



aim  
valuation

Registered Valuers



## Commercial Market Valuation for Capital Raising Purposes

65B Main Highway  
Ellerslie  
Auckland

Prepared for:  
PMG Direct Office Fund Trustees Limited  
C/- Property Managers Group  
PO Box 2034  
Tauranga 3140

Attention: Mr Nigel Lowe

Date: 31 March 2020

Reference: 0220-23

commercial residential land

TELEPHONE 09 9504632

Level 4, 272 Parnell Road, Parnell

FACSIMILE 09 9504652

POST PO Box 109576 Newmarket Auckland 1149

aimval.nz





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## 1. Executive Summary

**Instructed by:** Stephen Williams of Property Managers Group

**Purpose of Valuation:** Market Value Assessment on the subject property, subject to existing leases, for capital raising purposes.

Our report is confidential to the parties to which it is addressed and to the prospective subscribers for shares in The Company as part of a Capital Raising exercise to acquire 213 Tuam Street, Christchurch ("The Acquisition"). No responsibility is accepted to any third parties. Neither the whole of the report nor 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 to the form and context in which it will appear. This does not preclude Property Managers Group from providing to prospective subscribers for shares in The Company for The Acquisition.

**Date of Inspection:** 8 March 2020

**Date of Valuation:** 31 March 2020

**Valuation:** **NZD\$23,750,000**  
**(TWENTY THREE MILLION SEVEN HUNDRED AND FIFTY THOUSAND DOLLARS)**

Our valuation is on the basis of plus GST (if any) and reflects the following:

### *Analysis*

Value per sqm of NLA	\$5,177
Initial Yield	6.49%
Yield on Net Market Income	6.85%
Weighted Average Remaining Lease Term	5.92 years

**Valuation Approaches:** Capitalisation of income; land and buildings; and discounted cashflow.

**Purchase Price:** N/A

**Coronavirus (COVID-19):** Local and international markets will come to terms with Coronavirus and the impact or unclear impact this may have on the property market. A regular review of our report should be undertaken as circumstances become clearer. This is an integral part of any approved party relying on our report.

Accordingly, whilst we can confirm a value pre-Covid-19, the uncertainty that prevails in the market will require updating once new transactional information is available, analysed and understood.



## 1.1 Assumptions

In preparing our valuation we have made the following assumptions:

- The Landlord is to undertake upgrading of the Ministry of Justice tenancy at an advised cost of \$500,000. This includes lobby upgrade and carpark waterproof membrane which will be undertaken during 2020.

Should this change or not be met, we reserve the right to reassess our opinion of value accordingly.

## 1.2 Key Considerations

### Condition:

An average quality suburban office development.

### Saleability:

Average to good, providing a significant investment grade asset in the southern corridor office precinct with government tenancies representing over 87% of rentable area and just below 84% of net income. There is typically an ongoing requirement for capital expenditure and tenancy contributions with this style of asset.

### Property Type:

A 2003 completed development comprising 4 levels of above ground office and 3 levels of basement parking. 65B Main Highway, Ellerslie is 1 of 2 similar buildings being held by way of a Stratum in Freehold title on a 4,780sqm underlying parent site.

The property is 100% occupied and generates a net contract income of \$1,542,498 plus GST at an average net contract rent of \$257.50 per sqm for the office space and \$46.90 per week from 148 leased or licenced carparks. Additional income could be generated from the 11 vacant carparks.

The offices are 100% occupied by 3 tenants including The Ministry of Justice through to July 2027 and The Ministry of Social Development through to February 2026. An expenditure requirement of \$500,000 for the Ministry of Justice tenancy is outstanding.

In summary, an average specification suburban office building in the popular southern corridor area of Ellerslie, Auckland.



## 2. Property Description

### 2.1 Legal Description and Interests

Identifier	99584
Land Registration District	North Auckland
Estate	Stratum in Freehold
Legal Description	Unit B and Accessory Unit 1-8, 15-18, 23, 25-28, 32 Deposited Plan 310188
Registered Owners	Mega Growth Too Limited

### Supplementary Record Sheet

Identifier	50292
Land Registration District	North Auckland
Date Issued	20 August 2002
Plan Number	DP 310188
Subdivision of	Lot 1 Deposited Plan 51483 and Lot 2 Deposited Plan 51483

#### **Record of Title**

Lot	DP	Identifier
Unit B	310188	99584
Accessory Unit 1-8	310188	99584
Accessory Unit 15-18	310188	99584
Accessory Unit 23	310188	99584
Accessory Unit 25-28	310188	99584
Accessory Unit 32	310188	99584

The various Accessory Units are car park spaces.

### **Outstanding Interests:**

Interests include:

- 5320580.2 Consent Notice pursuant to Section 221 Resource Management Act 1991 - 20.8.2002 at 3:20 pm
- 1148853.4 Mortgage to ASB Bank Limited – 18.4.2019 at 4:31 pm

### Supplementary Record Sheet

#### **OWNERSHIP OF COMMON PROPERTY**

Pursuant to Section 47 Unit Titles Act 2010 -

- (a) the body corporate owns the common property and
  - (b) the owners of all the units are beneficially entitled to the common property as tenants in common in shares proportional to the ownership interest (or proposed ownership interest) in respect of their respective units.
- The above memorial has been added to Supplementary Record Sheets issued under the Unit Titles Act 1972 to give effect to Section 47 of the Unit Titles Act 2010.

- Subject to Section 59 Land Act 1948 (affects part Allotment 7A Section 12 Suburbs of Auckland)
- Subject to Section 8 Coal Mines Amendment Act 1950 (affects part Allotment 7A Section 12 Suburbs of Auckland)
- Subject to an electricity right (in gross) over part marked A on DP 310188 in favour of Vector Limited created by Transfer
- D609189.2 - produced 31.5.2001 at 3.21 and entered 11.6.2001 at 9.00 am
- 5320580.2 Consent Notice pursuant to Section 221 Resource Management Act 1991 - 20.8.2002 at 3:20 pm
- 5320580.4 Change of rules of the Body Corporate - 20.8.2002 at 3:20 pm
- 9292552.1 Notice of change of body corporate operational rules pursuant to Section 106 Unit Titles Act 2010 - 25.1.2013 at 8:48 am
- 9292552.2 Change of address of the Body Corporate - 25.1.2013 at 8:48 am

**Interest Comments:**

5320580.2 was a Consent Notice requiring a registered engineer to be engaged in the design and supervision of foundations.

5320580.4 was a change of rules of the Body Corporate relating to use and procedural matters.

9292552.1 was a notice of change of Body Corporate operational rules, concerning interference to the common property, vehicle parking, rubbish and pest control, security and leasing a unit among other matters.

9292552.2 was a change of the Body Corporate address to 525 Manukau Road, Epsom.

We have considered these interests in assessing our value of the property.

**Body Corporate Minutes:**

Body Corporate 310188 minutes from 8 July 2019 confirmed a Body Corporate budget for the year of \$90,375 excluding GST. It also included approval for podium seismic strengthening at a cost of \$234,732. We have proceeded on the basis that this work has a Certified Completion Certificate which has been paid for in full.

**2.2 Land Description**

**Site Description:**

The underlying parent site comprises an irregular shaped 4,780sqm front site with north-easterly aspect to Main Highway and/or Kalmia Street. The subject Unit B is situated to the north-western side of the site with the entire site excavated and retained to provide 3 basement levels and an effective podium above. Vehicle access to the site is available either directly off Kalmia Street with open parking situated in front of both Unit A and Unit B. Access to the basement parking is again off Kalmia Street with this tracking behind Unit A to the southern boundary and into the basement area to the western



side of the subject Unit B. The aerial perspective shows both Unit A and Unit B with the subject Unit B highlighted in red.

A site plan of the Ground Floor follows.



## Unitary Plan Operative in Part:

Under the Auckland Unitary Plan Operative in part from November 2016 the site is zoned **'Business - Mixed Use'**. The 'Business - Mixed Use' zone is typically located around centres and corridors served by public transport providing for residential activity and smaller scale commercial activity. It acts as a transition area between residential areas and Business zones.

Within this zone, Permitted Activities include:

### Accommodation

- Dwellings
- Integrated residential development
- Supported residential care
- Visitor accommodation and boarding houses

### Commerce

- Commercial services
- Drive-through restaurants
- Entertainment facilities
- Food and beverage
- Offices within the Central Fringe Office Control as shown on the planning maps
- Offices up to 500sqm gross floor area per tenancy
- Retail up to 200sqm gross floor area per tenancy
- Supermarkets up to 450sqm gross floor area per tenancy

### Community

- Artworks
- Care centres
- Community facilities
- Education facilities
- Healthcare facilities
- Recreation facilities
- Tertiary education facilities

### Industry

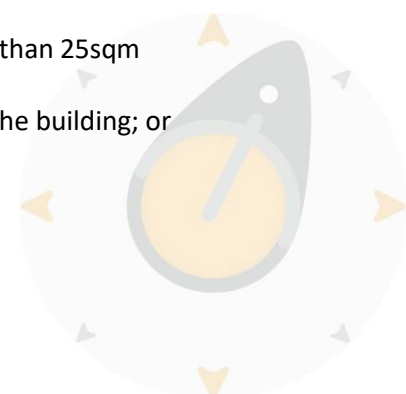
- Industrial laboratories
- Light manufacturing and servicing
- Repair and maintenance services
- Warehousing and storage

### Mana Whenua

- Marae complex

### Development

- Demolition of buildings
- Alterations to building facades that are less than 25sqm
- Additions to buildings that are less than:
  - a) 25% of the existing gross floor area of the building; or
  - b) 250sqm



whichever is the lesser

- Internal alterations to buildings

In addition, a variety of discretionary and restricted discretionary activities are provided.

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

Development controls within this zone include:

#### Building Height

The Business – Mixed Use zone permits an occupiable and total building height of 16m and 18m respectively. Height Variation Controls (as specified on planning maps) affect arbitrary sites in addition to isolated volcanic viewshaft overlays which provide additional maximum height parameters.

#### Buildings

Building Setback: 6m at 18m when opposite a Residential zone and 6m setback at 27m for all other zones.

#### Yards

Rear and side yards: 3m where a rear or side boundary adjoins a Residential zone or Special Purpose zone

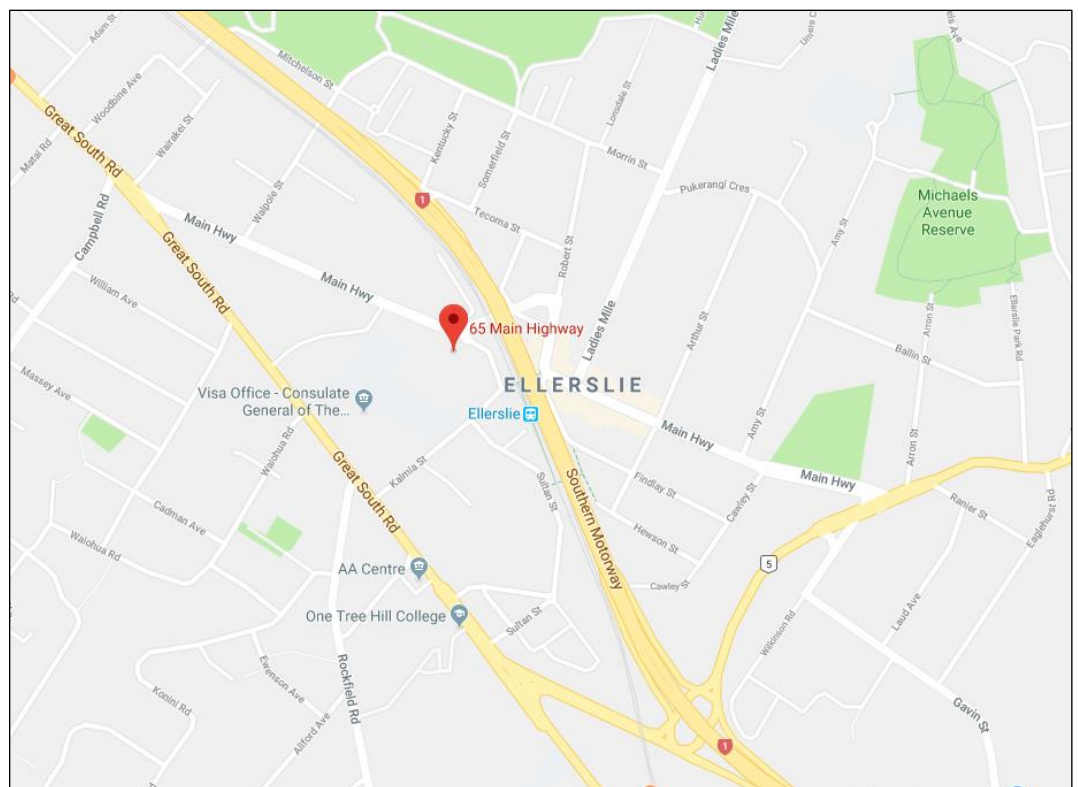


**Situation and Locality:**

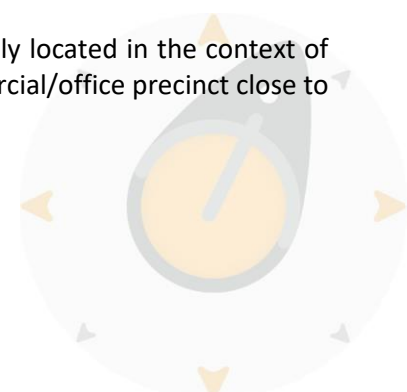
Main Highway, Ellerslie is a sealed, curbed and channelled through-road extending from the Great South Road/Campbell Road intersection in the north in an area historically referred to as the Harp of Erin. The subject property is situated on the southern side of Main Highway just before the motorway overbridge which provides access via Robert Street and into Ellerslie township. Robert Street re-joins Main Highway which extends through to the Ellerslie-Panmure Highway.

