



Commercial Market Valuation for Capital Raising Purposes

**8 Rockridge Avenue
Penrose
Auckland**

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

Attention: Mr Nigel Lowe

Date: 23 January 2019

Reference: 0119-08





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1. Executive Summary

Instructed by: Mr Nigel Lowe of PMG Direct Office Fund Trustees Limited ("The Company").

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

Our report is confidential to the parties to which it is addressed and to the prospective subscribers for shares in The Company as part of a Capital Raising exercise to acquire 65B Main Highway, Ellerslie ("The Acquisition"). No responsibility is accepted to any third parties. Neither the whole report nor any part of it, or any reference to it, may be published in any document, statement or circular or in any communication with third parties without our prior written approval to the form and context in which it will appear. This does not preclude Property Managers Group from providing to prospective subscribers for shares in The Company for The Acquisition.

Date of Inspection/Valuation: 23 January 2019

Valuation: **NZD\$12,200,000 (TWELVE MILLION TWO HUNDRED THOUSAND DOLLARS) plus GST (if any)**

This reflects the following.

Analysis

Value per sqm of NLA	\$3,925
Value per sqm of Land Area	\$2,490
Initial Yield	6.15%
Initial Yield prior to 1 April 2019	7.41%
Yield on Net Market Income	7.68%
Weighted Average Remaining Lease Term	3.03 years

Previous Sale: **NZD\$11,250,530** in October 2017.

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

Mortgage Recommendation: As per current banking practice, we have not provided a specific mortgage recommendation, however subject to the contents and assumptions of this report; we confirm that the property provides appropriate security for the advance of first mortgage funds.

1.1 Assumptions

In preparing our valuation, assumptions include:

- That Advance Retail surrendered their current lease at part level 2, Tenancy B and entered a new lease at part level 2, Tenancy A at a net annual premises rent of \$110,130 plus GST and net annual carpark rent of \$34,840 plus GST, commencing on 1 April 2019.

- That Advance Retail occupies 25 car parks until 31 March 2019 and surrenders 3 car parks from 1 April 2019.
- That the vendor (Penrith Holdings) rental underwrite is still available as at the date of valuation and will expire in June 2019.
- As at 23 January 2019, one of the 4 air-conditioning units has been replaced, with the cost of that work paid in full.

Should any of these assumptions change or are not met we reserve the right to amend our valuation accordingly.

1.2 Key Considerations

Condition:	Average to good, having had progressive ongoing maintenance although selective plant replacement will be required over the next 5 years.
Saleability:	Good if priced realistically, which reflects the overall quality of the property including being well occupied at realistic rents, a favourable onsite car park ratio and ongoing maintenance.
Property Type:	<p>Completed in 1997, the property comprises a 4 level purpose built office development providing ground level annex and covered car parking under the general building footprint and a further 3 floors of office accommodation. The rentable area is 3,149sqm including 41 sqm ground floor deck. This is all situated to a 4,900sqm freehold front site in an industrial dominated location of Penrose, Auckland.</p> <p>The property is currently generating a contract net rent of some \$795,456 per annum at an average office rental of \$239.12 per sqm and average car park rental of \$25.32 per week. Both the office and car park rents are considered representative of the market. Achieving income from current vacancies provides the opportunity to generate net rent just short of circa \$933,732 per annum. The property is subject to 4 occupational leases with a current weighted average lease term of 3.03 years over a staggered expiry profile.</p> <p>A less recognised office location however providing a higher specification building than typically encountered and leased at realistic market rents.</p>

2. Property Description

2.1 Legal Description and Interests

Identifier	NA111A/218
Land Registration District	North Auckland
Estate	Fee Simple
Area	4900sqm more or less
Legal Description	Lot 4 Deposited Plan 180019
Registered Owners	PMG Direct Office Fund Trustees Limited

Record of Title

Lot	DP	Identifier	Area (sqm)
4	180019	NA111A/218	4,900
Total Land Area			4,900

Outstanding Interests:

Interests include:

- 11165428.3 Mortgage to ASB Bank Limited - 10.7.2018 at 4:14 pm

Interest Comments:

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

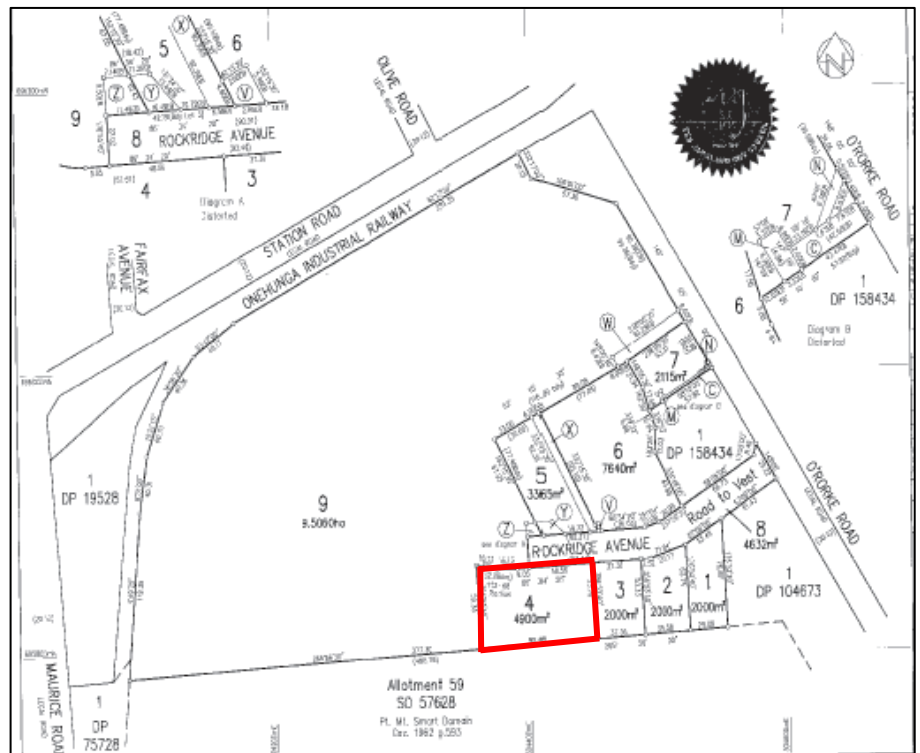
2.2 Land Description

Site Description:

Lot 4 comprises a regular shaped 4,900sqm front site with northerly aspect to Rockridge Avenue. The building is centrally located on the site which allows full circulation and open off-street parking to the perimeter of the building and site.

The land is of level contour.

A site plan follows.





Unitary Plan Operative in Part:

Under the Auckland Unitary Plan Operative in Part from November 2016 the site is zoned **'Business - Light Industry'**. This zone anticipates industrial activities that do not generate objectionable odour, dust or noise including manufacturing, production, logistics, storage, transport and distribution activities.

Within this zone, permitted activities include:

Accommodation

- Workers accommodation

Commerce

- Dairies up to 100sqm
- Drive through restaurants
- Food and beverage up to 120sqm
- Garden centres not within 100m of a 'Business – Heavy Industry' zone
- Motor vehicle sales not within 100m of a 'Business – Heavy Industry' zone
- Marine retail not within 100m of a 'Business – Heavy Industry' zone
- Offices that are the accessory to the primary activity on the site and;
 - a) the office gross floor area does not exceed 30% of all buildings on the site
 - b) the office gross floor area does not exceed 100sqm
- Retail accessory to an industrial activity on the site where the retail area does not exceed 10% of all buildings on the site
- Service stations
- Show homes
- Trade suppliers

Industry

- Industrial activities
- Wholesalers
- Storage and lock facilities
- Horticulture

Community

- Emergency services
- Tertiary education services that are accessory to an industrial activity on the site

Development

- New buildings
- Additions and alterations to buildings
- Demolition of buildings



Discretionary activities include:

- Commercial services
- Entertainment facilities
- Care centres
- Community facilities up to 450sqm per site
- Hospitals and recreation facilities
- Tertiary education facilities not otherwise provided for

Development controls within this zone include:

Building Height

- Buildings must not exceed 20m in height unless otherwise specified in the Height Variation Control on the planning maps.

Yards

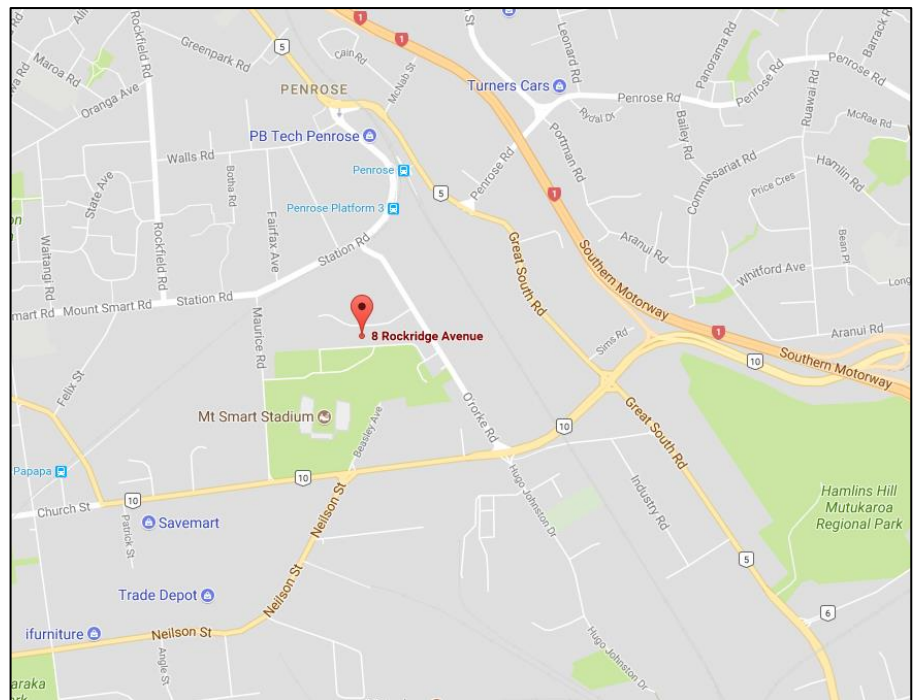
Rear and side yards: 5m but only where the rear or side boundary adjoins a Residential zone, Open Space zone, or a Special Purpose zone

Consent Status:	We have valued the property on the basis that all necessary resource and building consents exist for the property as it currently stands.
Heritage Status:	We have not undertaken any formal heritage searches however the property is not notified on the District Plan. If any heritage issues are found to relate to the property, we reserve the right to review our valuation.
Environment Issues:	We have proceeded on the basis that no known environmental issues exist that could affect the value of the property.
Building Warrant of Fitness:	The building has a current Warrant of Fitness through to 7 August 2019.
Seismic Rating:	Assessed at 90% of New Building Standard by BECA.

Situation and Locality:

Rockridge Avenue is a sealed, curbed and channelled no-exit street extending in a westerly direction of O'Rorke Road which extends between Station Road in the north and Church Street in the south. Immediate surrounding development comprises a range of land uses although dominated by larger industrial operations including Reclaim, Waste Management, BJ Ball, The Danish Association and Laminex Group. There is a mix of both older and newer space.

This is a strongly regarded Penrose industrial location that immediately neighbours Mt Smart Stadium to the south, a multi-purpose athletics and entertainment venue. Other amenity includes Kream Café close to Station Road while the Penrose and Te Papapa Railway Stations are within convenient walking distance. Motorway interchanges are available at Penrose and the nearby south-eastern link making access to the wider Auckland market relatively convenient, notwithstanding congestion at times.



In summary, an industrial dominated location although with various favourable amenity to an established and well regarded Penrose, Auckland address.

2.3 Description of Improvements

Floor Area:

A summary of BOMA measurements completed by Harrison Grierson are shown below.

Floor Area Summary

Description	Occupier	Rentable Area sqm	Total Property %
Level 1 (grd)	Matrix Security Group Ltd	159.9	5.1%
Part Level 2	Vacant	541.5	17.4%
Part Level 2	Advance Retail Technology Ltd	440.5	14.2%
Part Level 3	Matrix Security Group Ltd	549.8	17.7%
Part Level 3	IPSOS Limited	447.4	14.4%
Level 4	SGS New Zealand Limited	969.1	31.2%
Office Rentable Area		3108.2	100.0%
Ground Floor Deck	Matrix Security Group Ltd	41.1	
Rentable Area		3149.3	

Car Parks within Leases	Covered & Secure	Open	Total
Matrix Security Group Ltd	6	24	30
Advance Retail Technology Ltd	2	20	22
IPSOS Limited	0	26	26
SGS New Zealand Limited	5	32	37
Leased Car Parks	13	102	115

Car Parks within Licenses	Covered & Secure	Open	Total
SGS New Zealand Limited	0	2	2
Carglass NZ Limited	8	11	19
Christian Turno	0	1	1
Jenny Gordon	0	1	1
Licensed Car Parks	8	14	23
Sub Total	21	116	138
Vacant Carparks			4
Accessible, Contractor Carparks			3
Total Car Parks			145
Car Park ratio	1 space per		22.5 sqm

From this, the overall car park ratio is 1 space per 22.5sqm of rentable area. This is favourable in an office environment and potentially a genuine driver of occupier demand.

