



Commercial Market Valuation for Capital Raising Purposes

**12 Te Waiiti Place
Raumanga
Whangarei**

**Prepared for:
Pacific Property Fund Limited
C/- Property Managers Group
PO Box 2034
Tauranga 3140**

Attention: Daniel Lem

Date: 1 July 2022

Reference: 0422-29

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1. Executive Summary

Instructed by:	Daniel Lem of Pacific Property Fund Limited
Intended Users:	Prospective subscribers for units in Pacific Property Fund Limited and ASB Bank Limited as Security Trustee.
Purpose of Valuation:	<p>Commercial Market Valuation on the subject property for capital raising purposes including use within the Product Disclosure Statement as required by the Financial Markets Conduct Act.</p> <p>Our report is confidential to the parties to which it is addressed and to the prospective subscribers for units in Pacific Property Fund Limited as part of a capital raising exercise. No responsibility is accepted to any other third parties.</p> <p>Neither the whole of this report, nor any part of it, or any reference to it, may be published in any document, statement or circular, or in any communication with third parties without our prior written approval to the form and context in which it will appear. This does not preclude PMG Property Funds Management Limited from providing to prospective subscribers for units in Pacific Property Fund Limited.</p>
Date of Inspection/Valuation:	Inspection undertaken 4 May 2022. Date of valuation 1 September 2022 but assessed as at 1 July 2022.
Valuation:	<p>NZD\$1,950,000 (ONE MILLION NINE HUNDRED AND FIFTY THOUSAND DOLLARS)</p>

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

Analysis

Value per sqm of Land Area	\$253
Initial Yield	6.15%
Yield on Net Market Income	5.94%
Weighted Average Remaining Lease Term	14.92 years

Valuation Approaches:	Capitalisation of income; and land value
Market Value Definition:	Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion (IVS 104).
Coronavirus (COVID-19):	Local and international markets will come to terms with Coronavirus and the impact or unclear impact this may have on the property market. A regular review of our report should be undertaken as circumstances are prone to



change over a short time frame. This is an integral part of any approved party relying on our report.

Purchase Price:

NZD\$1,920,000 being the allocated amount as per the Agreement for Sale and Purchase of Real Estate (and advised to us in an email exchange) for both 12 Te Waiiti Place and 46-50 Rewa Rewa Road, Raumanga, Whangarei.

1.1 Assumptions

In preparing our valuation, we have made the following assumptions:

- The revised lease structure for the draft Deed of Lease for 4 Ruffell Road between Pacific Property Fund Limited and Keith Andrews Trucks Limited referenced PMG818-2041 (9775825) and provided to us on 29 June 2022 also applies to this lease, save for the premises, the rent, and the fixtures and fittings.
- The fixtures and fittings for 12 Te Waiiti Place will comprise of all fencing and retaining walls (if any).
- An executed Deed of Lease between Pacific Property Fund Limited as Landlord and Keith Andrews Trucks Limited as Tenant for a term of 15 years, with one 10-year right of renewal, from settlement date (targeted 31 August 2022) at an initial net annual rental of \$120,000 plus GST.
- The Tenant shall provide the Landlord with a bank guarantee to an amount equivalent to 12 months' rent and outgoings (plus GST).
- Annual indexed rental growth of 3% with 5% cap and collar market reviews every 5 years, except for when the market review date and the renewal date are the same, in which case the market rent review is fully ratcheted.
- There site has no material contamination.
- The site is capable of full development without incurring costs that would be considered over and above those prevailing in the location.
- There is no material change to the property between the date of inspection on 4 May 2022 and the date of lease commencement of 1 September 2022.

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



1.2 Key Considerations

Condition:	Good, providing a secure rolled metal yard.
Saleability:	Good, providing strategic investment property with the value supported by the underlying land value of the site.
Property Type:	<p>The property comprises a level 7,722sqm metalled site in an established industrial district of Raumanga, Whangarei. The property is leased for a 12 year term to Keith Andrews Trucks Limited at a market supported net annual rental of \$120,000 plus GST, representing \$15.54 per sqm, with built in annual growth. Part of the site is a drainage canal which would effectively reduce the land area by approximately 793sqm to a useable area of 6,928sqm. On this basis the contract rent represents \$17.32 per sqm.</p> <p>Ultimately, providing development opportunity although with a long term occupational lease.</p>



2. Property Description

2.1 Legal Description & Interests

Identifier	636012
Land Registration District	North Auckland
Estate	Fee Simple
Area	7,722sqm
Legal Description	Lot 1 Deposited Plan 470509
Registered Owners	Vicki Ann Andrews, Ian Irving Hayward, YHPJ Trustees (2020) Limited

Record of Title

Lot	DP	Identifier	Area (sqm)
1	470509	636012	7,722
Total Land Area			7,722

Outstanding Interests:

Interests include:

- Subject to Section 59 Land Act 1948
- D513751.3 Consent Notice pursuant to Section 221 Resource Management Act 1991 - produced 12.6.2000 at 2.34pm and entered 10.7.2000 at 9.00 am
- 8590973.5 Consent Notice pursuant to Section 221 Resource Management Act 1991 - 14.9.2010 at 2:42 pm
- Appurtenant hereto is a right of way and a right to convey water, electricity, telecommunications and computer media created by Easement Instrument 9613165.3 - 15.1.2014 at 4:34 pm
- The easements created by Easement Instrument 9613165.3 are subject to Section 243 (a) Resource Management Act 1991
- 9635638.3 Mortgage to ASB Bank Limited - 5.3.2014 at 12:48 pm

Interest Comments:

Consent Notice D513751.3 – any development on Lot 1 shall be done so in accordance with the engineering report of Cook Costello Limited dated 10 July 1998. Any construction of industrial buildings on Lot 1 shall be limited to light industrial buildings with footings of a maximum allowable bearing capacity of 120 kPa. The full description of Lot 1 can be found on Rayburn and Bryant Te Waiiti Place Site Plan (Lot 1) dated 22 June 1998.

Consent Notice 8590973.5 relates to the division and storm water continuation. Lots 1 and 2 cannot exceed the peak runoff from the site pre-division for both the 5 year and 100 year average recurrence interval plus 20%.

Instrument 9613165.3. Lot 1 has a right of way, right to convey water, telecommunications and computer media over Lot 2 in area “A” on DP 470509.

