Valuation Report

D & H Steel

12 Brick Street, Henderson, Auckland

31 October 2018

Augusta Industrial Fund Limited (or its subsidiaries)

This valuation has been prepared for Augusta Industrial Fund Limited (or its subsidiaries) for Use by Prospective Investors (on a non-reliance basis) in that Company, Financial Reporting, Capital Raising and Mortgage Security and ASB Bank Limited for Mortgage Security purposes only.

Executive Summary

D & H Steel - 12 Brick Street, Henderson, Auckland

The property is located within the west Auckland suburb of Henderson to the south of Brick Street and the Mihini Road cul-de-sac. Surrounding development comprises similar zoned industrial and commercial properties interspersed with residential activity.

Lincoln Road is located within close proximity offering linkages to the north-western motorway. Additionally, Lincoln Road has been the subject of increased mixed use development in recent times offering good local amenity and community support.

More specifically, the subject site occupies two adjoining lots providing a total area of approximately 1.9876 hectares. Improvements occupy the southern and eastern portions of the site providing an 'L' shaped industrial facility offering high stud warehouse and high quality offices and amenities over two levels. The premises were purpose built for D & H Steel in 2009 and present to a modern standard offering one of Auckland's premium industrial buildings. Areas not improved by the building are concrete sealed to provide car parking and site circulation. Landscaped gardens are situated to the front of the office together with the north-western boundaries adding to the visual aesthetics.

The property is currently occupied by D & H Steel, who lease the premises for a term of 20 years (with a break clause at year 15) commencing 28 March 2013. We have valued the property assuming the lease term is 15 years, expiring upon the break clause.

Valuation

Prepared For	Augusta Industrial Fund Limited (or its subsidiaries)
Additional Parties	Augusta Industrial Fund Limited, Ernst & Young, ASB Bank Limited (as Security Trustee), ASB Bank Limited (as Lender), Westpac New Zealand Limited and Bank of New Zealand Limited.
Valuation Purpose	Market Valuation for Use by Prospective Investors (on a non-reliance basis) in that Company, Financial Reporting, Capital Raising and Mortgage Security.
Date of Valuation	31 October 2018
Valuation Approaches	Capitalisation of Net Income and Discounted Cash Flow Approach
Zoning	Light Industry Zone – Auckland Unitary Plan (Operative in Part version – 15 November 2016)
Tenure	Freehold – Record of Title 522782
Interest Valued	100% Freehold Interest
Adopted Value	**$23,580,000 plus GST (if any)**

Property Particulars

Net Lettable Area	**Total**	12,012 sqm
	Office	1,380 sqm
	Warehouse	10,632 sqm
	Other	0 sqm
Current Vacancy (% Total NLA)		0 sqm (0.00%)
Car Parking (Ratio)		Nil bays (1:)
Site Area		19,876 sqm

Financial Summary

Gross Passing Income	$1,603,434	($133 /sqm)
Gross Market Income	$1,674,917	($139 /sqm)
Adopted Outgoings	$180,187	($15 /sqm)
Net Passing Income	$1,423,247	($118 /sqm)
Net Market Income	$1,494,730	($124 /sqm)
Weighted Average Lease Term (by Income)		9.42 years
Weighted Average Lease Term (by Area)		9.42 years

Cap Approach Assumptions

Adopted Cap Rate	6.25%
Discount Rate (PV of Adjustments)	6.25%
Discount Rate (Other Income)	8.50%
Allowances for Expiries Occurring within	24 months
Allowances for Capex Occurring within	24 months
Market Income Capitalisation	$23,550,000
Passing Income Capitalisation	$23,550,000

DCF Approach Assumptions

Discount Rate	8.50%
Terminal Yield	6.25%
Adopted Lease Term (Industrial)	6.0 years
Weighted Rental Growth (Avg. 10yr)	2.85%
CPI (Avg. 10yr)	2.02%
Value based on DCF Approach	$23,620,000

Valuation Analysis

Equivalent Yield	6.24%
Initial Yield (Net Passing Income)	6.04%
Initial Yield (Notional Fully Leased Income)	6.04%
Rate/sqm of NLA	$1,963/sqm
Internal Rate of Return (10 year)	8.52%

Financial Details & Critical Analysis

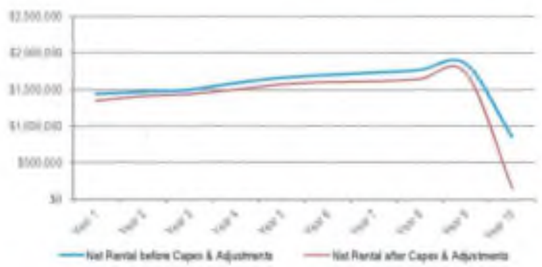
Tenancy Overview

Tenant	Net Income	Area (sqm)
D & H Steel Construction Limited	$1,423,247	12,012
Total	$1,423,247	12,012

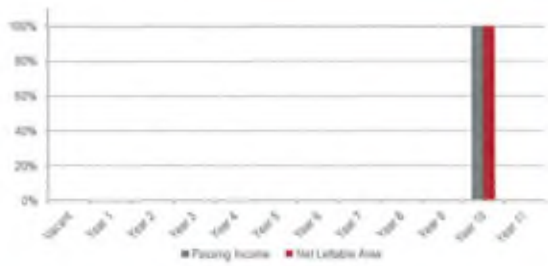
Note: Income above excludes Other Income

Tenant by Lettable Area

Projected Net Cash Flow



Lease Expiry Profile



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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 Record 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 Record 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.

Table of Contents

Appendices

1 Introduction

1.1 Instructions

We refer to instructions from Wendy Roycroft dated 19 October 2018 requesting that we undertake a market valuation of the freehold interest of 12 Brick Street, Henderson, Auckland (the Subject/Property), as at 31 October 2018 for and on behalf of Augusta Industrial Fund Limited (or its subsidiaries) . We understand that the valuation is to be relied upon for Use by Prospective Investors (on a non-reliance basis) in that Company, Financial Reporting, Capital Raising 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.

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 Industrial Fund Limited**
- **Ernst & Young**
- **ASB Bank Limited** – Security Trustee
- **ASB Bank Limited** – Lender
- **Westpac New Zealand Limited**
- **Bank of New Zealand Limited**

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	8 November 2018
Date of Preparation of Report	9 November 2018

Our valuation reflects the valuer's view of the market as at the inspection date.

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:

- Record 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 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 to us.

1.6 Specific Assumptions

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

- The market review dated 3 April 2018 is currently still being settled and therefore, as per instructions from the client, we have ignored the 3 April 2018 market rent review and adopted the current contract rent. Should this not be correct, we reserve the right to amend our valuation accordingly.
- As per the Deed of Lease, we have valued the property in accordance with the Break Clause allowing 18 months' written notice, to end the lease at the 15 year mark.
- We note that we have been provided with a Building Services Condition Survey prepared by Hampton Jones dated 5 February 2018, outlining the key mechanical, electrical, hydraulics and fire services findings and concluding that the building services systems are estimated to be 8 years old. Hampton Jones have provided an indicative CAPEX budget which Augusta Funds Management have taken into account and included in their provided capex budget. If this is not correct, we reserve the right to amend our valuation accordingly.

2 Property Description

The property comprises a modern purpose built industrial facility with a high stud warehouse accommodation configured in an 'L' shaped arrangement. Modern administration offices have been constructed over two levels to the street frontage with staff amenities situated to the rear of the ground floor offices. Improvements have been completed to a high specification with no major deferred maintenance items evident upon inspection.

Additional site improvements comprise extensive retaining along the reserve edge, concrete sealed yard for site circulation and car parking, and landscaped gardens adjacent to the offices.

In summary the property represents one of Auckland's premium industrial facilities, offering high stud modern warehouse and office accommodation.

Yard

Warehouse

3 Land Particulars

3.1 Location

The subject property is located in the Henderson suburb of Waitakere City to the south of Brick Street and east of Mihini Road, a cul-de-sac, and approximately one kilometre north-west of its juncture with Lincoln Road.

Surrounding development provides for commercial and light industrial uses interspersed with residential activity. Swanson Road, approximately 120 metres to the east, is a major thoroughfare connecting Henderson with the western suburbs. Regular public transportation service is provided off Swanson Road in both directions.

