

CBRE VALUATION & ADVISORY SERVICES

# VALUATION REPORT

510 MT WELLINGTON HIGHWAY  
MT WELLINGTON, AUCKLAND

CLIENT: AUGUSTA INDUSTRIAL FUND LIMITED

VALUATION DATE: 31 OCTOBER 2018

**CBRE**

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## VALUATION SUMMARY

### Market Value (plus GST if any)

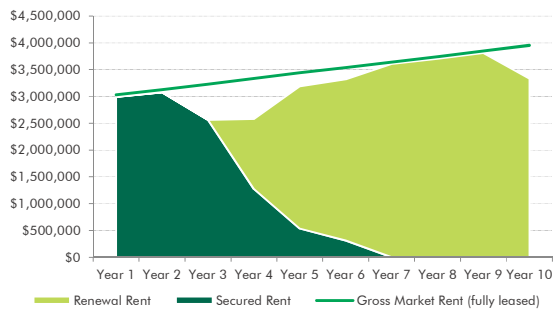
**\$37,950,000**

The above valuation is subject to the Special Assumptions and Disclaimers within this Report.

### Key Valuation Metrics

Initial Yield:	6.86%	Net Passing Income:	\$2,603,750 pa
Capital Value Rate:	\$2,016 psm	Net Market Income:	\$2,691,123 pa
Adopted Cap Rate:	7.00%	Rental Variance:	-3%
Adopted Target IRR:	8.25%	No. of Tenants:	4
Adopted Terminal Yield:	7.25%	WALT (Income):	3.48 years
Area (GLA):	18,827.5 sqm	Vacancy Rate:	Nil

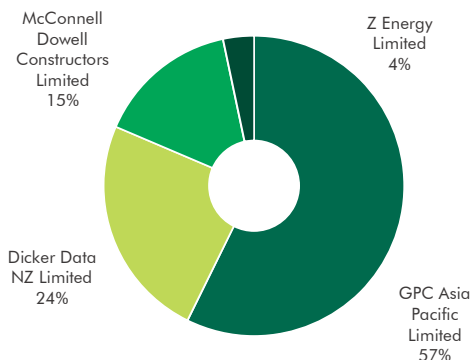
### Tenancy Profile by Income



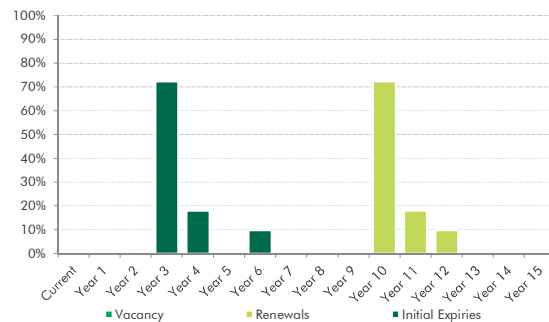
### Property Risk Profile



### Income Breakdown



### Lease Expiry (by rent)



### Property Description

The subject is a large mixed use multi tenanted property occupying a prominent position on Mt Wellington Highway with three road frontages.

The main industrial space provides a substantial column interrupted warehouse facility constructed circa 1985 with stud heights varying from 7.8 to 11 metres. An extra ordinarily large two level office and amenities block is attached at the southern end to the Mt Wellington Highway frontage.

A modern design build warehouse constructed in 2008 is attached behind the main warehouse to the south eastern portion of the site. It is a high quality, clear span warehouse with a stud height of 9 metres at the portal knee and a comparatively large component of high quality offices over two levels.

Z Energy lease 2,266 sqm of land at the north western part of the site for a service station. This has excellent visibility and frontage to Mt Wellington Highway.

A vacant grassed area of surplus land is positioned to the eastern side of the site towards Carmont Place. It is currently undeveloped and level in contour.

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**Prepared by CBRE Limited**

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Patrick Ryan, SPINZ, ANZIV  
Registered Valuer  
Senior Director  
Principal Valuer  
*Property Inspected: Yes*

## SWOT & RISK ANALYSIS

### Strengths

- The property is well located within the established industrial/commercial precinct of Mt Wellington.
- Good exposure to passing traffic along Mt Wellington Highway with three road frontages.
- Modern improvements occupied by Dicker Data NZ Limited, providing clear span, high stud accommodation.
- The office accommodation occupied by McConnell Dowell Constructors has been refurbished to a modern standard.
- The GPC Asia Pacific (Repco) tenancy has an excellent semi-enclosed canopy with drive through capability.

### Weaknesses

- Repco have an RFP in the market for premises and as such in our view will not be renewing their lease at expiry.
- The warehouse occupied by GPC Asia Pacific (Repco) is interrupted by internal structural columns.
- High office ratio of 44% for the improvements occupied by Dicker Data.
- The multi tenant nature of the property requires intensive management.

### Opportunities

- Increase the rental of Z Energy to market at the next review date in 2019 by the lessor exercising a market review over a CPI increase as per the lease.
- Develop the vacant land.
- There is the opportunity to secure releasing the GPC Asia Pacific space prior to their lease expiry given the advanced notice of their intention to relocate.

### Threats

- Potential ground contamination over the Z Energy site.
- Competing tenancy options in the market in the form of design build premises being offered by entities like Goodman and Southpark within the subject locality.

### Market Risk Comment

The key metrics derived from our analysis of property transactions that have occurred during the past year indicates the commercial property market is at or approaching a cyclical peak. Interest rates are low and vacancy rates across all sectors are cyclically low which has generally resulted in strong market rental growth. These factors, coupled with alternative investment markets demonstrating more risk and volatility, have been driving growth in property values, however the likelihood of property market conditions remaining so buoyant in the long term is unlikely. If economic and property market conditions deteriorate in the future, then the market value of this asset is likely to decline. This inherent risk factor should be considered in any lending or investment decisions.

# 1 INTRODUCTION

## 1.1 INSTRUCTIONS

Instructing Party:	Kathryn Simpson on behalf of Augusta Industrial Fund Limited
Purpose of Valuation:	Acquisition, financial reporting, mortgage security as at the retrospective date of 31 October 2018
Basis of Valuation:	Market Value 'As Is'
Date of Inspection:	18 December 2018

## 1.2 MARKET VALUE DEFINITION

In accordance with the IVS 2017, the definition of 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 and where the parties had each acted knowledgeably, prudently and without compulsion."

## 1.3 INDUSTRY PRACTICE

Subject to the assumptions and qualifications detailed within, this valuation report is issued in accordance with the Australian and New Zealand Property Institute Valuation and Property Standards (ISBN 0-9975414-0-1) and International Valuation Standards (ISBN 978-0-9569313-0-6). Where these are at variance, the assumptions and qualifications included within this valuation report will prevail generally, and the International Valuations Standards will prevail over the Australian and New Zealand Property Institute Valuation and Property Standards.

We hereby certify that the Principal Valuer is suitably qualified and authorised to practise as a valuer; does not have a pecuniary interest, financial or otherwise, that could conflict with the proper valuation of the property; and accepts instructions to value the property only from the Responsible Entity/Instructing Party.

## 1.4 RELIANCE

**Reliance:** This valuation is strictly and only for the use of the following Reliant Parties and Purposes:

- Augusta Industrial Fund Limited for acquisition purposes
- ASB Bank Limited for mortgage security purposes
- Westpac New Zealand Limited for mortgage security purposes
- EY (Ernst & Young) for audit purposes

We do not assume any responsibility or accept any liability in circumstances where this valuation is relied upon after the expiration of 90 days from the date of valuation, or such earlier date if the Reliant Parties become aware of any factors that have any effect on the valuation.

**Confidentiality:** This valuation is strictly confidential between CBRE and the Reliant Parties.

- Transmission:** Only an original valuation report (hard and/or soft copy) received by the Reliant Parties directly from CBRE without any third party intervention can be relied upon.
- Restricted:** No responsibility is accepted or assumed to any third party who may use or rely on the whole or any part of the content of this valuation.
- Copyright:** As between CBRE, the Instructing Party and the Reliant Parties, all intellectual property rights in this Valuation Report are owned by CBRE. Neither the whole nor any part of the content of this valuation may be published in any document, statement, circular or otherwise by any party other than CBRE, nor in any communication with any third party, without the prior written approval from CBRE, and subject to any conditions determined by CBRE, including the form and context in which it is to appear.

## 1.5 INFORMATION PROVIDED

We have been provided with the following key information which has been relied upon within our report:

- Lease Documentation provided by Augusta Industrial Fund Limited.
- Capital expenditure budget provided by Augusta Industrial Fund Limited.
- Technical Due Diligence report prepared by Hampton Jones, dated 10 October 2018.

Our valuation is undertaken on the basis that provided information is accurate. Should this not be the case, we reserve the right to amend our valuation.

## 1.6 SPECIAL ASSUMPTIONS

Assumptions are a necessary part of undertaking valuations. CBRE adopts assumptions for the purpose of providing valuation advice because some matters are not capable of accurate calculation or fall outside the scope of our expertise, or our instructions. Assumptions adopted by CBRE will be formulated on the basis that they could reasonably be expected from a professional and experienced valuer. The Reliant Parties accept that the valuation contains certain specific assumptions, and acknowledges and accepts the risk that if any of the assumptions adopted in the valuation are incorrect, then this may have an effect on the valuation. Refer to the Disclaimers, Limitations and Qualifications Section, which is pertinent to this valuation report.

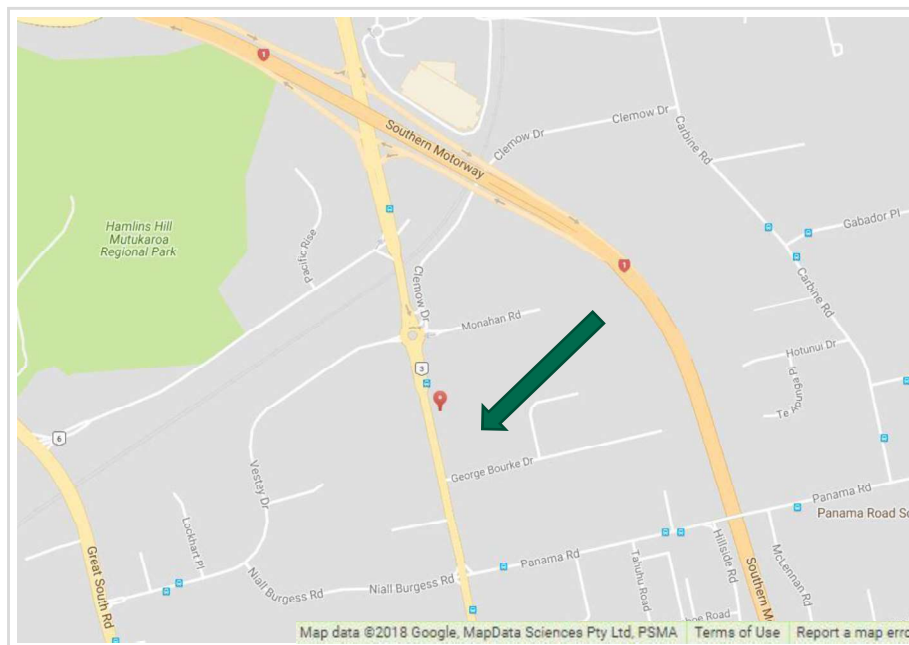
Particularly critical to our valuation are the following assumptions:

- Non Renewal by GPC Asia Pacific:** It is well known in the market that GPC have an RFP for new premises. As such we have adopted a 0% renewal probability and have incorporated significant costs for refurbishment of the premises occupied by GPC.

## 2 LAND

### 2.1 LOCATION

Location Map:



View the subject property in [Google Maps](#).

**Nearest Main Centre:**

The subject property's location is approximately 12 kilometres south east of Auckland CBD, 13 kilometres north east of Auckland Airport, 8.5 kilometres north west of Manukau's CBD and is located on the opposite side of the southern motorway from the Sylvia Park Town Centre.

**Surrounds:**

Surrounding development is predominantly modern industrial property with residential to the south. Mt Wellington is one of Auckland's most popular industrial precincts, largely due to the excellent transport links with the southern corridor, proximity to Auckland City, port and residential suburbs. However, this amenity has seen a shift to more intensive commercial and retail use particularly along arterial roads.