The individual floor plates are circa 1,000sqm and subdivide with shared centralised amenities.

Each floor area is characterised by northern and southern stairs/fire exits, and central bathrooms and lifts. The various tenancies include a pro rata share of the lobby which marginally reduces the efficiency of the floor plate although provides an appealing tenancy entrance.

General:

A late 1990's 4 level well specified and purpose-built office building producing a net contract rent of some \$795,456 per annum plus GST. The property occupies a 4,900sqm front site in an industrial dominated location of Penrose, Auckland.

Construction:

General construction consists of:

<i>Flooring:</i>	Reinforced concrete
<i>Structural:</i>	Reinforced concrete columns and beams
<i>Exterior:</i>	Concrete panel, selective alucabond and extensive glazing
<i>Joinery:</i>	Aluminium framed single glazed
<i>Downpipes:</i>	Stainless steel
<i>Roof:</i>	Profiled metal

Ground Floor

<i>Lighting:</i>	Recessed LED spotlights
<i>Air-conditioning:</i>	Both ducted and wall mounted units
<i>Sprinklered:</i>	No

Level 1 Offices – Western Side

<i>Flooring:</i>	Carpet tiles over a suspended floor
<i>Lighting:</i>	Recessed lighting in reflective trays
<i>Ceiling:</i>	Suspended ceiling on metal grid
<i>Air-conditioning:</i>	Ducted in-ceiling

Top Floor – SGS

<i>Flooring:</i>	Carpet tiles
<i>Lighting:</i>	Recessed fluorescent lighting in reflective trays
<i>Ceiling:</i>	Suspended ceiling on metal grid
<i>Air-conditioning:</i>	Ducted in-ceiling

Stud Heights

<i>Ground floor carpark:</i>	3.27m
<i>Bathrooms (Level 1 & GF):</i>	2.8m floor to underside of ceiling
<i>Level 2 & 3 offices:</i>	2.7m floor to suspended ceiling
<i>Level 4 offices:</i>	4.1m angling back to 3.7m

Building Services

- 2 Kone 900kg 13 person lifts finished with timber and tiled floor and feature panelling
- Level 1 and 2 have sensor activated fire curtains

Layout & Amenities:

Ground Floor

Generally provides sealed and secure parking with the building footprint. Secure single car park accessed by a dual width metal grill. To the rear of the lift lobby is an electrical cupboard, whilst to the centre of the southern side is a cleaners' cupboard and a designated smoking area. To the south-western corner of the ground floor is a generator. From the carpark are security controlled timber doors to a tiled lobby with steel and granite stairs and 2 lifts.

To the western side of the ground floor is the annex tenancy with 3 steps to the main level which has a feature coloured concrete floor with tile inserts. The eastern side is open plan with a lunch room which extends through to partitioned offices.

Level 1 – Eastern Side

Predominantly open plan with some floor to ceiling partitioning to the entrance side of the floor. To the southern side of the entrance lobby are 2 partitioned meeting rooms with feature timber panelling.

Level 2 – Western Side

Reverse stairs open onto the generous lift lobby/landing. The western side office space is generally open plan. The suspended floor provides for cabling beneath and is easily repositioned as required.

Level 2 – Western Side (Ipsos)

Generally similar to Level 1 with central open plan and both internal and perimeter floor to ceiling partitioning. The kitchen turns to a corridor off which are male and female bathrooms

Level 2 – Eastern Side (Matrix Security)

Predominantly open plan with some floor to ceiling partitioning to both the southern and northern elevations. Male and female bathrooms with shower alongside are prior to the common corridor which accesses the main bathrooms.



Top Floor (SGS)

The reception is in the open plan lift lobby on the eastern side. Generally open plan with internalised floor to ceiling offices. Also has a feature angled roof with natural light and glazing extending between the bulkhead and ceiling. To the south-western end are perimeter floor to ceiling offices with some internal open plan.

Fixtures & Fittings:

Level 1

Disabled WC

- Ceramic WC
- Ceramic hand basin
- Tiled floor and walls
- Shower with railing and curtain

WC

- Ceramic WC
- Ceramic hand basin

Kitchen

- Stainless steel sink bench with Formica topped servery

Additional Features

- An open timber deck extends from the lunchroom and is behind a curved concrete wall

Level 2 – Western Side

Kitchenette

- Stainless steel sink with Formica benchtop and servery

Female Bathroom

- Tiled floor and part walls
- 2 ceramic WCs
- 2 ceramic hand basins

Male Bathroom

- 2 ceramic WCs
- 2 ceramic urinals
- 2 ceramic hand basins
- Hand dryer
- Cleaners' cupboard off



Additional Bathrooms

- Ceramic hand basin
- Ceramic WC
- Linoleum floor

Additional Features

- Rear fire exit
- Closed tread concrete stairs on metal framing
- High risers

Level 2 – Eastern Side

Kitchen

- Stainless steel sink with vinyl topped servery
- Dishwasher, fridge and microwave recesses

Level 3 – Western Side (Ipsos)

Kitchen

- Stainless steel sink with vinyl benchtop and servery
- Dishwasher and microwave recesses

Level 3 – Eastern Side (Matrix Security)

Kitchen

- Stainless steel sink with vinyl benchtop
- Dishwasher and fridge recesses

Level 4 (SGS)

Male Bathroom

- 2 ceramic WCs
- 2 ceramic urinals
- 2 ceramic hand basins
- Hand dryer

Condition & Repair:

Average to good, having had progressive ongoing maintenance although some minor water damage to ceiling tiles in places.



Site Improvements:

2 dual width road crossings available from Rockridge Avenue with sealed and marked open parking around the full perimeter of the building. In some places this is both to the building and boundary side with a central drive. Additional covered and secure parking is provided on grade within the building footprint.

To the western side of the building is a single level lunchroom extension behind a ribbed concrete wall. At basement level is a back-up generator. The balance of the site has extensive boundary landscaping and gardens.

Reticulation of Services:

Telephone, electricity, sewage, storm water and town water are all connected.



Photos:



