

Valuation Advisory

Report prepared for Oyster Industrial Property Limited for inclusion within a Product Disclosure Statement purposes

Hellers

67 Main North Road, Kaiapoi, Canterbury

31 January 2022



Executive Summary

Hellers - 67 Main North Road, Kaiapoi, Canterbury



The subject property is located to the western side of Main North Road within Kaiapoi, which is a town approximately 20 kilometres north from the centre of Christchurch. The subject site comprises three freehold parcels of land for a combined site area of approximately 4.7993 hectares. The combined site is mostly regular in shape and essentially flat in contour. The site is bound by Neeves Road to the north and Main North Road to the east to form a corner positioned site, with vehicular accesses available on both. The site also has an extensive frontage to State Highway 1 on the western side which provides excellent exposure to passing traffic.

The building improvements were first constructed in the 1950s and had various new extensions constructed in circa 1980s, 2000s and early to mid-2010s which now forms an approximate 15,715 square metre specialised food production facility. The building offers a combination of areas including blast freezers, coolstores, processing areas, and dry store warehousing. The building also includes a second floor where associated offices are provided. The property has concrete sealed areas that surround the building for onsite car parking and driveways. The property has had seismic strengthening undertaken in 2017. The property features a central fire sprinkler system and overall presents to a good quality.

In addition to the food production facility, there is also a small standalone workshop, separate electrical switchroom and two dated residential dwellings to the northern side of the property.

The property is leased to Hellers Limited on a 14 year lease with two rights of renewal of 5 years each, commencing 1 September 2015. We understand that one right of renewal has been exercised, with the lease expiry date now being 31 August 2034. The lease returns a rental of \$2,342,593 per annum plus GST which is subject to two yearly CPI rent reviews beginning 1 September 2020, and a market rent review on 1 September 2034 (if second renewal exercised) with a soft ratchet. The lease is structured predominantly on a net basis, with some operating expenses being non-recoverable as detailed in *3.2 Lease Summary*.

New Zealand is at the 'red' traffic light setting following efforts to control the emergence of the Omicron and Delta variants of COVID-19. This imposes several measures of caution in an attempt to slow the spread. While the property market has in the past proved resilient to the disruption of COVID-19, our assessment has been conducted in accordance with the definition of 'Market Value', with reference to the provisions of the assumption to a willing buyer, a willing seller, acting prudently and without compulsion.

Valuation

Prepared for	Oyster Industrial Property Limited
Valuation Purpose	Market Valuation for inclusion within a Product Disclosure Statement
Date of Valuation	31 January 2022
Date of Report	8 February 2022
Valuation Approaches	Capitalisation of Net Income and Discounted Cashflow Approaches
Zoning	Rural Zone – Waimakariri Operative District Plan
Tenure	Fee Simple – Records of Title CB569/70, CB572/14 and CB35A/904
Site Area	47,993 sqm
Lettable Area	15,626 sqm (excludes deck area)
Adopted Value	\$40,850,000 plus GST, if any Forty Million Eight Hundred Fifty Thousand Dollars plus GST, if any

Valuation Analysis

Initial Yield	5.49%	Rate / sqm of Lettable Area	\$2,614
Equivalent Yield	5.46%	Weighted Average Lease Term	12.58 years
Internal Rate of Return (10 years)	6.97%	Current Occupancy	100.00%

Tenancy Overview

Hellers	\$2,342,593	15,715 sqm
		(Incl. deck)

Financial Summary

Gross Passing Income	\$2,654,702
Gross Market Income	\$2,651,371
Adopted Outgoings	\$410,900
Net Passing Income	\$2,243,802
Net Market Income	\$2,240,471

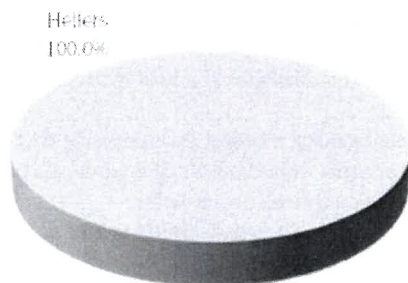
Cap Approach Assumptions

Adopted Cap Rate	5.500%
Allowance for Capex/Expiries	24 months
Market Income Capitalisation	\$40,600,000
Passing Income Capitalisation	\$40,600,000

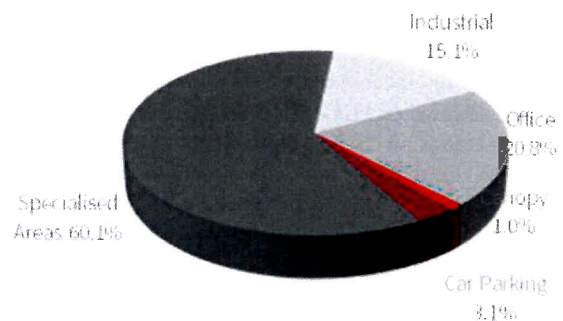
DCF Approach Assumptions

Discount Rate	6.875%
Terminal Yield	6.000%
Average Applied Rental Growth	2.25%
Value Based on DCF Approach	\$41,100,000

Major Occupiers



Building Components



Valuers

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Critical Assumptions, Conditions & Limitations

- The valuation is current as at the date of valuation only, being 31 January 2022. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property).
- We do not accept liability for losses arising from such subsequent changes in value. Without limiting this statement, we do not accept any liability where this valuation is relied upon more than 90 days after the date of valuation, or earlier if you become aware of any factors that may have any effect on the valuation.
- This report is relevant at the date of preparation and to the circumstances prevailing at that time. However, within a changing economic environment experiencing fluctuations in interest rates, inflation levels, rents and global economic circumstances, acceptable returns on investment may, as a consequence, be susceptible to future variation. We therefore recommend that before any action is taken involving an acquisition, disposal or other transaction more than 90 days after the date of this report, you consult the Valuer.
- This valuation has been completed for the specific purpose stated in this report. No responsibility is accepted in the event that this report is used for any other purpose.
- Our valuation assumes the information provided by the instructing party or its agents is correct, and we reserve the right to amend our calculations, if deemed necessary, if that information is incorrect.
- Our valuation assumes all other professional/consultancy advice provided and relied upon is true and correct.
- We have relied on building areas, income figures and expense figures as provided by the instructing party or its agents and made specified adjustments where necessary. Where possible these have been verified through lease documentation and physical measurements.
- Unless otherwise stated all property measurements are in conformity with the Guide for the Measurement of Rentable Areas issued by the Property Council of New Zealand. Where certified areas have not been provided, we have normally undertaken measurement in accordance with Property Council of New Zealand Standards.
- We have relied on the land dimensions and areas as provided in the Record of Title as searched. In certain cases, physical checking of land dimensions and areas is difficult or not practical due to proximity of adjoining buildings, steep terrain or inaccessible title boundaries. Jones Lang LaSalle accepts no responsibility if any of the land dimensions or the area shown on title is found to be incorrect.
- Our valuation is made on the basis that the property is free of further caveats, mortgages, charges and other financial liens and that there are no memorials, encumbrances, restrictions or other impediments of an onerous nature which will affect the value other than those stated in the report or registered on the Record of Title.
- Enquiries as to the financial standing of actual or prospective tenants are not normally made unless specifically requested. Where properties are valued with the benefit of leases it is therefore assumed that the tenants are capable of meeting their obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.
- In the case of buildings where works are in hand or have recently been completed Jones Lang LaSalle does not normally make allowance for any liability already incurred but not yet discharged in respect of completed works or obligations in favour of contractors, sub-contractors or any members of the professional or design team.
- No enquiries in respect of any property, or of any improvements erected thereon, has been made for any sign of timber infestation, asbestos or other defect, whether latent, patent, or structural.
- Substances such as asbestos or other potentially hazardous materials could, if present, adversely affect the value of the property. The stated value estimate is on the assumption that there is no material on or in the property that would cause loss in value. No responsibility is assumed for any such conditions and the recipient of this report is advised that the valuer is not qualified to detect such substances or estimate the remedial cost.
- While due care has been taken to note any contamination liability, our investigations have been undertaken for valuation purposes only, and this report does not constitute an environmental audit. Unless otherwise stated no account has been taken of the effect on value due to contamination or pollution.
- We have undertaken a visual inspection in respect of any building valued but must advise that we have not commissioned structural surveys or tested any of the services and are therefore unable to confirm that these are free from defect. We note further that we have not inspected unexposed or inaccessible portions of any building and are therefore unable to certify that these are free from defect.
- We note we are not experts in relation to assessing the condition of the building structure and cladding, or in assessing the impact or otherwise of water/weather penetration issues. Should the building prove to have structural or weather penetration issues we reserve the right to amend the valuation assessment and any recommendations contained within this report.

- Any elements of deterioration apparent during our consideration of the general state of repair of building/s has been noted or reflected in our valuation. We are, however, unable to give any warranty as to structural soundness of any building and have assumed in arriving at our valuation that there are no structural defects or the inclusion of unsatisfactory materials.
- In preparing the valuation it has been assumed that items such as lifts, hot and cold water systems, electrical systems, ventilating systems and other devices, fittings, installations or conveniences as are in the building are in proper working order and functioning for the purposes for which they were designed, and conform to the current building, fire and government regulations and codes.
- Information on town planning and resource management is often obtained verbally from the local planning authority and if assurance is required Jones Lang LaSalle recommends that verification is sought from the relevant authority that confirms the position is correctly stated within this report, that the property is not subject to other decisions or conditions prescribed by public authorities and that there are no outstanding statutory notices.
- Jones Lang LaSalle's valuations are prepared on the basis that the premises (and any works thereto) comply with all relevant statutory regulations including the Building Act 2004 and the requirements of Territorial Authorities. Where we have obtained a Land Information Memorandum, we comment on this within our report. Where we have not obtained a Land Information Memorandum our valuation is therefore undertaken with the assumption that there are no outstanding requisitions.
- Unless otherwise stated all currencies within this report are in New Zealand Dollars.
- Non-residential valuations are (unless otherwise stated) carried out on the basis that the valuation is plus GST (if any). Residential property valuations are (unless otherwise stated) carried out on the basis that the valuation includes GST (if any).
- A reliant party can only rely on this valuation if received directly from JLL without any third-party intervention.

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Appendices

Appendix 1 – Valuation Definitions

Appendix 2 – Records of Title

1 Introduction

1.1 Instructions

We refer to instructions from Oyster Industrial Properties Limited requesting that we undertake a market valuation of the freehold interest of 67 Main North Road, Kaiapoi, Canterbury (the Subject/Property), as at 31 January 2022 for Oyster Industrial Property Limited. We understand that the valuation is to be relied upon for inclusion within a Product Disclosure Statement purposes only.

Our report has been prepared in accordance with the current Australia and New Zealand Property Institute's Valuation Standards, International Valuation Standards and the instructing parties valuation brief, and we confirm that the prime signatory:

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

We confirm:

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

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

- Oyster Industrial Properties Limited – for inclusion within a Product Disclosure Statement purposes

Our report is confidential to the party or parties to which it is addressed, for the specific purpose to which it refers. No responsibility is accepted to any third parties. Neither the whole of the report or any part of it or any reference to it, may be published in any document, statement or circular or in any communication with third parties without our prior written approval of the form and context in which it will appear.

Furthermore, this report can only be relied upon when the given party has received the report directly from JLL.

1.2 Valuation and Inspection Dates

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

Date of Valuation	31 January 2022
Date of Property Inspection	10 December 2021
Date of Preparation of Report	8 February 2022

We advise that we have been instructed to value the Property as at 31 January 2022 which is our date of valuation. Our assessment assumes that there is no material change to the Property or the market between the date of inspection and the date of valuation, and we reserve the right to review the valuation if there are material changes to the Property or the market over this period.

1.3 Basis of Valuation

Market Value

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

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

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

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

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

1.4 Relevant Valuation Standards & Disclosures

The valuations contained herein have been completed in accordance with current Australia and New Zealand Valuation and Property Standards, and in particular with:

- IVS (International Valuation Standards 2022) Framework and General Standards
- ANZVGP 111 – Valuation Procedures – Real Property
- ANZVGP 108 – Valuations for Use in Offer Documents

1.5 Information Sources

The information reviewed or previously provided includes, but is not limited to, the following:

- Record of Title particulars memorialised by Land Information New Zealand;
- Resource Management classifications and controls as stated within the District Plan of the governing Territorial Local Authority;
- Sales and leasing data from various industry sources, including real estate agents;
- Market research and forecasts from JLL Research; and
- Lease documentation, building areas, and operating expense budget supplied by the instructing party.

Our valuation is based on a significant amount of information that has been sourced from the instructing party or managing agent and other third parties. We have relied upon the accuracy, sufficiency and consistency of the information supplied to us. Jones Lang LaSalle accepts no liability for any inaccuracies contained in the information disclosed to us.

1.6 Specific Assumptions

Our assessment as to value has been based on the following specific assumptions:

- We note that a limited inspection only was possible due to the current operation and hygiene / Covid-19 requirements.
- New Zealand is at the ‘red’ traffic light setting following efforts to control the emergence of the Omicron and Delta variants of COVID-19. This imposes several measures of caution, in an attempt to slow the spread.

