

Property Address: 32 Oxford Terrace
Central City
CHRISTCHURCH
Client: Silverfin Limited
For The Use and Benefit of: Westpac New Zealand Limited
Date of Inspection: 24 August 2016
Effective Date: 24 August 2016
Valuation Purpose: Market Valuation for the purpose of mortgage security and for the purposes of the proportionate ownership scheme that is proposed to acquire the property and for use by prospective investors (on a non-reliance basis) in that limited partnership.

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EXECUTIVE SUMMARY

Instructing Party:	Mark Periam c/- Silverfin Capital Limited
Subject Property:	32 Oxford Terrace, Central City, Christchurch
Computer Register Details:	Computer Freehold Register: CB29B/11 Legal Description: Lot 1 Deposited Plan 50472 Proprietors: Oxford 32 Limited
Existing Zone:	'Central City (South Frame) Mixed Use'
Proposed Zone:	'Central City (South Frame) Mixed Use'
Date of Inspection:	24 August 2016
Effective Date:	24 August 2016
Purpose of Valuation:	Market Valuation for the purpose of mortgage security and for the purposes of the proportionate ownership scheme that is proposed to acquire the property and for use by prospective investors (on a non-reliance basis) in that limited partnership.
Brief Property Description:	<p>The subject property comprises a six (6) level, high quality, 'A' Grade office building fronting the Avon River within the Health Precinct of Christchurch City. It consists of ground floor retail and upper level office accommodation.</p> <p>The building occupies a prime position within the Central Business District of Christchurch City and it is subject to a 'blue chip' government, anchor tenancy. Levels 1 - 5 have been leased to the Christchurch District Health Board for an initial term of 15 years, together with rights to a further term of 10 years. The ground floor retail areas are currently vacant, however, these spaces are subject to a rental guarantee for a period of 18 months.</p>
Lettable Area:	We have been provided with certified floor areas as assessed by Davis Ogilvie and which detail a total rentable area for the subject building of 6,975.71 m ² . We detail the lettable floor areas as follows:

Lettable Floor Areas			
Occupancy		Lettable Area	% Total
Canterbury District Health Board	First Floor - Office	1,315.69 m ²	
	Second Floor - Office	1,444.28 m ²	
	Third Floor - Office	1,448.61 m ²	
	Fourth Floor - Office	1,438.67 m ²	
	Fifth Floor - Office	107.65 m ²	
	Ground Floor - Lobby, Bike Storage & Amenities	197.09 m ²	
	Ground Floor - Stairwell	3.00 m ²	
		5,954.99 m ²	85.4%
Ground Floor - Retail 1 - Rent Guarantee	Prime Retail	419.78 m ²	6.0%
Ground Floor - Retail 2 - Rent Guarantee	Prime Retail	370.75 m ²	5.3%
Ground Floor - Retail 3 - Rent Guarantee	Secondary Retail	230.19 m ²	3.3%
Total Lettable Floor Area		6,975.71 m²	100.0%

We note that the ground floor entrance lobby and access ways have been included within the rentable area for the Canterbury District Health Board tenancy.

Occupancy Details:

Levels 1 – 5, together with portions of the ground floor are leased to the Canterbury District Health Board, whilst the balance ground floor areas, comprising three individual retail tenancies are currently vacant. The retail tenancies are subject to a vendor rent guarantee, comprising clause 22.1 of the sale and purchase agreement, as follows:

"Should the vendor not have leased the vacant ground floor (on terms agreed by the purchasers) of the property "ground floor") by the settlement date the vendor agrees to have 18 months rent calculated at a rate of \$400/m² for 1,020.72 m² for 18 months plus operating expenses plus GST (the "retained rental") to be retained at settlement and held by the purchaser's solicitor to be credited to the rental of the ground floor until a suitable tenant is found (clause 22.2)."

At the expiry of the 18 months rental guarantee period we have allowed for notional lease terms and conditions for the ground floor retail, including a three month vacancy period, together with unrecoverable operating expenses for this time.

The occupancy details are summarised as follows:

Tenancy Schedule - Summary						
Occupancy	Lease Type	Commencement Date	Lease term	Expiry Date	Rights of Renewal	Contract Rent
Canterbury District Health Board	Net	1-Nov-15	15 years	31-Oct-30	10 Years	\$1,938,945
Ground Floor - Retail 1 - Rent Guarantee	Net	24-Aug-16	1.5 years	23-Feb-18		\$167,912
Ground Floor - Retail 2 - Rent Guarantee	Net	24-Aug-16	1.5 years	23-Feb-18		\$148,300
Ground Floor - Retail 3 - Rent Guarantee	Net	24-Aug-16	1.5 years	23-Feb-18		\$92,076
Total Contract Rental						\$2,347,233
Total Non Recoverable Opex						\$0
Other Income						\$0
Total Lettable Floor Area						6975.71 m²
Total Occupied Floor Area						6975.71 m²
W.A.L.T (Income)						12.0 Years
W.A.L.T (Lettable Area)						12.3 Years

Note: Contract rent for the Christchurch District Health Board increases from \$1,905,596.80 to \$1,938,945 p.a. on 1 November 2016 i.e. an increase of \$33,348 p.a., this is reflected above.

Key Characteristics:**Location**

The property has an excellent location fronting Oxford Terrace, being positioned immediately opposite the Avon River, within the Health Precinct. This precinct area has been conceived for dedication to the "testing, fixing and discovering of new ways to improve the well-being of the Christchurch community" and is part of the 100 Day Blueprint plan, and which was developed by the Canterbury Earthquake Recovery Authority (CERA) in 2012.

The core of the Health Precinct is the hospital, which is undergoing substantial redevelopment works and acts as the hub for other care and research facilities. Canterbury District Health Board have leased portions of the ground floor, as well as all of the upper level floor space.

Improvements

Comprising an older, circa 1986-87 originally constructed, six level building which was damaged in the recent seismic events. The property was subsequently stripped back and underwent substantial foundation works, together with additions and recladding to now comprise a substantial, high quality, 'A' grade office with ground floor retail building. The property enjoys a pleasant outlook, particularly to its upper floors, which overlook the Avon River to the north, with views over the city to the west and southwards towards the Port Hills.

We note that the site does not include any carparking and this is unusual, particularly given the substantial number of staff which will fill the building when the Canterbury District Health Board has fully occupied the space.

Lease

The property is subject to a good long term lease, and is fully occupied to Levels 1 – 5, together with a portion of the ground floor. The Canterbury District Health Board (CDHB) is considered a 'blue chip' tenant and has agreed to a 15-year initial term lease, together with one right of renewal for a term of 10 years.

The CDHB lease is subject to annual CPI rent reviews, which are capped and collared at between 1.75% and 2.75%. This is a positive feature, given expectations of nil to low growth in market rents for A Grade office space in the near future in Christchurch City.

Valuation:

Having regard to available market evidence and factors outlined later in the body of this report, we assess the current market value as at 24 August 2016 as follows:

\$39,120,000 (Thirty-Nine Million One Hundred and Twenty Thousand Dollars) plus GST, (if any).

The above value we apportion as follows:

Land Value	\$ 3,440,000
Building Improvements	<u>\$35,680,000</u>
Total	\$39,120,000

Our reasons and methodology for the valuation are attached. This executive summary is not a standalone valuation report and should be read in conjunction with the full valuation report attached. All comments outlined above relate directly to the full report.

Special Conditions:

1. We note that the subject property's Certificate of Title includes Caveat 10506812.1 and relates to the caveator (The Crown) forbidding the registration of any instrument, having the effect of charging or transferring, or otherwise affecting, the estate or interest protected by the caveat. Please note that we have not been provided with further detail relating to this caveat. Our valuation is subject to the caveat having no material impact on the property and being uplifted.

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1.0 INTRODUCTION

1.1 REGISTERED VALUER / CO SIGNING VALUER

This report has been prepared by David William Harris, FNZIV, FPINZ, who has been in private practice as a Registered Valuer since 1980 together with Matthew James Binnie, Registered Valuer, B Com (VPM), both working as Urban Valuers primarily in the Canterbury Province.

1.2 INSTRUCTION

We respond to instructions received verbally and confirmed by email as follows:

Report for the Use of:	Westpac New Zealand Limited
Client:	Silverfin Capital Limited
Instructing Party:	Mark Perriam c/- Silverfin Capital Limited
Subject Property:	32 Oxford Terrace, Central City, Christchurch
Date of Inspection:	24 August 2016
Effective Date:	24 August 2016
Basis of Valuation:	<p>The valuation has been completed in compliance with the following PINZ guidelines and standards.</p> <ul style="list-style-type: none"> ➤ IVS-101 - Scope of Work ➤ IVS-102 - Implementation ➤ IVS-103 - Reporting ➤ IVS-230 - Real Property Interests ➤ IVS-310 - Valuation of Property Interests for Secured Lending ➤ ANZ-VGN-1 - Valuation Procedures Real Property ➤ ANZ-VGN-2 - Valuation for Mortgage and Loan Security Purposes ➤ ANZ-VGN-9 - Assessing Rental Value
Purpose of Valuation:	Market Valuation for the purpose of mortgage security and for the purposes of the proportionate ownership scheme that is proposed to acquire the property and for use by prospective investors (on a non-reliance basis) in that limited partnership.

Our report is confidential to the party or parties to which it is addressed, and to the prospective subscribers for shares in the company which is to acquire the property, for the specific purpose to which it refers. No responsibility is accepted to any third parties. Neither the whole of the report or any part of it, or any reference to it, may be published in any document, statement or circular or in any communication with third parties, without prior written approval of the form and context in which it will appear. This does not preclude Silverfin Capital Limited in providing to prospective subscribers for shares in the company which is to acquire the property.

This report may only be relied upon for potential acquisition purposes and by prospective subscribers for shares in the company which is to acquire the property being established by Silverfin Capital Limited in respect of the property. We acknowledge that the report may be relied upon by external auditors in deriving their audit opinion.

1.3 MARKET VALUE DEFINITION

For the purposes of our assessment, and in accordance with International Valuation Standards, Australian Property Institute (API) / Property Institute of New Zealand (PINZ) guidance notes, we have relied on the following definition of Market Value:

'The estimated amount for which an asset should exchange, on the date of valuation, between a willing buyer and a willing seller in an arms-length transaction, after proper marketing, wherein the parties have acted knowledgeably, prudently, and without compulsion'.

1.4 ASSUMPTIONS

1. We have assumed that the instructions and subsequent information supplied contain a full and frank disclosure of all information that is relevant
2. We have assumed that there are no easements, rights of way or encroachments except those shown on the Computer Freehold Registers or in the valuation
3. A current survey has not been sighted. The valuation is made on the basis that there are no encroachments by or upon the property and this should be confirmed by a current survey or report and/or advice from a Registered Surveyor. If any encroachments are noted by the survey report, we reserve the right to review our valuation
4. We are not aware of any notices currently issued against the property and we have made no enquiries in this regard. In the course of preparing this report we have relied upon information provided by the owner of the property
5. Our valuation is plus GST (if any)
6. We note that the subject property's Certificate of Title includes Caveat 10506812.1 and relates to the caveator (The Crown) forbidding the registration of any instrument, having the effect of charging or transferring, or otherwise affecting, the estate or interest protected by the caveat. Please note that we have not been provided with further detail relating to this caveat. Our valuation is subject to the caveat having no material impact on the property and being uplifted.
7. The ground floor retail tenancy areas are subject to a rent guarantee, for a period of 18 months, which is detailed in clause 22.1 of the sale and purchase document, as provided to us by Adele Childs c/o Countrywide Property Group

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

Opinion

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

1. There will be no major economic downturn during the projection period, beyond that envisioned at the date of valuation
2. A continued stable economy and reasonable levels of growth as currently predicted over the next five years
3. The property manager will continue to manage the property in an experienced professional manner
4. There will be no new taxes or rates introduced which have a direct impact on the property over the projected period.

1.5 NATURE AND SOURCE OF THE INFORMATION RELIED UPON

We have accessed the following information in completing this assessment:

- Property inspection
- Economic and discounted cashflow assessments being undertaken recognising potential increase in cashflow at lease renegotiation/renewals
- Identifier/Certificate of Computer Freehold Register – Land Information New Zealand
- Property-Guru information
- PropertySmarts (Headway Systems Limited)

- Christchurch City Council (www.ccc.govt.nz)
- Environment Canterbury (www.ecan.govt.nz)
- FordBaker Valuation Limited sales and rental database information
- Property information as provided by Adele Childs c/o Countrywide Property Group, together with Jonathan Little c/o Savills
- Canterbury Earthquake Recovery Authority information
- QuickMap (Custom Software Limited)
- Google Earth (<https://www.google.com/earth>)
- www.wises.co.nz

1.6 CANTERBURY EARTHQUAKE

1.6.1 GENERAL

Christchurch and Canterbury suffered a 7.1 Magnitude earthquake on 4 September 2010 and a series of aftershocks. On 22 February 2011 Christchurch was hit by a second major earthquake of 6.3 Magnitude with catastrophic loss of life and unprecedented property destruction in the Central Business District and eastern sectors of the City. On 13 June 2011 and 23 December 2011, Christchurch was hit by further major earthquakes in excess of 6.0 Magnitude which caused further property damage.

1.6.2 IMPACT ON SUBJECT PROPERTY

The subject property was damaged within the 2011 seismic events and subsequent to this, was purchased by the vendor (32 Oxford Limited). The building has been substantially repaired/refurbished/strengthened to now comprise a high quality, 'A' Grade office with ground floor retail building.

We have been provided with a copy of correspondence completed by DHC Consulting Limited and which confirms the building was designed in accordance with current New Zealand standards and building code and has a bracing capacity upgraded to meet the current New Zealand earthquake load, which means that the structure has a structural strength of a minimum of 100% of New Building Standards.

1.7 COMPLIANCE STATEMENT

This valuation has been completed in accordance with International Valuation Standards and API/PINZ Valuation Standards. FordBaker Valuation Limited confirm that:

- The statements of fact presented in this report are correct to the best of the Valuer's knowledge
- The analyses and conclusions are limited only by the reported assumptions and conditions
- The Valuer has no interest in the subject property
- The Valuer's fee is not contingent upon any aspect of the report
- The valuation was performed in accordance with the PINZ Code of Ethics and the API/PINZ Valuation Standards and Guidance Notes
- The Valuer has satisfied professional education requirements and holds a current Annual Practicing Certificate
- The Valuer has experience in the location and category of the property being valued
- The Valuer has made a personal inspection of the property
- No-one, except those specified in the report, has provided professional assistance in preparing the report.