Further afield, Lincoln Road has been the subject of heightened commercial development of a mixed-use nature providing further amenity and support for the surrounding suburbs. Access to the north-western motorway is provided via ingress and egress points off Lincoln Road. Auckland city is situated approximately 15 kilometres to the east of the subject property.

In summary, the property is well located in the suburb of Henderson offering good access to the north-western motorway, public transportation and access to both skilled and unskilled labour.

The following map identifies the approximate location of the Property:

Source: Google Maps

3.2 Title Particulars

Title Reference:	522782
Tenure:	Fee Simple
Legal Description:	Lot 3 and Deposited Plan 398258 and Lot 1 Deposited Plan 415549
Area:	1.9876 hectares
Registered Proprietor(s):	Brick Street Nominees Limited

Encumbrances:	The Certificate of Title details the following encumbrances:
	• 7673703.2 Consent Notice pursuant to Section 221 Resource Management Act 1991; - Refers to the territorial authority issuing a consent notice.
	• Subject to a right of way (in gross) over part Lot 3 marked Q on DP 398258 in favour of Waitakere City Council created by Easement Instrument 7673703.7;
	• The easements created by Easement Instrument 7673703.7 are subject to Section 243 (a) Resource Management Act 1991; - Refers to a survey plan being approved subject to grant or reservation of easements.
	• Subject to an overland flow path (drainage) (in gross) over parts Lot 3 marked A & Q on DP 398258 in favour of Waitakere City Council created by Easement Instrument 7673703.8;
	  - *Auckland Council's right to drain water over the subject property via an overland flow.*
	  - *Construction of buildings above the overland flow is permitted so long as the drain is not blocked or access to the drain compromised by improvements.*
	  - *Council has full access to repair and maintain drain.*
	• The easements created by Easement Instrument 7673703.8 are subject to Section 243 (a) Resource Management Act 1991;
	• Land Covenant in Easement Instrument 7673703.9;
	  - *The property is subject to a general building scheme placing certain limitations on what can and can't be erected on the subject land.*
	• Fencing Covenant in Transfer 8095617.2;
	• 8433494.1 CERTIFICATE PURSUANT TO SECTION 77 BUILDING ACT 2004 THAT THIS COMPUTER REGISTER IS SUBJECT TO THE CONDITION IMPOSED UNDER SECTION 75(2) (AFFECTS LOTS 1 & 3 HEREIN); - Refers to the construction of a building over two lots and that the territorial authority must issue a certificate stating that the two allotments must be sold or leased as one; and
	• 9481374.3 Mortgage to ASB Bank Limited.

Source: Land Information New Zealand

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 Record of Title appended to this report.

3.3 Site Details

The property is located to the southern side of Brick Street and the Mihini Road cul-de-sac comprising an irregular shaped parcel of approximately 1.9876 hectares and held within two lots. Individually the sites are described as Lot 1 DP 415549 which is the northern most Lot and Lot 3 DP 398258 located to the south.

Lot 1 comprises a regular shaped parcel with a site area of 1,000 square metres. The site has direct access to Brick Street and is level in contour. Lot 3 forms the larger of the two parcels comprising 1.8876 hectares of an irregular arrangement. Contour to Lot 3 falls in a westerly direction particularly through the western portion of the site where the gradient slopes steeply to the neighbouring reserve.

The aggregate holding adjoins similar industrial properties with a reserve along the western boundaries and the North Auckland Rail line abutting the south-western boundary.

Site Area:	Lot 1 DP 415549	:	1,000 square metres
	Lot 3 DP 398258	:	18,876 square metres
	Total Area	**:**	**19,876 square metres**

Source: Emap

3.4 Resource Management

Local Authority:	Auckland Council
Planning Instrument:	Auckland Unitary Plan Operative in part (15 November 2016)

Light Industry Zone

This zone provides for light industrial activities that do not generate objectionable odour, dust or noise emissions. This includes light manufacturing, production, logistics, storage, transport and distribution activities. Due to the industrial nature of the zone, activities to air discharges are generally not provided for.

Objectives:

- Light industrial activities locate and function efficiently within the zone.
- The establishment of activities that may compromise the efficiency and functionality of the zone for industrial activities is avoided.
- Adverse effects on amenity values and the natural environment, both within the zone and on adjacent areas, are managed.
- Development avoids, remedies or mitigates adverse effects on the amenity of adjacent public open spaces and residential zones.

Development Controls:

The Light Industry zone provides for a range of light industrial activities to locate in the zone and avoids activities that do not support the primary function of the zone, with limited office, retail, and residential uses permitted.

Building Height:

- Must not exceed 20 metres.

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: industrial and rural activities, worker's accommodation – one per site, service stations, dairies, drive-through restaurants, show homes, food and beverage services, garden centres, motor vehicle sales, marine retail, trade suppliers, and emergency services. Office, retail and tertiary education services that are accessory to an industrial activity are also permitted. In terms of development controls, the Light 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 community facilities exceeding 450 square metres, dwellings, integrated residential accommodation, and office or retail activities that are not related to the predominant use on-site are non-complying.

Overlays:

Natural Resources: Significant Ecological Areas Overlay – SEA_T_2003, Terrestrial

Controls:

Macroinvertebrate Community Index - Exotic

Macroinvertebrate Community Index - Urban

Stormwater Management Area Control - Flow 2

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 12341497769, is as follows:

Land Value	$4,925,000
Improvements Value	$21,075,000
Capital Value	$26,000,000

We note that rating valuations do not take account of a number of key issues affecting value, including land tenure and occupancy arrangements, 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.

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. 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.

4 Improvements

4.1 Overview

The property offers a significant warehouse facility, purpose built for the current occupier in 2009. Accommodation has been arranged in an 'L' shaped configuration, providing high stud warehouse with associated offices and amenities to the road frontage. Presentation is to an 'A' grade standard having been well maintained since construction.

Warehouse

Warehouse

4.2 Construction

We briefly outline construction details to the building as follows:

Structure:	Reinforced concrete slabs, with steel beam construction.
External Walls:	A combination of precast concrete panels, aluminium sheeting and glass façade.
Internal Walls:	Predominantly plasterboard lining to lettable areas.
Roof:	Long run metal profile panels resting on netting and sisalation.
Ceiling:	Combination of acoustic tiles in a suspended grid system, painted plaster and decorative ceiling panels.
Lighting:	Combination of recessed and hanging fluorescent lighting to the open plan offices, decorative spotlights and incandescent bulbs to amenity and reception area. To the warehouse, lighting is provided by hanging high output incandescent bulbs.
Windows and doors:	Aluminium framing and glazed windows.

4.3 Accommodation

Office Space:

Offices are set back from the road frontage situated to the middle of the warehouse structure. The accommodation is provided over two levels and presents to a modern 'as new' standard.

Entry into the main offices and amenities is provided via automatic glazed sliding doors to the reception area. The reception provides polished concrete flooring, exposed ceiling and extensive glazing.

Directly behind the reception area is a staff lunch room and canteen with male and female staff amenities including lockers, wash down basins and showers provided adjacent to the warehouse. Fit out in this area comprises linoleum flooring with suspended grid panel ceilings. Exposed proprietary systems to the lunchroom provides for additional architectural effect.

To the opposite end of the ground floor offices and amenities is the warehouse office with glazing directly into the warehouse. This area comprises polished concrete flooring with plasterboard lined and concrete block walls.

Access to the upper level offices and amenities is provided via closed tread glass staircase. The layout of the upper level offices provides for a central open plan area. Partitioned offices and meeting rooms are provided to the perimeter with full height glazing allowing for good levels of natural light across the whole floor plate.

Office

Reception / Office

Warehouse Space:

The warehouse accommodation provides high stud space arranged across 4 distinct bays. Bays 1, 2 and 3 offer column interrupted space. Bays 4, 5 and 6 (which are more or less one open bay) offer clear span accommodation.

Construction comprises concrete flooring, concrete tilt slab walls to the adjacent property boundaries with concrete tilt slab and longrun galvanised mild steel to the road frontages. Roofing comprises longrun galvanised mild steel resting on netting and sisalation with steel purlins. Exterior walls have been subsequently insulated to reduce noise pollution to surrounding residential development. A covered external walkway exists along bays 4, 5 and 6 providing pedestrian walkway, low stud storage and dangerous goods.