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



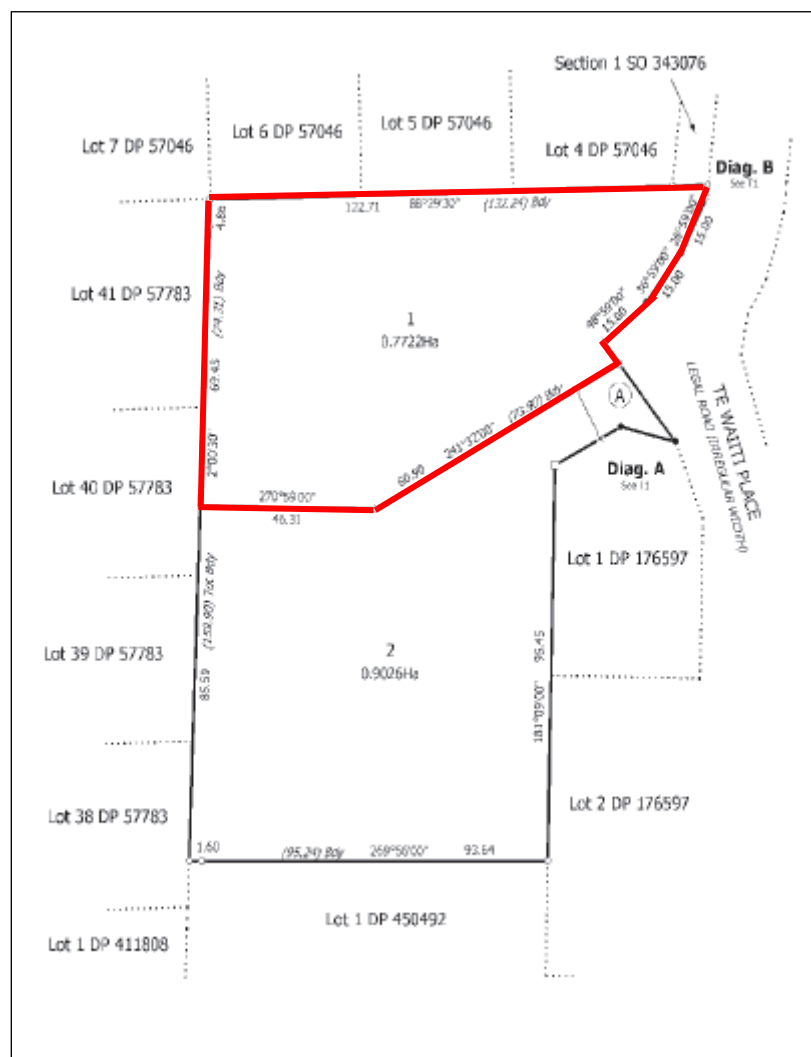
2.2 Land Description

Site Description:

Lot 1 comprises a 7,722sqm front site with easterly aspect to Te Waiiti Place, to which it has arced frontage to Te Waiiti Place of 51.51m. The property has the benefit of Area A providing recessed access to the yard over the adjoining property.

The site has a compact metal surface and generally wire mesh security fencing to boundaries. The northern boundary adjoins the property at 46-50 Rewa Rewa Place although is separated by a boxed water course.

A site plan and aerial photo follow:





Zoning:

The land is zoned Business 4 Environment under the Whangarei District Plan. This zone covers the heavy industrial areas of Whangarei. The proposed zone is Light Industrial and restricts use to light industrial or supporting activities.

Permitted Activities and Development Controls (Operative)

In very general terms, but subject to additional requirements, any activity is a permitted activity provided that:

- It does not involve the construction of a residential unit; and
- It does not involve the care of the elderly or sick people, or the education or care of children; and
- The area for retail activity, including display, does not exceed 100sqm gross floor area; and
- It is not a Place of Assembly; and
- The area for retail activity, including display, does not exceed 100sqm gross floor area; and
- It does not involve food irradiation; and
- It is not an activity that is classified as an offensive trade in the Health Act 1956.
- In essence, the Business 4 zoning provides for a wide range of industrial uses. Any activity that does not comply with a condition for a permitted activity is a discretionary activity if it does not involve a) and b) above.



Proposed Light Industrial Zone

The above proposed zone is on the fringe of Whangarei City and larger suburban centres with close proximity to State Highways. The Light Industrial zone is generally more restrictive, it seeks to discourage non-industrial activities and industrial activities that cause significant effects beyond the site. The zone enables more industrial supporting activities such as cafes and takeaways.

The proposed plan differs from the current operative plan by the following rules:

- Retail increased generally up to 250sqm gross floor area
- The activity is generally permitted if, in addition, does not include Waste Management, Landfill, Plantation Forestry, Farm, Quarrying, Entertainment Facilities, Visitor Accommodation, General Commercial and General Community uses.

Zone Comment

The existing use as a storage yard appears to be provided for under the zoning provisions. Further, various development options could be considered at some stage in the future.

