.00	CPI review
Invercargill	6,400	$127.00	CPI review
Bayfair	8,000	$210.00	Set 2005 plus CPI
Nelson City	2,166	$190.00	Annual CPI

Recent leases in Christchurch and Rangiora for Farmers department stores have been concluded.

Farmers entered into a new lease for a small department store at Midway Moorhouse, on the periphery of the Christchurch CBD. This property was leased for a term of 15 years from 25 July 2016 at a net rent of $208.00 per square metre.

At 151 – 183 High Street, Rangiora, a new two level Farmers department store was leased for a term of 12 years from August 2016 at a gross rent inclusive of operating expenses of $200.00 per square metre.

The following is a summary of new leasings that have been concluded in the new component of the centre.

Hub Hornby Shopping Centre – Leasing Evidence

Shop #	Tenant	Date mth.yr	Area sqm	Analysis $ psm
	Withheld			

The specialty shop rents at the existing Hub Hornby are at the lower end of the market range for Christchurch. Clearly Westfield Riccarton and to a lesser extent Northlands and The Palms are the premium shopping centres in Christchurch and accordingly achieve rent levels higher than other shopping centres in Christchurch.

Westfield Riccarton, Northlands and The Palms are significantly larger than the other shopping centres in Christchurch being either recently refurbished or constructed and providing a superior level of facilities. These centres have achieved a good tenant mix with a significant fashion component.

The Hub Hornby is strategically well positioned in comparison to many of the secondary shopping centres in Christchurch but has previously only achieved rent levels at the low end of the market range compared to equivalent centres.

The Dress-Smart Factory Outlet Centre located directly opposite the Hub Hornby draws shoppers to Hornby from all over Christchurch which is of benefit to Hub Hornby although it also provides competition for fashion retailers.

Rents for large suburban supermarkets generally range between $145.00 and $210.00 per square metre. An important consideration in supermarket rents is the relationship to sales turnover. Supermarkets can generally afford to pay a net rent of between 1.50% and 2.00% of total sales turnover.

Supermarket Sales Turnover
Withheld.

7.3 RENTAL ASSESSMENT

We have assessed market rents for all tenancies in the Hub Hornby Shopping Centre.

The following is an outline summary of rent levels assessed for the completed centre:

Market Rent Level Summary

Category	**Rent $ psm**
Specialty – Small	$600 - $1,325
Specialty – Large	$300 - $560
Supermarket	Withheld
Department	Withheld
Food Court	$900 - $1,400
Kiosks	$1,650 - $3,235

Rent Vacancies
We are of the opinion it is prudent to allow for vacancies in perpetuity at a level of 2.00% of potential base rent excluding the supermarket and Farmers components. We have also allowed non-recoverable expenses associated with vacancies.

Non-Recoverable Operating Expenses
The only non-recoverable operating expenses for the property for financial reporting purposes are as follows:

- Non-recoverable portion share of operating expenses for Pak' n Save
- Non-recoverable operating expenses for Farmers
- Non-recoverable centre share of operating expenses for Farmers
- HWMC carpark rent

There is a non-recoverable operating expense component in relation to Pak' n Save which is currently withheld per annum.

The lease to Farmers is a gross lease. The estimated non-recoverable operating expenses for the Farmers component is withheld per annum. In addition, Shopping Centre Investments Limited has an assessed shortfall of withheld per annum relating to general operating expenses for the Shopping Centre concourse and other areas including the carparks.

We have allowed a rent of $148,824 per annum for the 212 carparks which are leased from HWMC.

Rent Assessment
Forming part of the detailed tenancy schedule attached at Appendix 2.1 (withheld) is a full summary of our market rent assessment for the entire centre. We have assessed a net market rent of $9,780,474 per annum which excludes allowances for the turnover rent and the embedded electricity network.

The total net potential market rent assessed for the centre is $10,204,474 per annum which includes an assessment of turnover rent of $300,000 per annum, an assessment for casual rent of $115,000 per annum and an allowance of $124,000 per annum for the embedded electricity network.

The following is a summary of the adjustments made to our assessed net market rent to arrive at net maintainable base rent excluding the lessee's interest in 21 Carmen Road:

The Hub Hornby Shopping Centre – Rent Income Summary	
Potential Net Market Rent	$ 9,665,474
Plus Turnover Rent	$ 300,000
Plus Casual Rent	$ 115,000
Plus Embedded Electricity Network	$ 124,000
Total Potential Rent Income	$10,204,474
Less Non Recoverables	$ 580,463
Total Potential Net Maintainable Base Rent	**$ 9,624,011 pa**

The Farmers lease provides for a rent holiday for (withheld).

Colliers INTERNATIONAL

7.4 SALES EVIDENCE

The next step in the investment valuation process is to determine an appropriate capitalisation rate to apply to the estimated net maintainable rent. The investment capitalisation rate is determined by market analysis of other comparable sales evidence reflecting the investment characteristics of the individual property. There are a number of factors normally taken into account including the quality of the real property, the particular location, prospect of capital gain or appreciation, quality of the lessee, length of lease commitment, marketability and mortgage interest rates.

We outline major shopping centre investment sales as follows:

Address	Region	Sale Date	WALT	Area (sqm)	Sale Price	Passing Yield	Market Yield	IRR	Rate ($psqm)
Three Kings Shopping Centre*	Auckland	Oct-16	10.13 years	10,194	$37,000,000	5.9%	6.48%	8.02%	$3630
SCA Supermarket Portfolio	National	Jun-16	14.8 years		$267,400,000	6.58%	No Market Reviews	7.6%	
Shore City Shopping Centre Anzac Street Takapuna	Auckland	Jun-16	1.8 years	13,990	$90,150,000	7.9%	7.5%	9.8%	$6444
The Base Shopping Centre Hamilton - 50% Interest (Note Yields Exclude Development Components)	Auckland	May-16		85,256	$192,500,000	6.61%	6.5%	8.46%	$4516
Progressive Four Supermarket Portfolio Auckland, Wellington, Dargaville, Tauranga	National	Feb-16	20. years	17,335	$78,500,000	6.46%	6.25%	7.71%	$4528
Pukekohe Mega Centre* Pukekohe	Auckland	Jan-16	6.4 years	10,880	$20,800,000	7.84%	7.7%	9.97%	$1911
Glenfield Shopping Centre Glenfield	Auckland	Nov-15	2.6 years	30,849	$104,000,000	9.04%	8.6%	10.14%	$3371
Queensgate and Chartwell Shopping Centres Wellington and Hamilton	Wellington and Hamilton	Nov-15			$445,000,000	See comments			
Zone 7 (Bulk Retail Centre) Westgate	Auckland	Sep-15	8.12 years	25,538	$82,500,000	7.%	6.75%	9.1%	$3231
Apex Mega Centre Mt Wellington Highway Mt Wellington	Auckland	Dec-14	4.85 years	16,071	$64,000,000	7.00%	6.72%	8.98%	$3982
Southgate Shopping Centre Cnr Great South Road & Walters Road Takanini	Auckland	Nov-14	8.72 years	21,147	$58,500,000	7.62%	7.81%	10.53%	$2766
Pakuranga Shopping Centre Cnr Ti Rakau Drive and Pakuranga Road Pakuranga	Auckland	Oct-14	2.79 years	2,900	$96,000,000	8.01%	8.43%	9.69%	$3287
Waitakere Mega Centre 5 Vitasovich Avenue Auckland	Auckland	Apr-14	4.4 years	18,027	$45,750,000	8.2%	8.21%	10.09%	$2538
Roskill Retail Centre 22 Stoddard Road Mt Roskill	Auckland	Aug-13	8.25 years	8,589	$32,850,000	7.05%	7.27%	9.44%	$3824
Porirua Mega Centre Cnr Semple & Paramoana Streets Porirua	Wellington	May-13	2.01 years	17,988	$30,500,000	9.56%	9.46%	10.36%	$1696
The Hub Whakatane State Highway 30 Whakatane	Whakatane	May-13	4.48 years	18,301	$25,500,000	10.45%	9.78%	10.51%	$1393
Silverdale Centre 61 Silverdale Street Silverdale	Auckland	Apr-13	9.82 years	23,028	$78,000,000	7.08%	7.18%	9.59%	$3387

*Yield Analysis is after deduction for development pads

We summarise the recent sales as follows:

Three Kings Shopping Centre

A Neighbourhood Shopping Centre, originally constructed in 1967 which has been subsequently upgraded and extended, being located adjacent to the intersection of Mt Eden Road and Mt Albert Road in the suburban area of Three Kings. The property has a site area of 14,692 sqm held on five separate lots. The anchor tenant is a Countdown supermarket on a new 20 year lease, with other tenants including Ministry of Social Development, Club Physical and the Thirsty Whale tavern. The centre is situated adjacent to the Three Kings Quarry which has a major residential development planned which will have a positive impact on the centre. Overall the use of the site is somewhat inefficient, and a comprehensive redevelopment of the site is a potential in the longer term, particularly if the roading to the rear of the property becomes higher profile with the development of the quarry, however, any such development will need to be negotiated with Countdown who have a very long term lease. The sale equated to an overall fully leased passing yield of 5.99% however we note that there are some areas of land which could potentially be developed immediately without impacting the property, and we have allowed $2,500,000 in our analysis. The $37,000,000 sale price equates to a market yield in the order of 6.48% after allowance for the development sites, with an analysed IRR of 8.02%.

SCA Supermarket Portfolio

Stride has acquired the New Zealand portfolio of SCA assets for $267.4 million. The portfolio comprises 14 properties located throughout New Zealand that are leased to General Distributors Limited and operated as "Countdown" branded supermarkets, typically on standard GDL Supermarket lease formats, with minimal base rental growth and percentage rent if thresholds are met. The portfolio is generally of single standalone supermarkets, with approximately 1/3 also including a specialty retail element. The sales price represents a yield on net income of 6.6%.

Shore City Shopping Centre, Takapuna

The property comprises a 1980s era shopping centre, which has been subject to various upgrades and refurbishments, and was previously sold by Westfield to Aviva in 2012 for $83,500,000. The property was promoted for sale around the potential for reconfiguration of the centre partly due to required seismic works and some challenges in relation to in the internal configuration. It was also marketed as a total redevelopment site. The property was purchased by Precision Group, who are another new Australian entrant into the NZ market, with the resultant sale price of $90,150,000 representing a core capitalisation rate of approximately 7.50%, a significant increase in value over the previous sale price bearing in mind the potential negative value implications of the required seismic upgrades which were previously unrecognised. The centre has an affluent catchment, however has been superseded by Westfield Albany, with the nearby Milford Mall also providing a high-end fashion offering, and the Downtown Mall also to be new strong competition for the centre.

The Base, Hamilton

Kiwi Property purchased a 50% Interest in the Base Hamilton for $192.5 million. The Base comprises of three components, being; Te Awa Mall, a 31,500 sqm enclosed mall anchored by Farmers which also has 7,610 sqm of undeveloped first floor space. The Base, a 52,000 sqm predominately externally trading large format retail centre anchored by The Warehouse and Mitre 10 Mega. The third component is 7.67 ha of development land. Under the terms of the agreement, Kiwi Property will acquire a 50% interest in 120-year ground leases over the land. The ground rents are prepaid and therefore no further ground rents will be payable.