Stud height within the warehouse bays provides for a height of approximately 10.4 metres to the portal knee rising to a central apex of approximately 13.0 metres. Lighting is provided via high output incandescent bulbs, supplemented by translucent panel inserts to the roof.

Vehicular access through the building envelope is provided via truck docks and drive in access to each of the inwards and outwards goods areas of the warehouse. A number of gantry cranes are situated within the warehouse which, we are informed remain the property of the Lessee and therefore excluded from the market rental assessment within the valuation.

Pedestrian access to the warehouse is from the main offices via multiple points from both upper and lower levels.

Warehouse

Warehouse

Additional Site Improvements:

Areas not improved by the buildings have been asphalt or concrete sealed to provide for staff and visitor carparking, vehicular circulation and outdoor storage.

Extensive landscaping to the western elevation of the site creates a level building platform upon which the improvements sit. Additionally landscaped gardens provide visual amenity to the front office and to the north western boundaries.

Secure Yard

Secure Yard

4.4 Lettable Areas

The Property's total Net Lettable Area (NLA) is approximately 12,012 square metres. A summary of this lettable area is detailed as follows:

Accommodation / Level	
Warehouse	10,420
Reception / Office	297
Canteen	175
Amenities	138
Mezzanine Office	771
Paint / Store	107
Low Stud	68
Gas Storage	13
Switchboard Room	24
Total NLA (excluding courtyard and Dangerous Goods)	**12,012 square metres**
Ancillary Items	
Dangerous Goods	24
Outdoor Court	94
Total NLA (including Courtyard and Dangerous Goods)	**12,131 square metres**

We can confirm that during the course of a previous inspection we have measured each component specified above in accordance with the Guide for the Measurement of Rentable Areas as published by the Property Institute and Property Council of New Zealand. We note a slight discrepancy between our measured areas and those areas noted on the architectural plans. Accordingly we have adopted our measured areas, which have also been accepted by both the Lessee and Lessor and are stipulated within the Lease documentation. Should certified floor areas be obtained, we reserve the right to amend our assessment accordingly.

4.5 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.

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.

A Building Warrant of Fitness is an annual certificate that confirms the Specified Systems in the building have been inspected and maintained, and that the requirements of the Compliance Schedule associated with the operation of the property in its current use have been complied with. We confirm that we have not sighted a current Warrant of Fitness for the property but assume that there is a current Warrant of Fitness. If this is not correct we reserve the right to amend our valuation accordingly.

4.6 Earthquake Strengthening Requirements

New Zealand is prone to seismic activity and there are requirements on building owners to ensure their buildings are safe for occupants and users as outlined in the Building Act 2004 and Amendment (Earthquake-prone Buildings) Act 2016. These regulations categorise New Zealand into three seismic risk areas and sets timeframes for identifying and taking action to strengthen or remove earthquake prone buildings.

As part of our valuation we have been made aware of the following information:

Year of Building Construction	Circa 2010's
National Risk Zone	Low
Compliance with New Building Standard (NBS)	Unconfirmed

We note the building does not appear on the Earthquake Prone Building Register as published here: https://epbr.building.govt.nz/.

We are not qualified to undertake a structural survey of the property, and have proceeded based on the information available. We recommend interested parties confirm the insurability of the subject building.

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 major tenant within the Property is summarised as follows:

Tenant	Net Income	NLA	% NLA
1. D & H Steel Construction Limited	$1,423,247	12,012	100.0%
Total	$1,423,247	12,012 m²	100%

5.2 Lease Summary

We summarise below the lease agreement for the tenant:

Proposed Deed of Lease	D & H Steel Construction Limited
Format	Auckland District Law Society, 6th edition.
Lessee	D & H Steel Construction Limited
Commencement Date	28 March 2013
Expiry Date	2 April 2033
Lease Term	Twenty (20) years and six days, with two (2) further options of ten (10) years each.
Commencement Rent	$1,365,166 per annum plus GST and all normal outgoings.
Current Rent	$1,423,247 per annum plus GST and all normal outgoings – (Refer to Section 1.6 Special Assumption)
Rental Review Provisions	Annual CPI attached rent reviews with five (5) yearly market reviews.
Outgoings Recovery	Net lease type arrangement whereby the Lessee is fully responsible for all normal building operating expenses.
Permitted Use	Steel construction and manufacturing and any other use permitted under the District Plan approved by the Landlord (such approval not to be unreasonably withheld).
Special Provisions	Soft Ratchet to commencement date with a 10% cap and collar adjustment on rental immediately preceding relevant review date. Break Clause at 15 years with eighteen (18) months written notice. The tenant has the right of first refusal to purchase the premises should the landlord at any time during the term of this lease wish to sell its interest in the Premises.

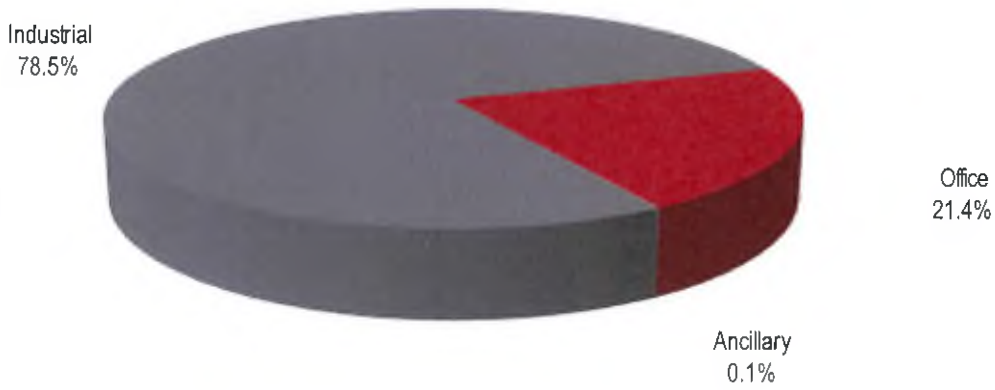
We recommend that the reader peruse a copy of the Lease document/s.

5.3 Building Income Analysis

We summarise the Property's income as follows:

Passing Income Component	Net Income	% Income
Industrial	$1,117,539	78.5%
Office	$304,564	21.4%
Ancillary	$1,144	0.1%
Total	**$1,423,247**	**100%**

Building Income Analysis



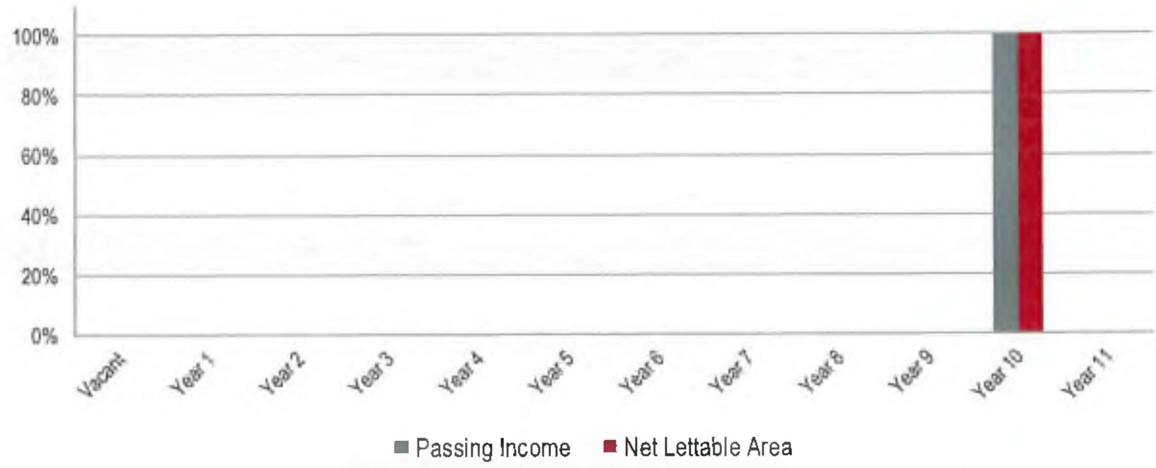
5.4 Weighted Average Lease Term and Expiry Profile

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

Weighted Average Lease Term Remaining	Years
By Area	9.42
By Income	9.42

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

Lease Expiry Profile



5.5 Building Outgoings and Recoveries

Lease Structures

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

Building Outgoings

We have adopted the following allowances for building outgoings within our calculations:

Category	Annual Amount	$/sqm of NLA
Statutory Charges	$120,398	$10.02
Operating Expenses	$59,790	$4.98
Total Outgoings	**$180,187**	**$15.00**

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

We consider that the adopted outgoings rate of $15.00 per square metre of NLA to be in line with market parameters.