While the property market has in the past proved resilient to the disruption of COVID-19, our assessment has been conducted in accordance with the definition of ‘Market Value’, with reference to the provisions of the assumption to a willing buyer, a willing seller, acting prudently and without compulsion.

2 Property Particulars

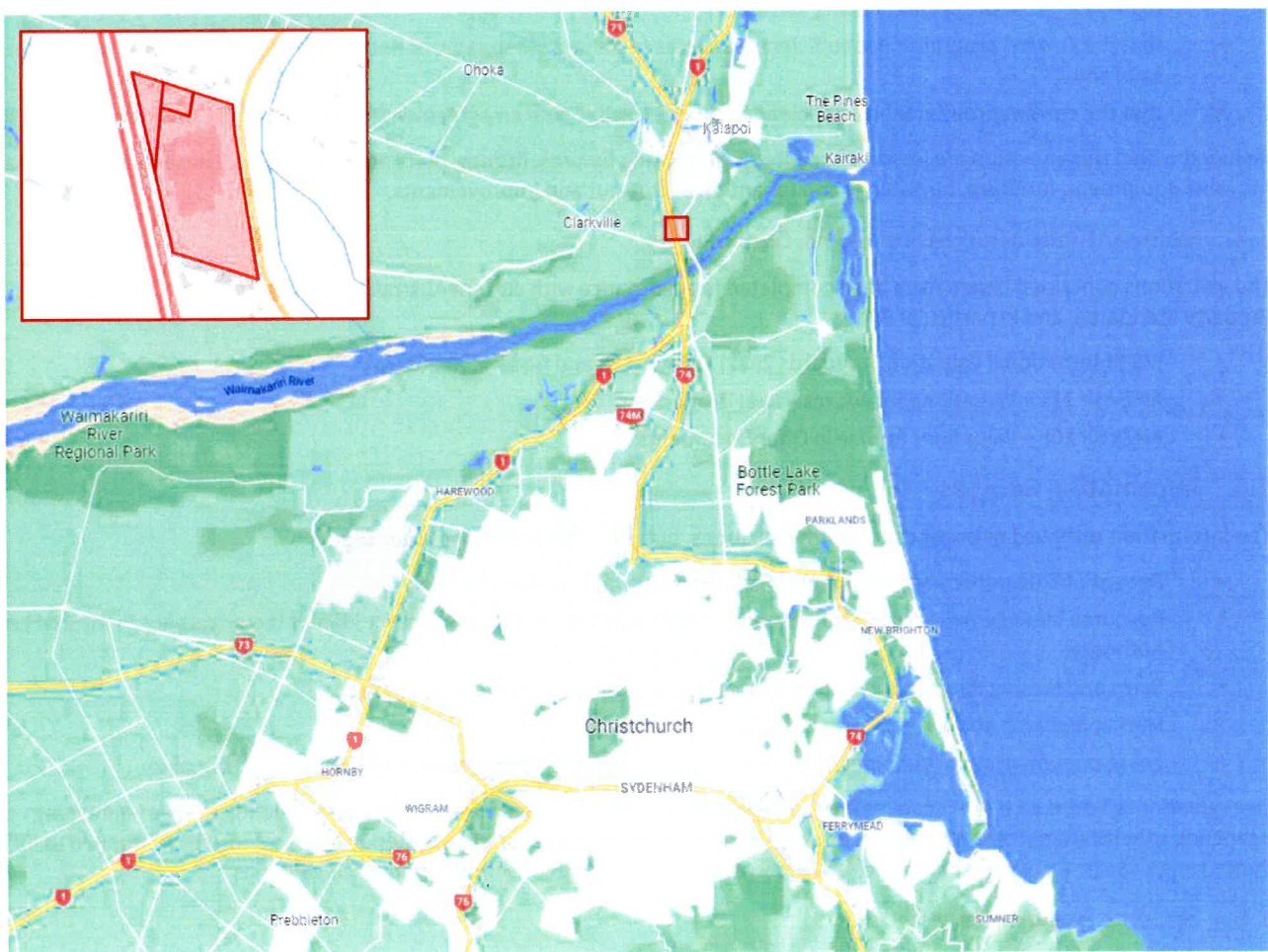
2.1 Location

The subject property is located to the western side of Main North Road within Kaiapoi, which is a town approximately 20 kilometres north from the centre of Christchurch. The property benefits from ease of access to State Highway 1, enabling either northbound travel towards Woodend and Rangiora or southbound towards the centre of Christchurch.

The subject forms one of three substantial industrial use properties in the immediate vicinity. Being located to the southern periphery of Kaiapoi, nearby properties predominantly comprise of rural uses including dairying, pastoral, horticultural and large lot residential. While further afield, along Main North Road to the north are the residential areas of Kaiapoi and to the south, a small number of other industrial properties can be found at Kainga.

Nearby amenities including takeaways and cafés can mainly be found closer to the centre of Kaiapoi along William Street which is approximately 2 kilometres to the north. Alternatively, a wider range of amenities are available at a further distance at the bulk retail centre in Northwood, approximately 7 kilometres to the south.

The following map identifies the approximate location of the Property:



Source: Google Maps

2.2 Title Particulars

Title Reference	CB569/70												
Tenure	Fee Simple												
Legal Description	Lot 2 Deposited Plan 16617												
Area	4.3964 hectares more or less												
Registered Owner	Domett Properties Limited												
Registered Interest	<ul style="list-style-type: none">710585 Gazette Notice declaring No. 1 State Highway (Awanui to Bluff) fronting the within land to be a limited access road - 11.5.1967Proclamation 732499 proclaiming part (2r and 32.5p) of the above described land be taken for Christchurch Northern Motorway (Belfast - Pinehaven Section) - 8.3.1968 <i>This relates to an approximate 2,845 square metre portion of the subject land which was acquired by the Crown for the Christchurch Northern Motorway (also known as State Highway 1).</i>769920 Gazette Notice creating the following easements in gross - 9.7.1969<table><tr><th>Type</th><th>Servient Tenement</th><th>Easement Area</th><th>Grantee</th></tr><tr><td>Drainage</td><td>Lot 2 DP 16617</td><td>Part herein</td><td>The Eyre County Council</td></tr><tr><td colspan="4"><i>This relates to a stormwater drainage easement which affects a strip shaped parcel of land located along the southern boundary.</i></td></tr></table>11827384.1 Mortgage to Bank of New Zealand - 14.8.2020	Type	Servient Tenement	Easement Area	Grantee	Drainage	Lot 2 DP 16617	Part herein	The Eyre County Council	<i>This relates to a stormwater drainage easement which affects a strip shaped parcel of land located along the southern boundary.</i>			
Type	Servient Tenement	Easement Area	Grantee										
Drainage	Lot 2 DP 16617	Part herein	The Eyre County Council										
<i>This relates to a stormwater drainage easement which affects a strip shaped parcel of land located along the southern boundary.</i>													

Title Reference	CB572/14
Tenure	Fee Simple
Legal Description	Lot 1 Deposited Plan 16617
Area	2,307 square metres more or less
Registered Owner	Domett Properties Limited
Registered Interest	None noted

Title Reference	CB35A/904
Tenure	Fee Simple
Legal Description	Part Lot 3 Deposited Plan 21376
Area	4,567 square metres more or less
Registered Owner	Domett Properties Limited
Registered Interest	None noted

Source: Land Information New Zealand

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

2.3 Site Details

The subject site comprises three freehold parcels of land for a combined site area of approximately 4.7993 hectares. The combined site is mostly regular in shape and essentially flat in contour. The site is bound by Neeves Road to the north and Main North Road to the east to form a corner positioned site, with vehicular accesses available on both. The site also has an extensive frontage to State Highway 1 on the western side which provides excellent exposure to passing traffic.

The site has a relatively low site coverage where the building is situated to the centre of the site with concrete seal surrounding it for driveways and carparking. A portion of the site forms landscaped areas, in particular along the Main North Road frontage and to the north western corner of the site which remains undeveloped.

Site Area	Area of Lot 2 DP 16617	4.1119 ha (excluding land acquired by Crown)
	Area of Lot 1 DP 16617	0.2307 ha
	Area of Part Lot 3 DP 21376	0.4567 ha
	Total Area	4.7993 ha



Source: Emap

2.4 Resource Management

The Waimakiriri District Council is currently undergoing a review of the Operative District Plan, which was made operative on 28 November 2005. The Proposed District Plan was publicly notified on 18 September 2021 with some rules having immediate legal effect, in particular these relate to Historic Heritage, Sites and Areas of Significance to Maori, Ecosystems and Indigenous Biodiversity, Natural Character of Freshwater Bodies, Notable Trees, Subdivision, and General Rural Zone only. The Proposed District Plan recently closed for public submissions on 26 November 2021 and will have public hearings held on the submissions received.

Under the Operative District Plan, the subject is zoned Rural while under the Proposed District Plan, the subject is zoned General Industrial. Therefore, we briefly summarise both the Operative and Proposed District Plans.

Operative District Plan

Local Authority	Waimakiriri District Council
Planning Instrument	Operative District Plan
Operative Date	28 November 2005
Zoning	Rural Zone
Objectives	<ul style="list-style-type: none">▪ Maintain and enhance both rural production and the rural character of the Rural Zones▪ Recognise the historic and cultural significance of Maori Reserve 873 to Ngai Tuahuriri and the different rural character arising from settlement by the original grantees and their descendants.▪ Protect the life supporting capacity of the water resource from the adverse effects of on-site land based sewage treatment and wastewater disposal systems.▪ Limit the increase in the number of people in the Rural Zones who may suffer noise nuisance from over flying aircraft using Christchurch International Airport.▪ The avoidance of noise sensitive activities within the 55dBA Ldn noise contour for Rangiora Airfield.▪ Protect the life-supporting capacity of soil, air and water resources in the Pegasus Rural Zone.▪ To facilitate the rebuild and recovery of Greater Christchurch by directing future developments to existing urban areas, priority areas, identified rural residential development areas and MR873 for urban and rural residential activities and development.
Development Controls	<p>Site Coverage – Rural Zone:</p> <ul style="list-style-type: none">▪ The structure coverage of the net area of any site shall not exceed 20%. <p>Minimum Setbacks – Rural Zone:</p> <ul style="list-style-type: none">▪ Road Boundary: 20 metres for a dwelling. 10 metres for any structure other than a dwelling.▪ Internal Boundary: 20 metres for a dwelling. 3 metres for any structure other than a dwelling.

Proposed Waimakariri District Plan

Local Authority	Waimakiriri District Council
Planning Instrument	Proposed Waimakariri District Plan
Operative Date	18 September 2021 – Partly Operative
Zoning	General Industrial Zone <p>The purpose of the General Industrial Zone is to provide for general industrial activities within the District. The General Industrial Zone is one of three industrial zones in the District Plan. The other two zones are the Light Industrial Zone and the Heavy Industrial Zone. Collectively these zones provide for a range of industrial activities in different locations in the District.</p>
Objective	Provide for general industrial activities where the adverse effects of these activities on adjacent non-industrial zones are managed at the interface to provide an acceptable level of amenity in these more sensitive zones.
Development Controls	<p>The permitted activities in the zone include but are not limited to: industrial activity, trade supplier, yard-based activity, service station, food and beverage outlet, ancillary retail activity, ancillary office and recreation activities. Heavy industry activities are discretionary. While non-complying activities include retail, office, residential unit and activity, and visitor accommodation.</p> <p>Building height:</p> <ul style="list-style-type: none">▪ The maximum height of any building, calculated as per the height calculation, shall be 15m above ground level. <p>Height in relation to boundary:</p> <ul style="list-style-type: none">▪ Where an internal boundary adjoins Residential Zones, Rural Zones or Open Space and Recreation Zones, structures shall not project beyond a building envelope defined by recession planes measured 2.5m from ground level above any site boundary in accordance with the diagrams in Appendix APP3 of the plan. <p>Setbacks:</p> <ul style="list-style-type: none">▪ Internal boundary: The minimum building setback from internal boundaries that adjoins Residential Zones, Rural Zones, or Open Space and Recreation Zones shall be 10m.▪ Road boundary: All buildings shall be set back a minimum of:<ul style="list-style-type: none">- 10m from the road boundary with any strategic road, arterial road or collector road;- 10m from the road boundary where the road is separating the site from Residential Zones, Rural Zones, or Open Space and Recreation Zones;

- 3m from the road boundary of all other roads.
- Rail boundary: All buildings shall be set back a minimum of 4m from any site boundary with the rail corridor.

Landscaping:

- Internal boundary: Landscaping shall be provided and maintained along the full length of all internal boundaries with Residential Zones, Rural Zones, or Open Space and Recreation Zones. This landscape strip shall be a minimum of 2m deep.
- Road boundary: Landscaping shall be provided and maintained along the full length of the road boundary apart from vehicle and pedestrian crossings. This landscape strip shall be a minimum of 2m deep.

