



# Valuation Report

**'As if Complete'**

## **Industrial Building**

5-21 Beach Road, Otahuhu, Auckland

31 October 2018

21 Beach Road Otahuhu Proportionate Ownership Scheme

This valuation has been prepared for 21 Beach Road Otahuhu Proportionate Ownership Scheme for Financial Reporting and ASB Bank for Mortgage Security purposes only.



# Executive Summary

## Industrial Building - 5-21 Beach Road, Otahuhu, Auckland



The properties are located at 5-21 Beach Road, Otahuhu. The property located at 5 Beach Road is leased to Cyclone Wire, a division of Fletcher Steel, and comprises a large 1960s industrial building located to the corner of Beach Road and James Fletcher Drive.

The site is improved with a main factory warehouse, offices and amenities, and a yard area.

21 Beach Road leased to Pacific Steel (NZ) Limited occupies a western position along Beach Road, approximately 200 metres from its intersection with James Fletcher Drive, within the Auckland suburb of Otahuhu.

The site is improved with a main factory warehouse (referred to as the Factory Building), together with an adjacent warehousing dispatch area, warehouse offices and amenities, yard areas and a number of smaller ancillary buildings. A two level office building is provided to the Beach Road frontage.

Both complexes have been progressively developed over the last 30 to 40 years and present to an average standard commensurate with age and the heavy industrial use.

We have been instructed to value the property on an 'As if Complete' basis assuming that the current roof works being undertaken are completed.

### Valuation

Prepared For	21 Beach Road Otahuhu Proportionate Ownership Scheme
Additional Parties	Augusta Funds Management, ASB Bank and Ernest Young, Covenant Trustee Services Limited
Valuation Purpose	Market Valuation for Financial Reporting and Mortgage Security
Date of Valuation	31 October 2018
Valuation Approaches	Capitalisation of Net Income and Discounted Cash Flow Approach
Zoning	Heavy Industry Zone - Auckland Unitary Plan Operative in part (15 November 2016)
Tenure	Freehold – Computer Freehold Registers NA9B/512, NA49D/1422, and NA54A/739
Interest Valued	100% Freehold Interest
Adopted Value	<b>\$25,650,000 plus GST (if any)</b>

### Property Particulars

Net Lettable Area	Total
Site Area	

22,757 sqm
41,074 sqm

### Financial Summary

Gross Passing Income	\$2,018,339	(\$89 /sqm)
Gross Market Income	\$1,954,438	(\$86 /sqm)
Adopted Outgoings	\$241,976	(\$11 /sqm)
Net Passing Income	\$1,776,363	(\$78 /sqm)
Net Market Income	\$1,712,462	(\$75 /sqm)
Weighted Average Lease Term (by Income)		9.66 years
Weighted Average Lease Term (by Area)		9.83 years

### Cap Approach Assumptions

Adopted Cap Rate	6.63%
Discount Rate (PV of Adjustments)	6.63%
Discount Rate (Other Income)	8.75%
Allowances for Expiries Occurring within	24 months
Allowances for Capex Occurring within	24 months
Market Income Capitalisation	\$25,540,000
Passing Income Capitalisation	\$25,527,000

### DCF Approach Assumptions

Discount Rate	8.75%
Terminal Yield	6.88%
Adopted Lease Term	6.0 years
Weighted Rental Growth (Avg. 10yr)	2.82%
CPI (Avg. 10yr)	1.99%
Value based on DCF Approach	\$25,769,000

*This is a summary only. It must not be relied on for any purpose. Jones Lang LaSalle's valuation of this asset is subject to assumptions, conditions and limitations. Those are set out in the full valuation report prepared in relation to the asset.*

## Valuation Analysis

Equivalent Yield	6.60%	Rate/sqm of NLA	\$1,127/sqm
Initial Yield (Net Passing Income)	6.93%	Internal Rate of Return (10 year)	8.81%
Initial Yield (Notional Fully Leased Income)	6.93%		

## Financial Details & Critical Analysis

### Tenancy Overview

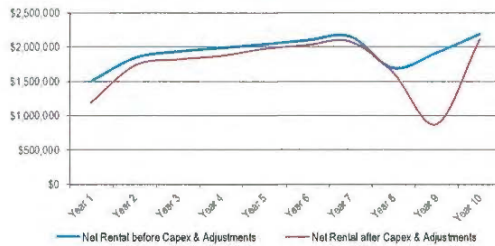
Tenant	Net Income	Area (sqm)
Pacific Steel (NZ) Limited	\$1,088,221	13,088
Fletcher Building Steel Group	\$688,142	9,670
<b>Total</b>	<b>\$1,776,363</b>	<b>22,757</b>

Note: Income above excludes Other Income

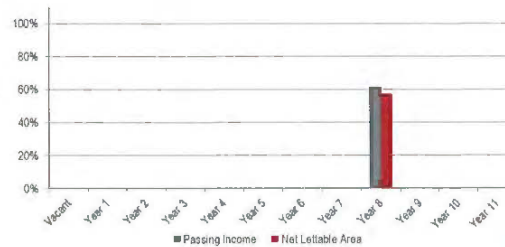
### Tenant by Lettable Area



### Projected Net Cash Flow



### Lease Expiry Profile



## Valuers

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## Critical Assumptions, Conditions and Limitations

In addition to any other assumptions, conditions and limitations contained within this report, our valuation is based on the following:

- The valuation is current as at the date of valuation only, being 31 October 2018. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property).
- We do not accept liability for losses arising from such subsequent changes in value. Without limiting this statement, we do not accept any liability where this valuation is relied upon more than 90 days after the date of valuation, or earlier if you become aware of any factors that may have any effect on the valuation.
- This report is relevant at the date of preparation and to the circumstances prevailing at that time. However, within a changing economic environment experiencing fluctuations in interest rates, inflation levels, rents and global economic circumstances, acceptable returns on investment may, as a consequence, be susceptible to future variation. We therefore recommend that before any action is taken involving an acquisition, disposal or other transaction more than 90 days after the date of this report, you consult the Valuer.
- This valuation has been completed for the specific purpose stated in this report. No responsibility is accepted in the event that this report is used for any other purpose.
- Our valuation assumes the information provided by the instructing party or its agents is correct and we reserve the right to amend our calculations, if deemed necessary, if that information is incorrect.
- Our valuation assumes all other professional/consultancy advice provided and relied upon is true and correct.
- We have relied on building areas, income figures and expense figures as provided by the instructing party or its agents and made specified adjustments where necessary. Where possible these have been verified through lease documentation and physical measurements.
- Unless otherwise stated all property measurements are in conformity with the Guide for the Measurement of Rentable Areas issued by the Property Council of New Zealand. Where certified areas have not been provided we have normally undertaken measurement in accordance with Property Council of New Zealand Standards.
- We have relied on the land dimensions and areas as provided in the Certificate of Title as searched. In certain cases physical checking of land dimensions and areas is difficult or not practical due to proximity of adjoining buildings, steep terrain or inaccessible title boundaries. Jones Lang LaSalle accepts no responsibility if any of the land dimensions or the area shown on title is found to be incorrect.
- Our valuation is made on the basis that the property is free of further caveats, mortgages, charges and other financial liens and that there are no memorials, encumbrances, restrictions or other impediments of an onerous nature which will affect the value other than those stated in the report or registered on the Certificate of Title.
- Enquiries as to the financial standing of actual or prospective tenants are not normally made unless specifically requested. Where properties are valued with the benefit of leases it is therefore assumed that the tenants are capable of meeting their obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.
- In the case of buildings where works are in hand or have recently been completed Jones Lang LaSalle does not normally make allowance for any liability already incurred but not yet discharged in respect of completed works or obligations in favour of contractors, sub-contractors or any members of the professional or design team.
- No enquiries in respect of any property, or of any improvements erected thereon, has been made for any sign of timber infestation, asbestos or other defect, whether latent, patent, or structural.
- Substances such as asbestos 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 or estimate the remedial cost.
- While due care has been taken to note any contamination liability, our investigations have been undertaken for valuation purposes only, and this report does not constitute an environmental audit. Unless otherwise stated no account has been taken of the effect on value due to contamination or pollution.
- We have undertaken a visual inspection in respect of any building valued, but must advise that we have not commissioned structural surveys or tested any of the services and are therefore unable to confirm that these are free from defect. We note further that we have not inspected unexposed or inaccessible portions of any building and are therefore unable to certify that these are free from defect.

- We note we are not experts in relation to assessing the condition of the building structure and cladding, or in assessing the impact or otherwise of water/weather penetration issues. Should the building prove to have structural or weather penetration issues we reserve the right to amend the valuation assessment and any recommendations contained within this report.
- Any elements of deterioration apparent during our consideration of the general state of repair of building/s has been noted or reflected in our valuation. We are however, unable to give any warranty as to structural soundness of any building and have assumed in arriving at our valuation that there are no structural defects or the inclusion of unsatisfactory materials.
- In preparing the valuation it has been assumed that items such as lifts, hot and cold water systems, electrical systems, ventilating systems and other devices, fittings, installations or conveniences as are in the building are in proper working order and functioning for the purposes for which they were designed, and conform to the current building, fire and government regulations and codes.
- Information on town planning and resource management is often obtained verbally from the local planning authority and if assurance is required Jones Lang LaSalle recommends that verification is sought from the relevant authority that confirms the position is correctly stated within this report, that the property is not subject to other decisions or conditions prescribed by public authorities and that there are no outstanding statutory notices.
- Jones Lang LaSalle's valuations are prepared on the basis that the premises (and any works thereto) comply with all relevant statutory regulations including the Building Act 2004 and the requirements of Territorial Authorities. Where we have obtained a Land Information Memorandum, we comment on this within our report. Where we have not obtained a Land Information Memorandum our valuation is therefore undertaken with the assumption that there are no outstanding requisitions.
- Unless otherwise stated all currencies within this report are in New Zealand Dollars.
- Non-residential valuations are (unless otherwise stated) carried out on the basis that the valuation is plus GST (if any). Residential property valuations are (unless otherwise stated) carried out on the basis that the valuation includes GST (if any).
- A reliant party can only rely on this valuation if received directly from JLL without any third party intervention.

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# 1 Introduction

## 1.1 Instructions

We refer to instructions from Augusta Funds Management dated 23 July 2018 requesting that we undertake a market valuation 'As if Complete' of the freehold interest of 5-21 Beach Road, Otahuhu, Auckland (the Subject/Property), as at 31 October 2018 for and on behalf of 21 Beach Road Otahuhu Proportionate Ownership Scheme. We understand that the valuation is to be relied upon for Financial Reporting and Mortgage Security purposes only.

Our report has been prepared in accordance with the current Australia and New Zealand Property Institute's Valuation Standards, International Valuation Standards and the instructing parties valuation brief, and we confirm that the prime signatory:

- is independent of both the Instructing Party and Report Recipient;
- is authorised, under The Valuers Act 1948 to practise as a Valuer;
- is suitably registered and qualified to carry out valuations of such property;
- has no pecuniary interest that could reasonably be regarded as being capable of affecting that person's ability to give an unbiased opinion of the Property's value or that could conflict with a proper valuation of the Property;
- has satisfied professional education requirements and has experience in the location and category of property being valued or where applicable, has sought the advice of suitably qualified professionals who hold locational expertise; and
- has made a personal inspection of the property.

Furthermore, we confirm:

- the statements of fact presented in the report are correct to the best of the Valuers knowledge;
- the analyses and conclusions are limited only by the assumptions and conditions which follow within this report;
- the firm, Jones Lang LaSalle and the undersigned Valuers do not have a direct or indirect pecuniary interest in the subject property;
- the professional fee charged in relation to this assignment has not been contingent upon any aspect of this report;
- the valuation contained herein has been performed in accordance with PINZ / NZIV Codes of Ethics and Conduct;

The following parties may rely on this valuation report for the purposes stated above:

- **Augusta Funds Management Limited** as managers  
Attention: Mark Francis  
PO Box 37953  
Parnell,  
Auckland
- **ASB Bank** as lenders  
Attention: Matthew Brown
- **Ernst & Young** as auditors  
Attention: Graeme Bennett
- **Covenant Trustees Services Limited**  
PO Box 4243,  
Shortland Street,  
Auckland 1140

Our report is confidential to the party or parties to which it is addressed, for the specific purpose to which it refers. No responsibility is accepted to any third parties. Neither the whole of the report or any part of it or any reference to it, may be published in any document, statement or circular or in any communication with third parties without our prior written approval of the form and context in which it will appear. Furthermore, this report can only be relied upon when the given party has received the report directly from JLL.

## 1.2 Valuation and Inspection Dates

The key Dates which are relevant for our valuation are shown in the table below:

	Dates
Date of Valuation	31 October 2018
Date of Inspection	9 August 2018
Date of Preparation of Report	14 November 2018

We advise that we have been instructed to value the property as at 15 August 2018, which is our date of valuation. Our assessment assumes that there is no material change to the property or the market between the date of inspection and the date of valuation, and we reserve the right to review the valuation if there are material changes to either the property or the market over this period.

## 1.3 Basis of Valuation

### Market Value

The value given herein is that of the market value of the Property as defined by the International Valuation Standards Committee (IVSC), and endorsed by the API and PINZ, which is 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 wherein the parties had each acted knowledgeably, prudently and without compulsion."*

### Fair Value

The International Valuation Standards, International Financial Reporting Standards and other accounting standards define fair value as follows, this being generally synonymous with the concept of Market Value-

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

We confirm that this valuation has been undertaken on the basis of the price that might reasonably be expected if the Property was sold at the date of valuation assuming:

- a willing, but not anxious, buyer and seller;
- a reasonable period within which to negotiate the sale, having regard to the nature and situation of the Property and the state of the market for property of the same kind;
- that the Property was reasonably exposed to that market;
- that no account is taken of the value or other advantages or benefit additional to market value, to the buyer incidental to ownership of the property being valued;
- that the current proprietor has sufficient resources to allow a reasonable period for the exposure of the Property for sale; and
- that the current proprietor has sufficient resources to negotiate an agreement for the sale of the Property.

Included within this valuation are lessor-owned items of building fixtures, fittings, plant and equipment. These items exclude all movable equipment, furniture, furnishings and tenant owned fit-out and improvements.

## 1.4 Relevant Valuation Standards & Disclosures

The valuations contained herein have been completed in accordance with current Australia and New Zealand Valuation and Property Standards, and in particular with:

- IVS (International Valuation Standards 2017) Framework and General Standards
- NZVGN 1 – Valuations for Use in New Zealand Financial Reports
- ANZVGN 1 – Valuation Procedures – Real Property
- ANZVGN 2 – Valuations for Mortgage & Loan Security Purposes
- New Zealand Equivalent to International Accounting Standard 40 – Investment Property (New Zealand IAS40)
- IFRS 13 – Fair Value Measurement

## 1.5 Information Sources

The information reviewed or previously provided includes, but is not limited to, the following:

- Certificate of Title particulars memorialised by Land Information New Zealand;
- Resource Management classifications and controls as stated within the District Plan of the governing Territorial Local Authority;
- Sales and leasing data from various industry sources, including sales and leasing real estate agents;
- Market research and forecasts from JLL Research; and
- Lease documentation, building areas, income and expenditure report, tenancy schedule and budgets supplied by the instructing party or managing agent.

Our valuation is based on a significant amount of information which is sourced from the instructing party or managing agent and other third parties. We have relied upon the accuracy, sufficiency and consistency of the information supplied to us. Jones Lang LaSalle accepts no liability for any inaccuracies contained in the information disclosed by our client or other parties, or for conclusions which are drawn either wholly or partially from that information. Should inaccuracies be subsequently discovered, we reserve the right to amend our valuation assessment.

## 1.6 Specific Assumptions

Our assessment as to value has been based on the following specific assumptions:

- We have been instructed to value the property on an 'As if Complete' basis assuming that the current roofing works for both buildings have been completed. The estimated completion date is late February 2019.
- We have been provided with email correspondence between Augusta and Pacific Steel confirming an extension of the current lease for a 7-year term commencing June 2019 with fixed 2.5% reviews annually from 2021. We have valued the property based on this agreement and should the final signed Variation of Lease differ, we reserve the right to amend our report accordingly.
- We have been provided with an Asbestos Register and Management Plan report completed by KPMG SGA Property Consultancy Ltd dated 22 November 2017, which indicates that potential asbestos containing fibrous materials located in the laboratory room and plant transformer room. We note there are still outstanding asbestos removal works to be executed on 21 Beach Road.

## 2 Property Description

The site comprises a main factory warehouse (referred to as the Factory Building), together with an adjacent warehousing dispatch area, warehouse offices and amenities, yard areas and a number of smaller ancillary buildings. A two level office building is provided to the Beach Road frontage.

The site has been progressively developed over the last 30 to 40 years and presents to an average standard commensurate with age and the heavy industrial use.



## 3 Land Particulars

### 3.1 Location

The property is situated on the north-western corner of James Fletcher Drive and Beach Road within the Auckland suburb of Otahuhu. James Fletcher Drive is a major thoroughfare connecting Mangere Bridge and the Auckland Airport to Otahuhu.

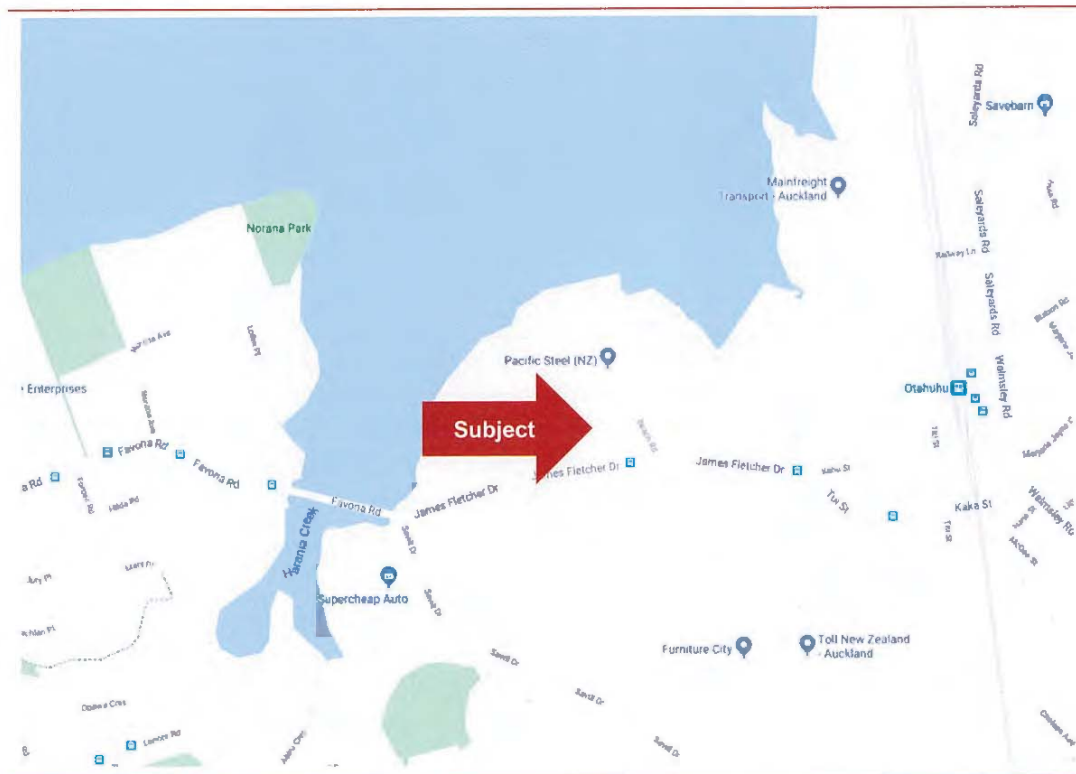
Otahuhu is a low decile suburb with a large portion of housing controlled and owned by Housing New Zealand. As such the area benefits from good access to both skilled and unskilled labour. Local amenity is mainly provided from the Otahuhu main retail strip which is located approximately 1.5 kilometres to the north east along Great South Road.