5.6 Capital Expenditure

We have made an allowance of $20,000 per annum in years 1 to 10 as a sinking fund for the property. In addition to this we have included an allowance for refurbishment upon expiry of existing and new leases.

5.7 Income Analysis

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

Current Passing Rent	Amount pa	% of Passing Income
Passing Rental Analysis		
Lettable Area Rental	$1,423,247	88.76%
Outgoings Recovery	$180,187	11.24%
Gross Passing Income	$1,603,434	100.00%
Outgoings	$180,187	
Net Passing Income	$1,423,247	

6 Market Commentary

6.1 General Market Overview

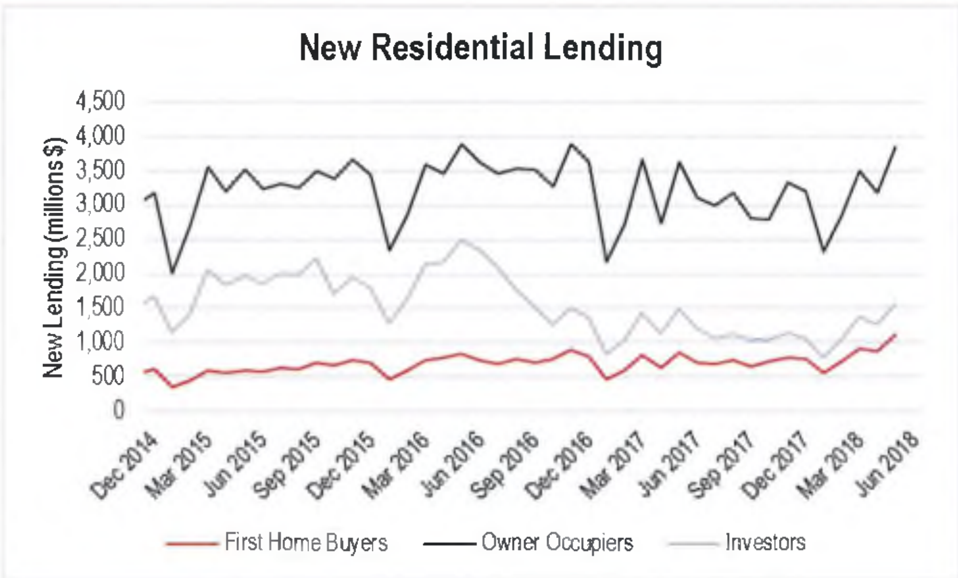
Businesses have remained downbeat in the wake of the new Labour-led Government taking office, with signs this is starting to affect real activity. The NZIER Quarterly Survey of Business Opinion (QSBO) showed a fall in business confidence to its lowest level since 2011, with the pessimism pervasive across 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.

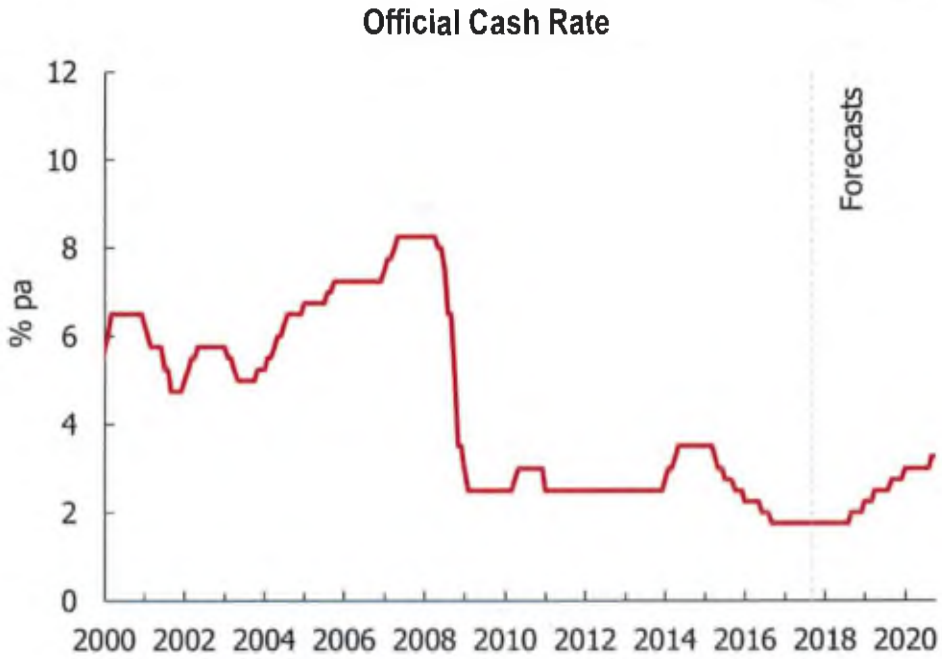
The various measures of core inflation, which remove volatile components, have remained stable. The Reserve Bank's preferred measure has remained at 1.5 percent, with no apparent indication of upward pressure. Inflation expectations, as measured by the quarterly RBNZ survey, showed a modest decrease 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.

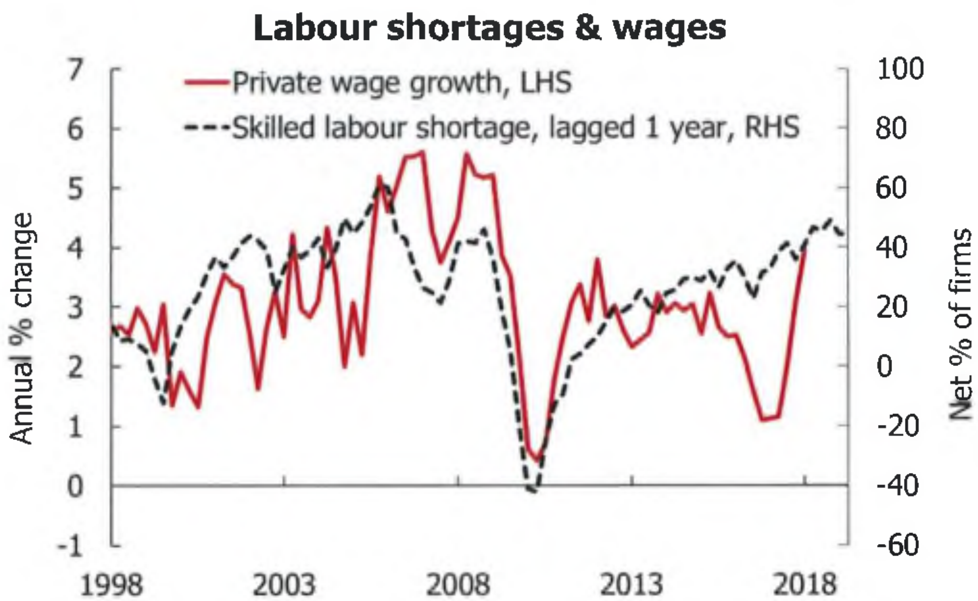


Source: NZIER

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.

