

# VALUATION REPORT

Commercial

Property Address: 127 Durham Street  
Tauranga

Instructed By and Prepared For: PMG Direct Office Fund Trustees Limited

Other Reliant Parties: ASB Bank Limited

Borrower: PMG Direct Office Fund Trustees Limited

**Report Issue Date: 9 April 2020**

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## Executive Summary

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



<b>Property Address:</b>	127 Durham Street Tauranga
<b>Instructed By and Prepared For:</b>	PMG Direct Office Fund Trustees Limited c/- Property Managers Group PO Box 2034 Tauranga 3140
<b>Other Reliant Parties:</b>	ASB Bank Limited
<b>Borrower:</b>	PMG Direct Office Fund Trustees Limited
<b>Purpose of Valuation:</b>	To determine market value of the subject property for first mortgage security and capital raising purposes
<b>Basis of Valuation:</b>	Market Value subject to existing lease
<b>Brief Description:</b>	A two-level office building dating from the mid 1980's providing office accommodation and some open onsite carparks. Minor refurbishment works to the building have been completed. The property is situated to the eastern side of Durham Street, midway between its intersections with Spring Street and Elizabeth Street within the central city of Tauranga.




<b>Tenancy Particulars:</b>	The University of Waikato has signed an Agreement to Lease over the subject property for a term of ten (10) years that commenced 31 March 2019 with no further renewal options. The lease is struck on a net basis with an annual passing rental as at 31 March 2020 of \$220,585 per annum plus GST and operating expenses. Rent reviews are annual fixed 2% increases with the net passing rental set to increase to \$224,747 per annum plus GST and outgoings as at 1 April 2020.
<b>Land Area:</b>	806 m <sup>2</sup>
<b>Lettable Area:</b>	1,003 m <sup>2</sup>
<b>Registered Owners:</b>	PMG Direct Office Fund Trustees Limited
<b>Zoning:</b>	City Centre zone under the Tauranga City Plan
<b>Assessed Interest:</b>	Freehold
<b>Last Sale:</b>	According to Property Guru, the property was purchased in December 2014 for \$2,100,000 and then transferred in a non-market transaction in September 2016 for \$2,340,000.
<b>Valuation Approaches:</b>	Capitalisation Approach and Discounted Cashflow Approach
<b>Date of Inspection:</b>	5 February 2019 (Refer Section 2)
<b>Date of Valuation:</b>	31 March 2020
<b>Significant/Special Assumptions:</b>	This report must be read in conjunction with the Significant/Special Assumptions under Section 2

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**Market Value:** **\$4,000,000**  
**(Four Million Dollars)**

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

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<b>Valuer:</b>	<b>Counter Signature:</b>	Assistant Valuer
		
Signature of Valuer: for and on behalf of <b>PRP Tauranga</b> <b>Phillip Diggelmann, BCom (VPM), MPINZ, ANZIV</b> <b>Registered Valuer, Director</b> <b>Inspected: No</b>	Signature of Valuer: for and on behalf of <b>PRP Tauranga</b> <b>Dylan Barrett, BBS (VPM) MPINZ, ANZIV</b> <b>Registered Valuer, Director</b> <b>Inspected: No</b>	Signature of Assistant Valuer: for and on behalf of <b>PRP Tauranga</b> <b>Matthew Fenton, BBS (VPM) MPINZ</b> <b>Assistant Valuer</b> <b>Inspected: No</b>

"I, the counter signatory, hereby confirm that I have reviewed the valuation & working papers in the capacity of an internal peer reviewer and am satisfied that the opinion of value contained in the valuation has been reached based on reasonable grounds. Furthermore, the opinion of value expressed in this report has been arrived at by the valuer and endorsed by the counter signatory".

## SWOT Analysis

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### Strengths:

- Central Business District location
- City Centre zoning
- New University Campus on neighbouring title
- Seismic rating of 131% of NBS
- Currently leased to a single highly desirable tenant
- The tenant has invested considerable outlay into the property fitout suggesting long term occupation
- Fixed rental increase of 2.0% per annum
- New 10-year lease offering long term lease security
- Affordable price bracket
- Recently completed Durham Street upgrade
- High underlying land value

### Weaknesses:

- Limited car parking provisions provided
- No renewal option in current lease
- The accommodation provided is now somewhat dated

### Opportunities:

- Provide renewal options upon expiry of initial lease term

### Threats:

- Existing tenant vacating at the end of their current lease terms
- Interest rate rises
- Reduced confidence in the commercial investor segment of the market
- More protracted re-leasing timeframe
- New office developments being more desirable to potential tenants
- Developing Covid-19 pandemic creating uncertainty for both tenant's and landlord's

## 1 Introduction – Scope of Works

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### 1.1 Instructions

PRP File Reference:	3020254
Instructed By and Prepared For:	PMG Direct Office Fund Trustees Limited c/- Property Managers Group PO Box 2034 Tauranga 3140
Other Reliant Parties:	ASB Bank Limited
Borrower:	PMG Direct Office Fund Trustees Limited
Property Address:	127 Durham Street Tauranga
Purpose of Valuation:	To determine market value of the subject property for first mortgage security and capital raising purposes
Date of Inspection:	5 February 2019 (Refer Section 2)
Date of Valuation:	31 March 2020

### 1.2 Liability to Third Parties and Purpose

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

### 1.3 GST Assumption

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

### 1.4 Valuation Definition

#### **Market Value Definition:**

In accordance with the International Valuation Standards effective date 31 January 2020, the definition of market value is as follows:

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

### 1.5 Qualifications

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



## 1.6 Compliance Statement

This valuation has been prepared in accordance with the International Valuation Standards effective date 31 January 2020, Australia and New Zealand Valuation Guidance Notes and Technical Information Papers and we confirm that:

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

## 2 Significant/Special Assumptions

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

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

As Valuers, we are not qualified to assess the load bearing capacity or integrity of the underlying land and we accordingly give no warranty in this regard.

- b) We have been provided with an Initial Evaluation Procedure (IEP) prepared by Arnold & Johnstone Limited dated 14 November 2012 for the subject property. The report states the building has a seismic capacity of 131% of the New Building Standards (NBS) and has an earthquake prone category of Grade A+. Our valuation proceeds on this basis.
- c) We have been provided with an Asbestos Management Survey prepared by Precise Consulting & Laboratory Limited dated 12 March 2018 for the subject property. The report states the building has Asbestos presumed present in some of the construction materials but is sealed and in good condition and is therefore considered a low risk level. Our valuation proceeds on this basis.
- d) We have been provided with a signed copy of the Agreement to Lease document. Subsequently, we have been advised that the tenant has agreed to add a further five (5) years to the current five (5) years lease extending the initial term to ten (10) years. This valuation proceeds on the basis that the Deed of Lease will mirror the terms and conditions set out in the Agreement to Lease and remains consistent with the latest edition Auckland District Law Society lease with no additional clauses that may influence market value. Should this not be the case, we reserve the right to amend our assessment accordingly.
- e) We understand the landlord has completed a minor refurbishment works to the tenancy. The landlord works being exterior paint, new paint and carpet tiles to the entrance foyer and stairwell and repainting of the roof. The landlord has advised us of an outstanding cost from the refurbishment works being approximately \$100,000 plus GST and we have been requested to adopt this amount for the purposes of this valuation. Should the actual cost materially differ from the estimated cost provided, we reserve the right to revise our findings.
- f) Our valuation assumes all appropriate consents and permits have/will be obtained.
- g) Due to the COVID-19 pandemic and the associated lockdown, we were unable to inspect the subject property. However, we confirm we previously inspected the property internally and externally on the 5 February 2019. We have been advised, minor refurbishment works have been completed by the landlord that include exterior paint, paint and carpet tiles to entrance foyer and stairwell and repainting of the roof. All other changes to the property, mainly a considerable internal fitout, is owned and installed by the tenant, and therefore such works should normally and has been excluded from this assessment. This valuation has been completed on that basis that the property is somewhat unchanged apart from landlord owned refurbishment works, as mentioned above. Should this be

found not to be the case, we reserve the right to amend our findings. We do remain available to reinspect the property once the lockdown restrictions have been lifted, should it be required.

- h) We have been requested by our client to include a 50% rental and operating expense abatement for the month of April in the wake of Covid-19 and Alert Level 4. We understand this has not yet been agreed with the tenant, however if the tenant requests financial relief as a consequence of Alert Level 4, this abatement is to become active and back dated to 1 April 2020. This abatement is to last until either Alert Level 4 is reduced to Alert Level 2 or until 30<sup>th</sup> of April, whichever is earlier. For valuation modelling purposes, we have made an allowance for a 50% rental and operating expense abatement for the month of April.
- i) The valuation date is 31 March 2020 and the fixed annual rental increase is set to execute on 1 April 2020. Given the short timeframe, we have adopted the increased rent of \$224,747 per annum as the contract rent as at the valuation date 31 March 2020.
- j) Our valuation has been prepared at a time when the COVID-19 (Coronavirus disease) is having a profound and unprecedented impact on global economies, stock markets and capital markets. The World Health Organisation has now declared COVID-19 a pandemic.

Because of the lag in real estate market transactions there has not yet been a body of sales or leasing transaction evidence that reflects the prospect of worsening economic and or real estate market conditions.

Early signs are that certain industries are being affected more so than others at this time. Governments around the world, whom have all but exhausted the prospect on monetary policy stimulus given the already low interest rate environment, are rapidly developing fiscal stimulus strategies to avert a prolonged recessionary environment and unpin economic activity.

In preparing our valuation we have considered sales and leasing transaction evidence that occurred recently and possibly prior to the onset of the current circumstances. We have also, where possible, considered transactions that have occurred since the circumstances of the Coronavirus were known to real estate market participants (buyers and sellers, lessors and lessees). **We strongly recommend re-assessing the value of the subject property in 3-months' time, when we hope to obtain a stronger opinion on market conditions.**

We have also considered the supply and demand characteristics for the subject property asset class at the date of valuation. To do this we have had extensive discussions with real estate agents and market participants to consider the rental and capital markets for the subject property in the current environment.

Where necessary we have attempted to reflect the circumstances as they may affect the subject property in our valuation herein. Should our basis of assessment of the impact of the current circumstances for the subject property prove to be incorrect, we reserve the right to reconsider our findings herein.