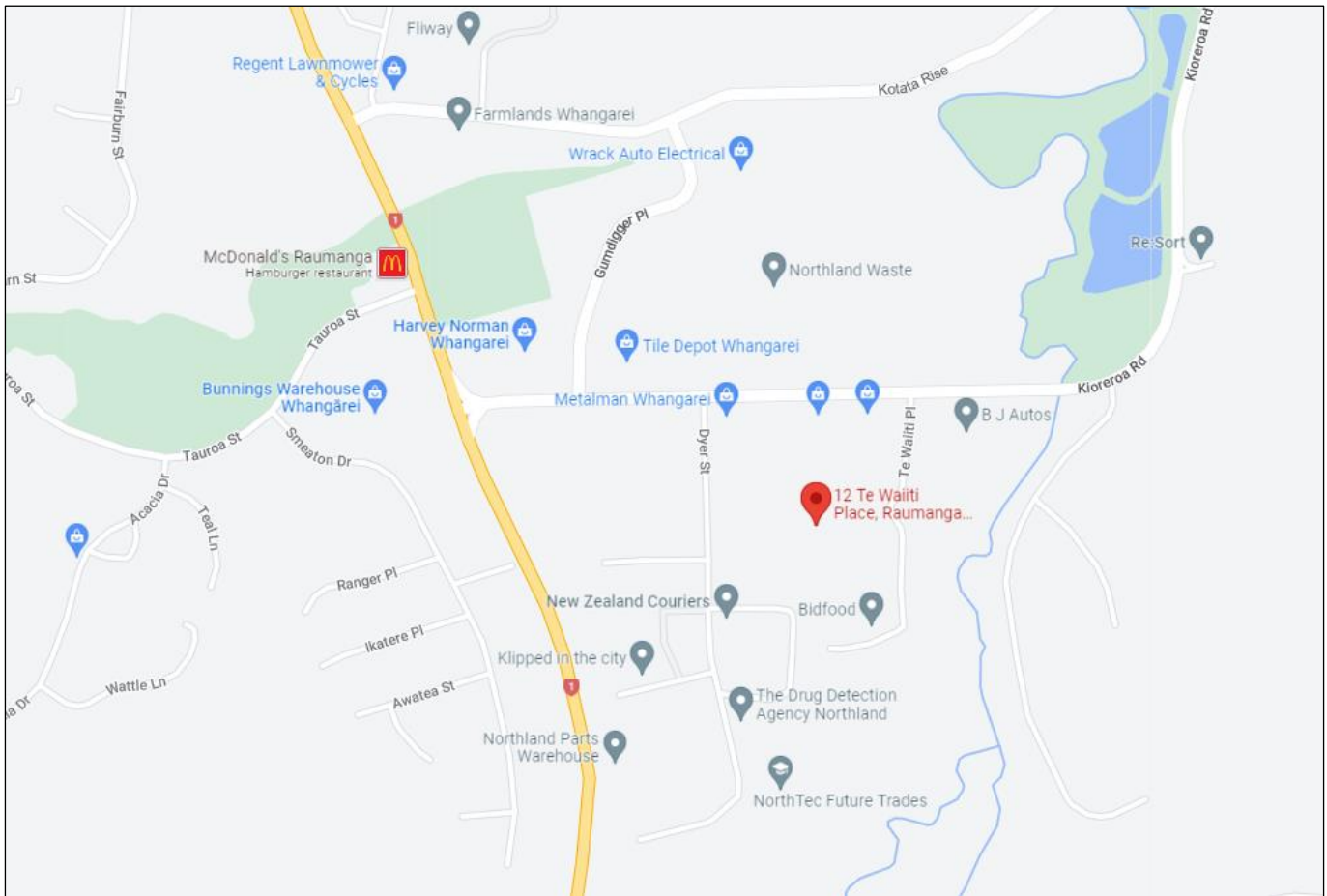
Situation & Locality:

Te Waiiti Place is a sealed, curbed, and channelled cul-de-sac located off Rewa Rewa Road to the south. The subject property is situated to the western side of Te Waiiti Place, approximately 150m from Rewa Rewa Road and approximately 750m from State Highway 1.

Immediate surrounding development comprises a variety of industrial warehousing and bus/van depots. Generally, presentation is of an average to good standard. The subject property is located circa 4.4km from Whangarei city centre, and 9.8km from Whangarei Airport.

Approximately 2 hours north of Auckland, Whangarei represents a principal distribution hub for the Northland region, with companies such as Ballance Agri-Nutrients and Ravensdown having significant facilities located in the region. Whangarei is the largest urban centre in Northland and the economic hub of the region, contributing circa 50% of GDP by value added, with manufacturing and agriculture, forestry and fishing, healthcare and social assistance being the largest contributors to GDP in the region.





In summary, a strongly located industrial site in the context of the Raumanga industrial estate of Whangarei.

2.3 Description of Improvements

Site Improvements:

These include wire mesh fencing to boundaries with a canal extending some 6m inside the northern boundary along its full length. The site itself has a rolled metal surface of level contour.

Reticulation of Services:

There is no evidence of electrical or telecommunications on the site, but we would assume they are available on Te Waiiti Place.



Photos:



Entrance



Shared entrance



Yard



Yard



Northern yard



Open canal – western end





Eastern aspect



Yard



Yard



3. Occupancy Arrangements

3.1 Lease Summary

A summary of the draft occupancy arrangements is contained below.

Draft Deed of Lease

Landlord:	Pacific Property Fund Limited
Tenant:	Keith Andrews Trucks Limited
Guarantor:	
Lease Format:	Sixth Edition 2012 (5)
Premises:	All the land and buildings at 12 Waiti Place, Raumanga, Whangarei. The land is all the land comprised and described in Record of Title 636012.
Term:	15 years
Commencement Date:	1 September 2022
Rights of Renewal:	One right of renewal for a term of 10 years
Renewal Dates:	1 September 2037
Expiry Date:	31 August 2047
Annual Rental:	\$120,000 plus GST
Rent Payment Dates	The 1 st day of each month, starting on the 1 st day of September 2022.
Rent Review Dates:	<u>Fixed rent increase dates (clause 2.6)</u> Each anniversary of the commencement date (but excluding the market rent review dates) <u>Market rent review dates</u> 1 September 2027 (clause 2) 1 September 2032 (clause 2) 1 September 2037 (the renewal date – clause 32.1) 1 September 2042 (clause 2)
Business Use:	The sale and servicing of trucks
No Access Period:	9 months
Outgoings:	Full recovery of outgoings as provided under the Draft Deed of Lease, although amended as follows: 4. Amended from 'New Zealand Fire Service' to 'Fire and Emergency New Zealand'. 5. Any insurance excess (but not exceeding \$10,000) in respect of a claim and insurance premiums and related valuation fees (subject to clause 23.2).



7. Cleaning, maintenance and repair charges including charges for repainting, decorative repairs, 'graffiti removal' and the maintenance and repair of building services to the extent that such charges do not comprise part of the cost of a service maintenance contract, ~~but excluding charges for structural repairs to the building (minor repairs to the roof of the building shall not be a structural repair), repairs due to defects in design or construction, inherent defects in the building and renewal or replacement of building services.~~
12. Management expenses ~~(subject to subclause 3.7)~~
14. The costs incurred and payable by the Landlord for health and safety audits, and for site monitoring/contractor management relating to works carried out by the Tenant or any subtenant.
15. All other costs and expenses properly and reasonably assessed, charged, paid, or otherwise incurred in relation to the property, but excluding capital costs and expenses.

Additional Variations:

Second Schedule

2.1 (d) Market Rent Review

- (i) Notwithstanding any other provision of this clause 2, the annual rent payable as from the relevant market rent review date that is not also a renewal date shall not be:
 - A) More than 5% above; or
 - B) More than 5% below:

The rent payable during the 12-month period immediately preceding the relevant market rent review date (ignoring any rent abatement)

- (ii) The annual rent payable as from the market rent review date that is also a renewal date shall not be less than the rent payable during the 12-month period immediately preceding the relevant market rent review date (ignoring any rent abatement).

2.6 Fixed Rent Increases

With effect from each fixed rent increase date, the annual rent shall increase by 3%. For this purpose, any rent abatement shall be ignored.

22.2 No Noxious Use

The Tenant carrying out the business use in accordance with all applicable legal requirements shall not be in breach of clause 22.1. Without limitation to the foregoing, the Tenant may store and use dangerous goods or bring onto the premises dangerous goods vehicles, or vehicles carrying noxious loads, provided that such activities are conducted in accordance with all relevant legal requirements and are an incidental part of the business use.