Immediate surrounding development comprises a range of land uses, with Ellerslie School situated to the southern boundary, together with Ellerslie Bowling Club. Residential and apartment development, and some commercial and industrial uses are situated in and around Kalmia Street. Accessed off Main Highway and Great South Road is the Millennium Centre office park, while Central Park is situated approximately 400m to the south.

A clear feature of the property is its proximity to Ellerslie township, with both the motorway overbridge and footbridge providing easy access to Ellerslie commercial and retail services. The property is within 200m of Ellerslie Train Station, with regular public transport along Main Highway and Great South Road. It is also close to the southern motorway with interchanges available at Greenlane, Tecoma Street and Ellerslie.



In summary, we consider the property favourably located in the context of the southern corridor which is a popular commercial/office precinct close to Ellerslie township.



## 2.3 Description of Improvements

**Floor Area:** Rentable area plans as prepared by Harrison Grierson and contained in the MSD and Ministry of Justice leases are summarised below.

### Floor Area Summary

Description	Occupier	Rentable Area sqm	Total Property %
pt Ground	Digital Data Systems	578.40	12.6%
pt Ground	Ministry of Justice	507.50	11.1%
Level 1	Ministry of Justice	1168.80	25.5%
Level 2	Ministry of Social Development	1164.22	25.4%
Level 3	Ministry of Social Development	1169.00	25.5%
<b>Adopted Rentable Area</b>		<b>4587.92</b>	<b>100.0%</b>
<b>Carparks</b>	Open Unsecure	5	
	Covered Secure & Vacant	11	
	Covered Secure & Licensed	5	
	Covered Secure & Leased	138	
Total Spaces		154	
Car Park ratio	1 space per	29.8	<b>sqm</b>

The car park ratio is particularly generous in a suburban office environment and potentially provides more spaces than demanded. Third party demand could exist which would require ongoing management.

**General:** A 2003 completed suburban grade 4 level office building being 1 of 2 to a Stratum in Freehold estate.

**Construction:** Construction consists of:

<i>Foundations:</i>	Reinforced concrete columns and beams
<i>Flooring:</i>	Concrete I-beams with timber inserts and concrete over-pour
<i>Exterior:</i>	Predominantly concrete with feature tile and alucabond flashing
<i>Roof:</i>	Unsighted but presumably long run iron
<i>Glazing:</i>	Aluminium framed single glazed.
<i>Stud Heights:</i>	Ground floor – 2.66m floor to the underside of the suspended ceiling Level 3 – 2.67m floor to the underside of the suspended ceiling

Interior linings consist of:

<i>Flooring:</i>	Carpet tiles
<i>Ceiling:</i>	Suspended ceiling on metal grid



<i>Lighting:</i>	Recessed fluorescent lighting in reflective diffuser trays
<i>Air-conditioning:</i>	Ducted in-ceiling
<i>Lifts:</i>	2 lifts – 900kg 13 person

The space is generally provided as open plan with selective partitioned offices.

#### **Layout & Amenities:**

The main entrance is off the ground floor lobby, with the Digital Data Systems tenancy situated to the left and the Ministry of Justice to the right. A central lift provides access to the various floors including all basement levels. Bathrooms and amenities are centrally located on each floor and can be accessed from either the northern or southern side of the building which allows relatively easy subdivision of the floors. Fire exit stairs are positioned opposite the lift and also to the north-eastern corner of the building.

#### **Fixtures & Fittings:**

Standard fixtures and fittings within the tenancies include:

##### Lunchroom

- 2 4-plate electric ovens
- 2 Stainless steel sinks
- Vinyl topped benchtop and servery

##### Male Bathroom

- 2 ceramic WCs
- 3 ceramic urinals
- Laminated shower
- 3 ceramic hand basins

##### Female Bathroom

- 3 ceramic WCs
- Laminated shower
- 3 ceramic hand basins

#### **Condition & Repair:**

An average quality suburban office development.

#### **Site Improvements:**

These include an inward and outward road crossing from Main Highway and access to 5 open car parks to the front of Building B. The main carpark access is off Kalmia Street to the southern end of Building A, wrapping around the rear of the site and entrance to the western side of Building B. The 3 levels of basement carparking are all with security grill access and serviced by lift and stairs. The balance of the site has attractive landscaped gardens.

A gymnasium with male and female bathrooms is on common property behind AU17 on Basement 1.



<b>Reticulation of Services:</b>	Telephone, electricity, sewage, storm water and town water are all connected.
<b>Building Warrant of Fitness:</b>	The building has a current Warrant of Fitness through to 12 February 2021.
<b>Code Compliance:</b>	We assume all existing development on site has appropriate resource and building consent and has obtained Code Compliance Certification.
<b>Seismic Rating:</b>	We have assessed our opinion of value on the basis all improvements have a seismic rating higher than 67% of New Building Standard.