Properties surrounding the subject comprise heavy industrial uses interspersed with pockets of residential activity. The main retail precinct of Otahuhu is located approximately 3 kilometres to the north east along Great South Road. Alternatively, Mangere Bridge township provides further amenity a short distance to the west. Further afield, the Auckland and Manukau CBD's are approximately 15 kilometres to the north-west and approximately 7 kilometres to the south.

The subject site benefits from close proximity to the southern and south western motorways. Access to the southern motorway is provided via vehicle interchange along Princes Street approximately 2.5 kilometres to the north east while access to the south western is provided via Walmsley Road, approximately 2.7 kilometres west of the subject.

In summary the site occupies a prominent position with frontage to James Fletcher Drive offering easy access to all major motorway systems and located within close proximity to the Manukau CBD and Auckland Airport.

The following map identifies the approximate location of the Property:



Source: Google Maps

## 3.2 Title Particulars

### 5 Beach Road

<b>Title Reference:</b>	NA9B/512
<b>Tenure:</b>	Freehold
<b>Legal Description:</b>	Lot 1-3 Deposited Plan 29343, Lot 2 Deposited Plan 54660 and Lot 4-5 Deposited Plan 51308
<b>Area:</b>	2.0262 hectares more or less
<b>Registered Proprietor(s):</b>	21 Beach Road Otahuhu Limited
<b>Encumbrances:</b>	<p>The Certificate of Title details the following encumbrances:</p> <ul style="list-style-type: none"><li>• Subject to Section 351D (3) Municipal Corporations Act 1954</li><li>• B856717.3 Encumbrance to The Manukau City Council – 26.7.1988 – <i>This encumbrance requires the land described in the title to be retained in the ownership of the same registered proprietor at all times and no part thereof shall be deposited of or dealt with in any way encumbrance of one another. Termination of this encumbrance is possible based upon the council being satisfied that the covenants of the fourth schedule have become obsolete unnecessary or no longer enforceable.</i></li><li>• Subject to an electricity right (in gross) over part in favour of The Auckland Electric Power Board created by Transfer C002754.1 – 12.6.1989</li><li>• 6238154.8 Mortgage to ASB Bank Limited – 3.12.2004</li><li>• Subject to a right (in gross) to convey electricity over part Lot 2 DP 54660 marked A on DP 482500 in favour of Vector Limited created by Easement Instrument 9931225.1 – 28.4.2015</li></ul>

Source: Land Information New Zealand. Search copy dated 2 August 2018.

### 21 Beach Road

<b>Title Reference:</b>	NA49D/1422
<b>Tenure:</b>	Freehold
<b>Legal Description:</b>	Lot 1 Deposited Plan 93566
<b>Area:</b>	1,860 square metres more or less
<b>Registered Proprietor(s):</b>	21 Beach Road Otahuhu Limited
<b>Encumbrances:</b>	<p>The Certificate of Title details the following encumbrances:</p> <ul style="list-style-type: none"><li>• C359178.1 Gazette Notice (NZ Gazette 19.3.1992 No. 37 page 826) acquiring part (1,343 square metres) for recreation ground and shall vest in The Manukau City Council – 26.3.1992</li><li>• Subject to a right of way and to gas supply, water supply, electricity supply, telecommunications and drainage rights over part marked B on DP 184253 specified in Easement Certificate D233739.2 – 13.1.1998 (affects Lot 1 DP 51308)</li><li>• The easements specified in Easement Certificate D233739.2 are subject to Section 243 (a) Resource Management Act 1991</li><li>• 6238154.8 Mortgage to ASB Bank Limited – 3.12.2004</li></ul>

Source: Land Information New Zealand. Search copy dated 2 August 2018.

<b>Title Reference:</b>	NA54A/739
<b>Tenure:</b>	Freehold
<b>Legal Description:</b>	Lot 1 Deposited Plan 98157, Lot 1-2 Deposited Plan 51308, Lot 1 Deposited Plan 54660 and Lot 4 Deposited Plan 44026
<b>Area:</b>	2.0731 hectares more or less
<b>Registered Proprietor(s):</b>	21 Beach Road Otahuhu Limited
<b>Encumbrances:</b>	<p>The Certificate of Title details the following encumbrances:</p> <ul style="list-style-type: none"> <li>• Subject to a drainage right (in gross) over part marked I on DP 98157 in favour of The Manukau County Council created by Transfer 621192</li> <li>• Subject to Section 308 (4) and (5) Local Government Act 1974</li> <li>• Subject to a drainage right over parts marked H and I on DP 98157 specified in Easement Certificate B244608.6 – 21.1.1984</li> <li>• The easements specified in Easement Certificate B244608.6 are subject to section 309 (1) (a) Local Government Act 1974</li> <li>• C359178.1 Gazette Notice (NZ Gazette 19.3.1992 No.37 page 826) acquiring part (436m<sup>2</sup>) for recreation ground and shall vest in the Manukau City Council – 26.3.1992</li> <li>• Subject to a right of way and to gas supply, water supply, electricity supply, telecommunications and drainage rights over parts marked A and B on DP 51308 specified in Easement Certificate D233739.2 – 13.1.1998</li> <li>• The easements specified in Easement Certificate D233739.2 are subject to Section 243 (a) Resource Management Act 1991</li> <li>• 6238154.8 Mortgage to ASB Bank Limited – 3.12.2004</li> </ul>

Source: Land Information New Zealand. Search copy dated 2 August 2018.

We have considered these notifications in arriving at our opinion of value. For a detailed summary of the dealings noted above, we refer you to the Certificate of Title appended to this report.

Our valuation is made on the basis that the Property is free of any further unregistered encumbrances, restrictions, mortgages, charges, and other financial liens or other impediments of an onerous nature, which would affect value.

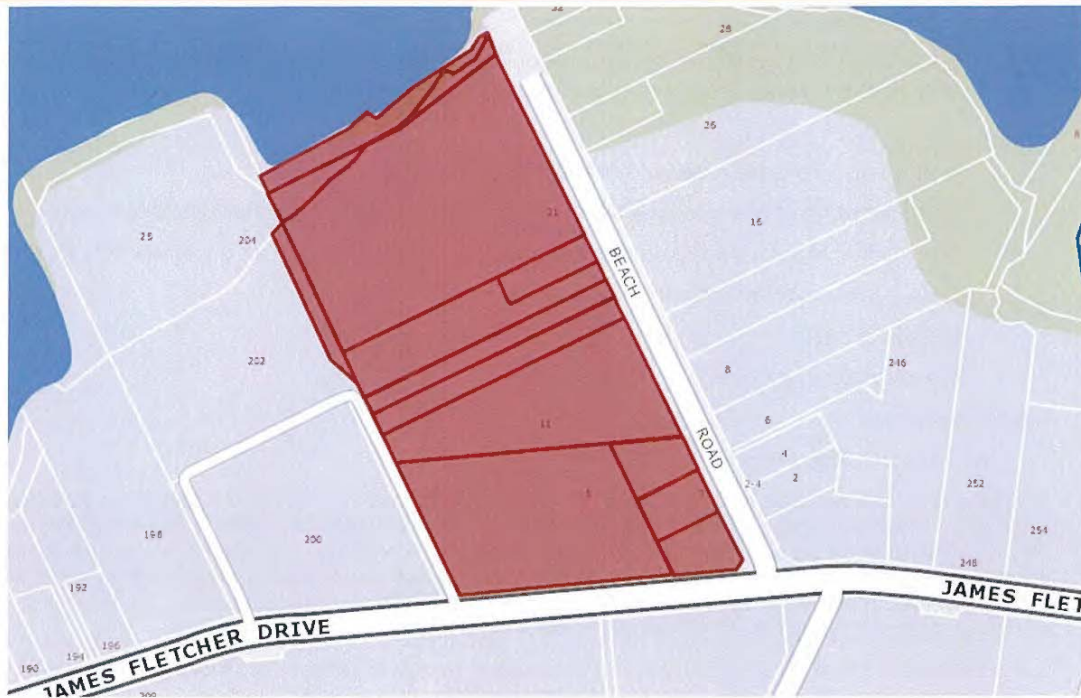
### 3.3 Site Details

The site provides a generally regular shaped parcel of approximately 4.1074 hectares. The site is level and benefits from frontages to Beach Road of approximately 300 metres and James Fletcher Drive of approximately 154 metres. The site benefits from good street access and all usual town services are provided.

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Site Area:

4.1074 hectares



Source: Emap

### 3.4 Resource Management

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Local Authority:

Auckland Council

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Planning Instrument:

Auckland Unitary Plan Operative in part (15 November 2016)

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#### Heavy Industry Zone

This zone provides industrial activities that may produce objectionable odour, dust and noise emissions. Air quality emissions standards that are different to the rest of Auckland will often apply. A low level of air quality amenity applies in the Business – Heavy Industry Zone. A key attribute of the zone is that it contains sites large enough to accommodate large-scale industrial activities.

Activities sensitive to air discharges and activities sensitive to noise are not appropriate in the zone and buildings are expected to have a mainly functional standard of amenity.

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#### Objectives:

- Heavy industry operates efficiently and is not unreasonably constrained by other activities.
- Business – Heavy Industry Zone zoned land, and activities that are required to locate there because of the nature of their operation, and protected from the encroachment of activities sensitive to air discharges and activities sensitive to noise, and commercial activities that are more appropriately located in other business zones.
- The supply of large sites within the zone is not reduced by inappropriate fragmentation of those sites by subdivision.
- Adverse effects on the natural environment within the zone and on the amenity values of neighbouring zones are managed.

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**Development Controls:**

The Heavy Industry zone avoids activities which do not support the primary function of the zone. Policies of the zone include to manage subdivision so that it preserves the integrity of the zone for industrial use while allowing for the creation of sites for established activities, and to require development adjacent to open space zones, residential zones and special purpose zones to manage adverse amenity effects of those zones.

Building Height (subject to Height Variation Control):

- Must not exceed 20 metres, unless otherwise specified in the Height Variation Control on the planning maps.

Height in relation to boundary:

- Buildings must not project beyond a 35 degree recession plane measured from a point 6 metres vertically above ground level along the boundary of residential, open space or special purpose boundary.

Yards:

- Front: 2 metres. Yards are not required for internal roads or service lanes
- Rear: 5 metres, where the rear boundary adjoins a residential zone, an open space zone or special purpose zone
- Side: 5 metres, where the side boundary adjoins a residential zone, an open space zone or special purpose zone
- Riparian: 10 metres from the edge of permanent and intermittent streams
- Lakeside: 30 metres
- Coastal protection yard: 25 metres

Maximum impervious area:

- Must not exceed 10 per cent of the riparian yard

Permitted activities include, but are not limited to: workers accommodation, dairies up to 100 square metres gross floor area, food and beverage up to 120 square metres gross floor area, offices that are accessory to the primary activity on the site and does not exceed 30% of the building on the site or does not exceed 100 square metres, retail accessory to an industrial activity where the goods are manufactured on site and does not exceed 10% of buildings on the site, service stations, tertiary education facilities that are accessory to an industrial activity on the site, and industrial activities. In terms of development controls, the Heavy Industry zone permits the construction, additions and alterations to buildings, and the demolition of buildings

Due to the industrial nature of the zone, sensitive activities such as commercial services, drive-through restaurants, entertainment facilities, garden centres, offices otherwise not provided for, retail up to 450 square metres per site, show homes, care centres, hospitals, recreation facilities, wholesalers, or rural activities are non-complying.

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**Modification:**

- Notice of Requirements, NoR 7: Proposed Northern Runway, Airspace Restriction Designations, View PDF, Notified, 15/02/2018

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**Controls:**

- Macroinvertebrate Community Index - Urban

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**Designations:**

- Airspace Restriction Designations - ID 1102, Protection of aeronautical functions - obstacle limitation surfaces, Auckland International Airport Ltd

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The existing improvements would appear to comply with the resource management requirements of the site. Further we have assumed that the property benefits from existing use rights or has an applicable Resource Consent.

### 3.5 Rateable Value

We have been advised that the Property's Rateable Value, as at 1 July 2017 being Assessment Number 12344668225, is as follows:

Land Value	\$12,950,000
Improvements Value	\$4,300,000
Capital Value	\$17,250,000

Capital Value, defined by S2(1) Rating Valuations Act 1998, is the sum that the owner's estate or interest in the land, if unencumbered by any mortgage or other charge, might be expected to realise at the time of valuation if offered for sale on such reasonable terms and conditions as a bona fide seller might be expected to require.

We note however that rating valuations do not take account of a number of key issues affecting value, and are often assessed on an indexed or kerb-side basis. Accordingly, market and rating values may vary significantly.

### 3.6 Environmental Issues

During the course of our inspection we did not notice any evidence of land or building contamination. Importantly, however, we are not experts in the detection or quantification of environmental problems and we have not sighted an Environmental Audit.

We note we are aware that the property contains asbestos cladding or similar and refer you to Section 1.6 Specific Assumptions of this report.

Our valuation has been made assuming an audit would be available which would satisfy all relevant environmental, and occupational health & safety legislation. If the Property's current status needs to be clarified, an Environmental Audit should be undertaken and should any subsequent investigation show that the site is contaminated, this valuation may require revision. Our valuation excludes the cost to rectify and make good the Property, which may have become contaminated as a result of past and present uses.

### 3.7 Heritage

We have not undertaken any formal heritage searches; the property is not notified on the District Plan as being a heritage structure and our valuation is made on the assumption that there are no heritage issues relating to the Property. If any heritage issues are found to relate to the Property, we reserve the right to review our valuation.

## 4 Improvements

### 4.1 Overview – 5 Beach Road

#### 5 Beach Road



### 4.2 Construction – 5 Beach Road

We briefly outline construction details to the building as follows:

<b>Structure:</b>	Reinforced concrete slabs with steel beam columns and portal frames.
<b>External Walls:</b>	A combination of concrete block and verticle profile metal cladding.
<b>Internal Walls:</b>	Predominantly concrete block with elements of plasterboard and hardboard.
<b>Roof:</b>	Corrugated metal with translucent panels.
<b>Ceiling:</b>	Mixture of hardboard or plasterboard with suspended ceilings to offices and amenities areas.
<b>Lighting:</b>	Suspended industrial lighting to the warehouse, recessed fluorescent lighting to lettable areas.

### 4.3 Accommodation – 5 Beach Road

<b>Office Space:</b>	The office accommodation is predominantly open plan with some partitioned offices, located to the eastern elevation. Flooring comprises predominantly carpet with some areas of vinyl, fluorescent lighting and a suspended industrial ceiling. Air-conditioning is also provided.
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**Warehouse:**

The warehouse component is a slightly irregular shaped, column interrupted factory / warehouse of various stud heights, which range from approximately 4.1 metres up to approximately 5 metres at the portal knee, rising to approximately 6.8 metres to approximately 7.7 metres at the apex.

The warehouse component provides concrete flooring, with suspended fluorescent and high bay lighting. The property has access via roller doors located below the canopy to the rear north eastern corner. There is a small dispatch office located below the main canopy with a transformer room adjacent.

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**4.4 Overview - 21 Beach Road**

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**4.5 Construction – 21 Beach Road**

We briefly outline construction details to the building as follows:

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<b>Structure:</b>	Reinforced concrete slabs with steel beam columns and portal frames.
<b>External Walls:</b>	A combination of concrete block and vertical profile metal cladding. The external cladding is also fibre cement or similar to some areas.
<b>Internal Walls:</b>	Predominantly concrete block with elements of plasterboard and hardboard.
<b>Roof:</b>	Corrugated metal with translucent panels.
<b>Ceiling:</b>	Mixture plasterboard and suspended ceilings.
<b>Lighting:</b>	Suspended industrial lighting to the warehouse, recessed fluorescent lighting to lettable areas.

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## 4.6 Accommodation – 21 Beach Road

### Office Space:

The main office component is positioned along the Beach Road frontage within a two story building. The ground floor comprises basic offices, a large locker room with toilets and showers, and a lunchroom. The upper level provides additional offices which have been recently refurbished.



### Warehouse:

The main warehouse provides concrete to the floor, concrete block and galvanised steel walls, steel portal frame and metal roof with intermitted translucent panelling. The property has a stud height of approximately 5.35 metres to the portal knee, rising to approximately 7.5 metres to the gable apex.

To the rear of the property is a boiler room and plant area and lighting is by way of suspended industrial lighting. Adjoining the northern elevation is a dispatch warehouse.



#### 4.7 Lettable Areas

The Property's total Net Lettable Area (NLA) is approximately 22,757 square metres. A summary of this lettable area is detailed as follows:

Accommodation / Level	
Ground Floor Office / Amenities	528
Mezzanine Offices	642
Mezzanine Factory Office	333
Laboratory & Amenities	406
Warehouse / Factory	17,793
Canopy	561
Warehousing Dispatch	1,368
Dispatch Office	17
Semi Detached Office	282
Warehouse Office & Amenities	749
Switchroom	78
<b>Total NLA</b>	<b>22,757 square metres</b>

We have not measured the subject premises and have relied on the rentable areas provided by Augusta Funds Management Limited. We reserve the right to amend our report accordingly, should certified floor areas be obtained.

#### 4.8 Condition and Repair

We inspected the interior and exterior of the property. The building appears to have been well maintained with no significant deferred maintenance requirements evident. We note we are aware that the property contains asbestos cladding or similar and refer you to Section 1.6 Specific Assumptions of this report. Additionally, we note that the valuation assumes the completion of the roof works on both buildings.

Our valuation has had regard to the apparent state of repair and condition of the Property; however, we were not instructed to carry out a structural survey or to test any of the services available to the Property. We are therefore unable to report that the Property is free from further defect and we have assumed that no deleterious material was used in the construction.

We note that the building has several features that impose a requirement to obtain an annual Building Warrant of Fitness. We are able to confirm that we have sighted a current Warrant of Fitness current through to 18 April 2019.

#### 4.9 Earthquake Strengthening Requirements

Building regulations relating to a buildings expected performance in an earthquake have remained largely unchanged since the Building Act 2004 and associated building standard AS/NZS1170.5.2004. This required as a general guide, that buildings with a seismic strength that is less than 33% of the New Building Standard (NBS) are deemed 'earthquake prone'. Buildings that have an assessed strength greater than 33% but less than 66% of the noted standard are classified 'earthquake risk'.

From 1 July 2017 the Building (Earthquake-prone Buildings) Amendment Act 2016 has been in force, which:

- Categorises New Zealand into three seismic risk areas based on a Z factor rating system as identified on the map below.



**High Risk Areas (> 0.3)**

Wellington Christchurch  
 Palmerston North Napier/Hastings  
 Gisborne Blenheim

**Medium Risk Areas (0.15 < 0.3)**

Hamilton Tauranga  
 New Plymouth Rotorua  
 Wanganui Nelson  
 Invercargill Timaru

**Low Risk Areas (< 0.15)**

Auckland Northland  
 Oamaru Dunedin

- Sets time frames for identification and correction of risk.