### 3 Site Details

#### 3.1 Location

**Physical Location:**

The property is located to the western side of Durham Street midway between its intersections with Spring Street and Elizabeth Street within the central city of Tauranga.

The main business area of Tauranga lies from the southern side of Spring Street through to the northern side of Elizabeth Street and encompasses the western side of Devonport Road and the eastern side of Grey Street.

A short distance to the west is Cameron Road and Takitimu Drive both providing key access routes to the north and south, with the latter connecting to the Harbour Bridge to the north and Mount Maunganui thereafter.

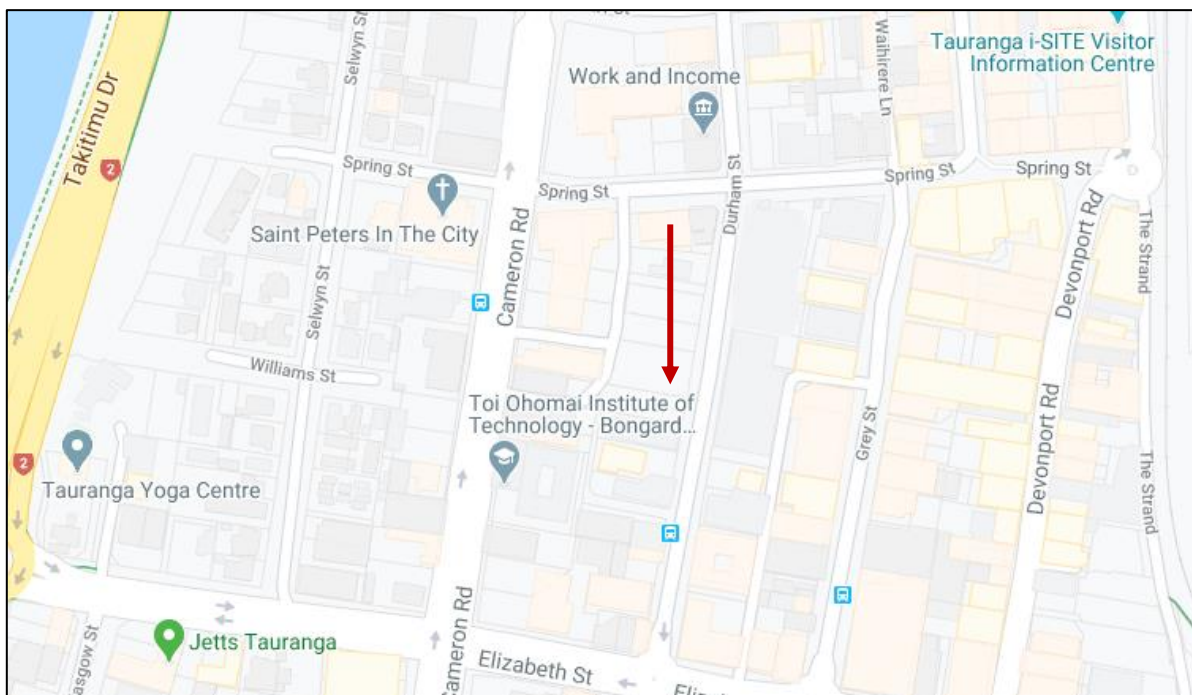
**Surrounding Locality:**

The surrounding locality comprises the recently completed University building located adjacent to the northern boundary of the subject along with the Trust Power building located to the east. The main commercial area of Tauranga is positioned to the east and south together with fringe office and retail accommodation to the north, and a combination of car yards, off street parking and fringe office accommodation to the west.

The Tauranga City Council has recently completed a revitalisation of Durham Street between its intersections with Elizabeth Street and Spring Street by creating a pedestrian friendly street upgrade featuring paving, seating, garden beds and rain gardens.

Overall, the property is slightly outside the main retail areas, however the dynamics of the immediate locality is changing as a direct result of the Trust Power, University buildings and revitalisation of Durham Street. In our opinion the property is well positioned for the future.

The following map indicates the position of the subject property:



### 3.2 Land Description

SITES & SERVICES	
Shape:	Near rectangular
Topography:	The land naturally rises up on a moderate to steep slope from Durham Street. However, the build site has been retained to provide a level site with Durham Street. The rear of the site remains raised at its original level.
Site Area:	806 m <sup>2</sup>
Street Frontage:	16.75 metres (approximately)
Site Depth:	48.88 metres (approximately)
Access:	Vehicle access is available off Durham Street and via a rear service lane
Services:	All typical services appear connected

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



### 3.3 Site Contamination

We note as per our online enquiry with Tauranga MAPI, the subject site is not registered as a HAIL (Hazardous Activities and Industries List) site. We are not environmental experts, nor do we know the extent of contamination (if any). Our valuation therefore assumes that the site is free from elevated levels of contamination and we have therefore made no allowance in our valuation for site remediation.

### 3.4 Legal Details

Title details are summarised as follows;

TITLE IDENTIFIER	LEGAL DESCRIPTION	LAND AREA
SA50B/853	Part Lot 5 Deposited Plan 14360	806 m <sup>2</sup>
Registered Owners:	PMG Direct Office Fund Trustees Limited	
Registered Interests:	Undischarged Mortgage 10634265.12 to ASB Bank Limited	

Appended are copies of the Record of Titles searches.

### 3.5 Planning

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

PLANNING	
Local Authority:	Tauranga City Council
Zoning:	City Centre zone under the Tauranga City Plan
Zone Description:	<p>The purpose of the City Centre Zone is to maintain and enhance the role and function of the city centre as the principal retail, commercial, civic, entertainment and cultural centre of the city in the Western Bay of Plenty sub region.</p> <p>The zone provisions enable a wide range of land use activities to establish within base environmental standards. The Plan provisions will guide major change in land use and development of both private and public sites, support the development and use of public spaces and pedestrian amenities, and assist its ability to and within the city centre of the public and private transport.</p> <p>The scale and former buildings and facilities in the city centre will reflect its premier place in the commercial network of the city and sub region.</p> <p>Activities permitted in the commercial zone include retail and offices, business activities, community facilities, schools and visitor accommodation.</p> <p>Building heights vary within the zone with a range of 12 metres through to 49 metres.</p> <p>The subject property is situated within an area where building heights are permitted to 49 metres above the Moturiki Datum.</p>
Heritage Notations:	None known however unlikely

The plan overleaf shows the zoning of the property in relation to adjoining sites.



### 3.6 Rating Valuations

The latest rating valuations for the subject property as at 1 July 2018 are as follows:

ADDRESS	LAND VALUE	IMPROVEMENTS VALUE	CAPITAL VALUE	RATES (incl. GST)
127 Durham Street	\$1,470,000	\$1,010,000	\$2,480,000	\$13,689.62

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

## 4 Improvements

### 4.1 Property Description

#### General Description:

A two-level office building dating from the 1980's providing office accommodation and some open onsite carparks located along the northern elevation and at the rear of the site. Minor refurbishment works to the building have been completed by the landlord.

An aerial image of the property is shown below;



#### Construction:

COMPONENT	CONSTRUCTION MATERIAL
Foundation	Concrete
Floor	Reinforced concrete slab to both levels
Structure	Concrete columns and beams
External Walls	Walls of concrete tilt slab and timber framing clad externally with painted plaster over fibrolite and some brick
Joinery	Aluminium
Roofing	Long run galvanised steel
Internal Wall Linings	Plasterboard partitioning
Internal Ceiling Linings	Predominately suspended ceiling tiles with some timber features

**Accommodation:**

It is important to note, and we refer to Section 2.0, due to the COVID-19 pandemic and the associated lockdown, we were unable to inspect the subject property. However, we confirm we previously inspected the property internally and externally on the 5 February 2019. We have been advised, minor refurbishment works have been completed by the landlord that includes exterior paint, paint and carpet tiles to entrance foyer and stairwell and repainting the roof. All other changes to the property, mainly a considerable internal fitout, is owned and installed by the tenant. Therefore, the below accommodation description is based on our inspection on the 5 February 2019.

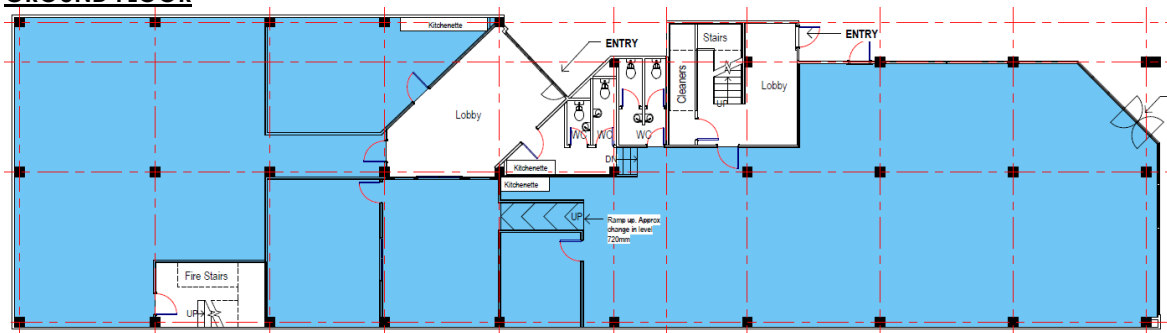
The ground floor contains a retail shop at the street frontage that is currently being utilised as open plan office accommodation, with three interconnected storage tenancies behind. The main pedestrian access to the building is on the northern side, adjacent to which are the ablutions which service all of the ground floor.

Stairs at the main entry access the first floor which originally was split into three office tenancies with varying amounts of partitioning. Each tenancy is serviced by a central ablutions block and an adjacent corridor gives access to the rear yard car parking. There are also stairs at the rear of the building.

