



Report prepared for PMG Direct Office Fund Trustees Limited for  
inclusion within a Product Disclosure Statement

Retail & Office Building

2 Robert Street, Ellerslie, Auckland

14 May 2020

# *Valuation Report*



# Executive Summary

## Retail & Office Building - 2 Robert Street, Ellerslie, Auckland



The subject property comprises a two-storey 2,483 sqm commercial building situated on a 2,949 sqm corner site, benefiting from dual street frontage, within Ellerslie, Auckland. The building incorporates both office and retail tenants and was constructed in the mid 1970's. We understand the building underwent significant refurbishment work and change of use in the mid 1990's with further works in 2006 and 2012. The building has associated undercroft car parking to the rear of the building, with open car parking above.

At the date of valuation, the property was fully occupied by multiple tenants including Animates, Team Talk, and Westferry Property Services, returning a net rental of \$840,388 per annum plus GST, with a remaining WALT of 5.48 years (based on income).

The response to the Novel Coronavirus (COVID-19) has been unprecedented, with New Zealand restricting all but essential businesses and services from 25 March 2020, and with international jurisdictions following similar steps. The initial restrictions are starting to be relaxed, however the economic impact of the restrictions is likely to have long standing impacts, notwithstanding a significant Government backed stimulus package.

Our valuation is therefore reported on the basis of material valuation uncertainty in accordance with PINZ Standards Board Member Alert – Valuation Uncertainty and IVSC letter 'Dealing with valuation uncertainty at times of market unrest'. Consequently, less certainty and a higher degree of caution should be attached to our valuation than would normally be the case. Our opinion of value has been determined based on our experience within this market, our current understanding of the property and our expectation of reasonably foreseeable events as at the valuation date, however note this could change in a short period

## Valuation

Prepared for	PMG Direct Office Fund Trustees Limited
Valuation Purpose	Market Valuation for inclusion within a Product Disclosure Statement
Date of Valuation	14 May 2020
Date of Report	18 May 2020
Valuation Approaches	Capitalisation of Net Income and Discounted Cashflow Approaches
Zoning	Town Centre – Auckland Unitary Plan (Operative in part, 15 November 2016)
Tenure	Fee Simple – Record of Title 762874
Site Area	2,949 sqm
Lettable Area	2,483 sqm
Adopted Value	\$12,400,000 plus GST, if any Twelve Million Four Hundred Thousand Dollars plus GST, if any

## Valuation Analysis

Initial Yield	6.78%	Rate / sqm of Lettable Area	\$4,993
Equivalent Yield	6.45%	Weighted Average Lease Term	5.48 years by income
Internal Rate of Return (10 years)	6.72%	Current Occupancy	100.00%

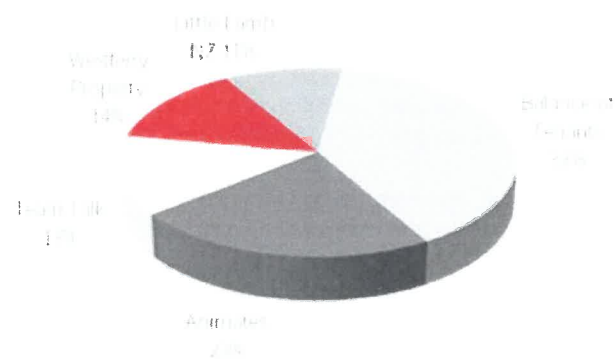
## Tenancy Overview

Animates	\$185,644	886 sqm
Team Talk	\$110,745	356 sqm
Westferry Property	\$111,035	325 sqm
Balance	\$411,645	916 sqm
Total – Before Adjustments	\$819,069	2,483 sqm

## Cap Approach Assumptions

Adopted Cap Rate	6.250%
Allowance for Capex/Expiries	24 months
Market Income Capitalisation	\$12,800,000
Passing Income Capitalisation	\$12,800,000

## Major Occupiers



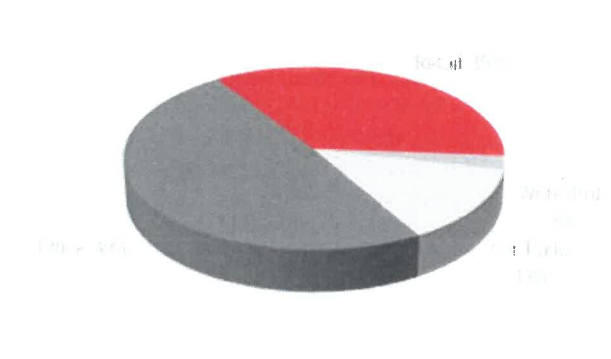
## Financial Summary

Gross Passing Income	\$1,037,133
Gross Market Income	\$1,011,499
Adopted Outgoings	\$178,636
Net Passing Income	\$840,388
Net Market Income	\$832,863

## DCF Approach Assumptions

Discount Rate	7.250%
Terminal Yield	6.500%
Average Applied Rental Growth	1.99%
Value Based on DCF Approach	\$11,900,000

## Building Components



## Valuers

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*This is a summary only. It must not be relied on for any purpose. Jones Lang LaSalle's valuation of this asset is subject to assumptions, conditions and limitations as set out in the full text of this Valuation Report.*

## Critical Assumptions, Conditions & Limitations

- The valuation is current as at the date of valuation only, being 14 May 2020. 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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# 1 Introduction

## 1.1 Instructions

We refer to instructions requesting that we undertake a market valuation of the freehold interest of 2 Robert Street, Ellerslie, Auckland (the Subject/Property), as at 14 May 2020 for and on behalf of PMG Direct Office Fund Trustees Limited. We understand that the valuation is to be relied upon for inclusion within a Product Disclosure Statement.

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 stated above:

- PMG Direct Office Fund Trustees Limited – for inclusion within a Product Disclosure Statement

Our report is confidential to the party or parties to which it is addressed, for the specific purpose to which it refers. No responsibility is accepted to any third parties. Neither the whole of the report or any part of it or any reference to it, may be published in any document, statement or circular or in any communication with third parties without our prior written approval of the form and context in which it will appear. Furthermore, this report can only be relied upon when the given party has received the report directly from JLL.

## 1.2 Valuation and Inspection Dates

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

Date of Valuation	14 May 2020
Date of Property Inspection	14 May 2020
Date of Preparation of Report	18 May 2020

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

## 1.3 Basis of Valuation

### Market Value

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

*“Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing 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 2020) Framework and General Standards
- ANZVTIP 11 – Valuation Procedures – Real Property
- ANVGN 8 – Valuations for use in Offer Documents

## 1.5 Information Sources

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

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

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

## 1.6 Specific Assumptions

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

- The main building at 2 Robert Street is considered an Earthquake Risk building having an assessed earthquake rating of 39% NBS. We have not been provided with any costs to seismically strengthen the building and have made our own allowance of \$1,000,000 within the cash flow to upgrade the building to at least 67%NBS.

We note we have not reviewed construction or engineering detail of the subject property, and are not experts on earthquake strengthening costs. Our allowance is based on a reasonably significant sum in context of the value quantum of the subject property to form a conservative view on the current market value of the property. We recommend further engineering advice is obtained in relation to the subject property.

- The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a 'Global Pandemic' on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation is therefore reported on the basis of material valuation uncertainty in accordance with PINZ Standards Board Member Alert – Valuation Uncertainty and IVSC letter 'Dealing with valuation uncertainty at times of market unrest'. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. We recommend interested parties re-confirm the value noted within with us prior to reliance.

We note that market transactions agreed prior to these restrictions may not necessarily reflect current market conditions, and that we have limited post restrictions evidence to consider at the date of reporting.

We note that the current form of the ADLS Lease template provides relief for tenants where there is no access to the premises in an emergency. We have reviewed the lease documentation associated with the subject property, however recommend that reliant parties confirm the particular wording of the documentation and the impact this wording (or similar) may have on security of income.

New Zealand is currently at COVID Alert Level 2. While less restrictive than Levels 3 and 4, we consider that the current circumstances contradict the definition of 'Market Value', which is predicated on the basis of willing market participants and proper marketing. We note these measures are temporary and are expected to be lifted in a short period of time. To form a pragmatic view of value, we have set aside the Level 2 status and assumed a functioning property market to align our opinion with the definition of 'Market Value'.

- With regard to specific assumptions made for the subject property in relation to Covid 19, we have modelled the following:

Tenant	Rent Relief Allowance	Comment
Burger Fuel	50% net rent free from 1 April 2020 – 31 May 2020	Agreed between landlord and tenant
Little Lamb	75% net rent free from 1 April 2020 – 31 May 2020	Agreed between landlord and tenant
Mexikelli	50% rent and opex free from 1 April 2020 – 31 May 2020	Agreed between landlord and tenant
Subway	100% net rent free from 1 April 2020 – 31 May 2020	JLL assumed allowance
9Rounds	100% net rent free from 1 April 2020 – 31 May 2020	JLL assumed allowance
Andrew Lemalu Lawyer	100% net rent free from 1 April 2020 – 13 May 2020	JLL assumed allowance
Westferry Property	100% net rent free from 1 April 2020 – 13 May 2020	JLL assumed allowance
Animates	No abatement as no clause 27.5 in lease	JLL assumed allowance
Dental Solutions	100% net rent free from 1 April 2020 – 13 May 2020	JLL assumed allowance
Team Talk	No abatement as they are an essential service	JLL assumed allowance

- We have reduced our rental growth forecasts in the first two years of cashflow.

## 2 Property Particulars

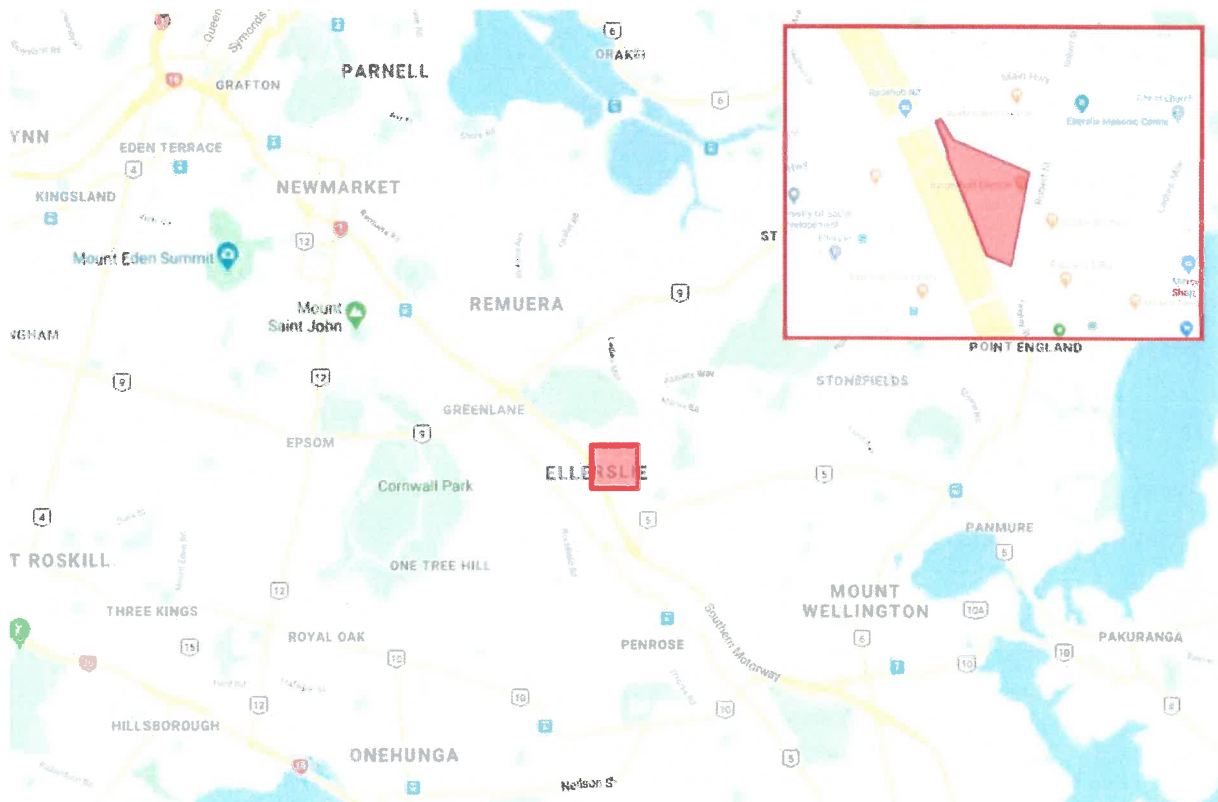
### 2.1 Location

The subject property is situated towards the southern end of Robert Street in Ellerslie, towards the north western point of Ellerslie's main retail strip on the Main Highway. The rear of the property is adjacent to State Highway 1 with the nearest onramp located on Tecoma Street, approximately 450 metres to the north-west providing southern transportation. The full motorway network can be accessed via the Ellerslie-Panmure junction approximately 1.2 kilometres south-east of the subject.

The immediate area consists of Ellerslie's main retail and commercial precinct with the Town Centre zoning providing a mix of tenants. Anchoring tenants in the locality include Danny Doolan's, Four Square, ANZ, Anytime Fitness, Hell Pizza, The Coffee Club and Columbus Coffee with the subject's tenant mix including BurgerFuel, Mexicali and Subway. The Ellerslie Train Station walkway bridge is located directly at the southern point of the property.

During the most buoyant market conditions of the mid 1980s, a large number of low rise office developments were constructed along Great South Road. There are also a number of multi-level office complexes within the Central Park Corporate Centre. Up to late 2007 a number of office buildings along Great South Road were refurbished and a number of new developments were completed, the later developments including the Millennium office buildings at 600 Great South Road. Up to this time, this area had seen significant development over the subsequent years, with increasing commercial activity intensifying the land use.