48.1 Measurement

The rentable area of the premises (and, if necessary, the building) shall be calculated in accordance with the PCNZ/PINZ Guide for Measurement of Rentable Areas (June 2013 Revision).

50.1 Bank Guarantee

If the Tenant has not done so by the commencement date, the Tenant shall provide the Landlord with a bank guarantee in relation to the performance of the obligations of the Tenant under this lease ("the Bank Guarantee"). The Bank Guarantee shall:

- a) Be an irrevocable and unconditional undertaking by a New Zealand registered trading bank, or other financial institution approached by the Landlord, to pay to the Landlord an amount equivalent to 12 months' rent and outgoings (plus GST, in each case), calculated at the rates respectively payable from the commencement date.
- b) Be in favour of the Landlord and its successors and assigns;
Have an expiry date no earlier than 3 months after the expiry of the term; and
- c) Otherwise be in a form approved by the Landlord, such approval shall not be unreasonably withheld.

50.2

If the provider of the Bank Guarantee pays an amount to the Landlord in connection with the Bank Guarantee, without being requested by the Landlord to do so, the Landlord may:

- a) Retain that amount until the date that is 3 months after the date of expiration or earlier termination of this lease (or any period of holding over)
- b) Retain all interest earned on that amount; and
- c) Apply the whole, or parts of that amount from time to time, to or towards making good any loss or damage sustained by the Landlord as a result of any breach by the Tenant.

Landlord's Fixtures & Fittings:	All fencing and retaining walls (if any).
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Lease Comment

A comprehensive commercial lease with various modifications. The lease provides assured rental growth through the annual fixed increases which are fully ratcheted, however the 5 yearly market reviews have a soft ratchet except where the market review date is also the same as the renewal date, in which case it is fully ratcheted.



3.2 Outgoings

Outgoings for the property as estimated are summarised along with rates below.

Item	Adopted Outgoings	
	\$pa	\$psm
Rates	19,214	2.49
Other Adopted Charges	2,000	0.26
Total Adopted Outgoings	21,214	2.75

On this basis, outgoings analyse to \$2.75 per sqm over the land area and reflects no significant development of the site.

3.3 Analysis of Existing Rent

Our analysis of the existing contract rent is contained in the schedule below.

Tenant	Tenancy	Area (sqm)	Passing Rent (\$pa) (\$psm)		Unrecovered Opex (\$pa) (\$psm)		Net Contract Rent (\$pa) (\$psm)	
Tenancies								
Keith Andrews Trucks Limited	Yard	7,722.0	120,000	15.54	0	0.00	120,000	15.54
Total		7,722.0	120,000	15.54	0	0.00	120,000	15.54

This is our own analysis of the rental which may have been agreed differently between the parties. Allowing for the canal land reduces the useable site area to approximately 6,928sqm. On this basis the rent would represent \$17.32 per sqm.



4. Rental Evidence

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

Address	Bougainville St	NL	5 yrs 11 mths, 2*5yr Ren
Tenant	Timber processing	Leaseback	Annual CPI, market 3 yrly
Date	Jul-21		
Premises	Area sqm	\$p.a	\$per sqm
Warehouse	1976.4 sqm	\$182,827	\$92.50
Dry store	65.8 sqm	\$1,974	\$30.00
Premises sub total	2042.2 sqm	\$184,801	\$90.49
Estimated yard	4467 sqm	\$40,199	\$9.00
Annual Rent		\$225,000	



Bougainville Street, Port Whangarei. These premises were subject to a leaseback for a term of 5 years and 11 months from July 2021. The lease provides for two 5 yearly rights of renewal and a net annual rental of \$225,000 plus GST representing **\$92.50 per sqm** for the warehouse with an open central drive-through area, **\$30 per sqm** for a basic dry store, and **\$9 per sqm** for rolled metal yard of some 4,467sqm. The property occupies an elevated site whilst the lease provides for annual CPI reviews and market reviews at 3 yearly intervals.

Address	Logyard Road, Port Whangarei	NL	
Tenant	Construction		
Date	Dec-20		
Premises	Area sqm	\$p.a	\$per sqm
Yard	1000.0 sqm	\$10,000	\$10.00
Annual Rent		\$10,000	

A site in **Logyard Road, Port Whangarei** consists of a fully fenced yard which includes a communal ablution block for the other occupiers of the larger block. 1,000sqm was leased from December 2020 which represented **\$10 per sqm**.

Address	Kioreroa Road, Port Whangarei	Renewal	
Tenant	Landscape supplies		
Date	Apr-20		
Premises	Area sqm	\$p.a	\$per sqm
Secure Yard	5307.0 sqm	\$68,195	\$12.85
Annual Rent		\$68,000	

Kioreroa Road, Port Whangarei. A 5,307sqm level yard was leased in April 2020 at \$17 per sqm, however adjustments for agreed Lessee improvements saw the rent established at **\$12.85 per sqm**.



Address	Porowini Avenue, Morningside	NL	
Tenant	Automotive		
Date	Mar-20		
Premises	Area sqm	\$p.a	\$per sqm
Yard	2000.0 sqm	\$30,000	\$15.00
Annual Rent		\$30,000	

A site in **Porowini Avenue, Morningside** was leased from March 2020 to an automotive group where the net annual rental of \$30,000 plus GST represents **\$15 per sqm**.

In other information, a large concreted and secure yard in Raumanga of some 5,500sqm with secondary road access and forming part of a larger distribution centre, was leased at **\$15 per sqm**.

4.1 Market Rent Conclusion

The subject property provides a compact, level yard in a strong industrial district of Whangarei. We consider it would be suitable for a variety of storage purposes, particularly recognising the number of automotive uses in close proximity.

Reflecting the current situation and the relatively small yard area, we have applied a market rent of **\$15 per sqm**.

4.2 Market Rent Assessment

Having regard to the above rental evidence, we show our opinion of net market rent for the subject as follows:

Tenant	Tenancy	Area (sqm)	Passing Rent (\$pa)	Passing Rent (\$psm)	Unrecovered Opex (\$pa)	Unrecovered Opex (\$psm)	Net Contract Rent (\$pa)	Net Contract Rent (\$psm)	Net Market Rent (\$pa)	Net Market Rent (\$psm)
<i>Tenancies</i>										
Keith Andrews Trucks Limited	Yard	7,722.0	120,000	15.54	0	0.00	120,000	15.54	115,830	15.00
Total		7,722.0	120,000	15.54	0	0.00	120,000	15.54	115,830	15.00

On this basis, we consider the contract rent is marginally above market. Our assessment also represents \$16.72 per sqm after adjusting for the canal land.