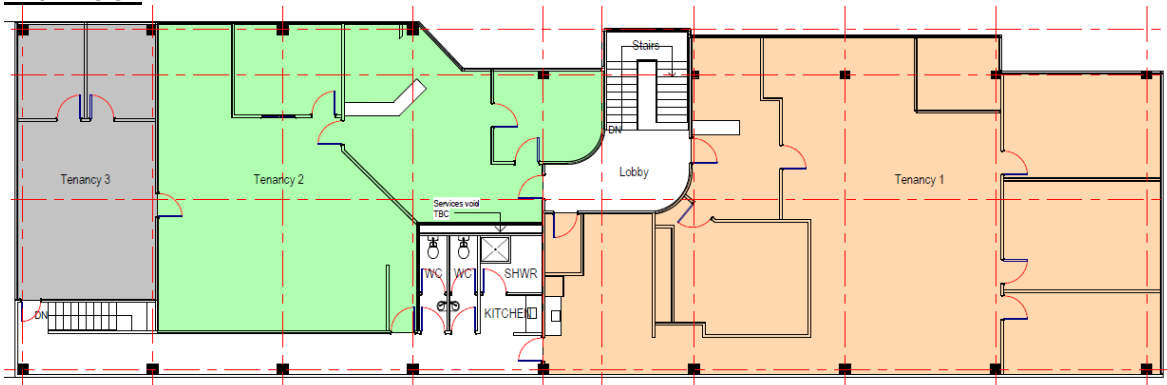
The current tenant occupies the entire space and the premises is offered on a bare shell basis. We have been advised the tenant has installed a considerable internal fitout to provide institutional laboratories. This valuation proceeds on the basis that the internal fitout is owned by the tenant and forms no part of this valuation.

Floors plans of both levels are shown below.

**GROUND FLOOR**



**FIRST FLOOR**



**Yard Improvements:**

These are confined to the northern and rear yards which are sealed in mainly hot mix bitumen and concrete. On the western boundary is timber retaining walls.



The carpark at the rear provides for five (5) parks, including one disabled. Four (4) additional carparks are located along the pedestrian walkway that runs along the northern boundary. We note two of these carparks are stacked.

#### Condition and Features:

Upon our inspection on 5 February 2019, the building presented in average overall decorative condition having regard to its age and use and our inspection did not detect any significant maintenance requirements. We draw attention to the recent refurbishment work that included exterior cladding and roof paint.

#### 4.2 Asbestos

We have been provided with an Asbestos Management Survey prepared by Precise Consulting & Laboratory Limited dated 12 March 2018 for the subject property. The report states the building has Asbestos presumed present in some of the construction materials but is sealed and in good condition and is therefore considered a low risk level. At this stage we do not consider this to have a material impact on the subjects' market value. That said, should the condition of the property deteriorate this will start to impact on the marketability of the property.

#### 4.3 Floor Areas

We have been provided with the approximate net lettable areas for the property, as well as floor plans and have taken some check measurements onsite. The provided areas appear to align with our check measurements and appear to be in accordance with PCNZ/PINZ Guidelines for Measurement of Rentable Areas and our valuation proceeds on this basis.

We have summarised the net lettable areas by tenancy below:

TENANCY	NET LETTABLE AREA
Ground Floor	516.0 m <sup>2</sup>
First Floor Front Tenancy	272.0 m <sup>2</sup>
First Floor Middle Tenancy	161.0 m <sup>2</sup>
First Floor Rear Tenancy	54.0 m <sup>2</sup>
<b>Total Net Lettable Area:</b>	<b>1,003.00 m<sup>2</sup></b>

4.4 Photographs - 5 February 2019



Street Frontage



Ground Floor Showroom/Office



Ground Floor Staffroom



Ground Floor Rear Storage



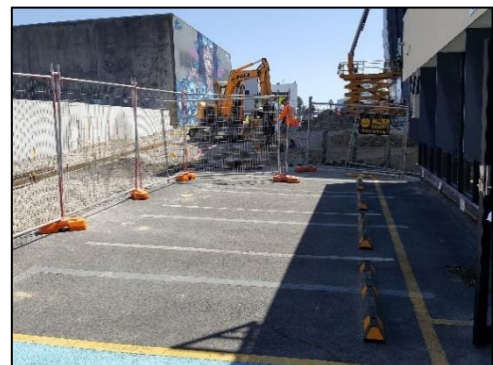
First Floor Accommodation



First Floor Accommodation



First Floor Accommodation



Rear Carpark

#### 4.5 Building Act 2004

**Earthquake Comment:**

We have been provided with an Initial Evaluation Procedure (IEP) prepared by Arnold & Johnstone Limited dated 14 November 2012 for the subject property. The report states the building has a seismic capacity of 131% of the New Building Standards (NBS) and has an earthquake prone category of Grade A+. Our valuation proceeds on this basis.

**Building Act Compliance Schedule:**

The Building Act 2004 introduced changes to the compliance schedule and building warrant of fitness regime. The compliance schedule lists the building's specified systems and the inspection, maintenance and reporting procedures needed to keep them in good order.

We confirm the property has a current Building Warrant of Fitness that expires 28 May 2020.

## 5 Occupancy Details

### 5.1 Lease Summary

We have been provided with a signed copy of the Agreement to Lease document with the critical terms and conditions summarised below:

UNIVERSITY OF WAIKATO	
Premises	All of the building at 127 Durham Street, Tauranga
Carparks	Eight (8)
Commencement Date	31 March 2019
Lease Term	Ten (10) years
Rights of Renewal	Nil
Final Expiry	Five (10) years from the commencement date
Initial Contract Rental	Accommodation: \$208,105 Carpark Rental: \$12,480 Total Contract Rent: \$220,585 p.a. plus GST (if any)  The contract rent will increase to \$224,747 p.a. plus GST (if any) as at 1 April 2020.
Rent Reviews	The office accommodation has a fixed annual increase of 2.0% with the carparks reviewed to market annually.
Ratchet Clause	Hard ratchet
Outgoing Contribution	Net basis: Estimated \$58,406
Business Use	Provision of educational services and offices
Landlord Works	<ul style="list-style-type: none"> <li>- Refurbishment of the entry and associated stairwell and landing on Level 1 – repaint (black white) walls and replace carpet tiles as a minimum.</li> <li>- Refurbishment of the exterior cladding panels of the building (as a minimum a repaint of the textured Hardie panels).</li> <li>- A repaint of the orange roof in black white or similar colour.</li> </ul>

### 5.2 Lease Expiry Analysis

As at the date of valuation, the property had a remaining lease term of 9.0 years providing medium term lease security.

### 5.3 Operating Expenses

We have been provided with an operating expense budget for the subject property. These outgoings have been compared against comparable properties and the available market benchmarks.

For valuation purposes we have adopted the operating expense budget of \$58.0 per sqm as per the Agreement to Lease.

## 5.4 Contract Rental Analysis

We note as per our assumption under Section 2.0, we have allowed for the 1 April 2020 fixed 2% increase and have adopted the net contract rent of \$224,747 per annum plus GST and outgoings. PRP's analysis of the net contract rents is summarised in the table below:

<b>COMPONENT</b>	<b>NLA (SQM)</b>	<b>NET CONTRACT RENT \$PSM/PW</b>	<b>\$PA</b>
<b><u>University of Waikato</u></b>			
Ground Floor Showroom	252.0	\$230.01	\$57,963
Ground Floor Mid	136.0	\$195.00	\$26,520
Ground Floor Store	128.0	\$140.00	\$17,920
First Floor Front	272.0	\$230.01	\$62,564
First Floor Mid	161.0	\$220.00	\$35,420
First Floor Rear	54.0	\$220.00	\$11,880
<b>Total</b>	<b>1,003.0</b>	<b>\$211.63</b>	<b>\$212,267</b>
<b><u>University of Waikato - Carparks</u></b>			
Open Carparks	6	\$30.00	\$9,360
Stacked Carparks	2	\$30.00	\$3,120
<b>Total</b>	<b>0.0</b>	<b>\$30.00</b>	<b>\$12,480</b>
<b>OVERALL TOTAL</b>	<b>1,003</b>	<b>\$224.07</b>	<b>\$224,747</b>

## 6 Market Commentary

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In light of the recent COVID-19 virus pandemic, the Monetary Policy Committee has decided to reduce the OCR by 0.75% to an unprecedented rate of 0.25%. This is an unscheduled reaction to the negative economic implications of the COVID-19 virus which continue to rise. New Zealand is entering uncharted territory off the back of strong economic activity through the tail end of 2019. It is too early to tell what implications, if any, the COVID-19 virus will have on the property market, but early indications are the longer disruptions continue the more significant impact it will have.

The RBNZ has indicated that the OCR will remain at 0.25% for at least the next 12 months and has encouraged banks to continue lending by delaying the implementation of new bank capital requirements by 12 months suggesting a low interest rate environment for some time yet.

Further government stimulus has been introduced to help soften the effect Covid-19 is expected to have on the economy. Large fiscal spending packages are expected to counter the economic slump while the Reserve Bank has started a quantitative easing program in the form of a \$30 billion asset purchase as global and domestic recession looks imminent.

Uncertainty plays a large part in the investor's decision-making process. The current economic climate is without lack of certainty. New Zealand is currently at alert level 4 of a 4-level alert system, putting the nation into lockdown. This has created a level of uncertainty unseen in the commercial property sector as both tenants and landlords face cashflow and liquidity constraints. Whilst this will undoubtedly have a play on effect, the duration and depth are yet unknown.

Prior to Covid-19, demand for commercial/industrial property throughout the wider Tauranga area had been strong. With prime properties secured by long-term leases generally reflecting a yield range of 4.50% - 5.75%. Less secure, but still considered well located property, tended to sell in a yield range of 5.75% - 6.50%.

However, now given the current uncertainty/reservations presently shown in the wider economy as a result of Covid-19, we believe a negative adjustment on property values post Covid-19 is highly likely. We believe the level of this adjustment will very much driven by the perceived quality and stability of the tenant. The likes of government tenants considered to be secure and some smaller local businesses lying at the other end of the spectrum.

In summary, the market perception is currently changing on a day to day basis as more fiscal policy is continuing to be announced. It remains to early to know how big the impact Covid-19 will have on property values. But the tenant security, location and building quality will now play an even bigger part in any investment making decisions.

