



Valuation Report

265 Albany Highway
Rosedale
Auckland

Augusta Industrial Fund Limited
(Or its Subsidiaries)
Attn: Ben Harding

October 2018

Ref: 20790/RAC

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2. Computer Freehold Register

Executive Summary

265 Albany Highway, Rosedale, Auckland

Brief Description

The subject property comprises a large land holding in Rosedale on Auckland's North Shore comprising some 16,917 sqm of light industry zoned land. The site is currently improved with four separated buildings housing five tenants. The buildings comprise a larger industrial building with associated offices and amenities, commercial / trade retail, café, and childcare centre.

The property is a split-risk investment having five individual tenants across the four buildings. The asset has a WALD of 5.02 years remaining.



Instruction & Approach

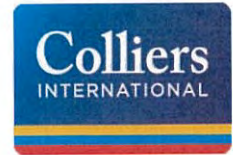
Instructing Party	Augusta Industrial Fund Limited
Reliant Parties	Augusta Industrial Fund Limited (or its Subsidiaries) Ernst & Young ASB Bank Limited (as Security Trustee) ASB Bank Limited (as Lender)
Extended Reliance for Lending Group	ANZ Bank New Zealand Limited Westpac New Zealand Limited Bank of New Zealand
Purpose of Report for Reliance	First Mortgage Security Financial Reporting Capital Raising
Purpose of Report for Non-Reliance	This valuation has been prepared for prospective investors in that company on a non-reliance basis only.
Interest Valued	100%
Date of Valuation	31 October 2018
Date of Inspection	3 October 2018

Property Details

Legal Description	Lot 15 Deposited Plan 117850
Tenure	Freehold
Proprietary Owner	Albany Highway Nominees Limited
Land Area	16,917 m ²
Lettable Area	5,504 m ²
Zoning	Business – Light Industry Zone
Major Tenancies	Good Health Products; Albany OPE (STIHL); Junior Junction
Current Net Contract Income	\$1,281,858 per annum
WALD	5.02 years

Key Data & Assumptions

Outgoings	\$310,733 per annum
Net Market Rental	\$1,315,222 per annum



Capex Assumptions	\$8,187 per annum (general CAPEX) \$670,000 (budgeted CAPEX over eight years)
Letting Up Allowance	4 to 18 months
Tenant Retention	50%
Average Growth	2.92% per annum
Market Capitalisation Rate	6.25%
Discount Rate	8.00%
Terminal Capitalisation Rate	6.75%

Valuation Conclusions

Adopted Value (100%)	\$20,100,000 plus GST
Passing Initial Yield	6.38%
Equivalent Market Yield	6.31%
Internal Rate of Return (including capex)	8.01%
Internal Rate of Return (excluding capex)	8.60%
Direct Comparison Rate	\$3,652 /m ² of NLA

Valuers

RUSSELL CLARK BCOM (VPM), MPINZ
Registered Valuer
Director | Valuation & Advisory Services

CALLUM KAYES BCOM, BPROP
Graduate Valuer

CIVAS Limited trading as COLLIERS INTERNATIONAL
Level 27, 151 Queen Street, Auckland 1010
PO Box 1631, Shortland Street, Auckland 1140
Phone No. (09) 3581888

NOTE: This Executive Summary must be read in conjunction with the attached report and the details contained therein.

1.0 INTRODUCTION

1.1 SCOPE OF WORK

We have received instructions from Ben Harding of Augusta Industrial Fund Limited dated 11 October 2018 to assess the market value of the subject property.

We outline in the following subsections key assumptions, limitations and restrictions with regard to this valuation. We further note that this valuation is undertaken in accordance with the agreed written Scope of Work between the above instructing party and CIVAS Limited trading as Colliers International ("The Company").

We confirm that the individual valuers who are signatories to this report are experienced in the location and category of the property valued.

1.2 BASIS AND PURPOSE OF VALUATION

The valuation has been completed in accordance with the latest International Valuation Standards and the Australia and New Zealand Valuation and Property Standards for mortgage security purposes, subject to the assumptions and conditions outlined within this valuation report.

We confirm that this valuation has been prepared to establish market value for the purpose of mortgage security purposes, financial reporting purposes, and capital raising purposes. We further note that this valuation has been prepared for prospective investors in that company on a non-reliance basis only.

We have adopted the International Valuation Standards definition of "Market Value" as follows:

"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 INFORMATION SOURCES

Augusta Industrial Fund Limited have provided the following information which has been adopted in the valuation process:

- Tenancy schedules
- Leases
- Operating expense budgets
- Asbestos report
- HVAC & electrical survey report

We have searched Computer Freehold Register details independently from public records and rental and sales evidence from our own records.

1.4 RELIANCE & EXTENSION OF LIABILITY

This valuation has been prepared for the following parties and for the following purposes:

- Augusta Industrial Fund Limited (or its Subsidiaries) for financial reporting purposes only.
- Augusta Industrial Fund Limited (or its Subsidiaries) for capital raising purposes only.
- Ernst & Young for audit purposes only.
- ASB Bank Limited for first mortgage security purposes only.
- ASB Bank Limited For security trustee purposes only.

We have been requested by Augusta to extend reliance to an additional bank once the lending group is confirmed. We have been advised of the possible banks that would require this report for reliance. As such the following parties may rely in this report for lending purposes only:

- ANZ Bank New Zealand Limited
- Westpac New Zealand Limited
- Bank of New Zealand

No responsibility is accepted or assumed to any third parties, nor should there be any reliance upon this report by any third party other than the party(s) explicitly noted above without our express written agreement.

This report is confidential between The Company and the above party(s) to whom The Company agrees in writing may rely upon the valuation report for the purpose stated.

1.5 ASSUMPTIONS

Property Assumptions

1. We have assumed that the instructions and subsequent information supplied contain a full and frank disclosure of all information that is relevant.
2. We have assumed that there are no easements, rights of way or encroachments except those shown on the Computer Freehold Register or in the valuation.
3. A current survey has not been sighted. The valuation is made on the basis that there are no encroachments by or upon the property and this should be confirmed by a current survey or report and/or advice from a Registered Surveyor. If any encroachments are noted by the survey report we reserve the right to review our valuation.
4. Other than the Computer Freehold Register, we are not aware of any notices currently issued against the property and we have made no enquiries in this regard.
5. We have not inspected the plant and equipment or obtained any advice on its condition or suitability.
6. In the course of preparing this report we have relied upon information provided by the owner of the property unless otherwise stated. We have assumed that this information is correct and have adopted this information in our assessment.
7. We have inspected all readily accessible parts of the improvements considered necessary for the purposes of our valuation. We have not sighted a structural survey of the improvements, nor its plant and equipment, by a qualified engineer. The Valuer is not a building construction and/or structural expert, and is therefore unable to certify as to structural soundness of the improvements.

A prospective purchaser or mortgagee would need to make their own enquiries in this regard. We have not inspected unexposed or inaccessible portions of the premises. We therefore cannot comment on the structural integrity, defect, rot or infestation of the improvements.

8. Our valuation has been completed on the assumption the building(s) and associated site development are adequately covered by normal full reinstatement insurance, including earthquake cover, both now and in the future. Should this not be the case or should this situation change in the future we caution the valuation may change.
9. There will be no major economic downturn during the projection period, beyond that envisaged at the date of valuation.
10. The property is managed in a prudent and professional manner.
11. There will be no new taxes or rates introduced which have a direct impact on the property over the projected period.

1.6 COMPLIANCE STATEMENT

This valuation has been performed in accordance with the International Valuation Standards (IVS) and we confirm that;

- The statements of fact presented in this report are correct to the best of the Valuer(s) knowledge;
- The analysis and conclusions are limited only by the reported assumptions and conditions;
- The Valuer(s) have no interest in the subject property;
- The Valuer(s) fee is not contingent upon any aspect of this report;
- The valuation has been performed in accordance with the NZIV Code of Ethics and performance standards;
- The Valuer(s) has satisfied professional education requirements;
- The Valuer(s) has experience in the location and category of the property being valued;
- The Valuer(s) (as noted in the executive summary and final section of this report) has made a personal inspection of the property and
- No one, except those specified in the report has provided professional assistance in preparing the report
- Further, the principal Valuer is a Registered Valuer in accordance with the Valuers Act 1948 and holds an Annual Practising Certificate.
- We confirm that we are not aware of any conflicts of interest or pecuniary interests of the property being valued on the part of The Company.

2.0 SITE PARTICULARS

2.1 LEGAL DESCRIPTION

The property is legally described as all that parcel of land containing 16,917 sqm more or less being Lot 15, Deposited Plan 117850. This is contained in a Computer Freehold Register (formerly known as the Certificate of Title) Identifier NA67D/357, a copy of which is appended to this report at **Appendix 2**.

We note from our perusal of the Computer Freehold Register that the property is subject to the following interests:

- Land Covenant in Transfer B762291.2
- Subject to electricity supply rights (in gross) over part marked A on DP 422673 in favour of Vector Limited created by Easement Instrument 8493399.1

We note that the Land Covenant in Transfer relates to building standards including having the building designed and approved by a registered architect. We do not believe that any of the above-mentioned interest have any effect on value.

Ownership

We note from our perusal of the Computer Freehold Register that the property is in the registered proprietorship of Albany Highway Nominees Limited with a mortgage registered to ASB Bank.

2.2 SITE DESCRIPTION



Topography

The site is slightly irregular in shape with frontage to Albany Highway of approximately 145 metres and to Parkhead Place of approximately 8 metres, which we note is a driveway from Parkhead Place. The site has a total area of 16,917 sqm.

In terms of contour the site gradually slopes from the western side of the property to the eastern.

Access to the Site

Main access to the site is provided from Albany Highway with additional access from Parkhead Place.

Utilities

We understand that the property is connected to all major utility services including electricity, water, telephone and sewerage.

Geotechnical

We have not undertaken a geotechnical survey of the property, and therefore cannot comment as to the subsoil condition of the land. We recommend that before any action is taken involving this site, that you obtain advice regarding soil stability and contamination from persons appropriately qualified to provide such advice.

Environmental and other Special Risks

Council's regulatory records indicate that there could be the potential for 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. Council records indicate the past storage of dangerous goods at this site, and our GIS records indicate this site has possibly been used for historical horticultural activity, and the possible stockpiling of motor vehicles and unidentified materials, as shown below.

The subject property has been used for commercial and industrial uses since its construction. We would not anticipate that this use would result in a major environmental risk.

We are not aware of the full history of the site, however, adjoining properties are in the main fully developed and uses would not appear to represent any environmental threat in our opinion.

Whilst the above comments suggest environmental matters may not be an issue, the recipient of this report is advised that the Registered Valuer is not qualified to detect such substances, which in many cases are not visible, nor quantify the impact on values without an environmental report.

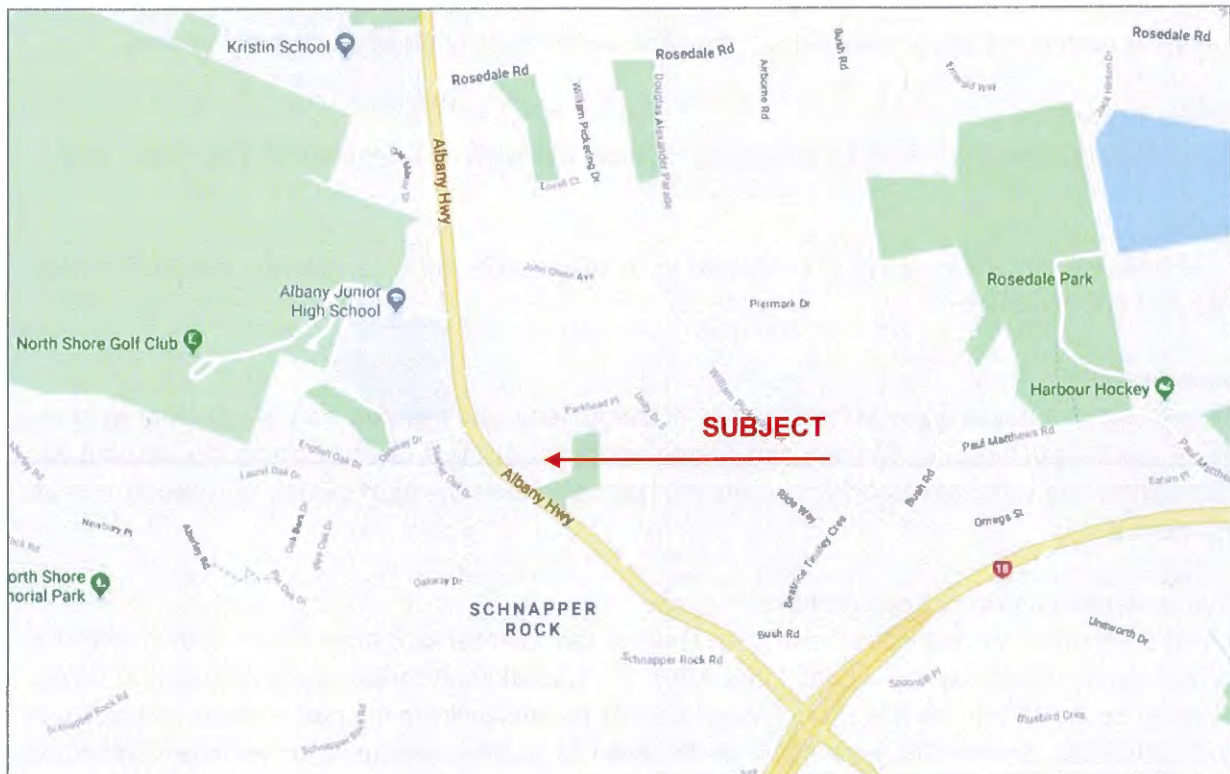
Substances such as asbestos, other chemicals, toxic waste or other potentially hazardous materials could, if present, adversely affect the value of the property. The stated value estimate is on the assumption that there is no material on or in the property that would cause loss in value. No responsibility is assumed for any such conditions and the recipient of this report is advised that the valuer is not qualified to detect such substances, quantify the impact on values or estimate the remedial cost.

Asbestos

We have been provided with an asbestos management plan undertaken by KPMG in July 2017. The purpose of the report was to identify any potential asbestos containing materials by way of non-destructive

site inspection. We note that no asbestos was detected in any of the samples analysed as detailed within the report.

2.3 SITUATION AND LOCALITY



The property is located on the north eastern side of Albany Highway of which it also has frontage to. Albany Highway is a link that leads from Albany in the north down through to Rosedale in the south.

Albany Highway provides the subject with access to State Highway 18 which provides access to State Highway 1 (Northern Motorway) to the north-east from the on-ramp approximately 2.2 kilometres, as well as access to State Highway 16 (South-western Motorway) to the south west of the on-ramp approximately 11 kilometres. The motorway system gives the subject prominent access to other industrial precincts of Auckland.

The subject property is located between Albany main centre and Glenfield. Albany main centre is located approximately 4 kilometres to the north of the subject. Albany provides the surrounding areas with amenities including commercial and retail businesses including Westfield Albany. Albany provides a mixture of land uses and comprises both commercial, industrial and residential land uses.

Surrounding land uses to the subject property include other light industry uses being a mixture of some large industrial standalone buildings, and more predominantly smaller industrial units. To the west of the subject is primarily residential land uses.

In summary, the property is well located with good access to the motorway system as well as to commercial and retail amenities in the Albany main centre.

2.4 RESOURCE MANAGEMENT

Auckland Unitary Plan – Operative in Part

The Auckland Unitary Plan has replaced the existing Regional Policy Statement and 13 existing district and regional plans across the Auckland Council Region. On 15 November 2016, the Proposed Auckland Unitary Plan became 'Operative in part' under:

- Section 160 of Local Government (Auckland Transitional Provisions) Act 2010 (LGATPA) and
- Clause 20 of Schedule 1 of the Resource Management Act 1991 (RMA).

The majority of the Proposed Auckland Unitary Plan is now operative excluding:

- Parts that remain subject to Environment Court and High Court appeals under the LGATPA.
- The regional coastal plan component of the Proposed Auckland Unitary Plan requiring the Minister of Conservation approval of that part of the plan. This approval is required under section 152(3) (b) of the LGATPA and clause 18(3) of Schedule 1 of the RMA.
- The Hauraki Gulf Islands section of the Auckland District Plan which remains operative in full.

Once all appeals are resolved, the council will notify the date on which the plan will become fully operative.

The subject is zoned ***Light Industry Zone***.

Light Industry Zone

The Light Industry 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 centres zones, General Business Zone and Mixed Use Zone. Due to the industrial nature of the zone, activities sensitive to air discharges are generally not provided for.

Permitted Activity

Permitted activities in the Light Industry Zone include the following:

- Workers accommodation (one per site)
- Dairies up to 100m² gross floor area
- Drive-through restaurant
- Food and beverage up to 120m² gross floor area
- Garden centres (except within 100 metres of a Heavy Industry Zone)
- Motor vehicle sales (except within 100 metres of a Heavy Industry Zone)
- Marine retail (except within 100 metres of a Heavy Industry Zone)
- Offices that are accessory to the primary activity on the site with a gross floor area does not exceed 30 percent of all buildings on the site; and does not exceed 100m²
- Retail accessory to an industrial activity on the site, where the goods sold are manufactured on site and the retail gross floor area does not exceed 10 percent of all buildings on the site
- Service stations
- Show homes
- Trade suppliers
- Tertiary education facilities that are accessory to an industrial activity on the site
- Industrial activities
- Wholesaler

- Storage and lock-up facilities
- Animal breeding or boarding
- Horticulture
- Development of New buildings, additions and alterations to buildings and demolition to buildings

Development Standards

Under the Light Industry Zone restrictions the following rules apply:

- Buildings must not exceed 20m in height
- Buildings must not project beyond a 35 degree recession plane measured from a point 6m vertically above ground level along the boundary of residential zones, open space zones, Special Purpose – Māori Purpose Zone or School Zone
- Maximum impervious area within a riparian yard must not exceed 10 per cent of the riparian yard area
- Yards are to be provided at the front with a minimum depth of 2 metres and where a rear or side boundary adjoins; a residential zone, Special Purpose - Maori Purpose Zone, stream, lakeside or coast these vary from 3 metres to 30 metres
- Any outdoor storage or rubbish collection areas that directly face and are visible from a residential zone, rural zone, open space zone, Special Purpose– School Zone or Māori Purpose Zone adjoining a boundary with, or on the opposite side of the road from, an industrial zone, must be screened from those areas by landscaping, a solid wall or fence at least 1.8m high.

Overlays

- Natural Resources: High-Use Aquifer Management Areas Overlay - Kumeu Waitemata Aquifer
 - a) Some aquifers are highly allocated, providing water to users as well as being major sources of spring and stream flow. They are currently adversely affected by over pumping or are likely to become highly allocated over the life of the Plan, particularly in areas of high potential growth.
 - b) These aquifers are identified as High-use Aquifer Management Areas. Aquifers in the High-use Aquifer Management Areas Overlay require careful management of water availability to meet user needs and at the same time maintain base flows for surface streams. For this reason, most proposals to take or use groundwater from aquifers will be assessed through the resource consent process.

Controls

- Macroinvertebrate Community Index – Rural

Designations

- Airspace Restriction Designations - ID 4311, Defence purposes - protection of approach and departure paths (Whenuapai Air Base), Minister of Defence

General Comments

The building is currently used for industrial purposes which appears to comply with the current zoning. In any event, the existing improvements enjoy existing use rights under the provisions of Section 10 of the Resource Management Act 1991.

2.5 STATUTORY INFORMATION

Building Act

Parliament passed the Building Act 2004, which replaces the Building Act 1991 and affects the building consent process. Some new measures came into effect on 30 November 2004, but the main changes came into effect on 31 March 2005, when the 1991 Building Act was repealed.

The main change from November 2004 is that it is now an offence to permit the public use of a building before a Code Compliance Certificate (CCC) for any new building work has been issued. Building owners had until 31 March 2005 to obtain the CCC. After that date, the offence became enforceable. We are not aware whether or not any new work that requires a Code Compliance Certificate has recently been undertaken. If such work has been undertaken and a Code Compliance Certificate has not been issued there may be cost/value implications for the property.

Under the Building Act, property owners are responsible for the safety and sanitation of their buildings. Certain systems and features such as fire alarms, lifts and air-conditioning require ongoing monitoring and maintenance.

Where necessary, owners must provide a Building Warrant of Fitness (BWOFF) annually to verify systems are in working order. This must be accompanied by copies of Licenced Building Practitioner (LBP) Certificates to support that requirements of the Compliance Schedule have been met for the preceding year. A Compliance Schedule is an inventory of a building's systems and features that specifies inspection, testing and maintenance procedures as well as the frequency of work, and who should perform it.

The Warrant of Fitness certificates were current and displayed in each building:

Good Health Products Limited	26 October 2018
STIHL Building	10 December 2018
Childcare Centre	13 November 2018
Café / Restaurant	15 December 2018

Rating Valuation

<i>Assessment Number:</i>	31910/4500
<i>Date of Assessment</i>	1 July 2017
<i>Land Value:</i>	\$6,550,000
<i>Value of Improvements:</i>	\$13,550,000
<i>Capital Value:</i>	\$20,100,000

We point out that rating valuations are carried out under statutory criteria and may not reflect market value at any point in time.

3.0 DESCRIPTION OF IMPROVEMENTS

3.1 DESIGN AND CONSTRUCTION

The subject property comprises a large land holding in Rosedale on Auckland's North Shore comprising some 16,917 sqm of light industry zoned land. The site is currently improved with four separated buildings housing five tenants. The buildings comprise a larger industrial building with associated offices and amenities, commercial / trade retail, café, and childcare centre.