2.0 PROPERTY DETAILS

2.1 COMPUTER FREEHOLD REGISTER DETAILS

2.1.1 IDENTIFIER

Estate:	Fee Simple
Identifier:	CB29B/11
Legal Description:	Lot 1 Deposited Plan 50472
Land Area:	1,721 m ²
Land Registry District:	Canterbury
Registered Proprietors:	Oxford 32 Limited
Property Interests:	<ul style="list-style-type: none"> ➤ Subject to a right (in gross) to convey electricity over part marked A on DP 491064 in favour of Orion New Zealand Limited created by Easement Instrument 10322461.3 ➤ Mortgage 9769249.2 to Westpac New Zealand Limited ➤ Variation 9936694.1 of Mortgage 9769249.2 ➤ Caveat 10506812.1 by Her Majesty the Queen under Section 91 (1)(A) of The Greater Christchurch Regeneration Act 2016

We summarise the key details of the above interests as follows:

The Easement Instrument 10322461.3 relates to a right to convey electricity, in favour of Orion New Zealand Limited and which comprises the western boundary, sealed right of way, unimproved portion of the subject property.

Caveat 10506812.1 relates to the caveator (The Crown) forbidding the registration of any instrument, having the effect of charging or transferring, or otherwise affecting, the estate or interest protected by the caveat. Please note that we have not been provided with further detail relating to this caveat, and that our valuation is subject to the caveat having no material impact on the property and being uplifted.

2.2 RESOURCE MANAGEMENT CONSIDERATIONS

2.2.1 EXISTING ZONE

The property is zoned 'Central City (South Frame) Mixed Use' zone, under the partially operative City Plan for the City of Christchurch dated 21 November 2005 and updated 31 July 2012.

The Central City Central City (South Frame) Mixed Use zone enables the development of a high quality mixed use environment while seeking specific outcomes for parts of the zone including the Innovation and Health precincts. Provisions enable residential development in the frame, as well as educational activities, and on Colombo Street and High Street, finer grain retail activity that retains the 'boutique' character of these areas.

The development of a Central City (South Frame) Mixed Use Zone that provides a clear delineation between the Central City Business Zone and the Central City Mixed Use Zone and that:

- enables a compatible mix of activities within a connected, safe and attractive open space landscape;
- enables a range of activities that do not compromise consolidation of the Central City Business Zone; and
- provides for precincts that will accommodate technology based businesses and research and health related activities.

To enhance and revitalise land within the Central City (South Frame) Mixed Use Zone by:

- enabling residential activity to transition into this area in support of inner city residential intensification;
- enabling educational activities and tertiary education and research facilities to establish throughout the Zone;
- enabling retailing along Colombo Street and High Street, with a limited tenancy size to create boutique retail environments, to support development of the Innovation Precinct and redevelopment of the wider South Frame and to recognise the historic importance of these retail streets to the Central City;
- enabling limited forms of retailing in other parts of the South Frame that support businesses and other activities within the Zone, or that are less suited to the Central City Business Zone environment and remain consistent with the objective of consolidating retail activity in the Central City Business Zone;
- enabling opportunities for office and commercial service activity in the Health and Innovation Precincts, and in other parts of the South Frame where this activity is ancillary to residential activities, or where it is of such a small scale so as not to compromise the role of the Central City Business Zone or the aim of consolidating that area of the Central City; and
- discouraging incompatible activities, such as industrial, motor servicing, trade suppliers, wholesalers and yard based suppliers, retail, offices and commercial services beyond the scope provided in this policy.

To ensure a form of built development within the Central City (South Frame) Mixed Use Zone that improves the safety, amenity, vibrancy, accessibility and attractiveness of the Central City (South Frame) Mixed Use Zone, the South Frame Pedestrian Precinct and the Central City.

Promote a high standard of amenity in the Central City (South Frame) Mixed Use Zone by:

- encouraging buildings to form a clear edge to road boundaries and open space areas such as the South Frame Pedestrian Precinct;
- requiring minimum areas of landscaping;
- requiring landscaping in areas that adjoin open spaces and public areas such as the South Frame Pedestrian Precinct, in situations where buildings are not constructed to the boundary of these areas;
- setting fencing and screening requirements;
- ensuring protection of sunlight in open space areas; and
- creating new north to south road linkages between Tuam and St Asaph Streets to provide view shafts into the South Frame Pedestrian Precinct.

Provide for residential development within the Central City (South Frame) Mixed Use Zone to support intensification of residential activity within the Central City, and to provide for an appropriate level of amenity for residents, by including:

- provision for outdoor living space and service areas;
- screening of outdoor storage and service areas; and
- prescribed minimum residential unit sizes.

The following Built Form Standards shall be met by all permitted activities and for restricted discretionary activities unless otherwise stated.

- The maximum height of all buildings shall be in accordance with Central City Maximum Building Height Planning Map;
- Where the maximum permitted height is more than 21m, the maximum road wall height shall be 21m except that for Part Lot 1 Deposited Plan 11323 the 21m road wall height shall only apply to the Tuam Street road boundary; and
- Buildings shall not project beyond a recession plane of 45 degrees applying from the maximum road wall height and angling into the site.

All buildings shall be designed so as to provide:

- a minimum distance from the top of the ground floor surface to the bottom of the first floor surface of 3.6m (where there is a beam or other structural support for the floors above, the measurement shall be made to the bottom of the beam or other structural support beneath the ceiling); and
- a minimum depth of 10m for a ground floor that fronts the road, measured from the exterior faces of the exterior walls.

Where a site in the Central City (South Frame) Mixed Use Zone adjoins the northern boundary of the South Frame Pedestrian Precinct or the northern boundary of a Central City Community Parks Zone, Central City Water and Margins Zone or Avon River Precinct (Papa o Ōtākaro) Zone, buildings in relation to that boundary shall not project beyond a recession plane of 33 degrees applying from a height of 8m above that boundary and angling into the site, except that there shall be no recession plane requirement for the boundary of Hagley Park; and

The level of site boundaries shall be measured from filled ground level, except that where the adjacent site internal boundary is at a lower level, then that lower level shall be adopted.

Note: There is no recession plane requirement for the internal boundaries of sites located in the Central City (South Frame) Mixed Use Zone where the adjoining site is also zoned Central City (South Frame) Mixed Use.

The maximum building height for the subject property is 28 metres.

We have considered all relevant aspects of the zoning when assessing the current market valuation of the site in terms of its potential for development.

2.2.2 HEALTH PRECINCT

The role of the Health Precinct is to facilitate public and private health education, research, innovation and other health related activities in close proximity to the Christchurch Hospital by:

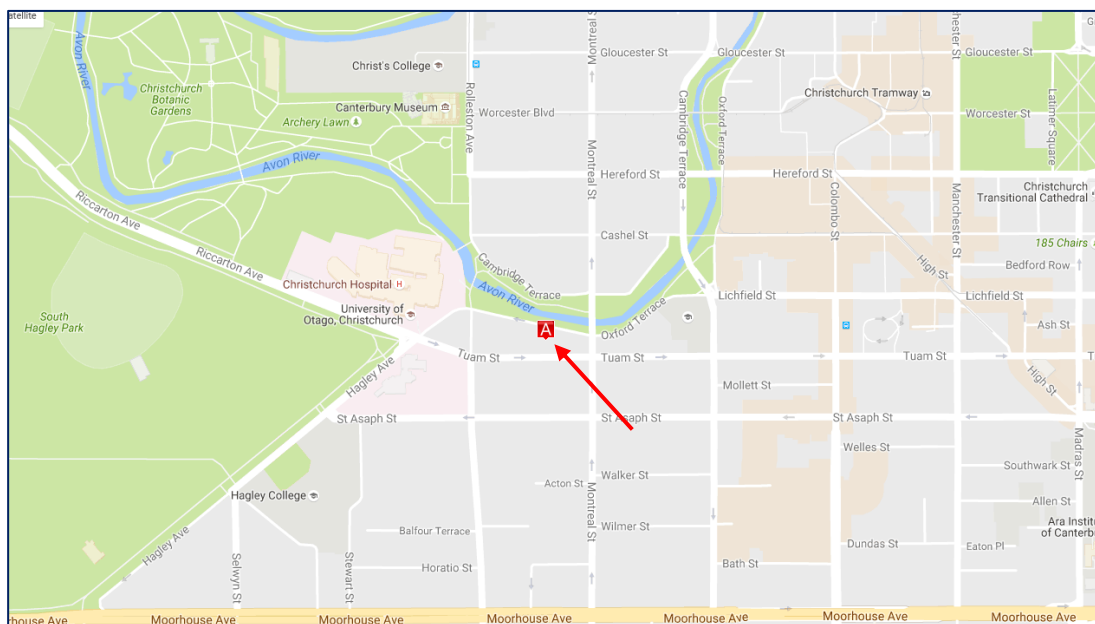
- enabling health related offices, commercial services and other activities to locate in this area
- creating a high quality urban environment for the establishment of health related activities
- creating publicly accessible open spaces to create vital community focal points and connectivity on each block
- enabling carparking facilities that support access to and provision of health services while avoiding significant adverse effects on the transport network

2.3 SITUATION AND LOCALITY

2.3.1 SITUATION

The property is situated to the southern side of Oxford Street, also benefitting from a second frontage, on its southern elevation, to Tuam Street, being located just to the west of their intersections with Montreal Street. Accordingly, the property is situated within the Health Precinct which was established by the Canterbury Earthquake Recovery Authority (CERA) as part of the "100 Day Plan". The property is accordingly positioned to the south western fringe of the core of Central Business District of Christchurch City.

The location of the subject property is indicated on the following map:



Source: www.wises.co.nz

2.3.2 LOCALITY

The immediate locality comprises a mixed range of buildings and amenities and which include older styled office buildings, together with the Oxford Apartment buildings. The Cashel Street Mall precinct currently forms part of the Restart Mall and part of this area is being redeveloped with modern structures, together with the iconic Ballantynes department store being located there. The Justice Precinct, including the Law Courts is under construction and nearing completion, being located to the east of the subject, at the intersection of Lichfield Street and Durham Street South and this is a key anchor project within the central city rebuild.

Immediately to the south of the subject site are a range of motor vehicle dealerships, including the Archibald's showroom and vehicle workshops. Just to the west of the subject is the Pegasus Arms Restaurant and Bar, together with a range of buildings which also form part of the Health Precinct. Further to the west is the substantial Christchurch Hospital and Christchurch Women's Hospital, which are currently undergoing substantial redevelopment works, including the construction of a new acute services building, which is located to the north western corner of the overall hospital site, overlooking Hagley Park.

Historically, the subject site was considered an excellent one, benefitting from a good outlook over the Avon River and in close proximity to the Central Business District. This is further enhanced by its positioning within the Health Precinct and the office accommodation portion of the building has accordingly been leased to a substantial medical tenant (Canterbury District Health Board).

2.3.3 CENTRAL CITY DEVELOPMENT

There has been significant development post earthquakes in the CBD, this includes: Office buildings fronting Cambridge Terrace and Durham Street, office/retail premises within the Victoria Street 'gateway', Crown 'Anchor Projects', multi-level office with ground floor retail buildings in the innovation precinct, together with other developments interspersed around the central core.

Key to the current and future development of the city, is the 100-day blueprint released by the Christchurch Central Development Unit (CCDU) in the middle of 2012.

The outline map 100 Day blueprint map is shown below:



The 100 Day Plan outlined objectives to shrink the size of the CBD. This was to be achieved by the designation of two strips of land - one in the east of the city and one in the south, as open spaces. These spaces, along with the Avon River, are to frame the CBD, ensuring that development is concentrated within a smaller geographic area.

Other key objectives of the 100 Day Plan were as follows:

- Building heights in the city are to be kept at a maximum of 28 metres, however, exceptions may be made in some areas around the convention centre, to accommodate hotel developments.
- The convention centre occupies a substantial site next to Victoria Square and stretches the full block between Gloucester and Armagh streets and the facility is projected to be finished by late 2019.

- A public library is to be built on the edge of Cathedral Square and the road through the Square will be closed to through traffic.
- The old brewery site in St Asaph St is to feature a substantial sized metro sports facility. It will include a competition-size swimming pool, leisure pools and eight indoor courts. Construction is yet to commence on this anchor project.
- A replacement stadium for the earthquake-damaged AMI Stadium is proposed for the old Turners & Growers site, which is located at the edge of the CBD's eastern frame. A covered stadium with natural turf and seating for 35,000 people has been suggested.
- A new music centre and auditoriums for the performing arts is nearing completion, being positioned near New Regent Street.
- The courts and Christchurch's emergency services are being grouped together in a new Justice Precinct which is between Lichfield, Tuam, Durham and Colombo streets. This campus-style precinct is now nearing completion and will house some 1,300 to 1,400 workers.
- A new bus exchange, has been completed in Lichfield St and is now the hub for the city's public transport network.
- A health precinct has been established and includes the construction on the hospital site of a 62,000 square metre Acute Services Building, together with the Canterbury District Health Board leasing of a substantial Oxford Street located office premises.
- In many parts of the new CBD, roads have been slowed or closed to through traffic, and there are new networks of walkways and cycle ways.

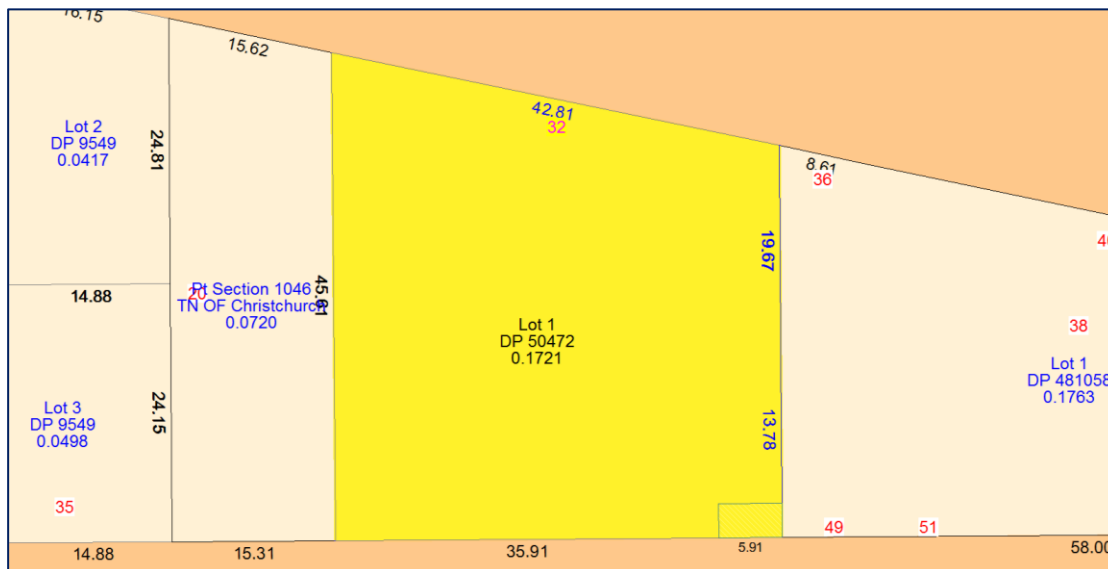
In summary, the central core of Christchurch City is continuing to develop, with some of the crown lead anchor projects completed or nearing completion. The subject property is located in the Health Precinct, to the fringe of the central core of central city, in a superior office location.