Southern elevation



Western elevation



South-western elevation



Northern elevation



Eastern parking



Northern parking



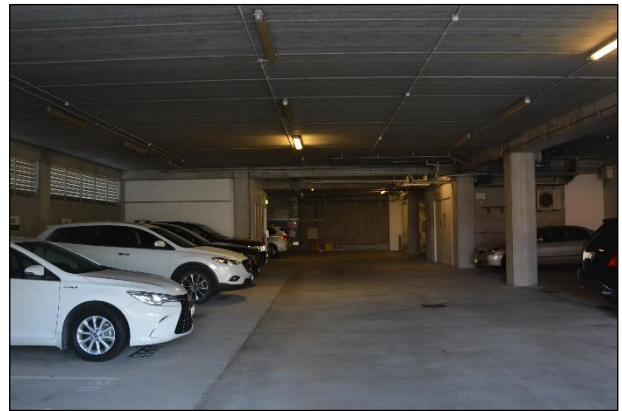
Western exit and parking



Southern parking



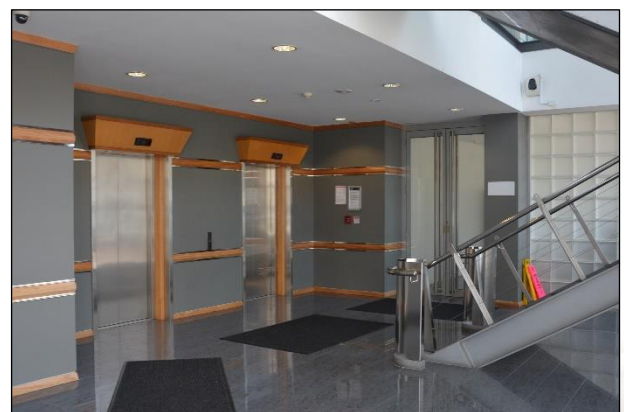
Secure park entrance



Secure parking



Hydrant



Entrance lobby



Level 1 (Ground) - Matrix



Kitchen



Cafeteria



Bathroom

Level 2 – New Advance Retail Technology Premises



Lobby



Vacant office



Vacant office



Vacant office



Kitchen



Male bathroom

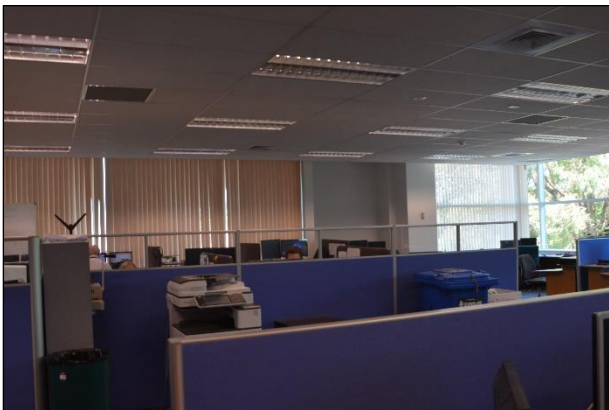
Level 2 – Advance Retail Technology



Office



Server room



Office



Kitchenette



Bathroom



Meeting room

Level 3 – Ipsos Tenancy



Entrance



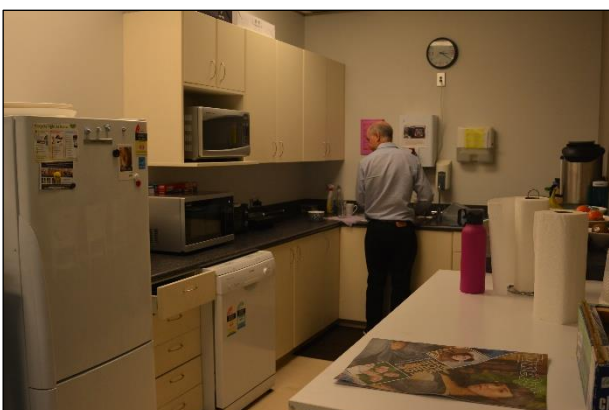
Reception



Office



Meeting room



Kitchenette



Bathroom

Level 3 – Matrix Tenancy



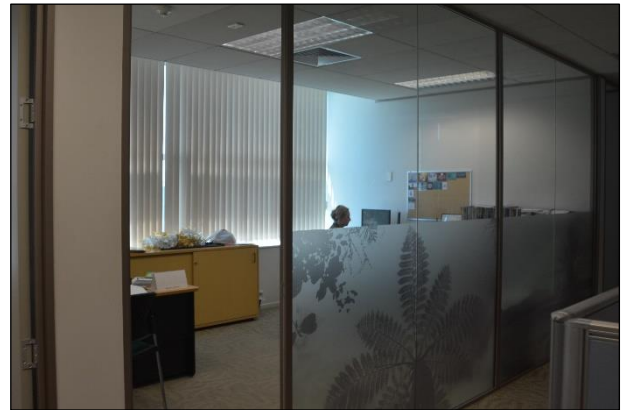
Entrance



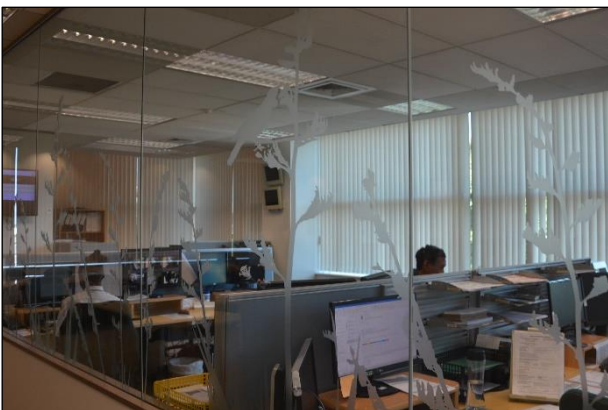
Reception



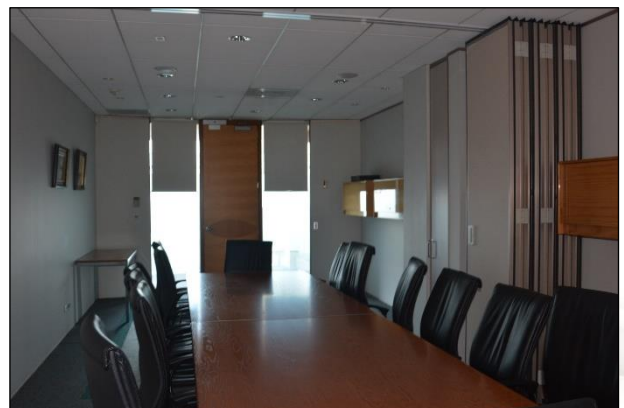
Office



Manager's room



Meeting room



Meeting room



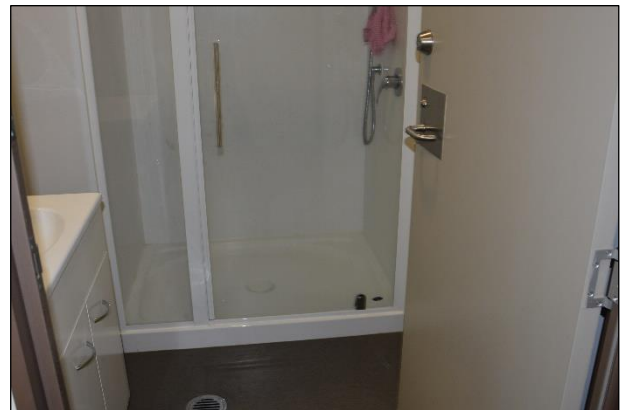
Kitchen



Kitchenette



Bathroom



Shower

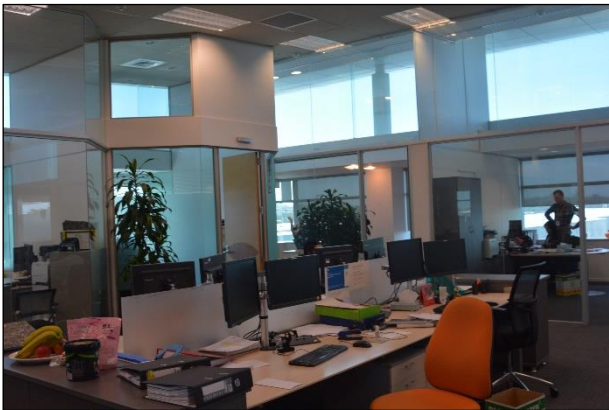
Level 4 – SGS Tenancy



Foyer



Office



Office



Kitchen



Storage



Bathroom



Secondary kitchen



Office & meeting rooms



Venting units



Cooling tower



Secondary stairs



View north-west towards One Tree Hill



Entrance roof



Staircase



View to the south-west – Mt Smart Stadium



View to the west



Storm water system



Southern entrance

3. Occupancy Arrangements

3.1 Lease Summaries

Matrix Security

Deed of Lease dated 7 July 2011 – Part Level 1 and Part Level 3

Deed Recording Rent Review

Letter from Property Managers Group Re Rent Review Effective 18 August 2018

Landlord:	DNZ Property Fund Limited																				
Tenant:	Matrix Security Group Limited																				
Guarantor:	Scott Jonathon Carter and Asset Management Limited																				
Lease Format:	ADLS Fifth Edition 2008 (2)																				
Premises:	That part of the Landlord's building at 8 Rockridge Avenue, Penrose, Auckland comprising part level 1 (159.91sqm) and part level 3 (549.77sqm) as shown on attached plan.																				
Car Parks:	6 covered car parks and 24 uncovered car parks as designated by the Landlord from time to time.																				
Term:	6 years																				
Commencement Date:	18 August 2010																				
Rights of Renewal:	1 right of 6 years (10 months' notice required)																				
	The Lease is renewed for a period of 6 years from 18 August 2016																				
Renewal Dates:	18 August 2016																				
Final Expiry Date:	17 August 2022																				
Annual Rental:	<table> <tr> <td>Offices (Part level 1):</td><td>\$28,783.80</td></tr> <tr> <td>Offices (Part level 3):</td><td>\$109,954.00</td></tr> <tr> <td>Car parks (covered):</td><td>\$7,800.00</td></tr> <tr> <td>Car parks (uncovered):</td><td>\$24,960.00</td></tr> <tr> <td>Total:</td><td>\$171,497.80 plus GST</td></tr> <tr> <td>Offices (Part level 1):</td><td>\$33,206.00</td></tr> <tr> <td>Offices (Part level 3):</td><td>\$123,698.00</td></tr> <tr> <td>Car parks (covered):</td><td>\$8,580.00</td></tr> <tr> <td>Car parks (uncovered):</td><td>\$28,080.00</td></tr> <tr> <td>Total:</td><td>\$193,564.00 plus GST</td></tr> </table>	Offices (Part level 1):	\$28,783.80	Offices (Part level 3):	\$109,954.00	Car parks (covered):	\$7,800.00	Car parks (uncovered):	\$24,960.00	Total:	\$171,497.80 plus GST	Offices (Part level 1):	\$33,206.00	Offices (Part level 3):	\$123,698.00	Car parks (covered):	\$8,580.00	Car parks (uncovered):	\$28,080.00	Total:	\$193,564.00 plus GST
Offices (Part level 1):	\$28,783.80																				
Offices (Part level 3):	\$109,954.00																				
Car parks (covered):	\$7,800.00																				
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Offices (Part level 1):	\$33,206.00																				
Offices (Part level 3):	\$123,698.00																				
Car parks (covered):	\$8,580.00																				
Car parks (uncovered):	\$28,080.00																				
Total:	\$193,564.00 plus GST																				
	The new Annual Rent from 18 August 2018 is set at \$199,867.80 plus GST																				
Rent Review Dates:	<p>On the second anniversary of the commencement date in accordance with clause 2.1 being the lesser of:</p> <ol style="list-style-type: none"> Current market rent for the Premises CPI Adjusted Rent. 																				

	Annual rent payable from relevant rent review date shall not be less than the annual rent payable in the 12 months immediately preceding the relevant rent review date.	
Proportion of Outgoings:	Pro rata	
Improvements Rent Percentage:	12%	
Business Use:	Commercial offices, security call centre, security guard operations area	
Additional Clauses:	<u>Clause 47 Early Termination by Tenant</u> The Tenant may, on the 4 th anniversary of the commencement date of the renewal term, terminate this Lease by giving the Landlord not less than 12 months' prior written notice of its intention to do so (time being of the essence).	
Landlord's Fixtures & Fittings:	<u>Item</u>	<u>Condition</u>
	All partitions & internal glazing – Levels 3 & 1	New
	Kitchens Levels 3 & 1	New
	Separate shower & toilet – Level 3	New
	All flooring	New
	Blinds and window decorations	New
	Air conditioning & server room	New
	Main building air conditioning	New
	Date cabling	New
	Boardroom & office furniture – Levels 3 & 1	New
	Ceiling grid & tiles	Fair
	Ceiling lighting	Fair
	Fire	New

Advance Retail Technology (Surrendered Lease – Tenancy B)

Deed of Lease dated 25 October 2013 – Part Level 2

Deed Recording Rent Review undated but executed

Landlord:	DNZ Property Fund Limited
Tenant:	Advance Retail Technology Limited
Guarantor:	3Q Holdings Limited – 12 months' annual rent and outgoings
Lease Format:	ADLS Fifth Edition 2008 (2)
Premises:	That part of the Landlord's land and building being part Level 2, 8 Rockridge Avenue, Auckland comprising an area of 541.48sqm as shown on attached plan.
Car Parks:	23 (2 covered, 21 uncovered)
Term:	6 years
Commencement Date:	1 April 2013
Rights of Renewal:	1 of 3 years (12 months' notice required)



Renewal Dates:	1 April 2019																
Final Expiry Date:	31 March 2022																
Annual Rental:	Premises (Part Level 2)																
	541.48sqm @ \$180 per sqm: \$97,466.40																
	2 covered car parks @ \$25 pcw: \$2,600																
	21 uncovered car parks @ \$20 pcw: \$21,840																
	Total: \$121,906.40 plus GST																
	541.48sqm x \$220 per sqm: \$119,125.60																
	23 uncovered car parks @ \$22.50 pcw: \$26,910.00																
	2 covered car parks @ \$27.50 pcw: \$2,860.00																
	Total: \$148,895.60 plus GST and outgoings																
Rent Review Dates:	1 April 2015, 1 April 2017 and if renewed, 1 April 2019 and 1 April 2021. Annual rent payable from relevant rent review date shall not be less than the annual rent payable in the 12 months immediately preceding the relevant rent review date.																
Proportion of Outgoings:	Pro rata																
Business Use:	Commercial offices																
Additional Clauses:	<u>Clause 48 Redecoration by Tenant</u> 48.1 Without limited clause 8.1 the Tenant shall redecorate the premises throughout to the satisfaction of the Landlord by no later than each fifth anniversary of the commencement date and at the expiry date... The term redecorate shall include the cleaning down of the interior of the premises...																
Landlord's Fixtures & Fittings:	<table><tr><th><u>Item</u></th><th><u>Condition</u></th></tr><tr><td>Ceiling</td><td>New</td></tr><tr><td>Carpet and floor coverings</td><td>New</td></tr><tr><td>Air Conditioning</td><td>Less than average</td></tr><tr><td>Fire Protection</td><td>Good</td></tr><tr><td>Partitions</td><td>New</td></tr><tr><td>Lighting</td><td>New</td></tr><tr><td>Kitchen joinery</td><td>New</td></tr></table>	<u>Item</u>	<u>Condition</u>	Ceiling	New	Carpet and floor coverings	New	Air Conditioning	Less than average	Fire Protection	Good	Partitions	New	Lighting	New	Kitchen joinery	New
<u>Item</u>	<u>Condition</u>																
Ceiling	New																
Carpet and floor coverings	New																
Air Conditioning	Less than average																
Fire Protection	Good																
Partitions	New																
Lighting	New																
Kitchen joinery	New																

Advance Retail Technology (New Lease – Tenancy A)

Agreement to Lease dated 14 January 2019

Landlord:	PMG Direct Office Fund Trustees Limited
Tenant:	Advance Retail Technology Limited

Guarantor:	3Q Holdings Limited
Lease Format:	ADLS Sixth Edition 2012 (5)
Premises:	Tenancy A on Level 2 of 8 Rockridge Avenue, Penrose, Auckland
Rentable Area:	440.52sqm inclusive of a pro rata share of the common areas on Level 2 of the Building
Car Parks:	20 uncovered and 2 covered car parking spaces
Term:	6 years
Access Date:	1 March 2019
Commencement Date:	1 month after the Access Date
Rights of Renewal:	1 additional term of 6 years, with a minimum of 12 months written notice required from the Tenant to exercise the Right of Renewal
Final Expiry Date:	1 day before the twelfth anniversary of the New Lease Commencement Date (if the Right of Renewal is exercised)
Annual Rent:	Premises: \$250 per sqm net = \$110,130 per annum Covered Car Parks: \$35 per car per week Uncovered Car Parks: \$30 per car per week
Rent Review Dates:	a) On each anniversary of the New Lease Commencement Date during the initial term and any renewal term, the Annual Rent for the new premises will increase by an amount equal to 3% of the Annual Rent payable for the 12 month period immediately preceding the date of the relevant Rent Review (excluding any Rent Holiday). b) On the Renewal Date, the Annual Rent will be reviewed in accordance with 14a) above or to the then current market rent of the premises, whichever is the greater.
Building Outgoings:	Payable by the Tenant from the New Lease Commencement Date, based on the percentage that the Rentable Area of the new premises bears to the total Rentable Area of the office space in the Building.
Business Use:	Commercial offices
Existing Lease:	The Tenant and the Landlord acknowledge and agree that the Existing Lease will expire on the date that is 1 day prior to the New Lease Commencement Date, and will not be renewed. As a term of this Agreement, the Landlord hereby agrees to waive the Tenant's obligation to redecorate the Existing Premises in accordance with clause 48 of the Existing Lease. The Tenant and the Landlord acknowledge and agree that the obligations of the Tenant and the Landlord under the Existing Lease will be considered as fully discharged on expiry of the Existing Lease unless written notice to the contrary is given by either the Tenant or the Landlord to the other prior to the New Lease Commencement Date.
Landlord's Work:	The Landlord will carry out certain works within the New Premises... by 28 February 2019 including:

- Construction of the full height gib and glass partitions, doors, etc required to form the layout of the New Premises;
- The reconfiguration of the existing light fittings and installation of new light switches to configure with the hard fitout;
- The provision of new power points (including wiring) as required to configure to the hard fitout, to include an allowance for up to 40 workstations in the open plan area;
- The reconfiguration of the existing air conditioning plant to the hard fitout, as required to provide fully air conditioned premises (excluding any supplementary air conditioning that may be required to the boardroom and server/store room);
- The redecoration of all new partitions and doors within the New Premises, colours to be agreed with the Tenant.

Lease Incentive: \$75,000 plus GST granted by way of a rent-free period until 6 October 2019.