Café / Restaurant



STIHL

Unit 1 – Good Health Production

The main building on the site comprises approximately 80% of the NLA of the subject property and is tenanted by Good Health Products. Construction to the office/laboratory comprises reinforced concrete foundations, ground and upper floors, tilt slab cladding with feature aluminium panels, aluminium joinery, and profile steel roofing. The ground floor provides laboratory space, while the first floor comprises offices. The internal fit-out to both levels includes suspended ceilings, recessed fluorescent and spot lighting, ceiling ducted air conditioning, sprinkler system and fire detection/alarm system.

Internally, the front portion of the offices comprise a mixture of open plan and partitioned offices and are provided on the first floor of the offices, which are accessed from the main entrance. The offices are provided on a carpet floor basis and comprises a void / atrium area in the main entrance. Below the offices on the ground floor are purpose-built laboratory / production room facilities that connect through to the warehouse. The ground level also comprises a large breakroom / canteen area with polished concrete floor and suspended ceiling.

The warehouse comprises approximately 1,800 sqm of column interrupted floor area with stud heights of approximately 7.1 metres rising to 10.0 metres. Overall the warehouse provides good internal volume. Construction to the warehouse comprises reinforced concrete foundations and floors, tilt slab and profile steel cladding and profile steel roofing over sisalation and netting supported on a steel frame and purlins. A central row of pillars runs along the apex. Lighting is provided by hanging industrial lights. Vehicle access is via a single door to the rear and a single door to the front of the building. We are informed that the land directly to the rear of the warehouse has been engineered to be able to support an extension to the warehouse and we have also been provided with a proposal from Augusta to Good Health Products for an extension of the warehouse along with varied terms of the lease.



Good Health – Warehouse Canopy & Yard



Good Health – Warehouse



Good Health – First Floor Offices, Atrium



Good Health – Breakroom

Unit 2 – Albany OPE (STIHL)

Unit 2 comprises a two-level trade retail / office building with workshop to the rear located to the front of the site closest to Albany Highway holding good profile. Basic construction comprises concrete foundations, ground and first floors, tilt slab cladding with feature aluminium panels, exposed aggregate buttresses and extensive glazing, and profile steel roofing. The internal fit-out to the showroom comprises suspended ceilings, recessed fluorescent lighting, ceiling ducted air conditioning and fire detection/alarm system. Separated offices and kitchenette along with male and female conveniences are provided within a walk-way leading to the workshop. The workshop comprises a high-stud area with full height concrete tilt slab walls and is accessed externally via one electric roller door.

Upstairs, the office areas are provided on a similar basis with lino flooring, suspended ceiling with recessed fluorescent lighting and ducted aircon system. Entrance to the upstairs office is provided from the front of Unit 2 with separated entrance lobby with stairs leading up.



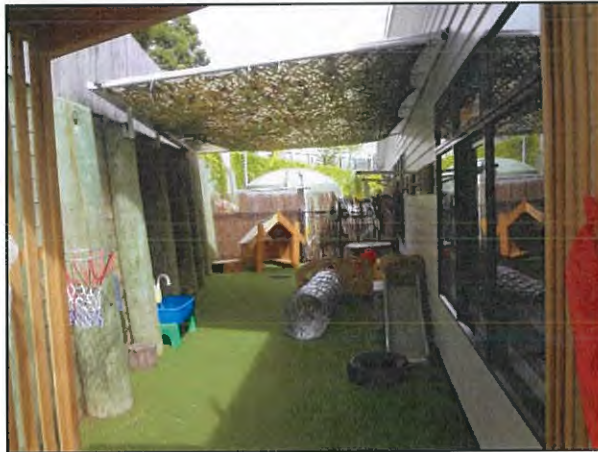
STIHL – Workshop



Panda Internet Café – Level 1

Unit 3 – Junior Junction

The childcare centre is a purpose built centre positioned to the south-eastern end of the property. We believe the centre was constructed in 2010 and is licensed for 80 children. The centre comprises reception area, kitchen facilities, play areas, along with amenities. An outdoor play area is situated to the rear of the building. Construction comprises concrete foundations and floors, tilt slab and fibre cement weatherboard cladding, aluminium joinery, and profile steel roofing. Internal linings are plasterboard.



Junior Junction – Play Area



Junior Junction – Classroom

Unit 4 – Caffé é Cucina

Unit 4 comprises a purpose-built café / restaurant which occupies a road front position. Construction comprises concrete foundations and floors, concrete slab and fibre cement weather board cladding, aluminium joinery, and profile steel roofing. Internal linings are plasterboard. The interior provides two (2) separate dining areas, commercial kitchen with chiller, goods store, office and amenity areas. Two enclosed courtyards covered with aluminium louvers and plastic pull down sides provide further dining areas. The interior is of high quality and we believe that the internal décor was completed by the tenant.



Caffé é Cucina – Exterior



Sealed Carpark and Access Way

3.2 FLOOR AREAS

The floor areas adopted within our valuation are those which have been supplied to us from lease documents. We have assumed that these areas have been measured in accordance with the PINZ/PCNZ recommended guidelines for measurement of areas. We summarise the areas as follows:

Level/Suite	Tenant	Lettable Area NLA
Unit 1 Office	Good Health	1,044.40
Unit 1 Lab	Good Health	1,054.50
Unit 1 Warehouse	Good Health	1,811.10
Unit 1 Mezzanine	Good Health	19.40
Unit 1 Canopy	Good Health	128.80
Unit 1 Yard	Good Health	3,500.00
Unit 1 Carparks	Good Health	39.00
Unit 2 Showroom	Albany OPE	287.90
Unit 2 Warehouse	Albany OPE	201.30
Unit 2 Carparks	Albany OPE	13.00
Unit 2 First Floor Office	Panda Internet Café	284.70
Unit 2 Carparks	Panda Internet Café	7.00
Unit 3 Childcare	Junior Junction	436.80
Unit 3 Carparks	Junior Junction	17.00
Unit 4 Cafe	Caffé é Cucina	257.00
Unit 4 Courtyard	Caffé é Cucina	106.60
Unit 4 Carparks	Caffé é Cucina	27.00
		5,503.70

3.3 OTHER IMPROVEMENTS

The remainder of the site is provided on an asphalt basis for vehicle manoeuvring and painted lines for carparking, along with various landscaping to the exterior.

Towards the rear of the site behind Unit 1 is a large yard area comprising approximately 3,900 sqm.

3.4 CONDITION AND REPAIR

The subject property comprises a mixture of uses including industrial / trade retail, retail and childcare. Overall the improvements were in good condition and are of good quality construction. At the time of inspection, we noticed no signs of deferred maintenance on the site.

We are not aware of any notices currently issued against the property and we have made no enquiries in this regard. Expert opinion has not been sought in respect to the building structure or the plant and equipment, however our limited enquiries have not revealed any major defects. The improvements are considered to be in reasonable condition for their age.

Unless stated elsewhere in this report, we have assumed that the property complies with the appropriate statutory, building and fire safety regulations, and we have also assumed that there is no timber infestation, asbestos or other defect and have made no investigations for them nor have we undertaken a structural survey or tested the building services.

We are of the opinion that the improvements are unlikely to suffer from functional or physical obsolescence.

For the purpose of this valuation we have assumed that no significant capital expenditure is required for the subject property at the present time. Details of the capital expenditure adopted within the valuation are outlined in section 4.4 of this report.

3.5 SEISMIC

We have been provided with an Initial Evaluation Procedure (IEP) Seismic Assessment by Stephen Mitchell Engineers Limited. Three of the four buildings scored **100% NBS** (*New Building Standard*), while the fourth scored **113% NBS**, overall corresponding to a 'Grade A+ building as defined by the New Zealand Society for Earthquake Engineering (NZSEE) building grading scheme'. 'The evaluation of the building showed it is at low risk from earthquakes and is not earthquake prone or a potential earthquake risk structure'.

We understand however that a Detailed Engineering Evaluation (DEE) has not been undertaken on the building, and we would note that grading for seismic risk, in some circumstances, can vary dramatically from IEP to DEE. A DEE is a more detailed document and therefore has a higher weighting in terms of the real seismic risk in comparison with an IEP. For the purposes of this valuation we have assumed that there are no significant costs required and no issues identified that would adversely impact value

We note that despite the regulatory framework setting 34%NBS as the minimum threshold for a building to be not earthquake prone, both the occupational and investment markets are currently adopting a level

of 67%NBS in terms of their decision making and discounting. As such our valuation has been undertaken on the basis that the subject building is currently at or above this level on a DEE basis.

4.0 OCCUPANCY ARRANGEMENTS

4.1 TENANCY SCHEDULE

We provide below a summary tenancy schedule providing the information adopted in our valuation:

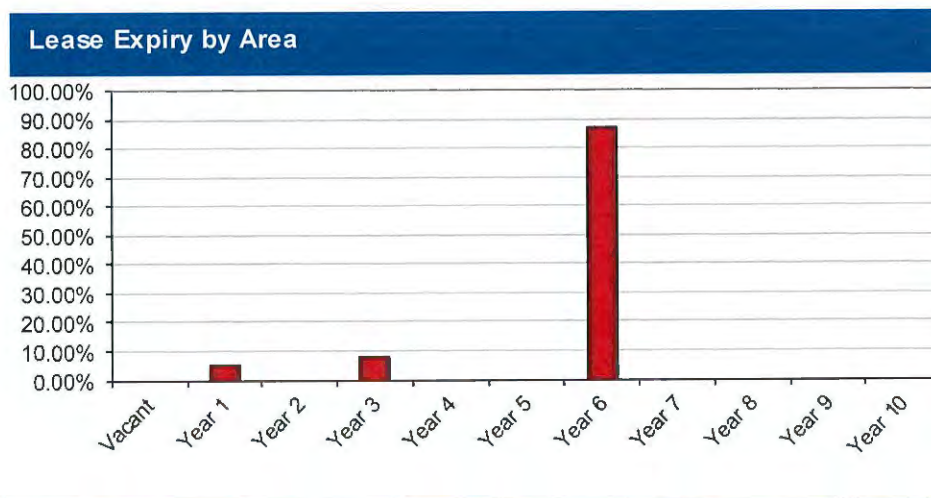
Level/Suite	Tenant	Lettable Area NLA	Lease Commence	Lease Term	Lease Expiry	% NLA	Lease Option	Base Rent	Passing Rent \$/m ²
Unit 1 Office	Good Health	1,044.40	1-Apr-06	18.00	31-Mar-24	18.98%	1 x 8	237,601	227.50
Unit 1 Lab	Good Health	1,054.50	1-Apr-06	18.00	31-Mar-24	19.16%	1 x 8	229,354	217.50
Unit 1 Warehouse	Good Health	1,811.10	1-Apr-06	18.00	31-Mar-24	32.91%	1 x 8	226,388	125.00
Unit 1 Mezzanine	Good Health	19.40	1-Apr-06	18.00	31-Mar-24	0.35%	1 x 8	1,455	75.00
Unit 1 Canopy	Good Health	128.80	1-Apr-06	18.00	31-Mar-24	0.00%	1 x 8	7,728	60.00
Unit 1 Yard	Good Health	3,500.00	1-Apr-06	18.00	31-Mar-24	0.00%	1 x 8	98,705	28.20
Unit 1 Carparks	Good Health	39.00	1-Apr-06	18.00	31-Mar-24	0.00%	1 x 8	30,420	780.00
Unit 2 Showroom	Albany OPE	287.90	1-Oct-09	15.00	30-Sep-24	5.23%	1 x 5	71,975	250.00
Unit 2 Warehouse	Albany OPE	201.30	1-Oct-09	15.00	30-Sep-24	3.66%	1 x 5	25,285	125.61
Unit 2 Carparks	Albany OPE	13.00	1-Oct-09	15.00	30-Sep-24	0.00%	1 x 5	10,140	780.00
Unit 2 First Floor Office	Panda Internet Café	284.70	1-May-16	3.00	30-Apr-19	5.17%	2 x 2	47,270	166.03
Unit 2 Carparks	Panda Internet Café	7.00	1-May-16	3.00	30-Apr-19	0.00%	2 x 2	2,730	390.00
Unit 3 Childcare	Junior Junction	436.80	1-Nov-09	12.00	31-Oct-21	7.94%	4 x 6	145,736	333.64
Unit 3 Carparks	Junior Junction	17.00	1-Nov-09	12.00	31-Oct-21	0.00%	4 x 6	13,260	780.00
Unit 4 Cafe	Caffé é Cucina	257.00	1-Sep-18	6.00	31-Aug-24	4.67%	3 x 4	78,385	305.00
Unit 4 Courtyard	Caffé é Cucina	106.60	1-Sep-18	6.00	31-Aug-24	1.94%	3 x 4	32,513	305.00
Unit 4 Carparks	Caffé é Cucina	27.00	1-Sep-18	6.00	31-Aug-24	0.00%	3 x 4	22,913	848.64
		5,503.70				100.00%		1,281,858	

Outstanding Renewal – Caffé é Cucina Limited

We note that Caffé é Cucina's current lease has expired as at 30 September 2018. We have been provided with a draft Heads of Agreement for the renewal / variation terms of the lease from Augusta and as such these have been the terms that we have adopted within our valuation calculations.

Vacancies

We provide below the current vacancies within the building:



4.2 LEASE DETAILS

Good Health Products Limited

We have been provided with a signed copy of the Deed of Lease, Deed of Renewal and Rent Review which is summarised below:

<i>Premises:</i>	265 Albany Highway, Albany (8 Parkhead Place)
<i>Lease Term & Commencement:</i>	Renewed term of eight (8) years from 1 April 2016
<i>Rights of Renewals:</i>	One (1) further right of renewal of eight (8) years remaining
<i>Final Expiry:</i>	31 March 2024 31 March 2032 if all rights of renewal exercised
<i>Current Annual Rental:</i>	\$831,651 per annum, plus GST
<i>Rent Reviews:</i>	Two yearly to market provided that the rent shall not increase more than 3% per annum
<i>Proportion of Outgoings:</i>	77.04%
<i>Business Use:</i>	Marketing, distribution & manufacturing
<i>Outgoings:</i>	All outgoings commensurate with an ADLS Fifth Edition net lease

Albany OPE Limited (STIHL)

We have been provided with a signed copy of the Deed of Lease, Deed of Renewal and Rent Review which is summarised below:

<i>Premises:</i>	265 Albany Highway, Albany (8 Parkhead Place)
<i>Lease Term & Commencement:</i>	Ten (10) years from 1 October 2009, and a further five (5) years from 1 October 2019 from the renewed term
<i>Rights of Renewals:</i>	One (1) further right of renewal of five (5) years remaining
<i>Final Expiry:</i>	30 September 2024 30 September 2029 if all rights of renewal exercised
<i>Current Annual Rental:</i>	\$107,400 per annum, plus GST
<i>Rent Reviews:</i>	Two yearly to market
<i>Proportion of Outgoings:</i>	A fair proportion
<i>Business Use:</i>	Display, sell, service motorised garden maintenance equipment and other products normally stocked by 'Stihl'
<i>Outgoings:</i>	All outgoings commensurate with an ADLS Fifth Edition net lease

Panda Internet Café

We have been provided with a signed copy of the Deed of Lease, which is summarised below:

<i>Premises:</i>	265 Albany Highway, Albany (8 Parkhead Place)
<i>Lease Term & Commencement:</i>	Three (3) years from 1 May 2016
<i>Rights of Renewals:</i>	Two (2) further rights of renewal of two (2) years each
<i>Final Expiry:</i>	30 April 2019 30 April 2023 if all rights of renewal exercised
<i>Current Annual Rental:</i>	\$50,000 per annum, plus GST
<i>Rent Reviews:</i>	To market on renewal
<i>Proportion of Outgoings:</i>	Commensurate with an ADLS Sixth Edition net lease
<i>Business Use:</i>	Internet gaming lounge
<i>Outgoings:</i>	All outgoings commensurate with an ADLS Sixth Edition net lease

Junior Junction

We have been provided with a signed copy of the Deed of Lease, which is summarised below:

<i>Premises:</i>	265 Albany Highway, Albany (8 Parkhead Place)
<i>Lease Term & Commencement:</i>	Twelve (12) years from 1 November 2009
<i>Rights of Renewals:</i>	Four (4) further rights of renewal of six (6) years each
<i>Final Expiry:</i>	31 October 2021 31 October 2045 if all rights of renewal exercised
<i>Current Annual Rental:</i>	\$158,996 per annum, plus GST
<i>Rent Reviews:</i>	Two yearly to CPI
<i>Proportion of Outgoings:</i>	Commensurate with an ADLS Fifth Edition net lease
<i>Business Use:</i>	Childcare centre
<i>Outgoings:</i>	All outgoings commensurate with an ADLS Fifth Edition net lease

Caffé é Culcina

We have been provided with a copy of the signed Deed of Lease, Deed of Variation of Lease and the proposed Heads of Agreement for the current lease renewal as at 1 September 2018, which is summarised below:

<i>Premises:</i>	265 Albany Highway, Albany (8 Parkhead Place)
<i>Lease Term & Commencement:</i>	Four (4) years from 1 October 2010, varied to eight (8) years as per the Deed of Variation of Lease Lease renewal proposed to be six (6) years from date of renewal being 1 September 2018
<i>Rights of Renewals:</i>	Three (3) further rights of renewal of four (4) years each
<i>Final Expiry:</i>	31 August 2024 31 August 2036 if all rights of renewal exercised
<i>Current Annual Rental:</i>	\$133,811 per annum, plus GST
<i>Rent Reviews:</i>	Two yearly to CPI
<i>Proportion of Outgoings:</i>	Commensurate with an ADLS Fifth Edition net lease
<i>Business Use:</i>	Café and restaurant
<i>Outgoings:</i>	All outgoings commensurate with an ADLS Fifth Edition net lease
<i>Incentive:</i>	Proposed renewal lease terms include incentive of six (6) month's rent free apportioned over the first twelve (12) months of the new term.

4.3 OPERATING EXPENSES

We have been provided with a schedule of budgeted operating expenses which we understand was prepared by Bayleys Property Services. We have assessed the budgeted outgoings expenses and based on our involvement with the valuation of industrial property, we can confirm that these operating expenses are not out of context with the market level.

The total operating expenses for the property are estimated to be approximately \$310,733 per annum which equates to approximately \$55 per sqm.

4.4 CAPITAL EXPENDITURE

Upon inspection the building was well presented, commensurate with its age. We have made provision for a general level of capital expenditure throughout the modelled cashflow equivalent to \$15 per sqm (\$8,187 per annum). In addition to this we have allowed \$50 per sqm for refurbishment works on each lease expiry.

We have been provided with preliminary details regarding budgeted specific capital expenditure relating to the replacement of an air-cooled chiller within the Good Health building. We have also had regard to the replacement of the BMS Control System also within the Good Health building. The report provided to us stipulated a recommended replacement time of two to five years. As such we have adopted the capital expenditure to commence within two years of the date of valuation for the BMS Control System and immediately for the air-cooled chillers as recommended by the report provided. As such we have allowed for these specific capital expenditure items within our valuation.

Further to the above, the engineer's report stipulated the replacement of multiple air-conditioning units and fans throughout the property. As such we have adopted appropriate capital expenditure in relation to the replacement of these throughout the 10-year cashflow period. These are reflected in our discounted cashflow.

We have also had regard to the repair/ replacement of the louvre system within the Café é Cucina tenancy. We note that our valuation has been prepared on the basis that the louvre system has been completed accordingly and to a workmanlike manner. Should this not be the case we reserve the right to amend our valuation.

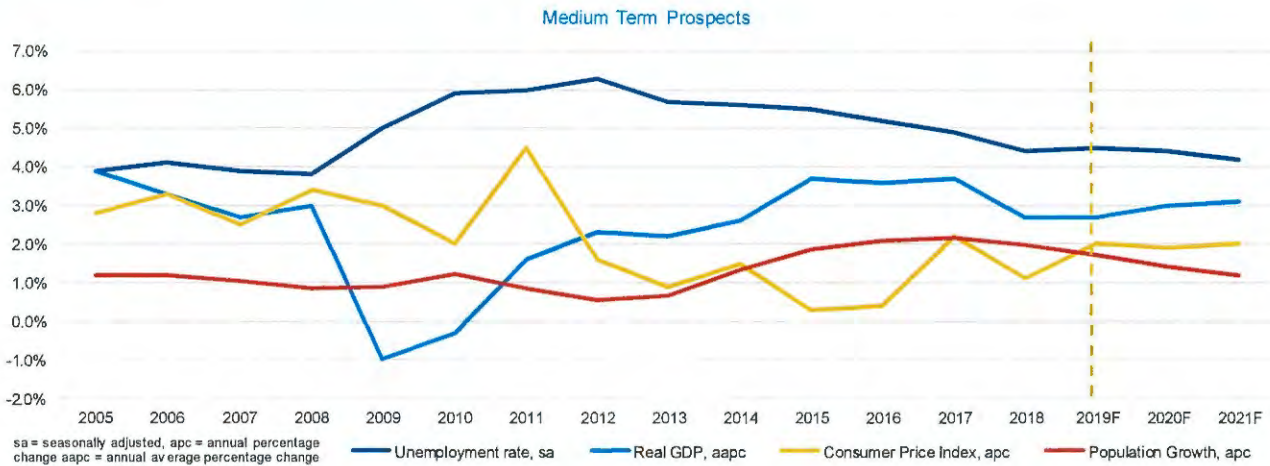
Capital Expenditure	Current Amount	Commencement Date	Duration Months	Escalated Amount
Chiller replacement - Labs	\$220,000	Nov-2018	1	\$220,000
BMS Control System Replacement	\$100,000	Nov-2020	1	\$100,000
Replacement of AC Fans	\$50,000	Jun-2019	1	\$50,000
Total Budgeted Capex	\$670,000			\$670,000
Total General Allowance	\$82,555	Nov-2018	121	\$90,531
Total Tenant Refurb upon Lease Expiry	\$284,100		121	\$312,384
Total Capital Expenditure	\$1,036,656			\$1,072,914
% of Adopted Value	5.16%			5.34%

5.0 MARKET COMMENTARY

5.1 ECONOMIC COMMENTARY

In determining the current market value of the subject property, we have had regard to underlying economic conditions and the flow-on implications that these may have on investment and divestment decisions made across the broader property markets.

