BAYLEYS

IN ASSOCIATION WITH Knight Frank

Market Valuation **Report**

PMG Generation Fund Trustees Limited C/- PMG Property Funds Management Limited
11-13 Gough Street, Seaview, Lower Hutt

Prepared by
Bayleys Valuations Limited
21 December 2021

Valuation Summary

Property Address	11-13 Gough Street, Seaview, Lower Hutt
Client	PMG Generation Fund Trustees Limited C/- PMG Property Funds Management Limited
Additional Parties	Refer to Section 1.3
Instructing Party	Prisillia Woe on behalf of PMG Property Funds Management Limited
Purpose of Valuation	To assess the Market Value for Mortgage Security, Capital Raising and Financial Reporting Purposes
Basis of Valuation	Fair Value, by applying Market Value
Valuation Approach	Income Approach
Legal Description	Record of Title: Identifier 583085; Section 6 Survey Office Plan 452270
Interest Valued	Freehold
Zoning	Special Business Activity Area
Date of Inspection	9 December 2021
Date of Valuation	21 December 2021
Caution	Refer to section 1.6 – Market Precaution

Property Summary

The subject property comprises a series of industrial warehouse structures plus ancillary office and yard/circulation spaces, situated at the western end of Gough Street. Centrally positioned on site, the improvements provide universal industrial accommodation, in terms of functionality and provide useful drive-through capabilities. Ongoing demand for industrial property remains strong and Seaview/Gracefield has attracted quality national and international tenants, providing good connectivity to major arterial roading.

Leased to **H J Asmuss & Co Ltd** for ten (10) years, the net rental is subject to 2.75% p.a. pre-set increases throughout the term and market reviews upon renewal. The net passing rental equates to **$600,989.25 p.a. plus GST** and the Lessee is responsible for 100% of property related operating expenses. Since lease commencement, there has been a shift in market demand and consequently, the passing rental is now considered under rented.

Over the preceding 24-month period, we have witnessed unprecedented demand for industrial related assets due to a paucity of stock, low interest rates and the defensive nature of this asset class. However, some impending economic headwinds are emerging, namely interest rates and debt borrowing costs are on the rise domestically which may lead to a corresponding adjustment in yields.

Overall, the subject property is an attractive investment proposition underpinned by its lease covenant and underlying market demand for stock of this nature.

Adopted Market Value

We are of the opinion that the Market Value of the subject property, subject to the overriding stipulations contained in the body of this report, and to there being no onerous restrictions or unusual encumbrances of which we are not aware is as follows:

Thirteen-Million, One-Hundred Thousand Dollars
(NZ$13,100,000)
plus GST (if any)

Valuer Involvement

Valuer	Position	Inspection	Calculations	Reporting
Paul Butchers	Registered Valuer	Yes	Yes	Yes
Charlie Tudehope	Valuer	Yes	Yes	Yes

Property Details

Lettable Floor Area	5,376 sqm	Parking	On-Site
Total Land Area	9,091 sqm	Zoning	Special Business

Financial Analysis

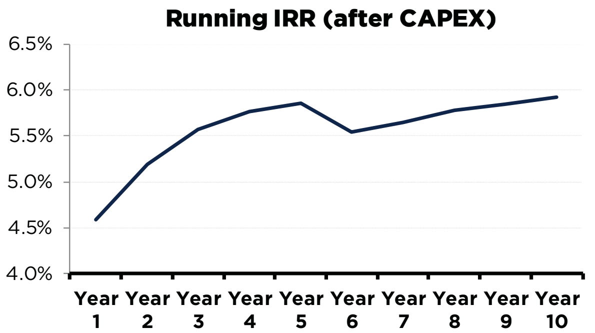
Net Passing Income	$600,989	Adopted Outgoings	($176,053)
Net Market Income	$672,920	Adopted Outgoings ($/sqm)	$32.75 /sqm
NPI + Mkt on Vacancies	$600,989	Adopted Gross Passing Income	$777,042
Vacancy	0%	Adopted Gross Market Income	$848,973

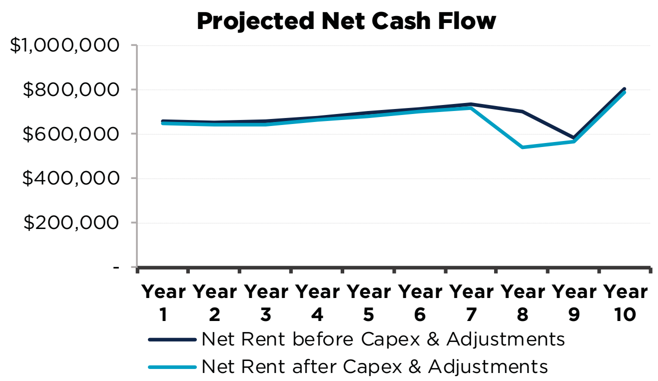
Valuation Approaches

Market Capitalisation Method	$13,150,000	Sales Comparison Method	N/A
Discounted Cash Flow Method	$13,000,000	Adopted Value	**$13,100,000**

Valuation Analysis

Market Capitalisation Rate	5.00%	Capex (PV over 10 years)	$192,241
Initial Yield	4.59%	Lease Renewal Prob	50.00%
Equivalent Market Yield	5.01%	Mkt Growth (10 yr avg.)	2.35%
Discount Rate	6.00%	CPI Growth (10 yr avg.)	2.58%
Ten Year IRR	5.92%	Vacancy Allowance	4 months
Terminal Yield	5.75%	WALT (Income)	7.97 years
Net Rate ($ per sqm)	$2,437 /sqm	WALT (Area)	7.97 years





Contents

1. Introduction

1.1 Instructions

In accordance with instructions received from Prisillia Woe on behalf of PMG Property Funds Management Limited, we have assessed the Market Value of the property at **11-13 Gough Street, Seaview, Lower Hutt**, for Mortgage Security, Capital Raising and Financial Reporting Purposes.

We can confirm that this report and our valuation can be relied upon for finance purposes.

PINZ Professional Practice guidelines and International Valuation Standards require the property be valued as at date of inspection, which we confirm as 9 December 2021. Our valuation is for financial reporting purposes and is effective as at 21 December 2021. Our valuation assumes that there are no significant physical or market changes between the date of inspection and our effective date of valuation.

1.2 Basis of Valuation

This valuation has been completed under the International Valuation Standards – IVS (effective 31 January 2020), and the relevant Australia and New Zealand Valuation and Property Standards as approved by the New Zealand Institute of Valuers (NZIV), in particular:

- IVS 400 - Real Property.
- ANZVGP 111 – Valuations Procedures – Real Property.
- ANZVGP 112 – Valuations for Mortgage and Loan Security Purposes.
- NZVGP 502 Valuations of Real Property, Plant & Equipment for use in New Zealand Financial Reports and NZIAS 40 – Investment Property, which relates to non-operational assets held for future development, investment or surplus to the operations of the entity.

We have adopted the IFRS 13 definition of "Fair Value" as follows:

"Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

This definition of "Fair Value" is generally synonymous with the term "Market Value" as defined in the International Valuation Standards – IVS (effective 31 January 2020) 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 knowledgably, prudently and without compulsion."

In adopting this definition of value, we are of the opinion that it is consistent with the international definition of market value as advocated by the New Zealand Institute of Valuers and Property Institute of New Zealand.

The property's value has been assessed in accordance with Australia and New Zealand Valuation and Property Standards, and with Bayleys Valuations Limited General Valuation Principles.

1.3 Liability and Confidentiality

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 whatsoever is accepted for reliance on the valuation report for other purposes. Further, no responsibility whatsoever is accepted to persons other than the party to whom the valuation and report is addressed for any errors or omissions whether of fact or opinion.

This report can be relied upon by the following parties for their respective purposes:

- PMG Generation Fund Trustees Limited – Capital Raising and Financial Reporting Purposes.
- ASB Bank Limited as the Security Trustee.
- Kiwibank Limited.
- Industrial and Commercial Bank of China Limited, Auckland Branch.
- Bank of China Limited, Auckland Branch.

This valuation is not intended for general circulation, publication, or reproduction for any purpose without written permission in any specific instance. No responsibility is accepted nor any liability for losses occasioned by yourselves, any financier, or other parties as a result of the circulation, reproduction or use of this valuation.

We reserve the right (under no obligation) to review the valuation and revise our opinion after the release of this valuation, if any previously withheld information becomes known to us or erroneous information has been provided and relied upon.

1.4 Information Sources

In the compilation of this valuation, we have been provided with detail of, but not limited to the following sources:

Information	Source
Record of Title	Land Information New Zealand
District Planning Controls	Local Territorial Authority
Property Files (Lease Documents, OPEX & CAPEX)	PMG Property Funds Management Limited

1.5 Compliance Statement

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

- The statements of fact presented in the report are correct to the best of the Valuer's knowledge;
- The analyses and conclusions are limited only by the reported assumptions and conditions;
- The valuer has no interest in the subject property;
- The valuer's fee is not contingent upon any aspect of the report;
- The valuation was performed in accordance with an ethical code and performance standards;
- The valuer has satisfied professional education requirements;
- The valuer has experience in the location and category of the property being valued;
- The valuer has made a personal inspection of the property; and
- No one, except those specified in the report, has provided professional assistance in preparing the report.

1.6 Market Precaution

At the time of our valuation, and also over the period leading up to our report release, there were no known cases of COVID-19 within the Wellington "community", but it is only a matter of time before the latest Delta variant spreads throughout the country.

During 2020 / 2021, COVID-19 has had little to no negative impact on market conditions in the Wellington area. Any slight uncertainty was being more than offset by buyers having the confidence to invest in most property categories, evidenced by strong demand and upward price movements. As a substantial proportion of the population is now vaccinated, any earlier risk has been minimised, however, we suspect that the property market will encounter a "speedbump" as the variant extends its hold on the country.

The property market has been on an upward trajectory for the past five years, fuelled by low interest rates, pent up demand, limited supply of stock presented to the market, and changes in government policy regarding residential investment tax deductibility. Many of these "drivers' are now facing "headwinds" and some easing in the property cycle is likely as central government implement steps to kerb rising inflation. We are already starting to witness signs that a market shift is occurring, evidenced by banks imposing tighter lending restrictions and a slight elevation in buyer caution. As history has taught us, the property market traverses high and low cycles, and the latest underlying indicators suggest that a change may well be imminent.

1.7 Valuation Assumptions

In completing our valuation, the following property specific assumptions have been made:

- We have placed total reliance on the Sales & Purchase Agreement dated 1 March 2021, in particular the vendor underwrite relating to the billboard/signage lease which essentially covers any rental shortfall. Any variation to these terms/conditions may warrant an amendment to our valuation.
- We have compiled a pro forma rates expense budget for the subject property reflecting an anticipated revised capital value. Any significant variation to this would have a compounding impact on our concluded value. We therefore reserve the right to review our valuation once the capital value has been established.
- No value provision has been ascribed to the two existing decommissioned gantry cranes, nor allowances for their removal.

1.8 Previous Sale

The property most recently transacted for **$13,100,000** in March 2021.

1.9 Previous Valuation

We have previously valued this property for Mortgage Security, Capital Raising and Financial Reporting Purposes, most recently in March 2021 at **$13,100,000** plus GST (if any).

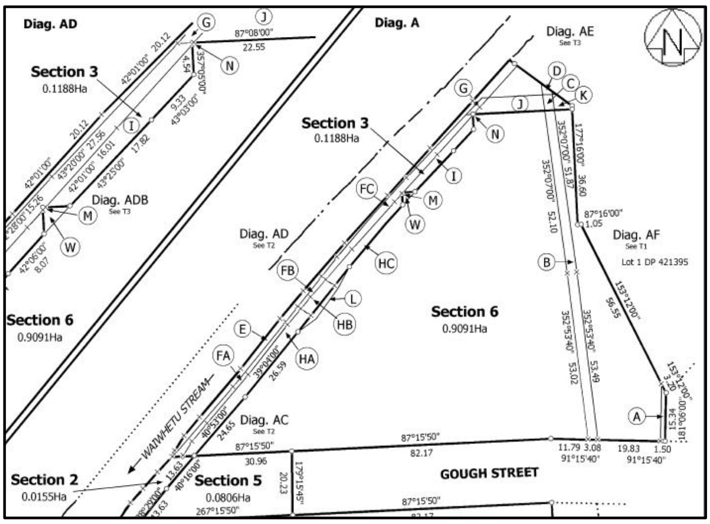
2. Property Details

2.1 Legal Description

We detail a summary of the Record of Title as below:

Identifier	583085
Land Registration District	Wellington
Estate	Fee Simple
Legal Description	Section 6 Survey Office Plan 452270
Land Area	9,091 square metres (more or less)
Registered Owners	PMG Generation Fund Trustees Limited
Interests	• Subject to a sewage right (in gross) over part marked B on SO 452270 in favour of The Lower Hutt City Council created by Deed of Easement 861/50 - 24.9.1959 at 11:02 am • Subject to a drainage right (in gross) over part marked M, N on SO 452270 in favour of The Lower Hutt City Council created by Deed of Easement 861/51 - 24.9.159 at 11:03 am • Subject to Section 59 Land Act 1948 • Subject to a stormwater drainage right over part marked A on SO 452270 created by Easement Instrument 8252654.4 11.8.2009 at 9:00 am • Appurtenant hereto is a maintenance easement created by Easement Instrument 9143428.3 - 2.8.2012 at 2:59 pm • Appurtenant hereto is a right of way and a right to use truck wash facility created by Easement Instrument 9143428.4 - 2.8.2012 at 2:59 pm • Subject to a right of way over part marked M, W on SO 452270 created by Easement Instrument 9143428.5 - 2.8.2012 at 2:59 pm • Subject to a right of way over part marked L on SO 452270 created by Easement Instrument 9143428.6 - 2.8.2012 at 2:59 pm • 12193533.3 Mortgage to ASB Bank Limited - 30.7.2021 at 4:20 pm

The Title Plan is shown below:



The sewage right easement part marked B, relates to a 3-metre-wide strip that spans in a north-south direction underneath Warehouse D on the eastern edge of the subject parcel. The **Maintenance Easement (9143428.3)** allows the dominant tenement (subject parcel) the right to access over the easement facility marked J, K, C and G for the purpose of undertaking maintenance and repair to the Grantee's buildings (Asmuss Investments Ltd).

Easement Instrument 9143428.4 is a Right of Way and Right to Use Truck Wash Facility Easement located on the northwestern boundary running parallel to Waiwhetu Stream. Essentially, this designated area is an extension of the existing yard forming part of the subject parcel. For clarity, we have excluded this component from our adopted yard area due to the non-exclusive nature of this interest.

Additionally, the subject parcel is the servient tenement in both **Easement Instruments 9143428.5 and 9143428.6**, these areas comprising parts marked M, L and W. Referencing the Title Plan, these areas are situated to the northwestern boundary running parallel to Waiwhetu Stream and more particularly the corner 'cut-out' portion of Warehouse B and the designated Truck Wash Facility.

We have noted all the above easements and encumbrances and have taken them into account in our valuation assessment. We refer you to the Record of Title in the Appendices of this report.