**Transport Links:**

The subject site has excellent access to the motorway system and the Sylvia Park Railway Station is situated approximately 1 kilometre north of the subject property.

### 2.2 RESOURCE MANAGEMENT

**Local Authority and Plan:**

Auckland Council, Auckland Unitary Plan Operative in part (15 November 2016).

**Zone:**

Business – Light Industry Zone

This zone anticipates industrial activities that do not generate objectionable odour, dust or noise. This includes manufacturing, production, logistics, storage, transport, and distribution activities. The anticipated level of amenity is lower than the centre zones, Business – General Business Zone and Business – Mixed Use Zone. Due to

the industrial nature of the zone, activities sensitive to air discharges are generally not provided for.

View full details of the relevant [zone planning controls](#).

**Indicative Permitted Uses:**

- Service stations
- Trade suppliers
- Industrial activities
- Wholesaler
- Storage and lock-up facilities

**Key Development Controls:**

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

Various yard and Height in Relation to Boundary setback requirements apply. We do not consider these detrimental to value.

**Present Use:**

The present use complies with the zone.

**Site Controls, Overlays & Designations:**

Controls: Macroinvertebrate Community Index – Urban

Natural Resources: Quality-Sensitive Aquifer Management Areas Overlay [rp] – Auckland Isthmus Volcanic

Designations: Airspace Restrictions Designations – ID 1102, Protection of aeronautical functions – obstacle limitation surfaces, Auckland International Airport Ltd

Designations: 9102, East Tamaki to Taupaki Gas Pipeline, Designations, First Gas Limited. The affected area is denoted in the image below:



This relates to the operation, maintenance and repair, upgrade and renewal of the existing gas transmission pipeline and ancillary facilities as required for the transportation of gas. No person shall erect any building, other improvement, or plants on the affected area without first obtaining the written consent of First Gas.

**Development Approvals:**

None known.

**Highest and Best Use:**

The current use is considered to be the highest and best use of the property.

**Heritage Listing:**

No.

## 2.3 SITE DESCRIPTION



Aerial View



Indicative Title Boundaries

- Land Area:** 30,845 sqm (more or less).
- Contour:** Relatively level throughout.
- Services:** Typical urban services appear to be available to the site boundary.
- Accessibility:** Available from Mt Wellington Highway, George Bourke Drive and Carmont Place.
- Potential Flooding:** The property is not detrimentally affected by flooding hazards.
- Contamination:** We have requested site contamination information held within the Environmental Health Unit of the Licensing and Compliance Services Department, Auckland Council. The Contaminated Site Enquiry team have advised us that their *“regulatory records indicate that there could be historic, and/or current, land use activities on or adjacent to this site that falls within the Hazardous Activities and Industries List (HAIL) published by the Ministry for the Environment. Our records indicate past activities including a bovine grazing facility, motor vehicle parts and sales, and the storage of dangerous goods at this site.”*
- Of necessity our valuation assumes that there are no contamination issues that would have a material effect on the market value, use or marketability of the property which would prevent the property from continuation of its current use.
- We are not environmental experts and we do not know the extent of contamination (if any). Should subsequent investigations reveal the presence of contaminated material, we reserve the right to revisit our valuation.

## 2.4 LEGAL DESCRIPTION

Identifier	Lot	Plan	Area (sqm)	Proprietor	Tenure
NA119D/702	Lot 1	DP 101490	30,845	Mt Wellington Nominees Limited	Freehold
	Lot 2	DP 103564			

### Relevant Interests:

Registrations of note include:

- Encumbrance B974318.1 requires the two sites to be held as a single interest until provided otherwise by the relevant authority.
- Encumbrances 8076625.1 and 9705157.1 to Auckland Council require that the registered proprietor install, operate, monitor and maintain a stormwater pre-treatment and soakage system on the land. A contractor must be engaged to carry out 2 yearly maintenance inspections and repairs of the system to ensure efficient operation. The contractor must provide council immediately following each inspection a completed certificate in the Onsite Stormwater Management Operation and Maintenance Certificate Form.

We do not consider there to be any registrations which materially impact on market value or saleability.

### Title Search:

We refer you to the Appendix for copies of the relevant title documentation.

## 3 IMPROVEMENTS

### 3.1 OVERVIEW

**Brief Description:** The subject comprises a large industrial property occupying a prominent position on Mt Wellington Highway with three road frontages. The main industrial space provides a substantial column interrupted warehouse facility constructed circa 1985 with stud heights varying from 7.8 to 11 metres. Adjoining the northern elevation is a large semi-enclosed drive through canopy. The associated offices and amenities are located to the Mt Wellington Highway frontage and span over two levels.

A modern design build warehouse constructed in 2008 is attached behind the main warehouse to the south eastern portion of the site. It comprises a high quality, clear span warehouse with a stud height of 9 metres at the portal knee and a comparatively large component of high quality offices over two levels.

Z Energy lease 2,266 sqm of land which is level in contour for a service station to the north of the main offices which fronts Mt Wellington Highway.

A portion of surplus land is positioned to the eastern side of the site towards Carmont Place. It is currently undeveloped and level in contour.

**Age:** Circa 1985 to the main premises. 2008 for the Dicker Data premises.

**Condition and Repair:** The property appears to be in generally good overall condition having regard to its age and use. On our inspection we noted some areas with some water staining to the suspended ceiling tiles in the GPC tenancy.



Further, we have been provided a Technical Due Diligence report prepared by Hampton Jones, dated 10 October 2018 and a Capital Expenditure Budget from Augusta Industrial Fund Limited based on the findings.

For capital expenditure allowances, refer to section 3.4 of this report.

**Capital Expenditure:** We have been advised of planned capital expenditure relating to air conditioning within the subject. This includes costs relating to remedial works, and also replacement cost estimates. This is further discussed in section 3.4 of this report.

**BWOF:** Expiry date 23 May 2019 for main office/warehouse/distribution facility.

Expiry date 25 November 2019 for the Dicker Data office/warehouse.

**Asbestos:**

Whilst we did not identify asbestos during our inspection, we are not experts in this area and can give no warranty in this regard. We have undertaken our assessment assuming no adverse effect on the property's market value or marketability. If a more definitive asbestos statement is required, a report from a suitably qualified expert should be commissioned and if asbestos materials are found to be present on-site this valuation must be referred back to the Valuer for further consideration and possible re-assessment.

**Seismic Comment:**

We have requested, however have not been provided with, seismic strength assessment reports for the subject property. Given the age and nature of the improvements, it is unlikely that the lack of information would affect potential purchasers. Should we be provided with seismic strength reports, we reserve the right to review and possibly amend our valuation.

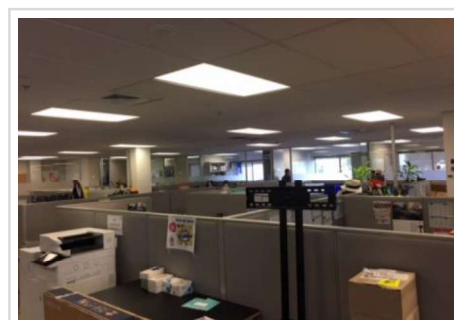
**3.2 ACCOMMODATION**

**GPC Asia Pacific (Repco):**

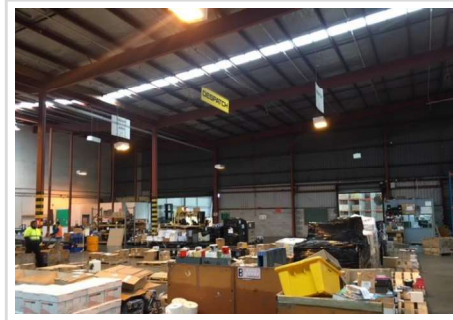
Repco occupies the largest tenancy within the property which comprises four key components being the main warehouse, offices, canopy, and showroom.

The offices are located on the ground floor to the south western corner of the site fronting Mt Wellington Highway. They provide predominantly open plan accommodation which is partly column interrupted, with partitioned offices and amenities to the perimeter. The ceiling height is 2.6 metres. Full height glazing runs along the Mt Wellington Highway perimeter wall with mid height glazing along the George Bourke Drive frontage. At the northern end of the ground floor offices is a substantial commercial canteen facility and lunchroom which provides stainless steel benchtops and commercial grade appliances, servicing the warehouse staff.

Repco also occupy showroom retail store space which is constructed within the warehouse envelope. The showroom has a varying stud height of 2.6 metres to 3.5 metres and is partly column interrupted. Lighting in the lower stud portion of the space is via surface mounted fluorescent tubes, while lighting in the higher stud portion is via flush light panels in the suspended ceiling. This space is entirely air conditioned and sprinklered. The exterior cladding of the showroom is a combination of full height glazing, painted concrete block, and painted fibre cement sheeting.



The warehouse is sprinklered with a stud height of 7.8 metres rising to 11 metres. The utility of the warehouse is somewhat impacted by two rows of structural columns spanning its length. Lighting is provided via translucent roof strips which is supplemented by a combination of hanging high bay, fluorescent, and box lighting. Access to the warehouse is via two large and for small roller doors to the northern elevation with an additional roller door to both the eastern and southern elevations. There are two large industrial style fans fixed to the underside of the ceiling.



Attached to the northern side of the warehouse is a large fully sprinklered canopy. It provides an excellent level of shelter with the northern and western sides being enclosed, notwithstanding a small area to the western side which provides truck access into the canopy via a ramp. Drive through capability is provided via a driveway to the north eastern corner of the canopy which links to Carmont Place.

The canopy has a stud height of 7.5 metres rising to 9 metres, and the entirety of the ground below is concrete hardstand. This canopy area sits circa 1 metre above the ground level of the Mt Wellington Highway road frontage area.

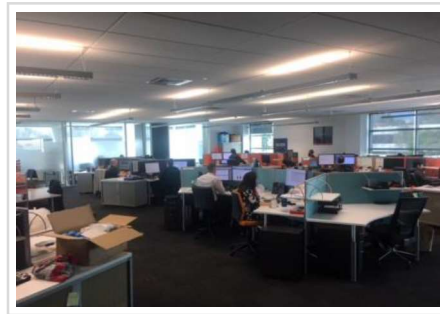
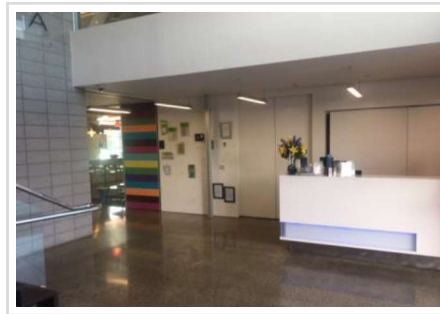


**Dicker Data:**

The improvements are positioned to the south-east corner of the site with frontage to George Bourke Drive and Carmont Place from which the premises are accessed.

Access to the offices is via automatic glazed doors which open into a well presented atrium style reception area with a ceiling height of 6.3 metres. The ground floor is a combination of open plan and partitioned office space. A cafeteria is located to north-east corner and is finished with polished concrete floors, exposed ceilings and suspended feature lighting. Sliding doors give access from the cafeteria to a covered courtyard area at the Carmont Place road frontage. A stairway from reception leads to the upper level offices which present to a similar modern standard to the ground floor. The upper level includes a kitchen with laminated bench top, stainless steel sink, cupboards above and below, and cavity spaces for dishwasher and fridge.

The offices have full height perimeter glazing and a ceiling height of 2.7 metres. The upper office level is cantilevered approximately 3.9 metres over the ground office level at its east and west elevations. The office ratio for the tenancy is 44% which is considered to be high by industry standards.



The warehouse provides clear span space with a stud height of approximately 9 metres at the portal knee rising to 10.3 metres at the apex. Natural light is provided to the warehouse via intermittent translucent roof panels which is supplemented with surface mounted fluorescent lights. Access to the warehouse is from the Carmont Place road frontage via two canopy protected roller doors measuring approximately 5 metres in height. The canopy has a stud height of 6.5 metres at the base rising to 7.4 metres.

