

TECHNICAL DUE DILIGENCE REPORT

Bethlehem Shopping Centre

19 Bethlehem Road

Bethlehem

Tauranga 3110

Reliant Party: PMG Generation Fund Trustees Limited

Date: 23 April 2021

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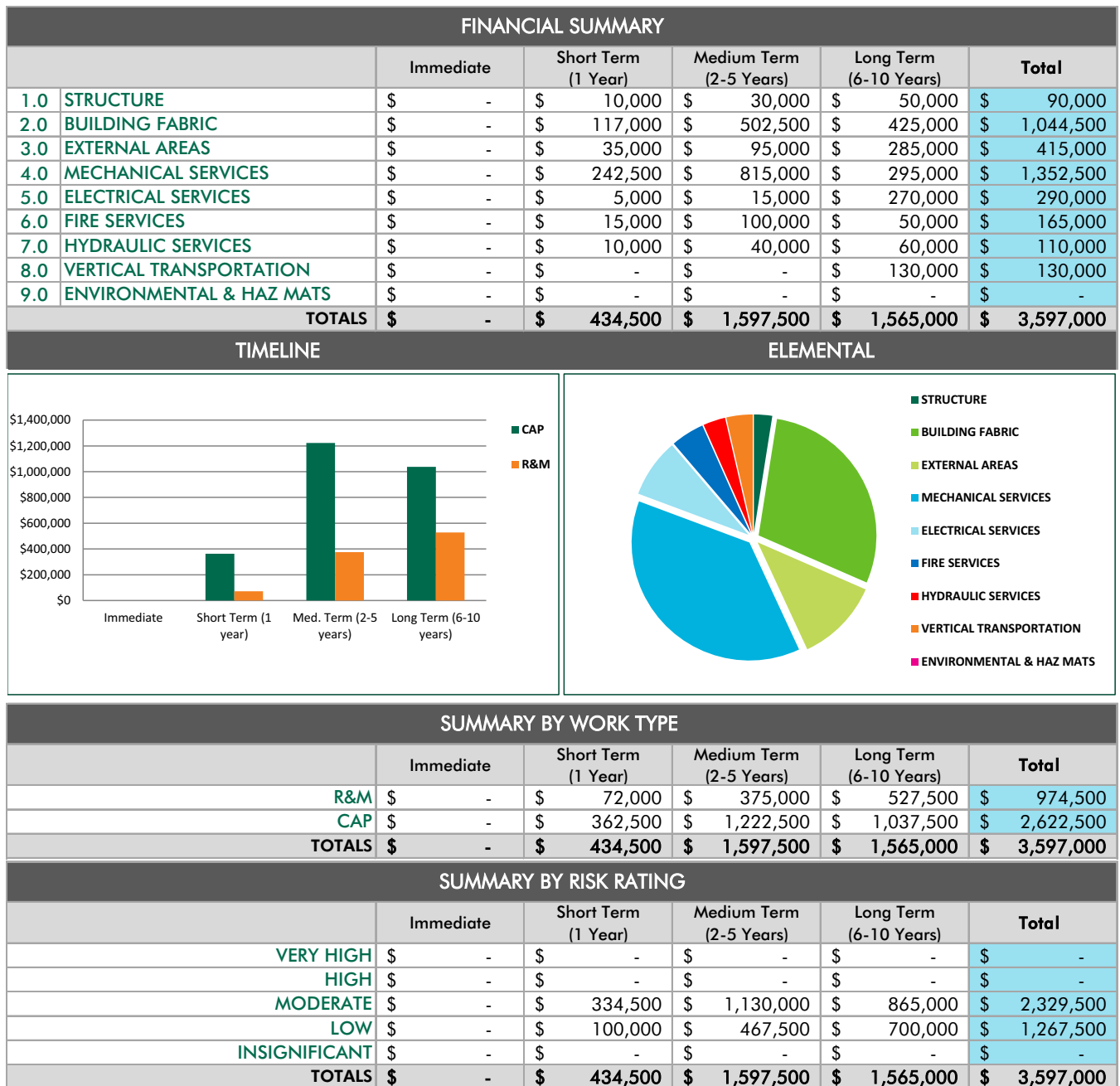


1. EXECUTIVE SUMMARY

Developed in phases from 2004, the subject property comprises a retail park with supermarket, fuel station and around 57 tenancies arranged in seven detached blocks. The total lettable area is approximately 21,500m². The property is considered to be in fair to good condition overall, with life cycle replacement of air conditioning plant required in addition to typical cyclical works. The reader is recommended to read this report in its entirety.

ELEMENT	KEY COMMENTS/RECOMMENDATIONS	RISK
Structure:	<ul style="list-style-type: none"> Appears sound; no significant concerns. PMG to establish NBS ratings. 	Low
Fabric:	<ul style="list-style-type: none"> Roof areas in fair condition, with overhaul of supermarket roof required, together with cyclical works to all roofs. 	Moderate
	<ul style="list-style-type: none"> Facades generally appear in good condition, with cyclical redecoration required in addition to life cycle replacement of automated sliding doors. ACPs on Block E façade may require further investigation. 	Moderate
	<ul style="list-style-type: none"> Landlord's interior obligations are limited to minor refurbishments. 	Low
Externals:	<ul style="list-style-type: none"> Generally in good condition, with only cyclical maintenance required. 	Low
Mechanical:	<ul style="list-style-type: none"> Landlord obligation to replace most HVAC equipment during the reporting period. Significant Capex commitment required. 	Moderate
Electrical:	<ul style="list-style-type: none"> Life cycle replacement of DBs will be required during the period. Consideration to be given to upgrade of external lighting to LED 	Low
Fire:	<ul style="list-style-type: none"> Life cycle replacement of FIPs, smoke/heat detectors and fire alarm sounders will be required. 	Moderate
Hydraulic:	<ul style="list-style-type: none"> No major concerns noticed. Cyclical maintenance of drainage systems required. 	Low
V. Transport:	<ul style="list-style-type: none"> Life cycle replacement of passenger lift to Block G required in long term. 	Low
Enviro & Haz Mats:	<ul style="list-style-type: none"> Site assessed as Low Risk 	Low

1.1 FINANCIAL SUMMARY



2. CAPITAL EXPENDITURE REPORT

Item	Element / Description / Location	Suggested Remedy	Work Type	RISK	Immediate	Short Term (Year 1)	Medium Term (Years 2 - 5)	Long Term (Years 6-10)	Total
1 STRUCTURE									
1.1	Structure generally	Undertake structural inspections every three years.	R&M	Moderate	\$ -	\$ -	\$ 15,000	\$ 30,000	\$ 45,000
1.2	Structure generally	PMG to separately commission ISA / DSA assessments. Consultancy costs excluded. Upgrade costs excluded.	R&M	Moderate	\$ -	\$ -	\$ -	\$ -	\$ -
1.3	Exposed floor slabs to tenancies	Renew sealant to slab joints. Undertake crack repairs. Allowance for periodic works / as leases expire. May be partly recoverable from tenants.	R&M	Low	\$ -	\$ 10,000	\$ 15,000	\$ 20,000	\$ 45,000
2 BUILDING FABRIC									
2.1 ROOF									
2.1.1	Roof over supermarket tenancy	Replace GRP rooflights in the short term. Coloured fixings caps to be used.	CAP	Moderate	\$ -	\$ 60,000	\$ -	\$ -	\$ 60,000
2.1.2	Roof over supermarket tenancy	Allow for periodic repairs through the period and an overhaul in the medium term to include replace flashings, fixings, renew sealants, re-line gutters	R&M	Moderate	\$ -	\$ 10,000	\$ 50,000	\$ 10,000	\$ 70,000
2.1.3	Roof over supermarket tenancy	Consider installation of walkways and balustrading to give proper access to HVAC plant, with edge protection	CAP	Moderate	\$ -	\$ -	\$ 50,000	\$ -	\$ 50,000
2.1.4	Roofs over retail terraced blocks	Allow for periodic repairs through the period to include replace isolated flashings, fixings, renew sealants etc.	R&M	Low	\$ -	\$ 10,000	\$ 40,000	\$ 50,000	\$ 100,000
2.1.5	Roofs over retail terraced blocks	Allow Provisional Sum for specialist survey and implementation of works to establish fixed access to roofs and fixed walkways to HVAC plant and edge protection	CAP	Moderate	\$ -	\$ -	\$ 100,000	\$ -	\$ 100,000
2.1.6	Roof over retail fuel station	Allow for periodic roof repairs in the longer term	R&M	Low	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000
2.1.7	Fall arrest systems	Regular inspection and certification required. Costs excluded as Opex			\$ -	\$ -	\$ -	\$ -	\$ -
2.1.8	Roofs generally	Cleaning down of roof sheeting, clearing gutters etc is required more regularly. Costs excluded as Opex			\$ -	\$ -	\$ -	\$ -	\$ -
2.2 FACADES									
2.2.1	Elevations generally	Allow to redecorate all previously decorated surfaces including stained timber, painted pre-cast concrete, painted fibre cement panels, personnel doors etc. Undertake on a rolling programme.	R&M	Low	\$ -	\$ 15,000	\$ 60,000	\$ 75,000	\$ 150,000
2.2.2	Pre-cast concrete panels	Allow to renew sealant to joints periodically.	R&M	Low	\$ -	\$ -	\$ 30,000	\$ 50,000	\$ 80,000