Risk Area	TA's to Identify Potential Earthquake-Prone Buildings within		Owners must Strengthen or Demolish Earthquake-Prone Buildings within	
	Priority	Other	Priority	Other
High	2 ½ years	5 years	7 ½ years	15 years
Medium	5 years	10 years	12 ½ years	25 years
Low	n/a	15 years	n/a	35 years

- Introduces a national Earthquake Prone Building Register <https://epbr.building.govt.nz/>.

We have been made aware of the following information and given it consideration in completing our assessment:

Date built	1970
Risk Zone	Low
NBS Rating	5 Beach Road: 100% 21 Beach Road: In excess of 100%
Assessment Type	Detailed Seismic Report
Assessment Date	5 Beach Road: June 2013 21 Beach Road: March 2014
Assessment Completed by:	Ian Smith Project Services Limited

We are not qualified to undertake a structural survey of the property, however have proceeded based on the information available, and the likely responses from market participants or regulatory entities in relation to that information for the impact Earthquake issues may have on the value of the property.

We note there may be instances where a building has been classified as not being earthquake prone under the Building Act, however is still unable to be insured. We strongly recommend all affected parties (building owners, lenders and occupiers) seek clarification on the insurability of the subject building. In the event that such investigation reveals that insurance cover is not able to be obtained then we reserve the right to revisit and if necessary amend our valuation report.

Refer appended Glossary for definition of:

- Priority Building
- Z Factor

## 5 Property Income and Expenditure

### 5.1 Tenancy Overview

We have been provided with a tenancy schedule and also with Lease documentation that was available at the time of valuation.

The tenants within the Property are summarised as follows:

Tenant	Net Income	NLA	% NLA
1. Pacific Steel (NZ) Limited	\$1,088,221	13,088	57.5%
2. Fletcher Building Steel Group	\$688,142	9,670	42.5%
<b>Total</b>	<b>\$1,776,363</b>	<b>22,757 m<sup>2</sup></b>	<b>100%</b>

### 5.2 Lease Summaries

We summarise below the lease agreements for the tenants:

Deed of Lease	Pacific Steel (NZ) Limited
Lessee	Pacific Steel (NZ) Limited
Demised Premises	All of the land and buildings situated at 21 Beach Road, and comprised in certificates of title NA54A/739 and NA49D/1422, together with the Landlord's chattels, fixtures and fittings.
Lettable Area	13,087.56 square metres
Commencement Date	25 <sup>th</sup> June 2014
Expiry Date	24 <sup>th</sup> June 2019
Lease Term	Five (5) years with two (2) right of renewals of five (5) years each
Commencement Rent	\$953,431.00 per annum plus GST
Current Rent	\$1,088,221.00 per annum plus GST
Rental Review Provisions	Three yearly market rent reviews with a hard ratchet in place
Outgoings Recovery	Net lease with the exception of management expenses
Permitted Use	Any use permitted under the District Plan or by any resource consent.
Special Provisions	There is a right of first refusal for Pacific Steel (NZ) Limited to purchase the property if the Landlord intends to sell the property.
Lessor's fixtures and fittings:	Reception counter and desk in the office area. Fixed air-conditioning units in the office area.

We are also aware of an email agreed lease extension for a 7-year term from 25<sup>th</sup> June 2019, with a fixed increase in June 2020 and 2.5% fixed reviews annually thereafter. The tenant will have a further right of renewal of 5 years following this extension. We have valued the property on the basis that the lease extension for a 7-year term from 25th June 2019 has been executed.

Deed of Lease	Fletcher Steel Limited
Lessee	Fletcher Steel Limited
Demised Premises	All of the land and buildings situated at 5 Beach Road, and comprised in certificate of title NA9B/512.
Lettable Area	9,669.71 square metres
Commencement Date	1 <sup>st</sup> August 2016
Expiry Date	31 <sup>st</sup> July 2031
Lease Term	Fifteen (15) years with two (2) right of renewals of six (6) years each
Commencement Rent	\$648,640 per annum plus GST
Current Rent	\$688,142 per annum plus GST
Rental Review Provisions	The market rent review as at 1 August 2024 shall not increase or decrease by more than 10% of the rental immediately preceding. In addition, no account shall be given to the resurfacing of the premises with asphalt. Though this shall be accounted for upon renewal market reviews.
Outgoings Recovery	Net Lease
Permitted Use	Industrial warehousing and offices and any other use permitted by the relevant district plan or by resource consent.
Special Provisions	<p>Landlord's Works: (a) Asphaltting around the premise though the tenant has agreed to make a 50% contribution to such costs (capped at \$115,000 plus GST).</p> <p>(b) Replacement/repair of roof leaks.</p> <p>(c) Removal or encapsulation of asbestos within 15 months of the commencement date.</p> <p>15 month net rent free incentive amounting to \$810,000 plus GST. The incentive shall be applied as follows:</p> <ul style="list-style-type: none"> <li>(a) \$115,000 plus GST shall be applied on the commencement date against the tenants \$115,000 plus GST contribution to the landlord asphalt works;</li> <li>(b) \$155,266.67 plus GST shall be paid to the tenant on the first anniversary of the commencement date;</li> <li>(c) \$270,266.67 plus GST shall be paid to the tenant on both the second and third anniversaries of the commencement date.</li> </ul> <p>A renewal incentive equal to six months' net rent free will be applied upon the tenant validly renewing the lease.</p>
Lessor's Fixtures and Fittings	<p>Gantry cranes</p> <p>Relocatable offices</p> <p>Non-structural internal partitions</p> <p>Built-in furniture</p> <p>Panel heaters (not including the wall heaters in the kitchen)</p> <p>Standalone heaters and air conditioners (except fixed air conditioning units in the office area of the building)</p> <p>Floor coverings</p> <p>Drapes</p> <p>Blinds</p>

	<p>Curtains</p> <p>Shelving</p> <p>Signs</p> <p>All special electrical switch gear</p> <p>All non-standard or specialist light fittings</p> <p>Security devices</p> <p>Portable fire extinguishers and other moveable fire detection or extinguishing equipment</p> <p>All equipment and plant installed by the lessee or its predecessors for the purpose of its use of the premises.</p>
Rental Areas	We have been informed that the tenant is paying an additional rent of \$15,912.48 per month, which is a shortfall rent following the recent market rent review over the following 12 months.

We recommend that the reader peruse a copy of the Lease document/s.

### 5.3 Building Income Analysis

We summarise the Property's income as follows:

Passing Income Component	Net Income	% Income
Industrial Warehouse	\$1,425,622	80.3%
Offices and Amenities	\$329,433	18.5%
Canopy	\$21,308	1.2%
<b>Total</b>	<b>\$1,776,363</b>	<b>100%</b>

### 5.4 Building Vacancy

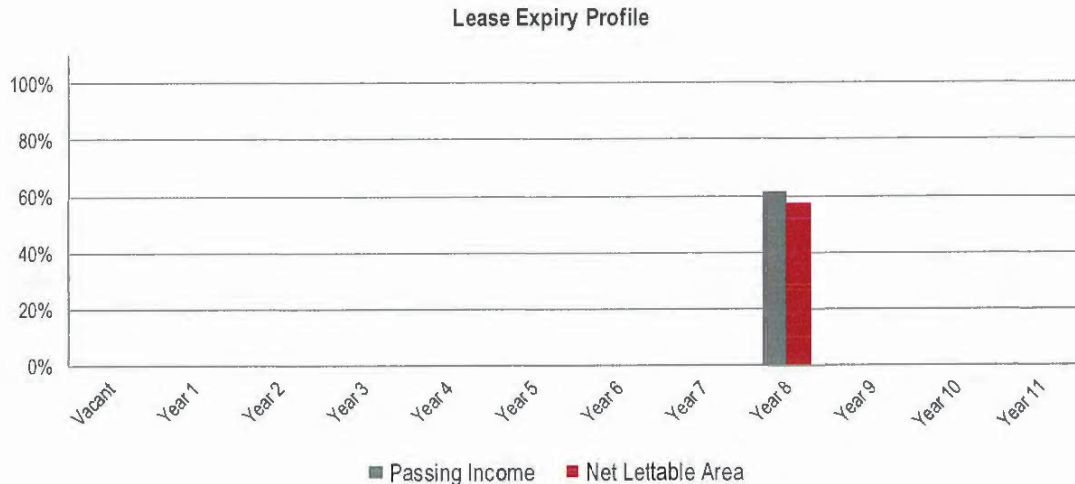
As at the date of valuation, the Property was fully leased.

## 5.5 Weighted Average Lease Term and Expiry Profile

The weighted average lease term remaining, as at the date of valuation, is:

Weighted Average Lease Term Remaining	Years
By Area	9.83
By Income	9.66

The graph below demonstrates the lease expiry profile (by income and area) over a ten year horizon:



Although the Pacific Steel tenancy expires in June 2019, the long term lease to Fletcher Building Group until July 2031 has increased the overall WALT for the properties.

## 5.6 Building Outgoings and Recoveries

### Lease Structures

The leases within the Property are structured on net basis, with the tenants being responsible for payment of rates and other property expenses in addition to premises rental.

### Building Outgoings

Category	Annual Amount	\$/sqm of NLA
Statutory Charges	\$79,942	\$3.51
Operating Expenses	\$162,034	\$7.12
<b>Total Outgoings</b>	<b>\$241,976</b>	<b>\$10.63</b>

We have sought confirmation from the relevant rating authorities in relation to the statutory charges and have benchmarked the figures against the Property Council of New Zealand's (PCNZ) guidelines and other similar industrial buildings.

We consider that the budgeted outgoings rate of \$10.63 per square metre of NLA provided to be in line with market parameters for a property of this nature.

## 5.7 Outstanding/Remaining Incentives

We have been provided with a schedule by the Property Manager outlining the status of outstanding incentives. Current outstanding rental abatements and rent-free periods, as at the date of valuation, are summarised in the table below:

Tenant	Description	Nominal Remaining Incentive
	Lease Incentives	
Fletcher Building Steel Group - Canopy	Contribution	\$270,267
Sub-Total Lease Incentives		\$270,267
Total Outstanding Incentives/Abatements		\$270,267

The total amount of unexpired incentives is \$270,267, the present value of which is \$257,572.

## 5.8 Capital Expenditure

We have been provided with details of budgeted capital expenditure by the Property Manager. Details are summarised in the table overleaf:

Capital Expenditure Budget	
Year 1	\$276,550
Year 2	\$60,000
Year 3	\$60,000
Year 4	\$60,000
Year 5	\$10,000
Year 6	\$10,000
Year 7	\$10,000
Year 8	\$10,000
Year 9	\$10,000
Year 10	\$10,000
Year 11	\$10,000
Year 12	\$10,000
Total Scheduled Capital Works	\$536,550

The Capital Expenditure for Year 1, as noted above, is based on the estimated costs provided and is detailed below:

	FY19
Asbestos	\$50,000.00
Driveway	\$150,000.00
Capital Works Allowance	\$26,550.15

We have also been advised for HVAC capex with a budget provided by Jackson Engineering Advisers Limited totalling approximately \$100,00 for 21 Beach Road and approximately \$100,000 for 5 Beach Road. We have adopted these capex values for works to be completed progressively over the next four years.

## 5.9 Income Analysis

We summarise the Property's total Passing Income as follows:

Current Passing Rent	Amount pa	% of Passing Income
Passing Rental Analysis		
Lettable Area Rental	\$1,776,363	88.01%
Outgoings Recovery	\$241,976	11.99%
<b>Gross Passing Income</b>	<b>\$2,018,339</b>	<b>100.00%</b>
Outgoings	\$241,976	
<b>Net Passing Income</b>	<b>\$1,776,363</b>	

## 6 Market Commentary

### 6.1 General Market Overview

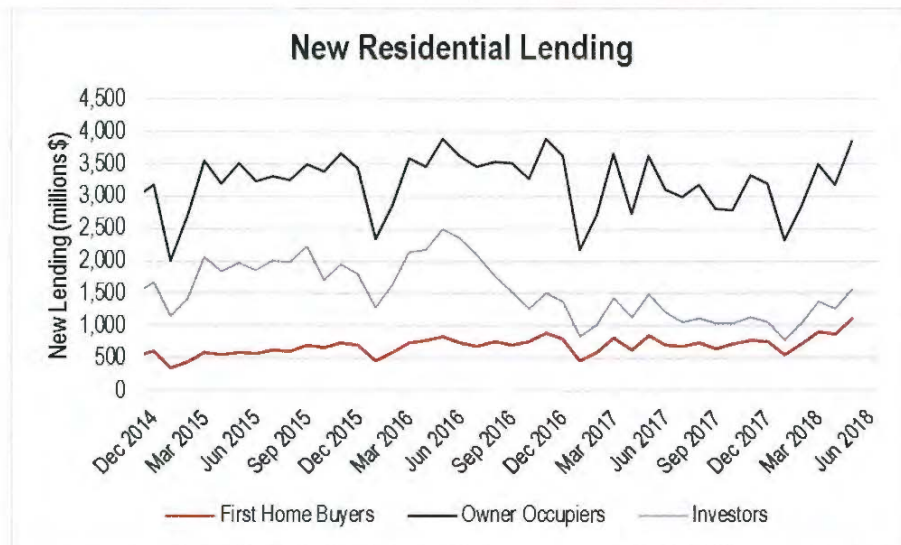
Businesses have remained downbeat in the wake of the new Labour-led Government taking office, with signs this is starting to affect real activity. The NZIER Quarterly Survey of Business Opinion (QSBO) showed a fall in business confidence to its lowest level since 2011, with the pessimism pervasive across the regions. Overall, a net 19 percent of businesses expect a deterioration in general economic conditions over the coming months.

A net 7 percent of businesses reported a lift in demand over the past quarter – the lowest level since 2013. Activity indicators point to a moderation in economic growth over the coming year.

There has been some softness in construction activity over early 2018, but this looks largely to reflect capacity and financing constraints rather than weaker demand. Although population growth is slowing on the back of an easing in net migration, the surge in population in recent years should continue to underpin underlying demand for construction.

Offshore, there remains downside risks to the global growth outlook. These risks stem from how the extensive amount of stimulus in the major economies, particularly the US, will be unwound. Tensions between the US and China, as well as renewed geopolitical issues in the Middle East, add to the global uncertainty.

The graph below displays new residential lending by borrower type since December 2014 as provided by the Reserve Bank. The data comprises total new lending per month and demonstrates the effect that the LVR restrictions have had on new lending to the investor segment of the market. The dips over December and January each year reflect the summer period where there is less property transacted and thus less new lending approved. New lending surged again through parts of 2017, although new lending to investors was well below the 2015 and 2016 average, suggesting the RBNZ macro-prudential controls are having the desired effect. New lending surged through Q2 2018, although this isn't an uncommon occurrence by historical standards given the typically lower volume of transactions over Q1. It is however worth noting that new lending to all buyer categories reached levels not seen since 2016.



Source: RBNZ

## 6.2 Inflation and Interest Rates

Domestic headline inflation over the year to March 2018 reduced to 1.1 percent as a high quarterly increase in early 2017 dropped out of the annual calculation. Annual inflation in the non-tradeables sector eased to 2.3 percent despite continued buoyant domestic demand. Annual inflation for traded goods and services was -0.4 percent, the first negative figure since late 2016.

The various measures of core inflation, which remove volatile components, have remained stable. The Reserve Bank's preferred measure has remained at 1.5 percent, with no apparent indication of upward pressure. Inflation expectations, as measured by the quarterly RBNZ survey, showed a modest decrease for the next one and two years, possibly reflecting the renewed reduction in the annual inflation rate.

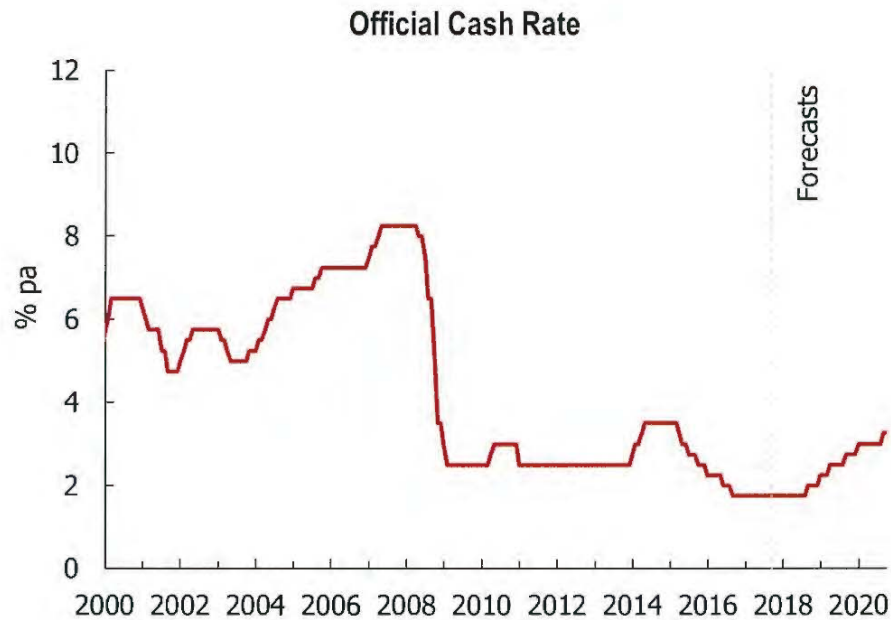
NZIER expect the annual rate of inflation to rebound over the remainder of this year. In the near term this will be driven partly by the effect of the recent rise of global oil prices. However, over the medium term we expect underlying inflation to firm as capacity pressures become more widespread. Although businesses are facing rising cost pressures, they are not yet able to lift prices by enough to fully pass on these increased costs.



Source: NZIER

The Reserve Bank kept the OCR on hold at 1.75% in June 2018 and indicated "monetary policy will remain accommodative for a considerable period. Numerous uncertainties remain and policy may need to adjust accordingly". NZIER expect that the Reserve Bank will next lift the OCR in early 2019.

There is increased conviction the next move in interest rates is up given the recent rise in inflation, as well as higher interest rate expectations globally. However, increased political uncertainty offshore, particularly in the US, means the Reserve Bank will likely be cautious about when it commences the tightening of monetary policy.



Source: NZIER

### 6.3 Population and Migration

Net migration continued to slow in recent months, as the number of people moving to New Zealand from other countries eases, and the number of people leaving New Zealand picks up. Stricter work visa requirements and the crackdown on fraudulent international student visas, has meant permanent arrivals are at the same level as a year ago. Departures on the other hand, are at their highest level in four years.

Part of the easing in net migration reflects a resumption in net outflows to Australia, as employment prospects across the Tasman improves. We expect that as the Australian labour market continues to improve this will encourage more people to move across the Tasman, with a further slowing in net migration as a result.



Source: NZIER

## 6.4 Employment

Employment demand in business services sectors remains solid, but we expect some moderation in employment growth over the coming years. This is reflected in the easing in the proportion of businesses indicating they expect to increase headcount. Employment demand is more likely to come about via an increase in hours worked. While there are still plans for expansion, some caution has crept in, particularly in the major urban regions such as Wellington.

The unemployment rate currently sits at 4.9% and is forecast to reach 4.4% over 2018. Concern areas for employers centre on changes to labour laws, the increases to the minimum wage and the disestablishment of 90-day trial periods for firms with over 19 employees.