## 7 Rental Evidence and Market Rental Assessment

### 7.1 Rental Evidence

We have considered a range of office rental evidence. Those considered of relevance have been summarised in the table below. This evidence, unless otherwise stated, has been analysed on a net basis;

ADDRESS	TENANT	COMPONENT	AREA (SQM)	RENTAL RATE	DATE	ANNUAL RENTAL
11 St John Street Tauranga	Guild and Spence Electrical	Ground Floor Office & Amenity	67.1	\$195.00	Jan-20	\$49,400 Rent Review
		First Floor Office & Amenity	100.6	\$185.00		
		Workroom/Storeroom	60.9	\$120.00		
		Car Parks	8	\$25.00		
Suite 4, 30 Willow Street Tauranga	Tauranga Moana Restorative Justice Trust	Ground Floor Offices Car Park - Covered	110.0 1	\$251.00 \$45.00	Dec-19	\$30,000 New Lease
Confidential Tauranga	Confidential (Gross Rent Shown)	First Floor Office	997.0	\$272.50	Oct-19	\$307,050 Rent Review
		Car Parks - Open	13	\$35.00		
		Car Parks - Basement	5	\$45.00		
17, 89 Grey Street Tauranga	Lowthers Tauranga	First Floor Offices Car Park - Open	76.6 1	\$190.00 \$35.00	Jun-19	\$16,289 New Lease
Confidential Tauranga	Confidential	Second Floor Office	274.0	\$250.00	Mar-19	\$68,575 New Lease (Net Effective Shown)
	Confidential	Second Floor Office	314.0	\$230.00	Apr-18	
143 Durham Street Tauranga	Property Managers Group	Suite 4 - Office	285.0	\$280.00	Feb-19	\$91,500 New Lease
		Share of Common Area	25.2	\$185.00		
		Open Carparks	4	\$35.00		
	Vision Consulting NZ Limited	Suite 6 - Office	252.9	\$185.00	Mar-18	\$54,579 New Lease
		Open Carparks	5	\$30.00		
	BOP College of Homeopathy Limited	Suite 10 - Office	72.8	\$204.86	Dec-18	\$26,405 Renewal
74 Grey Street Tauranga		First Floor Offices	135.9	\$190.00	Jan-19	\$25,821 New Lease
26 Wharf St Tauranga	Heritage New Zealand	First Floor Offices	185	\$200.00	Dec-18	\$37,000
116 Cameron Road Tauranga	Maven Bay of Plenty	Ground Floor Office	307.8	\$247.60	Dec-18	\$88,692 New Lease (Net Effective Shown)
		Basement Car Parks	6	\$40.00		
Confidential Tauranga	Confidential (Gross Lease)	Level 3 Offices	448.4	\$280.00	Nov-18	\$192,500 Rent Review
		Level 7 Offices	212.9	\$295.00		
		Car Parks	2	\$40.00		
205/45 Grey Street Tauranga	Agribusiness Partners NZ	Office	50.0	\$180.00	Oct-18	\$9,000 New Lease
6 Wharf Street Tauranga	Annan & Co	Office	230.3	\$180.00	Oct-18	\$47,800
		Portion of Common Area	35.4	\$180.00		
1 Devonport Road Tauranga	Tonkin & Taylor	First Floor Office	675.0	\$224.07	Aug-18	\$172,050 New Lease (Net Effective Shown)
		Car Parks	10	\$40.00		
Confidential Tauranga	Confidential	First Floor Office Covered Car Parks	137.3 3	\$163.15 \$20.00	Apr-18	\$25,520 Renewal
Confidential Tauranga	Confidential	First Floor Office Covered Car Parks	172.7 2	\$150.09 \$20.00	Apr-18	\$28,000 Renewal

ADDRESS	TENANT	COMPONENT	AREA (SQM)	RENTAL RATE	DATE	ANNUAL RENTAL
143 Durham Street Tauranga	Vision Consulting NZ	Suite 6 - Office	252.9	\$185.00	Mar-18	\$53,019
		Car Parks - Open	4	\$30.00	New Lease	
	Stellaris PTE	Suite 5 - Office	261.3	\$185.00	May-17	\$75,912
		Suite 5 - Outdoor Area	105.0	\$75.00	New Lease	
		Suite 7 - Office	81.1	\$185.00		
Car Parks - Open	3	\$30.00				
142 Durham Street Tauranga	Waikato University	Ground Floor Office	638.0	\$171.74	Feb-18	\$133,750
		Car Parks - Basement	6	\$42.50	New Lease to Sitting Tenant	
		Car Parks - Open	6	\$35.00		

As can be seen the above evidence typically reflects a rate range on a net basis of \$171.74 - \$280.0 per sqm with exceptions. We note the lower end typically represents larger floor plates or more dated accommodation similar to the subject. Conversely, the upper end, typically relates to refurbished accommodation with new build accommodation reflecting rates above \$300.0 per sqm.

Importantly, we note the leasing evidence that has occurred in both 142 and 143 Durham Street, a short distance south of the subject. Both of these properties provide superior carpark provisions with slightly superior accommodation, more so 143 Durham Street. Overall, we consider these to be the most comparable.

Suite 6, 143 Durham Street provides a new lease located within the neighbouring property. This tenancy has slightly superior interior accommodation. However, we are of the opinion the subject ground floor tenancy provides superior profile and accessibility. Overall, we consider this tenancy to be inferior but provide good comparable evidence.

We note Suite 4, 143 Durham Street has a rental rate of \$280.0 per sqm. This rate reflects the high-level landlord owned fitout.

With regards to carparking, the above evidence suggests open car parks in the Tauranga CBD typically achieve at a range of \$30.0 - \$35.0 per car park per week. We are of the opinion the current rate of \$30.0 per week per car park, to be within market tolerances, albeit towards the lower end of the range. We are also of the opinion, a typical landlord would not review the car park rates to market on a per annum basis, especially given the fixed rental increase over the office component. We therefore, have adopted the \$30.0 per week as being at market.

Furthermore, under a normal lease covenant typical of this type of property, we would consider the contract rent for the office tenancy to be above market tolerances. That said, we point out the long lease covenant of 10 years to a strong A-grade tenant that has invested considerable capital outlay into the property, as well as the rent review mechanism of a fixed 2% increase per annum and are therefore of the opinion the market would acknowledge the overrented position but would still place full weighting on the long lease covenant and guaranteed rental growth. Therefore, we have adopted the contract rent as being at market.



## 7.2 Market Rental Conclusions

After due considerations of the attributes of the subject property and market evidence as detailed, we assess the total market rental in comparison to the contract rental as follows:

COMPONENT	NLA	NET CONTRACT RENT		NET MARKET RENT		RENT VARIANCE	DIFF %
	(SQM)	\$PSM/PW	\$PA	\$PSM/PW	\$PA		
<b>University of Waikato</b>							
Ground Floor Showroom	252.0	\$230.01	\$57,963	\$230.01	\$57,963	\$0	0%
Ground Floor Mid	136.0	\$195.00	\$26,520	\$195.00	\$26,520	\$0	0%
Ground Floor Store	128.0	\$140.00	\$17,920	\$140.00	\$17,920	\$0	0%
First Floor Front	272.0	\$230.01	\$62,564	\$230.01	\$62,564	\$0	0%
First Floor Mid	161.0	\$220.00	\$35,420	\$220.00	\$35,420	\$0	0%
First Floor Rear	54.0	\$220.00	\$11,880	\$220.00	\$11,880	\$0	0%
<b>Total</b>	<b>1,003.0</b>	<b>\$211.63</b>	<b>\$212,267</b>	<b>\$211.63</b>	<b>\$212,267</b>	<b>\$0</b>	<b>0%</b>
<b>University of Waikato - Carparks</b>							
Open Carparks	6	\$30.00	\$9,360	\$30.00	\$9,360	\$0	0%
Stacked Carparks	2	\$30.00	\$3,120	\$30.00	\$3,120	\$0	0%
<b>Total</b>	<b>0.0</b>	<b>\$30.00</b>	<b>\$12,480</b>	<b>\$30.00</b>	<b>\$12,480</b>	<b>\$0</b>	<b>0%</b>
<b>OVERALL TOTAL</b>	<b>1,003</b>	<b>\$224.07</b>	<b>\$224,747</b>	<b>\$224.07</b>	<b>\$224,747</b>	<b>\$0</b>	<b>0.0%</b>

As previously mentioned, we have adopted the contract rent as being at market.

## 8 Sales Evidence

### 8.1 Investment Sales Evidence

In order to assess the market value of the subject property, we have considered a range of sales within Tauranga. We have summarised the sales of the most relevance below:

PROPERTY	SALE DATE	SALE PRICE	INITIAL YIELD	EQUIVALENT YIELD	MARKET YIELD	IRR	FLOOR AREA (SQM)	RATE PER SQM FLOOR AREA	WALT
23 Hynds Road Greerton	Feb-20	\$2,280,000	4.41%	5.27%	5.36%	5.75%	755	\$3,020	1.5
Cnr Kennedy Road & Flack Street Pyes Pa	Nov-19	\$4,585,000	5.10%	5.10%	5.10%	6.00%	537	\$8,538	18.0
25 Park Street Tauranga	Oct-19	\$8,400,000	5.00%	5.00%	5.00%	5.57%	999	\$8,405	6.4
110 Devonport Road Tauranga	Oct-19	\$3,900,000	3.87%	5.80%	5.88%	5.50%	867	\$4,498	1.9
53 The Strand Tauranga	Oct-19	\$1,605,000	4.70%	4.70%	4.70%	5.75%	134	\$11,978	8.4
201 Taurikura Drive Tauriko	Sep-19	\$9,503,000	4.98%	4.98%	4.98%	6.25%	4,442	\$2,139	10.0
106-108 Devonport Road Tauranga	Aug-19	\$1,700,000	6.35%	6.35%	6.35%	6.40%	415	\$4,096	2.8
127 Second Avenue Tauranga	Aug-19	\$2,200,000	5.57%	5.39%	5.36%	6.00%	472	\$4,661	5.1
74 Paerangi Place Tauriko	Jun-19	\$3,080,000	4.45%	4.45%	4.45%	5.64%	780	\$3,949	7.5
49-51 The Strand Tauranga	Feb-19	\$6,995,000	5.03%	5.06%	5.08%	6.125%	918	\$7,620	7.2
1 Coast Boulevard Papamoa	Jan-19	\$2,638,914	5.25%	5.70%	5.85%	6.71%	415	\$6,359	14.8

As can be seen the evidence reflects an initial yield range 3.87% - 6.35%, and a market yield range of 4.45% - 6.35%. The lower end of the yield range, say sub 6.00%, typically pertains to prime properties that are well located, secured by a strong single tenant on a medium to long lease term at or around market in rental value and with fixed rental growth. These types of properties are prime assets and more often attractive in both strong and weak market conditions.