The following map identifies the approximate location of the Property:



Source: Google Maps

### 2.2 Title Particulars

Title Reference	762874
Tenure	Fee Simple
Legal Description	Lot 1 Deposited Plan 71072 and Lot 1 Deposited Plan 123210
Area	2,949 square metres
Registered Owner	PMG Direct Office Fund Trustees Limited
Registered Interest	▪ 10565057.49 Mortgage to ASB Bank Limited

Source: Land Information New Zealand

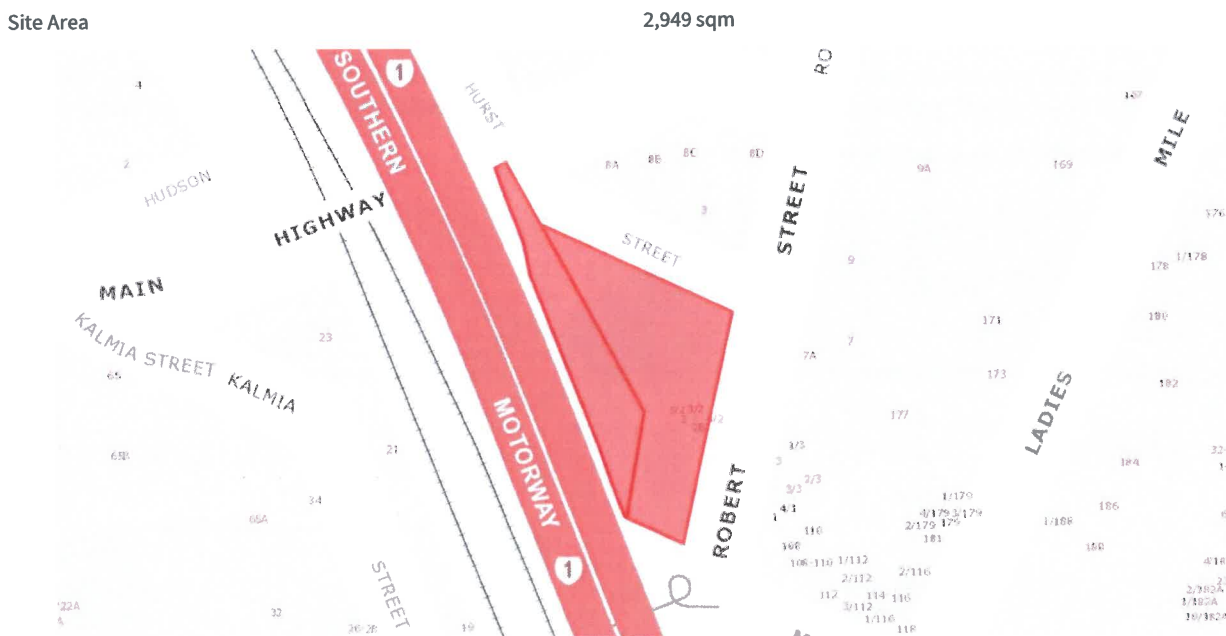
We have considered these notifications in arriving at our opinion of value. For a detailed summary of the dealings noted above, we refer you to the Record of Title appended to this report.

### 2.3 Site Details

The property is located along the western side of Robert Street providing an irregular shaped commercial holding with an area of 2,949 sqm. The site is bound by Robert Street to the east, Hurst Street to the north, with the Southern Motorway running to the western and southern boundaries of the site.

Contour is essentially level across the majority of the land. The property benefits from dual street frontage to both Robert Street and Hurst Street of approximately 66 metres and 80 metres, respectively, providing good levels of road front profile and exposure.

Vehicular access is provided via from Hurst Street to the north, with main pedestrian access into the building available from Robert Street. The improvements occupy a central position upon the site and abutting all boundaries. Balance area not occupied by the building is predominantly concrete sealed for car parking and vehicle manoeuvrability.



Source: Emap

### 2.4 Resource Management

Local Authority	Auckland Council
Planning Instrument	Auckland Unitary Plan
Operative Date	2016 – Operative in Part
Zoning	<b>Town Centre Zone</b>

The Town Centre Zone applies to suburban centres throughout Auckland, the satellite centres of Warkworth and Pukekohe, and the rural towns of Helensville and Wellsford. The centres are typically located on main arterial roads, which provide good public transport access.

The zone provides for a wide range of activities including commercial, leisure, residential, tourist, cultural, community and civic services, providing a focus for commercial activities and growth.

Most centres are identified for growth and intensification. Expansion of these centres may be appropriate depending on strategic and local environmental considerations.

- Objectives
- Moderate to high intensity residential and employment opportunities are provided for, in areas in close proximity to, or which can support the City Centre, Metropolitan and Town Centre zones and the public transport network.
  - Activities within the zone do not compromise the function, role and amenity of the city centre and business zones.
  - A mix of compatible residential and non-residential activities is encouraged.
  - Mixed Use Zone areas have a high level of amenity.

## Development Controls

The Town Centre Zone provides for town centres including new town centres of different scales and locations that service the surrounding community's needs for a range of uses, and support a range of transport modes including public transport, pedestrian and cycle networks and the ability to change transport modes. The zone enables significant growth and intensification in town centres, except for those centres where it would compromise the planning outcomes for the relevant centre.

### Building Height:

- 13m

### Building setback at upper floors:

- Opposite to residential zone: minimum setback 6m, height 18m
- All other zones: minimum setback 6m, height 27m

### Maximum tower dimension and tower separation:

- The maximum plan dimension of that part of the building above 27m must not exceed 55m.
- The part of a building above 27m must be located at least 6m from any side or rear boundary of the site.

### Residential at ground floor:

- Dwellings including units within an integrated residential development must not locate on the ground floor of a building where the dwelling or unit has frontage to public open spaces including streets.

### Yards:

- Rear: 3m where the rear boundary adjoins a residential zone or the special purpose zone
- Side: 3m where a side boundary adjoins a residential zone or the special purpose zone
- Riparian: 10m from the edge of all permanent and intermittent streams
- Lakeside yard: 30m
- Coastal protection yard: 25m

### Landscape:

- Landscape buffer of 2m in depth must be provided along the street frontage between the street and car parking, loading, or service areas which are visible from the street frontage.

### Maximum impervious area:

- Must not exceed 10 per cent of the riparian yard

### Minimum dwelling size:

- 30sqm for studio dwellings
- 45sqm for one or more bedroom dwellings

Permitted activities include, but are not limited to: dwellings, integrated residential development, supported residential care, visitor accommodation and boarding houses, commercial services, entertainment facilities, cinemas, offices, retail, care centres, healthcare centres, community and recreation facilities, education facilities, justice facilities, light manufacturing and services, repair and maintenance services, industrial laboratories, and warehousing and storage. In terms of development controls, the Town Centre zone permits the demolition of buildings, alterations to building facades that are less than 25 sqm, additions to buildings that are less than 25 per cent of the existing gross floor area or 250 sqm – whichever is the lesser, and internal alterations to buildings. Construction of new buildings and additions and alterations to buildings that are not otherwise provided for are restricted discretionary activities.

Non-complying activities include industrial activities and waste management facilities.

## Controls

- Height Variation Control – Ellerslie, 13m
- Macroinvertebrate Community Index – Urban

## Overlays

- Natural Resources: High-Use Aquifer Management Areas Overlay [rp] – Onehunga Volcanic Aquifer
- Natural Resources: Quality-Sensitive Aquifer Management Areas Overlay [rp] – Onehunga Volcanic Aquifer
- Natural Heritage: Regionally Significant Volcanic Viewshafts and Height Sensitive Areas Overlay [rcp/dp] – W26, Mount Wellington, Viewshafts
- Historic Heritage and Special Character: Special Character Areas Overlay Residential and Business – Business Ellerslie

## Designations

- Airspace Restriction Designations – ID 1102, Protection of aeronautical functions – obstacle limitation surfaces, Auckland International Airport Ltd

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

## 2.5 Rateable Value

We have been advised that the Property's Rateable Value, as at 1 July 2017, being Assessment Number 12343782002, is as follows:

Land Value	\$3,550,000
Improvements Value	\$950,000
Capital Value	\$4,500,000

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.

## 2.6 Environmental Issues

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

Our valuation has been made assuming an audit would be available which would satisfy all relevant environmental, and occupational health & safety legislation. If the Property's current 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 as a result of past and present uses.

## 2.7 Heritage

Under the Auckland Unitary Plan (Operative in part, 15 November 2016), the subject has been notified as a Historic Heritage and Special Character structure, more specifically as: 'Historic Heritage and Special Character: Special Character Areas Overlay Residential and Business – Business Ellerslie'.

The Special Character Areas Overlay – Residential and Business seeks to retain and manage the character of traditional town centres and residential neighbourhoods by enhancing existing traditional buildings, retaining intact groups of character buildings, and designing compatible new building infill and additions that do not replicate older styles and construction methods, but reinforce the predominant streetscape character.

We note that this overlay affects numerous sites within the Ellerslie Town Centre.

## 2.8 Improvements

The property comprises a two-storey 2,483 sqm commercial building incorporating both office and retail tenants. The building was constructed in the mid 1970's, and we understand it underwent significant refurbishment work and change of use in the mid 1990's with further works in 2006 and 2012. The building has associated undercroft car parking to the rear of the building, with open air car parking above which is accessed via a concrete ramp to the rear of the property.



Exterior



Open Car Parking

## 2.9 Construction

We briefly outline construction details to the building as follows:

Structure:	Reinforced concrete slabs and columns, with concrete and steel beam construction.
External Walls:	A combination of masonry block, precast concrete panels, aluminium sheeting and glass façade.
Internal Walls:	Predominantly plasterboard lining to lettable areas.
Roof:	Un sighted – Assumed reinforced concrete slab with a waterproof membrane.
Ceiling:	Predominantly acoustic tiles in a suspended grid system.
Lighting:	Predominantly recessed fluorescent lighting.
Windows and doors:	Aluminium framing and glazed windows.
Key Services:	Automatic fire systems, mechanical ventilation and air-conditioning, smoke and fire separation cells.

## 2.10 Accommodation

Office	<p>The office accommodation is located on both levels of the building, providing a combination of both open plan and partitioned space. Bathroom amenities, along with staff kitchen/lunchroom area provide amenities to each tenancy.</p> <p>Internal linings to the office space comprises predominantly plasterboard walls, carpet flooring and suspended ceilings in a grid panel system. The lighting throughout the office areas is via recessed fluorescent lighting, which is supplemented by natural light via glazing to the perimeter.</p>
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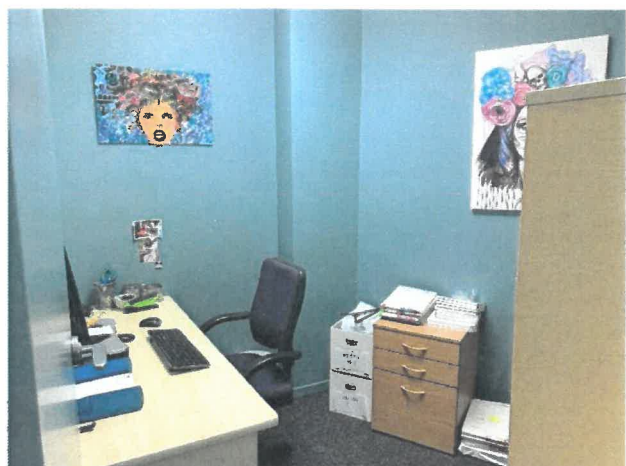
Ground Floor – Westferry Property



Level 1 – Animates



Level 1- Team Talk



Ground – Andrew Lemalu Lawyer

Retail

Six retail tenancies are located on the ground floor of the subject development, ranging in size from circa 88 sqm to 202 sqm. Most of the tenancies benefit from good levels of exposure to Robert Street.

These premises range in fitout dependent on specific tenant specification, though are all provided to a good overall standard.



Subway



9Rounds



Exterior – Robert Street frontage



Exterior – Hurst Street frontage

Warehouse

Animates has circa 251 sqm of warehouse / workshop space on the ground floor which they use for storage. The space is presented with concrete flooring, exposed ceiling with suspended fluorescent lighting and has a stud height of circa 3.3 metres to the underside of the beam.



Warehouse



Warehouse

## Car Parking

The building has associated undercroft car parking for 69 vehicles to the rear of the building, with additional open air car parking above which is accessed via a reinforced concrete ramp to the rear of the property



Covered Car Parks



Open Car Parks

## 2.11 Lettable Areas

The Property's total Lettable Area is approximately 2,483 square metres. A summary of this Lettable Area is detailed as follows:

Building Floor Area	
Accommodation/Level	Lettable Area
Ground	1,517
Level 1	966
<b>Total Lettable Area</b>	<b>2,483 square metres</b>
Car parking	
Spaces	
Covered spaces	16
Open spaces	56
<b>Total Car parking</b>	<b>72 spaces</b>

The areas noted above have been taken from survey plans prepared by Harrison Grierson provided to us by PMG. We understand that these areas have been measured in accordance with the Guide for the Measurement of Rentable Areas as published by the Property Institute and Property Council of New Zealand.

## 2.12 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 29 May 2020, and therefore assume that the property complies with the provisions of Compliance Schedule TCS/97/00099.

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 a copy of the Asbestos Management plan prepared by Precise Consulting & Laboratory dated October 2018. We recommend interested parties review a copy of this report.

## 2.13 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:

	2 Robert Street (main building)	4/2 Robert Street (rear)
Year of Building Construction	1974	1974
National Risk Zone	Low	Low
Compliance with New Building Standard	39% NBS	92% NBS
Assessment Type	IEP	IEP
Assessment Completed By	Brown & Thomson Consulting Engineers	Brown & Thomson Consulting Engineers
Assessment Date	June 2013	June 2013

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

The main building at 2 Robert Street is considered an Earthquake Risk Building having an assessed earthquake capacity between 33% and 67% NBS as defined by NZSEE building grading scheme. We have not been provided with any costs to seismically strengthen the building and have made our own allowance of \$1,000,000 within the cash flow to upgrade the building to at least 67%NBS.

We note we have not reviewed construction or engineering detail of the subject property, and are not experts on earthquake strengthening costs. Our allowance is based on a reasonably significant sum in context of the value quantum of the subject property to form a conservative view on the current market value of the property. We recommend further engineering advice is obtained in relation to the subject property.

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

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

Tenant	Net Rental	Lettable Area	Proportion of Lettable Area
Animates	\$185,644	886	35.7%
Team Talk	\$110,745	356	14.3%
Westferry Property	\$111,035	325	13.1%
Little Lamb NZ	\$88,617	202	8.1%
Balance of Tenants	\$323,028	714	28.8%
<b>Total</b>	<b>\$819,069</b>	<b>2,483 sqm</b>	<b>100%</b>

We note we are not qualified to advise you on the financial standing of the occupiers of the property. We have however formed a view on how we consider the market would approach the covenant status of the occupiers.

We note that we have reviewed the lease documentation for the tenants in the subject and these are generally provided in the ADLS sixth addition format. Clause 27.5 states that a fair proportion of rent and outgoings shall cease to be payable from the period commencing on the date when the Tenant became unable to gain access to the premises to fully conduct the Tenant's business from the premises until the inability ceases.

We have been provided with details of agreed rental abatements for some of the tenants within the subject property which we detail in section 1.6. These reflect 50% - 75% net rent free for the months for April and May, and we have modelled these agreed abatements within our cashflows. For the balance of the tenants where agreements have not yet been reached, we have modelled assumed rental abatements of 100% net rent free for the duration of the level 4 and 3 lockdown period (26 March 2020 – 13 May 2020) for office tenants and 100% net rent free for the months of April and May for retail tenants. It is possible that further abatements could be required.