Agreement to Lease dated 2015 – Part Level 3
Email exchange effective 1 March 2018

Landlord:	Penrith Holdings Limited								
Tenant:	IPSOS Limited								
Guarantor:	Ipsos Asia Limited								
Premises:	Part level 3, 8 Rockridge Avenue, Auckland of approximately 447.38sqm as the shown on the attached plan, together with: <ul style="list-style-type: none"> a) 24 car parks in places designated by the Landlord from time to time; b) The right to use the Landlord's fixtures and fittings (if any) situated in the Premises; c) The right to use the common areas (as that term is defined in the Lease. <p>An additional 2 car parks were leased by way of a Lease Variation Letter of 27 February 2017</p>								
Term:	6 years								
Commencement Date:	1 August 2015								
Rights of Renewal:	1 right of 6 years – 12 months' notice required								
Final Expiry Date:	31 July 2021 unless renewed, then the Final Expiry Date shall be 31 July 2027								
Annual Rental:	<table> <tr> <td>Offices 447.38sqm @ \$220 per sqm:</td><td>\$98,423.60</td></tr> <tr> <td>24 Car Parks @ \$20 per car per week:</td><td>\$24,960.00</td></tr> <tr> <td>Total:</td><td>\$123,383.60 plus GST</td></tr> <tr> <td>1 additional Car Park @ \$20 per week:</td><td>\$1,040.00</td></tr> </table>	Offices 447.38sqm @ \$220 per sqm:	\$98,423.60	24 Car Parks @ \$20 per car per week:	\$24,960.00	Total:	\$123,383.60 plus GST	1 additional Car Park @ \$20 per week:	\$1,040.00
Offices 447.38sqm @ \$220 per sqm:	\$98,423.60								
24 Car Parks @ \$20 per car per week:	\$24,960.00								
Total:	\$123,383.60 plus GST								
1 additional Car Park @ \$20 per week:	\$1,040.00								

1 additional Car Park @ \$25 per week:	\$1,300.00
Total:	\$125,723.00 plus GST
Offices 447.38sqm @ \$235 per sqm:	\$105,134.30
24 Car Parks @ \$27.50 per car per week:	\$34,320.00
2 stacked car parks @ \$40 per car per week:	\$2,080.00
Total:	\$141,534.50 plus GST

Market Review Dates:	1 August 2017 and 1 August 2019; and if renewed 1 August 2021 and 1 August 2023	
Proportion of Outgoings:	Pro rata	
Business Use:	Commercial offices	
Outgoings:	Estimated at \$88 per sqm	
Landlord's Fixtures & Fittings:	<u>Item</u>	<u>Condition</u>
	Ceiling	Good
	Carpet and floor coverings	New
	Air conditioning	Good
	Fire protection	Good
	Partitions	Good
	Lighting	Good

Deed of Lease dated 7 November 2015 – Level 4

Landlord:	Penrith Holdings Limited	
Tenant:	SGS New Zealand Limited	
Guarantor:	N/A	
Lease Format:	Fifth Edition 2008 (2)	
Premises:	Level 4, 8 Rockridge Avenue, Auckland, comprising approximately 969.12sqm as shown on the attached floor plan	
Car Parks:	35 in places designated by the Landlord from time to time as shown on the attached car park plan	
	An additional 2 car parks were leased by way of Lease Variation Letter of 27 February 2017	
Term:	6 years and 3 months	
Commencement Date:	1 November 2015	
Rights of Renewal:	1 right of 6 years – 9 months' notice required	
Renewal Dates:	1 February 2022	
Final Expiry Date:	31 January 2028	
Annual Rental:	Premises:	\$222,897.60 plus GST

Premises from 1 November 2016:	\$229,584.52 plus GST										
Car Parks:	\$37,700.00 plus GST										
Car Parks from 1 November 2016:	\$38,831 plus GST										
Total:	\$260,597.60 plus GST										
Total from 1 November 2016:	\$268,415.52 plus GST										
2 additional Car Parks @ \$25 per week:	\$2,600 plus GST										
Total:	\$271,015 plus GST										
Rent Review Dates:	3% annual increases with market reviews 3 yearly subject to clause 47.1 Annual rent payable from relevant rent review date shall not be less than the annual rent payable in the 12 months immediately preceding the relevant rent review date.										
Proportion of Outgoings:	32.11%										
Business Use:	Commercial offices										
Additional Clauses:	<u>Clause 47.1</u> Market rent reviews are capped at 15%, except on the renewal date when any market review will be uncapped. The 15% cap shall apply to the compounded rent as at the market review date. Market review dates are 1 February 2019 (capped) and if renewed 1 February 2022 (no cap) and 1 February 2025 (capped)										
Landlord's Fixtures & Fittings:	<table> <tr> <th><u>Item</u></th><th><u>Condition</u></th></tr> <tr> <td>Ceiling</td><td>Good</td></tr> <tr> <td>Carpet and floor coverings</td><td>New</td></tr> <tr> <td>Partitions</td><td>Good</td></tr> <tr> <td>Lighting</td><td>Good</td></tr> </table>	<u>Item</u>	<u>Condition</u>	Ceiling	Good	Carpet and floor coverings	New	Partitions	Good	Lighting	Good
<u>Item</u>	<u>Condition</u>										
Ceiling	Good										
Carpet and floor coverings	New										
Partitions	Good										
Lighting	Good										

Carpark Licenses

<u>Carglass NZ Limited</u> (Smith & Smith)	11 uncovered car parks @ \$25.5 8 covered car parks @ \$27	Total rent of \$25,844 plus GST
<u>Christian Turno</u>	1 uncovered car parks @ \$27.62	Total rent of \$1,436 plus GST
<u>Jenny Gordon</u>	1 uncovered car park @ \$25	Total rent of \$1,300 plus GST

Overall Lease Comment

We consider these leases are well drafted, clearly outlining the basis of the rent, and landlord's fixtures and fittings. They also provide between 9 and 12 months' notice of renewal, which provides certainty earlier than in many commercial situations.

Tenancies include a mix of local but established private companies such as Matrix Security Group through to international subsidiary companies such as SGS New Zealand Limited.

3.2 Contract Rent Analysis

Our analysis of the existing contract rent as provided to us is contained in the following schedules:

Tenant	Tenancy	Area (sqm)	Passing Rent (\$pa) (\$psm)		Unrecovered Opex (\$pa) (\$psm)		Net Contract Rent (\$pa) (\$psm)	
Tenancies								
Matrix Security Group Ltd	Level 1 (grd)	159.9	34,288	214.42	0	0.00	34,288	214.42
Vacant	Part Level 2	541.5	0	0.00	45,153	83.39	0	0.00
Advance Retail Technology Ltd	Part Level 2	440.5	110,130	250.00	0	0.00	110,130	250.00
Matrix Security Group Ltd	Part Level 3	549.8	127,728	232.33	0	0.00	127,728	232.33
IPSOS Limited	Part Level 3	447.4	105,134	235.00	0	0.00	105,134	235.00
SGS New Zealand Limited	Level 4	969.1	236,472	244.01	0	0.00	236,472	244.01
Total		3,108.2	613,752	197.46	45,153	14.53	613,752	197.46

Ten. No. Tenant	Car Parks	Contract Rent (\$pa) (\$pcpw)	
<i>Leased Parks</i>			
1 Matrix Security Group Ltd	6	8,861	28.40
2 Vacant	--	0	0.00
3 Advance Retail Technology Ltd	22	34,840	30.45
1 Matrix Security Group Ltd	24	28,991	23.23
4 IPSOS Limited	26	36,400	26.92
5 SGS New Zealand Limited	37	41,432	21.53
<i>Licensed Parks - Building Tenants</i>			
5 SGS New Zealand Limited	2	2,600	25.00
<i>Licensed Parks - Non-Building Tenants</i>			
1001 Carglass NZ Limited	19	25,844	26.16
1002 Christian Turno	1	1,436	27.62
1003 Jenny Gordon	1	1,300	25.00
1004 Contractor Car Parks	2	3,120	30.00
1005 Accessible Car Parks	1	0	0.00
<i>Vacant Car Parks</i>			
Vacant Carparks	4	0	0.00
Total	145	184,824	24.51

Rent Summary	Contract Rent
Premises	613,752
Carparks	184,824
Annual Rent	798,576

3.3 Outgoings

Budgeted outgoings, as provided by Property Managers Group to 31 March 2019, are summarised below.

Item	Budgeted	Adopted Outgoings	
	2019-20	\$pa	\$psm
Recoverable Expenses			
City Rates - Stat Costs	49,485	52,456	16.88
Water Rates - Stat Costs	10,000	10,000	3.22
Insurance - Premium	31,000	31,000	9.97
Insurance - Excess	500	500	0.16
Insurance - Valuation Fees	1,500	1,500	0.48
Electricity - Common Area	26,000	26,000	8.37
R & M - General	8,000	8,000	2.57
Electrical - Contract	7,200	7,200	2.32
Electrical - Lamps/Tubes	3,000	3,000	0.97
Plumbing - Non Routine	6,000	6,000	1.93
Lift & Escalator - Contract	9,840	9,840	3.17
Lift & Escalator - Non Routine	2,500	2,500	0.80
Air Conditioning - Contract	8,900	8,900	2.86
Air Conditioning - Non Routine	12,000	12,000	3.86
Fire - Contract	2,950	2,950	0.95
Fire - Non Routine	2,500	2,500	0.80
Fire - Alarm Monitoring	2,500	2,500	0.80
Auto Doors - Non Routine	2,000	2,000	0.64
Exterior Garden - Contract	4,200	4,200	1.35
Cleaning - Contract	12,000	12,000	3.86
Cleaning - Exterior Window & Building Contract	7,000	7,000	2.25
Cleaning - Consumables	1,500	1,500	0.48
Cleaning - Pest Control	2,200	2,200	0.71
Cleaning - Rubbish Removal	5,200	5,200	1.67
Access Control - Contract	3,940	3,940	1.27
Access Control - Non Routine	3,500	3,500	1.13
Health & Safety - Consultancy Fees	2,700	2,700	0.87
BWOF - Compliance Inspections	1,100	1,100	0.35
Management Fees	27,000	27,000	8.69
Non-Recoverable Expenses		0	0.00
Ground Rental		0	0.00
Other Non-Recoverable Expenses		0	0.00
Total Recoverable Expenses	256,215	259,186	83.39
Non-Recoverable Expenses	0	0	0.00
Total Operating Expenses	256,215	259,186	83.39

The operating expense budget of \$83.39 per sqm is relatively high in a suburban office environment, however not inconsistent with the overall quality of the building which features mechanical services including 2 lifts, a back-up generator, and comprehensive air-conditioning. Operating expenses can vary anywhere between \$50 and \$100 per sqm in suburban office environments, with variation reflecting individual specification of the property. Examples include operating expenses of \$76 and \$95 per sqm within the Millennium Office Park, and \$84.89 per sqm for 205 Great South Road, Greenlane.

3.4 Capital Expenditure

Property Managers Group commissioned Telco to provide a Building Services Condition Assessment Report in November 2017. The report confirms that much of the electrical, fire protection and mechanical services remain in functional condition although some are close to reaching their economic life. They provided a capital expenditure schedule which we summarise as follows:

Item	Item Cost	Planned Spend Date	Time from Val Date
Telco recommendation	\$92,083	Jul-19	6 mths
Telco recommendation	\$199,892	Jul-20	18 mths
Telco recommendation	\$273,392	Jul-21	30 mths
Telco recommendation	\$358,892	Jul-22	42 mths
Telco recommendation	\$63,892	Jul-23	54 mths
Total Planned Expenditure	\$988,149		

These amounts have been adjusted for the replacement cost of one air-conditioning unit in mid-2018 of \$66,809 and the 3% of net income that we allowed as a matter of course in valuing commercial office properties such as this.