The upper end of the yield range tends to reflect either higher value quantum properties or more dated sales or properties that are either secured by a long term tenant but located in a slightly less desirable area/position, or are well located but with inferior lease security. We provide further detail on the most relevant sales overleaf.

It is worth noting, the above properties all sold prior to Covid-19 market conditions. Given the current uncertainty/reservations presently shown in the wider economy as a result of Covid-19, we believe a negative adjustment post Covid-19 is currently appropriate. The level of this adjustment is very much driven by the perceived quality and stability of the tenant. In this case, we are of the opinion the tenant is considered to be of a good quality and secure, therefore the any adjustment is at the lower end of the scale.

**CNR KENNEDY ROAD & FLACK STREET, PYES PA** **NOVEMBER 2019** **\$4,585,000**

Initial Yield:	5.10%
Equivalent Yield:	5.10%
Market Yield:	5.10%
IRR:	6.00%
Floor Area:	537m <sup>2</sup>
\$/SQM of Floor Area:	\$8,538
WALT:	18.0 yrs



A modern purpose built childcare centre located on a 2,060m<sup>2</sup> residential corner site in Pyes Pa. The property has been specifically designed to maximise the space for child learning and comprises a high quality modern fit-out. The property has resource consent for 90 children.

The property is leased to a national tenant with a weighted average lease term remaining of 18.0 years providing long term lease security. The lease is struck on a net basis and provides a total annual income of \$234,000 per annum plus GST and outgoings which equates to \$2,600 per child. Rent reviews comprise annual CPI increases with the exception of every fourth year being a market review. As this property sold as an off-market transaction at the commencement of the lease, the two month rent free period has been allowed for as part of this assessment.

**Comparison:** This property is underpinned by long lease security to a strong national tenant with longer lease term security to that of the subject. That said, the review terms are inferior. Overall, prior to the impact of Covid-19, we consider this sale to set slightly inferior yield parameters.

**53 THE STRAND, TAURANGA** **OCTOBER 2019** **\$1,605,000**

Initial Yield:	4.70%
Equivalent Yield:	4.70%
Market Yield:	4.70%
IRR:	5.75%
\$/SQM of Floor Area:	\$11,978
WALT:	8.4 yrs



This property is located to the north-western corner of The Strand and Hamilton Street intersection. The building was originally constructed in the 1950s and today comprises a modern two-level restaurant tenancy occupying both levels with an attractive outlook to the inner harbour.

The property sold fully leased with a weighted average remaining lease term of 8.4 years after both the landlord and tenant agreed to an early renewal for an additional six (6) years in August 2019. The lease is struck on a net basis with a current contract rental of \$75,500 p.a. plus GST and outgoings. Rent is reviewed to market two-yearly from the commencement date.

**Comparison:** This property sold with long lease security to a long-standing tenant. The improvements are inferior, however, the property is of an affordable price bracket and the location is superior. Overall, prior to the impact of Covid-19, we consider this property to set superior yield parameters.

**110 DEVONPORT ROAD, TAURANGA** **OCTOBER 2019** **\$3,900,000**

Initial Yield:	3.87%
Equivalent Yield:	5.80%
Market Yield:	5.88%
IRR:	5.50%
\$/SQM of Floor Area:	\$4,498
WALT:	1.9 yrs



The property comprises a single storey commercial building originally constructed in the early 1980s and provides retail accommodation configured between five tenancies with shared loading bay, toilet amenities and storage. The site is served by a rear laneway from Elizabeth Street. Four of the tenancies have frontage to Devonport Road with the corner tenancy having frontage to Elizabeth Street.

Four of the five individual tenancies are currently occupied. The overall weighted average remaining lease term is 1.9 years, taking into account the vacant tenancy. The leases are typically struck on a net basis, with the exception of Tenancy 1 being on a part gross basis, however we note the tenant is liable for the majority of the costs associated with this tenancy. The total net annual rental income is \$151,100 per annum plus GST and outgoings. All rents are reviewed to market at two yearly intervals.

**Comparison:** This property provides inferior lease security across multiple retail tenants and the improvements are inferior. Overall, prior to the impact of Covid-19, we consider this to set inferior yield parameters.

**201 TAURIKURA DRIVE, TAURIKO** **SEPTEMBER 2019** **\$9,503,000**

Initial Yield:	4.98%
Equivalent Yield:	4.98%
Market Yield:	4.98%
IRR:	6.25%
\$/SQM of Floor Area:	\$2,139
WALT:	10.0 yrs



This property comprises a workshop to the eastern boundary, adjoining warehouse to the southern boundary, office block and an administration office with a decorative façade fronting Taurikura Drive. The warehouse and workshop accommodation are of an irregular but functional shape and surrounds a sealed car park area.

The property sold as a sale and leaseback scenario with a new 10 year lease in place providing long term lease security. The net passing income is \$473,545 per annum plus GST and outgoings with rent reviews annually at 2% and a capped market review of up to 10% in 2024 and uncapped thereafter at renewal dates.

**Comparison:** This property sold with long lease security in place and comparable fixed rent review terms. This asset is of an industrial nature, which tends to attract sharper yields than commercial buildings, however, in this case it is offset by a higher price quantum. Therefore, pre Covid-19, we consider it to set similar yield parameters.

**74 PAERANGI PLACE, TAURIKO** **JUNE 2019** **\$3,080,000**


Initial Yield:	4.45%
Equivalent Yield:	4.45%
Market Yield:	4.45%
IRR:	5.64%
\$/SQM of Floor Area:	\$3,949
WALT:	7.5 yrs



This property was constructed in 2016 and comprises a 1,767 m<sup>2</sup> parcel of industrial land with a specialised food grade industrial building. These improvements comprise quality ground and first floor accommodation, warehouse/manufacturing facilities and secure yard.

The property sold fully leased with a weighted average lease term of 7.5 years remaining providing long term lease security and a net passing income of \$137,000 per annum plus GST and outgoings. Reviews are every 2 years to market. This property sold as a sale and leaseback scenario.

**Comparison:** This is a modern industrial property underpinned by long lease security and considered to be at an affordable price point. We consider this property would achieve a premium compared with the subject and therefore set superior yield parameters.

1 COAST BOULEVARD, PAPAMOA		JANUARY 2019	\$2,638,914
Initial Yield:	5.25%		
Equivalent Yield:	5.70%		
Market Yield:	5.85%		
IRR:	6.71%		
Floor Area:	415m <sup>2</sup>		
\$/SQM of Floor Area:	\$6,359/m <sup>2</sup>		
WALT:	14.8 yrs		
<p>This property is newly completed purpose built medium to large restaurant/bar with kitchen area, ablutions, outdoor courtyard area and onsite car parking. The property is well located on the corner of Papamoa Beach Road and Coast Boulevard on commercially zoned land.</p> <p>The property sold with a new lease in place for 15 years providing long term lease security. The lease is struck on a net basis with a current contract rent of \$138,543 per annum plus GST and outgoings. Rent reviews are two yearly CPI + 1% together with six yearly market reviews.</p>			
<b>Comparison:</b>	<p>This property sold with long lease security in place as well as fixed rental growth, albeit inferior terms. The property is specialised to the hospitality industry and we consider this property to set inferior yield parameters.</p>		

## 8.2 Sales Evidence Conclusions

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

- Central Business District location
- City Centre zoning
- New University Campus on neighbouring title, being a likely buyer
- A rental premium currently being achieved
- Seismic rating of 131% of NBS
- The tenant has invested considerable outlay into the property fitout suggesting long term occupation
- Fixed rental increase of 2.0% per annum
- New 10-year lease offering long term lease security
- Affordable price bracket
- Covid-19 uncertainty

With regards to the above-mentioned sales evidence, we are of the opinion under pre Covid-19 market conditions, an appropriate capitalisation rate would be at or around 5.00%. However, given the level of uncertainty in the market, we have adopted a discounted position.

In conclusion, we are of the opinion the following investment parameters are appropriate for the subject property.

- Market Capitalisation Rate Range: 5.25% - 5.75%
- Terminal Yield: 5.25% - 5.75%
- Discount Rate: 6.00% - 6.50%

## 9 Valuation Approach

### 9.1 Introduction

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

We consider that these two approaches provide the most reliable indication as to the market value for the subject property. Each approach is considered below;

### 9.2 Capitalisation Approach

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

Overall, we consider the appropriate capitalisation rate for the subject property to lie in the range of 5.25% - 5.75%, accordingly we have adopted a midpoint of 5.50%. We have made further adjustments for the \$100,000 refurbishment provision detailed under Section 2.0.

We have also included the present value of a rental and operating expenses abatement based on discussions with the landlord of 50% of the rental income for the month of April. Refer to Section 2.0.

The following refers:

<b>CAPITALISATION APPROACH</b>	<b>MARKET RENT (\$PA)</b>	<b>CONTRACT RENT (\$PA)</b>
<b>INCOME</b>		
Total Net Rent From Occupied Tenancies	\$224,747	\$224,747
<b>FULLY LEASED NET INCOME</b>	<b>\$224,747</b>	<b>\$224,747</b>
Capitalisation Rate	5.50%	5.50%
<b>CAPITALISED VALUE</b>	<b>\$4,086,309</b>	<b>\$4,086,309</b>
<b>CAPITAL ADJUSTMENTS</b>		
Refurbishment Provisions	-\$100,000	-\$100,000
Rental Discount During Alert Level 4	-\$11,798	-\$11,798
<b>TOTAL CAPITAL ADJUSTMENTS</b>	<b>-\$111,798</b>	<b>-\$111,798</b>
	\$3,974,511	\$3,974,511
<b>ADOPTED MARKET VALUE</b>	<b>\$3,975,000</b>	<b>\$3,975,000</b>



### 9.3 Discounted Cashflow Approach

The discounted cashflow analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property. It involves the projection of a series of periodic cash flows over an assumed investment horizon. To this projected cash flow series, an appropriate market-derived discount rate is applied to establish an indication of the present value of the income stream. The series of periodic incomes, along with an estimate of the reversion/terminal value, anticipated at the end of the investment horizon is then discounted.