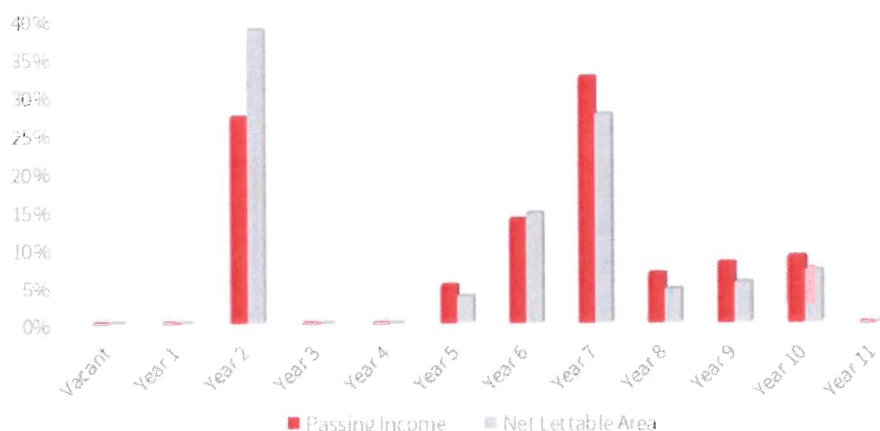
We have not included a rental abatement for Animates as their lease does not include clause 27.5 or for Team Talk as they are an essential service and continued to operate during the lockdown period.

With the ongoing reaction and impact to the Covid-19 virus, uncertain trading and credit market conditions may lead to rapid changes in covenant strength and/or sentiment.

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



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



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

Weighted Average Lease Term Remaining	Years
By Area	4.93
By Income	5.48

### 3.2 Lease Summaries

We attach lease summaries at Appendix Three.

### 3.3 Building Outgoings and Recoveries

The majority of the leases within the Property are structured on a net basis, with the tenants being responsible for payment of rates and other property expenses in addition to premises rental.

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

Adopted Property Outgoings	Per Annum	Per Sqm of Lettable Area
Statutory Charges	\$74,767	\$30.11
Operating Expenses	\$103,869	\$41.83
<b>Total Outgoings</b>	<b>\$178,636</b>	<b>\$71.94</b>

The above allowances are based on the provided budget for the year ending 31 March 2021. 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 the Property Council of New Zealand's (PCNZ) benchmarks and other similar buildings.

We consider that the adopted outgoings rate of \$71.94 per square metre of Lettable Area to be in line with market parameters.

### 3.4 Income Support Arrangements

We have been provided with details of agreed rental abatements for some of the tenants within the subject property which we detail in section 1.6. These reflect 50% - 75% net rent free for the months for April and May, and we have modelled these agreed abatements within our cashflows.

For the balance of the tenants where agreements have not yet been reached, we have modelled assumed rental abatements of 100% net rent free for the duration of the level 4 and 3 lockdown period (26 March 2020 – 13 May 2020) for office tenants and 100% net rent free for the months of April and May for retail tenants.

We have not included a rental abatement for Animates as their lease does not include clause 27.5 or for Team Talk as they are an essential service and continued to operate during the lockdown period.

Current assumed and actual rental abatements, as at the date of valuation, are summarised in the table below:

Lease Incentives and Income Support Arrangements		
Tenant	Lease Incentives	Remaining Abatement
Burger Fuel - Ground	Rent free	\$1,419
Little Lamb NZ - Ground	Rent free	\$5,539
Mexikelli - Ground	Rent free	\$2,507
Subway - Ground	Rent free	\$3,347
9Rounds - Ground	Rent free	\$5,298
Total Outstanding Abatements		\$18,109

The total amount of unexpired incentives is \$18,109, the present value of which is \$18,109.

### 3.5 Tenancy Schedule

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

Tenant Name	Premises	Lettable Area	Car Parks	Lease Start	Lease Expiry	Lease Term	Next Review	Review Frequency	Review Type	Contract Rental	Rental / sqm	Car Park pcpw	Outgoings Recovery	Recovery / sqm
Andrew Lemalu	Lawy Ground	150.8	7	Dec 2017	Nov 2026	9.0 years	Dec 2020	1 yearly	Fixed	\$62,946	\$332	\$35	\$10,848	\$72
Westferry Property	Ground	324.9	9	Apr 2019	Mar 2027	8.0 years	Apr 2021	1 yearly	Fixed	\$111,035	\$293	\$34	\$23,369	\$72
Animates	Ground	251.1	5	Jul 2015	Mar 2022	6.7 years	Mar 2021	1 yearly	CPI	\$20,101	\$50	\$29	\$18,063	\$72
Burger Fuel	Ground	90.7	1	Nov 2015	Oct 2021	6.0 years	Nov 2020	1 yearly	Fixed	\$34,051	\$375	\$32	\$6,527	\$72
Little Lamb NZ	Ground	202.2	8	Dec 2017	Nov 2026	9.0 years	Dec 2020	1 yearly	Fixed	\$88,617	\$373	\$33	\$14,542	\$72
Mexikelli	Ground	109.0	1	Aug 2019	Jul 2027	8.0 years	Aug 2020	1 yearly	Fixed	\$52,319	\$464	\$33	\$7,841	\$72
Subway	Ground	87.5	1	Nov 2018	Oct 2024	6.0 years	Nov 2020	2 yearly	CPI	\$40,160	\$459	\$31	\$6,294	\$72
9Rounds	Ground	130.2	2	Aug 2018	Jul 2028	10.0 years	Aug 2020	1 yearly	Fixed	\$63,576	\$464	\$33	\$9,368	\$72
Dental Solutions	Ground	170.6	3	Feb 2020	Jan 2030	10.0 years	Feb 2021	1 yearly	Fixed	\$69,976	\$380	\$33	\$12,272	\$72
Team Talk	Level 1	356.3	11	Apr 2018	Mar 2026	8.0 years	Apr 2021	1 yearly	Fixed	\$110,745	\$255	\$35	\$25,632	\$72
Animates	Level 1	610.0	25	Mar 2012	Mar 2022	10.0 years	Mar 2021	1 yearly	CPI	\$165,543	\$225	\$22	\$43,878	\$72
Animates	Level 1 - Deck	24.7		Mar 2012	Mar 2022	10.0 years			CPI	\$0	\$0		\$0	\$0
Aggregate		2,508.0	72							\$819,069			\$178,636	

### 3.6 Income Analysis

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

Passing Rental Analysis		
Lettable Area Rental	\$711,276	68.58%
Car Parking Rental	\$107,793	10.39%
Other Income	\$39,428	3.80%
Outgoings Recovery	\$178,636	17.22%
<b>Gross Passing Income</b>	<b>\$1,037,133</b>	<b>100.00%</b>
Unexpired Incentives in Year 1 (excludes capital contributions)	\$18,109	
Outgoings	\$178,636	
<b>Net Passing Income</b>	<b>\$840,388</b>	

## 4 Market Commentary

### 4.1 Economic Overview

As at 14 May 2020:

- The Consumer Price Index rose 0.8% in the March 2020 quarter, resulting in an annual 2.5% inflation rate from March 2019. It was noted that the Q1 CPI snapshot was largely applicable to the pre-COVID-19 environment.
- Annual Gross Domestic Product (GDP) growth in the year to December 2019 was 2.3%, reflecting a 0.5% increase in this quarter, with GDP per capita rising 2.0%. Economic activity is expected to decline from 2.85% at the year ending June 2019 to -4.6% in the year ending June 2020. Annual average GDP growth is forecast to return to positive from the year ending September 2021 onwards.
- As at May 13 2020, the Reserve Bank announced that the Official Cash Rate is being held at 0.25% following its emergency 75 basis point reduction from 1.00% in March 2020. It was noted that due to the economic effects of Covid-19, the Monetary Policy Committee is prepared to use additional monetary tools if and when needed, including reducing the OCR even further.
- The 90-day Bank Bill Benchmark Rate (BKBM) was 0.28% as at 14 May 2020. This has reduced significantly from 2019 where it averaged 1.52%.
- The unemployment rate is 4.2% as at May 2020, which is a 0.2% increase for Q4 2019. Unemployment is forecast to increase significantly due to the effects of the Covid-19 pandemic, rising to 8.3% in the year ending June 2020, before peaking at 9.8% in September 2020 and then recovering thereafter.
- The REINZ median house price across New Zealand increased by 13.7% in March 2020 to a new record median price of \$665,000, up from \$585,000 in March 2019, with eight regions seeing new record median prices.
- The construction sector recommenced at Level 3 and is permitted to operate as it was prior to the Covid-19 outbreak, though with physical distancing and onsite safety rules remaining in place. Private backed development and construction is expected to be muted in the short term, however Government have announced their intention to fast track infrastructure spend as one method to kickstart the economy post the COVID-19 shutdown.

In response to the Covid-19 pandemic, on May 11 the NZ Government announced that NZ will move out of the Alert Level 3 lockdown into a phased out Alert Level 2 commencing on May 14. At Alert Level 2 the country will be permitted to resume many of its everyday activities, though will still be required to continue practicing physical social distancing and incorporating hygiene standards and traceable contact registers in order to reduce the risk of transmission. Public venues are now able to re-open. Most businesses will be able to open if they can do so safely, including face-to-face service providers. Tertiary education facilities, schools and early learning centres will re-open. It is noted that only small, controlled social gatherings will be permitted for up to ten people. NZ's borders will remain closed to all travellers, though inter-regional and domestic travel is now permitted.

In response to the outbreak, the NZ Government and RBNZ have implemented both fiscal and monetary policy to support New Zealanders and reduce the impact on the NZ economy. Actions that have been taken include:

- As at May 13 the Monetary Policy Committee has agreed to significantly expand the Large Scale Asset Purchase (LSAP) programme potential to \$60 billion, up from the previous \$33 billion limit. The LSAP programme includes NZ Government Bonds, Local Government Funding Agency Bonds and, now, NZ Government Inflation-Indexed Bonds.
- Additional fiscal policy introduced includes a circa \$17-\$18 billion support package aimed at sectors most affected by the impacts of the virus, a \$6.25 billion Business Finance Guarantee Scheme for small to mid-sized enterprises (SME), along with a \$20 million Tertiary Support Package, and \$50 million Media Support Package.
- On April 15 the government announced additional relief measures for SME. A recently introduced Small Business Cashflow Loan Scheme will also be provided.
- There has been a reintroduction on the depreciation on new and existing commercial and industrial buildings, including hotels and motels; which is set at 2% diminishing value.
- As per the Government's 2020 Budget announcement on May 14, additional key initiatives taken in response to Covid-19 include a \$50 billion Covid-19 Response and Recovery fund, along with a \$4 billion Business Support Package, which is essentially an extension to the Wage Subsidy Scheme that is currently in place.

At this stage it is too early to forecast the full impacts on the economy and property market, however it is clear the measures taken and support packages provided are significant. The full effects of Covid-19 are yet to be fully understood and quantified, though the global economic disruption caused by the pandemic is expected to persist and lead to lower economic growth both in New Zealand and abroad.

## 4.2 Auckland Suburban Office

The impact of the COVID-19 restrictions on the Auckland Office market are at this stage uncertain. However, based on the measures in place and known impacts, there are some logical outcomes in the short term that we have had consideration to. Some of these are as follows:

- The restrictions around travel and people entering New Zealand are likely to have a severe impact on tourism, hospitality and education occupiers.
- Lockdowns and uncertainty may result in longer leasing up periods for vacant space as companies shift focus from growth to consolidation and recovery.
- Refurbishment costs are likely to increase due to capacity constraints, labour shortages in the construction sector and the potential for shortage of imported building components.
- Overseas investors are going to have trouble personally inspecting New Zealand property, which may slow sales of mid quantum and larger institutional grade assets.
- Rental growth in the next 12 months is going to be difficult to prove/difficult for occupiers to accept, with the majority of businesses likely to have significant cashflow issues due to the business interruption and lack of productivity.

The Auckland Office market up to March 2020 was performing very strongly, and we expect that in context of other property sectors, should prove to be reasonably resilient. There will be adjustments in certain areas, and at this stage it is too early to provide definitive predictions.

### Demand

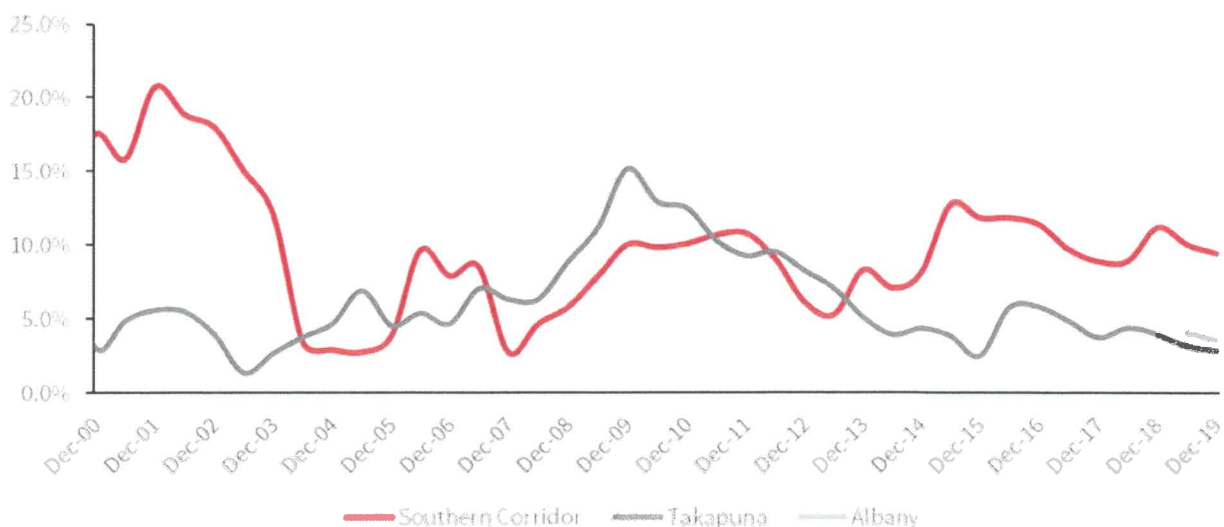
The overall suburban vacancy decreased by 40bps during 2H19 from 6.3% to 5.9%, indicating that prior to the COVID-19 restrictions, demand remained strong and stable across the suburban markets. In a trend that has been increasingly supported in recent times, the comparatively lower cost of occupying space outside the CBD, availability of good quality supply and limited options within the CBD core remain drivers of demand and continue to drive tenant interest. Like elsewhere in Auckland, the suburban markets have experienced a flight to quality however, underpinning a firming of vacancy in the top end and comparatively less interest in secondary assets.