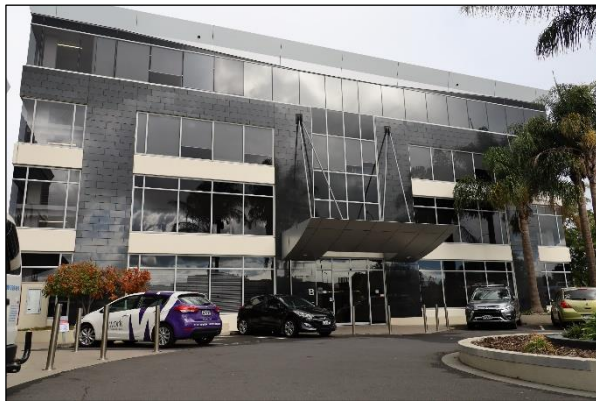
**Photos:**



North-eastern aspect



Northern aspect



Entrance



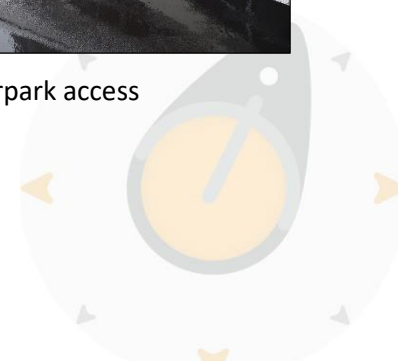
South-eastern aspect



Basement carpark access



Basement carpark access





North-eastern aspect



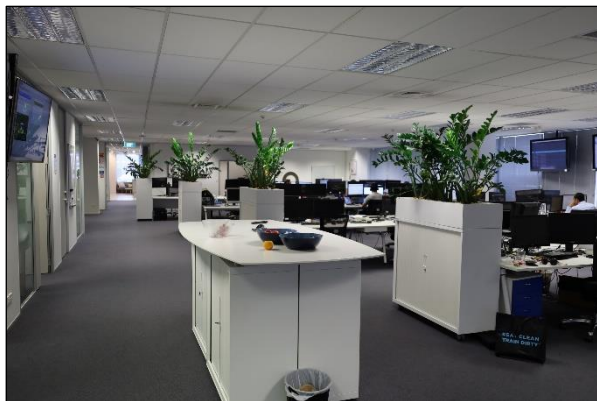
Entrance lobby



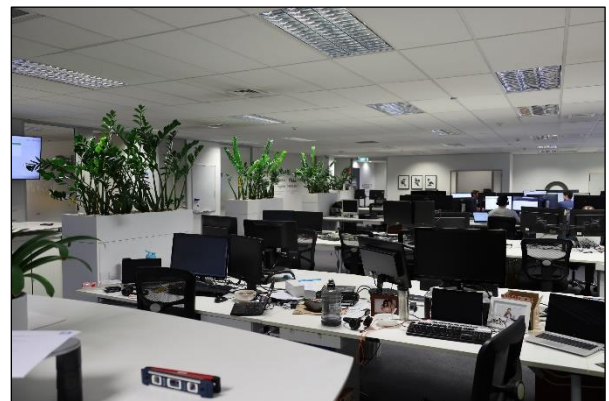
Lifts



Ground floor tenancy



Ground floor tenancy

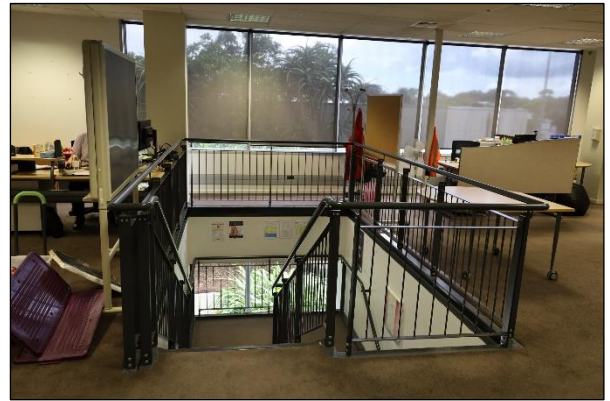


Ground floor tenancy

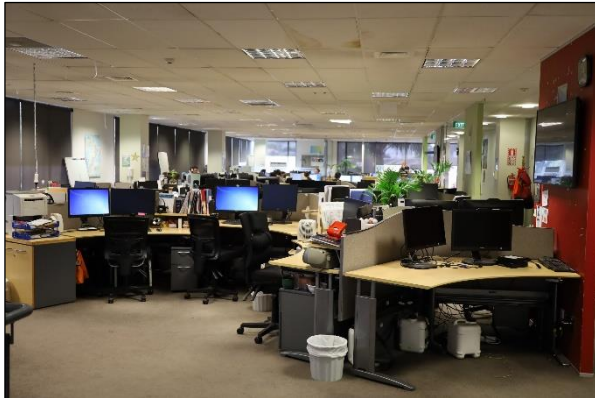




Ministry of Justice tenancy



Internal stairs



Level 1 office



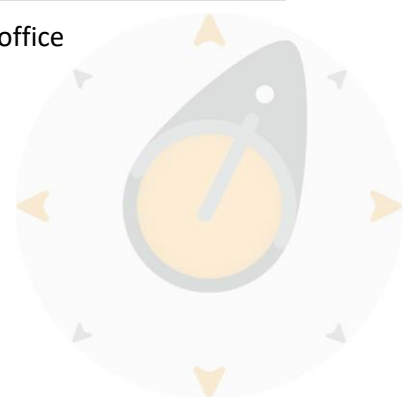
Male bathroom



Level 1 kitchen



Level 1 office





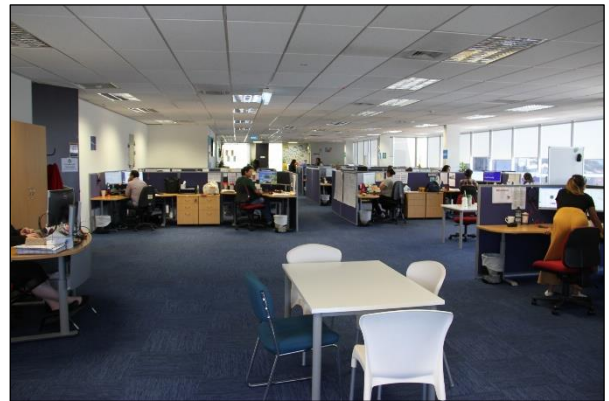
Level 2 kitchen



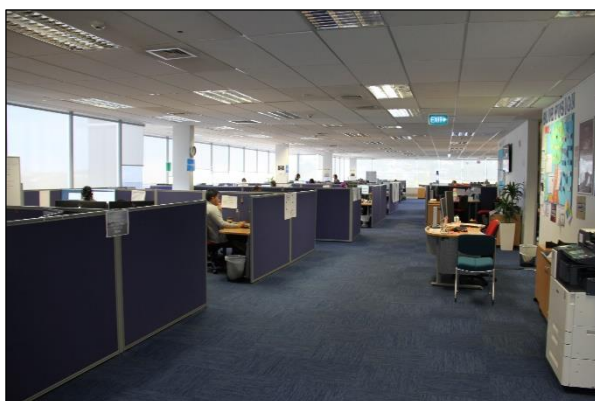
Stairwell



Level 3 lunchroom



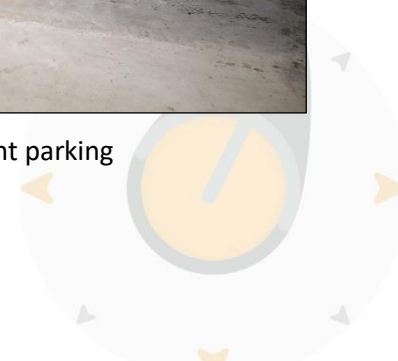
Level 3 office

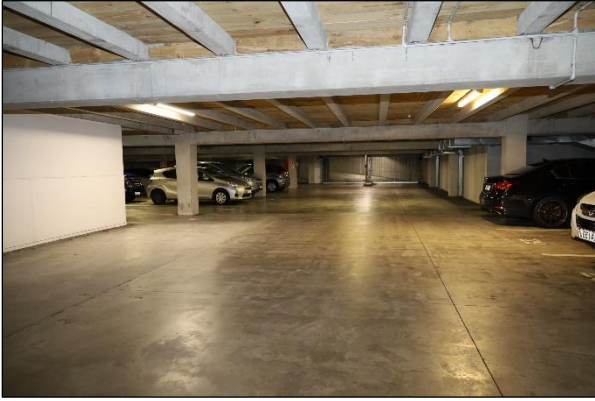


Level 3 office

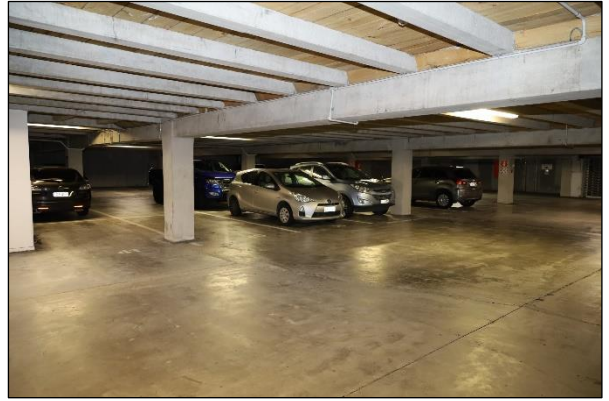


Basement parking





Basement parking



Basement parking



Basement parking security

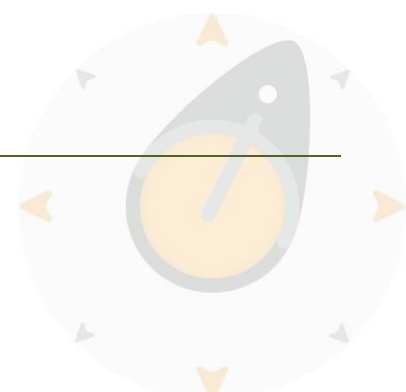


### 3. Occupancy Arrangements

#### 3.1 Lease Summary

Agreement to Lease dated 14 October 2019

Landlord:	PMG Direct Office Fund Trustees Limited
Tenant:	Digital Data Systems Limited
Agreement to Lease Format:	PMG ATL
Bank Guarantee:	... the Tenant will provide the Landlord with a bank guarantee in a form acceptable to the Landlord. The Bank Guarantee shall be for the sum of \$86,000
Building:	65B Main Highway, Ellerslie, Auckland
Premises:	Part Ground Floor of the Building, as shown outlined in red on the Premises Plan attached at Schedule A.
Rentable Area:	578.40sqm
New Lease Commencement Date:	8 February 2020
Term of New Lease:	3 years
Annual Rent:	\$310 per sqm = \$179,304 per annum
Rent Reviews:	On each anniversary of the New Lease Commencement Date during the initial term and any renewal term, the Annual Rent for the Premises will increase by an amount equal to <b>2.00%</b> of the Annual Rent payable for the 12 month period immediately preceding the date of the relevant anniversary (excluding any Rent Rebate or Rent Holiday).
Permitted Use:	Commercial offices
Outgoings:	Outgoings will be payable from the New Lease Commencement Date and in accordance with clauses 3.1 to 3.7 inclusive of the New Lease.
Car Parking Spaces:	25 car parking spaces including 22 covered/secure spaces on basement level B1  3 uncovered/external car parking spaces in the Ground Floor car parking areas around the Building
Car Park Rent:	\$55 per park per week = \$71,500 per annum
Car Park Rent Reviews:	At the same times and on the same basis as the Rent Reviews of the Annual Rent for the Premises.
Form of New Lease:	ADLS Sixth Edition 2012 (5) amended to reflect the terms of this Agreement
Special Conditions:	<u>Lease Incentive</u> \$51,958 plus GST



The Lease Incentive will be in the form of:

- a) In the form of a rent rebate to be applied in relation to the Premises equally over the term of the New Lease, to be made on the monthly basis from the New Lease Commencement Date and of 36 equal months; and
- b) A rent-free period of 1 month in respect of the car parking spaces, to be applied for the month of April 2020.

Deed of Lease dated 5 September 2014

**Unexecuted Deed of Renewal and Variation of Lease**

Landlord	Mega Growth Too Limited <b>PMG Direct Office Fund Trustees Limited</b>										
Tenant:	The Sovereign in Right of New Zealand Acting by and Through the Ministry of Social Development										
<del>Guarantor:</del>											
Lease Format:	Sixth Edition 2012 (2)										
Premises:	Level 2 comprising a net lettable area of 1,164.22sqm and Level 3 comprising a net lettable area of 1,169sqm of the building at 65B Main Highway, Greenlane, Auckland...										
Car Parks:	50 under cover car parks located on level B1 and B2 <b>Plus an additional 15 basement car parks</b>										
Term:	6 years										
Commencement Date:	1 February 2014										
Rights of Renewal:	1 right of 6 years subject to clause 32.1(i). <b>The tenant exercised their 6 year right of renewal from 1 February 2020.</b>										
Renewal Dates:	1 February 2020										
Final Expiry Date:	31 January 2026										
Annual Rental:	<table border="0"> <tr> <td>Level 2:</td> <td>\$267,770.60 (\$230 per sqm) <b>\$283,289.65 (\$243.33 per sqm)</b></td> </tr> <tr> <td>Level 3:</td> <td>\$268,870.00 (\$230 per sqm) <b>\$284,452.77 (\$243.33 per sqm)</b></td> </tr> <tr> <td>Premises:</td> <td>\$536,770.60 plus GST <b>\$567,742.42 plus GST</b></td> </tr> <tr> <td>Car Parks:</td> <td>\$104,000.00 plus GST representing \$40 per car per week <b>\$110,032.00 plus GST representing \$42.32 per car per week on average</b></td> </tr> <tr> <td>Total:</td> <td>\$640,640.60 plus GST</td> </tr> </table>	Level 2:	\$267,770.60 (\$230 per sqm) <b>\$283,289.65 (\$243.33 per sqm)</b>	Level 3:	\$268,870.00 (\$230 per sqm) <b>\$284,452.77 (\$243.33 per sqm)</b>	Premises:	\$536,770.60 plus GST <b>\$567,742.42 plus GST</b>	Car Parks:	\$104,000.00 plus GST representing \$40 per car per week <b>\$110,032.00 plus GST representing \$42.32 per car per week on average</b>	Total:	\$640,640.60 plus GST
Level 2:	\$267,770.60 (\$230 per sqm) <b>\$283,289.65 (\$243.33 per sqm)</b>										
Level 3:	\$268,870.00 (\$230 per sqm) <b>\$284,452.77 (\$243.33 per sqm)</b>										
Premises:	\$536,770.60 plus GST <b>\$567,742.42 plus GST</b>										
Car Parks:	\$104,000.00 plus GST representing \$40 per car per week <b>\$110,032.00 plus GST representing \$42.32 per car per week on average</b>										
Total:	\$640,640.60 plus GST										

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**\$677,774.42 plus GST from February 2019**

**The annual rent is subject to review from renewal**

- Rent Review Dates:
1. Market rent review dates: 1 February 2017, 1 February 2020 (being the renewal date, if the renewal is exercised), 1 February 2023 (if the renewal has previously been exercised)
  2. CPI rent review dates: Annually on those anniversaries of the commencement date which are not a market rent review date
- Business Use: Office accommodation and call centre
- Proportion of Outgoings: 25.3758% in respect of Level 2 and 25.4799% in respect of Level 3
- Outgoings: Full recovery of outgoings under the lease format
- Additional Clauses: Cl 32.1 (i) Renewal of Lease
- It is a condition of the Tenant renewing this Lease that the Tenant takes on lease an additional 15 car parks for the renewal term such that for the renewal term the Tenant will lease 65 car parks... The parties agree that the rental payable for those 15 additional car parks will be the same weekly rental as is payable by the Tenant as at the renewal date in relation to the 50 car parks initially leased pursuant to this Lease.
- Further Terms:
1. The following clause 2.7 is inserted in the Second Schedule of the Lease:
    - 2.7 In determining the annual rent payable as from each market rent review date (including a market rent review date that is a renewal date), the valuers, the third expert of the arbitrator (as applicable) will completely disregard the initial fitout works carried out by the Tenant prior to and immediately following the commencement date, including:
      - (a) Internal fitout/partitioning
      - (b) Installation of kitchen fittings and fixtures
      - (c) Installation of additional lighting to suit the Tenant's layout
      - (d) Carpet tiles and flooring
      - (e) Security system
      - (f) Communications and telephone cabling and equipment
      - (g) Business signage
      - (h) Installation of any additional air-conditioning in the Premises to suit the Tenant's layout



Deed of Lease dated 15 July 2003  
**Deed of Variation of Lease dated 30 November 2018**

Landlord	Manson Enterprises Limited <b>Mega Growth Too Limited</b>																					
Tenant:	Her Majesty the Queen Department for Courts <b>Her Majesty the Queen acting through and by The Ministry of Justice</b>																					
<del>Guarantor:</del>																						
Lease Format:	Public Sector Standard Lease																					
Premises:	That part of the building being levels 1 and part ground floor... containing 1,668.8sqm of lettable area, together with the carparks as detailed in Item 4																					
Car Parks:	53 situated on the land and a further 10 car parks being those numbered 90-99 on the Car Park Plan if the option contained in clause 1.3 is exercised by the Tenant																					
Term:	9 years  <b>The current term of the lease is extended by a further 6 years so that the current term expires on 30 June 2027 and, for the avoidance of doubt, the final expiry date will be 30 June 2027.</b>																					
Commencement Date:	1 July 2003																					
Further Terms:	6 years																					
Renewal Dates:	1 July 2012																					
Final Expiry Date:	30 June 2018																					
<b>Annual Rental:</b>	<table border="0"> <tr> <td><b>Ground:</b></td> <td><b>(507.50sqm @ \$257 per sqm)</b></td> <td><b>\$130,427.50</b></td> </tr> <tr> <td><b>Level 1:</b></td> <td><b>(1,168.8sqm @ \$260 per sqm)</b></td> <td><b>\$303,888.00</b></td> </tr> <tr> <td><b>51 covered car parks at \$50 per week:</b></td> <td></td> <td><b>\$132,600.00</b></td> </tr> <tr> <td><b>2 uncovered car parks at \$47 per week:</b></td> <td></td> <td><b>\$ 4,888.00</b></td> </tr> <tr> <td><b>Total Premises:</b></td> <td></td> <td><b>\$434,315.50</b></td> </tr> <tr> <td><b>Total Carparks:</b></td> <td></td> <td><b>\$137,488.00</b></td> </tr> <tr> <td><b>Total Rent:</b></td> <td></td> <td><b>\$571,803.50</b></td> </tr> </table>	<b>Ground:</b>	<b>(507.50sqm @ \$257 per sqm)</b>	<b>\$130,427.50</b>	<b>Level 1:</b>	<b>(1,168.8sqm @ \$260 per sqm)</b>	<b>\$303,888.00</b>	<b>51 covered car parks at \$50 per week:</b>		<b>\$132,600.00</b>	<b>2 uncovered car parks at \$47 per week:</b>		<b>\$ 4,888.00</b>	<b>Total Premises:</b>		<b>\$434,315.50</b>	<b>Total Carparks:</b>		<b>\$137,488.00</b>	<b>Total Rent:</b>		<b>\$571,803.50</b>
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<b>Total Carparks:</b>		<b>\$137,488.00</b>																				
<b>Total Rent:</b>		<b>\$571,803.50</b>																				
Rent Review Dates:	3 yearly from commencement date																					
Business Use:	Commercial offices																					
Proportion of Outgoings:	<table border="0"> <tr> <td>Proportion of Common Property Outgoings:</td> <td>18.39%</td> </tr> <tr> <td>Proportion of Building Outgoings:</td> <td>36.32%</td> </tr> </table>	Proportion of Common Property Outgoings:	18.39%	Proportion of Building Outgoings:	36.32%																	
Proportion of Common Property Outgoings:	18.39%																					
Proportion of Building Outgoings:	36.32%																					
Outgoings:	Full recovery of outgoings as indicated in the Sixth Schedule of the lease including rates, utility charges, rubbish collection charges, fire service charges, insurance premiums, service contract charges, cleaning maintenance and repair charges, provisioning of toilets and other shared facilities, ground maintenance, yard and car parking area maintenance, Body Corporate charges, management expenses, Building Warrant of																					

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Fitness costs, Body Corporate levies in respect of the premises and cost of external cleaning of the premises.

**Incentives:**

**CI 36.1**

The Landlord grants to the Tenant a rent holiday for the amount of \$217,157.75 plus GST, equivalent to 6 months' net office premises rental. The rent holiday will be applied as a reduction in the rent otherwise payable by the Tenant equally over the 24 month period from 1 January 2019.

**CI 37.2**

Upon the expiry of the current lease to Digital Data Systems Limited, the Landlord will first submit to the Tenant an offer to lease the balance of the ground floor premises... comprising 578.4sqm... together with 25 car parks...

**CI 38.1**

The Landlord shall complete the following works at its cost in a good and workmanlike manner prior to 1 February 2019:

- (a) Upgrade of existing lighting to energy efficient LED light fitting
- (b) Replacement of all carpet tiles within the tenancy with new commercial grade carpet tiles to the Lessor's standard specification
- (c) Upgrade of the ground level entry lobby including the replacement of damaged floor tiles and redecoration of the interior
- (d) Upgrade of the ground floor and level 1 bathrooms
- (e) Replacement of ceiling tiles within the tenancy
- (f) Repaint perimeter and core walls within the tenancy were required to a neutral colour
- (g) Replacement of flooring in kitchen to new laminated flooring

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**Lease Comment:**

Comprehensive leases with clear detailing of fixtures and fittings ownership, and rental and floor areas. In addition, licence income is generated from 5 car parks, at an aggregate annual rent of \$10,920 or an average rent of \$42.00 per week.



### 3.2 Outgoings

Outgoings for the property are shown in the following schedule. We understand that these costs are inclusive of the Body Corporate charge.