We have analysed the sale adopting $300 per sqm for the development land and an allowance for the Te Awa Mall first floor space (which has been constructed within the building fabric, but not completed) with the resultant analysed core capitalisation rate in the order of 6.50%, and an analysed IRR of 8.46%.

Glenfield Mall

Westfield Glenfield was originally built in 1971 and is relatively isolated but with an established trade area. This centre was substantially extended and reopened in October 2000 at which point it was arguably the North Shore's premiere mall, however, since this time the mall has been overtaken by Westfield Albany, and remixes at Shore City Shopping Centre and Milford Shopping Centre. Major tenancies include The Warehouse, Farmers, and, due to a Progressive Enterprises rebranding, two Countdown Supermarkets together with a total of 84 specialty stores and 1,650 carparks. The property was purchased by Ladstone Holdings for $104,000,000 in November 2015, some 4% below the December 2014 book value. The sale price reflected an initial yield of 9.03%, fully leased passing yield of 9.4%, an analysed market yield of 8.63%, and an IRR of 10.02%.

Queensgate Shopping Centre and Chartwell Shopping Centre

Stride Property has acquired two shopping centres from Scentre Group, being Westfield Queensgate, Wellington and Westfield Chartwell, Hamilton. From our discussions with the purchaser we note that the sale process commenced in 2014 with an invitation to make an offer on the four remaining Scentre fully owned assets, being these two properties as well as Glenfield and WestCity. WestCity was removed from the mix, and Glenfield was subsequently sold to a third party. The resultant price for the remaining two assets equated to $445,000,000, subject to Overseas Investment Office approval which is which was provided in mid-2016.

We have been advised of Stride's allocation of the purchase price between the two assets. For the Queensgate asset the price was slightly below Scentre's December 2014 book value (BV $305,000,000, capitalisation rate 7.25%), however the Chartwell allocated price was very significantly below the book value (BV $177,000,000, capitalisation rate 8.125%).

We believe that if Queensgate was marketed as a single centre then a price and yield of near or better than the book value would likely have been achieved. Conversely, Chartwell was discounted by the market due to its Hamilton location, where there are currently three centres competing for the primary catchment, and also its older style and configuration.

Bearing in mind the preceding, we therefore believe that this sale is more reflective of Scentre's desire to sell secondary stock in a non-preferred city for which it seems there is little liquidity for this type of product, and perhaps illustrates the appropriate differential between prime and secondary stock is greater than previously allowed for. However, as the sale represents two very different assets sold as one parcel, this multi-centre sale becomes somewhat difficult to analyse for any useful application to individual centre valuations.

Zone 7 (Bulk Retail Centre), Auckland

Zone 7 in Westgate sold in September 2015 for $82,500,000. The sale is from completion of the development, with the property comprising a large format retail development which will be anchored by Harvey Norman, Briscoes and Rebel Sport with 28 retail units totalling approximately 25,500 sqm with a central car parking area for 622 vehicles and a WALD of 8.12 years remaining. Vacant space, if any on completion, will be subject to an underwrite. The centre is being developed by New Zealand Retail Property Group with the majority being of freehold title, except for a small portion which is leasehold and will be subject to a ground rent review in 2018. The purchaser, KIPT, has announced the sale represents a yield on contract income of 7.0% and a 10-year internal rate of return of approximately 9.1%. Kiwi Property have also announced that an initial $30 million payment for the land has been made with the balance of the cost being paid over the remaining development period.

Apex Mega Centre, Auckland
Apex Mega Centre sold in December 2014. The property sold for a sale price of $64,000,000 which is based on a passing yield of 7.00%. The sale may be further analysed to show a market yield of 6.72% and an IRR of 8.98%. We note the sale is of the entire centre except Unit 14 which is held by a different owner and not subject to the sale. The centre comprises a modern bulk retail centre which was developed in early 2012. The contour of the land allowed for the development of the retail centre to be over two levels in parts with approximately 366 on site car parks. Tenants include Spotlight, Torpedo 7, Animates and several other international retailers on 6 to 12 year leases. The centre has a total lettable area of approximately 16,071 sqm and had a WALD of 4.85 years remaining at the time of sale.

Southgate Shopping Centre, Auckland
Southgate Shopping Centre sold in November 2014. The property sold for a sale price of $58,500,000 which reflects a passing yield of 7.62%. The sale may be further analysed to show a market yield of 7.81% and an IRR of 8.98%. The centre comprises a bulk retail centre anchored by a Mitre 10 Mega and Briscoes with 31 other tenancies on 5 to 15 year leases. The centre has a total net lettable area of 21,147 sqm and had a WALD of 8.72 years remaining at the time of sale. We understand the property is to be syndicated by the Purchaser (Augusta Funds Management Limited) with settlement of the sale expected to be in March 2015.

Pakuranga Shopping Centre, Auckland
Pakuranga Shopping Centre sold in October 2014. The property sold for a sale price of $96,000,000 which is based on a yield of 8.01%. The sale may be further analysed to show a market yield of 8.43% and an IRR of 9.69%. We note the property had previously sold in December 2012 for a sale price of $81,700,000 which is based on a yield of 9.37%. The sale may be further analysed to show a market yield of 8.84% and an IRR of 10.51%. The Centre was originally built in 1965 and is a community and convenience oriented mall with an established catchment. The centre comprises a shopping mall component which is on a single level anchored by a Countdown supermarket, a Farmers department store and a separate The Warehouse bulk retail store. The shopping centre has a total net lettable area of 29,199 sqm and had a WALD of 2.79 years remaining with some vacancy in relation to upcoming major expiries.

Waitakere Mega Centre, Auckland
Waitakere Mega Centre sold in April 2014. The property sold for a sale price of $45,750,000 which is based on a yield of 8.20%. The sale may be further analysed to show a market yield of 8.21%, an IRR of 10.09% and $2,538 per sqm land and buildings. The centre comprises a modern bulk retail centre which was re-developed in 2005 and 2008 over a 42,504 sqm site. The centre has a net lettable area of approximately 18,027 sqm with a number of major tenancies including Kmart, Briscoes and Rebel Sport. The centre is configured in a U shape format with three freestanding blocks located over a single level with substantial under croft car parking and one other block made up predominantly of food retailers. The property was sold in an off market transaction with settlement due in early 2015. At the date of sale the property had a WALD of 4.40 years remaining.

Roskill Retail Centre, Auckland

Roskill Retail Centre sold in August 2013 for a sale price of $32,850,000 which is based on a yield of 7.05%. The sale may be further analysed to show a market yield of 7.27%, an IRR of 9.44% and $3,824 per sqm land and buildings. The Centre comprises a circa 8,590 sqm large format retail development anchored by The Warehouse. Adjacent to the east of the site is a property owned by Foodstuffs on which a new New World Supermarket has been developed, essentially providing a second anchor tenant for the development. The adjoining McDonalds' fast food restaurant to the north of the development is held in separate ownership and was not part of the transaction. Tenants include Postie Plus, The Coffee Club, Westpac Bank and ANZ Bank. All tenancies are typically on 6 - 10 year leases with fixed annual increases. At the date of sale the property had a WALD of 8.25 years remaining.

Porirua Mega Centre, Wellington

Porirua Mega Centre sold in May 2013. The property sold for a sale price of $30,500,000 on a passing yield of 9.56%. The sale may be further analysed to show a market yield of 9.46%, an IRR of 10.36%. The property comprises a large bulk retail complex built in stages from 1999 to 2002, and forming the northern end of the Porirua City Centre. Anchor tenants include The Warehouse, Briscoes, and Noel Leeming. We understand that when the sale was negotiated, discussions were on-going, with the anchor tenant The Warehouse with respect to extending a lease (this has not been reflected in our analysis of the sale). The bulk retail centre has a total net lettable area of 17,988 sqm and had a WALD of 2.01 years remaining.

The Hub Whakatane, Whakatane

The Hub Whakatane sold in May 2013. The property sold for a sale price of $25,500,000 on a passing yield of 10.45%. The sale may be further analysed to show a market yield of 9.78%, an IRR of 10.51% and $1,393 per sqm land and buildings. The subject property comprises a bulk retail development on the fringe of Whakatane with frontage to State Highway 30. The development provides some 18,300 sqm of net lettable area with 10 units, and together with the adjacent Bunnings property (in separate ownership), provides a centre of 26,400 sqm with car parks for approximately 900 cars. Tenants include Harvey Norman, Farmers, Kmart, Briscoes, Rebel Sport, Discount Shoe Warehouse and Postie Plus amongst others. At the date of the sale the property had a WALD of 4.48 years remaining.

Silverdale Centre, Auckland

Silverdale Centre sold in April 2013. The property sold for a sale price of $78,000,000 which equated to a contract yield of 7.08%. The sale may be further analysed to show a market yield of 7.18%, an IRR of 9.59% and $3,387 per sqm land and buildings. The centre is a major shopping centre completed in October 2012, and comprises 23,000 sqm of net lettable area and anchored by The Warehouse and a Countdown supermarket. The centre is laid out in an L-shape, with a complementary mix of tenants grouped within planned retail precincts. The shopping centre has a growing catchment and is anticipated to benefit from the new master-planned suburb of Millwater. At the date of sale the property had a WALD of 9.82 years remaining.

Conclusion

There have been three sales of major shopping centres in the second half of 2015, these being Scentre Group's sale of Glenfield Shopping Centre to Ladstone, and Queensgate and Chartwell Shopping Centres to Stride Property Fund. These sales are difficult to compare with The Hub Hornby asset as Glenfield and Chartwell were both secondary assets which have suffered from supersession in their markets as result of new development, which has resulted in limited, and negative, movements in rentals and occupancy. While Queensgate would likely be considered comparable with the subject property in terms of being of good quality with good growth prospects, because it was sold as part of a portfolio it becomes difficult to analyse in isolation, though market feedback suggests that if Queensgate was marketed as a single centre then a price and yield of near or better than the book value could likely have been achieved which reflected a core yield of 7.125% (Dec 14).

The other significant market activity has been the marketing of The Base, Hamilton. This is a premium grade asset, and while it is yet to transact, there has been market feedback about where the interested parties considered the pricing. While this is somewhat anecdotal, the significant number of interested parties, and the initial proposed pricing is reflective of yield strengthening since earlier in 2015.

This investor demand and yield strengthening was further illustrated by the Antipodean Supermarket Portfolio in Q3 2015 The portfolio comprised some 19 supermarkets spread throughout New Zealand with the properties generally subject to 20 year leases with a 5% rent increase in Year 5, and turnover rent provisions. The supermarkets were offered to the market either as a portfolio or as individual assets, and in the end the entire portfolio was purchased by Stride Property, at a yield of around 6.5% and a purchase price of $287,000,000 with an analysed discount rate of 8.64%. While it is difficult to directly compare the supermarket portfolio sale with the subject asset, the sale price is some 12.5-25 basis points sharper than most of the market considered appropriate prior to the sale process, and therefore suggests a further yield sharpening in our opinion.

There have been no recent sales of large shopping centres in Christchurch since 2010 when South City Shopping Centre sold for $34,500,000 at a yield of 9.25%. South City Shopping Centre at that time had a WALD of just 2.00 years and required significant refurbishment.

Christchurch Investment Sales Evidence

The following is a summary of a basket of investment sales evidence in Christchurch.