2.4 LAND DESCRIPTION

2.4.1 SITE PARTICULARS

Area: 1,721 m²

Dimensions: Indicated on the following plan:



Source: QuickMap

Contour/Aspect: The site is level in contour and has a northern frontage to Oxford Terrace, together with a southern frontage to Tuam Street. We note that the land falls away towards the Avon River and accordingly the western ground floor retail tenancy is unusual in that its internal floor at the Tuam Street frontage is below the external ground level and adjoins the ground level at its Oxford Terrace frontage end of the building.

Services: The site is served by sewer, high pressure water, electricity and telephone cabling.

2.4.2 SITE LAYOUT

We illustrate the property in the following aerial photograph:



Source: www.propertyguru.co.nz

2.5 QUALIFICATIONS

2.5.1 GEOTECHNICAL

We are not expert in geotechnical matters and therefore cannot therefore certify as to the structural soundness or integrity of the land. Our valuation is based on a visual inspection of the land only and assumes that there are no geotechnical issues with the property unless specifically identified. Should subsequent expert advice be counter to this, then we would reserve the right to review our valuation.

2.5.2 LOCAL AUTHORITY MEMORANDUM

In preparing this report and unless otherwise stated, services to the property have not been tested nor have we searched local authority records to ascertain restrictions affecting the property.

2.5.3 SURVEY

We have not undertaken a survey of the property and its boundaries and assume no responsibility in connection with such matters. Unless otherwise stated, it is assumed that all improvements lie within the Computer Freehold Register boundaries. Any sketch, plan or map in this report is included to assist the reader in visualising the property and should not be relied upon as being definitive.

2.5.4 ENVIRONMENTAL

A visual inspection of the site and enquiry with the local authority has not revealed any obvious pollution or contamination. Nevertheless, we are not experts in the detection or quantification of environmental problems and, accordingly, have not carried out a detailed environmental investigation. Therefore, the valuation is made on the assumption that there are no actual or potential contamination issues affecting the value or marketability of the property or the site.

Verification that the property is free from contamination and has not been affected by pollutants of any kind may be obtained from a suitably qualified environmental expert. Should subsequent investigation show that the site is contaminated, this valuation may require revision.

We have obtained a Listed Land Use Register (LLUR) report for Environment Canterbury for the property and note there are no sites associated with the area of enquiry and does not record the property as having a Hazardous Activities & Industry List (HAIL).

Whilst the above comments suggest environmental matters may not be an issue, the recipient of this report is advised that the Registered valuer is not qualified to detect such substances, which in many cases are not visible, nor quantify the impact on values without an environmental report. Substances such as asbestos, other chemicals, toxic waste or other potentially hazardous materials could, if present, adversely affect the value of the property that would cause loss in value. No responsibility is assumed for any such conditions and the recipient of this report is advised that the valuer is not qualified to detect such substances, quantify the impact on values or estimate the remedial cost.

Whilst due care has been taken to note any contamination liability, our investigations have been undertaken for valuation purposes only, and this report does not constitute an environmental audit. Unless otherwise stated no account has been taken of the effect on value due to contamination or pollution.

3.0 RATING VALUATION

As at 1 November 2013, Christchurch City Council:

Land Value	\$ 3,240,000
Improvements Value	\$26,310,000
Capital Value	\$29,550,000

We do not consider the above Rateable Value to be indicative of the property's current market value. Rateable Values are assessed for Territorial Authority rating purposes using mass appraisal methodology and need to be so regarded.

4.0 IMPROVEMENT DETAILS

4.1 DESCRIPTION OF IMPROVEMENTS

Comprising an originally circa 1986-1987 constructed building, which sustained damage as a result of the seismic events. Subsequent to this, the property has undergone substantial strengthening/repair/alterations and extension works. It now comprises a six (6) level, high quality, 'A' Grade, ground floor retail and upper level office and amenities building.



4.2 CONSTRUCTION

Foundations:	Seismically designed concrete foundations
Floor:	Concrete floors to all levels, notwithstanding a small timber floor area to the sixth floor, penthouse level.
Structure:	Mixed, including: Concrete pillar, beam and steel structural systems.
External Walls:	Extensive double glazed building façade with part concrete panel cladding, part timber panel clad and part metal panel clad.
Roof:	Iron
Internal Finishes:	Timber framed internal partitions with plasterboard linings.
Joinery:	Double glazed aluminium

4.3 BUILDING SERVICES

HVAC:	Ducted air conditioning provided throughout.
Fire:	Full compliance with current regulations, including being fully sprinklered.
Lifts:	Two internal passenger lifts are included.
Reticulated Services:	Normal services are provided.

4.4 WARRANT OF FITNESS

The Building Act 2004 provides for greater regulation within the building industry and to ensure that safety systems within buildings are maintained to a satisfactory standard.

The Act states that buildings containing certain safety and essential systems, known as specified systems, require a compliance schedule. These specified systems ensure that a building is safe and healthy for members of the public to enter, occupy or work in. The building owner must ensure continued effective operation of those features and systems and sign an annual building warrant of fitness.

The most common systems include: Automatic sprinkler systems or other systems of automatic fire protection, Emergency warning and lighting systems, Lifts, escalators and travelators or similar systems and Mechanical ventilation or air conditioning systems.

An annual Building Warrant of Fitness is required for the above systems under the Act and we note that the subject incorporates several of these systems. To this end, we are able to confirm that a current Building Warrant of Fitness is held, with an expiry date of 1 July 2017, Compliance Schedule No. WOF 52267.

4.5 LAYOUT, DESCRIPTION AND ACCOMMODATION

4.5.1 LETTABLE FLOOR AREAS

We have been provided with certified lettable floor areas for the subject building as completed by Davis Ogilvie dated 27 August 2015 and which details a total rentable area for the subject building of 6,975.71 m².

We note that the Canterbury District Health Board Deed of Lease agreement has a detailed total rentable area within first schedule of the lease as at 5,954.99 m². The Davis Ogilvie assessment of the Christchurch District Health Board tenancy area is also detailed as at a total of 5,954.99 m².

To this end, we note that this total (5,954.99 m²) includes the ground floor lobby and access ways.

Whilst a portion of this area has been modified to now comprise bike storage and amenities, we note that ground floor lobby and entry way areas are generally excluded from lettable areas, as per the guide to the measurement of rentable areas. If the ground floor entry foyer, and stairs were deducted, the area would be approximately 5,838.73 m².

We detail the floor areas as provided to us and compiled by Davis Ogilvie as follows:

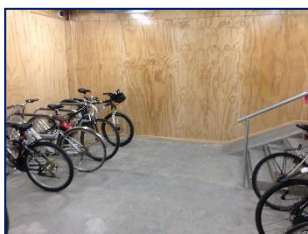
Lettable Floor Areas			
Occupancy		Lettable Area	% Total
Canterbury District Health Board	First Floor - Office	1,315.69 m ²	
	Second Floor - Office	1,444.28 m ²	
	Third Floor - Office	1,448.61 m ²	
	Fourth Floor - Office	1,438.67 m ²	
	Fifth Floor - Office	107.65 m ²	
	Ground Floor - Lobby, Bike Storage & Amenities	197.09 m ²	
	Ground Floor - Stairwell	3.00 m ²	
		5,954.99 m ²	85.4%
Ground Floor - Retail 1 - Rent Guarantee	Prime Retail	419.78 m ²	6.0%
Ground Floor - Retail 2 - Rent Guarantee	Prime Retail	370.75 m ²	5.3%
Ground Floor - Retail 3 - Rent Guarantee	Secondary Retail	230.19 m ²	3.3%
Total Lettable Floor Area		6,975.71 m²	100.0%

4.5.2 ACCOMMODATION

(a) Ground Floor – Bike Storage Amenities and Entrance Lobby

The anchor tenant (Canterbury District Health Board) has had part of the ground floor modified, comprising the south eastern corner of the building. This area now includes a cycle storage area with bike racks and secured access, together with adjacent amenities including showers. The bike storage areas comprise a concrete floor with plywood wall linings. The amenities are of a high quality, including tiled floor and wall surfaces, together with good quality fixtures and fittings.

A photograph taken of this area is as follows:



(b) Ground Floor Retail - Tenancy 1

The retail Tenancy 1 comprises a ground floor space which stretches the full depth of the building along its western side and includes appealing outlooks over the Avon River at its northern end. Having a substantial floor area of some 419.78 m², this space benefits from good natural light, given its substantial glazed frontages. As at the effective date of valuation, the space was in a 'bare shell' fit-out state and is subject to an 18-month rental guarantee.

Photographs taken of this area are as follows:



(c) Ground Floor Retail - Tenancy 2

Comprising the north eastern ground floor tenancy and benefitting from an outlook over the Avon River, together with good natural light through its fully glazed frontage. This tenancy has its main entrance off the Oxford Street frontage and is of a substantial size having a lettable floor area assessed at 370.75 m². As at the effective date of valuation, the space was in a 'bare shell' fit-out state and is subject to an 18-month rental guarantee.

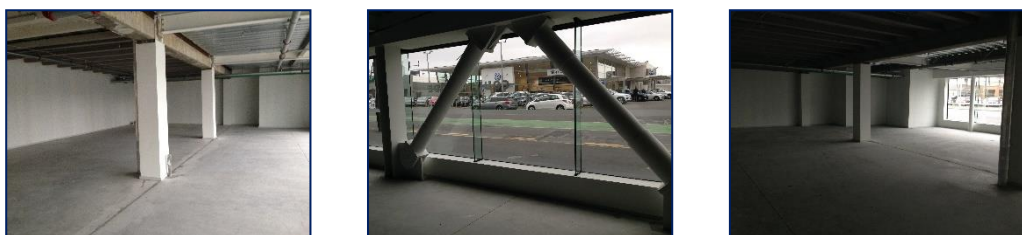
Photographs taken of this area are as follows:



(d) Ground Floor Retail – Tenancy 3

The balance ground floor retail tenancy is positioned to the lower profile and inferior outlook, southern elevation of the subject building, fronting Tuam Street. Natural light to the tenancy is good through its fully glazed Tuam Street frontage and again this space is of a substantial size, having an assessed lettable area of 230.19 m². As at the effective date of valuation, the space was in a 'bare shell' fit-out state and is subject to an 18-month rental guarantee.

Photographs taken of this area are as follows:



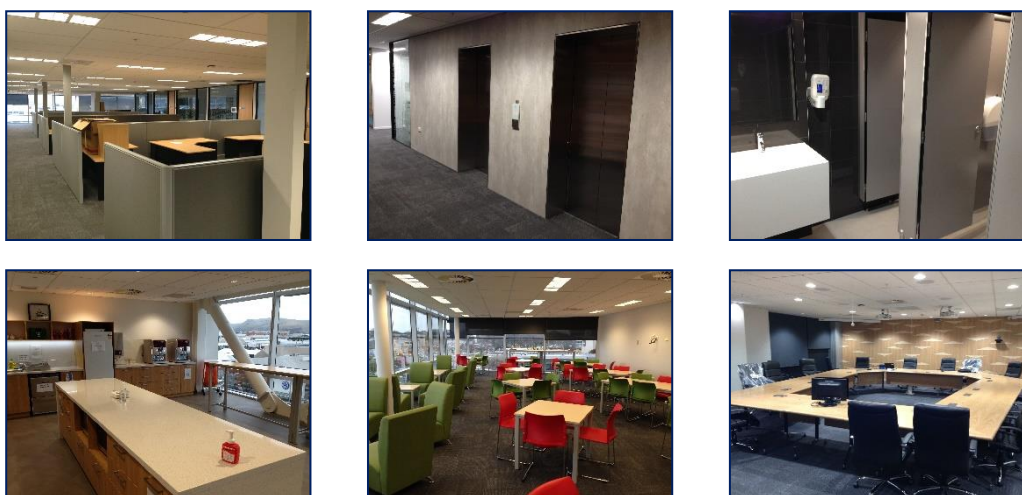
(e) Upper Office, Levels 1 to 4 – Canterbury District Health Board

Levels one to four are all of a very similar nature, having comparable floor areas and floor plans. These spaces were leased on a bare shell basis, including carpeted floor coverings, suspended ceilings, high quality amenities and air conditioning, with the tenant being responsible for the further fit-out. The central core features two passenger lifts, with dual stairs and both men's and women's amenities to all levels.

The amenities comprise high quality spaces, including tiled wall and floor coverings and high quality fixtures and fittings.

The tenant's fit-out works have been extensive and include café areas to all floors, partitioned exteriors providing for a number of meeting rooms and individual office space together with balance open plan offices.

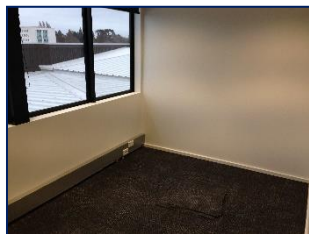
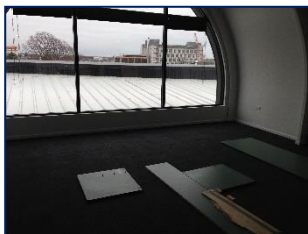
Photographs of these areas as at the date of inspection are as follows:



(f) Fifth Level (Penthouse) – Canterbury District Health Board

The penthouse level comprises a smaller space having a lettable area assessed at 107.65 m² and is partitioned into several office/storage spaces, together with amenities areas, the passenger lifts as well as stairwell access.

Photographs taken of this area are as follows:



4.6 FIT-OUT OWNERSHIP

The lessor fit-out includes the following:

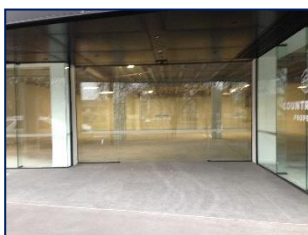
- Fire system
- Electrical distribution board
- Electrical check meter
- Floor coverings
- Lighting
- Bathroom fixtures and fittings
- HVAC

Balance fit-out comprises lessee's improvements and which have been disregarded from within our assessment.