This commentary is effective as at October 2018 and is based on the most recently sourced data from Government and independent sources. The following graph provides an overview of key market indicators in recent times plus forecasts.



Interest Rates

The Official Cash Rate (OCR) has remained unchanged by the RBNZ at 1.75% since November 2016. Despite interest rates rising globally, the RBNZ have indicated there is little urgency to raise the OCR while the RBNZ assess how new policies affect New Zealand's economic growth. NZIER have pushed back their prediction indicating a rise in mid-2020.

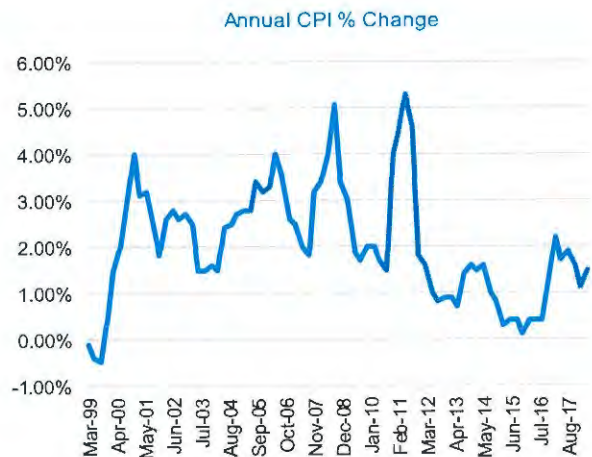
RBNZ's Monetary Policy Statement highlighted that interest rates could go down as much as 100 basis points if GDP remains below 3% over 2019 as business confidence and profitability weakens. This move could leave little room to manoeuvre through the next downturn. The graph shows the downward trend in rates since 2014.



Inflation / CPI

Annual CPI from the June 2018 quarter increased 1.5 percent, or 0.4 percent from the March 2018 quarter. Sectors pushing up inflation include construction, up 3.9 percent, with housing utilities and rentals also increasing 3.1 and 2.5 percent respectively.

NZIER expect annual headline inflation to lift over 2 percent in H2 2019, reflecting the effects of higher global oil prices, lower exchange rates and petrol excise taxes. The current signs of inflation lifting are on the back of higher petrol prices at the pump, continued strong construction cost inflation as well as rental housing inflation picking up as population growth outweighs housing supply.



GDP

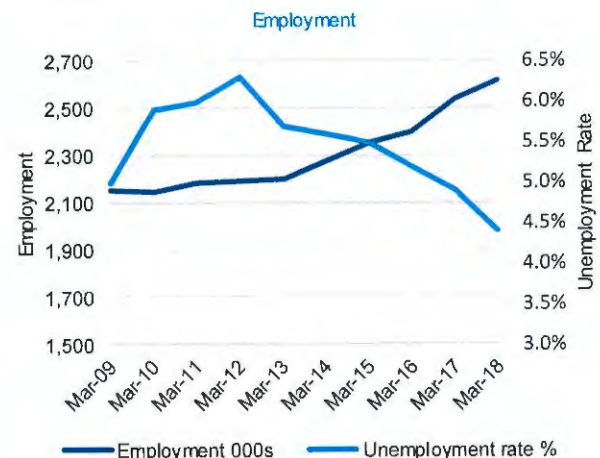
Gross Domestic Product (GDP), a measure of economic productivity, grew 1.0% in the June 2018 quarter, exceeding forecasts and higher than the previous March quarter. Annual GDP growth was 2.7% for the year ended June 2018 and is forecasted by NZIER to average around 3.0% over the next five years on the back of expected slower population growth as more Kiwis move overseas and expected tightening to migration policies looms. NZIER's business confidence survey about demand within their own operations, a measure of business confidence unaffected by the Government in office, had remained strong up until June with businesses now reporting a softening in demand, which could potentially lead to moderating growth ahead. Business profitability has also deteriorated as cost pressures intensify and businesses struggle to pass these costs on to the consumer, particularly so in the retail sector following changes to the minimum wage. Heightened uncertainty and weakening profitability are making businesses cautious with expansion, particularly when investing in new buildings and plant & machinery.



Employment

The labour market has begun to tighten with slowing migration and more Kiwis looking towards overseas job markets. Proposed changes to employment laws and immigration including increases in the minimum wage and elimination of the 90-day trial period are unlikely to deter employment. Despite a strong demand for labour, the unemployment rate lifted to 4.5 percent with businesses reporting acute labour shortages – particularly so in the construction sector. Employment will continue to be an obstacle for the construction sector as only 24 percent of work visas issued have been for technicians or trade workers.

The unemployment and underutilisation rates have both risen slightly in the June 2018 quarter, with unemployment rising to 4.5 percent and underutilisation up to 12 percent. Prior to this the labour force saw five consecutive quarters of a fall in the unemployment rate.

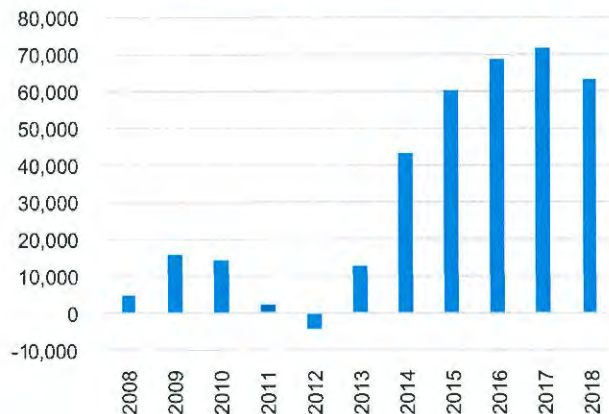


Population/Migration

Strong population growth is a key factor which has flowed through to many sectors of the economy including construction and retail spending. Despite remaining relatively strong by historical standards, there has been a decrease in the number of permanent & long-term migrants with annual net inflows edging below 65,000 – the lowest since 2015.

The drop in net migration is potentially the effect of the composition change in visa types. There is a continued surge in the number of people coming in on work visas, however this has been countered by a significant drop in the number of student visas as a result of the crackdown on fraudulent student visas. Net migration has also been affected by a negative net migration of NZ Citizens with permanent and long-term departures up 10 percent in the August 2017/18 year.

Net Migration, Year Ended August



Tourism

Strong tourism will continue to be a major supporter in economic activity around a range of sectors including retail spending and commercial construction. Visitor arrivals in August 2018 were up 133,100 (4 percent) on August 2017 to 3.80 million.

NZIER expects tourism to remain strong over the coming years due to a buoyant Chinese economy and a more competitive New Zealand Dollar. Tourism spending will be an important contributor to New Zealand's regional economic development and NZIER's global demand forecast expects this positive momentum experienced in the tourism sector to continue.

Tourism - Arrivals & Departures



Construction

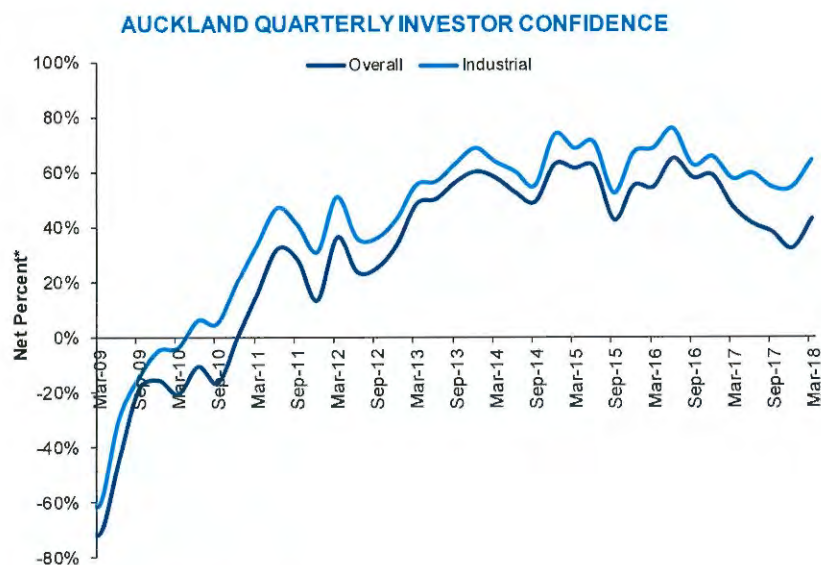
Effects of high tourism and net migration continue to trickle throughout the economy impacting the construction sector. The construction pipeline remains strong, however NZIER's business confidence survey indicates there is a softening in new demand for buildings, suggesting that the change in priorities of the new government and capacity constraints in the sector are leading to increased uncertainty as to which projects will be going ahead. July 2018 saw an increase of 10 percent compared to July 2017 on the value of non-residential building activity, while the year ended July 2018 has seen an 8 percent rise in actual number of dwellings from the July 2017 year. Cost pressures remain intense in the sector impacting negatively on profitability, pushing some firms off projects and others in to receivership, affecting multiple sites across the country. Concerningly, building sector firms are no longer expecting a recovery in profitability, with a net 14 percent expecting profitability to worsen in the next quarter. Uncertainty remains in the economy as the effects are yet to be fully realised.

Construction



5.2 INDUSTRIAL MARKET

New Zealand's industrial property market has continued to perform strongly in most localities since 2015 and through to the third quarter of 2018, with still relatively positive economic sentiment fuelling demand by occupiers and investors.



Source: Colliers International Research
*Optimists minus pessimists

Results from Colliers International's September 2018 quarterly Confidence Survey showed industrial investor confidence has decreased to 58.0% net positive. This is a fall of 6.3% from the March 2018 quarter, however this is slightly up by 3.4% for the Auckland Region for the same time period a year earlier. Industrial investors remain the most optimistic of the three main sectors.

AUCKLAND INDUSTRIAL KEY MARKET INDICATORS

		12 month change	12 months forecast
Industrial Stock (sqm)	11,332,763	↑	↑
Net Absorption* (sqm)	116,063	↑	↔
Overall Vacancy	2.2%	↑	↔
Yields**	5.50%	↓	↔
Rents***	\$150	↑	↑

*12 month net absorption

**Auckland Region Prime Average (as at June-18)

***Auckland Region Prime Average Net Combined (as at Jun-18)

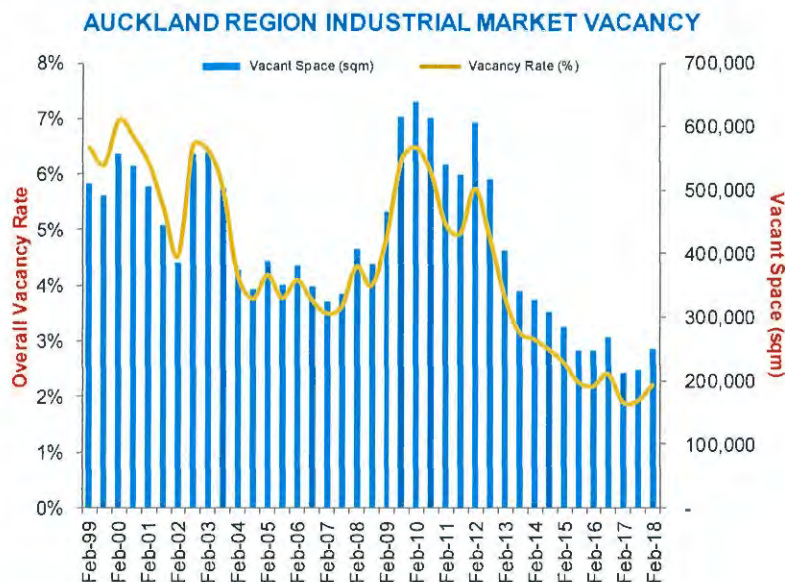
Note: Physical indicators based on Feb-18

Source: Colliers International Research

Vacancy

- Colliers International research undertook the latest vacancy survey in February 2018. The overall Auckland industrial vacancy rate increased slightly to 2.2% from 1.9% recorded a year ago in February 2017, being a 0.3% increase over 12 months.

- The vacancy rate has declined steadily since the start of 2010 with the vacancy rates recorded in the past year having been the lowest recorded since the survey began in the mid-1990s.
- The lowest vacancy rate by suburb recorded was in Mt Wellington at 0% for prime industrial properties, with all other precincts sitting below 2% with the exception of Rosebank/Avondale at 7.1%.
- Overall, the largest decrease in vacancy was in Penrose/Onehunga mainly due to the spec build at The Gate Industry Park being leased up when compared to six months prior.
- The vacancy for secondary industrial properties across all precincts range from between 1.0% and 3.3%, with the highest vacancy being in the Airport Corridor when compared to six months prior.



Source: Colliers International Research

Land Supply & Development Update

- Land transactions have increased over the last 12 months; on average industrial land values sit at \$546 per sqm for the Auckland Region as at in June 2018, a 11.7% increase relative to a year ago.
- Land continues to be in limited supply, particularly in the central industrial areas and what is available is tightly held.
- While industrial land is also tightly held in South Auckland, Manukau continues to have the bulk of vacant industrial land available for development, notwithstanding this, much of the development land is tightly held and only a very small proportion is available to the wider market to develop.
- The Unitary Plan has allowed for several new areas of Light and Heavy Industry zoned land largely in Drury and Puhinui, however this land is greenfield and will require significant development work before coming to the market.
- The Bunnings distribution centre is has recently been completed at Auckland Airport being a 20,000 sqm facility.
- The Ministry of Primary Industries 17,000 sqm facility at Auckland Airport has recently been completed comprising over 4,000 sqm of office space, significant storage and warehousing and kennels for up to 80 dogs.
- Foodstuffs North Island is set to develop a new 65,000 sqm distribution centre with a five green star office complex in the Landing Business Park at Auckland Airport. Construction is to begin in 2018 with completion scheduled for late 2020.

Rental Rates & Tenant Demand

- With vacancy rates dropping to historically low levels in most areas and incentives reducing, net effective rents for prime industrial property in particular are showing signs of growth after remaining flat for several years. This has flowed through to increased demand in the secondary grade properties with increases in rentals and values, with vacancy for secondary property set also at historic lows.
- Increased construction costs have also put upward pressure on rental rates as developers try to achieve an adequate return.

	Vacancy Rate*	Net Prime Office Rental Range**		Net Prime Warehouse Rental Range**		
Prime						
Airport Corridor	2.4%	\$230	\$280	\$115	\$130	
East Tamaki	0.9%	\$250	\$290	\$120	\$135	
Manukau/Wiri	1.8%	\$240	\$290	\$120	\$135	
Mt Wellington	0.0%	\$250	\$290	\$120	\$135	
Penrose / Onehunga	0.3%	\$250	\$290	\$120	\$135	
Rosebank / Avondale	7.1%	\$230	\$290	\$120	\$135	
New Lynn	N/A	\$230	\$280	\$115	\$125	
Henderson	1.5%	\$230	\$270	\$115	\$125	
Mairangi Bay^	1.4%	\$220	\$265	\$115	\$130	
North Harbour^	0.1%	\$200	\$250	\$115	\$130	
Wairau Valley^	N/A	\$200	\$245	\$115	\$130	
Secondary						
Airport Corridor	3.3%	\$150	\$190	\$85	\$105	
East Tamaki	1.3%	\$170	\$210	\$95	\$115	
Manukau/Wiri	2.9%	\$170	\$210	\$95	\$115	
Mt Wellington	3.2%	\$170	\$210	\$95	\$115	
Penrose / Onehunga	2.9%	\$170	\$210	\$95	\$115	
Rosebank / Avondale	1.0%	\$170	\$210	\$90	\$115	
New Lynn	3.2%	\$160	\$200	\$90	\$105	
Henderson	2.8%	\$160	\$200	\$90	\$105	
Mairangi Bay^	1.9%	\$200	\$220	\$115	\$120	
North Harbour^	2.5%	\$200	\$220	\$110	\$120	
Wairau Valley^	1.9%	\$180	\$200	\$110	\$120	

Source: Colliers International Research

Assuming fully leased at market rates, warehouse / office ratio of 80/20, 2,000 sqm building with 50% site coverage
Rates may fall outside the parameters for very large or small premises

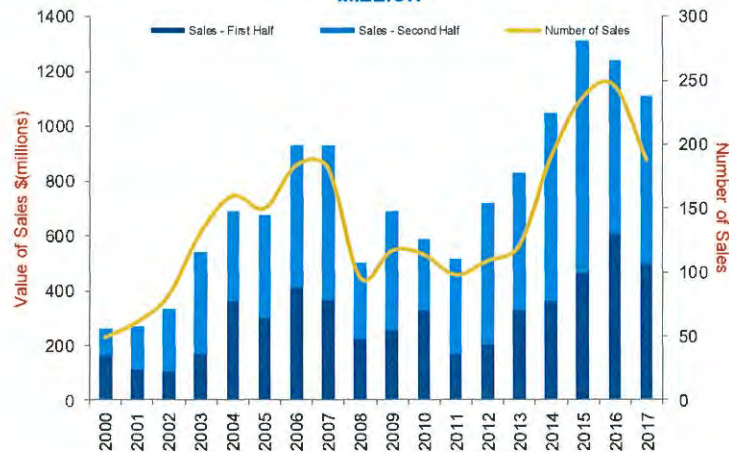
*Feb 2018

**June 2018 Quarter

Sales Activity & Yields

- The number of Industrial property sales above \$2 million have decreased in total value and sales volume from the record highs set in 2015, our 2017 figures are as of December 2017.
- The sales transactions that have occurred in the Auckland industrial market have shown high net worth individuals in particular to be active in the investor market, with significant demand for quality investments across a wide price range.

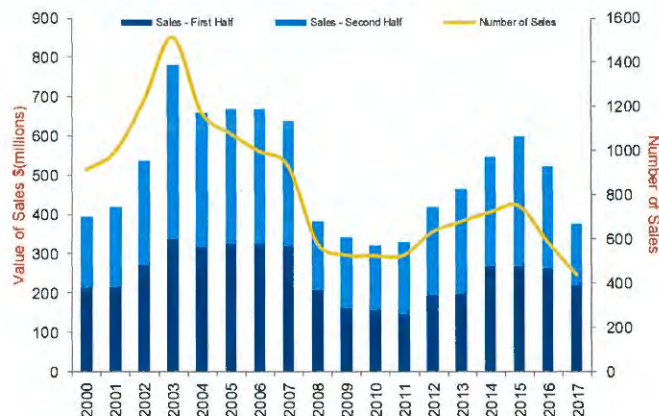
AUCKLAND REGION INDUSTRIAL PROPERTY SALES - GREATER THAN \$2 MILLION



Source: CoreLogic & Colliers International Research
Sales of properties over \$2 million in sale price only.
*2017 transactions inclusive up to end of December

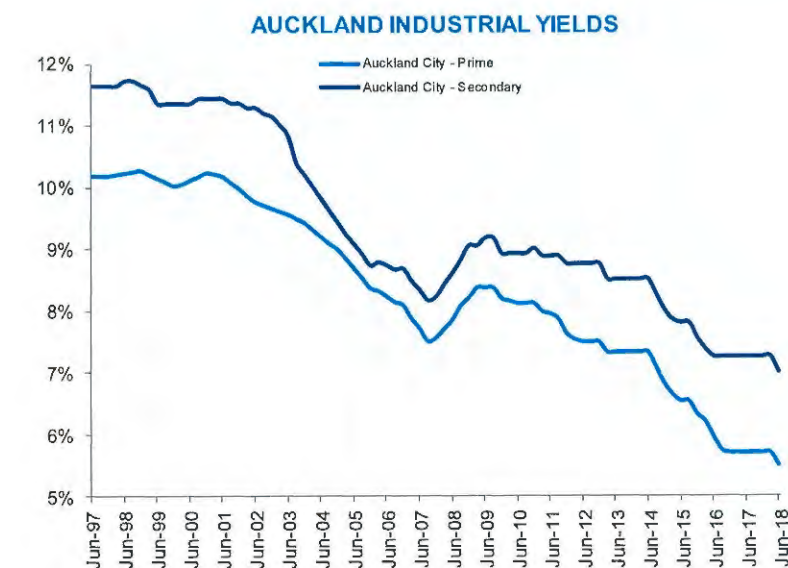
- A lack of quality stock available for purchase still remains the most challenging aspect of the investment market. Analysing industrial property sales \$2 million or less, shows that 2017 transaction volumes and value figures have decreased drastically since the rise in 2012 and record high total values set in 2015.