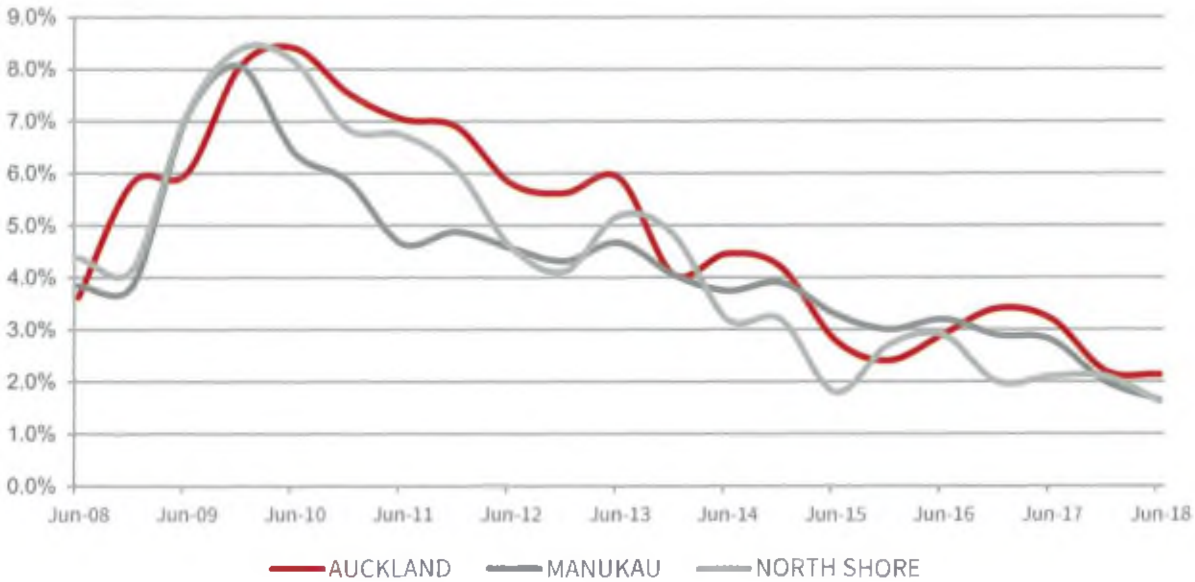
6.8 Auckland Industrial Market Summary

The total vacancy rate for the Auckland Industrial market has hit another record low of only 1.8%, despite a net addition to supply of over 115,000 sqm. This highlights strong occupier demand as businesses expand and floor area requirements increase. The North Shore precinct in particular saw the sharpest decline in vacancy over 1H18, dropping 50bps from 2.1% to 1.6%. The Manukau precinct, which includes East Tamaki, Wiri and the Airport Corridor, ties with the North Shore, also sitting at 1.6%, followed by the Auckland City precinct, which is now recorded as 2.1%.

Strong demand for larger, modern premises spurred additional demand for South Auckland industrial space, where a growing proportion total stock is located. Leasing and construction activity was largely *focused on the Airport Corridor, where there is ample supply of suitably zoned greenfield land.*

Strong performance has translated into the growth of the industrial sector footprint, with supply continuing to play catch-up with demand through redevelopment, refurbishment and new build activities. Annual net absorption for 1H18 was over 278,000 sqm, as the industrial sector continues to expand. Annual net absorption is down from the peak recorded during 1H17, but still remains well above post-GFC levels.

Auckland Industrial Vacancy



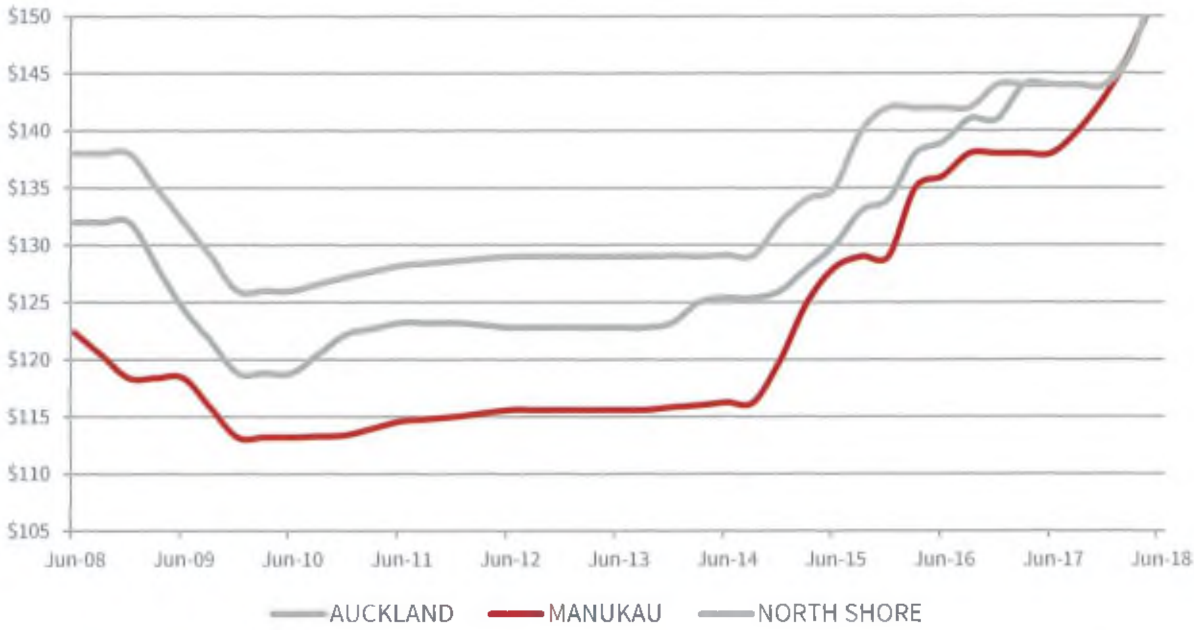
Source: JLL Research and Consulting

Strong performance across the Auckland industrial markets has continued to motivate a substantial supply response. Development activity delivered a net increase in stock of 115,000 square metres during 1H18. Increase in supply remained focused on South Auckland as the Manukau precinct (Airport Corridor, Manukau, Wiri and East Tamaki) had the highest net gain of 76,269 square metres, bringing stock tracked to 4.92 million square metres.

The Auckland City precinct (Penrose, Avondale, Mt Wellington & Henderson) saw a net gain of 37,106 sqm, bringing total tracked stock levels to 4.39 million square metres. The North Shore precinct saw a minor increase of 2,237 square metres, bringing the total stock base to 1.76 million square metres. Land constraints continue to hamper the ability to bring new supply into the North Shore industrial market.

Over the next 12 months, substantial new supply will continue to filter into the market. We are currently tracking in excess of 261,000 square metres already under construction. One of the most significant projects tracked within the development pipeline is the 65,000 square metre distribution centre for Foodstuffs within the Airport precinct, which will add significantly to the Auckland International Airport (AIA) portfolio when completed in 2020.

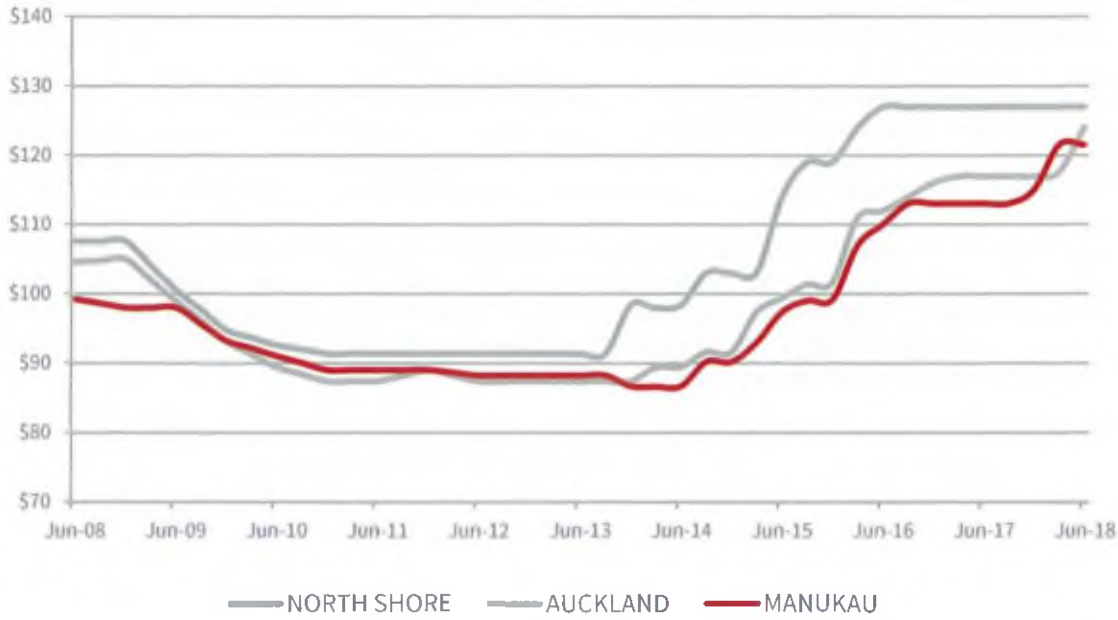
Auckland Industrial Prime Rents



Source: JLL Research and Consulting

Rental growth has continued at a solid pace over 2018, on the back of strong underlying demand fundamentals and record low vacancy. The average prime combined rent has now climbed to reach $154 psm. Secondary rents saw similar growth, albeit at a slightly more subdued pace than prime rents. The average secondary combined rent is now recorded at $124 per square metre. Rising construction costs and land values have also contributed to the growth in market rents with higher rentals being required to achieve feasibility.