Item	Budgeted	Adopted Outgoings	
	2020-21	\$pa	\$psm
<b>Recoverable Expenses</b>			
City Rates	95,658	95,658	20.85
Access Control PPM	2,360	2,360	0.51
Access Control R&M	1,200	1,200	0.26
Air conditioning PPM	9,720	9,720	2.12
Air conditioning R&M	17,000	17,000	3.71
Auto & Roller Door PPM	720	720	0.16
Auto & Roller Door R&M	1,500	1,500	0.33
Body Corporate Annual Levy	45,648	45,648	9.95
BWOF Compliance	1,440	1,440	0.31
Cleaning Exterior Windows & Building P	4,505	4,505	0.98
Cleaning PPM	6,348	6,348	1.38
Cleaning R&M	1,000	1,000	0.22
Electrical PPM	4,140	4,140	0.90
Electrical R&M	9,900	9,900	2.16
Electricity - Common Area	66,000	66,000	14.39
Fire Alarm Monitoring	2,550	2,550	0.56
Fire PPM	1,300	1,300	0.28
Fire R&M	2,500	2,500	0.54
Health & Safety	2,050	2,050	0.45
Insurance Excess	2,500	2,500	0.54
Insurance Premiums	43,494	43,494	9.48
Lift & Escalator PPM	11,595	11,595	2.53
Lift & Escalator R&M	1,000	1,000	0.22
Management Fees	43,000	43,000	9.37
Plumbing & Drainage PPM	1,800	1,800	0.39
Plumbing & Drainage R&M	3,000	3,000	0.65
R&M General	9,000	9,000	1.96
Security Callouts	2,000	2,000	0.44
Water Rates	17,400	17,400	3.79
<b>Non-Recoverable Expenses</b>			
Ground Rental		0	0.00
Other Non-Recoverable Expenses		0	0.00
<b>Total Recoverable Expenses</b>	<b>410,328</b>	<b>410,328</b>	<b>89.44</b>
<b>Non-Recoverable Expenses</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
<b>Total Operating Expenses</b>	<b>410,328</b>	<b>410,328</b>	<b>89.44</b>

At circa \$90 per sqm, the outgoings are fairly consistent with charges for similar quality suburban office accommodation. These charges reflect the strata tenure requiring Body Corporate administration, the multi-tenanted floors, and also relatively generous common areas. The electricity charge is higher than typically encountered for this style of asset.



### 3.3 Analysis of Existing Rent

Our analysis of the existing contract rent is contained in the following schedules.

Tenant	Tenancy	Area (sqm)	Passing Rent		Unrecovered Opex		Net Contract Rent	
			(\$pa)	(\$psm)	(\$pa)	(\$psm)	(\$pa)	(\$psm)
<i>Tenancies</i>								
Digital Data Systems	pt Ground	578.4	179,304	310.00	0	0.00	179,304	310.00
Ministry of Justice	pt Ground	507.5	130,428	257.00	0	0.00	130,428	257.00
Ministry of Justice	Level 1	1,168.8	303,888	260.00	0	0.00	303,888	260.00
Ministry of Social Development	Level 2	1,164.2	283,290	243.33	0	0.00	283,290	243.33
Ministry of Social Development	Level 3	1,169.0	284,453	243.33	0	0.00	284,453	243.33
<b>Total</b>		<b>4,587.9</b>	<b>1,181,362</b>	<b>257.49</b>	<b>0</b>	<b>0.00</b>	<b>1,181,362</b>	<b>257.49</b>

Ten. No. Tenant	Car Parks	Contract Rent (\$pa)	(\$pcpw)	
<i>Leased Parks</i>				
1 Digital Data Systems	25	71,500	55.00	
2 Ministry of Justice	51	132,600	50.00	
2 Ministry of Justice	2	4,888	47.00	
3 Ministry of Social Development	65	141,228	41.78	
3 Ministry of Social Development	--	0	0.00	
<i>Licensed Parks - Non-Building Tenants</i>				
1001	0	5	10,920	42.00
<i>Vacant Car Parks</i>				
Vacant Carparks	11	0	0.00	
<b>Total</b>	<b>159</b>	<b>361,136</b>	<b>43.68</b>	
<b>Total (excluding vacancies)</b>	<b>148</b>	<b>361,136</b>	<b>46.93</b>	

Rent Summary	Contract Rent
Premises	1,181,362
Carparks	361,136
<b>Annual Rent</b>	<b>1,542,498</b>



## 4. Rental Evidence

An integral part of assessing an investment approach to value is assessing the relativity of the contract rent with the prevailing market rent, or in the situation where the premises is vacant, a probable market rent. A selection of these is contained in the following schedule:

Address	Tenant	Tenancy	NLA	Rent	Annual Rent	Date	Term Type
Great South Road Elerslie	Confidential	Premises	744	\$285.00	\$211,903	01-Mar-20	6 yrs, NL, Net 3% annual uplift
		Car parks	25	\$55.00	\$71,500		
1 Broadway Newmarket	Greenstone Group	L2 Office	604	\$350.00	\$211,400	01-Mar-20	6 yrs, NL, Net 6 mths rent free
		Carparks	15	\$65.00	\$50,700		
107 Carlton Gore Rd Newmarket	Kiang Ora (HNZ)	Ground - Level 3	5,761	\$360.00	\$2,073,780	01-Jan-20	9 yrs, NL, Net Upgrade incl lighting, carpet tiles, entry lobby, bathrooms, ceiling tiles, repaint walls, & replace kitchen floor 6 months net office rent free taken evenly over 24 months x 1 Jan 19 2% p.a market 3 yrly +/- 7%
		Lower Ground	300	\$250.00	\$75,000		
			6,061	\$354.55	\$2,148,780		
		Budgeted Opex	6,061	\$85.00	\$515,143		
		<b>Estimated TOC</b>	<b>6,061</b>	<b>\$439.55</b>	<b>\$2,663,923</b>		
		<b>Additional Rent</b>					
		Secure & Covered Parks	79	\$65.00	\$267,020		
		Secure & Stacked	52	\$50.00	\$135,200		
		Open	20	\$50.00	\$52,000		
		<b>Total Carparks</b>	<b>151</b>	<b>\$57.85</b>	<b>\$454,220</b>		
<b>Net Contract Rent</b>			<b>\$3,118,143</b>				
65A Main Highway Elerslie	Ministry of Social Development	Gross premises rent	4,500	\$355.00		01-Dec-19	9 yrs,NL, Gross, 3 yearly RR CPI+1% 1.5 mths RF/Cash per year of term
		Non Recoverable Opex	4,500	\$65.00			
		<b>Net premises rent</b>		<b>\$290.00</b>			
650 Great South Road Greenlane	Kāhui Tū Kaha	Pt GF Office	468	\$285.00	\$133,443	Aug-19	6 yrs, NL, Net 2*3 RoR, Ann. Indexed 2.0%/Market on renewal
		Pt Level 2 Office	833	\$259.56	\$216,284		
		Net Premises Rent	1,301	\$268.71	\$349,727		
		Car Parks	50	\$46.40	\$120,640		
		<b>Annual Rent</b>			<b>\$470,367</b>		
Great South Road Elerslie	Confidential	Premises	1,455	\$295.00	\$429,225	01-Jul-19	9 yrs , NL, Net 3% annual uplift
		Car parks	30	\$53.00	\$82,680		
626 Great South Rd Elerslie	Telarc	pt L2 Office	368	\$295.00	\$108,610	01-Jul-19	2 yrs, NL, Net, no incentive, 2% p.a fixed reviews
		Budgeted Opex	368	\$94.62	\$34,836		
		<b>TOC - Premises</b>	<b>368</b>	<b>\$389.62</b>	<b>\$143,446</b>		
		Open carparks	10	\$50.00	\$26,000		
103 Carlton Gore Rd Newmarket	AML Solutions	pt L4 Office	246	\$365.00	\$89,790	15-Jun-19	4 yrs, NL, Net Landlord installed kitchenette, no incentive
			5	\$60.00	\$15,600		
109 Carlton Gore Rd Newmarket	Ezyvet	L3 Office	1,145	\$325.00	\$372,125	01-Apr-19	18 mths No incentive
			4	\$50.00	\$10,400		
8 Rockridge Avenue Elerslie	Advance Retail Technology Ltd	Part Level 2 Office	441	\$250.00	\$110,130	01-Apr-19	6 yrs, NL, Net Ann. Indexed 3.0%, 1 x 6 RoR, Market on renewal \$75,000 incentive
		Car Parks (Secured)	2	\$35.00	3,640		
		Car Parks (Open)	20	\$30.00	31,200		
		<b>Contract Rent</b>			<b>\$144,970</b>		
Great South Road Elerslie	Confidential	Premises	800	\$290.00	\$232,000	25-Mar-19	6 yrs, NL, Net 2.75% annual uplift
		Car parks	30	\$55.00	\$85,800		
109 Carlton Gore Rd Newmarket	Fulton Hogan	pt L1 Office	814	\$315.00	\$256,410	15-Jan-19	2 yrs, NL, Net No incentive Landlord to fund hard fitout 9 mths net premises rent free plus cash contribution
			31	\$60.00	\$96,720		

#### 4.1 Rental Commentary



**1 Broadway, Newmarket.** Greenstone Group have committed to a 604sqm Level 2 office tenancy in this commercial office building at the corner of Broadway and George Street, Newmarket. The Lease is due to commence in the first quarter of 2020 for a term of 6 years. The office was leased at **\$350 per sqm** and a 6 month rent-free period was provided.



spaces, up to **\$65 per park per week** for secure covered spaces.

**107 Carlton Gore Road, Newmarket.** The government's new Housing and Urban Development agency Kiang Ora has committed to a new 9 year lease for 6,000sqm of space over the lower ground level and Levels 1 to 3. The net rent for the main office area analyses back to **\$360 per sqm** and we understand that the tenant received 6 months' net office rent free over the first 24 months of the term. In addition to the premises, the tenant has also leased 151 car parking spaces within the building, with rates ranging from **\$50 per park per week** for open or stacked



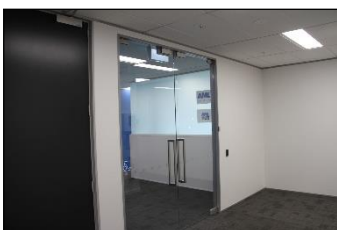
**65A Main Highway, Ellerslie.** We understand that the Ministry of Social Development has agreed to a new 9 year lease over 4,500sqm, based on a gross rental analysing back to \$355 per sqm, reviewed 3 yearly to CPI + 1%. The tenant received 1.5 months rent free per year of term certain based on a net rental rate of \$290 per sqm.



**650 Great South Road, Ellerslie.** Kāhui Tū Kaha committed to a new lease for part Ground floor and part Level 2 of 650 Great South Road from August 2019. The lease provides 2 rights of renewal of 3 years, fixed annual rent reviews at 2% with market reviews upon renewal. The leases analysed to **\$285 per sqm** for the ground floor offices, **\$260 per sqm** for level 1 space and **\$46.4 per car per week** on average for 50 carparks which is a mixture of open, covered/stacked and covered/secured carparks.



**626 Great South Road, Ellerslie.** Telarc occupy part Level 2 of this modernised 1980's building under a 2 year lease from 1 July 2019. The contract rent was agreed at **\$295 per sqm** with budgeted operating expenses of **\$94.62 per sqm** giving a total occupancy cost for the premises of **\$389.62 per sqm**. In addition, 10 open car parks are leased for **\$50 per park per week**. The lease provides for annual 2% rent increases, with no incentive paid.



**103 Carlton Gore Road, Newmarket.** AML Solutions committed to a 4 year Lease from 15 June 2019 for a small part Level 4 area. The net premises contract rent of \$89,790 per annum represents **\$365 per sqm** for the 246sqm tenancy plus 5 car parks at **\$60 per park per week**. No incentive was provided, however the landlord installed a new kitchenette.





**109 Carlton Gore Road, Newmarket.** Ezyvet occupied Level 3 under an 18 month Lease from 1 April 2019. The contract rent represented **\$325 per sqm** with no incentive. In addition, 4 car parks were leased at **\$50 per park per week**. In the same building Fulton Hogan committed to a 2 year term from 15 January 2019 at a net annual rent of **\$315 per sqm**. This is an 814sqm tenancy with 31 car parks at **\$60 per park per week**. No incentive was provided.



**Part level 2 office, Tenancy A, 8 Rockridge Avenue, Penrose** was leased to Advance Retail Technology Ltd commencing in April 2019. This Lease was for 6 years with 1 right of renewal of 6 years and fixed annual rent reviews at 3% with market reviews upon renewal. The premises provide part Level 2 office accommodation of 440.52sqm which analyses to **\$250 per sqm**. In addition, 2 secured carparks were leased at **\$35 per car per week** and 20 open car parks were leased at **\$30 per car per week**.

#### 4.2 Rental Evidence Summary

Contract rent for comparable accommodation in the southern corridor typically ranges between \$270 and \$295 per sqm. The competitive nature of this market sees incentives range typically between 4 and 8 months of lease term certain i.e., 6 month incentive for a 6 year lease, however longer initial terms will attract stronger incentives. An additional factor in lease renewals can include a base building upgrade which will include modernised and/or replaced carpet tiles, ceiling tiles, lighting, and air-conditioning. This may also extend to bathroom and kitchen upgrade but may depend on make good initiations from an exiting occupier.

Relating to the subject tenancy, the Ministry of Justice space upgrade was agreed following a renewal of their lease. That upgrade remains outstanding. The Ministry of Social Development have committed to a 6 year renewal of their space with an outstanding market review, however no upgrading works will be undertaken.

The subject provides relatively large floor plate configuration which is typically suitable for back office or call centre type operations. Reflecting the current situation, we have adopted market rents of between **\$250 and \$260 per sqm** with a slightly lower rent for Levels 2 and 3 where the Ministry of Social Development provide carpets.

In relation to car parks, we have adopted **\$45 per car per week** for both open and secure vacant spaces and **\$55 per car per week** for covered spaces, which is consistent with what has been achieved recently in other rents in the southern corridor. We have not separately assessed any naming or signage rights.