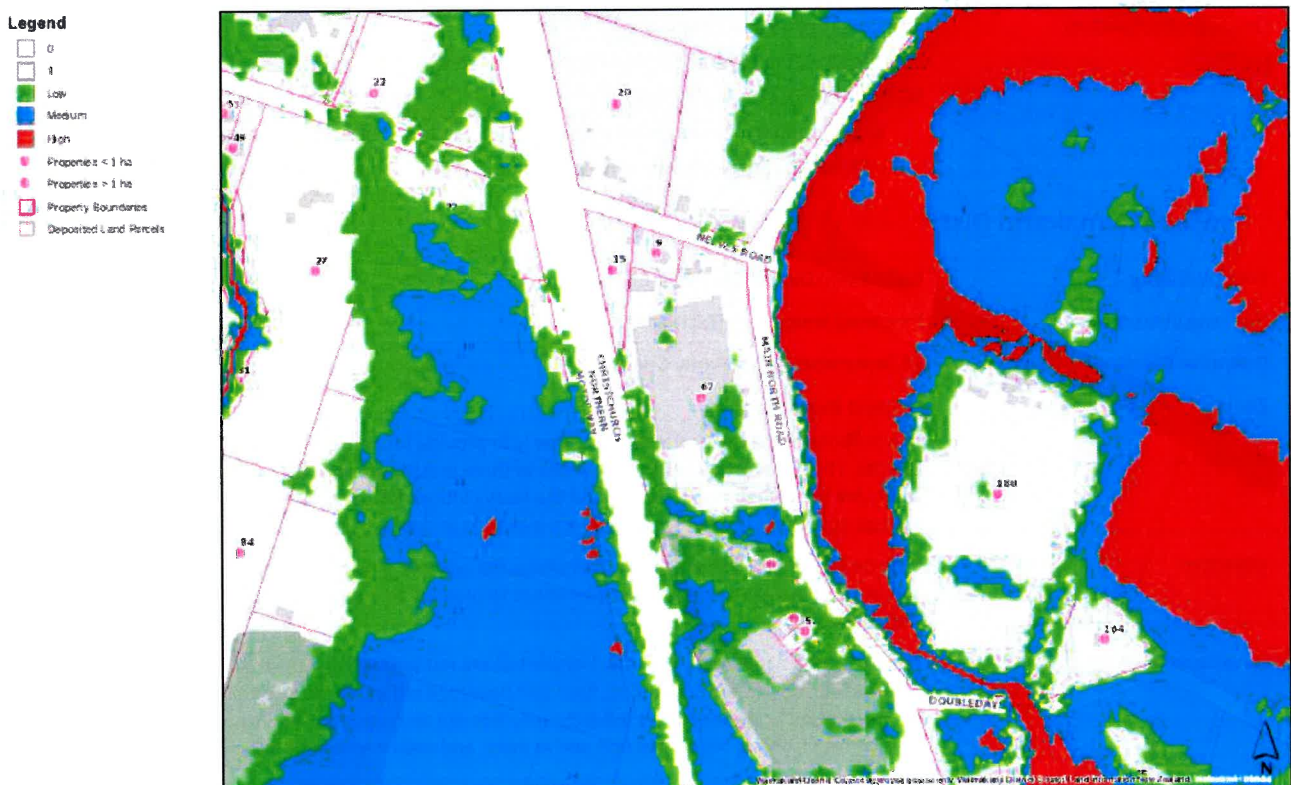
Location of ancillary offices and ancillary retail activity:

- Ancillary offices and retail activity (except on rear sites) shall be located at the front of buildings facing the street.

We have been provided with a LIM report, dated 2 December 2021, which states that a number of Resource Consents have been granted, including to redevelop a food processing factory and extensions to the building.

2.5 Flood Hazards

The Waimakariri District Council notes the following flood hazards within the subject property.



Source: LIM Report, dated 2 December 2021

According to the Proposed Waimakariri District Plan, the above highlighted portions of the site is identified as being within a 'Non-Urban Flood Assessment Area' and may be subject to additional natural hazard rules under the Proposed District Plan.

2.6 Rateable Value

We have been advised that the Property's Rateable Value, as at August 2019, are as follows:

	Assessment Number	Land Value	Improvements Value	Capital Value
Lot 2 DP 16617	2173006900	\$400,000	\$14,650,000	\$15,050,000
Lot 1 DP 16617	2173006700	\$117,000	\$338,000	\$455,000
Part Lot 3 DP 21376	2173006701	\$119,000	\$0	\$119,000
		\$636,000	\$14,988,000	\$15,624,000

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

2.7 Environmental Issues

During the course of our inspection we did not notice any evidence of land or building contamination. Importantly, however, we are not experts in the detection or quantification of environmental problems, and we have not sighted an Environmental Audit.

We have researched Environment Canterbury's Listed Land Use Register which holds information on potentially contaminated sites. We confirm that the Register has no current information about a Hazardous Activities and Industries List site on the subject land parcels.

Our valuation has been made assuming an audit would be available which would satisfy all relevant environmental, and occupational health & safety legislation. If the Property's status needs to be clarified, an Environmental Audit should be undertaken. Our valuation excludes the cost to rectify and make good the Property, which may have become contaminated because of past and present uses.

2.8 Heritage

We have not undertaken any formal heritage searches; the property is not notified on the District Plan as being a heritage structure and our valuation is made on the assumption that there are no heritage issues relating to the Property.

2.9 Improvements

The building improvements were first constructed in the 1950s and had various new extensions constructed in circa 1980s, 2000s and early to mid-2010s which now forms an approximate 15,715 square metre specialised food production facility. The building offers a combination of areas including blast freezers, coolstores, processing areas, and dry store warehousing. The building also includes a second floor where associated offices are provided. The property has concrete sealed areas that surround the building for onsite car parking and driveways. The property has had seismic strengthening undertaken in 2017. The property features a central fire sprinkler system and overall presents to a good quality.

In addition to the food production facility, there is also a small standalone workshop, separate electrical switchroom and two dated residential dwellings to the northern side of the property.



Exterior – Western Elevation



RTE Packing Area

2.10 Construction

We briefly outline construction details to the building as follows:

Structure:	Reinforced concrete slabs (vented floor to freezer area) with a steel frame structure.
External Walls:	Predominantly composite insulated panels to the external walls, which extends part way up with profiled metal cladding above. Some precast concrete walls.
Internal Walls:	Plasterboard lining to office and amenity accommodations. Composite insulated panels to cool stores and internal processing subdivision.
Roof:	Roofing is assumed to be of long run profiled metal, with netting and sisalation or similar.
Ceiling:	A combination of plasterboard lining and suspended grid system at the office and amenity accommodation. Composite insulated ceiling panels to cool stores.
Lighting:	Surface mounted lighting to the coolstore and processing areas. Surface mounted tube lighting to office and amenity accommodations.
Windows and doors:	Aluminium framing and glazed windows.
Key Services:	<p>All onsite services for sewer/waste treatment, well water supply, electrical substations (5), water tanks for fire fighting (sprinklers and fire trucks).</p> <p>A combination of incremental and ducted air conditioning to office areas. Central fire sprinkler system throughout main factory excluding outbuildings.</p> <p>All refrigeration plant is excluded, retained as tenant ownership. All processing areas 8-10 degrees Celsius, chillers/freezers down to minus 18 degrees Celsius.</p>

2.11 Accommodation

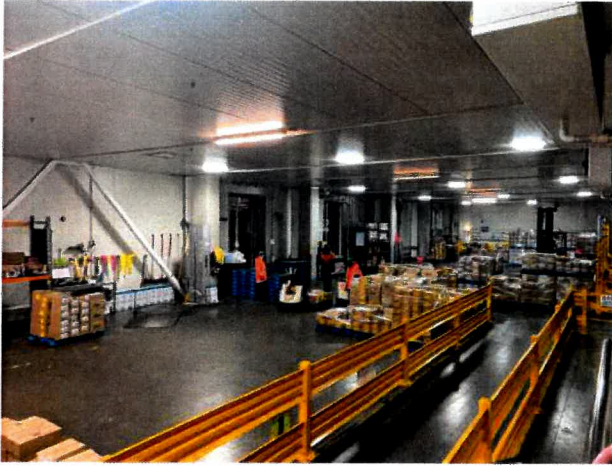
Food Production	<p>The food production accommodation at the property is spread across a number of buildings. The processing areas are situated essentially to the centre of the building and to the north eastern corner, with various coolstore and blast freezers surrounding these processing areas. The dispatch warehouse is located to the south western corner of the building which has six loading docks with roller doors for access. The stud heights for the offices average 3 metres and approximately 7 metres across the balance of the processing/factory areas. The food production accommodation is fully sprinklered.</p> <p>Internally, coolstore and controlled atmosphere areas are subdivided and lined with composite insulated panels to the walls and ceiling.</p>
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RTE Packing Area



Chillers



Dispatch



Loading Docks

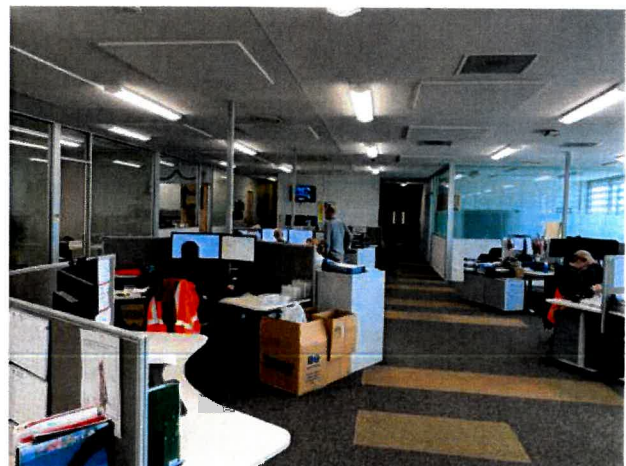
Office & Amenities

All office accommodation at the property is situated to the first level and is split into essentially three sections, with the main offices being situated to the south eastern corner of the building. Additional offices are provided towards the eastern side of the property, which are accessible via a linking corridor from the main offices. A small portion of offices is also located to the north eastern corner of the property. The main offices offer a combination of open plan and partitioned offices, while the eastern offices and the smaller office component provide partitioned offices only. The amenities include a staff lunchroom with a deck, lockers, and toilets.

The office and amenities accommodation is generally constructed of predominantly plasterboard internal lining to the walls and ceiling (some areas with suspended ceiling), surface mounted lighting, and a combination of carpet and vinyl flooring. The accommodation features ceiling-type incremental air conditioning units and also ducted air conditioning throughout. A fire sprinkler system is installed to the offices and amenities.



Office Entry – Southern Elevation



Main Offices



Amenities – Lunchroom



Amenities – Lockers

Outbuildings

Such comprise:

- Buildings 13 & 14 engineering workshops
- Building 15 electrical switchroom
- Building 16 effluent treatment
- Fire sprinkler pump shed
- Two detached residential houses (advised uninhabitable – no improvement value included). Not inspected.



Building 13 & 14



Building 15



Building 16



Pump Shed

2.12 Lettable Areas

The Property's total Net Lettable Area is approximately 15,626 square metres (excludes deck area of approximately 89 square metres). A summary of this Net Lettable Area is detailed as follows:

Building Floor Area	
Accommodation/Level	Lettable Area
Office & Amenities	1,003
Processing	4,332
Plant / Boiler	205
Coolstore	685
Office	39
FF Store	70
Waste Stores	33
Covered Loading	44
Workshop	92
Compressor Room	17
Warehouse Office	65
Marshalling Dock	871
Inward Goods	33
Corridors	1,125
Chiller	762
Freezer Chiller	373
Freezer/Blast Chiller	188
Food Processing (RTE)	1,097
RTE Addition 2014	514
RTE Link	59
Plant Room	134
Basement	65
ELO	84
Staff Store	37
Enclosed Ext Stairs	134
Enclosed Canopy	37
Canopy	249
New Maint Workshop	214
Cookers (2015 Ext)	419
2015 GF Ext	726
Dry Store (2015 Ext)	291
Canopy (2015 Ext)	37
Main Office	945
2015 Office Extention	380
Stairs	99
Walkway	107
Plant Mezzanine	63
Total Lettable Area	15,626 square metres
Car Parking	Spaces
Open spaces	263
Total Car Parking	263 spaces

The areas noted above have been provided by the client, which we have been advised were measured in accordance with the Guide for the Measurement of Rentable Areas as published by the Property Institute and Property Council of New Zealand. Should certified floor areas be made available, we reserve the right to review our valuation accordingly.