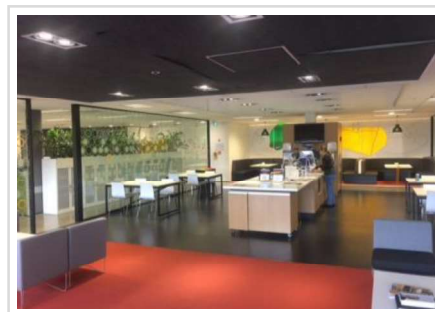
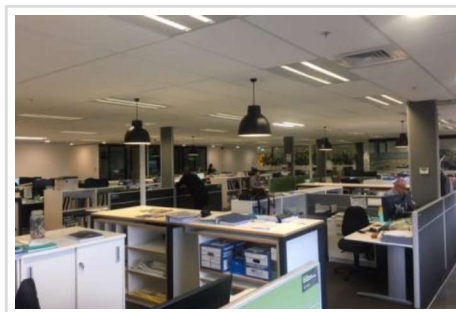
Above the warehouse offices is mezzanine storage which has a concrete floor and access from both the level 1 offices and warehouse. The stud height to the mezzanine is 5.8 metres rising to 7.5 metres. Beneath the mezzanine is a combination of amenities, storage, and production room.



**McConnell Dowell  
Constructors:**

McConnell Dowell occupy the level 1 offices above Repco to the south western corner of the site. They present to a modern standard having been refurbished in recent years. They provide predominantly open plan space with limited partitioned offices and mid height glazing to the perimeter. The ceiling height throughout is 2.6 metres.

A small component of offices protruding from the north-eastern corner of the main space presented to a more generic un-renovated standard.



**Z Energy:**

Z Energy lease 2,266 sqm of generally regular shaped land to the Mt Wellington Highway road frontage. It is level in contour throughout and has excellent exposure due to its street frontage of circa 61 metres.



**Surplus Land:**

Positioned to the north-eastern area of the site is an unutilised surplus land component. Based on aerial imagery, we estimate this area to be circa 2,945 sqm.



### 3.1 FLOOR AREAS

Tenant Name	Component Name	GLA (sqm)
GPC Asia Pacific Limited	Offices & Amenities	1,526.3
	Showroom	750.0
	High Stud Warehouse	9,085.6
	Mezzanine	131.9
	Enclosed Canopy	2,028.4
	Canopy	68.0
Sub-Total (Area)		13,590.1
Dicker Data NZ Limited	Offices First Floor	757.5
	Office Ground	647.3
	Warehouse	1,233.3
	Amenities & Production	271.8
	Mezzanine	282.0
	Warehouse Canopy	198.2
	Courtyard	85.8
	Car Parks	60 bays
Sub-Total (Area)		3,390.1
McConnell Dowell Constructors Limited	Office First Floor	1,567.8
	Mezzanine & Stairwell	279.4
	Car Parks	71 bays
Sub-Total (Area)		1,847.3
Z Energy Limited	Service Station Yard	2,266.0
Sub-Total (Area)		-
<b>Totals</b>		<b>18,827.5</b>

Source: Certified plans and lease documentation.

### 3.2 CONSTRUCTION DETAILS

- Floors:** Concrete slab to ground level and suspended concrete slab to upper levels.
- Structure:** Reinforced concrete frame to the office component and steel portal frame to the warehouse component.
- External Walls:** **GPC Asia Pacific and McConnell Dowell Premises**  
The office component is clad in aluminium framed glazing and panels of textured plaster. The warehouse external walls comprise concrete block to a height of approximately 2 metres with long run metal above.
- Dicker Data Premises**  
Predominantly coated concrete blocks and panels of aluminium framed glazing to the office component. The warehouse external walls comprise a combination of

concrete base walls to a height of approximately 2.5 metres with long run metal cladding above, and full height concrete tilt slab to the western elevation.

**Roof:** Meshed and insulated profiled metal clad roof incorporating translucent roof strips to the warehouse component.

**Interior Linings:** [GPC Asia Pacific and McConnell Dowell Premises](#)

Floors: Predominantly carpet to the office areas with some polished concrete to McConnell Dowell, and concrete to the GPC Asia Pacific warehouse.

Walls: Painted plasterboard lined internal walls.

Windows: Mid height aluminium framed glazing to the Level 1 office component, with a mixture of mid and full height to the ground floor.

Ceilings: Suspended acoustic plaster ceilings incorporating recessed fluorescent lighting within diffuser panels and ducted air conditioning to the office areas. Exposed sisalation paper and wire mesh lining to the warehouse.

[Dicker Data Premises](#)

Floors: A combination of polished concrete and carpet tiles to the offices, exposed concrete to the warehouse.

Walls: Predominantly painted plasterboard lined internal walls with exposed concrete and metal cladding to the warehouse.

Windows: Aluminium framed windows to the office component.

Ceilings: Suspended acoustic plaster ceilings incorporating recessed fluorescent lighting within diffuser panels and ducted air conditioning vents to the office areas. Exposed sisalation paper and wire mesh to the warehouse.

**Amenities:** Predominantly vinyl flooring with plasterboard lined walls and ceilings.

**Surplus Land:** An area of undeveloped expansion land is located neighbouring the Dicker Data building to the north. The land is grassed and level in contour.

### 3.3 SERVICES

**Air Conditioning:** Ducted air conditioning is provided to the office components.

**Fire Prevention:** The buildings are fully fitted with an automatic fire sprinkler system (excluding the Dicker Data building), smoke and thermal detectors, break glass alarms, hose reels, hydrants, fire extinguishers and illuminated exit signage.

**Security/Access Control:** Closed Circuit Television (CCTV) cameras are installed to various areas of the premises. An automated building security system is installed within the most modern building component.

**Lifts:** 400kg capacity disabled access lift between the ground floor offices of GPC and first floor offices of McConnell Dowell. 1,000 kg capacity Schindler lift to the Dicker Data building.

### 3.4 CAPITAL EXPENDITURE

#### Capital Expenditure Adopted:

Major assets require continual expenditure to maintain the aesthetic appeal, structural integrity, and hence their capital value. We have incorporated a specific capital expenditure allowance throughout the term of our cash flow analysis in recognition of the requirement for an ongoing refurbishment program.

We have been provided a planned capital expenditure budget from Augusta Industrial Fund Limited which we summarise as follows:

- \$70,150 for air conditioning remedial works.
- \$720,000 for air conditioning replacement to be expended at various intervals between 2019 – 2023.
- \$970,000 for replacement of the GPC / McConnell Dowell office cladding which is nearing the end of its useful life and is causing minor internal leaks to be expended at various intervals between 2019 – 2020.
- \$455,000 for roof and gutter repairs to be expended at various intervals between 2019 – 2023.

We have also allowed:

- A minimum capital expenditure allowance equivalent to 2.50% of gross income per annum.
- An allowance of \$75 psm on each office lease expiry and \$25 psm on each industrial lease expiry as a general refurbishment/lessor make good allowance, weighted by the adopted probability of renewal in that year.
- An allowance of \$100 psm on the GPC lease expiry.

Our adopted Capital Expenditure is summarised as follows:

Capital Expenditure Summary	Years 1 to 3	Years 4 to 6	Years 7 to 11*	Total
<b>Client Advised Programmed General Capital Expenditure</b>				
Airconditioning Remedial - GPC Asia Pacific	\$38,500	-	-	\$38,500
Airconditioning Remedial - Dicker Data	\$21,800	-	-	\$21,800
Airconditioning Remedial - McConnell Dowell	\$9,850	-	-	\$9,850
Airconditioning Replacement - GPC Asia Pacific	\$140,000	\$130,000	-	\$270,000
Airconditioning Replacement - Dicker Data	-	\$100,000	-	\$100,000
Airconditioning Replacement - McConnell Dowell	\$200,000	\$150,000	-	\$350,000
Office Cladding & External Painting	\$970,000	-	-	\$970,000
Roof & Gutters	\$280,000	\$175,000	-	\$455,000
<b>Total Client Advised Capital Expenditure</b>	<b>\$1,660,150</b>	<b>\$555,000</b>	<b>-</b>	<b>\$2,215,150</b>
Refurbishment (on expiring leases)	\$1,447,463	\$125,044	\$336,384	\$1,908,891
General Capital Expenditure Allowance	\$215,709	\$227,151	\$548,142	\$991,001
Budgeted CAPEX (incl. Refurb Allowance)	\$1,660,150	\$555,000	-	\$2,215,150
<b>Total CAPEX (Adopted Overall)</b>	<b>\$3,323,322</b>	<b>\$907,194</b>	<b>\$884,526</b>	<b>\$5,115,042</b>
Total CAPEX \$psm	\$176.51	\$48.18	\$46.98	\$271.68
% of Adopted Value	8.76%	2.39%	2.33%	13.48%

Note: Year 11 represents values included in terminal valuation

## 4 OCCUPANCY

### 4.1 TENANCY SCHEDULE

Tenant	Area (sqm)	Base Rent		Outgoings		Lease Term	Start Date	Expiry Date	Options	Review Date	Review Structure
		\$pa	\$psm	\$pa	\$psm	Term (yrs)					
McConnell Dowell Constructors Limited	1,847.3	397,338	215	33,373	18	12.0	26-Jun-12	25-Jun-24	-	26-Jun-20	2 yearly CPI
	1,847.3	397,338	215	33,373	18						
GPC Asia Pacific Limited	13,590.1	1,492,222	110	245,517	18	9.0	4-Jul-12	3-Jul-21	9	4-Jul-19	Annual 2.5%
Dicker Data NZ Limited	3,390.1	627,885	185	61,245	18	6.0	29-Sep-16	28-Sep-22	6	29-Sep-20	2 yearly CPI
	16,980.2	2,120,107	125	306,762	18						
Z Energy Limited	-	86,305	-	-	-	10.0	31-Mar-13	30-Mar-23	5	31-Mar-19	2 yearly, greater MKT/CPI
	-	86,305	-	-	-						
	<b>18,828</b>	<b>2,603,750</b>	<b>138</b>	<b>340,135</b>	<b>18</b>						

### 4.2 MAJOR TENANT LEASE SUMMARIES

#### GPC Asia Pacific Limited

		\$pa	\$psm	
Tenancy Area:	13,590.1 sqm	Contract Rent:	\$1,492,222	\$109.80
Lease Term:	9 years	Outgoings Recoveries:	\$245,517	\$18.07
Option Periods:	9 years	<b>Total Rent:</b>	<b>\$1,737,739</b>	<b>\$127.87</b>
Commencement:	4 July 2012			
Expiry:	3 July 2021			
Next Review:	4 July 2019			

**Outgoings:** The tenant is responsible for all outgoings typically associated with a net lease arrangement.

**Rent Reviews:** The annual rental is to be reviewed annually on each anniversary of the commencement date to a fixed increase of 2.5% with a review to market upon renewal (the review to market being limited to plus or minus 10% of the total rental payable immediately preceding the renewal date).

**Incentive:** There are no outstanding incentives as at the date of valuation.

**Make Good:** Typical maintenance and make good obligations apply to the lessor and lessee as per the Standard Auckland District Law Society Fifth Edition Deed of Lease.

**Permitted Use:** Commercial offices, retail showroom and warehouse and associated amenities.

**Comments:** Key landlord fixtures and fittings include partitions, floor coverings, air conditioning, lighting, fire services, ceiling tiles and grid, bathroom facilities, access control system in the offices.

**Dicker Data NZ Limited**

			\$pa	\$psm
Tenancy Area:	3,390.1 sqm	Contract Rent:	\$627,885	\$185.21
Lease Term:	6 years	Outgoings Recoveries:	\$61,245	\$18.07
Option Periods:	6 years	<b>Total Rent:</b>	<b>\$689,130</b>	<b>\$203.28</b>
Commencement:	29 September 2016			
Expiry:	28 September 2022			
Next Review:	29 September 2020			

**Outgoings:** The lease is structured on a net basis, with the lessee required to pay a proportionate share of the total building outgoings.

**Rent Reviews:** The rent is reviewed 2 yearly to the movement in CPI and to market at renewal, subject to a hard ratchet clause.

**Incentive:** There are no outstanding incentives as at the date of valuation.

**Make Good:** The tenant is required to make good all damage it has caused to the premises and to redecorate to a similar standard as at the commencement date. Typical maintenance obligations otherwise apply as per a standard Auckland District Law Society Fourth Edition Deed of Lease.

**Permitted Use:** Office accommodation and the warehousing and distribution of goods associated with the business of the tenant.

**Comments:** Key landlord fixtures and fittings include carpets and other floor coverings, ceilings, lighting, lift, air conditioning, and fire services. Tenant fixtures and fittings typically include soft fitout items, security system, and CCTV.