## 6.5 Business profits

Profitability continues to weaken, as businesses find it increasingly hard to pass on rising costs to customers. Unlike the past few years, businesses are no longer optimistic about an improvement in profitability. Should this continue, businesses are likely to pare back on investment and hiring plans.

## 6.6 Currency

The New Zealand dollar has eased in recent weeks, reflecting the more dovish tone of the Reserve Bank with its signal of the potential for interest rate cuts. Softer than expected data, including Q1 GDP and business confidence surveys, added to the downward pressure on the currency.

We expect the New Zealand dollar will track around current levels over the coming year. Beyond 2019 we expect some further modest easing of the New Zealand Dollar, as interest rates in the other major economies lift and reduce New Zealand's yield advantage.



Source: NZIER

## 6.7 Market Drivers: Industrial

Demand for industrial buildings has improved over the past year. Farmers had initially used the improvement in farm income to repay debt, but as confidence has grown that farm incomes will continue to improve this has seen focus turn towards on-farm investment. We expect spending on farm buildings and tractors will continue to pick up over the coming year.

Manufacturing sector confidence has fallen on the back of softer demand and increased costs. Domestic demand has been particularly weak, while export sales have also softened. The easing in construction work reduced dairy and meat processing is likely to have contributed to the softness in domestic demand. The recent depreciation in the NZ dollar should improve the competitiveness of manufacturing exporters over the coming year. Meanwhile, the continued rise in costs has led to a substantial weakening in profitability.

The Business NZ PMI also points to weaker manufacturing confidence, although some expansion in activity is still expected. The PMI has advanced in recent months, with the May result sitting at 54.5 (a score over 50 indicates the sector is in expansion mode). The average over the past 3 months has been 55.6 compared to 53.2 in the 3 months prior to that.

## 6.8 Auckland Industrial Market Summary

Auckland's industrial market remains in growth mode, stimulated by sustained occupier demand as businesses expand and the requirement for space increases. Overall industrial vacancy tightened to 2.1% over 2H17, the lowest level since our records started in 1993.

In the Auckland City industrial market, Henderson vacancy decreased further to 1.2% over 2H17, the second tightest vacancy across all survey markets. Penrose, Mt Wellington and Avondale all saw decreases in vacancy over 2H17, with the average vacancy rate for Auckland City now sitting at 2.2%, the lowest level since December 2005.

The Manukau precinct, which includes East Tamaki, Wiri and the Airport Corridor, decreased by 80 bps over 2H17 to sit at 2.0%, making it the tightest precinct overall in Auckland. Strong demand for larger, modern premises spurred additional demand for South Auckland industrial space, where a growing proportion total stock is located. The total survey market increased by over 200,000 sqm in 2017 to reach a total of 4.85 million sqm. Leasing and construction activity was largely focused on the Airport Corridor, where there is ample supply of suitably zoned greenfield land.

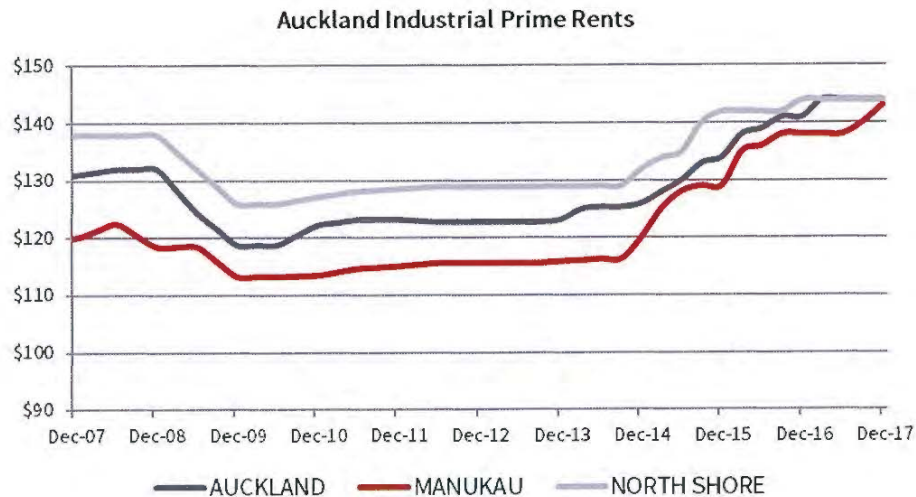
North Shore vacancy oscillated at 2.1% in 2H17, decreasing by 10 bps from earlier in the year. Overall the market remains severely restricted by developable industrial land. This had led to occupier demand and subsequent development for more option in north-west Auckland including Hobsonville, Kumeu and Westgate.



Source: JLL Research and Consulting

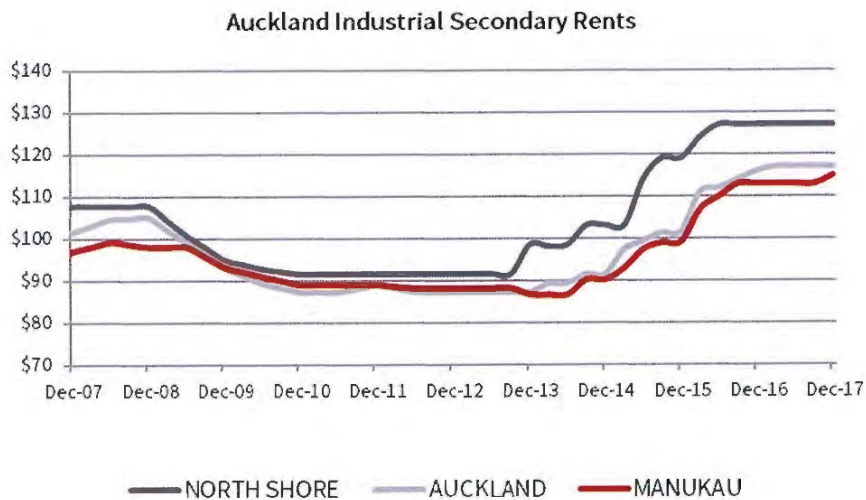
There is a substantial development pipeline being constructed in the Auckland region at present. We are tracking over 230,000 square metres of stock currently consenting or being built. The majority (56%) of this is within South Auckland/Manukau. One of the largest announcements of late has been for Foodstuffs new distribution centre at the Airport which will cover over 6 hectares when it opens in 2020. Despite a substantial proportion of the pipeline being speculatively built stock, we expect pre-commitments to be announced before completion for the majority of projects, given the pent up demand and persistently low level of vacancy across the market.

Business growth and expanding occupier footprints has ensured that to date, new supply is quickly absorbed, maintaining upward rental pressure across the Auckland region within the prime end of the market.



Source: JLL Research and Consulting

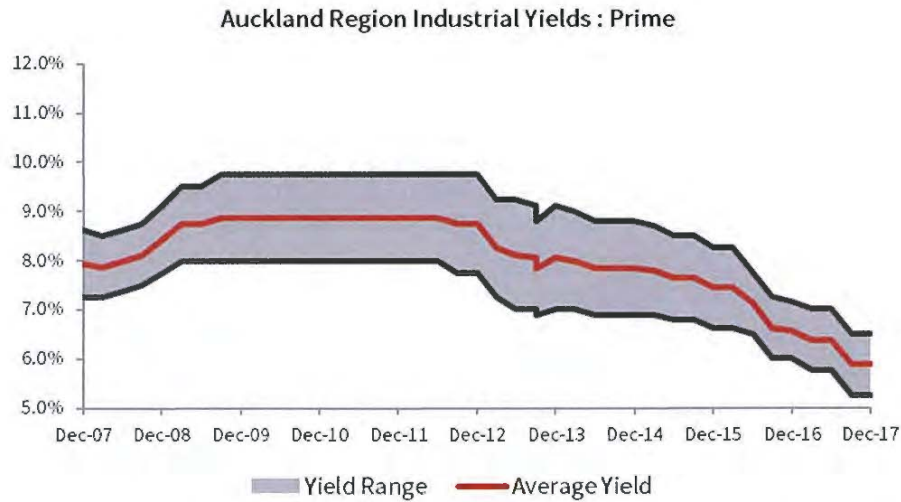
Rental growth is forecast to continue at a solid pace over 2018, on the back of strong underlying demand fundamentals and record low vacancy. Secondary rents are similarly expected to see growth, a result of pent up demand in the prime sector. Rising construction costs and land values have also contributed to the growth in market rents with higher rentals being required to achieve feasibility.



Source: JLL Research and Consulting

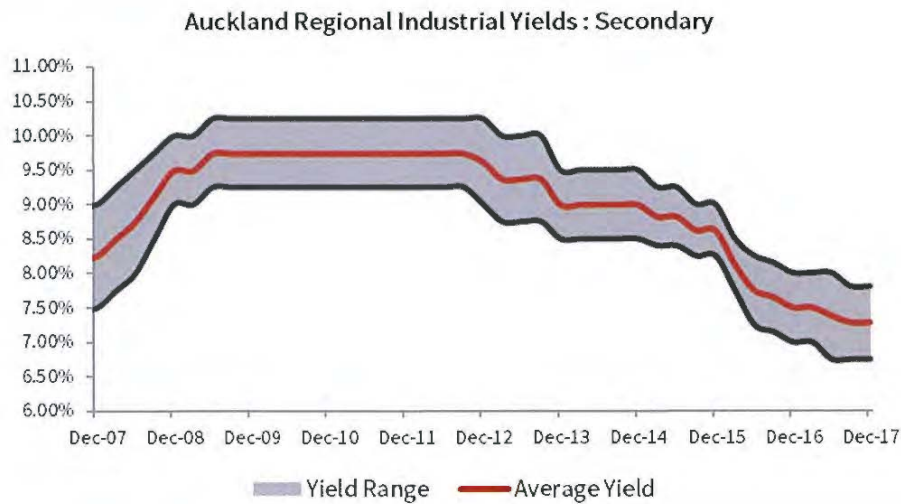
After significant firming of prime yields in early 2017, compression levelled off over the second half of the year. The prime yield range currently sits at 5.25% to 6.50%. Some further firming possible over 2018, although this is likely to occur at the upper end of the range.

2017 was a record year for the volume of industrial property transacting in New Zealand. Given the weight of capital seeking assets, we expect to see high levels of competition between investors, particularly for modern assets with longer WALT's. This will keep yields firm across the country, especially in Auckland.



Source: JLL Research and Consulting

Like the prime sector of the market, secondary yields levelled out over 2H17 after substantial firming over the past two years. The range for secondary yields now sits between 6.75% and 7.80%. We may see some further firming of secondary yields over 2018 if investor competition for prime assets spills over into the secondary market.



Source: JLL Research and Consulting

## 7 Leasing Evidence

### 7.1 Industrial Leasing Evidence

In assessing a market rental profile for the accommodation, we have had regard to the leases within the property, together with recent rental evidence in the wider locality. We have had particular regard to the evidence detailed below:



#### 114 Swanson Road, Waitakere

<b>Effective Date</b>	July 2018	<b>Tenant</b>	United Corporation Limited
<b>Contract Rent</b>	\$508,106 pa	<b>Lease Basis</b>	Right of Renewal

The premises comprise industrial space within a larger industrial complex that has recently been refurbished. The offices are located to the northern side of the warehouse and are predominately open plan. The warehouse comprises two components, the rear portion of the warehouse having a stud height of 6.7 metres at the knee rising to 10.2 metres at the apex. The main warehouse extends towards Swanson Road and features a clear span space with a stud height of 10.2 metres.

<b>Rental Analysis</b>		<b>Effective Rate</b>
Warehouse	3,814.6 m <sup>2</sup>	\$79.17
Office & Amenities	334.7 m <sup>2</sup>	\$146.15
Canopy	166.0 m <sup>2</sup>	\$52.83
Warehouse	1736.4 m <sup>2</sup>	\$85.48



#### 90-104 Springs Road, East Tamaki, Auckland

<b>Effective Date</b>	March 2018	<b>Lease Basis</b>	New Lease
<b>Contract Rent</b>	\$349,687 pa	<b>Tenant</b>	ACQ Development Limited

The property comprises an industrial building constructed circa 1970 with two levels of road front offices. The property has a site area of approximately 6,101 square metres, situated in the prominent industrial location of East Tamaki. Under the Auckland Unitary Plan the property is zoned Heavy Industry.

The property is leased to ACQ Development Limited for a term of nine (9) years with a total net passing rental of \$349,687 per annum, plus GST and Outgoings. The property has annual fixed increases of 3% with a review to market on renewal. The landlord has agreed to grant the tenant three (3) months gross rent free from the commencement date.

<b>Rental Analysis</b>		<b>Effective Rate</b>
Warehouse	3,241.97 m <sup>2</sup>	\$78.64
Warehouse Office & Amenities	167.41 m <sup>2</sup>	\$120.00
Ground Floor 1 Office & Amenities	260.44 m <sup>2</sup>	\$150.00
Level 1 Office & Amenities	215.60 m <sup>2</sup>	\$150.00



**105 Wiri Station Road, Wiri, Auckland**

<b>Effective Date</b>	Pre com	<b>Lease Basis</b>	New Lease
<b>Contract Rent</b>	\$1,049,115 pa	<b>Tenant</b>	HEB Construction Limited

The property will comprise a warehouse and adjacent modernised/refurbished two level office facility which is in a road front position to Wiri Station Road.

The front portion of the offices is two storeys, whilst the rear ground floor extension is single level. Amenities will be located centrally within the building and the general fit out will comprise of a suspended ceiling at a stud height of approximately 3 metres, which incorporates recessed fluorescent light panels, recess spot lights in the reception area and ducted air conditioning provided throughout.

The warehouse is fully sprinklered and comprises three separate gable bays with internal structure columns between each gable. General lighting is provided via high bay lights, further supplemented by translucent roof panels. The low stud warehouse area has a stud height of approximately 5.5 metres at the portal knee rising to approximately 6.15 metres at the apex and the high stud section has a stud height of approximately 10 metres at the portal knee rising to 10.9 metres at the apex. The warehouse has various access points. There is a lean to workshop facility constructed to the northern side of the main warehouse. The roller doors which provide access to the main warehouse via the western side of the workshop area will be protected by a small fully sprinklered canopy.

The property was leased on a pre commitment basis to HEB construction Limited for \$1,049,115 per annum plus GST.

<b>Rental Analysis</b>		<b>Effective Rate</b>
Front Offices	795.13 m <sup>2</sup>	\$225.00
Rear Offices	684.87 m <sup>2</sup>	\$225.00
High Stud Warehouse	1,663.11 m <sup>2</sup>	\$105.00
Medium Stud Warehouse	2691.89 m <sup>2</sup>	\$105.00
Warehouse Office	560.00 m <sup>2</sup>	\$225.00
Workshop	308.00 m <sup>2</sup>	\$105.00
Yard	3,350.00 m <sup>2</sup>	\$30.00



**862-880 Great South Road, Penrose, Auckland**

<b>Effective Date</b>	March 2018	<b>Term</b>	8 years
<b>Contract Rent</b>	\$1,019,120 pa	<b>Tenant</b>	Graphic Packaging International NZ Limited
<b>Lease Basis</b>	New Lease		

862 Great South Road comprises a large Heavy Industry zoned industrial site offering a total area of 2.3737 hectares and located along the north eastern alignment of Great South Road within the industrial suburb of Penrose.

Improvements to the site comprise of a number of industrial buildings that date from the 1930's through to the 1990s offering a mixture of low stud and high stud warehousing with associated offices and amenities to the frontage.

The property has been leased by Graphic Packaging International NZ Limited based on an eight (8) year lease term with fixed annual reviews of 3.5% with market reviews every fourth anniversary and a total current rental of \$1,019,120 per annum.

<b>Rental Analysis</b>		<b>Effective Rate</b>
Office Building	412.0 m <sup>2</sup>	\$230.00
Ground Floor Amenities	290.0 m <sup>2</sup>	\$200.00
First Floor Amenities	186.0 m <sup>2</sup>	\$200.00
Existing Canopy	187.0 m <sup>2</sup>	\$60.00
Warehouse 2	5,222.0 m <sup>2</sup>	\$100.00
Warehouse - Bulk Store	2,745.0 m <sup>2</sup>	\$100.00
New Canopy	273.0 m <sup>2</sup>	\$60.00
Pedestrian Canopy	81.0 m <sup>2</sup>	\$60.00



### 670 Rosebank Road, Avondale Auckland

<b>Effective Date</b>	August 2017	<b>Lease Basis</b>	Rent Review
<b>Contract Rent</b>	\$1,159,419 pa	<b>Tenant</b>	New Zealand Comfort Group Limited

The property comprises a large industrial manufacturing complex well-located on Rosebank Peninsula, in Avondale. The improvements comprise a steel portal frame warehouse with two levels of office accommodation located within the warehouse envelope, positioned to the road frontage and a smaller standalone warehouse situated to the rear of the property. The warehouse components comprise column interrupted, low to medium stud, sprinklered accommodation. Two shared accessways, along both the eastern and western sides of the warehouse component allow for car parking and access to both warehouses.

The property is leased to New Zealand Comfort Group Limited for a term of four (4) years and six (6) months with three (3) rights of renewal of six (6) years each, currently exercising the second right of renewal. The rent is to be reviewed to market rates at the third anniversary of the commencement date, subject to a soft ratchet.

Rental Analysis		Effective Rate
Warehouse	8,515.9 m <sup>2</sup>	\$88.66
Low Stud Storage	87.5 m <sup>2</sup>	\$68.64
Ground Floor Office & Amenities	685.6 m <sup>2</sup>	\$148.71
First Floor Office	695.9 m <sup>2</sup>	\$177.31
First Floor Open Storage	106.5 m <sup>2</sup>	\$57.20
Plantroom	15.6 m <sup>2</sup>	\$51.48
Prayer Room	27.0 m <sup>2</sup>	\$82.94
Rear Warehouse	1,235.9 m <sup>2</sup>	\$87.21
Canopy / Foam Barn	690.5 m <sup>2</sup>	\$57.20
Offices / Laboratory	73.1 m <sup>2</sup>	\$131.55
Lunchroom	29.9 m <sup>2</sup>	\$125.83
Amenities	25.7 m <sup>2</sup>	\$125.83



### 395 Church Street, Penrose, Auckland

<b>Effective Date</b>	September 2017	<b>Term</b>	5 years and 3 months
<b>Contract Rent</b>	\$600,726 pa	<b>Tenant</b>	Easy2c Limited
<b>Lease Basis</b>	New Lease		

The property comprises an industrial property with a total lettable area of approximately 6,723 square metres, located on the corner of Church Street and Hugo Johnston Drive, within the industrial precinct of Penrose. Improvements comprise of an approximate 4,223 square metre warehouse which is fully sprinklered and has a stud height of approximately 9 metres. Office accommodation comprises approximately 1,226 square metres over two floors and is fully airconditioned. Warehouse amenities are approximately 333 square metres, canopy of approximately 941 square metres, yard of approximately 2,300 square metres and 55 car parking spaces.

The property has been leased by Goodman Property Trust to Easy2C Limited for a term of 5 years and three months, returning \$600,726 per annum net plus GST.