AUCKLAND REGION INDUSTRIAL PROPERTY SALES - EQUAL TO AND LESS THAN \$2 MILLION



Source: CoreLogic & Colliers International Research
Sales of properties equal to and less than \$2 million in sale price only.
*2017 transactions inclusive up to end of December

- Prime industrial yields in the Auckland Region have levelled out in recent months after continued tightening over the 18 months prior. This reflects the demand for quality assets in the market, however future capital growth is anticipated to be from a higher proportion of rental growth rather than yield compression.
- The shortage of supply of prime industrial property in the face of increasing demand has also resulted in a firming of yields for good quality second tier assets, where the low vacancy levels have reduced vacancy risks.
- There is continued interest in the owner occupier section of the market, stimulated by the low interest rate environment and as insulation from future rental increases.



Source: Colliers International Research

5.3 IMPLICATIONS FOR 265 ALBANY HIGHWAY, ROSEDALE

The subject property is well located within the established Albany light industrial area with frontage to a main arterial and secondary access from a no-exit road. The site provides mixed use development with buildings housing industrial, trade retail, retail, and childcare tenants.

The majority of the income and leased area (approximately 80%) is derived from a specialised industrial building occupied by Good Health Products Limited. Due to Good Health Products having such a high ratio we would perceive this as to be an area of risk looking forward if Good Health were to not renew their lease on the premises. The childcare centre is also a specialised building custom to the current occupiers business, with the remainder of the site being retail type use.

Auckland's property investment market has recently experienced significant growth. There has been increased competition of buyers for large assets with high net-worth individuals, syndications and overseas investors competing in the market place with the property trusts and listed funds. Properties that usually experience high interest in the market place are those of which have high quality improvements, good location, long remaining lease term and good tenant covenant. It is in our opinion that the subject property holds these attributes being of good quality construction, good remaining lease term with strong tenant covenants in place and as such believe it would receive high attention in the investment market place.

6.0 VALUATION CONSIDERATIONS

6.1 VALUATION METHODOLOGY

In undertaking the subject valuation we have applied the following accepted methods of valuation which are considered to be appropriate in concluding a market value for the subject property. Below is a brief outline of each approach and how it is adopted:

Contract Income Approach

This method of valuation applies direct capitalisation of passing income. This is considered to be a well proven method of determining value for an investment property where income is receivable for a reasonable term from secure tenants.

However, this method can prove less effective where the current contract rent varies from the assessed market rent due to over or under renting, vacant space and a number of other factors.

Market Income Approach

This approach requires the assessment of a current market rental for the property and capitalisation at an appropriate yield. It is then possible to make capital adjustments to allow for the difference between contract rent (either over or under) discounted until a notional equilibrium point in the lease term. Vacancies and other capital adjustments are made where appropriate.

Discounted Cashflow

In addition we have carried out a discounted cashflow valuation over a ten year horizon in accordance with established practice.

This method involves projecting the cashflow of the property over the 10 year period and making explicit forecasts for many variables within the property including:

- Discount Rate
- Growth Rates
- Sustainable Rental Levels
- Vacancy Allowances
- Capital Expenditure and Outgoings
- End of Period Valuation / Terminal yield

6.2 LEASING EVIDENCE

Due to the diverse nature of the subject property's assets including industrial, trade retail, retail and childcare, we have had regard to evidence from each of these sectors and outline these below.

Industrial Leasing Evidence

Due to the size and the specialised development / construction of the subject property's industrial aspect, there is a dearth of comparable evidence in the Albany region of large, industrial buildings. As such we have had regard to evidence from the wider Auckland industrial market.

Address	Tenant	Effective Date	Rental Type	Type	Area (sqm)	Rate (per sqm)
15 Neales Road East Tamaki	Netlogix Ltd	Jun-18	NL	Canopy	1,343	\$51
				Office	78	\$178
				Warehouse	6,876	\$110
27 Pukekiwiriki Place Highbrook	Beijer Ref Holdings Limited	Jun-18	NL	Offices	451	\$209
				Carparks	77	-
				Warehouse	7,052	\$109
				Yard	1,341	\$14
				Canopy	1,026	\$55
101 McLaughlins Road Wiri	Plumbing World Ltd	Apr-18	NL	Offices	350	\$231
				Canopy	1,297	\$58
				Warehouse	5,500	\$120
105 Wiri Station Road Manukau	HEB Construction Ltd	Mar-18	NL	Yard	1,300	\$32
				Workshop	308	\$120
				Office	2,040	\$245
				Warehouse	4,335	\$109
15-21 Bell Avenue Mount Wellington	GUD NZ Holdings Ltd	Feb-18	NL	Warehouse	6,000	\$126
				Office	600	\$238
				Breezeway	1,330	\$81
				Car Parks	65	\$10
211 Albany Highway Albany	Amcor Packaging (New Zealand) Limited	Feb-18	ROR	Workshop	495	\$90
				Warehouse	1,291	\$65
				Mezzanine		
				Storage	88	\$55
				Canopy	1,062	\$50
				Plant	513	\$60
				Production 3	1,303	\$92
				Production 2	1,311	\$92
				High Stud Warehouse	6,265	\$110
				GF Staff Amenities	558	\$170
Production 1	1,932	\$90				

Address	Tenant	Effective Date	Rental Type	Type	Area (sqm)	Rate (per sqm)
100A Westney Road Airport Oaks	Pharmacy Retailing Ltd	Dec-17	NL	Warehouse	7,500	\$118
				Office	500	\$220
				Canopy	1,808	\$60
				Yard	3,188	\$25
81B Westney Road Airport Oaks	Synlait Milk Ltd	Dec-17	NL	Warehouse	5,554	\$135
				Office	788	\$240
				Concrete Yard	2,150	\$30
				Canopy	1,210	\$60

15 Neales Road, East Tamaki

A good quality functional high stud distribution warehouse of circa 6,954 sqm with drive around access, good yard areas for circulation and storage. The distribution warehouse also incorporates, a sizable canopy and small area of offices. The warehouse has a stud height of 9 to 12 metres and two rows of internal columns. The cool store within the building is not required by the tenant. Excess grassed land area is not included in lease. Leased for an eight-year term with annual 3% increases. Net effective rates displayed. This is a slightly superior quality building due to the improvements including tilt slab walls to the warehouse. Overall similar to the subject property, however in a different locality.

27 Pukekiwiriki Place, Highbrook

Beijer Ref Holdings Limited has signed a new eight-year lease at 27 Pukekiwiriki Place. The premises comprise a 9,870 sqm industrial unit made up of warehousing, office, yard, canopy space and 77 carparks. The site has been leased on an eight-year term at \$1,031,676 with a 2 x 5 right of renewal. Rent reviews are annual 2.5% uplifts excluding the market rent review dates stated on the lease. Substantially larger warehouse as well of being slightly superior quality. Adjustment required for size and location.

101 McLaughlins Road, Wiri

The premises are to comprise a new distribution warehouse with associated offices. The warehouse will have a stud height of 10 metres rising to 11.8 metres, a large canopy will be provided along the northern elevation. Access will be from both McLaughlins Road and Stonehill Drive. The premises will be leased for a 10 year term with annual 2% rental increases and a market review at year 5. Net effective rates displayed. This is a slightly superior property given the age and quality of the improvements, however located in a different locality.

105 Wiri Station Road, Manukau

The premises comprise the ex-Honda site on Wiri Station Road. The buildings are to be fully refurbished for the incoming tenant. The warehousing comprises an older style 3 bay warehouse. The property enjoys a high profile position on Wiri Station Road. Leased for a 15 year term with fixed annual 2.5% rent increases and market rent reviews on every fifth anniversary. Despite the recent refurbishments, this is a slightly inferior property due to the age and quality of the improvements. Located in a different locality.

15-21 Bell Avenue, Mount Wellington

The property will comprise a new distribution facility with high stud warehouse, 11 metre stud height to the knee and clear span a breezeway will be located along the eastern elevation. Offices will be provided over two levels with suspended ceilings, LED lighting and ducted air conditioning. The property will be fully fire sprinklered. Leased for a 12 year term with annual CPI rent increases and a market rent review at year six with a hard ratchet. Net effective rates displayed. This is a new build warehouse providing higher stud heights than the subject and in a superior location.

211 Albany Highway, Albany

A large industrial building constructed circa 1986 with an extension in 2004. Accommodation comprises two levels of offices and amenities to the frontage, along with warehouse space with varying stud heights to the rear. The improvements occupy a site of 2.4702 hectares. A large industrial building constructed circa 1986 with an extension in 2004. The original warehouse has a stud height of 5 to 8 metres, the new extension has a stud height of 9 to 9.5 metres. The improvements occupy a site of 2.4702 hectares. The lease has been renewed for a five-year term from 1 February 2018. This is a slightly inferior property due to the varying stud heights being lower than the subject, and older age of improvements. Comprises inferior access.

100A Westney Road, Airport Oaks

The property comprises a high quality industrial premises. The warehouse is of a high stud with clear span with a large cantilevered canopy along the northern elevation. The offices are over two levels to the Verissimo Drive road frontage. The site enjoys full drive through access from Verissimo Drive to Westney Road, via a concrete sealed and secured yard. Fully fire sprinklered. Leased in December 2017 for a 10-year term. Superior quality property in a different locality. Provides higher stud heights. Adjustment required for size.

81B Westney Road, Airport Oaks

The property comprises a high quality industrial premises. The warehouse is of a high stud, clear span with a large cantilevered canopy along the eastern elevation. The offices are over two levels enjoying a high profile to George Bolt Memorial Drive. The site occupies a rear position off Westney Road and is accessed via a shared driveway with Unit A. Fully fire sprinklered. Leased in December 2017 for a 7-year term. This is a superior quality property given the age and quality of the improvements. Located in a different locality than the subject.

We have also had regard to slightly smaller industrial lettings in the North Shore industrial market as displayed below:

Address	Tenant	Effective Date	Rental Type	Type	Area (sqm)	Rate (per sqm)
9 Tawa Drive Albany	Xylem Water Solutions	Apr-18	RR	Ground Floor Office / Amenities	172	\$200
				Mezzanine Office / Amenities	259	\$230
				Carparking	25	\$15
				Warehouse	950	\$125
				Parts Store	78	\$160
Unit A, 21 Porana Road Wairau Valley	Apollo Group Ltd	Nov-17	NL	FF Office / Amenities	310	\$205
				Mezzanine Storage	149	\$63
				Valve Room	4	\$125
				Rear Warehouse	624	\$115
				GF Office / Amenities	242	\$205
				Main Warehouse	472	\$115
				Rear Office/Amenities	47	\$125
15 Canaverall Drive Albany	HS (Australasia) Ltd	Nov-17	ROR	Ground Floor Offices	187	\$230
				Canopy	152	\$55
				Car Parks	20	\$15
				Security Store	38	\$155
				Warehouse	964	\$125
				Mezzanine Offices	225	\$235
54-58 Hillside Road Wairau Valley	OPR Limited	Oct-17	NLST	Main factory	3,732	\$95
				Canopy	26	\$50
				Development Store & Shed	49	\$110
				Warehouse	50	\$60
				Mezzanine Open Storage		
				Warehouse Mezzanine Amenities/Offices	61	\$135
				Workshop	242	\$95
				First Floor Amenities	294	\$158
				First Floor Offices	170	\$158
				Ground Floor Office & Training	229	\$150
				Showroom	286	\$200
				High Stud Warehouse	1,357	\$120

Address	Tenant	Effective Date	Rental Type	Type	Area (sqm)	Rate (per sqm)
Unit F, 21 Porana Road	Winger Motors Ltd	Sep-17	NL	Car Parks	28	\$15
Wairau Valley				First Floor Workshop	1,204	\$95
				Ground Floor Workshop	963	\$100
				First Floor Offices	963	\$100
				Ground Floor Offices	239	\$155

9 Tawa Drive, Albany

The subject comprises of a 950 sqm warehouse located to the rear of the site. A lower-stud workshop / parts store is positioned under the first-floor offices, while the original warehouse and warehouse extension are separated by full height concrete wall with an access way cut in the middle. The original warehouse and warehouse extension is constructed of reinforced concrete floor, clear span steel portal frame, base concrete wall with glazing and long run iron above, the eastern and southern boundary walls are full height tilt slab concrete. The roof is long run iron or similar over sisalation and netting with intermittent translucent panels. The premises were subject to a two-year market rent review effective April 2018. This is a slightly inferior quality property to the offices due to the age and quality of the improvements. The warehouse is also of inferior quality having less internal volume and inferior stud heights. Adjustment is required for size and superior location of Tawa Drive.

Unit A, 21 Porana Road, Wairau Valley

Unit A, 21 Porana Road comprises an 1,847.5 sqm industrial unit zoned light industry under the Auckland Unitary Plan. The unit consists of fully sprinklered warehousing constructed in the 1970's and two levels of refurbished office accommodation completed in 2011. The warehouse accommodation is low stud (circa 3.5 metres), with a number of mezzanine storage spaces below. First floor office accommodation features an overhang, which covers the 7 parking spaces below. The ground floor accommodates a quasi-showroom space, with a lunch room and kitchen amenities to the rear. The premises are located to the north-western side of Porana Road, 10 minutes' drive to Auckland City and just 5 minutes' drive to the Takapuna commercial centre. Apollo Group Limited signed a new 6 year lease in November 2017, with one 6 year right of renewal. The net annual rental is \$255,000 plus GST and outgoings. This is an inferior quality building due to the age and quality of the improvements, the warehouse also has substantially lower stud heights than the subject.

15 Canaveral Drive, Albany

The property comprises a high quality industrial development with warehouse accommodation and two levels of office accommodation across the front elevation. The warehouse has a stud height of 7 metres with a central row of columns. The property is located in the modern industrial subdivision within the Albany region. The premises are leased to HS (Australasia) Ltd for a three-year renewed term from 1 November 2017. Similar quality building given the age and quality improvements. Provides useful evidence for comparison.

54-58 Hillside Road, Wairau Valley

The property comprises a large industrial unit that includes factory, office and showroom areas. Located in Wairau Valley and falling under Business 9 zoning, the 12,692 sqm site offers 6,495.22 sqm of floor area. Originally designed and built in 1972 for Clearlite Bathrooms (OPR Ltd) whom have occupied since.

The first floor offices were completely refurbished in in 2007 and the roof, gutters, cladding and flashing were all maintained in 2012. Other recent upgrades include work to the showroom, ground floor offices, training room and to the warehouse extension. OPR Limited have the first right of refusal to purchase the site. Despite being older in age this is a comparatively similar quality property with similar stud heights. Adjustment required for size.

Unit F, 21 Porana Road, Wairau Valley

The property comprises a 1970's two level industrial building within a unit title development. The building has two levels of workshops each with a 3 metre stud height, the first floor workshop is accessed by a ramp at the northern elevation and is provided with a suspended ceiling. The property is fully fire sprinklered. The rental was agreed at \$271,000 per annum. Inferior property due to age and quality of improvements, as well as low stud heights to the warehouse.

Industrial Rental Conclusion

The subject property comprises a good quality industrial building. Some of the improvements such as full height long-run iron to the warehouse walls compared to tilt slab and the low to medium stud heights with internal columns are inferior to some. Having regard to the above-mentioned evidence and others of which we are aware of, we note that warehouse rentals for similar industrial buildings throughout the Auckland region range from approximately \$110 to \$135 per sqm for warehouse space, and approximately \$180 to \$245 per sqm for offices. We note that the offices would sit to the middle of the range given the high-quality fitout, along with the warehouse. Although being of good quality and condition, the stud height, column interrupted floor space and iron walls are inferior to some.

Due to a dearth of industrial yard and surplus land rentals in Albany and across the North Shore, we have referred to rents from across the South Auckland region.

Address	Tenant	Effective Date	Rental Type	Type	Area (sqm)	Rate (per sqm)
133 Roscommon Road Wiri	Turners Group NZ	Sep-18	NL	Metalled Yard	15,861	\$27
192A Rockfield Road Penrose	Geofabrics NZ Ltd	Jul-18	NL	Yard	1,537	\$45
100A Westney Road Airport Oaks	Pharmacy Retailing Ltd	Dec-17	NL	Yard	3,188	\$25
81B Westney Road Airport Oaks	Synlait Milk Ltd	Dec-17	NL	Concrete Yard	2,150	\$30
53 Victoria Street Onehunga	DGL (NZ) Pty Ltd	Nov-17	NL	Sealed Yard	2,100	\$38
23 Pukemiro Street Onehunga	CMA Recycling NZ Ltd	Oct-17	NL	Yard Yard Upgrade	4,000 4,000	\$36 \$9

Due to the significant sized yard towards the rear of the property we have also had regard to leasing evidence of yards for other industrial properties. There is a dearth of large yard leasing evidence in the North Shore area and as such we have had regard to yard lettings across the Auckland industrial market.

As per the above-mentioned evidence, yard rentals range from approximately \$25 to \$45 per sqm with those of which are sealed, engineered for heavy-duty uses, and in prime / high-demand locations being towards the upper end of the range. We note that the subject yard is sealed and of regular shape and comprises good access / circulation areas. Land values in Albany are generally higher than South Auckland industrial regions. We would anticipate for this to follow through to yard rentals. The yard is not secure whereby there is security fencing around. After taking in to account considerations for adjustment, we have adopted a net rate of \$30 per sqm over the yard area.

Trade Retail & Retail Leasing Evidence

Having regard to the trade retail portion of the subject we have had regard to the following North Shore transactions.

Address	Tenant	Effective Date	Rental Type	Type	Area (sqm)	Net Effective Rate (psqm)
Unit C, 7 Croftfield Lane Wairau Valley	Hunter Retail	Sep-17	NL	Furniture Showroom	640	\$267
8 Croftfield Lane Wairau Valley	Resene	Jul-17	NL	Storage	175	\$225
				Mezzanine	175	\$155
				Showroom	374	\$265

Unit C, 7 Croftfield Lane, Wairau Valley

Hunter Retail have committed to a new lease effective September 2017 to lease some 640 sqm of floor space to use as a showroom to conduct their furniture selling business. The lease provides for an initial lease term of eight years and 10 weeks plus for two further rights of renewal of four years each. Rent reviews are yearly 2% inclines. The Lessor has provided an incentive of three and a half months' net rent free, analysing to a net effective rental of \$267 per sqm. This property is located in a more commercialised area in Wairau Valley with profile to State Highway 1. The location would be considered slightly superior than the subject.

8 Croftfield Lane, Wairau Valley

The property comprises a refurbished 1980's industrial building occupying a prominent position on Croftfield Lane. The showroom is provided with suspended ceilings and recessed fluorescent lighting. The sitting tenant signed a new 10 year lease with two yearly CPI rent reviews and five yearly market reviews. This property is located in a more commercialised area in Wairau Valley, which would be considered slightly superior than the subject. Now a slightly dated transaction adjustment would be required for time.

Address	Tenant	Effective Date	Rental Type	Type	Area (sqm)	Net Effective Rate (psqm)
111 Bentley Avenue, Unit 3 Glenfield	ECIGDIS Limited T/A The Vape Shed	Apr-18	NL	Retail	109	\$477
Unit F, 7 Triton Drive Albany	Kinsley	Sep-17	NL	Mezzanine Retail	44 134	\$245 \$390
Unit C, 4 Arrenway Drive Albany		Aug-17	NL	Retail	170	\$324
Unit C5, 210 Dairy Flat Highway Albany	Blonde & Co.	Aug-17	SUB	Retail	92	\$375
Unit 7, 83 Apollo Drive Albany	Outdoor Equipment	Aug-17	NL	Retail	83	\$418
18 Link Drive Wairau Valley		Aug-17	NL	Car Parks Unit 9	10 404	\$0 \$203
Unit A, 447 Lake Road Takapuna	Sonha Limited	Jul-17	NL	Retail	170	\$473

Retail Rental Conclusion

Having regard to the above-mentioned evidence, retail rents in the surrounding area and other North Shore locations range from approximately \$200 to \$480 per sqm. Retail locations that offer high exposure and profile with good quality improvements sit towards the upper end of the range with those of which comprise little profile sitting towards the lower end. Not taking in to account the tenants' improvements, the subject property comprises a good quality building located in a high-profile position. As such, we believe the subject property's retail rents for the restaurant would sit towards the middle of the range.

Office Leasing Evidence

Due to a portion of the subject property containing office only, we have had regard to similar transactions within the Albany Region.

Address	Tenant	Effective Date	Type	Level/Suite	Area	Net Effective Rental (per sqm)
Unit M, 40-42 Constellation Drive Rosedale	Bruce Smith	Aug-18	NL	Office	125	\$255
				Carparks	4	\$20
Unit E2, 27 - 29 William Pickering Drive Albany	Since Development Limited	Jul-18	NL	Parking	3	\$20
				Office	110	\$244
Unit A2, 72 Apollo Drive Rosedale	Weka Online Ltd	May-18	NL	Office	168	\$260
				Carparks	5	\$23
Unit B, 11 Apollo Drive Rosedale		Apr-18	NL	Office	253	\$270
				Carparks	5	\$25
Unit B2, 59 Apollo Drive Rosedale	Build North Auckland Ltd	Mar-18	SUB	Office	477	\$260
				Carparks	18	\$20
94 Apollo Drive Rosedale	Zuru New Zealand Limited	Mar-18	NL	Office	150	\$365
				Carpark	13	\$30
Unit G, Building 1, 5 Ceres Court Albany	Modrus NZ Ltd	Feb-18	NL	Parking	3	\$20
				Office	117	\$240
Unit 9, 15 Mercari Way Albany	Kiwi (DotCom) 2010 Limited	Dec-17	NL	Unit 9	250	\$252
				Carparking	6	\$24
Unit A, 3 Rothwell Avenue Rosedale	JK (2016) Ltd	Nov-17	NL	Offices	411	\$228
				Car Parks	14	\$15

Office Rental Conclusion

Having regard to the above-mentioned evidence and others of which we are aware of, we note that rental rates for similar quality offices within Auckland's North Shore range between approximately \$230 to \$270 per sqm, with some outliers in excess of \$360 for high quality, high standard offices of a slightly smaller size. In our opinion the subject property's office accommodation would sit to the middle of the range due to the quality of the improvements and the location being largely considered industrial. We note that carparks range from \$15 to \$30 per park, per week.