Investment Sales Evidence

No	Property	Sale Date mth.yr	Sale Price $	WALD yrs	Analysed Yield %
1	261 Blenheim Road	10.13	16,505,000	12.33	7.21
2	550 Colombo Street	08.15	20,000,000	12.00	7.24
3	12-14 Show Place	10.15	33,200,000	9.29	7.80
4	131-133 Victoria Street	12.15	11,000,000	5.63	6.68
5	75 Riccarton Road	03.16	4,190,000	9.75	5.85
6	355 Lincoln Road	04.16	27,110,000	5.77	7.76
7	150 George Street, Dunedin	04.13	18,300,000	5.50	7.99
8	64 Hillside Road, Dunedin	04.15	14,150,000	10.00	7.25
9	15 Show Place	08.16	15,818,942	8.39	8.54
10	32 Oxford Terrace	10.16	39,110,000	12.00	6.00
11	104 Victoria Street	10.16	18,890,000	7.20	7.00

We now provide expanded details on those which we consider most relevant:

(1) 261 Blenheim Road, Riccarton

The Warehouse, Riccarton, comprises a substantial bulk retail building complex of conventional design and construction completed in 2005 situated in a prominent position on the southern side of Blenheim Road in Riccarton. Blenheim Road is a high profile major arterial road linking Christchurch City with Stage Highway No. 1 (SH1). The property is leased to The Warehouse Limited for a term of 12 years and 4 months from 1 November 2013 at a net contract rent of $1,190,000 per annum. Rent reviews are annual indexed to Consumer Price Index ("CPI") movement. The property sold in October 2013 for $16,505,000 indicating a yield on contract rent of **7.21%.**

(2) 550 Colombo Street, City

The Smiths City bulk retail property is situated on the eastern side of Colombo Street on the southern edge of the Christchurch CBD core with additional frontages to Welles and Dundas Streets. The complex has a rentable floor area of 6,810.08 square metres and is located on a land area of 1.4490 hectares. The property is leased for a term of 12 years from August 2015 at a net contract rent of $1,408,654 per annum with fixed percentage rent increases of 2.00% per annum and market rent reviews on renewal. The lease excludes an area of approximately 255 square metres containing a concrete block storage building with 15 carparks. The property on a sale and lease back deal sold in August 2015 for $20,000,000 at a yield on contract rent of 7.04%. After allowing for an additional rental of $40,000 for the additional area, the yield is **7.24%**.

(3) 12 – 14 Show Place, Addington
IAG Building

Two impressive linked three level office buildings and a small two level commercial building accommodating a restaurant and gymnasium situated in Show Place Office Park, in Addington. The property had a WALD of 9.29 years and sold in October 2015 for $33,200,000 at a yield on contract rent of **7.80%.**

(4) 131 – 133 Victoria Street, City

Two level commercial building together with an adjoining carpark. The building was constructed in 1965 and has been repaired, strengthened and refurbished since the earthquakes and is now 100% of New Building Standard ("NBS"). The property is leased to various tenants including Saunders & Co, Hays Recruitment and MAP Architects and has a WALD of 5.63 years. The property sold in December 2015 for $11,000,000 indicating an initial yield on contract rent of 6.97% and a yield on estimated market rent after an allowance for rent shortfalls and overages of **6.68%.**

(5) 75 Riccarton Road, Riccarton

Two level commercial building situated in a prominent high profile position on the southern side of Riccarton Road in Riccarton. Leased to Heartland Bank for a term of 10 years from 1 January 2016. The WALD at the date of sale was 9.75 years. The property sold in March 2016 for $4,190,000 indicating a yield on contract rent of **5.85%.**

(6) 335 Lincoln Road, Addington

Three35 Lincoln Road comprises two modern three level commercial office buildings together with a multi deck carpark building situated in a prominent corner position on the north western side of Lincoln Road, at the intersection with Bernard Street in Addington. The building complex is of attractive contemporary design and conventional construction and was completed in 2013 providing good quality suburban retail, hospitality and office accommodation together with extensive carparking. The property had a WALD of 5.77 years and sold in April 2016 for $27,110,000 indicating a yield on an inflated contract rent of 8.16% and a market yield based on market rent with an allowance for rent overages of **7.76%.**

(7) 150 George Street, Dunedin
Farmers
The Farmers department store in the major shopping centre in the heart of the Dunedin CBD sold in April 2013 for $18,300,000. The property had a WALD of 5.50 years and the analysed net yield was **7.99%**.

(8) 64 Hillside Road, South Dunedin
The Warehouse
Typical The Warehouse development was sold in a sale and leaseback transaction in September 2015 for $14,150,000. The WALD at the date of sale was 10.00 years and the analysed passing yield on contract rent of **7.25%.**

(9) 15 Show Place, Addington
The property at 15 Show Place which comprises a four level office building situated at the south western end of Show Place in Show Place Office Park was transacted with adjoining land at 23 and 25 Show Place and Southpark Industrial Estate at 16, 22, 25 and 31 Baigent Way. The total sale price of these assets in August 2016 was $47,100,000. The apportioned value for 15 Show Place is $15,818,942. The property is leased to Ngai Tahu for a term of nine years from 1 January 2016 at a net contract rent of $1,373,080 per annum with annual rent reviews indexed to CPI movement and market rent reviews on 1 January 2019, 1 January 2025 and 1 January 2031. The WALD at the date of sale was 8.39 years. Our analysis of the sale price equates to yield on contract rent of 8.68% and a yield on market rent of **8.54%**.

(10) 32 Oxford Terrace, City
The property at 32 Oxford Terrace comprises a six level office building located on the south western periphery of the Christchurch CBD which was constructed in 1987 and repaired, strengthened and refurbished in 2015. The building now has an impressive exterior glass façade and sold in conjunction with 104 Victoria Street in October 2016 for $58,000,000 and was syndicated. The property at 32 Oxford Terrace has an apportioned sale price of $39,110,000. The majority of the building is leased to Canterbury District Health Board for a term of 15 years with annual CPI rent reviews with a minimum increase of 1.75% and a maximum increase of 2.75%. The vendor provided a rent guarantee for part of the ground floor. The WALD at the date of sale was 12.00 years and the yield on contract rent which was considered to be about market was **6.00%**.

(11) 104 Victoria Street, City
The property at 104 Victoria Street comprises a five level commercial office building which was constructed in the 1980's and repaired, strengthened and refurbished in 2013/14. The property sold in conjunction with 32 Oxford Terrace in October 2016 for $58,000,000 and the apportioned sale price for 104 Victoria Street is $18,890,000. The property is occupied by a restaurant bar and gymnasium together with Telogis who occupy the majority of the building. The building had a WALD of 7.20 years at the date of sale and the analysed yield on contract rent is 7.50% and on market rent after allowance for rent overages of **7.00%**.

7.5 CAPITALISATION RATE CONCLUSION

Hub Hornby Investment Criteria

The following is a summary of important investment criteria considerations in relation to the Hub Hornby.

- **Tenant Quality**

  The Hub Hornby is leased to a good mix of tenants including national majors, Foodstuffs and Farmers, Australasian Banks - BNZ, Westpac, ANZ and ASB and a mix of national and local speciality shop tenants. The Hub Hornby is now classified as a regional shopping centre with a full line Farmers department store and additional specialty shops.

- **Lease Terms**

  Withheld.

  The weighted average lease duration ("WALD") is 5.54 years.

- **Property Profile**

  The Hub Hornby property comprises a modern shopping centre with an extremely high profile being a landmark in the south western suburbs of Christchurch. Main South Road frontage ensures the property is visible to all traffic entering or leaving Christchurch to the south. The recent extension at the eastern end of the complex provides the building with a modern profile. The Hub Hornby is a medium size integrated shopping centre and is now categorised at just below the three major shopping centres of Westfield Riccarton, The Palms and Northlands.

- **Competition**

  The Hub Hornby is located near the edge of metropolitan Christchurch well away from major competition in the form of other suburban shopping centres. Bush Inn Centre and Westfield Riccarton are located further to the east in Riccarton and small shopping centres are located to the north at Avonhead and to the south east at Halswell. Completion of the Countdown supermarket on the opposite side of Carmen Road has introduced competition for the Pak 'n Save supermarket in The Hub Hornby, however this has not translated to a decline in turnover. Since the February 2011 earthquake turnover in the supermarket has increased.

- **Price Bracket**

  The property falls is the upper price bracket for the South Island property investment market although recent sales evidence of large investment properties in Christchurch demonstrate there is capacity in the local market for private individuals, informal and formal syndicates to purchase properties in this price bracket. Up until late 2007, properties of this calibre and price bracket were keenly sought after by New Zealand and Australian institution investors. Institution investors have been absent from the New Zealand market although indications are that this type of purchaser is re-entering the market.

- **Current Market Climate**

  The Christchurch investment property market is extremely buoyant fuelled by a shortage of good quality investment property, a large oversupply of capital some of which is funded by insurance proceeds, coupled with continuing low interest rates.

There is clear evidence in the Christchurch investment property market that well located investment property in the medium price bracket is achieving yields of between 6.50% and 7.50%, and those in the lower price bracket are achieving yields of between 5.75% and 6.50%.

The retail sector has changed dramatically with virtually the entire retail stock within the CBD demolished and recovery taking a number of years. The suburban shopping centres in Christchurch have been the major benefactors of the earthquakes with those located to the north and west of the city experiencing significant population movement from the damaged eastern suburbs.

The Christchurch investment market up until now has only appealed to South Island based investors although there is certainly capacity within this market to purchase properties up to and in excess of $50 million. There is now anecdotal evidence of increased interest in Christchurch by institutional and overseas investors in the market for assets in the value range of between $50 - $100 million. There is a major shortage of investment property in Christchurch with an oversupply of investments funds available from a mix of wealthy individuals, the South Island farming community and also insurance proceeds from the Christchurch earthquake.

The following is a summary of our assessed strengths and weaknesses of the property:

Strengths:

- Excellent high profile strategic location
- Performing anchor supermarket
- Growing demographic
- Forecast strong economic growth within Christchurch over the long term

Weaknesses:

- Price bracket

Contract Income Approach

After examining all relevant facts and taking into account the fact that The Hub Hornby Shopping Centre is now a regional shopping centre and also taking into account the price bracket we are of the opinion an appropriate capitalisation rate is 7.00%. We have applied a capitalisation rate of 11.00% to the turnover rent and casual rent components and 9.00% to the embedded electricity network to reflect the respective risk.

After capitalising the rental income streams we have allowed a vacancy factor equivalent to nine months for the current vacant tenancies which include seven vacant shops in the centre building, one vacant shop in Chalmers Street and one vacant kiosk. We have also deducted capital adjustments to reflect the following:

- Vacancies
- Pending vacancies
- Outstanding incentives
- Farmers rent holiday shortfall
- Budgeted capital expenditure

The following is a summary of our valuation conclusions for The Hub Shopping Centre:

Contract Income Approach		
Net Contract Rent	$8,950,829 pa @ 7.00%	$127,868,983
Turnover Rent	$ 300,000 pa @ 11.00%	$ 2,727,273
Casual Rent	$ 115,000 pa @ 11.00%	$ 1,045,455
Embedded Network	$ 124,000 pa @ 9.00%	$ 1,377,778
Sub Total		$133,019,488
Less Capital Adjustments		$ 2,237,417
Net Value		$130,782,071
		$130,800,000

Market Income Approach

After examining all relevant facts and taking into account the fact that The Hub Hornby Shopping Centre is now a regional shopping centre and also taking into account the price bracket we are of the opinion an appropriate capitalisation rate is 7.00%. We have applied a capitalisation rate of 11.00% to turnover rent and casual rent components and 9.00% to the embedded electricity network to reflect the respective risk.