### 4.3 Market Rent Assessment

Therefore, having regard to the above rental evidence we show our opinion of net market rent for the subject and compare this to the prevailing contract rent in the schedules below:

Tenant	Tenancy	Area (sqm)	Passing Rent (\$pa) (\$psm)		Unrecovered Opex (\$pa) (\$psm)		Net Contract Rent (\$pa) (\$psm)		Net Market Rent (\$pa) (\$psm)	
<i>Tenancies</i>										
Digital Data Systems	pt Ground	578.4	179,304	310.00	0	0.00	179,304	310.00	161,952	280.00
Ministry of Justice	pt Ground	507.5	130,428	257.00	0	0.00	130,428	257.00	129,413	255.00
Ministry of Justice	Level 1	1,168.8	303,888	260.00	0	0.00	303,888	260.00	303,888	260.00
Ministry of Social Development	Level 2	1,164.2	283,290	243.33	0	0.00	283,290	243.33	291,055	250.00
Ministry of Social Development	Level 3	1,169.0	284,453	243.33	0	0.00	284,453	243.33	292,250	250.00
<b>Total</b>		<b>4,587.9</b>	<b>1,181,362</b>	<b>257.49</b>	<b>0</b>	<b>0.00</b>	<b>1,181,362</b>	<b>257.49</b>	<b>1,178,558</b>	<b>256.88</b>

Ten. No. Tenant	Car Parks	Contract Rent (\$pa) (\$pcpw)		Market Rent (\$pa) (\$pcpw)	
<i>Leased Parks</i>					
1 Digital Data Systems	25	71,500	55.00	71,500	55.00
2 Ministry of Justice	51	132,600	50.00	145,860	55.00
2 Ministry of Justice	2	4,888	47.00	5,200	50.00
3 Ministry of Social Development	65	141,228	41.78	185,120	54.77
3 Ministry of Social Development	--	0	0.00	0	0.00
<i>Licensed Parks - Non-Building Tenants</i>					
1001	0	10,920	42.00	13,000	50.00
<i>Vacant Car Parks</i>					
Vacant Carparks	11	0	0.00	28,600	50.00
<b>Total</b>	<b>159</b>	<b>361,136</b>	<b>43.68</b>	<b>449,280</b>	<b>54.34</b>
<b>Total (excluding vacancies)</b>	<b>148</b>	<b>361,136</b>	<b>46.93</b>	<b>420,680</b>	<b>54.66</b>

Rent Summary	Contract Rent	Market Rent
Premises	1,181,362	1,178,558
Carparks	361,136	420,680
<b>Annual Rent</b>	<b>1,542,498</b>	<b>1,599,238</b>
Market Rent on Vacant Premises		0
Market Rent on Vacant Cars	28,600	28,600
<b>Annual Rent</b>	<b>1,571,098</b>	<b>1,627,838</b>

On this basis, we consider some growth is available in the income for the property, with the majority of that relating to carpark rental growth. We also caution that any market based rent review is a contestable process with no assurance market rent will be achieved.



## 5. Sales Evidence

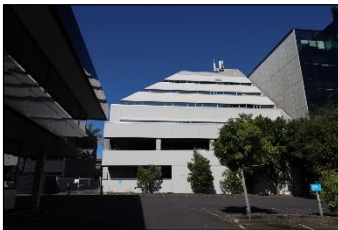
In establishing our opinion of value we have had regard to the following investment transactions.

Address	Sale Date	Price	GLA (sqm)	Site (sqm)	Initial Yield	WALT	Price /NLA	Price psm NLA excl Carparks
Unit A&I,49 Main Highway Ellerslie	Mar-20	\$17,000,000	4,910	strata	6.96%	1.96 yrs	\$3,462	\$2,453
25 Broadway Newmarket	Feb-20	\$19,450,000	2,345	736	5.88%	3.40 yrs	\$8,294	\$7,562
42 Upper Queen St Eden Terrace	Dec-19	\$14,000,000	3,097	1,205	-	Vacant	\$4,521	\$4,185
132-134 Wellesley St Auckland Central	Oct-19	\$14,810,000	2,205	1,823	3.94%	1.00 yrs	\$6,716	\$6,172
57 Symonds St Grafton	Oct-19	\$22,750,000	3,726	2,345	4.38%	1.70 yrs	\$6,106	\$6,106
323 Great South Rd Ellerslie	Jun-19	\$20,630,000	3,566	4,129	5.99%	5.48 yrs	\$5,785	\$4,457
57 Market Rd Remuera	Jun-19	\$11,650,000	1,646	2,147	5.80%	5.70 yrs	\$7,079	\$5,501
286-306 Ponsonby Rd & 1-3 Cowan St	Jun-19	\$28,050,000	2,567	3,083	4.46%		\$10,928	\$10,172
79 Carlton Gore Rd Newmarket	Mar-19	\$37,300,000	3,596	2,131	6.02%	8.67 yrs	\$10,373	\$8,931
Unit B, 65 Main Highway Ellerslie	Jan-19	\$21,743,000	4,588	Strata	6.81%	4.19 yrs	\$4,739	\$3,642
5-7 Kingdon St Newmarket	Dec-18	\$19,750,000	4,710	1,191	7.49%	2.23 yrs	\$4,193	\$3,637
626 Great South Rd Ellerslie	Nov-18	\$11,600,000	2,647	2,878	6.85%	2.43 yrs	\$4,382	\$3,429
4E Pacific Rise Mt Wellington	Nov-18	\$3,150,000	820	strata	6.1%		\$3,841	\$2,670
22 Amersham Way Manukau	Sep-18	\$7,800,000	2,874	854	5.40%	1.72 yrs	\$2,714	\$2,714
5 Broadway Newmarket	Oct-18	\$6,750,000	770	819	4.52%	3.68 yrs	\$8,763	\$7,103
109 Carlton Gore Road Newmarket	Aug-18	\$28,000,000	4,528	4,550	6.85%	4.25 yrs	\$6,184	\$4,710
205 Great South Road Greenlane	Aug-18	\$17,525,000	3,974	3,294	7.27%	2.18 yrs	\$4,410	\$3,609
136 Broadway Newmarket	Jun-18	\$7,200,000	1,402	400	6.42%		\$5,136	\$4,886
180-182 Broadway Newmarket	Jun-18	\$11,500,000	2,062	427	6.63%	4.00 yrs	\$5,577	\$5,098
57 Wellington St Freemans Bay	Apr-18	\$25,960,000	3,000	3,984	5.97%	4.41 yrs	\$8,653	\$6,124

## 5.1 Sales Comment



**Units A and I, 49 Main Highway, Ellerslie (Zag Centre)** sold in March 2020 for **\$17,000,000** in one transaction under an Agreement for Sale and Purchase which was contracted in December 2019. The sale price represented an initial yield of **6.96%**, and **\$3,462 per sqm** on a combined land and buildings basis. Excluding the value of car parks, the sale also represented **\$2,453 per sqm**. Unit I and A comprise contemporary office accommodation with the newer Unit A developed in 2006 along with extending and upgrading of the original factory/warehouse and offices which date from the 1960s and early 1970s. The property provides some 5,232sqm of rentable area inclusive of decks, or 4,910sqm exclusive of decks, and 137 car parks at a ratio of one space per 38sqm. At the time of sale, the property was generating contract income of some \$1,182,000 per annum from existing tenancies and was 89.4% occupied by NLA. The average office rent was \$208 per sqm, and the average car park rent, \$41.70 per sqm. The property has some 25 tenancies with a number of these occupying small suites within Level 2 of Unit A, and the Sawtooth and Annex buildings. Complexities existed around the title, with a heavy requirement for active management.



**25 Broadway, Newmarket** sold in February 2020 for **\$19,450,000**. The property comprises a 7 level 1980's retail/office building providing 1 level of basement and part Level 1 carparking, ground floor retail, with the balance of space office. Net annual income from 100% occupation was some \$1,144,000 plus GST at average rents of \$337 per sqm for retail, \$359 per sqm for office and \$56.50 per week for car parking. Net income split saw 72.6% from office/retail, 8.5% from car parks and 18.9% from billboard and cell tower sources. The rentable area was 2,420sqm with 33 car parks. The property adjoins Mercury Energy Headquarters with strong views from upper levels. Our analysis of the sale shows an initial yield of **5.88%**, **\$8,294 per sqm** on a combined land and buildings basis and **\$7,562 per sqm** on a combined land and buildings basis excluding the value of car parks. Our analysis also indicates an internal rate of return of **7.25%**.



**42 Upper Queen Street, Auckland Central** sold vacant in December 2019 for **\$14,000,000**. The property had been comprehensively modernised for occupation by the Nelson Marlborough Institute of Technology, however they had downsized and returned to a South Island base. Consequently, it was sold with vacant possession. The property provides an area of approximately 3,097sqm and is situated to a 1,205sqm Business – Mixed Use zoned site to the corner of Upper Queen Street and Alex Evans Street. There are 20 covered and secure car parks. The sale analyses to **\$4,521 per sqm** on a combined land and buildings basis, and some **\$4,185 per sqm** excluding the value of car parks. CRL compensation had been paid to the Vendor.



**132-134 Wellesley Street, Auckland Central** sold October 2019 for **\$14,810,000**. The property comprises mixed use and mixed age improvements including showroom/warehouse accommodation plus three 2-level, 3-bedroom apartments. They occupy a combined freehold land area of 1,823sqm with road frontages to Sale Street, Vernon Street and Wellesley Street. The land is zoned Business – City Centre with a permitted height of 20m. Net income from the property

comprised an estimated \$583,700 p.a. which included \$485,000 p.a. from Reece Plumbing under a short term arrangement. The property was acquired for part owner occupation with the purchaser recognising the strategic nature of the site, and potential scope for add value or future development options. These include the likes of converting Sale Street apartment parking and warehouse into stronger commercial uses. The sale price represented an initial yield of **3.94%** or **4.47%** on estimated net market income, **\$6,716 per sqm** of rentable area and **\$8,124 per sqm** of land. We are aware that the property had strong interest from a range of purchasers including developers, add-value investors, owner occupiers and high net worth individuals.



**57 Symonds Street, Grafton** sold October 2019 for **\$22,750,000** which represented an initial yield of **4.38%** and **\$6,106 per sqm** of net lettable area. The property comprises a 9-level commercial office building dating from the 1980s which was occupied by 11 tenants at the date of transaction. It occupies a 2,345sqm Business – City Centre zoned site that allows a maximum floor area ratio of 8:1 and a maximum height of 50m. The property was sold with bulk and location plans indicating a further 13,881sqm of gross floor area could be developed to the site. The existing development includes 13 basement car parks with 41 on grade around the site perimeter. Positioned in a strongly university/education dominated precinct to the south-eastern end of Auckland's CBD. The improvements have a seismic rating of 206% of New Building Standard and include two 900 kilo lifts with individual floors sprinklered.



**323 Great South Road, Ellerslie** sold June 2019 for **\$20,630,000** which represented an initial yield of **5.99%**. The sale also analyses to **\$5,785 per sqm** of rentable area or \$4,457 per sqm of rentable area excluding the value of car parks. This is an upgraded and modernised 1980's office building providing rentable area of 3,436sqm and 100 car parks of which 97 are covered and secure. The entire property is subject to a 6 year lease to New Zealand Police from December 2018 at a net annual rental of \$1,246,344 plus GST. That represents an office rent of \$275 per sqm and a car park rent of \$54.55 per park per week. The lease provides one 6-year right of renewal, whilst the tenant has a break option at the end of Year 3 with between 6 and 9 months' notice. Significant upgrading work had been undertaken by the vendor, whilst the police have undertaken an extensive internal fitout.



**57 Market Road, Remuera** sold July 2019 for **\$11,650,000** representing an initial yield of **5.8%** on a weighted average lease term of 5.7 years. The property provides a rentable area of some 1,646sqm and 59 on-site car parks. It occupies a visible location adjacent to the Remuera train station, albeit in a less recognised office location. The sale price also represents **\$7,079 per sqm** of rentable area or **\$5,501 per sqm** of rentable area excluding the value of car parks. We understand solid interest was received during the marketing campaign with an initial yield spread between 5.8% and 6.5%.

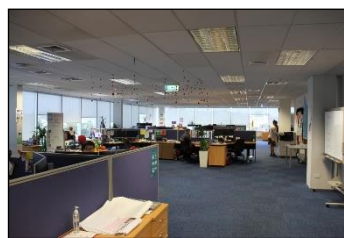


**286-306 Ponsonby Road and 1-3 Cowan Street, Ponsonby** sold in June 2019 for **\$28,050,000**, representing an initial yield of **4.46%**, **\$10,928 per sqm** of lettable area, or **\$10,172 per sqm** of net lettable area excluding the value of the car parks. The sale price also can be analysed to show **\$9,098 per sqm** of land, with a combined land holding of 3,083sqm enjoying 3 road frontages. The property was sold in one transaction comprising 3 buildings including a 2 level 1980's office building at 1-3 Cowan Street, a 2 level Heritage building fronting Ponsonby Road, and single level retail shops fronting Ponsonby Road to the corner of Pompallier Terrace. Aggregate net

income at the time of sale was approximately \$1,252,000 from 27 tenancies. Potentially representing a redevelopment proposition being an under-developed land holding with a Business – Town Centre underlying zone. We understand there was strong interest for this asset, with a total of 8 offers, with the top 2 at similar value levels.



**79 Carlton Gore Road, Newmarket** contracted March 2019 and settled July 2019 for **\$37,300,000** which represented an initial yield of **6.02%**. The property is leased to Fuji Xerox under a 12 year term from 1 December 2015. It provides a rentable area of some 3,596sqm and 100 car parks. The site is zoned Business – Metropolitan Centre, although volcanic viewshafts would restrict development to between 17m and 24.5m. Some 217sqm of the 2,131sqm site is Leasehold. The sale price analyses to **\$10,373 per sqm** on a combined land and buildings basis, and **\$8,931 per sqm** excluding the value of car parks. The property had previously sold for \$33,278,935 in March 2015.



**65B Main Highway, Ellerslie** sold in January 2019 for **\$21,743,000** which represented an initial yield of **6.81%**, **\$4,739 per sqm** of rentable area, and **\$3,641 per sqm** of rentable area excluding car parks. A 2013 completed development comprising 4 levels of above ground office and 3 levels of basement parking. 65B Main Highway is one of two similar buildings held by way of stratum in freehold title on a 4,780sqm Business – Mixed Use zoned parent site. At the time of sale, the property was 100% occupied, generating net income of \$1,480,456 plus GST at an average net contract rent of **\$248 per sqm** for the office, and **\$42.80 per park per week** for 154 leased or licensed car parks. Additional income could be generated from 35 vacant car parks.