4. Rental Evidence

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

Address	Tenant	Tenancy	NLA	Rent	Annual Rent	Date Type	Term
2 Robert St Ellerslie	Westferry Property Services	Ground Floor	324.86	\$285.00	\$92,585	01-Apr-19	8 yrs, no renewal
		Opex	324.86	\$67.07	\$21,788	NL, Net	2.75% p.a for 1st 3 yrs, 4th & 6th anniv to market
		Gross Premises Rent	324.9	\$352.07	\$114,373		3 mth rent free,
		Carparks	9	\$33.00	\$15,444		Landlord works incl carpet, lighting, a/c
		Net Contract Rent			\$108,029		
323 Great South Rd Ellerslie	NZ Police	Level 1	1817.3	\$275.00	\$499,758	01-Dec-18	6 yrs, break end yr 3 w 6mths notice
		Level 2	1616.8	\$275.00	\$444,631	NL, Net	RR 3 yrly to market, hard ratchet, 10% cap
			3434.1	\$275.00	\$944,389		3 months rent free + 3mths if break not excised
		Budgeted Opex	3434.1	\$85.00	\$291,902		Landlords works included:
		Gross Rent	3434.1	\$360.00	\$1,236,290		new mansard roof
		Additional Rent					waterproof and retile balconies
		Nominated Deck	131.7	\$70.00	\$9,219		retile front entrance
		Secure & Covered Parks	97	\$55.00	\$277,420		replace guttering
		Open Parks	3	\$40.00	\$6,240		recommission HVAC
			100	\$54.55	\$283,660		
		Net Contract Rent			\$1,228,049		
4 Fairburn Rd Otahuhu	MSD	Ground Floor	1125.0	\$230.00	\$258,750	01-Oct-18	3 yrs, 3 yrly mkt reviews
		Less Opex	1125.0	\$48.48	\$54,540	Ren, Gross	Landlord provided a/c, suspended ceiling, lift, bathroom
		Resultant Net Rent	1125.0	\$181.52	\$204,210		
		Open Carparks	38	\$15.00	\$29,640		
		Annual Rent			\$288,390		
4 Fairburn Rd Otahuhu	MSD	First Floor	1306.0	\$230.00	\$300,380	01-Oct-18	3 yrs, 3 yrly mkt reviews
		Less Opex	1306.0	\$48.48	\$63,315	Ren, Gross	Landlord provided a/c, suspended ceiling, lift, bathroom
		Resultant Net Rent	1306.0	\$181.52	\$237,065		
		Open Carparks	38	\$15.00	\$29,640		
		Annual Rent			\$330,020		
531 Great South Road Penrose	HobbyMaster Tenancy 3	Pt Level 1 Office	357.00	210.0	74,980	May-18	3 years
		Car Parks	2.00	25.00	2,600	NL, Net	
					77,580		
12-14 Walls Road Penrose	Maven Associates	Level 2 Office	431.00	191.4	82,500	Feb-18	3 years, 1*3 RoR
		Car Parks	14.00	25.00	18,200	NL, Net	
					100,700		
666 Great South Road Ellerslie	Endace	Pt Level 5 Office	372.70	255.0	95,033	Feb-18	3 years, 1*3 RoR
		Car Parks	15.00	57.00	44,460	NL, Net	
					139,493		
485 Great South Road Penrose	technology Solutions for Industr	Office	1,154.00	232.00	267,728	Jul-17	8 years, 6 mths
		Car Parks	28.00	30.00	43,680	NL, Net	OPEX @ \$40 per sqm
					311,408		
626 Great South Road Greenlane	Housing New Zealand	Level 2 Office	787	\$195.80	\$154,096	Apr-17	4 yrs, 2 x 2yr RoR
		Est OPEX	787	\$86.00	\$67,682	Ren, Net	RR 2 yearly to market
		Est Gross Rent	787	\$281.80	\$221,778		
		Open car parks	21	\$30.00	\$32,760		
644 Great South Road Greenlane	M S Services 2017 Limited	Pt L1 Office	178	\$150.00	\$26,700	01-Dec-17	2 years, 1 x 2 RoR
		OPEX	178	\$64.00	\$11,392	NL, Net	
		TOC	178	\$214.00	\$38,092		
		Open car parks	5	\$25.00	\$6,500		
415 Great South Rd Ellerslie	Burgett&Associates Limited	Pt Level 1	187.0	\$236.31	\$44,190	25-Jul-17	3 yrs, 1*3yr RoR
		Signage	1.0		\$3,000	NL, Net	CPI annually
		Basement Car Parks	4	\$45.00	\$9,360		Review to market on Renewal
		Open Car parks	4	\$25.00	\$5,200		
		Contract Rent			\$61,750		



2 Robert Street, Ellerslie. Westferry Property Services committed to a 324.86sqm ground floor tenancy from 1 April 2019. This is an 8 year lease with no rights of renewal with the annual rent increasing by 2.75% for the first 3 years. Market reviews are on the fourth and sixth anniversary of the commencement. Budgeted operating expenses are \$67 per sqm, providing a total occupancy cost of **\$352 per sqm**. In addition, 9 open car parks are leased at **\$33 per car per week**. This is a side street location although offers some profile from the motorway overbridge.



323 Great South Road, Ellerslie. The whole building is occupied by NZ Police and was subject to new net lease commencing in December 2018. This was a 6-year lease with 3 months' rent free, break clause at end of Year 3 and rent reviews to market 3 yearly with 10% capped. Landlords works include new mansard roof, waterproof and re-tile balconies and decks, replace tiling at front of building, replace gutterings, and recommission HVAC. The lease analyses to **\$275 per sqm** for 3,434.10sqm of office, **\$70 per sqm** for 131.7sqm decks, **\$55 per car per week** for 97 covered car parks and **\$40 per car per week** for 3 uncovered car parks. The budgeted OPEX is \$85 per sqm. Comfortable suburban large office space, superior location.



4 Fairburn Road, Otahuhu. The Ministry for Social Development occupy both the ground and first floor under 2 separate leases. These were both renewed for 3 years from 1 October 2018, which coincided with a market review. The rent was agreed at **\$230 per sqm** gross with operating expenses budgeted at \$48.48 per sqm, resulting in a net contract rent of \$181.50 per sqm. In addition, 38 open car parks were leased at **\$15 per car per week**. A comfortable standard of accommodation although to an Otahuhu address where the majority of demand is from government occupiers.



531 Great South Road, Penrose. Hobby Master NZ occupy part Level 1, Tenancy 3 under a 3 lease from 1 October 2016. The annual rental of \$74,980 per annum represents **\$210 per sqm net**. In addition, 2 open car parks were leased at an average of **\$25 per car per week**.



666 Great South Road, Ellerslie. Endace have committed to a new lease for Part Level 5 of Building 3 in Central Park. This is one of the original buildings in the development with the rent established at **\$255 per sqm** for the 372.70sqm tenancy. In addition, 15 car parks are leased at **\$57 per car per week** being a mix of open and covered spaces.



485 Great South Road, Penrose was leased to Technology Solution for Industry from July 2017 for a term of 8 years and 6 months. The building's OPEX is at \$40 per sqm. The lease analyses to **\$232 per sqm** for 1,154sqm of office and **\$30 per car per week** for 28 open car parks. Comparable office accommodation, large tenancy.



626 Great South Road, Greenlane. Housing New Zealand occupies Level 2 of this 4-level office building joining the controlled intersection of Rockfield Road and Great South Road. They renewed the lease on a further 4-year term from April 2017 at a net annual rental of **\$195.8 per sqm (\$281.8 per sqm gross)** for the 787sqm tenancy. In addition, they pay **\$30 per car per week** for 21 open car parks. There are 2 yearly rent reviews to market. Opex is estimated at \$86 per sqm. Superior location.



Level 1/644 Great South Road, Greenlane. M S Services 2017 Limited leased Level 1 under a 2 year term from 1 December 2017. The lease had one further two year right of renewal and rent reviews to market on renewal. Opex is a pro-rata share estimated at \$11,392 plus GST p.a. A 1 month rent free period was provided. Quality refurbished office accommodation to a slightly fringe suburban address.



415 Great South Road, Ellerslie. This tenancy is subject to lease to Burrett & Associates for 3 years from July 2017. The agreed rental of \$61,750 per annum is subjected to CPI per annum increases and market review upon renewal. In addition, the lease contains 1 right of renewal of 3 years. The rent analyses to **\$236.3 per sqm** for part Level 1 office space, **\$45 per car per week** for 4 basement spaces, and **\$25 per car per week** for 4 open spaces.

4.1 Office Rent Summary

From the above information, prevailing market rents for similar quality accommodation in the southern corridor generally range between \$220 and \$285 per sqm. Variance generally arises due to the age and condition of the building with Millennium 2 being a newer development and achieving \$285 per sqm contract rent. By comparison older space in Central Park achieves upwards of \$230 per sqm, and modernised Southern Corridor rents generally achieve between \$245 and \$260 per sqm.

Existing prevailing rents in the subject building generally range between \$215 and \$250 per sqm. We consider these representative of the market for the comfortable standard of accommodation provided, but also at the lower end of what would be likely if the building was in a Great South Road, Ellerslie location. Consequently, we consider the differential between these two areas provides a genuine incentive for more rent sensitive businesses where they obtain comfortable accommodation at realistic market rents. Accordingly, we have adopted market rents of between **\$220 and \$250 per sqm** for the office accommodation. That also sits at approximately 65% - 70% of prevailing net rentals in Newmarket.

Car Parks

From the evidence, car parks currently range between \$25 and \$57 per car per week, with higher rents generally in the office parks where there is significant demand for spaces. 8 Rockridge Avenue has a favourable car park ratio of 1 space per 22.5sqm which we consider, particularly in the current market, to be grounds for overall occupier demand. Consequently, we have adopted market rents for the open unsecure car parks at **\$25 per car per week**, **\$27.50 per car per week** for the covered unsecure spaces; and **\$30 per car per week** for covered secure spaces. Some licensed car park income such as the recent Smith & Smith deals have recently achieved \$30 per car per week.

Signage

In this situation we do not believe a separate signage rent is justified, reflecting the no-exit location of the building.

Other Income

We are not aware of income from any other sources such as telecommunications, utilities and the like.

4.2 Incentives

Incentives remain available in the immediate office market, particularly where building refurbishment has occurred, and higher contract rents are expected.

Incentives will vary depending on a number of factors including the time a tenancy has been vacant, the current condition of the tenancy, and whether significant capital expenditure or refurbishment has been incurred. There are vacancy levels within the southern corridor including the Millennium Centre and Central Park. These properties are currently owned by Oyster Management or related entities. However, with these 2 major assets and a number of other office buildings, the southern corridor does remain a competitive office and occupier location. Accordingly, we have adopted an incentive equivalent of 1 month per 1 year of lease term certain.

4.3 Market Rent Assessment

Based on our commentary above we provide our assessment of market rent and compare this to the prevailing contract rent in the tables below.

Tenant	Tenancy	Area (sqm)	Passing Rent (\$pa) (\$psm)		Unrecovered Opex (\$pa) (\$psm)		Net Contract Rent (\$pa) (\$psm)		Net Market Rent (\$pa) (\$psm)	
Tenancies										
Matrix Security Group Ltd	Level 1 (grd)	159.9	34,288	214.42	0	0.00	34,288	214.42	35,180	220.00
Vacant	Part Level 2	541.5	0	0.00	45,153	83.39	0	0.00	129,955	240.00
Advance Retail Technology Ltd	Part Level 2	440.5	110,130	250.00	0	0.00	110,130	250.00	110,130	250.00
Matrix Security Group Ltd	Part Level 3	549.8	127,728	232.33	0	0.00	127,728	232.33	131,945	240.00
IPSOS Limited	Part Level 3	447.4	105,134	235.00	0	0.00	105,134	235.00	107,371	240.00
SGS New Zealand Limited	Level 4	969.1	236,472	244.01	0	0.00	236,472	244.01	232,589	240.00
Total		3,108.2	613,752	197.46	45,153	14.53	613,752	197.46	747,170	240.39
Total (excluding vacancies)		2,566.7	613,752	239.12	0	0.00	613,752	239.12	617,215	240.47

Ten. No. Tenant	Car Parks	Contract Rent (\$pa) (\$pcpw)		Market Rent (\$pa) (\$pcpw)	
Leased Parks					
1 Matrix Security Group Ltd	6	8,861	28.40	9,360	30.00
2 Vacant	--	0	0.00	0	0.00
3 Advance Retail Technology Ltd	22	34,840	30.45	29,120	25.45
1 Matrix Security Group Ltd	24	28,991	23.23	31,200	25.00
4 IPSOS Limited	26	36,400	26.92	33,800	25.00
5 SGS New Zealand Limited	37	41,432	21.53	49,400	25.68
Licensed Parks - Building Tenants					
5 SGS New Zealand Limited	2	2,600	25.00	2,600	25.00
Licensed Parks - Non-Building Tenants					
1001 Carglass NZ Limited	19	25,844	26.16	26,780	27.11
1002 Christian Turno	1	1,436	27.62	1,300	25.00
1003 Jenny Gordon	1	1,300	25.00	1,300	25.00
1004 Contractor Car Parks	2	3,120	30.00	3,120	30.00
1005 Accessible Car Parks	1	0	0.00	0	0.00
Vacant Car Parks					
Vacant Carparks	4	0	0.00	5,200	25.00
Total	145	184,824	24.51	193,180	25.62

Rent Summary	Contract Rent	Market Rent
Premises	613,752	617,215
Carparks	184,824	187,980
Annual Rent	798,576	805,195
Market Rent on Vacant Premises	129,955	129,955
Market Rent on Vacant Cars	5,200	5,200
Annual Rent	933,732	940,350

Accordingly, we consider the existing contract rent for the property is realistic and supported by the market. The casual car park rents are slightly above market reflecting the short term nature of the occupation. Those tenancies can be cancelled with 1 month's notice in the event that they are required for an occupier of the Part Level 2, Tenancy B premises.

5. Sales Evidence

In establishing our opinion of value, we have had regard to the following office investment sales.