As per vacancy surveys undertaken prior to the COVID-19 restrictions, vacancy within the Southern Corridor remains comparatively high at 9.4% (a 60 bps improvement in 2H19) when compared to 3.0% in Takapuna and 3.7% in Albany where vacancy rates fell by 30 bps and 40 bps respectively.

The Southern Corridor as a region of Auckland has a noticeably wider range of stock in quality terms across the grade spectrum, with a number of better quality spaces available in both the Millennium and Central Park office parks balanced out against less attractive accommodation. The amenity offering of the southern corridor remains some way behind that offered in Takapuna and Albany despite offering sufficient road, rail and bus transport options.

Demand for North Shore office space has underpinned a steady and continuous stream of office development activity. A number of low-rise developments have entered the market in recent years, drawing in tenants such as BNZ, ANZ and IAG.

Office Vacancy by Suburb



Source: JLL Research and Consulting (Albany added as a new survey area from 1H19)

## Supply

Completions of new supply in the suburban markets has generally been limited to selected developments, with much of the larger projects remaining limited to the CBD and fringe markets. However, there are notable projects in the pipeline over 2020 including 55 Corinthian Drive expected to deliver ~5,400 sqm to the Albany market in mid-2020, and the potential 15,000 sqm of office space in planning for Mt Wellington to be built as part of Sylvia Park by Kiwi Property Group. We emphasise that due to the current COVID-19 pandemic and restrictions that have been put in place within the country, these developments are currently on hold due to the shutdown period, with the completion date of these now being pushed out further.

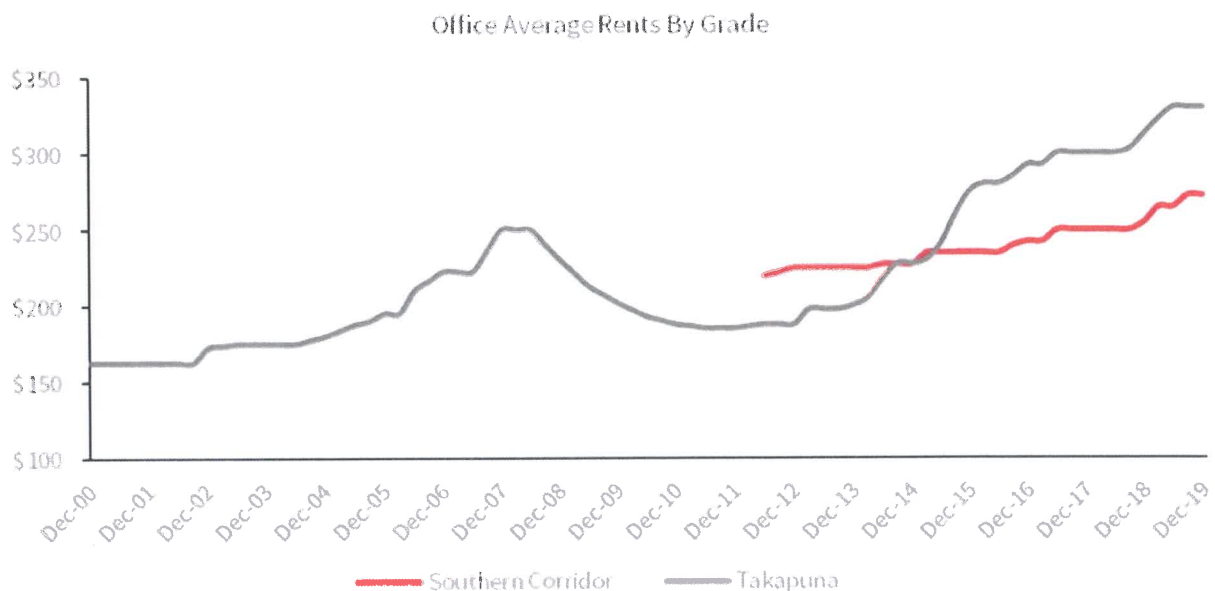
Despite increasingly minimal vacancy in the Takapuna market, development remains muted. Escalating land values and strong demand for competing uses such as high-density residential or hotel accommodation have acted to decrease the feasibility of developing office projects of scale within the area.

## Asset Performance

The rental growth of recent years was consolidated in Takapuna during 2H19 with rents standing firm at \$330 per sqm (reflecting a range between \$260 - \$400 per sqm). Against a backdrop of reducing vacancy rates, Takapuna has achieved 10% rental growth since December 2017.

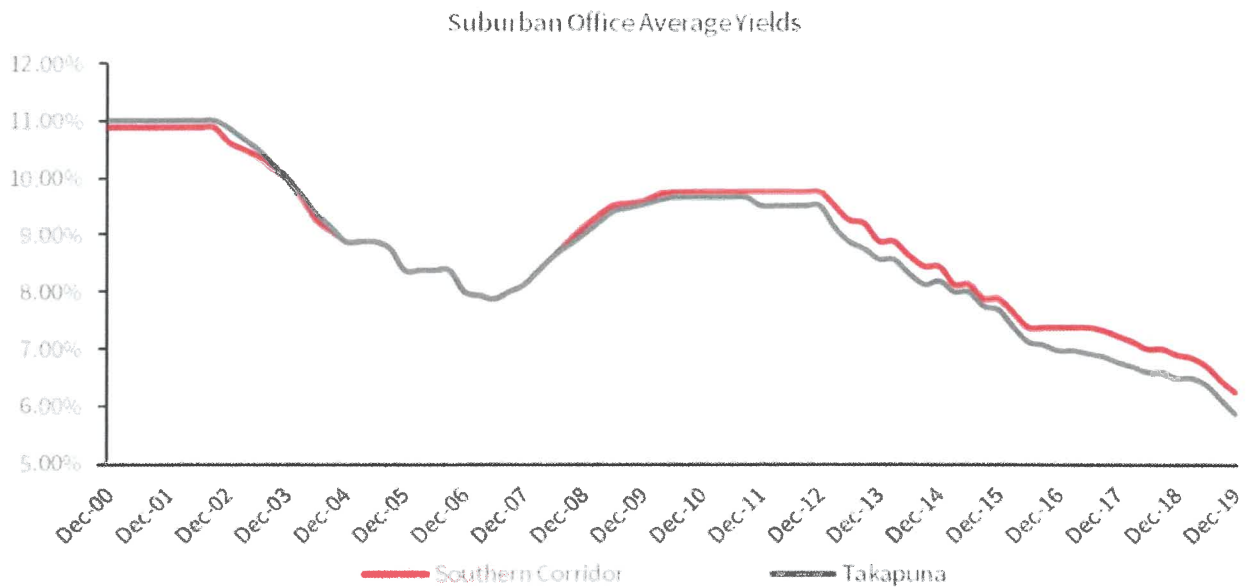
As per surveys undertaken prior to the COVID-19 restrictions, the Southern Corridor remains the most affordable of the suburban office markets tracked with an average rental rate of \$273 per sqm, reflecting a range of \$220 – \$325 per sqm.

After taking a substantial increase in 1H19, the new build sector for both fringe and suburban stock saw rental rates remain static in 2H19, continuing to sit at \$585 per sqm and \$380 per sqm respectively during the last six months. These prices demonstrate the fine balance presently between rental affordability over the term of a lease on behalf of tenants seeking space against continuing construction cost inflation which, while slowing in recent months, remains problematic for developers. A partial solution for a compromise between developers and tenants has seen the average fringe incentive reduce to 12.0% from 16.7%.



Source: JLL Research and Consulting

Prior to the COVID-19 restrictions, yields continued to trend downward, with all markets tracked recording some compression. The average overall Southern Corridor and Takapuna suburban yields firmed to 6.25% and 5.88% respectively, reflecting ranges of 5.75% - 6.75% and 5.25% - 6.50%. Yield compression was driven by a number of factors, including steady rental growth, minimal vacancy across the fringe and suburban markets driving higher returns and a paucity in the amount of stock investors had to choose from.



Source: JLL Research and Consulting

The transaction market continued to tick over during 2019, with a small number of sales occurring above the \$5 million mark. Investors remained increasingly keen to acquire quality assets with good tenants (hence sharpening yields) or those that offer value add opportunities. Transaction activity dampened across all asset classes that JLL monitors during the last 12 months, increasingly not by a lack of purchaser interest, but as a direct result of a limited number of properties coming to market. Investors appear to be taking a watch and wait stance given the dearth of alternative investments available at similar yields to those paid historically for existing assets. Few scale investors seem willing to cash up and leave the market.

### Auckland Office Market Outlook

As noted, forecasting the likely impact of the COVID-19 restrictions on the office market is a difficult exercise. We do expect a mixed reaction from occupiers, with potential for growth in say Bank and advisory firms, while other sectors such as the noted tourism and education occupiers will have a more difficult path. On balance we expect to see very little growth in market rent levels over 2020, however this is likely to recover with the more medium term impacts of the various Government stimulus packages.

Investment outlook is likely to remain more secure, with some potential for a realignment in yields towards the clear preference for prime assets and more defensive tenancy profiles. Similarly we expect some weakness in the achievable values for assets with a high proportion of vacancy, at risk tenants or with larger capital reinvestment requirements.

## 5 Leasing Evidence

We note that all of the below rentals were agreed pre-COVID19 restrictions, and we are at this stage waiting on post-restrictions transactions to provide a guide as to market direction.

### 5.1 Retail Leasing Evidence

In assessing a market rental profile for the retail accommodation, we have had regard to the following recent transactions from within the subject property:

Location	Tenant	Date	Type	Component	Area (sqm)	Net Rental (p.a)	Net Rental (psm)
2 Robert Street, Ellerslie	Dental Solutions	Feb-20	NL	Retail	171	\$64,828	\$380
	Mexikelli	Aug-19	NL	Retail	109	\$50,603	\$464
	Subway	Nov-18	NL	Retail	88	\$40,160	\$459
	9Rounds	Aug-18	NL	Retail	130	\$60,362	\$464

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

Within the subject property there has been four new lettings at rents of between \$380 and \$464 per sqm for tenancies of between 88 and 171 sqm.

We have also had regard to the following leasing evidence from within the immediate and wider locality:

Location	Tenant	Date	Type	Component	Area (sqm)	Net Rental (p.a)	Net Rental (psm)
Central Park, Building 8	Xiaologkan	Oct-18	NL	Retail	471		
Stonefields Market, Mt Wellington	Crafted by Smooch	Apr-19	NL	Retail	48		
	Buzzman	Aug-18	NL	Retail	78		
	Big Fish Eatery	Jul-18	NL	Retail	111		
	Super Liquor	Jul-18	NL	Retail	214		
162 Garnet Road, Westmere	The Tasty Café	Dec-18	RR	Retail	49	Confidential	
				Storage	17		
				First Floor	46		
	Westmere Bakery	Aug-18	RR	Retail	64		
				Storage	17		
168 Garnet Road, Westmere	London Dairy	Dec-18	RR	Retail	49		
				Storage	17		
				First Floor	46		
6C Wingate Street, Avondale	Domino's Pizza	Sep-18	NL	Retail	80		

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

The above evidence reflects rental rates of between \$280 to \$605 per square metre over retail areas, with higher rates reflected across more modern/high quality retail tenancies in favourable locations with good profile.

Within Central Park Building 8 the ground floor restaurant comprising 471 sqm was let in October 2018, with the net effective rent analysing to a rate in the high \$200's per sqm.

There has been four new lettings at Stonefields Market over 2018 and 2019. The lettings reflect rates of between mid \$400's and low \$600's per sqm for tenancies of between 48 and 214 sqm.

The majority of the subject units are situated on the ground floor of the building with good profile and exposure to Robert Street.

With the above in mind, we have adopted net market rental rates ranging from \$370 to \$500 per sqm over the subject retail tenancies.

## 5.2 Office Leasing Evidence

In assessing a market rental profile for the accommodation, we have had regard to the following recent transactions in the subject property:

Property	Tenant	Level	Area sqm	Basis	Date	Type	Parking pcpw	Opex \$/sqm	Face Rent \$/sqm	Net Effective \$/sqm
2 Robert Street, Ellerslie	Westferry Property	Pt G	325	Net	Apr-19	NL	\$33	\$72	\$285	\$268
	Team Talk	Pt 1	325	Net	Apr-18	NL	-	\$72	\$240	\$221

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

Within the subject property there has been two new lettings at net effective rents of between \$221 and \$268 per sqm for one tenancy of 325 sqm on the ground floor and one of 325 sqm on level 1.

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

Property	Tenant	Level	Area sqm	Basis	Date	Type	Parking pcpw	Opex \$/sqm	Face Rent \$/sqm	Net Effective \$/sqm
65 Main Highway, Ellerslie	Ministry of Social Development	G-3	4,482	Gross	Dec-19	NL				
Central Park, 666 Great South Road	Electoral Commission	2	663	Net	Feb-20	NL				
	BOC	1	885	Net	Dec-19	NL				
	St Johns	G	460	Net	Oct-19	NL				
Millennium Centre, 602 Great South Road	LG Electronics	G	834	Net	Mar-19	NL				
	Endace	1	383	Net	Mar-19	NL			Confidential	
	Streamland Honey	G	207	Net	Feb-19	NL				
	Veolia	G	834	Net	Oct-18	NL				
302 Great South Road, Greenlane	McDonald's	1	693	Net	Apr-19	NL				
323 Great South Road, Greenlane	NZ Police	1&2	3,434	Net	Dec-18	NL				
289 Great South Road, Greenlane	Oji Fibre Solutions	G - 1	1,775	Net	Dec-18	RR				

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

The above evidence displays a range generally between \$230 per sqm and \$300 per sqm on a net effective basis with the higher rates relating to properties in superior buildings and/or locations.

We have had recent experience with several office buildings along Great South Road including 289 Great South Road and 302-308 Great South Road, which are all standalone office buildings providing good quality accommodation. Achieved rental rates for these properties sit in the mid to high \$200 per sqm range with car parking \$35 to \$50 pcw. These properties provide a good comparable to the subject.

Within Central Park there has been several recent leasing transactions across the various buildings over the past 18 months. The net effective rents achieved reflect a range of between mid \$200's to \$300 per sqm. These recent transactions are for part floor, single floor and multi floor occupiers with tenancies ranging between 445 and 1,328 sqm.

The most recent transactions from the Millennium Centre office park reflect net effective rents in the mid to high \$200's per sqm, with car parks reflecting \$50 to \$55 pcw.

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

We have adopted market rental rates of \$230 to \$320 per sqm over the subject office tenancies, with adjustments made for size and quality.

In regards to the car parking we have considered the current car parking rates in the immediate and wider locality as detailed in the table above. Car park rents are location and format specific with the highest rates generally achieved for secured and covered spaces. The evidence above reflects rates of between \$35 - \$65 pcpw. Existing car parking rentals within the subject building reflect rates of between \$20 – \$50 pcpw. We have adopted a market rent of \$30 pcpw for the open car parks and \$40 pcpw for the covered car parks.