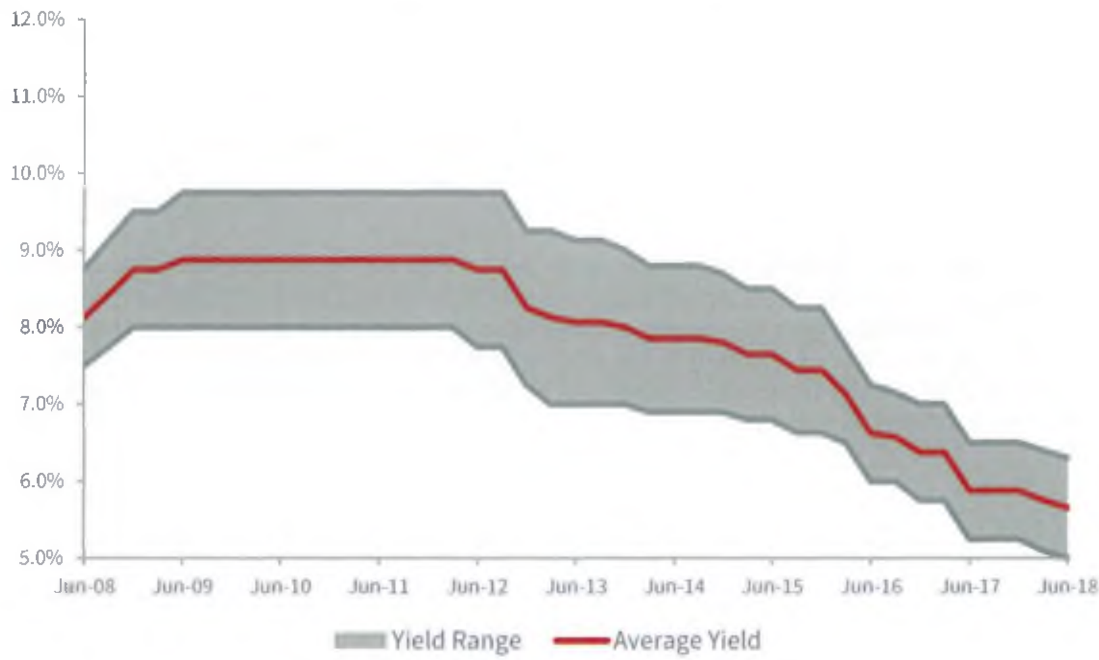
Auckland Industrial Secondary Rents



Source: JLL Research and Consulting

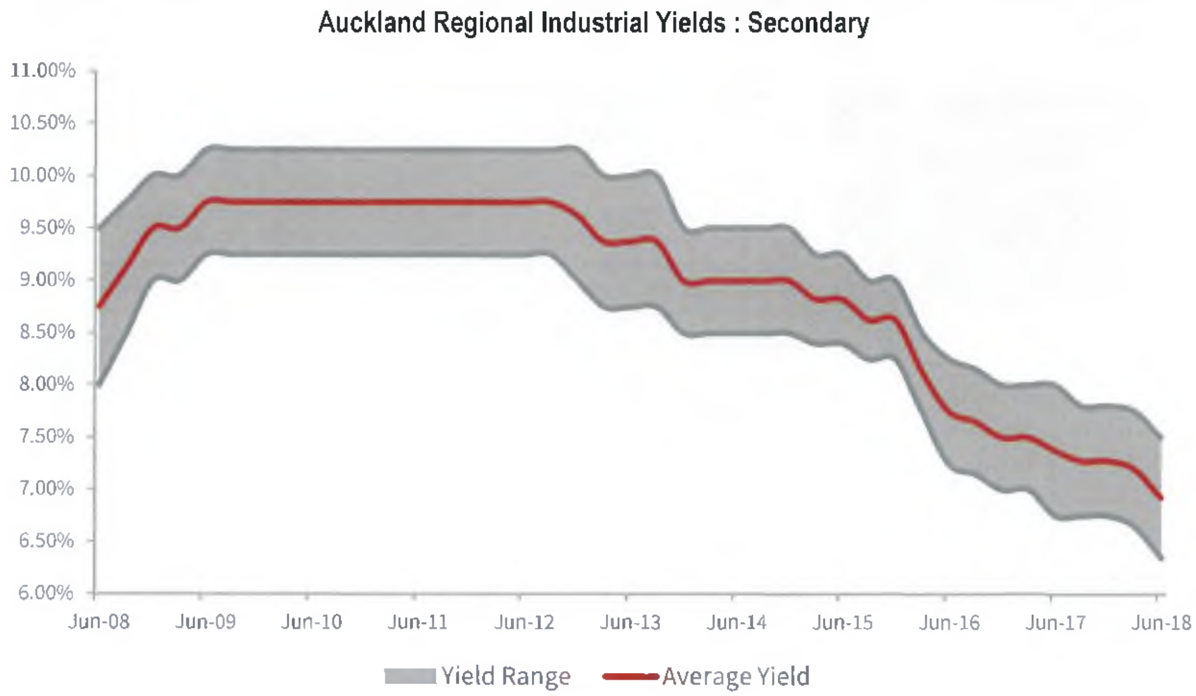
Yield compression outperformed expectations in 1H18, reaching further into record territory. Average prime industrial yields have tightened by 23bps to 5.65%, while average secondary industrial yields have tightened further by 35bps to 6.93%. Rental growth and yield compression have compounded capital value growth. Prime capital values increased steeply from 2H17, reaching record levels at $2,717 psm. Secondary capital values have increased by 9.0%, from $1,645 psm to $1,793 psm in 1H18.

Auckland Region Industrial Yields : Prime



Source: JLL Research and Consulting

Investor confidence in the market remains strong, especially for long-term industrial holdings. However, with stock being tightly held, sale volumes are down on 2H17. We anticipate further yield compression for the remainder of 2018 and 1H19, driven by high investor demand. Interest rate movements and access to funding will dictate yield levels thereafter. Based on these projections we expected yields to level out and soften from late 2019.



Source: JLL Research and Consulting

7 Leasing Evidence

7.1 Industrial Leasing Evidence

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

686 Rosebank Road, Avondale, Auckland

Effective Date	October 2018	**Lease Basis**	Rent Review
Contract Rent	$936,245	**Tenant**	Comfort Group Limited

The property comprises an original, sprinklered, column interrupted warehouse accommodation with a stud height of approximately 5.25 metres to the portal knee, rising to approximately 6 metres at the apex, two levels of associated modern offices and further two recent non sprinklered, high stud warehouse accommodation adjoining to each side of the original warehouse. The property is located to the northern side of Rosebank Road forming part of a large, established business park.

Various concrete sealed areas located on site provide drive around access, yard, carparking and storage.

The property has been subleased to Brand Developers Limited by New Zealand Comfort Group Limited for a four (4) year lease term commencing 1 October 2012, with three (3) further Right of Renewal terms of two (2) years each and rental reviews on renewal.

The property underwent a rent review in October 2018 whereby the rent was set at $936,245 per annum plus GST.