### McConnell Dowell Constructors Limited

			\$pa	\$psm
Tenancy Area:	1,847.3 sqm	Contract Rent:	\$397,338	\$215.09
Lease Term:	12 years	Outgoings Recoveries:	\$33,373	\$18.07
Option Periods:	None remaining	<b>Total Rent:</b>	<b>\$430,711</b>	<b>\$233.16</b>
Commencement:	26 June 2012			
Expiry:	25 June 2024			
Next Review:	26 June 2020			

**Outgoings:** The lessee is responsible for all outgoings typically associated with a net lease arrangement with minor additions to include repairs for water leaks to the exterior of the building including windows and roof, and limiting the amount of management expenses to 2% of the base rental.

**Rent Reviews:** As per the proposed renewal terms (Refer Special Assumptions, section 1.8), the rental from 26 June 2018 will remain at the previous contract rental of \$397,338 net. The rental is to then be reviewed 2 yearly in line with any increase in CPI over the previous two year period.

**Incentive:** There are no outstanding incentives as at the date of valuation.

**Make Good:** Typical maintenance and make good obligations apply to the lessor and lessee as per the Standard Auckland District Law Society Fifth Edition Deed of Lease.

**Permitted Use:** Commercial offices.

**Comments:** Key landlord fixtures and fittings include partitions, floor coverings, air conditioning, lighting, fire services, ceiling tiles and grid, bathroom facilities, staff room and kitchen, and passenger lift.

### Z Energy Limited

			\$pa	\$psm
Tenancy Area:	2,266 sqm	Contract Rent:	\$86,305	38.09
Lease Term:	10 years	Outgoings Recoveries:	\$0	\$0.00
Option Periods:	5 years	<b>Total Rent:</b>	<b>\$86,305</b>	<b>38.09</b>
Commencement:	31 March 2013			
Expiry:	30 March 2023			
Next Review:	31 March 2019			

**Outgoings:** The lessee is responsible for all outgoings typically associated with a net lease arrangement of vacant land.

**Rent Reviews:** The annual rental is to be increased at 2 yearly intervals to the movement in CPI. However the landlord has the option to notify the tenant prior to the review date

that it requires a current market rent for the premises to be determined and to be payable from review date.

**Incentive:** There are no outstanding incentives as at the date of valuation.

**Make Good:** At the end or earlier termination of the lease the building constructed on the premise by the tenant shall revert to the landlord, however the tenant's dispensing tanks, pumps, signage and other such equipment installed on the premises during the term of this lease shall remain the tenant's property.

It is the tenant's responsibility to remediate any contamination that is directly attributable to their use and occupation of the premises.

**Permitted Use:** Service station and associated purposes.

**Comments:** The original lease document takes the form of a standard Auckland District Law Society Third Edition.

### 4.3 LEASE EXPIRY ANALYSIS

TENANCY CONFIGURATION ANALYSIS	Area (sqm)	Remaining Lease Term
<i>Major Tenants</i>		
GPC Asia Pacific Limited	13,590.1	2.7 Years
Dicker Data NZ Limited	3,390.1	3.9 Years
McConnell Dowell Constructors Limited	1,847.3	5.6 Years
Z Energy Limited	-	4.4 Years
<b>TOTAL</b>	<b>WALE by income</b>	<b>3.5 Years</b>

**WALT Comment:** The WALT of 3.5 years provides an average level of income security in the medium term.

#### 4.4 OUTGOINGS

Item	2018-2019		Adopted	
	\$pa	\$psm	\$pa	\$psm
<b>Recoverable Outgoings</b>				
Municipal/Council Rates	178,149	9.46	178,149	9.46
Water and Sewerage Rates	51,051	2.71	51,051	2.71
Insurance Premiums	41,754	2.22	41,754	2.22
Air Conditioning/Ventilation	3,938	0.21	3,938	0.21
Common Area Cleaning	3,960	0.21	3,960	0.21
Electricity	853	0.05	853	0.05
Fire Protection/Public Address	8,132	0.43	8,132	0.43
Lifts & Escalators	5,091	0.27	5,091	0.27
Repairs & Maintenance	31,553	1.68	31,553	1.68
Security/Access Control	665	0.04	665	0.04
Gardening/Landscaping	3,120	0.17	3,120	0.17
Administration/Management Fee	9,333	0.50	9,333	0.50
<b>Non-Recoverable Outgoings</b>	<u>Management as % of Gross Passing Income</u>			<u>0.32%</u>
Total Statutory Charges	231,736	12.31	231,736	12.31
Total Operating Expenses	108,399	5.76	108,399	5.76
<b>Total Recoverable Outgoings</b>	<b>340,135</b>	<b>18.07</b>	<b>340,135</b>	<b>18.07</b>
Total Non-Recoverable Expenses	-	-	-	-
<b>Total Outgoings</b>	<b>340,135</b>	<b>18.07</b>	<b>340,135</b>	<b>18.07</b>

Source: Client outgoings schedule

**Outgoings** We have been provided with an outgoings expense budget for the subject property for the year ending March 2018 by the instructing party. The outgoings detailed above fall within typical parameters for an industrial property of this type.

**Comment:**

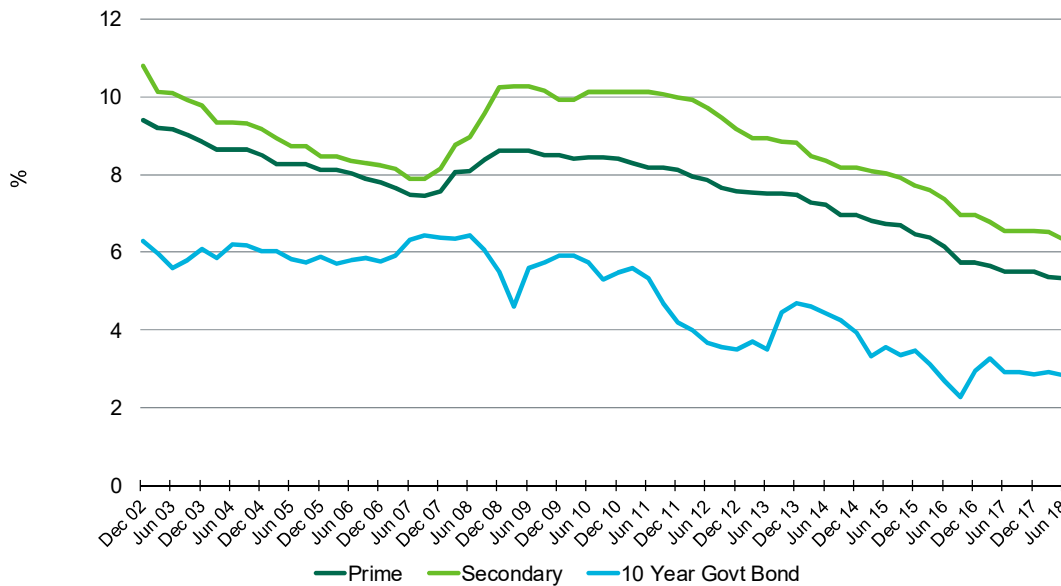
## 5 MARKET

### 5.1 INDUSTRIAL MARKET COMMENTARY

Industrial property yields are well below their previous cyclical benchmarks, particularly for prime property. Values in this sector continue to be supported by strong demand from a wide investor base that continues to be dominated by on-shore private investors and syndicates.

Auckland industrial yields continued to firm over the six months to June 2018, reaching new benchmarks with transactional evidence below 5.0% in certain instances. While the Prime-Secondary yield gap is the narrowest it has been in this cycle, it is still relatively wide compared to pre GFC trends. This largely reflects the low interest rate environment which underpins positive gearing opportunities even at comparatively low yield levels.

### Auckland Industrial Yields & 10 Year Govt Bond

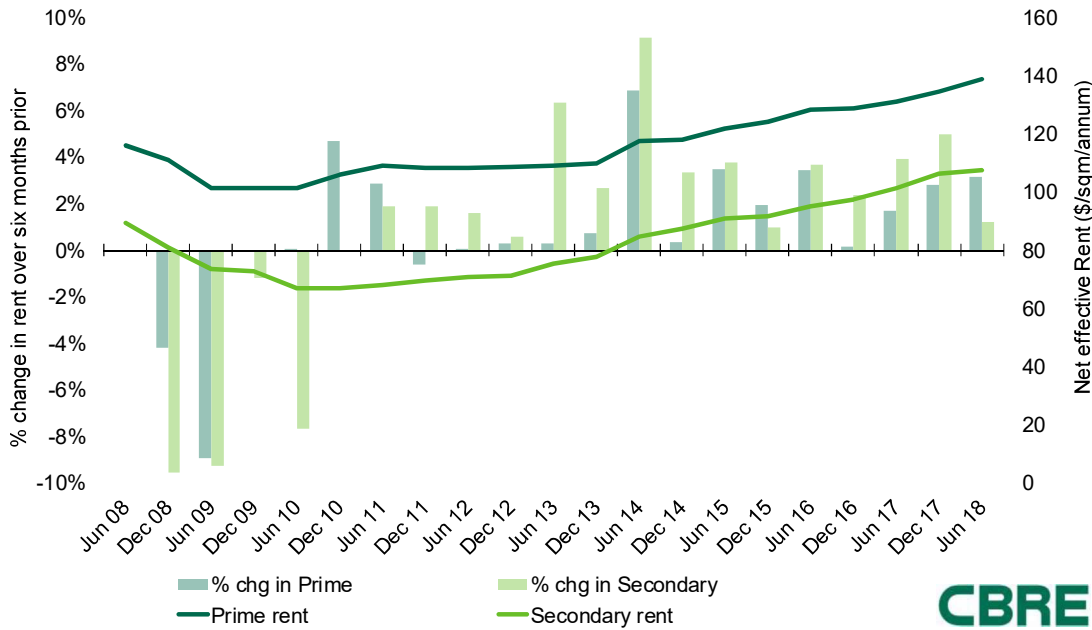


Source: CBRE, Westpac



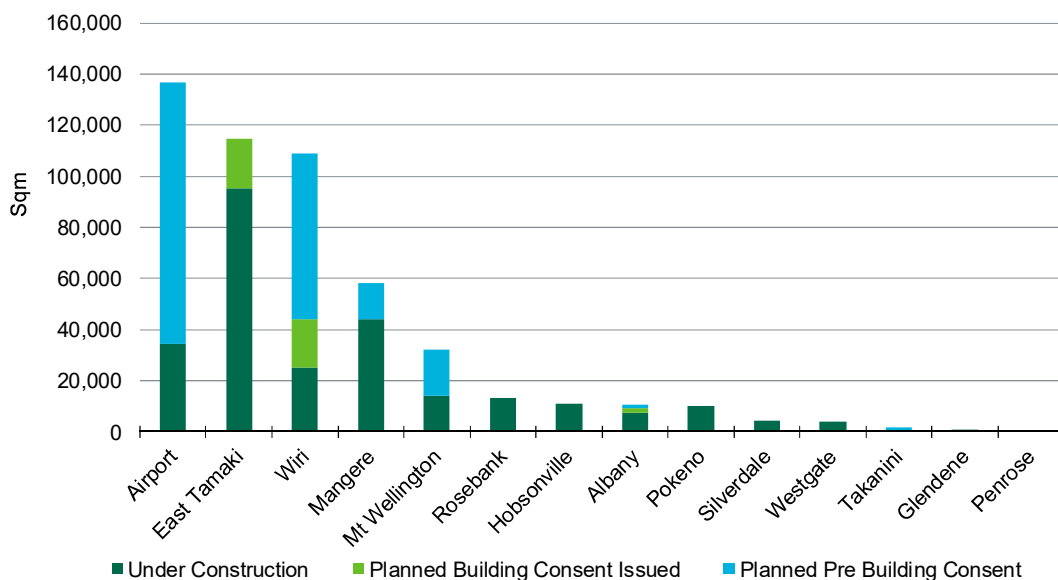
The industrial market is currently significantly constrained by a lack of quality assets for sale, despite the strong demand for industrial investment. The strong demand encompasses the full range of market participants with private investors playing the largest role. At the higher price ranges (typically above \$30 million), institutional purchasers play a dominant role and account for nearly a third of overall transaction volume.