2.13 Condition and Repair

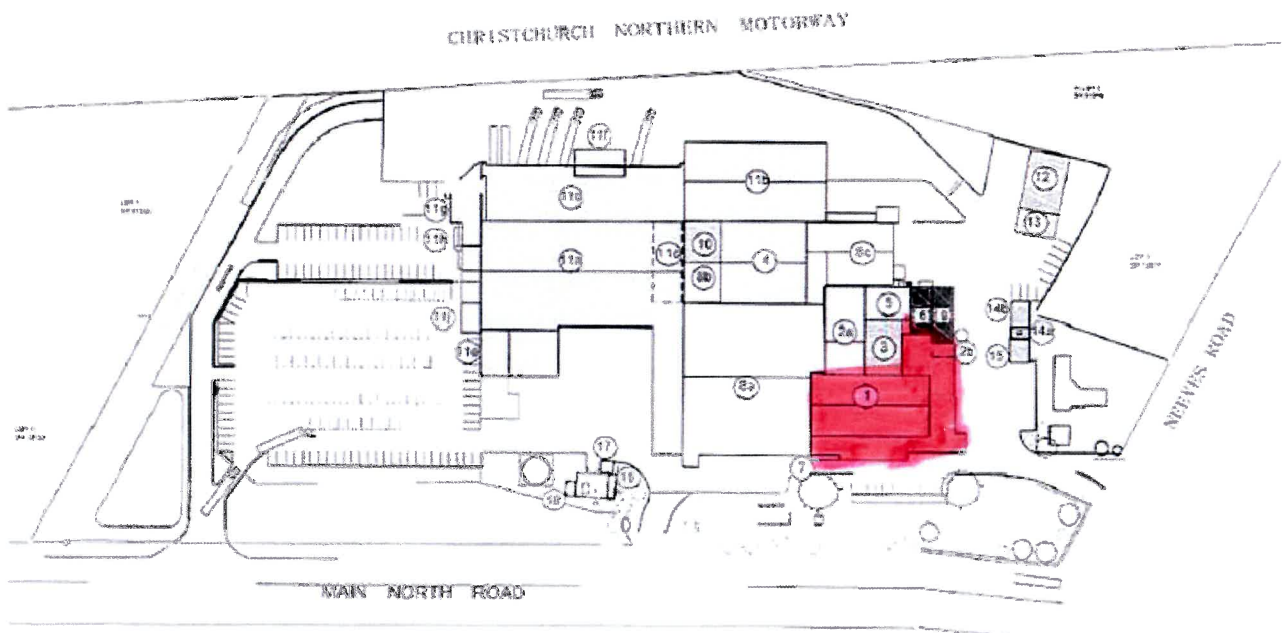
We inspected the interior and exterior of the property. The building appears to have been well maintained with no significant deferred maintenance requirements evident.

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

A Building Warrant of Fitness is an annual certificate that confirms the Specified Systems in the building have been inspected and maintained, and that the requirements of the Compliance Schedule associated with the operation of the property in its current use have been complied with. We confirm that we have sighted a Warrant of Fitness for the property current through to 1 June 2022, and therefore assume that the property complies with the provisions of Compliance Schedule 0064.

The Health and Safety at Work (Asbestos) Regulations 2016 place requirements on building owners and occupiers in terms of assessing the risks associated with asbestos within buildings. Worksafe New Zealand recommend that buildings constructed before January 2000 are assessed for materials likely to contain asbestos, and if found, formulate a management plan.

We have been provided with an Asbestos Management Plan completed by the tenant, Hellers Limited, dated August 2018. The report states that there is asbestos containing materials within Building 1 as indicated below, in particular within the soffits under external edges of the building and at the north gable end. These are noted as being in 'Stable' condition and are to be left as is and labelled.



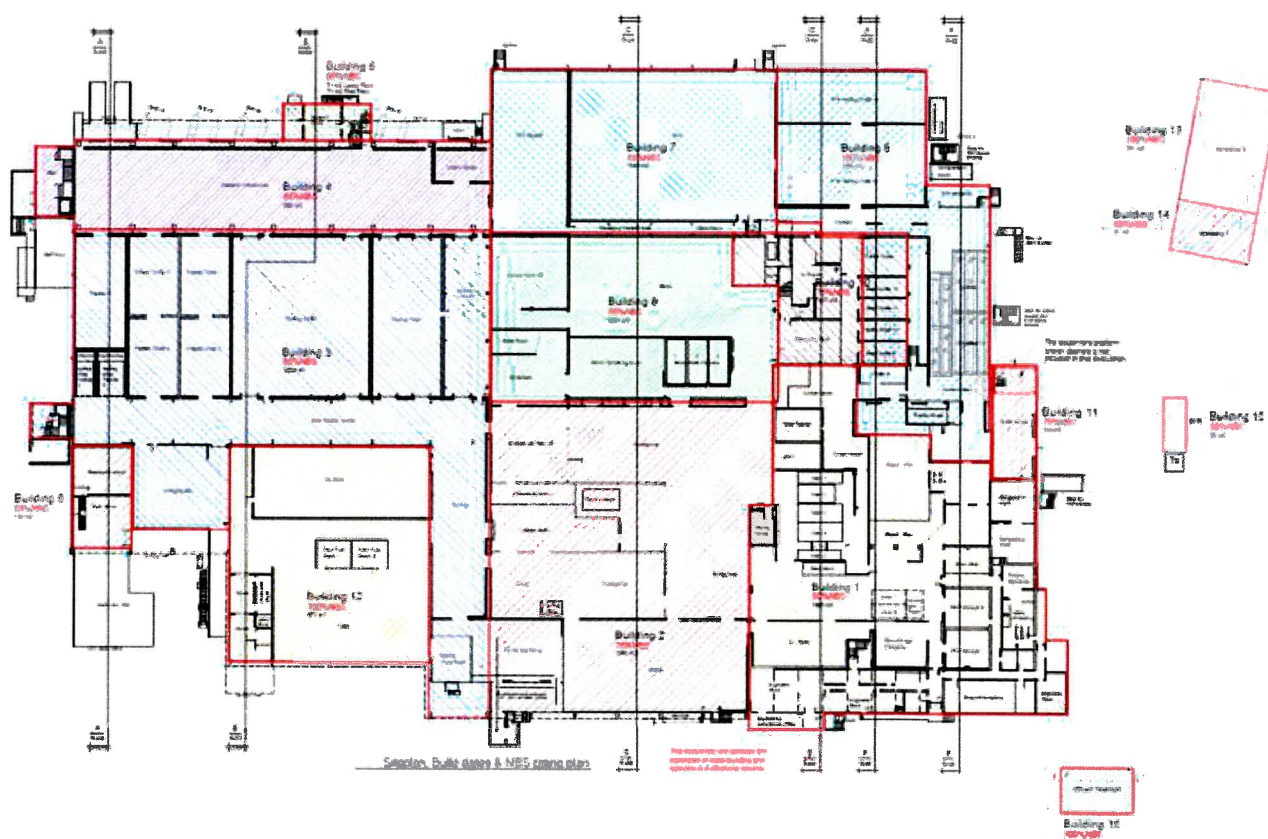
We note that within the Deed of Lease for the tenant, the landlord warrants there is no contaminant on, in or under the premises (refer to 3.2 Lease Summary for further details).

2.14 Earthquake Strengthening Requirements

New Zealand is prone to seismic activity and there are requirements on building owners to ensure their buildings are safe for occupants and users as outlined in the Building Act 2004 and Amendment (Earthquake-prone Buildings) Act 2016. These regulations categorise New Zealand into three seismic risk areas and sets timeframes for identifying and taking action to strengthen or remove earthquake prone buildings.

As part of our valuation we have been made aware of the following information:

Year of Building Construction	Initially circa 1950s, with various new extensions in circa 1980s, 2000s and early to mid-2010s. Seismic strengthening was undertaken in 2017.
National Risk Zone	New Zealand's earthquake risk is divided into four main strata (zones 1–4) according to the relative level of seismic risk. Areas close to the Alpine Fault carry the highest risk (zone 4), while the northwest North Island (including Auckland) and southeast South Island (including Dunedin) carry the lowest risk (zone 1). The subject property is classified under Zone 2.
Compliance with New Building Standard	Between 50% and 100% NBS rating as illustrated below. Within the main factory Building 1 (orange shaded) has the lowest NBS rating at 50%. All other main factory buildings are a minimum of 75% NBS whilst outbuilding 14 is 60% NBS and 15 is 50% NBS.



Assessment Type	ISA
Assessment Completed By	Bonniface Consulting Structural Engineers
Assessment Date	October 2021

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

Under the Proposed Waimakariri District Plan, the subject is covered within the 'Liquefaction Overlay' which indicates that liquefaction damage is possible in the event of an earthquake.

We are not qualified to undertake a structural survey of the property and have proceeded based on the information available. We recommend interested parties confirm the insurability of the subject building.

3 Property Income and Expenditure

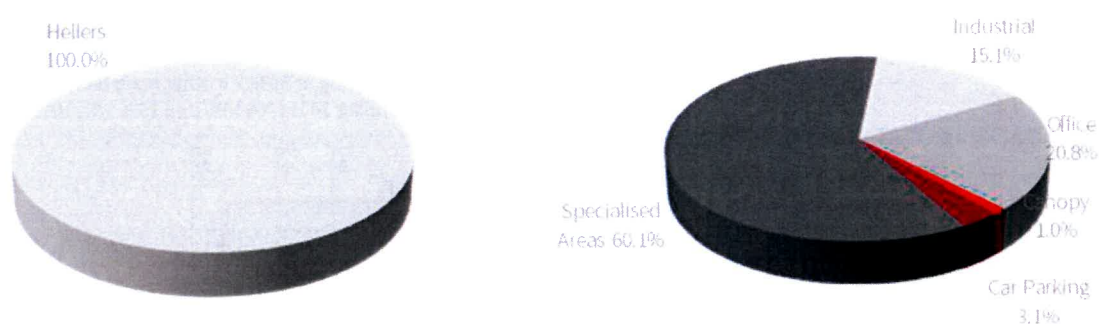
3.1 Tenancy Overview

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

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

The tenant is regarded as an essential service which minimises the risk of rental abatement under government legislation.

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



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

Weighted Average Lease Term Remaining	Years
By Area	12.58
By Income	12.58

3.2 Lease Summary

We summarise below the lease agreements for a selection of the major tenants:

Lease Summary	Hellers
Documents reviewed	Signed Deed of Lease (undated). Signed Deed of Renewal dated 27 July 2021.
Lessee	Hellers Limited.
Demised premises	All the landlord's land and buildings at 67 Main North Road, Kaiapoi, comprised in Computer Freehold Registers CB569/70 and CB35A/904.
Lettable Area	Approximately 15,715 square metres.
Commencement Date	1 September 2015.
Expiry Date	31 August 2034.
Lease Term	14 years plus two rights of renewal of 5 years each, one of which we understand has been exercised.
Commencement Rent	\$2,190,000 per annum plus GST
Current Rent	\$2,342,593 per annum plus GST
Rental Review Provisions	CPI rent review on 1 September 2020 and on every second anniversary thereafter. Market rent review on 1 September 2034 with a soft ratchet, whereby the relevant market review rental shall not be less than the annual rental payable as at the commencement date of the current lease term.

Outgoings Recovery	<p>Net lease – standard building operating expenses are recoverable from the tenant except for the following:</p> <ul style="list-style-type: none">▪ Rates or levies payable to any local or territorial authority.▪ Service contract charges for lifts, other building services and security services.▪ The cost of plant hire and replacement (in relation to maintenance of lawns, gardens and planted areas) and the cost of repair of fences.▪ Management expenses.▪ The costs incurred and payable in supplying to the territorial authority a Building Warrant of fitness and obtaining reports as required.																		
Permitted Use	<p>Meat processing and such other uses as may be approved by the Waimakariri District Council or permitted at law from time to time.</p>																		
Special Provisions	<ul style="list-style-type: none">▪ <i>Contamination Warranty – Clause 49.1 of the Deed of Lease</i><p>The landlord warrants that as at the commencement date there is no contaminant on, in or under the premises and no fact or circumstances exists, and the landlord has no reason to believe that circumstances will at any time in the future exist, in relation to the premises arising out of the occupation or use of the premises by the landlord or by any previous occupier of the premises that would render the tenant liable under Environmental Law.</p><p>If any contaminants or toxic substances (including, without limitation, asbestos) are found in the building or on the premises that have not been caused by the tenant, then:</p><ul style="list-style-type: none">- The landlord shall at the landlord’s cost remove or deal with such substance or contaminant promptly;- Until such remediation of the premises, the rent and outgoings payable by the tenant will cease to be payable as from the date of discovery of such contaminant or toxic substance; and- If the landlord fails to remediate the premises then the tenant may terminate this lease by giving notice in writing to the landlord.▪ <i>Maintenance of Services – Clause 51.1 of the Deed of Lease</i><p>If any key services to the premises (including (without limitation) air conditioning) materially fail, the rent and outgoings payable by the tenant shall be abated by a percentage as set out in the lease.</p>▪ <i>Competitors: Option to Purchase by Tenant – Clause 52.1 of the Deed of Lease</i><p>If a competitor acquires control of the landlord, or the landlord or a person which has control of the landlord becomes a competitor, or a person which controls the landlord also controls a competitor, then the landlord grants to the tenant an option to purchase the premises at the then current market value of the premises. The procedure to exercise is set out in the lease.</p>																		
Landlords Fixtures and Fittings	<p>Refer to the 5th Schedule of the Deed of Lease which include but are not limited to:</p> <table><tr><td>▪ Portacom building</td><td>▪ Diesel auxiliary fire pump</td><td>▪ Electrical reticulation</td></tr><tr><td>▪ Electric roller door x 1</td><td>(portable)</td><td>▪ Gates</td></tr><tr><td>▪ Roller shutter doors x 3</td><td>▪ Lighting</td><td>▪ Fire main pumps</td></tr><tr><td>▪ Electric roller door x 3</td><td>▪ Timberbank 300 cubic metre water reservoir</td><td>▪ Plant and equipment</td></tr><tr><td>▪ Building fire sprinkler system</td><td>▪ Chubb sprinkler system</td><td>▪ Mobility lift</td></tr><tr><td></td><td>▪ Fencing</td><td>▪ Blast freezer</td></tr></table>	▪ Portacom building	▪ Diesel auxiliary fire pump	▪ Electrical reticulation	▪ Electric roller door x 1	(portable)	▪ Gates	▪ Roller shutter doors x 3	▪ Lighting	▪ Fire main pumps	▪ Electric roller door x 3	▪ Timberbank 300 cubic metre water reservoir	▪ Plant and equipment	▪ Building fire sprinkler system	▪ Chubb sprinkler system	▪ Mobility lift		▪ Fencing	▪ Blast freezer
▪ Portacom building	▪ Diesel auxiliary fire pump	▪ Electrical reticulation																	
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▪ Electric roller door x 3	▪ Timberbank 300 cubic metre water reservoir	▪ Plant and equipment																	
▪ Building fire sprinkler system	▪ Chubb sprinkler system	▪ Mobility lift																	
	▪ Fencing	▪ Blast freezer																	
Emergency Provisions	<p>The standard ADLS Deed of Lease prescribes an emergency provision under ‘No Access In Emergency’, being clauses 27.5 and 27.6, whereby if there is an emergency and the lessee is unable to gain access to the premises to fully conduct the lessee’s business from the premises, then a fair proportion of the rent and outgoings shall cease to be payable for the no access period.</p>																		

3.3 Building Outgoings and Recoveries

The lease within the Property is structured on a net basis, with the tenant being responsible for payment of property expenses in addition to premises rental.