Rental Analysis			**Face Rate**
Warehouse – Building C	2,320.35	m²	$115.00
Warehouse – Building D	3,037.25	m²	$95.00
Warehouse – Building H	2,089.90	m²	$115.00
Office – Ground Floor – Building D	259.60	m²	$190.00
Office – First Floor – Building D	282.90	m²	$190.00
Canopy – Front H	343.65	m²	$57.50
Canopy – Front C	150.00	m²	$57.50
Canopy – Front D	125.15	m²	$0.00
Canopy – Rear C	40.00	m²	$57.50
Canopy – Rear D	77.70	m²	$57.50
Canopy – Rear H	40.00	m²	$57.50

116-152 Swanson Road, Henderson, Auckland

Effective Date	Pre Com	**Lease Basis**	New Lease
Contract Rent	$208,600	**Tenant**	Marque Magnetics (2000) Ltd

The property is located in the Waitakere City suburb of Henderson along the western alignment of Swanson Road. The land holding comprises a near regular shaped front lot comprising a total area of approximately 5.6033 hectares. The site is improved with a significant industrial building comprising high stud and medium stud warehousing. The property was originally developed in 1973, with an extension completed in 1987.

More recently in 2012 the warehouse was extensively refurbished and divided into separately tenantable areas. Additionally, a new office block was constructed at the front of the Blue Star tenancy and a freestanding design-built warehouse to the northern corner of the site.

Improvements are set back from the road occupying a rear position on the site with the Caprice building located at the northern corner. Access is provided by way of multiple vehicular crossings from Swanson Road. Those areas of the site not occupied by improvements have been asphalt sealed to provide for demarcated car parking to the Swanson Road frontage, site circulation and yard storage areas.

The property has been newly leased, on a pre commitment basis, to Marque Magnetics Ltd for $208,600 per annum plus GST.

Rental Analysis			**Face Rate**
Warehouse	1,000.00	m²	$130.00
Office	250.00	m²	$240.00
Canopy	180.00	m²	$60.00
Carparks	15.00	Parks	$10.00 pc/pw

116-152 Swanson Road, Henderson, Auckland

Effective Date	July 2018	**Lease Basis**	Rent Review
Contract Rent	$465,681.30	**Tenant**	Caprice (NZ) Limited

The property is located in the Waitakere City suburb of Henderson along the western alignment of Swanson Road. The land holding comprises a near regular shaped front lot comprising a total area of approximately 5.6033 hectares. The site is improved with a significant industrial building comprising high stud and medium stud warehousing. The property was originally developed in 1973, with an extension completed in 1987.

More recently in 2012 the warehouse was extensively refurbished and divided into separately tenantable areas. Additionally, a new office block was constructed at the front of the Blue Star tenancy and a freestanding design-built warehouse to the northern corner of the site.

Improvements are set back from the road occupying a rear position on the site with the Caprice building located at the northern corner. Access is provided by way of multiple vehicular crossings from Swanson Road. Those areas of the site not occupied by improvements have been asphalt sealed to provide for demarcated car parking to the Swanson Road frontage, site circulation and yard storage areas.

The Caprice Limited tenancy underwent a rent review in July 2018, whereby the rent was set at $465,681.30 per annum.

Rental Analysis			Face Rate
Warehouse	4,007.90	m²	$106.43
Office & Amenities	76.00	m²	$206.24
Canopy	407.20	m²	$57.53

399 Rosebank Road, Avondale, Auckland

Effective Date	July 2018	**Tenant**	Aquaheat New Zealand Limited
Contract Rent	$329,722 pa	**Lease Basis**	Rent Review

The property comprises the front warehouse of two, located at the road front boundary of the property with exposure to Rosebank Road. The property was originally constructed circa 1970's/80's and provides two levels of office and amenity as well as a high stud warehouse, and warehouse extension which was constructed circa 2014. The warehouse provides a stud height of approximately 9.2 metres at the portal knee, rising to approximately 10.7 metres at the apex.

Rental Analysis			Face Rate
First Floor Office	411.4	m²	$230.00
Ground Floor Office	357.1	m²	$235.00
Warehouse A	299.3	m²	$120.00
Warehouse B	560.7	m²	$120.00
Warehouse B Extension	399.9	m²	$120.00

40 Honan Place, Avondale, Auckland

Effective Date	June 2018	**Tenant**	Undisclosed
Contract Rent	$360,000 pa	**Lease Basis**	New Lease

The property comprises a functional standalone industrial premises providing a 2,558 sqm medium stud warehouse (including a 619 sqm chiller and freezer space which can remain or be removed) and 355 sqm of average / poor condition offices. The property is fully fenced providing a secure site with over 25 carparks and room for container devanning.

The property was leased on a new 8 year term with further rights of renewal.

Rental Analysis			Face Rate
Warehouse	2,558.0	m²	$115.00
Office	355.0	m²	$185.43

399 Rosebank Road, Avondale, Auckland

Effective Date	July 2018	**Tenant**	Aquaheat New Zealand Limited
Contract Rent	$329,722 pa	**Lease Basis**	Rent Review

The property comprises the front warehouse of two, located at the road front boundary of the property with exposure to Rosebank Road. The property was originally constructed circa 1970's/80's and provides two levels of office and amenity as well as a high stud warehouse, and warehouse extension which was constructed circa 2014. The warehouse provides a stud height of approximately 9.2 metres at the portal knee, rising to approximately 10.7 metres at the apex.

Rental Analysis			**Face Rate**
First Floor Office	411.4	m²	$230.00
Ground Floor Office	357.1	m²	$235.00
Warehouse A	299.3	m²	$120.00
Warehouse B	560.7	m²	$120.00
Warehouse B Extension	399.9	m²	$120.00

699 Rosebank Road, Avondale, Auckland

Effective Date	February 2018	**Tenant**	PBT Couriers Ltd
Contract Rent	$122,350 pa	**Lease Basis**	Rent Review

The property is located along the southern boundary of the property and comprises a clear span warehouse, with a small warehouse office. The warehouse is clearspan and provides industrial accommodation with a stud height of approximately 10.25 metres to the portal knee and approximately 10.65 metres to the apex. The canopy forms part of the lessees fitout and is therefore not rentalised.

Rental Analysis			**Face Rate**
Warehouse Office	29.6	m²	$235.00
Warehouse	912.7	m²	$117.00
Canopy	50.0	m²	$00.00
Carparks	11.0	Parks	$15.00 pc/pw

313-315 Rosebank Road, Avondale, Auckland

Effective Date	Mid 2017	**Lease Basis**	New Lease
Contract Rent	$390,306 pa	**Tenant**	Anglo Engineering Limited

The premises comprises a 3,048 square metre industrial building constructed circa 2010, located at 313-315 Rosebank Road, Avondale. The property includes 2,550 square metres of warehouse space, 208 square metres of ground floor office, 145 square metres of first floor office accomodation and 145 square metres of canopy. The premises was leased in mid 2017 for $390,306 per annum, reflecting a premises rental rate of $117 per square metre for warehouse space, $240 per square metre for office space and $55 per square metre for canopy space.

Rental Analysis				**Face Rate**
Warehouse		2,550.0	m²	$116.71
Office	Ground Floor	208.0	m²	$240.00
Office	First Floor	145.0	m²	$240.00
Canopy		145.0	m²	$55.00

The evidence above demonstrates a general range of $185.43 per square metre to $240 per square metre over the office accommodation and from $95 per square metre to $130 per square metre over the warehouse and $55 to $60 per square metre over the canopy area, largely dependent upon the quality of accommodation, stud height, access, and scale of the premises, location and quality.

The properties located within the development at 116-152 Swanson Road and 399 Rosebank Road, Avondale provide a good indication of rental rates achievable for the accommodation due to their size and quality of improvements. We would expect the subject property to achieve similar rates to aforementioned properties.