5. Sales Evidence

In establishing our opinion of value, we have had regard to both industrial land and investment sales. Initially we discuss industrial land sales.

Address	Lot & DP	Suburb	Sale Date	Sale Price	Zone	Area sqm	\$per sqm
4 Fraser Street	LOTS 1 3 DP 501413	Port Whangarei	Apr-22	\$2,265,000	Business 4	9,851 sqm	\$230 psm
50 Waiwarawara Drive	Lot 7 DP 419681	Ruakaka	Feb-22	\$1,000,000	Town Basin	2,522 sqm	\$397 psm
64 Waiwarawara Drive	Lot 11 DP 419681	Ruakaka	Jan-22	\$1,145,320	Town Basin	3,014 sqm	\$380 psm
7 & 9 Logyard Road	Lots 2,3 & DP 542289	Port Whangarei	Nov-21	\$1,550,000	Business 4	8,083 sqm	\$192 psm
60 Waiwarawara Drive	Lot 10 DP 419681	Ruakaka	Jul-21	\$777,000	Town Basin	3,014 sqm	\$258 psm
Fertilizer Road	Lot 3 & DP 384814	Port Whangarei	Jun-21	\$750,000	Business 4	3,283 sqm	\$228 psm
290 Port Road	Lot 21 & DP 529749	Port Whangarei	Jun-21	\$1,050,000	Business 4	3,837 sqm	\$274 psm
Waiwarawara Drive	Lot 48 & DP 419681	Ruakaka	Jan-21	\$550,000		2,000 sqm	\$275 psm
Waiwarawara Drive	Lot 1 & DP 419681	Ruakaka	May-21	\$600,000		3,096 sqm	\$194 psm
17 Logyard Road	Lot 8 & DP 513966	Port Whangarei	Aug-20	\$979,800	Business 4	4,899 sqm	\$200 psm
19 Rewa Rewa Road	LOT 2 DP 185285-SUBJ TO & INT IN EASES	Raumanga	Jun-20	\$2,800,000	Business 4	11,405 sqm	\$246 psm
29 Rewa Rewa Road	LOT 2 DP 178035-SUBJ TO EASE	Raumanga	Jun-20	\$1,600,000	Business 4	9,138 sqm	\$175 psm
19 & 29 Rewa Rewa Road	LOT 2 DP 185285 & LOT 2 DP 178035	Raumanga	Jun-20	\$4,400,000	Business 4	20,543 sqm	\$214 psm
16 Logyard Road	Lot 16 & DP 513966	Port Whangarei	Aug-19	\$1,070,000	Business 4	6,132 sqm	\$174 psm

5.1 Sales Commentary



4 Fraser Street, Port Whangarei sold in April 2022 for **\$2,265,000** which represented **\$230 per sqm**. This is an irregular shaped site, although has access to a slip lane to the inner Harbour.

50 Waiwarawara Drive, Ruakaka sold in February 2022 for **\$1,000,000** which represented **\$397 per sqm**. This is a 2,522sqm inside lot of level contour in the new commercial district of Ruakaka.



64 Waiwarawara Drive, Ruakaka sold in January 2022 for **\$1,145,320** which represented **\$380 per sqm** for this 3,014sqm inside lot.



60 Waiwarawara Drive, Ruakaka sold in July 2021 for **\$777,000** which represented **\$258 per sqm** for this 3,014sqm inside lot.

19 Rewa Rewa Road, Raumanga sold in June 2020 for **\$2,800,000** representing **\$1,618 per sqm** on a land and buildings basis and **\$246 per sqm** on a land basis. The property comprises of a significant land holding accessed off a right of way and comprises of four separate buildings leased to multiple tenancies totalling 1,731sqm. The improvements are situated to a large 11,405sqm site zoned Business 4.





29 Rewa Rewa Road, Raumanga sold June 2020 for **\$1,600,000**. It is a lightly developed rear site of 9,138sqm which is accessed off Rewa Rewa Road. The site has a compacted metal surface. The sale also represented **\$246 per sqm** of land.

Both **19 and 29 Rewa Rewa Road** were acquired by the same entity for the aggregate sale price of **\$4,400,000**, representing **\$214 per sqm** overall. 19 Rewa Rewa Road has a variety of improvements positioned throughout the site, while 29 Rewa Rewa Road is lightly improved.

Industrial land demand throughout the country continues to be strong, highlighting the shortage of industrial land available in many locations. This demand seems to have spread outwards to the regions, escalating land values significantly over the past 5 years. Industrial land sales within the Whangarei district range between \$200 to \$300 per sqm with price depending on the underlying zoning, contour, shape, and availability of services to the site.

On balance, we consider the site to have an underlying value as presented of **\$250 per sqm** as is, including metal and fencing.

Industrial/Commercial Sales

We have also considered investment sales activity and summarise these in the schedule below.

Address	Sale Date	Price	GLA (sqm)	Site (sqm)	Initial Yield	Price /GLA	Price /Site Area
4 Bougainville Street Port Whangarei	Dec-21	\$3,150,000	1,425	2,320	5.07%	\$2,211	\$1,358
9-11 Bougainville Street Port Whangarei	Oct-21	\$4,680,000	2,042	12,015	4.81%	\$2,292	\$390
16 Hewlett Street Port Whangarei	Oct-21	\$3,200,000	2,015	4,209	5.63%	\$1,588	\$760
263 Port Road Port Whangarei	Oct-21	\$1,900,000	1,400	2,833		\$1,357	\$671
21 -23 Commerce Street Whangarei	Jul-21	\$2,341,000	1,227	2,516	4.70%	\$1,908	\$930
40-44 Union East Street Port Whangarei	Feb-21	\$990,000	365	4,181		\$2,712	\$237
19 Rewa Rewa Road Raumanga	Jun-20	\$2,800,000	1,731	11,405		\$1,618	\$246
2-4 Kioreroa Road Port Whangarei	May-19	\$3,600,000	2,279	8,750		\$1,580	\$411
219/211 Port Road Port Whangarei	Feb-19	\$3,700,000	2,911	22,040		\$1,271	\$168





4 Bougainville Street, Port Whangarei sold in December 2021 for **\$3,150,000** which represented an initial yield of **5.07%**. The property was leased for some \$159,553 per annum which represented **\$112 per sqm** for this high stud precast concrete warehouse. The improvements comprise some 1,425sqm and are situated to a 2,320sqm front site. The sale price also analysed to **\$2,211 per sqm** on a combined land and buildings basis.