After capitalising the rental income streams we have allowed a vacancy factor equivalent to nine months for the current vacant tenancies. We have also deducted capital adjustments to reflect the following:

- Vacancies
- Pending vacancies
- Outstanding incentives
- Rent shortfall/overages
- Budgeted capital expenditure

The following is a summary of our valuation conclusions for The Hub Hornby Shopping Centre:

Market Income Approach		
Net Maintainable Base Rent	$9,085,010 pa @ 7.00%	$129,785,859
Turnover Rent	$ 300,000 pa @ 11.00%	$ 2,727,273
Casual Rent	$ 115,000 pa @ 11.00%	$ 1,045,455
Embedded Network	$ 124,000 pa @ 9.00%	$ 1,377,778
Net Value – Fully Leased		$134,936,364
Less Capital Adjustments		$ 2,376,147
Net Value		$132,560,217
Adopt		**$132,550,000**

Attached at Appendix 2.3 is a full summary of our calculations.

7.6 DISCOUNTED CASHFLOW ANALYSIS

We have also analysed the property applying discounted cashflow analysis, adopting a 10 year cashflow time horizon and making appropriate allowances for rental income growth, leasing up allowances on expiries, construction cost cashflow along with a terminal value at the end of the time period. The resultant Net Present Value being a reflection of market based income and expenditure projections over the 10 year period.

The key assumptions adopted in the cashflow are as follows:

- Market Rental: We have adopted the market rent levels outlined earlier in this report.

- Rental Growth: It is difficult to accurately predict rental growth rates particularly for retail accommodation which is directly linked to the performance of the economy. We have adopted forecast rental growth during the development and trade up period reflecting the progression of the centre from a sub-regional shopping centre to a regional shopping centre. We have adopted an average rental growth figure of 2.00% per annum for those retail tenancies which are not subject to fixed increases. Clearly there is a trade up period reflecting the disruption throughout the centre during the construction phase and also the transition from historic low rents to rents commensurate with a new regional shopping centre status.

  We have adopted the following estimated CPI growth based on a major trading bank's published forecast:

Forecast CPI Growth

Year	Growth Rate % pa
1	1.50%
2	2.10%
3	2.10%
4	1.90%
5	1.90%
6	2.20%
7	2.20%
8	2.20%
9 – 10	2.20%

- Terminal Yield: The discounted cashflow appraisal technique requires a consideration for the property to be sold at the end of the 10 year cashflow period. In adopting an appropriate terminal capitalisation rate, it is appropriate to recognise that the property by that stage is 10 years older and accordingly may warrant a higher capitalisation rate.

  We have adopted a terminal capitalisation rate of 7.50%.

- Discount Rate: We have adopted a property discount rate of 9.50% which in general terms recognises a risk free rate for 10 year Government Bonds of approximately 3.24% and a property risk factor of 6.26%.

The following is a summary of our discounted cashflow analysis utilising target discount rates:

Discount Rate	Valuation
9.00%	$133,624,735
9.50%	$129,290,708
10.00%	$125,146,404

After considering all factors we conclude an appropriate discount rate is 9.50% indicating a value by this approach of:

DCF Valuation – Adopt	**$129,300,000**

Attached at Appendix 2.3 is our discounted cashflow valuation summary.

8.0 VALUATION CONCLUSION

8.1 MARKET VALUE

We refer you to **Appendix 2** which contains our Valuation Calculations in Detail. We summarise the result hereunder.

Contract Income Approach Capitalised at 7.00%	$130,800,000
Market Income Approach Capitalised @ 7.00%	$132,550,000
Discounted Cashflow Approach Discount rate @ 9.50%	$129,300,000

Having regard to the available market evidence and factors outlined in the body of this report we conclude the market value of the property as at 28 February 2017 with the strengthening work completed is **$132,550,000** plus GST, if any.

The above market value is analysed as follows:

Yield on Contract Rent:	6.64%
Effective Yield on Market:	7.00%
Value per sqm NLA:	$5,439
Terminal Yield:	7.50%
Indicated IRR on Value:	9.03%
Weighted Average Lease Duration:	5.54 yrs

The following is a summary of our market value as is after deducting an allowance for costs of earthquake strengthening and deferred cosmetic work:

Valuation Summary	
Market Value as if Complete	$132,550,000
Less Allowance for Strengthening Costs and Deferred Cosmetic Work	$ 2,360,000
Net Value	**$130,190,000**

Market Value - As Is

$130,190,000 (plus GST, if any)
ONE HUNDRED AND THIRTY MILLION ONE HUNDRED AND NINETY THOUSAND DOLLARS

8.2 VALUATION APPORTIONMENT

This value can be hypothetically apportioned between land and improvements as follows:

Market Value Apportionment	
Land Value	$ 21,190,000
Improvements	$109,000,000
Total	**$130,190,000**

8.3 OVERRIDING CONDITIONS

- Our valuation is subject to the attached Statement of Valuation Conditions.
- This valuation is current as at the date of valuation only. 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.
- This valuation is subject to the comments and recommendations made in the report section headed "Canterbury Earthquakes".
- This valuation has been completed on the assumption that the building(s) and associated site development are adequately covered by normal full reinstatement insurance, including earthquake cover. Should this not be the case or should this situation change in the future we caution the valuation will change.

8.4 DISCLOSURE INFORMATION

Colliers International Valuation prohibit the publication of this report in whole or in part, or any reference thereto, or to the valuation figures contained therein, or to the names and professional affiliations of the valuer, without the written approval of the valuer as to the form and context in which it is to appear.

Colliers International Valuation has completed this valuation independently and without bias towards the client or others.

We trust that this report is suitable for current purposes. If you have any further questions, please contact the writer directly.

Yours faithfully
COLLIERS INTERNATIONAL VALUATION

GARY SELLARS FNZIV, FPINZ
Registered Valuer, Director
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Inspection of Property:	Gary Sellars
Valuation Calculations:	Gary Sellars
Authoring of Report:	Gary Sellars

APPENDIX 1

Statement of Valuation Conditions

STATEMENT OF VALUATION CONDITIONS	
1.	**Publication** - Neither the whole nor any part of this Report or its findings or conclusion or any reference to it may be included in any published document, circular or statement, without our written approval of the form and context in which it may appear. Copyright is held by Colliers International Valuation.
2.	**Responsibility** - Unless otherwise stated within this Report or any separate letter of authority relating specifically to this report, our responsibility in connection with the report and its contents is limited to the client to whom the report is addressed and to that client only. We disclaim all responsibility and will accept no liability to any other party. Any other party who uses or relies upon this report without our express authority, does so at their own risk. Where information has been supplied to us by a third party, this information is believed to be reliable but we do not accept any responsibility if this should not prove to be so. Where information is given without being attributed directly to another party, this information has been obtained by our search of records and examination of documents or by enquiry from Government or other appropriate authorities. In preparing the valuation and/or providing valuation services, it has been assumed that a full and frank disclosure of all relevant information has been made.
3.	**Boundaries** - We have made no boundary survey of the property and assume no responsibility in connection with such matters. Unless otherwise stated it is assumed that all improvements are, or will be, within the Title boundaries. Any sketch, plan or map included within this report is intended to assist the reader visualise the property and should not be relied upon as being definitive.
4.	**Sales/Leasing Evidence** - The sales/leasing evidence quoted within this report has in some instances been obtained through property industry information sources. We have relied upon such information as being accurate.
5.	**Consumer Guarantees Act 1993** - Where there is conflict between any statement within this report and the Consumer Guarantees Act 1993, the latter shall prevail.
6.	**Plant and Equipment** - Unless otherwise provided in this report, our valuation figures herein exclude any plant or equipment erected on or associated with the property. We have not undertaken engineering inspections or taken advice on any plant and equipment and we therefore take no responsibility for the condition or suitability thereof.
7.	**Computer Freehold Registers** - For the purposes of this report, where we have relied upon photocopies of Computer Freehold Registers, this report is issued on the understanding that these are accurate copies and there are no undisclosed changes to the documents or dealings that have not been advised to us. Where copies of Computer Freehold Registers have not been sighted by us, this valuation is on the basis that the documents contain no matters or reveal details that may materially affect value. In that eventuality, we reserve the right to reconsider our report findings.
8.	**Leases and Rentals** - For the purposes of this report, where we have relied upon photocopies of leases, this report is issued on the understanding that these are accurate copies and there are no undisclosed changes or dealings that have not been advised to us. Unless otherwise stated, it is assumed that all lease rentals referred to in this report are being paid in full and when due and payable under the terms and conditions of any lease contract. Further, it is assumed that all lease rents referred to in this report represent the rental arrangement stipulated in the relevant leases, to the extent that such rents have not been pre-paid, abated, rebated, or inflated to reflect extraordinary or undisclosed circumstances. It is assumed that the lessee and lessor will continue to perform their respective obligations under any lease relevant to this report. Where no leases have been sighted by us, this valuation is on the basis that the documents contain no clauses or conditions that may materially affect value. In that eventuality, we reserve the right to reconsider our report findings.
9.	**Buildings** - Where applicable, our valuation includes those items which form part of the building including special wall and floor finishes, toilet amenities, integrated heating and ventilation equipment, external lighting, and all site works including landscaping. Unless otherwise advised, we have excluded all tenant's improvements from our assessment of value.

10.	**Structural, Services, and Pests** - This report does not include a structural survey and while due care was taken to note building defects in the course of our inspection, no structural survey was made and accordingly, no guarantee is given in respect of rot, termite or pest infestation or other defects. For the purpose of this Report, during our inspection and Valuation, it has been assumed hot and cold water systems, electrical systems, lifts, ventilation systems and other devices, fittings and conveniences as are provided to the buildings are in working order and functioning to the standard required by any government/local government regulations or codes for the purpose for which they were designed. Accordingly, no responsibility is accepted concerning any of the above subsequently found defective or malfunctioning.
11.	**Contamination** - Substances such as asbestos, chemicals, toxic waste, or other potentially hazardous materials, could, if present, adversely affect the value of the property. Unless otherwise stated, any value estimates within this report are on the assumption that there is no material on or in or under 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 costs. This report does not constitute an environmental audit and in the preparation of this document, no account has been taken of the effect on value due to contamination or pollution.
12.	**Projections** - Future rental rates, expense costs and property values will be determined by market forces applicable at the time. Where figures are provided within this report in analytical or forecast nature, such are not a representation of a known or guaranteed future position.
13.	**LIM/PIM** - Unless otherwise advised within this report, this valuation has been completed without the benefit of obtaining a Local Authority Land Information Memorandum (LIM) or Property Information Memorandum (PIM) and it is assumed that such memorandums would not disclose information which is detrimental to the property or its value.
14.	**GST** - All financial data and valuation conclusions contained within this report is exclusive of Goods and Services Tax unless otherwise stated. In accordance with PINZ Guidance Notes, all non-residential valuations are on the basis of **plus GST (if any).** Valuations of residential property are stated as **including GST (if any).**
15.	**Mortgage Recommendation** - Unless otherwise stated, a mortgage recommendation has not been requested by the client and is not included within this report.
16.	**General** - No responsibility is assumed for legal matters, questions of survey, Resource Management, opinions of Title, hidden or unapparent conditions of the property, soil or sub-soil conditions, engineering or other technical matters which might render the property more or less valuable than as stated herein.
17.	**Report Ownership** – Until payment in full is received by us this report remains the property of Colliers International Valuation (ChCh) Limited. We reserve the right to withdraw use and/or reliance upon this report until such payment obligation has been met.
18.	**Tenants Property** – Fixtures and fittings owned by any Tenant within the property and capable of being removed are excluded from our valuation.
19.	**Valuation Basis** – Unless otherwise stated no allowances are made in our valuation for any expenses of realisation, or to reflect the balance of any outstanding mortgages either in respect of capital or interest accrued.
20.	**Conflicts of Interest** - Personnel in this firm may have stocks, shares or other interests in entities that directly or indirectly hold properties which may be the subject of this valuation and/or may have direct or indirect personal relationships with third parties with interests in these same entities. Colliers' valuers are required to abide by an industry standard disclosure regime and Colliers internal policies with respect to conflicts of interest, and will disclose any material conflict of interest that arises in their capacity as valuer concerning the property which is the subject of this valuation.
21.	**Photocopies** - In preparing the valuation, we have relied on photocopies of the Computer Freehold Register and leases provided. Unless otherwise advised it has been assumed that these are accurate copies of the original documents and that no dealings or changes have occurred since the date such photocopies were made.