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

Adopted Property Outgoings	Per Annum	Per Sqm of Lettable Area
Statutory Charges	\$66,000	\$4.22
Operating Expenses	\$246,109	\$15.75
Non-Recoverable Expenses	\$98,791	\$6.32
Total Outgoings	\$410,900	\$26.30

The above allowances have been provided to us. We have had regard to the budget provided and have sought confirmation from the relevant rating authorities in relation to statutory charges and have considered the figures against other similar buildings. We consider that the adopted outgoings rate of \$26.30 per square metre of Lettable Area to be in line with market parameters for this type of asset.

3.4 Income Analysis

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

Passing Rental Analysis		
Lettable Area Rental	\$2,271,031	85.55%
Car Parking Rental	\$71,562	2.70%
Outgoings Recovery	\$312,109	11.76%
Gross Passing Income	\$2,654,702	100.00%
Outgoings	\$410,900	
Net Passing Income	\$2,243,802	

3.5 Tenancy Schedule

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

Tenant Name Premises		Lettable Area	Car Parks	Lease Start	Lease Expiry	Lease Term	Next Review	Review Frequency	Review Type	Contract Rental	Rental / sqm	Car Park pcpw	Outgoings Recovery	Recovery / sqm
Hellers	Office & Amenities	597.2	263	Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$108,633	\$62	\$5	\$11,927	\$20
Hellers	Processing	1,616.7		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$176,497	\$109		\$32,290	\$20
Hellers	Processing	2,715.0		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$381,647	\$141		\$54,228	\$20
Hellers	Plant / Boiler	205.2		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$15,956	\$78		\$4,098	\$20
Hellers	Coolstore	684.9		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$65,814	\$96		\$13,680	\$20
Hellers	Office	39.4		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$3,479	\$88		\$787	\$20
Hellers	FF Store	69.5		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$2,860	\$41		\$1,388	\$20
Hellers	Waste Stores	32.9		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$1,697	\$52		\$657	\$20
Hellers	Covered Loading	43.8		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$1,860	\$42		\$875	\$20
Hellers	Workshop	91.6		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$5,685	\$62		\$1,829	\$20
Hellers	Compressor Room	17.3		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$1,344	\$78		\$345	\$20
Hellers	Warehouse Office	65.0		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$12,882	\$198		\$1,299	\$20
Hellers	Marshalling Dock	870.7		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$115,557	\$133		\$17,391	\$20
Hellers	Inward Goods	32.6		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$4,321	\$133		\$650	\$20
Hellers	Corridors	911.0		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$120,902	\$133		\$18,195	\$20
Hellers	Chiller	257.6		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$49,688	\$193		\$5,145	\$20
Hellers	Chiller	504.7		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$97,347	\$193		\$10,080	\$20
Hellers	Freezer Chiller	373.5		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$72,039	\$193		\$7,459	\$20
Hellers	Freezer/Blast Chiller	188.2		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$38,267	\$203		\$3,758	\$20
Hellers	Food Processing (RTE)	1,096.6		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$194,312	\$177		\$21,903	\$20
Hellers	RTE Addition 2014	514.1		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$91,103	\$177		\$10,269	\$20
Hellers	RTE Link	59.2		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$10,495	\$177		\$1,183	\$20
Hellers	Plant Room	133.9		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$16,018	\$120		\$2,674	\$20
Hellers	Basement	65.0		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$5,057	\$78		\$1,299	\$20
Hellers	ELO	83.7		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$11,322	\$135		\$1,671	\$20
Hellers	Staff Store	36.6		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$4,379	\$120		\$731	\$20
Hellers	Enclosed Ext Stairs	134.0		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$10,425	\$78		\$2,677	\$20
Hellers	Enclosed Canopy	36.6		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$2,847	\$78		\$731	\$20
Hellers	Canopy	249.3		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$15,475	\$62		\$4,979	\$20
Hellers	New Maint Workshop	213.6		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$18,290	\$86		\$4,266	\$20
Hellers	Cookers (2015 Ext)	419.2		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$74,276	\$177		\$8,372	\$20
Hellers	2015 GF Ext	725.9		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$128,625	\$177		\$14,498	\$20
Hellers	Dry Store (2015 Ext)	290.7		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$39,348	\$135		\$5,807	\$20
Hellers	Canopy (2015 Ext)	37.0		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$2,684	\$73		\$739	\$20
Hellers	Main Office	945.5		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$236,801	\$250		\$18,885	\$20
Hellers	Office & Amenities	405.9		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$78,295	\$193		\$8,107	\$20
Hellers	Corridors	214.0		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$23,358	\$109		\$4,273	\$20
Hellers	2015 Office Extension	380.0		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$67,339	\$177		\$7,590	\$20
Hellers	Stairs	99.0		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$7,442	\$75		\$1,978	\$20
Hellers	Walkway	106.7		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$11,643	\$109		\$2,130	\$20
Hellers	Deck	88.6		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$9,674	\$109		\$0	\$0
Hellers	Plant Mezzanine	63.3		Sep 2015	Aug 2034	19.0 years	Sep 2022	2 yearly	CPI	\$6,910	\$109		\$1,264	\$20
Aggregate		15,714.8	263					2 yearly		\$2,342,593			\$312,109	

4 Market Commentary

4.1 Economic Overview

As at 27 January 2022:

- The December 2021 Consumer Price Index rose 1.4% from the September 2021 quarter and rose 5.9% on an annual basis compared to December 2020. This annual increase is the biggest annual movement since 1990. The main drivers for the increase were noted as housing-related costs, such as construction for new houses, as well as transport prices.
- Gross Domestic Product (GDP) in the September 2021 quarter fell 3.7%, which on an annualised basis results in a YTD increase of 4.9%. The impact of COVID-19 alert levels and lockdowns was partially impacting on the September numbers, with the entire country at Level 4 for 14 days of this period. The lockdown in Auckland continued further into Q4, so it is expected the final GDP result of the year will be similarly impacted.
- On 24 November 2021 the Monetary Policy Committee increased the Official Cash Rate (OCR) to 0.75%, this is a 0.25% increase following the 6 October OCR set at 0.5%. This rise in OCR by the Reserve Bank was noted as appropriate to continue reducing the level of monetary stimulus to maintain low inflation and support maximum sustainable employment. Banks have increased mortgage lending rates with further increases in the OCR forecast.
- The 90-day Bank Bill Benchmark Rate (BKBM) sits at 1.08%, as at 27 January, which has crept up from the low point of 0.25% last achieved in November 2020. 10-year bonds currently sit at 2.59%, remaining well above the low of 0.44% in September 2020.
- The unemployment rate is 3.4%, as at September 2021, a 0.6% decrease from the June 2021 quarter. This decline in unemployment brought the rate down to New Zealand's lowest rate on record, matching December 2007, when it was also 3.4%. This also shows a sharp annual decline on an annual basis with the September 2020 quarter at a peak of 5.3% unemployment.
- The REINZ median house price across New Zealand for December 2021 is \$905,000. This is a 21.5% annual increase from December 2020 at a median price of \$745,000 and a 1.6% monthly decrease from November 2021. It is expected that house price growth will gradually slow down with increasing interest rates, tighter lending criteria and changes to investor taxation restrictions.
- Growth in both the residential and non-residential construction sector has mirrored the growth in the New Zealand economy in recent years, with 48,522 new residential consents issued in the year to November 2021, a 2.5% increase from September 2021 which was the highest level since records began and up 26% from November 2020. Non-residential consents to November summed \$8.1 billion, up 17% from the November 2020 year. Capacity pressures are evident in both the supply of materials and labour, with commentators forecasting high construction cost inflation over the coming year.

Following a strong response to COVID-19 in 2020, the arrival of the Omicron Variant of COVID-19 is posing a new threat to New Zealand's health care system. The immediate response to the initial omicron outbreak was to move New Zealand into the Red setting of the traffic light system at midnight 24 January, which has tightened public health measures across the country.

The immediate government strategy is to slow the spread of Omicron by focusing on booster shots which can be booked four months after the second dose of the Pfizer vaccine, with approximately 93.9% of the eligible population having received two doses. Vaccinations for children aged 5-11 have also commenced.

The Government have announced a three-stage plan for Omicron:

- Phase One focuses on a 'stamp it out' approach and keeping cases low for as long as possible to allow people to be boosted and children to be vaccinated.
- Phase Two focuses to slow the spread and protect vulnerable communities, as well as reducing the isolation period.
- Phase Three is when cases are in the thousands, further changes to contact tracing will be made.

4.2 Local Market Commentary

Demand

Overall vacancy across all precincts reduced by 70bps to 4.5% for 1H21. With vacancy similarly broadly lowering levels across the City (including Hornby, Middleton, South City and Woolston), demand remains stronger than supply presently.

The preference remains for newer, modern stock although given such space is at a premium with comparative low new supply rates in recent quarters, many tenants are having to take secondary space – or more likely retain their current older premises rather than being able to move to new accommodation.

Given the continuing growth in demand for industrial premises generally, we expect tight conditions to continue for the foreseeable future.

Supply

In comparison to Auckland and Wellington where land and investment opportunities are increasingly scarce, Christchurch has the potential to draw interest from a wider pool of occupiers and investors benefiting from a better, already identified and longer-term supply of land.

While construction activity is not rapid, we expect to see continuing positive net completions over the coming quarters. We are forecasting a slow and steady expansion of total supply rather than any flooding of the market especially as development costs continue to rise.

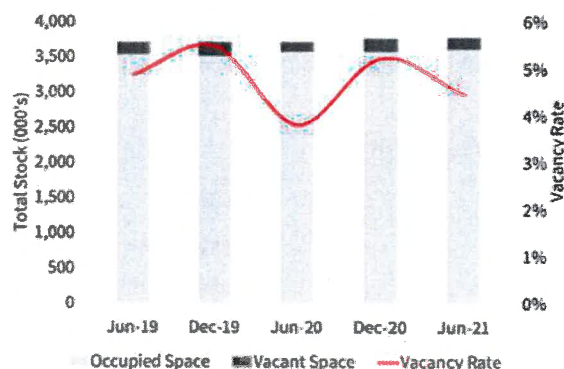
Not unlike most locations in New Zealand, pre-leasing activity is key to viability of development with comparatively little speculative accommodation being provided to the market.

Asset Performance

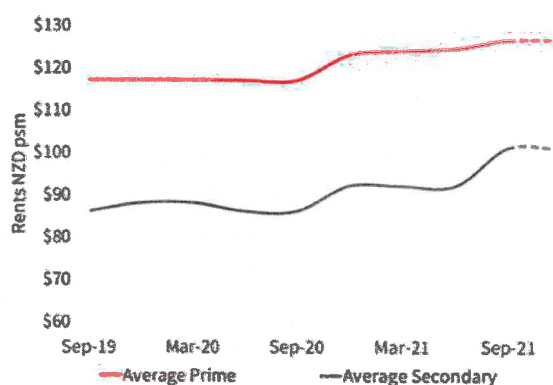
Average prime net face rents have risen by 1.6% to \$127 psm over the quarter, while secondary net face rents grew at nearly 10% to \$101psm. The gap has narrowed markedly between prime and secondary industrial rents, but this is availability related. Given the limited projected amount on new stock in the short term, we anticipate further stable rental growth for both asset classes.