Rental Analysis		Effective Rate	
Warehouse	Warehouse	4,223.0 m <sup>2</sup>	\$78.79
Warehouse	Warehouse Amenities	333.0 m <sup>2</sup>	\$80.00
Office	Office	1,226.0 m <sup>2</sup>	\$170.00
Canopy	Canopy	941.0 m <sup>2</sup>	\$35.00
Yard	Yard	2,300.0 m <sup>2</sup>	\$0.00
Car Parking	Parks	55 parks	\$0.00



### 38-40 Bruce McLaren Road, Henderson, Auckland

<b>Effective Date</b>	June 2017	<b>Lease Basis</b>	Rent Review
<b>Contract Rent</b>	\$1,044,491 pa	<b>Tenant</b>	Unitech Property Trust

The property comprises two standalone warehouses with a interlink air bridge and associated office buildings located on the eastern side of Bruce McLaren Road, within the industrial suburb of Henderson. Improvements are of a semi specialised nature and are of a well maintained standard and has a good office to warehouse ratio to both buildings. The property is situated on a rear site with the western rail link running along the rear boundary of the property.

The property is leased to Unitech Industries Limited for a term of eight (8) years from 28 June 2013 with two (2) rights of renewal of six (6) years each. Rent reviews are annually to CPI and market reviews on 28 June 2017, 2024, 2030 and the renewal dates.

The property recently underwent a rent review in June 2017, indicating a new rental of \$1,044,491 per annum.

<b>Rental Analysis</b>			<b>Effective Rate</b>
Warehouse A	Warehouse	4,444.7 m <sup>2</sup>	\$90.00
Warehouse B	Warehouse	1,554.6 m <sup>2</sup>	\$90.00
Office & Amenities A	Office	979.2 m <sup>2</sup>	\$175.00
Office & Amenities B	Office	377.8 m <sup>2</sup>	\$170.00
Office & Amenities C	Office	234.2 m <sup>2</sup>	\$130.00
Office & Amenities D	Office	340.6 m <sup>2</sup>	\$130.00
Office Storage	Storage	71.2 m <sup>2</sup>	\$45.00
Store	Storage	406.8 m <sup>2</sup>	\$25.00
Canopy	Canopy	524.4 m <sup>2</sup>	\$45.00
Mezzanine	Mezzanine	593.9 m <sup>2</sup>	\$45.00
Under Mezzanine	Mezzanine	593.9 m <sup>2</sup>	\$45.00
Yards	Yards	3,400.0 m <sup>2</sup>	\$25.00
Air Bridge & Stairs	Ancillary	144.4 m <sup>2</sup>	\$130.00



### 60-66 Harris Road, East Tamaki, Auckland

<b>Effective Date</b>	May 2017	<b>Lease Basis</b>	New Lease
<b>Contract Rent</b>	\$831,000 pa	<b>Tenant</b>	United Steel Limited

The property comprises dated industrial accommodation with a gross floor area of approximately 8,140 square metres. The property is located on the western side of Harris Road, within the industrial precinct of East Tamaki. The improvements comprise of 4 low stud warehouses with a combined area of approximately 7,154 square metres and approximately 669 square metres of office accommodation over two levels. Access to the site is gained via an ingress/egress point to the Harris Road frontage with drive through access to the rear of the site via a shared thoroughfare which connects to Crooks Road.

The property has been leased to United Steel Limited for a term of ten (10) years with one (1) right of renewal of six (6) years with annual fixed rent reviews of 2.5% and market reviews every five (5) years. United Steel Limited have leased the property for \$831,000 per annum plus fit out rent for the Gantry Crane Alteration of \$3,033.19 per month ("Amortised Gantry Crane Rent").

<b>Rental Analysis</b>			<b>Face Rate</b>
Office & Amenities	Ground Floor Office	355.00 m <sup>2</sup>	\$190.00
Office & Amenities	First Floor Office	313.80 m <sup>2</sup>	\$190.00
Amenities	BBQ/Courtyard	50.00 m <sup>2</sup>	\$53.55
Warehouse	Warehouse A	1,710.00 m <sup>2</sup>	\$80.00
Warehouse	Warehouse B	1,680.70 m <sup>2</sup>	\$80.00
Warehouse	Warehouse C	1,680.70 m <sup>2</sup>	\$80.00
Warehouse	Warehouse E	2,082.10 m <sup>2</sup>	\$80.00
Mezzanine	Mezzanine B & C	120.30 m <sup>2</sup>	\$75.00
Amenities	Lunchroom & Amenities	39.60 m <sup>2</sup>	\$110.00
Industrial	Compressor Room	21.30 m <sup>2</sup>	\$85.00
Office	Dispatch Office	43.20 m <sup>2</sup>	\$150.00
Office	Auto Offices	57.50 m <sup>2</sup>	\$150.00
Canopy	Drive Thru Canopies	186.50 m <sup>2</sup>	\$42.50
Yard	Southern Yard	1,500.00 m <sup>2</sup>	\$35.00
Yard	Western Yard	1,275.00 m <sup>2</sup>	\$30.00



### 38A and 38B, East Tamaki, Auckland

<b>Effective Date</b>	April 2017	<b>Term</b>	8 years
<b>Contract Rent</b>	\$482,191 pa	<b>Tenant</b>	Glen Dimplex Australasia Limited
<b>Lease Basis</b>	Rent Review		

The property comprises approximately 4,871 square metres of gross lettable industrial accommodation, located on the western side of Harris Road, East Tamaki. The improvements comprises two parallel positioned industrial premises with access to both units A and B provided from Harris Road. Unit A is located to the northern side of the site and includes predominantly an open plan office space to the first floor with industrial warehouse accommodation with basic office to the ground floor. There have been subsequent additions made to the original warehouse and has been partitioned into approximately four sections to allow for separate manufacturing areas.

Unit B is located to the southern side of the site and has similar aspects as Unit A to provide partitioned areas within the warehouse. Located to the eastern end is the original sawtooth designed warehouse which has been extended to the west. The property comprises basic warehouse, offices and amenities over the two levels to the northern side adjoining the warehouse. A sealed access-way runs between the two units which provides additional car parking and uncovered storage.

The property is leased to Glen Dimplex Australasia Limited for a further renewal term of 4 years commencing from 1 December 2015, with a market review on the 26 April 2017 and subject to a soft ratchet clause whereby the rent payable from the review date shall be less than the annual rent payable as at the commencement date of the current lease term.

Rental Analysis			Effective Rate
Office	First Floor Office – Unit A	246.2 m <sup>2</sup>	\$165.00
Office	Ground Floor Office – Unit A	201.6 m <sup>2</sup>	\$130.00
Office	Warehouse Office – Unit A	81.4 m <sup>2</sup>	\$120.00
Warehouse	Existing Warehouse – Unit A	1,839.5 m <sup>2</sup>	\$87.50
Warehouse	New Warehouse – Unit A	306.5 m <sup>2</sup>	\$110.00
Office	Ground Floor Office – Unit B	92.5 m <sup>2</sup>	\$140.00
Office	First Floor Office – Unit B	92.5 m <sup>2</sup>	\$140.00
Warehouse	Manufacturing – Unit B	792.0 m <sup>2</sup>	\$85.00
Warehouse	Old Warehouse – Unit B	934.0 m <sup>2</sup>	\$92.50
Warehouse	New Warehouse – Unit B	284.6 m <sup>2</sup>	\$110.00



### 41-71 Great South Road, Otahuhu, Auckland

<b>Effective Date</b>	April 2017	<b>Lease Basis</b>	Rent Review
<b>Contract Rent</b>	\$1,638,333 pa	<b>Tenant</b>	New Zealand Comfort Group Limited

The property comprises a large industrial manufacturing complex well located on Rosebank Peninsula. The improvements comprise a steel portal frame warehouse with two levels of office accommodation located within the warehouse envelope, positioned to the road frontage and a smaller standalone warehouse situated to the rear of the property. The warehouse components comprise column interrupted, low to medium stud, sprinklered accommodation. Two shared access ways, along both the eastern and western sides of the warehouse component allow for carparking and access to both warehouses.

Rental Analysis			Effective Rate
Ground Floor Office		981.5 m <sup>2</sup>	\$157.50
First Floor Office		252.6 m <sup>2</sup>	\$160.00
Rear Office Building		956.4 m <sup>2</sup>	\$145.00
Warehouse		15,412.1 m <sup>2</sup>	\$70.00
Amenities & Cafe		1,077.9 m <sup>2</sup>	\$125.00
Basement Store/Carpark		625.1 m <sup>2</sup>	\$35.00
Rear Warehouse Mezzanine		923.4 m <sup>2</sup>	\$35.00
Loading Canopy		269.3 m <sup>2</sup>	\$55.00
Canopies		296.7 m <sup>2</sup>	\$45.00
Latex Store		168.0 m <sup>2</sup>	\$45.00
Guard Hut		32.8 m <sup>2</sup>	\$35.00

The rental evidence above indicates a range of rental rates ranging from \$70 to \$110 per square metre for warehouse accommodation, \$120 to \$230 per square metre for office accommodation, \$35 to \$60 per square metre for canopy and \$25 to \$35 per square metre for yard space, with the rates largely dependent upon the size of the premises, location, quality, access and stud height of the warehouse accommodation.

The subject property provides an average quality office, and the various warehouse and workshop accommodation provides predominantly medium stud accommodation with large yard areas providing sufficient manoeuvring.

We have considered the rental of 114 Swanson Road and 670 Rosebank Road, both located in Waitakere, 90-104 Springs Road and 60-66 Harris Road, both located in East Tamaki, 395 Church Street located in Penrose and 41-71 Great South Road, located in Otahuhu to be most comparable and to provide a good indication of market rental achievable for the subject, when considering attributes such as age and condition of the improvements, stud heights of the warehouse accommodation, office to warehouse ratio, access to the site and vehicle manoeuvring.

## 7.2 Market Rental Profile

In analysing the market rental for the accommodation within the Property, we have had regard to the net structure of the leases executed. We have therefore assessed the market rental profile on a net basis.

Our adopted market rental profile is displayed below:

Premises	NLA	Passing Rental	Market Rental	Market Rental pa
Pacific Steel (NZ) Limited - Ground Floor Office / Amenities	528	\$132 /sqm	\$125 /sqm	\$66,024
Pacific Steel (NZ) Limited - Mezzanine Offices	642	\$132 /sqm	\$125 /sqm	\$80,213
Pacific Steel (NZ) Limited - Mezzanine Factory Office	333	\$88 /sqm	\$90 /sqm	\$30,002
Pacific Steel (NZ) Limited - Laboratory & Amenities	406	\$99 /sqm	\$105 /sqm	\$42,588
Pacific Steel (NZ) Limited - Warehouse / Factory	9,724	\$77 /sqm	\$70 /sqm	\$680,674
Pacific Steel (NZ) Limited - Canopy	70	\$44 /sqm	\$40 /sqm	\$2,784
Pacific Steel (NZ) Limited - Warehousing Dispatch	1,368	\$82 /sqm	\$80 /sqm	\$109,440
Pacific Steel (NZ) Limited - Dispatch Office	17	\$88 /sqm	\$105 /sqm	\$1,806
Fletcher Building Steel Group - Semi Detached Office	282	\$117 /sqm	\$125 /sqm	\$35,250
Fletcher Building Steel Group - Warehouse Office & Amenities	749	\$95 /sqm	\$100 /sqm	\$74,865
Fletcher Building Steel Group - Warehouse / Factory	8,069	\$70 /sqm	\$70 /sqm	\$564,857
Fletcher Building Steel Group - Switchroom	78	\$58 /sqm	\$55 /sqm	\$4,300
Fletcher Building Steel Group - Canopy	492	\$37 /sqm	\$40 /sqm	\$19,660
<b>Total</b>	<b>22,757 m<sup>2</sup></b>			<b>\$1,712,462</b>

### 7.3 Net Income Assessment

The table below presents both the passing income and adopted market net income profile of the Property:

Passing Versus Market Comparison	Passing pa	Market pa
Rental Analysis		
Lettable Area Rental	\$1,776,363	\$1,712,462
Outgoings Recovery	\$241,976	\$241,976
Gross Income	\$2,018,339	\$1,954,438
Outgoings	\$241,976	\$241,976
Net Income	\$1,776,363	\$1,712,462

## 8 Sales Evidence

### 8.1 Sales Transactions

In assessing a suitable capitalisation rate and discount rate profile for the Property, we have had regard to a range of property transactions. The more relevant sales are summarised in the sales schedule and commentary below:



#### 104-140 Neilson Street, Onehunga, Auckland

<b>Sale Price</b>	\$15,150,000	<b>Sale Date</b>	May 2018
<b>Initial Yield</b>	5.00%	<b>Equivalent Yield</b>	5.31%
<b>IRR</b>	7.75%	<b>WALT</b>	8.58 Years

The property comprises a purpose built bus depot located at 104-140 Neilson Street, Onehunga. Improvements provide a total net lettable area of approximately 2,112 square metres which comprises a recently refurbished workshop, office component, and medium stud warehouse. Two purpose built structures constructed by the tenant include a bus washing facility and refuelling station. The yard provides approximately 16,385 square metres of secured asphalt sealed yard.

At the date of sale, the property is leased to Auckland Transport Corporation Limited, for a term of fifteen (15) years commencing 1 November 2011. The property has a current net passing income of \$757,202 per annum plus GST, and a remaining lease term of 8.58 years. The sale indicates an initial yield of 5.00%, equivalent yield of 5.31% and IRR of 7.75%.

**Comparison:** The subject property is inferior due to its age of construction, multi tenanted and location, although of similar weighted average lease term. 104-140 Neilson Street has a low site coverage and at a lower price quantum.



#### 107 Harris Road, East Tamaki, Auckland

<b>Sale Price</b>	\$10,935,000	<b>Sale Date</b>	April 2018
<b>Initial Yield</b>	6.33%	<b>Equivalent Yield</b>	6.44%
<b>IRR</b>	8.48%	<b>WALT</b>	2.90 Years

The property comprises high quality trade retail to the road frontage, with warehouse accommodation and yard situated to the rear. The property is an approximately 8,093 square metre site, located at 107 Harris Road, a main arterial road. Improvements provide a total net lettable area of approximately 3,079 square metres which comprises modern trade retail accommodation, and dated medium stud warehouse, and associated office accommodation.

At the date of sale, the property is leased to five (5) tenants, with a WALT of 2.90 years by area. The property has a total net passing income of \$692,176 per annum plus GST. The property sold in April 2018 for \$10,935,000 plus GST, indicating an initial yield of 6.33%, equivalent yield of 6.44%, and internal rate of return of 8.48%.

**Comparison:** The subject property is inferior due to its age of construction and location, although has a longer weighted average lease term and occupied by two national tenants. 107 Harris Road has approximately 7 tenants, occupied by local and national tenants, comprise of various age construction and is at a lower price quantum.



**8 Norman Spencer Drive, Manukau, Auckland**

<b>Sale Price</b>	\$14,575,000	<b>Sale Date</b>	January 2018
<b>Initial Yield</b>	4.88%	<b>Equivalent Yield</b>	5.11%
<b>IRR</b>	7.34%	<b>WALE</b>	6 years

The property comprises a bus depot and servicing centre located within the established commercial precinct of Manukau City. Improvements consist of older offices and workshop areas complemented by a large sealed yard providing for bus parking space.

The improvements comprise an older office and warehouse building providing approximately 738 square metres of office with 2,050 square metres of workshop, together with large sealed and secure yard areas for bus parking.

The tidy offices and amenities are provided over a single level and comprise of an open-plan reception/office area with further partitioned offices.

The workshop area can be access via multiple roller doors currently used for the servicing of buses. The workshop canopy extends the full length of the building.

A large 'U' shaped area to the rear of the workshop and office structure provides for significant areas of on-site car and bus parking.

At the date of sale, the property was leased to Transportation Auckland Corporation Limited on a fifteen year lease term from February 2009. This lease was returning \$174,560 per annum after a rental review in February 2018.

The property sold in January 2018 for \$14,575,000, at an initial yield of 4.88%.

**Comparison:** The subject property is inferior due to its age of construction, multi tenanted and location, although of similar weighted average lease term. 8 Norman Spencer Drive has a low site coverage and at a lower price quantum.



**68-80 Stonedon Drive, East Tamaki, Auckland**

<b>Sale Price</b>	\$32,577,000	<b>Sale Date</b>	December 2017
<b>Initial Yield</b>	6.25%	<b>Equivalent Yield</b>	6.25%
<b>IRR</b>	8.68%	<b>WALE</b>	6.00 years

The property comprises approximately 18,126 square metres of industrial accommodation, located on the northern side of Stonedon Drive, within the industrial precinct of East Tamaki.

Improvements comprise of approximately 14,959 square metres of main warehouse with a stud height of approximately 9.5 metres at the portal knee, rising to approximately 11.7 metres at the apex, approximately 850 square metres of a combination of open plan and partitioned office accommodation attached to the main warehouse. The warehouse also includes a small dispatch office of approximately 404 square metres. There is a second building located to the south-eastern corner of the site, comprising of approximately 209 square metres of office accommodation and approximately 1,703 square metres of warehouse. The warehouse provides a stud height of approximately 9 metres at the portal knee, rising to approximately 9.8 metres at the apex. The offices are predominantly open plan with some portioning.

The property benefits from full drive around access, full mesh security fencing with security gates and on-site parking.

The property is currently under contract for \$32,577,000 under a sale and lease back to Steel & Tube for a term of ten (10) years with a break clause after year six (6) stated in the lease. The sale is due to go unconditional on 20 December 2017. Steel & Tube will be paying \$2,036,087 per annum, reflecting an initial yield of 6.25% and a weighted average lease term of 6.00 years. We have analysed the sale to reflect an equivalent yield of 6.25% and an internal rate of return of 8.68%.

**Comparison:** The subject property is inferior due to its age of construction, multi tenanted and location, although of similar weighted average lease term and the subject is of a lower price quantum.



#### 6 Hautu Drive, Wiri, Auckland

<b>Sale Price</b>	\$11,100,000	<b>Sale Date</b>	December 2017
<b>Initial Yield</b>	5.88%	<b>Equivalent Yield</b>	5.96%
<b>IRR</b>	7.89%	<b>WALE</b>	5.67 years

The property comprises an industrial building with a stud height of an approximately 10.1 metres at the portal knee rising to approximately 13 metres at the apex and a single level of good quality associated office accommodation, including a drive through canopy.

The non sprinklered warehouse provides high stud, clearspan (approximately 60 metres) accommodation constructed with concrete floors, steel framing, precast concrete walls, under a long run galvanised mild steel roof, netting and isolation. Industrial, incandescent lighting supplements the natural light provided by the intermitted translucent panels. Access to the warehouse is provided by three roller doors, protected by a canopy which extends off the northern elevation.

The adjoining single level office accommodation comprises an open plan office, a server room, a lunchroom (with outside courtyard), and male and female ablutions, both proved with a toilet and hand basin each. The office block is constructed with a combination of precast concrete and aluminium frame with glazing exterior walls, carpeted and vinyl floor coverings, painted plasterboard internal walls, suspended ceilings, ducted airconditioning and recessed and diffused lighting. The office accommodation provides direct access into the warehouse.

The property is leased to Cavalier Bremworth Limited for a term of six (6) years (from the renewal date being 6 August 2017) with annual rental increases of 2%. Cavalier Bremworth Limited is currently leasing the property for \$652,800.

The property sold in December 2017 for \$11,100,000 reflecting an initial yield of 5.88% and a weighted average lease term of 5.67 years. We have analysed the sale to reflect an equivalent yield of 5.96% and an internal rate of return of 7.89%.

**Comparison:** The subject property is inferior due to its age of construction, multi tenanted and location, although of similar weighted average lease term. 6 Hautu Drive is more generic, of a modern construction and at a lower price quantum.