## Auckland Industrial Rents



Market rent growth has also been notable in recent years, particularly for secondary properties. This is largely due to currently low vacancy rates across the sector, competitive activity between potential occupiers and favourable economic conditions. Construction and other development costs are also a barrier to new development, impacting supply. Incentive levels have also reduced and are often non-existent for smaller properties. Against this background, we forecast a level of market rental appreciation over the coming months.

## New Industrial Supply Pipeline by Precinct (October 2018)



## 5.2 INDUSTRIAL RENTAL EVIDENCE

In establishing our opinion of market rental for the subject property we have had regard to recent rental transactions of industrial premises within the locality. We provide details of the most relevant market evidence below:

Property	Accom.	GLA (sqm)	Rent \$psm	Comm. Date	Annual Rent (\$pa)
Mt Wellington	Warehouse	2,115.0	\$135	Dec 18 New Lease	\$387,185
	Offices	234.0	\$240		
	Canopy	700.0	\$65		
	Total	3,049.0	\$127		
Mt Wellington	Warehouse	6,000	\$127	Dec 18 New Lease	\$1,092,209
	Office & Amenities	600.0	\$239		
	Breezeway Canopy	1,330.0	\$82		
	Uncovered Car Parks	65.0	\$10		
	Total	7,930.0	\$138		
Mt Wellington	Ground Offices	142	\$200	Aug 18 New Lease - Sitting Tenant	\$250,000
	First Floor Offices	141.6	\$200		
	Mezzanine Factory Office	126.5	\$180		
	Ground Floor Workrooms	199.9	\$170		
	Warehouse	1,025.6	\$128		
	Mezzanine Storage	73.4	\$75		
	Total	1,708.6	\$146		
Onehunga	Warehouse	5,369	\$124	Apr 18 New Lease (Sale & Leaseback)	\$870,000
	Warehouse	149	\$81		
	Office	114	\$220		
	Amenities	135	\$175		
	Office	535	\$220		
	Yard	1	\$25,000		
	Total	6,301	\$138		
Penrose	Offices (2 levels)	300.0	\$250	Jul 18 New Lease	\$507,765
	Warehouse	2,955.0	\$135		
	Canopy	278.0	\$60		
	Car Parks (Uncovered)	22.0	\$15		
	Total	3,533.0	\$144		
Mt Wellington	Office	468.0	\$188	Apr 18 Renewal	\$349,875
	Warehouse	2,463.0	\$101		
	Total	2,931.0	\$119		
Mt Wellington	Warehouse	1,051.9	\$115	Jan 18 Rent Review	\$265,509
	Office - First Floor	299.9	\$220		
	Office - Ground Floor	356.2	\$220		
	Total	1,708.0	\$155		

### Mt Wellington – December 2018

**Description:** This is a brand new unit industrial located in a rear position to the southern side of Bell Avenue. It provides clear span space with a stud height of circa 10 metres. 3 canopy protected roller doors provide access via the secure yard. The property was

leased for an 8 year term and an incentive of 3 months was provided, reflecting a 4.3% discount to the face rent.

**Comparability:** These premises are of a similar quality to the Dicker Data building and superior to the Repco warehouse.



### Mt Wellington – December 2018

**Description:** This lease is for a new design build which was agreed in February 2018, with a targeted completion date of December 2018. It is a 12 year lease with annual CPI reviews and a mid term market review. An incentive of 4 months rent free was provided. The property is well located in Mt Wellington at the head of a cul de sac.

The warehouse is a steel portal frame structure with concrete base walls and long run iron above. It is to have a stud height of circa 11 metres and rapid roller doors measuring 6m wide x 5m high. There will be LED lighting to both the warehouse and canopy. The canopy is to be a semi-enclosed breezeway canopy. The warehouse floor is to have 40MPa concrete, while the yard will be steel fibre reinforced 35MPa concrete. The building will have drive around capability and include electric gates.

The offices will be spread over 2 levels to the road frontage with internal finishes including suspended ceiling tiles, plasterboard lined walls, and carpet and ceramic floor tile floor coverings. The offices will have a ceiling height of 2.7 metres, full height glazing, and ducted air conditioning. The property will be full sprinklered with the warehouse being an ESFR sprinkler system.

**Comparability:** Superior.



### Mt Wellington – August 2018

**Description:** A medium scale industrial facility constructed in 1996. It is improved with an unsprinklered warehouse and two levels of attached offices to the road frontage. The property is well positioned within the heart of the Mount Wellington industrial precinct. The warehouse provides clear span space, notwithstanding the factory offices and workrooms constructed within the building envelope. Adequate natural light is provided via 6 rows of translucent roof strips supplemented by hanging high bay lamps. Three roller doors provide access to the warehouse along the southern elevation. The offices present to a good standard, having been refurbished in recent years. The office ratio is 24%.

**Comparability:** This is an older inferior building to Dicker Data and equal to Repco except is not as heavily column interrupted.



### Penrose – July 2018

**Description:** This is a brand new industrial building with the leased space being positioned to the north-western portion of the building, separated by inter-tenancy speed walls. It has a stud height of approximately 9 metres to the portal knee, is sprinklered, and has two canopy protected roller doors to the eastern elevation. The warehouse has minimal column interruption and receives excellent natural light. The offices are provided on an air conditioned basis with suspended ceiling tiles and carpet floor coverings. This is a rear lot position accessed via a shared driveway. The lease term is 5 years with a small incentive of 6 weeks rent free. Rent reviews are fixed annual 2.5% increases.

**Comparability:** This is an inferior location and a rear position however the new build nature makes it superior to the Repco warehouse.



### 5.3 OFFICE RENTAL EVIDENCE

In establishing our opinion of market rental for the subject property, in particular the offices of McConnell Dowell, we have had regard to recent rental transactions within the Auckland market for office space. From the outset we note there is a paucity of rental evidence available for comparable office space of this scale in this location. We provide details of the most relevant market evidence below:

Property	Accom.	NLA (sqm)	Rent \$psm	Comm. Date	Annual Rent (\$pa)
Ellerslie	Office	1,770.7	\$245.0	Mar 18	\$596,131
	Amenities	46.6	\$245.0	Rent Review	
	Deck	131.7	\$60.0		
	Carparks	50.0	\$55.0		
	Total	1,949.0	\$305.9		
Penrose	Level 2 Office	431.0	\$168.7	Mar 18	\$88,500
	Car Parks	14.0	\$14.1	New Lease	
	Total	431.0	\$205.3		
Mt Wellington	Office	750.0	\$350.0	Mar 18	\$332,100
	Car Parks	30.0	\$35.0	New Lease	
	Signage	1.0	\$15,000		
	Total	751.0	\$442.2		
Manukau	Office	734.0	\$218.0	Aug 17	\$185,000
	Car Parking	32.0	\$15.0	New Lease	
	Total	734.0	\$218.0		
Mt Wellington	Office	984.0	\$250.0	Jul 17	\$358,400
	Deck	128.0	\$120.0	Rent Review	
	Car Parks	12.0	\$30.0		
	Total	1,112.0	\$235.4		

## 5.4 OFFICE RENTAL EVIDENCE COMMENTARY

### Ellerslie – March 2018

**Description:** This is a 2 level office building constructed in the 1980's. It is ground floor space accessed via a well presented tiled atrium style lobby. It is predominantly open plan space but column interrupted and of an irregular overall shape. Internal finishes include carpet tile floor coverings, painted plasterboard walls, and suspended ceiling tiles with flush fluorescent light panels. Ducted air conditioning is provided throughout. 50 covered basement car parks are provided. This market rental assessment was settled in March 2018 after a meeting between Valuers of the tenant and landlord. The review resulted in a 16% increase on the contract rental over a 3 year period.

**Comparability:** The configuration of this office space is inferior to the subject. However, it is within an established office building rather than attached to industrial uses, and it is in a superior location. On balance, superior to the subject.



### Penrose – March 2018

**Description:** The property comprises a two level office building constructed in the 1980's. The leased area is located on level 2 of the building and receives a north-west outlook. The internal presentation is to a basic standard which comprises older style suspended ceiling tiles, flush fluorescent light panels, carpet floor coverings, and ducted air conditioning. The space is part open plan and part partitioned which is also interrupted by some internal columns.

**Comparability:** In comparison to both the McConnell Dowell and main Repco (GPC Asia Pacific) office space in the subject, Walls Road presents to an inferior quality in what is also an inferior location.



### Manukau – August 2017

**Description:** The property comprises a standalone building with two tenancies. The leased space is mainly an open plan office with new amenities, converted from circa 1980's bulk retail space. The tenant signed a new lease which commenced in August 2017, and did a major office fit out funded by the landlord. It is a refurbished 1980's building with full length glass front and alucabond panel frontage. Double sliding doors lead to partitioned carpeted office space with a good ceiling height finished with suspended ceilings incorporating flush panels. There is limited carparking to the front of the building.

**Comparability:** This is atypical office space by comparison to the subject in what is an inferior location. It is however smaller compared to the subject.



### Mt Wellington July 2017

**Description:** This is first floor office space within a good quality modern building built in 2005. The fitout includes air conditioning, suspended ceilings, and lighting. The ground floor of the building is separately occupied by various retail / showroom tenancies. The lease is set on a gross basis with outgoings at \$70 psm. Our rents displayed are analysed to a net basis.

**Comparability:** This is a generally comparable location to the subject also occupying first floor office space. It presents to a comparable modern standard however is 40% smaller which is reflected in the higher per square metre rate at \$250 psm. On balance, comparable to the subject notwithstanding its size.



## 5.5 SERVICE STATION YARD RENTAL EVIDENCE

In establishing our opinion of market rental for the Z Energy leased yard we have historically had regard to recent yard rental transactions within the wider market. However, ground rentals paid for service station sites are substantially higher than generic industrial yard rentals.

Evidence of note is detailed below:

A 7-year review was settled effective from April 2018 over the BP service station at 975 New North Road, Mount Albert. The total rental was negotiated between parties to avoid arbitration at \$356,000 per annum or \$122 psm. It was not determined under the Traditional Approach. This is an irregular shaped corner site occupied by a BP service station. The site slopes in a northerly direction however is elevated and retained above Woodward Road and the North Auckland railway line along the rear north western boundary to provide a level building platform.

BP Oil at 419-433 Khyber Pass Road was reviewed at July 2015 to \$525,000 per annum over 3,063 sqm equating to \$171 psm. The rental has subsequently been reviewed for a 3-year term at July 2018 at \$585,000 or \$191 psm. This was settled between the parties based upon valuation advice.

The ground rental over the Mobil service station at 734-736 Dominion Road has also settled at \$125 psm. This was negotiated under the Classic Approach by reference to other service station settlements. The land is a rectangular shape with corner influence to Marsden Avenue and zoned Mixed Use without any undue influence from overlays. This is a terminating lease with 5 yearly market reviews and CPI at 2.5-year intervals in the interim. The previous rental was \$146,897.56 or \$56.61 psm over 2,595 sqm.

We are unsure why the rental was reviewed to such a low level at March 2017 however believe that the rental should be reviewed in March 2019 in line with the rates above. We have adopted a market rental of \$60.00 psm over the Z Energy yard area.

## 5.6 MARKET RENT ASSESSMENT

Having regard to the market evidence and consideration of the subject property, we assess the current market rental, in comparison with our analysis of the current contract rental, as illustrated in the following rental table.