APPENDIX 2
Valuation in Detail

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

Valuation Calculations Summary - Financial Reporting

The Hub Hornby, 416 Main South Road, Christchurch

Colliers INTERNATIONAL

VALUATION DETAILS

Valuation Date	28 February 2017	**Cash Flow Model Date**	1 March 2017
Interest Valued	Freehold Interest	**Purpose of Valuation**	Financial Reporting

CORE VALUATION ASSUMPTIONS

Financial Details

Gross Passing Income (Fully Let)	$9,531,292	**Adopted Gross Market Income**	$9,665,474
Outgoings (pa)		**Outgoings (pa)**	
Net Passing Income (Fully Let)	$8,950,829	**Adopted Net Market Income**	$9,085,010
Net Passing Income (Current)	$8,414,701		
Over / Under rented %	-7.38%		
Fully Leased - over / under rented %	-1.48%		
Total NLA	24,368.37 m²	**Total Vacancy**	817.06 m² (3.35%)
Total Carparks	0 parks		
Retail NLA	24,361.37 m²	**Retail NLA**	24,361.37 m²
Proportion of Occupied Retail Area	96.65%	**Proportion of Occupied Retail Area**	96.65%

	Net	Gross		Net	Gross
Average Passing Retail Rental*	$343/m²	$343/m²	**Average Passing Retail Rental***	$343/m²	$343/m²
Average Market Retail Rental	$383/m²	$383/m²	**Average Market Retail Rental**	$383/m²	$383/m²

**Passing rental averages are based on the proportion of occupied area.*

Global Assumptions

Agents Leasing Fees (Gross)	17.00%	**Refurb Allowance - Initial Expiries**	$50/m²
Renewal Leasing Fee (Gross)	5.00%	**Refurb Allowance - Secondary Expiries**	$50/m²

Retail

Lease Term	8 years	**Lease Term**	8 years
Letting Up - Market	0 months	**Letting Up - Market**	0 months
Retention Probability (Letting Up & Leasing Fees)	100.0%	**Retention Probability (Letting Up & Leasing Fees)**	100.0%
Letting Up - Applied	0 months	**Letting Up - Applied**	0 months
Renewal Probability (Incentives)	0.0%	**Renewal Probability (Incentives)**	0.0%
Reviews	2 yearly rent reviews to market rent	**Reviews**	Yearly rent reviews to CPI plus 1%

Traditional Valuation Approach

Core Initial Capitalisation Rate	**7.000%**
Core Market Capitalisation Rate	**7.000%**
Pending Vacancies Allowances within	12 months
Capital Expenditure Allowances for	12 months
Rental Reversions (PV)	Current tenants at expiry/market review with subsequent leases at 12 months

Discounted Cash Flow Approach

Cash Flow Term		10 years
Terminal Capitalisation Rate	***+50.00 bps***	**7.500%**
Terminal Allowances & Reversions within		12 months
Discount Rate		**9.500%**
10 Yr Rental Growth	*Retail (Net Effective)*	2.00%
(compounded)	*Retail (Gross Effective)*	2.00%

VALUATION CONCLUSIONS

Traditional Valuation Approach

Initial Yield Approach	**$130,800,000**
Market Yield Approach	**$132,550,000**

Discounted Cash Flow Approach

Discounted Terminal Value	*49%*	$63,067,376
NPV of Cash Flows	*51%*	$66,223,332
Sum of Discounted Cash Flows		$129,290,708
Less Acquisition Costs		-
Net Present Value		$129,290,708
Rounded DCF Value		**$129,300,000**

ADOPTED VALUE

$132,550,000 - plus GST if any

(ONE HUNDRED THIRTY TWO MILLION FIVE HUNDRED FIFTY THOUSAND DOLLARS)

RESULTANT YIELDS AND IRR'S ON ADOPTED VALUE

Direct Comparison	$5,439 per m² NLA	**Terminal Initial Yield**	7.52%
Passing Initial Yield	6.35%	**Terminal Market Yield**	7.50%
Equivalent Initial Yield	6.64%	**Terminal Capital Value**	$6,417 per m² NLA
Equivalent Market Yield	7.00%	**Rate of Increase in Capital Value**	1.92%
Weighted Average Lease Duration by Area	6.55 years	**IRR (Incl. Capex)**	9.03%
Weighted Average Lease Duration by Income (incl Vacancy)	5.54 years	**IRR (Excl. Capex)**	9.20%
Weighted Average Lease Duration by Income (excl Vacancy)	5.54 years	3 Year IRR (incl. Capex)	9.25%
Total Capital Expenditure (Nominal)	$1,121,946	5 Year IRR (incl. Capex)	8.99%
% of Adopted Value (Nominal)	0.85%	7 Year IRR (incl. Capex)	8.98%

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

Capitalisation Approach - FRP

The Hub Hornby, 416 Main South Road, Christchurch

Colliers International

Valuation Date: 28 February 2017

(Initial) Passing Yield Calculat

Office				210,200	
Retail				8,649,065	
Industrial					
Naming					
Parking				-	
Other				120,300	
Telecoms				-	
Storage				15,600	
Warehouse				-	
Current Passing Income				8,995,165	
Add Recoverable Outgoings				-	
Add Estimated Gross Rental Value on Vacant Space				536,128	
Potential Gross Income Fully Let				9,531,292	
Less Outgoings	$0.00/m²			580,464	
Net Income				**8,950,829**	
Capitalised at			**6.750%**	7.000%	**7.250%**
Capitalised Value			**$132,604,871**	**$127,868,983**	**$123,459,708**
Turnover Rent	$ 300,000	11.00%	$ 2,727,273	$ 2,727,273	$ 2,727,273
Casual Rent	$ 115,000	11.00%	$ 1,045,455	$ 1,045,455	$ 1,045,455
Embedded Network	$ 124,000	9.00%	$ 1,377,778	$ 1,377,778	$ 1,377,778
Total Capitalised Value			$ 137,755,376	$ 133,019,488	$ 128,610,213
Capital Value Adjustments					
Existing Vacant Tenancy Allowances					
Downtime			(402,096)	(402,096)	(402,096)
Downtime for Deferred Tenancy Commencement			(216,693)	(216,693)	(216,693)
Agents Leasing Fees			(91,142)	(91,142)	(91,142)
Incentives			-	-	-
Refurbishment Allowance			-	-	-
Current Vacany Allowance - Opex			(121,946)	(121,946)	(121,946)
Pending Vacancy Allowances (expiries within 12 months)					
Downtime			-	-	-
Agents Leasing Fees			(34,005)	(34,005)	(34,005)
Incentives			-	-	-
Refurbishment Allowance			-	-	-
PV Outstanding Current Incentives			(212,014)	(212,014)	(212,014)
PV Shortfall - Farmers			(640,645)	(640,645)	(640,645)
General Capital Expenditure Allowance (12 months)			-	-	-
Budgeted Capital Expenditure			(518,877)	(518,877)	(518,877)
Other Adjustments			-	-	-
Total Adjustments			*(2,237,417)*	*(2,237,417)*	*(2,237,417)*
Assessed Capital Value as at 28 February 2017			**$135,517,959**	**$130,782,071**	**$126,372,795**
Value $/m²			*$5,561*	*$5,367*	*$5,186*
Rounded Initial Capitalisation Value				$130,800,000	
Adopted Value as at 28 February 2017				**$132,550,000**	
Capital Value Analysis					
Actual Net Passing Income				$8,414,701	
Initial Yield				6.35%	
Equivalent Initial Yield				6.64%	
Rate per metre of NLA				$5,439/m²	

Market Yield Calculations

Office				210,200	
Retail				9,319,374	
Industrial					
Naming				-	
Parking				-	
Other				120,300	
Telecoms				-	
Storage				15,600	
Warehouse				-	
Market Income				9,665,474	
Add Recoverable Outgoings				-	
Total Gross Market Income				9,665,474	
Less Outgoings		$0.00/m²		580,464	
Net Market Income				9,085,010	
Net Income				**9,085,010**	
Capitalised at			**6.750%**	7.000%	**7.250%**
Capitalised Value			**$134,592,742**	**$129,785,859**	**$125,310,484**
Turnover Rent	$ 300,000	11.00%	$ 2,727,273	$ 2,727,273	$ 2,727,273
Casual Rent	$ 115,000	11.00%	$ 1,045,455	$ 1,045,455	$ 1,045,455
Embedded Network	$ 124,000	9.00%	$ 1,377,778	$ 1,377,778	$ 1,377,778
Total Capitalised Value			$ 139,743,247	$ 134,936,364	$ 130,460,989
Capital Value Adjustments					
Existing Vacant Tenancy Allowances					
Downtime			(402,096)	(402,096)	(402,096)
Downtime for Deferred Tenancy Commencement			(216,693)	(216,693)	(216,693)
Agents Leasing Fees			(91,142)	(91,142)	(91,142)
Incentives			-	-	-
Refurbishment Allowance			-	-	-
Current Vacany Allowance - Opex			(121,946)	(121,946)	(121,946)
Pending Vacancy Allowances (expiries within 12 months)					
Downtime			-	-	-
Agents Leasing Fees			(34,005)	(34,005)	(34,005)
Incentives			-	-	-
Refurbishment Allowance			-	-	-
PV Outstanding Current Incentives			(212,014)	(258,028)	(258,028)
PV Rental (Shortfall) / Overage			(733,361)	(733,361)	(733,361)
General Capital Expenditure Allowance (12 months)			-	-	-
Budgeted Capital Expenditure			(518,877)	(518,877)	(518,877)
Other Adjustments			-	-	-
Total Adjustments			*(2,330,133)*	*(2,376,147)*	*(2,376,147)*
Assessed Capital Value as at 28 February 2017			**$137,413,115**	**$132,560,217**	**$128,084,842**
Value $/m²			*$5,639*	*$5,440*	*$5,256*
Rounded Market Capitalisation Value				$132,550,000	
Adopted Value as at 28 February 2017				**$132,550,000**	
Capital Value Analysis					
Equivalent Market Yield				6.73%	
Rate per metre of NLA				$5,439/m²	