Address	Sale Date	Price	NLA (sqm)	Site (sqm)	Initial Yield	WALT	Price /NLA	Price NLA excl Cars
5-7 Kingdon St Newmarket	Dec-18	\$19,750,000	4,710	1,191	7.49%	2.23 yrs	\$4,193	\$3,637
626 Great South Rd Ellerslie	Nov-18	\$11,600,000	2,647	2,878	6.85%	2.43 yrs	\$4,382	\$3,429
22 Amersham Way Manukau	Sep-18	\$7,800,000	2,874	854	5.40%	1.72 yrs	\$2,714	\$2,714
205 Great South Road Greenlane	Aug-18	\$17,525,000	3,974	3,294	7.27%	2.18 yrs	\$4,410	\$3,609
180-182 Broadway Newmarket	Jun-18	\$11,500,000	2,062	427	6.63%	4.00 yrs	\$5,577	\$5,098
57 Wellington St Freemans Bay	Apr-18	\$25,960,000	3,000	3,984	5.97%	4.41 yrs	\$8,653	\$6,124
75 Karangahape Rd Auckland Central	Apr-18	\$23,300,000	5,684	1,541	6.95%	5.40 yrs	\$4,099	\$3,603
98-100 Symonds St Grafton	Dec-17	\$22,000,000	4,263	2,209	5.42%	9.84 yrs	\$5,161	\$3,602
1 Broadway Newmarket	Dec-17	\$12,000,000	1,977	1,455	5.16%	4.62 yrs	\$6,070	\$4,949
52 Symonds Street Auckland Central	Nov-17	\$16,150,000	3,828	1,193	5.25%	2.17 yrs	\$4,219	\$3,132
323 Great South Rd Ellerslie	Nov-17	\$10,500,000	3,566	4,129	3.56%	1.47 yrs	\$2,945	\$2,126
151 Victoria St West Auckland Central	Nov-17	\$30,000,000	4,777	1,741	5.94%	4.62 yrs	\$6,280	\$4,977
62 Victoria St West Auckland Central	Jul-17	\$18,800,000	3,514		5.95%	2.70 yrs	\$5,351	\$5,214
3 City Rd Auckland Central	Jul-17	\$20,000,000	5,282	1,528	5.94%	3.84 yrs	\$3,786	\$3,210
87-89 Albert St Auckland Central	Apr-17	\$26,500,000	7,193	1,290	6.09%		\$3,684	
87-89 Albert St Auckland Central	Nov-15	\$18,420,000	7,193	1,290	7.13%		\$2,561	
2 Kalmia St Ellerslie	Mar-17	\$5,400,000	1,470	2,032	6.67%	3.41 yrs	\$3,674	
1 Short St Auckland Central	Feb-17	\$17,000,000	4,950	1,342	6.00%	7.00 yrs	\$3,435	\$2,992

5.1 Sales Comment



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



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



22 Amersham Way, Manukau sold in September 2018 for **\$7,800,000** which represented an initial yield of **5.4%**, but an equivalent yield of **7.8%** if market rent was achieved on 27% vacant floor space at the time. This is a 4 level 1990's office building with a rentable area of 2,870sqm and 7 covered car parks. At the time of sale, there were 4 tenancies plus a vacant top floor, although that had been upgraded. Ministry of Justice occupy the Ground Floor and part Level 1 on gross Leases. The average office rent was **\$223 per sqm** on the occupied space. The sale also represented **\$2,714 per sqm** of lettable area and had a weighted average lease term (WALT) on occupied space of 2.4 years. It was acquired by an adjoining owner.



205 Great South Road, Greenlane sold August 2018 for **\$17,525,000** following an on-market campaign. The sale price represented an initial yield of **7.27%**, **\$4,410 per sqm** of rentable area and **\$3,609 per sqm** of rentable area excluding the value of car parks. A 4 level commercial building extended and modernised in 2002 providing ground floor retail, Level 1 covered parking and Level 2 and 3 office. 100% leased at time of sale to 6 tenants and 7 leases, of which 4 were gross. Gross income of \$1,611,195 reduced to \$1,273,840 after allowing for non-recoverable outgoings. Average net office rental of \$235 per sqm. 120 car parks at a favourable ration of 1 per 33sqm.



180-182 Broadway, Newmarket sold June 2018 for **\$11,500,000**. The 7 storey building consists of a modern, freehold standalone commercial investment property, comprising five levels of commercial office accommodation, ground floor retail and basement storage and a total floor area of circa 2,062sqm. The property benefits from 21 car parks on individual freehold unit titles, which are located in the neighbouring building at 118 Broadway and a high-profile signage lease to APN Outdoor Limited, located on the Southern side of the building. At the time of recent

sale, the property was generating some \$762,899 per annum. The sale price represented an initial yield of **6.63%** and **\$5,577 per sqm** on a combined land and buildings basis. Superior location.



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



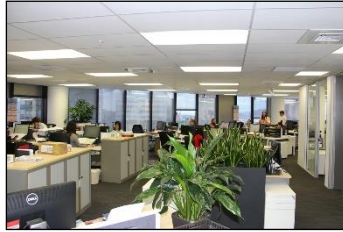
75 Karangahape Road, Auckland Central sold in April 2018 for **\$23,300,000**, which represented an initial yield of **6.95%**. The property had previously sold in May 2014 for **\$11,200,000** and re-sold September 2016 for **\$15,000,000** where conversion options were investigated, with the most recent sale \$8,300,000 above the 2016 price. The property has 2 educational office tenants and a ground floor café producing a net annual contract rent of some \$1,620,000 plus GST. This occupies a corner position to the north-eastern side of the Liverpool Street intersection. The sale also represented **\$4,099 per sqm** of NLA, and **\$3,603 per sqm** excluding the value of car parks.



98-100 Symonds Street, Grafton sold in December 2017 for **\$22,000,000**, having previously sold in April 2017 for **\$16,100,000**. At the time of the latest sale, a new Lease over the entire property had been negotiated to Global Education who occupy the entire 1980's hexagonal shaped office tower which has 7 floors of office and 2 levels of basement carparking. The tower occupies a 1,609sqm rear site with open carparking subject to a Wilson Lease relating to the 600sqm Lot 1 that fronts Symonds Street. At the time of sale, the property was generating net income of \$1,191,576 plus GST at an average contract rent of **\$212 per sqm** and **\$61 per park per week** for carparking.



1 Broadway, Newmarket sold in December 2017 for **\$12,000,000** which represented an initial yield of **5.16%**, or **6.29%** if the Level 2 vacancy of 349sqm was leased at **\$300 per sqm**. Occupying a 1980's 3 level commercial office building to the corner of George Street and providing 43 basement and open car parks overall. The property has been progressively modernised with Arrow International and RSM Hayes Audit the main occupiers. The sale price also represented **\$6,070 per sqm** on a combined land and buildings basis. Income was generated predominantly from premises and car parks, with some \$6,150 per annum from signage.



52 Symonds Street, Auckland Central sold in November 2017 for **\$16,150,000**. This 1980's office tower provides 8 levels of average to good standard fringe office accommodation. Floor plates are approximately 484sqm with the building having a 19% vacancy at the time of sale. Average office rent on occupied space was **\$232 per sqm** and average car park rent **\$59 per car per week**. The property had selective upgrading including lift lobby, lifts and some air conditioning with it providing 2 passenger lifts serving the upper level basement parking. Seismic rating was 136% of NBS. Some areas of outstanding capital expenditure exist such as non-modernised bathrooms and some older plant. The sale price represented an equivalent yield of **6.80%**. The price also represented **\$4,219 per sqm** on a combined land and buildings basis and

\$3,132 per sqm excluding the value of car parks. Occupiers are all non-educational.



323 Great South Road, Ellerslie sold in November 2017 for **\$10,500,000**. This is a mid 1980's commercial office building providing covered and secure basement/ground level carparking, with two above office floors of some 1,818sqm and 1,617sqm rentable area respectively. The property has 96 car parks at a comfortable ratio of one space per 35.8sqm. Average office rent for that space is **\$220 per sqm** and car parks **\$40 per park per week**, both of which are considered competitive. Current net income is some \$512,000 p.a. although existing vacancy of some 45% NLA sees an

element of non-recovered outgoings dilute net income. The sale results in an initial yield of **3.56%** and analyses to **\$2,945 per sqm** on a land and buildings basis. A slightly indistinctive commercial office building, although well located to public transport and key arterial routes, in a northern southern corridor office location close to the Harp of Erin, Ellerslie, Auckland.



151 Victoria Street West, Auckland Central sold in November 2017 for **\$30,000,000** reflecting an initial yield of **5.94%**. The property has a 9 year lease to Kiwibank which commenced on July 2013 and provided for annual 2.75% rental increases. The building was refurbished as part of the lease to Kiwibank with office floor plates of 540sqm. In addition there are 15 onsite car parks plus an easement over the adjoining NZME property for a further 60 car park spaces. The sale price also reflected **\$6,280 per sqm** of NLA, and **\$4,977 per sqm** of rentable area excluding the

value of car parks.



62 Victoria Street West, Auckland Central sold in July 2017 for **\$18,800,000** which represented an initial yield of **5.95%**. This is a 1980's 10 level office tower that excluded the ground floor retail which is owned on a separate freehold stratum estate. The building provides 339sqm floor plates plus the Level 1 podium which included a food and beverage tenancy with a generous outdoor area. The service core is to the centre of the southern side allowing efficient subdivision of the floors. A vendor underwrite existed on 376sqm at rents of \$340 per sqm for 12 months. At the time of sale the average contract rent was **\$304 per sqm**, and operating expenses budgeted at **\$63 per sqm**. Those outgoings are competitive in a CBD environment but exclude higher rated ground floor retail. The building had experienced progressive capital expenditure including 1 lift replacement and demand led floor upgrades. Occupying a CBD location and as such not directly comparable however indicative of strong demand for well located assets.



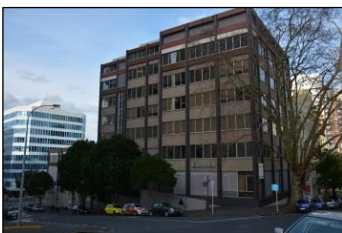
3 City Road, Grafton sold in July 2017 for **\$20,000,000** which represented an initial yield of **5.94%**. This 1980's office tower provides some 5,282sqm NLA and 62 onsite car parks. The vendor provided 12 months' rent guarantee should Yoobee not renew in March 2019. In addition, a small rent set off from the sale price was agreed for the Marsden Robinson rent free through to 1 April 2018. The building provides average specification 1980's accommodation with 2 lifts and 2 levels of basement parking. The average office contract rent was **\$219 per sqm** and the average car park rent **\$62 per car per week**. The sale also represented **\$3,786 per sqm** on a combined land and buildings basis and **\$3,210 per sqm** excluding the value of car parks. A fringe CBD location although one that has seen reasonable investor activity in recent times.



87-89 Albert Street, Auckland Central sold in April 2017 for **\$26,500,000** which represented an initial yield of **6.09%**. This is an octagonal shaped 1980's office building providing some 7,193sqm of rentable area to a 1,290sqm inside lot. The property has 57 onsite car parks. Characterised by small tenancies and scope for ongoing vacancy, the building provides basic non-modernised office accommodation. At the time of sale there were 55 tenancies meaning ongoing management requirements. There is a combination of net and gross leases with rents ranging anywhere between \$260 per sqm and \$340 per sqm. In close proximity to the subject and demonstrative of strong investment demand. The sale price represented **\$3,684 per sqm** on a combined land and buildings basis. An earlier sale occurred in November 2015 for **\$18,420,000**. Not directly comparable given its CBD location however demonstrative of a sale and resale, and strong investor appetite.



2 Kalmia Street, Ellerslie sold at auction in March 2017 for **\$5,400,000**. This 1980's 4 level office building provides a rentable area of some 1,470sqm, situated to a 2,032sqm site. The property includes 44 open perimeter car parks at a favourable ratio of one space per 33 sqm. At the time of sale, estimated net contract income was **\$360,112 p.a.** at an average net office rent of **\$200 per sqm**, and a range of **\$162 per sqm to \$221 per sqm**. The average car park rent was **\$28.50 per car per week**. This is a central core building with one lift. The bathrooms and common areas, along with the overall office space were in average condition.



1 Short Street, Auckland Central sold in February 2017 for **\$17,000,000** which represented an initial yield of **6.00%**. The building is occupied by Auckland University Law Faculty and had 7 years remaining of a 10 year 6 month lease at the time of acquisition. The building is utilised for offices and tutorial rooms and considered of dated specification. Notwithstanding, it has the benefit of 3 street frontages and 46 onsite car parks. The price represented **\$3,435 per sqm** of land and buildings.