### 5.3 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 below:

Tenant Name	Premises	Lettable Area	Car Parks	Next Review/Expiry	Review Type	Contract Rental	Car Park pcpw	Recovery / sqm	Ideal Recovery	Net Market / sqm	Gross Market / sqm	Car Park pcpw	Net Market Rental
Andrew Lemalu	Lawy Ground	150.8	7	Dec 2020	Fixed	\$62,946	\$35	\$72	\$72	\$320	\$392	\$30	\$59,176
Westferry Property	Ground	324.9	9	Apr 2021	Fixed	\$111,035	\$34	\$72	\$72	\$280	\$352	\$30	\$105,001
Animates	Ground	251.1	5	Mar 2021	CPI	\$20,101	\$29	\$72	\$72	\$50	\$122	\$40	\$22,955
Burger Fuel	Ground	90.7	1	Nov 2020	Fixed	\$34,051	\$32	\$72	\$72	\$450	\$522	\$40	\$42,913
Little Lamb NZ	Ground	202.2	8	Dec 2020	Fixed	\$88,617	\$33	\$72	\$72	\$370	\$442	\$36	\$89,879
Mexikelli	Ground	109.0	1	Aug 2020	Fixed	\$52,319	\$33	\$72	\$72	\$450	\$522	\$40	\$51,130
Subway	Ground	87.5		Nov 2020	CPI	\$40,160	\$31	\$72	\$72	\$500	\$572	\$40	\$43,750
9Rounds	Ground	130.2	2	Aug 2020	Fixed	\$63,576	\$31	\$72	\$72	\$425	\$497	\$40	\$59,508
Dental Solutions	Ground	170.6	3	Feb 2021	Fixed	\$69,976	\$33	\$72	\$72	\$380	\$452	\$37	\$70,548
Team Talk	Level 1	356.3	11	Apr 2021	Fixed	\$110,745	\$35	\$72	\$72	\$250	\$322	\$30	\$106,240
Animates	Level 1	610.0	25	Mar 2021	CPI	\$165,543	\$22	\$72	\$72	\$230	\$302	\$30	\$179,293
Animates	Level 1 - Deck	24.7		Mar 2022	CPI	\$0	\$0	\$0	\$0	\$100	\$100		\$2,470
Aggregate		2,508.0	72			\$819,069							\$832,863

## 5.4 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
<b>Rental Analysis</b>		
Lettable Area Rental	\$711,276	\$712,223
Car Parking Rental	\$107,793	\$120,640
Other Income	\$39,428	\$0
Outgoings Recovery	\$178,636	\$178,636
<b>Gross Income</b>	<b>\$1,037,133</b>	<b>\$1,011,499</b>
Unexpired Incentives in Yr 1 (excludes contributions)	\$18,109	\$0
Outgoings	\$178,636	\$178,636
<b>Net Income</b>	<b>\$840,388</b>	<b>\$832,863</b>

## 6 Sales Evidence

### 6.1 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:



#### 44 Taharoto Road, Takapuna, Auckland

<b>Sale Price</b>	\$39,000,000	<b>Sale Date</b>	January 2020
<b>Initial Yield</b>	5.17%	<b>Equivalent Yield</b>	5.12%
<b>IRR</b>	7.15%	<b>WALT</b>	11.23 years

44 Taharoto Road comprises a large land holding in Takapuna improved with three buildings, all leased to the Waitemata District Health Board via two triple net lease agreements. The leases provide for a 15 year lease of the main improvements at the front of the site (44 Taharoto Road), and a 6 year lease over the mid-site (9 Karaka Street) and rear single level building, providing a weighted average lease term of 11.23 years.

44 Taharoto Road comprises a five level office building, 9 Karaka Street is a two level building, and the rear building provides for medical suites. Additionally the property provides for 248 on site open car parking spaces.

As part of the lease obligations, WDHB is required to seismically strengthen the building at its sole cost within 24 months of the commencement date to achieve a minimum NBS rating of 67%. In addition to the above, WDHB is required to undertake Capital Works at its sole cost within 5 years from the commencement date.

The property sold in January 2020 following an on market sales and lease back campaign by CBRE for \$39,000,000. This sale reflects an initial yield of 5.17%, equivalent yield of 5.12% and a rate of \$7,063 per square metre over lettable area.



#### 7 Falcon Street, Parnell, Auckland

<b>Sale Price</b>	Conf. \$10m+	<b>Sale Date</b>	December 2019
<b>Initial Yield</b>	Mid 5%	<b>Equivalent Yield</b>	Mid 5%
<b>IRR</b>	Mid-high 6%	<b>WALT</b>	3.37 years

The property provides a recently refurbished four-level commercial office building plus two levels of basement car parking with a total net lettable area of approximately 1,131 square metres and 37 car parks. All levels provide good quality office accommodation with associated deck areas. The building is situated on a 566 square metre site and is zoned Mixed Use under the Auckland Unitary Plan.

At the date of sale, the property was fully leased to Bachcare, Kingstone Cox, QMS and Aspen Pharmacare, with tenants occupying a level each and associated car parks. The property has a WALT of 3.37 years by income. Rent reviews are predominantly annual fixed 3% increases.

The property sold in December 2019 following an on market sales campaign for a confidential amount in excess of \$10 million.



#### 25 Broadway, Newmarket, Auckland

<b>Sale Price</b>	\$19,450,000	<b>Sale Date</b>	November 2019
<b>Initial Yield</b>	5.89%	<b>Equivalent Yield</b>	4.98%
<b>IRR</b>	6.33%	<b>WALT</b>	4.35 years

The property comprises a six level commercial building providing three ground floor retail shops, and five levels of office accommodation above, totalling approximately 2,336 sqm of net lettable area. An additional 33 secure car parks are provided to the basement and first floor. The building is situated on a 736 sqm site towards the northern end of the Newmarket commercial precinct and is zoned Mixed Use under the Auckland Unitary Plan.

At the date of sale, the property was 100% occupied and returning a net contract rental of \$1,145,090 per annum, including \$217,737 of income associated with signage and aerial rent. The property is leased by eight tenants, with Wendy & Tom Tailors, Circle K and The Linen Shop all situated on the ground floor, Furnz Group on Level 1, CKL Surveys on Level 2, Overdose on Level 3, NSI Management on Level 4 and Fuse Creative on Level 5. Rental provisions include varying annual reviews across each tenant. The property had a WALT of 4.35 years.

The property was sold after a market campaign by Colliers in November 2019 for \$19,450,000. This sale reflects an initial yield of 5.89%, an equivalent yield of 4.98%, and a rate of \$8,324 per sqm over NLA.



### 229 Dairy Flat Highway, Albany

<b>Sale Price</b>	\$33,000,000	<b>Sale Date</b>	September 2019
<b>Initial Yield</b>	5.79%	<b>Equivalent Yield</b>	5.81%
<b>IRR</b>	7.20%	<b>WALT</b>	9.77 years

The property comprises four buildings on a site of 1.04 hectares. The buildings comprise a three level modern office and retail building, a freestanding former restaurant, now an Auckland Council ward office and a former small scale supermarket utilised as a design studio and workshop. In addition there is a four level serviced apartment building which opened in late 2011.

The largest occupier is Massey University who lease the two upper levels of office, part of the ground floor and the former supermarket, now converted to an engineering workshop / faculty. Auckland Council leases two ground floor areas comprising a library and ward office. The remaining occupiers are two food based retail tenancies.

The Quest Serviced Apartment building provides a total of 38 apartments ranging from studio up to 2 bedroom configurations. Secured car parking is provided below the apartments at ground level to the rear of the main reception.

At the date of sale the property was 100% occupied returning a net income of \$1,910,167 per annum with a WALT of 9.77 years.

The property was sold after a marketing campaign by Colliers in September 2019 for \$33,000,000. This sale reflects an initial yield of 5.79%, equivalent yield of 5.81% and a rate of \$4,912 per sqm over NLA.



### 323 Great South Road, Greenlane, Auckland

<b>Sale Price</b>	\$20,630,000	<b>Sale Date</b>	July 2019
<b>Initial Yield</b>	6.00%	<b>Equivalent Yield</b>	5.67%
<b>IRR</b>	6.49%	<b>WALT</b>	2.42 years

The property comprises a 2 level, 3,434 sqm office building situated at 323 Great South Road in Ellerslie, Auckland. The property includes 2 decks as well as 97 covered carparks and 3 open car parks.

At the sale date the property was 100% leased to NZ Police for a net rental of \$953,603 per annum with a weighted average lease term of 2.42 years. This is a new 6-year lease with a break right at the end of year 3. For the purposes of this analysis we have assumed that the Police exercise their break right.

Prior to re-letting, landlords works included a new mansard roof, waterproof and retiled balconies, retiled entrance, gutter replacement and recommission HVAC.

The property was sold off-market in July 2019 for \$20,630,000. This sale reflects an initial yield of 6.00%, equivalent yield of 5.67%, IRR of 6.49% and a rate of \$6,007 per sqm over lettable area.



### 57 Market Road, Remuera, Auckland

<b>Sale Price</b>	\$11,650,000	<b>Sale Date</b>	July 2019
<b>Initial Yield</b>	5.78%	<b>Equivalent Yield</b>	5.54%
<b>IRR</b>	6.70%	<b>WALT</b>	5.26 years

The property comprises a 1,942 sqm 2 level modern office building situated at 57 Market Road in Remuera, Auckland. The building occupies a 2,147 sqm freehold title site, in the popular suburb of Remuera and is zoned Business – Local Centre under the Auckland Unitary Plan. The property has undergone recent exterior and landscaping upgrades and includes 59 car parking spaces.

At the sale date the property was fully occupied by three tenants; AIA International, Bid Food and Jetts Fitness. Together with income from the 59 car parking spaces it has a total net rental of \$673,943 per annum.

The property was sold in July 2019 for \$11,650,000. This sale reflects an initial yield of 5.78%, equivalent yield of 5.54%, IRR of 6.70%, a WALT of 5.26 years and a land and buildings rate of \$5,999 per sqm over lettable area.



### Fuji Xerox, 79 Carlton Gore Road, Newmarket, Auckland

<b>Sale Price</b>	\$37,300,000	<b>Sale Date</b>	April 2019
<b>Initial Yield</b>	6.02%	<b>Equivalent Yield</b>	5.56%
<b>IRR</b>	7.14%	<b>WALT</b>	8.42 years

The property provides a 4 Green Star rated, two level commercial office building together with two levels of basement car parking leased by Fuji Xerox. The building provides approximately 3,538 sqm of office accommodation over both floors together with a 58 sqm café tenancy on the ground floor. In addition is a roof top terrace with expansive views over the surrounding cityscape and the Auckland Domain.

The property is comprised of a large freehold title, plus a leasehold component adjacent to the railway corridor to the property's rear boundary. The property incorporates ground rental of \$22,730 per annum, which is unrecovered from the building occupiers.

The property is fully leased producing a net income of \$2,245,218 per annum with a weighted average lease term of 8.42 years.

The property sold in April 2019 for \$37,300,000 following an on market campaign by JLL. The sale achieved an initial yield of 6.02%, equivalent yield of 5.56%, IRR of 7.14% and a rate of \$10,373 per sqm over lettable area.



### 32 Manukau Road, Epsom, Auckland

<b>Sale Price</b>	\$13,900,000	<b>Sale Date</b>	February 2019
<b>Initial Yield</b>	5.81%	<b>Equivalent Yield</b>	5.08%
<b>IRR</b>	6.97%	<b>WALT</b>	1.83 years

The property is a commercial building providing two levels of office accommodation with a total net lettable area of circa 1,997 sqm and ground level undercroft and open parking for 73 cars.

The building occupies a regular shaped 2,555 sqm site in the popular suburb of Epsom and is zoned mixed use under the Auckland Unitary Plan (operative in part).

The property is 100% occupied by Renaissance Group and Orix NZ with a WALT of 1.83 years.

The property sold in February 2019 for \$13,900,000. This reflects an initial yield of 5.81%, an equivalent yield of 5.08% and a land and buildings rate of \$6,960 per sqm.



### 65B Main Highway, Ellerslie, Auckland

<b>Sale Price</b>	\$21,743,000	<b>Sale Date</b>	December 2018
<b>Initial Yield</b>	6.31%	<b>Equivalent Yield</b>	6.72%
<b>IRR</b>	8.27%	<b>WALT</b>	3.76 years

The property comprises a suburban office building providing approximately 4,588 sqm of net lettable area over four levels, and 189 car parks (184 at basement level). At the sale date, the property was producing a net income of \$1,480,656 per annum.

The property sold in December 2018 for \$21,743,000 indicating an initial yield of 6.31%, equivalent yield of 6.72%, and IRR of 8.27%. The property has a weighted average lease term of approximately 3.76 years.



### 626 Great South Road, Ellerslie, Auckland

<b>Sale Price</b>	\$11,600,000	<b>Sale Date</b>	November 2018
<b>Initial Yield</b>	6.85%	<b>Equivalent Yield</b>	7.02%
<b>IRR</b>	7.72%	<b>WALT</b>	2.43 years

The property comprises a suburban office building providing approximately 2,647 sqm of net lettable area over four levels, and 90 car parks. The property is producing a net income of \$794,310 per annum.

The property sold in November 2018 for \$11,600,000 indicating an initial yield of 6.85%, equivalent yield of 7.02%, and IRR of 7.72%. The property has a weighted average lease term of approximately 2.43 years.



### 205 Great South Road, Greenlane, Auckland

<b>Sale Price</b>	\$17,525,000	<b>Sale Date</b>	July 2018
<b>Initial Yield</b>	6.73%	<b>Equivalent Yield</b>	6.17%
<b>IRR</b>	7.78%	<b>WALT</b>	1.74 years

The property comprises a four level building significantly upgraded in 2002. Ground floor retail, first floor car parking and two levels of office accommodation are provided. The property has a net lettable area of approximately 3,772 sqm. The property has dual frontages to Great South Road and Greenlane West.

The property sold in July 2018 for \$17,525,000 indicating an initial yield of 6.73%, equivalent yield of 6.17%, and IRR of 7.78%.