The offices were 100% occupied by 3 tenants including the Ministry of Justice through to July 2027 and the Ministry of Social Development through to February 2020. An expenditure requirement of \$500,000 for the Ministry of Justice tenancy was outstanding, as was a \$300,000 share of emergency exit seismic upgrading.



**5-7 Kingdon Street, Newmarket** sold in December 2018 for **\$19,750,000**. A mid 1980's office building with 7 above ground floors including Ground Floor retail, Level 1 carparking, and Levels 2-7 office accommodation. The property occupies a 1,191sqm Business - Metropolitan Centre zoned site with a 32 metre height limit, and frontage to both Kingdon and Suiter Street. The property has a rentable area of 4,710sqm with 62 car parks, at a ratio of one per 76sqm NLA. The average contract office rent was **\$269 per sqm**, and average car park rent **\$61 per week**. Set back from its Kingdon Street frontage and potentially offering alternate use options, or refurbishment. Selective plant had been replaced including air-conditioning.



**626 Great South Road, Greenlane** re-sold in November 2018 for **\$11,600,000** which represented an initial yield of **6.85%**, **\$4,382 per sqm** of rentable area, or **\$3,428 per sqm** of rentable area excluding the value of car parks. This was the re-sale of a mid 1980's office building for \$1,000,000 more than the September 2018 transaction. The improvements provide a rentable area of 2,647sqm and 90 generally open car parks. The property was 100% leased to 4 office tenants at an average contract rent of **\$226 per sqm**, and an average car park rent of **\$36.94 per park per week**. The property has a favourable car park ratio of one space per 29.4sqm. Additional income of \$22,587 per annum was generated from 2 telecommunications licences.



**4E Pacific Rise, Mt Wellington.** The 820sqm freehold unit comprises a two-level office building with 28 car parks. The property is constructed of reinforced concrete foundations and floors supported by concrete columns and beams, with long run galvanised roofing. At the time of sale, the property generated a net annual rent of \$191,000 plus GST. The sale price represented an initial yield of **6.1%**. The price also represented **\$3,841 per sqm** on a combined land and buildings basis. Smaller, Mt Wellington location.



**22 Amersham Way, Manukau** sold in September 2018 for **\$7,800,000** which represented an initial yield of **5.4%**, but an equivalent yield of **7.8%** if market rent was achieved on 27% vacant floor space at the time. This is a 4 level 1990's office building with a rentable area of 2,870sqm and 7 covered car parks. At the time of sale, there were 4 tenancies plus a vacant top floor,

although that had been upgraded. Ministry of Justice occupy the Ground Floor and part Level 1 on gross Leases. The average office rent was **\$223 per sqm** on the occupied space. The sale also represented **\$2,714 per sqm** of lettable area and had a weighted average lease term (WALT) on occupied space of 2.4 years. It was acquired by an adjoining owner.



**5 Broadway, Newmarket** sold in August 2016 for **\$5,100,000** and re-sold in October 2018 for **\$6,750,000**. A compact and modernised 1980's office property providing 770sqm ground and Level 1 accommodation, plus 19 open and basement parking spaces. The purchaser already owned 1 and 3 Broadway providing a combined land holding of 3,464sqm. Two tenancies produce an indexed net contract income of \$304,920 p.a. at an average office rent of **\$320 per sqm**, and average car park rent of **\$58.50 per park per week**. Access is via a right of way onto George Street. The latest sale represented an initial yield of **4.5%** and **\$8,676 per sqm** on a combined land and buildings basis.



**109 Carlton Gore Road, Newmarket** sold in August 2018 for **\$28,000,000** in an off-market transaction. That represented an initial yield of **6.85%**, **\$6,184 per sqm** of rentable area, and **\$4,710 per sqm** of rentable area excluding the value of car parks. This is a 1990's building providing 4 levels of office and 2 basement parking levels. At the time of sale, it was 100% occupied by 6 tenants at an average contract office rent of **\$318 per sqm**, and an average car park rent of **\$55.28 per park per week** for 159 spaces. Mercury Energy occupy the top floor through to June 2019 and will relocate to new offices. Bupa occupy Level 2 for 12 years from October 2017.



**205 Great South Road, Greenlane** sold in August 2018 for **\$17,525,000** following an on-market campaign. The sale price represented an initial yield of **7.27%**, **\$4,410 per sqm** of rentable area and **\$3,609 per sqm** of rentable area excluding the value of car parks. This is a 4 level commercial building extended and modernised in 2002 providing ground floor retail, Level 1 covered carparking and Level 2 and 3 office. The property was 100% leased at the time of sale to 6 tenants, and 7 Leases of which 4 were gross. The average net office rental was **\$235 per sqm**. Housing New Zealand who were the major tenant, have indicated they will vacate the premises in 2020.





**136 Broadway, Newmarket** sold June 2018 for **\$7,200,000** which represented an initial yield of **6.42%**. Ray White occupies the ground floor and have signage rights, Other floors are tenanted by various professional firms. At the time of sale, the property was producing a net contract rent of some \$461,000 p.a. This 6-level 1,432sqm commercial building constructed in 1986, provides basement carparking, ground floor retail and 4 levels of office accommodation. General construction comprises reinforced concrete foundations, reinforced concrete floors, columns & beams, cladding includes curtain glazing to front and rear elevations, iron roof or similar. Standard internal fitout with ducted air conditioning. This 400sqm Business - Metropolitan Centre zoned freehold site occupies a front position to the south-eastern side of the Broadway/ Khyber Pass intersection. The sale also represented **\$5,136 per sqm** of NLA.



**180-182 Broadway, Newmarket** sold June 2018 for **\$11,500,000**. The 7 storey building consists of a modern, freehold standalone commercial investment property, comprising five levels of commercial office accommodation, ground floor retail and basement storage and a total floor area of circa 2,062sqm. The property benefits from 21 car parks on individual freehold unit titles, which are located in the neighbouring building at 118 Broadway and a high-profile signage lease to APN Outdoor Limited, located on the Southern side of the building. At the time of recent sale, the property was generating some \$762,899 per annum. The sale price represented an initial yield of **6.63%** and **\$5,577 per sqm** on a combined land and buildings basis. Superior location.



**57 Wellington Street, Freemans Bay** sold in April 2018 for **\$25,960,000**. The entire property is leased to Foote, Cone & Belding on a 9 year term from 1 September 2016. The annual rent of \$1,549,731 per annum represents **\$334.75 per sqm** for the offices, **\$55,000 per annum** for naming rights, **\$68.58 per park per week** for 127 car park spaces, and **\$55 per sqm** for storage. In addition, sundry income is received from a courtyard and decks. The annual rent is reviewed every 2 years on 1 September, and if the lease is renewed then every 2 years of the renewal terms to an increase of 5.0625% with market reviews on renewal dates. The tenant has a right to terminate the lease on 1 September 2022 on the basis that a minimum of 12 months' notice is provided. A slightly isolated commercial location being on the western side of the motorway to a Freemans Bay address, although providing an estate-style environment. The sale price represented an initial yield of **5.97%** and **\$6,124 per sqm** excluding car parks. Also included in the sale was the former McDonalds training centre annex which has an IEP rating of 35% in comparison to the main building which is assessed at 161% of NBS.

## 5.2 Valuation Considerations

The most recent office transactions have generally seen some yield contraction in comparison to equivalent properties that sold 12 months earlier and beyond. This yield contraction/value increase is consistent with what is being seen particularly across the industrial, fringe office, and CBD office markets.

In many instances where stronger yields have been paid, the property is secured by way of strong occupancy, and has had recent modernisation with the likes of upgraded entrance lobbies, bathrooms and kitchens, and upgraded tenancy fitouts including base build works.

The most recent strata title transaction at 49 Main Highway was for two strata title units at the Zag Centre which is a mixed use development including residential apartments on the top two floors. That property has significantly

more occupiers than the subject requiring active management, whilst the vendor had a degree of compulsion to sell. Accordingly, we consider that transaction in favour of the purchaser, although not without risks.

Other recent transactions include 25 Broadway, Newmarket, which immediately adjoins the new Mercury Energy building. This property had been modernised and upgraded since being acquired in 2015 and was generating some \$216,000 per annum from electronic signage and cell tower income. The sale price represented an initial yield of **5.88%**.

In other examples, 42 Upper Queen Street sold vacant to the Chinese government, having been comprehensively upgraded for the occupation by Nelson Marlborough Institute of Technology who surrendered their lease. The CRL runs below this property with compensation having been paid.

Relating to the subject, it is strongly occupied with the renewal of the MSD lease further pushing out the weighted average lease term. MSD also have committed to some additional car parks which adds further to the income. On balance, we have applied an initial yield of **6.60%** before making allowances for capital and tenancy costs over the upcoming 30 months. On a combined land and buildings basis we have applied **\$5,250 per sqm**, or **\$3,950 per sqm** on a land and buildings basis excluding the value of car parks.

### Programmed Capital Expenditure

Our valuation has been undertaken on the basis that the Landlord is required to meet the cost of works for the Ministry of Justice tenancy which will extend to a lobby upgrade. This is at a budgeted cost of \$500,000. In relation to other capital expenditure, we have allowed 3% of net income per annum.

## 5.3 SWOT Analysis

### Strengths

- An appropriate standard of suburban office accommodation
- Potential to subdivide the floors
- Central core
- At 1 space per 30sqm, generous car parking
- Proximity to Ellerslie township and public transport
- MSD have committed to a 6 year renewal from 1 February 2020

### Weaknesses

- Fairly generic accommodation
- Some evidence of historic leaking and damaged common area tiles
- Relatively tight on site

### Opportunities

- Work with tenants on base building upgrade
- Continue active management of the asset

### Threats

- Slowdown in the economy contributing to reduced occupier demand
- Any yield expansion
- The competitive nature of the southern corridor office market



#### 5.4 Discounted Cashflow Parameters

We have also modelled the property on the basis of discounted cashflow, with key assumptions outlined below.

Vacancy Period:	6 months
New Lease Term:	6 years
Rent Reviews:	2 yearly
Net Rent Incentive:	6 months
Make Good Allowance:	\$100 per sqm
Renewal Probability:	50%
Terminal Yield:	6.90%
Target IRR:	8.20%
Capital Expenditure:	3% p.a. of net income, plus Ministry of Justice tenancy work at an advised budgeted cost of \$500,000.

#### **Rating Valuation**

Assessed as at 1st July 2017, Land Value \$6,200,000, Improvements Value \$13,800,000, Capital Value \$20,000,000.



## 6. Valuation

First, we have considered the capitalisation of income approach, whereby our assessed market income is capitalised into perpetuity at an appropriate capitalisation rate, with adjustments made for the variance between contract and market rent.

<b>CAPITALISATION OF INCOME APPROACH</b>			
		<b>Market Rent</b>	<b>Contract Rent</b>
<b>Passing Income</b>			
Occupied Space		\$ 1,178,558	\$ 1,181,362
Other Income		-	-
Leased Car Parks		\$ 407,680	\$ 350,216
Licensed Car Parks		\$ 13,000	\$ 10,920
<b>Total Passing Income</b>		<b>\$ 1,599,238</b>	<b>\$ 1,542,498</b>
<b>Plus: Recovered Outgoings</b>		<b>\$ 410,328</b>	<b>\$ 410,328</b>
<b>Total Gross Income</b>		<b>\$ 2,009,566</b>	<b>\$ 1,952,827</b>
<b>Plus: Gross Income from Vacancies</b>			
Vacant Floor Space		-	-
Vacant Other Income		-	-
Vacant Car Parks		\$ 28,600	\$ 28,600
<b>FULLY LEASED GROSS INCOME</b>		<b>\$ 2,038,166</b>	<b>\$ 1,981,427</b>
<b>Less: Outgoings</b>			
Recoverable Outgoings		\$ (410,328)	\$ (410,328)
<b>FULLY LEASED NET INCOME</b>		<b>\$ 1,627,838</b>	<b>\$ 1,571,098</b>
Capitalised at		6.60%	6.60%
<b>Capitalised Value</b>		<b>\$ 24,664,205</b>	<b>\$ 23,804,522</b>
<b>Capital Adjustments</b>			
Vacancies: Lease-Up Allowance	6 mths	\$ (14,300)	
Leasing Commission	16.0%	\$ (4,576)	
Total Lease-Up Costs		\$ (18,876)	\$ (18,876)
Rent-Free Incentive	6 mths	\$ (14,300)	\$ (14,300)
P.V. of Rental Surplus/Shortfall	6.60%	\$ (125,877)	
Deferred Capitalised Rental Surplus/Shortfall	6.60%		\$ 737,460
Rent Shortfall (New Leases)		-	-
P.V. of Unexpired Incentives		\$ (132,646)	\$ (132,646)
P.V. of Future Lease-up Allowances	30 mths	-	-
P.V. Of Future Lease Incentives	30 mths	-	-
P.V. of Annual Capital Expenditure	30 mths	\$ (107,509)	\$ (107,509)
P.V. of Make Good Allowance	30 mths	-	-
P.V. of Programmed Capital Expenditure	30 mths	\$ (492,980)	\$ (492,980)
P.V. of Future Refurbishment Allowance	30 mths	-	-
Total Capital Adjustments		\$ (892,188)	\$ (28,850)
		\$ 23,772,017	\$ 23,775,671
<b>INDICATED VALUE</b>		<b>\$ 23,750,000</b>	<b>\$ 23,800,000</b>

Second, we have had regard to the land and buildings approach, whereby we apply our analysed rate per sqm to the total lettable area of the improvements.

Our calculations are detailed as follows.

LAND & BUILDINGS APPROACH				
65B Main Highway	4,587.9 sqm	@	\$5,150 per sqm	\$ 23,627,788
		@	\$5,250 per sqm	\$ 24,086,580
		@	\$5,350 per sqm	\$ 24,545,372
		<b>adopt</b>		<b>\$5,250 per sqm</b>
<b>INDICATED VALUE</b>				<b>\$ 24,100,000</b>

Our assessments are summarised and weighted as follows.