5.2 Valuation Considerations

Initial yields have ranged anywhere between 5% and 8% for suburban office properties over the past 12 to 18 months, and typically between \$4,000 and \$4,500 per sqm on a combined land and buildings basis. The most recent transaction at 205 Great South Road, Greenlane was at an initial yield of 7.27% for a property with approaching vacancies from Housing New Zealand who occupies circa 61% rentable area of the building. Further analysis of these transactions, where the value of the car parks is stripped out, shows land and building rates of between \$3,200 per sqm and \$4,500 per sqm for the most comparable sales.

Relating to the subject, it provides a superior standard of specification than typically encountered in an industrial office location. That reflects the original construction was purpose built with a number of features evident including:

- Full height entry atrium
- Lobby fire screens
- 2 lifts serving all floors
- Backup generator

We consider the existing contract rents are representative of the market. We expect vacancy levels to be consistent with the suburban office market notwithstanding there may well be extended periods of full occupancy.

On balance, we have adopted an initial yield of **7.1%** before making adjustments for any capital expenditure or re-lease/incentive requirements over the upcoming 30 months.

On a combined land and buildings basis we have adopted **\$3,900 per sqm**. An alternative approach would be to apply \$17,000 per car parking space and \$3,150 per sqm of rentable area.

5.3 SWOT Analysis

Strengths

- Progressively maintained
- Feature full height atrium to the entrance
- Excellent car parking ratio
- Comfortable overall specification
- Leased at realistic market rents

Weaknesses

- Less recognised suburban office location
- Mixed outlooks
- Limited immediate profile
- Part of Level 2 remain available for lease

Opportunities

- Lease the vacant space at assessed market rent
- Tenant theme the building
- Attract similar or complementary style occupiers
- Obtain consent for additional development
- Undertake capital expenditure to generate goodwill from occupiers

Threats

- The competitive nature of the southern corridor office market
- Any unforeseen capital expenditure requirements
- Any significant increase in interest rates

5.4 Discounted Cashflow Parameters

Key assumptions in our discounted cashflow are:

Terminal yield:	7.3%
Target IRR:	8.4%
Market rental growth:	Between 2.25% and 2.50% per annum
Annual capital expenditure:	3% per annum of net income plus any additional cost as recommended in the Telco Building Services Condition Assessment Report.
Renewal Probability:	50%
Make good allowance:	\$100 per sqm
Vacancy period:	6 months
New lease term:	6 years
New lease rent reviews:	3 yearly
Net rent incentives:	6 months

Rating Valuation

Assessed as at 1st July 2017, Land Value \$2,700,000; Improvements Value \$8,550,000; Capital Value \$11,250,000.

6. Valuation

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

CAPITALISATION OF INCOME APPROACH			
		Market Rent	Contract Rent
Passing Income			
Occupied Space		\$ 582,035	\$ 579,464
Other Income		\$ 35,180	\$ 34,288
Leased Car Parks		\$ 152,880	\$ 150,524
Licensed Car Parks		\$ 35,100	\$ 34,300
Total Passing Income		\$ 805,195	\$ 798,576
Plus: Recovered Outgoings		\$ 214,033	\$ 214,033
Total Gross Income		\$ 1,019,228	\$ 1,012,610
Plus: Gross Income from Vacancies			
Vacant Floor Space		\$ 175,108	\$ 175,108
Vacant Other Income		-	-
Vacant Car Parks		\$ 5,200	\$ 5,200
FULLY LEASED GROSS INCOME		\$ 1,199,537	\$ 1,192,918
Less: Outgoings			
Recoverable Outgoings		\$ (259,186)	\$ (259,186)
FULLY LEASED NET INCOME		\$ 940,350	\$ 933,732
Capitalised at		7.10%	7.10%
Capitalised Value		\$ 13,244,369	\$ 13,151,148
Capital Adjustments			
Vacancies: Lease-Up Allowance	6 mths	\$ (90,154)	
Leasing Commission	16.0%	\$ (28,849)	
Total Lease-Up Costs		\$ (119,004)	\$ (119,004)
Rent-Free Incentive	6 mths	\$ (67,578)	\$ (67,578)
P.V. of Rental Surplus/Shortfall	7.10%	\$ 7,540	
Deferred Capitalised Rental Surplus/Shortfall	7.10%		\$ 100,526
Rent Shortfall (New Leases)		-	-
P.V. of Unexpired Incentives		\$ (73,518)	\$ (73,518)
P.V. of Future Lease-up Allowances	36 mths	\$ (57,605)	\$ (57,605)
P.V. Of Future Lease Incentives	36 mths	\$ (19,857)	\$ (19,857)
P.V. of Annual Capital Expenditure	36 mths	\$ (71,331)	\$ (71,331)
P.V. of Make Good Allowance	36 mths	\$ (27,175)	\$ (27,175)
P.V. of Programmed Capital Expenditure	36 mths	\$ (515,839)	\$ (515,839)
P.V. of Future Refurbishment Allowance	36 mths	-	-
Total Capital Adjustments		\$ (944,367)	\$ (851,380)
		\$ 12,300,002	\$ 12,299,768
INDICATED VALUE		\$ 12,300,000	\$ 12,300,000

Second, we have had regard to the combined land and buildings approach, whereby we apply our analysed rate per sqm to the total lettable area of the improvements. Our calculations are detailed as follows:

LAND & BUILDINGS APPROACH

8 Rockridge Avenue	3,108.2 sqm	@	\$3,800 per sqm	\$	11,811,084
		@	\$3,900 per sqm	\$	12,121,902
		@	\$4,000 per sqm	\$	12,432,720
		adopt			\$3,900 per sqm

INDICATED VALUE	\$ 12,100,000
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Our assessments are summarised and weighted as follows:

VALUATION SUMMARY

	<u>Weighting</u>		<u>Assessment</u>
Capitalisation of Income Approach	40%	\$	12,300,000
Land and Buildings Approach	40%	\$	12,100,000
Discounted Cash Flow Approach	20%	\$	12,100,000

ADOPTED MARKET VALUE	\$ 12,200,000
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6.1 Value Conclusion

In light of the contents of this report we conclude our opinion of market value for capital raising purposes of 8 Rockridge Avenue, Penrose, Auckland, as at 23 January 2019, at:

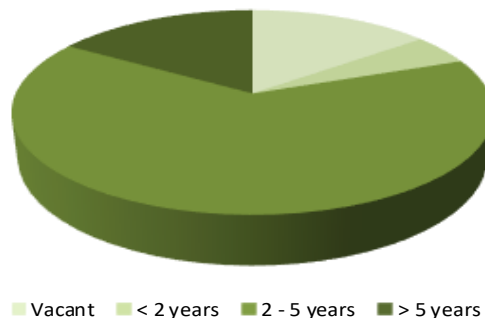
NZD\$12,200,000
(TWELVE MILLION TWO HUNDRED THOUSAND DOLLARS)

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

Valuation Summary Statistics

Valuation Date	23 January 2019
Assessed Market Value	\$12,200,000
Property	
Land Area	4,900.0 sqm
Total Net Lettable Area	3,108.2 sqm
Vacancy Rate	17.4%
Car Parks	145 spaces
Car Parking Ratio - 1 space per	21.4 sqm of NLA
Income	
Net Income (per annum)	\$753,423
Net Market Income (per annum)	\$940,350
Contract / Market	-19.9%
Valuation	
Adopted Capitalisation Rate	7.10%
Adopted Discount Rate	8.40%
Adopted Terminal Yield	7.30%
Analysis	
Yield on Net Income (Initial Yield)	6.18%
Yield on Net Market Income (Market Yield)	7.71%
Value per sqm of NLA	\$3,925
Value per sqm of NLA (excl. Car Parks)	\$2,962
Value per sqm of Land Area	\$2,490
10 year Internal Rate of Return	8.17%
WALT (On Occupied Space, by Net Income)	3.02 years
WALT (as above, incl. Market Income on Vacancies)	2.58 years

**Lease Expiry Analysis
by NLA**





Compliance Statement

This valuation has been performed in accordance with International Valuation Standards and I confirm that:

- The International Valuation Standards (IVS) 104 define Market Value as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion;
- The statements of fact presented in the report are correct to the best of the Valuer's knowledge and the analysis and conclusions are limited only by the reported assumptions and conditions;
- The Valuer has no interest in the subject property and the valuation fee is not contingent upon any aspect of the report;
- The valuation was performed in accordance with an ethical code and performance standards. The Valuer has satisfied professional education requirements and holds Professional Indemnity Insurance together with a current Valuers Practicing Certificate;
- The Valuer has experience in the location and category of the property being valued and has made a personal inspection of the property;
- No one, except those specified in the report, has provided professional assistance.

Our valuation is subject to the attached Limitations and Exclusions.

Yours faithfully

A handwritten signature in black ink, appearing to read 'M. Tooman'.

Matt Tooman
Registered Valuer
ANZIV, SPINZ

A handwritten signature in blue ink, appearing to read 'James Ngo'.

James Ngo
Valuer
BBS (VPM), MRICS, MPINZ

DISCLAIMERS, LIMITATIONS AND QUALIFICATIONS

Valuation Subject To Change:	Premise 1 – Real estate values vary from time to time in response to changing market circumstances. This valuation is based on available information as at the date of valuation. No warranty can be given as to the maintenance of this value into the future. It is recommended that the valuation be reviewed periodically.
Our Investigations:	Premise 2 – This valuation is conducted on the basis that we are not engaged to carry out all possible investigations in relation to the property. Where in our report we have identified certain limitations to our investigations, this is to enable you to instruct further investigations if you consider this appropriate. AIM Valuation Limited (AIM) is not liable for any loss occasioned by a decision not to conduct further investigations.
Assumptions:	Premise 3 – Assumptions are a necessary part of this valuation. AIM adopts assumptions because some matters are not capable of accurate calculation or fall outside the scope of our expertise, or our instructions. Assumptions adopted by AIM will be formulated on the basis that they could reasonably be expected from a professional and experienced valuer undertaking a similar valuation. However, the risk that any of the assumptions adopted in this document may be incorrect and have a material impact on the concluded value(s) should be taken into account.
Information Supplied By Others:	Premise 4 – The valuation contains information which is derived from other sources. Unless otherwise specifically instructed by you and/or stated in the valuation, we have not independently verified that information, nor adopted it as our own, or accepted its reliability. The person or entity to whom the report is addressed acknowledges and accepts the risk that if any of the unverified information/advice provided by others and referred to in the valuation is incorrect, then this may have an effect on the valuation.
Future Matters:	Premise 5 – To the extent that this document includes any statement as to a future matter, that statement is provided as an estimate and/or opinion based on the information known to AIM at the date of this document. AIM does not warrant that such statements are accurate or correct.
Site Details:	Premise 6 – A current survey has not been provided. This valuation is made on the basis that there are no encroachments by or upon the property and this should be confirmed by obtaining a current survey report and/or advice from a registered surveyor. If any encroachments are noted by the survey report, we should be consulted to reassess any effect on the value state herein.
Property Title:	Premise 7 – Our investigation has included searching of the Identifier and if appropriate and where available, the ground and/or building lease(s) and other relevant schedules and documents. We have assumed that there are no further easements or encumbrances not disclosed by this title search which may affect market value. However, in the event that more comprehensive Identifier searches are undertaken that reveal further easements or encumbrances, we should be consulted to reassess any effect on the value stated herein.
Environmental Conditions:	Premise 8 – In the absence of an environmental site assessment relating to the subject property, we have assumed that the site is free of elevated levels of contaminants. Furthermore, we have made no allowance in our valuation for site remediation works. However, it is important to point out that our visual inspection is an inconclusive indicator of the actual condition of the site. We make no representation as to the actual environmental status of the subject property. If a test is undertaken at some time in the future to assess the degree, if any, of contamination of the site and this is found to be positive, we reserve the right to review our valuation assessed herein, should we deem it to be necessary.
Resource Management:	Premise 9 – It is assumed that information provided to us by the relevant Local Authority Town Planning Department is accurate. In the event that a Land Information Memorandum report (LIM) is obtained and the information therein is found to be materially different to the town planning information details within this report, we reserve the right to amend the advice provided herein.
Inclusions & Exclusions:	Premise 10 – Where applicable, our valuation includes those items that form part of the building service installations such as heating and cooling equipment, lifts, sprinklers, lighting, etc., that would normally pass with the sale of the property, but excludes all items of plant, machinery, equipment, partitions, furniture and other such items which may have been installed by the occupant or are used in connection with the business/businesses carried on within the property.
Floor Area:	Premise 11 – Where we have not undertaken the floor area measurement, we have proceeded on the premise that the floor areas provided have been calculated in accordance with the PCNZ/PINZ Method of Measurement of Lettable Areas. We recommend that a survey be undertaken to determine whether the areas provided differ from these guidelines. In the event that there is a material variance in areas, we reserve the right to review our valuation as assessed herein.
Condition & Repair:	Premise 12 – We undertake inspections and conduct investigations as are, in our opinion, correct in our personal judgement, appropriate and possible in the particular circumstances. We have inspected the building; however, we advise that we have not carried out a structural survey nor tested any of the services or facilities and are therefore unable to state that these are free from defect. We advise that we have not inspected unexposed or inaccessible portions of the building and are therefore unable to state that these are free from rot, infestation, asbestos or other hazardous material. We have, however, viewed the general state of repair of the property and have provided relevant information in this regard within the main body of the valuation report. Our valuation proceeds on the premise that a detailed report of the structure and service installations of the building would not reveal any defects requiring significant expenditure that would have a material impact on the valuation conclusions. Additionally, we assume that the building complies with all relevant statutory requirements in respect of matters such as health, building and fire safety regulations. We advise that we did not receive an Asbestos Risk Audit from the owners and we confirm that we have completed our assessment on the basis that should an audit be undertaken, any asbestos material on site would not pose a health risk to occupiers.
Currency:	Premise 13 – All dollars are NZ\$.
International Valuation Standards Operative 2017 and Australia and New Zealand Guidance Notes:	Premise 14 – All valuations are carried out in accordance with the International Valuation Standards Operative 2017 and ANZVGN. "Market Value"; is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion".
Valuation Basis:	Premise 15 – No allowances are made in our valuations for any expenses of realisation or to reflect the balance of any outstanding mortgages either in respect of capital or interest accrued thereon.
LIM and PIM:	Premise 16 – Unless otherwise stated, we have not obtained Land Information Memoranda (LIM) or Project Information Memoranda (PIM) from the Territorial Authority.
Tenants Covenant Strength:	Premise 17 – Unless specifically requested, we do not make detailed enquiries into the covenant strength of occupational tenants but rely on our judgement of the markets perception of them. Any comments on covenant strength should therefore be read in this context. Furthermore, we assume, unless otherwise advised, that the tenant is capable of meeting its financial obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.
Site Conditions:	Premise 18 – We do not carry out investigations on site in order to determine the suitability of ground conditions and services, nor do we undertake environmental or geotechnical surveys. Unless notified to the contrary, our valuations are on the basis that these aspects are satisfactory and also that the site is clear of underground mineral or other workings, methane gas or other noxious substances. In the case of properties which may have redevelopment