4.7 OTHER SITE IMPROVEMENTS

As previously described, the subject site does not include any carparking facilities. Other improvements are therefore limited in nature, comprising a chip sealed access way and right of way, positioned along the buildings western boundary. The sealed area extends underneath the building wings at its south western and north western corners. Tiled entrance ways allow access to the ground floor retail Tenancy 2 at the building's north eastern corner.

Photographs of these areas are as follows:



4.8 CONDITION

4.8.1 EARTHQUAKE

Buildings are generally required by legislation to have a minimum design life of 50 years, which we understand the chance of a one in 500-year event being exceeded in any 50-year period is approximately 10%. As a consequence of the Canterbury earthquakes, the relative earthquake risk of buildings has been created and is shown within the following table:

(see next page)

Building Grade	Percentage New Building Standard Strength (% NBS)	Approximate Risk Relative to New Building	Risk Descriptions
A+	Greater than 100%	Less than 1%	Low Risk
A	80% to 100%	One to two times	Low Risk
B	67% to 80%	Two to five times	Low or Medium Risk
C	33% to 67%	Five to 10 times	Medium Risk
D	20% to 33%	10 to 25 times	High Risk
E	Less than 20%	More than 25 times	Very High Risk

The building has an assessed current seismic strength of a minimum of 100% of New Building Standards (NBS) accordingly having a building assessed as a minimum of Grade A.

4.8.2 EXTERNAL / STRUCTURAL

The building was damaged in the recent seismic events and subsequent to this underwent substantial upgrade/repair/refurbishment/strengthening works. It has also received extension and alteration works, accordingly, at the date of inspection it comprised a high quality multi-level office building. No items requiring immediate maintenance were noted.

4.8.3 INTERNAL FINISHES

High quality fixtures and fittings are provided throughout and accordingly the building comprises A Grade office accommodation, with no internal items requiring maintenance noted upon inspection.

4.9 QUALIFICATIONS

4.9.1 BUILDING ACT

We have not obtained a Project and Land Information Memorandum from the Local Authority and recommend these be requested. We have therefore assumed that all building consents/permits have been obtained for the property and there are no major problems identified. If it is found within the Project and Land Information Memorandum that there are negative implications which may affect the property value, we reserve the right to review or reassess our valuation.

4.9.2 STRUCTURAL

This report has been prepared for valuation purposes only and is not intended to be a structural or geotechnical survey. We have not sighted a qualified engineer's structural survey of the improvements, or its plant and equipment, nor are we a building construction and/or structural expert. We are therefore unable to certify as to structural soundness of the improvements. Prospective purchasers or mortgagees would need to make their own enquiries in this regard.

4.9.3 OTHER

This report is not intended to be an environmental survey. No enquiries in respect of any property or of any improvements thereon has been made for any sign of timber infestation, asbestos or other defect, whether latent or patent or structural.

5.0 OCCUPANCY DETAILS

We have perused the following:

- Deed of Lease – Sixth Edition 2012 (4) between Oxford 32 Limited (being the lessor) and Canterbury District Health Board being the lessee dated 18 January 2016.
- The ground floor retail tenancy areas are subject to a rent guarantee, for a period of 18 months, which is detailed in clause 22.1 of the sale and purchase document, as provided to us by Adele Childs c/o Countrywide Property Group.

5.1 LEASE DETAILS

The key details are as follows:

Occupancy Details		
32 Oxford Terrace, City, Christchurch	Lessor	Oxford 32 Limited
	Lessee	Canterbury District Health Board
	Commencement Date - Initial Term	1 November 2015
	Commencement Date - Current Term	1 November 2015
	Current Lease Term	15 Years
	Expiry Date	31 October 2030
	Further Terms	10 Years
	Final Expiry Date	31 October 2040
	Rent Review	To CPI - Subject To Partial Ratchet Clause, with the increase to be no less than 1.75%, or greater than 2.75%. To market at renewal.
	Review Timing	Annually & At Renewal
	Lease Type	Net
	Non Recoverable Opex	N/A
	Current Rental	\$1,938,945 Per Annum Plus GST

Note: The current rent is \$1,905,596.80 p.a. and is reviewed to \$1,938,945 on 1 November 2016.

The lease terms and conditions for the rent guarantee period, are as follows:

32 Oxford Terrace, City, Christchurch	Lessor	Oxford 32 Limited
	Lessee	Ground Floor - Retail 1 - Rent Guarantee
	Commencement Date - Initial Term	24 August 2016
	Commencement Date - Current Term	24 August 2016
	Current Lease Term	1.5 Years
	Expiry Date	23 February 2018
	Further Terms	Nil
	Final Expiry Date	23 February 2018
	Rent Review	Annually to CPI, and to Market at Renewal, Subject To Partial Ratchet Clause
	Review Timing	Annually & At Renewal
	Lease Type	Net
	Non Recoverable Opex	N/A
	Current Rental	\$167,912 Per Annum Plus GST

32 Oxford Terrace, City, Christchurch	Lessor	Oxford 32 Limited
	Lessee	Ground Floor - Retail 2 - Rent Guarantee
	Commencement Date - Initial Term	24 August 2016
	Commencement Date - Current Term	24 August 2016
	Current Lease Term	1.5 Years
	Expiry Date	23 February 2018
	Further Terms	Nil
	Final Expiry Date	23 February 2018
	Rent Review	Annually to CPI, and to Market at Renewal, Subject To Partial Ratchet Clause
	Review Timing	Annually & At Renewal
	Lease Type	Net
	Non Recoverable Opex	N/A
	Current Rental	\$148,300 Per Annum Plus GST
32 Oxford Terrace, City, Christchurch	Lessor	Oxford 32 Limited
	Lessee	Ground Floor - Retail 3 - Rent Guarantee
	Commencement Date - Initial Term	24 August 2016
	Commencement Date - Current Term	24 August 2016
	Current Lease Term	1.5 Years
	Expiry Date	23 February 2018
	Further Terms	Nil
	Final Expiry Date	23 February 2018
	Rent Review	Annually to CPI, and to Market at Renewal, Subject To Partial Ratchet Clause
	Review Timing	Annually & At Renewal
	Lease Type	Net
	Non Recoverable Opex	N/A
	Current Rental	\$92,076 Per Annum Plus GST
Summary:	Total Lettable Floor Area	6975.71 m ²
	Total Occupied Floor Area	6975.71 m ²
	Total Contract Rental	\$2,347,233
	Total Non Recoverable Opex	\$0
	W.A.L.T (Income)	12.0 Years
	W.A.L.T (Lettable Area)	12.3 Years

5.2 LEASE COMMENTARY

Part Ground Floor and Levels 1 to 5 – Canterbury District Health Board

The Canterbury District Health Board Deed of Lease has a commencement date of 1 November 2015, with an initial term of 15 (fifteen) years, together with one (1) right to a further term of ten (10) years. Accordingly, this is a long term lease agreement, having a final expiry, if the right of renewal is exercised, of 31 October 2040.

The contract rental is reviewed to CPI annually in accordance with further term 48.

Further term 48 is as follows:

- 48.1 "The landlord and the tenant agree that the annual rent shall be increased on each CPI rent review date to an amount that represents any increase in the Consumer Price Index on the then annual rental and calculated in accordance with 2.5 provided that in no event shall the increase be less than 1.75% or higher than 2.75%."

Accordingly, the annual rental reviews are to CPI, being capped and collared. The lease also provides for a market rent review on the renewal date. Accordingly, the annual reviews having a guaranteed growth of a minimum of 1.75% p.a. is considered a benefit to the lessor.

We note that the lease describes the landlord's fixtures and fittings as comprising the following:

- Fire system
- Electrical distribution board
- Electrical check meter
- Floor coverings
- Lighting
- Bathroom fixtures and fittings
- HVAC

In summary, the Canterbury District Health Board lease is of a good, long term nature, having been assessed as effectively at current market rental rates, and having locked in minimum annual contract rental growth.

It is important to note that the Deed of Lease for this tenancy has the premises in the First Schedule of the lease described as

"being a total of 5,954.99 m² as shown on the attached plans together with the lobby, toilets and access areas on the ground level as shown on the attached plans and a designated bike storage area".

This is consistent with the area schedule for the subject property, as completed by Davis Ogilvie in August 2015, which also documents a total lettable area for this tenancy of 5,954.99 m². We note, however, that this area (5,954.99 m²) includes the ground floor lobby, entry way and access ways. The building is utilised for ground floor retail and balance Levels 1 – 5 office space. Therefore, we have referred to "The Guide to the measurement of rentable areas" prepared by the Property Council of New Zealand, revised June 2013.

Accordingly, on market rent review determination we would expect the true net lettable area for the Canterbury District Health Board to be reduced by the sum equal to the lobby and access way areas, whilst still including the designated bike storage area, associated amenities and access hallway to this space. However, when determining the market rent, the quality of the sole use ground floor foyer would be reflected.

Ground Floor – Retail Tenancies 1 - 3

As described above, the retail tenancy areas to the ground floor on the subject building have a rental guarantee for the first 18 months and which is detailed in the sale and purchase agreement. Important terms of this guarantee are summarised as follows:

Clause 22.1

"Should the vendor not have leased the vacant ground floor (on terms agreed by the purchasers per 22.2) of the property ("Ground Floor") by the settlement date, the vendor agrees to have 18 months' rent (calculated at a rate of \$400/m² for 1,020.70 m² for 18 months plus operating expenses plus GST) ("the retained rental") to be retained at settlement and held by purchaser's solicitor, to be credited to the rental of the ground floor until a suitable tenant is found (clause 22.2)."

22.2 if:

22.2.1 *"the vendor locates a prospective tenant for the ground floor, (such tenant to be satisfactory to the purchaser (as landlord) acting reasonably), or"*

22.2 "the purchaser locates a prospective tenant for the ground floor, within 18 months of the settlement date, then any incentive payment that is proposed to be paid to the prospective tenant must be mutually agreed between the parties (acting reasonably). If the lease arrangement with the perspective tenant is agreed and finalised, then any remaining retained rental held in the purchaser's solicitor trust account (together with all interest gained therein) less any incentive payment agreed with the tenant will be returned to the vendor on the date of finalisation of the lease arrangement. Should a tenant not be secured for the ground floor in accordance with this clause 22 within 18 months of the settlement date, the then purchaser shall be entitled to all of the retained rental (together with all interests) and shall have no further claim against the vendor. For the avoidance of doubt, the vendor's total liability in respect of the ground floor shall not exceed the amount of the retained rental."

22.3 "the purchaser will use reasonable endeavours to secure a tenant on reasonable commercial terms for the ground floor space prior to settlement as well as post settlement to release the vendor from its rental retention on the ground floor."

We have also assessed a vacancy period at the conclusion of the 18 month guarantee term, for the retail tenancy areas, for a term of three (3) months, together with unrecoverable operating expenses for this period. We have further assumed notional lease terms and conditions after this vacancy period at terms and conditions which we consider to be fair and consistent with current market details.

5.3 OUTGOINGS

The leases are all on a net basis, with the tenants being responsible for all outgoings over and above the rental payable.

5.4 ANALYSIS OF CONTRACT RENTAL INCOME

Our analysis of the contract rental income, comprising the Canterbury District Health Board lease, together with the rental guarantee, ground floor retail areas is as follows:

Contract Rental Analysis						
Tenant	Lease Type	Lettable Area (m ²)	Area Rate (\$/m ²)	Premises Rent	Car Park Rent	Total Contract Rent
Canterbury District Health Board	Net	5,954.99	\$325.60	\$1,938,945	\$0	\$1,938,945
Ground Floor - Retail 1 - Rent Guarantee	Net	419.78	\$400.00	\$167,912	\$0	\$167,912
Ground Floor - Retail 2 - Rent Guarantee	Net	370.75	\$400.00	\$148,300	\$0	\$148,300
Ground Floor - Retail 3 - Rent Guarantee	Net	230.19	\$400.00	\$92,076	\$0	\$92,076
Total Contract Rental Income				\$2,347,233		\$2,347,233

Note: Contract rent for the Christchurch District Health Board increases from \$1,905,596.80 to \$1,938,945 p.a. on 1 November 2016 i.e. an increase of \$33,348 p.a., this is reflected above.

6.0 MARKET CONSIDERATIONS

Adopting a market basis for our assessment requires that we consider the subject property in light of market evidence and sentiment. Therefore, we now examine wider economic and property specific market factors, along with evidence of recent and relevant sales evidence.

6.1 MARKET COMMENTARY

6.1.1 ECONOMIC OVERVIEW

In order to determine the current market value of the subject property, we have considered global, national and local economic conditions and the effects that these may have on the commercial property market. The information outlined below is based on recently sourced data from both Government and independent sources. This overview is effective as at August 2016.

Global Overview:

The world economy stumbled in 2015 with this trend continuing in 2016. United Nations economists suggest there is little prospect of a turnaround this year. World gross product is projected to grow by just 2.4% in 2016, the same pace as 2015, with forecasts for 2017 proposing a marginal rise to 2.8% which is still well below pre-crises trends. A number of factors have contributed to this period of slow economic growth. These factors include weak aggregate demand in developed economies, low commodity prices, mounting fiscal and current-account imbalances and policy tightening in commodity exporting economies. – United Nations Economic Report

Economists are now finding it increasingly difficult to make accurate predictions due to a number of 'special' factors including:

- The US Presidential Election
- Tightening US monetary policy
- The uncertainty and potential fallout following the 'Brexit' referendum
- China's Economy
- Australia's political instability
- Europe's growth rate
- Where the new equilibrium oil price sits.

Economists have stated that New Zealand is considered to be a safe and consistent country. A stable government and prudent monetary regulations often mitigate the large economic fluctuations felt throughout the world. This was best illustrated by the national economic performance following the GFC in 2008. With the world becoming full of economic and political uncertainties, overseas investors may look toward New Zealand as a way to protect their financial position.

New Zealand Overview:

The New Zealand economy is heavily influenced by the Dairy, Tourism and Construction Industries. Although Dairy has been struggling in more recent times, tourism and construction have been taking the New Zealand economy forward. Low dairy prices and the effects of a particularly dry, El Nino induced summer, have reduced profit margins, with the longer than expected below-break-even pay-out likely to continue for some time. Continued growth in tourism made this sector our top export earner in 2015, with expectations that this trend will continue throughout 2016. Australia, China and the United States of America remain our key players in tourism. The Construction Industry remains strong in New Zealand, particularly in Auckland and Christchurch. Auckland is in a state of well reported housing under supply, while Christchurch continues to rebuild following the destruction caused by the Canterbury Earthquakes.