Tenant Name	Component Name	GLA (sqm)		Net Passing Rent		Net Market Rent	
			\$psm	\$pa	\$psm	\$pa	
GPC Asia Pacific Limited	Offices & Amenities	1,526.3	\$166.94	\$254,794	\$180.00	\$274,725	
	Showroom	750.0	\$178.45	\$133,841	\$200.00	\$150,000	
	High Stud Warehouse	9,085.6	\$103.62	\$941,432	\$105.00	\$953,983	
	Mezzanine	131.9	\$51.81	\$6,835	\$70.00	\$9,234	
	Enclosed Canopy	2,028.4	\$74.84	\$151,797	\$65.00	\$131,846	
	Canopy	68.0	\$51.81	\$3,523	\$55.00	\$3,740	
Sub-Total (Area)		13,590.1	\$109.80	\$1,492,222	\$112.11	\$1,523,528	
Dicker Data NZ Limited	Offices First Floor	757.5	\$249.25	\$188,807	\$220.00	\$166,650	
	Office Ground	647.3	\$249.25	\$161,339	\$220.00	\$142,406	
	Warehouse	1,233.3	\$124.62	\$153,700	\$125.00	\$154,163	
	Amenities & Production	271.8	\$124.62	\$33,873	\$135.00	\$36,693	
	Mezzanine	282.0	\$119.43	\$33,680	\$80.00	\$22,560	
	Warehouse Canopy	198.2	\$64.91	\$12,865	\$60.00	\$11,892	
	Courtyard	85.8	\$36.35	\$3,119	\$50.00	\$4,290	
	Car Parks	60 bays	\$12.98	\$40,503	\$10.00	\$31,200	
Sub-Total (Area)		3,390.1	\$185.21	\$627,885	\$168.09	\$569,854	
McConnell Dowell Constructors Limited	Office First Floor	1,567.8	\$194.49	\$304,926	\$220.00	\$344,925	
	Mezzanine & Stairwell	279.4	\$194.49	\$54,348	\$220.00	\$61,477	
	Car Parks	71 bays	\$10.31	\$38,065	\$15.00	\$55,380	
Sub-Total (Area)		1,847.3	\$215.09	\$397,338	\$249.98	\$461,782	
Z Energy Limited	Service Station Yard	2,266.0	\$38.09	\$86,305	\$60.00	\$135,960	
Sub-Total (Area)		-	-	\$86,305	-	\$135,960	
<b>Totals</b>		<b>18,827.5</b>	<b>\$138.30</b>	<b>\$2,603,750</b>	<b>\$142.94</b>	<b>\$2,691,123</b>	

Introduction

Land

Improvements

Occupancy

Market

Valuation

Disclaimers

Appendices

## 5.7 SALES EVIDENCE

In order to assess the market value of the subject property, we have considered a cross section of sales transactions which have occurred within the local market. We have focussed on large scale industrial premises given the large investment quantum of the subject property.

An overview of the part of the sales evidence considered in undertaking our assessment is summarised in the following section.

Property	Sale Date	Sale Price	GLA (sqm)	Initial Yield	Equiv Yield	IRR	GLA \$psm	WALT (yrs)
12 Hautu Drive Wiri	Nov 18	\$12,300,000	5,242	5.25%	5.27%	7.51%	\$2,346	11.3
7 Stonehill Drive Wiri	Oct 18	\$16,700,000	4,194	4.80%	4.28%	6.55%	\$3,982	15.0
88 Carbine Road Mt Wellington	Oct 18	\$15,100,000	5,823	4.81%	5.26%	6.83%	\$2,593	2.9
20 Mahunga Drive Mangere	Oct 18	\$36,400,000	28,283	6.93%	6.92%	8.48%	\$1,287	11.0
4 Kordel Place East Tamaki	Sep 18	\$27,500,000	10,292	6.43%	6.15%	8.46%	\$2,672	8.5
12 Ha Crescent Wiri	Jun 18	\$11,150,000	5,210	4.57%	5.15%	7.30%	\$2,140	4.2
306 Neilson Street Onehunga	May 18	\$16,000,000	6,301	5.44%	5.27%	7.54%	\$2,539	9.8

## 5.8 KEY SALES EVIDENCE COMMENTARY

### 7 Stonehill Drive



**Description:** 7 Stonehill Drive is a brand new logistics facility constructed in 2018 comprising warehouse, offices, canopy and an extra large asphalt sealed yard. The warehouse is an unsprinklered single gable structure with a stud height of 8 metres rising to 10.5 metres. It has a low site coverage of 39%. This was a design build for the tenant Super Freight who purchased the property directly from the developer. The property is over rented by circa 18% and the lease is for a 15 year term with fixed annual 2.5% rental increases.

Considering the tenant purchased the property, alternative analysis of this sale assuming vacant possession, no letting up allowances, and the rent at market levels equates to an equivalent yield of 4.03% and an IRR of 6.03%.

**Comparability:** This is an inferior location however the building is brand new. The remaining lease term and rental growth provisions are superior.



### 88 Carbine Road



**Description:** The property comprises two modern high specification semi-detached industrial units with two level offices, constructed in 2004/2005 positioned to a high profile site to the heart of Mount Wellington and in close proximity to Sylvia Park Town Centre. Unit A and Unit B presents to a similar standard with clear span unsprinklered warehouse with an excellent stud heights ranging from 9.5 metres at the knee, rising to 12.3 metres at the apex. The office ratio is 18.3%.

Patton Refrigeration Limited lease Unit A for a 7 year term from 1 April 2014 with no further rights of. The rent reviews are 2 yearly to the movement in CPI, which is considered unfavourable in the current market.

Unit B is leased by Stowers Containment Solutions for a 10 year term from 1 September 2012 with 2 further rights of renewal of 6 years. The rent reviews are fixed 2% compounding 2 yearly. The property is under rented by circa 11%.

**Comparability:** This property has a comparable WALT to the subject and is in a comparable location. the improvements are of a superior modern standard overall and this property is of a more affordable investment quantum. On balance, superior.



### 20 Mahunga Drive



**Description:** The property is a large corner site developed with a mixture of attached single gable warehouses together with sections of sawtooth factory originally constructed in the 1960's.

The office component is over two levels on the Mahunga Road frontage and have been refurbished circa 2015 to a modern standard. The first floor offices are predominantly open plan space with partitioned offices to the northern and southern ends. Separate male and female toilets and a lunchroom are provided within the middle of the office component. The ground floor offices have a commercial grade kitchen within a canteen area and additional offices provided to a modern standard. The office content is very high at circa 2,500 sqm.

The industrial space includes the original warehouse and a lower stud workshop area. The warehouse is low with a stud height of 5 metres to the base of the sawtooth roofline, which provides good natural lighting. The additional warehouse is column interrupted with a stud height of 7 metres and intermitted translucent roof panels. Additions at the eastern and southern elevations provide clearspan space with a 7 metre stud height. Yards are limited hence there are internal truck circulation areas.

The land is zoned Light Industry and the site has three frontages which is highly beneficial given the site coverage of 64%.

The lease has annual CPI reviews with 5 yearly market reviews with a 10% cap/collar. The next market review is 1 January 2019. The passing rental is at market.

**Comparability:** Overall, inferior quality building and location but superior lease terms.



#### 4 Kordel Place



**Description:** 4 Kordel Place is a substantial industrial facility positioned to the corner of Kordel Place and Accent Drive. The warehouse is split into two distinct areas with stud heights to the portal knee of 8.25 metres and 15.5 metres respectively. There is a large amount of production fit out within the warehouse which are tenant improvements. The offices span over 3 levels which provide modern quality space. The property also includes a two level car parking building providing covered ground floor parking and open upper level parking. The improvements have an A grade seismic rating. The lease has a good remaining term of 8.5 years, however rent reviews are only 3 yearly to the movement in CPI which is onerous. The property is slightly over rented by circa 3.7%.

**Comparability:** Overall comparable quality improvements in an inferior position to the subject. The rent review provisions are inferior to the subject but the remaining lease term is easily superior.



#### 12 Ha Crescent



**Description:** This is a modern industrial building built in 2005 and located to the western portion of the Wiri industrial area. The warehouse provides unsprinklered clearspan space with a stud height of 9.2 metres and access via 2 roller doors protected by a large canopy to the northern elevation. A single level of air conditioned offices are located to the road frontage. The building has an office ratio of 7%.

Irvine International Floors Limited have been in occupation since 2014 under a related party lease. At the time of sale the remaining lease term to run was 4.2 years. The lease includes 4 further rights of renewal of 4 years each. We estimate the contract rental to be 12% below market and the next market review is due in September 2018. Following this, rent reviews are two yearly to market.

**Comparability:** Wiri is an easily inferior location compared to Mt Wellington. However, the improvements present to a better overall standard and the single tenant nature of the property results in a lesser amount of tenant management required. Superior to the subject.



## 5.9 SURPLUS LAND

Supply of vacant industrial land in central Mt Wellington is scarce. Based on our knowledge of land values in the locality, we have adopted \$525 psm over the surplus land.

## 5.10 CONCLUSION

concluding the adopted investment parameters we have particularly taken note of the following value drivers for the subject property:

- Excellent locational characteristics, with prominent street exposure.
- Large underlying land holding.
- Modern quality building occupied by Dicker Data and recently refurbished offices to McConnell Dowell.
- Atypical, multi-tenanted configuration.
- Fully occupied with a medium term WALT of 3.5 years.
- Predominantly CPI based and fixed rent review provisions.
- Surplus land area which is level in contour.

Considering all of the sales evidence discussed, together with the asset specific attributes highlighted in the SWOT and Risk Analysis Section of this report, we conclude investment parameters for the subject property as follows:

- Capitalisation Rate: 7.00%
- Target IRR: 8.25%
- Surplus Land (\$psm): \$525 psm

## 6 VALUATION

### 6.1 VALUATION APPROACHES

In arriving at our opinion of value, we have considered relevant general and economic factors and have investigated recent sales and leasing transactions of comparable properties (as previously detailed).

- Capitalisation Approach
- Discounted Cash Flow Approach

### 6.2 CAPITALISATION APPROACH

The estimated total income (on both a passing rental and net effective market rental basis) has been adjusted to reflect anticipated operating costs to produce a net income on a fully leased basis. The adopted fully leased net income has been capitalised in perpetuity from the valuation date at a capitalisation rate of 7.00%, which we feel reflects the nature, location and tenancy profile of the property when compared with current market investment criteria. We have then made various capital adjustments to the calculated core value, including:

- Calculation of reversions to market rent.
- Capital expenditure allowances.
- An allowance for the anticipated future letting-up expenses and associated capital expenditure over a 2 year period. This is not merely an arbitrary period, but a consistent approach that we take for the majority of properties that we value and sales which we analyse.

Our valuation calculations are detailed as follows:

Market Capitalisation Analysis		Date of Valuation	31 Oct 18
<b>INCOME</b>		<b>Area (sqm)</b>	<b>Market Rent</b>
Gross Rental Income	GPC Asia Pacific Limited	13,590.1	1,769,045
	Dicker Data NZ Limited	3,390.1	631,099
	McConnell Dowell Constructors Limited	1,847.3	495,154
	Z Energy Limited	-	135,960
<b>GROSS MARKET INCOME (Fully Leased)</b>			<b>3,031,258</b>
<b>OUTGOINGS</b>	Statutory Expenses		(231,736)
	Operating Expenses		(108,399)
	Total Outgoings:		(340,135)
<b>NET MARKET INCOME (Fully Leased)</b>			<b>2,691,123</b>
<b>CAPITALISED VALUE</b>	<b>@ 7.00%</b>		<b>38,444,618</b>
<b>CAPITAL ADJUSTMENTS</b>			
Rent Adjustments	PV of Rent Reversions		(371,264)
	PV of General Capital Expenditure	24 months	(1,481,926)
	Total Capital Adjustments		(1,853,190)
		Capitalised Value	36,591,428
<b>MARKET CAPITALISATION RESULT (rounded)</b>			<b>36,600,000</b>
		<b>Capitalisation Sensitivity Analysis</b>	
		6.75%	38,000,000
		<b>7.00%</b>	<b>36,600,000</b>
		7.25%	35,250,000

### 6.3 DISCOUNTED CASHFLOW APPROACH

The Discounted Cash Flow analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of both rental and capital growth over an assumed investment horizon. A wide range of assumptions are made including a target or pre-selected internal rate of return, rental growth, occupancy, sale price of the property at the end of the investment horizon, potential capital expenditure, costs associated with the initial purchase of the property, and also its disposal at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10 year investment horizon in which we have assumed that the property is sold at the commencement of the 11th year. The cash flow analysis comprises monthly income streams which we have discounted on a monthly basis.

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

Our key assumptions are detailed as follows:

Accommodation Type	Forecast Rental Growth (10 year average)	Renewal Probability	Lease Up Period
Office	2.18%	50%	6 months
Yard	2.93%	50%	6 months
Industrial	2.93%	50%	6 months

The adopted renewal probability for GPC (Repco) is 0%, refer Special Assumptions.