#### 84 Central Park Drive, Henderson, Auckland

<b>Sale Price</b>	\$9,100,000	<b>Sale Date</b>	September 2017
<b>Initial Yield</b>	5.22%	<b>Equivalent Yield</b>	5.52%
<b>IRR</b>	7.86%	<b>WALE</b>	4.00 years

The property comprises approximately 4,244 square metres of lettable space, located on the western side of Central Park Drive, within the industrial precinct of Henderson.

Improvements comprise of approximately 600 square metres of modern office accommodation, approximately 3,044 square metres of high stud warehouse accommodation and approximately 600 square metres of canopy.

The property is leased to AS Colour for a term of four (4) years with four (4) years right of renewal and annual fixed increases of 2%.

The property sold in September 2017 for \$9,100,000 reflecting an initial yield of 5.22% and a weighted average lease term of 4 years. We have analysed the sale to reflect an equivalent yield of 5.52% and an internal rate of return of 7.86%.

**Comparison:** The subject property is inferior due to its age of construction, multi tenanted and location, although of similar weighted average lease term. 84 Central Park Drive is more generic, of a modern construction and at a lower price quantum.



#### 2 Freight Place, Airport Oaks, Auckland

<b>Sale Price</b>	\$9,770,000	<b>Sale Date</b>	July 2017
<b>Initial Yield</b>	5.74%	<b>Equivalent Yield</b>	5.91%
<b>IRR</b>	8.16%	<b>WALE</b>	7.33 years

The property comprises industrial accommodation situated on a corner site, with frontages to both Richard Pearse Drive and Freight Place within the industrial precinct of Airport Oaks. The improvements are presented to a good standard and comprise a high stud warehouse facility with associated offices and amenities and a low stud storage area. A sealed yard with a large drive through canopy is accessed via Richard Pearse Drive and Freight Place. In addition, sealed car parking is provided for approximately 36 spaces.

The office and amenities area has recently been refurbished. The lease specifies an improvement rental set as a percentage of the costs to complete the refurbishment works capped at \$200,000 plus GST.

The property sold in July 2017 for \$9,770,000 reflecting an initial yield of 5.74% and a weighted average lease term of 7.33 years. We have analysed this sale to indicate an equivalent yield of 5.91% and an internal rate of return of 8.16%.

**Comparison:** The subject property is inferior due to its age of construction, multi tenanted and location, although of similar weighted average lease term. 2 Freight Place is more generic, of a modern construction and at a lower price quantum.



### 3 Monahan Road, Mount Wellington, Auckland

<b>Sale Price</b>	\$10,500,000	<b>Sale Date</b>	June 2017
<b>Initial Yield</b>	6.06%	<b>Equivalent Yield</b>	6.13%
<b>IRR</b>	8.57%	<b>WALE</b>	10.38 years

The property comprises an industrial facility, comprising a large 5,190 square metre warehouse with 1,131 square metres of associated office accommodation and car parking space for 136 vehicles.

The building provides a large warehouse to the rear with two levels of offices to the road frontage, constructed circa 1965 with extensions added in 1981. The offices provide both open plan and partitioned accommodation generally presenting with carpet flooring, plasterboard walls and a combination of suspended and plasterboard ceilings.

The warehouse has a moderate stud height of approximately 5 metres to the base of the trusses and provides column interrupted industrial accommodation. An area with a raised roof height of located within the facility and is utilised as an auction room with suspended ceilings.

The property is well located within Mount Wellington, close to major motorways and transportation links.

At the date of sale, the property was leased to Turners and Growers Fresh Limited on a 15 year lease term, with three further right of renewals of two years each. The lease is subject to a hard ratchet clause and a 6% cap on the 3 yearly market reviews. The lease returns an annual rental of \$636,000 per annum.

The property sold in June 2017 for \$10,500,000 reflecting an initial yield of 6.06% and an average remaining lease term of 10.38 years. The sale has been analysed to reflect an equivalent yield of 6.13% and an internal rate of return of 8.57%.

**Comparison:** The subject property is considered inferior due to its shorter lease term and higher price quantum, although 3 Monahan Road is more of a generic layout, with similar dated improvements in need of renovations in the future and both contain asbestos material onsite.



### 11 Turin Place, East Tamaki, Auckland

<b>Sale Price</b>	\$14,223,077	<b>Sale Date</b>	December 2016
<b>Initial Yield</b>	6.50%	<b>Equivalent Yield</b>	6.42%
<b>IRR</b>	8.80%	<b>WALE</b>	15.00 years

A freehold land holding situated in East Tamaki, Auckland. The land is improved by way of an integrated industrial facility incorporating varying quality warehouse/factory space with a small office and amenity component.

The industrial facility comprises two good quality warehouses constructed in 2013/2014 and 2015, separated by virtue of an older medium to low structure constructed circa 1970s.

The older warehouse has a steel portal frame with three bays and a stud height of approximately 2.5 metres at its lowest point, rising to approximately 4.4 metres at the knee. There is a breezeway canopy connecting this warehouse to the 2013/2014 constructed warehouse, and also links directly to the 2015 warehouse.

The 2013/2014 constructed warehouse is made up of RSJ portal framing and has a longrun metal roof with netting and sisilation. The warehouse has a stud height of approximately 7.3 metres at the knee. The office component is functional but slightly dated. There are two roller doors along with a separate cart dock and roller door area along the northern elevation.

The 2015 constructed warehouse has a steel portal frame with concrete tilt slab walls and an approximate stud height to the knee of 6.25 metres to approximately 6.5 metres at another knee extending to the apex of between approximately 8.75 metres and approximately 10.41 metres. This warehouse has several rows of internal columns which support a grantry crane. The office and amenity accommodation to this warehouse is located over two levels and are situated to the north eastern corner. There is a small lean-to canopy extending over tenant plant and equipment improvements attached to the northern elevation of the building.

Site improvements include concrete vehicle manoeuvring and parking areas.

The property sold for \$14,223,077 indicating an initial yield of 6.50% and market yield of 6.30%. The property sold in December 2016 with a weighted average lease term of 15 years and two yearly rent reviews with fixed growth of 4.55%.

**Comparison:** The subject property is considered inferior due to its shorter remaining average lease term and age of construction, although 11 Turin Place provides a lower price quantum. Time adjustment is required.

The above transactions indicate that initial yields have ranged from 4.88% to 6.50%, equivalent yields from 5.11% to 6.44% and internal rates of return from 7.34% to 8.80% largely dependent on tenant covenants, guaranteed rental growth and lease terms.

We consider 107 Harris Road and 68-80 Stonedon Drive located in East Tamaki, 3 Monahan Road located in Mt Wellington and 11 Turin Place located in East Tamaki to provide a good indication of an initial and equivalent yield achievable for the subject property.

The lower end of the yield range typically relates to properties with either modern accommodation, situated in prime locations, with medium to long term weighted average lease terms or are of a smaller value quantum. Sales to the higher end of the yield range typically relate to properties with either secondary quality accommodation, in secondary locations, have short weighted average lease terms or are of a high value quantum. Taking into account the age, scale and nature of the accommodation, location, value quantum, rent review structure and weighted average lease term, we have adopted a yield to the mid to high point of the range.

Interest rates are historically low at present, creating increasing demand from the owner occupier with equivalent yields for vacant possession properties close to yields currently being achieved for properties with long lease terms.

Based on the sales evidence, particularly the most recent and anecdotal evidence of current transactions, we have adopted the following valuation inputs:

Variable	Input
Capitalisation Rate - Core Income	6.625%
Discount Rate	8.75%

## 9 Valuation Considerations

### 9.1 SWOT Analysis

The strengths and weaknesses of any investment property generally show the positive and negative characteristics of that property at the date of valuation given the current leasing terms and market conditions. Opportunities and threats represent future external factors or events that could enhance or diminish the value of the asset. We set out our SWOT analysis as inspected as follows:

Strengths	Weaknesses
<ul style="list-style-type: none"><li>• Good location within close proximity of motorway linkages.</li><li>• Freehold landholding.</li><li>• Large land holding would suit future development.</li><li>• Profile and exposure to Beach Road and James Fletcher Drive.</li><li>• Strong tenant covenant.</li><li>• Adequate carparking.</li></ul>	<ul style="list-style-type: none"><li>• Large building may not suit some tenants.</li><li>• Rental vacancy risk exposure upon expiry of leases.</li><li>• Potential for high capex soon due to the buildings age.</li><li>• High monetary quantum may reduce potential purchasers.</li><li>• Asbestos detected onsite.</li><li>• The weighted average lease term (by income) of 5.93 years is considered to be slightly short for this class of asset, with investors particularly attracted to properties with slightly longer lease profiles.</li></ul>
Opportunities	Threats
<ul style="list-style-type: none"><li>• Investigate the merits of development on the surplus land area.</li><li>• Refurbish or re-develop when leases expire.</li></ul>	<ul style="list-style-type: none"><li>• Surrounding industrial and office development, as well as the emergence of alternative industrial locations providing modern design build options, may limit medium to long term rental growth and re-leasing opportunities as a result of increased competition.</li><li>• Off-shore and local factors impacting negatively on economic growth, tenant demand and investor sentiment.</li></ul>

### 9.2 Likely Selling Period

We are of the opinion that the likely selling period for the Property is up to 6 months.

*This is an estimate of the time it might take for the Property to sell if it were marketed at the ascribed market value. The actual time it may take to sell the Property will be impacted upon by numerous factors including the marketing undertaken, eagerness of buyers both generally and also in relation to assets similar to the Property, availability of finance, and changes in market conditions subsequent to the valuation date.*

### 9.3 Most Probable Purchaser

In consideration of the current market, we anticipate the most probable purchaser of the Property to be a syndicator, high net worth individual or overseas investor.

### 9.4 Sales History

The subject property has not transacted in the past 10 years.

## 10 Valuation Rationale

### 10.1 Valuation Overview

In arriving at our opinion of market value we have adopted the capitalisation of net income and discounted cash flow (DCF) approaches. Both results have then been cross checked using the direct comparison approach where the value is analysed on a rate per square metre of Net Lettable Area (NLA).

Our valuation has been undertaken utilising the Jones Lang LaSalle proprietary valuation model.

### 10.2 Valuation Criteria

After considering the sales evidence, market indicators and the level of investor sentiment for comparable commercial real estate and adjusting specifically for:

- The characteristics of the location;
- Quality of the improvements/building;
- Leasing covenants/security of income cash flow;
- Weighted remaining lease duration; and
- Expiry profile of tenancies.

We have adopted a core capitalisation rate of 6.63% on our adopted market rental profile and an 8.75% target discount rate.

### 10.3 Capitalisation Approach

#### Introduction

The capitalisation approach involves the addition of our opinion of market rent for the various components of the Property and the deduction of outgoings, where appropriate, in order to determine the net market income of the Property. This net market income is capitalised at the adopted capitalisation rate to derive a core value.

A summary of the capitalisation approach is detailed overleaf:

<b>Direct Capitalisation Approach - Market Income</b>	
<b>Market Income</b>	
Lettable Area Rental	\$1,712,462
Ideal Outgoings Recovery (Full Net Leases)	\$241,976
<b>Total Market Rental</b>	<b>\$1,954,438</b>
Less Outgoings Expenditure	(\$241,976)
<b>Net Market Rental</b>	<b>\$1,712,462</b>
<b>Rental Adjustments</b>	
Core Income	\$1,712,462
<b>Core Income Capitalised at 6.63%</b>	<b>\$25,848,481</b>
<b>Value Adjustments</b>	
Present Value of Rental Reversions	
Existing Tenancies	\$359,321
Present Value of Letting Up Allowances: 24 months	\$0
Present Value of All Unexpired & Forecast Incentives: 24 months	(\$257,572)
Present Value of Short Term Capital Expenditure: 24 months	(\$410,624)
<b>Total Value Adjustments</b>	<b>(\$308,875)</b>
<b>Total Capitalised Value</b>	<b>\$25,539,606</b>
<b>Adopted Capitalised Value</b>	<b>\$25,540,000</b>

From our core value, present value adjustments (for rental reversions, letting up allowances, incentives, future lease agreements and short term CAPEX) where appropriate have been made in order to derive the resultant capitalised value.

Our adopted adjustments are detailed as follows:

#### **Rental Reversions**

From the core value, we have added/deducted the present value of tenant rental reversions, which represents the present value of rental overage / underage for each existing tenancy relative to our adopted rental profile. Further, we have allowed for downtime associated with the leasing up of any current vacancies within the Property.

#### **Letting Up Allowances**

Within our capitalisation calculations we have made present value letting up allowances for those tenancies that are expiring over the next 24 months. This letting up allowance includes rental and outgoings void (downtime) as well as leasing / agents fees with leasing up the captured lease expiry's.

#### **Unexpired Incentives**

We have deducted the present value of all outstanding / unexpired incentives of \$257,572.

#### **Capital Deductions**

We have allowed for the present value of CAPEX allowances over the next 24 months from the valuation date, which total \$410,624.

## Calculation Summary

Having made these adjustments to the core value, we derive a total value of \$25,540,000.

Our detailed calculations are annexed to this report.

### 10.4 Discounted Cash Flow Approach

We have undertaken a discounted cash flow analysis over a 10 year investment horizon to derive a net present value for the Property. The cash flow outputs are summarised and appended to this report.

We stress that the estimating of future rentals and values is a very problematic exercise, which at best should be regarded as an indicative assessment of possibilities rather than absolute certainties. The process of making forward projection of key elements includes assumptions regarding a considerable number of variables which are acutely sensitive to changing conditions, variation in any of which may significantly affect value.

The main valuation inputs used in our cash flow are summarised as follows:

#### Revenue Projections

Our revenue projections commence with the passing rents for each existing tenant and, where relevant, include structured annual and market rent reviews, together with ratchet clauses, as provided for under existing leases.

#### Growth Rates

A summary of the growth rates adopted for the cash flow period are as follows:

Growth	1	2	3	4	5	6	7	8	9	10
Industrial							10 year average		2.82%	
	2.50%	2.75%	3.00%	3.25%	3.50%	3.00%	2.75%	2.50%	2.50%	2.50%
CPI							10 year average		1.99%	
	1.80%	2.00%	2.00%	2.10%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Capex							10 year average		1.99%	
	1.80%	2.00%	2.00%	2.10%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Outgoings							10 year average		2.00%	
	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

The industrial market rents have been grown over the 10 year cash flow period by their respective growth rate as set out within the summary table above. In formulating our views as to the appropriate projected rental growth rates for the Property we have had regard to forecasts supplied by JLL Research and NZIER. These forecasts have been used as a base from which growth rates appropriate for the Property have been derived.

#### Letting Up/Incentive/Leasing Cost Allowances

We have allowed for a letting up period at the end of each existing lease (being the estimated time to secure a new tenant) and associated probability. We have also allowed for an incentive to the new tenant with associated probability for this incentive occurring. We have assumed a new lease term for tenants of 6.0 years and associated agents/leasing costs of 16.00%. Our allowances are outlined in the table below:

## Letting Up Allowances

Cash Flow Year	Letting Up	Probability	Incentive	Probability	Capex \$/sqm	Probability
Vacant	12 months	50%	0 months	100%	\$50	100%
Year 1	12 months	50%	0 months	100%	\$50	100%
Year 2	12 months	50%	0 months	100%	\$50	100%
Year 3	12 months	50%	0 months	100%	\$50	100%
Year 4	12 months	50%	0 months	100%	\$50	100%
Year 5	12 months	50%	0 months	100%	\$50	100%
Year 6	12 months	50%	0 months	100%	\$50	100%
Year 7	12 months	50%	0 months	100%	\$50	100%
Year 8	12 months	50%	0 months	100%	\$50	100%
Year 9	12 months	50%	0 months	100%	\$50	100%
Year 10	12 months	50%	0 months	100%	\$50	100%

## Capital Expenditure

Within our calculations we have made capital expenditure allowances based on budgets provided, as noted previously within this report, together with our own allowances for capital and refurbishment works coinciding with major lease expiries that we feel would be necessary to achieve our rental growth forecast and which a prudent purchaser is likely to make allowances for.

The table below outlines the total capital expenditure amount each cash flow year:

Cash Flow Year	Capital Expenditure	Cash Flow Year	Capital Expenditure
Year 1	\$322,065	Year 6	\$61,232
Year 2	\$107,414	Year 7	\$62,457
Year 3	\$109,562	Year 8	\$63,706
Year 4	\$111,753	Year 9	\$815,916
Year 5	\$60,032	Year 10	\$66,280

Total CAPEX allowances amount to \$1,780,417 (\$78.24 /sqm of NLA) over 10 years.

## Estimated Terminal Sale Price

We have applied a terminal yield of 6.88% (a 0.25% softening to the going in capitalisation rate) to the market net income at the start of Year 11 in order to calculate the estimated terminal sale price. This value also includes reversions to the forecast market rent as at the end of Year 10, deferred until the next review date.

In estimating the terminal value, we have had regard to perceived market conditions at the end of Year 10 and the age, leasing profile and condition of the Property at that time. Whilst it is difficult to project long range forecasts, the most likely market conditions should be considered. Long term factors dominate the outlook, however, cyclical factors and short term influences govern these projections.

## Transaction Costs

We have made allowances for the following transaction costs within our discounted cash flow:

Transaction Costs	
Acquisition Costs	Nil
Disposal Costs	1.50% of the forecast Terminal Value

## Discount Rate

In assessing the appropriate target discount rate for the property, we have considered the following factors:

- Analysis of recent comparable sales;
- Current level of the 10 year Government Bond Rate;
- Dialogue with active institutional investors and property trust investors; and
- Property's lease covenants and quality of improvements.

## Present Value

After careful consideration of the assumptions and comments contained in our report and relevant market evidence, we have applied a target discount rate of 8.75% to the cash flows to produce a present value of \$25,769,000. Our DCF calculations are annexed to this report.

## Sensitivity Analysis

The table below highlights a sensitivity analysis of the net present value around variations to the target discount rate and terminal yield:

Discount Rate	Terminal Yield		
	6.63%	6.88%	7.13%
8.50%	\$26,759,000	\$26,216,000	\$25,711,000
8.75%	\$26,300,000	<b>\$25,769,000</b>	\$25,276,000
9.00%	\$25,851,000	\$25,333,000	\$24,851,000

## 10.5 Valuation Reconciliation

The results of our valuation methods are:

Methodology	Valuation
Capitalisation Approach - Market Income	\$25,540,000
Capitalisation Approach - Contract Income	\$25,527,000
Discounted Cash Flow Approach	\$25,769,000
<b>Adopted Value</b>	<b>\$25,650,000</b>

Having regard to the results from the valuation methods described above, together with available market evidence, the comments made within this report, and present industrial market investment sentiment, we have adopted a rounded valuation figure of **\$25,650,000** plus GST (if any).

The assessed value reflects an initial passing yield of 6.93%, an equivalent yield of 6.60%, an internal rate of return of 8.81%, and a rate of \$1,127 per square metre of Net Lettable Area, as leased.

# 11 Valuation

In accordance with your instructions we have assessed the market value 'As if Complete' of the 100% freehold interest in the property as follows.

Our valuation is subject to the comments, qualifications and financial data contained within our report. On that basis, and assuming the Property is free of encumbrances, restrictions or other impediments of an onerous nature which would affect value, in our opinion its market value as at 31 October 2018, is:

**\$25,650,000 plus GST (if any)**

**Twenty Five Million Six Hundred Fifty Thousand Dollars plus GST (if any)**

## 11.1 Mortgage Security Recommendation

Subject to the comments in this report, we consider the Property to be a suitable security for first mortgage purposes, to be relied upon by ASB Bank.