Key Point Summary:

- GDP in New Zealand advanced a seasonally adjusted 0.7% in the three months to March 2016, this followed a 0.9% increase over the previous quarter.
- Net Migration has shown a record net gain of 65,900 migrants in the year ending January 2016. Canterbury experienced a net gain of international migrants of 6,900 people, while Auckland gained 30,400.
- The OCR was lowered to a new record low of 2.00% at the review on 11 August 2016. This follows on from the 100 basis points drop over 2015 and further 25 basis point drop in early 2016.
- The New Zealand Dollar remains steady against all major currencies, hovering at around \$0.72 USD and \$0.95 AUD, continuing its upward trend over the last 20 years. Following the 'Brexit' referendum, the NZD has risen to \$0.55 against the British Pound and now sits at €0.64 against the Euro.
- Business confidence in New Zealand came in at 16.0 in July of 2016, down from 20.2 in June. It was the first reduction in business confidence since January. Business confidence in New Zealand has averaged 6.30 from 1970 to the current date. A score of above zero indicates positive business confidence.
- Consumer Confidence in New Zealand decreased to 106.0 in the first quarter of 2016 from 109.6 in the previous quarter, slightly below the national average of 111.41 (1988-2016). A score of above 100 indicates positive consumer confidence.
- In the second quarter of 2016 the consumer price index (CPI) rose 0.4% from the previous quarter to a level of 1205. From the June 2015 quarter to the June 2016 quarter CPI inflation has remained at 0.4%.

Christchurch Overview:

Christchurch remains in a rebuilding phase following the destruction caused by the Canterbury Earthquakes. Residential development has experienced a flurry of activity due to housing shortages, while commercial development continues in both suburban and central city localities. The Construction sector, as expected, has led the way, contributing approximately 11% of GDP in Christchurch. Following the re-opening of the Central Business District, a period of office and retail development began in accordance with 'The Blue Print', spearheaded by 16 Anchor Projects which were implemented as points from which further development could spread from. Development has since slowed as uncertainties around the government instigated anchor projects gave many developers reason to be cautious, with the supply and demand of office space reaching a tipping point also a contributing factor in their decision making. The recent government announcement regarding the Convention Centre, which now has a projected completion date of late 2019, is expected to bring confidence to the market, particularly to developers, investors and business owners. Hotel, Hospitality and Retail operators are now able to make more secure business decisions as the future of the Central City becomes clearer. Other key anchor projects include the Justice Precinct and Metro Sports facility, with growth and occupancy within the CBD expected to regain momentum as these projects progress.

6.1.2 MARKET SUMMARY

Following the destruction of the Central Business District caused by the Canterbury earthquakes, the Christchurch office market experienced a period of severe undersupply. Businesses were forced into the suburbs in significant numbers, with an unprecedented take up of vacant space in these fringe localities. These areas showed moderate office vacancies prior to the seismic events.

The north western gateway to the Central City, particularly Victoria Street, was among the first areas within the Central City to be redeveloped and re-occupied post-earthquakes. Rentals in this area were recorded at over \$400 per square metre, and this was due to the undersupply of offices and limited options available for businesses wishing to relocate to the Central City.

Up until recent times, the Christchurch Central Business District rebuild has struggled to gain momentum, however in early 2015 a number of key projects emerged. These key projects will form a significant business hub from which the future growth of the CBD can spread. One such project is situated at the former Central Police Station site at the corner of Hereford and Cambridge Terrace. This site is to be developed and part occupied by Ngai Tahu, with the remaining space to be tenanted by the Ministry of Education, Housing New Zealand Corporation and the Ministry of Health.

As the Central City rebuild gains momentum, more office space is becoming available. The increase in available office space has swung lease negotiation power to the tenants, with landlords now often providing significant incentives to secure quality tenants on medium to long term leases. These incentives often include fit out contributions, rent free periods and discounted rentals. The recent increase in office supply has brought rental rates down, with rental rates appearing to stabilise at between \$300 and \$380 per square metre for new office space within the Central City.

With the increase in office supply in the central city, fringe/suburban office rental rates are expected to drop to avoid vacancies. Tenants are now having to weigh up the benefits of occupying more expensive, often higher quality central city office space, versus less expensive rental levels in the suburbs as their current lease terms near expiry.

As the supply of the new central city developments increases, tenants have a wider range of options available, consequently having a stronger market position in terms of lease negotiation. Landlords are now having to offer higher incentives to lease space in the Central City.

As businesses relocate into the Central City, suburban office rentals are expected to soften before evening out at a sustainable level. This level is yet to be determined as businesses weigh up the benefits of leasing central city space at higher rental rates, versus the lower, more affordable suburban rates.

Demand for well-located suburban office space is expected to soften due to the immanent shift back into the Central City by a portion of the suburban office market. How large this portion moving back into the City Centre is yet to be determined, however we are aware of significant interest in this regard.

Accordingly, this valuation considers current market conditions based on the following factors:

- Limited office rental growth in the near future, with potential rent reductions, particularly in the suburban sub-market
- Stabilised low investment yields for commercial properties
- Low commercial lending rates
- High demand for quality investment properties

Longer lease terms and firmer rents have been achieved for some time, with a number of investors taking the opportunity to market investments that until recent times have been tightly held. In general, there is limited high quality stock for sale, which is forcing some purchasers to pay a premium to secure these investments.

In the sub \$1 million price bracket, investors are actively seeking stock, with significant activity in this market sector from both owner occupiers and purchasers. We note that in the \$1 to \$5 million price bracket there has been an increase in activity, with local developers and investors at the forefront. In the upper price bracket, above the \$5 million mark, a number of key projects have emerged. These projects will form a significant business hub from which the future growth of the CBD can spread.

Central City - Major Developments			
<i>Development:</i>	<i>Location:</i>	<i>Completion:</i>	<i>NLA:</i>
Ngai Tahu Complex	Montreal, Cambridge, Cashel & Hereford	Staged (Early 2017)	-
The BNZ Centre	Cashel, Hereford & Colombo	Staged (part 2015)	22,482 m ²
Grand Central	Cashel	Late 2015	14,094 m ²
The Terrrace	Cashel, Hereford & Oxford	2017	13,609 m ²
The ANZ Centre	Colombo, High & cashel	Late 2016	11,785 m ²
Awly Building	Cnr Gloucester, Cambridge & Armagh	Early 2016	11,500 m ²
The Crossing	Colombo, Cashel & Lichfield	Staged (Oct 2016)	11,000 m ²
Vodafone	Tuam St	Early 2016	8,800 m ²
9 Cathedral Square - ASB	Catherdral Square	Early 2016	7,355 m ²
PWC Centre	Cnr Cambridge & Cashel	2016	6,565 m ²
Lane Neave Building	Cambridge Tce	Late 2015	5,170 m ²
Deloitte	Cnr Gloucester & Cambridge	Completed (2015)	5,000 m ²
Kathmandu Building	Tuam St	Early 2016	4,800 m ²
Wynn Williams House	Cnr Hereford & Montreal	Completed (2014)	4,500 m ²
Press Building	Gloucester St	Completed (2014)	4,250 m ²
124-130 Kilmore St	Kilmore St	Late 2015	4,050 m ²
299 Durham St	299 Durham St	Late 2015	3,078 m ²
Anderson Lloyd House	Gloucester St	Completed (2014)	3,000 m ²
Chester & Durham	Cnr Chester & Durham	Mid 2015	1,954 m ²

Office investment trends within the Central Business District during 2015 have been positive, with yields being recorded between 6.00% and 8.00%. The yields appear to be falling, possibly as a result of lending rates reducing and strong demand from cashed up investors seeking returns above those offered by the banks.

Central City Office & Retail Areas								
<i>Sector:</i>	<i>Grade:</i>	<i>Rents:</i>		<i>OPEX:</i>	<i>Yields</i>		<i>Previous 12 Month Yield Trend</i>	<i>Yield Forecast</i>
		<i>low</i>	<i>high</i>		<i>low</i>	<i>high</i>		
Office	"A Grade" Tier 1	\$330/m ²	\$380/m ²	\$100/m ² p.a.	6.00%	7.25%	falling	level
	"B Grade" Tier 2	\$275/m ²	\$330/m ²	\$70 - 100/m ² p.a.	6.50%	7.50%	falling	level
Retail	Victoria St	\$385/m ²	\$625/m ²	\$70 - 100/m ² p.a.	6.50%	7.50%	falling	level
	Balance Central Areas	\$350/m ²	\$450/m ²	\$50 - 80/m ² p.a.	6.50%	7.50%	falling	level

Fringe/Suburban offices yields have been falling over the past 18 months, with yields generally being recorded below 8.00%, and high quality properties being purchased, on occasion, at below 6.00%.

6.1.3 CENTRAL CITY OFFICE – KEY INDICATORS

The Christchurch Central City office market in 2016 has been characterised by continuing construction of CBD office developments and this includes the completion of a number of high profile multi-level developments.

Many of the buildings which have been completed and those currently under construction are not 100% leased. Accordingly, there is a concern that the Central City office market will have an oversupply of accommodation.

We note that landlords are generally offering incentives, sometimes substantial sized ones, to potential occupiers of larger floor plates and these generally include rent free periods and/or fit-out contributions.

Therefore, whilst face rentals have maintained their level in or around the \$360/m² to \$400/m² mark, effective rents are now falling and are generally between \$300 to \$380/m² for prime 'A' grade space.

In a 2015 survey, Colliers identified that within the CBD a total of 246,193 m² of office accommodation was either recently completed, commenced construction of confirmed for development and shortly to begin. A further 41,008 m² of office space was intended for development, although not guaranteed.

In total, as at 2015, approximately 287,201 m² of office space had been constructed post 2011, was under construction, was confirmed or was intended.

These figures are summarised as follows:

Christchurch CBD Office Space		
Completed	97,939 m ²	34 %
Under Construction	142,507 m ²	50 %
Confirmed	5,8747 m ²	2 %
Intended	41,008 m ²	14 %
Total	287,201 m²	100 %

Source: Colliers

Of this potential 287,201 m² of office space, 191,218 m² (67%) was leased.

The total amount of office space within the CBD, comprising those buildings which survived the earthquakes and are occupiable, together with those which have been/are to be constructed consists of a total of approximately 356,280 m². It has been estimated that of this there will be a vacancy factor of 22%. It is further suggested that this figure will reduce, as tenants in outlying suburban location choose to move back into the central city.

7.0 VALUATION METHODOLOGY

In our assessment of the current market value we have taken into consideration comparable sales, current land values, current market rent rates, occupancy details including operating expenses concluding a net passing rent, discounted cashflow analysis and current market conditions.

A summary of the approaches is as follows:

Contract Income Approach

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

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

Market Income Approach

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

Discounted Cashflow

In addition, we have carried out a discounted cashflow valuation over a ten-year period in accordance with established practice.

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

- Discount rates
- Growth rates
- Sustainable rental level
- Vacancy allowance
- Operating expenses and increase over discount period
- Capital expenditure
- End of period valuation/terminal yield

8.0 RENTAL EVIDENCE AND MARKET RENTAL ASSESSMENT

Central to the market value of commercial properties is the level of net operating income which the property can substantially return to the investor. Accordingly, we now examine the potential rental return which is assessed on a market basis. For the purposes of our assessment and in accordance with International Valuation Standards and Australian Property Institute (API)/Property Institute of New Zealand (PINZ) guidance notes, we have relied on the following definition of Market Rent:

'The estimated amount for which a property, or space within a property, should lease on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion'.

We have researched comparable evidence within the Central Christchurch City Business District for high quality, similar 'A Grade' premises, noting in the particular the following:

(a) Comparable Rentals

The rental analysis is as follows:

MARKET RENTAL EVIDENCE - CENTRAL CITY OFFICE PREMISES					
-	104-120 HEREFORD ST	Office and amenities	2,951.00 m2	@	\$375.00 /m2
<i>new lease</i>	BNZ	Balconies	196.00 m2	@	\$180.00 /m2
		Carparks	46 Spaces	@	\$65.00 p.w.
PWC Centre - Under Construction, yet to be completed					
	56-64 CASHEL ST	Office and amenities	1,505.02 m2	@	\$400.00 /m2
	PWC	Balconies	47.32 m2	@	\$133.00 /m2
		Carparks	20 Spaces	@	\$70.00 p.w.
	56-64 CASHEL ST	Office and amenities	1,151.41 m2	@	\$400.00 /m2
	Chapman Tripp	Balconies	189.26 m2	@	\$133.00 /m2
		Carparks	12 Spaces	@	\$70.00 p.w.
	56-64 CASHEL ST	Office and amenities	678.30 m2	@	\$395.00 /m2
	Tonkin & Taylor	Carparks	5 Spaces	@	\$65.00 p.w.
In all three leases, there were incentives involved and which would reduce the net effective rent. The details of these incentives is not known.					
Deloitte Building					
	151 CAMBRIDGE TCE	Office and amenities (Level 1)	505.00 m2	@	\$418.00 /m2
	Windoma Holdings	Covered Carparks	3 Spaces	@	\$70.00 p.w.
		Uncovered Carparks	3 Spaces	@	\$65.00 p.w.
	151 CAMBRIDGE TCE	Office and amenities (Level 2)	550.00 m2	@	\$418.00 /m2
	Forsyth Barr	Covered Carparks	4 Spaces	@	\$70.00 p.w.
		Uncovered Carparks	3 Spaces	@	\$65.00 p.w.
	151 CAMBRIDGE TCE	Office and amenities (Level 3)	357.50 m2	@	\$418.00 /m2
	McQuarrie Group Holdings	Uncovered Carparks	3 Spaces	@	\$65.00 p.w.
	151 CAMBRIDGE TCE	Office and amenities (Level 3)	309.00 m2	@	\$418.00 /m2
	QBE Insurance	Uncovered Carparks	3 Spaces	@	\$70.00 p.w.
	151 CAMBRIDGE TCE	Office and amenities (Levels 4 & 5)	2,019.66 m2	@	\$420.00 /m2
	Deloitte	Uncovered Carparks	20 Spaces	@	\$68.00 p.w.
In some cases there were incentives involved and which reduced the net effective rent. The following is a summary of these rents where incentives are known:					
	Windoma Holdings	Office and amenities (Level 1)	505.00 m2	@	\$381.61 /m2
	Forsyth Barr	Office and amenities (Level 2)	550.00 m2	@	\$384.09 /m2
	McQuarrie Group Holdings	Office and amenities (Level 3)	357.50 m2	@	\$401.17 /m2