Childcare Rents

Childcare rentals depend on the location, levels of competition from other childcare providers and the type of improvements. In assessing the current market rent for the premises we have had regard to the following rental transactions:

Address	Location	Lease Start or Review date	Tenant	Lease Term	Rental	Licence	Rental per Child per Week
110 Ridge Road	Howick	Feb-18	Bright Beginnings	10	\$306,020	110	\$53.50
Dixon Road	Hamilton	Mar-18	Confidential	15	\$260,000	100	\$50.00
21 Boundary Road	Blockhouse Bay	Sep-17	Confidential	12	\$135,200	50	\$52.00
105 Oraha Road	Huapai	Jul-17	Best Start	20	\$236,600	91	\$50.00
144 Kitchener Road	Pukakohe	Jun-17	Kindergarten NZ Ltd	15	\$283,920	105	\$52.00
62 Pokeno Road	Pokeno	Jun-17	Kindergarten NZ Ltd	15	\$312,000	120	\$50.00
35 Marne Road	Papakura	Apr-17	Best Start	6	\$61,000	30	\$39.10
989 Papakura Clevedon Road	Ardmore	Mar-17	Evolve	15	\$201,240	86	\$45.00
841 Whangaparaoa Rd	Manly	Mar-17	Childcare Holdings	15	\$135,200	50	\$52.00
2 Connelly St	Wellington	May-17	Best Start	12	\$240,000	100	\$46.15
20 Walters Rd	Takanini	Nov-17	Discoveries Educare	15	\$257,000	115	\$42.98
51 Eban Avenue	Hillcrest	Oct-16	Private	12	\$165,880	58	\$55.00
State Highway 1	Walkworth	Aug-16	Educare Group	20	\$174,400	80	\$41.92
15 Springbank Lane	Christchurch	2016	Kidicorp	12	\$288,000	128	\$43.27
Queen Street	Waitara	Sep-16	Bubbles	-	\$102,960	60	\$33.00
431 Wairakei Road	Christchurch	Sep-16	Kidicorp	10	\$142,000	64	\$42.67
73 Girven Road	Mt Maunganui	Aug-16	New Shoots	18	\$299,000	115	\$50.00
46 Centreway Road	Orewa	Apr-16	Kindergarten NZ Ltd	15	\$300,300	105	\$55.00
18 Marytn Street	Waiuku	Jan-16	Little Ants	10	\$130,000	60	\$41.67
4038 Great North Road	Kelston	Sep-15	Discoveries Educare	14	\$156,000	58	\$51.72
13-17 Virginia Ave East	Eden Terrace	Jun-15	Topkidz	12	\$424,320	136	\$60.00
237 State Highway 2	Clive/Hastings	Jun-15	The Nest	10	\$70,028	32	\$42.08
7 Patey Street	Remuera	May-15	Bear Park	10	\$169,000	50	\$65.00
71 Hingaia Road	Karaka	Apr-15	Kiddicorp	14	\$275,000	125	\$42.31
10 Jude Place	Tauranga	Apr-15	Urban Kids	15	\$155,000	75	\$39.74
415 Ti Rakau Drive	Botany	Feb-15	Piccolo Park	7	\$280,800	120	\$45.00

Generally speaking market rents in main centres for older style dwelling conversions lie in the range of \$30.00 to \$40.00 per child per week while modern purpose built facilities attract rents of \$45.00 to \$55.00 per child per week, however in some instances these can be as high as \$65.00 per child per week especially in higher value neighbourhoods and fringe CBD locations. Contract rents for the most recent suburban new builds lie in a band of \$46 to \$55 per child per week. We note that market rents in smaller centres are at a lower level reflecting an adjustment for location. We have adopted a per child rental rate for the childcare centre of around \$48.37 per child per week, which is the equivalent of approximately \$461 per sqm over the net lettable area of the childcare centre premises.

6.3 MARKET RENT ASSESSMENT

Level/Suite	Tenant	Lettable Area NLA	Lease Commence	Lease Term	Lease Expiry	% NLA	Lease Option	Base Passing		Adopted Market	
								Rent	Rent \$/m ²	Rent	Rent \$/m ²
Unit 1 Office	Good Health	1,044.40	1-Apr-06	18.00	31-Mar-24	18.98%	1 x 8	237,601	227.50	234,990	225.00
Unit 1 Lab	Good Health	1,054.50	1-Apr-06	18.00	31-Mar-24	19.16%	1 x 8	229,354	217.50	210,900	200.00
Unit 1 Warehouse	Good Health	1,811.10	1-Apr-06	18.00	31-Mar-24	32.91%	1 x 8	226,388	125.00	226,388	125.00
Unit 1 Mezzanine	Good Health	19.40	1-Apr-06	18.00	31-Mar-24	0.35%	1 x 8	1,455	75.00	1,455	75.00
Unit 1 Canopy	Good Health	128.80	1-Apr-06	18.00	31-Mar-24	0.00%	1 x 8	7,728	60.00	7,728	60.00
Unit 1 Yard	Good Health	3,500.00	1-Apr-06	18.00	31-Mar-24	0.00%	1 x 8	98,705	28.20	98,000	28.00
Unit 1 Carparks	Good Health	39.00	1-Apr-06	18.00	31-Mar-24	0.00%	1 x 8	30,420	780.00	30,420	780.00
Unit 2 Showroom	Albany OPE	287.90	1-Oct-09	15.00	30-Sep-24	5.23%	1 x 5	71,975	250.00	73,415	255.00
Unit 2 Warehouse	Albany OPE	201.30	1-Oct-09	15.00	30-Sep-24	3.66%	1 x 5	25,285	125.61	26,169	130.00
Unit 2 Carparks	Albany OPE	13.00	1-Oct-09	15.00	30-Sep-24	0.00%	1 x 5	10,140	780.00	10,140	780.00
Unit 2 First Floor Office	Panda Internet Café	284.70	1-May-16	3.00	30-Apr-19	5.17%	2 x 2	47,270	166.03	56,940	200.00
Unit 2 Carparks	Panda Internet Café	7.00	1-May-16	3.00	30-Apr-19	0.00%	2 x 2	2,730	390.00	5,460	780.00
Unit 3 Childcare	Junior Junction	436.80	1-Nov-09	12.00	31-Oct-21	7.94%	4 x 6	145,736	333.64	188,000	430.40
Unit 3 Carparks	Junior Junction	17.00	1-Nov-09	12.00	31-Oct-21	0.00%	4 x 6	13,260	780.00	13,260	780.00
Unit 4 Cafe	Caffé é Cucina	257.00	1-Sep-18	6.00	31-Aug-24	4.67%	3 x 4	78,385	305.00	78,385	305.00
Unit 4 Courtyard	Caffé é Cucina	106.60	1-Sep-18	6.00	31-Aug-24	1.94%	3 x 4	32,513	305.00	32,513	305.00
Unit 4 Carparks	Caffé é Cucina	27.00	1-Sep-18	6.00	31-Aug-24	0.00%	3 x 4	22,913	848.64	21,060	780.00
		5,503.70				100.00%		1,281,858		1,315,222	

We note that Caffé é Cucina have not formally renewed their lease, and as such we have been provided with the Heads of Agreement provided to us by Augusta of which we have adopted within this valuation. Should this not be confirmed we reserve the right to amend this valuation.

6.4 SALES EVIDENCE

Due to the dearth of large quantum sales evidence in the North Shore industrial market, we have had regard to large sales transactions within the wider Auckland industrial market to include Central Industrial precincts and South Auckland.

Address	Tenant	Sale Date	Sale Price	WALD (yrs)	NLA (sqm)	Initial Yield	Market Yield	IRR	Land & Bldg Rate (per sqm)
12 Ha Crescent Wiri	Irvine Flooring	Jun-18	\$11,150,000	4.21	4,167	4.57%	4.89%	6.98%	\$2,676
306 Neilson Street Onehunga	Trade Depot	May-18	\$16,000,000	9.73	6,302	5.52%	5.24%	7.24%	\$2,539
104-140 Neilson Street Onehunga	NZ Bus	May-18	\$15,000,001	8.48	2,112	5.05%	5.69%	7.30%	\$7,104
107 Harris Road East Tamaki	Various x 6	Apr-18	\$10,935,000	3.21	3,040	6.34%	6.00%	7.50%	\$3,597
22 Ormiston Road East Tamaki	Various	Apr-18	\$10,050,000	1.51	8,929	6.86%	7.56%	8.97%	\$1,126
107 McLaughlins Road Wiri	Cargo Plus	Mar-18	\$10,200,000	9.38	3,300	4.90%	5.08%	6.66%	\$3,091
6 Hautu Drive Wiri	Cavalier Bremworth Carpets Ltd	Nov-17	\$11,100,000	5.71	5,746	6.18%	6.06%	7.66%	\$1,932

12 Ha Crescent, Wiri

The property comprises 4,167 sqm of industrial warehouse with associated offices and amenities. The property is located on Ha Crescent in Wiri of which access is provided from. Internally the warehouse comprises 3,888 sqm of clear span, high stud area. The offices are located to the front elevation of the property comprising 278 sqm providing a good office to warehouse proportion. The canopy is to the northern elevation of the property comprising a substantial 1,043 sqm. Access to the site is provided from Ha Crescent, however is one way providing inferior access to other properties around the area. This property is a newer and more modern construction as well as being single tenanted. The property is also located in a more established and traditional industrial location. Sold with slightly shorter remaining lease term than the subject.

306 Neilson Street, Onehunga

Situated in a rear site position away from the road, the property comprises a medium to high stud warehouse with associated offices and amenities with the remainder being sealed yard. The site can be accessed via a shared right of way which services three lots. The main warehouse area consists of an 8.4m stud height at the knee rising to 9.2m at the apex. It is currently split into five bays and is utilised as a distribution facility. Access to the warehouse is provided via multiple roller doors. The offices are located to the front of the site and are provided over two levels. The ground floor offices are of an open-plan nature. Toilets and a cafeteria are also situated to the rear of the ground floor office portion. The first floor offices are both open-plan and partitioned with board room areas and office suites. The sealed yard is mostly asphalt or concrete and provides full drive-around. This property is of inferior quality when compared to the subject due to the site being a rear sited industrial building with tight onsite access and shared right of way. The property sold with a longer remaining lease term of nine years.

104-140 Neilson Street, Onehunga

The improvements include two industrial buildings and two purpose built structures. The main building features an 886.53 sqm workshop and 727.92 sqm office area. The offices are split over two levels and feature a combination of open plan and partitioned spaces. These have recently undergone a refurbishment leaving them extremely well presented. There is also a large staff cafeteria and amenities. The workshop has a stud height of approximately 6 metres and contains two pits. Constructed of reinforced concrete and steel cladding, access to this area is via multiple roller doors on both sides providing a completely drive through facility. Positioned behind the main building is the 382 sqm medium stud warehouse, which is of the same construction. The two purpose built structures include a bus wash facility and a refuelling station which has a small office. These improvements are both open sided and were constructed by the tenant. The specialised heavy-duty asphalt surface has been installed specifically to cater for heavy vehicle movements on the site. Although located in a more established industrial location and of a different nature, this property provides useful evidence and also comprises a high underlying land value similar to the subject.

107 Harris Road, East Tamaki

Originally built in 1975 and redeveloped in 2017, this industrial/retail site was sold in April 2018 for \$10,935,000. The site was first purchased by Auckland One in June 2017, vacant, for \$6,000,000. The site comprises three separate buildings and six tenancies with a WALT of 3.21 years. Four retail tenancies fill the largest building with complete frontage to Harris Road with two smaller industrial units to the rear along with a number of smaller storage units. This property provides useful evidence due to the mixed

use of the improvements including industrial warehouse and trade retail. Sold with shorter lease term than the subject, adjustment required for location.

22 Ormiston Road, East Tamaki

Located close to Ti Irirangi Drive with dual street access from Ormiston Road and Birmingham Road. The site also features full drive around access. This property features three adjoining warehouse bays. Each warehouse has a 5 metre stud height at the knee, rising to 8.5 metres at the apex. The warehousing and encompassed office/amenity spaces are basic and in generally average condition. Sold with six sitting tenants, with one being a telco tower, there is a WALT of 1.51 years. The site sold to Yes Family in April 2018 with a high underlying land value for \$10,050,000 at an initial yield of 6.86%. This is a lower quality building compared to the subject's industrial improvements due to the age and condition of the improvements, including asbestos and water tightness issues. Leased to multiple tenants and in a different locality.

107 McLaughlins Road, Wiri

The property comprises a new build industrial building comprising clearspan warehouse constructed of reinforced concrete flooring, steel portal frame, the walls are 2.5 metre tilt slab concrete with long run iron above with long run iron over sisalation and netting with intermittent translucent panels for the roof. The canopy is also clear span and comprises 1,250 sqm with a maximum height of 6 metres. The warehouse has a stud of 9.3 metres at the knee rising to 11.3 metres at the apex. The offices are of concrete construction with glazed and powder coated aluminium to the façade. Internally the offices comprise of suspended acoustic ceiling, painted plasterboard walls and are fully air conditioned. The office also enjoys a large amenity area with courtyard. The property sold for \$10.2m in March 2018, reflecting an initial yield of 4.90% and a market yield of 5.08%. The lease had 9.38 years remaining. This is a superior property given the quality and age of the improvements. The building is located in a well-established industrial location in Wiri, sold with a substantially longer remaining lease term than the subject.

6 Hautu Drive, Wiri

The improvements comprise a high stud warehouse building with canopy and associated office component to the road front. Stud height to the warehouse is approximately 10.1 metres to the portal knee rising to 12.9 metres at the apex. The warehouse comprises a clear span of 60 metres. Floors are reinforced concrete that are approximately 245 mm thick. The property is leased by Cavalier Bremworth Carpets Limited for a term of 6 years from August 2017. The vendor provided a three-year underwrite to increase income provided by tenant by a further \$33,500. Sold in November 2017 for \$11,100,000 showing an initial yield of 6.18%, market yield of 6.06% and IRR of 7.66%. Superior property given the quality of the improvements and higher stud heights. Superior lease term in place.

We have also had regard to slightly smaller industrial lettings in the North Shore industrial market as displayed below:

Address	Tenant	Sale Date	Sale Price	WALD (yrs)	NLA (sqm)	Initial Yield	Market Yield	IRR	Land & Bldg Rate (per sqm)
227 Bush Road Rosedale	Various	Aug-18	\$4,200,000	0.51	1,375	4.89%	5.34%	6.95%	\$3,055
9 Tawa Drive Albany	Xylem Water Solutions NZ	Jun-18	\$5,380,000	3.76	1,459	4.55%	4.55%	5.74%	\$3,689
Unit C & D, 17 Airborne Road Rosedale	Various	Apr-18	\$3,040,000	1.05	1,260	5.09%	5.60%	7.48%	\$2,413
60 Apollo Drive Albany	Wallace Cotton	Mar-18	\$5,100,000	0.50	1,250	4.47%	4.60%	6.30%	\$4,080
10-12 Rothwell Avenue Rosedale	Vacant	Dec-17	\$18,400,000	-	9,655	-	7.44%	8.77%	\$1,906
1-3 Parkhead Place Rosedale	Various	Dec-17	\$5,100,000	3.07	2,424	7.71%	7.91%	9.28%	\$2,104
6-8 Civil Place Albany	Coca-Cola Amatil	Nov-17	\$5,740,000	7.16	1,951	4.81%	4.98%	6.52%	\$2,942

227 Bush Road, Rosedale

The property comprises two adjoining industrial warehouse units with associated offices over two levels with shared access and carparks. It benefits from a wide frontage site on Bush Road. The two units are configured in an L shape with Unit A (front unit) in a vertical position with two levels of offices situated to the front and the warehouse behind. Unit B (rear unit) is in a horizontal layout with the warehouse adjoined to the front warehouse in a L shaped with two levels of associated offices attached to the western elevation. Both units have a similar stud height of approximately 5.5 metres rising to 6.5 metres. Access to the warehouses are provided by a single roller door to each with shared driveway access. Construction appears be similar for both units. The warehouse is generally constructed of reinforced concrete flooring with steel portal frame, a mix of full height tilt slab walls and concrete base with long run iron cladding above. The property sold in August 2018 for \$2.2m reflecting an initial yield of 4.89%, market yield of 5.34% and IRR of 6.95%. At the time of sale, the property had a WALD of 0.51 years. This is a similar quality property located in a similar locality, however positioned on a smaller and irregular shaped site. Sold with a significantly shorter lease term than the subject property and is located in a smaller value quantum.

9 Tawa Drive, Albany

The building comprises a 1990s industrial building with associated office and amenities. The building is located on the corner of Tawa Drive and Miro Place, Albany enjoying high exposure from the traffic going through Tawa Drive. Access to the site is provided from both Tawa Drive and Miro Place. The subject comprises warehouse facing Miro Place with a stud height of approximately 6 metres whilst 2 levels of offices and amenities are located across the front elevation. The subject comprises of a 950 sqm warehouse located to the rear of the site. A lower-stud workshop / parts store is positioned under the first-floor offices, while the original warehouse and warehouse extension are separated by full height concrete wall with an access way cut in the middle. This is an older style industrial building with inferior quality

offices and lower stud heights to the warehouse areas. The site is a corner location offering plenty of exposure similar to the subject, although priced within a lower quantum.

Unit C & D, 17 Airborne Road, Rosedale

The property comprises a rear industrial unit on a freehold title currently occupied on two short term tenancies, Black Steel Mobile and Kiwi Road Markers, returning \$154,800 per annum in total. This unit would suit a manufacturing, distribution or fabrication tenant. The warehouse comprises five roller doors and has the ability to be occupied as one or two tenancies. The property sold for \$3,040,000 in April 2018 reflecting an initial yield of 5.09%, market yield of 5.60% and IRR of 7.48%. At the time of sale, the property had 1.05 years remaining on the lease term. Priced within a smaller quantum than the subject property, although located in a similar locality. Provides similar quality improvements and sold with a shorter remaining lease term.

60 Apollo Drive, Albany

This road front high profile site on sought after Apollo Drive is situated in the Interplex Business Park and surrounded by a selection of businesses. The site comprises a freehold standalone industrial building completed in 2006. Sold in March 2018 for \$5,100,000 with a short remaining lease term. Similar quality improvements in a smaller price quantum, sold with little remaining on the lease term. Adjustment required for size.

10-12 Rothwell Avenue, Rosedale

The property comprises a large industrial building located within Albany's industrial precinct. The property has a high proportion of office to warehouse space with 5,960 sqm being high stud warehousing accommodation. Industrial accommodation features high stud warehouse with steel portal frame and full height tilt slab concrete walls, and long run iron roofing with intermittent translucent panels. The warehouse is interrupted by one row of columns. Office space is generally open plan with carpet flooring and suspended acoustic ceiling with recessed fluorescent lighting and ducted air-conditioning throughout. The property sold vacant in December 2017 analysing to a market yield of 7.44% and IRR of 8.77%. This property is one of few of which are in a similar price quantum to the subject. Improvements are similar quality and the property sold vacant, which is reflected in the higher yield achieved.

1-3 Parkhead Place, Rosedale

The property comprise an industrial building split in to five separate tenancies on a road front corner site. The premises provide for three office tenancies and two warehouse tenancies. The sale included a vendor underwrite on one of the vacant premises. The property sold in December 2017 for \$5.1m reflecting an initial and market yield of 7.71% and 7.91% respectively. The property had a remaining lease term of 3.07 years at the time of sale. Useful comparison due to locality, however within a different price quantum. Inferior improvements with shorter remaining lease term reflecting upper bound yield that was achieved.

6-8 Civil Place, Albany

A modern industrial building designed for use as a distribution depot and completed in 2007. The development comprises a functional warehouse/office structure with a substantial enclosed loading bay/canopy which is designed to accommodate the movement of "B Train" trucks. Let on a gross basis with a net rental of \$284,848 per annum and OPEX at approximately \$19.37/m². Three yearly CPI +2% review clause ensures rental growth although maximum increase limited to 6% at review. Sold at auction in November 2017 for \$5,740,000 showing an initial yield of 4.81%. Similar age and quality of building to the subject. Sold with a longer remaining lease term.

Childcare Sales Evidence

Due to the specialised nature of the childcare centre we have also had regard to childcare centre sales and rentals in order to adopt an appropriate adjustment for capitalisation and discount rates. We note that the childcare centre is a small proportion of the NLA and contract rental and will have only a small effect on the value of the property.

Address	Sale Date	Sale Price	Rental	Yield	Licence for (max)	Comment
73 Aranui Road Mt Wellington	Sep-18	\$1,805,000	\$93,600	5.19%	40	1960s + Additions
149 Mahia Road Wattle Downs	Sep-18	\$1,560,000	\$93,600	6.00%	40	Modern
436 Weymouth Road Weymouth	Sep-18	\$1,755,000	\$105,300	6.00%	45	Modern
210 White Swan Road Lynfield	Jul-18	\$2,325,000	\$121,000	5.20%	54	Modern
6 Peria Road Matamata	Jul-18	\$4,100,000	\$247,000	6.02%	95	Modern
336 Great South Road Papakura	Apr-18	\$4,057,000	\$243,100	5.99%	85	Modern
4 Browns Road Manurewa	Apr-18	\$1,950,000	\$117,000	6.00%	50	Modern
70 Hare Puke Drive Hamilton	Mar-18	\$3,170,000	\$181,000	5.71%	80	Modern
841 Whangaparaoa Road Whangaparaoa	Dec-17	\$2,650,000	\$135,200	5.10%	50	Modern
15-17 Saturn Place Rosedale	Aug-17	\$4,900,000	\$305,000	6.22%	148	Modern

Childcare Centre Conclusion

We note that the childcare centre is a modern, purpose-built facility. We can confirm that the centre is licensed for 80 children, including 25 children under two years old. Upon inspection the childcare centre appeared to well-kept and in good condition with modern improvements both internally and externally. Yields for similar quality childcare centres range from 5.10% to 6.22%.