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

We have undertaken our Discounted Cashflow Analysis based on the following parameters;

- A 10 year investment horizon;
- Average rental growth over the 10 year period at 1.50% per annum;
- Annual capital expenditure of 1.5% of gross income;
- General allowance of \$50/sqm of floor area for Lessor make good works for vacating tenants;
- Future refurbishment allowance of \$100,000 in Year 1 and \$100/sqm of floor area to occur in Year 9;
- A rental abatement for the month of April given the Alert Level 4 circumstances;
- A discount rate of 6.25% based on our analysis of recent sales and having consideration towards the characteristics and risk profile of the property;
- A terminal yield of 5.50%;

Provided overleaf is our Discounted Cashflow analysis:

VALUATION PERIOD	1	2	3	4	5	6	7	8	9	10	11
YEAR ENDING	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27	Mar-28	Mar-29	Mar-30	Mar-31
<b>CASHFLOW FORECASTS</b>											
Annual Base Rent	\$224,747	\$228,992	\$233,699	\$238,309	\$243,010	\$247,804	\$252,692	\$257,678	\$257,886	\$258,097	\$264,310
<b>NET INCOME</b>	<b>\$224,747</b>	<b>\$228,992</b>	<b>\$233,699</b>	<b>\$238,309</b>	<b>\$243,010</b>	<b>\$247,804</b>	<b>\$252,692</b>	<b>\$257,678</b>	<b>\$257,886</b>	<b>\$258,097</b>	<b>\$264,310</b>
<b>CAPITAL ADJUSTMENTS</b>											
Loss Of Rent During Vacancies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$128,487	\$0	\$0
OPEX During Vacancies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$29,203	\$0	\$0
Leasing Commissions	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$42,829	\$0	\$0
Rental Discount During Alert Level 4	\$11,798										
Capital Expenditure (% Income)	\$3,371	\$3,435	\$3,505	\$3,575	\$3,645	\$3,717	\$3,790	\$3,865	\$3,868	\$3,871	\$3,965
Lessors Works/Make Good	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$50,150	\$0	\$0
Future Refurbishment Allowance	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$100,300	\$0	\$0
<b>TOTAL CAPITAL ADJUSTMENTS</b>	<b>\$115,169</b>	<b>\$3,435</b>	<b>\$3,505</b>	<b>\$3,575</b>	<b>\$3,645</b>	<b>\$3,717</b>	<b>\$3,790</b>	<b>\$3,865</b>	<b>\$354,837</b>	<b>\$3,871</b>	<b>\$3,965</b>
									Terminal Yield	5.50%	\$4,801,672
									Commission	2.00%	-\$96,033
									Legal		-\$6,002
<b>NET CASHFLOW</b>	<b>\$109,578</b>	<b>\$225,557</b>	<b>\$230,194</b>	<b>\$234,734</b>	<b>\$239,365</b>	<b>\$244,087</b>	<b>\$248,902</b>	<b>\$253,813</b>	<b>-\$96,951</b>	<b>\$254,226</b>	<b>\$4,699,636</b>

<b>CAPITAL ADJUSTMENTS</b>		
Vacancy & Bad Debts Allowance		0.0%
Capital Expenditure (% of Gross Income)		1.5%
Lessors Works/Make Good Allowance	\$50 /sqm	
Future Building Refurbishment Allowance	Year 1	\$100 /sqm
	Year 9	\$100 /sqm

<b>SENSITIVITY ANALYSIS</b>				
<b>Discount Rate</b>	<b>Terminal Yield</b>			
		5.25%	5.50%	5.75%
	6.00%	\$4,250,000	\$4,100,000	\$4,000,000
	<b>6.25%</b>	\$4,150,000	<b>\$4,025,000</b>	\$3,925,000
6.50%	\$4,075,000	\$3,950,000	\$3,850,000	

## 10 Valuation Summary

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Having regard to the above approaches and the available market evidence, we have reconciled the property's current market value as at 31<sup>st</sup> March 2020 to be:

<b>VALUATION SUMMARY</b>		
Capitalisation Approach	Adopted Value:	\$3,975,000
	Capitalisation Rate:	5.50%
Discounted Cashflow Approach	Adopted Value:	\$4,025,000
	Discount Rate:	6.25%
	Terminal Yield:	5.50%
<b>ADOPTED MARKET VALUE</b>		<b>\$4,000,000</b>

The above valuation is plus GST (if any).

Furthermore, the above valuation is an increase over our last assessment dated 31 March 2019 of \$725,000. This is largely because of the extended lease security in place as well as new information of the capital outlay the tenant has invested in the property. These internal factors improve the assets security considerably. We would have expected this increase to have been significantly more, had it not been due to the market uncertainty as a result of Covid-19 as previously discussed. As the impact of Covid-19 continues to evolve, we strongly recommend re-assessing the assets value in 3-months' time when more market evidence should be available to help determine the true market impact of this pandemic.

## 11 Previous Sale and Contract For Sale

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According to Property Guru, the property was purchased in December 2014 for \$2,100,000 and then transferred in a non-market transaction in September 2016 for \$2,340,000.

## 12 Mortgage Recommendation

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We confirm that we believe this property provides suitable security for the advancement of mortgage funds.

Our valuation and mortgage recommendation does not in any way purport to confirm the ability of a mortgagor to meet the financial commitments associated with any such mortgage.

## 13 Terms and Conditions

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### Explanation

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

### Definitions

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

Client shall mean **PMG Direct Office Fund Trustees Limited**

'Confidential information' means information that:

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

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

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

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

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

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

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

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

"Valuation" shall include a Valuation, Valuation services, or feasibility study, made or given in relation to any real or personal property, freehold or leasehold property, asset, liability or

item or items of plant and machinery, proposed development, infrastructure, carbon, water or native title property right, business, fixtures, fittings or other property;

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

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

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

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

### Your Obligations

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

11. You agree that We reserve the right to reconsider or amend the Valuation, Valuation Services, Services or consultancy advice, or the Fee set out in Our Quotation to You, if we identify information or facts that were not provided to Us in the at the time of quoting that reveal that the task is much greater than we initially anticipated from the information you provided. In such circumstances, once We have identified additional issues that necessitate additional work, we will advise you of the additional fees for additional time required to complete the task.
12. You agree that neither the whole nor any part of Our Valuation or the substance of any of Our Valuation Services or Services may be communicated to any third party (whether by way of inclusion in a document, circular, statement, prospectus, Product Disclosure Statement (PDS), public offer document or otherwise) without first obtaining the written consent of one of Our Directors. Neither the whole nor any part of Our valuation report or Valuation Services report or any reference to it may be included in any published document, circular or statement, prospectus, Product Disclosure Statement (PDS), public offer document, nor published in any way, without written approval by one of Our Directors as to the form and context in which our Valuation or Valuation Services may appear. Notwithstanding the foregoing, the Client agrees that in the event that it does communicate to a third party the whole or any part of this Valuation or the Valuation Services it shall also communicate to that third party these Terms and Conditions. Furthermore You agree to indemnify Us in the event of any failure so to do;
13. You agree that every right, immunity, exemption and limitation or liability in these terms and conditions shall continue to have its full force and effect in all circumstances notwithstanding any breach of contract or the Terms and Conditions hereof by Us or any person entitled to the benefit of these Terms and Conditions;
14. You agree that if any provision or any part of a provision hereof is unenforceable for any reason whatsoever, such unenforceability shall not affect any other part of such provision or any other provision of these Terms and Conditions;

#### Intellectual Property

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

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

16. We are providing You with our professional opinion as valuers. Our opinion is usually provided by way of a valuation report. That report will set out a number of important qualifications, assumptions and conditions precedent which We may need to make, in addition to these Terms and Conditions, relative to the circumstances of the particular property or properties (real or personal property) under consideration.
17. You agree to read these qualifications, assumptions and conditions precedent carefully, and understand that if the assumptions that we have made or relied on are circumstances that do not prevail or eventuate, or are found later to be inaccurate, Our opinion as to value may be materially different. You agree to solely bear the risk in relation to any loss you might suffer, should this occur.
18. The qualifications, assumptions, and conditions precedent that We make will usually depend on the circumstances of the property being valued and are made in relation to matters that We do not have expertise to verify or We cannot verify information provided to Us within the time required to complete the valuation. These will be set out in detail in the Valuation, Valuation Service report or Services report that We provide to You.

19. These qualifications, assumptions and conditions precedent typically will relate to:-
- (a) Land contamination and environmental risk;
  - (b) Town Planning Information;
  - (c) Town Planning and Development Controls and Consents;
  - (d) Title including Notifications on Title such as Easements, Caveats, Restrictions and other dealings;
  - (e) Building Areas;
  - (f) Building Structural Integrity;
  - (g) Building compliance with the New Zealand Building Code;
  - (h) Pest Infestation;
  - (i) Leases, Licences and Tenancies;
  - (j) Plant and Equipment within Buildings;
  - (k) The veracity of and sources of Sales and Letting Information and Transaction
  - (l) The nature of forecasting, future value assessment and discounted cash flow analysis;
  - (m) The basis of Value where access to the property is restricted; and
  - (n) Whether or not the property has been completed where a development.
20. You agree that we will include property specific qualifications, assumptions and conditions precedent within Our reports as circumstances require. Furthermore You agree that it is Your responsibility to carefully read and consider these qualifications, assumptions and conditions precedent and discuss them with Us if they cause You any concern.
21. Our valuation has been prepared at a time when the COVID-19 (Coronavirus disease) is having a profound and unprecedented impact on global economies, stock markets and capital markets. The World Health Organisation has now declared COVID-19 a pandemic.

Because of the lag in real estate market transactions there has not yet been a body of sales or leasing transaction evidence that reflects the prospect of worsening economic and or real estate market conditions.

Early signs are that certain industries are being affected more so than others at this time. Governments around the world, whom have all but exhausted the prospect on monetary policy stimulus given the already low interest rate environment, are rapidly developing fiscal stimulus strategies to avert a prolonged recessionary environment and unpin economic activity.