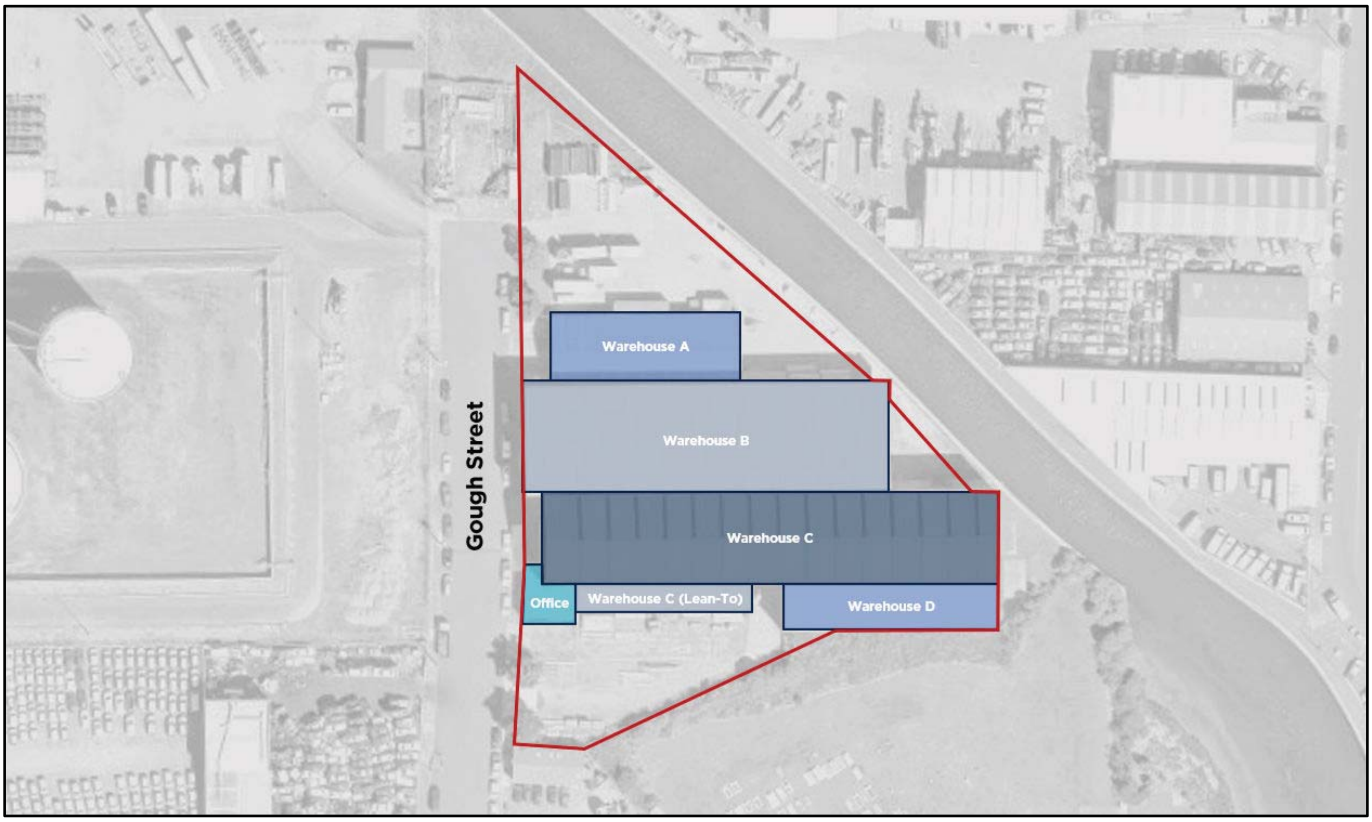
2.2 Site Description

We summarise the site details as below:

Shape and Site Area	Triangular shaped lot encompassing some 9,091 square metres.
Approximate Frontages	Gough Street 149.33 metres
Topography	Site contour is essentially level throughout.
Services	All standard utility services, telecommunications, drainage and water connections are connected or available in the nearby streets.
Access	Pedestrian and vehicular access is gained from Gough Street.
Subsoil	The site is situated on reclaimed land acquired circa mid-1950s. As per the Silvester Clark Detailed Seismic Assessment (DSA) Report, we understand that the subject land is identified as being 'Subsoil Class D', categorised as being 'sites that are typically deep or soft soil'.

The site is indicated below:

The respective warehouse structures are located below for identification purposes:



2.3 Locality

We summarise the locality details as below:

Location	Seaview, Lower Hutt
Situation	The original major warehouse building dates back to the 1960s and was formerly home to CablePrice Corporation, importers and distributors of specialist industrial machinery and commercial vehicles. Located on reclaimed land, the subject property comprises a triangular shaped lot nestled between Waiwhetu Stream and Owhiti Urupa Seaview (Seaview Cemetery). Records indicate that the original site was altered in 2002 following a land swap with the Owhiti Urupa Trustees. Essentially, the subject parcel gained 134 square metres of land from the Trustees and Trustees gained 141 square metres in return allowing an extension to Warehouse D. Historically, Seaview & Gracefield has been home to Government Stores, wool stores, engineering workshops and older style manufacturing operations. Oil installations occupy large sites towards the southern sector of the region, with pipelines providing connections to the Pt Howard oil berthage and wharf. Over the past two decades, several major manufacturing industries have relocated north, replaced largely by a number of transport logistic companies and light industrial businesses. Some new buildings have been constructed over recent years, the latest for PlaceMakers on Seaview Road, a new Master Pet building on Hutt Park Road and a logistic warehouse at 106 Hutt Park Road. In addition, Macaulay Metals are also currently constructing a new industrial metal processing shed at 45 Seaview Road encompassing circa 1,500 square metres. Seaview Road is a wide carriageway and continues to the south as Marine Drive, being the primary connection to those suburbs flanking the eastern harbour. Traffic volumes are heavy throughout the day and generous kerbside parking is available to either side. Local nearby retailing is limited, with the closest facilities located in Moera, some 3 kilometres to the north.
Surrounds	Neighbouring properties are diverse; some properties have undergone extensions and upgrades over the years aimed at repositioning the accommodation to capitalise on the shift in tenant demand towards high stud clear span warehouse space which is a prerequisite for most logistic and racking type operations. Gough Street comprises mostly small-to-medium sized workshop-type structures, erected during the 1960s, servicing automotive/car-wrecker oriented applications. Secondary access to the New Zealand Oil Services Limited Hutt City Terminal is obtained at the western end of Gough Street, whilst TR Group utilise a large, secured storage yard from the same. To the southeast on Seaview Road, Macaulay Metals occupy a large site utilised as a scrap metal depot, alongside are Humes Pipes and the newly constructed PlaceMakers hardware store.

	On the harbourside of Seaview Road are a number of small business entities including Gough, Gough & Hamer, Beaurepaires, various service workshops and a container storage yard.
Motorway / Public Transport	Access to State Highway 2, at the Petone interchange, is some 5 kilometres to the west, with the intersection of State Highways 1 and 2 at Ngauranga a further 5 kilometres to the southwest.
Summary	The property is well-located within Seaview with good connections to major arterial roading and rail network linkages. Seaview is recognised as an established industrial precinct, albeit a lot of the former heavy industries have been replaced by logistic related companies over the past decade. We foresee this trend continuing due to the large-scale nature of many sites, and space requirements sought after by logistic distributors for their business operations.

The locality is indicated below:

2.4 Zoning

Territorial Authority	Hutt City Council
District Plan	City of Lower Hutt District Plan
Zoning	Special Business Activity Area
Zone Description	The Special Business Activity Area is located in Seaview/Gracefield where large scale business operations have been accommodated for a number of years. The area accommodates a long established and regionally important area for industrial activities including the location of the regional oil terminal and storage facilities for the oil industry and other large-scale industrial activities. Some of these business operations manufacture, handle, use or store hazardous

	substances in large quantities. Such hazardous facilities are not appropriate in other business activity areas of the City which are near residential development or environmentally sensitive areas.
Permitted Activities	Permitted Activities Conditions are as follows: • Buildings and structures abutting an urupa shall have a minimum setback of 3m. • Maximum Height of Buildings and Structures shall not exceed 20m. • Maximum site coverage is 100% subject to compliance with yards and screening requirements and off-street carparking, loading and unloading requirements, and that portion of the site not covered shall be to the rear of the site for servicing and parking provision. • All outside areas shall be sealed, surfaced or managed appropriately so that there is no dust nuisance at or beyond the boundary of the site, and all use, handling and storage of goods, raw materials and waste materials shall be undertaken in such a manner so that there is no dust nuisance at or beyond the boundary of the site. • All activities shall be carried out in such a manner so as to ensure that there is not an offensive odour or fumes at or beyond the site boundary. • There shall be no retail activities except in the following circumstances: o Where the goods are manufactured on site; provided that the retailing shall be ancillary to such manufacturing. For the purposes of this Section, manufacturing excludes those activities which comprise only the packing, labelling, sorting, mixing or assembling of pre-made products; o Where the retail activity provides a food service, provided the gross floor area does not exceed 100 sqm; o Where the retail sale of goods is from a service station; and o Retailing of bituminous products. • No residential activities are permitted except where it is necessary to provide living quarters for a caretaker on site.
Overlays	Nil
Objections	Nil
Territorial Authority	Hutt City Council

N.B. As denoted on the abovementioned site plan (Section 2.2), the subject land is located immediately adjacent to Owhiti Urupa Seaview (Seaview Cemetery). As per Section 6B 2.1.1 (b), buildings and structures abutting an urupa shall have a minimum setback of 3m. We highlight that Warehouse D borders the easternmost edge of the perimeter boundary and does not comply with the 3m setback requirement. Enquiries with Hutt City Council advise that the resource consent for this non-complying activity and warehouse extension was granted on 21 June 2002, following written consent from Owhiti Urupa Trustees.

Our valuation proceeds on the basis and is subject to the property being a complying activity and/or having all necessary consents and permits in place and/or having existing use rights under Section 10 of the Resource Management Act 1991.

The foregoing zone summary has been provided for valuation purposes only and should not be relied upon for the purposes of determining whether a particular activity or development is permitted within the zone. Should you require information in this regard we recommend you consult with a Planning Consultant or the Local Authority.

2.5 Highest and Best Use

The current use which is industrial is considered to be the highest and best use of the site. The subject land does provide yard areas that over time could be further subdivided and redeveloped, capitalising on the overall site area and increasing shortage of alternative redevelopment sites available.

3. Environmental and Statutory

3.1 Earthquake Compliance

A new national system for managing earthquake-prone buildings in New Zealand came into effect on 1 July 2017. The new system affects owners of earthquake-prone buildings, territorial authorities (local councils), engineers, other building professionals and building users.

The Building (Earthquake-Prone Buildings) Amendment Act 2016 introduced major changes to the way earthquake-prone buildings are identified and managed under the Building Act. It uses knowledge from past earthquakes in New Zealand and overseas. The system is consistent across the country and focuses on the most vulnerable buildings in terms of people's safety.

An earthquake prone building is defined under legislation as being a building whose strength is less than one-third of that required under the existing legislation for a new building (NZS 1170.5:2004). Once a building is classified as earthquake prone it will need to be strengthened or, if appropriate, demolished. The objective is to improve safety and increase the likelihood of existing buildings withstanding earthquakes.

The new legislation categorises New Zealand into three seismic risk areas and sets time frames for identifying and taking action to strengthen or remove earthquake-prone buildings. The seismic risk areas are High, Medium and Low. There is also a category of "priority buildings" in high and medium seismic areas. These are buildings that are considered higher risk because of their construction, type, use or location. They must be identified and remediated in half the time allowed for other buildings in the area. The system is also designed to ensure that information about earthquake prone buildings is publicly accessible through an Earthquake Prone Buildings Register.

The new national system ensures the way buildings are managed for future earthquakes is consistent and is intended to strike a balance between the following:

- Protecting people from harm in an earthquake.
- The costs of strengthening or removing buildings.
- The impact on New Zealand's built Heritage.

The typical process is:

- Territorial authorities identify potentially earthquake prone buildings.
- Owners who are notified by their territorial authority must obtain engineering assessments of the building carried out by suitably qualified engineers.
- Territorial authorities determine whether buildings are earthquake prone, assign ratings, issue notices and publish information about the buildings in a public register.
- Owners are required to display notices on their building and to remediate their building.

Seismic Risk Area	Example Locations	Priority	Other
High	Gisborne, Napier, Hastings, Palmerston North, Wellington, Blenheim, Christchurch	7.5 years	15 years
Medium	Tauranga, Hamilton, Rotorua, New Plymouth, Whanganui, Nelson, Timaru, Invercargill	12.5 years	25 years
Low	Northland, Auckland, Oamaru, Dunedin	N/A	35 years

Seaview is located in a High Seismic Risk Area. Time frames for owners to do seismic work on earthquake-prone buildings are shown above. We note priority buildings do not have to be identified in low seismic risk areas. In these low seismic risk areas, the time frames for all buildings are 15 years to identify and 35 years to remediate.

We have previously been provided with a Draft Detailed Seismic Assessment (DSA) Report conducted by Silvester Clark dated February 2021 which states the following seismic ratings and structural systems for the respective structures:

Property	NBS% Rating	Structural System
Warehouse A	**70%**	Lateral resisting system provided by steel portal frames in the transverse direction and by moment resisting framed in the longitudinal direction.
Warehouse B	**100%**	Steel portal frames acts as the primary lateral system in the transverse direction and steel cross bracing in the longitudinal direction.
Warehouse C	**70%**	
Warehouse D	**70%**	Lateral resisting system provided by steel portal frames in the transverse direction with cross bracing to the east elevation and precast panels to the west elevation providing lateral resistance to the longitudinal direction
Office Building	**67%**	Single storey concrete building with lightweight steel trusses supported on concrete walls and concrete frames. Mixture of reinforced concrete frame and walls in both longitudinal and transverse direction.

3.2 Contamination

As defined by the Australian and New Zealand Environment and Conservation Council (ANZECC) and the National Health and Medical Research Council (NHMRC) a contaminated site comprises "a site at which hazardous substances occur at concentrations above background levels, and where assessment indicates it poses or is likely to pose an immediate or long term hazard to human health or the environment".

Registered Valuers are not adequately qualified to detect substances of this type. Our role is limited to the detection and preliminary identification of contamination through making reasonable site inspections and making enquiries to appropriate authorities.

During inspections Bayleys Valuations Limited attempts to identify, from on-site observations, any potential or actual contamination issues thereafter recommending further expert advice where appropriate.

Within our previous valuation, the Greater Wellington Regional Council (GWRC) Selected Land Use Register (SLUR) recorded that the subject property had no prior records of any contaminated activity having been undertaken or recorded on site. Subsequently, it has been brought to our attention that the site now meets the Ministry for the Environment Hazardous Activity and Industry List (HAIL) classification for category A – Mineral extraction, refining and reprocessing, storage and use, activity 17 - Storage tanks or drums for fuel, chemicals or liquid waste.

Evidence of the HAIL activity was confirmed from a site investigation and environmental sampling report undertaken by ENGEO. We detail below an extract from the GWRC SLUR site history;

"The ENGEO report concluded that there were no human health exceedances, and that the proposed use of the site it is unlikely there will be a risk to human health. The contents of the tank were unknown, however, long chain hydrocarbons, indicate heavier oils had been stored. The sampling results showed heavy metals present in the groundwater, due to these concentrations and the proximity of the Waiwhetu Stream, the report recommended that further investigation is undertaken."

We have completed our valuation on the basis that the site is free of contaminants and have made no allowance in our valuation for site remediation works.

As Valuers, we are not qualified to provide an opinion on potential environmental threats. This matter aside, the risk factor would appear to be quite low.

3.3 Asbestos

We have previously been provided with an Asbestos Management Plan & Survey completed by ENGEO as at 6 December 2019 and 21 February 2019, respectively. The latter identifies no high-risk materials present on site; however, several medium and low risk materials were recorded as being present along with a recommendation outlined and to be included within the Asbestos Management Plan and actioned accordingly. No further documentation has been sourced since our prior report and our valuation assumes that the highlighted areas are addressed noting most require the identification that asbestos is present and labelled accordingly.

3.4 Building Warrant of Fitness

With the introduction of the Building Act 2004 and amendments in 2005, building owners have new responsibilities to guarantee a building's health and safety. Part of this responsibility includes the annual Building Warrant of Fitness. The Building Warrant of Fitness is the owner's statement that all automatic systems or all safety features have been inspected and maintained on a regular basis during the previous 12 months. The automatic systems or safety features which require an ongoing inspection are summarised on the Building Warrant of Fitness.

We have been provided with a copy of the Building Warrant of Fitness which was current as at the date of inspection. We note that the stated date of expiry is 30 April 2022.

3.5 Statutory Valuation

The latest Rating Valuation which was undertaken as at 1 September 2019 is as follows:

Land Value	$2,910,000
Improvements Value	$3,110,000
Capital Value	$6,020,000
Rates 2021/2022 (incl. GST)	**$52,864.76**

These assessments represent part of a mass appraisal, normally without any form of inspection. The Rating Valuation is reviewed on a three yearly basis with the next review due on 1 September 2022.

The 2019 Capital Value of $6.02 million is grossly understated, and for time being, this results in a rating benefit to the Lessee on account of the net lease structure. However, when the Rating Valuation is next reviewed in September 2022, the concluded Capital Value will undoubtably be more closely align to the 2021 sale price, resulting in a significant uplift in rates payable from July 2023.

We have made provisions for this increase in outgoings within our calculations by adopting estimated rates based on a Capital Value of $11 million. For the intervening period, a present value benefit for the rates shortfall has been made through to June 2023.

4. Improvements

4.1 Property Description

Occupying a large level site, the subject improvements comprise various industrial warehouse-type structures and ancillary office accommodation, originally erected in the 1960s, with subsequent extensions in more recent years. The four warehouse buildings are sited adjacent to one another spanning lengthwise in a north-south direction and providing drive-through capabilities.

Primary structural systems to the four warehouses consist of predominantly steel portal frames resting on reinforced concrete foundations supporting steel purlins and topped with lightweight corrugated iron roofing. The office and amenities building is a single-storey concrete structure with lightweight steel trusses supported by concrete walls and frames.

External from Gough Street

Warehouse C

Site Aerial

4.2 Construction

Foundations	Reinforced concrete foundations.
Structural Frames	Steel portal members with precast panels and concrete block walls to part.
External Cladding	Corrugated profile iron and exposed concrete surfaces to office and amenities.
Joinery	Aluminium.
Roof	Long-run profile iron.

4.3 Building Services

Power	Three-phase power.
Fire Protection	Egress signage, manual break alarms, fire hose reels and extinguishers.
Air Conditioning	Split A/C units to office & amenities block.

4.4 Accommodation Details

Office & Amenities

Positioned to the front of the main warehouse, the offices and amenities block comprise a part-open plan office/trade area with amenities, staff changing rooms and kitchenette facilities. Principal access is obtained via a small, recessed wind lobby located on the eastern elevation, or, alternatively via Warehouse C. Medium height aluminium glazed panels extend along the perimeter ensuring adequate levels of natural lighting, supplemented by surface mounted tube lighting.