We have referred to transactions of investment properties in the wider Auckland market and those in the direct locality that offer the best guide to the value of the subject property. There are of course physical, location and financial differences that make immediate comparison inappropriate. Accordingly adjustment to evidence is required for such factors as:

- Location
- Size
- Zoning and Utility
- Quality
- Lease Term
- Rental Cashflow
- Potential for Rental Growth

6.5 CAPITALISATION RATE CONCLUSION

We have carried out a SWOT analysis in order to assist in determining the appropriate yield for the property.

Strengths

- Large land holding in well-established commercial area
- Located well amongst main arterial routes and motorway system
- Good remaining weighted average lease term
- Split risk from diverse tenancy mixture

Weaknesses

- 80% of contract rental received from single tenant
- High office to warehouse ratio for the main component of the property

Opportunities

- Surplus land towards the rear able to accommodate warehouse expansion

Threats

- More established industrial locations in Auckland creating competition
- 80% of contract rental received from single tenant

Bearing in mind the evidence in the market we believe a market equivalent capitalisation rate of 6.25% is applicable to the subject property on assessed market rent.

6.6 DISCOUNTED CASHFLOW ANALYSIS

We have also analysed the property applying discounted cashflow analysis, adopting a 10 year cashflow time horizon and making appropriate allowances for rental income growth, leasing up allowances on expiries, along with a terminal value at the end of the time period. The resultant Net Present Value being a reflection of market based income and expenditure projections over the 10 year period.

The key assumptions adopted in the cashflow are as follows:

- **Market Rental:** We have adopted market rental rates in our cashflow in line with our static valuation with operating expenses payable in addition to the rent.
- **Rental Growth:** It is difficult to accurately predict rental growth rates particularly for industrial property when demand is directly linked to the performance of the economy. Accordingly, we have projected growth rates as below:

Calendar Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Inflation (CPI)	1.80%	2.00%	2.00%	2.10%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Industrial (Net Effective)	2.50%	2.75%	3.00%	3.25%	3.50%	3.00%	2.75%	2.75%	2.75%	2.75%
Office (Net Effective)	2.50%	2.75%	3.00%	3.25%	3.50%	3.00%	2.75%	2.75%	2.75%	2.75%

- **Terminal Yield:** Discounted cashflow appraisal technique requires a consideration for the property to be sold at the end of the 10 year cashflow period. In adopting the terminal capitalisation rate, it is appropriate to recognise that the property by that stage is 10 years older and accordingly may warrant a higher capitalisation rate.

We have adopted a terminal capitalisation rate of 6.75%.

- *Discount Rate:* We have adopted a property discount rate of 8.00%.
- *Capital Expenditure:* The leases provide that the lessees are not responsible for structural repairs and maintenance. We have made an allowance of \$8,187 per annum to account for non-recoverable items. There are also substantial capital deductions within the cashflow amounting to four to nine months rental vacancy on lease expiry for all tenancies, as well as budgeted capital expenditure mentioned in section 4.4 of this report. In addition agency letting fees have been incorporated in every case.

7.0 FUTURE RISK ASPECTS

7.1 FORECAST PROPERTY TRENDS & EFFECT ON VALUE

The subject property comprises a large land holding located on Albany Highway. The site holds a high-profile position on Albany Highway and benefits from rear access from Parkhead Place in addition to access from Albany Highway.

Industrial land throughout Auckland has recently witnessed times of significant growth in both the investor and occupier market as supply is outweighed by demand. Increased competition from high net-worth individuals, overseas buyers and syndications have joined the likes of the property trusts and listed property funds to compete for investment stock, which has resulted in a downward pressure on yields. As a result, the increased demand from investors seeking yields has affected occupiers as the pressures of the low industrial supply has increased rents pushing up occupier costs. Properties receiving strong demand are those with positive attributes such as good quality improvements, well-established commercial location, strong tenant covenant, and good remaining lease term.

The subject property comprises a split risk investment with a total of four buildings on site. We note that the improvements to the site are of good quality construction. The subject property holds a good remaining lease term as well as good tenant covenants from Good Health Products and a childcare centre. We do, however, feel it necessary to mention that a large percentage of the property's net lettable area and contract income received is from one single tenant. With the risk of vacancy, this majority poses significant vacancy costs on the property. However, due to the low vacancy rate in industrial buildings, especially those of good quality, we believe that the warehouse component of the property would receive interest from occupiers.

In summary, the property is a large land holding with split risk investment attributes along with good tenant covenants and good remaining lease term. We therefore believe that the property would receive strong attention in market if it were to be placed on the open market.

8.0 VALUATION CONCLUSION

We refer you to **Appendix 1** that contains our Valuation Calculations and Cashflow in Detail. We summarise the result hereunder.

<i>Contract Income Approach</i> Capitalised at 6.25%	\$19,900,000
<i>Market Income Approach</i> Capitalised at 6.25%	\$20,300,000
<i>Discounted Cashflow Approach</i> Discounted at 8.00%	\$20,100,000
<i>Adopted Current Market Value</i> <i>As at 31 October 2018</i>	\$20,100,000

Having regard to available market evidence and factors outlined in the body of this report, we confirm our assessed market value of the property as at the valuation date as follows:

\$20,100,000 plus GST, (if any)
(TWENTY MILLION ONE HUNDRED THOUSAND DOLLARS)

The above current market value is analysed as follows:

Valuation Summary

Adopted Value	\$20,100,000
Passing Initial Yield	6.38%
Equivalent Market Yield	6.31%
Internal Rate of Return (including capex)	8.01%
Direct Comparison	\$3,652 per m ² of NLA
Weighted Lease Duration by Income (incl vacancy)	5.02 years (incl vacancy)
Weighted Lease Duration by Income (excl vacancy)	5.01 years (incl vacancy)

Lender Security

Subject to the conditions noted in this report, we consider the property to be suitable for first mortgage security purposes. This statement is made only with reference to the property itself and the property factor outlined in this report. We make no recommendation on the personal covenant of the mortgagor or their ability or willingness to meet their commitment under the proposed loan.

9.0 GENERAL

Our valuation is subject to The Company's Statement of Valuation Qualifications and Conditions as follows:

1. In accordance with PINZ Guidance Notes, unless otherwise stated, all non-residential valuations are on the basis of **plus GST (if any)**. Valuations of residential property are stated as **including GST (if any)**.
2. Where it is stated in the report that information has been supplied to us by another party, this information is believed to be reliable but we can accept no responsibility if this should prove not to be so. Where information is given without being attributed directly to another party, this information has been obtained by our search of records and examination of documents or by enquiry from Government or other appropriate sources.
3. We have been engaged to provide a valuation only and while due care was taken to note obvious building defects in the course of our inspection, we have not been engaged for any purpose other than the valuation and we are not able to advise on matters such as structural or site surveys or any other defects in the building.
4. In preparing the valuation it has been assumed that all lifts, hot and cold water systems, electrical systems, ventilating systems and other devices, fittings, installations or conveniences in the building are in proper working order and functioning for the purposes of Government regulations and codes. We will not include in our valuation those fixtures and fittings owned and able to be removed by the tenant(s).
5. Where applicable, our valuation includes those items which form part of the building including special wall and floor finishes, toilet amenities, integrated heating and ventilation equipment, external lighting and all site works including landscaping.
6. In preparing the valuation and/or providing valuation services, it has been assumed that a full and frank disclosure of all relevant information has been made.
7. We do not hold ourselves out to be experts in environmental contamination. Unless otherwise stated our inspection of the site did not reveal any contamination or pollution affectation, and our valuation has been prepared on the assumption that the land is not contaminated and has not been affected by pollutants of any kind. We would recommend that this matter be checked by a suitably qualified environmental consultant. Should subsequent investigation show that the site is contaminated, our valuation may require revision.
8. In preparing the valuation, we have relied on photocopies of the Computer Freehold Register and the leases provided. It has been assumed that these are accurate copies of the original documents and that no dealings or changes have occurred since the date such photocopies were made.
9. This valuation and all valuation services are provided by us solely for the use of our client. We do not assume any responsibility to any person other than the client for any reason whatsoever by reason of or arising out of the provision of this valuation.

10. This report is relevant as at the date of preparation and to circumstances prevailing at the time. However, within a rapidly changing economic environment experiencing fluctuations in interest rates, availability of finance, insurance, rents, building expenditure and returns on investments, values can be susceptible to variation over a relatively short time scale. We therefore strongly recommend that before any action is taken involving acquisition, disposal, mortgage advance, shareholding restructure or other transaction, that you consult further with us.
11. **Confidentiality and Disclaimer of Liability**

Our valuation and report is strictly confidential to the party to whom it is addressed and is prepared solely for the specific purpose to which it refers. No responsibility whatever is accepted for reliance on the valuation report for other purposes. Further, no responsibility whatever is accepted to persons other than the party to whom the valuation and report is addressed for any errors or omissions whether of fact or opinion.
12. Neither the whole nor any part of this valuation and/or report or any reference to it may be included in any published document, circular, or statement without our written approval.
13. **PINZ: Valuation Standards & Guidance Notes**

All valuations are carried out in accordance with the Valuation Standards and Guidance Notes recommended by the Property Institute of New Zealand.
14. Please note that personnel in this firm will or may have stocks, shares or other interests in entities that directly or indirectly hold properties which are the subject of this valuation and/or may have direct or indirect personal relationships with third parties with interests in these same entities. The Company's valuers are required to abide by an industry standard disclosure regime and The Company's internal policies with respect to conflicts of interest, and will disclose any material conflict of interest that arises in its capacity as valuer concerning the property which is the subject of this valuation.
15. **Valuation Basis**

Unless otherwise stated no allowances are made in our valuations for any expenses of realisation, or to reflect the balance of any outstanding mortgages either in respect of capital or interest accrued.
16. **Currency**

Unless otherwise stated all figures including the valuation contained within this report are expressed in New Zealand Dollars (NZD).

We trust that this report is suitable for current purposes. If you have any questions, please contact the writer directly.

Yours faithfully

CIVAS Limited trading as COLLIERS INTERNATIONAL

A handwritten signature in black ink, appearing to read "Russell Clark".

RUSSELL CLARK BCOM (VPM), MPINZ
Registered Valuer
Director | Valuation & Advisory Services

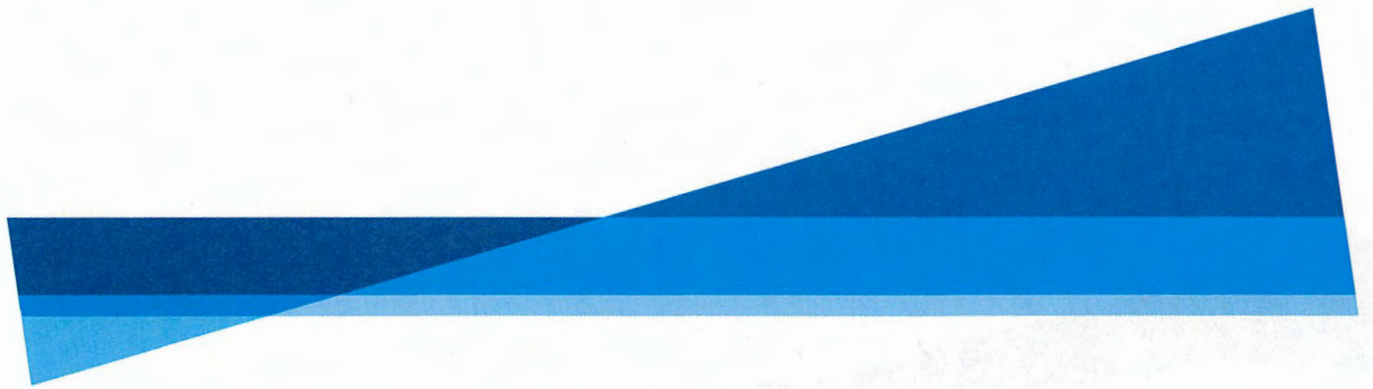
A handwritten signature in blue ink, appearing to read "Callum Kayes".

CALLUM KAYES BCOM, BPROP
Graduate Valuer

Inspection of Property:	Russell Clark & Callum Kayes
Valuation Calculations:	Russell Clark & Callum Kayes
Authoring of report:	Russell Clark & Callum Kayes
Director Review:	Russell Clark

APPENDIX 1

Valuation in Detail





Valuation Calculations

Under Instruction From

Augusta Industrial Fund Limited

As At

31 October 2018

Reference: 20790/RAC

Valuation Calculations Summary

265 Albany Highway, Rosedale, Auckland

VALUATION DETAILS

Valuation Date	31 October 2018	Cash Flow Model Date	1 November 2018
Interest Valued	Freehold Interest	Purpose of Valuation	Mortgage Finance & Fund Transfer

CORE VALUATION ASSUMPTIONS

Financial Details

Gross Passing Income (Fully Let)	\$1,592,591
Outgoings (pa)	\$310,733
Net Passing Income (Fully Let)	\$1,281,858
Net Passing Income (Current)	\$1,281,858

Passing Income is \$33,364 below current market levels

Over / Under rented % -2.54%

Fully Leased - over / under rented % -2.54%

Total NLA	5,503.70 m ²
Total Carparks	103 parks

Industrial NLA	4,418.60 m ²
Proportion of Occupied Industrial Area	100.00%

	Net	Gross
Average Passing Industrial Rental*	\$179/m ²	\$236/m ²
Average Market Industrial Rental	\$175/m ²	\$231/m ²

*Passing rental averages are based on the proportion of occupied area.

Global Assumptions

Agents Leasing Fees (Gross)	16.00%
Renewal Leasing Fee (Gross)	5.00%

Industrial

Lease Term	6 years
Letting Up - Market	12 months
Retention Probability (Letting Up & Leasing Fees)	50.0%
Letting Up - Applied	6 months
Renewal Probability (Incentives)	0.0%
Reviews	2 yearly rent reviews to market rent

Traditional Valuation Approach

Core Initial Capitalisation Rate	6.250%
Core Market Capitalisation Rate	6.250%
Pending Vacancies Allowances within	24 months
Capital Expenditure Allowances for	0 months
Rental Reversions (PV)	Current tenants at expiry/market review with subsequent leases at 24 months

VALUATION CONCLUSIONS

Traditional Valuation Approach

Initial Yield Approach	\$19,900,000
Market Yield Approach	\$20,300,000

ADOPTED VALUE

\$20,100,000 - GST Exclusive

(TWENTY MILLION ONE HUNDRED THOUSAND DOLLARS)

RESULTANT YIELDS AND IRR'S ON ADOPTED VALUE

Direct Comparison	\$3,652 per m ² NLA
Passing Initial Yield	6.38%
Equivalent Initial Yield	6.18%
Equivalent Market Yield	6.31%
Average Lease Duration	4.71 years
Weighted Lease Duration by Area	5.04 years
Weighted Lease Duration by Income (inc vacancy)	5.02 years
Weighted Lease Duration by Income (exc vacancy)	5.01 years
Total Capital Expenditure (Nominal)	\$1,072,914
% of Adopted Value (Nominal)	5.34%

Adopted Gross Market Income	\$1,625,955
Outgoings (pa)	\$310,733
Adopted Net Market Income	\$1,315,222

Total Vacancy	-
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Office NLA	721.50 m ²
Proportion of Occupied Office Area	100.00%

	Net	Gross
Average Passing Office Rental*	\$268/m ²	\$324/m ²
Average Market Office Rental	\$339/m ²	\$396/m ²

Refurb Allowance - Initial Expiries	\$50/m ²
Refurb Allowance - Secondary Expiries	\$50/m ²

Office

Lease Term	4 years
Letting Up - Market	18 months
Retention Probability (Letting Up & Leasing Fees)	50.0%
Letting Up - Applied	9 months
Renewal Probability (Incentives)	0.0%
Reviews	2 yearly rent reviews to market rent

Discounted Cash Flow Approach

Cash Flow Term	10 years	
Terminal Capitalisation Rate	+50.00 bps	6.750%
Terminal Allowances & Reversions within	12 months	
Discount Rate	8.000%	
10 Yr Rental Growth	Industrial (Net Effective)	2.92%
(compounded)	Office (Net Effective)	2.92%

Discounted Cash Flow Approach

Discounted Terminal Value	58%	\$11,687,518
NPV of Cash Flows	42%	\$8,429,443
Sum of Discounted Cash Flows		\$20,116,961
Less Acquisition Costs		-
Net Present Value		\$20,116,961
Rounded DCF Value		\$20,100,000

Terminal Initial Yield	6.35%
Terminal Market Yield	6.75%
Terminal Capital Value	\$4,657 per m ² NLA
Rate of Increase in Capital Value	2.46%
IRR (Incl. Capex)	8.01%
IRR (Excl. Capex)	8.60%
3 Year IRR (incl. Capex)	8.23%
5 Year IRR (incl. Capex)	7.49%
7 Year IRR (incl. Capex)	7.84%

	Level/Suite	Tenant	Lettable Area NLA	Lease Commence	Lease Term	Lease Expiry	% NLA	Lease Option	Base Passing		Adopted Market		PV of Rental Reversion
									Rent	Rent \$/m ²	Rent	Rent \$/m ²	
1	Unit 1 Office	Good Health	1,044.40	1-Apr-06	18.00	31-Mar-24	18.98%	1 x 8	237,601	227.50	234,990	225.00	654
2	Unit 1 Lab	Good Health	1,054.50	1-Apr-06	18.00	31-Mar-24	19.16%	1 x 8	229,354	217.50	210,900	200.00	26,647
3	Unit 1 Warehouse	Good Health	1,811.10	1-Apr-06	18.00	31-Mar-24	32.91%	1 x 8	226,388	125.00	226,388	125.00	-
4	Unit 1 Mezzanine	Good Health	19.40	1-Apr-06	18.00	31-Mar-24	0.35%	1 x 8	1,455	75.00	1,455	75.00	(35)
5	Unit 1 Canopy	Good Health	128.80	1-Apr-06	18.00	31-Mar-24	0.00%	1 x 8	7,728	60.00	7,728	60.00	(186)
6	Unit 1 Yard	Good Health	3,500.00	1-Apr-06	18.00	31-Mar-24	0.00%	1 x 8	98,705	28.20	98,000	28.00	128
7	Unit 1 Carparks	Good Health	39.00	1-Apr-06	18.00	31-Mar-24	0.00%	1 x 8	30,420	780.00	30,420	780.00	-
8	Unit 2 Showroom	Albany OPE	287.90	1-Oct-09	15.00	30-Sep-24	5.23%	1 x 5	71,975	250.00	73,415	255.00	(1,757)
9	Unit 2 Warehouse	Albany OPE	201.30	1-Oct-09	15.00	30-Sep-24	3.66%	1 x 5	25,285	125.61	26,169	130.00	(927)
10	Unit 2 Carparks	Albany OPE	13.00	1-Oct-09	15.00	30-Sep-24	0.00%	1 x 5	10,140	780.00	10,140	780.00	-
11	Unit 2 First Floor Office	Panda Internet Café	284.70	1-May-16	3.00	30-Apr-19	5.17%	2 x 2	47,270	166.03	56,940	200.00	(4,080)
12	Unit 2 Carparks	Panda Internet Café	7.00	1-May-16	3.00	30-Apr-19	0.00%	2 x 2	2,730	390.00	5,460	780.00	(1,133)
13	Unit 3 Childcare	Junior Junction	436.80	1-Nov-09	12.00	31-Oct-21	7.94%	4 x 6	145,736	333.64	188,000	430.40	(129,128)
14	Unit 3 Carparks	Junior Junction	17.00	1-Nov-09	12.00	31-Oct-21	0.00%	4 x 6	13,260	780.00	13,260	780.00	-
15	Unit 4 Cafe	Caffè é Cucina	257.00	1-Sep-18	6.00	31-Aug-24	4.67%	3 x 4	78,385	305.00	78,385	305.00	-
16	Unit 4 Courtyard	Caffè é Cucina	106.60	1-Sep-18	6.00	31-Aug-24	1.94%	3 x 4	32,513	305.00	32,513	305.00	-
17	Unit 4 Carparks	Caffè é Cucina	27.00	1-Sep-18	6.00	31-Aug-24	0.00%	3 x 4	22,913	848.64	21,060	780.00	3,215
TOTALS													
19			5,503.70				100.00%		1,281,858		1,315,222		(106,601)

(Initial) Passing Yield Calculations

Office		193,006		
Retail		110,898		
Industrial		792,058		
Naming		-		
Parking		79,463		
Other		106,433		
Telecoms		-		
Storage		-		
Warehouse		-		
Current Passing Income		1,281,858		
Add Recoverable Outgoings		310,733		
Add Estimated Gross Rental Value on Vacant Space		-		
Potential Gross Income Fully Let		1,592,591		
Less Vacancy Allowance	0.00%	-		
Less Outgoings	\$56.46/m ²	310,733		
Net Income		1,281,858		
Capitalised at	6.000%	6.250%	6.500%	
Capitalised Value		\$21,364,296	\$20,509,724	\$19,720,889