With little transactional evidence, yields remained static for the fourth consecutive quarter. Looking forward, yields are forecast to remain stable in the short term with anticipated increase next year in line with rising interest rates. Time will tell to see if Christchurch can take advantage of its lower restrictions and ample land supply and translate these into investment performance and appetite for its industrial assets.

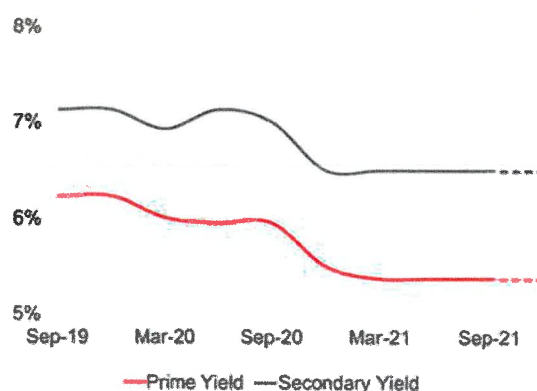
Vacancy and occupied space



Rent



Yields



5 Leasing Evidence

5.1 Leasing Evidence

In assessing a market rental profile for the accommodation, we have had regard to range of rental evidence including within the wider regions due to the paucity of comparable specialised evidence. We have had particular regard to the evidence detailed below:

Coolstore Evidence

Hastings				
Effective Date	November 2021	Lease Basis	New Lease	
Contract Rent	\$3,500,000 pa			
Rental Analysis				Rate
Battery Room	414.00	m²	\$82.50	
Warehouse	1,103.40	m²	\$75.00	
Canopy	306.30	m²	\$37.50	
Packhouse	8,501.80	m²	\$92.50	
Packhouse (Low)	1,476.00	m²	\$72.50	
Enclosed Canopy	831.00	m²	\$60.00	
Plant Room	111.60	m²	\$110.00	
Machine Room	155.40	m²	\$110.00	
Air and Pre-Cool	8,789.20	m²	\$100.00	
CA Store	5,852.90	m²	\$110.00	
Enclosed Canopy	2,353.20	m²	\$55.00	
Open Canopy	1,876.80	m²	\$50.00	
CA Store	3,692.10	m²	\$110.00	
Pump Shed	1.00		\$915.00	
Pump Shed	1.00		\$550.00	
Chemical Shed	1.00		\$550.00	
Asphalt Sealed	15,074.00	m²	\$9.80	
Concrete Sealed	1,000.00	m²	\$15.00	
Hardstand	21,096.00	m²	\$3.50	
Carparks	35.00	parks	\$4.50	pcpw
Palmerston North				
Effective Date	August 2021	Lease Basis	New Lease	
Contract Rent	\$4,500,000 pa			
Rental Analysis				Rate
Distribution Centre	36,834.00	m²	\$95.00	
Offices & Amenities	1,277.00	m²	\$220.00	
Inbound & Outbound Offices	223.00	m²	\$175.00	
Battery Room & Workshop	367.00	m²	\$130.00	
Plant Rooms	126.00	m²	\$130.00	
Canopy	700.00	m²	\$60.00	
Gate House	53.00	m²	\$220.00	
Concrete Hardstand	13,000.00	m²	\$29.99	
Carparks	248.00	parks	\$12.50	pcpw
Dock Levellers (Rentalised at 8% of \$150,000)			\$12,000.00	

Nelson

Effective Date	December 2020	Lease Basis	New Lease
Contract Rent	\$2,600,000 pa		
Rental Analysis			Rate
Main Offices & Amenities	540.16 m ²		\$119.00
Lab & Offices	241.60 m ²		\$91.00
Chillers & Processing	199.49 m ²		\$91.00
Coolstore	521.94 m ²		\$78.00
Loadout Canopy	612.05 m ²		\$55.00
Offices & Amenities	71.58 m ²		\$78.00
Offices & Amenities	448.14 m ²		\$114.00
Dry Store	649.27 m ²		\$59.00
Mezzanine Offices	88.66 m ²		\$87.00
Packhouse	4,048.11 m ²		\$64.00
Coolstore	6,808.03 m ²		\$64.00
Canopy	1,853.96 m ²		\$27.00
Internal CA Store	1,745.74 m ²		\$103.00
Coolstore	5,293.36 m ²		\$64.00
Canopy	4,119.94 m ²		\$32.00
Coolstore	5,293.36 m ²		\$64.00
Canopy	4,162.04 m ²		\$27.00
First Office/Amenities	137.97 m ²		\$73.00
Dry Store	1,230.30 m ²		\$64.00
Workshop	41.14 m ²		\$50.00

Timaru

Effective Date	May 2020	Lease Basis	Renewal
Contract Rent	\$1,687,803 pa		
Rental Analysis			Face Rate
Offices & Amenities	92.00 m ²		\$130.00
ELA	3,068.00 m ²		\$64.30
Warehouse	18,716.00 m ²		\$79.00

We are also aware of the following coolstore evidence from within Christchurch:

Property Address	Lessee	Component	Area/No	Rent \$psm/pcpw	Annual Rent	Effective	Comments
Wigam	Undisclosed	Front Office & Amenity Block	120.17	\$157.54	\$18,932	Apr-21	New Lease.
		Chillers	95.99	\$140.00	\$13,439		
		Freezers	107.61	\$170.00	\$18,294		
		Production Room	108.36	\$150.00	\$16,254		
		Dry Stores – Back	45.03	\$110.00	\$4,953		
		Dry Stores – Middle	52.31	\$110.00	\$5,754		
		Retail/Packing	74.68	\$110.00	\$8,215		
		Carparks	8.00	\$10.00	\$4,160		
		Total			\$90,000		
Riccarton	Undisclosed	Freezer	1432.5	\$137.32	\$196,711	Jul-20	New Lease
		Canopy	189.6	\$60.00	\$11,376		
		Blast Freezers	291.2	\$160.00	\$46,592		
		Carton Store	234.2	\$80.00	\$18,736		
		Freezer	314.6	\$155.00	\$48,763		
		Chillers	615.7	\$130.00	\$80,041		
		Office	375.5	\$125.00	\$46,938		
		Cafeteria Canopy	63.4	\$60.00	\$3,804		
		Processing	262.3	\$120.00	\$31,476		
		Packing	286.6	\$100.00	\$28,660		
		Sealed Yard	2260	\$17.50	\$39,550		
		Total			\$552,646		

Property Address	Lessee	Component	Area/No	Rent \$psm/pcpw	Annual Rent	Effective	Comments
Islington	Undisclosed	Coolstore (high stud)	2553	\$150.00	\$382,950	Dec-19	New Lease
		Coolstore (low stud)	418	\$150.00	\$62,700		
		Corridors and load out	1080	\$141.36	\$152,670		
		Switchroom	28	\$60.00	\$1,680		
		Total			\$600,000		
Hornby	Undisclosed	Offices	111	\$140.00	\$15,530	Nov-19	New Lease
		Office Canopy	90	\$15.00	\$1,344		
		Coldstore	5,402	\$137.00	\$740,074		
		ELA	1,750	\$90.00	\$157,500		
		Plant room	317	\$75.00	\$23,780		
		Enclosed rail siding	848	\$70.00	\$59,387		
		Carparks	16	\$8.50	\$7,072		
		Total			\$1,004,687		
Wigram	Undisclosed	Ground Floor Offices	116	\$227.00	\$26,219	Sep-19	New Lease
		Café	72	\$227.00	\$16,344		
		Outdoor	24	\$55.00	\$1,337		
		Retail Shop	48	\$255.00	\$12,240		
		Processing	749	\$89.00	\$66,661		
		Canopy	641	\$61.44	\$39,362		
		Factory Offices	91	\$190.00	\$17,328		
		Annex	28	\$190.00	\$5,368		
		Restaurant	151	\$280.00	\$42,280		
		Outdoor	41	\$55.00	\$2,228		
		First Floor Offices	186	\$227.00	\$42,131		
		Deck	25	\$45.00	\$1,103		
		Deck	30	\$45.00	\$1,350		
		Specialist Fitout			\$174,000		
		Carparks	15	\$12.00	\$9,360		
		Carparks	18	\$10.00	\$9,360		
		Total			\$466,671		

Wigram	Undisclosed	Production room 4m	1,736	\$190.00	\$329,840	Jul-19	New Lease
		Production room 6m	356	\$195.00	\$69,420		
		Freezer 7m	454	\$295.00	\$133,930		
		Blast freezer	71	\$295.00	\$20,945		
		Plant room	41	\$103.00	\$4,260		
		Docking area 6m	45	\$190.00	\$8,550		
		Docking ramp	212	\$70.00	\$14,840		
		Offices	471	\$250.00	\$117,815		
		Carparks	48	\$12.50	\$31,200		
		Total			\$730,800		

Generic Industrial Evidence

Property Address	Lessee	Component	Area/No	Rent \$psm/pcpw	Annual Rent	Effective	Comments
Wigram	Undisclosed	Warehouse	774.69	\$67.50	\$52,291.58	Apr-20	New Lease
		Office	163.9	\$125.01	\$20,488.43		
		Carparks	12	5	\$3,120.00		
		Total			\$75,900.00		
Islington	Undisclosed	Warehouse	751.4	\$115.00	\$86,411.00	Aug-20	New Lease
		Office	259.8	\$197.37	\$51,276.00		
		Canopy	151	\$50	\$7,550.00		
		Warehouse Office	20.5	\$180.00	\$3,690.00		
		Car Parks	12	\$20.00	\$12,480.00		
		Yard	1379.65	\$20.00	\$27,593.00		
		Total			\$189,000.00		
Islington	Undisclosed	Warehouse	751.4	\$115.00	\$86,411.00	Aug-20	New Lease
		Office	259.8	\$197.37	\$51,276.00		
		Total			\$137,687.00		
Wigram	Undisclosed	Warehouse	1364	\$85.00	\$115,940.00	Feb-20	Agreement to lease.
		Office	217	\$157.03	\$34,076.00		
		Carparks	24	\$8.00	\$9,984.00		
		Total			\$160,000.00		
Addington	Undisclosed	Warehouse	188	\$85.00	\$15,980.00	Apr-19	New lease.
		Office	155	\$138.86	\$21,524.00		
		Carparks	6	\$8.00	\$2,496.00		
		Total	343		\$40,000.00		

Property Address	Lessee	Component	Area/No	Rent \$psm/pcpw	Annual Rent	Effective	Comments
Wigram	Undisclosed	Warehouse	400	\$100.00	\$40,000.00	Feb-19	New sublease.
		Canopy	50	\$55.00	\$2,750.00		
		Office and Amenities	136.5	\$200.00	\$27,300.00		
		Carparks	5	\$12.50	\$3,250.00		
		Total			\$73,300.00		
Hornby	Undisclosed	Office	163	\$180.00	\$29,340.00	Apr-19	New lease.
		Workshop	68	\$95.00	\$6,460.00		
		Washbay	18	\$50.00	\$900.00		
		Sealed yard	1,527	\$19.21	\$29,332.00		
		Carparks	6	\$8.00	\$48.00		
		Total			\$66,080.00		
Wigram	Undisclosed	Warehouse	1,148	\$85.00	\$97,580.00	Oct-19	New lease. .
		Office	247	\$160.00	\$39,520.00		
		Canopy	85	\$40.94	\$3,480.00		
		Carparks	17	\$5.00	\$4,420.00		
		Total			\$145,000.00		

We have considered the recent new lease of a specialised coolstore property in Whakatu, Hastings. The property is of a specialised nature and has a similar quality of accommodation to the subject, although noting that it is a larger property. The property in Nelson is a similar property but generally provides an inferior quality of accommodation with it being first constructed in the 1980s.

We have also generally considered the properties with new leases in Wigram and Riccarton which are good comparable for some of the smaller coolstore components within the subject.

In addition to the coolstore evidence, we have briefly had regard to generic industrial properties from within Christchurch in determining an appropriate market rental rate to apply to the non-specialised warehouse and workshop components at the subject.