Item	Element / Description / Location	Suggested Remedy	Work Type	RISK	Immediate	Short Term (Year 1)	Medium Term (Years 2 - 5)	Long Term (Years 6-10)	Total
2.2.3	Aluminium Composite Panels (ACPs), Block E	Allowance for physical testing of panels to determine fire resistance rating, if required. Costs for any required remediation works excluded	R&M	Moderate	\$ -	\$ 2,000	\$ -	\$ -	\$ 2,000
2.2.4	Aluminium framed glazing generally	Allowance for replacement of gaskets as necessary and renewal of perimeter sealant. Undertake on a rolling / phased basis	R&M	Low	\$ -	\$ -	\$ 20,000	\$ 30,000	\$ 50,000
2.2.5	Automated sliding doors	Allow to replace at life expiry to supermarket tenancy and retail terraces	CAP	Low	\$ -	\$ -	\$ 37,500	\$ 62,500	\$ 100,000
2.2.6	Roller shutter doors to rear of units	Allow to replace motors at life expiry	CAP	Low	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
2.3 INTERIOR									
2.3.1	Public WC Facilities, Block A	Allow to redecorate periodically.	R&M	Low	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ 10,000
2.3.2	Public WC Facilities, Block A	Undertake light refurbishment in long term	CAP	Low	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000
2.3.3	Centre Management Office	Allow for general refurbishment in medium term.	CAP	Low	\$ -	\$ -	\$ 25,000	\$ -	\$ 25,000
2.3.4	Common area staircase, lobby, Block G	Allow to redecorate periodically and renew floor finish in medium term	R&M	Low	\$ -	\$ -	\$ 5,000	\$ 2,500	\$ 7,500
2.3.5	Vacant units	Allow Provisional Sum for refurbishment and upgrade works to vacant units, for re-leasing.	CAP	Low	\$ -	\$ 20,000	\$ 80,000	\$ 100,000	\$ 200,000
3 EXTERNAL AREAS									
3.1	Exposed aggregate concrete pathways	Allowance for periodic repairs to cracks, potholes, settlement etc.	R&M	Low	\$ -	\$ 5,000	\$ 20,000	\$ 25,000	\$ 50,000
3.2	Asphalt car parks, service yards	Allowance for periodic repairs to cracks, potholes, settlement etc.	R&M	Low	\$ -	\$ 10,000	\$ 40,000	\$ 80,000	\$ 130,000
3.3	Stormwater drainage to external areas	Allowance for periodic repairs.	R&M	Low	\$ -	\$ -	\$ 20,000	\$ 30,000	\$ 50,000
3.4	Children's playground	Allowance for overhaul in the long term	CAP	Low	\$ -	\$ -	\$ -	\$ 20,000	\$ 20,000
3.5	Perimeter fencing	Allowance for periodic repairs.	R&M	Low	\$ -	\$ -	\$ 5,000	\$ 10,000	\$ 15,000
3.6	Canopies	Allowance for periodic repairs.	R&M	Low	\$ -	\$ -	\$ 10,000	\$ 20,000	\$ 30,000
3.7	Totem / pylon signage	Allowance for upgrade of one sign in the short term	CAP	Low	\$ -	\$ 20,000	\$ -	\$ -	\$ 20,000
3.8	External lighting	Allowance for upgrade of façade signage and light poles to LED in the long term	CAP	Moderate	\$ -	\$ -	\$ -	\$ 100,000	\$ 100,000
4 MECHANICAL SERVICES									
4.1	Temperzone PAC units, supermarket tenancy	Allow to replace PAC units, to include corroded mounts	CAP	Moderate	\$ -	\$ 150,000	\$ -	\$ -	\$ 150,000
4.2	Western Temperzone PAC unit, supermarket tenancy	Relocate Soil Vent Pipe (SVP). To be positioned over 6m from fresh air intake	CAP	Moderate	\$ -	\$ 2,500	\$ -	\$ -	\$ 2,500
4.3	Split system air conditioning units, supermarket tenancy	Allow to replace outdoor and indoor units in the medium term. Landlord's equipment only	CAP	Moderate	\$ -	\$ -	\$ 50,000	\$ -	\$ 50,000
4.4	Ventilation fans (supply and extract), supermarket tenancy	Allow to replace landlord's ventilation fans in the long term	CAP	Moderate	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000
4.5	Split system air conditioning units & PAC units, retail terraces	Allow to replace outdoor and indoor units throughout the period. Landlord's equipment only	CAP	Moderate	\$ -	\$ 90,000	\$ 500,000	\$ 250,000	\$ 840,000

Item	Element / Description / Location	Suggested Remedy	Work Type	RISK	Immediate	Short Term (Year 1)	Medium Term (Years 2 - 5)	Long Term (Years 6-10)	Total
4.6	Ventilation fans (supply and extract), retail terraces	Allow for isolated replacements as failures occur	CAP	Low	\$ -	\$ -	\$ 15,000	\$ 20,000	\$ 35,000
4.7	Rooftop units generally - timber supports	Allow Provisional Sum for detailed survey. Replace timber supports with steel supports. Provide adequate bracing for wind & seismic loading	CAP	Moderate	\$ -	\$ -	\$ 100,000	\$ -	\$ 100,000
4.8	HVAC Control systems	Allowance for upgrade of mechanical control / BMS systems	CAP	Moderate	\$ -	\$ -	\$ 150,000	\$ -	\$ 150,000
5 ELECTRICAL SERVICES									
5.1	Distribution boards	Allow for replacement at life expiry. New boards to be fitted with RCD protection.	CAP	Moderate	\$ -	\$ -	\$ -	\$ 250,000	\$ 250,000
5.2	Emergency lighting and illuminated exit lighting	Allowance for replacement of luminaires as they fail	CAP	Moderate	\$ -	\$ 5,000	\$ 15,000	\$ 20,000	\$ 40,000
5.3	CCTV system	Recently replaced. No works envisaged			\$ -	\$ -	\$ -	\$ -	\$ -
6 FIRE SERVICES									
6.1	Fire Indicator Panels	Allow for replacement at life expiry (anticipated at 15 years).	CAP	Moderate	\$ -	\$ 10,000	\$ 80,000	\$ 10,000	\$ 100,000
6.2	Fire alarm sounders	Allow for replacement at life expiry.	CAP	Moderate	\$ -	\$ 5,000	\$ 15,000	\$ 20,000	\$ 40,000
6.3	Smoke / heat detectors, supermarket tenancy	Allow for replacement at life expiry.	CAP	Moderate	\$ -	\$ -	\$ 5,000	\$ -	\$ 5,000
6.4	Sprinkler system, Block E	To be maintained and certified through Opex. No replacement envisaged. Allow for long term overhaul to booster pump and controls.	R&M	Moderate	\$ -	\$ -	\$ -	\$ 20,000	\$ 20,000
7 HYDRAULIC SERVICES									
7.1	Backflow preventors	To be maintained and certified through Opex			\$ -	\$ -	\$ -	\$ -	\$ -
7.2	Stormwater drainage serving roof areas	Allowance for periodic repairs.	R&M	Low	\$ -	\$ 5,000	\$ 20,000	\$ 30,000	\$ 55,000
7.3	Sewer drainage system	Allowance for periodic repairs.	R&M	Low	\$ -	\$ 5,000	\$ 20,000	\$ 30,000	\$ 55,000
8 VERTICAL TRANSPORTATION									
8.1	Kone passenger lift, Block G	Allow for life cycle replacement in long term	CAP	Moderate	\$ -	\$ -	\$ -	\$ 130,000	\$ 130,000
9 ENVIRONMENTAL & HAZ MATS									
9.1	No Capex anticipated				\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL					\$0	\$434,500	\$1,597,500	\$1,565,000	\$3,597,000

3. SYNOPSIS

3.1 INSTRUCTIONS

Instructions:	<ul style="list-style-type: none"> Written instructions received from: <ul style="list-style-type: none"> PMG Funds Limited dated 30 March 2021. Instruction established from proposal issued 29 March 2021.
Assessment Request:	<ul style="list-style-type: none"> Technical Due Diligence review of: Bethlehem Shopping Centre, 19 Bethlehem Road, Bethlehem, Tauranga 3110.
Reliant Party:	<ul style="list-style-type: none"> PMG Generation Fund Trustees Limited.
Scope of Service:	<ul style="list-style-type: none"> Building Structure. Building Fabric (roofs, facades & interior). External Areas. Building Services (Mechanical, Electrical, Fire, Hydraulic, Vertical Transportation). 10 Year Capital Expenditure (CAPEX) Forecast. Phase 1 Environmental Due Diligence.

3.2 CRITICAL ASSUMPTIONS

Information Supplied by Others:	<ul style="list-style-type: none"> This report contains information which is derived from other sources. Unless otherwise specifically instructed by you and/or stated in the report, we have not independently verified that information, nor adopted it as our own, or accepted its reliability. The Reliant Party accepts the risk that if any of the unverified information/advice provided by others and referred to in this report is incorrect, then this may have an effect on our review. Pertinent documentation relied upon in the preparation of this report has been referenced below: <ul style="list-style-type: none"> Bethlehem Town Centre Condition Assessment FINAL 2017. Beca. Specified Systems Status Report [sprinkler, emergency warning, fire doors] Bethlehem Shopping Centre. 04/12/20. Wormald. Form 12A. SS4 Emergency Lighting System. Bethlehem Shopping Centre. 04/12/20. Wormald. Form 12A. [Automatic Doors, Access Control]. Bethlehem Shopping Centre. 17/11/20. Clarksons. Form 12A. Automatic Backflow Prevention [potable water supply]. Bethlehem Shopping Centre. 09/11/20. Water Protection Services. Thermographic Inspection of Electrical Switchboards at Bethlehem Town Centre. 27/09/21. Bay Thermal Imaging.
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- Architectural construction drawings for each block. Ignite Architects.
- Bethlehem Architect's Asbestos Statement. 02/10/18. Ignite Architects Ltd.
- Code Compliance Certificate. 18/01/21. Roof Modifications [supermarket tenancy].

Discussions with others:

- During our investigation, we made enquiries with the following personnel who assisted with providing verbal advice where relevant to the scope of our instruction:
 - Shawn McKenzie | Centre Manager, Colliers.