9-11 Bougainville Street, Port Whangarei sold in October 2021 for **\$4,680,000** which represented an initial yield of **4.81%**. The property was subject to a lease back for 5 years and 9 months from July 2021 at a net annual rental of \$225,000 p.a. with CPI rent increases in June 2022 and 2023, and a market review in June 2024. The property occupies a 1.2015 ha site which is elevated with access over a bunded embankment.



16 Hewlett Street, Port Whangarei sold in October 2021 for **\$3,200,000** representing an initial yield of **5.63%** and **\$1,588 per sqm** on a land and buildings basis. The improvements comprise a main building of 1,505sqm which included office and amenities, a large warehouse with full drive-through capability and canopy suitable for unloading goods, and a 400sqm shed to the rear. We understand the property returned approximately \$180,000 p.a. from two separate tenancies with a proportion of the property being vacant. The site contains 4,209sqm and is zoned

Business 4 under the Whangarei Operative District Plan.



263 Port Road, Whangarei sold in October 2021 for **\$1,900,000** representing **\$1,357 per sqm** on a land and buildings basis and \$671 per sqm on a land basis. The improvements of some 1,400sqm comprise of three separate buildings, a high stud industrial unit to the front with two lower stud, gable roofed workshops to the rear, positioned to the corner of Fraser Street and Port Road, Whangarei. The property benefits from its corner position as well as a slip road which runs parallel to Port Road. The property was likely sold as a multi-tenanted investment. The

improvements are all situated to a 2,833sqm corner site.



21-23 Commerce Street, Whangarei sold in July 2021 for **\$2,341,000** representing an initial yield of **4.7%** and **\$1,908 per sqm** on a land and buildings basis. The improvements comprise two separate commercial buildings, modernised office/showroom accommodation fronting Commerce Street and storage facility to the rear. The property is leased to New Zealand Office Products, a long established office supplies company which is part of a national group. The site benefits from its

centralised location within the Whangarei city centre, as well as its road front position which allows full drive-around access. We understand that the tenant pays a current annual rent of \$110,100 plus GST and outgoings.





40-44 Union East Street, Port Whangarei sold in February 2021 for **\$990,000** representing **\$2,712 per sqm** on a land and buildings basis and **\$237 per sqm** on a land basis. The property comprises 1990's constructed warehouse/storage accommodation with office and amenities, mezzanine storage and a canopy. The improvements are situated to a 4,181sqm regular shaped corner site zoned Business 4. The yard is predominantly metalled and forms part of the adjoining Waipapa Timbers site. This was a related party transaction.



2-4 Kioreroa Road, Port Whangarei sold in May 2019 for **\$3,600,000** representing **\$1,580 per sqm** on a land and buildings basis. Although identified as a non-bonafide sale, the sale price fits within the market parameters. The improvements comprise of a 1990's industrial warehouse of 2,279sqm situated to an irregular shaped 8,750sqm site which includes a significant yard adjacent to the property. This is a standalone facility with good profile situated to the corner of Kioreroa Road and Port Road, but only provides for access off Kioreroa Road. The property is zoned Business 4 under the Whangarei District Plan.



219-211 Port Road, Whangarei sold in February 2019 for **\$3,700,000** representing **\$1,271 per sqm** on a land and buildings basis and **\$168 per sqm** on a land basis. The property is a boat yard facility which includes display, maintenance, and repairs within 5 commercial tenancies ranging from approximately 200sqm – 1,600sqm. The improvements are situated to a 2.2ha site. The property benefits from full drive around access and a large profile to Port Road as well as a frontage to the inner Whangarei Harbour.

5.2 Valuation Considerations

Land values have increased in Northland which is consistent with the wider industrial market. The more recent sales in Ruakaka in a new commercial subdivision have achieved prices between \$380 and \$400 per sqm which showed increases from \$250 to \$275 per sqm in mid July 2021.

In and around Port Whangarei, land values have more recently achieved prices between \$190 and \$275 per sqm, with the most recent at 4 Fraser Street being for an awkward shaped site but with a formed slipway.

Relating to the subject, we believe the site has an underlying value as presented in the order of **\$250 per sqm** as is, including metal and fencing, reflecting its strong location in the context of the immediate industrial district.

We have also applied an initial yield of **5.9%** which is above many of the more recent investment sales, however these date from 2021 and earlier when funding costs were lower than at present. There has been a 'wait and see' approach by many investors during 2022 with funding costs increasing which has put upward pressures on larger asset yields which places downward pressure on values. This is a fluid situation and one that should be monitored closely as trends emerge. Our yield selection also reflects the long term Lease with assured rental growth to an established operator.



5.3 Land Value for Purchase Price Allocation

We have also been requested to provide an allocation of the purchase price as provided under clause 27 of the Agreement for Sale and Purchase of Real Estate. Our assessment of land value has been in accordance with the Rating Valuations Act 1998 and its definition.

“Land value”, in relation to any land, and subject to Sections 20 and 21 (if leased), means the sum that the owner’s estate or interest in the land, if unencumbered by any mortgage or other charge, might be expected to realise at the time of valuation if:

- a. Offered for sale on such reasonable terms and conditions as a bona fide seller might be expected to impose; and
- b. No improvements have been made on the land

On this basis our allocation of Purchase Price is as follows:

Purchase Price Allocation		
Purchase Price		
\$120,000 p.a @	6.25%	\$1,920,000
Land Value		
7,722 sqm @	\$225 per sqm	\$1,737,000
Value of Buildings, and fixtures and fittings		\$183,000



5.4 SWOT Analysis

Strengths

- A conveniently located site in the context of the Whangarei industrial district
- Level contour
- Long term lease to an established operator
- 12 month bank guarantee

Weaknesses

- Slightly unusual shape of the site
- Some 5m of the northern boundary is affected by a formed open drain

Opportunities

- Consider long term development plans whilst receiving income
- Capitalise on the strong industrial land market

Threats

- Value sensitivity to yield or rental change
- Rising interest rates likely to affect land value
- Any slowdown in the economy may affect demand and value for industrial land

Rating Valuation

Assessed as at 1st June 2021, Land Value \$1,950,000, Improvements Value N/A, Capital Value \$1,950,000.