Capital Value Adjustments

Existing Vacant Tenancy Allowances				
Downtime	-	-	-	-
Downtime for Deferred Tenancy Commencement	-	-	-	-
Agents Leasing Fees	-	-	-	-
Incentives	-	-	-	-
Refurbishment Allowance	-	-	-	-
PV of Pending Vacancy Allowances (expiries within 24 months)				
Downtime	(58,855)	(58,855)	(58,855)	(58,855)
Agents Leasing Fees	(8,281)	(8,281)	(8,281)	(8,281)
Incentives	-	-	-	-
Refurbishment Allowance	(14,235)	(14,235)	(14,235)	(14,235)
PV Outstanding Current Incentives	(54,509)	(54,509)	(54,509)	(54,509)
General Capital Expenditure Allowance (0 months)	-	-	-	-
Budgeted Capital Expenditure (48 months)	(494,204)	(494,204)	(494,204)	(494,204)
Other Adjustments				
Total Adjustments	(630,084)	(630,084)	(630,084)	(630,084)
Assessed Capital Value as at 31 October 2018	\$20,734,212	\$19,879,640	\$19,090,804	
Value \$/m ²	\$3,767	\$3,612	\$3,469	
Rounded Initial Capitalisation Value		\$19,900,000		
Adopted Value as at 31 October 2018		\$20,100,000		

Capital Value Analysis

Actual Net Passing Income	\$1,281,858
Initial Yield	6.38%
Equivalent Initial Yield	6.18%
Rate per metre of NLA	\$3,652/m ²

Market Yield Calculations

Office		244,940		
Retail		110,898		
Industrial		773,316		
Naming		-		
Parking		80,340		
Other		105,728		
Telecoms		-		
Storage		-		
Warehouse		-		
Market Income		1,315,222		
Add Recoverable Outgoings		310,733		
Total Gross Market Income		1,625,955		
Less Outgoings	\$56.46/m ²	310,733		
Net Market Income		1,315,222		
Less Vacancy Allowance	0.00%	-		
Net Income		1,315,222		
Capitalised at	6.000%	6.250%	6.500%	
Capitalised Value		\$21,920,367	\$21,043,552	\$20,234,185

Capital Value Adjustments

Existing Vacant Tenancy Allowances				
Downtime	-	-	-	-
Downtime for Deferred Tenancy Commencement	-	-	-	-
Agents Leasing Fees	-	-	-	-
Incentives	-	-	-	-
Refurbishment Allowance	-	-	-	-
PV of Pending Vacancy Allowances (expiries within 24 months)				
Downtime	(58,855)	(58,855)	(58,855)	(58,855)
Agents Leasing Fees	(8,281)	(8,281)	(8,281)	(8,281)
Incentives	-	-	-	-
Refurbishment Allowance	(14,235)	(14,235)	(14,235)	(14,235)
PV Outstanding Current Incentives	(54,509)	(54,509)	(54,509)	(54,509)
PV Rental Shortfall / (Overage)	(106,601)	(106,601)	(106,601)	(106,601)
General Capital Expenditure Allowance (0 months)	-	-	-	-
Budgeted Capital Expenditure (48 months)	(494,204)	(494,204)	(494,204)	(494,204)
Other Adjustments				
Total Adjustments	(736,685)	(736,685)	(736,685)	(736,685)
Assessed Capital Value as at 31 October 2018	\$21,183,682	\$20,306,867	\$19,497,500	
Value \$/m ²	\$3,849	\$3,690	\$3,543	
Rounded Market Capitalisation Value		\$20,300,000		
Adopted Value as at 31 October 2018		\$20,100,000		

Capital Value Analysis

Equivalent Market Yield	6.31%
Rate per metre of NLA	\$3,652/m ²

Growth Assumptions

Calendar Year	Code	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	10 Yr CAGR
Inflation (CPI)	1	1.60%	1.80%	2.00%	2.00%	2.10%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.01%
Industrial (Gross Face)	2		2.33%	2.57%	2.76%	2.97%	3.14%	2.77%	2.58%	2.58%	2.58%	2.58%	2.58%	2.71%
Industrial (Gross Effective)	3		2.33%	2.57%	2.76%	2.97%	3.14%	2.77%	2.58%	2.58%	2.58%	2.58%	2.58%	2.71%
Industrial (Net Face)	4		2.50%	2.75%	3.00%	3.25%	3.50%	3.00%	2.75%	2.75%	2.75%	2.75%	2.75%	2.92%
Industrial (Net Effective)	5		2.50%	2.75%	3.00%	3.25%	3.50%	3.00%	2.75%	2.75%	2.75%	2.75%	2.75%	2.92%
Office (Gross Face)	6		2.40%	2.64%	2.86%	3.09%	3.29%	2.86%	2.65%	2.65%	2.65%	2.65%	2.65%	2.80%
Office (Gross Effective)	7		2.40%	2.64%	2.86%	3.09%	3.29%	2.86%	2.65%	2.65%	2.65%	2.65%	2.65%	2.80%
Office (Net Face)	8		2.50%	2.75%	3.00%	3.25%	3.50%	3.00%	2.75%	2.75%	2.75%	2.75%	2.75%	2.92%
Office (Net Effective)	9		2.50%	2.75%	3.00%	3.25%	3.50%	3.00%	2.75%	2.75%	2.75%	2.75%	2.75%	2.92%
Car Parking	10		2.50%	2.75%	3.00%	3.25%	3.50%	3.00%	2.75%	2.75%	2.75%	2.75%	2.75%	2.92%
Statutories	11		1.80%	2.00%	2.00%	2.10%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.01%
Operational	12		1.80%	2.00%	2.00%	2.10%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.01%
Capital expenditure	13		1.80%	2.00%	2.00%	2.10%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.01%

Discounted Cash Flow Assumptions

Valuation Date	31 October 2018
Commencement of Cash Flow	1 November 2018
Term of Cash Flow	10 years
Discount Rate	8.000%
Terminal Yield	6.750%
Terminal Yield Variance over Market Cap Rate	+50.00 bps
Acquisition Costs	0.00%
Disposal Costs	1.50%
Total Budgeted Capital Expenditure	\$670,000 pa (Real) \$670,000 pa (Nominal)
General Capital Expenditure Allowance applied from 1-Nov-2018	\$15.00/m ² \$82,555 pa (Real) \$90,531 pa (Nominal)
Refurbishment Allowance on Initial Expiries	\$50.0/m ²
Refurbishment Allowance on Secondary Expiries	\$50.0/m ²
Total Capital Expenditure (Real)	\$1,036,656
% of Adopted Value (Real)	5.16%
Total Capital Expenditure (Nominal)	\$1,072,914
% of Adopted Value (Nominal)	5.34%
1 Yr Summary	\$292,422 (Nominal)

Lease Renewal Assumptions

Agents Fees - New Tenant (Year 1 Gross Rent)	16.0%
Agents Fees - Renewal (Year 1 Gross Rent)	5.0%
Industrial (Whole Floors)	
Renewal Lease Term	6.0 years
Letting Up Period - Market	12 months
Retention Probability (Letting Up, Leasing Fees)	50%
Letting Up Period - Applied	6 months
Incentive Probability	0%
Review Structure	2 yearly rent reviews to market rent
Office	
Renewal Lease Term	4.0 years
Letting Up Period - Market	18 months
Retention Probability (Letting Up, Leasing Fees)	50%
Letting Up Period - Applied	9 months
Incentive Probability	0%
Review Structure	2 yearly rent reviews to market rent
Childcare	
Renewal Lease Term	10.0 years
Letting Up Period - Market	4 months
Retention Probability (Letting Up, Leasing Fees)	50%
Letting Up Period - Applied	2 months
Incentive Probability	0%
Review Structure	2 yearly rent reviews to market rent

Level/Suite	Tenant	Year 1 01-Nov-18	Year 2 01-Nov-19	Year 3 01-Nov-20	Year 4 01-Nov-21	Year 5 01-Nov-22	Year 6 01-Nov-23	Year 7 01-Nov-24	Year 8 01-Nov-25	Year 9 01-Nov-26	Year 10 01-Nov-27
Unit 1 Office	Good Health	296,721	301,672	305,689	315,516	322,886	163,772	347,035	349,668	365,364	368,123
Unit 1 Lab	Good Health	289,046	290,072	291,291	295,051	298,091	151,101	318,915	321,427	335,666	338,298
Unit 1 Warehouse	Good Health	328,908	335,929	341,777	352,226	360,299	182,804	385,553	389,114	405,281	409,005
Unit 1 Mezzanine	Good Health	2,553	2,606	2,652	2,729	2,790	1,416	2,972	3,005	3,119	3,153
Unit 1 Canopy	Good Health	7,728	7,907	8,036	8,317	8,518	4,318	9,227	9,270	9,742	9,787
Unit 1 Yard	Good Health	98,705	100,570	101,902	105,468	108,016	54,757	117,010	117,554	123,535	124,108
Unit 1 Carparks	Good Health	30,420	31,126	31,631	32,738	33,529	16,997	36,321	36,490	38,346	38,524
Unit 2 Showroom	Albany OPE	88,545	91,825	92,550	97,221	98,012	94,629	62,553	107,540	110,804	113,249
Unit 2 Warehouse	Albany OPE	36,808	38,413	38,786	40,571	40,972	39,372	25,972	44,738	46,030	47,032
Unit 2 Carparks	Albany OPE	10,161	10,393	10,447	11,044	11,105	10,797	7,159	12,272	12,671	12,957
Unit 2 First Floor Office	Panda Internet Café	31,689	56,522	75,638	78,828	80,120	20,073	86,256	86,619	90,787	91,164
Unit 2 Carparks	Panda Internet Café	1,365	4,237	5,649	5,922	6,013	1,503	6,534	6,534	6,898	6,898
Unit 3 Childcare	Junior Junction	170,462	173,753	174,258	193,937	233,162	244,949	247,744	258,520	261,130	272,498
Unit 3 Carparks	Junior Junction	13,260	13,521	13,521	12,134	14,561	15,355	15,513	16,234	16,378	17,139
Unit 4 Cafe	Caffé é Cucina	92,933	93,444	95,048	95,632	97,298	81,335	46,544	111,980	114,528	117,967
Unit 4 Courtyard	Caffé é Cucina	38,547	38,759	39,425	39,667	40,358	33,736	18,282	43,990	44,752	45,767
Unit 4 Carparks	Caffé é Cucina	22,913	22,990	23,372	23,451	23,847	19,872	10,668	25,604	26,199	27,032
	Total Passing Income	1,560,764	1,613,741	1,651,671	1,710,453	1,779,576	1,136,787	1,744,260	1,940,559	2,011,229	2,042,702
	Total Gross Passing Income	1,560,764	1,613,741	1,651,671	1,710,453	1,779,576	1,136,787	1,744,260	1,940,559	2,011,229	2,042,702
	Outgoings	311,547	316,904	323,265	329,982	336,631	343,364	350,231	357,236	364,380	371,668
	Vacancy Allowance	-	-	-	-	-	-	-	-	-	-
	Net Income before Capital Expenditure	1,249,218	1,296,836	1,328,407	1,380,471	1,442,945	793,423	1,394,029	1,583,323	1,646,849	1,671,034
	Capital Expenditure	278,187	58,350	158,517	58,695	58,869	29,047	29,228	29,412	29,601	29,793
	Refurbishment Allowance	14,235	-	-	23,194	-	251,520	17,646	-	-	-
	Agents Fees	-	8,569	-	26,160	-	155,308	46,812	-	-	-
	Incentives	55,756	-	-	-	-	-	-	-	-	-
	Ground Rent	-	-	-	-	-	-	-	-	-	-
	Other Adjustments	-	-	-	-	-	-	-	-	-	-
	Net Income after Capital Expenditure	901,039	1,229,918	1,169,890	1,272,422	1,384,076	357,549	1,300,344	1,553,911	1,617,248	1,641,241

Terminal Value Calculations

265 Albany Highway, Rosedale, Auckland

Level/Suite	Tenant	NLA	Terminal Rent		Shortfall/ Overage	Next Review or Expiry	Number of Months	PV (within 12mths) Reversions
			Market	Passing				
Unit 1 Office	Good Health	1,044.40	313,442	312,734	708	30-Sep-30	23.0	-
Unit 1 Lab	Good Health	1,054.50	281,309	280,674	635	30-Sep-30	23.0	-
Unit 1 Warehouse	Good Health	1,811.10	301,967	301,286	682	30-Sep-30	23.0	-
Unit 1 Mezzanine	Good Health	19.40	1,941	1,936	4	30-Sep-30	23.0	-
Unit 1 Canopy	Good Health	128.80	10,308	10,285	23	30-Sep-30	23.0	-
Unit 1 Yard	Good Health	3,500.00	130,718	130,422	295	30-Sep-30	23.0	-
Unit 1 Carparks	Good Health	39.00	40,576	40,484	92	30-Sep-30	23.0	-
Unit 2 Showroom	Albany OPE	287.90	97,924	93,807	4,117	1-Apr-29	5.0	1,681
Unit 2 Warehouse	Albany OPE	201.30	34,906	33,438	1,468	1-Apr-29	5.0	599
Unit 2 Carparks	Albany OPE	13.00	13,525	12,957	569	1-Apr-29	5.0	232
Unit 2 First Floor Off	Panda Internet Café	284.70	75,950	-	75,950	31-Jul-33	57.0	-
Unit 2 Carparks	Panda Internet Café	7.00	7,283	-	7,283	31-Jul-33	57.0	-
Unit 3 Childcare	Junior Junction	436.80	250,764	245,159	5,605	31-Dec-31	38.0	-
Unit 3 Carparks	Junior Junction	17.00	17,687	17,292	395	31-Dec-31	38.0	-
Unit 4 Cafe	Caffé é Cucina	257.00	104,554	100,612	3,942	31-May-29	7.0	2,245
Unit 4 Courtyard	Caffé é Cucina	106.60	39,666	38,568	1,097	31-May-29	7.0	625
Unit 4 Carparks	Caffé é Cucina	27.00	28,091	27,032	1,059	31-May-29	7.0	603
Total		5,503.70	1,750,610	1,646,685				5,985

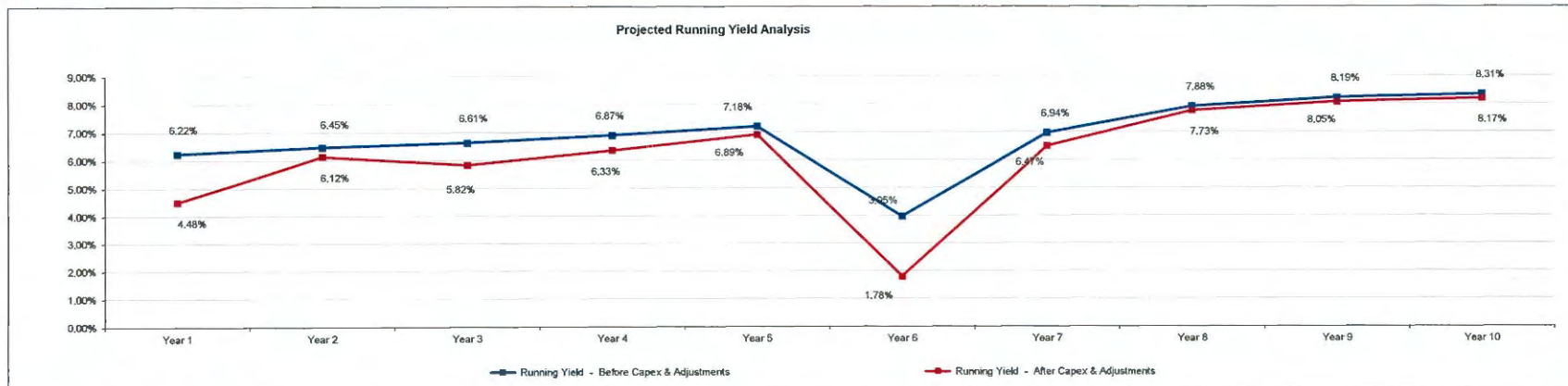
Terminal Value Calculations - Market Approach

Office		326,714
Retail		144,220
Industrial		1,031,489
Naming		-
Parking		107,162
Other		141,026
Telecoms		-
Storage		-
Warehouse		-
Market Income		1,750,610
Add Recoverable Outgoings		372,887
Total Gross Market Income		2,123,496
Less Outgoings	\$67.75/m ²	372,887
Net Market Income		1,750,610
Vacancy Allowance	0.00%	-
Net Income		1,750,610
Capitalised at	6.75%	
Capitalised Value		25,934,958
Terminal Value Adjustments		
-		-
-		-
Existing Vacant Tenancy Allowances		
Downtime		76,628
Agents Leasing Fees		11,046
Incentives		-
Refurbishment Allowance		17,367
Pending Vacancy Allowances (expiries within 12 months)		
Downtime		147,709
Agents Leasing Fees		21,109
Incentives		-
Refurbishment Allowance		22,179
NPV Outstanding Current Incentives		-
PV Rental (Shortfall) / Overage		5,985
General Capital Expenditure Allowance (0 months)		-
Budgeted Capital Expenditure (48 months)		-
Other Adjustments		-
Total Adjustments		302,023
Assessed Terminal Value as at 31 October 2028		25,632,935
Value \$/m²		4,657

Terminal Value Analysis

Terminal Initial Yield	6.35%
Equivalent Market Yield With Vacancy Factor	6.75%
Equivalent Market Yield Without Vacancy Factor	6.75%
Rate per metre of NLA	\$4,657/m ²

For Year Commencing	Year 1 01-Nov-18	Year 2 01-Nov-19	Year 3 01-Nov-20	Year 4 01-Nov-21	Year 5 01-Nov-22	Year 6 01-Nov-23	Year 7 01-Nov-24	Year 8 01-Nov-25	Year 9 01-Nov-26	Year 10 01-Nov-27
Office	169,371	192,789	207,518	233,797	269,152	233,374	288,087	298,307	304,150	314,939
Retail	110,898	111,268	113,116	113,499	115,416	96,180	55,154	132,369	135,207	139,180
Industrial	792,458	806,093	813,215	838,391	852,789	482,954	874,732	928,686	973,723	980,469
Naming	-	-	-	-	-	-	-	-	-	-
Parking	78,119	82,267	84,620	85,289	89,055	64,524	76,196	97,134	100,493	102,550
Other	106,433	108,477	109,937	113,785	116,533	59,075	128,238	126,824	133,276	133,895
Telecoms	-	-	-	-	-	-	-	-	-	-
Storage	-	-	-	-	-	-	-	-	-	-
Warehouse	-	-	-	-	-	-	-	-	-	-
Outgoings Recoveries	303,484	312,846	323,265	325,692	336,631	200,679	323,854	357,236	364,380	371,668
Total Income	1,560,764	1,813,741	1,851,671	1,710,453	1,779,576	1,136,787	1,744,260	1,940,559	2,011,229	2,042,702
Outgoings	311,547	316,904	323,265	329,982	336,631	343,364	350,231	357,236	364,380	371,668
Vacancy Allowance	-	-	-	-	-	-	-	-	-	-
Net Income Before Capital Expenditure	1,249,218	1,296,836	1,328,407	1,380,471	1,442,945	793,423	1,394,029	1,583,323	1,646,849	1,671,034
Capital Expenditure (Budgeted & General)	278,187	58,350	158,517	58,695	58,869	29,047	29,228	29,412	29,601	29,793
Refurbishment Allowance	14,235	-	-	23,194	-	251,520	17,646	-	-	-
Agents Fees	-	8,569	-	26,160	-	155,308	48,812	-	-	-
Incentives	55,756	-	-	-	-	-	-	-	-	-
Other Adjustments	-	-	-	-	-	-	-	-	-	-
Net Income After Capital Expenditure	901,039	1,229,918	1,169,890	1,272,422	1,384,076	357,549	1,300,344	1,553,911	1,617,248	1,641,241
Terminal Value	-	-	-	-	-	-	-	-	-	25,632,935
Disposal Costs	-	-	-	-	-	-	-	-	-	(384,494)
Net Cash Flow	901,039	1,229,918	1,169,890	1,272,422	1,384,076	357,549	1,300,344	1,553,911	1,617,248	26,889,682
Adopted Value @ 8.000%	\$	20,100,000								
Acquisition Costs	\$	-								
Adopted Value before Acquisition Costs	\$	20,100,000								
Running Yield - Before Capex & Adjustments	6.22%	6.45%	6.61%	6.87%	7.18%	3.95%	6.94%	7.88%	8.19%	8.31%
Running Yield - After Capex & Adjustments	4.48%	6.12%	5.82%	6.33%	6.89%	1.78%	6.47%	7.73%	8.05%	8.17%
Running Yield - Before Capex & incl. Adjustments	5.94%	6.41%	6.61%	6.74%	7.18%	3.17%	6.70%	7.88%	8.19%	8.31%
Running Yield - After Capex, Adjustments & incl. Acquisition Costs	4.48%	6.12%	5.82%	6.33%	6.89%	1.78%	6.47%	7.73%	8.05%	8.17%



Note: This running yield analysis is based upon the projected net income and includes potential downtime and associated re-letting costs, as per our specific assumptions.