The sales transactions are summarised in the table below for comparison purposes:

Property Address	Sale Date	Sale Price	\$ / sqm	Initial	Equivalent	IRR	WALT
44 Taharoto Road, Takapuna	Jan-20	\$39.00 m	\$7,063	5.17%	5.12%	7.15%	11.23 years
7 Falcon Street, Newmarket	Dec-19	\$10m +	Conf.	Conf.	Conf.	Conf.	3.37 years
25 Broadway, Newmarket	Nov-19	\$19.45 m	\$8,324	5.89%	4.98%	6.33%	4.35 years
229 Dairy Flat Highway, Albany	Sep-19	\$33.00 m	\$4,912	5.79%	5.81%	7.20%	9.77 years
323 Great South Road, Greenlane	Jul-19	\$20.63 m	\$6,007	6.00%	5.67%	6.49%	2.42 years
57 Market Road, Remuera	Jul-19	\$11.65 m	\$5,999	5.78%	5.54%	6.70%	5.26 years
Fuji Xerox, 79 Carlton Gore Road, Newmarket	Apr-19	\$37.30 m	\$10,373	6.02%	5.56%	7.14%	8.42 years
32 Manukau Road, Epsom	Feb-19	\$13.90 m	\$6,960	5.81%	5.08%	6.97%	1.83 years
65B Main Highway, Ellerslie	Dec-18	\$21.743 m	\$4,739	6.31%	6.72%	8.27%	3.76 years
626 Great South Road, Ellerslie	Nov-18	\$11.60 m	\$4,382	6.85%	7.02%	7.72%	2.43 years
205 Great South Road, Greenlane	Jul-18	\$17.525 m	\$4,646	6.73%	6.17%	7.78%	1.74 years

We note we are not aware of any post COVID19 sales transactions and at this stage it is too early to forecast the impact of the restrictions on property yields. We have however been mindful of the characteristics of the subject property and potential risks relating to tenant covenant, cashflow over the short to medium term and vacancy.

The above transactions indicate that initial yields have ranged from approximately 5.17% to 6.85% and equivalent yields from 4.98% to 7.02%.

The lower end of the yield range typically relates to properties with either modern accommodation, situated in prime locations, with medium to long term weighted average lease terms or are of a smaller value quantum, or have some redevelopment potential. Sales to the higher end of the yield range typically relate to properties with either secondary quality accommodation, in secondary locations, strata titled, have short weighted average lease terms or are of a high value quantum.

From the above, we have largely had regard to 323 Great South Road which sold in July 2019 for \$20.63 million, reflecting an initial yield of 6.00% and an equivalent yield of 5.67%. At the date of sale the property was fully leased to NZ Police on a new 6 year lease, however with a break option at year 3, essentially providing a WALT of 2.42 years. The property provides a similar offering to the subject in terms of accommodation and location, though the subject benefits from a superior WALT.

The onset of COVID-19 Virus is likely to have a material short term impact on the property market and has potential to have longer lasting effects on income and sentiment. In particular for retailers who are exposed to large crowds or non-essential discretionary spend and office occupiers who are susceptible to sectors like tourism, we would see potential for significantly

reduced revenue whilst COVID-19 is still a major consideration in people's day to day activities. Government measures to restrict the spread of the virus into and around New Zealand has had an immediate impact of many parts of the economy. Lower interest rates and other stimulus measures have been introduced in an attempt to mitigate the negative impacts, however a pending recession is almost certain.

The situation has led to some transactions already stopping due to reduced sentiment. Whilst some longer term fundamentals remain sound, we believe a number of retailers and office occupiers will require significant abatements in the short term to survive, and even then may not be sustainable. This additional risk would likely play into people's minds when considering potential returns they will pay for assets, however equally the market needs willing sellers. Many willing sellers may prefer to try and ride out the short term challenges until more normal conditions return. Willing sellers may also elect to hold onto existing assets with known cashflow returns, as finding alternative returns may prove to be difficult. As such and without transactional evidence to support market activity post COVID-19 becoming a larger issue, we are of the opinion that a material valuation uncertainty exists and consequently less certainty should be applied to our valuation.

Moving forward, there is a high risk of tenant failures or lower rentals being structured to ensure ongoing sustainability. This may result in a reduced tenant pool and lower rental growth prospects. In some cases properties that are overexposed to discretionary based spending may see a reduction in rental income. This is likely to result in reduced sentiment from investors and may result in a softening in capitalisation rates and discount rates.

When considering the yield profile of the subject property, we have been mindful of the location within Ellerslie, along with the scale, nature and good quality of improvements. We have also considered that the property is fully leased with a favourable long remaining WALT of 5.48 years (based on income). We also note that majority of the current occupiers include fixed 2.75% to 3% rental reviews.

We have also had regard to the tenant covenants and required rental support. We note that rental abatements have been agreed for some of the tenants to ensure they are able to continue operating. The majority of the rental support has been spent as at the date of valuation.

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

Valuation Input	
Capitalisation Rate	6.250%
Discount Rate	7.250%

## 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"> <li>▪ Fee Simple tenure.</li> <li>▪ Located within the Ellerslie Town Centre.</li> <li>▪ Town Centre zoning.</li> <li>▪ Corner site with good levels of profile and exposure.</li> <li>▪ Fully leased with a good remaining WALT of 5.48 years (based on income).</li> <li>▪ Multi-tenanted nature creates staggered lease expires and reduces vacancy risk.</li> <li>▪ Improvements presented to a generally good standard throughout.</li> <li>▪ Onsite car parking provided.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Main building at 2 Robert Street has a low NBS rating of 39%.</li> <li>▪ Secondary office location.</li> <li>▪ Retail is slightly removed from the main Ellerslie shopping strip.</li> <li>▪ Due to the lease terms and conditions, we have allowed a short term rental abatement for tenants</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Negotiate renewal terms or new leases over the property to increase the overall WALT.</li> <li>▪ Continued strengthening of the fringe office market.</li> <li>▪ Investigate redevelopment.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The impact of the COVID-19 virus on the global economy and local property market is yet to be quantified.</li> <li>▪ Extended vacancy on expiry of leases.</li> <li>▪ Off-shore and local factors impacting negatively on economic growth, tenant demand and investor sentiment.</li> <li>▪ Additional new office supply impacting on future rental growth and potential vacancies.</li> <li>▪ The rental abatement period could go longer than the adopted allowance</li> </ul>

### 7.2 Likely Selling Period

We are of the opinion that the likely selling period for the Property is 6 - 12 months, assuming that the property is presented to the market in accordance with the specific assumptions noted in this report, and with an appropriate level of marketing. The actual time to sell the property may vary depending on the number of potential buyers in the marketplace, availability of comparable properties, access to finance, and changes in market conditions subsequent to the valuation date.

### 7.3 Most Probable Purchaser

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

### 7.4 Sales History

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

## 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 6.250%, with our calculations summarised below:

Direct Capitalisation Approach		
Rental Income	Contract Income	Market Income
Lettable Area Rental	\$711,276	\$712,223
Car Parking Rental	\$107,793	\$120,640
Ideal Outgoings Recovery (Full Net Leases)	\$178,636	\$178,636
<b>Total Rental Income</b>	<b>\$997,705</b>	<b>\$1,011,499</b>
Less Outgoings Expenditure	(\$178,636)	(\$178,636)
Net Rental Income	\$819,069	\$832,863
<b>Core Income Capitalised at 6.25%</b>	<b>\$13,105,104</b>	<b>\$13,325,806</b>
Value Adjustments		
Present Value of Existing Rental Reversions	\$258,857	\$39,435
Present Value of All Outstanding Abatements	(\$18,109)	(\$18,109)
Expires within the next 24 months - Letting Up Allowances:		
Present Value of Downtime	(\$143,988)	
Present Value of Incentives	(\$22,874)	
Present Value of Leasing Fees	(\$46,660)	(\$213,522)
Present Value of Short Term Capital Expenditure: 24 months	(\$703,405)	(\$703,405)
Value of Other Income	\$384,164	\$384,164
<b>Total Value Adjustments</b>	<b>(\$292,015)</b>	<b>(\$511,437)</b>
<b>Total Capitalised Value</b>	<b>\$12,813,089</b>	<b>\$12,814,368</b>
Adopted Capitalised Value (say)	\$12,800,000	\$12,800,000

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

Our adopted adjustments are detailed as follows:

#### Rental Reversions

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

#### Letting Up Allowances

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

## Rental Abatements

We have deducted the present value of all outstanding abatements of \$18,109.

## Capital Deductions

We have allowed for the present value of CAPEX allowances over the next 24 months from the valuation date, which total \$703,405.

## Other Income

We have allowed for the present value of any other income attributable to the Property. We have calculated the present value of the remaining income stream for other income resulting in a value addition of \$384,164. We note that this relates to the Vodafone telecommunications lease and Billboard lease.

## Calculation Summary

Having made these adjustments to the core value, we derive a total value of \$12,800,000. A sensitivity analysis based on adjustments to our adopted Core Capitalisation rate is as displayed below:

Sensitivity Analysis		Contract Approach	Market Approach
(0.25%)	6.000%	\$13,400,000	\$13,400,000
Adopted Capitalisation Rate	6.250%	\$12,800,000	\$12,800,000
0.25%	6.500%	\$12,300,000	\$12,300,000

### 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 7.250% to the cash flows to produce a present value of \$11,900,000. Our DCF calculations are summarised overleaf:

Discounted Cashflow Summary	Year Ending	13-May-2021	13-May-2022	13-May-2023	13-May-2024	13-May-2025	13-May-2026	13-May-2027	13-May-2028	13-May-2029	13-May-2030	13-May-2031
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	
<b>Rental Income</b>												
Lettable Area and Car Park Income	\$828,333	\$799,162	\$796,664	\$901,506	\$896,751	\$904,582	\$825,673	\$809,352	\$745,078	\$960,237	\$0	\$0
Outgoings Recovery	\$178,636	\$169,670	\$163,511	\$194,443	\$196,748	\$200,184	\$184,871	\$188,214	\$166,756	\$225,144	\$0	\$0
Other Income	\$39,428	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$0	\$0
<b>Gross Rental Income</b>	\$1,046,397	\$998,832	\$990,175	\$1,125,949	\$1,123,499	\$1,134,765	\$1,040,543	\$1,027,566	\$941,834	\$1,215,381	\$0	\$0
<b>Rental Deductions</b>												
Unexpired Incentives - Rent Free/Abatements	(\$18,109)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Outgoings Expenditure	(\$178,636)	(\$183,638)	(\$188,780)	(\$194,443)	(\$200,276)	(\$206,285)	(\$212,473)	(\$218,847)	(\$225,413)	(\$232,175)	\$0	\$0
<b>Ground Rental</b>												
<b>Net Rental Cashflow</b>	\$849,652	\$815,194	\$801,395	\$931,506	\$923,223	\$928,481	\$828,070	\$808,718	\$716,421	\$983,205	\$0	\$0
<b>Rental Adjustments</b>												
Unexpired Incentives - Capital Contribution	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Letting Up Allowances - Leasing Fees	\$0	\$0	(\$51,980)	\$0	\$0	(\$8,783)	(\$24,137)	(\$67,377)	(\$74,452)	\$0	\$0	\$0
Capital Expenditure	(\$51,400)	(\$528,392)	(\$733,349)	(\$56,057)	(\$57,739)	(\$84,732)	(\$167,209)	(\$305,078)	(\$339,018)	(\$66,935)	\$0	\$0
<b>Net Cashflow</b>	\$798,252	\$286,802	\$16,066	\$875,449	\$865,484	\$834,966	\$636,724	\$436,264	\$302,952	\$916,270	\$0	\$0
Purchase Price	\$12,400,000	After Costs										
Sale Price	\$15,700,000	After Costs										\$15,464,500
<b>Annual Cashflow</b>	(\$11,601,748)	\$286,802	\$16,066	\$875,449	\$865,484	\$834,966	\$636,724	\$436,264	\$302,952	\$916,270	\$15,464,500	\$15,464,500
Present Value of Rental Cashflow		\$4,238,555										
Present Value of Terminal Value		\$7,680,029										
Allowance for Acquisition Costs		\$0										
<b>Total Net Present Value (say)</b>	\$11,900,000	Resulting IRR	6.72%									

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

## Revenue Projections

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

## Growth Rates

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

Growth	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Office							10 year average		2.15%	
	0.00%	1.00%	2.75%	2.75%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Retail							10 year average		1.75%	
	0.00%	1.00%	2.25%	2.25%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
CPI							10 year average		1.96%	
	1.80%	1.80%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Capex							10 year average		2.96%	
	2.80%	2.80%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Outgoings							10 year average		2.96%	
	2.80%	2.80%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

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

## Letting Up Allowances

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

Office	Cash Flow Year	Letting Up	Probability	Incentive	Probability	Capex /sqm	Probability
	Vacant	9 months	100%	0%	100%	\$250	100%
	Year 1	6 months	100%	0%	100%	\$250	100%
	Year 2	6 months	100%	0%	100%	\$250	100%
	Year 3	6 months	100%	0%	100%	\$250	100%
	Year 4	6 months	100%	0%	100%	\$250	100%
	Year 5	6 months	100%	0%	100%	\$250	100%
	Year 6	6 months	100%	0%	100%	\$250	100%
	Year 7	6 months	100%	0%	100%	\$250	100%
	Year 8	6 months	100%	0%	100%	\$250	100%
	Year 9	6 months	100%	0%	100%	\$250	100%
	Year 10	6 months	100%	0%	100%	\$250	100%

## Capital Expenditure

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

Cash Flow Year	Tenancy Capex	Building Capex	Total Capex
Year 1	\$0	\$51,400	\$51,400
Year 2	\$189,105	\$528,392	\$717,497
Year 3	\$0	\$544,244	\$544,244
Year 4	\$0	\$56,057	\$56,057
Year 5	\$25,261	\$57,739	\$83,000
Year 6	\$105,954	\$59,471	\$165,424
Year 7	\$207,600	\$61,255	\$268,855
Year 8	\$34,386	\$63,093	\$97,478
Year 9	\$274,032	\$64,986	\$339,018
Year 10	\$57,096	\$66,935	\$124,031
<b>10 Year Total</b>	<b>\$893,432</b>	<b>\$1,553,571</b>	<b>\$2,447,004</b>
Capex as a proportion of Value	19.7%	Per Sqm of Lettable Area	\$985.39

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 6.500% (a 25.0 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		
	6.250%	6.500%	6.750%
7.000%	\$12,500,000	\$12,200,000	\$11,900,000
7.250%	\$12,200,000	\$11,900,000	\$11,600,000
7.500%	\$12,000,000	\$11,700,000	\$11,400,000

## 9 Valuation

### 9.1 Valuation Reconciliation

The results of our valuation methods are:

Methodology	Valuation
Capitalisation Approach - Market Income	\$12,800,000
Capitalisation Approach - Contract Income	\$12,800,000
Discounted Cash Flow Approach	\$11,900,000
Adopted Value	\$12,400,000

### 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 commercial office market investment sentiment, we have adopted a rounded valuation figure of \$12,400,000 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 14 May 2020, is:

**\$12,400,000 plus GST (if any)**

**Twelve Million Four Hundred Thousand Dollars plus GST (if any)**

The assessed value reflects an initial passing yield of 6.78%, an equivalent yield of 6.45%, an internal rate of return of 6.72%, and a rate of \$4,993 per square metre of Lettable Area.