In preparing our valuation we have considered sales and leasing transaction evidence that occurred recently and possibly prior to the onset of the current circumstances. We have also, where possible, considered transactions that have occurred since the circumstances of the Coronavirus were known to real estate market participants (buyers and sellers, lessors and lessees).

We have also considered the supply and demand characteristics for the subject property asset class at the date of valuation. To do this we have had extensive discussions with real estate agents and market participants to consider the rental and capital markets for the subject property in the current environment.

Where necessary we have attempted to reflect the circumstances as they may affect the subject property in our valuation herein. Should our basis of assessment of the impact of the current circumstances for the subject property prove to be incorrect, we reserve the right to reconsider our findings herein.

### Executive Summary

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

## Appendix A Record of Title Search



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



  
 R.W. Muir  
 Registrar-General  
 of Land

**Identifier** SA50B/853  
**Land Registration District** South Auckland  
**Date Issued** 22 April 1992

**Prior References**  
SA621/170

---

**Estate** Fee Simple  
**Area** 806 square metres more or less  
**Legal Description** Part Lot 5 Deposited Plan 14360

**Registered Owners**  
 PMG Direct Office Fund Trustees Limited

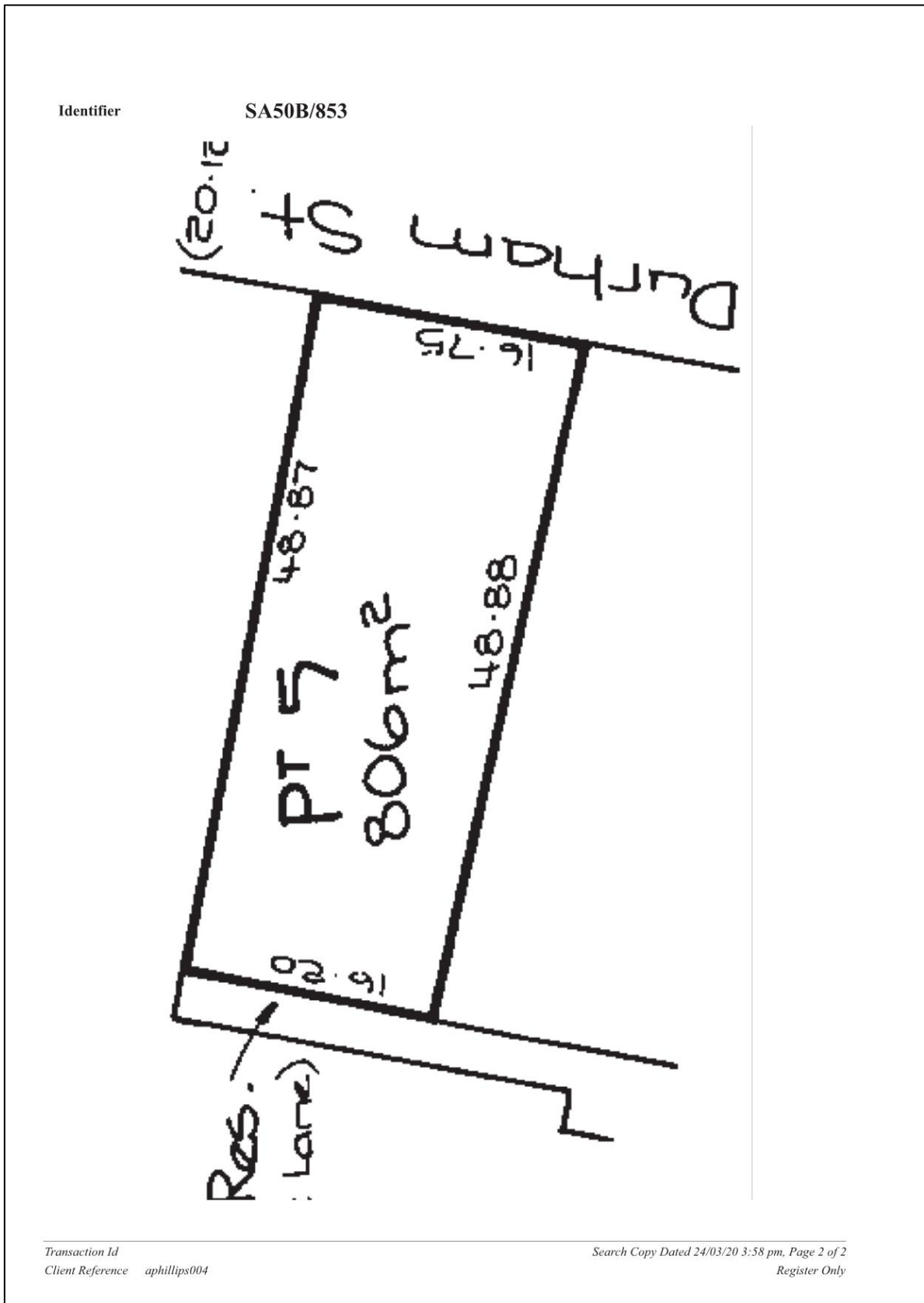
**Interests**

10634265.12 Mortgage to ASB Bank Limited - 14.12.2016 at 4:05 pm

*Transaction Id*  
*Client Reference* aphillips004

*Search Copy Dated 24/03/20 3:58 pm, Page 1 of 2*  
*Register Only*





## Appendix B Historical Record of Title Search



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



R.W. Muir  
Registrar-General  
of Land

Constituted as a Record of Title pursuant to Sections 7 and 12 of the Land Transfer Act 2017 - 12 November 2018

**Identifier** SA50B/853  
**Land Registration District** South Auckland  
**Date Issued** 22 April 1992

**Prior References**

SA621/170

**Estate** Fee Simple  
**Area** 806 square metres more or less  
**Legal Description** Part Lot 5 Deposited Plan 14360

**Original Registered Owners**

Lloyd James Christie, Kathleen Christie and JK Hamilton Trustee Services Limited

**Interests**

B246312.2 Mortgage to ANZ Banking Group (New Zealand) Limited - 16.12.1994 at 11.39 am  
9933045.2 Discharge of Mortgage B246312.2 - 19.12.2014 at 5:13 pm  
9933045.3 Transfer to PML Nominees (Durham Investment Group) Limited - 19.12.2014 at 5:13 pm  
9933045.4 Mortgage to Bank of New Zealand - 19.12.2014 at 5:13 pm  
10634265.4 Discharge of Mortgage 9933045.4 - 14.12.2016 at 4:05 pm  
10634265.8 Transfer to PMG Direct Office Fund Trustees Limited - 14.12.2016 at 4:05 pm  
10634265.12 Mortgage to ASB Bank Limited - 14.12.2016 at 4:05 pm

*Transaction Id*  
*Client Reference* aphillips004

*Historical Search Copy Dated 24/03/20 4:00 pm, Page 1 of 3*

Identifier SA50B/853

References  
Prior C/T 621/170  
Transfer No.  
N/C. Order No. B.077293.4



REGISTER Land and Deeds 69

No. 50B / 853

CERTIFICATE OF TITLE UNDER LAND TRANSFER ACT

This Certificate dated the 22nd day of April one thousand nine hundred and ninety two under the seal of the District Land Registrar of the Land Registration District of SOUTH AUCKLAND

WITNESSETH that LLOYD JAMES CHRISTIE of Tauranga farmer

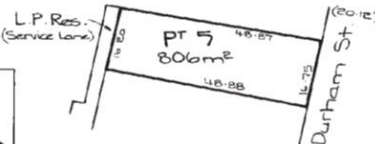
is seized of an estate in fee-simple (subject to such reservations, restrictions, encumbrances, liens, and interests as are notified by memorial underwritten or endorsed hereon) in the land hereinafter described, delineated with bold black lines on the plan hereon, be the several admeasurements a little more or less, that is to say: All that parcel of land containing 806 SQUARE METRES more or less situated in Block X Tauranga Survey District being part Lot 5 on Deposited Plan 14360

B.060023.3 Mortgage to BNZ Finance Limited - 23.12.1991 at 1.50% o/c

B24632.1 A.L.R.  
B.246312.2 Mortgage to ANZ Banking Group (New Zealand) Limited - 16.12.1994 at 11.39 o/c

B606390.1 Transfer to Lloyd James Christie, Kathleen Christie and JK Hamilton Trustee Services Limited - 11.5.2000 at 12.05

ASSISTANT LAND REGISTRAR



Measurements are Metric

No. 50B / 853

Transaction Id  
Client Reference aphillips004

Historical Search Copy Dated 24/03/20 4:00 pm, Page 2 of 3

Identifier **SA50B/853**

**CERTIFICATE OF TITLE** No. /

Transaction Id  
Client Reference *aphillips004*

Historical Search Copy Dated 24/03/20 4:00 pm, Page 3 of 3

## Appendix C Earthquake Prone Building Assessment (Summary Pages)


**ARNOLD & JOHNSTONE LTD**  
**CONSULTING CIVIL & STRUCTURAL ENGINEERS**

R G Arnold BE, MIPENZ(Structural), CPEng, IntPE  
 P A Johnstone BE(Hons), MIPENZ(Structural), CPEng, IntPE

18 CAMERON ROAD  
 TAURANGA  
 P.O BOX 933  
 BUS. (07) 578-0921  
 FAX. (07) 578-0924  
 EMAIL. admin@ajeng.co.nz

14 November 2012

Our Ref: 11557

Christie Family Trust  
 201 Ngatai Road  
 Otumoetai 3110

Attention: Lloyd Christie

*127 Durham Street Tauranga*  
*Earthquake Prone Building Assessment*  
*By **Initial Evaluation Procedure***

## INTRODUCTION

The Tauranga City Council has a policy to review the earthquake prone buildings within the city. To date we understand the council has not carried out the evaluation for the above building, but we have been instructed by yourselves to carry out an independent evaluation in advance of council's review.

An earthquake prone building is a building that cannot withstand the lateral shaking from a moderate earthquake.

The NZ Building Act states for the purpose of Section 122 of the Act, **moderate earthquake** means an earthquake that would generate shaking at the site of the building that is one-third as strong as the earthquake shaking that would be used to design a new building at the site. If the building is proved to be capable of withstanding a moderate earthquake, then it does not need to be strengthened, conversely if the building is not capable of withstanding a moderate earthquake then it must be strengthened.