Internal surfaces comprise a mixture of carpet and vinyl flooring surfaces to utility areas and GIB wall and ceiling linings over a split height ceiling. Amenities/changing room facilities present to a tidy standard and comprise partitioned WCs, shower units and stainless-steel tubs typical of industrial accommodation. A medium size kitchenette features a 4-element stove, fridge, stainless steel sink and instant hot water unit over timber cabinetry.

Office / Trade Area


Kitchenette


Amenities

Warehouse A

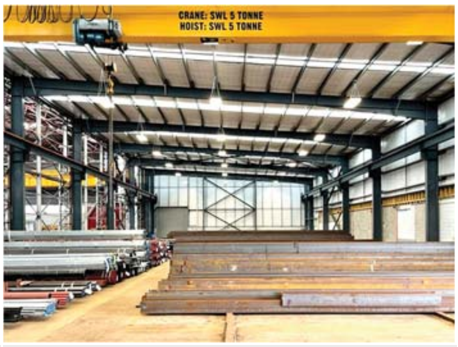
Warehouse A comprises the westernmost structure being rectangular in configuration and providing large roller doors to either end, plus western elevation. Utilised for storage, the column-free building is of steel portal frame construction featuring a gable roofline with an internal stud height of 3.2 metres at the knee, extending to 6.1 metres at the apex. Translucent corrugated panels within the roofline provide good levels of natural lighting, aided by LED fittings. Also included within the warehouse is a small office and amenities area finished in vinyl floor coverings, GIB wall and ceiling linings and surface mounted tube lighting.

Warehouse B

Erected in 2010, Warehouse B is a contemporary 1,900 square metre steel portal frame structure with precast panels to lower sections and cross bracing to part providing rigidity. The building incorporates a mono-pitched roofline with wire-mesh, paper and steel purlins overlaid with profile iron. The shed provides an internal stud height of 8.9 metres to the midpoint. A small canopy with an electric roller door to the western façade ensures easy drive-through manoeuvrability, whilst the large five-tonne capacity gantry crane permits movement of goods.


Warehouse A


Warehouse A (Kitchenette)



Warehouse B

Warehouse C

Originally constructed in 1960 with subsequent extensions in 1968, the original main warehouse comprises a steel lattice structure featuring an internal stud height of 9.88 metres. Translucent panels to the roof and part upper eastern elevation are incorporated within the roof and exterior elevation lines, whilst sodium bay lighting is provided internally. The gable shaped roofline drains to box guttering with PVC downpipes throughout. Three gantry cranes provide 100% coverage and traverse on side mounted running rails. A small low-stud lean-to structure is positioned alongside and is predominantly utilised for lightweight goods storage.

Drive Through

Warehouse C

Warehouse D

Warehouse D

Warehouse D is essentially a continuation of the Warehouse C roofline and is located along the northeastern boundary line. The building is constructed of precast concrete panels to part with internal steel framing members supporting a long-run iron roofline. A large electric roller door opens to the southern elevation and yard, whilst a pedestrian door at the northern end ensures emergency egress and access to billboard/signage areas. Sodium downlights feature within the respective bays.

Carparks & Yards

The balance of the site is essentially sealed and secured concrete yard space situated to either side of the improvements. As earlier alluded, the subject land benefits from a Right of Way/Truck Wash areas as designated on the respective Easement Instruments. Whilst useable and of utility to the dominant tenement, we have not included this component within our adopted area due to the non-exclusive nature of this benefit. Further, the boundary edge of the site fronting Gough Street provides vegetation and landscaping to areas which have also been excluded from our effective area. The Gough Street boundary is secured by post and wire-mesh fencing with swing entry gates securing driveways.

Yard / Carparking

Yard

Yard

Condition & Repair

The subject improvements present to a tidy standard and are a testament of proactive management over the years. No major issues or impact damage were noted during the course of our inspection, however, being sited in a coastal area, we would recommend periodic washdowns to the external building envelop to mitigate corrosion to susceptible building components. Regular inspection of stormwater drainage is recommended to address periodic blockages to noted areas. During our inspection, the Lessee highlighted water ingress issues between Buildings A and B around the internal boxed gutter area and downpipe. We recommend that this be further investigated and addressed.

4.5 Floor Areas

We have previously completed an onsite measure of the subject improvements in accordance with the PCNZ and PINZ Guide for the Measurement of Rentable Areas, June 2013 revision, Method 4: Industrial Type Premise. Yard components have been determined by aerial mapping and exclude Rights of Way/Truck Wash areas as designated on the respective Easement Instruments. We summarise our adopted rentable areas as follows:

11-13 Gough Street, Seaview - Floor Areas			
Component	Tenant	Gross Lettable Area (GLA excl. yard)	Proportion (% of Total Area)
Office & Amenities	H J Asmuss & Co Ltd	221.94 sqm	4.13%
Warehouse A	H J Asmuss & Co Ltd	636.02 sqm	11.83%
Warehouse B	H J Asmuss & Co Ltd	1,921.40 sqm	35.74%
Warehouse C	H J Asmuss & Co Ltd	1,932.24 sqm	35.94%
Warehouse C (Lean-To)	H J Asmuss & Co Ltd	149.29 sqm	2.78%
Warehouse D	H J Asmuss & Co Ltd	515.04 sqm	9.58%
Canopy	H J Asmuss & Co Ltd	26.19 sqm*	-
Yard	H J Asmuss & Co Ltd	2,865.00 sqm*	-
Total - 11-13 Gough Street, Seaview		5,375.93 sqm	100.00%

*indicates areas excluded from GLA

N.B. For clarity, the above Office and Amenities relates to the main block only and excludes accommodation positioned within Warehouse A.

5. Lease Details

5.1 Lease Documentation

We have been provided with a copy of the following lease document:

- Deed of Lease (2019).

The above has been perused and is held on file. The salient details are summarised as follows:

Form of Lease	ADLS Sixth Edition 2012 (5)
Tenant / Lessee	H J Asmuss & Co Limited
Guarantor	N/A
Premises	11-13 Gough Street, Seaview, Lower Hutt
Term	Ten (10) years
Commencement Date	11 December 2019
Initial Expiry Date	10 December 2029
Rights of Renewal	Four (4) of five (5) years each
Renewal Dates	11 December 2029, 11 December 2034, 11 December 2039 and 11 December 2044
Final Expiry Date	10 December 2049
Commencement Rental	$569,250 p.a. plus GST & Outgoings
Current Passing Rental	**$600,989.25 plus GST & Outgoings**
Rent Review Frequency	Annually
Rent Review Provision	Fixed 2.75% increases at each anniversary and market upon renewal
Ratchet Clause	Soft Ratchet Clause
Proportion of Outgoings	Full net Lease with Lessee responsible for 100% of all property related expenses
Business / Permitted Use	The storage, sale, manufacture and distribution of steel, pipe, plastic, valves, fittings, engineering and ancillary products including installation and ancillary and associate office and other functions.
Additional Clauses	**Clause 48** states that the Lessee shall deliver to the Lessor and maintain throughout the term, a bank guarantee guaranteeing a sum equivalent to twelve (12) months annual gross rental payable at the Commencement Date. The clause also states that every five (5) years from Commencement, the Lessee will increase the Bank Guarantee Sum to the sum of the annual gross rental payable during the previous twelve (12) months.
Fixtures and Fittings	Lessor's fixtures and fittings include: • All light fittings; • Hot Water Boiler; • Air Conditioning units; • Alarm System; • Oven; • Carpet & Vinyl; and • Reception counter

	The remaining fitout to the floor is assumed to be the Lessee's improvements (including four five-tonne Gantry Crane(s) and the Portacom Office, which have been excluded in our assessment.

5.2 Occupancy and Vacancy

Vacancies

At the time of our inspection, the subject building was 100% occupied. Appropriate leasing up, incentive and agents' commission allowances have been included within our calculations for any future expiries.

Billboard Lease

As per the Sales & Purchase Agreement dated 1 March 2021, Clause 34.2 and Clause 34.4 states that in the event the vendor (former) is unable to procure a Billboard Lease with the Lessee by Settlement (30 July 2021), then on each of the following dates the vendor shall pay the relevant amount specified in the schedule below:

Date	Amount Due
11 December 2021	$20,500.00 plus GST
11 December 2022	$21,115.13 plus GST
11 December 2023	$21,695.80 plus GST
11 December 2024	$22,292.43 plus GST
11 December 2025	$22,905.47 plus GST
11 December 2026	$23,535.37 plus GST
11 December 2027	$24,182.59 plus GST
11 December 2028	$24,847.61 plus GST

We understand that the Billboard Lease was never obtained by the vendor and therefore, our assessment reflects the terms and conditions as stipulated above.

Impending Expiries

Whilst the current lease has 7.97 years to run with various rights of renewal available thereafter, the subject improvements are of good utility and would be an attractive prospect to many potential parties with scope for subdivision if required.

Summary

Our valuation is reliant on information supplied to us relating to matters such as lease provisions, rental income, outgoings and other associated expenditure which appears realistic. We have had access to lease documentation and have verified key data of the major tenancies against supplied schedules.

We are unaware of any side agreements in existence which would alter the terms of the various lease agreements in respect of the property. In the event that a full due diligence report reveals such agreements do exist, the advice provided herein will require revision.

6. Financial Summary

The property is exclusively occupied by H J Asmuss & Co Limited who pay a current rental of **$600,989.25 per annum plus GST and outgoings** with a remaining term of 7.97 years. The incumbent is a longstanding, nationally recognised tenant that specialise in the supply of steel, pipe, fittings, fencing and valves. Founded in 1920, the company has supplied many of the biggest industrial and construction projects in New Zealand and underpins an excellent tenant covenant. We detail below the associated operating expenses and capital expenditure.

6.1 Operating Expenditure

Operating Expenses (OPEX) relate to the ongoing costs associated with the occupation or ownership of a building. The subject lease is structured on a net basis whereby all property related operating costs are recovered from the Lessee in addition to the base rent.

We have been provided with a detailed OPEX budget from management which we have referenced to industry benchmarks to help formulate a pro-forma expense budget for valuation purposes. The subject property has a current Capital Value of $6,020,000 as determined by Quotable Value (QV) as at September 2019 (or $7,000 plus GST per million). In light of the recent March 2021 sale, QV will likely revise their Capital Valuation assessment at the next revision. However, their concluded value is still likely to be below the transaction price, as traditionally adopted. To capture this uplift in rates from July 2023 onwards, we have assumed a revised annual rating burden based on a hypothetical Capital Value of $11,000,000 today. In the interim, we have treated this Rates expense 'benefit' as a Present Value Sum until the Capital Value is realigned with anticipated market levels.

Our adopted pro-forma budget is detailed below:

11-13 Gough Street, Seaview - Outgoings Schedule		
	Adopted (Budgeted)	
	$ pa.	$/m² pa.
Statutory Expenses		
Municipal/Council Rates	84,277	*15.68*
Other Statutory Charges	1,068	*0.20*
Total Statutory Charges	**85,345**	***15.88***
Operating Expenses		
Insurance Premiums	64,930	*12.08*
Air Conditioning/Ventilation	1,300	*0.24*
Plumbing & Electricity	4,700	*0.87*
Fire Protection/Public Address	1,911	*0.36*
Administration/Management Fee	7,500	*1.40*
Auto & Roller Door	1,620	*0.30*
Exterior Windows & Building	8,747	*1.63*
Total Operating Expenses	**90,708**	***16.87***
Total Outgoings	176,053	*32.75*

The above OPEX allowances are considered to fall in line with normal expectations for this asset class. We note that our adopted budget has been forecasted over the 10-year Discounted Cashflow Period impacting on the net cashflow position of the property during times of vacancy.

6.2 Capital Expenditure

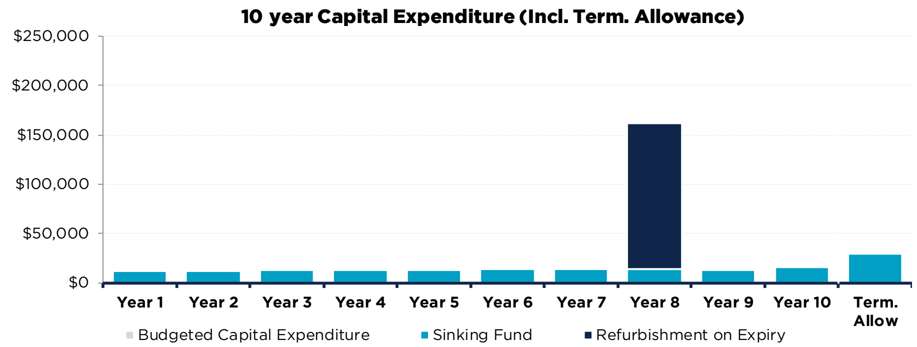
Buildings require ongoing expenditure to maintain their structural integrity and to future-proof the value of the asset. We have not been advised of any specific capital expenditure allowances for the property throughout the term of our cash flow analysis.

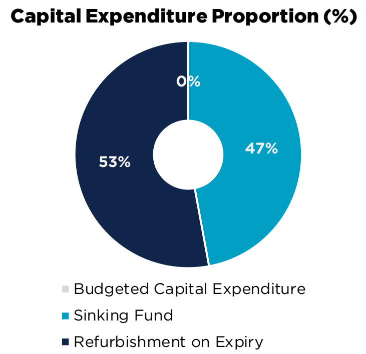
We note however, refurbishment works are necessary to maintain the quality of the building accommodation. Allowances for such works normally coincide with lease expiry and are summarised as follows:

- We foresee cosmetic refurbishment work would be required at lease expiry and have applied a refurbishment allowance of **$20 per square metre** (in today's dollars) for industrial components and **$75 per square metre** (in today's dollars), for office accommodation. Both have been discounted by a renewal probability factor of **50%**. These rates reflect the industrial nature of the improvements and minimal refurbishment work typically required.
- We have incorporated a minimum capital expenditure allowance of **1.50%** of the total gross income per annum as a general contingency for building works to the exterior and services over the cash flow period. This sum is applied to those years where planned CAPEX does not exceed this threshold.

Our adopted capital expenditure forecast is summarised as below:

11-13 Gough Street, Seaview - Capital Expenditure Summary										
Year Commencing	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Period Beginning	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30
Period Ending	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30	Dec-31
Budgeted Capital Expenditure	-	-	-	-	-	-	-	-	-	-
Sinking Fund	11,710	12,068	12,415	12,746	13,088	13,436	13,787	13,744	13,246	15,460
Refurbishment on Expiry	-	-	-	-	-	-	-	148,160	-	-
Total Capital Expenditure	11,710	12,068	12,415	12,746	13,088	13,436	13,787	161,904	13,246	15,460
Total 10 year capital expenditure										279,860
Total 10 year capital expenditure ($/m²)										52
Total 10 year capital expenditure (% of Adopted Value)										2.14%
Terminal Valuation (Start Year 11)										
Budgeted Capital Expenditure										-
Sinking Fund (24 mths)										29,389
Refurbishment on Expiry (24 mths)										-
Terminal Value Capital Expenditure Allowances										29,389
Total 10 year Capital Expenditure (Incl. terminal value Capital Expenditure Allowances)										309,249
Total 10 year Capital Expenditure (Incl. terminal value Capital Expenditure Allowances) - $/m²										58
Total 10 year Capital Expenditure (Incl. terminal value Capital Expenditure Allowances) - % of Adopted Value										*2.36%*





We foresee this level of capital expenditure will help "future proof" the building and ensure that it maintains its aesthetic appeal, structural integrity and hence, capital value in the future.

7. Market Overview

7.1 Economic Outlook

Introduction

The outbreak of the coronavirus (COVID-19) pandemic has led to significant implications on New Zealand and global economies. A recession was apparent in the last three quarters of 2020 in New Zealand (as well as most markets around the world) having experienced significant economic damage as a result of large-scale society lockdown, and forced operational closure of businesses, concurrent with the spreading health crisis of the virus. The initial health response resulted in a relatively free and open domestic economy throughout the latter half of 2020 and up to August 2021. The Reserve Bank of New Zealand (RBNZ) adopted significantly loose monetary policy encompassing reduction in interest rates, easing lending criteria to assist in the continuation of liquidity and economic activity. As a result, New Zealand's economic rebound following the initial lockdown period, had been very strong with recorded GDP being upwards of 5.0%.

It appears that the enforced lockdowns and border restrictions, both domestically and internationally, have placed great pressure on supply chains with ever more prevalent disruptions to export/import industries and global trade. The rapid inflation to money supply in the form of monetary policy response has resulted in "pent-up" demand for goods and services, with the inefficacies of businesses, we are starting to see inflation in prices in everyday markets.

The second quarter of 2021 showed a quarterly increase of 2.8% in GDP, which is a larger increase in comparison to the first quarter of 2021 and significantly above expected market levels. The growth in GDP was attributed to higher levels of activity in the retail trade and service industries, particularly food and accommodation.