## 11.2 Market Value Apportionment

We have been requested to provide an apportionment of the land and improvements within the Market Value as assessed.

In order to establish value parameters to the subject we have investigated recent land sales within the Manukau area. In the interest of brevity, we retain all sales evidence on file and outline our apportionment of the value assessed as follows:

Valuation Apportionment	Value
Land Value	\$14,400,000
Improvements Value	\$11,250,000
Adopted Value	\$25,650,000

This apportionment has been undertaken for accounting purposes only, and should not be utilised as an assessment of improvement indemnity or replacement value for insurance purposes.

Finally, and in accordance with our normal practice, we confirm that this report is confidential to 21 Beach Road Otahuhu Proportionate Ownership Scheme for Financial Reporting Purposes and ASB Bank for Mortgage Security Purposes. No responsibility is accepted to any third parties. Neither the whole of the report, or any part of it, or any reference to it, may be published in any document, statement or circular nor in any communication with third parties without our prior written approval of the form and context in which it will appear.

Yours faithfully,

**JLL, Valuation & Advisory**



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Valuers Involvement in the preparation of this report:

Role	Name
Inspection of Property/Assets:	Wouter Robberts
Calculations:	Wouter Robberts
Information Review:	Wouter Robberts
Reporting Authoring:	Wouter Robberts / Sophie Louis
Quality Assurance/Reviewing:	Glenn Loraine
Principal Valuer:	Wouter Robberts

## Valuation Definitions

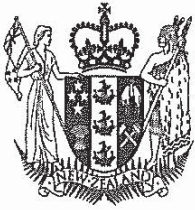
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<b>Net Passing Income</b>	The annual sum of the current base rent, any supplementary income and recoverable outgoings, less total outgoings.
<b>Net Income, Fully Leased</b>	The annual net passing income as above, plus estimated income from vacant tenancies and any immediate reversions.
<b>Quoted Capitalisation Rate</b>	The capitalisation rate adopted within the valuation applied to either the net income, fully leased (excluding supplementary income) or net market income prior to adjustments for vacancy, rental reversion and capital expenditure.
<b>Initial Yield</b>	The initial net passing income from an investment divided by the sale price or value adopted for the investment expressed as a percentage.
<b>Market Yield</b>	The assessed net market income divided by the sale price or value adopted.
<b>Equivalent Yield</b>	A market yield which reflects additional adjustments for capital expenditure, letting up assumptions or the present value of rental reversions after the capitalisation of income.
<b>Discount Rate</b>	A rate of return used to convert a future monetary sum or cash flow into a present value.
<b>Internal Rate of Return (IRR)</b>	The discount rate at which the present value of the future cash flows of the investment equals the acquisition cost of the investment.
<b>Terminal Yield</b>	Alternatively referred to as a Reversionary Yield, being the anticipated yield from an investment property once a reversionary value is attained at the end of the cashflow with adjustments for vacancy allowances.
<b>Ten Year IRR</b>	The IRR (as above) for which the property would achieve based on the present value of all the net cashflows over a 10 year period given the assessed value.
<b>Market Rent</b>	The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
<b>Market Value</b>	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.
<b>Highest and Best Use</b>	The use of an asset that maximises its potential and that is physically possible, legally permissible and financially feasible.
<b>Weighted Average Lease Term (WALT)</b>	The weighted average lease term remaining to expire across the property or portfolio, it can be weighted by rental income or lettable area.
<b>Fair Value</b>	Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.
<b>Priority Building</b>	Section 133AE Building (Earthquake-prone Buildings) Amendment Act 2016 - Meaning of priority building: <i>Located in an area of medium or high seismic risk and likely to be used in an emergency situation or generally providing education for greater than 20 people. Additionally, any unreinforced masonry that could fall on a public area or impede a transport route.</i>
<b>Z Factor</b>	The Z factor of an area is the seismic hazard factor that would be used to design a new building on a site in that area in accordance with the building code, verification methods and standards incorporated by reference into the building code or a verification method, as they relate to calculating Z factors.

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We recommend that the reader consult the International Valuation Standards Council – International Valuation Glossary <https://www.ivsc.org/standards/glossary>

# Computer Interest Register



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



Search Copy

*R.W. Muir*  
Registrar-General  
of Land

Identifier **NA54A/739**  
Land Registration District **North Auckland**  
Date Issued 27 January 1984

**Part-Cancelled**

**Prior References**

NA51D/925                      NA53C/98                      NA9B/513

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Estate                      Fee Simple  
Area                      2.0731 hectares more or less  
Legal Description      Lot 1 Deposited Plan 98157, Lot 1-2  
                                 Deposited Plan 51308, Lot 1 Deposited  
                                 Plan 54660 and Lot 4 Deposited Plan  
                                 44026

**Proprietors**

21 Beach Road Otahuhu Limited

**Interests**

Subject to a drainage right (in gross) over part marked I on DP 98157 in favour of The Manukau County Council created by Transfer 621192

Subject to Section 308 (4) and (5) Local Government Act 1974

Subject to a drainage right over parts marked H and I on DP 98157 specified in Easement Certificate B244608.6 - 27.1.1984

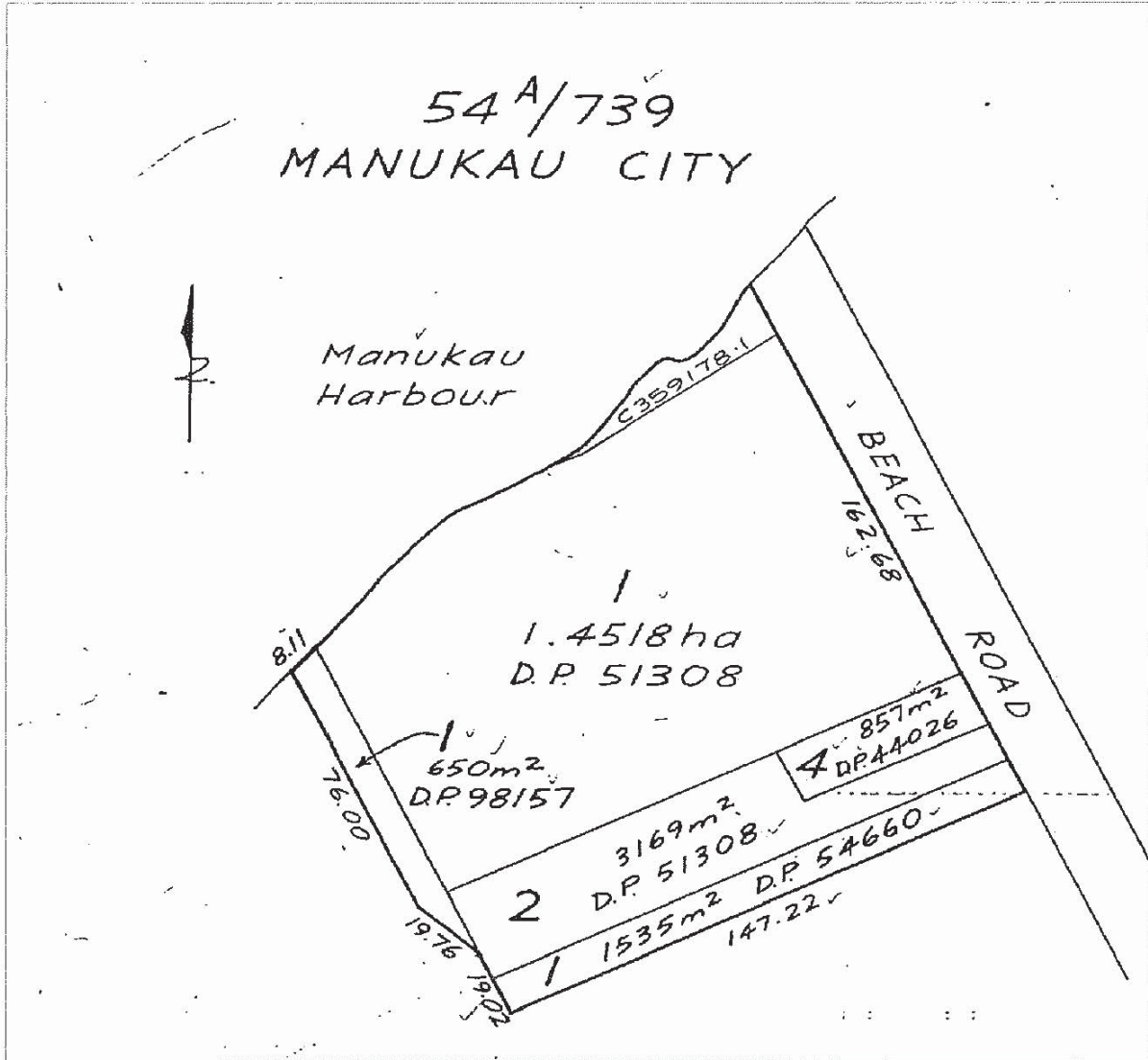
The easements specified in Easement Certificate B244608.6 are subject to Section 309 (1) (a) Local Government Act 1974

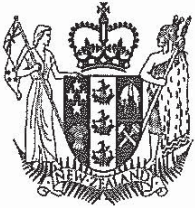
C359178.1 Gazette Notice (NZ Gazette 19.3.1992 No.37 page 826) acquiring part (436m<sup>2</sup>) for recreation ground and shall vest in The Manukau City Council - 26.3.1992 at 10.33 am

Subject to a right of way and to gas supply, water supply, electricity supply, telecommunications and drainage rights over parts marked A and B on DP 51308 specified in Easement Certificate D233739.2 - 13.1.1998 at 3.28 pm (Affects Lot 1 DP 51308)

The easements specified in Easement Certificate D233739.2 are subject to Section 243 (a) Resource Management Act 1991

6238154.8 Mortgage to ASB Bank Limited - 3.12.2004 at 9:00 am





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



Search Copy

  
R. W. Muir  
Registrar-General  
of Land

**Identifier** NA49D/1422  
**Land Registration District** North Auckland  
**Date Issued** 29 January 1982

**Part-Cancelled**

**Prior References**  
NA45B/1410

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**Estate** Fee Simple  
**Area** 1860 square metres more or less  
**Legal Description** Lot 1 Deposited Plan 93566

**Proprietors**  
21 Beach Road Otahuhu Limited

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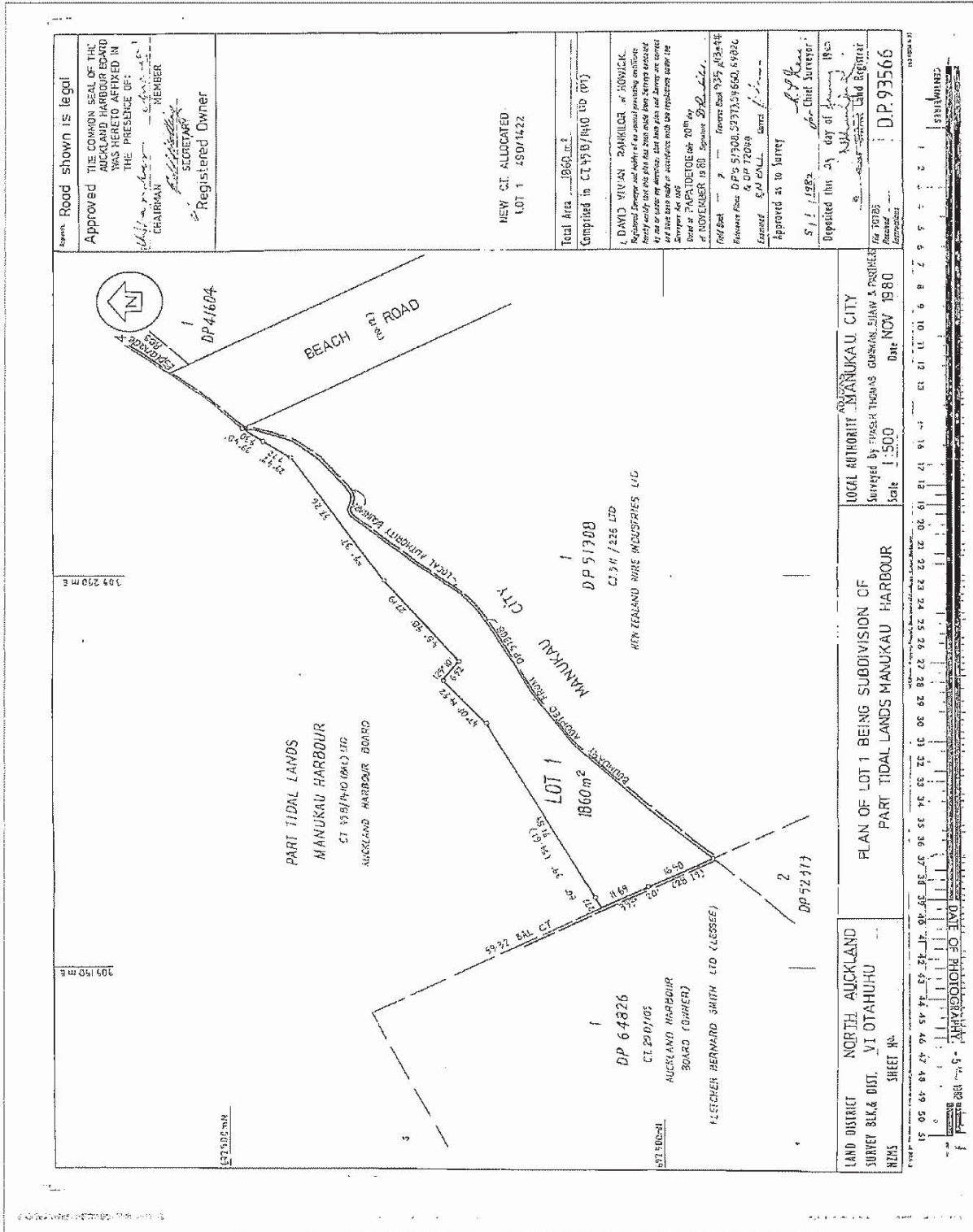
**Interests**

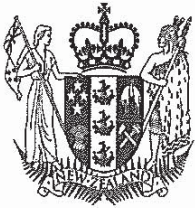
C359178.1 Gazette Notice (NZ Gazette 19.3.1992 No. 37 page 826) acquiring part (1343m<sup>2</sup>) for recreation ground and shall vest in The Manukau City Council - 26.3.1992 at 10.33 am

Subject to a right of way and to gas supply, water supply, electricity supply, telecommunications and drainage rights over part marked B on DP 184253 specified in Easement Certificate D233739.2 - 13.1.1998 at 3.28 pm (affects Lot 1 DP 51308)

The easements specified in Easement Certificate D233739.2 are subject to Section 243 (a) Resource Management Act 1991

6238154.8 Mortgage to ASB Bank Limited - 3.12.2004 at 9:00 am





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



**Search Copy**

  
R.W. Muir  
Registrar-General  
of Land

**Identifier** NA9B/512  
**Land Registration District** North Auckland  
**Date Issued** 02 August 1966

**Prior References**

NA1355/37	NA1C/1154	NA511/242
NA511/262	NA723/111	NA842/108
NA889/122		

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<b>Estate</b>	Fee Simple
<b>Area</b>	2.0262 hectares more or less
<b>Legal Description</b>	Lot 1-3 Deposited Plan 29343, Lot 2 Deposited Plan 54660 and Lot 4-5 Deposited Plan 51308

**Proprietors**

21 Beach Road Otahuhu Limited

**Interests**

Subject to Section 351D (3) Municipal Corporations Act 1954

B856717.3 Encumbrance to The Manukau City Council - 26.7.1988 at 11.31 am

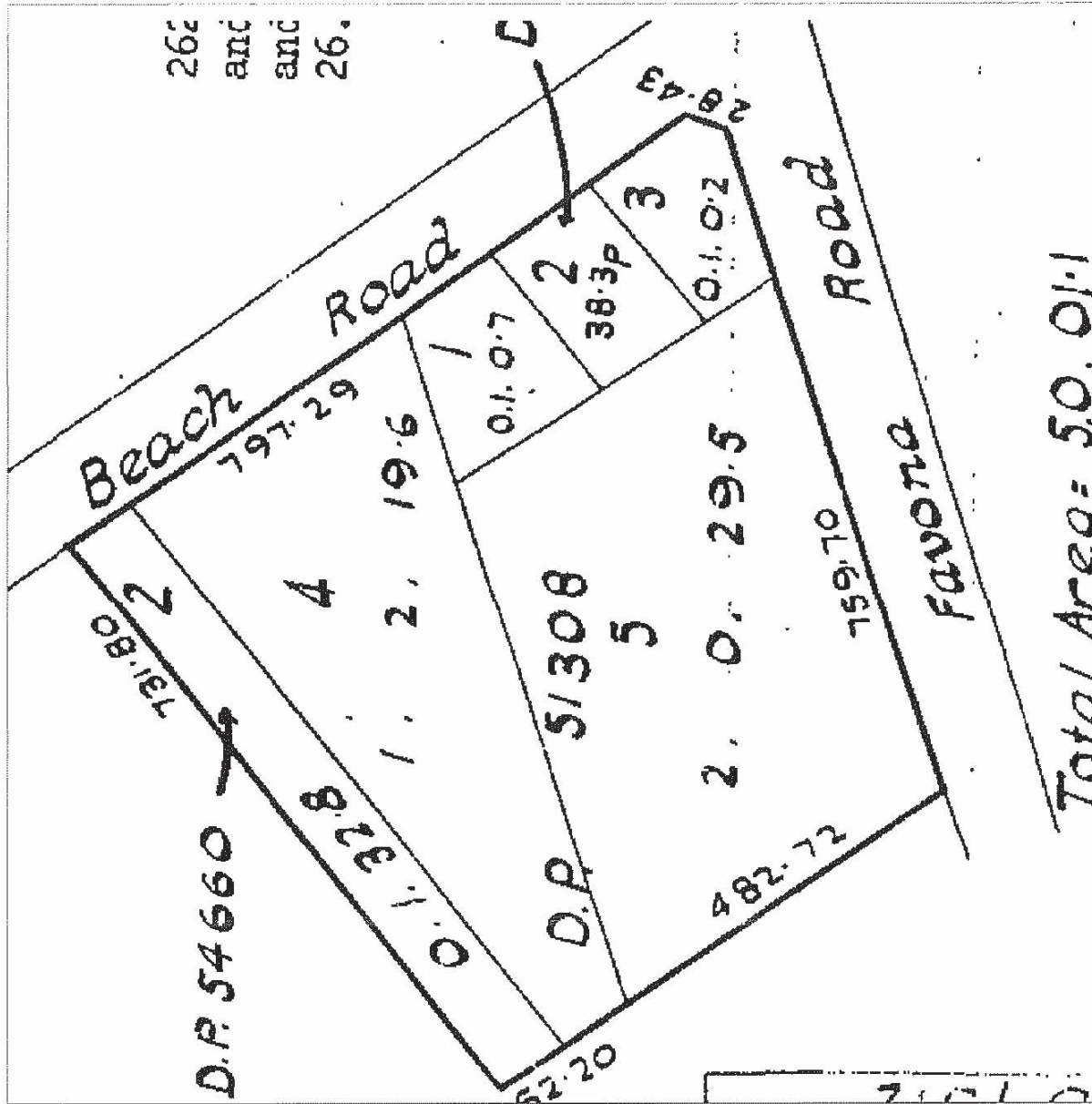
Subject to an electricity right (in gross) over part in favour of The Auckland Electric Power Board created by Transfer C002754.1 - 12.6.1989 at 2.47 pm

6238154.8 Mortgage to ASB Bank Limited - 3.12.2004 at 9:00 am

Subject to a right (in gross) to convey electricity over part Lot 2 DP 54660 marked A on DP 482500 in favour of Vector Limited created by Easement Instrument 9931225.1 - 28.4.2015 at 9:32 am

Identifier

NA9B/512



# Valuation Calculations

<b>Property</b>	Industrial Building - 5-21 Beach Road, Otahuhu, Auckland
<b>Property Description</b>	Industrial
<b>Net Lettable Area</b>	22,757 square metres
<b>Car Parking</b>	Nii
<b>Prepared For</b>	21 Beach Road Otahuhu Proportionate Ownership Scheme
<b>Purpose</b>	Financial Reporting
<b>Date of Valuation</b>	31 October 2018
<b>Valuation Approach</b>	Capitalisation of Net Income and Discounted Cashflow
<b>Valuation</b>	<b>\$25,650,000 plus GST (if any)</b>

### Valuation Analysis

Initial Yield (Net Passing)	6.93%
Initial Yield (Fully Leased)	6.93%
Equivalent Yield	6.60%
Internal Rate of Return (Ten Year)	8.81%
Weighted Average Lease Term - Income	9.66 years
Weighted Average Lease Term - Area	9.83 years
Occupancy As Valued	100.00%
Capital Value per square metre of NLA	\$1,127 /sqm

This information in this summary is derived from and should be read in conjunction with the full text of the accompanying report.