Changed Information:

- In the event that the Reliant Party becomes aware of any material changes to the property and/or that information supplied to us is incorrect, then this report must not be relied upon before first consulting CBRE Ltd (CBRE) to provide a review of the updated information.

4. RELIANCE & REPORTING

4.1 RELIANCE & LIABILITY

- Reliance:**
- The Client acknowledges and agrees that all material or documents created by CBRE in providing the Services are provided for its benefit and the purposes set out in the Agreement and may not be relied on by any other parties.
 - This report is for the use only of the Reliant Party for the Purpose specifically stated in Synopsis/Instructions only, and is only for their use, and for no other purpose, and we disclaim responsibility and liability to any other party who might use or rely on the whole or any part of this report. Any such use by other parties is expressly forbidden. The report may not be relied upon by any third party.
 - The report has been prepared for the benefit of the Reliant Party only. Neither the whole nor part of this report shall be printed or published in any circular, document or publication without first obtaining our written approval of the form and context in which it is to appear.
- Transmission:**
- Only an original report received by the Reliant Party (hard or soft copy) directly from CBRE without any third-party intervention can be relied upon.

4.2 REPORTING

- Industry Practice:**
- This review has been undertaken in line with the RICS Global Guidance Note for Technical Due Diligence of Commercial Property (1st edition January 2020).
- Inspection:**
- The inspection was carried out on 14 April 2021.
 - As part of the survey, we were able to gain roof access onto the Countdown building only. All other roofs are not provided with dedicated internal access of fixed ladder access. Roofs over these buildings were inspected from other vantage points at ground level and from first floor level windows, where possible. We have inspected facades from ground level only, the sprinkler valve rooms, a reflective sample of switchboard rooms and back of house areas and a reflective sample of the retail tenancies. Female WC facilities were not inspected. Our inspection relates to the developed areas of Bethlehem Shopping Centre only.
 - The report has been prepared by the CBRE personnel as stated below.
- Orientation:**
- References to the left- and right-hand side assume the reader is facing the element in question. Principal facades are deemed to be those with retail entrances (of which there may be more than one) and rear facades are deemed to be those without retail entrances.
- Weather:**
- The weather at the time of inspection was mixed, with sunny intervals and showers.
- Limitations:**
- Refer to the end sections of this report for CBRE's Capex Qualifications, Exclusions & Limitations and Terms & Conditions.
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5. ASSET DESCRIPTION

5.1 GENERAL

Use:	<ul style="list-style-type: none"> ▪ Retail park.
Configuration:	<ul style="list-style-type: none"> ▪ Extensive retail park incorporating a supermarket and around 56 other tenancies, arranged in seven detached blocks, with a retail fuel station: <ul style="list-style-type: none"> - Supermarket tenancy in detached block developed in 2003/4. - Seven detached blocks developed in 2007/8, generally containing single storey, terraced retail units. - Block E extended in 2015/16, together with alterations to other blocks. - BP fuel station completed in 2020. ▪ Two vehicle access / egress points from Bethlehem Road, plus further access / egress at Te Paeroa Road, in addition to access from State Highway 2. Service lane egress to Bethlehem Road. ▪ Car parking comprising 1,019 spaces. ▪ Service access at the rear of the supermarket and larger stores at Blocks C, D & E. ▪ Comprehensive pedestrian access around the retail park, with soft landscaping, garden areas, street furniture and children's playground. ▪ Development land adjacent to Bethlehem Road.
Age:	<ul style="list-style-type: none"> ▪ Developed in phases: <ul style="list-style-type: none"> - Supermarket 2003/4 - Blocks A – J – 2007/8 - Block E extension – 2015/16 - Fuel station – 2020.
Floor Area:	<ul style="list-style-type: none"> ▪ Understood to be 21,480m² of lettable area (Property Guru)
Legal Descript.:	<ul style="list-style-type: none"> ▪ SEC 3 SO 439821
Site Area:	<ul style="list-style-type: none"> ▪ 7.8218ha (Property Guru)
Surrounds:	<ul style="list-style-type: none"> ▪ Predominantly residential. ▪ Bethlehem Road to the east. ▪ State Highway 2 to the south. ▪ Te Paeroa Road to the west, via access lane. ▪ Residential properties and Bethlehem School to the north.

6. STRUCTURE & BUILDING FABRIC

6.1 BUILDING ELEMENTAL DESCRIPTION

Substructure:

- Substructures are concealed and could not be inspected during our site survey. From our review of a sample of structural plans, the retail blocks appear to be constructed utilising pad foundations for the portal frame columns and concrete edge beams to the building perimeters.
- Floor slabs are assumed to be ground bearing, reinforced concrete construction. We noted the thickness to be 125mm in our review of sample plans.

Superstructure:

- The supermarket tenancy is constructed with a steel, portal type frame that features a profile that curves from front to rear, with no ridge. Intermediate columns are not used, with the exception of one at approximately mid-span, which we understand was recently installed. The nature of the suspended floor structure within the ancillary area cannot be confirmed.
- The retail terrace blocks are constructed with steel framed roof structures, generally in a monopitch configuration. Block B features a steep, dual-pitched roof and block E is constructed with a shallow, dual-pitched roof. A variety of reinforced concrete, steel beam and steel SHS columns are used.
- From our review of sample structural plans, we note that diagonal cross bracing is used in roof structures.
- Where present, suspended floors to the retail terraces appear to be constructed with steel framing supporting permanent formwork and reinforced concrete floor slabs.
- Full height pre-cast concrete wall panels are generally used to rear and non-principal elevations.

Roof:

- Our inspection of roof areas was limited to full access over the supermarket tenancy and inspection from available vantage points for the remaining blocks. Our comments are based upon our limited inspection, and review of documents made available to us.
- The roof over the supermarket tenancy is provided with a profiled steel sheet covering, draining to the front and rear. Parapet walls are provided to the full perimeter, which are lined internally with similar profiled steel sheeting. Glass reinforced plastic rooflights are provided, running full length, front to rear.
- Rainwater from the supermarket tenancy roof drains to internal box gutters at the front and rear and in turn into internal downpipes.
- Roof areas to the remaining blocks are also provided with profiled steel sheet coverings, which generally drain to external, metal box gutters. Downpipes are generally formed in stainless steel to principal elevations and in PVC elsewhere.
- Dedicated, internal roof access is provided only to the supermarket tenancy. Access to the roofs over the remaining blocks requires the use of unfixed ladders. It would appear that fall arrest systems are installed on these roofs, although this cannot be confirmed.
- Glass reinforced plastic rooflights are provided, in certain areas, to the canopies at retail frontages.

Façades:

- The façade treatment to the supermarket tenancy generally comprises full height pre-cast concrete panels, with a painted finish to all elevations.
- The retail terrace blocks constructed in 2007/8 feature a variety of façade materials to principal facades, including areas of treated timber panelling, profiled aluminium sheet cladding, fibre cement panels and, to Block B, facing stonework. Rear facades, where present, generally comprised painted full height pre-cast concrete panels.
- The Block E extension, constructed in 2015/16, incorporates Aluminium Composite Panels (ACPs) as a façade material to the double height space around the entrance to the principal tenancy (K-Mart). The same material is used as an internal wall lining to the entry lobby of this tenancy.
- Aluminium framed, single glazing is provided to areas of the front elevation of the supermarket tenancy. The principal retail entrance to this tenancy is provided with automatic sliding doors in matching materials.
- The retail terrace blocks constructed in 2007/8 are provided with similar aluminium framed, single glazing, either within other front façade materials, or as full width shop fronts. The majority of units are provided with manual swing, double entrance doors to match the glazing. Some larger units benefit from automatically sliding doors, formed either as frameless glass doors, or as aluminium framed, glazed doors.
- The Block E extension, constructed in 2015/16, incorporates a frameless type glass façade around the entrance to the principal tenancy (K-Mart).
- Personnel and egress doors to the buildings comprise of aluminium framed, glazed doors, painted timber doors and painted hollow core metal doors.
- Steel framed canopies are provided to the frontages of all principal retail elevations. To Blocks D & E, a slatted timber fascia is provided above the canopy as an architectural feature.
- Roller/security doors are provided to the rear of large tenancies only. The K-Mart tenancy is provided with a dock leveller for goods access.
- The retail fuel station facades comprise painted pre-cast concrete panels, with aluminium framed, single glazing to the frontage.

Interiors:

- The retail areas generally comprise a landlord's shell, with all internal finishes being tenant fit out assets.
- Landlord areas with internal fit out include the centre management office and staff WCs, (Block A, first floor); public WCs (Block A, ground floor), staircase areas to Blocks A & G and the small number of vacant units with abandoned tenant fit out.
- The centre management office is provided with an exposed grid ceiling, emulsion painted walls and carpet floor finish. Staff WC facilities incorporate white porcelain sanitaryware, with basic fixtures and fittings and vinyl floor finishes.
- Public WC facilities in Block A have a contemporary feel with exposed grid ceilings, fully tiled walls and laminated timber floor finishes. Proprietary cubicles, white porcelain sanitaryware and modern fixtures and fittings are provided.
- Further public WC facilities are provided at the east façade of Block E. These are accessed from the exterior of the property and are similar in specification to publicly owned toilet facilities. These were not inspected during our survey.