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

Cash Flow Summary - FRP

The Hub Hornby, 416 Main South Road, Christchurch

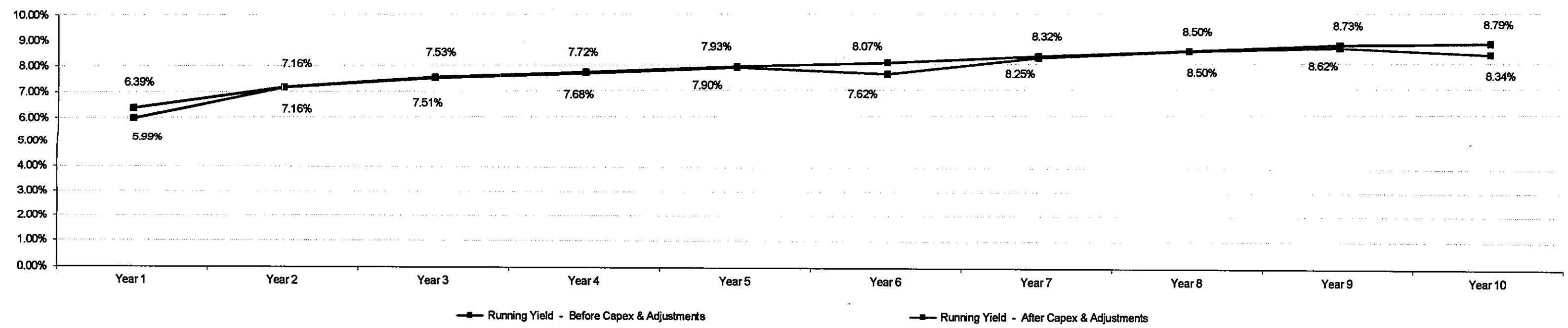
Colliers INTERNATIONAL

For Year Commencing	Year 1 01-Mar-17	Year 2 01-Mar-18	Year 3 01-Mar-19	Year 4 01-Mar-20	Year 5 01-Mar-21	Year 6 01-Mar-22	Year 7 01-Mar-23	Year 8 01-Mar-24	Year 9 01-Mar-25	Year 10 01-Mar-26
Office	161,400	214,310	220,148	226,182	232,247	244,125	257,043	270,382	284,101	298,216
Retail	8,215,009	9,186,917	9,655,776	9,900,215	10,174,615	10,338,517	10,653,051	10,886,582	11,172,107	11,228,529
Industrial	539,000	547,623	559,123	570,678	581,521	592,860	605,903	619,233	632,856	646,779
Naming	(580,464)	(588,790)	(599,894)	(611,052)	(621,522)	(632,471)	(645,066)	(657,937)	(671,092)	(684,536)
Parking	-	-	-	-	-	-	-	-	-	-
Other	114,664	117,453	123,246	126,429	129,276	131,583	134,767	136,951	140,305	142,472
Telecoms	-	-	-	-	-	-	-	-	-	-
Storage	15,858	16,334	16,824	17,328	17,848	17,694	17,564	18,026	18,497	18,984
Warehouse	-	-	-	-	-	-	-	-	-	-
Outgoings Recoveries	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
Total Income	8,465,468	9,493,847	9,975,223	10,229,781	10,513,985	10,692,308	11,023,263	11,273,237	11,576,775	11,650,443
Outgoings	-	-	-	-	-	-	-	-	-	-
Vacancy Allowance	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
Net Income Before Capital Expenditure	8,465,468	9,493,847	9,975,223	10,229,781	10,513,985	10,692,308	11,023,263	11,273,237	11,576,775	11,650,443
Capital Expenditure (Budgeted & General)	121,846	-	-	-	-	500,000	-	-	-	500,000
Refurbishment Allowance	-	-	-	-	-	-	-	-	-	-
Agents Fees	126,837	5,487	20,451	43,892	39,315	95,055	85,685	12,139	146,562	94,778
Incentives	280,607	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Other Adjustments	-	-	-	-	-	-	-	-	-	-
Net Income After Capital Expenditure	7,936,078	9,488,360	9,954,772	10,185,889	10,474,669	10,097,253	10,937,578	11,261,098	11,430,212	11,055,666
Terminal Value										156,373,056
Disposal Costs										-
Net Cash Flow	7,936,078	9,488,360	9,954,772	10,185,889	10,474,669	10,097,253	10,937,578	11,261,098	11,430,212	167,428,721

Adopted Value @ 9.500%	$	132,550,000
Acquisition Costs	$	-
Adopted Value before Acquisition Costs	$	132,550,000

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Running Yield - Before Capex & Adjustments	6.39%	7.16%	7.53%	7.72%	7.93%	8.07%	8.32%	8.50%	8.73%	8.79%
Running Yield - After Capex & Adjustments	5.99%	7.16%	7.51%	7.68%	7.90%	7.62%	8.25%	8.50%	8.62%	8.34%
Running Yield - Before Capex & incl. Adjustments	6.08%	7.16%	7.51%	7.68%	7.90%	7.99%	8.25%	8.50%	8.62%	8.72%
Running Yield - After Capex, Adjustments & incl. Acquisition Costs	5.99%	7.16%	7.51%	7.68%	7.90%	7.62%	8.25%	8.50%	8.62%	8.34%

Projected Running Yield Analysis



Note: This running yield analysis is based upon the projected net income and includes potential downtime and associated re-letting costs, as per our specific assumptions.

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

DCF Summary - FRP

The Hub Hornby, 416 Main South Road, Christchurch

Present Value of Cash Flows	$129,290,708	
Discount Rate	9.500%	
Terminal Value	$156,373,056	
Less Disposal Costs	-	
Net Terminal Value	$156,373,056	
Discounted Terminal Value	$63,067,376	*48.78%*
Discounted Cash Flow	$66,223,332	*51.22%*
Sum of Discounted Cash Flows	$129,290,708	
Less Acquisition Costs	-	
Present Value	$129,290,708	
Rounded Present Value	**$129,300,000**	
Rate $/m²	$5,306	
Rate of Increase in Capital Value	1.92%	
IRR (incl. Capex)	9.03%	
IRR (excl. Capex)	9.20%	
3 Year IRR (incl. Capex)	9.25%	
5 Year IRR (incl. Capex)	8.99%	
7 Year IRR (incl. Capex)	8.98%	

Net Present Value Matrix

		Terminal Yield		
		7.250%	**7.500%**	7.750%
	9.000%	135,902,355	133,624,735	131,494,058
	9.250%	133,659,396	131,433,389	129,350,996
Discount Rate	**9.500%**	131,466,384	**129,290,708**	127,255,398
	9.750%	129,322,043	127,195,448	125,206,053
	10.000%	127,225,132	125,146,404	123,201,787

IRR Matrix

		Terminal Yield		
		7.250%	**7.500%**	7.750%
	119,626,375	10.96%	10.70%	10.46%
	125,922,500	10.16%	9.90%	9.66%
Adopted Value	**132,550,000**	9.38%	**9.12%**	8.88%
	139,177,500	8.64%	8.39%	8.15%
	146,136,375	7.93%	7.67%	7.43%

APPENDIX 3

Computer Freehold Registers

COMPUTER FREEHOLD REGISTER
UNDER LAND TRANSFER ACT 1952

Search Copy

R.W. Muir
Registrar-General
of Land

Identifier	**650093**
Land Registration District	**Canterbury**
Date Issued	30 July 2014

Prior References

632215	632216	632217
632218	CB17F/1310	CB20A/54
CB23F/860	CB29F/823	CB333/265
CB3D/1074	CB3D/1075	CB475/297
CB476/97	CB8F/1207	CB8F/1208
CB8K/491		

Estate	Fee Simple
Area	3.3987 hectares more or less
Legal Description	Lot 1 Deposited Plan 473884

Proprietors

Shopping Centre Investments Limited

Interests

Subject to Section 8 Mining Act 1971 (affects part formerly Rural Section 40915)

Subject to Section 168A Coal Mines Act 1925 (affects part formerly Rural Section 40915)

670385 Notice imposing Building Line Restriction - 8.12.1965 at 2:30 pm (affects part formerly Lot 1 DP 26337 and Lot 2 DP 25943)

A155215.1 Gazette Notice declaring part of State Highway No. 1, Christchurch on Mashan Road and Carmen Road fronting the within land to be a Limited Access Road - 25.1.1995 at 9:14 am (affects part formerly contained in CsT CB17F/1310, CB20A/54, 632217)

Subject to Part IVA Conservation Act 1987 (affects part formerly Section 5 SO 424952)

Subject to Section 11 Crown Minerals Act 1991 (affects part formerly Section 5 SO 424952)

9250468.7 Mortgage to ASB Bank Limited - 11.12.2012 at 11:38 am (affects part formerly Lot 1 DP 37831 and affecting part formerly contained in CsT CB17F/1310, CB20A/54, CB8F/1207-1208, CB8K/491, CB23F/860, CB333/265, CB3D/1074-1075, CB475/297, CB476/97)