DCF Summary

265 Albany Highway, Rosedale, Auckland

Present Value of Cash Flows	\$20,116,961	
Discount Rate	8.000%	
Terminal Value	\$25,632,935	
Less Disposal Costs	(\$384,494)	
Net Terminal Value	\$25,248,441	
Discounted Terminal Value	\$11,687,518	58.10%
Discounted Cash Flow	\$8,429,443	41.90%
Sum of Discounted Cash Flows	\$20,116,961	
Less Acquisition Costs	-	
Present Value	\$20,116,961	
Rounded Present Value	\$20,100,000	
Rate \$/m ²	\$3,652	
Rate of Increase in Capital Value	2.46%	
IRR (incl. Capex)	8.01%	
IRR (excl. Capex)	8.60%	
3 Year IRR (incl. Capex)	8.23%	
5 Year IRR (incl. Capex)	7.49%	
7 Year IRR (incl. Capex)	7.84%	

Net Present Value Matrix

		Terminal Yield		
		6.500%	6.750%	7.000%
Discount Rate	7.500%	21,336,101	20,859,663	20,417,258
	7.750%	20,949,435	20,483,946	20,051,706
	8.000%	20,571,777	20,116,961	19,694,631
	8.250%	20,202,892	19,758,479	19,345,810
	8.500%	19,842,547	19,408,277	19,005,026

IRR Matrix

		Terminal Yield		
		6.500%	6.750%	7.000%
Adopted Value	18,140,250	9.77%	9.46%	9.16%
	19,095,000	9.04%	8.73%	8.43%
	20,100,000	8.32%	8.01%	7.72%
	21,105,000	7.65%	7.34%	7.05%
	22,160,250	6.99%	6.68%	6.38%

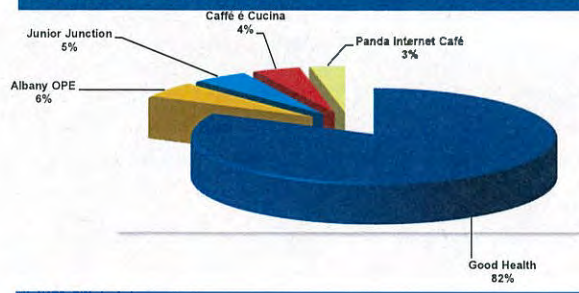
Graphs

265 Albany Highway, Rosedale, Auckland

Major Occupants by Area

Major Tenants	Area
1 Good Health	7,597.20 m ²
2 Albany OPE	502.20 m ²
3 Junior Junction	453.80 m ²
4 Caffé e Cucina	390.60 m ²
5 Panda Internet Café	291.70 m ²
Remainder	-
Vacant	-
Total NLA	5,503.70 m²

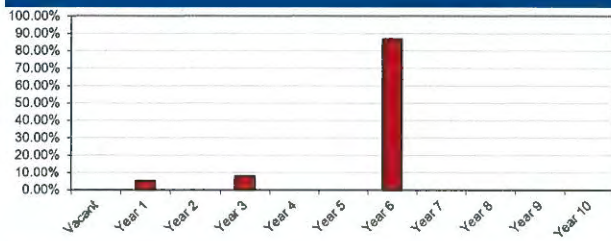
Major Tenant Composition by Area



Lease Expiry Profiles

	Vacant	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Lease Expiry by Area	0.00%	5.17%	0.00%	7.94%	0.00%	0.00%	86.89%	0.00%	0.00%	0.00%	0.00%
Lease Expiry by Income	0.00%	3.90%	0.00%	12.40%	0.00%	0.00%	83.70%	0.00%	0.00%	0.00%	0.00%

Lease Expiry by Area



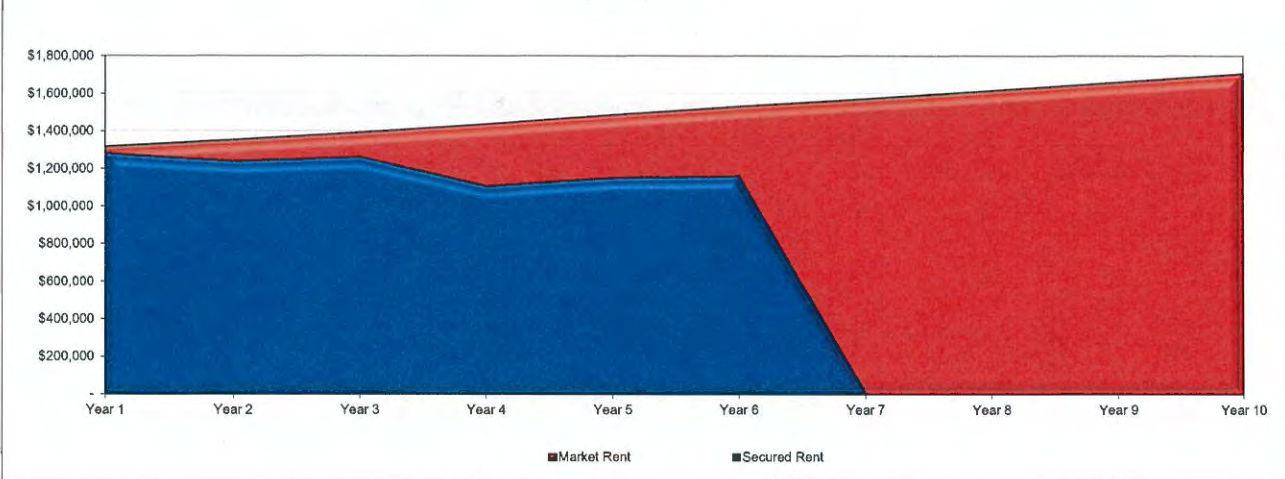
Lease Expiry by Income



Expiries by Rental

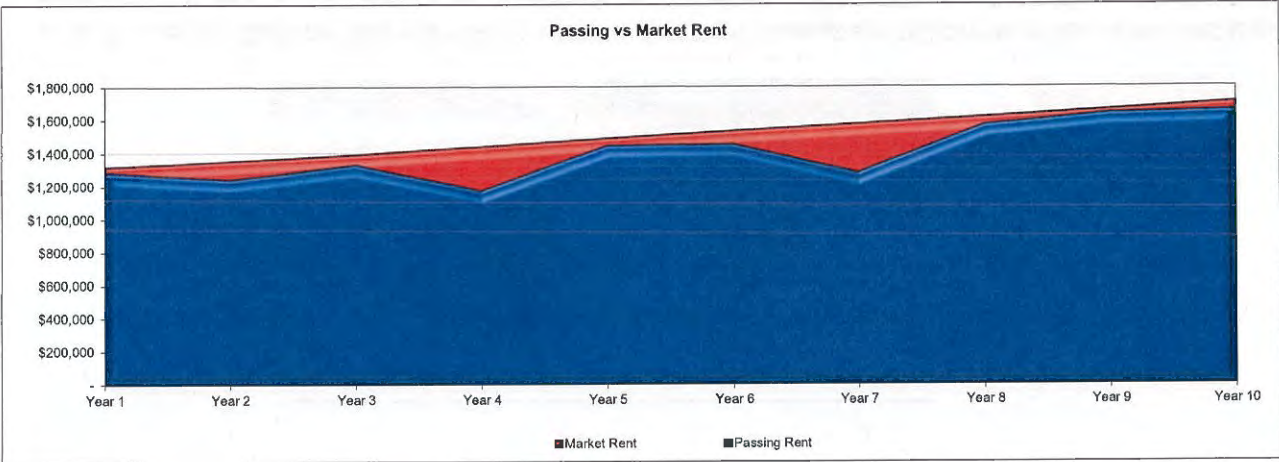
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Secured Rent	\$1,281,858	\$1,240,048	\$1,263,255	\$1,108,174	\$1,152,557	\$1,160,502	-	-	-	-
Market Rent	\$1,315,222	\$1,350,874	\$1,390,794	\$1,435,320	\$1,484,749	\$1,529,541	\$1,571,645	\$1,614,591	\$1,658,712	\$1,704,040

Expiries by Rental



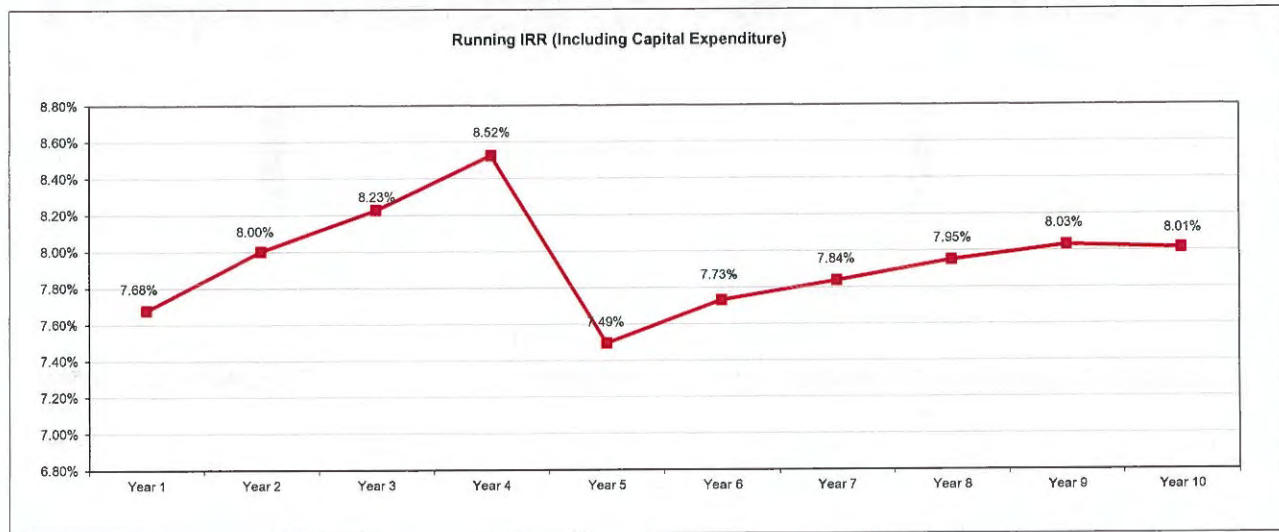
Annualised Passing versus Market

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Passing Rent	\$1,281,858	\$1,240,048	\$1,327,820	\$1,172,739	\$1,442,283	\$1,450,228	\$1,277,119	\$1,567,890	\$1,639,097	\$1,654,740
Market Rent	\$1,315,222	\$1,350,874	\$1,390,794	\$1,435,320	\$1,484,749	\$1,529,541	\$1,571,645	\$1,614,591	\$1,658,712	\$1,704,040



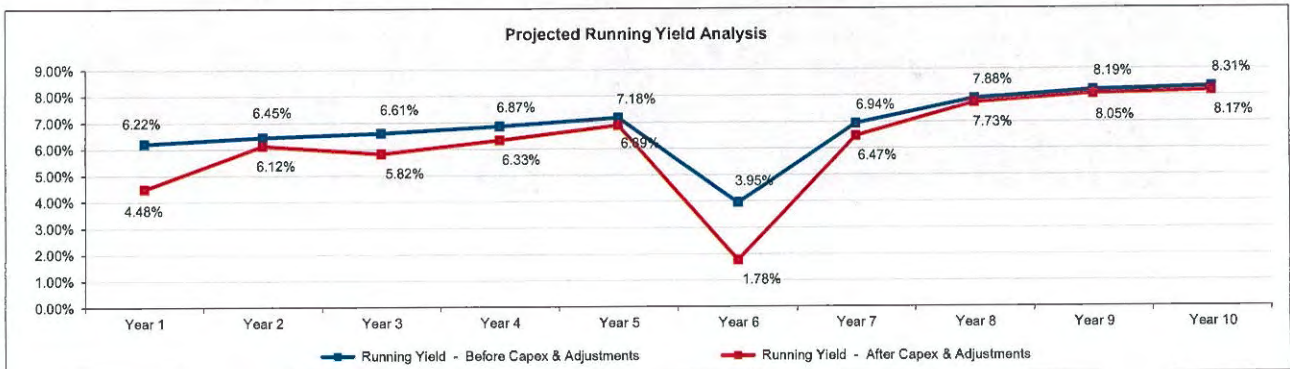
Running IRR (incl. Capex)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Running IRR	7.68%	8.00%	8.23%	8.52%	7.49%	7.73%	7.84%	7.65%	8.03%	8.01%



Running Yield Analysis

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Running Yield - Before Capex & Adjustments	6.22%	6.45%	6.61%	6.87%	7.18%	3.95%	6.94%	7.88%	8.19%	8.31%
Running Yield - After Capex & Adjustments	4.48%	6.12%	5.82%	6.33%	6.99%	1.78%	6.47%	7.73%	8.05%	8.17%



Purpose of the Report	Mortgage Finance & Fund Transfer
Type of Property	Investment Style
Method of Arriving at the Discount Rate	Analysis of comparable sales, discussions with industry participants, consideration of the long term bond rate plus adjustment factors.
Purchase and Sale Costs	Included in the Discounted Cash Flow * Costs are based upon the normal market terms of each party paying their own purchase/sale costs
Rest Periods	Monthly, assumed cash received in arrears
Term of the cash flow (years)	10 Years
Terminal Value	Calculated using the market capitalisation approach * We have taken the rental value in the 121 month, capitalised this and deducted or added the value of the shortfalls or overages.
Financing Costs and Taxation	All cash flows are calculated before financing costs and tax.
Returns	Quoted in annual terms.
Commencement Date	Nov-18
Inflows and Outflows	The inflow comprises estimated revenue and the outflows the estimated costs.
Specific Exceptions	None
Debt	Calculations prepared on a pre-debt basis.
Cash Flow Developer	Colliers International Valuation & Advisory Services
Tax	All calculations are prepared on a net of Income Tax and other general taxes, including GST, basis but after the deduction of direct property taxes including Rates etc., if applicable unless specifically stated as below.

Some definitions

Discounted Cash Flow	The method involves the discounting of the net cash flow on a monthly basis over the assumed cash flow period at an appropriate rate to reflect risk to derive a market value. The net cash flow comprises the cash inflows less the cash outflows over the cash flow period, with the addition of the terminal value in the final cash flow period.
Initial yield	The initial net income at the date of transaction or valuation expressed as a percentage of the sale price or valuation.
Market yield	The assessed net market income divided by the sum of the sale price or the adopted value plus any capital adjustments to the core value such as letting up allowances, capital expenditure and present value of reversions (to obtain this net market income).
Terminal yield	The capitalisation rate used to convert income into an indication of the anticipated value of the property at the end of the holding period or property resale value.
Discount rate	A rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it should reflect the opportunity cost of capital, i.e., the rate of return the capital can earn if put to other uses having similar risk. (Determined with reference to 10-year bond and risk margin - Also referred to as the required rate of return).
Net Present Value	The measure of the difference between the discounted revenues, or inflows, and the costs, or outflows, in a DCF analysis. In a valuation that is done to arrive at Market Value, where discounted inflows and outflows and the discount rate are market derived.
Internal Rate of Return	The discount rate that equates the present value of the net cash flows of a project with the present value of the capital investment. It is the rate at which the Net Present Value (NPV) equals zero. The IRR reflects the total return over an investment horizon having regard to the assumed inherent growth and cost assumptions.

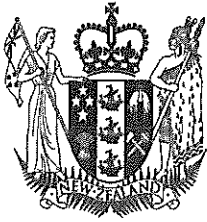
Notes

The future values quoted for property, rents and costs are projections only formed on the basis of information currently available to us and are not representations of what the value of the property will be as at a future date. This information includes the current expectations as to property values and income that may not prove to be accurate.

APPENDIX 2

Computer Freehold Register





**COMPUTER FREEHOLD REGISTER
UNDER LAND TRANSFER ACT 1952**




R.W. Muir
Registrar-General
of Land

Search Copy

Identifier NA67D/357
Land Registration District North Auckland
Date Issued 08 July 1987

Prior References

NA20B/884 NA66B/91

Estate Fee Simple
Area 1,6917 hectares more or less
Legal Description Lot 15 Deposited Plan 117850

Proprietors

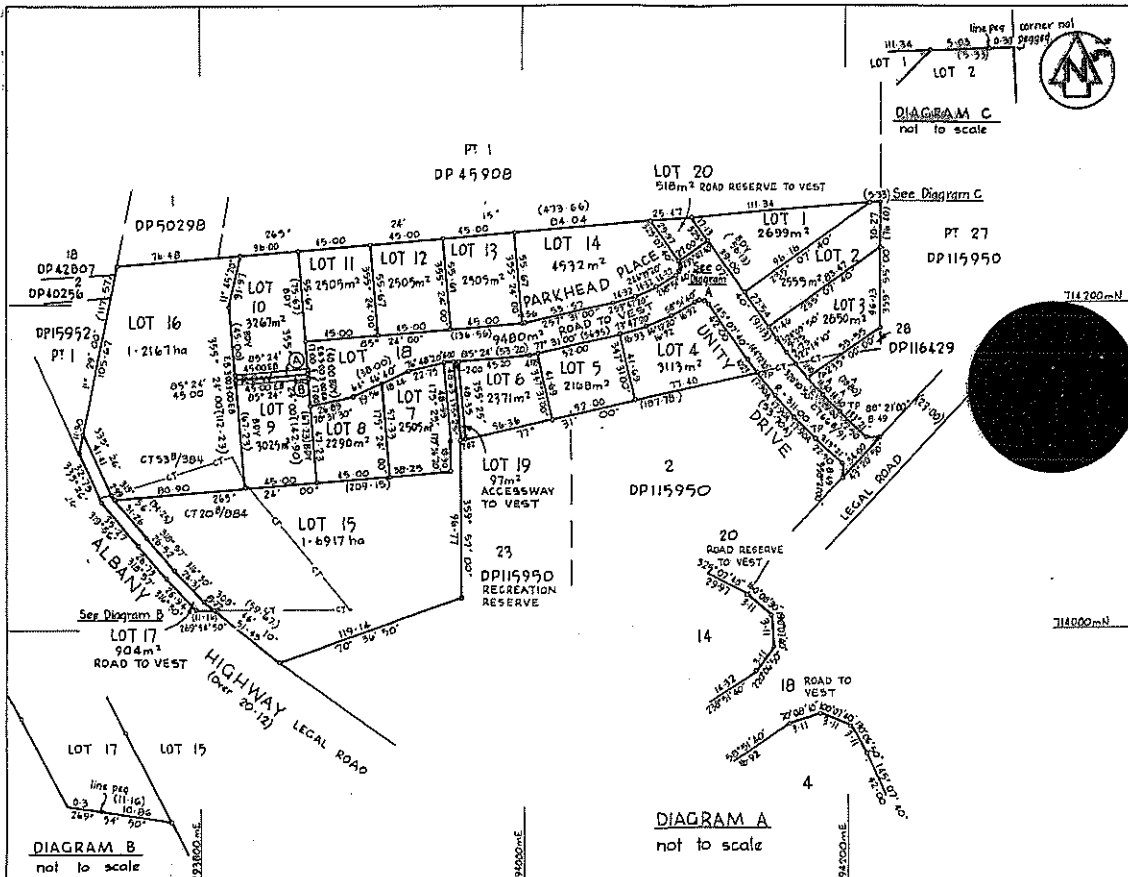
Albany Highway Nominees Limited

Interests

Land Covenant in Transfer B762291.2 - 9.12.1987 at 10.00 am

Subject to electricity supply rights (in gross) over part marked A on DP 422673 in favour of Vector Limited created by Easement Instrument 8493399.1 - 24.1.2011 at 9:47 am

8985462.3 Mortgage to ASB Bank Limited - 20.2.2012 at 4:08 pm



REGISTERED OWNERS
 Pursuant to a Resolution of the Takapuna City Council passed on the 9th day of May 1987 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 in force for the area to which this survey plan relates at the date of approval of the scheme plan the Common Seal of the Takapuna City Council was affixed hereto in the presence of:

[Signature] Mayor
[Signature] City Manager

TCC File No A13416

Proposed Easements			
Shown	Purpose	Serv. Ten.	Dom. Ten.
A	Right of Way	Pl Lot 10	Lot 16
B	Right of Way	Pl Lot 9	Lot 16

New C'sT Allocated			
Lot 1	679/543	Lot 9	679/551
Lot 2	679/544	Lot 10	679/552
Lot 3	679/545	Lot 11	679/553
Lot 4	679/546	Lot 12	679/554
Lot 5	679/547	Lot 13	679/555
Lot 6	679/548	Lot 14	679/556
Lot 7	679/549	Lot 15	679/557
Lot 8	679/550	Lot 16	679/558

Total Area 7.0773 ha
 Computed in C'sT 538/304, 200/004, 11/66/5140

Keith James Douglas Martin of Takapuna
 Registered Surveyor and holder of an annual practicing certificate for who was not a registered surveyor pursuant to the proviso in section 322 of the Surveyors Act 1958 hereby certify that this plan has been made from surveys executed by me or under my direction, that such plan and copies are correct and have been made in accordance with the Survey Regulations 1977.
 Dated at TAKAPUNA this 28th day of MARCH 1987

Field Book p. Traverse Book p.
 Reference Plan
 Examined *[Signature]* Chief Surveyor
 Approved as to Survey
 4/6/87
 Deposited this 8th day of May 1987
 Land Registrar
 File 930749
 Received
 1-5 MAY 1987
 DP117850

LAND DISTRICT North Auckland
 SURVEY BLK. & DIST. VII Waitakata
 NZMS 261 SHT R10 RECORD MAP No 13-18, 13-19

LOTS 1-20 BEING SUBDIVISION OF LOT 2 & PT LOT 3
 DP45908, LOT 1 DP97710, LOT 26 DP116429

TERRITORIAL AUTHORITY Takapuna City
 Surveyed by Harrison Grierson Consultants Ltd
 Staff 1-1500 Date March 1987