We have undertaken an independent assessment of the building, using the Guidelines in the Handbook of the N.Z. Society of Earthquake Engineering (June 2006) which is used by all councils to do their assessments.

The assessment has involved:

- Site visit and external walk-over visual site assessment.
- Review of the original drawings, calculation and specification plus council records as per the council's property file disc.

#### **TYPE OF CONSTRUCTION**

The building was constructed in 1985.

The building is two storey.

The two storey structure is built with reinforced concrete columns and beams, two and one storey reinforced concrete walls, the roof is supported on steel purlin on steel portals.

The first floor is a suspended concrete slab.

A cantilevered verandah structure extends over Durham Street.

A concrete slab on ground forms the ground floor.

The building is supported on concrete foundation pads and beams.

#### **SEISMIC CONSIDERATIONS**

The aspects of this building that support our assessment are;

The building has 2 storey shear walls for the full length of the southern side of the building, one storey shear walls along the western side of the building and for part of the northern side of the building. There are transverse concrete frames supporting the first floor and transverse steel portals supporting the roof.

- The roof bracing transfer the longitudinal seismic loads to the southern shear wall.
- Steel portals resist the transverse seismic loads.
- The southern and northern ground floor shear walls resist the longitudinal seismic loads.
- The ground floor concrete frames resist the transverse seismic loads.

#### **SUMMARY**

Using the Guidelines in the Handbook of the N.Z. Society of Earthquake Engineering (2006) we have assessed the building as having 131 percent of the seismic capacity of the current Building Code standards. In our opinion the building has an earthquake prone category of Grade A+, i.e. greater than 100% of the new building standard (NBS). This is above the minimum requirement of the Building Act and in our opinion the building could withstand a moderate earthquake in terms of Section 122 of the Building Act.

Appendix D Asbestos Management Survey (Summary Pages)

## Sample Analysis Results



**PRECISE**

CONSULTING & LABORATORY

Certificate Number: B1803191028  
 Report Date: 20 Mar 2018  
 Site Location: 127 Durham Street, Tauranga 3110

**Note 1:** The reporting limit for this analysis is 0.1g/kg (0.01%) by application of polarised light microscopy, dispersion staining and trace analysis techniques.

**Note 2:** If mineral fibres of unknown type are detected (UMF), by PLM and dispersion staining, these may or may not be asbestos fibres. To confirm the identity of this fibre, another independent analytical technique such as XRD analysis is advised.

**Note 3:** The samples in this report are "As Received". The laboratory does not take responsibility for the sampling procedure or accuracy of sample location description. This document may not be reproduced except in full.

Identified by:

Reviewed by:

Approved Identifier: Alice Knowles

Key Technical Person: Alice Knowles

Sample ID	Client Sample ID	Sample Location/Description/Dimensions	Analysis Results
S01	1	Column boxing Fibre cement sheet L1 - Paint L2 - Cement Sheet 40 x 30 x 3 mm	No Asbestos Detected Organic Fibres Synthetic Mineral Fibres
S02	2	Fascia Fibre cement sheet L1 - Paint L2 - Fibre Cement Sheet 50 x 15 x 5 mm	No Asbestos Detected Organic Fibres
S03	3	External Cladding Fibre cement sheet L1 - Paint L2 - Fibre Cement Sheet 10 x 10 x 2 mm	No Asbestos Detected Organic Fibres
S04	4	External Cladding Fibre cement sheet L1 - Paint L2 - Cement 50 x 40 x 5 mm	No Asbestos Detected Organic Fibres
S05	5	Fascia Fibre cement sheet L1 - Paint L2 - Cement Sheet 25 x 15 x 5 mm	No Asbestos Detected Organic Fibres

Issue Date: Jun 2017 | Version 10  
 Precise Consulting & Laboratory Limited  
 Level 2, 10 Hutt Road, Petone, Lower Hutt Wellington 5012  
 P: 04 974 8356 W: [www.preciseconsulting.co.nz](http://www.preciseconsulting.co.nz)

B1803191028 - 2 of 3



## Sample Analysis Results

Certificate Number: B1803191028  
 Report Date: 20 Mar 2018  
 Site Location: 127 Durham Street, Tauranga 3110



**PRECISE**  
 CONSULTING & LABORATORY

Sample ID	Client Sample ID	Sample Location/Description/Dimensions	Analysis Results
S06	6	Plasterboard Compressed sheet L1 - Plaster 30 x 30 x 15 mm	No Asbestos Detected Synthetic Mineral Fibres
S07	7	Floor Vinyl sheeting L1 - Vinyl 22 x 12 x 2 mm	No Asbestos Detected No Fibres Detected

Issue Date: Jun 2017 | Version 10  
 Precise Consulting & Laboratory Limited  
 Level 2, 10 Hutt Road, Petone, Lower Hutt Wellington 5012  
 P: 04 974 8356 W: [www.preciseconsulting.co.nz](http://www.preciseconsulting.co.nz)

B1803191028 - 3 of 3  
 All tests reported herein have been performed in accordance with the laboratory's scope of accreditation



Appendix E Cashflow Of Tenancies Over Investment Period

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			1	2	3	4	5	6	7	8	9	10	11		
No. 1	NEXT REVIEW DATE	REVIEW FREQ.	1-Apr-20	1-Apr-21	1-Apr-22	1-Apr-23	1-Apr-24	1-Apr-25	1-Apr-26	1-Apr-27	1-Apr-28	1-Apr-29	1-Apr-30		
			31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31		
University of Waikato															
FLOOR AREA	1,003 sqms	Status	CRT	CRT	CRT	CRT	CRT	CRT	CRT	CRT	EXP	NEW	NEW		
EXPIRY OF CURRENT TERM	30-Mar-29	Market													
RENEWAL PROBABILITY	50%										MKT		MKT		
EXPIRY AFTER 1 RENEWAL TERM	30-Mar-29										\$242,704		\$250,040		
TYPES OF RENT REVIEWS			CPI												
LAST RENT REVIEW DATE	Greater Of	3. FIXED													
CURRENT NET CONTRACT RENT	\$212,267	Fixed		FIXED	FIXED	FIXED	FIXED	FIXED	FIXED	FIXED	FIXED				
NET MARKET RENT	\$212,267	Fixed Increase 2.0%		\$216,512	\$220,842	\$225,259	\$229,764	\$234,359	\$239,046	\$243,827					
		Year End Rent Before Rental Caps	\$212,267	\$216,512	\$220,842	\$225,259	\$229,764	\$234,359	\$239,046	\$243,827	\$243,827	\$243,827	\$250,040		
		Adopted Year End Rent	\$212,267	\$216,512	\$220,842	\$225,259	\$229,764	\$234,359	\$239,046	\$243,827	\$243,827	\$243,827	\$250,040		
RATCHET CLAUSE	Yes	Annual Cashflow	0 days	365 days	\$212,267	\$216,512	\$220,842	\$225,259	\$229,764	\$234,359	\$239,046	\$243,827	\$250,040		
GREATER OF/LESSER OF	Greater Of	Incentives		0 mths	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
		Commissions		2 mths	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$40,451	\$0		
TERM OF NEW LEASE	6.00 years	Loss of Rent During Vacancies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$121,352	\$0		
VACANCY PERIOD	6 mths	OPEX During Vacancies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$29,203	\$0		
		General Landlord Make Good		\$50 /sqm	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$50,150	\$0		
CAPITALISED REVERSION	\$0	Running Year End Market Rent	\$215,451	\$218,683	\$221,963	\$225,292	\$228,672	\$232,102	\$235,583	\$239,117	\$242,704	\$246,345	\$250,040		
NPV OF OVER/UNDER RENT	\$0	Annual Rent Shortfall	-\$3,184	-\$2,171	-\$1,121	-\$33	\$1,092	\$2,257	\$3,463	\$4,710	\$0	\$0	\$0		
No. 2			NEXT REVIEW DATE	REVIEW FREQ.	1-Apr-20	1-Apr-21	1-Apr-22	1-Apr-23	1-Apr-24	1-Apr-25	1-Apr-26	1-Apr-27	1-Apr-28	1-Apr-29	1-Apr-30
University of Waikato - Carparks					31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
FLOOR AREA	sqms	Status			CRT	CRT	CRT	CRT	CRT	CRT	CRT	CRT	EXP	NEW	NEW
EXPIRY OF CURRENT TERM	30-Mar-29	Market				MKT	MKT	MKT	MKT	MKT	MKT	MKT	MKT		MKT
RENEWAL PROBABILITY	50%					\$12,857	\$13,050	\$13,246	\$13,445	\$13,646	\$13,851	\$14,059	\$14,270		\$14,701
EXPIRY AFTER 1 RENEWAL TERM	30-Mar-29														
TYPES OF RENT REVIEWS			CPI												
LAST RENT REVIEW DATE	Greater Of	1. MKT													
CURRENT NET CONTRACT RENT	\$12,480	Fixed													
NET MARKET RENT	\$12,480	Year End Rent Before Rental Caps	\$12,480	\$12,857	\$13,050	\$13,246	\$13,445	\$13,646	\$13,851	\$14,059	\$14,270	\$14,270	\$14,701		
		Adopted Year End Rent	\$12,480	\$12,857	\$13,050	\$13,246	\$13,445	\$13,646	\$13,851	\$14,059	\$14,270	\$14,270	\$14,701		
RATCHET CLAUSE	Yes	Annual Cashflow	365 days	0 days	\$12,480	\$12,480	\$12,857	\$13,050	\$13,246	\$13,445	\$13,646	\$13,851	\$14,059	\$14,270	\$14,270
GREATER OF/LESSER OF	Greater Of	Incentives		0 mths	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
		Commissions		2 mths	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,378	\$0	\$0
TERM OF NEW LEASE	6.00 years	Loss of Rent During Vacancies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,135	\$0	\$0
VACANCY PERIOD	6 mths	OPEX During Vacancies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
		General Landlord Make Good		\$50 /sqm	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CAPITALISED REVERSION	\$0	Running Year End Market Rent	\$12,667	\$12,857	\$13,050	\$13,246	\$13,445	\$13,646	\$13,851	\$14,059	\$14,270	\$14,270	\$14,484	\$14,701	
NPV OF OVER/UNDER RENT	\$0	Annual Rent Shortfall	-\$187	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0