9557631.1 Mortgage to ASB Bank Limited - 20.11.2013 at 3:39 pm (affects part formerly contained in CsT 632215-632217)

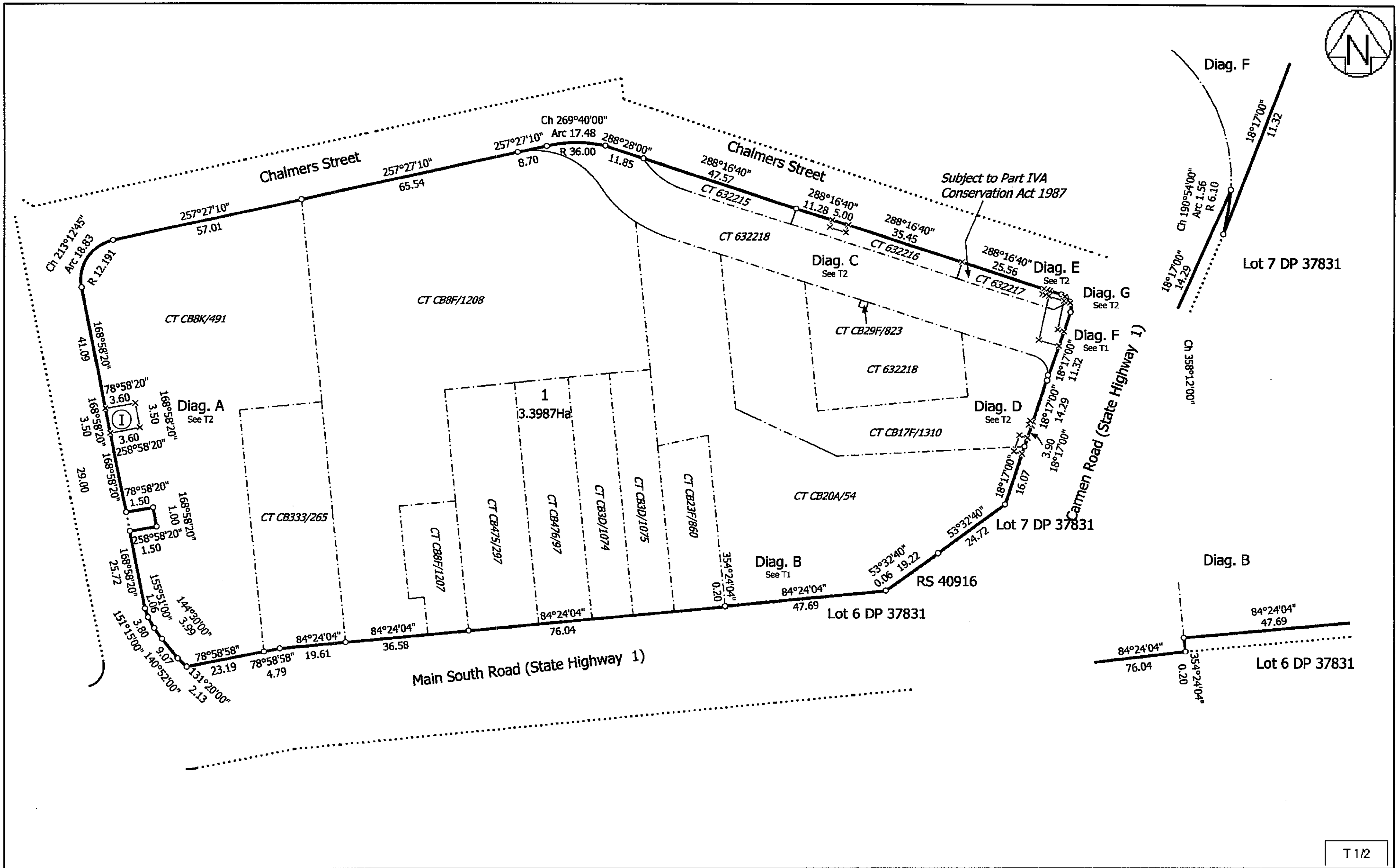
Subject to a right to convey electricity in gross over parts marked H and I on DP 473884 in favour of Orion New Zealand Limited created by Easement Instrument 9713144.8 - 30.7.2014 at 3:06 pm

Subject to a right to convey electric power, telecommunications and computer media in gross over part marked A on DP 473884 in favour of Orion New Zealand Limited created by Easement Instrument 9713144.9 - 30.7.2014 at 3:06 pm

Subject to a right to convey telecommunications and computer media in gross over parts marked B, C, D and E on DP 473884 in favour of Chorus New Zealand Limited created by Easement Instrument 9713144.10 - 30.7.2014 at 3:06 pm

Subject to a right to convey telecommunications and computer media in gross over part marked G on DP 473884 in favour of Vodafone New Zealand Limited created by Easement Instrument 9713144.11 - 30.7.2014 at 3:06 pm

Subject to a right to drain sewage in gross over parts marked D and F on DP 473884 in favour of Christchurch



Land District: Canterbury Digitally Generated Plan Generated on: 13/08/2014 09:13am Page 5 of 6	Lot 1 being Pt Lot 9 DP 2183, Pts Lots 1 - 5, 9 & 10 DP 2575, Pt Lot 2 DP 25943, Pt Lot 1 & Lot 2 DP 26337, Pt Lot 1 DP 37831, Lots 1 & 2 DP 39049, Lot 1 DP 50797 Sec's 1 3 - 5 SO 424952 & RS 40915	Surveyor: Richard John Graham Firm: Cardno	Title Plan LT 473884 Approved on: 13/08/2014

COMPUTER FREEHOLD REGISTER
UNDER LAND TRANSFER ACT 1952

Search Copy

R.W. Muir
Registrar-General
of Land

Identifier **CB7D/1082**
Land Registration District **Canterbury**
Date Issued 22 April 1968

Prior References
CB467/157

Estate	Fee Simple
Area	1262 square metres more or less
Legal Description	Lot 2 Deposited Plan 26107

Proprietors
Shopping Centre Investments Limited

Interests

734040 Notice imposing Building Line Restriction

769462 Transfer creating the following easement in gross - 3.7.1969 at 9.37 am

Type	Servient Tenement	Easement Area	Grantee	Statutory Restriction
Sewage	Lot 2 Deposited Plan 26107 - herein	Yellow DP 26107	The Christchurch Drainage Board	

The easement granted by Transfer 769462 is subject to Section 37 1(a) of the Counties Amendment Act 1961

44965.1 Transfer creating the following easement in gross - 31.7.1975 at 10.12 am

Type	Servient Tenement	Easement Area	Grantee	Statutory Restriction
Drain sewage	Lot 2 Deposited Plan 26107 - herein	Part herein	Her Majesty the Queen	

9250468.7 Mortgage to ASB Bank Limited - 11.12.2012 at 11:38 am

9903607.1 Mortgage to (now) Stephen Charles Benton and Wairakei Trustees Limited and to John Clement Anton Lucas and to James Greer Kay, Christine Mary Kay and Jeffrey Keith Sewell and to Michael John Keyse and to Christopher James Wallace, Dianne Margaret Wallace and Wairakei Trustees Limited and to Bill Torrance Charitable Trust and to Elwyn Peter Walker and Robyn Laing Walker and to John Richard Chandler, Joanne Susan Chandlder and Wairakei Trustees Limited and to Value Plus Holdings Limited and to David Peter Fisher, Janet Isabelle Fisher and Alister David Argyle and to Mostyn Stewart Elms and to Maureen Elizabeth Wilkins and Michael Thomas Ansett and to Maureen Elizabeth Wilkins and Nathan James Wilkins in shares - 31.3.2015 at 4:09 pm

9994038.1 Mortgage to Mostyn Stewart Elms, Michael John Keyse and David Peter Fisher and to Janet Isabelle Fisher and Alister David Argyle in shares - 30.4.2015 at 2:55 pm

LAND TRANSFER ACT 1952

Land Transfer Office

Received 26th January 1968

Title Reference 560/64

Referred to L. T. Surveyor 29 - 1 - 1968

The Paparua County Council certifies that there is no operative district scheme under the Town & Country Planning Act 1953 which affects the subdivision shown hereon.

Dated 8. 11. 67

County Engineer

Deposited this 20th day of March 1968

District Land Registrar

FOR ROAD OR STREET LEGALITY SEE ROAD RECORD MAP

ON DEPOSIT OF THIS PLAN Lot(s) 4 become(s) Road

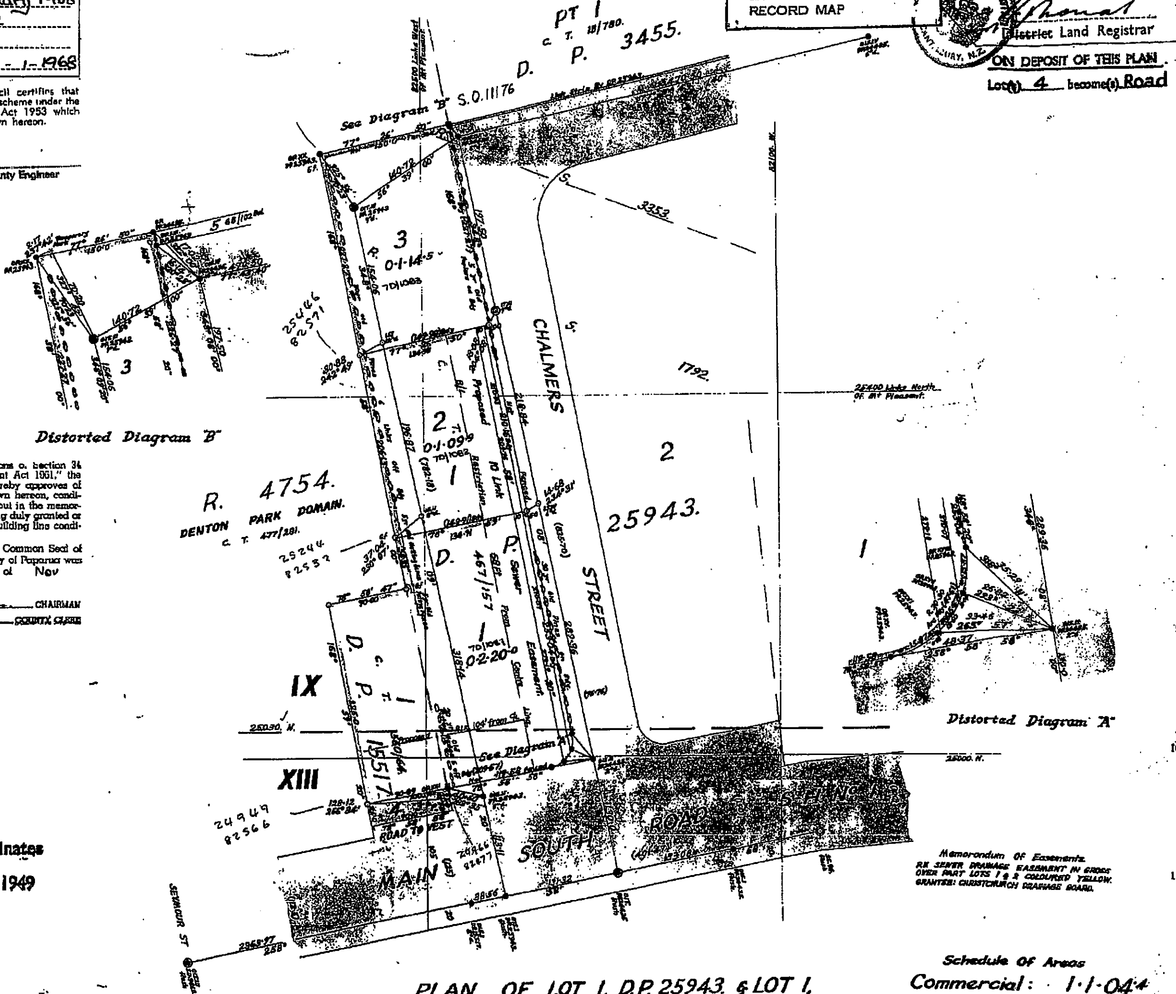
In pursuance of the Provisions of section 34 of "The Counties Amendment Act 1961," the Paparua County Council hereby approves of the Plan of Subdivision shown hereon, conditional on the easements set out in the memorandum endorsed hereon being duly granted or reserved, and subject to a building line condition.

IN WITNESS WHEREOF the Common Seal of the Council of the County of Paparua was hereto affixed this 8th day of Nov 1967 in the presence of

CHAIRMAN

COUNTY CLERK

[redacted]



Bearings Co-ordinates in terms of Geodetic Datum 1949

Memorandum of Easements.
RE SEWER DRAINAGE EASEMENT IN GROSS OVER PART LOTS 1 & 2 COLOURED YELLOW. GRANTEE: CHRISTCHURCH DRAINAGE BOARD.

PLAN OF LOT 1, D.P. 25943. & LOT 1, D. P. 15517. - PT R.S's. 3353 & 1792.

Schedule Of Areas

Commercial: 1·1·04·4

Widening: 3·6

Total Area: 1·1·08·0

Lots 1&2 subject to a B.L.R. 58ft & 104ft from ¢ No 734040

Approved as to Survey

Chief Surveyor

Received 26/1/68

Field book 225 p. 226

Traverse book 188 p. 125

Examined by

Recorded

Correct

L. T. Surveyor

3/58

Comprised in C.T. 467/157, 560/64

Survey Block & District Blocks IX & XIII Christchurch S.D. 26169

Land District Canterbury Local Body Paparua County Council.