5.2 Market Rental Profile

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

Tenant Name Premises			Lettable Area	Car Parks	Next Review/Expiry	Review Type	Contract Rental	Rental / sqm	Car Park pcpw	Recovery / sqm	Ideal Recovery	Net Market / sqm	Gross Market / sqm	Car Park pcpw	Net Market Rental
Hellers	Office & Amenities		597.2	263	Sep 2022	CPI	\$108,633	\$62	\$5	\$20	\$20	\$65	\$85	\$5	\$107,195
Hellers	Processing		1,616.7		Sep 2022	CPI	\$176,497	\$109		\$20	\$20	\$115	\$135		\$185,916
Hellers	Processing		2,715.0		Sep 2022	CPI	\$381,647	\$141		\$20	\$20	\$140	\$160		\$380,100
Hellers	Plant / Boiler		205.2		Sep 2022	CPI	\$15,956	\$78		\$20	\$20	\$80	\$100		\$16,412
Hellers	Coolstore		684.9		Sep 2022	CPI	\$65,814	\$96		\$20	\$20	\$100	\$120		\$68,490
Hellers	Office		39.4		Sep 2022	CPI	\$3,479	\$88		\$20	\$20	\$90	\$110		\$3,548
Hellers	FF Store		69.5		Sep 2022	CPI	\$2,860	\$41		\$20	\$20	\$50	\$70		\$3,475
Hellers	Waste Stores		32.9		Sep 2022	CPI	\$1,697	\$52		\$20	\$20	\$50	\$70		\$1,644
Hellers	Covered Loading		43.8		Sep 2022	CPI	\$1,860	\$42		\$20	\$20	\$40	\$60		\$1,753
Hellers	Workshop		91.6		Sep 2022	CPI	\$5,685	\$62		\$20	\$20	\$65	\$85		\$5,953
Hellers	Compressor Room		17.3		Sep 2022	CPI	\$1,344	\$78		\$20	\$20	\$80	\$100		\$1,382
Hellers	Warehouse Office		65.0		Sep 2022	CPI	\$12,882	\$198		\$20	\$20	\$195	\$215		\$12,679
Hellers	Marshalling Dock		870.7		Sep 2022	CPI	\$115,557	\$133		\$20	\$20	\$135	\$155		\$117,542
Hellers	Inward Goods		32.6		Sep 2022	CPI	\$4,321	\$133		\$20	\$20	\$135	\$155		\$4,396
Hellers	Corridors		911.0		Sep 2022	CPI	\$120,902	\$133		\$20	\$20	\$135	\$155		\$122,978
Hellers	Chiller		257.6		Sep 2022	CPI	\$49,688	\$193		\$20	\$20	\$195	\$215		\$50,230
Hellers	Chiller		504.7		Sep 2022	CPI	\$97,347	\$193		\$20	\$20	\$195	\$215		\$98,409
Hellers	Freezer Chiller		373.5		Sep 2022	CPI	\$72,039	\$193		\$20	\$20	\$195	\$215		\$72,825
Hellers	Freezer/Blast Chiller		188.2		Sep 2022	CPI	\$38,267	\$203		\$20	\$20	\$200	\$220		\$37,634
Hellers	Food Processing (RTE)		1,096.6		Sep 2022	CPI	\$194,312	\$177		\$20	\$20	\$180	\$200		\$197,384
Hellers	RTE Addition 2014		514.1		Sep 2022	CPI	\$91,103	\$177		\$20	\$20	\$180	\$200		\$92,543
Hellers	RTE Link		59.2		Sep 2022	CPI	\$10,495	\$177		\$20	\$20	\$180	\$200		\$10,661
Hellers	Plant Room		133.9		Sep 2022	CPI	\$16,018	\$120		\$20	\$20	\$120	\$140		\$16,067
Hellers	Basement		65.0		Sep 2022	CPI	\$5,057	\$78		\$20	\$20	\$75	\$95		\$4,877
Hellers	ELO		83.7		Sep 2022	CPI	\$11,322	\$135		\$20	\$20	\$135	\$155		\$11,294
Hellers	Staff Store		36.6		Sep 2022	CPI	\$4,379	\$120		\$20	\$20	\$125	\$145		\$4,575
Hellers	Enclosed Ext Stairs		134.0		Sep 2022	CPI	\$10,425	\$78		\$20	\$20	\$80	\$100		\$10,723
Hellers	Enclosed Canopy		36.6		Sep 2022	CPI	\$2,847	\$78		\$20	\$20	\$80	\$100		\$2,928
Hellers	Canopy		249.3		Sep 2022	CPI	\$15,475	\$62		\$20	\$20	\$60	\$80		\$14,957
Hellers	New Maint Workshop		213.6		Sep 2022	CPI	\$18,290	\$86		\$20	\$20	\$85	\$105		\$18,156
Hellers	Cookers (2015 Ext)		419.2		Sep 2022	CPI	\$74,276	\$177		\$20	\$20	\$180	\$200		\$75,451
Hellers	2015 GF Ext		725.9		Sep 2022	CPI	\$128,625	\$177		\$20	\$20	\$180	\$200		\$130,658
Hellers	Dry Store (2015 Ext)		290.7		Sep 2022	CPI	\$39,348	\$135		\$20	\$20	\$135	\$155		\$39,250
Hellers	Canopy (2015 Ext)		37.0		Sep 2022	CPI	\$2,684	\$73		\$20	\$20	\$60	\$80		\$2,220
Hellers	Main Office		945.5		Sep 2022	CPI	\$236,801	\$250		\$20	\$20	\$220	\$240		\$208,006
Hellers	Office & Amenities		405.9		Sep 2022	CPI	\$78,295	\$193		\$20	\$20	\$195	\$215		\$79,149
Hellers	Corridors		214.0		Sep 2022	CPI	\$23,358	\$109		\$20	\$20	\$110	\$130		\$23,535
Hellers	2015 Office Extension		380.0		Sep 2022	CPI	\$67,339	\$177		\$20	\$20	\$180	\$200		\$68,404
Hellers	Stairs		99.0		Sep 2022	CPI	\$7,442	\$75		\$20	\$20	\$75	\$95		\$7,426
Hellers	Walkway		106.7		Sep 2022	CPI	\$11,643	\$109		\$20	\$20	\$110	\$130		\$11,732
Hellers	Deck		88.6		Sep 2022	CPI	\$9,674	\$109		\$0	\$0	\$110	\$110		\$9,747
Hellers	Plant Mezzanine		63.3		Sep 2022	CPI	\$6,910	\$109		\$20	\$20	\$110	\$130		\$6,962
Aggregate			15,714.8	263			\$2,342,593								\$2,339,262

5.3 Net Income Assessment

The table below presents both the passing income and adopted market net income profile of the Property:

Passing Versus Market Comparison	Passing per annum	Market per annum
Rental Analysis		
Lettable Area Rental	\$2,271,031	\$2,270,882
Car Parking Rental	\$71,562	\$68,380
Outgoings Recovery	\$312,109	\$312,109
Gross Income	\$2,654,702	\$2,651,371
Outgoings	\$410,900	\$410,900
Net Income	\$2,243,802	\$2,240,471

Sales Evidence

Sales Transaction

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

Local Sales Evidence

Hornby, Christchurch			
Sale Price	\$11,000,000	Sale Date	August 2021
Initial Yield	4.78%	Equivalent Yield	4.97%
IRR	5.94%	WALT	6.58 years
Hornby South, Christchurch			
Sale Price	\$21,800,000	Sale Date	June 2021
Initial Yield	5.63%	Equivalent Yield	5.50%
IRR	6.26%	WALT	7.00 years
Izone, Rolleston			
Sale Price	\$12,000,000	Sale Date	May 2021
Initial Yield	5.28%	Equivalent Yield	5.37%
IRR	5.87%	WALT	6.50 years
Islington, Christchurch			
Sale Price	\$36,500,000	Sale Date	May 2021
Initial Yield	4.93%	Equivalent Yield	5.08%
IRR	7.09%	WALT	15.00 years
Sockburn, Christchurch			
Sale Price	\$7,500,000	Sale Date	December 2020
Initial Yield	4.93%	Equivalent Yield	4.94%
IRR	6.59%	WALT	10.00 years

Regional Sales Evidence

Hastings			
Sale Price	\$79,545,000	Sale Date	November 2021
Initial Yield	4.40%	Equivalent Yield	4.44%
IRR	6.42%	WALT	15.00 years
Timaru			
Sale Price	\$33,200,000	Sale Date	September 2021
Initial Yield	5.20%	Equivalent Yield	5.15%
IRR	6.01%	WALT	8.67 years

Stoke, Nelson			
Sale Price	\$50,500,000	Sale Date	November 2020
Initial Yield	5.17%	Equivalent Yield	5.20%
IRR	6.67%	WALT	15.00 years
Mt Maunganui, Tauranga			
Sale Price	\$16,126,000	Sale Date	November 2020
Initial Yield	5.30%	WALT	8.70 years
Waiwhetu, Lower Hutt			
Sale Price	\$29,400,000	Sale Date	October 2020
Initial Yield	5.53%	Equivalent Yield	5.65%
IRR	7.45%	WALT	12.00 years
Elwood Road, Hastings			
Sale Price	\$36,580,000*	Sale Date	February 2020
Initial Yield	6.99%	Equivalent Yield	7.27%
IRR	9.00%	WALT	10.12 years
* Importantly, we note that this sale analysis excludes the land component which forms part of the sale.			

The sales above indicate an initial yield range between 4.40% and 6.99%, an equivalent yield range of between 4.44% and 7.27%, and an internal rate of return of between 5.87% and 9.00%, with the lower end of the yield range generally reflecting longer weighted average lease term, strong tenant covenant, favourable location, and good quality buildings.

Despite having a similar WALT to most of the other properties, the subject's higher IRR is mainly attributable to its less favourable location, two yearly CPI rent reviews and no market rental reversion until September 2034 (if renewed).

The above summary indicates that the sale in Nelson in December 2020 provides a good indication of a market yield achievable for specialised coolstore properties although the yields for industrial properties generally across New Zealand has continued to firm since December 2020, with the most notable recent transaction being the sale in Hastings which transacted recently at an initial yield of 4.40%. We have analysed the sale to reflect an equivalent yield of 4.45% and an IRR of 6.38%. We would expect the subject to achieve a higher yield as these properties were sold with a 15 year lease term, to a strong tenant covenant and with annual fixed rental growth, and being a triple net lease.

When assessing investment parameters attainable for the subject we have been particularly conscious of the following:

- The locational characteristics.
- The nature of improvements, with the buildings being specialised, sprinklered, and having an NBS rating of between 50% to 100% (IEP).
- The circa 12.75 year lease term remaining to a national tenant, with one right of renewal of 5 years thereafter.
- Two yearly CPI rent reviews and no market rent reviews until September 2034 (if renewed).
- The scale of the investment.
- Low interest rate environment and strong demand for industrial property.

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

Valuation Input	
Capitalisation Rate	5.500%
Discount Rate	6.875%

7 Valuation Considerations

7.1 SWOT Analysis

The strengths and weaknesses of any investment property generally show the positive and negative characteristics of that property, whereas opportunities and threats represent future external factors or events that could enhance or diminish the value of the asset. We set out our SWOT analysis as inspected as follows:

Strengths	Weaknesses
<ul style="list-style-type: none">▪ Freehold sites.▪ Easy access to State Highway 1.▪ Corner positioned site and also road profile on State Highway 1, providing excellent exposure.▪ Recent extensions provide a good quality of accommodation.▪ Seismic strengthening undertaken in 2017, with most buildings having an NBS rating of at least 75% (IEP).▪ The buildings have a fire sprinkler system built in.▪ Long term lease to an established tenant.▪ Low interest rate environment and strong demand for industrial property.	<ul style="list-style-type: none">▪ Specialised nature of the property, which may not appeal to all types of potential occupiers.▪ Outlying location of Kaiapoi.▪ No market rent reviews until 1 September 2034.▪ Asbestos present within Building 1.
Opportunities	Threats
<ul style="list-style-type: none">▪ Develop or sell the two smaller lots of the subject property.▪ Full rezoning to industrial	<ul style="list-style-type: none">▪ The economic and social impacts of COVID-19 have the potential to be persistent.▪ Low interest rates have driven a significant asset price trend over the last few years, which may start to reverse as central bank rates and the cost of funding increase.

7.2 Likely Selling Period

We are of the opinion that the likely selling period for the Property is up to 6 months, assuming that the property is presented to the market in accordance with the specific assumptions noted in this report, and with an appropriate level of marketing. The actual time to sell the property may vary depending on the number of potential buyers in the marketplace, availability of comparable properties, access to finance, and changes in market conditions subsequent to the valuation date.

7.3 Most Probable Purchaser

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

7.4 Sales History

We understand that the subject property is currently under contract for \$40,500,000 plus GST. We have sighted a signed Sale and Purchase Agreement, dated 2 December 2021.

8 Valuation Rationale

8.1 Valuation Overview

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

8.2 Capitalisation Approach

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

We have adopted a core capitalisation rate of 5.500%, with our calculations summarised below:

Direct Capitalisation Approach		
Rental Income	Contract Income	Market Income
Lettable Area Rental	\$2,271,031	\$2,270,882
Car Parking Rental	\$71,562	\$68,380
Ideal Outgoings Recovery (Full Net Leases)	\$312,109	\$312,109
Total Rental Income	\$2,654,702	\$2,651,371
Less Outgoings Expenditure	(\$410,900)	(\$410,900)
Net Rental Income	\$2,243,802	\$2,240,471
Core Income Capitalised at 5.50%	\$40,796,399	\$40,735,839
Value Adjustments		
Present Value of Existing Rental Reversions	(\$30,874)	\$30,563
Present Value of Short Term Capital Expenditure: 24 months	(\$187,854)	(\$187,854)
Total Value Adjustments	(\$218,728)	(\$157,292)
Total Capitalised Value	\$40,577,671	\$40,578,548
Adopted Capitalised Value (say)	\$40,600,000	\$40,600,000

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

Our adopted adjustments are detailed as follows:

Rental Reversions

From the core value, we have added/deducted the present value of tenant rental reversions, which represents the present value of rental overage / underage for the existing tenancy relative to our adopted rental profile.