In August 2021, New Zealand re-entered the highest level of the COVID-19 Alert System being Alert Level 4 as a result of the "Delta Variant". The aftermath of COVID-19 has shown an increase in unemployment, with job losses in various sectors, particularly the retail and tourism sectors being the hardest hit. Unemployment figures were predicted to supersede the 6.8% peak recorded during the Global Financial Crisis, however the economy recorded 4.0% for the second quarter of 2021. This may now have some upward pressure dependent on the timeframe in which the country remains at Alert Levels carrying the highest restrictions.

As a result of the current "lockdown measures", a material decline in the GDP levels of Q3 2021 is expected, however the GDP forecast has been revised to 5.3% for the year-end 2021 which is an increase from 4.9% previously, due to the stronger than expected results during Q2 2021. With border restrictions likely to remain in place leading into next year, however, the forecast for 2022 has been reduced from 3.3% to 3.2%.

The below table indicates the performance of the New Zealand economy over the previous six months:

Economic Indicator	Period	Rate	Forecasted Trends
GDP	Q3 2021	2.80%	⬆
CPI	Q3 2021	4.90%	⬆
OCR	Q3 2021	0.75%	⬆
Unemployment Rate	Q3 2021	3.40%	➡
10 Year Bond Rate	December 2021	circa 2.41%	⬆
Net Migration	Q2 2020 – Q2 2021	circa 4,400	➡

Migration

New Zealand's unadjusted annual net gain (more arrivals than departures) of migrants for the year ended July 2021 resulted in a provisional estimate of annual net migration of 4,400. Migrant arrivals and departures were both down 68% and 40% respectively. It is anticipated that 2022 will see a gradual re-opening of New Zealand's international border.

Interest Rates & Inflation

Prior to the global pandemic, a global growth reduction was being witnessed as a result of geopolitical issues in Europe, China and America. Nationally, the RBNZ announced a cut in the Official Cash Rate (OCR) from 1.5% to 1.0% in August 2019 and maintained this in the following two announcements, with the RBNZ stating "ongoing low interest rates were needed to keep inflation and employment close to their mandated targets".

In early 2020, the RBNZ announced a cut in the OCR to a historic low of 0.25% in response to the COVID-19 pandemic. A low OCR was expected to continue through to 2025. In an additional effort to stimulate lending and aid debt affordability, the RBNZ put on hold a proposed increase in capital requirements for banks on retail mortgage lending. Economists now consider a falling OCR unlikely as various monetary policies have had the desired effect on the economy with a rapid 'bounce back' in growth in late 2020 and into 2021. There are now concerns that the RBNZ policies have overstimulated the housing market and a low interest rate environment has elevated house prices to record price growth throughout the country.

In response to the housing price growth, the Government has responded with an extension to the threshold of the Bright Line test from 5 to 10 years, implemented 27 March 2021, in an attempt to assist long-term owners and first home buyers. The Government has also removed mortgage interest payments tax deductibility on residential investment properties in an attempt to take the speculative heat out of the market.

As the country moved out of the most recent Level 4 COVID restrictions, the RBNZ announced to increase the current level of monetary stimulus, by increasing the OCR to 0.50% in October and then again to 0.75% in November, it is expected this will continue to increase in the short to medium term. The Monetary Policy Committee are in agreement that New Zealand's recent economic data depicts that domestic demand is solid and that nationwide economic recovery has broadened in recent months, with the main exception being industries exposed to international tourism. High levels of domestic household spending, high levels of construction and high demand for New Zealand commodity exports have assisted in supporting domestic economic activity.

Pressures within the labour market remain, with high levels of job vacancy and a declining rate of unemployment. While falling unemployment provides higher levels of business confidence, the current level of unemployment is considered as being at or above its sustainable level, given the current economic environment, with wage inflation increasing as the labour market tightens.

Inflation within New Zealand is expected to remain above 4.0% in the near term with rising oil and construction costs, supply shortfalls and higher transport costs. Medium and long-term inflation is expected to remain within the RBNZ mandate of 1-3%. With inflationary pressure comes pressure to increase interest rates to keep this in check. Whilst the OCR is at 0.75%, it is widely predicted this will continue to lift and retail banks have acted accordingly with retail rates already increasing from record lows.

Investment & Construction

Demand for residential construction, leading up to the pandemic, was still strong, mirroring the delayed response to rapid population growth in the last few years. Residential construction continues to move towards apartments and townhouses, is expected to intensify with the estimated housing shortage in Auckland reaching 34,000 dwellings. Residential building consents are up a further 4.9% for the year ending February 2021 over the previous year. The construction sector has been facing the hurdle of reduced profitability, strong inflationary pressure on building materials, supply chain and labour constraints restricting the ability for activity to escalate. In response to this, the Government has announced a $3.8 billion housing acceleration fund to construct transport links and vital infrastructure to jumpstart developments, while also incentivising investments in new builds.

In contrast, non-residential demand has dropped again after a spike in construction for the September 2020 quarter, when the construction industry was underpinned by office construction activity and refurbishment of retail outlets and industrial buildings. There has been a lag between the time building consents are issued and construction commencement, contributing to a drop in the volume of non-residential building work of 4.9% in the December 2020 quarter from the September 2020 quarter.

Global Macro Threats

At a macro level, it is important to acknowledge some global threats that could have an impact on the performance of the NZ economy. One of these threats is the Evergrande situation in China, which is seeing Chinese GDP targets falling substantially off the back of significant downward pressure on the Chinese property market. As Evergrande has officially 'defaulted' (Fitch), it appears that the potential contagion of defaulting on bond commitments has spread to other significant property businesses such as Fantasia Holdings Group and Sinic Holdings Group. Initially, there has been a substantial spike in Chinese 'junk bond' market rates and the Chinese Government has indicated that no bailout would be carried out. The Chinese property market is estimated to be valued at approximately $62T and contributes circa 30% to its national GDP. A Chinese property market collapse could have 'ripple' effects throughout the rest of its bond and share markets with the risk of this continuing to other major capital markets around the globe.

It is becoming widely apparent that there is a global supply chain crisis currently impacting on many parts of the developed world as a result of economies re-opening following the various pandemic lockdowns that were enforced. This is having the result of adding to inflationary pressures globally and is no more evident than the western seaboard of the United States, whereby a backlog of up to 90 container ships are sitting idle in the Pacific Ocean. This adds to what we are also witnessing by way of an energy crisis. Various blackouts have been reported in Europe and China as the supply of coal has been impacted. In the UK, fuel shortages have also been reported with continued upward prices in all energy commodities such as oil, natural gas and coal. This again all points to upward inflationary pressure and inefficiencies as economies try to recover from the Pandemic. These issues may restrict global growth.

Summary

The short-term projection for the New Zealand economy is still difficult to determine in light of recent events. With the arrival of the most recent 'Omicron Variant' to COVID, New Zealand has moved into its new 'transitional phase' of the Pandemic; that being the 'Traffic Light System'. As a result, and following recent announcements, the trans-Tasman bubble will remain closed for at least two more months. GDP is expected to contract during the September quarter as expected with the August lockdown, before strongly recovering as Alert Level restrictions are lifted. Given Q1 GDP data, the hope is that growth in the retail and investment sector can act as drivers to support a sustainable GDP recovery following an ease in lockdown restrictions. Growth in sectors such as the hospitality industry are linked to the global recovery, which is again uncertain in terms of form and timing. With New Zealand's vaccination rate nearing its 90% target (eligible population), it is hopeful that the return to lockdowns are now averted.

With upward pressure on interest rates and inflationary pressure starting to persist, this may further hamper economic growth and, as such, some 'headwinds' could start to become prevalent.

Source: Bayleys Valuations, Statistics NZ, Interest, ASB, ANZ, NZIER, RBNZ, Westpac (8 December 2021)

7.2 Market Commentary

Over the past five years, there has been a slow imbalance brewing within the industrial sector, vacancy rates have been trending downward and many traditional industrial premises in prime locations have been repurposed to offer bulk retail type accommodation to appease this growth sector. New infrastructural projects have inflated demand, both from an occupation perspective but also with the withdrawal of property associated with the Petone to Grenada Link, flood protection works and the proposed Melling Interchange.

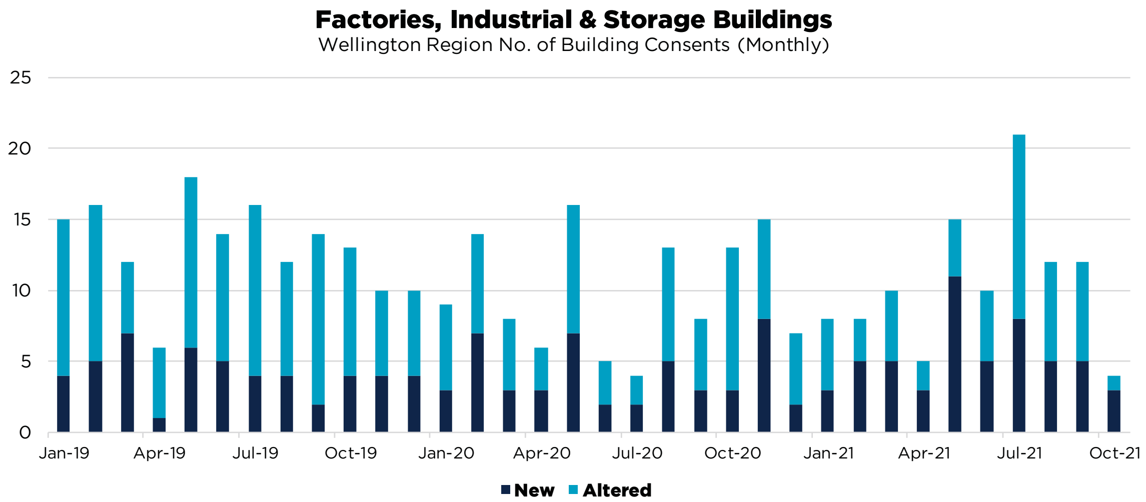
In early 2020, COVID-19 presented new challenges and uncertainties for many businesses. Many businesses have needed to pivot and adjust to market changes ranging from individuals wishing to work remotely to a surge in market demand for all trades and maintaining continuity in the supply of domestic and imported goods. Global management consulting firm McKinsey & Company estimates that in an eight-week period, the pandemic outbreak accelerated business adoption of digital tools and services by the equivalent of five years.

Most sectors have rebounded, albeit some property classes and rents achieved have not returned to those levels previously enjoyed for many years. Industrial property assets have recovered well and are considered the standout property class performer due to its resilience, reliability and long-run returns.

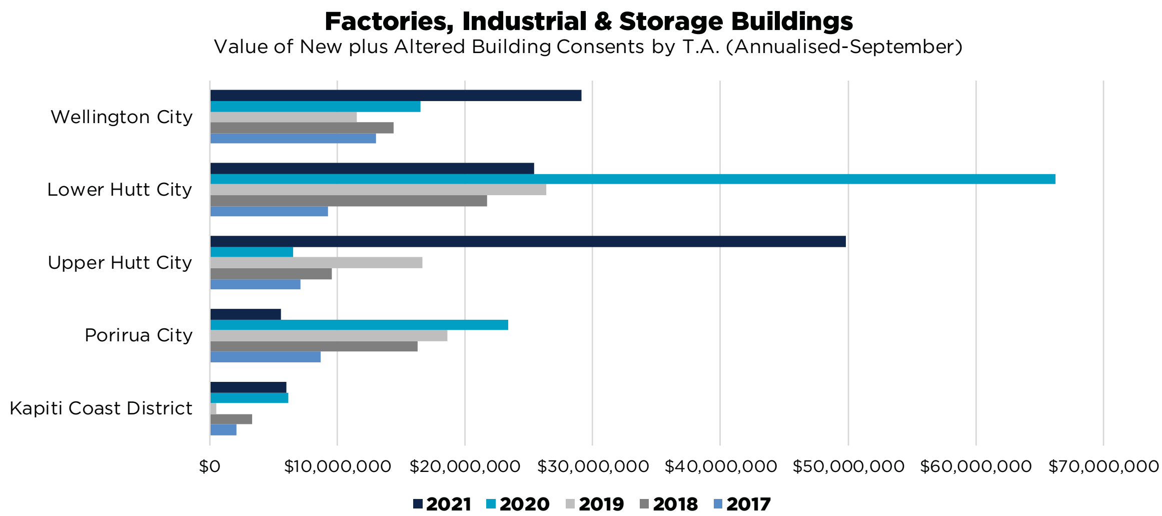
In Wellington, and throughout the country, the industrial sector has experienced solid rental growth over the last 12 months, with increasing capital values and declining vacancy levels. Development of new stock is currently at relatively low levels largely due to the lack of Greenfield development opportunities outside of the existing prime industrial precincts. Elsewhere industrial utilised land is under pressure from 'higher value end use applications' such as commercial and residential.

From an investment perspective, the decline in deposit rates on offer has attracted funds towards property in search of more favourable returns. Low interest rates have also enticed many parties previously leasing accommodation to consider owner-occupation alternatives in lieu of paying rent. We have seen new property offerings presented to the market aimed at this new demand from both investors and owner occupiers. Ongoing demand is evident for prime industrial assets and considering the physical limitations on new stock coming on stream, market pressure on quality warehouse stock is unlikely to abate.

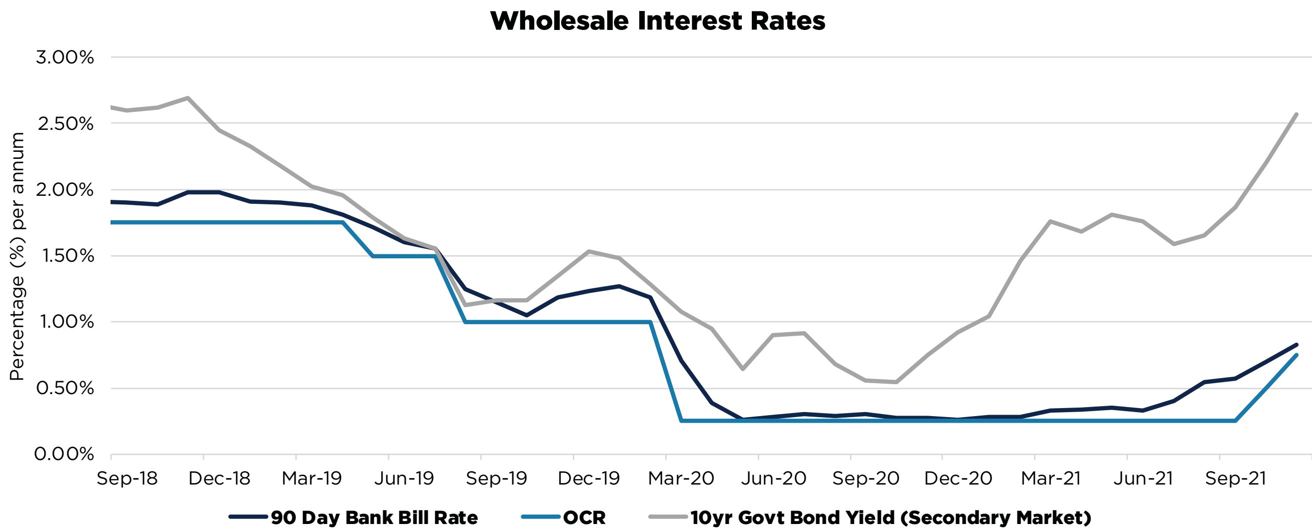
Tenant and investors alike are seeking quality and location, and in general are prepared to pay premiums to be concentrated near the main transport nodes such as Ngauranga, Grenada, Porirua and the Petone / Seaview area. With the roading upgrade to the State Highway 2 / Highway 58 interchange now completed, demand has recently extended to Silverstream primarily due to improved accessibility and upgrades to the nearby interchange. Completion of Transmission Gully will further enhance roading connections throughout greater Wellington. We detail below a graph illustrating the number of building consents (new and altered) issued for factories, industrial and storage buildings within the Wellington region (considered on a monthly basis):



Aside from the COVID-19 Level 4 Lockdown period in early-to-mid 2020, the total number of buildings consents issued over an 18-month period appear to be slightly down relative to pre-COVID-19 levels. When considered on a macro lens, this is likely to be attributable to escalating construction costs and a general market scarcity of value-add and redevelopment opportunities. For completeness, we have also considered the value of building consents issued on a per Territorial Authority basis, as depicted below:



Inflationary pressures are building over the medium-to-long term and market experts anticipate bond yields and interest rates to follow suit. The full impact that this will have on the commercial property market is unknown, however, as interest rates start to track upward, history would illustrate capital value growth may well stall or even decline in some circumstances. Given increases in interest rates are likely to be incrementally adjusted over the short term and that the moves are from record low rates, the impact upon market activity should be limited in the short-term providing a clear signal for an active market ahead. We detail below an illustration of the 90-day bank bill rate, the OCR and 10-year government bond yield (secondary market) over a three-year time horizon:



Taking a step back and when considered with a macroeconomic lens, the outlook within the commercial property market remains solid, albeit some impending economic headwinds and emerging trends will have a lasting impact on how the market performs. As such, we note that COVID-19 has escalated an element of disruption in workplace behaviour patterns and technology, lifestyle choices and a disconnect within global logistics and supply chain measures. Ultimately, the aforementioned trends will lead to a review in business initiatives and strategies going forward and those property investors that are able to foresee/anticipate this will reap the rewards in years to come.