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

- PMG Direct Office Fund Trustees 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	Arthur Harris, Hannah Robertson
Calculations	Arthur Harris, Hannah Robertson, Cara Christopher
Information Review	Hannah Robertson, Cara Christopher
Report Authoring	Hannah Robertson, Cara Christopher
Quality Assurance	Liam Rooney
Principal Valuer	Arthur Harris

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

*Jones Lang LaSalle*

## 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 – Record of Title



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



R.W. Muir  
Registrar-General  
of Land

**Identifier** 762874  
**Land Registration District** North Auckland  
**Date Issued** 14 December 2016

**Prior References**

148349	148350	148351
148352	148353	148354
148355	148356	148357
148358	148359	148360
148361	148362	148363
148364	148365	148366
148367	148368	148369
148370	148371	148372
148373	148374	148375
148376	148377	148378
148379	148380	148381
148382	148383	148384
148385	148386	148387
148388	148389	148390
148391	148392	148393
148394	148395	148396
148397	148398	148399
148400	148401	148402

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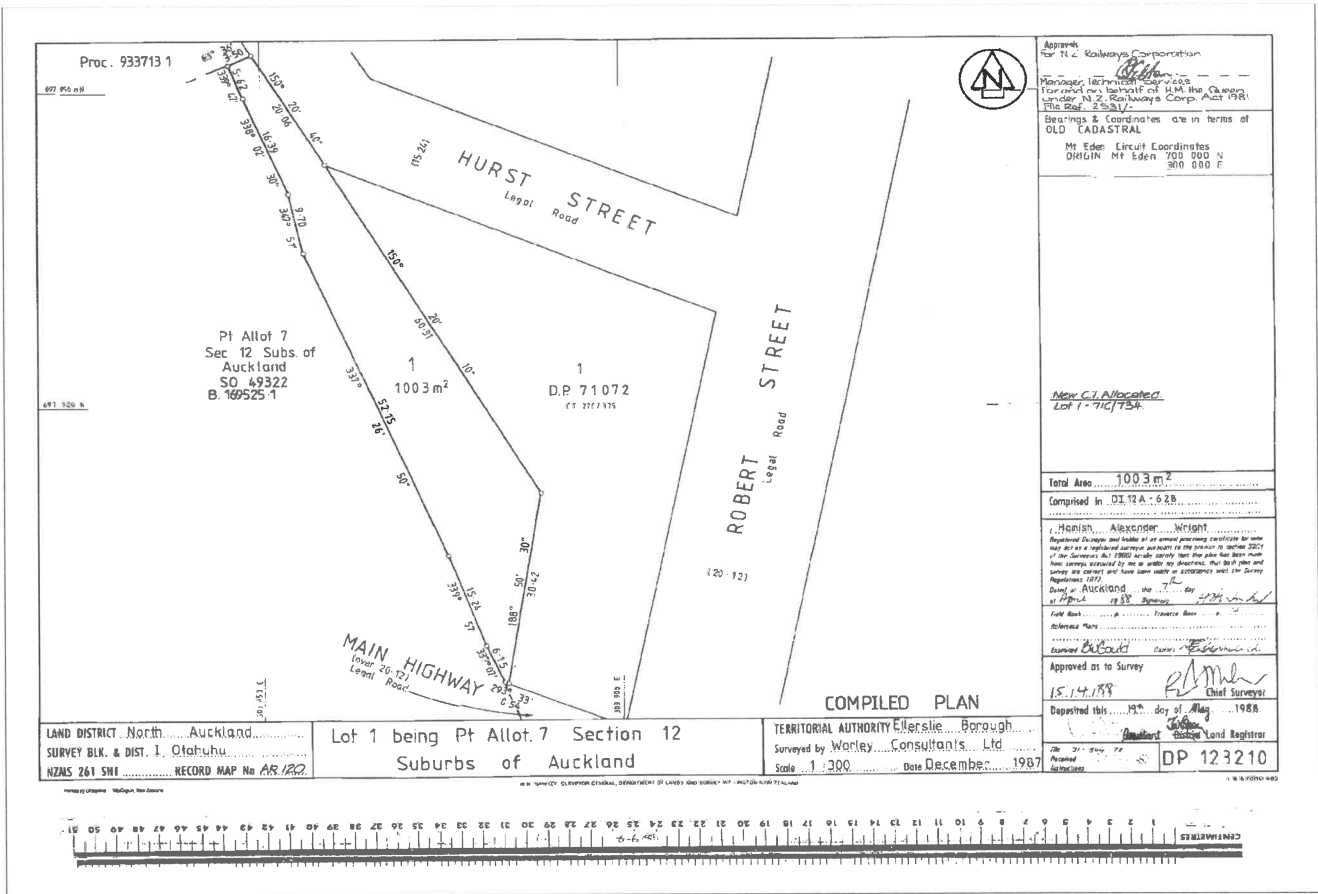
**Estate** Fee Simple  
**Area** 2949 square metres more or less  
**Legal Description** Lot 1 Deposited Plan 71072 and Lot 1  
Deposited Plan 123210

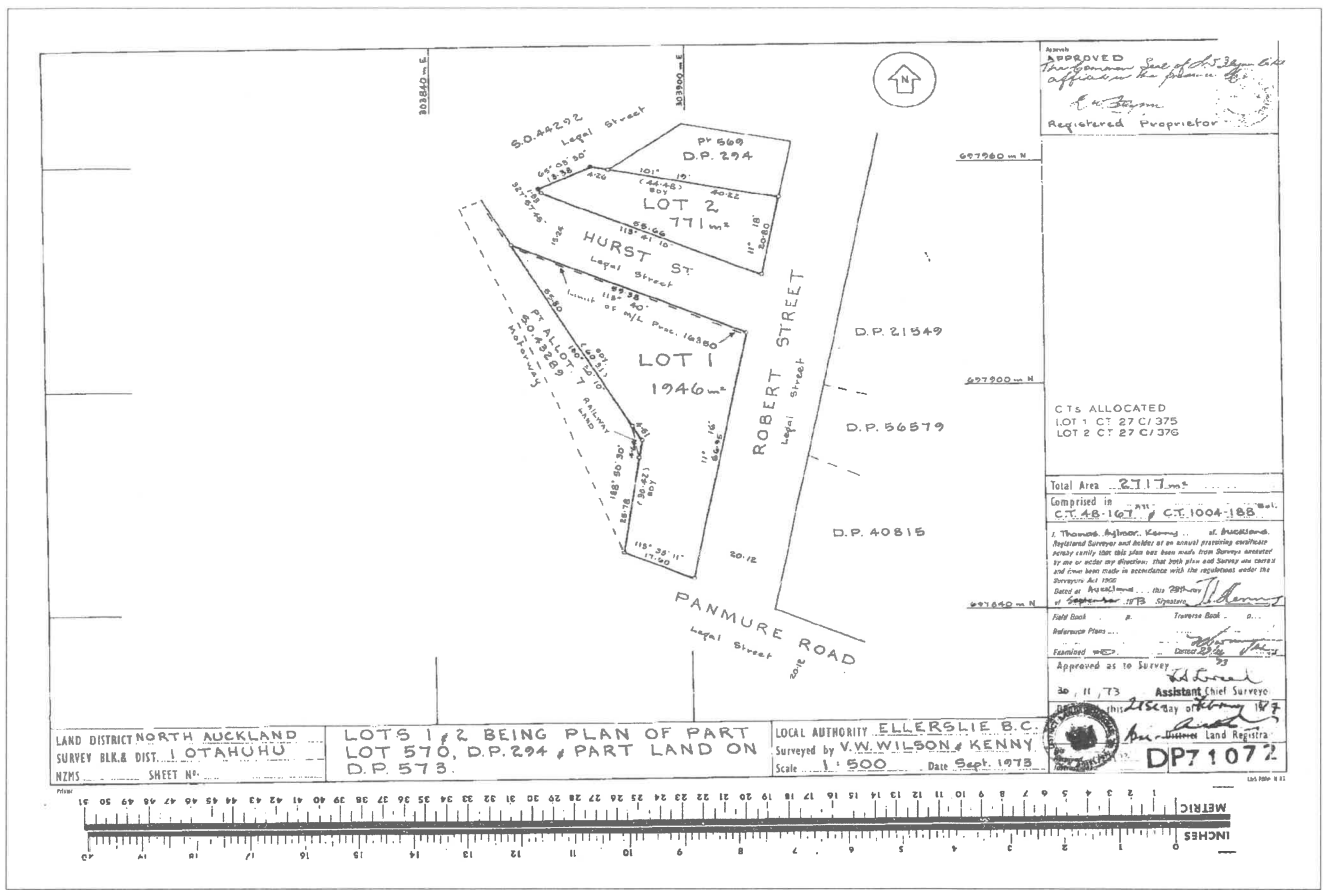
**Registered Owners**  
PMG Direct Office Fund Trustees Limited

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**Interests**

10565057.49 Mortgage to ASB Bank Limited - 14.12.2016 at 3:57 pm





# Appendix 3 – Lease Summaries

Lease Summary	Andrew Kolose Lemalu
Documents reviewed	Signed Agreement to Lease dated 15 February 2017. Signed and Undated Deed of Lease.
Lessee	Andrew Kolose Lemalu
Demised premises	Ground Floor, 2 Robert Street, Ellerslie, Auckland
Lettable Area	150.80 sqm 7 car parking spaces
Commencement Date	1 December 2017
Expiry Date	30 November 2026
Lease Term	An initial nine (9) year term, with one (1) further right of renewal of six (6) years remaining.
Commencement Rent	Office: \$46,748 pa Car Parking: \$12,012 pa Total: \$58,760 per annum plus GST
Current Rent	\$62,946 per annum plus GST
Rental Review Provisions	Rental Reviews in line with the following provisions: On the first, second and third anniversary the annual rental will be reviewed to fixed 3.50% rental increases. On the fourth and seventh anniversary the rental will be reviewed to the greater of: a) Fixed 3.50% increase b) Current market level. If the right of renewal is exercised then on the renewal date and on the third anniversary of the renewal term, the annual rental will be reviewed to the then current market level.
Outgoings Recovery	Net lease – standard building operating expenses are recoverable from the tenant.
Permitted Use	Commercial Offices.
Emergency Provision	<b>No Access in Emergency</b> We note that as per Section 18 of the Agreement to Lease the Parties will enter into a Deed of Lease as soon as practicable after this Agreement is unconditional. The New Lease shall be the Auckland District Law Society Deed of Lease Sixth Edition 2012(4) with the Landlord's standard amendments required to reflect the terms of this agreement, to be prepared by the Landlord. Although we have not sighted signed and dated Deed of Lease documentation pertaining to this tenancy, we have specifically assumed that Deed of Lease Sixth Edition 2012(5) documentation has been executed in line with the above provisions. As per Section 27.5 of the Deed of Lease if there is an emergency and the Tenant is unable to gain access to the premises to fully conduct the Tenant's business from the premises because of reasons of safety of the public or property or the need to prevent, reduce or overcome any hazard, harm or loss that may be associated with the emergency including a restriction on occupation of the premises by any competent authority, then a fair proportion of that rent and outgoings shall cease to be payable from the period commencing on the date when the Tenant became unable to gain access to the premises to fully conduct the Tenant's business from the premises until the inability ceases. As per the New Zealand Government's announcement regarding a full lock down of the country for at least four weeks commencing on 26 March 2020, these provisions apply to this Tenant.

Lease Summary	Dental Solutions Limited
Documents reviewed	Signed Agreement to Lease dated
Lessee	Dental Solutions Limited
Demised premises	Ground Floor, 2 Robert Street, Ellerslie, Auckland
Lettable Area	170.60 sqm 3 car parking spaces
Commencement Date	1 February 2020
Expiry Date	31 January 2030
Lease Term	An initial ten (10) year term.

Commencement Rent	Office: \$64,828 pa Car Parking: \$5,148 pa Total: \$69,976 per annum plus GST
Current Rent	\$69,976 per annum plus GST
Rental Review Provisions	Rental Reviews in line with the following provisions: On the first, second, third, fourth, fifth, sixth, seventh, eighth and ninth anniversary the annual rental will be reviewed to fixed 3% rental increases. On the fifth anniversary the rental will be reviewed to the greater of: c) Fixed 3% increase d) Current market level.
Outgoings Recovery	Net lease – standard building operating expenses are recoverable from the tenant.
Permitted Use	Dentistry and all associated practices.
Emergency Provision	<b>No Access in Emergency</b> We note that as per Section 17 of the Agreement to Lease the Parties will enter into a Deed of Lease as soon as practicable after this Agreement is unconditional. The New Lease shall be the Auckland District Law Society Deed of Lease Sixth Edition 2012(5) with the Landlord's standard amendments required to reflect the terms of this agreement, to be prepared by the Landlord. Although we have not sighted signed and dated Deed of Lease documentation pertaining to this tenancy, we have specifically assumed that Deed of Lease Sixth Edition 2012(5) documentation has been executed in line with the above provisions. As per Section 27.5 of the Deed of Lease if there is an emergency and the Tenant is unable to gain access to the premises to fully conduct the Tenant's business from the premises because of reasons of safety of the public or property or the need to prevent, reduce or overcome any hazard, harm or loss that may be associated with the emergency including a restriction on occupation of the premises by any competent authority, then a fair proportion of that rent and outgoings shall cease to be payable from the period commencing on the date when the Tenant became unable to gain access to the premises to fully conduct the Tenant's business from the premises until the inability ceases. As per Section 27.6 of the Deed of Lease, this sub clause applies where sub clause 27.5 applies and the premises or building of which the premises form part are not totally or partially destroyed or damaged resulting in the lease being cancelled as provided for in sub clauses 26.1 or 27. Either party may terminate this lease by giving 10 working days written notice to the other if: a) The Tenant is unable to gain access to the premises for the period specified in the First Schedule (standard specified date is 9 months); or b) The part that terminates this Lease can at any time prior to termination establish with reasonable certainty that the Tenant is unable to gain access to the premises for that period. <b>As per the New Zealand Government's announcement regarding a full lock down of the country for at least four weeks commencing on 26 March 2020, these provisions apply to this Tenant.</b>

<b>Lease Summary</b>	<b>Animates NZ Holdings Limited</b>
Documents reviewed	Signed Deed of Lease dated 30 April 2012. Rent Review Certificate dated 3 May 2012. Signed Deed of Variation of Lease dated 18 May 2016.
Lessee	Animates NZ Holdings Limited
Demised premises	Part Level 1, 2 Robert Street, Ellerslie, Auckland
Lettable Area	Office: 609.97 sqm Deck: 24.70 sqm 25 car parking spaces
Commencement Date	2 March 2012
Expiry Date	1 March 2022
Lease Term	An initial ten (10) year term, with one (1) further right of renewal of five (5) years each remaining.
Commencement Rent	Office: \$126,021 pa Deck: \$750 pa Car Parking: \$26,000 pa