### Capitalisation Approach

Value Based on Market Capitalisation	\$25,540,000
Value Based on Contract Capitalisation	\$25,527,000
Capitalisation Rate	6.63%

### Discounted Cashflow Approach

Value Based on DCF Approach	\$25,769,000
Discount Rate	8.75%
Terminal Capitalisation Rate	6.88%
Nominal Assumed Rental Growth	2.82% pa
Nominal Assumed CPI	1.99% pa

### Major Tenant Occupancy Profile by Rental Income



### Contract and Market Rental Income Summary

	Contract	Market
Rental Income	\$1,776,363	\$1,712,462
Other Income		
Recoverable Outgoings	\$241,976	\$241,976
Gross Income	\$2,018,339	\$1,954,438
Total Outgoings	(\$241,976)	(\$241,976)
Less Year 1 Incentives		
Net Income	<b>\$1,776,363</b>	<b>\$1,712,462</b>

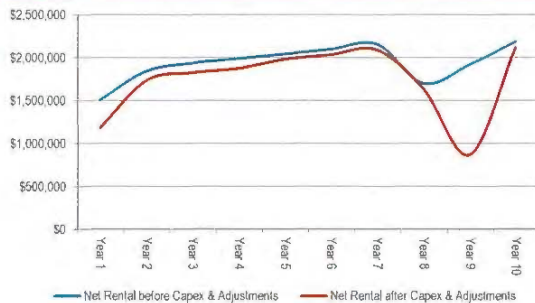
### DCF Sensitivity Analysis

Discount Rate	Terminal Yield		
	6.63%	6.88%	7.13%
8.50%	\$26,759,000	\$26,216,000	\$25,711,000
8.75%	\$26,300,000	<b>\$25,769,000</b>	\$25,276,000
9.00%	\$25,851,000	\$25,333,000	\$24,851,000

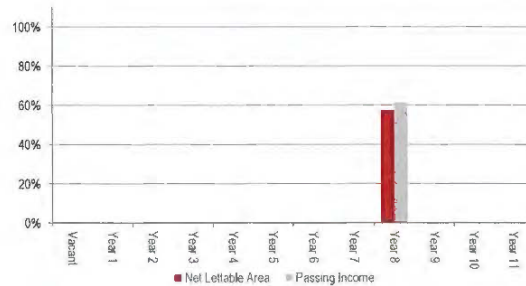
### Capex and Letting Up Assumptions

	Year 1	Year 2	Year 3
Capex	\$322,065	\$107,414	\$109,562
Letting Up	\$0	\$0	\$0
Unexpired Incentives	\$270,267	\$0	\$0

### Projected Net Rental Cash Flow



### Lease Expiry Profile





<b>Market Income</b>	
Lettable area rental	\$1,712,462
Car Parking Rental	\$0
Ideal Outgoings Recovery (Full Net Leases)	\$241,976
<b>Total Market Rental</b>	<b>\$1,954,438</b>
Less Outgoings Expenditure	(\$241,976)
<b>Net Market Rental</b>	<b>\$1,712,462</b>
<b>Core Income</b>	<b>\$1,712,462</b>
<b>Core Income Capitalised at 6.63%</b>	<b>\$25,848,481</b>
<b>Value Adjustments</b>	
Present Value of Rental Reversions	
Existing Tenancies	\$359,321
Vacant Tenancies	\$0
Present Value of Letting Up Allowances: 24 months	\$0
Present Value of All Unexpired & Forecast Incentives: 24 months	(\$257,572)
Present Value of Short Term Capital Expenditure: 24 months	(\$410,624)
<b>Total Value Adjustments</b>	<b>(\$308,875)</b>
Total Capitalised Value	\$25,539,606
Adopted Capitalised Value	\$25,540,000
<b>Adopted Value</b>	<b>\$25,650,000</b>

#### Analysis

Weighted Lease Duration		Performance Indicators on Adopted Value	
By Income	9.66 years	Initial Yield (Net Passing)	6.93%
By Area	9.83 years	Initial Yield (Fully Leased)	6.93%
Current Vacancies		Equivalent Market Yield	6.60%
By Area	0 sqm	Rate per m <sup>2</sup> of NLA	\$1,127 /sqm
Proportion of NLA	0.00%	Net Income	
By Market Income	\$0	Net Passing Income	\$1,776,363
Proportion of Market Income	0.00%	Net Passing Income (Fully Leased)	\$1,776,363



<b>Passing Income</b>	
Lettable Area Rental	\$1,776,363
Car Parking Rental	\$0
Outgoings Recovery	\$241,976
<b>Total Passing Rental</b>	<b>\$2,018,339</b>
Less Outgoings Expenditure	(\$241,976)
<b>Net Passing Income*</b>	<b>\$1,776,363</b>
<b>Core Income</b>	<b>\$1,776,363</b>
<b>Core Income Capitalised at 6.63%</b>	<b>\$26,813,029</b>
<b>Value Adjustments</b>	
Present Value of Rental Reversions	
Existing Tenancies	(\$617,557)
Vacant Tenancies	\$0
Present Value of Letting Up Allowances: 24 months	\$0
Present Value of All Unexpired & Forecast Incentives: 24 months	(\$257,572)
Present Value of Short Term Capital Expenditure: 24 months	(\$410,624)
<b>Total Value Adjustments</b>	<b>(\$1,285,753)</b>
Total Capitalised Value	\$25,527,276
Adopted Capitalised Value	\$25,527,000
<b>Adopted Value</b>	<b>\$25,650,000</b>

\* Excludes adjustments for outstanding incentives and any other income



Discounted Cashflow Approach  
Industrial Building - 5-21 Beach Road, Otahuhu, Auckland  
31 October 2018

<b>Discounted Cashflow Results</b>	
PV of Rental Income	\$11,710,255
PV of Terminal Value	\$14,068,758
Acquisition Costs	\$0
<b>Total Net Present Value</b>	<b>\$25,769,013</b>
Adopted Net Present Value	\$25,769,000
<b>Adopted Value</b>	<b>\$25,650,000</b>
Adopted Discount Rate	8.75%
Internal Rate of Return	8.81%

<b>Sensitivity Analysis*</b>		<b>Terminal Yield</b>	
Discount Rate	6.63%	6.88%	7.13%
8.50%	\$25,769,000	\$26,216,000	\$25,711,000
8.75%	\$25,300,000	\$25,769,000	\$25,276,000
9.00%	\$25,851,000	\$25,333,000	\$24,851,000

\* Rounded Values

<b>Key Property Statistics</b>		<b>Valuation Date</b>		<b>Terminal Period</b>	
Weighted Average Lease Term - Income	9.66 years	9.66 years	3.57 years		
Weighted Average Lease Term - Area	9.83 years	9.83 years	3.56 years		
Occupancy	100.00%	100.00%	100.00%		
Initial Yield (Net Passing)	6.93%	6.93%	6.69%		
Initial Yield (Fully Leased)	6.93%	6.93%	6.69%		
<b>Capex Assumptions</b>		<b>Total Allowance over DCF Period</b>		<b>Proportion of Adopted Value</b>	
		\$1,780,417	\$78.24 (sqm)		
		6.94%			

Year Ending	30-Oct-2019	30-Oct-2020	30-Oct-2021	30-Oct-2022	30-Oct-2023	30-Oct-2024	30-Oct-2025	30-Oct-2026	30-Oct-2027	30-Oct-2028	30-Oct-2029
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
<b>Rental Income</b>											
Lettable Area and Car Park Income	\$1,781,524	\$1,844,922	\$1,938,384	\$1,990,521	\$2,044,072	\$2,099,076	\$2,155,571	\$1,753,411	\$1,948,060	\$2,188,368	\$0
Outgoings Recovery	\$241,976	\$246,816	\$251,752	\$256,787	\$261,923	\$267,161	\$272,504	\$224,671	\$256,339	\$289,184	\$0
Other Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Gross Rental Income</b>	<b>\$2,023,500</b>	<b>\$2,091,738</b>	<b>\$2,190,136</b>	<b>\$2,247,308</b>	<b>\$2,305,995</b>	<b>\$2,366,237</b>	<b>\$2,428,076</b>	<b>\$1,978,082</b>	<b>\$2,204,399</b>	<b>\$2,477,552</b>	<b>\$0</b>
<b>Rental Deductions</b>											
Unexpired Incentives	(\$270,267)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Outgoings Expenditure	(\$241,976)	(\$246,816)	(\$251,752)	(\$256,787)	(\$261,923)	(\$267,161)	(\$272,504)	(\$277,955)	(\$283,514)	(\$289,184)	\$0
<b>Net Rental Cashflow</b>	<b>\$1,511,258</b>	<b>\$1,844,922</b>	<b>\$1,938,384</b>	<b>\$1,990,521</b>	<b>\$2,044,072</b>	<b>\$2,099,076</b>	<b>\$2,155,571</b>	<b>\$1,700,128</b>	<b>\$1,920,885</b>	<b>\$2,188,368</b>	<b>\$0</b>
<b>Rental Adjustments</b>											
Letting Up Allowances - Leasing Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$231,490)	\$0	\$0
Capital Expenditure	(\$322,065)	(\$107,414)	(\$109,562)	(\$111,753)	(\$60,032)	(\$61,232)	(\$62,457)	(\$63,706)	(\$815,916)	(\$66,280)	\$0
<b>Net Cashflow</b>	<b>\$1,189,193</b>	<b>\$1,737,508</b>	<b>\$1,828,822</b>	<b>\$1,878,768</b>	<b>\$1,984,041</b>	<b>\$2,037,843</b>	<b>\$2,093,114</b>	<b>\$1,636,421</b>	<b>\$873,479</b>	<b>\$2,122,088</b>	<b>\$0</b>
Purchase Price		\$25,650,000									
Acquisition Costs @ 0.00%		\$0									
Gross Purchase Price		\$25,650,000									
Net Sale Price After Costs @ 1.50%											\$32,526,670
<b>Annual Cashflow</b>	<b>(\$24,460,807)</b>	<b>\$1,737,508</b>	<b>\$1,828,822</b>	<b>\$1,878,768</b>	<b>\$1,984,041</b>	<b>\$2,037,843</b>	<b>\$2,093,114</b>	<b>\$1,636,421</b>	<b>\$873,479</b>	<b>\$2,122,088</b>	<b>\$32,526,670</b>
Running Initial Yield	5.88%	7.19%	7.56%	7.76%	7.97%	8.18%	8.40%	6.53%	7.49%	8.53%	-
Running IRR	5.44%	7.39%	8.24%	8.72%	9.06%	8.40%	8.58%	8.72%	8.78%	8.81%	-





Tenancy Schedule  
Industrial Building - 5-21 Beach Road, Otahuhu, Auckland  
31 October 2018

Tenant Name	Premises	Tenancy Area sqm	Car Parks	Lease Term	Lease Start	Lease Expiry	Next Review	Review Frequency	Review Type	Passing Rental Total	Premises \$/sqm	Car Park pcpw	Net Market Rental Total	Premises \$/sqm	Car Park pcpw	Outgoings Recovery	
1. Pacific Steel (NZ) Limited	Office / A	528.2		12.0 years	25-Jun-14	24-Jun-26	25-Jun-20	1 yearly	Fixed	\$69,601	\$131.77		\$66,024	\$125.00		\$5,616	
2. Pacific Steel (NZ) Limited	Mezzanine Office	641.7		12.0 years	25-Jun-14	24-Jun-26	25-Jun-20	1 yearly	Fixed	\$84,559	\$131.77		\$80,213	\$125.00		\$6,623	
3. Pacific Steel (NZ) Limited	Factory	333.4		12.0 years	25-Jun-14	24-Jun-26	25-Jun-20	1 yearly	Fixed	\$29,285	\$87.85		\$30,002	\$90.00		\$3,545	
4. Pacific Steel (NZ) Limited	Laboratory & Amer	405.6		12.0 years	25-Jun-14	24-Jun-26	25-Jun-20	1 yearly	Fixed	\$40,085	\$98.83		\$42,588	\$105.00		\$4,313	
5. Pacific Steel (NZ) Limited	Warehouse / Fact	9,723.9		12.0 years	25-Jun-14	24-Jun-26	25-Jun-20	1 yearly	Fixed	\$747,456	\$76.87		\$680,674	\$70.00		\$103,394	
6. Pacific Steel (NZ) Limited	Canopy	69.6		12.0 years	25-Jun-14	24-Jun-26	25-Jun-20	1 yearly	Fixed	\$3,057	\$43.92		\$2,784	\$40.00		\$740	
7. Pacific Steel (NZ) Limited	Warehousing Disp	1,368.0		12.0 years	25-Jun-14	24-Jun-26	25-Jun-20	1 yearly	Fixed	\$112,666	\$82.35		\$109,440	\$80.00		\$14,546	
8. Pacific Steel (NZ) Limited	Dispatch Office	17.2		12.0 years	25-Jun-14	24-Jun-26	25-Jun-20	1 yearly	Fixed	\$1,511	\$87.85		\$1,806	\$105.00		\$183	
9. Fletcher Building Steel	Mini Detached O	282.0		15.0 years	1-Aug-16	31-Jul-31	1-Aug-19	1 yearly	Fixed	\$32,909	\$116.70		\$35,250	\$125.00		\$2,998	
10. Fletcher Building Steel	House Office & A	748.7		15.0 years	1-Aug-16	31-Jul-31	1-Aug-19	1 yearly	Fixed	\$71,482	\$95.48		\$74,865	\$100.00		\$7,960	
11. Fletcher Building Steel	Warehouse / Fact	8,069.4		15.0 years	1-Aug-16	31-Jul-31	1-Aug-19	1 yearly	Fixed	\$560,938	\$69.51		\$564,857	\$70.00		\$85,801	
12. Fletcher Building Steel	G Switchroom	78.2		15.0 years	1-Aug-16	31-Jul-31	1-Aug-19	1 yearly	Fixed	\$4,562	\$58.35		\$4,300	\$55.00		\$831	
13. Fletcher Building Steel	G Canopy	491.5		15.0 years	1-Aug-16	31-Jul-31	1-Aug-19	1 yearly	Fixed	\$18,251	\$37.13		\$19,660	\$40.00		\$5,226	
	GLA	22,757 sqm	0						Passing Rental	\$1,776,363		Market Rental	\$1,712,462			Outgoings Recovery	\$241,976
	NLA	22,757 sqm							Net Passing Rental	\$1,776,363						Vacant Outgoings	\$0
																Outgoings Shortfall	\$0
																Total Outgoings	\$241,976



Annualised Receivable Income  
Industrial Building - 5-21 Beach Road, Otahuhu, Auckland  
31 October 2018

Tenant Name	Premises	Year 1 30-Oct-2019	Year 2 30-Oct-2020	Year 3 30-Oct-2021	Year 4 30-Oct-2022	Year 5 30-Oct-2023	Year 6 30-Oct-2024	Year 7 30-Oct-2025	Year 8 30-Oct-2026	Year 9 30-Oct-2027	Year 10 30-Oct-2028
Pacific Steel (NZ) Limited	Floor Office / A	\$69,601	\$72,326	\$76,933	\$78,857	\$80,828	\$82,849	\$84,920	\$57,610	\$69,691	\$83,629
Pacific Steel (NZ) Limited	ezzanine Office	\$84,559	\$87,869	\$93,467	\$95,803	\$98,199	\$100,653	\$103,170	\$69,991	\$84,668	\$101,601
Pacific Steel (NZ) Limited	anine Factory	\$29,285	\$30,432	\$32,370	\$33,180	\$34,009	\$34,859	\$35,731	\$24,240	\$31,669	\$38,003
Pacific Steel (NZ) Limited	ratory & Amer	\$40,085	\$41,655	\$44,308	\$45,416	\$46,551	\$47,715	\$48,908	\$33,179	\$44,953	\$53,944
Pacific Steel (NZ) Limited	arehouse / Fact	\$747,456	\$776,715	\$826,196	\$846,850	\$868,022	\$889,722	\$911,965	\$618,679	\$718,481	\$862,177
Pacific Steel (NZ) Limited	Canopy	\$3,057	\$3,177	\$3,379	\$3,464	\$3,550	\$3,639	\$3,730	\$2,530	\$2,917	\$3,500
Pacific Steel (NZ) Limited	ehousing Disp	\$112,666	\$117,077	\$124,535	\$127,648	\$130,840	\$134,111	\$137,463	\$93,255	\$115,519	\$138,622
Pacific Steel (NZ) Limited	Dispatch Office	\$1,511	\$1,570	\$1,670	\$1,712	\$1,755	\$1,799	\$1,844	\$1,251	\$1,906	\$2,288
Fletcher Building Steel Gro	xi Detached O	\$33,156	\$34,151	\$35,175	\$36,230	\$37,317	\$38,437	\$39,590	\$40,778	\$42,001	\$43,261
Fletcher Building Steel Gro	ouse Office & A	\$72,018	\$74,179	\$76,404	\$78,696	\$81,057	\$83,489	\$85,994	\$88,574	\$91,231	\$93,968
Fletcher Building Steel Gro	arehouse / Fact	\$565,145	\$582,100	\$599,563	\$617,550	\$636,076	\$655,158	\$674,813	\$695,058	\$715,909	\$737,387
Fletcher Building Steel Gro	Switchroom	\$4,596	\$4,734	\$4,876	\$5,022	\$5,173	\$5,328	\$5,488	\$5,653	\$5,822	\$5,997
Fletcher Building Steel Gro	Canopy	\$18,388	\$18,939	\$19,507	\$20,093	\$20,695	\$21,316	\$21,956	\$22,614	\$23,293	\$23,992
Total Receivable Rental Income		\$1,781,524	\$1,844,922	\$1,938,384	\$1,990,521	\$2,044,072	\$2,099,076	\$2,155,571	\$1,753,411	\$1,948,060	\$2,188,368



## JLL

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