Scale 80 Links to an inch Surveyed by Davis, Ogilvie & Associates Date June 1967.

I, MICHAEL JOHN WOOD DAVIS of CHRISTCHURCH Registered Surveyor and holder of an annual practising certificate, do solemnly and sincerely declare that this plan has been made from surveys executed by me; that both plan and survey are correct, and have been made in accordance with the regulations under the Surveyors Act, 1938. And I make this solemn declaration, conscientiously believing the same to be true and by virtue of the Oaths and Declarations Act 1957.

Declared at Christchurch this 29th day of November 1967 before me

Registered Surveyor

Justice of the Peace (or other person authorised to take a statutory declaration.)

Approved

See Plan File

Applicant or Registered Owner

This space reserved for plan number

D.P. 26107

COMPUTER FREEHOLD REGISTER
UNDER LAND TRANSFER ACT 1952

Search Copy

R.W. Muir
Registrar-General
of Land

Identifier 39748
Land Registration District Canterbury
Date Issued 05 July 2002

Prior References
CB7D/1083

Estate	Fee Simple
Area	1378 square metres more or less
Legal Description	Lot 3 Deposited Plan 26107

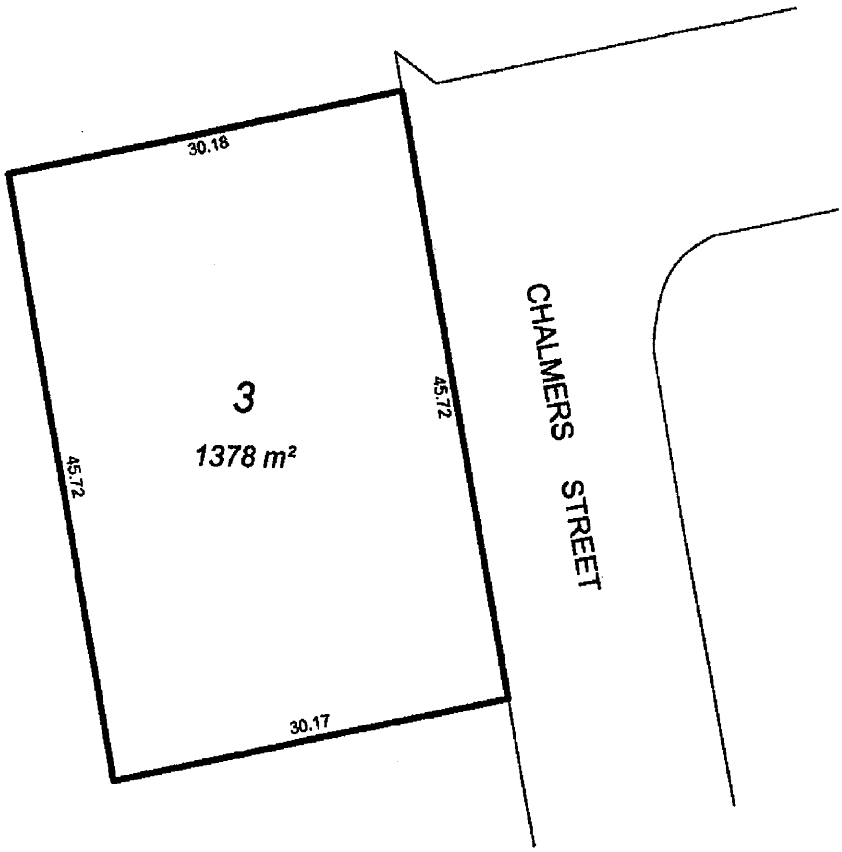
Proprietors
Shopping Centre Investments Limited

Interests

9250468.7 Mortgage to ASB Bank Limited - 11.12.2012 at 11:38 am

9903607.1 Mortgage to (now) Stephen Charles Benton and Wairakei Trustees Limited and to John Clement Anton Lucas and to James Greer Kay, Christine Mary Kay and Jeffrey Keith Sewell and to Michael John Keyse and to Christopher James Wallace, Dianne Margaret Wallace and Wairakei Trustees Limited and to Bill Torrance Charitable Trust and to Elwyn Peter Walker and Robyn Laing Walker and to John Richard Chandler, Joanne Susan Chandlder and Wairakei Trustees Limited and to Value Plus Holdings Limited and to David Peter Fisher, Janet Isabelle Fisher and Alister David Argyle and to Mostyn Stewart Elms and to Maureen Elizabeth Wilkins and Michael Thomas Ansett and to Maureen Elizabeth Wilkins and Nathan James Wilkins in shares - 31.3.2015 at 4:09 pm

9994038.1 Mortgage to Mostyn Stewart Elms, Michael John Keyse and David Peter Fisher and to Janet Isabelle Fisher and Alister David Argyle in shares - 30.4.2015 at 2:55 pm



TITLE DIAGRAM TITLE DIAGRAM
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APPENDIX 4

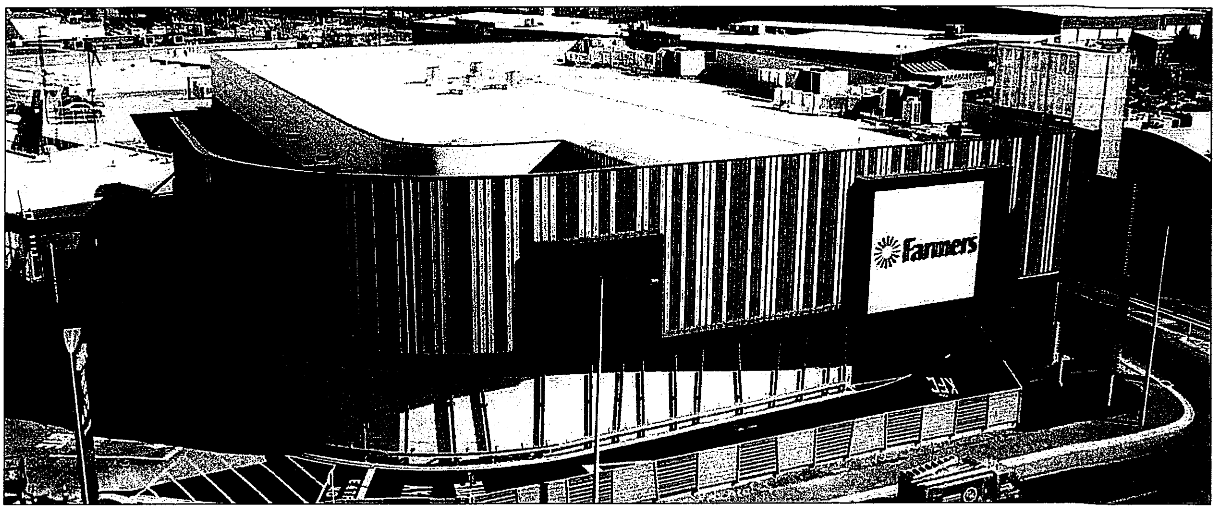
Floor Plans - Withheld

Ground Floor

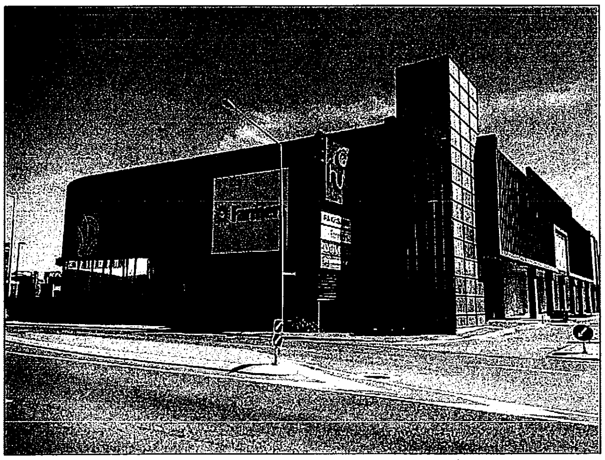
Mezzanine Floor

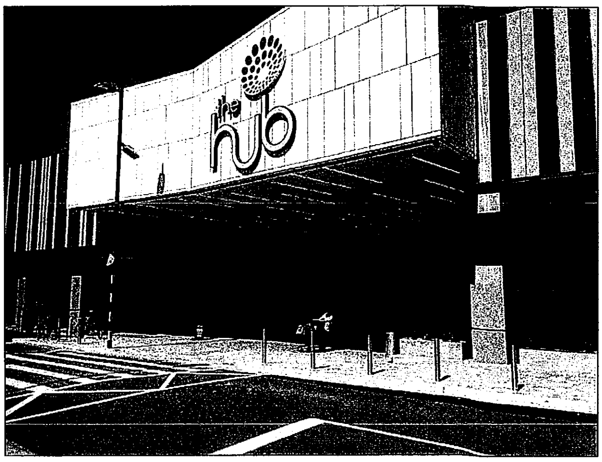
First Floor

APPENDIX 5
Photographs


Farmers

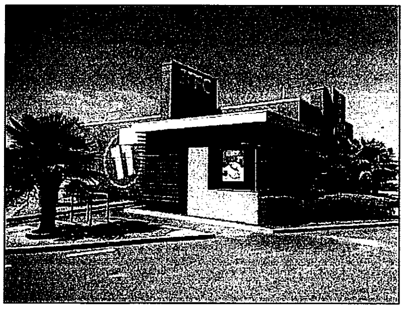
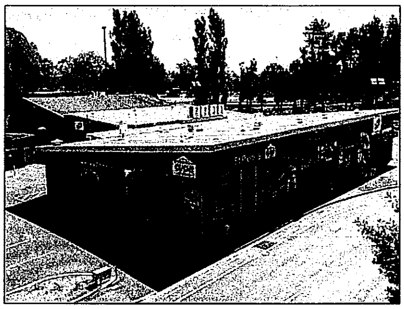
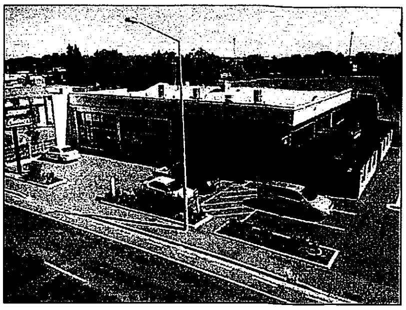
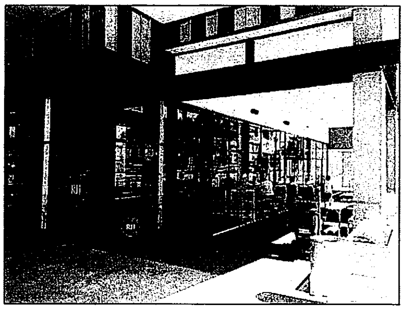

ASB

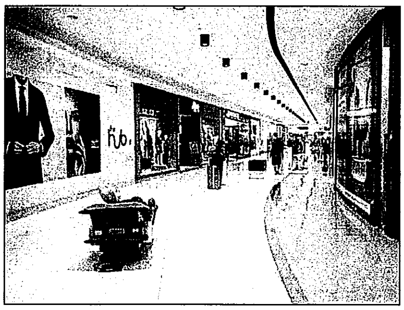



the hub


Farmers


PAK'nSAVE




PASCOES

Westpac
ASB