8. Rental Evidence

The traditional method of rental assessment is by comparison with similar premises that have recently been subject to new leasing deals or rent reviews. Adjustments are then made for factors at variance with those of the subject premises such as location, quality and presentation, size, lease terms and conditions and other pertinent factors.

8.1 Rental Evidence

We have considered a cross section of leasing transactions relating to comparable industrial properties within the Hutt Valley and wider Wellington locality. A summary of these transactions is detailed below:

Address	Suburb	Tenant (s)	Review Date	Accommodation	Floor Area (sqm)	Rate ($/sqm)	Type
				Hutt Valley Rental Evidence			
11-13 Gough Street (Subject)	Seaview	H J Asmuss & Co Ltd	Dec-19	Office & Amenities Warehouse A Warehouse B Warehouse C Warehouse C (Lean-To) Warehouse D Canopy Yard	295 564 1,898 1,993 133 524 27.4 2,585	$160 $110 $119 $119 $105 $110 $40 $23	NL
21-23 Meachen Street	Seaview	Men at Work	Jan-22	Warehouse Office Yard	1,100 100 500	$137.5 $200 $30	NL
39 Hautonga Street	Petone	Rembrandt Suits Ltd	Nov-21	Warehouse (High Stud) Warehouse (Low Stud) Showroom Office Lvl 1 Yard Carparks	894 196 252 80 350 5	$150 $130 $150 $180 $30 $30	NL
176 Gracefield Road	Gracefield	L T Transport Ltd	Sep-21	Warehouse Office & Amenities Yard (North) Yard (South) Carparks	4,129 381.5 450 2,650 9	$110 $160 $31.99 $15 $25	NL
87 Port Road	Seaview	Parliamentary Corporation	Aug-21	Warehouse	800	$138	NL
50 Parkside Road	Gracefield	Service Foods Ltd	May-21	Warehouse (Low Stud) Warehouse (High Stud) Office & Amenities Yard	1,878 182 246 1,300	$112.6 $132.6 $150 $25	NL
1D Quadrant Drive	Waiwhetu	Arrow Matting Systems Ltd	Apr-21	Office Warehouse Yard Carparks	630 2,422 885 5	$150 $120 $25 $12.5	NL
20-24 Hautonga Street	Petone	NZ Couriers Ltd	Mar-21	Warehouse Office & Amenities Yard	2,696 352 2,755	$140 $200 $33.5	NL
476 Jackson Street	Petone	Fliway Transport Ltd	Mar-21	Warehouse Canopy Yard	3,270 115 1,429	$130 $52 $38	NL
9B Seaview Road	Seaview	Beacon Safety Ltd	Feb-21	Warehouse Office Carparks	480 120 7	$166 $191 $20	NL
65 Seaview Road	Seaview	Crown Worldwide (NZ) Limited	Nov-20	Office Warehouse Carparks	304 1,934 20	$240 $150 $20	NL
240 Gracefield Road	Gracefield	ECLY Ltd	Oct-20	Warehouse Office Secure Yard	448.2 58 493.8	$130 $165 $40	LR
201 Eastern Hutt Road	Wingate	GWRC	Oct-20	Warehouse Portacom Yard (Sealed) Yard (Grass)	1,747 55 917 3,557	$84 $87 $20 $12	NL
43 Seaview Road	Seaview	Champion Construction Ltd	Feb-20	Warehouse (High/Low) Office & Amenities Yard	1,713 119 1,860	$138 $184 $30	NL

Our initial focus is on the subject property and associated ten-year sale and leaseback agreement struck late-2019. Leased at a commencement rental of $569,250 p.a. plus GST, the net lease ensures full recovery of property related outgoings. Our analysis includes a $25/sqm provision for these expenses. The lease provides four further renewal options of five years each and is subject to pre-set annual increases of 2.75% p.a. We highlight that this letting is now dated and requires a time adjustment to capture the intervening shift in market demand for industrial stock.

The transactions shown above are briefly discussed as follows:

Traffic Management Solutions Provider, **Men at Work,** have recently entered an Agreement to Lease over **21-23 Meachen Street** commencing January 2022. Erected during the 1970s' era, the property comprises a Colorsteel clad structure occupying a 2,009 square metre site. Internally, the warehouse provides tidy clear-span accommodation benefitting from a 4.2 metre stud height to the knee, increasing to 5.5 metres at the apex. Adjoining is a surfaced yard of some 500 square metres. Leased for a five-year term at $190,000 per annum gross (face rent), we understand that the tenant received one month's rent-free with our analysis reflecting the same. Reviewed to CPI + 1.00% per annum, the lease stipulated one further term of five years beyond the initial term. We understand that the property has an NBS Rating of 50%.

Within Gracefield, the former North Power premises at **176 Gracefield Road** have been leased to **L T Transport Ltd** for a six-year term commencing September 2021. Originally constructed for Austin Distributors Ltd in circa 1965, the property offers an extensive 4,129 square metre warehouse structure consisting of steel portal frames with concrete slab on grade in addition to a circa 382 square metre office and amenities block fronting Gracefield Road. Further, the 8,200 square metre property provides a large southern yard area, albeit elevated to some areas. Prior to lease commencement, the Lessor agreed to remove the existing mezzanine level in the first bay of the warehouse; install three heat pumps in the front office component, as well as tidy and paint the front office block to a presentable standard.

Leased for $480,000 per annum net plus outgoings, the net rental is to be reviewed to market three-yearly and annually to CPI. Our analysis is on an ETOC basis over the initial six-year term with outgoings assumed at $101,075 per annum ($22.41/sqm). Comparatively, the property provides four-bays of high stud industrial accommodation well-suited for a logistical-type operator. Adjustments are however required for the scale of this letting and quantum of space involved.

Around the corner at **50 Parkside Road**, **Service Foods Ltd** have secured a short two-year term over a recently refurbished, large industrial property offering moderate and high stud accommodation and extensive yard areas. Occupying a high-profile location on the corner of Parkside Road, the site is accessed via two crossroad entry points with multiple roller door access and ensuring drive-through capabilities. Leased at $305,000 per annum, the Lessee received nil inducements/incentives aside from an early access period to undertake Lessee fitout works and relocation of furniture etc. Prior to lease commencement, the Lessor installed several roof fans in the ceiling of the warehouse (as mutually agreed). As part of wider building refurbishment works, the Lessor has installed a number of photovoltaic solar panels, capitalising on the large roof area of both the subject and adjoining tenancy. We are uncertain as to whether the Lessee is being on-charged for the supply of solar electricity but note that the Lessee is to cover consumables and utilities, consistent with a typical commercial gross lease structure.

Moving to Hautonga Street in Petone, **Rembrandt Suits Ltd** have entered into a five-year lease over **39 Hautonga Street** at $230,080 per annum. The Lessor has recently constructed (2019) a new high stud warehouse at the northern end of the property extending some 894 square metres, offering frontage to Waione Street. Rectangular in shape, the warehouse provides an internal stud height of 4.9 metres at the knee, increasing to circa 8 metres at the apex. The existing building comprises a smaller 448 square metre low stud warehouse and showroom component positioned immediately to the south and providing internal access to the aforementioned.

The lease is subject to 2.5% per annum fixed increases and market reviews upon renewal. Further, the lease stipulates a right of first refusal to purchase the property in favour of the Lessee. The high and low stud warehouse components have been agreed at $150/sqm and $130/sqm respectively, whilst the first-floor office block suspended over five parks, fronting Hautonga Street, has been let at $180/sqm.

Across the road from the aforementioned, **NZ Couriers Ltd** agreed to lease **20-24 Hautonga Street** early this year for a five-year term, with two five-year renewal options thereafter. The property comprises a single-storey late 1960s' structure formerly used as a tyre and rubber factory. The building footprint mirrors the dog-legged shaped section and extends approximately 3,000 square metres (including office and amenities). A Detailed Seismic Assessment (DSA) was completed by New Zealand Consulting Engineers Ltd in 2019, determining the structure as having an NBS% Rating of 55%. Subsequently, the building owner has completed various building enhancement works, including seismic strengthening (lifting the building to 80% NBS), replacing the asbestos roof with corrugated steel and internal re-configuration and alterations to the amenities block.

The property has been leased at $465,000 per annum plus outgoings, subject to 2.0% per annum fixed annual increases and market reviews upon renewal – ensuring pre-structured net rental growth. Our analysis includes a $28/sqm OPEX allowance to derive the gross rental position, with the indicated rentals consistent with industrial stock within the vicinity. Finally, prior to lease commencement, the Lessor provided a new airconditioned office area with two sets of amenities within the southern end of the warehouse (accessed off Marine Parade), extending approximately 352 square metres. Further, an electronic gate is to be installed to Hautonga Street, as well as three new roller doors replacing existing provisions within the warehouse.

Crown Worldwide NZ Ltd have committed to a nine-year net lease involving all the land and buildings at **65 Seaview Road** comprising warehouse, office and twenty carparks. Commencing from November 2020, the rental is subject to three-yearly market reviews and includes one four-year renewal option. The agreed annual rent is $319,200 p.a. net plus $20,800 p.a. for the carparks. The advised outgoings payable equates to circa $53,000 p.a. and after factoring in a two-month rent-free period, the analysed gross rents for the office and warehouse components equate to $240/sqm and $150/sqm respectively. Prior to commencement, the Lessor was required to install a security gate – we have not treated this as an inducement due to its ongoing utility and benefit to the property.

Lastly, **Arrow Matting Systems Ltd** have leased a large distribution facility at **1D The Quadrant** for a nine-year term commencing 1 April 2021. The premises comprise a medium stud warehouse with dual roller doors to the frontage opening onto a large, sealed forecourt. The warehouse does not allow drive-through access and has a stud height of circa 4.5 metres and internal connections to tidy air-conditioned office alongside. Rent reviews are three yearly and the lease provides two further renewal options of three years each.

In assessing an appropriate market rent for the subject, we have considered the following points:

- Existing rent has been subject to annual fixed increases since 2019 lease commencement with the December 2029 renewal being the first opportunity to realign the rent to market. Subject to annual fixed increases thereafter.
- High stud warehouse accommodation with drive through truck capabilities.
- Good yard areas with easy B-train access.

8.2 Sundries Rental

The subject property has an additional sundry rental income stream derived from a billboard to the northern elevation of Warehouses C & D. The vendor has underwritten this cashflow for a ten-year term from lease commencement (11 December 2019) at **$20,000 p.a. plus GST**. We have adopted the underwritten rental as market but acknowledge that entities that lease billboards typically do so on a shared income basis, whereby the billboard entity secures parties wishing to advertise, but income voids are not uncommon and are borne by both parties.

To account for this sporadic income stream, we have separated the billboard cashflow and have treated this cashflow on a present value basis for the duration of the lease term certain (an itemised schedule of this is provided in Section 5.1).

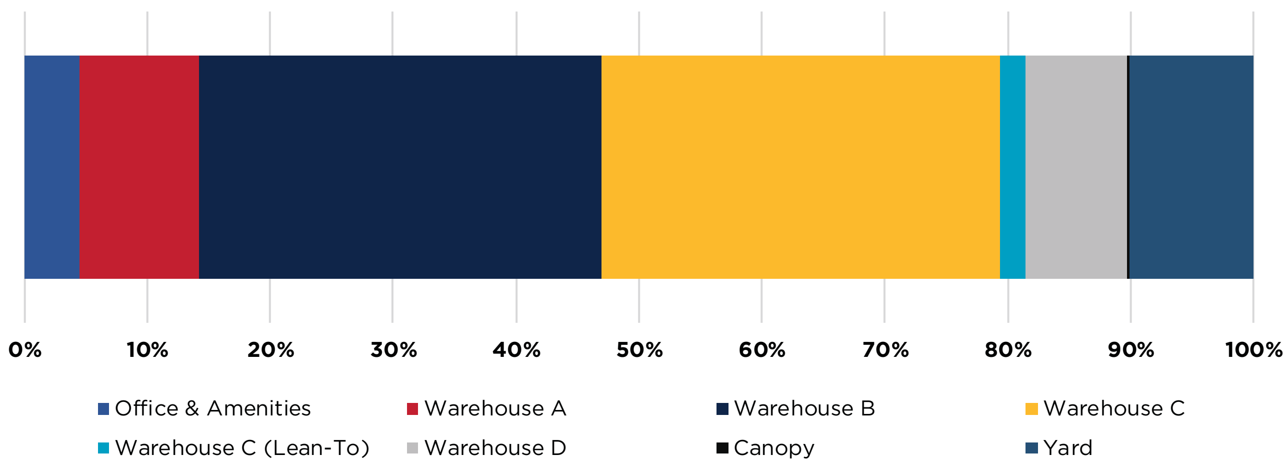
8.3 Market Rental Conclusion

Having regard to the above evidence along with the individual characteristics of the subject property, we detail below our assessment of market rents, along with contract rents for comparison purposes:

11-13 Gough Street, Seaview - Contract & Market Comparison						
Component	Tenant	GLA	Gross Passing Rent		Gross Market Rent	
			$ p.a.	$/sqm	$ p.a.	$/sqm
Office & Amenities	H J Asmuss & Co Ltd	221.94 sqm	$38,901	$175	$37,730	**$170**
Warehouse A	H J Asmuss & Co Ltd	636.02 sqm	$77,905	$122	$82,683	**$130**
Warehouse B	H J Asmuss & Co Ltd	1,921.40 sqm	$253,805	$132	$278,603	**$145**
Warehouse C	H J Asmuss & Co Ltd	1,932.24 sqm	$255,237	$132	$275,344	**$142**
Warehouse C (Lean-To)	H J Asmuss & Co Ltd	149.29 sqm	$16,710	$112	$17,168	**$115**
Warehouse D	H J Asmuss & Co Ltd	515.04 sqm	$63,086	$122	$69,530	**$135**
Canopy	H J Asmuss & Co Ltd	26.19 sqm*	$1,244	$48	$1,964	**$75**
Yard	H J Asmuss & Co Ltd	2,865.00 sqm*	$70,155	$24	$85,950	**$30**
Total - 11-13 Gough Street		5,375.93 sqm	$777,042	$145	$848,973	$158

*indicates areas excluded from GLA

Distribution of Market Income per Accommodation Component



9. Sales Evidence

9.1 Sales Evidence

In determining the market value of the subject property, we have considered a cross-section of comparable sales that have occurred in the wider Wellington locality. A summary of these transactions is detailed below:

A summary of these transactions is detailed below:

Address	Sale Date	Sale Price	NLA	WALT (yrs)	Initial Yield	Equivalent Yield	IRR	Net Rate	Land Area
H.J. Asmuss & Co Ltd 11-13 Gough Street, Seaview, Lower Hutt	Mar-21	$13,100,000	5,376 sqm	8.70 yrs	4.54%	4.99%	5.80%	$2,437 /sqm	9,091 sqm
BP Oil Ltd, Bridgestone NZ Ltd & Multispares NZ Ltd 48-56 Seaview Road, Seaview, Lower Hutt	Dec-21	$10,000,000	1,662 sqm	6.47 yrs	5.51%	5.39%	6.89%	$4,212 /sqm	13,464 sqm
L T Transport Ltd 176 Gracefield Road, Gracefield, Lower Hutt	Aug-21	$7,500,000	4,511 sqm	6.00 yrs	6.40%	6.40%	6.96%	$1,663 /sqm	8,200 sqm
Total Storage, Elevation Windows et al. 29 Parkway, Wainuiomata, Lower Hutt	Jul-21	$7,950,000	8,799 sqm	2.54 yrs	8.22%	8.27%	9.11%	$904 /sqm	12,950 sqm
Dzine Signs & Display Ltd, Leda Extrusion et al. 14-26 William Durant Drive, Upper Hutt	May-21	$9,800,000	4,630 sqm	2.24 yrs	4.17%	6.38%	7.50%	$2,117 /sqm	8,099 sqm
Allied Engineering, City Fitness, Hyundai, Total Fencing et al. 14-16 Shakespeare Avenue, Upper Hutt	May-21	$11,100,000	6,276 sqm	2.76 yrs	5.31%	7.70%	8.60%	$1,769 /sqm	10,116 sqm
Steel & Tube Distribution Complex (Sale & Leaseback) 26–32 Hautonga St, Petone, Lower Hutt	Mar-21	$7,000,000	7,614 sqm	2.00 yrs	8.90%	8.90%	9.59%	$919 /sqm	15,901 sqm
Alto Packaging Ltd 75 Wainuiomata Road, Lower Hutt	Jan-21	$29,400,000	18,132 sqm	12.00 yrs	5.53%	5.52%	7.12%	$1,621 /sqm	44,371 sqm
CDC Pharmaceuticals 410 Eastern Hutt Road, Silverstream, Upper Hutt	Dec-20	$10,000,000	2,452 sqm	15.00 yrs	4.25%	4.22%	5.33%	$4,078 /sqm	4,512 sqm
Northpower Ltd 410 Eastern Hutt Road, Silverstream, Upper Hutt	Nov-20	$14,500,000	2,262 sqm	10.00 yrs	4.60%	4.60%	-	$6,410 /sqm	9,648 sqm
General Distributors Ltd (T/A Countdown) 14 Jamaica Drive, Grenada North, Wellington	Nov-20	$10,850,000	3,193 sqm	6.00 yrs	4.76%	4.76%	5.84%	$3,398 /sqm	9,180 sqm
Downer New Zealand Ltd 14-16 Makaro Street, Porirua	Oct-20	$35,600,000	5,324 sqm	11.08 yrs	4.99%	4.74%	6.03%	$6,687 /sqm	25,026 sqm
Ultibend Industries Ltd 15 Raiha Street, Porirua	Aug-20	$5,200,000	3,730 sqm	5.66 yrs	6.12%	-	-	$1,394 /sqm	7,564 sqm
Geeves Scaffolding Ltd 92-102 Hutt Road, Kaiwharawhara, Wellington	Apr-20	$6,400,000	2,200 sqm	9.00 yrs	5.00%	6.17%	7.75%	$2,909 /sqm	3,876 sqm
H.J. Asmuss & Co Ltd 11-13 Gough Street, Seaview, Lower Hutt	Oct-19	$8,105,000	5,376 sqm	10.00 yrs	7.02%	-	-	$1,508 /sqm	9,091 sqm
Coca Cola, Rentokil and Desktop Imaging et al. 32, 32A & 32B Jamaica Drive, Grenada North, Wellington	Mar-20	$14,750,000	6,337 sqm	0.70 yrs	6.69%	6.39%	-	$2,328 /sqm	10,867 sqm
Efficient Carrying Co. Ltd & Wakefield Metals Ltd 9-13 Wareham Place, Seaview, Lower Hutt	Oct-19	$4,150,000	2,177 sqm	1.86 yrs	6.32%	6.99%	-	$1,906 /sqm	2,607 sqm
City Fitness & Office Max 12 Newlands Road, Newlands, Wellington	May-19	$13,220,000	4,927 sqm	13.26 yrs	6.25%	6.21%	-	$2,683 /sqm	10,705 sqm
NZ Defence Force, NZ Bus, Office Max et al. 6 Hurring Place, Newlands, Wellington	Apr-19	$12,809,370	5,191 sqm	3.98 yrs	6.93%	6.59%	-	$2,468 /sqm	12,784 sqm
Fliway Transport Ltd 410 Eastern Hutt Road, Silverstream, Upper Hutt	Aug-18	$10,750,000	2,435 sqm	12.00 yrs	4.42%	4.48%	5.74%	$4,415 /sqm	7,097 sqm

Records indicate that the subject property previously transacted in October 2019 for $8,105,000 at an initial yield of 7.02%. Subsequently, the property has sold to the current vendor earlier this year for $13,100,000, subject to conditions. The sale indicates sub-5.00% yields on both an initial and equivalent basis and had a WALT (by income) of 8.70 years at the time.

Since our prior March 2021 valuation, there has been a paucity of industrial investment transactions as owners look to retain assets due to cashflow continuity and capital value enhancement. Strong competition for a limited number of prime assets available to purchase is keeping investment demand high and industrial yields firm for prime assets. Accordingly, we have considered sales further afield and outside of what is generally considered to be more 'pure' industrial precincts to help establish yield parameters and general market trends. The pertinent transactions shown above are briefly discussed as follows:

The most recent transaction relates to the Property For Industry (PFI) multi-tenanted asset at **48-56 Seaview Road, Seaview**. The property comprises two main buildings built in 2008 and 2011, located to the south and middle of the site, with an adjacent Truckstop fronting Seaview Road. Occupied by national tenants with robust lease covenants BP Oil NZ Ltd, Bridgestone NZ Ltd and Multispares NZ Ltd, the asset boasts a WALT (by income) of 6.47 years and was generating a net passing income of $385,570 per annum plus GST and outgoings. Each of the leases feature pre-set CPI review mechanisms (subject to cap and collar provisions) to ensure consistent rental growth over the residual term. In addition, there are two separate parcels of vacant land (some 6,000 square metres) located to the north and southeast, and our yield and net rate analysis reflects a $3,000,000 (circa $500/sqm) deduction from the $10,000,000 sale price to account for this.

Based on our enquiries, we understand that the property received a total of eight tenders from a mixture of investors and owner-occupiers, ultimately sold to a confidential party that intends on developing the surplus land components. Whilst this transaction is useful in establishing yield parameters within the Seaview industrial precinct, we emphasise that our analysis is subjective and is based on current market trends and conditions.

Within the Lower Hutt industrial precinct, **176 Gracefield Road** has recently gone under contract for $7,500,000 following an extensive marketing campaign led by Bayleys Capital Commercial. The property offers a large 4,129 square metre warehouse structure consisting of steel portal frames with concrete slab on grade in addition to a circa 382 square metre office and amenities block fronting Gracefield Road. Further, the 8,200 square metre property provides a large southern yard area capable of being redeveloped in time, albeit this component is elevated to some areas and would require earthworks to 'unlock'. Leased to L T Transport Ltd for $480,000 per annum plus outgoings from September 2021, the net rental is to be reviewed to market three-yearly and annually to CPI. Based on our investigations with involved agents, we understand that the campaign received solid interest attracting four tenders with under bidders generally within the $7M price quantum.

14-26 William Durant Drive, Upper Hutt comprises three modern high stud industrial properties built over four years (2016 to 2020) that are fully leased to four-tenants. Each of the three structures comprise dual gable steel frames inter-connected to one another and capable of being subdivided and on-sold if required. Access to accommodation is obtained via four large roller doors per building, opening to a spacious stud height of 7.1 metres at the knee rising to 8.4 metres at the apex. The property sold within three days of being on the market for $9,800,000 at an initial yield of 4.17% with a WALT of just over two-years remaining. Applying market-aligned rents across all components indicates an equivalent yield of 6.38% and is more reflective of the likely income return from an asset of this nature.

We are also privy to **14-16 Shakespeare Avenue, Upper Hutt** recently selling for $11,100,000 indicating a market equivalent yield of 7.69%. The property comprises multiple buildings across various eras and is leased to a number of local and national tenants, most being at under market rentals. All leases provide scope for the rent to increase progressively at reviews and opportunity to separately title and divest components if required. The property attracted a solid level of genuine buyer interest and emphasises currently market demand for industrial stock.

The **Steel & Tube Distribution Complex** in Petone, Lower Hutt has recently sold as part of a sale & leaseback agreement for $7,000,000. Steel & Tube will continue to lease the property for a two (2) year term from settlement (22 March 2021) with two (2) further terms of one (1) year each beyond the initial term. The property comprises a strategic landholding with functional high stud warehousing, supporting office accommodation and generous yards. Benefitting from dual street frontages the property offers excellent traffic management for distribution purposes and is conveniently located to major arterial roading.

The net lease format indicates a net annual income of $622,910 p.a. plus GST with the Lessee responsible for all property related outgoings. Outgoings are estimated at circa $26/sqm. The main warehouse is split into four bays, the two central bays are high stud and include gantry running rails enabling overhead hoist capabilities. The standalone eastern warehouse has a good medium stud with multiple roller door entry points. Seismically, the main building has structural issues, and remediation costs are estimated at $750,000. The remaining buildings have NBS% Ratings of circa 50%+.

Due to the uncertainty of occupation of the incumbent tenant, seismic remediation issues and scope for better utilisation of the existing land, we have analysed the sale on an interim holding income basis prior to ultimate redevelopment / strengthening and repurposing. Backing out the Present Value of the current income over the term certain, and allowing a market aligned demolition allowance for the main building indicates a global land and building rate of around $400/sqm. Considering the scale and location of the property, this indicated rate appears low relative to other sales in this precinct.

Silverstream Business Park has been a leading light of the Wellington industrial market with a hive of activity since 2017 when construction commenced. The original piece of farmland located at the northern end of Eastern Hutt Road has seen more activity of design builds and land subdivision than anywhere else in the Wellington region by one single owner (Building Solutions).

Lot 20 features a 2,262 square metre modern office and warehouse building, plus associated yard, leased to **Northpower Limited**. Centrally positioned onsite, the improvements provide universal modern accommodation, in terms of functionality and with scope to cater for future expansion requirements on adjacent yard components.

Leased for ten years from late 2020, the net rental is fixed for the initial four years before subject to 2.0% p.a. pre-set increases for the balance of the term. The vendor is underwriting the rental shortfall during this period essentially providing continuity of cashflow. The net passing rental is $673,122 p.a. plus GST and the Lessee is responsible for 100% of operating expenses with an overarching cap applicable through the initial years. The passing rent is considered slightly above market but reflects the new-build nature and likely return on construction costs.

Purchased by PMG as part of their Pacific Property Fund, the property sold for $14,500,000 in December 2020, indicating an initial yield of 4.6%, a WALT of 10 years and a net building rate of $6,410/sqm; this rate is high and reflects the new build nature of the asset and the additional land component located alongside.

Within the same complex, the **CDC Pharmaceuticals** property sold at the latter end of 2020 for $10,000,000 to Christchurch based commercial property investment and management outfit Mackersy Property. Developed as part of a design build project for the incumbent Lessee, the property comprises a modern 2,200 square metre warehouse and office structure built to 100% NBS sited on a 4,512 square metres site. Leased for a fifteen (15) year term from settlement (circa January 2021) at $428,000 per annum net, the lease is subject to fixed annual increases of 2.00% per annum and a market review scheduled to occur on the tenth and twentieth anniversaries. Three (3) further terms of five (5) years each are provided beyond the initial term.

14 Jamaica Drive, Grenada North has recently sold off-market to a local investor for $10,850,000, indicating an initial yield of 4.76%. The property was leased to General Distributors Limited (T/A Countdown) for a six-year term at $516,000 p.a. net and provides tidy warehouse and office accommodation occupying an elevated position above Takapu Road. The lease provides six further terms of three years each and is subject to pre-set review mechanisms of 2% p.a. with market reviews upon renewal. As part of the Agreement to Lease, the Vendor has reconfigured the former northern office component to provide part cool store/chiller warehouse accommodation and refurbished office and amenities to the balance. Overall, this transaction is considered useful in reinforcing the shift in yields post COVID-19 involving good quality stock with solid WALTs (by income).

Whilst of a larger dollar quantum, **14-16 Makaro Street, Porirua** is a recent major industrial transaction, selling via Private Treaty in November 2020 for $35,600,000 to Oyster Property Management. The property was purpose built for Downer New Zealand and completed in 2011 as their main Wellington office and depot servicing the Lower North Island. Situated on a 2.5026 ha site, the building offers circa 5,324 square metres of high-quality office and warehouse accommodation in approximate equal proportions, 44 basement carparks. 112 open carparks and some 16,510 square metres of sealed fence yard.

The property is located at the eastern end of Makaro Street, in what is regarded as one of the newest industrial subdivisions in Porirua. Other national businesses occupy nearby premises, the Porirua Mega Centre and Shopping Centre are some 600 metres to the east, with SH 1 a further 300 metres away in a similar direction.

Downer's lease commenced in late 2010 and is for a term of just under 21 years; the current passing net income is $1,757,786 p.a. and the rental is subject to structured two yearly reviews. The income stream is protected by a hard ratchet in relation to the market review scheduled for November 2021. The lessee bears all property outgoings including a pre-set management fee linked to the annual rent payable.

The property was widely marketed and generated strong buyer interest as a function of the 11.08-year WALT and pre-set rental growth. Purchased for syndication purposes, this transaction supports the emerging trend of sub 5.00% yields, analysed to indicate a market equivalent yield of 4.74%, a passing yield of 4.99% and an IRR of 6.04%.

32 Jamaica Drive, Grenada North comprises three sites that were developed between 2010 and 2013. Each site contains a standalone building leased to national tenants including Coca-Cola, Rentokil and Desktop Imaging and NZ Micrographic Services. The buildings offer a combination of workshop/warehouse and office accommodation, lease terms are staggered, and the indicated WALT at the date of sale equated to 0.7 years. All leases are reviewed to market at their respective renewal dates, two leases include structured annual reviews thereafter and two leases are net ensuring full recovery of outgoings. The property sold to PMG in March 2020 for $14,750,000 at an initial yield of 6.69%.

9.2 Sales Reconciliation

In finalising our adopted market capitalisation rate for the subject property, we have considered the merits of the accommodation offering, size, re-lettability, price quantum and the underlying lease covenant.

Like most of New Zealand, market yields have firmed over the last twelve months, fuelled by the prevailing low interest rate environment and pent-up demand for property assets post COVID-19. Quality industrial assets are extremely sought after, especially those offering longer lease tails and cashflow certainty with structured review mechanisms. However, some impending economic headwinds are emerging, namely interest rates and debt borrowing costs are on the rise domestically which may lead to some adjustment in yields over the upcoming twelve months.

10. SWOT Analysis

We have considered and summarised the key positive and negative features associated with the subject property. This process assists in determining the appropriate yield and adopted rates for valuation.

Strengths	Opportunities
• Attractive WALT (by income) of 7.97 years with pre-set 2.75% annual increases. • Tidy, well looked after warehouse structures with solid NBS% Ratings exceeding 67%. • Net lease passes risks connected to outgoings onto the tenant. • Well-located, with extended frontage to Gough Street and good on-site circulation via drive through capability. • Seaview/Gracefield is of a scale that attracts complementary businesses, thus ensuring steady tenant inquiry and new business operations. • Industrial property remains the 'darling' asset class, sought by investors both domestically and internationally. • General scarcity of industrial stock both for lease and sale within the Wellington region.	• Scope to subdivide and re-let/divest as separate offerings, if required. • Underutilised land components offering scope for development and further value upside in time. • The commencement market rent is now considered to be understated and offers upside in time.
Weaknesses	**Threats**
• Due to its age, Warehouse C has elements that provide less functional space compared to modern warehouse structures today. • Signage cashflow is perceived as a 'riskier' income stream and may be unsustainable over the long-term. • Traffic congestion along The Esplanade at peak hours. • Repairs needed to water ingress issues between Buildings A & B.	• Redevelopment of the former CentrePort on Seaview Road and the relocation of existing tenants to new build facilities. • Escalating rates and insurance costs may erode net effective rental position under current lease format. • Coastal location and risk presented from corrosion. • Offshore and local factors having a negative impact on the domestic economy and property values. • Impact of the worldwide COVID-19 pandemic still developing. Business disruption, liquidity issues and market uncertainty may be related impacts. • Future lockdowns may be activated in New Zealand resulting in potential rental abatements may be requested by tenant(s) impacting cashflow. • The reappearance of COVID-19 in the community may impact investor confidence, with potential for increased risk premiums and associated effects across different asset classes.

10.1 Conclusion of Valuation Metrics

We consider that using the Income Approach, a market capitalisation rate of **5.00%** and discount rate of **6.00%** would be appropriate.

11. Valuation Approach

In arriving at our concluded value, we have considered relevant general and economic factors and have in particular investigated a summary of sales of comparable properties.

There are two key approaches to valuation of commercial and industrial property, these being the Market Approach and Income Approach.

The appropriate method of valuation under the Market Approach is the Sales Comparison Method. The appropriate methods of valuation under the Income Approach include the Capitalisation of Income Method and Discounted Cash Flow Method.

In some instances, a third approach known as the Cost Approach is applicable, the appropriate method under this approach is the Depreciated Replacement Cost (DRC) method.

In this case we consider the following approaches and applicable methods most appropriate.

11.1 Capitalisation of Income Method

For property that is income producing, the primary method of valuation is the Capitalisation Method. This method is market-derived and considers both sales and leasing evidence in order to determine the current market value. This method involves capitalising the actual contract and/or potential net income at an appropriate market derived rate of return. In situations where the contract rental varies from our assessed market rent the rental surplus or shortfall is calculated on a present value basis and adjusted against the capitalised value. The capitalised value may also be adjusted for costs associated with vacancy/part vacancy if this exists or is pending.

In determining an appropriate market yield for the subject, we have regard to market demand for the type of asset stock, commercial/industrial rental levels, along with general allowances for the scope of future rental growth, competition and location.

It is important to realise that the basis of any value is very much derived from a number of factors such as the quality and security of income, the degree of risk associated with the prospect of both an increase in rental and/or capital gain and the attractiveness of the investment as compared to other forms of investment available in the market place.

We summarise our calculations under this method as follows:

11-13 Gough Street, Seaview - Market Capitalisation Method			
Gross Market Income			$848,973
Less Adopted Outgoings			($176,053)
Net Income			$672,920
Capitalised @		5.00%	$13,458,391
Capital Value Adjustments			
Rent Adjustments			
	Present Value of Rental Reversions		(476,061)
	Capital Value of Special Income (Billboard Lease)		128,943
	Capital Value of Other Adjustments (Rates Benefit)		50,239
Capital Expenditure			
	Capital Sinking Fund Allowance	*24 months*	(22,255)
Total Capital Value Adjustments			($319,134)
Indicated Market Value			$13,139,257
Adopt			$13,150,000

Sensitivity Analysis	
Capitalisation Rate	Market Value
5.25%	$12,500,000
5.00%	*$13,150,000*
4.75%	$13,850,000

11.2 Discounted Cash Flow Method

This form of analysis allows an investor or owner to make an assessment of the long term return that is likely to be derived from a property with a combination of both rental and capital growth over an assumed investment horizon.