Externals:

- External areas include vehicle access / egress points from Bethlehem Road, plus further access / egress at Te Paeroa Road, in addition to access from State Highway 2. Service lane egress to Bethlehem Road.
- Asphalt surfacing to car parking and vehicle circulation areas.
 - Car parking comprising 1,019 spaces.
 - Service access at the rear of the supermarket and larger stores at Blocks C, D & E. Steel security gates to secure the service yard at the rear of the supermarket.
- Exposed aggregate concrete surfaced pathways for pedestrian circulation.
- Stainless steel bollards to shop front areas.
- Public seating and waste bins around car park areas.
- Trees and other soft landscaping around the car park areas, in addition to a garden area adjacent to Block J.
- Children's playground adjacent to Block B.
- Totem/pylon signage to main road frontages.
- External light poles around car parking areas, with metal halide or mercury lamps. Façade mounted lighting and under canopy lighting. Cable lighting suspended between Blocks G & H.
- Trolley bays to supermarket car park area and Block E car park.
- General wayfinding and traffic signage.
- Wheelstops to parking spaces, speed humps and road marking for traffic control.
- Canopy to rear of supermarket tenancy, at loading area.
- Variety of boundary treatments including hedges, timber fencing and steel fencing.

6.2 COMMENTS & RECOMMENDATIONS**Substructure:**

- No significant movement was noted to suggest possible issues with the substructure.

Superstructure:

- No DSA or ISA documentation has been made available to confirm the NBS ratings for the property. However, we understand that you have directly commissioned assessments in this regard.
- We understand that works were completed recently to the supermarket tenancy comprising the installation of an intermediate column, to address settlement of one rafter. We have received a Code Compliance Certificate in relation to these works and assume that the Territorial Authority have reviewed documents and are satisfied that the works have been completed satisfactorily. We recommend that your structural consultants engaged for the ISA / DSA work review and comment upon the appropriate documentation in this regard.
- Elsewhere, the structural elements where visible appear sound; no significant movement/cracking noted to warrant further investigation.
- Localised cracking and movement were identified to exposed slab areas, where inspected. The cracking noted is considered to be within normal slab performance

levels and will require cyclical crack repairs, the obligation for which may rest with the tenants.

- Exposed slab areas will require renewal of sealant material to construction joints on a cyclical basis. The obligation for these works may also rest with the tenants.

Roofs:

- Roof areas, where inspected, are in fair condition, with maintenance apparently reactive rather than planned. The roof sheeting over the supermarket tenancy was noted to be generally soiled, with early signs of corrosion at sheet ends. Isolated instances of mis-shaped flashings and sheet sections were noted. This roof is around 17 years' old and we recommend that allowance is made for a comprehensive overhaul in the medium term, to include for replacement of flashings, fixings and sealants, re-lining gutters as necessary.
- Glass Reinforced Plastic (GRP) rooflights to the supermarket tenancy are significantly deteriorated and soiled. Deformation of the rooflights is causing them to 'dish' in certain areas, allowing them to hold water. We recommend that the rooflights are replaced in their entirety in the short term. Coloured fixing caps should be used, to help identify the GRP sheets, in the interests of health & safety.
- Our verbal enquiries on site reveal that ongoing isolated roof leaks affect all areas. Allowance should be made for cyclical roof repairs to all retail terrace blocks, to include for renewal of sealant at junctions, replacement of fixings / fixing caps and treatment to isolated corrosion. Allowance has been made in our Capex forecast.
- More regular cleaning down of roof sheeting appears to be required. We note from documents reviewed that the roof areas generally suffer from build-up of organic material due the presence of trees around the site. Regular clearing of gutters and rainwater goods, through Opex, will be required in addition to cleaning down of roof sheeting.
- Dedicated, internal roof access is provided only to the supermarket tenancy. Basic plant deck installations are provided on this roof. Consideration should be given to installation of a walkway system, to give access to mechanical plant areas, in addition to edge protection to plant decks.
- We recommend that a review of access onto, and around, all other roofs is undertaken, with walkways, plant decks, balustrading and fixed access ladders provided as necessary. We have made a provisional sum allowance in our Capex forecast for this.
- We understand that fall arrest systems are in place to the retail terrace roofs. We have reviewed a sample of anchor test certificates, which appear to be in order. Ongoing certification will be required for all such systems, through Opex.
- Glass Reinforced Plastic (GRP) rooflights have a typical life expectancy of 15 years. We did not note any significant deterioration to the canopy rooflights and recommend that they are programmed for replacement in the medium term. Coloured fixing caps should be used.

Façades:

- Facades generally appear in sound condition, with no significant defects noted.
- Cyclical redecoration will be required to all previously decorated surfaces, to include pre-cast concrete panels, stained timber panels and fascias, painted fibre cement panels and painted doors. Renewal of sealant to joints should be undertaken in conjunction with these works. We have allowed for periodic redecoration throughout the Capex reporting period.

- Aluminium Composite Panels (ACPs) are used as a façade material to the double height space around the entrance to the principal tenancy of E Block (K-Mart). The same material is also used as an internal wall lining in the entrance lobby area. We have requested specification details to determine the fire resistance characteristics of this material. The vendor has been unable to provide this. We recommend that you liaise with your insurers to establish whether the presence of this material would affect your ability to procure property insurance at commercially viable rates.
- The aluminium framed windows and glazed areas were found to be in sound condition during our survey. Cyclical renewal of gaskets and perimeter sealant will be required. We have made allowance in our Capex forecast.
- Automated sliding doors typically have a service life of 20 years, subject to adequate maintenance through Opex. We recommend that allowance is made for replacement of the automated doors to the supermarket entrance and wind lobby, in the medium term, and where applicable, to the other blocks in the long term.
- Roller shutter doors typically have a long service life, subject to adequate maintenance through Opex. We recommend that allowance is made for replacement of the motors in the medium term.

Interior:

- The public WC facilities within Block A appear to have been recently refurbished. We feel that allowance for redecoration is required through the reporting period, with a light refurbishment in the long term.
- The centre management office and staff WC area is in fair condition. We recommend that allowance is made for a general refurbishment in the medium term.
- The staircase area and vacant tenancy to the first-floor level in Block G are in fair condition. A general refurbishment may be required in the short term, to assist leasing.
- We recommend that a provisional allowance is made for general refurbishments of units as they become vacant, for the purpose of re-leasing.

Externals:

- External areas were generally found to be in good condition during our survey.
- Cyclical repairs should be anticipated to hardstanding areas, to include repairs to cracks, potholes and areas of isolated settlement.
- Cyclical maintenance will be required to the stormwater drainage system serving the external area. We have made a provisional sum allowance in the Capex forecast.
- No defects were noted with street furniture or playground equipment. However, we recommend that allowance is made for overhauls and replacements in the long term.
- No significant defects were noted to boundary treatments. Allowance should be made however for periodic minor repairs.
- One totem / pylon sign at the site is more dated than the others. We recommend that this is replaced in the short term, in the interests of uniformity.
- External lighting was noted to be generally metal halide or mercury type. Consideration should be given to upgrading all external lighting to LED over the medium to long term, in the interests of energy efficiency and running costs.
- We recommend a Provisional Sum allowance for an overhaul of the playground area in the long term.

6.3 PHOTOGRAPHS



Supermarket tenancy and A Block



B Block



C and D Block



D & E Block



G & H Block



J Block



Fuel Station



Supermarket roof structure



New column in supermarket



Portal frame to Block E



View over Block A roof



View over supermarket roof



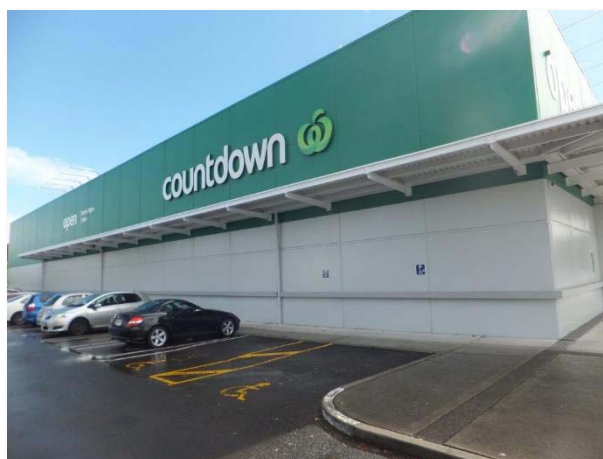
Rooflights to supermarket roof



Roof sheet edges, supermarket roof



Block B roof



Pre-cast façade supermarket



Typical retail frontage



ACPs to Block E



Typical retail facade



Interior of supermarket



Typical retail interior



Vacant tenancy, G block first floor



Public WC facilities



Typical car parking area



Garden area



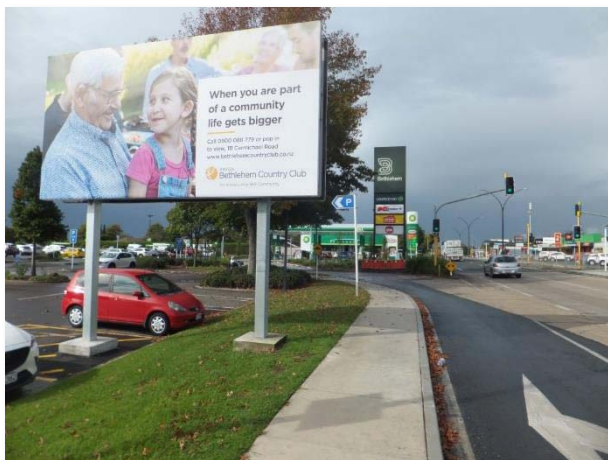
Children's playground



Typical pedestrian area



Supermarket service yard



Frontage to State Highway 2



Bethlehem Road frontage

7. BUILDING SERVICES

7.1 BUILDING SERVICES DESCRIPTION

Mechanical:

- We understand that, generally, air conditioning equipment at the site is landlord owned, although there is a small quantity of tenant owned equipment. We have reviewed the mechanical sections of the Beca report - Bethlehem Town Centre Condition Assessment FINAL 2017, and our assumptions upon scope and age of assets are based upon that report.
- The air conditioning system to the supermarket tenancy generally comprise:
 - Two Temperzone packaged units, capacity in the order of 90kW (max), dating to 2004. Suspected to utilise R22 refrigerant. Units located at the east and west of the building.
 - Internal air distribution to the open plan / sales are via supply and return air pods / units located below the east and west packaged units, and circular section ductwork with supply air grilles aligned vertically.
 - Three Daikin and two Mitsubishi split system outdoor units with capacities between 4kW and 13kW. Age unknown but estimated to be approximately ten years' old.
 - Internal split system units including in-ceiling cassettes, served by the Daikin and Mitsubishi outdoor units, to ancillary areas.
 - Ducted mechanical ventilation to amenity areas, with supply and extract fans located at roof level. The age of the fans is unknown, but we suspect that many, if not all, will date to original construction in 2004.
 - Equipment associated with freezers, coldstores, catering extracts and the like are assumed to be tenant assets and excluded from the scope of this assessment.
- The air conditioning systems to the terrace retail buildings, including the management office, generally comprise: -
 - Outdoor split system units, with capacities ranging from around 2kW to 22kW, from a variety of manufacturers including Mitsubishi, Fujitsu, Carrier, Gree, Daikin, Panasonic, Toshiba and Temperzone. The age of the units cannot be confirmed but we suspect that all will date to original construction of the units in 2007/8 (or 2015 for Block E).
 - Indoor split system units in ancillary and retail areas comprising a variety of wall mounted units, ceiling cassettes and concealed, ducted systems. Assumed to date to original construction.
 - Three Temperzone packaged units to Block D (Smiths). The details are unknown, but assumed to be similar to the units serving the supermarket tenancy and dating to original construction.
 - Packaged units noted to Block E (K-Mart). Quantity unknown. Supply / return air pods located to the underside of the roof, with circular section ductwork for distribution of supply air via vertically aligned grilles. Large return air grille at each pod, aligned horizontally. Assumed to date to 2015.

- Ducted mechanical ventilation to amenity areas generally, with supply and extract fans located at roof level. We assume that all will date to original construction.

- The details of the control systems and any BMS were not established during our survey.

Electrical:

- Incoming power is provided from two supply authority substations located at the western boundary of the site, to the rear of Block A. The substations are rated at 500 kVA and 1,000 kVA respectively. It is assumed that the substations step down the power to 400V, 3 phase N&E.
- Main switchboards (MSBs) are provided in the supermarket tenancy and within each detached retail terrace block. We are advised that the landlord's installation is limited to the main incoming supply and MSB or DB to each tenancy. All power installations and reticulation downstream of the MSB or tenancy DB are assumed to be tenant assets and excluded from the scope of this report.
- Within the supermarket tenancy, the MSB is a fabricated unit by Greerton Electrical and incorporates a main switch, digital meter, MCCB, Power Factor Correction, EPG switch and a number of integrated Distribution Boards (DBs). The MSB is assumed to date to 2004. The Emergency Power Generator (EPG) is assumed to be a tenant asset and excluded from the scope of this report.
- Within each retail terrace, the MSB is located in a dedicated room, accessed externally. The MSBs are manufactured by Bremca and incorporate a main switch, surge arrestor, CT chamber, two busbars and integrated Distribution Boards (DBs). Digital metering is provided for each tenancy.
- Distribution boards are provided to each tenancy. These are typically Bremca 3 phase 63A, 36-way boards. All are assumed to date to original construction. We anticipate that no RCD protection is provided to the DBs, but this cannot be confirmed.
- There is no embedded network provided at the property, but we understand that the current owners intend to establish one in the near future.
- We were informed that all general lighting with tenancies are tenant installations. As such, these installations are excluded from the scope of this report.
- LED lighting is provided to the management office and the recently refurbished public WCs.
- We assume that landlord installations include a Base Build provision of emergency lighting and exit signage. These were noted to include single point emergency luminaires and illuminated 'running man' type exit signs at final egress doors.
- We understand that communications installations are tenant assets and as such, these are excluded from the scope of this report.
- We understand that security alarm and internal CCTV installations are tenant assets and as such, these are excluded from the scope of this report.
- A landlord's CCTV system is provided, to cover external areas of the property, with monitoring equipment in the management office.

Fire:

- Fire services comprise:
 - Sprinkler system to supermarket tenancy, with sprinkler inlet points, valve set, Direct Brigade Alarm (DBA). No pumpset or sprinkler tank is provided. The

system covers internal areas and external canopy areas of this tenancy. The installation is assumed to date from 2004.

- Seven zone manual and automatic fire alarm system to supermarket tenancy, with Fire Indicator Panel (FIP) located at the sprinkler room. Automatic detection comprises smoke sensors, with manual call points provided in addition to fire alarm horns and speakers.
- Retail terrace blocks provided with zoned automatic / manual fire alarm systems to include heat detection in ceiling voids, with smoke detection, manual call points and sounders within tenancies. One FIP is provided to each block.
- A site-wide FIP is provided in the external areas, close to the Bethlehem Road boundary.
- Sprinkler system serving all tenancies in Block E, utilising a Galbraith 104kW, 2,292rpm fire pump dating to 2015. A 200litre diesel tank is provided, in addition to a Pertronic Direct Brigade Alarm (DBA) and Pertronic FIP. A six way sprinkler inlet point is provided at the sprinkler valve room.
- Block E is provided with a zoned automatic / manual fire alarm system to include smoke detection, manual call points and sounders within the tenancies.
- Fire hydrant system located in the external areas.

Hydraulics:

- Incoming water supply noted at the Bethlehem Road boundary. Backflow preventor and metering provided.
- Two incoming water supplies noted at the State Highway 2 boundary, close to the fuel station, one of which is provided with backflow preventor and metering.
- Incoming water main to each tenancy, with isolator set within footpath at front of retail terraces. Water meters are not provided for each tenancy. We understand that water usage is charged to the tenants on a proportional basis, based upon lettable area.
- We understand that all plumbing installations and reticulation within each tenancy are tenant assets and as such, are excluded from the scope of this report.
- Stormwater drainage is noted to be discharged to land via soakage trenches. The discharge is made via Resource Consent 64309.0.01-DC.
- Sewage is assumed to drain by gravity to mains.
- Mains gas is provided to the site, with the incoming main entering the property at the Bethlehem Road boundary. The main has a diameter of approximately 75mm and is provided with stop tap, main meter and external housing. At the east elevation of Block E, a gas room contains sub-meters for all tenancies that have a gas supply.
- We understand that all gas fittings and pipework within tenancies are tenant assets and as such are excluded from the scope of this report.

Vertical Transportation:

- One passenger lift is provided as follows:
 - Kone machine-room-less lift (MRL) serving first floor level within Block G (former gymnasium tenancy). Assumed to date to 2007/8.
 - Carrying capacity of 12 people or 900kg.

7.2 COMMENTS & RECOMMENDATIONS

Mechanical:

- Maintenance is commissioned by the landlord, with a range of contractors providing compliance certificates for BWoF purposes.
- The Temperzone packaged units serving the supermarket tenancy were noted to be suffering from deterioration to the heat exchange coils and soiling and corrosion to external cabinets. These units date to 2004 and utilise R22 refrigerant. We believe that these units will require replacement in the short term. Corroded mounts should also be replaced.
- The soil and vent pipe (SVP) adjacent to the western packaged unit should be re-located, as it is currently sited within 6m of the fresh air intake.
- The supply and extract ventilation fans to the supermarket tenancy are assumed to be around 17 years' old. We recommend that allowance is made to replace landlord's fans serving ancillary areas in the long term.
- The split system outdoor and indoor units serving the terraced retail tenancies, and management office, are assumed to primarily date to 2007/8. We recommend that all such equipment is budgeted for replacement across the short and medium term.
- Supply and extract ventilation fans typically have a life expectancy of 20 – 25 years. Subject to adequate maintenance through Opex, we do not anticipate a need for widescale replacement of fans serving the retail terraces. However, we recommend that allowance is made for some replacements in the medium and long term, where failures occur.
- The mechanical equipment serving Block E is currently around six years' old. Subject to adequate maintenance through Opex, we do not anticipate a need for replacement of the main plant items. Allowance should be made for replacement of some minor items as failures occur.
- Some rooftop equipment is still mounted upon timber supports. We also note from the 2017 Condition Assessment from Beca that there is a general absence of bracing to outdoor units, to secure the units against wind loading or seismic activity. We recommend that a Provisional Sum allowance is made for a detailed survey and an overhaul in this regard.
- We recommend that allowance is made for overhaul or replacement of mechanical control systems, in the short term.

Electrical:

- No concerns noticed with the incoming power supply.
- We inspected a number of areas where defects were reported in the 2017 Condition Assessment by Beca. The majority of these had been addressed. Outstanding items related to fire stopping of cable penetrations above MSBs. We were informed that a package of works is ongoing to rectify this. We recommend that the vendor is asked to confirm that this will be completed.
- MSBs appear in sound condition with no CapEx expected within the reporting period.
- DB's appear in sound condition. We note that thermographic testing is undertaken periodically. From our review of documents provided, we note that no significant defects were detected in testing carried out in 2018. Some items were recommended for further investigation. We recommend that this inspection and maintenance regime is continued, at regular intervals.

- DBs have a typical life expectancy of around 20 years, subject to adequate maintenance. We recommend that allowance is made for phased replacement as the boards reach this age in the long term. New DBs with RCD protection are recommenced.
- Emergency and exit lighting have a typical life expectancy of around 30 years, subject to adequate maintenance. We do not anticipate widescale replacement in the reporting period, but recommend that an allowance is made for some replacements should failures occur.
- External lighting appears to be primarily via metal halide or mercury type luminaires. Consideration should be given to an LED upgrade for façade mounted lighting and light poles, phased over the medium and long terms.
- We understand that the landlord's CCTV system was replaced in 2017 and therefore do not anticipate any further works during the reporting period.