May-16	223 -231 TUAM ST	Ground Floor Offices	1,521.20 m2	@	\$355.00 /m2
new lease	Kathmandu	First Floor Offices	1,543.60 m2	@	\$355.00 /m2
		Second Floor Offices	1,540.50 m2	@	\$355.00 /m2
		Carparks	65 Spaces	@	\$60.00 p.w.
		Bike parks	50 Spaces	@	\$5.00 p.w.
May-16	213 TUAM ST	Cafe	365.00 m2	@	\$450.00 /m2
new lease	Vodafone	Ground Floor Retail	180.00 m2	@	\$450.00 /m2
		Ground Floor Offices	1,355.00 m2	@	\$365.00 /m2
		Levels 1 - 4 Offices	6,915.00 m2	@	\$365.00 /m2
		Fit Out Rental	8,270.00 m2		\$25.00 /m2
		Carparks	40 Spaces		\$60.00 p.w.
		Bike parks	60 Spaces		\$5.00 p.w.
Apr-16	122 VICTORIA ST	Office and amenities	321.50 m2	@	\$294.25 /m2
lease variation	House of Travel	Carparks	8 Spaces	@	\$40.00 p.w.
Apr-16	203 -205 DURHAM ST	Office and amenities	289.60 m2	@	\$287.68 /m2
new lease	NZ Legal Limited	Naming Rights	1	@	\$10,000
		Carparks	4 Spaces	@	\$30.00 p.w.
Feb-16	203 -205 DURHAM ST	Office and amenities	104.10 m2	@	\$340.91 /m2
new lease	Pegasus Chambers	Carparks	1 Spaces	@	\$30.00 p.w.
Nov-15	834 COLOMBO ST	Office and amenities	329.19 m2	@	\$316.56 /m2
new lease	Quotable Value Limited	Carparks	4 Spaces	@	\$35.00 p.w.
Sep-15	203 -205 DURHAM ST	Office and amenities	283.20 m2	@	\$316.20 /m2
new lease	Layburn Holdings	Deck	81.86 m2	@	\$100.00 /m2
		Carparks	4 Spaces	@	\$30.00 p.w.
		Offsite Carports	6 Spaces	@	\$25.00 p.w.
Aug-15	248 MONTREAL ST	Office and amenities	342.73 m2	@	\$360.00 /m2
new lease	Structex Harvard Limited	Carparks	7 Spaces	@	\$25.00 p.w.
Jul-15	203 -205 DURHAM ST	Office and amenities	98.71 m2	@	\$309.75 /m2
new lease	Fidelity Life	Fit Out Rental	98.71 m2	@	\$70.00 /m2
		Carparks	2 Spaces	@	\$30.00 p.w.
Jun-15	63 MANCHESTER ST	Office and amenities	658.50 m2	@	\$350.00 /m2
new lease	Plato Creative Design Limited	Carparks	8 Spaces	@	\$25.00 p.w.
Apr-15	51 CHESTER ST	Office and amenities	432.00 m2	@	\$365.00 /m2
new lease	The NZ Guardian Trust Company	Carparks	4 Spaces	@	\$45.00 p.w.
Mar-15	51 CHESTER ST West	Office and amenities	188.00 m2	@	\$365.00 /m2
new lease	HFIX Limited				
Mar-15	51 CHESTER ST West	Office and amenities	841.40 m2	@	\$359.14 /m2
new lease	Staples Rodway Ch Ch Limited	Air Bridge	8.84 m2	@	\$180.00 /m2
		Carparks	13 Spaces	@	\$45.00 p.w.
Feb-15	322 MANCHESTER ST	Office and amenities	378.83 m2	@	\$290.88 /m2
new lease	Chester Services	Carparks	10 Spaces	@	\$15.00 p.w.
Feb-15	51 CHESTER ST West	Office and amenities	1,026.00 m2	@	\$367.13 /m2
new lease	Tavendale & Partners Limited	Carparks	21 Spaces	@	\$45.00 p.w.
		Balcony	67.68 m2	@	\$110.00 /m2
		Air Bridge	8.84 m2	@	\$180.00 /m2
MARKET RENTAL EVIDENCE - CENTRAL CITY RETAIL					
Jan-16	142 LICHFIELD ST	Retail	157.53 m2	@	\$533.73 /m2
new lease	Sal's New York Pizza Company				
Dec-15	665 COLOMBO ST	Retail	275.00 m2	@	\$477.02 /m2
new lease	Cosmo Pharmacy				
Nov-15	74 VICTORIA ST	Retail	175.10 m2	@	\$571.10 /m2
new lease	John Jones Steel Limited				
Nov-15	834 COLOMBO ST	Retail	287.95 m2	@	\$365.12 /m2
new lease	H L Milne Limited	Carparks	3 Spaces	@	\$35.00 p.w.
Jun-15	151 CAMBRIDGE TC	Retail	283.00 m2	@	\$480.00 /m2
new lease		Office and amenities	65.00 m2	@	\$388.93 /m2
		Carparks	8 Spaces	@	\$30.00 p.w.
May-15	584 -586 COLOMBO ST	Retail	202.50 m2	@	\$330.00 /m2
review	Peaches & Cream	First Floor Offices	45.00 m2	@	\$250.00 /m2
Feb-15	169 VICTORIA ST	Retail	118.92 m2	@	\$370.00 /m2
review	Zebrano Limited	Carparks	3 Spaces	@	\$47.00 p.w.
Nov-14	77 HEREFORD ST	Cafe Retail	79.70 m2	@	\$602.26 /m2
new lease	Cafe				
Jul-14	663 -665 COLOMBO ST	Retail - Shop 10	95.10 m2	@	\$500.00 /m2
new lease	Metromart				
Jul-14	663 -665 COLOMBO ST	Retail - Shop 11	276.10 m2	@	\$500.00 /m2
new lease	Christchurch City Council	Office and amenities- Shop 6	26.80 m2	@	\$375.00 /m2
		Office and amenities- Shop 7	69.80 m2	@	\$242.12 /m2

Other Central City Office Rental Evidence

We are also aware of a number of recent leasing's of office space within varying prominent, recently constructed, or still under construction, A-Grade office buildings. Of commercially sensitive natures, these leasing's are of a confidential nature, as such we present summary details only, as follows:

- A new lease for a full upper floor tenancy in an A Grade office building in Victoria Street currently under construction, and which was agreed in 2016 for a 12-year initial term, at a face rental of just under \$400/m² together with carparks at a rate of \$65 p.w. The effective rent, after consideration of incentives is assessed at \$320/m² it is reviewed annually to CPI and to market four yearly.
- A new lease for a part floor tenancy in an A Grade office building in Victoria Street currently under construction, agreed in 2016 for a 6-year initial term, with rights of renewal, at a face rental of just under \$400/m². The lease is however subject to a rent free period, accordingly, the effective rent is at a lower level.
- A new lease for a substantial tenancy in an A Grade office building in Oxford Terrace currently under construction and located to a prime central city location. Agreed at a rate of \$425/m² for just under 4,000 m² of office space.
- A new lease for a tenancy in an A Grade office building in Oxford Terrace currently under construction and located to a prime central city location. Agreed at a rate of \$400/m² for just under 1,000 m² of office space.
- A new lease, consisting of a 20-year term and comprising a currently under construction, purpose design/built medical use complex, with associated office components. Agreed in May 2015 at a rate of \$380/m² for circa 1,700 m² of net lettable area. The building is situated in a good, fringe city location and the car parks were adopted at a rate of \$35 p.w.
- A new lease, for a multi-level, high grade office building in Victoria Street, comprising two separate leasing's, the first for 535.9 m² of third level space, agreed at a face rental rate of \$365/m² and \$55 per space per week for the carparks. After allowance for incentives, the effective rental is in a range of between \$320-340/m². The second leasing is for 544.7 m² of second level space, and which was also agreed at a face rental rate of \$365/m² and \$55 per space per week for the carparks. Again, this is reduced to an effective rental range of between \$320-340/m² after an allowance for incentives.

Summary of Evidence

It is noted that there has been increasing leasing evidence for central city located office premises in recent times. This is largely due to ongoing development of these premises, with many buildings now constructed and available for occupation, together with others now being close to completion.

We note that the above evidence, generally shows "A Grade" office space in a range from \$300/m² upwards. With "B Grade" space generally between \$275/m² and \$330/m², depending on location and quality.

It is also important to note that whilst face rents of very close to \$400/m² are still currently being agreed. There is growing evidence of substantial incentives being offered including rent free period and substantial lessor fit outs. As such, effective rental rates for prime A Grade office space in good central city locations are now generally below \$380/m².

The subject property comprises a fringe core CBD, Health Precinct located multi-level premise, which provides for A Grade office accommodation. The property has an attractive outlook fronting the Avon river and appealing views to its upper floor across three elevations. We consider the close proximity to the hospital is a significant benefit. Accordingly, we find it to fall towards the upper end of the above office rental evidence range. We have adopted an office rental rate of **\$330/m²** on the surveyor's areas, which equates to approximately \$335/m² on the floor areas that would be adopted at market rent review, following normal Christchurch convention and in line with market evidence.

We have also examined ground floor retail rental evidence for central city located retail premises. The above retail premise leasing's show rates in a range from \$330/m² up to \$602/m². With rates at the upper end being for more recently constructed, higher profile, superior located and/or smaller spaces.

We find the subjects prime Oxford Street frontage, two ground floor retail tenancy areas to fall towards the lower middle end of this range. This is to reflect their larger floor area than the above evidence and requiring adjustment for size accordingly. We adjust the rear, ground floor, Tuam Street retail tenancy downwards, towards the lower end of the above evidence range. This is to reflect its lower profile.

Accordingly, we have adopted a rate of **\$400/m²** for the Oxford Street frontage spaces, and a rate of **\$350/m²** for the rear, Tuam Street retail area.

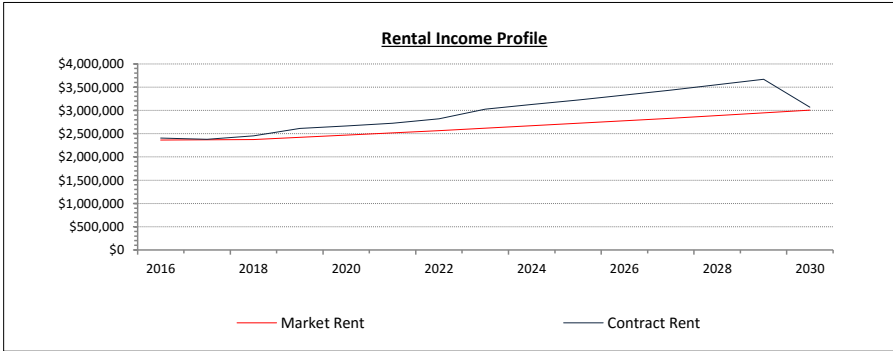
(b) Market Rental Assessment

We summarise our adopted rental rates as follows:

Market Rental Assessment					
Canterbury District Health Board					
Building Rental	All Levels - Office & Amenities	5,954.99 m ²	@ \$330.00 per m ²	=	\$1,965,147
Current Net Market Rental - Canterbury District Health Board					\$1,965,147
Ground Floor - Retail 1 - Rent Guarantee					
Building Rental	Prime Retail	419.78 m ²	@ \$400.00 per m ²	= \$167,912	\$167,912
Current Net Market Rental - Ground Floor - Retail 1 - Rent Guarantee					\$167,912
Ground Floor - Retail 2 - Rent Guarantee					
Building Rental	Prime Retail	370.75 m ²	@ \$400.00 per m ²	= \$148,300	\$148,300
Current Net Market Rental - Ground Floor - Retail 2 - Rent Guarantee					\$148,300
Ground Floor - Retail 3 - Rent Guarantee					
Building Rental	Secondary Retail	230.19 m ²	@ \$350.00 per m ²	= \$80,567	\$80,567
Current Net Market Rental - Ground Floor - Retail 3 - Rent Guarantee					\$80,567
Total Market Rental Assessment					Adopt: \$2,361,925

(c) Financial Summary

Financial Summary					
Tenant	Contract Rental	Market Rental	Annual Surplus / Shortfall	Market Rental Reversion	Initial Vacancy Period
Canterbury District Health Board	\$1,938,945	\$1,965,147	-\$26,202	15 years	0.0 Months
Ground Floor - Retail 1 - Rent Guarantee	\$167,912	\$167,912	\$0	1.5 years	0.0 Months
Ground Floor - Retail 2 - Rent Guarantee	\$148,300	\$148,300	\$0	1.5 years	0.0 Months
Ground Floor - Retail 3 - Rent Guarantee	\$92,076	\$80,567	\$11,510	1.5 years	0.0 Months
Subtotal	\$2,347,233	\$2,361,925	-\$14,692		
Less Non Recoverable Opex	\$0	\$0			
Net Rental Income	\$2,347,233	\$2,361,925			



9.0 SALES EVIDENCE

9.1 IMPROVED SALES

We have considered a wide canvas of sales evidence; however, we note in particular the transactions below. The following guidance notes detail the relevant analysis benchmarks:

The **Initial Yield** is calculated on the contract passing rent at the date of sale.

The **Market Yield** is calculated on the market rent at the date of sale.

The **Effective Yield** is calculated on the market rent at the date of sale and adjusted to reflect capitalised rental surplus or shortfall, vacancy, letting up costs and other capital sums.

The **Internal Rate of Return (IRR)** is the overall rate of return to the investor, calculated over a specified investment holding period and allowing specifically for capital and income returns.