In undertaking this analysis, a wide range of assumptions are made including a target or pre-selected internal rate of return, rental growth, refurbishment costs, vacancies, costs associated with the initial purchase of the property and also its disposal at the end of the investment period.

Whereas the investment method capitalises income at a specific point in time, the DCF permits us to make allowances and forecasts over a predetermined investment period. The estimated cash flows including the reversionary value estimate at the end of the investment period are then discounted to provide the property's net present value.

The analysis is predicated on the assumption of a cash purchase. No allowance has been made for interest and other funding costs. As well, the DCF analysis proceeds on a before tax basis, and whilst we have not qualified any potential taxation benefits associated with the property, we are of the view that these are an issue that a prospective purchaser would reflect in their consideration.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10 year investment horizon.

Our critical DCF assumptions are:

Market Rental	We have adopted market rents as outlined the preceding section of this report.
Rental Growth	In adopting our rental growth forecasts, we have had regard to several key factors, namely: • Market and prevailing business confidence; • New business growth; • Market trends and occupier preferences, and • Prevailing and forecasted vacancy levels. As noted above, we have applied an industrial growth rate to rental at an average of **2.35%** per annum.
Terminal Yield	We have adopted a terminal capitalisation rate of **5.75%** which sits **75 basis points** above our market capitalisation rate of **5.00%**, reflecting the property will be 10 years older upon terminal sale.
Discount Rate	In this instance we have applied a Discount Rate of **6.00%** which includes a reasonable risk premium inherent with direct property investment and its illiquidity compared with other forms of investment. Additionally, in determining a suitable Discount Rate to apply we have been mindful of analysed IRR of comparable sales.
Capital Expenditure	We have made an annual allowance reflecting **1.50%** of the gross annual income of the property in order to account for general capital expenditure requirements which are not recovered under the current lease document. We refer the reader to **Section 6.3** for a more detailed CAPEX synopsis.
Vacancy / Letting Up	In terms of letting up periods, a term of **four-months** has been allowed although we have also assumed a current lease renewal probability of **50%** resulting in a **two-month** vacancy period being adopted on future expiries. In addition, leasing fees have been applied.

We summarise our calculations under this method as follows:

11-13 Gough Street, Seaview - Discount Cash Flow Method Summary										
Year Commencing	1	2	3	4	5	6	7	8	9	10
Period Beginning	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30
Period Ending	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30	Dec-31
Office	$31,657	$32,527	$33,422	$34,341	$35,285	$36,255	$37,253	$37,185	$29,889	$34,746
Industrial	$569,792	$585,461	$601,561	$618,104	$635,102	$652,567	$670,513	$669,303	$663,399	$771,201
Base Passing Rent	**$601,448**	**$617,988**	**$634,983**	**$652,445**	**$670,387**	**$688,823**	**$707,765**	**$706,488**	**$693,288**	**$805,948**
Recoveries										
Secured recoveries	$179,237	$186,525	$192,710	$197,266	$202,160	$206,881	$211,364	$209,793	$0	$0
Renewal recoveries	$0	$0	$0	$0	$0	$0	$0	$0	$189,800	$224,714
Recoveries	**$179,237**	**$186,525**	**$192,710**	**$197,266**	**$202,160**	**$206,881**	**$211,364**	**$209,793**	**$189,800**	**$224,714**
Other Income										
Special Income (Billboard Lease)	$21,115	$21,696	$22,292	$22,905	$23,535	$24,183	$24,848	$0	$0	$0
Other Adjustments (Rates Benefit)	$38,308	$12,769	$0	$0	$0	$0	$0	$0	$0	$0
Other Income	**$59,423**	**$34,465**	**$22,292**	**$22,905**	**$23,535**	**$24,183**	**$24,848**	**$0**	**$0**	**$0**
Total Income	$840,108	$838,978	$849,985	$872,616	$896,082	$919,887	$943,977	$916,282	$883,089	$1,030,662
Outgoings										
Statutory expenses	$86,889	$90,422	$93,420	$95,628	$98,001	$100,290	$102,463	$104,640	$106,799	$108,935
Operating expenses	$92,348	$96,103	$99,290	$101,637	$104,159	$106,592	$108,901	$111,215	$113,509	$115,780
Outgoings	**$179,237**	**$186,525**	**$192,710**	**$197,266**	**$202,160**	**$206,881**	**$211,364**	**$215,856**	**$220,308**	**$224,714**
Net Income	$660,871	$652,453	$657,275	$675,350	$693,922	$713,005	$732,613	$700,426	$662,781	$805,948
Allowances										
Leasing Costs	$0	$0	$0	$0	$0	$0	$0	$0	$81,936	$0
Allowances	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$81,936**	**$0**
Net Income before Capital Expenditure	$660,871	$652,453	$657,275	$675,350	$693,922	$713,005	$732,613	$700,426	$580,845	$805,948
Capital Expenditure										
Sinking Fund	$11,710	$12,068	$12,415	$12,746	$13,088	$13,436	$13,787	$13,744	$13,246	$15,460
Refurbishment on Expiry	$0	$0	$0	$0	$0	$0	$0	$148,160	$0	$0
Capital Expenditure	**$11,710**	**$12,068**	**$12,415**	**$12,746**	**$13,088**	**$13,436**	**$13,787**	**$161,904**	**$13,246**	**$15,460**
Net Income after Capital Expenditure	$649,161	$640,386	$644,860	$662,605	$680,834	$699,570	$718,826	$538,522	$567,599	$790,488

Terminal Valuation Summary	
Gross Market Income	$1,068,021
Less Adopted Outgoings	($227,064)
Net Market Income	$840,957
Less Vacancy Factor	0.00%
Net Income	$840,957
Discount Rate	6.00%
Terminal Capitalisation Rate	5.75%
Core Capital Value (fully leased)	$14,625,337
Capital Value Adjustments	($29,389)
Capitalised Value	$14,595,948
Disposal Costs	($164,204)
Net Sale Proceeds	$14,431,743

Adopted DCF Value	
Rounded NPV	**$13,000,000**
10 Year IRR	**5.92%**

Discounted Cash Flow Summary	
Sum of Cash Flows (after Capex & Adj.)	$6,592,850
Sum of Discounted Cash Flows	$4,995,544
Present Value of Terminal Value	$8,058,610
NPV (before acquisition costs)	$13,054,155
Less Acquisition Costs	($32,554)
NPV (after acquisition costs)	**$13,021,601**

10 Year Sensitivity Matrix					
	6.50%	6.25%	***6.00%***	5.75%	5.50%
6.25%	$11,932,985	$12,152,491	$12,377,296	$12,607,545	$12,843,389
6.00%	$12,227,521	$12,454,031	$12,686,024	$12,923,650	$13,167,065
5.75%	$12,547,671	$12,781,795	***$13,021,601***	$13,267,245	$13,518,889
5.50%	$12,896,929	$13,139,358	$13,387,687	$13,642,079	$13,902,701
5.25%	$13,279,453	$13,530,979	$13,788,643	$14,052,614	$14,323,069

Adopted Growth Rates										
10 Year Avg.	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
CPI Growth										
2.58%	3.83%	4.32%	2.24%	2.50%	2.46%	2.20%	2.13%	2.12%	2.00%	2.00%
Industrial Market Rent Growth - Gross										
2.35%	2.50%	2.50%	2.50%	2.50%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

11.3 Summary of Valuation Approaches

We summarise the above valuation approaches and methods as follows:

Valuation Method	
Capitalisation of Income	$13,150,000
Discounted Cashflow	$13,000,000
Market Value	**$13,100,000**

12. Valuation Conclusion

Bayleys Valuations Limited confirms that we undertook an inspection of the property at **11-13 Gough Street, Seaview, Lower Hutt**, on 9 December 2021, in order to assess the Market Value for Mortgage Security, Capital Raising and Financial Reporting Purposes.

Subject to the critical assumptions and comments noted within this report, we hereby assess the Market Value of the abovementioned property to be:

Thirteen-Million, One-Hundred Thousand Dollars
(NZ$13,100,000)

We confirm that the above valuation has been expressed on a plus GST (if any) basis. Further, our valuation excludes all selling costs and is not reliant upon any outstanding lease incentives.

12.1 Valuation Analysis

Net Rate	$2,437 per sqm
Initial Yield	4.59%
Equivalent Yield	5.01%
IRR	5.92%

12.2 Value Apportionment

In accordance with NZIAS 40 we hypothetically apportion our assessed value accordingly:

Land Value	$4,100,000
Improvements Value	$9,000,000
Adopted Market Value	**$13,100,000**

12.3 Cautions and Additional Comments

Refer to Section 1.6 – Material Precaution

12.4 Signatory

We thank you for your instructions in this matter and if you require any further assistance, please contact the undersigned.

Prepared by
Bayleys Valuations Limited

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13. General Principles

Valuation Standards	This valuation has been performed in accordance with International Valuation Standards - IVS (effective 31 January 2020), and the relevant Australia and New Zealand Valuation and Property Standards as approved by the New Zealand Institute of Valuers (NZIV) Council. The definition of Market Value as defined by the International Valuation Standards (IVS) effective 31 January 2020 is "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".
Valuation Basis	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.
Information Supplied	The valuation assumes as being complete and correct from information provided to us by the sources detailed in our report on any relevant matters including, without limitation, items such as rents, operating expenses, tenure, tenancies and tenant's improvements. We accept no responsibility, however, for the completeness and accuracy of information provided to us.
Documentation	Our inspection has included searching of the Record(s) of Title, if appropriate and where available, the ground and/or building lease(s) and other relevant tenancy schedules and documents. We recommend that reliance should not be placed on our interpretation thereof without prior verification by your lawyers.
Title	Unless specifically stated in the report, we assume that each property has a good and marketable title and is free from any pending litigation. We further assume that all documentation is satisfactorily drawn and that there were no unusual or onerous restrictions, easements, covenants or other outgoings which would adversely affect the value or negotiability of the relevant interest(s).
Title Boundaries	We have not carried out a detailed site survey and we have of necessity assumed for the purposes of the valuation that all structural improvements have been erected within the Title Boundaries. We do not undertake a measurement of the site or survey but calculate the site areas by reference to identified boundaries of the property and the appropriate Record of Title.
Resource Management Act 1991	Our valuation is on the basis of uses indicated on our copies of the Transitional District Plan, Proposed District Plan and District Plan (as the case may be) and our enquiries of the Territorial Authority as to any Resource Consents for the land.
LIM & PIM	Unless otherwise stated, we have not obtained a Land Information Memorandum (LIM) or Project Information Memoranda (PIM) from the Territorial Authority. It is considered an obligation of the recipient of the report to request a Land Information Memorandum from the appropriate Local Authority and search legal registrations on the relevant Record of Title, in order to satisfy themselves as to the suitability of the property for their specific purpose.
Valuation	The valuation provided is our opinion of the market value. This value may change in the future due to market conditions and changes to the state of the property. For the purposes of our valuation, we have assumed there will be no adverse market changes in the short to medium term.
Validity	Should a period of greater than three months elapse from the date of preparation of the report, it is recommended that the person to whom it is addressed seek confirmation from the Valuer concerned that the valuation can still be relied upon in context of relevant current market situation. Failing to do so will nullify the validity of the report as well as strict reliance upon a copy of the same unless previously agreed to in writing between us and the recipient and/or end user. If a copy of the report is relied upon, we cannot guarantee the accuracy of the same which could be at variance with the original document. Furthermore, the reference to the three month time period does not imply that the value will remain static during this time. From the perspective of Bayleys Valuations Ltd, this valuation is valid by valuer signature only.

Practising Certificate	This valuation has been carried out by a Registered Valuer carrying a current practising certificate.
Insurance	BVL hold Professional Indemnity cover that is at a level accepted by our large corporate clients and banks and it is at/or above industry standards. A copy of our certificate is available upon request.
Acceptance of Reports	The use of this report by the client/instructing party for market value/mortgage purposes in its current format is deemed an acceptance by the same of all value, terms, conditions and specification contained herein unless advised to the contrary immediately.
Inspections	We undertake such inspections and conduct investigations as are, in our opinion, correct in our personal judgement, appropriate and possible in the particular circumstance.
Legislation	Building Act 2004, Health and Safety at Work Act 2015, Fire Safety and Evacuation of Buildings Regulations 2006, Disabled Persons Community Welfare Act 1975. Unless otherwise stated in our report, our valuation is on the basis that the property complies with this legislation or it has no significant impact on the value of the property.
Structural Surveys	The valuation report does not purport to be a structural survey and we accept no responsibility for the omission of building or other defects which may not be apparent without such a survey.
Deleterious Materials	Unless stated in our report, we do not carry out investigations to ascertain whether any building has been constructed or altered using deleterious materials or methods. Unless notified, our valuations assume that no such materials or methods have been used (e.g. asbestos, PCBs).
Site Conditions	We do not carry out investigations on site in order to determine the suitably 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 assume 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.
Environmental Contamination	Our valuations assume that no contaminative or potentially contaminative use is, or ever has been, carried out at the property. Unless specifically instructed, we do not undertake any investigation into the past or present uses of either the property or any adjoining or nearby land, to establish whether there is any potential for contamination from these uses and assume that none exists.
Plant & Machinery	Our valuations include items usually regarded as forming part of the building and comprising fixtures, such as lifts, boilers, heating, ventilation, air conditioning, water, drainage, electrical, lighting, fire detection and sprinkler systems. We have assumed the fixtures are in proper working order and functioning for the purpose for which they were designed.
Taxation, GST	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. In respect to Goods and Services Tax, we specifically draw your attention to the fact that our valuation is on the following basis: • Non-Residential - Market and rental valuations are (unless otherwise stated) carried out on the basis that valuation is plus GST (if any). • Residential - Market and rental valuations are (unless otherwise stated) carried out on the basis that the valuation includes GST (if any).
Publication	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 any written approval of the form and context of such publication or disclosure. Such approval is required whether or not Bayleys Valuations Ltd referred to by name and whether or not the reports are combined with others.

Appendix

1. Record(s) of Title

RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD

Search Copy

R.W. Muir
Registrar-General
of Land

Identifier **583085**
Land Registration District **Wellington**
Date Issued 02 August 2012

Prior References
587485

Estate Fee Simple
Area 9091 square metres more or less
Legal Description Section 6 Survey Office Plan 452270
Registered Owners
PMG Generation Fund Trustees Limited

Interests

Subject to a sewage right (in gross) over part marked B on SO 452270 in favour of The Lower Hutt City Council created by Deed of Easement 861/50 - 24.9.1959 at 11:02 am

Subject to a drainage right (in gross) over part marked M, N on SO 452270 in favour of The Lower Hutt City Council created by Deed of Easement 861/51 - 24.9.159 at 11:03 am

Subject to Section 59 Land Act 1948

Subject to a stormwater drainage right over part marked A on SO 452270 created by Easement Instrument 8252654.4 - 11.8.2009 at 9:00 am