**Sinking Fund Allowance:** 2.50% of Gross Income.

**Capital Expenditure:** Refer to Capital Expenditure section for specific comments.

**Terminal Yield:** 7.25%

This adopted rate reflects that at the end of the cash flow period the building will be 10 years older. The adoption of this range is supported by the estimated terminal occupancy profile and the capital expenditure allowed throughout the cash flow, and at the end of the projection, which reflects efficient asset management practices in ensuring the property maintains its competitive position with its peer group.

**Target IRR:** 8.25%

This adopted rate has been assessed based on our analysis of recent transactions, and the allowance and projections in our cash flow.

We provide our full workings as follows:

**Discounted Cash Flow Analysis** **Date Of Valuation** **31 Oct 18**

**GROWTH RATE FORECAST**

Valuation Period		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Year Ending	[CAGRs]	Oct 19	Oct 20	Oct 21	Oct 22	Oct 23	Oct 24	Oct 25	Oct 26	Oct 27	Oct 28
<b>Growth Forecast</b>	<b>5 yrs / 10 yrs</b>										
CPI	2.33% / 2.16%	2.44%	2.38%	2.51%	2.30%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Net Face Rent (Industrial)	3.11% / 2.93%	3.19%	3.14%	3.27%	3.20%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Gross Face Rent (Industrial)	3.28% / 3.12%	3.36%	3.31%	3.44%	3.38%	2.93%	2.94%	2.94%	2.95%	2.95%	2.96%
Gross Face Rent (Office)	2.51% / 2.34%	2.58%	2.53%	2.66%	2.60%	2.15%	2.16%	2.16%	2.17%	2.17%	2.18%

**CASH FLOW ASSUMPTIONS**

Lease Renewal Assumptions (Industrial)		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Year Ending		Oct 19	Oct 20	Oct 21	Oct 22	Oct 23	Oct 24	Oct 25	Oct 26	Oct 27	Oct 28
Renewal Probability		50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Expiry/Renewal for year	(sqm)	-	-	13,590	3,390	-	-	-	-	-	13,590
Letting Up	(mths)	6	6	6	6	6	6	6	6	6	6
New Lease Term		6 years		New Lease Recoveries		Market		Leasing Commissions - New			16%
New Lease Reviews		ME						Leasing Commissions - Renewal			-
Review Frequency		2 yearly									

Lease Renewal Assumptions (Office)		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Year Ending		Oct 19	Oct 20	Oct 21	Oct 22	Oct 23	Oct 24	Oct 25	Oct 26	Oct 27	Oct 28
Renewal Probability		50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Expiry/Renewal for year	(sqm)	-	-	-	-	-	1,847	-	-	-	-
Letting Up	(mths)	6	6	6	6	6	6	6	6	6	6
Generic Refurbishment Allowance @ Expiry		Industrial	\$25 psm	Office	\$75 psm						
Overall Capital Expenditure (% of Gross Income)		27.4%	24.0%	69.0%	20.2%	7.0%	4.9%	2.5%	2.5%	2.5%	8.7%

**CASH FLOW FORECAST (All figures shown as \$1,000's)**

Valuation Period		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Year Ending		Oct 19	Oct 20	Oct 21	Oct 22	Oct 23	Oct 24	Oct 25	Oct 26	Oct 27	Oct 28
<b>Income</b>											
Office		397	404	417	424	438	337	528	530	550	552
Industrial		2,132	2,173	1,716	1,715	2,239	2,407	2,472	2,543	2,610	2,191
Yard		116	138	143	147	113	157	160	166	169	175
Recoverable Outgoings		345	361	286	292	400	418	446	465	484	415
<b>Total Income</b>		<b>2,991</b>	<b>3,075</b>	<b>2,562</b>	<b>2,578</b>	<b>3,189</b>	<b>3,319</b>	<b>3,606</b>	<b>3,704</b>	<b>3,812</b>	<b>3,332</b>
<b>Less</b>											
Statutory Expenses		-236	-249	-262	-277	-291	-306	-321	-337	-354	-372
Operating Expenses		-109	-112	-115	-118	-120	-123	-125	-128	-130	-133
<b>NET INCOME</b>		<b>2,646</b>	<b>2,714</b>	<b>2,185</b>	<b>2,183</b>	<b>2,778</b>	<b>2,891</b>	<b>3,160</b>	<b>3,239</b>	<b>3,328</b>	<b>2,828</b>
<b>Capital Adjustments</b>											
Leasing Commissions		-	-	-	-316	-70	-46	-	-	-	-190
Capital Expenditure (budgeted/explicit)		-745	-660	-255	-410	-145	-	-	-	-	-
Refurbishment Allowance on Expiry		-	-	-1,447	-46	-	-79	-	-	-	-207
General Capital Expenditure Allowance		-75	-77	-64	-64	-80	-83	-90	-93	-95	-83
<b>CAPITAL ADJUSTMENTS</b>		<b>-820</b>	<b>-737</b>	<b>-1,767</b>	<b>-837</b>	<b>-295</b>	<b>-207</b>	<b>-90</b>	<b>-93</b>	<b>-95</b>	<b>-480</b>
<b>Selling Considerations</b>											
								Net Market Rent End Yr 10			
								Sale Price			48,103
								Agent Commissions			-481
								Legal & Other Fees			-60
<b>NET CASH FLOW</b>		<b>1,826</b>	<b>1,978</b>	<b>419</b>	<b>1,347</b>	<b>2,483</b>	<b>2,683</b>	<b>3,070</b>	<b>3,147</b>	<b>3,233</b>	<b>2,347</b>
Running Yield (Cash Flow)		5.05%	5.64%	1.17%	3.45%	5.99%	6.27%	6.97%	6.98%	7.15%	5.12%
Running IRR (Cash Flow)		-2.92%	2.29%	4.79%	5.92%	6.59%	7.03%	7.34%	7.37%	7.50%	7.62%

**DISCOUNTED CASH FLOW RESULT (ROUNDED)**

**36,250,000**

Purchase Considerations		NPV @ Target Discount Rate		Terminal Value Calculations	
Purchase Price	37,950,000	Discount Rate	8.25%	Gross Market Income	4,067,065
Stamp Duty	0	DCF Result	36,250,000	Less Adopted Outgoings	-518,471
Legal Fees/Due Diligence	47,438	Yr 1 Cash Flow Yield	4.81%	<b>Net Market Income</b>	<b>3,548,594</b>
	37,997,438			Core Capital Value @ 7.25%	<b>48,946,118</b>
Selling Considerations		Partitioned IRR Analysis		Reversions	-
Terminal Yield	7.25%	Income %	40.67%	Exp. Allowances (2.0 yrs)	-527,327
Disposal Cost	541,158	Terminal Value %	59.33%	Capex & Misc	-315,846
Net Sale Proceeds	47,561,787			Terminal Value (before disp. costs)	<b>48,102,945</b>

## 6.4 VALUATION RECONCILIATION

Having regard to these analyses and the available market evidence, we have reconciled the market value for the subject property as follows:

### Summary Of Values

Capitalisation Analysis	<b>Assessed Value</b>	<b>\$36,600,000</b>
	Adopted Capitalisation Rate	7.00%
Discounted Cash Flow Analysis	<b>Assessed Value</b>	<b>\$36,250,000</b>
	Adopted Discount Rate	8.25%
	Adopted Terminal Yield	7.25%
Plus: Value of Balance Land		\$1,550,000
<b>Adopted Value Analysis</b>		<b>\$37,950,000</b>
Initial Yield	Incl. / Excl. Balance Land	6.86% / 7.15%
Equivalent Yield	Incl. / Excl. Balance Land	6.76% / 7.39%
10 Year IRR	Incl. / Excl. Balance Land	7.62% / 8.02%
Rate \$psm of GLA	Incl. / Excl. Balance Land	\$2,016 / \$1,933
Rate \$psm of Land Area		\$1,230

The above valuation is plus GST (if any).

### Hypothetical Apportionment

Land	\$16,950,000
Buildings	\$21,000,000

## 6.5 ADDITIONAL REQUIREMENTS

<b>Previous Sale:</b>	According to public records, there is no recorded sale of the subject property within the last 3 years.
<b>Contract of Sale:</b>	We have been provided a copy of an unsigned draft sale and purchase agreement between Mt Wellington Nominees Limited for and on behalf of the Mt Wellington Nominees Joint Venture as vendor, and Augusta Industrial Fund No. 1 Limited as purchaser for a purchase price of \$37,950,000 plus GST, if any, with a settlement date of 28 March 2019.
<b>Reasonable Selling Period:</b>	Circa 3-6 months assuming a typical marketing campaign.
<b>Anticipated buyer demand/liquidity:</b>	Moderate.
<b>Likely purchaser profile:</b>	High net worth investors, institutions, syndicates / syndicators.

## 7 DISCLAIMERS

Valuation Subject To Change	This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movement or factors specific to the particular property). For the avoidance of doubt, this may include global financial crises or force majeure events. We do not accept liability for losses arising from such subsequent changes in value. Furthermore, values vary from time to time in response to changing market circumstances. The valuation is based on available information as at the date of valuation. No warranty can be given as to the maintenance of this value into the future. Therefore, it should be reviewed periodically.
Extent of Investigations	We are not engaged to carry out all possible investigations in relation to the property. Where in our report we identify certain limitations to our investigations, this is to enable the Reliant Party to instruct further investigations where considered appropriate or where we recommend as necessary prior to Reliance. CBRE is not liable for any loss occasioned by a decision not to conduct further investigations.
Information Supplied By Others	This document contains information which is derived from other sources. Where this information is provided by experts and experienced professionals, we have relied upon the expertise of such experts and by necessity we have relied upon the information provided being accurate, whether prepared specifically for valuation purposes or not. Unless otherwise specifically instructed, we have not independently verified that information, nor adopted it as our own. Notwithstanding the above, we have reviewed the provided information to the extent that such a review would be reasonably expected from a professional and experienced valuer having regard to normal industry practice undertaking a similar valuation/consultancy service. The Reliant Parties acknowledge that the valuer is not a specialist in the areas from which the expert information is derived and accepts the risk that if any of the information/advice provided by others and referred to in the valuation is incorrect, then this may have an effect on the valuation.
Lease Documentation	Where applicable, our assessment of value is provided on the assumption that all leases are executed and that individual lease provisions are in accordance with the tenancy information provided.
Disclosure	CBRE must be advised in the event that the Reliant Party becomes aware of any changes relating to the information and advice provided by the Instructing/Reliant Party during the Reliance Period. 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 CBRE first to reassess any effect on the valuation.
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 CBRE at the date of this document. CBRE does not warrant that such statements are accurate or correct.
Taxation & GST	Our valuation is expressed exclusive of GST. We are not tax experts and have not been provided with tax or legal advice. The Reliant Party must make its own enquiries if they consider that GST applies.
Site Survey	We do not commission site surveys and a site survey has not been provided to us. We have assumed there are no encroachments by or on the property, and the Reliant Parties should confirm this status by obtaining a current survey report and/or advice from a registered surveyor.
Property Titles	We have assumed that there are no further easements, unregistered interests or encumbrances not disclosed by this brief title search which may affect market value. However, in the event that