Fire:

- Maintenance is arranged by the landlord, with compliance certificates for BWoF purposes appearing to be in order.
- The FIPs to the various buildings should be programmed for replacement at life expiry of around 15 years.
- The fire alarm sounders to the various buildings should be programmed for replacement at life expiry of around 10 years.
- The smoke detectors to the supermarket tenancy will reach anticipated life expiry within the reporting period and should be budgeted for replacement in the long term.
- The booster pump for the Block E sprinkler system is around six years old. We do not anticipate any requirement for replacement during the reporting period but recommend that allowance is made for an overhaul in the long term.
- Subject to adequate maintenance through Opex, we do not anticipate any Capex associated with the sprinkler heads and pipework during the reporting period.
- Subject to adequate maintenance through Opex, we do not anticipate any Capex associated with the hydrant system during the reporting period.

Hydraulics:

- Maintenance requirements for the landlord are assumed to exclude any internal works within tenancies. Maintenance to public and staff WC facilities will be required, through Opex. We do not anticipate any Capex works during the reporting period.
- Backflow Preventor test certificates for potable water supplies appear to be in order.
- Stormwater systems will require regular maintenance through Opex. We do not anticipate any major Capex requirements during the reporting period, but recommend that allowance is made for periodic reactive repairs through the period.
- Sewer drainage systems will require regular maintenance through Opex. We do not anticipate any major Capex requirements during the reporting period, but recommend that allowance is made for periodic reactive repairs through the period.

Vertical Transportation:

- The Kone passenger lift is currently around 12 years old. With a typical life expectancy of 20 years, we recommend that allowance is made for replacement in the long term.

7.3 PHOTOGRAPHS



Packaged unit to supermarket tenancy



Deteriorated coils to packaged unit.



Packaged unit - soiled cabinets and corroded mounts



Split system outdoor units, supermarket tenancy



Typical split system units on Block C



Supply and return air penetrations, supermarket



Supply air reticulation, supermarket



Ceiling cassette within tenancy



Supply and return air penetrations, K-Mart tenancy



500kVA substation



1,000 kVA substation



MSB, supermarket tenancy



PFC, supermarket tenancy



Digital meter, supermarket tenancy



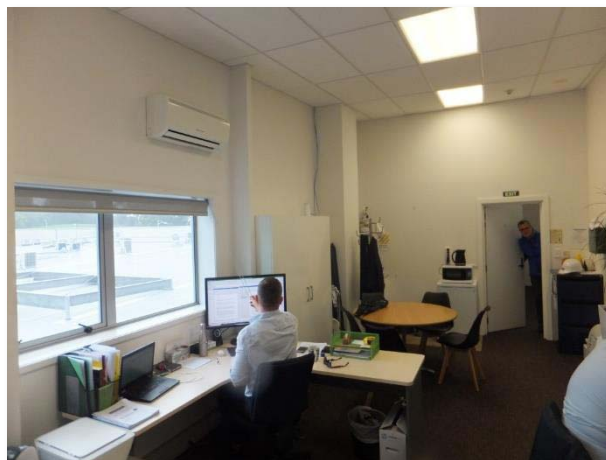
Typical MSB, retail block



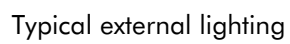
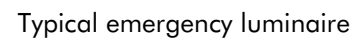
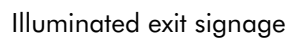
Digital metering, retail block



Typical DB within tenancy



LED lighting to management office

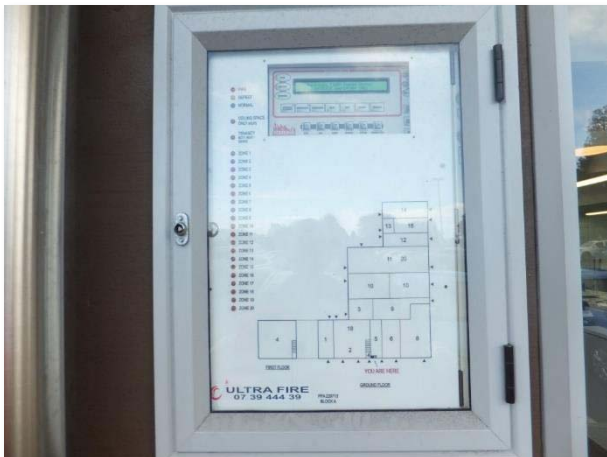




Sprinkler pumpset, Block E



Diesel tank, Block E



Typical FIP, retail terrace block



Site wide FIP in external areas



Typical smoke detector



Sprinkler head, supermarket tenancy



Fire alarm horn, supermarket tenancy



Typical MCP



Incoming water main, Bethlehem Road boundary



Incoming water main, State Highway 2 boundary



Water main stop taps to tenancies



Incoming gas main, Bethlehem Road boundary



Tenancy gas metering



Passenger lift, Block G

8. ENVIRONMENTAL / HAZARDOUS MATERIALS

8.1 SUMMARY OF ISSUES & OBSERVATIONS

- The site is currently occupied by PSPIB Waiheke Incorporated and is an outdoor commercial shopping mall.
- The Wairoa River, the closest surface water body, lies approximately 800m west of the site
- Groundwater in the local area is approximately 3 – 3.5 m below ground level (m bgl).
- From geotechnical borelogs in the area the ground conditions at the site are clayey silts and sand of volcanic ash origin.
- The site is located within the Tauranga City Council's mapped 1% AEP or 1 in 100 year return period flood (means that there is a 1% or 1 in 100 chance in any given year that a flood impacting this area will occur) but not within the Civil Defence Emergency Management Evacuation Zone.
- From the historical aerial review, the site operated as a farm until circa 1974 when the fields were converted into an orchard. The orchard operated until 2003 - 2005 when the Countdown was constructed in the southern portion of the site.
- Buildings on site were constructed between 2003 and 2020. Asbestos reports from the site indicated asbestos was not used in the construction of the buildings currently onsite.
- The newly constructed BP Service Station is listed on the Bay of Plenty Regional Council's Land Use Register. The remainder of the site is not listed.
- The land information memorandum (LIM) files for the site did not include any dangerous goods licenses. Plans for the construction of Block E did indicate the storage of diesel for a generator and construction plans for the BP Service Station identified three underground storage tanks for fuel.
- No signs of contamination of hazardous materials were noted during the site walkover, with the exception of the BP Service Station.

8.2 SITE STATUS

- The site contains commercial buildings and an associated sealed outdoor area.
- The site is located in Bethlehem, Tauranga and is surrounded by a mix of residential and commercial/ industrial properties.
- At the time of this assessment, the site was occupied by commercial entities including but not limited to Countdown, BP, The Coffee Club, Kmart, and Burgerfuel. The site is owned by PSPIB Waiheke Incorporated.

8.3 SITE HISTORY

- From the historical aerial review, the site operated as a farm until circa 1974 when the fields were converted into an orchard. The orchard operated until 2003 - 2005 when the Countdown was constructed in the southern portion of the site.
- The surrounding area has been gradually developed into residential, commercial and light industry since 1959.

8.4 HAZARDOUS MATERIALS

- Buildings on site were constructed between 2003 and 2020. Asbestos reports from the site indicated that asbestos was not used in the construction of the buildings currently onsite.

8.5 WASTE HANDLING AND DISPOSAL

- The site is connected to municipal water, sewer and stormwater networks, has no air discharge requirements or permits and is zoned commercial. Significant discharge risks are not anticipated in relation to these items.

8.6 FLOOD AND TSUNAMI RISK

- The site is located within the 1% AEP or 1 in 100-year return period flood (means that there is a 1% or 1 in 100 chance in any given year that a flood impacting this area will occur) but not within the Civil Defence Emergency Management Evacuation Zone.

8.7 PHOTOGRAPHS





BETHLEHEM SHOPPING CENTRE, TAURANGA 3110



9. CAPEX QUALIFICATIONS

9.1 COST ESTIMATES & TIMING

- Our cost estimates associated with due diligence are generally concerned with capital expenditure (CAPEX) forecasts, normally reflecting a 10-year planning period as follows:
 - **Immediate** – where the work is urgent.
 - **Short Term** – work that should be undertaken within one year.
 - **Medium Term** – work that should be undertaken within two to five years.
 - **Long Term** – work that should be undertaken towards the end of the ten year reporting period.
- These estimates are indicative only and are provided as an “order of magnitude cost allowance” for specifically identified works. Items of work are often not fully described or detailed reflecting the high-level nature of the assessment, the amount of information available, a reasonable course of action, and the purpose for which they are prepared. We will consider and review any pre-existing CAPEX records or budgets, where they are made available.
- Our costs are a present day estimate for undertaking the works as a stand-alone project and do not include the following (unless otherwise stated):
 - preliminaries, builder’s margins, overheads or contingencies;
 - negotiated, staged or other special forms of contract;
 - approval, consents or compliance orders;
 - costs associated with the further investigations;
 - professional/consultant fees for further investigation and testing, the design, documentation and the management of rectification works, or any resulting change in the scope of rectification works;
 - costs associated with the relocation, temporary accommodation, disruption to business or loss of profit of the building owner or tenants;
 - work outside site boundaries;
 - work outside normal business hours;
 - goods and services tax (GST); and
 - future escalation.

9.2 DEFINITIONS

- Our CAPEX forecast also includes deferred repairs and maintenance (R&M) items which ought to have been carried out or should be planned for as a preventive measure. Routine repairs, maintenance and typical operational costs associated with the normal occupation and management of the asset are excluded unless otherwise stated. These exclusions typically are (without limitation):
 - Service maintenance contract costs for air-conditioning, gardening, cleaning, etc.
 - Statutory maintenance costs for testing fire protection equipment, cooling towers, electrical systems etc.
 - Operational costs such as property management fees, security, insurance, etc.
 - Unplanned maintenance or repairs for breakdowns or failures which cannot be forecast.