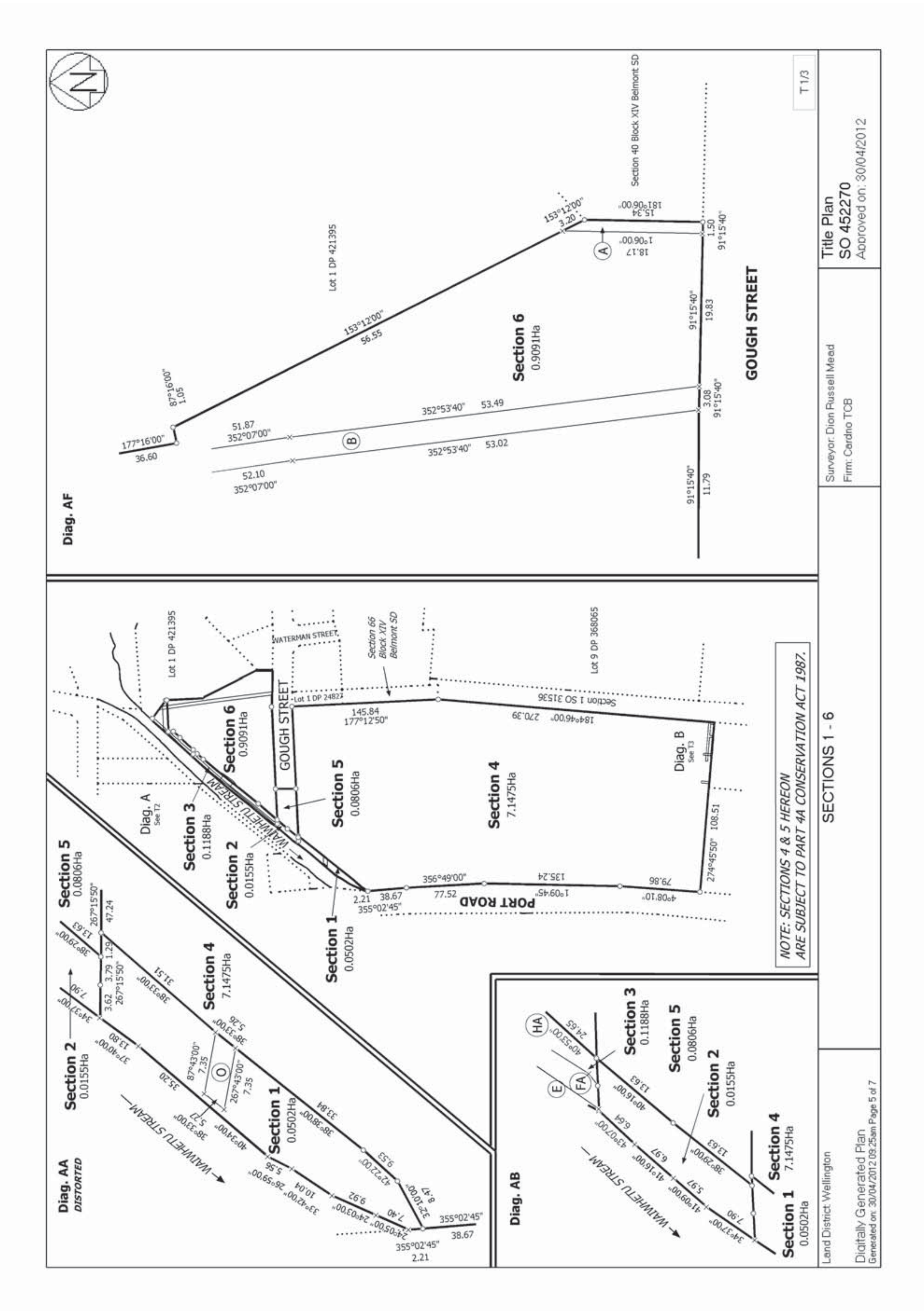
Appurtenant hereto is a maintenance easement created by Easement Instrument 9143428.3 - 2.8.2012 at 2:59 pm

Appurtenant hereto is a right of way and a right to use truck wash facility created by Easement Instrument 9143428.4 - 2.8.2012 at 2:59 pm

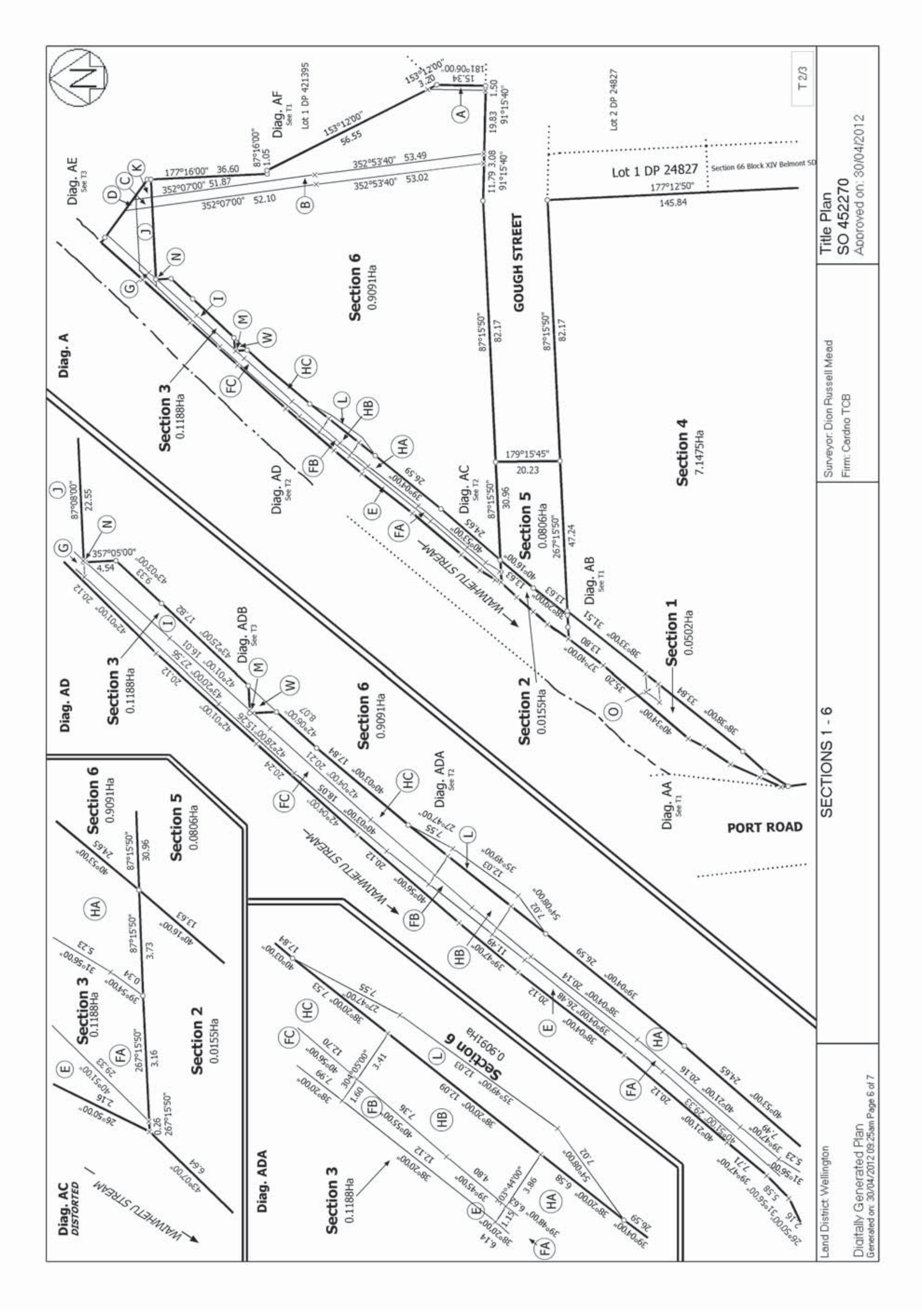
Subject to a right of way over part marked M, W on SO 452270 created by Easement Instrument 9143428.5 - 2.8.2012 at 2:59 pm

Subject to a right of way over part marked L on SO 452270 created by Easement Instrument 9143428.6 - 2.8.2012 at 2:59 pm

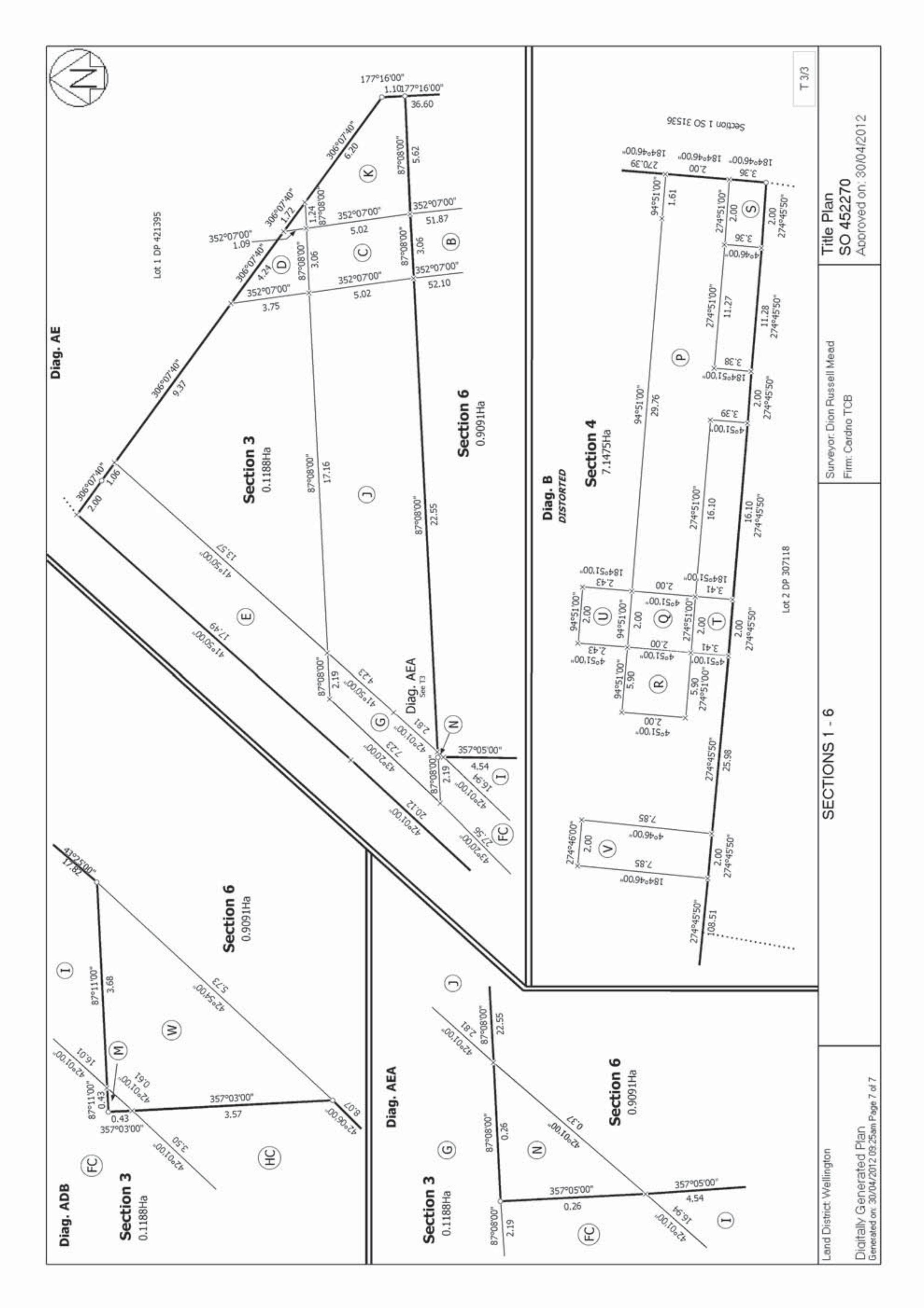
12193533.3 Mortgage to ASB Bank Limited - 30.7.2021 at 4:20 pm



Diag. AF
GOUGH STREET
Section 6
0.9091Ha
Lot 1 DP 421395
Section 40 Block XIV Belmont SD
Title Plan
SO 452270
Approved on: 30/04/2012
T1/3
Surveyor: Dion Russell Mead
Firm: Cardno TCB
SECTIONS 1 - 6
NOTE: SECTIONS 4 & 5 HEREON
ARE SUBJECT TO PART 4A CONSERVATION ACT 1987.
Section 1
0.0502Ha
Section 2
0.0155Ha
Section 3
0.1188Ha
Section 4
7.1475Ha
Section 5
0.0806Ha
PORT ROAD
WAIWHETU STREAM
WATERMAN STREET
Lot 9 DP 368065
Section 66 Block XIV Belmont SD
Section 1 SO 31536
Diag. A
Diag. B
Diag. AA
DISTORTED
Diag. AB
Land District Wellington
Digitally Generated Plan
Generated on: 30/04/2012 09:25am Page 5 of 7



Title Plan
SO 452270
Approved on: 30/04/2012
SECTIONS 1 - 6
Surveyor: Dion Russell Mead
Firm: Cardno TCB
Land District Wellington
Digitally Generated Plan
T 2/3
GOUGH STREET
PORT ROAD
WAIWHETU STREAM
Lot 1 DP 24827
Lot 2 DP 24827
Lot 1 DP 421395
Section 66 Block XIV Belmont SD
Section 1
0.0502Ha
Section 2
0.0155Ha
Section 3
0.1188Ha
Section 4
7.1475Ha
Section 5
0.0806Ha
Section 6
0.9091Ha
Diag. A
Diag. AD
Diag. AC
DISTORTED
Diag. ADA



Title Plan
SO 452270
Approved on: 30/04/2012
Surveyor: Dion Russell Mead
Firm: Cardno TCB
SECTIONS 1 - 6
Land District Wellington
Digitally Generated Plan
Generated on: 30/04/2012 09:25am Page 7 of 7
T 3/3
Diag. AE
Diag. AEA
Diag. ADB
Diag. B
DISTORTED
Section 3
0.1188Ha
Section 6
0.9091Ha
Section 4
7.1475Ha
Lot 1 DP 421395
Lot 2 DP 307118
Section 1 SO 31536

Appendix

2. Tenancy Schedule

11-13 Gough Street, Seaview - Tenancy Schedule

Tenancy Details				Lease Terms and Review Information						
Tenant	Accommodation	Lettable Area m²	Prop. (%)	Lease Term (yrs)	Comm. Date	Expiry Date	RoR Options	Next Rent Review	Next Review Type	Remaining Term (yrs)
H J Asmuss & Co Ltd	Office & Amenities	221.9	4.13%	10.0	11-Dec-19	10-Dec-29	4 x 5 yrs	11-Dec-22	2.75%	8.0
H J Asmuss & Co Ltd	Warehouse A	636.0	11.83%	10.0	11-Dec-19	10-Dec-29	4 x 5 yrs	11-Dec-22	2.75%	8.0
H J Asmuss & Co Ltd	Warehouse B	1,921.4	35.74%	10.0	11-Dec-19	10-Dec-29	4 x 5 yrs	11-Dec-22	2.75%	8.0
H J Asmuss & Co Ltd	Warehouse C	1,932.2	35.94%	10.0	11-Dec-19	10-Dec-29	4 x 5 yrs	11-Dec-22	2.75%	8.0
H J Asmuss & Co Ltd	Warehouse C (Lean-To)	149.3	2.78%	10.0	11-Dec-19	10-Dec-29	4 x 5 yrs	11-Dec-22	2.75%	8.0
H J Asmuss & Co Ltd	Warehouse D	515.0	9.58%	10.0	11-Dec-19	10-Dec-29	4 x 5 yrs	11-Dec-22	2.75%	8.0
H J Asmuss & Co Ltd	Canopy	26.2*	-	10.0	11-Dec-19	10-Dec-29	4 x 5 yrs	11-Dec-22	2.75%	8.0
H J Asmuss & Co Ltd	Yard	2865.0*	-	10.0	11-Dec-19	10-Dec-29	4 x 5 yrs	11-Dec-22	2.75%	8.0
Total - 113-13 Gough Street, Seaview		5,375.9	100%							

Tenancy Details		Passing Rentals						Market Rentals						Re-Letting Assumptions				
		Base Rent		Outgoings Recovered		Gross Passing Rent		Net Market Rent		Gross Market Rent		Reversion Date	PV of Rental	Renewal	Applied Refurb	Applied Downtime	Renewal Lease	Renewal Lease
Tenant	Accommodation	$ pa	$/m²	$ pa	$/m²	$ pa	$/m²	$ pa	$/m²	$ pa	$/m²	Applied	Reversion	Probability	$/m²	Months	Term - Years	Structure
H J Asmuss & Co Ltd	Office & Amenities	$31,632	$143	$7,268	$33	$38,901	$175	$30,462	$137	$37,730	*$170*	11-Dec-29	$7,749	50.0%	75.00	2.0	6.0	ME
H J Asmuss & Co Ltd	Warehouse A	$57,076	$90	$20,829	$33	$77,905	$122	$61,854	$97	$82,683	*$130*	11-Dec-29	($31,622)	50.0%	20.00	2.0	6.0	ME
H J Asmuss & Co Ltd	Warehouse B	$190,882	$99	$62,923	$33	$253,805	$132	$215,680	$112	$278,603	*$145*	11-Dec-29	($164,121)	50.0%	20.00	2.0	6.0	ME
H J Asmuss & Co Ltd	Warehouse C	$191,959	$99	$63,278	$33	$255,237	$132	$212,066	$110	$275,344	*$142*	11-Dec-29	($133,077)	50.0%	20.00	2.0	6.0	ME
H J Asmuss & Co Ltd	Warehouse C (Lean-To)	$11,821	$79	$4,889	$33	$16,710	$112	$12,279	$82	$17,168	*$115*	11-Dec-29	($3,033)	50.0%	20.00	2.0	6.0	ME
H J Asmuss & Co Ltd	Warehouse D	$46,219	$90	$16,867	$33	$63,086	$122	$52,664	$102	$69,530	*$135*	11-Dec-29	($42,651)	50.0%	20.00	2.0	6.0	ME
H J Asmuss & Co Ltd	Canopy	$1,244	$48	$0	$0	$1,244	$48	$1,964	$75	$1,964	*$75*	11-Dec-29	($4,765)	50.0%	-	2.0	6.0	ME
H J Asmuss & Co Ltd	Yard	$70,155	$24	$0	$0	$70,155	$24	$85,950	$30	$85,950	*$30*	11-Dec-29	($104,540)	50.0%	-	2.0	6.0	ME
Total - 113-13 Gough Street, Seaview		$600,989	$112	$176,053	$33	$777,042	$145	$672,920	$125	$848,973	*$158*		($476,061)					

(*) Other areas excluded from Total Lettable Area

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