6. Valuation

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

CAPITALISATION OF INCOME APPROACH				
		Market Rent		Contract Rent
FULLY LEASED GROSS INCOME		\$ 137,044	\$	141,214
Less: Outgoings				
Recoverable Outgoings		\$ (21,214)	\$	(21,214)
FULLY LEASED NET INCOME		\$ 115,830	\$	120,000
Capitalised at		5.90%		5.90%
Capitalised Value		\$ 1,963,220	\$	2,033,898
Capital Adjustments				
Vacancies: Lease-Up Allowance	6 mths	-		
Leasing Commission	16.0%	-		
Total Lease-Up Costs		-		-
Rent-Free Incentive	3 mths	-		-
P.V. of Rental Surplus/Shortfall	5.90%	\$ 17,824		
Deferred Capitalised Rental Surplus/Shortfall	5.90%		\$	(53,319)
Rent Shortfall (New Leases)		-		-
P.V. of Unexpired Incentives		-		-
P.V. of Future Lease-up Allowances	30 mths	-		-
P.V. Of Future Lease Incentives	30 mths	-		-
P.V. of Annual Capital Expenditure	30 mths	\$ (8,617)	\$	(8,617)
P.V. of Make Good Allowance	30 mths	-		-
P.V. of Programmed Capital Expenditure	30 mths	-		-
P.V. of Future Refurbishment Allowance	30 mths	-		-
Total Capital Adjustments		\$ 9,207	\$	(61,936)
		\$ 1,972,427	\$	1,971,963
INDICATED VALUE		\$ 1,970,000	\$	1,970,000

Our second approach has been calculated using comparable land sales. Our calculations are detailed as follows.



LAND VALUE

12 Te Waiiti	7,722.0 sqm	@	\$225 per sqm	\$	1,740,000
		@	\$250 per sqm	\$	1,930,000
		@	\$275 per sqm	\$	2,120,000
		adopt			\$250 per sqm

INDICATED VALUE	\$	1,930,000
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Our assessments are summarised and weighted as follows.

VALUATION SUMMARY

	<u>Weighting</u>		<u>Assessment</u>
Capitalisation of Income Approach	50%	\$	1,970,000
Land Value Approach	50%	\$	1,930,000

ADOPTED MARKET VALUE	\$	1,950,000
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6.1 Value Conclusion

In light of the contents of this report we confirm our opinion of market value for capital raising purposes for 12 Te Waiiti Place, Raumanga, Whangarei as at 1 September 2022 but assessed on 1 July 2022, at:

NZD\$1,950,000
(ONE MILLION NINE HUNDRED AND FIFTY THOUSAND DOLLARS)

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

Analysis

Value per sqm of Land Area	\$253
Initial Yield	6.15%
Yield on Net Market Income	5.94%
Weighted Average Remaining Lease Term	14.92 years



Compliance Statement

This valuation has been performed in accordance with International Valuation Standards (IVS) and the Australia and New Zealand Valuation and Property Standards (ANZVPS) and we confirm that:

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

Our valuation is subject to the attached Disclaimers.

Yours faithfully



Matt Tooman
Registered Valuer
ANZIV, SPINZ



David Cooper
Valuer
PINZ



Disclaimers

1. Valuation Subject to Change This valuation is only current as at the date of valuation and is based on available information as at that date. The value assessed herein may change over a relatively short period including as a result of general market movement or factors specific to the property. These may include changes in national or international circumstances, environmental circumstances or force majeure events. Therefore, this valuation should be reviewed periodically, and no warranty is given by AIM Valuation Limited ("AIM") as to the maintenance of this value into the future. AIM does not accept liability for losses arising from subsequent changes in value.
2. Information Supplied by Others This valuation report includes information derived from other sources, provided by the Client. We have reviewed that information and have assumed that it is accurate. Unless otherwise stated, we have not independently verified that information. The Client acknowledges that AIM is not a specialist in the information from other sources and accepts that AIM is not liable in the event that that information is incorrect. If the information is found to be incorrect AIM reserve the right to reassess our opinion of value.
3. Our Investigations This valuation is conducted on the basis that we are not engaged to carry out all possible investigations in relation to the property. Where in our report we have identified certain limitations to our investigations, you may instruct further investigations if you consider this appropriate. AIM is not liable for any loss occasioned by a decision not to conduct further investigations.
4. Assumptions Assumptions may be a necessary part of this valuation. AIM adopts assumptions because some items are unable to be accurately calculated or fall outside the scope of our expertise, or our instructions. Assumptions adopted by AIM will be formulated on the basis that they could reasonably be expected from a professional and experienced valuer undertaking a similar valuation. However, the risk that any of the assumptions adopted in this document may be incorrect and have a material impact on the concluded value(s) should be taken into account.
5. Property Documentation Where applicable, our assessment of value is provided on the assumption that all Agreements, Leases, Licences, Deeds, Variations and other documentation relevant to establishing the value have been supplied in full. Our assumption includes that all Agreements, Leases, Licences, Deeds and Variations are executed or have been agreed to be executed without any changes and other documentation is the latest accurate available information.
6. Side Agreements In the event that the Client becomes aware of any side agreements, this valuation must not be relied upon before first consulting AIM to reassess any effect on the valuation.
7. Disclosure AIM must be advised in the event that the Client becomes aware of any changes relating to the information and advice provided by the Client. This includes, without limitation, any changes to information and advice provided in relation to encumbrances, registered/unregistered interests, title, and land area/dimensions. In any such event, this valuation must not be relied upon without consulting AIM first to reassess any effect on the valuation.
8. Future Matters To the extent that the valuation includes any statement as to a future matter, that statement is provided as an estimate and/or opinion based on the information known to AIM at the date of this valuation. AIM does not warrant that such statements are accurate or correct.
9. Site Survey We do not commission site surveys and will acknowledge if one is provided to us. We have assumed there are no encroachments by or on the property, and the Instructing/Reliant Parties should confirm the status by obtaining a current survey report and/or advice from a registered surveyor.
10. Property Titles Our Record of Title search identifies all current easements, interests or encumbrances. In the event that a future title search is undertaken which reveals new or different easements, interests or encumbrances AIM should be consulted to reassess any effect on our assessed value.
11. Contamination Unless otherwise stated, we have assumed that the site is free of contaminants that would prevent the continuation of the current use or the planned development of the site. Unless otherwise noted, we have assumed that the improvements are free of contamination, or should contaminants be present then they do not pose significant risk to human health, nor require immediate removal. Our visual inspection is an inconclusive indicator of the actual condition/presence of contamination within the property. We make no representation as to the actual environmental status of the property. If any formal testing is undertaken to assess the presence, if any, of contamination of the property and this is found to be positive, this valuation must not be relied upon without first consulting AIM to reassess any effect on the valuation.
12. Hazardous Materials Where the current use includes the storage and/or processing of hazardous materials, we assume the storage and processing to be compliant. We make no representation as to the actual status of hazardous materials on the property. If any testing or auditing is undertaken and identifies issues with hazardous materials on site, this valuation must not be relied upon before first consulting AIM to reassess the valuation.
13. Earthquake-Prone Buildings If the property is earthquake-prone, as defined by the Building Act and local government policies on Earthquake-Prone Buildings, then unless otherwise stated, our value estimate makes no allowance for any costs of investigation, upgrading, demolition or other steps which may be incurred by the building owner to meet policy and Building Act requirements. We are



not qualified to determine the Earthquake Rating of buildings. An assessment by a suitably qualified building engineer may be needed. If the building is later found to be earthquake-prone this valuation must not be relied upon before first consulting AIM to reassess the valuation.