- **Repairs & Maintenance (R&M)**

- **R&M** – is defined as works necessary for retaining an item or asset in, or bringing it back to, an improved or acceptable condition, as far as is reasonably practicable.

- **Capital Expenditure (CAP)**

- **CAP** – is defined as major expenditure for lifecycle replacement and/or substantial repairs or remediation works deemed necessary due to end of life or complete failure of an element or major plant item. These works could be forecast to coincide with predicted end of life or programmed on a cyclical basis.

9.3 CONDITION

- Condition is also noted as part of the report and intended as a guide to the current physical condition of the item, element or asset. Categories are defined as follows:
 - **Failed/End of Life** – The building element or component has reached the end of its economic life and should be replaced unless some mitigating circumstance dictates that life can be extended.
 - **Poor** – The condition of the component or building element is below expectation given its age and usage, showing signs of excessive wear & tear and damage. It is likely that replacement will be recommended but most certainly overhaul or refurbishment will be needed.
 - **Fair** – The condition of the component or building element is as good as would be expected for its age and use, with signs of wear & tear, and natural degradation without damage. It is likely that refurbishment or upgrade will be recommended but replacement is a possibility.
 - **Good** – The condition of the component or building element is as would be expected considering its age and usage, with no notable wear & tear evident.
 - **As New/Excellent** – The condition of the component or building element exceeds expectation and usually represents a state of the art product or service, or has recently been installed/constructed.

9.4 RISK POTENTIAL

- Our cost estimates have been assessed on the basis of their likelihood (i.e. how likely is it that it will occur) and consequence (what is the impact if the event does occur). These two values are combined to give an overall 'risk rating' which as per the table below:

Likelihood	Consequence				
	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain	Low	Moderate	High	Very High	Very High
Likely	Low	Moderate	Moderate	High	Very High
Possible	Low	Low	Moderate	High	High
Unlikely	Negligible	Low	Moderate	Moderate	High
Rare	Negligible	Negligible	Low	Moderate	High

10. LIMITATIONS & EXCLUSIONS

Although we will undertake as thorough and detailed an inspection as possible, our investigation and report will be subject to the following standard limitations.

- Parts of the building built in, covered up or otherwise made inaccessible during construction, alteration or fitting out, have not been inspected. This generally relates to ceiling voids, wall cavities and service risers. Therefore, we are unable to comment as to whether such elements are free from defect or infestation.
- Areas or building components that are covered up or permanently enclosed will not be inspected. Where risks exist in this regard, we will point these out and recommend opening up of the structure or fabric where this is merited to inspect such areas.
- We have not undertaken any work of a specific engineering nature, such as engineering calculations, structural analysis, testing or measurements as the report reflects our interpretation of the condition of the building as apparent from the inspection.
- Unless a detailed façade engineering inspection is instructed, a representation of the façade will be inspected from ground level and other vantage points including internal areas only. Allowances provided in our CAPEX report are provisional in nature and would require a detailed inspection via rope access/BMU to more accurately assess condition and quantify costs.
- Building services have been visually inspected where exposed to view only. No internal inspections have been undertaken of plant, equipment and machinery or where services are covered up or hidden by the building structural element or finishes. Building services have not been tested and no design calculations have been undertaken. If it is thought that a specific service or building element requires further testing or inspection, we will advise of this requirement. Further fees may be chargeable for these services if the visual inspection identifies areas of concern that require further intrusive investigation.
- Unless otherwise instructed, the assessment of the vertical transportation plant and equipment has been carried out by a 'generalist' building services engineer. Accordingly, this component of our review is more high level in nature.
- The property has not been inspected specifically for termite infestation and we would only report on such if termite evidence was apparent during our inspection.
- Where a variety of multiple areas exist (e.g. tenancies, units, rooms, etc.), a random selection and sample of each area will be inspected and used for the basis for this report. Those areas inspected will be deemed to be representative of the balance.
- We have not prepared an exhaustive list of those minor defects or imperfections thought not to have a material bearing upon the proposed interest.
- This report is not a certification, a warranty or guarantee and has been scoped in accordance with the instructions given and the time allowed.
- The scope of the report is described within the body of this proposal and disciplines not specifically mentioned are excluded from this report.
- The report has been prepared for the benefit of the instructing entity only. This report is not to be reproduced, in whole or in part, without the express written authorisation of CBRE. The report may not be relied upon by any third party.
- No allowance has been made to provide vertical access equipment to allow for safe inspection of the roof. If there is a requirement for vertical access equipment, the cost will be charged in addition to the agreed fee. A 15% surcharge will apply.
- In regard to the services portion of this report, we have assumed that the services associated with the existing internal fit out are the tenant's responsibility and as such are not to be included within our review.
- It should be noted that the cost estimates provided as part of our service are not a statement of absolute cost and are intended to provide an order of magnitude only for budget purposes.
- Within this report, unless otherwise stated, we have commented on the condition of the property at the time of our inspection only, and we cannot guarantee that the property may be subject to damage or other adverse event following our inspection.
- Our investigation and report does not waive or relieve the project design team or contractor from their statutory and design obligations under their respective contracts.

Important Warning - Market Uncertainty from Novel Coronavirus

- The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a Global Pandemic on the 11th March 2020, is causing heightened uncertainty in both local and global market conditions. The effect COVID-19 will have on the construction industry in the region is currently unknown and will largely depend on both the scale and longevity of the pandemic. At this stage supply chains originating from China are likely to be the first impacted. This may have some impact on the availability of certain construction materials.
- A prolonged pandemic and wide travel restrictions could have a significant (and yet unknown or quantifiable) impact on broader sectors of the construction industry.
- Whilst we have taken all reasonable steps to estimate the effect, due to the significant uncertainty and rapid unfolding of these events it is difficult to quantify and assess the impact that the pandemic has had on construction costs and material supply.
- Given the significant heightened uncertainty, a strong degree of caution should be exercised when relying upon our assessment. Construction costs and the availability of material are likely to change more rapidly and significantly than during standard market conditions and we recommend that you keep the assessment of this property under frequent review. Caution is advised when relying on this assessment.

11. TERMS & CONDITIONS

These terms and conditions form part of the Terms of Engagement between CBRE Ltd ("CBRE") and the Instructing Party for the Services described in within this Report.

- 1 **Fees & Disbursements**

All disbursements, including travelling and other reasonable expenses incurred by CBRE in the provision of the Services are fully recoverable from the Client as and when incurred.

All invoices are payable within 14 days of the date of invoice, unless otherwise stated in the Agreement. A late payment fee of 2% per month (or part thereof) for any overdue amount may be charged by CBRE.

All legal and debt recovery costs which CBRE may incur in recovering overdue account balances from the Client shall be fully recoverable from the Client as and when incurred.

CBRE may suspend its performance of the Services until it receives payment in full.

References to \$ are to Australian Dollars for Services carried out in Australia and to New Zealand Dollars for Services carried out in New Zealand.
- 2 **Purchase Order**

The Client may initiate the commencement of Services hereunder by way of a purchase order or other document. It is expressly agreed that any terms and conditions appearing thereon shall have no application and only the provisions of this Agreement shall apply.
- 3 **GST**

(a) For Services completed in Australia, capitalised terms in this Clause (a) have the meaning given to them in the GST Law (*A New Tax System (Goods and Services Tax) Act 1999 (Cth)*). All Consideration provided under the Agreement is exclusive of GST. If GST is payable on a Supply made under the Agreement, the party required to provide Consideration to the other (Supplier) for that Supply must pay an additional amount to the Supplier equal to the amount of the GST at the same time as Consideration is to be provided for that Supply.

(b) For Services completed in New Zealand, a word or expression in this Clause (b) defined in the *Goods and Services Tax Act 1985*. If a party makes a supply under or in connection with this Agreement in respect of which GST is payable, the consideration for the supply but for the application of this Clause (b) (GST exclusive consideration) is increased by an amount equal to the GST exclusive consideration multiplied by the rate of GST prevailing at the time the supply is made.
- 4 **Standard of Services**

Each party must perform its obligations under the Agreement in accordance with its terms. CBRE must perform the Services diligently and competently and using personnel who are qualified and experienced. The Client hereby appoints CBRE as its agent to do all things necessary for CBRE to perform the Services in accordance with this Agreement, including entering into all relevant contracts as disclosed agent of the Client.
- 5 **Client Information, Assistance and Warranty**

(a) The Client:

 - (i) warrants that all information it provides to CBRE for the purposes of this Agreement shall be true, complete and not misleading ("Client Information"); and
 - (ii) acknowledges and agrees that (1) CBRE has not made their own enquiries or verified the accuracy of any Client Information; and (2) it bears all risk in CBRE's use of Client Information; and
 - (iii) must indemnify CBRE from and against all claims arising out of CBRE's use of Client Information.

(b) The Client must promptly provide CBRE with all Client Information, assistance and resources CBRE reasonably requires, including (as applicable), access to all sites that are owned or controlled by the Client and relevant to the performance of the Services. If there is any delay or failure by the Client to perform its obligations under this Agreement, CBRE is not responsible for the delay or failure to provide the Services as a consequence, the Client must pay any additional cost incurred by CBRE as a consequence of such delay.

(c) The Client must ensure that whenever CBRE, or their respective personnel are present on any site owned or controlled by the Client there is no risk to the health, safety and welfare of such persons and all such persons are appropriately inducted.