VALUATION SUMMARY			
	<u>Weighting</u>		<u>Assessment</u>
Capitalisation of Income Approach	50%	\$	23,775,000
Land and Buildings Approach	20%	\$	24,100,000
Discounted Cash Flow Approach	30%	\$	23,700,000
<b>ADOPTED MARKET VALUE</b>			<b>\$ 23,750,000</b>

## 6.1 Value Conclusion

In light of the contents of this report we conclude our opinion of value for capital raising purposes for 65B Main Highway, Ellerslie, Auckland, as at 31 March 2020, at:

**NZD\$23,750,000**  
**(TWENTY THREE MILLION SEVEN HUNDRED AND FIFTY THOUSAND DOLLARS)**

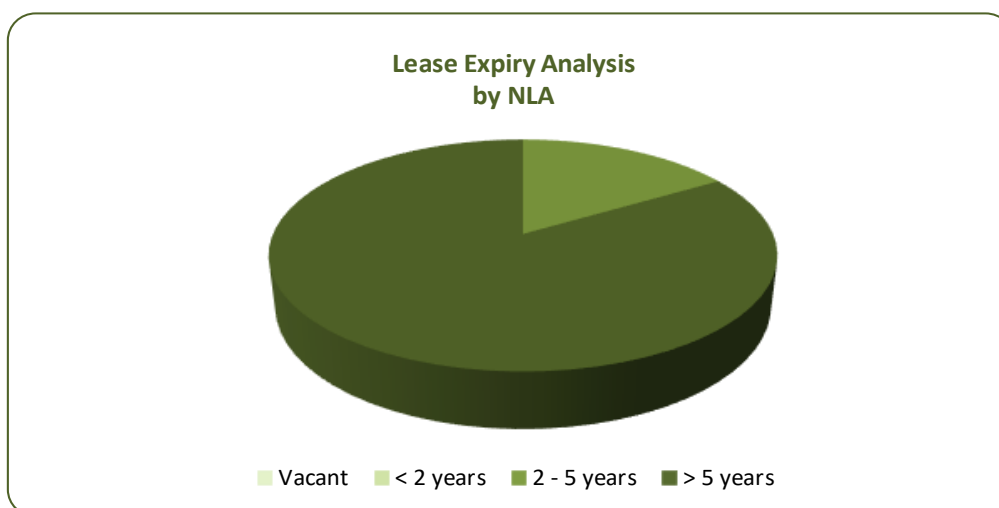
This valuation assessment is on the basis of plus G S T (if any) and reflects the following





### Valuation Summary Statistics

Valuation Date	31 March 2020
Assessed Market Value	\$23,750,000
<b>Property</b>	
Land Area	0.0 sqm
Total Net Lettable Area	4,587.9 sqm
Vacancy Rate	0.0%
Car Parks	159 spaces
Car Parking Ratio - 1 space per	28.9 sqm of NLA
<b>Income</b>	
Net Income (per annum)	\$1,542,498
Net Market Income (per annum)	\$1,627,838
Contract / Market	-5.2%
<b>Valuation</b>	
Adopted Capitalisation Rate	6.60%
Adopted Discount Rate	8.20%
Adopted Terminal Yield	6.90%
<b>Analysis</b>	
Yield on Net Income (Initial Yield)	6.49%
Yield on Net Market Income (Market Yield)	6.85%
Value per sqm of NLA	\$5,177
Value per sqm of NLA (excl. Car Parks)	\$3,965
Value per sqm of Land Area	\$0
10 year Internal Rate of Return	8.17%
WALT (On Occupied Space, by Net Income)	5.92 years
WALT (as above, incl. Market Income on Vacancies)	5.81 years



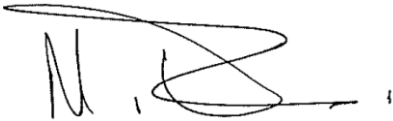
### Compliance Statement

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

- IVS 104 define Market Value as 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 where the parties had each acted knowledgeably, prudently and without compulsion;
- The statements of fact presented in the report are correct to the best of the Valuer's knowledge and the analysis and conclusions are limited only by the reported assumptions and conditions;
- The Valuer has no interest in the subject property and the valuation fee is not contingent upon any aspect of the report;
- The valuation was performed in accordance with an ethical code and performance standards. The Valuer has satisfied professional education requirements and holds Professional Indemnity Insurance together with a current Valuers Practicing Certificate;
- The Valuer has experience in the location and category of the property being valued and has made a personal inspection of the property;
- No one, except those specified in the report, has provided professional assistance.

Our valuation is subject to the attached Disclaimers.

Yours faithfully



Matt Tooman  
**Registered Valuer**  
**ANZIV, SPINZ**



## DISCLAIMERS

Valuation Subject to Change:	Premise 1 – This valuation is current as at the date of valuation only and is based on available information as at the date of valuation. The value assessed herein may change over a relatively short period including as a result of general market movement or factors specific to the particular property. This may include national or international global financial circumstances or force majeure events. Therefore, it should be reviewed periodically whilst no warranty is given by AIM Valuation Limited (“AIM”) as to the maintenance of this value into the future.
Information Supplied by Others:	Premise 2 – This document contains information which is derived from other sources. Where this information is provided by experts and experienced professionals, we have relied upon the expertise of such experts and by necessity that information provided being accurate, whether prepared specifically for valuation purposes or not. Unless otherwise specifically instructed, we have not independently verified that information, nor adopted it as our own. Notwithstanding the above, we have reviewed the provided information to the extent that such a review would be reasonably expected from a professional and experienced valuer having regard to normal industry practice undertaking a similar valuation/consultancy service. Any Instructing/Reliant Party properly able to rely on our report acknowledges that the valuer is not a specialist in the areas from which the expert information is derived and accepts the risk that if any of the information/advice provided by others and referred to in the valuation is incorrect, then this may have an effect on the valuation.
Our Investigations:	Premise 3 – This valuation is conducted on the basis that we are not engaged to carry out all possible investigations in relation to the property. Where in our report we have identified certain limitations to our investigations, this is to enable you to instruct further investigations if you consider this appropriate. AIM is not liable for any loss occasioned by a decision not to conduct further investigations.
Assumptions:	Premise 4 – Assumptions are a necessary part of this valuation. AIM adopts assumptions because some matters are not capable of accurate calculation or fall outside the scope of our expertise, or our instructions. Assumptions adopted by AIM will be formulated on the basis that they could reasonably be expected from a professional and experienced valuer undertaking a similar valuation. However, the risk that any of the assumptions adopted in this document may be incorrect and have a material impact on the concluded value(s) should be taken into account.
Lease/Licence Documentation:	Premise 5 – Where applicable, our assessment of value is provided on the assumption that all Leases/Licences and Variations of Leases/Licences have been supplied in full and are all executed.
Disclosure:	Premise 6 – AIM must be advised in the event that the Reliant Party becomes aware of any changes relating to the information and advice provided by the Instructing/Reliant Party during the Reliance Period. This includes, without limitation, any changes to information and advice provided in relation to encumbrances, registered/unregistered interests, title, and land area/dimensions. In any such event, this valuation must not be relied upon without consulting AIM first to reassess any effect on the valuation.
Future Matters:	Premise 7 – To the extent that the valuation includes any statement as to a future matter, that statement is provided as an estimate and/or opinion based on the information known to AIM at the date of this document. AIM does not warrant that such statements are accurate or correct.
Site Survey:	Premise 8 – We do not commission site surveys and a site survey has not been provided to us. We have assumed there are no encroachments by or on the property, and the Instructing/Reliant Parties should confirm the status by obtaining a current survey report and/or advice from a registered surveyor.
Property Titles:	Premise 9 – We have assumed that there are no further easements, unregistered interests or encumbrances not disclosed by this brief Record of Title search which may affect market value. However, in the event that a future title search is undertaken which reveals additional easements or encumbrances, AIM should be consulted to reassess any effect on the value stated herein.
Environmental Conditions:	Premise 10 – Unless otherwise stated, we have assumed that the site is free of levels of contaminants or subsoil asbestos that would prevent the continuation of the current use of the property. Our visual inspection is an inconclusive indicator of the actual site condition. We make no representation as to the actual environmental status of the subject property. If any formal testing is undertaken to assess the degree, if any, of contamination of the site and this is found to be positive, this valuation must not be relied upon without first consulting AIM to reassess any effect on the valuation.
Asbestos / Hazardous Materials:	Premise 11 – Unless otherwise noted, we have assumed that the improvements are free of asbestos and hazardous materials, or should these materials be present then they do not pose significant risk to human health, nor require immediate removal. Our visual inspection is an inconclusive indicator of the actual condition/presence of asbestos/hazardous materials within the property. We make no representation as to the actual status of the subject property. If any testing is undertaken and the presence of any asbestos/hazardous materials on site is found to be positive, this valuation must not be relied upon before first consulting AIM to reassess the valuation.
Site Conditions:	Premise 12 – We do not carry out investigations on site in order to determine the suitability of ground conditions and services, nor do we undertake environmental or geotechnical surveys. Unless notified to the contrary, our valuations are on the basis that these aspects are satisfactory and also that the site is clear of underground mineral or other workings, methane gas or other noxious substances. In the case of properties which may have redevelopment potential, we proceed on the basis that the site has load bearing capacity suitable for the anticipated form of redevelopment without the need for additional and expensive foundations or drainage systems.
Planning Information:	Premise 13 – We assume information provided by the relevant responsible authority is current and accurate. We do not commission formal investigations to verify information provided to us. In the event that a Land Information Memorandum (LIM) report is obtained and the information therein is later found to be materially different to the resource management information detailed within the valuation, we reserve the right to amend the valuation.
Inclusions & Exclusions:	Premise 14 – Our valuation includes those items that form (or will form) part of the building service installations such as heating and cooling equipment, lifts, sprinklers, lighting etc, that would normally pass with the sale of the property, but excludes all items of plant, machinery, equipment, partitions, furniture and other such items which may have been installed by the occupant or operator or are used in connection with the enterprise carried on within the property.
Side Agreements:	Premise 15 – In the event that the Instructing/Reliant Party becomes aware of any side agreements, this valuation must not be relied upon before first consulting AIM to reassess any effect on the valuation.
Floor Area:	Premise 16 – Where we have not undertaken the floor area measurement, we have proceeded on the premise that the floor areas provided have been calculated in accordance with the PCNZ/PINZ Method of Measurement of Lettable Areas. We recommend that a survey be undertaken to determine whether the areas provided differ from these guidelines. In the event that there is a material variance in areas, we reserve the right to review our valuation as assessed herein. Any measurement undertaken by AIM is an estimate of rentable area only.
Condition & Repair:	Premise 17 – We undertake inspections and conduct investigations as are, in our opinion, correct in our personal judgement, appropriate and possible in the particular circumstances. We have inspected the building; however, we advise that we have not carried out a structural survey nor tested any of the services or facilities and are therefore unable to state that these are free from defect. We advise that we have not inspected unexposed or inaccessible portions of the building and are therefore unable to state that these are free from rot, infestation, asbestos or other hazardous material. We have, however, viewed the general state of repair of the property and have provided relevant information in this regard within the main body of the valuation report. Our valuation proceeds on the premise that a detailed report of the structure and service installations of the building would not reveal any defects requiring significant expenditure that would have a material impact on the valuation conclusions. Additionally, we assume that the building complies with all relevant statutory requirements in respect of matters such as health, building and fire safety regulations.

Currency:	Premise 18 – All dollars are NZ\$.
International Valuation Standards Effective 31 January 2020 and Australia and New Zealand Guidance Notes:	Premise 19 – All valuations are carried out in accordance with the International Valuation Standards effective January 2020 and ANZVGN. 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 where the parties had each acted knowledgeably, prudently and without compulsion.
Valuation Basis:	Premise 20 – No allowances are made in our valuation for any expenses of realisation or to reflect the balance of any outstanding mortgages either in respect of capital or interest accrued thereon.
LIM and PIM:	Premise 21 – Unless otherwise stated, we have not obtained Land Information Memoranda (LIM) or Project Information Memoranda (PIM) from the Territorial Authority.
Lease Covenant Strength:	Premise 22 – Unless specifically requested, we do not make detailed enquiries into the covenant strength of occupational tenants but rely on our judgement of the market’s perception of them. Any comments on covenant strength should therefore be read in this context. Furthermore, we assume, unless otherwise advised, that the tenant is capable of meeting its financial obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.
Taxation and GST:	Premise 23 – In preparing our valuations, no allowances are made for any liability which may arise for payment of income tax or any other property related tax, whether existing or which may arise on development or disposal, deemed or otherwise. We also specifically draw your attention to the fact that our valuation has been undertaken on a plus GST (if any) basis.
Confidentiality and Disclaimer of Liability:	Premise 24 – Our valuation and report is strictly confidential to the party to whom it is addressed (“Instructing/Reliant Party”) and is prepared solely for the specific purpose to which it refers. No responsibility whatsoever is accepted for reliance on the valuation report for other purposes. Further, no responsibility whatsoever is accepted to persons other than the party to whom the valuation and report is addressed for any errors or omissions whether of fact or opinion.
Publication:	Premise 25 – Neither the whole nor any part of our reports, nor any reference thereto, may be included in any published document, circular or statement, nor published in any way without the written approval of AIM of the form and context of such publication or disclosure. Such approval is required whether or not AIM is referred to by name and whether or not the reports are combined with others.
Director’s Clause:	Premise 26 – Under required circumstances, this report may have been co-signed by a Director of AIM. In accordance with our internal Quality Assurance procedures, the co-signing Director certifies that they have discussed the valuation methodology and calculations with the prime signatory, however the opinion of value expressed herein has been arrived at by the prime signatory alone. The co-signing Director may or may not have inspected the subject property.