	<b>Total: \$152,771 per annum plus GST</b>
Current Rent	\$165,543 per annum plus GST
Rental Review Provisions	CPI rent reviews on each anniversary of the commencement date. Rental reviews are subject to a soft ratchet clause, with a 4% rental cap on each anniversary.
Outgoings Recovery	Net lease – standard building operating expenses are recoverable from the tenant.
Permitted Use	Retail

Lease Summary	Team Talk
Documents reviewed	Signed Agreement to Lease dated 21 May 2018.
Lessee	TeamTalk Limited
Demised premises	Part Level 1, 2 Robert Street, Ellerslie, Auckland
Lettable Area	356.32 sqm 11 car parking spaces
Commencement Date	1 April 2018
Expiry Date	31 March 2026
Lease Term	An initial eight (8) year term.
Commencement Rent	Office: \$85,516.80 pa Car Parking: \$18,876 pa <b>Total: \$104,392.80 per annum plus GST</b>
Current Rent	\$110,745 per annum plus GST
Rental Review Provisions	Rental Reviews in line with the following provisions: On the first, second, and third anniversary the annual rental will be reviewed to fixed 3% rental increases. On the fourth anniversary the rental will be reviewed to the greater of: <ul style="list-style-type: none"> <li>a) Fixed 3% increase</li> <li>b) Current market level.</li> </ul>
Outgoings Recovery	Net lease – standard building operating expenses are recoverable from the tenant.
Permitted Use	Commercial Offices.
Special Provisions	<b>Lease Incentive</b> In consideration of the Tenant committing unconditionally to a Lease of the Premises in accordance with the terms and conditions of the agreement the Landlord will pay to the Tenant the sum of \$40,000 plus GST.
Emergency Provision	<b>No Access in Emergency</b> We note that as per Section 16 of the Agreement to Lease the Parties will enter into a Deed of Lease as soon as practicable after this Agreement is unconditional. The New Lease shall be the Auckland District Law Society Deed of Lease Sixth Edition 2012(4) with the Landlord's standard amendments required to reflect the terms of this agreement, to be prepared by the Landlord. Although we have not sighted signed and dated Deed of Lease documentation pertaining to this tenancy, we have specifically assumed that Deed of Lease Sixth Edition 2012(5) documentation has been executed in line with the above provisions. As per Section 27.5 of the Deed of Lease if there is an emergency and the Tenant is unable to gain access to the premises to fully conduct the Tenant's business from the premises because of reasons of safety of the public or property or the need to prevent, reduce or overcome any hazard, harm or loss that may be associated with the emergency including a restriction on occupation of the premises by any competent authority, then a fair proportion of that rent and outgoings shall cease to be payable from the period commencing on the date when the Tenant became unable to gain access to the premises to fully conduct the Tenant's business from the premises until the inability ceases. As per the New Zealand Government's announcement regarding a full lock down of the country for at least four weeks commencing on 26 March 2020, these provisions apply to this Tenant.

Lease Summary	BF Leasing Company (Burger Fuel)
Documents reviewed	Signed Deed of Lease dated 15 July 2018. Signed Deed of Renewal of Lease and Rent Review.
Lessee	BF Leasing Company
Demised premises	Part Ground Floor, 2 Robert Street, Ellerslie, Auckland
Lettable Area	90.74 sqm 1 car parking spaces
Commencement Date	1 November 2012
Expiry Date	31 October 2021
Lease Term	A renewed six (6) year term from 1 November 2015, with one (1) further right of renewal of four years remaining.
Commencement Rent	\$27,159 per annum plus GST
Current Rent	\$34,051 per annum plus GST
Rental Review Provisions	Rental Reviews in line with the following provisions: <b>Fixed Reviews</b> Fixed 3% rental reviews on each anniversary of the commencement date. <b>Market Reviews</b> Market reviews on each renewal date. Capped at a 5% increase/decrease.
Outgoings Recovery	Net lease – standard building operating expenses are recoverable from the tenant.
Permitted Use	Takeaway and seated food use including the sale of beer and wine, coffee and breakfast products, or any other products used and adopted by the BurgerFuel system.

Lease Summary	Mexikelli Limited
Documents reviewed	Signed Deed of Lease dated 1 November 2019.
Lessee	Mexikelli Limited
Demised premises	Part Ground Floor, 2 Robert Street, Ellerslie, Auckland
Lettable Area	109 sqm 1 car parking spaces
Commencement Date	1 August 2019
Expiry Date	31 July 2027
Lease Term	An initial eight (8) year term, with one (1) further right of renewal of six (6) years remaining.
Commencement Rent	Premises: \$50,602.84 pa Car Parking: \$1,716 pa <b>Total: \$52,318.84 per annum plus GST</b>
Current Rent	\$52,319 per annum plus GST
Rental Review Provisions	Rental Reviews in line with the following provisions: <b>Fixed Reviews</b> Fixed 2.75% reviews on each anniversary of the commencement date. <b>Market Reviews</b> Market Reviews on renewal of the lease.
Outgoings Recovery	Net lease – standard building operating expenses are recoverable from the tenant.
Permitted Use	Restaurant and takeaway food.
Emergency Provision	<b>No Access in Emergency</b> As per Section 27.5 of the Deed of Lease if there is an emergency and the Tenant is unable to gain access to the premises to fully conduct the Tenant's business from the premises because of reasons of safety of the public or property or the need to prevent, reduce or overcome any hazard, harm or loss that may be associated with the emergency including a restriction on occupation of the premises by any competent authority, then a fair proportion of that rent and outgoings shall cease to be payable from the period

commencing on the date when the Tenant became unable to gain access to the premises to fully conduct the Tenant's business from the premises until the inability ceases.

As per Section 27.6 of the Deed of Lease, this sub clause applies where sub clause 27.5 applies and the premises or building of which the premises form part are not totally or partially destroyed or damaged resulting in the lease being cancelled as provided for in sub clauses 26.1 or 27. Either party may terminate this lease by giving 10 working days written notice to the other if:

- a) The Tenant is unable to gain access to the premises for the period specified in the First Schedule (specified date is 9 months); or
- b) The part that terminates this Lease can at any time prior to termination establish with reasonable certainty that the Tenant is unable to gain access to the premises for that period.

As per the New Zealand Government's announcement regarding a full lock down of the country for at least four weeks commencing on 26 March 2020, these provisions apply to this Tenant.

Lease Summary	JSPR
Documents reviewed	Signed Agreement to Lease dated 9 May 2018.
Lessee	JSPR Limited
Demised premises	Part Ground Floor, 2 Robert Street, Ellerslie, Auckland
Lettable Area	130.23 sqm 2 car parking spaces
Commencement Date	1 August 2018
Expiry Date	21 July 2028
Lease Term	An initial ten (10) year term with one (1) further right of renewal of ten (10) years remaining.
Commencement Rent	Premises: \$58,602.50 pa Car Parking: \$3,120 pa <b>Total: \$61,722.50 per annum plus GST</b>
Current Rent	\$63,576 per annum plus GST
Rental Review Provisions	Rental Reviews in line with the following provisions: <b>Fixed Reviews</b> Fixed 3% rental reviews on each anniversary of the commencement date. <b>Market Reviews</b> Market reviews on the fourth and seventh anniversary of the commencement date. Subject to a hard ratchet clause. If renewal term is executed then a market review will be undertaken on the renewal date and on the fourth and seventh anniversary of the renewed term.
Outgoings Recovery	Net lease – standard building operating expenses are recoverable from the tenant.
Permitted Use	Gymnasium
Special Provisions	<b>Landlord Contribution</b> The Landlord agrees to make a contribution to the cost of the Fitout that will be carried out by the Tenant at \$87,000 plus GST. In addition to the above, the Landlord will pay the Tenant the sum of \$30,000 plus GST for Tenant Fitout.
Emergency Provision	<b>No Access in Emergency</b> We note that as per Section 19 of the Agreement to Lease the Parties will enter into a Deed of Lease as soon as practicable after this Agreement is unconditional. The New Lease shall be the Auckland District Law Society Deed of Lease Sixth Edition 2012(4) with the Landlord's standard amendments required to reflect the terms of this agreement, to be prepared by the Landlord. Although we have not sighted signed and dated Deed of Lease documentation pertaining to this tenancy, we have specifically assumed that Deed of Lease Sixth Edition 2012(5) documentation has been executed in line with the above provisions. As per Section 27.5 of the Deed of Lease if there is an emergency and the Tenant is unable to gain access to the premises to fully conduct the Tenant's business from the premises because of reasons of safety of the public or property or the need to prevent, reduce or overcome any hazard, harm or loss that may be associated with the emergency including a restriction on occupation of the premises by any competent authority, then a fair proportion of that rent and outgoings shall cease to be payable from the period

commencing on the date when the Tenant became unable to gain access to the premises to fully conduct the Tenant's business from the premises until the inability ceases.

**As per the New Zealand Government's announcement regarding a full lock down of the country for at least four weeks commencing on 26 March 2020, these provisions apply to this Tenant.**

Lease Summary	Little Lamb NZ
Documents reviewed	Signed Deed of Lease dated 14 June 2019.
Lessee	Little Lamb NZ
Demised premises	Part Ground Floor, 2 Robert Street, Ellerslie, Auckland
Lettable Area	202.16 sqm 8 car parking spaces
Commencement Date	1 December 2017
Expiry Date	30 November 2026
Lease Term	An initial nine (9) year term, with one (1) further right of renewal of six (6) years remaining.
Commencement Rent	Premises: \$70,756 pa Car Parking: \$12,480 pa <b>Total: \$83,236 per annum plus GST</b>
Current Rent	\$88,617 per annum plus GST
Rental Review Provisions	Rental Reviews in line with the following provisions: <b>Fixed Reviews</b> Fixed 3% rental reviews on each anniversary of the commencement date. <b>Market Reviews</b> If renewal term is executed then a market review will be undertaken on the renewal date and on the third anniversary of the renewed term.
Outgoings Recovery	Net lease – standard building operating expenses are recoverable from the tenant.
Permitted Use	Licensed Restaurant.
Emergency Provision	<b>No Access in Emergency</b> As per Section 27.5 of the Deed of Lease if there is an emergency and the Tenant is unable to gain access to the premises to fully conduct the Tenant's business from the premises because of reasons of safety of the public or property or the need to prevent, reduce or overcome any hazard, harm or loss that may be associated with the emergency including a restriction on occupation of the premises by any competent authority, then a fair proportion of that rent and outgoings shall cease to be payable from the period commencing on the date when the Tenant became unable to gain access to the premises to fully conduct the Tenant's business from the premises until the inability ceases. <b>As per the New Zealand Government's announcement regarding a full lock down of the country for at least four weeks commencing on 26 March 2020, these provisions apply to this Tenant.</b>

Lease Summary	Subway
Documents reviewed	Signed Deed of Lease dated 31 January 2013. Signed Deed of Rent Review dated 9 February 2015. Signed Deed of Renewal dated 22 February 2019.
Lessee	Subway Real Estate Limited
Demised premises	Part Ground Floor, 2 Robert Street, Ellerslie, Auckland
Lettable Area	87.50 sqm
Commencement Date	1 November 2012
Expiry Date	31 October 2024
Lease Term	A renewed six (6) year term from 1 November 2018, with one (1) further right of renewal of six (6) years remaining.
Commencement Rent	\$37,500 per annum plus GST

Current Rent	\$40,160 per annum plus GST
Rental Review Provisions	Rental Reviews in line with the following provisions: <b>CPI Reviews</b> On each second anniversary of the commencement date to CPI. Capped at 4%. <b>Market Reviews</b> If renewal term is executed then a market review will be undertaken on the renewal date. Capped at 4%.
Outgoings Recovery	Net lease – standard building operating expenses are recoverable from the tenant.
Permitted Use	The preparation and sale of sandwiches and submarine style sandwiches, wraps, salads and soft drinks, coffee and tea.

<b>Lease Summary</b>	<b>Westferry Property Services Limited</b>
Documents reviewed	Signed Agreement to Lease dated 20 December 2018.
Lessee	Westferry Property Services Limited
Demised premises	Part Ground Floor, 2 Robert Street, Ellerslie, Auckland
Lettable Area	324.86 sqm 9 car parking spaces
Commencement Date	1 April 2019
Expiry Date	31 March 2027
Lease Term	An initial eight (8) year term.
Commencement Rent	Premises: \$92,585.10 pa Car Parking: \$15,444 pa Total: \$108,029 per annum plus GST
Current Rent	\$111,035 per annum plus GST
Rental Review Provisions	Rental Reviews in line with the following provisions: <b>Fixed Reviews</b> On the first, second and third anniversary of the commencement date the annual rent for the premises will increase by 2.85%. <b>Market Reviews</b> On the fourth and sixth anniversary of the lease the annual rent will be reviewed to the then current market levels.
Outgoings Recovery	Net lease – standard building operating expenses are recoverable from the tenant.
Permitted Use	Commercial Offices & Warehouse.  <b>Lease Incentive</b> In consideration of the Tenant committing unconditionally to the Lease of the Premises in accordance with the terms and conditions of the lease, the Landlord will provide three months' rent free.
Special Provisions	<b>Early Termination</b> The Tenant shall have the right to terminate the Lease on the day before the fourth anniversary of the Lease commencement date by giving a minimum of six months prior written notice. In the event that the Tenant gives notice to terminate the lease in accordance with above then an Early Termination Clause of \$50,000 plus GST shall be payable.
Emergency Provision	<b>No Access in Emergency</b> We note that as per Section 18 of the Agreement to Lease the Parties will enter into a Deed of Lease as soon as practicable after this Agreement is unconditional. The New Lease shall be the Auckland District Law Society Deed of Lease Sixth Edition 2012(5) with the Landlord's standard amendments required to reflect the terms of this agreement, to be prepared by the Landlord. Although we have not sighted signed and dated Deed of Lease documentation pertaining to this tenancy, we have specifically assumed that Deed of Lease Sixth Edition 2012(5) documentation has been executed in line with the above provisions. As per Section 27.5 of the Deed of Lease if there is an emergency and the Tenant is unable to gain access to the premises to fully conduct the Tenant's business from the premises because of reasons of safety of the public or property or the need to prevent, reduce or overcome any hazard, harm or loss that may be associated with the emergency including a restriction on occupation of the premises by any competent

authority, then a fair proportion of that rent and outgoings shall cease to be payable from the period commencing on the date when the Tenant became unable to gain access to the premises to fully conduct the Tenant's business from the premises until the inability ceases.

**As per the New Zealand Government's announcement regarding a full lock down of the country for at least four weeks commencing on 26 March 2020, these provisions apply to this Tenant.**

# Contacts

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