(c) The Client represents and warrants that it has authority to enter into the Agreement.
- 6 **Acknowledgement**

The Client acknowledges that:

 - (a) the CBRE will not verify the accuracy or completeness of information or materials provided to the CBRE;
 - (b) the report or advice provided (Deliverables) is current at the date of the production of Deliverables;
 - (c) Deliverables produced, in the course of providing the Services are for the benefit of the Client only and may not be relied on by any other party unless expressly stated in this Agreement;
 - (d) CBRE does not accept any liability or responsibility howsoever arising to any other person acting upon or

relying on Deliverables.

- 7 **Indemnity** The Client indemnifies CBRE from and against any losses, liabilities, damages, costs, claims and expenses (including legal fees on a full indemnity basis) suffered or incurred by or awarded against CBRE as a result of any use of, or reliance upon, the information contained in the advice/report issued by CBRE to the Client, by any party authorised by the Client or Reliant Party.
- 8 **Exclusions** CBRE are not experts in and are not responsible for providing or the accuracy or completeness of financial, legal, regulatory, tax, investment, accounting, engineering, environmental or other technical matters or services related to the Services.
- 9 **Intellectual Property Rights**
- Background Intellectual Property Rights** means Intellectual Property Rights in existence prior to the date of the Agreement or developed by or on behalf of a party independently of this Agreement.
- Foreground Intellectual Property Rights** means Intellectual Property Rights created by or on behalf of CBRE in the course of performing the Services, excluding Background Intellectual Property Rights.
- Intellectual Property Rights** means all intellectual property rights and other rights or protections of a similar nature.
- Background Intellectual Property Rights**
- (a) Nothing in this Agreement affects the ownership of Background Intellectual Property Rights.
 - (b) The Client grants to CBRE a non-exclusive, royalty-free and irrevocable licence to use, copy and modify all Client Background Intellectual Property Rights needed to perform Services in accordance with the Agreement.
 - (c) CBRE grant to the Client an irrevocable, perpetual, royalty-free, non-transferrable and non-exclusive licence to use and copy all CBRE Background Intellectual Property Rights for the purpose(s) contemplated in the Agreement.
- Foreground Intellectual Property Rights**
- All Foreground Intellectual Property Rights are owned by CBRE and it grants the Client an irrevocable, perpetual, royalty-free, non-transferable and non-exclusive licence to use and copy all Foreground Intellectual Property Rights for the purpose(s) contemplated in the Agreement.
- Third Party Intellectual Property Rights**
- Where:
- (a) a third party owns Intellectual Property Rights; and
 - (b) a licence of such rights is needed by CBRE to efficiently perform Services in accordance with the Agreement,
- the Client must promptly:
- (d) grant to CBRE; or
 - (e) procure the granting of to CBRE,
- a non-exclusive, royalty-free and irrevocable licence to use, copy and modify such Intellectual Property Rights to perform the Services in accordance with this Agreement.
- 10 **Confidentiality** The Client must not disclose or permit to be disclosed to any third party any information provided to it under this Agreement that is not already in the public domain, other than for the provision of the Services or as required by law or regulation.
- 11 **Privacy** CBRE will only collect, store, use and disclose Personal Information in accordance with its privacy policy as it applies from time-to-time (located at <https://www.cbre.com.au/about/australia-privacy-policy>) and as permitted under the Privacy Act 1988 (Cth) in order to perform its duties under this Agreement.
- 12 **Data Storage** CBRE may store data outside of Australia or New Zealand. CBRE may also use outsourced third-party companies located inside and outside of Australia for data hosting and related services. CBRE may also utilise the services of CBRE owned and operated offices in the Philippines to provide administrative services. CBRE will ensure compliance with Australian Privacy Principles in accordance with CBRE's Privacy Policy.

- 13 **Reliance** The Client acknowledges and agrees that all material or documents created by CBRE in providing the Services are provided for its benefit and the purposes set out in the Agreement and may not be relied on by any other parties. The Client and anyone on its behalf must not:-
- (i) disclose to a third party all or any part of this Agreement or any information provided to the Client by or on behalf of CBRE pursuant to this Agreement; or
 - (ii) otherwise make public all or any such information,
- without the prior written consent of CBRE, which may be conditional upon some or all relevant third parties first executing:
- (iii) a reliance letter on terms approved by CBRE where the third party wishes to use and/or rely on the relevant information; or
 - (iv) a non-reliance letter where the third party wishes to use the report for information purposes only.
- 14 **Exclusion of Liability** CBRE are not experts in and are not responsible for providing or the accuracy or completeness of financial, legal, regulatory, tax, investment, accounting, engineering, environmental or other technical matters or services related to the Services.
- 15 **Limitation of Liability**
- a. Application of clause
Nothing in this clause operates to exclude, restrict or modify the application of any implied condition or warranty, the exercise of any right or remedy or the imposition of any liability, implied or conferred under Australian or New Zealand Consumer Law or any other law, the exclusion, restriction or modification of which would contravene that law or cause any term of this engagement to be void ("**Non-Excludable Obligations**").
 - b. Exclusion of implied obligations
Except in relation to the Non-Excludable Obligations, all conditions, warranties, guarantees, rights, remedies, liabilities and other terms implied or conferred by law that impose any liability or obligation on CBRE are expressly excluded under this engagement.
 - c. Limitation of liability
 - (i) Except for services of a kind ordinarily acquired for personal, domestic or household use or consumption, CBRE's liability to the Client for a failure to comply with any Non-Excludable Obligation is limited to (at CBRE's election):
 - a. supplying the relevant Services again; or
 - b. paying the Client the cost of having the relevant Services supplied again.
 - (ii) To the fullest extent permitted by law, CBRE's maximum aggregate liability to the Client and its personnel under or arising out of this Agreement or any law is capped at the lower of (A) value of the fees received for the particular service under the Agreement and (B) the sum of FIVE HUNDRED THOUSAND (\$500,000) DOLLARS.
 - (iii) To the fullest extent permitted by law, neither party will have any liability to the other or its personnel (whether arising in contract, tort (including negligence), statute, equity or otherwise) for any indirect, special or consequential loss under or arising out of this Agreement, including:
 - a. loss of revenue, use, production, goodwill, profit, business, contract or anticipated savings;
 - b. financing costs or increase in operating costs; or
 - c. other financial or economic loss or any other special or indirect loss or damage.
 - (iv) For the purposes of engagements carried out in New Zealand, where there is any conflict between any term in this Agreement and the provisions of the Consumer Guarantees Act 1993, the latter shall prevail.
- 16 **Termination** Either party may terminate this Agreement by giving written notice to the other if the other party: (a) commits a material breach of this Agreement that is not capable of remedy; or (b) breaches this Agreement and fails to remedy that breach within 30 days after it receives a notice from the other party to do so. Termination of this Agreement does not affect any accrued rights or remedies of either party.
- 17 **Insurance** Both parties will maintain insurance sufficient to comply with their obligations hereunder, including professional indemnity, public liability and workers' compensation insurance.
- 18 **Variation** This Agreement cannot be amended or varied except in writing signed by the parties.

- 19 **Dispute Resolution** If a dispute arises out of or in any way relates to this engagement or the breach, validity or subject matter thereof ('the dispute'), the aggrieved party shall, within 7 days of becoming aware of the dispute, by notice in writing notify the other party/parties that the dispute exists.
- The parties agree to first endeavour to settle the dispute by mediation conducted in accordance with the New Zealand Dispute Resolution Centre (NZDRC) mediation guidelines and administered by the NZDRC or as otherwise agreed by the parties.
- The costs of the mediation shall be borne equally by the parties.
- In the event that:
- (a) the parties have not agreed upon a mediation or have not requested the NZDRC to appoint a mediator within twenty-eight (28) days (or other such time period as agreed to in writing between the parties) after the notification of the dispute; or
 - (b) the dispute has not settled at mediation or otherwise within twenty-eight (28) days (or such time period as agreed to in writing between the parties) after the mediation,
- the parties have liberty to commence proceedings in respect of the dispute in a court of competent jurisdiction subject to compliance with the Governing Law clause in this Terms of Engagement.
- 20 **Governing Law** In relation to Services carried out in Australia, this Agreement is governed by the laws of the state or territory in which the subject property is located, and each party submits to the non-exclusive jurisdiction of the courts of that state or territory. In relation to Services carried out in New Zealand, this Agreement is governed by the laws of New Zealand and each party submits to the non-exclusive jurisdiction of the courts of New Zealand.
- 21 **Survival** Clauses 1, 3, 5, 6, 9, 11 and 17-21 survive the expiry or termination of this Agreement.
- 22 **Joint and Several** In this Agreement an agreement on the part of, or in favour of, two or more persons binds, or is for their benefit, jointly and severally.
- 23 **Assignment**
- (a) The Client may not assign this Agreement without the prior written consent of CBRE.
 - (b) CBRE may assign or novate this Agreement to any of its related bodies corporate (as that term is defined in the *Corporations Act 2001 (Cth)* or any of its related companies (as defined in the *Companies Act 1993*) without the consent of the Client.
 - (c) CBRE may sub-contract performance of its obligations under any part or the whole, of this Agreement.
- 24 **Electronic communication** If the Client asks CBRE to send any documents by email, the Client will be deemed to have accepted the risk of (and CBRE will have no responsibility for) the message being intercepted, not being received or not being viewed by the recipient.
- If the Client asks CBRE to provide the Client with a copy of a document by email or disk, CBRE will do so on the basis that CBRE does not warrant that the disk or email communication will be virus or defect free and on the basis that:
- CBRE will not be responsible for any loss or damage sustained by the computer system which reads the disk or email; and
- precautions will be taken by the Client to ensure that the disk or email does not cause any loss or damage.
- 25 **Order of Precedence** In the event of any inconsistency, ambiguity or discrepancy within or between the engagement letter, the General Terms of Business (Annexure 1) and Special Terms of Business (Annexure 2), the following order of precedence will apply:- (1) engagement letter; (2) General Terms of Business.

CBRE