RECORD OF TITLE



RECORD OF TITLE  
UNDER LAND TRANSFER ACT 2017  
UNIT TITLE  
Search Copy



**Identifier** 99584  
**Land Registration District** North Auckland  
**Date Issued** 01 July 2003

<b>Prior References</b>		<b>Supplementary Record Sheet</b>
40127	40128	50292

**Estate** Stratum in Freehold  
**Legal Description** Unit B and Accessory Unit 1-8, 15-18, 23,  
25-28, 32 Deposited Plan 310188

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

**The above estates are subject to the reservations, restrictions, encumbrances, liens and interests noted below and on the relevant unit plan and supplementary record sheet**

5320580.2 Consent Notice pursuant to Section 221 Resource Management Act 1991 - 20.8.2002 at 3:20 pm

11408853.4 Mortgage to ASB Bank Limited - 18.4.2019 at 4:31 pm

*Transaction Id*  
*Client Reference* vthomson001

*Search Copy Dated 24/02/20 2:15 pm, Page 1 of 7*  
*Register Only*



Identifier 99584



**SUPPLEMENTARY RECORD SHEET  
UNDER UNIT TITLES ACT 1972**

Search Copy

Identifier 50292  
Land Registration District North Auckland  
Date Issued 20 August 2002  
Plan Number DP 310188  
Subdivision of  
Lot 1 Deposited Plan 51483 and Lot 2 Deposited Plan 51483  
Prior References  
NA1A/794 NA1C/1176  
Unit Titles Issued  
99583 99584

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**Interests**

**OWNERSHIP OF COMMON PROPERTY**

Pursuant to Section 47 Unit Titles Act 2010 -

(a) the body corporate owns the common property and

(b) the owners of all the units are beneficially entitled to the common property as tenants in common in shares proportional to the ownership interest (or proposed ownership interest) in respect of their respective units.

The above memorial has been added to Supplementary Record Sheets issued under the Unit Titles Act 1972 to give effect to Section 47 of the Unit Titles Act 2010.

Subject to Section 59 Land Act 1948 (affects part Allotment 7A Section 12 Suburbs of Auckland)

Subject to Section 8 Coal Mines Amendment Act 1950 (affects part Allotment 7A Section 12 Suburbs of Auckland)

Subject to an electricity right (in gross) over part marked A on DP 310188 in favour of Vector Limited created by Transfer D609189.2 - produced 31.5.2001 at 3:21 and entered 11.6.2001 at 9:00 am

5320580.2 Consent Notice pursuant to Section 221 Resource Management Act 1991 - 20.8.2002 at 3:20 pm

5320580.4 Change of rules of the Body Corporate - 20.8.2002 at 3:20 pm

9292552.1 Notice of change of body corporate operational rules pursuant to Section 106 Unit Titles Act 2010 - 25.1.2013 at 8:48 am

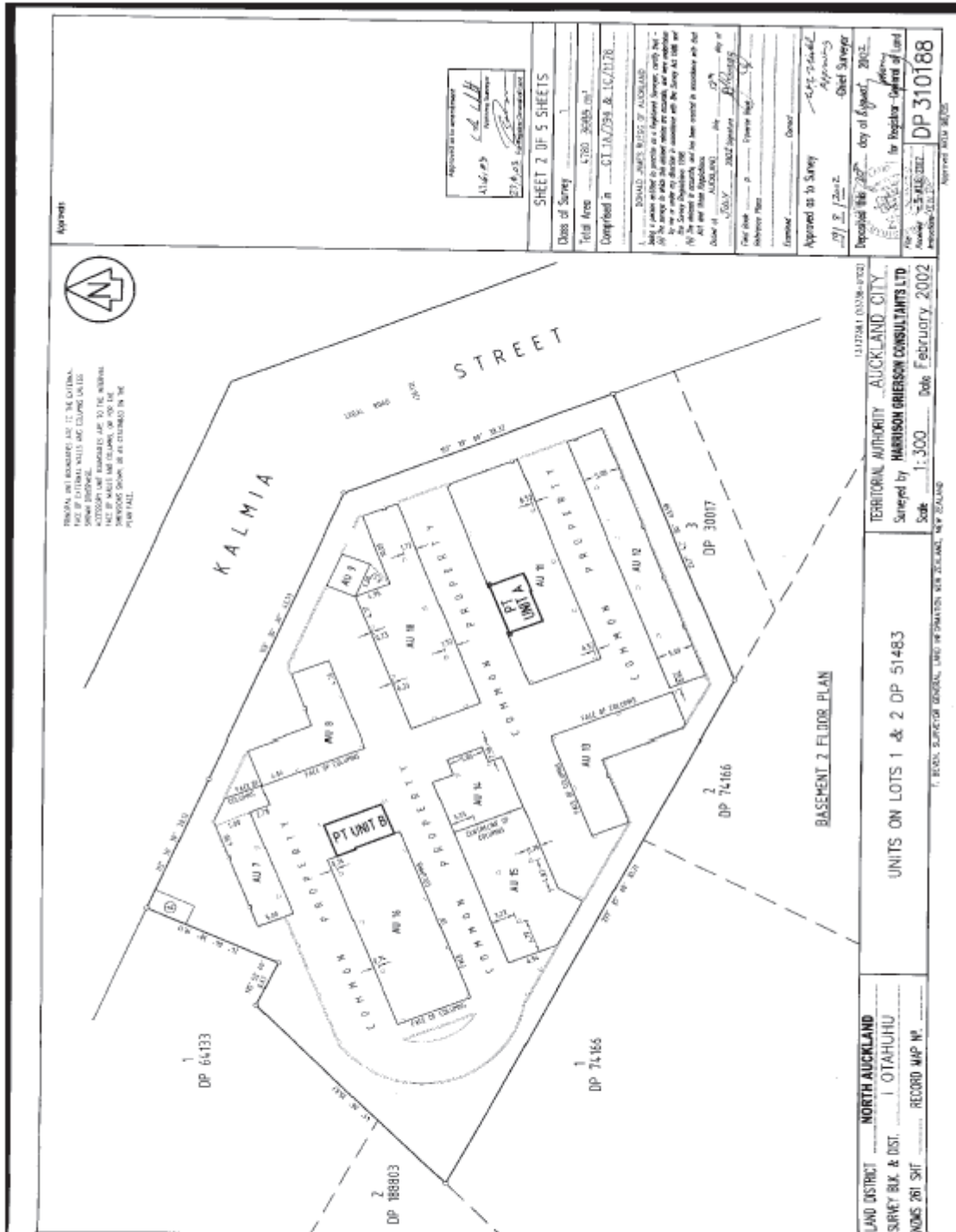
9292552.2 Change of address of the Body Corporate - 25.1.2013 at 8:48 am





Identifier

99584



PROVISIONS AND REQUIREMENTS ARE TO BE OBTAINED FROM THE LOCAL COUNCIL AND COUNCILS INVOLVED. SURVEYOR'S LIABILITY IS LIMITED TO THE INFORMATION PROVIDED IN THIS PLAN. THE SURVEYOR DOES NOT GUARANTEE THE ACCURACY OF THE INFORMATION PROVIDED IN THIS PLAN.

Approved to the Surveyor  
 4/16/2002  
 27/6/02

**SHEET 2 OF 5 SHEETS**

Class of Survey: 1

Total Area: 6780.36488.001

Completed in: 01 JAN 2004 & 16/11/20

1. SHOULD CHECKS BE MADE BY A REGISTERED SURVEYOR TO DETERMINE THE ACCURACY OF THE INFORMATION PROVIDED IN THIS PLAN?  
 (a) The survey is made in accordance with the Survey Act 1988 and the Survey Regulations 1992.  
 (b) The survey is made in accordance with the Survey Act 1988 and the Survey Regulations 1992.  
 (c) The survey is made in accordance with the Survey Act 1988 and the Survey Regulations 1992.  
 (d) The survey is made in accordance with the Survey Act 1988 and the Survey Regulations 1992.

Class of Survey: 1  
 Date of Survey: 01/01/2004  
 Surveyor: [Signature]  
 Approved to Survey: [Signature]  
 Approved: [Signature]  
 Chief Surveyor: [Signature]

Deposited this 27th day of August 2002.  
 Approved: [Signature]  
 Registrar-General of Land

DP 310188

LITITARA (UNINCORPORATED)  
 TERRITORIAL AUTHORITY AUCKLAND CITY  
 Surveyed by HARRISON GRIFFITHSON CONSULTANTS LTD  
 Scale 1:300 Date February 2002

UNITS ON LOTS 1 & 2 DP 51483

LAND DISTRICT NORTH AUCKLAND  
 SURVEY BK. & DIST. 1 OTAHUHU  
 NOMS 261 SHF RECORD MAP NO.







## DISCOUNTED CASHFLOW ANALYSIS

### DISCOUNTED CASH FLOW SUMMARY

#### Selling Considerations

Terminal Yield	6.90%
Agent Commission	1.00%
Legal Fees	0.50%

Target IRR	8.20%
Net Present Value	23,698,237
<b>INDICATED VALUE</b>	<b>23,700,000</b>

#### Purchase Considerations

Purchase Price		23,700,000
Legal Fees	0.50%	118,500
Cost of Purchase		23,818,500

Valuation Year	1	2	3	4	5	6	7	8	9	10	11
Year Ending	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27	Mar-28	Mar-29	Mar-30	Mar-31
<b>Income</b>											
Passing Rent (as occupied)	1,183,682	1,206,857	1,195,824	1,073,361	1,110,196	1,020,597	478,607	119,652	0	0	0
Car Park Rent	361,803	379,493	383,476	365,537	377,971	349,783	177,775	52,634	10,920	10,920	10,920
New Leases	0	0	0	159,777	174,302	181,607	799,097	1,122,455	1,413,276	1,388,637	1,486,069
Future Car Park Income	28,926	29,649	43,123	108,638	111,083	149,120	332,099	476,032	533,704	547,047	560,723
Recovered Outgoings	410,328	420,586	419,984	432,981	447,642	417,894	445,990	431,650	484,543	478,656	504,118
Rent Shortfall (New Leases)	0	0	0	0	0	0	0	0	0	0	0
<b>Total Income</b>	<b>1,984,739</b>	<b>2,036,586</b>	<b>2,042,406</b>	<b>2,140,294</b>	<b>2,221,194</b>	<b>2,119,001</b>	<b>2,233,568</b>	<b>2,202,423</b>	<b>2,442,443</b>	<b>2,425,260</b>	<b>2,561,830</b>
<b>Less</b>											
Recoverable Outgoings	(410,328)	(420,586)	(428,998)	(437,578)	(447,642)	(456,595)	(465,727)	(475,042)	(484,543)	(494,233)	(504,118)
Non-Recoverable Outgoings	0	0	0	0	0	0	0	0	0	0	0
Unexpired Incentives	(107,802)	(17,319)	(14,433)	0	0	0	0	0	0	0	0
Ground Rent	0	0	0	0	0	0	0	0	0	0	0
Vacancy Allowance - Licensed Car Parks	5%	0	0	0	0	0	0	0	0	0	0
<b>Total Net Income</b>	<b>1,466,609</b>	<b>1,598,680</b>	<b>1,598,975</b>	<b>1,702,716</b>	<b>1,773,551</b>	<b>1,662,406</b>	<b>1,767,841</b>	<b>1,727,381</b>	<b>1,957,900</b>	<b>1,931,027</b>	<b>2,057,712</b>
<b>Adjustments</b>											
New Lease Commissions	0	0	0	(18,607)	0	0	(73,280)	(55,797)	0	(21,430)	0
New Lease Incentives	0	0	0	(43,576)	0	0	(168,225)	(129,413)	0	(50,610)	0
Annual Capital Expenditure (% of Income)	(43,998)	(47,960)	(47,969)	(51,081)	(53,207)	(49,872)	(53,035)	(51,821)	(58,737)	(57,931)	(61,731)
Make Good Allowance	0	0	(30,414)	0	0	(130,560)	0	(96,469)	0	(34,517)	0
Programmed Capital Expenditure	(502,321)	0	0	0	0	0	0	0	0	0	0
Future Refurbishment Allowance	0	0	0	0	0	0	0	0	0	0	0
Net Sale Price											29,468,634
<b>NET CASH FLOW</b>	<b>920,290</b>	<b>1,550,720</b>	<b>1,520,592</b>	<b>1,589,451</b>	<b>1,720,345</b>	<b>1,481,974</b>	<b>1,473,300</b>	<b>1,393,880</b>	<b>1,899,163</b>	<b>1,766,540</b>	<b>29,468,634</b>



## TENANCY SCHEDULE

Tenant	NLA (sqm)	Car Parks	Contract Rent (\$pa) (\$psm)		Other Income	Outgoings (\$pa) (\$psm)		Car Park Rent (\$pa) (\$pw)		Lease Start	Lease Term	Lease Expiry	Option(s) (years)	Option Notice	Standard Review	Ratchet Clause	Next Review
<b>Tenancies</b>																	
1 Digital Data Systems	578.4	25	179,304	310.00		51,730	89.44	71,500	55.00	8-Feb-20	3.00	7-Feb-23					
2 Ministry of Justice	1,676.3	53	434,316	259.09		149,923	89.44	137,488	49.89	1-Jul-18	9.00	30-Jun-27					
3 Ministry of Social Development	2,333.2	65	567,742	243.33		208,675	89.44	141,228	41.78	1-Feb-20	6.00	31-Jan-26					
<b>Car Parks</b>																	
Licensed Car Parks		5						10,920	42.00	Various		Various					
Vacant Car Parks		11															
<b>Total</b>	<b>4,587.9</b>	<b>159</b>	<b>1,181,362</b>	<b>257.49</b>		<b>410,328</b>	<b>89.44</b>	<b>361,136</b>	<b>43.68</b>								
<b>Total Annual Rent</b>			<b>1,542,498 (excluding outgoings from net leases)</b>								<b>Weighted Average Lease Term:</b>		<b>5.92 years</b>				