Capital Deductions

We have allowed for the present value of CAPEX allowances over the next 24 months from the valuation date, which total \$187,854.

Calculation Summary

Having made these adjustments to the core value, we derive a total value of \$40,600,000. A sensitivity analysis based on adjustments to our adopted Core Capitalisation rate is as displayed below:

Sensitivity Analysis		Contract Approach	Market Approach
(0.25%)	5.250%	\$42,500,000	\$42,500,000
Adopted Capitalisation Rate	5.500%	\$40,600,000	\$40,600,000
0.25%	5.750%	\$38,800,000	\$38,800,000

8.3 Discounted Cash Flow Approach

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

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

Discount Rate

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

We have applied a target discount rate of 6.875% to the cash flows to produce a present value of \$41,100,000. Our DCF calculations are summarised overleaf:

Discounted Cashflow Summary												
Year Ending	30-Jan-2023	30-Jan-2024	Year 2	Year 3	30-Jan-2026	30-Jan-2027	30-Jan-2028	30-Jan-2029	30-Jan-2030	30-Jan-2031	30-Jan-2032	30-Jan-2033
	Year 1				Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Rental Income												
Lettable Area and Car Park Income	\$2,381,636	\$2,436,297	\$2,492,129	\$2,570,293	\$2,613,131	\$2,673,105	\$2,717,657	\$2,780,029	\$2,826,363	\$2,891,230	\$0	\$0
Outgoings Recovery	\$312,109	\$327,714	\$340,823	\$352,752	\$363,334	\$374,234	\$385,461	\$397,025	\$408,936	\$421,204	\$0	\$0
Other Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gross Rental Income	\$2,693,745	\$2,764,011	\$2,832,952	\$2,923,045	\$2,976,466	\$3,047,339	\$3,103,118	\$3,177,054	\$3,235,299	\$3,312,434	\$0	\$0
Rental Deductions												
Unexpired Incentives - Rent Free/Abatements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Outgoings Expenditure	(\$410,900)	(\$431,445)	(\$448,703)	(\$464,407)	(\$478,340)	(\$492,690)	(\$507,471)	(\$522,695)	(\$538,376)	(\$554,527)	\$0	\$0
Ground Rental												
Net Rental Cashflow	\$2,282,845	\$2,332,566	\$2,384,249	\$2,458,637	\$2,498,126	\$2,554,649	\$2,595,647	\$2,654,360	\$2,696,923	\$2,757,907	\$0	\$0
Rental Adjustments												
Unexpired Incentives - Capital Contribution	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Letting Up Allowances - Leasing Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Expenditure	(\$34,650)	(\$166,530)	(\$2,260)	(\$147,116)	(\$49,161)	(\$93,862)	(\$11,449)	(\$116,611)	(\$263,161)	(\$13,900)	\$0	\$0
Net Cashflow	\$2,248,195	\$2,166,036	\$2,381,988	\$2,311,521	\$2,448,965	\$2,460,788	\$2,584,199	\$2,537,749	\$2,433,763	\$2,744,007	\$0	\$0
Purchase Price	\$40,850,000	After Costs										
Sale Price	\$46,400,000	After Costs										
Annual Cashflow	(\$38,601,805)	\$2,166,036	\$2,381,988	\$2,311,521	\$2,448,965	\$2,460,788	\$2,584,199	\$2,537,749	\$2,433,763	\$2,744,007	\$45,704,000	\$45,704,000
Present Value of Rental Cashflow												
Present Value of Terminal Value												
Allowance for Acquisition Costs												
	\$0											
Total Net Present Value (say)		\$41,100,000	Resulting IRR	6.97%								

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

Revenue Projections

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

Growth Rates

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

Growth	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Specialised Areas							10 year average		2.25%	
	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Industrial							10 year average		2.25%	
	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
CPI							10 year average		2.35%	
	4.00%	3.00%	2.50%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Capex							10 year average		3.35%	
	5.00%	4.00%	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Outgoings							10 year average		3.35%	
	5.00%	4.00%	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

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

Capital Expenditure

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

Cash Flow Year	Tenancy Capex	Building Capex	Total Capex
Year 1	\$0	\$34,650	\$34,650
Year 2	\$0	\$166,530	\$166,530
Year 3	\$0	\$2,260	\$2,260
Year 4	\$0	\$147,116	\$147,116
Year 5	\$0	\$49,161	\$49,161
Year 6	\$0	\$93,862	\$93,862
Year 7	\$0	\$11,449	\$11,449
Year 8	\$0	\$116,611	\$116,611
Year 9	\$0	\$263,161	\$263,161
Year 10	\$0	\$13,900	\$13,900
10 Year Total	\$0	\$898,700	\$898,700
Capex as a proportion of Value	2.2%	Per Sqm of Lettable Area	\$57.51

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

Estimated Terminal Sale Price

We have applied a terminal yield of 6.000% (a 50.0 basis point premium to the going in capitalisation rate) to the market net income at the start of Year 11 in order to calculate the estimated terminal sale price. This value also includes reversions to the forecast market rent as at the end of Year 10, deferred until the next review date.

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

Transaction Costs

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

Transaction Costs	
Acquisition Costs	Nil
Disposal Costs	1.50% of the forecast Terminal Value

Sensitivity Analysis

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

Discount Rate	Terminal Yield		
	5.750%	6.000%	6.250%
6.625%	\$42,900,000	\$41,900,000	\$40,900,000
6.875%	\$42,100,000	\$41,100,000	\$40,200,000
7.125%	\$41,400,000	\$40,400,000	\$39,500,000

9 Valuation

9.1 Valuation Reconciliation

The results of our valuation methods are:

Methodology	Valuation
Capitalisation Approach - Market Income	\$40,600,000
Capitalisation Approach - Contract Income	\$40,600,000
Discounted Cash Flow Approach	\$41,100,000
Adopted Value	\$40,850,000

9.2 Valuation Conclusion

Having regard to the results from the valuation methods described above, together with available market evidence, the comments made within this report, and present market sentiment, we have adopted a rounded valuation figure of \$40,850,000 plus GST (if any).

Our valuation is subject to the comments, qualifications and financial data contained within our report. On that basis, and assuming the Property is free of encumbrances, restrictions or other impediments of an onerous nature that would affect value, in our opinion its market value as at 31 January 2022, is:

\$40,850,000 plus GST (if any)

Forty Million Eight Hundred Fifty Thousand Dollars plus GST (if any)

The assessed value reflects an initial passing yield of 5.49%, an equivalent yield of 5.46%, an internal rate of return of 6.97%, and a rate of \$2,614 per square metre of Lettable Area.

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

- Oyster Industrial Property Limited – for inclusion within a Product Disclosure Statement

No responsibility is accepted to any third parties. Neither the whole of the report, or any part of it, or any reference to it, may be published in any document, statement or circular nor in any communication with third parties without our prior written approval of the form and context in which it will appear.

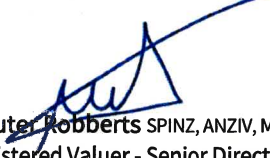
9.3 Involvement Statement

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

Inspection of Property	Graeme McDonald, Wouter Robberts
Calculations	Wouter Robberts, Jimmy Shi
Information Review	Wouter Robberts, Jimmy Shi
Report Authoring	Wouter Robberts, Jimmy Shi
Quality Assurance	Graeme McDonald
Principal Valuer	Wouter Robberts

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

Yours faithfully,
Jones Lang LaSalle, Valuation Advisory



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Appendix 1 – Valuation Definitions

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

Appendix 2 – Records of Title



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




R. W. Muir
Registrar-General
of Land

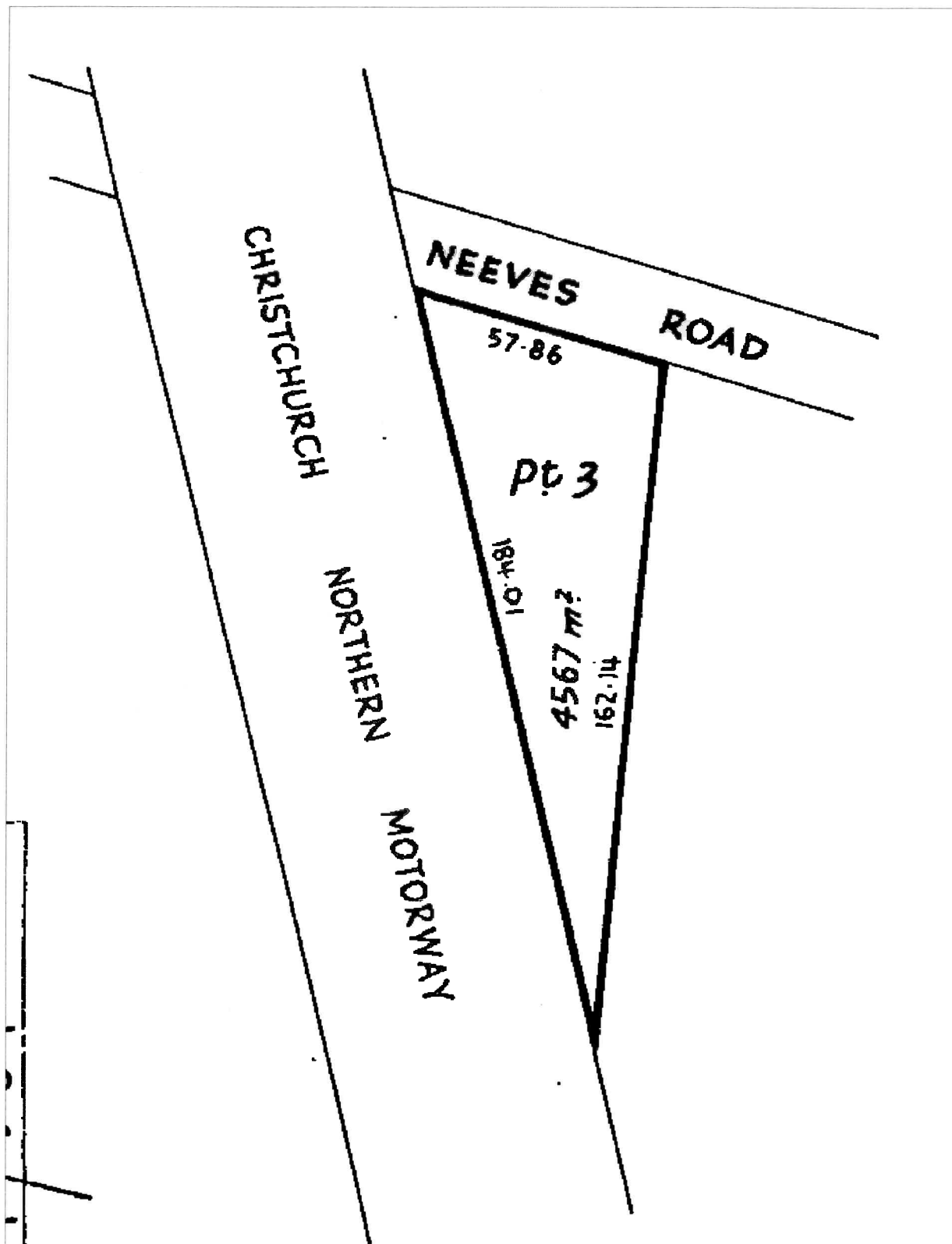
Identifier CB35A/904
Land Registration District Canterbury
Date Issued 14 November 1991

Prior References
CB21F/1455

Estate	Fee Simple
Area	4567 square metres more or less
Legal Description	Part Lot 3 Deposited Plan 21376

Registered Owners
Domett Properties Limited

Interests





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



Identifier CB569/70
Land Registration District Canterbury
Date Issued 20 January 1953

Part-Cancelled

Prior References
CB330/286

Estate	Fee Simple
Area	4.3964 hectares more or less
Legal Description	Lot 2 Deposited Plan 16617

Registered Owners
Domett Properties Limited

Interests

710585 Gazette Notice declaring No. 1 State Highway (Awanui to Bluff) fronting the within land to be a limited access road - 11.5.1967 at 11.00 am

Proclamation 732499 proclaiming part (2r and 32.5p) of the above described land be taken for Christchurch Northern Motorway (Belfast - Pinehaven Section) - 8.3.1968 at 1.40 pm

769920 Gazette Notice creating the following easements in gross - 9.7.1969 at 9.05 am

Type	Servient Tenement	Easement Area	Grantee
Drainage	Lot 2 Deposited Plan 16617 - herein	Part herein	The Eyre County Council

11827384.1 Mortgage to Bank of New Zealand - 14.8.2020 at 4:00 pm



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




R.W. Muir
Registrar-General
of Land

Identifier CB572/14
Land Registration District Canterbury
Date Issued 04 February 1953

Prior References
CB330/286

Estate	Fee Simple
Area	2307 square metres more or less
Legal Description	Lot 1 Deposited Plan 16617

Registered Owners
Domett Properties Limited

Interests

Search Copy Dated 8/12/21 11:11 am, Page 2 of 2
Register Only

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