	<p>a future title search is undertaken which reveals additional easements or encumbrances, CBRE should be consulted to reassess any effect on the value stated herein.</p>	
<b>Environmental Conditions</b>	<p>Unless otherwise stated, we have assumed that the site is free of elevated levels of contaminants or subsoil asbestos that would prevent the continuation of the current use of the property. Note our visual inspection is an inconclusive indicator of the actual site condition. We make no representation as to the actual environmental status of the subject property. If any formal testing is undertaken to assess the degree, if any, of contamination of the site and this is found to be positive, this valuation must not be relied upon without first consulting CBRE to reassess any effect on the valuation.</p>	
<b>Flooding Caution</b>	<p>The quality, completeness and accuracy of flood mapping varies widely between localities and Councils. We have not verified, and make no representation as to the appropriateness, accuracy, reliability or currency of the flood mapping reviewed. The Reliant Party may wish to confirm the flood mapping information by obtaining an expert hydrologist's report. If further flooding data is obtained, we reserve the right to review and if necessary amend the valuation.</p>	
<b>Asbestos/Hazardous Materials</b>	<p>Unless otherwise noted, we have assumed that the improvements are free of asbestos and hazardous materials, or should these materials 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 asbestos/hazardous materials within the property. We make no representation as to the actual status of the subject property. If any testing is undertaken and the presence of any asbestos/hazardous materials on site is found to be positive, this valuation must not be relied upon before first consulting CBRE to reassess the valuation.</p>	
<b>Planning Information</b>	<p>We assume information provided by the relevant responsible authority is current and accurate. We do not commission formal investigations to verify information provided to us. In the event that a Land Information Memorandum (LIM) report is obtained and the information therein is later found to be materially different to the town planning information detailed within the valuation, we reserve the right to amend the valuation.</p>	
<b>Inclusions &amp; Exclusions</b>	<p>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/operator) or are used in connection with the enterprise carried on within the property.</p>	
<b>Side Agreements</b>	<p>In the event that the Reliant Party becomes aware of any side agreements, this valuation must not be relied upon before first consulting CBRE to reassess any effect on the valuation.</p>	
<b>Floor Areas</b>	<p>Unless stated otherwise in the valuation, we have assumed that the floor areas have been calculated in accordance with the Property Council of New Zealand (PINZ PCNZ) Guide to Measurement of Rentable Areas or as specifically instructed by the party who we have agreed to provide this valuation. We recommend that the person or entity relying upon this report should obtain a survey to determine whether the areas provided differ from PINZ PCNZ guidelines. In the event that the survey reveals a variance in areas, then the relevant person or entity should not rely upon the valuation and should provide all relevant survey details to CBRE for consideration and possible review of the valuation.</p>	
<b>Condition &amp; Repair</b>	<p>We are not building/structural experts and are therefore unable to certify the structural soundness of the improvements. Unless otherwise stated, we have not sighted a qualified engineer's structure survey of the improvements, or its plant and equipment. Any Reliant Parties would need to make their own enquiries in this regard. Unless otherwise stated, we have not sighted a structural report on the property, nor have we inspected unexposed or inaccessible portion of the premises. We therefore cannot comment on the structural integrity,</p>	

	defect, rot or infestation of the improvements nor can we comment on any knowledge of the use in construction of material such as asbestos or other materials considered hazardous.
Currency	All dollars are NZ\$.
LIM & PIM	Unless otherwise stated, we have not obtained Land Information Memoranda (LIM) or Project Information Memoranda (PIM) from the Territorial Authority.
Lease Covenant Strength	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. We assume that tenants are capable of meeting their financial obligations and there are no undisclosed rental arrears or breaches of covenant.
Site Conditions	We do not commission site investigations to determine the suitability of ground conditions and services, nor do we undertake environmental or geotechnical surveys. We have assumed that these aspects are satisfactory and also that the site is clear of underground mineral or other workings, methane gas or other noxious substances. In the case of property which may have redevelopment potential, we proceed on the basis that the site has load bearing capacity suitable for the anticipated form of redevelopment without the need for additional and expensive foundations or drainage systems (unless stated otherwise).
Not a Structural Survey	We state that this is a valuation report, and not a Structural Survey.
Director's Clause	Under required circumstances, this report may have been co-signed by a Director of CBRE. In accordance with our internal Quality Assurance procedures, the co-signing Director certifies that he has discussed the valuation methodology and calculations with the prime signatory, however the opinion of value expressed herein has been arrived at by the prime signatory alone. The co-signing Director may or may not have inspected the subject property.

## 8 APPENDICES

### TITLE DOCUMENTATION

Introduction

Land

Improvements

Occupancy

Market

Valuation


Disclaimers

Appendices



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



  
R. W. Muir  
Registrar-General  
of Land

**Identifier** NA119D/702  
**Land Registration District** North Auckland  
**Date Issued** 02 July 1999

**Prior References**

NA71D/479

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**Estate** Fee Simple  
**Area** 3.0845 hectares more or less  
**Legal Description** Lot 1 Deposited Plan 101490 and Lot 2  
Deposited Plan 103564

**Registered Owners**

Mt Wellington Nominees Limited

**Interests**

Subject to a pipeline right (in gross) over part marked A on DP 108881 in favour of the Natural Gas Corporation of New Zealand created by Transfer B646494.1 (affects Lot 1 DP 104190)

B974318.1 Encumbrance to Tamaki City Council - 4.4.1989 at 11:18 am

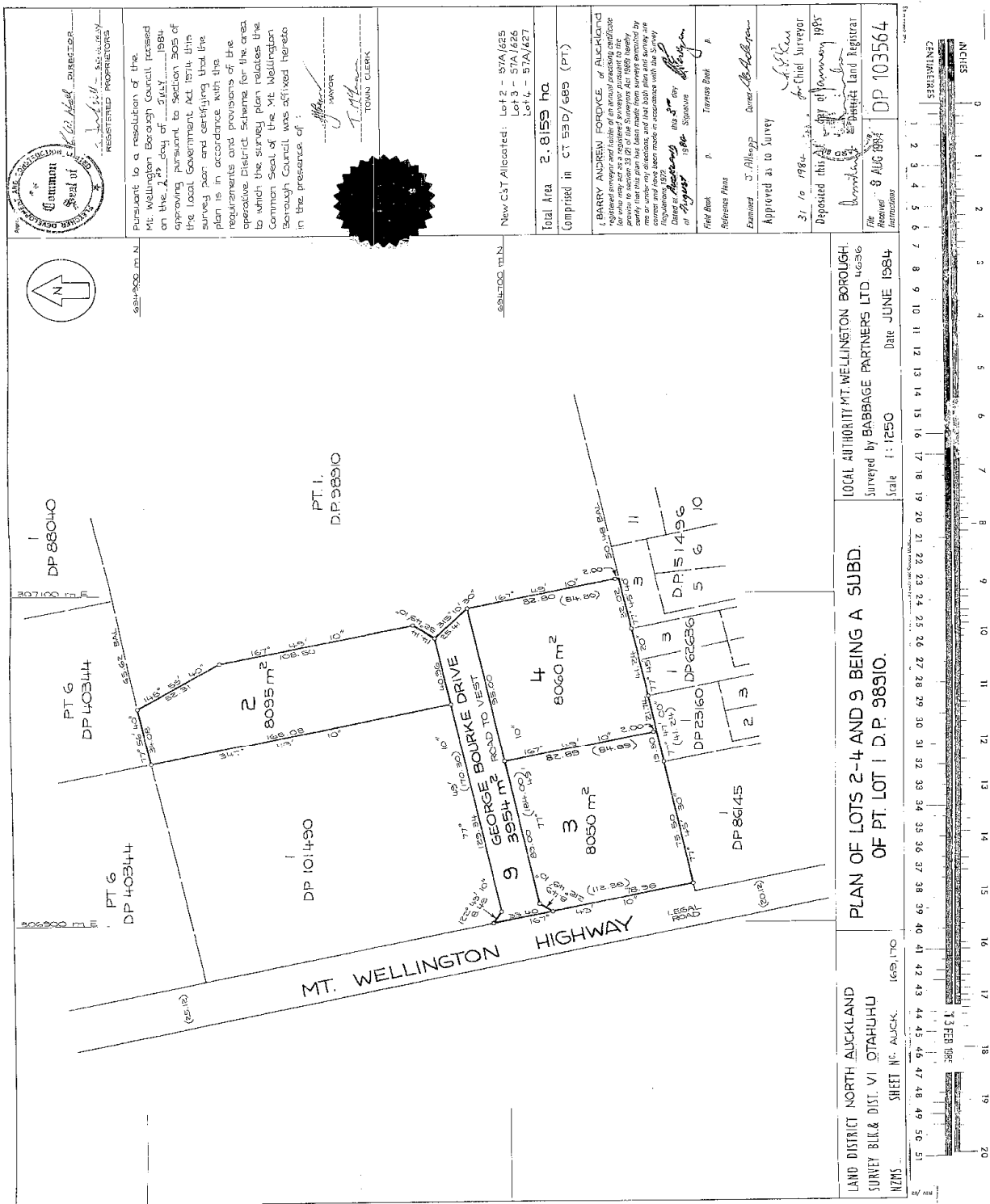
8076625.1 Encumbrance to Auckland City Council - 18.2.2009 at 9:00 am


8230932.4 Mortgage to ASB Bank Limited - 23.7.2009 at 12:26 pm



9705157.1 Encumbrance to Auckland Council - 27.5.2014 at 11:56 am

9705157.2 Mortgage Priority Instrument making Encumbrance B974318.1 first priority, Encumbrance 8076625.1 second priority, Encumbrance 9705157.1 third priority and Mortgage 8230932.4 fourth priority - 27.5.2014 at 11:56 am







  
 Pursuant to a resolution of the Mt Wellington Borough Council passed on the 27th day of JULY 1984 approving pursuant to section 305 of the Local Government Act 1974 this survey plan and certifying that the plan is in accordance with the requirements and provisions of the operative District Scheme for the area to which the survey plan relates the Common Seal of the Mt Wellington Borough Council was affixed hereto in the presence of:

Mayor  
  
 TOWN CLERK  


New CST Allocated: Lot 2 - 87A/425  
 Lot 3 - 57A/426  
 Lot 4 - 87A/427  
 Total Area 2.8155 Ha  
 Comprised in CT 53P/688 (PT)

I, BARRY ANDREW FORDYCE, of Auckland registered surveyor and holder of an annual practicing certificate under the provisions of section 32 (2) of the Survey Act 1959 hereby certify that this plan has been made from surveys executed by me or under my supervision and that the same are in accordance with the Survey Regulations 1977.  
 Date of Approval 1984  
 Signature   
 Field Book Transvers Book P  
 Reference Plans

Examined J. Allsup  
 Approved as to Survey  
 Date 10 1984  
 Chief Surveyor

Deposited this 10th day of January 1985  
 Registrar  
 File No. DP 103564  
 Date 8 AUG 1984

LOCAL AUTHORITY MT. WELLINGTON BOROUGH.  
 Surveyed by BABBAGE PARTNERS LTD.  
 Scale 1:1250 Date JUNE 1984  
 PLAN OF LOTS 2-4 AND 9 BEING A SUBD.  
 OF PT. LOT 1 D.P. 98910.  
 LAND DISTRICT NORTH AUCKLAND  
 SURVEY BLK & DIST. VI OTAHUHU  
 SHEET NO. AUCK. 169170



## VALUATION DEFINITIONS AND TERMINOLOGY

<b>Net Income Estimate, Fully Leased</b>	The total current net income for the subject property plus the estimated income from vacant tenancies. The total current net income is the sum of the current base, outgoing recoveries and sundry income, less total outgoing expenses (including non-recoverable expenses). The estimated income from vacant tenancies reflects our market assessment of gross rent for these tenancies.
<b>Net Passing Income</b>	The sum of the current base, outgoing recoveries and sundry income, less total outgoing (including non-recoverable expenses).
<b>Outstanding Tenant Incentives</b>	The total cost of all outstanding tenant incentives as at the date of valuation including unexpired rent free periods, outstanding fitout or cash contributions and rental discounts.
<b>Initial Yield</b>	Initial yield reflects the net contract income (including any outgoing for vacant tenancies) as a percentage of the assessed value.
<b>Adopted Capitalisation Rate (or Equivalent Yield)</b>	The capitalisation rate applied within our valuation to the net income estimate fully leased (as defined above). The term equivalent yield (as utilised within our analysis of comparable sales) essentially reflects a derived capitalisation rate based on the analysed purchase price adjusted for any under/over renting, surplus land, capital expenditure, vacancy allowances and other below the line adjustments.
<b>Terminal Yield</b>	The capitalisation rate applied within our valuation to the net passing income forecast during Year 11 of our Discounted Cash Flow (DCF) analysis. From this capitalised amount capital adjustments are made to arrive at a selling price for the property at the end of Year 10 of the DCF. Our adopted Terminal Yield is supported by the estimated terminal occupancy profile and the capital expenditure allowed throughout the cash flow, and at the end of the projection, which reflects efficient asset management practices in ensuring the property maintains its competitive position with its peer group.
<b>Target Internal Rate of Return (IRR)</b>	The discount rate applied to the annual net cash flows of the property and the hypothetical sale of the property at the end of Year 10 to arrive at the adopted value (excluding any balance land) using the Discounted Cash Flow approach.
<b>Ten Year IRR (Indicated)</b>	The Internal Rate of Return which the property would achieve over a 10 year period given the forecast net cash flow and assessed value. This analysis excludes the value of any balance land.

## CBRE VALUATION & ADVISORY SERVICES

**Patrick Ryan**  
Registered Valuer

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