14. Site Conditions Unless otherwise specified we have assumed the site is suitable for the current use. In the case the property has redevelopment potential, we proceed on the assumption the site is suitable for the planned redevelopment and would not incur development costs above those which prevail in the market.
15. Council Records Unless otherwise stated, we have not obtained a Land Information Memorandum (LIM) or Property File (PF) or Planning Advice from the Territorial Authority. In the case that the Client provides us with a LIM or PF we assume that these are current and accurate. In the event that the LIM or PF is provided later and found to be materially different to the resource management information detailed within the valuation, we reserve the right to amend our valuation.
16. Inclusions & Exclusions Unless otherwise stated, our valuation includes those items that form (or will form) part of the building service installations such as heating and cooling equipment, lifts, sprinklers, lighting etc, that would normally pass with the sale of the property, but excludes all items of plant, machinery, equipment, partitions, furniture and other such items which may have been installed by the occupant or operator or are used in connection with the enterprise carried on within the property.
17. Floor Area Where we have not undertaken the floor area measurement, we have proceeded on the assumption that the floor areas provided have been calculated in accordance with the Property Council of New Zealand (PCNZ) and Property Institute of New Zealand (PINZ) Guide for the Measurement of Rentable Areas (GMRA). In those circumstances where specific areas are not covered by the GMRA the Client must provide any separately agreed definitions of Rentable Area. In the event that there is a material variance in Rentable Area, we reserve the right to review our valuation. Any measurement undertaken by AIM is an estimate of rentable area only.
18. Condition & Repair Unless otherwise stated, our valuation proceeds on the assumption that the structure and service installations of the building do not reveal any defects requiring significant expenditure that would have a material impact on the valuation conclusions. Additionally, we assume that the building complies with all relevant statutory requirements in respect of matters such as health, building and fire safety regulations.
19. Currency All values are in New Zealand Dollars \$NZD.
20. Valuation Standards The valuation report is carried out in accordance with the International Valuation Standards (IVS) and the Australia and New Zealand Valuation and Property Standards (ANZVPS).
21. Value Conclusion Our Value Conclusion does not include any deduction for the cost of realisation or the balance of any outstanding mortgages or other charges
22. Lease Covenant Strength Unless specifically requested, we do not make detailed enquiries into the covenant strength of occupational tenants but rely on our judgement of the market's perception of them. Any comments on covenant strength should therefore be read in this context. Furthermore, we assume, unless otherwise advised, that the tenant is capable of meeting its financial obligations under the lease as and when they fall due and that there are no arrears of rent or undisclosed breaches of covenant.
23. Taxation and 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. We also specifically draw your attention to the fact that our valuation has been undertaken on a plus GST (if any) basis, unless otherwise stated.
24. Confidentiality Our valuation report and its contents are confidential. It is prepared for the Client and Intended Users and for the Purpose stated. AIM accepts no responsibility or liability for use of and reliance on the valuation report by other parties for the same Purpose or other Purposes. Further, no responsibility is accepted to parties other than the Client for any errors or omissions whether of fact or opinion.
25. Publication Our valuation report or any part of it, may not be published or form a part of any other material or communication, without prior written approval of AIM. Such approval is required whether or not AIM is referred to by name and whether or not the report is combined with others.
26. Valuation Report Review This valuation report is signed by a Director of AIM, signifying that the valuation report has been peer-reviewed and the valuation methodology, calculations and the valuer's opinion of value have been discussed with the valuer.



Appendix I – Record of Title



RECORD OF TITLE UNDER LAND TRANSFER ACT 2017 FREEHOLD Search Copy



Identifier **636012**
Land Registration District **North Auckland**
Date Issued 15 January 2014

Prior References 572652

Estate	Fee Simple
Area	7722 square metres more or less
Legal Description	Lot 1 Deposited Plan 470509

Registered Owners
Vicki Ann Andrews, Ian Irving Hayward and YHPJ Trustees (2020) Limited

Interests

Subject to Section 59 Land Act 1948
D513751.3 Consent Notice pursuant to Section 221 Resource Management Act 1991 - produced 12.6.2000 at 2.34 pm and entered 10.7.2000 at 9.00 am
8590973.5 Consent Notice pursuant to Section 221 Resource Management Act 1991 - 14.9.2010 at 2:42 pm
Appurtenant hereto is a right of way and a right to convey water, electricity, telecommunications and computer media created by Easement Instrument 9613165.3 - 15.1.2014 at 4:34 pm
The easements created by Easement Instrument 9613165.3 are subject to Section 243 (a) Resource Management Act 1991
9635638.3 Mortgage to ASB Bank Limited - 5.3.2014 at 12:48 pm

Transaction Id
Client Reference mheadland001

Search Copy Dated 27/04/22 2:04 pm, Page 1 of 2
Register Only



Appendix II – Tenancy Schedule

Tenant	GLA (sqm)	Car Parks	Contract Rent (\$pa)	Rent (\$psm)	Other Income	Outgoings (\$pa)	Outgoings (\$psm)	Car Park Rent (\$pa)	Car Park Rent (\$pw)	Lease Start	Lease Term	Lease Expiry	Option(s) (years)	Option Notice	Standard Review	Ratchet Clause	Next Review
Tenancies																	
1 Keith Andrews Trucks Limited	7,722.0		120,000	15.54		21,214	2.75			1-Sep-22	15.00	31-Aug-37	1	12 mths	Ann. Indexed 3.0%/5.0 yrly Market (Min 95.0%, Max 105.0%)	Soft	1-Sep-23
Car Parks																	
Licensed Car Parks										Various		Various					
Vacant Car Parks																	
Total	7,722.0		120,000	15.54		21,214	2.75										
Total Annual Rent			120,000	(excluding outgoings from net leases)						Weighted Average Lease Term:			14.92 years				