The following is a summary of a basket of high value investment sales in Christchurch City:

fordbaker valuation									
SALES ANALYSIS									
Address	Sale Date	Sale Price	Lettable Area (sqm)	Lease Term to Run	Rate Per sqm	Passing Yield	Market Yield	Effective Yield	IRR
131-133 Victoria Street, Central City	Mar-16	\$11,000,000	1,655	-	\$6,647	6.97%	-	-	-
Comprising a two level, multi tenanted, fully leased, part retail, part office complex located at 131 Victoria Street. Tenants include Saunders & Co, Mexicano's and The Dirty Land, MAP, Hays and EQI. The sale included the neighbouring 133 Victoria Street site which consists of a 45 space carpark. The property was refurbished post earthquake events to now comprise high quality accommodations, having a seismic strength of 100% of NBS. The property sold in march 2016 for \$11,000,000 with total annual contract rental of \$766,813 which indicates a passing yield of 6.97%.									
335 Lincoln Road, Addington	Apr-16	\$27,110,000	5,380	5.77 yrs	\$5,039	8.16%	7.76%	-	-
Comprising a modern, high quality, three building campus style complex, located at 335 Lincoln Road. Constructed post earthquakes (2013) and providing for three level A Grade office space, together with part ground floor retail over two separate buildings. The property includes a separate car park building and which has a total of 184 spaces. The property is leased to some twelve separate occupiers, with the anchor tenants consisting of Media Works and Moore Stephen Markhams, with a WALT at the date of sale of 5.77 years. The property sold in April 2016 for \$27,110,000 with a contract rental inflated above market rates, this indicated a passing yield of 8.16% and a market yield at market rental rates of 7.76%									
12 & 14 Show Place, Addington	Nov-15	\$33,200,000	7,881	10.00 yrs	\$4,213	7.80%	-	-	-
Comprising 12 and 14 Show Place, a campus style estate located in Addington. Consisting of modern, high quality, multi level, A Grade buildings within Show Place. IAG (Insurance Australia Group Ltd), is the anchor tenant, together with two minor, comprising a gym and café. The IAG building has had a full refit which included a complete refurbishment, new energy efficient HVAC and lighting systems. 12 Show Place has an NBS of 75% and 14 Show Place is 80% NBS. We understand that the building is targeting a 4-5 star whole building NABERSNZ energy rating. The property was sold in November 2015 for \$33,200,000 on total annual contract rental of \$2,588,625 This indicates a passing yield of 7.80%									
652 Halswell Junction Road & 75-81 Seymour Street, Hornby	Nov-15	\$38,900,000	-	5.50 yrs	-	6.76%	-	-	-
Comprising a sale of the Glassworks Industrial Park, consisting of a modern industrial development, with five industrial premises. Occupied by: Move Logistics, DHL Supply Chain, Bridgestone, Cirtex Industries and Westfarmers Industrial & Safety. The property is located over three separate titles, and had a total contract rental at the date of sale of \$2,629,391 p.a. with a WALD of 5.5 years. The property sold in November 2015 for \$38,900,000 which indicates a passing yield of 6.76%									

SALES ANALYSIS									
Address	Sale Date	Sale Price	Lettable Area (sqm)	Lease Term to Run	Rate Per sqm	Passing Yield	Market Yield	Effective Yield	IRR
323 Madras Street, City	Oct-15	\$6,800,000	1,407	6.00 yrs	\$4,833	7.46%	7.47%	7.46%	8.96%
Comprising a post earthquake, circa late 2013 constructed, two level retail/office, building located on the corner of Madras and Peterborough Streets. Consisting of ground floor retail and first floor office accommodation plus associated carparks. Subject to two long term leases, both having initial terms of 8 years, with approximately 6 years remaining as at the date of sale. The property sold in October 2015 with total annual contract rental of \$507,523 which indicates a passing yield of 7.46%									
550 Colombo Street, Central City	Aug-15	\$20,000,000	6,810	12.00 yrs	\$2,937	7.04%	7.24%	-	-
Comprising a sale and leaseback for the Colombo Street, Smiths City bulk retail premise property, located at the intersection of Colombo and Dundas Streets. The total land area of the property is 1.4490 hectares. Leased for a term of 12 years from August 2015 at an annual contract rental of \$1,408,654 with fixed increases of 2.0% p.a. and market reviews on renewal. The lease excludes an area of some 255 m2 which comprises a concrete block storage building which has 15 carparks. The property sold in August 2015 for \$20,000,000 which indicates a passing yield of 7.04%. This increases to 7.24% if an additional \$40,000 p.a. in rental is allowed for this additional area.									
146 Shands Road, Hornby	Aug-15	\$39,525,000	-	9.00 yrs	-	7.21%	-	-	-
Comprising the General Distributors Limited premise, a substantial warehouse complex at 146 Shands Road, Hornby. The buildings were constructed circa 2000 and 2012 and were leased to General Distributors for a term of 20 years from August 2004 at a net contract rental of \$2,753,908 p.a. which included non-reviewable rent components consisting of an improvements rent of \$7,000 p.a., a subdivision rent of \$210,000 p.a. for additional land and an improvement rent of \$969,100 which relates to the expansion work, which was completed in 2012. We understand that the vendor guaranteed the contract rent at \$2,850,000 p.a. until the review at 30 August 2019. The property sold in August 2015 for \$39,525,000 which indicates a yield of 7.21%									
17 Sir Gil Simpson Drive, Burnside	Feb-15	\$5,250,000	1,113	5.00 yrs	\$4,719	7.03%	6.60%	6.70%	5.46%
The principal improvement on the property comprises a recently constructed, two level office building. The building includes an internal lift between the two floors and high quality amenities and services to each floor. The building has been constructed to a minimum of 100% New Building Standard (NBS). Other improvements include a bike shed/generator room located adjacent to the northern boundary, asphalt sealed car parking areas with a total of 45 spaces and balance landscaped areas. The property sold fully leased, with a 5 year WALT, in February 2015 for \$5,250,000 at a total annual contract rental of \$368,850 This indicates a passing yield of 7.03%									
223-231 Tuam Street, Central City	Oct-14	Confidential	4,500	10.00 yrs	-	7.30%	-	-	-
Comprising the new Kathmandu head office building, currently under construction and located at the corner of Tuam and Madras Streets in the Central City. The building will be 5 Green Star Design & Build rated, with construction estimated to be completed by early 2016. Kathmandu has entered into a 10 year initial lease, with further rights of renewal. We understand that the total rent will be \$1,597,000 p.a. and indicating a passing yield of 7.30%									
83 Victoria Street, Central City	Sep-14	\$18,451,806	-	-	-	7.50%	-	-	-
Comprising a six-storey building with underground parking, retail space on the ground floor, and offices on the floors above. Located at the intersection of Kilmore and Peterborough Streets, the building has a dual frontage profile. Tenants include: Mr Sushi (Ground floor hospitality space), Martinovich Jewellers (Ground floor), Black and White Coffee Cartel (Ground floor), Hamilton Hindin Greene (Level 1), Ashton Wheelans (Level 2), Buddle Findlay (Levels 3 & 4) and Greenwood Roche Chisnall (Level 5).									
88-98 Moorhouse Avenue, City	May-14	\$6,800,000	1,620	Vacant	\$4,199	-	7.54%	-	-
Comprising a two level modern conventional commercial building suitable for a blend of showroom and office activities. The ground floor is primarily an open office or bulk retail space with some minor intrusion from internal support columns. The first floor layout is similar with the stair/lift lobby at the front of the building and similar services and amenities to the rear. Construction was completed early 2014 and the property sold on a vacant possession basis in May 2014 for \$6,800,000 Market rental is assessed at \$514,404 p.a. which indicates a market yield of 7.56%									
351 Lincoln Road, Addington	Sep-13	\$27,000,000	5,250	Vacant	\$5,143	-	7.42%	-	-
Comprising a five level building with a separate car parking building under construction on the corner of Lincoln Road and Bernard Street, Christchurch with major frontages and public access from both roads. Having a total lettable area of 5,250 m ² with 196 allocated car parks contained within the site, with 106 car parks housed in a separate car parking building, 53 are undercover. Sold as if complete and vacant in September 2013 for \$27,000,000 with the purchaser now leasing out the space, analysis allowing for market rent and vacancy allowance indicates a yield of 7.42%									

SUMMARY OF EVIDENCE

It is noted that there has been a good number of sales of substantial sized, higher price bracket investment properties within the greater Christchurch area in recent times. This has largely been due to the recent earthquake events/Christchurch rebuild and the following resulting factors:

- An increase in the number of higher value, good quality investment properties being offered to the market for sale
- Investors with insurance proceeds, looking for good quality investment properties
- Low bank deposit rates, which make property investment returns more attractive

This has generally increased prices and lowered yields. We summarise the above sales evidence as follows:

Address	Sale Date	Sale Price	Lettable Area (sqm)	Lease Term to Run	Rate Per sqm	Passing Yield	Market Yield	Effective Yield	IRR
131-133 Victoria Street, Central City	Mar-16	\$11,000,000	1,655	-	\$6,647	6.97%	-	-	-
335 Lincoln Road, Addington	Apr-16	\$27,110,000	5,380	-	\$5,039	8.16%	7.76%	-	-
12 & 14 Show Place, Addington	Nov-15	\$33,200,000	7,881	10.00 yrs	\$4,213	7.80%	-	-	-
652 Halswell Junction Road & 75-81 Seymour Street, Hornby	Nov-15	\$38,900,000	-	5.50 yrs	-	6.76%	-	-	-
323 Madras Street, City	Oct-15	\$6,800,000	1,407	6.00 yrs	\$4,833	7.46%	7.47%	7.46%	8.96%
550 Colombo Street, Central City	Aug-15	\$20,000,000	6,810	12.00 yrs	\$2,937	7.04%	7.24%	-	-
146 Shands Road, Hornby	Aug-15	\$39,525,000	-	9.00 yrs	-	7.21%	-	-	-
17 Sir Gil Simpson Drive, Burnside	Feb-15	\$5,250,000	1,113	5.00 yrs	\$4,719	7.03%	6.60%	6.70%	5.46%
223-231 Tuam Street, Central City	Oct-14	Confidential	4,500	10.00 yrs	-	7.30%	-	-	-
83 Victoria Street, Central City	Sep-14	\$18,451,806	-	-	-	7.50%	-	-	-
88-98 Moorhouse Avenue, City	May-14	\$6,800,000	1,620	Vacant	\$4,199	-	7.54%	-	-
351 Lincoln Road, Addington	Sep-13	\$27,000,000	5,250	Vacant	\$5,143	-	7.42%	-	-

Higher value, office property sales (above) generally indicate yields in a range of between 6.50% and 7.75%, with older properties, those with less secure leases and/or in less desirable locations tending towards the upper end of the range. The lower end of the yield range (above) generally comprises well leased, high quality, good profile developments situated in superior locations.

When determining the yield which the subject property would transact at, we have assessed the risk levels which a prudent investor would judge the investment on, we analyse as follows:

Age, Quality & Specification - Comprising a high quality, fully refurbished/strengthened/upgraded, six (6) level, commercial building. It comprises good quality, A Grade office accommodation. The buildings seismic strength has been assessed by DHC Consulting Limited as at a minimum of 100% of New Building Standards (NBS) requirements for bracing. These are all positive (risk decreasing) factors.

Value, Affordability - The property is a larger sized office investment property. At a sale and purchase price of around \$40 million, the property is in-accessible to smaller sized investors, being suited to larger sized and/or institutional investors. Whilst this would limit the potential purchaser pool, we find the affordability to be a nil risk factor.

Lease Profile - The property is fully leased, with a good, long term Weighted Average Lease Term (WALT) as at the effective date of valuation of 12.3 years on an area basis, and 12.0 years on an income basis. The anchor tenant is a government/health department (Christchurch District Health Board) and the lease has some 14 years and 2 months to run on the initial term, together with a further right of renewal, for a term of ten years. This is a good long term lease, to a 'blue chip' tenant. These are positive (risk decreasing) factors.

The balance floors are subject to a rental guarantee for a term of 18 months. We would consider that this is an appropriate timeframe in which to find tenants and accordingly fully lease the property.

Tenancy Spread - Multiple tenancies. As such, the risk of a total vacancy and a resulting loss of total income is much lower than for a single tenant property. The property is also substantially leased to the anchor tenant (Christchurch District Health Board), whom have a good long term lease of 15 years, plus 10 year ROR. These are positive (risk decreasing) factors.

Design - The subject comprises a Health Precinct, fringe core central CBD located, good profile building, on an attractive site opposite the Avon River. As such we would consider that the vacant ground floor retail space will be well met by prospective tenants. These are positive (risk decreasing) factors for the property.

Insurance Cost - Insurance costs have risen as a result of the seismic events. We note that the buildings seismic strength has been assessed at a minimum of 100% of New Building Standards (NBS). This is a positive (risk decreasing) factor with regards to insurance costs. We further understand that insurance premiums are now reducing, which is also positive.

Having regard to our collection of sales in the higher price range within Christchurch City, we have concluded a capitalisation rate by completing a S.W.O.T. analysis as follows:

9.2 S.W.O.T. ANALYSIS

Strengths

- High quality, A Grade office building which has been fully refurbished/repaired/strengthened to have a high structural strength assessed at a minimum of 100% of NBS.
- Excellent location, positioned within the Health Precinct and overlooking the Avon River.
- Good natural light through near full glazing to three elevations and accordingly the upper floors have pleasant outlooks over the river and Port Hills, together with the surrounding city scene.
- The anchor tenant is a government department, for a lease term remaining of 14 years and 2 months, with guaranteed annual rent reviews to no less than 1.75% or no greater than 2.75%.

Weaknesses

- No on site carparking
- Rental guarantee for a term of 18 months to the ground floor retail tenancy areas which are currently vacant.

Opportunities

- Opportunity to secure good, long term tenants to the ground floor retail space.

Threats

- Potential stagnation in the New Zealand economy, particularly giving the ongoing threat of lower returns in the dairying sector and low payouts to dairy farmers

- A considerable volume of high quality A Grade office space is currently under construction in Christchurch City with most nearing completion. Many of these buildings have ground floor retail tenancy areas, which may compete against the subject property for prospective tenants.

Conclusions

The above sales evidence for investment properties in Christchurch City, shows a transaction range of between 6.00% and 7.80% with those at the lower end of the range comprising: well leased, more recently constructed, superior located and/or higher profile properties.

We find the subject property to fall at the bottom of this market yield range. This is to reflect the following key points:

- Excellent location to Oxford Terrace, within the Health Precinct
- Government anchor tenant
- Good long term lease of 15 years, with a further right of renewal
- High quality, A Grade building

Summary

Therefore, given the: location, age, size and utility of the subject property, and the above assessed risk allowances, we believe that the subject property would transact at a yield of **6.00%** on Net Market Rentals and **6.00%** on the Contract Rental. Furthermore, we have concluded a Discount Rate for the DCF approach of **7.25%** and a Terminal Capitalisation Rate of **6.50%**.

We proceed on this basis.

10.0 VALUATION APPROACHES

10.1 DIRECT CAPITALISATION APPROACH

Direct Capitalisation encompasses the conversion of the net operating income to capital value through the application of a capitalisation rate, derived from market evidence. The capitalisation rate encompasses a number of implicit assumptions including the property's physical attributes, the quality and security of the investment, the prospect of future rental growth and occupational prospects upon vacancy. Specific adjustments can be made to account for vacancy, premium or shortfall rental, lease-up expenses and other capital items.