potential, we proceed on the basis that the site has load bearing capacity suitable for the anticipated form of redevelopment without the need for additional and expensive foundations or drainage systems.

Taxation and GST:

Premise 19 – In preparing our valuations, no allowances are made for any liability which may arise for payment of income tax or any other property related tax, whether existing or which may arise on development or disposal, deemed or otherwise. We also specifically draw your attention to the fact that our valuation has been undertaken on a plus GST (if any) basis.

Confidentiality and Disclaimer of Liability:

Premise 20 – Our valuation and report is strictly confidential to the party to whom it is addressed and is prepared solely for the specific purpose to which it refers. No responsibility whatever is accepted for reliance on the valuation report for other purposes. Further, no responsibility whatever is accepted to persons other than the party to whom the valuation and report is addressed for any errors or omissions whether of fact or opinion.

Publication:

Premise 21 – Neither the whole nor any part of our reports, nor any reference thereto, may be included in any published document, circular or statement, nor published in any way without our written approval of the form and context of such publication or disclosure. Such approval is required whether or not AIM is referred to by name and whether or not the reports are combined with others.





RECORD OF TITLE



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



R.W. Muir
Registrar-General
of Land

Identifier NA111A/218
Land Registration District North Auckland
Date Issued 30 April 1997

Prior References
NA95A/324

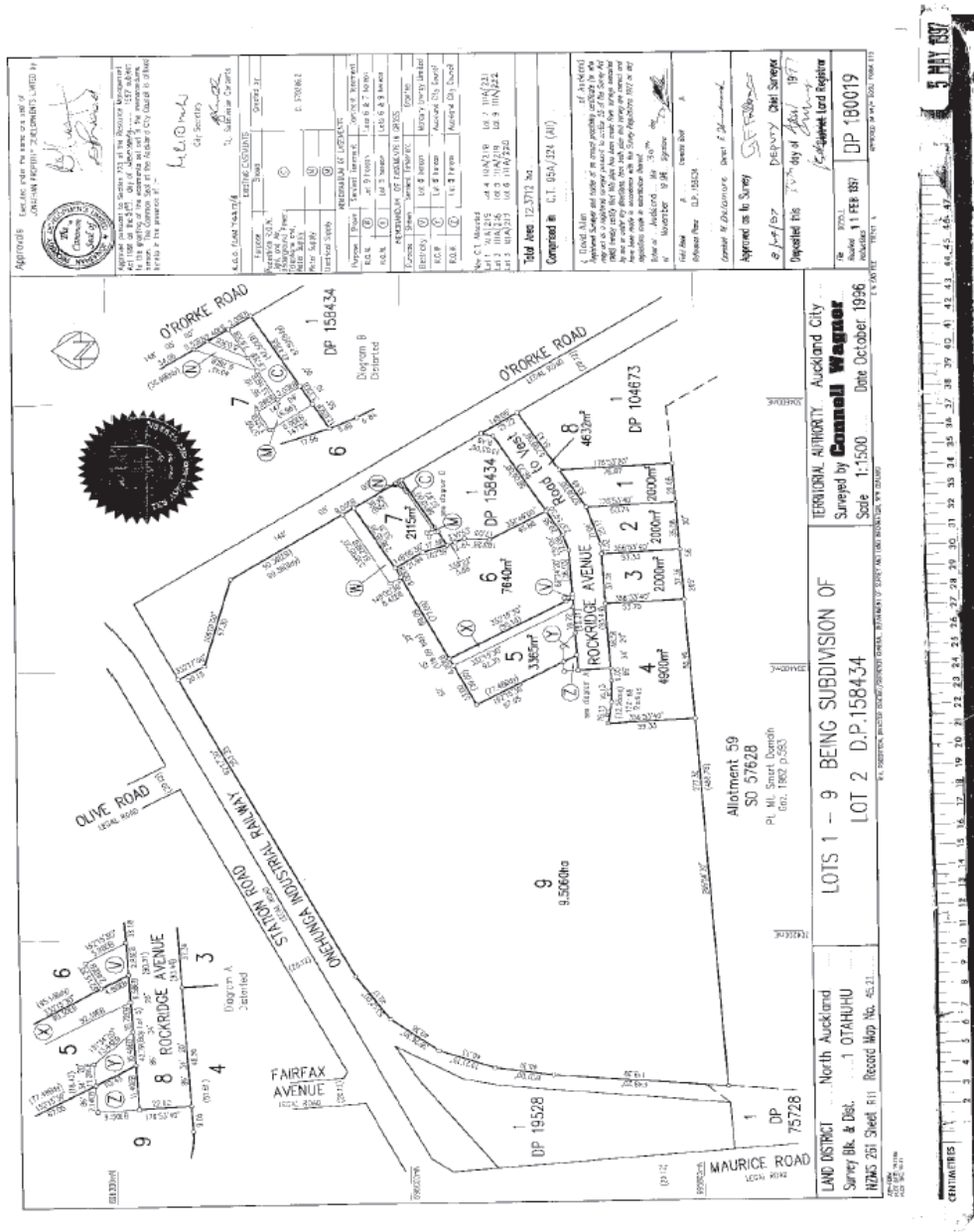
Estate Fee Simple
Area 4900 square metres more or less
Legal Description Lot 4 Deposited Plan 180019

Registered Owners
PMG Direct Office Fund Trustees Limited

Interests
11165428.3 Mortgage to ASB Bank Limited - 10.7.2018 at 4:14 pm



NA111A/218



Transaction Id
Client Reference vthomson001

Search Copy Dated 22/01/19 4:43 pm, Page 2 of 2
Register Only

DISCOUNTED CASHFLOW ANALYSIS

DISCOUNTED CASH FLOW SUMMARY

Selling Considerations

Terminal Yield	7.30%
Agent Commission	1.50%
Legal Fees	0.50%

Target IRR	8.40%
Net Present Value	12,094,503
INDICATED VALUE	12,100,000

Purchase Considerations

Purchase Price	12,100,000
Legal Fees	0.50% 60,500
Cost of Purchase	12,160,500

Valuation Year	1	2	3	4	5	6	7	8	9	10	11
Year Ending	Jan-20	Jan-21	Jan-22	Jan-23	Jan-24	Jan-25	Jan-26	Jan-27	Jan-28	Jan-29	Jan-30
Income											
Passing Rent (as occupied)	620,064	617,819	557,871	189,794	127,051	130,863	21,917	0	0	0	0
Car Park Rent	150,616	148,004	130,761	54,103	40,193	41,399	6,933	0	0	0	0
New Leases	65,785	140,753	197,032	513,213	690,188	694,316	759,805	860,322	842,633	800,012	941,754
Future Car Park Income	40,760	46,660	70,838	161,612	182,628	187,096	220,197	231,457	237,244	243,175	249,254
Recovered Outgoings	236,610	262,249	261,228	242,632	281,927	288,129	271,740	298,531	298,827	278,914	325,674
Rent Shortfall (New Leases)	(30,284)	0	0	0	0	0	0	0	0	0	0
Total Income	1,083,550	1,215,486	1,217,731	1,161,354	1,321,988	1,341,802	1,280,593	1,390,310	1,378,703	1,322,101	1,516,682
Less											
Recoverable Outgoings	(259,186)	(265,666)	(270,979)	(276,399)	(281,927)	(288,129)	(295,045)	(302,421)	(309,981)	(317,731)	(325,674)
Non-Recoverable Outgoings	0	0	0	0	0	0	0	0	0	0	0
Unexpired Incentives	(75,000)	0	0	0	0	0	0	0	0	0	0
Ground Rent	0	0	0	0	0	0	0	0	0	0	0
Vacancy Allowance - Licensed Car Parks	5% (1,775)	(1,819)	(1,865)	(1,909)	(1,954)	(2,001)	(2,051)	(2,103)	(2,155)	(2,209)	(2,264)
Total Net Income	747,589	948,001	944,887	883,046	1,038,107	1,051,672	983,497	1,085,787	1,066,567	1,002,161	1,188,744
Adjustments											
New Lease Commissions	(28,776)	(4,282)	(12,564)	(43,014)	0	0	(30,485)	0	(4,943)	(46,221)	(18,324)
New Lease Incentives	(65,785)	(4,592)	(18,956)	(95,392)	(18,060)	0	(51,275)	(19,125)	(10,679)	(106,678)	(42,081)
Annual Capital Expenditure (% of Income)	(22,428)	(28,440)	(28,347)	(26,491)	(31,143)	(31,550)	(29,505)	(32,574)	(31,997)	(30,065)	(35,662)
Make Good Allowance	0	(8,224)	(23,447)	(80,674)	0	0	(56,214)	(9,476)	(27,173)	(93,820)	0
Programmed Capital Expenditure	(92,604)	(205,260)	(286,201)	(383,524)	(69,536)	0	0	0	0	0	0
Future Refurbishment Allowance	0	0	0	0	0	0	0	0	0	0	0
Net Sale Price											16,010,346
NET CASH FLOW	537,996	697,202	575,373	253,950	919,367	1,020,122	816,019	1,024,613	991,774	725,378	16,010,346

TENANCY SCHEDULE

Tenant	NLA (sqm)	Car Parks	Contract Rent (\$pa) (\$psm)		Other Income	Outgoings (\$pa) (\$psm)		Car Park Rent (\$pa) (\$pw)		Lease Start	Lease Term	Lease Expiry	Option(s) (years)	Option Notice	Standard Review	Ratchet Clause	Next Review		
Tenancies																			
1 Matrix Security Group Ltd	709.7	30	127,728	179.98	34,288	59,179	83.39	37,852	24.26	18-Aug-10	10.00	17-Aug-20							
2 Vacant	541.5																		
3 Advance Retail Technology Ltd	440.5	22	110,130	250.00		36,734	83.39	34,840	30.45	1-Apr-19	6.00	31-Mar-25	1	12 mths					
4 IPSOS Limited	447.4	26	105,134	235.00		37,306	83.39	36,400	26.92	1-Aug-15	6.00	31-Jul-21	1	3 mths					
5 SGS New Zealand Limited	969.1	37	236,472	244.01		80,813	83.39	41,432	21.53	1-Nov-15	6.25	31-Jan-22	1	3 mths	Ann. Indexed 3.0%/3.0 yrl	Hard	1-Nov-19		
Car Parks																			
Licensed Car Parks		26						34,300	25.37	Various		Various							
Vacant Car Parks		4																	
Total	3,108.2	145	579,464	186.43	34,288	214,033	68.86	184,824	24.51										
Total Annual Rent			798,576 (excluding outgoings from net leases)							Weighted Average Lease Term:				3.02 years					