Market Rental Capitalisation Valuation					
Potential Net Rental Income					\$2,361,925
			5.80%		\$40,722,848
			5.90%		\$40,032,631
Capitalised in Perpetuity at:			6.00%		\$39,365,420
			6.10%		\$38,720,085
			6.20%		\$38,095,568
Capitalised Market Value - Fully Leased at Market Rental				Adopt:	\$39,365,000
Capitalised Cashflow Adjustments					
Occupancy:	PV Rental Surplus / Shortfall	PV Initial Vacancy Void	PV Unexpired Lease Incentives	PV Opex During Initial Vacancy	Leasing Costs @ 15%
Canterbury District Health Board	-\$43,615	-	-	-	-
Ground Floor - Retail 1 - Rent Guarantee	-	-	-	-	-
Ground Floor - Retail 2 - Rent Guarantee	-	-	-	-	-
Ground Floor - Retail 3 - Rent Guarantee	\$14,609	-	-	-	-
Subtotal	-\$29,006	-	-	-	-
Total Capitalised Cashflow Adjustments					-\$29,006
Subtotal					\$39,335,994
Indicated Market Value				Adopt:	\$39,335,000

Contract Rental Capitalisation Valuation			
Net Contract Passing Rental Income			\$2,347,233
	5.80%		\$40,469,530
	5.90%		\$39,783,606
Capitalised in Perpetuity at:	6.00%		\$39,120,546
	6.10%		\$38,479,225
	6.20%		\$37,858,593
Capitalised Value		Adopt:	\$39,121,000
Adjustments			
Less Present Value of the Future Rental	\$33,348 pa		
	2 months		
	pv \$ (5,544)		
Total Adjustments			-\$5,544
Subtotal			\$39,115,456
Indicated Market Value:		Adopt:	\$39,120,000

Note: The contract rent for the Christchurch District Health Board increases from \$1,905,596.80 to \$1,938,945 p.a. on 1 November 2016 i.e. an increase of \$33,348 p.a. This is included in the above total rental of \$2,347,233. As a result, we have deducted a rent shortfall for 2 months.

10.2 DISCOUNTED CASHFLOW ANALYSIS

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

Discounted Cashflow Valuation										
Assumptions										
Investment Cashflow Period:	10 years									
Nominal Cashflow Calculation:	Annually In Arrears									
Adjusted Cashflow Calculation:	Monthly In Advance									
Receipt of Initial Rental Payments:	September-2016									
Ground Lease Payments:	Monthly in Advance									
Anticipated Ground Rental Inflation Rate:	0.00%									
Leasing Commission:	15.00%									
Disposal Cost Estimate:	2.50%									
Weighted Average Term To Run - Effective Date:	11.98 years									
Weighted Average Term To Run - Year 10:	4.16 years									
Adopted Discount Rate:	7.25%									
Adopted Terminal Capitalisation Rate:	6.50%									
Vacancy Allowance on Expiry - Prime Retail:	3 months									
Vacancy Allowance on Expiry - Prime Office:	3 months									
Forecast Growth - Year Ending	Aug-17	Aug-18	Aug-19	Aug-20	Aug-21	Aug-22	Aug-23	Aug-24	Aug-25	Aug-26
Prime Retail Rental Growth	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Prime Office Rental Growth	0.00%	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
CPI (All Groups) Inflation [Treasury]	1.75%	1.75%	1.75%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Opex Inflation	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Valuation										
Year Ending	Aug-17	Aug-18	Aug-19	Aug-20	Aug-21	Aug-22	Aug-23	Aug-24	Aug-25	Aug-26
Net Cashflow	\$2,467,800	\$2,369,441	\$2,542,282	\$2,591,462	\$2,643,292	\$2,696,158	\$2,750,081	\$2,653,909	\$2,867,945	\$2,925,304
Terminal Value										\$41,895,316
Present Value Cash Flows	\$39,002,079									
Sensitivity Analysis	Discount Rate:		6.50%	6.75%	7.00%	7.25%	7.50%	7.75%	8.00%	
	Indicated Value:		\$41,180,000	\$40,435,000	\$39,710,000	\$39,000,000	\$38,310,000	\$37,635,000	\$36,970,000	
Indicated Market Value	\$39,000,000									

DCF Valuation – Adopt \$39,000,000

Attached in the Appendix is our discounted cashflow valuation summary.

10.3 SUMMARY

The approaches undertaken indicate a value range of between \$39,000,000 and \$39,335,000.

In general, when assessing the value of commercial property, the investment approaches are considered to most accurately reflect market value, having particular regard to leasing and economic considerations and being the approaches best understood by participants in the market.

Given that the contract rent roughly equates to market rent, and we consider that this is the basis upon which a prudent purchaser would base their decision, we have relied most heavily on the contract income capitalisation approach.

Accordingly, we summarise our assessment as follows:

SUMMARY OF VALUATION APPROACHES

Investment Valuation

- Market Rental Capitalisation Approach	\$39,335,000
- Contract Rental Capitalisation Approach	\$39,120,000
- Discounted Cashflow Approach	\$39,000,000

Adopted Market Value	\$39,120,000
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Indicating:

Passing Yield on Contract Rental:	6.00%
Passing Yield on Market Rental:	6.04%
Effective Yield:	6.03%
Internal Rate of Return:	6.99%
Value per m ² LFA:	\$5,608

11.0 VALUATION

11.1 RECONCILIATION AND CONCLUSION

Having regard to available market reconciliation and factors outlined above in the body of this report together with our appendices, we confirm our assessed market value as at 24 August 2016 is:

\$39,120,000 (Thirty-Nine Million One Hundred and Twenty Thousand Dollars) plus GST, (if any)

The above value we apportion as follows:

Land Value	\$ 3,440,000
Building Improvements	<u>\$35,680,000</u>
Total	\$39,120,000

11.2 SPECIAL CONDITIONS

- We note that the subject property's Certificate of Title includes Caveat 10506812.1 and relates to the caveator (The Crown) forbidding the registration of any instrument, having the effect of charging or transferring, or otherwise affecting, the estate or interest protected by the caveat. Please note that we have not been provided with further detail relating to this caveat. Our valuation is subject to the caveat having no material impact on the property and being uplifted.

11.3 APPENDIX TO VALUATION

- 1 General Valuation Policies and Qualifications
- 2 Computer Freehold Register
- 3 Discounted Cashflow

11.4 REGISTERED VALUER / CO-SIGNING VALUER



DAVID W HARRIS – FNZIV, FPNZ
REGISTERED VALUER
DIRECTOR VALUATION SERVICES
Phone: +64 3 379 7830
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Involvement: Inspection / Valuation Calculation /
Report Preparation



M J BINNIE – B COM (VPM)
REGISTERED VALUER
EMAIL: matthew@fordbaker.co.nz

Involvement: Inspection / Valuation Calculation /
Report Preparation

This valuation has been peer reviewed by **MARTIN REX CUMMINGS, Dip Urb Val, FNZIV, MPMI**, who has not inspected the property but is familiar with the location and confirms the appropriateness of the valuation methodology and conclusion.



Registered Valuer
Director

APPENDIX 1

General Valuation Policies and Qualifications

The valuation assessment contained herein is subject to FordBaker Valuation Limited's Statement of General Valuation Policies, which included within the conclusion section of this report, and other assumptions and limitations as detailed below:

- This valuation and all valuation services are provided by FordBaker Valuation Limited solely for the use of the client. FordBaker Valuation Limited does not and shall not assume any responsibility to any person other than the client for any reason whatsoever including breach of contract, negligence (including negligent misstatement) or wilful act or default of itself or others by reason of or arising out of the provision of this valuation or valuation services. Any person, other than the client, who uses or relies on this valuation, does so at their own risk.
- In the course of our assessment, reliance has been placed on sales data sourced from a variety of databases and/or from Real Estate agencies involved with these transactions. We have not sighted the sale and purchase agreements relating to all of these transactions. Our Valuation is completed on the basis that this information is correct and we reserve the right to amend our Valuation if that information proves to be incorrect.
- This valuation has been completed for the specific purpose stated in this report. No responsibility is accepted in the event that this report is used for any other purpose.
- This report is relevant as at the date of preparation and to circumstances prevailing at that time. However, within a changing economic environment, returns on investment and values can be susceptible to variation - sometimes over a relatively short time scale. We therefore strongly recommend that before any action is taken involving acquisition, disposal or borrowing, restructuring or any other transaction that you consult us.
- The value provided in this valuation is our opinion of the current rental value on a willing lessor/willing lessee basis. That value may change in the future due to market conditions and changes to the state of the property which is the subject of this report.
- FordBaker Valuation Limited has a policy of not contracting out of the provisions of the Consumer Guarantees Act. Accordingly, where there is any conflict between any statement in this report and the Consumer Guarantees Act 1993, the latter shall prevail.
- Neither the whole nor any part of any valuation report, or any reference to the same may be included in any published document, circular or statement without our written approval as to the form and context in which it may appear.
- Substances such as asbestos, other chemicals, toxic wastes or other potentially hazardous materials could, if present, adversely affect the value of the property. The stated value estimate is on the assumption that there is no material on or in the property that would cause loss in value. No responsibility is assumed for any such conditions and the recipient of this report is advised that the Valuer is not qualified to detect such substances, quantify the impact on values or estimate the remedial cost.
- This report complies with the International Valuation Standards and API/PINZ Valuation Standards and Guidance Notes.
- We confirm that FordBaker Valuation holds and maintains a current professional indemnity insurance policy.
- We confirm that the Valuer has no financial interest or otherwise in the property and has no relationship with the vendor, purchasers or agents.
- Where another party has supplied information to us, this information is believed to be reliable and accurate, but we can accept no responsibility if this should prove not to be so.
- Our assessment is also contingent on suitable insurance being obtained and maintained for the property. Should adequate insurance be unable to be obtained or maintained, this may have a significant impact on the market value of the property

APPENDIX 2

Computer Freehold Register



COMPUTER FREEHOLD REGISTER UNDER LAND TRANSFER ACT 1952

Historical Search Copy



Identifier CB29B/11
Land Registration District Canterbury
Date Issued 13 August 1986

Prior References
CB690/33

Estate Fee Simple
Area 1721 square metres more or less
Legal Description Lot 1 Deposited Plan 50472

Original Proprietors
A & G Tasman Limited

Interests

700991.1 Transfer creating the following easements in gross - 8.9.1987 at 11.17 am

Type	Servient Tenement	Easement Area	Grantee	Statutory Restriction
Convey electrical power	Lot 1 Deposited Plan 50472 - herein	Part herein	The Christchurch City Council	

A474156.2 Mortgage to ANZ Banking Group (New Zealand) Limited - 14.9.2000 at 12.15 pm

9730730.1 Discharge of Mortgage A474156.2 - 19.5.2014 at 10:27 am

9769249.1 Transfer to Oxford 32 Limited - 30.6.2014 at 4:25 pm

9769249.2 Mortgage to Westpac New Zealand Limited - 30.6.2014 at 4:25 pm

9936694.1 Variation of Mortgage 9769249.2 - 22.12.2014 at 8:53 am

10045220.1 CAVEAT BY ORION NEW ZEALAND LIMITED - 29.4.2015 at 11:30 am

10322461.1 Withdrawal of Caveat 10045220.1 - 1.3.2016 at 3:06 pm

10322461.2 Surrender of the easements created by Transfer 700991.1 - 1.3.2016 at 3:06 pm

Subject to a right (in gross) to convey electricity over part marked A on DP 491064 in favour of Orion New Zealand Limited created by Easement Instrument 10322461.3 - 1.3.2016 at 3:06 pm

10506812.1 CAVEAT BY HER MAJESTY THE QUEEN UNDER SECTION 91(1)(A) OF THE GREATER CHRISTCHURCH REGENERATION ACT 2016 - 20.7.2016 at 12:00 pm

References

Prior C/T 690/33

Transfer No.

N/C. Order No. 629503/1

Land and Deeds 69



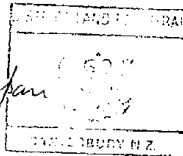
REGISTER

CERTIFICATE OF TITLE UNDER LAND TRANSFER ACT

This Certificate dated the 13th day of August one thousand nine hundred and eighty-six under the seal of the District Land Registrar of the Land Registration District of CANTERBURY

WITNESSETH that PAYNTER DEVELOPMENTS LIMITED at Christchurch —

is seized of an estate in fee-simple (subject to such reservations, restrictions, encumbrances, liens, and interests as are notified by memorial underwritten or endorsed hereon) in the land hereinafter described, delineated with bold black lines on the plan hereon, be the several admeasurements a little more or less, that is to say: All that parcel of land containing 1721 square metres or thereabouts being Lot 1 Deposited Plan 50472 —



ASSISTANT LAND REGISTRAR

Revised
PLAN No. 51419... LODGED 14/4/1987

AND DEPOSITED 25/4/1987

Image Quality due
to Condition
of Original

Christchurch City

Mortgage 676006/1 to N.Z.I. Finance Limited and N.Z.I. Investments Limited and N.Z.I. International Acceptances Limited and New Zealand Investment Mortgage and Deposit Company Limited - 16.4.1987 at 11.03am

for A.L.R.

Transfer 700991/1 grant of right to convey electrical power in gross over part herein in favour of the Christchurch City Council - 8.9.1987 at 11.17am

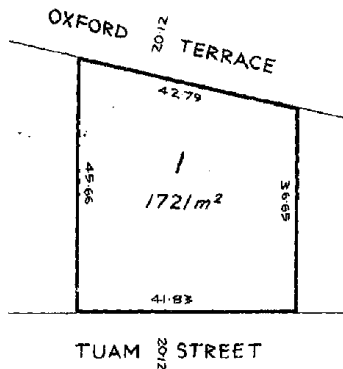
for A.L.R.

Transfer 706186/2 to East Coast Permanent Trustees Limited at Hastings - 9.10.1987 at 9.46a.m.

for A.L.R.

Transfer A123559/1 to The Trustees Executors and Agency Company of New Zealand Limited at Wellington - 14.7.1994 at 11.46am

for A.L.R.



Measurements are Metric

OVER..

No. 298/11

No. 298/11

29E

A452383.1 Transfer to Perpetual Trust
Limited - 31.3.2000 at 2.00

[Signature]
for RGL

A474156.2 Mortgage to ANZ Banking Group
(New Zealand) Limited

all 14.9.2000 at 12.15


for RGL

[illegible]