7.2 Market Rental Profile

Industrial Accommodation

In analysing the market rental for the industrial 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 office market rental profile is displayed below:

Premises	NLA	Passing Rental	Market Rental	Market Rental pa
D & H Steel Construction Limited - Warehouse	10,420	$104 /sqm	$110 /sqm	$1,146,236
D & H Steel Construction Limited - Reception / Office	297	$234 /sqm	$240 /sqm	$71,182
D & H Steel Construction Limited - Canteen	175	$188 /sqm	$195 /sqm	$34,125
D & H Steel Construction Limited - Amenities	138	$156 /sqm	$165 /sqm	$22,729
D & H Steel Construction Limited - Mezzanine Office	771	$234 /sqm	$240 /sqm	$185,040
D & H Steel Construction Limited - Paint / Store	107	$125 /sqm	$130 /sqm	$13,905
D & H Steel Construction Limited - Low Stud	68	$125 /sqm	$130 /sqm	$8,895
D & H Steel Construction Limited - Gas Storage	13	$125 /sqm	$130 /sqm	$1,664
D & H Steel Construction Limited - Dangerous Goods	24	$47 /sqm	$130 /sqm	$3,172
D & H Steel Construction Limited - Switchboard Room	24	$125 /sqm	$130 /sqm	$3,073
D & H Steel Construction Limited - Outdoor Court	94	$47 /sqm	$50 /sqm	$4,710
Total	12,131 m²			$1,494,730

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	$1,423,247	$1,494,730
Outgoings Recovery	$180,187	$180,187
Gross Income	$1,603,434	$1,674,917
Outgoings	$180,187	$180,187
Net Income	$1,423,247	$1,494,730

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:

20 Mahunga Drive, Mangere, Auckland

Sale Price	$36,400,000	**Sale Date**	November 2018
Initial Yield	6.91%	**Equivalent Yield**	7.12%
IRR	8.86%	**WALE**	7.17 years

The property comprises a large scale manufacturing site constructed circa 1970 with various additions and alterations since.

Two levels of modern office accommodation are located to the Mahunga Drive road frontage. The main factory space provides for sprinklered, medium to low stud space with an approximately 5 metre stud to the base of the saw tooth, and column interruptions at each saw tooth section. Additions at the eastern and south elevations provide for column interrupted space with a height clearance of approximately 7 metres to the underside of the steel truss roof structure. Good access is provided via roller doors, some of which are fitted with 'speed curtains'. Lighting is provided via translucent light strips, supplemented by high bay lights.

The property is leased to Oji Fibre Solutions (NZ) Limited for 12 years commencing 1 January 2014 with two further rights of renewals of 5 years each and annual CPI based rental increases with market reviews on 1 January 2019 and renewal dates.

The property sold in November 2018 for $36,400,000, indicating an initial yield of 6.91%, equivalent yield of 7.12%, an IRR of 8.86% and a weighted average lease term of 7.17 years.

507 Rosebank Road, Avondale, Auckland

Sale Price	$9,500,000	**Sale Date**	September 2018
Initial Yield	5.00%	**Equivalent Yield**	6.02%
IRR	8.36%	**WALE**	8.50 years

The property comprises three adjoining warehouse, all with different stud heights, two levels of office and showroom accommodation to the road frontage and three levels of warehouse office and amenities, located within the warehouse envelope, together with 62 onsite carparks.

Both levels of the showroom have access to the warehouse. The front warehouse is approximately 5.5 metres at the portal knee, rising to approximately 5.9 metres high at the apex. The clear light and roller door have recently been replaced. The rear warehouse has an approximately 8 metre stud height at the portal knee, rising to approximately 8.8 metres at the apex, there are three roller doors on the rear eastern side, two with loading bay access. The construction comprises concrete flooring, exposed ceilings, fluorescent downlights and combination concrete and long run external walls. Both the front and rear warehouses are column interrupted. Between the warehouses is an internal central office structure. The central office structure provides three levels of warehouse offices and amenities, located within the warehouse envelope. The ground floor provides basic warehouse offices with an approximately 2.45 metre stud height, plasterboard line ceilings and wall, and surface mounted fluorescent lighting. The first floor provides a lunchroom and kitchen with staff lockers, together with a number of offices, and male and female ablutions.

The site incorporates a component of concrete sealed carparking, located towards the road boundary, along the eastern side of the warehouse, and at the rear of the property adjacent the rear warehouse. The rear warehouse also has to roller doors with loading bay access.

The property is leased to Jerry Kitchen & Bath Limited for a 9 year and 4 month term years commencing 1 November 2017 and annual fixed 3% rental increases.

The property sold in September 2018 for $9,500,000, indicating an initial yield of 5.00%, equivalent yield of 6.02%, an IRR of 8.36% and a weighted average lease term of 8.50 years.

4 Kordel Place, East Tamaki, Aucklalnd

Sale Price	$27,500,000	**Sale Date**	September 2018
Initial Yield	6.35%	**Equivalent Yield**	5.90%
IRR	6.83%	**WALT**	8.58 Years

The property comprises a 15,706 square metre freehold property situated on the southern side of Kordel Place, in a corner position to Kordel Place and Accent Drive, within the industrial precinct of East Tamaki. The property was constructed circa 2000 and was expanded in 2008 which brought the total net lettable area to approximately 12,205 square metres. The property is made up of two warehouses and associated offices and amenities. A large sealed yard and car parking building with 185 spaces. The buildings have an A-grade seismic rating.

The main warehouse includes lab, plant and change areas and a smaller warehouse provides a high-level racking area. Construction is by way of steel portals and precast concrete panels.

The office building provides approximately 1,829 square metres of open plan and partitioned space. This building is situated at the northwest side of the site.

At the sale date the property was leased to Vitaco Group on an 18 year lease term which commenced in April 2009, returning approximately $1,745,527 per annum plus GST. The lease includes 3 yearly CPI rent reviews.

The property sold in September 2018 for $27,500,000 plus GST reflecting an initial yield of 6.35%, an equivalent yield of 5.90%, an IRR of 6.83% and a remaining lease term of 8.58 years.

104-140 Neilson Street, Onehunga, Auckland

Sale Price	$15,150,000	**Sale Date**	May 2018
Initial Yield	5.00%	**Equivalent Yield**	5.31%
IRR	7.75%	**WALE**	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%.

107 Harris Road, East Tamaki, Auckland

Sale Price	$10,935,000	**Sale Date**	April 2018
Initial Yield	6.33%	**Equivalent Yield**	6.44%
IRR	8.48%	**WALE**	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 total net passing income of $692,176 per annum plus GST. The property sold in April 2018 for $10,935,000, indicating an initial yield of 6.33%, equivalent yield of 6.44%, and internal rate of return of 8.48%.

68-80 Stonedon Drive, East Tamaki, Auckland

Sale Price	$32,577,000	**Sale Date**	December 2017 (Unconditional)
Initial Yield	6.25%	**Equivalent Yield**	6.25%
IRR	8.68%	**WALE**	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%.

6 Hautu Drive, Wiri, Auckland

Sale Price	$11,100,000	**Sale Date**	December 2017
Initial Yield	5.88%	**Equivalent Yield**	5.96%
IRR	7.89%	**WALE**	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 sisalation. 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%.

84 Central Park Drive, Henderson, Auckland

Sale Price	$9,100,000	**Sale Date**	September 2017
Initial Yield	5.22%	**Equivalent Yield**	5.52%
IRR	7.86%	**WALE**	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%

48 Bruce McLaren Road, Henderson, Auckland

Sale Price	$8,325,000	**Sale Date**	August 2017
Initial Yield	6.90%	**Equivalent Yield**	6.93%
IRR	8.84%	**WALE**	8.00 years

The property comprises a warehouse and office building which has undergone significant expansion and refurbishment since original construction. The property is located in Henderson, to a rear site with a total site area of approximately 8,275 square metres. The entrance has a stud height of approximately 8.05 metres, and office component has an overall height of approximately 2.7 metres. The main warehouse component is column interrupted with a stud height of approximately 9 metres to the portal knee rising to approximately 10 metres at the apex. The property is in good condition with a new clearspan warehouse extension.

The property is Leased to Juralco Aluminium Building Products on a 9 year term at a total annual rent of $574,767 per annum, with rent reviews annually in accordance with movement in the CPI.

2 Freight Place, Airport Oaks, Auckland

Sale Price	$9,770,000	**Sale Date**	July 2017
Initial Yield	5.74%	**Equivalent Yield**	5.91%
IRR	8.16%	**WALE**	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%.

3 Monahan Road, Mt Wellington, Auckland

Sale Price	$10,500,000	**Sale Date**	June 2017
Initial Yield	6.06%	**Equivalent Yield**	6.13%
IRR	8.57%	**WALE**	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%.

3 Stonehill Drive, Wiri, Auckland

Sale Price	$7,250,000	**Sale Date**	May 2017
Initial Yield	4.71%	**Equivalent Yield**	4.77%
IRR	7.44%	**WALE**	9.25 years

The property comprises a circa 2016 constructed, modern industrial facility with approximately 2,301 square metres of net lettable area, located on the western side of Stonehill Drive, Wiri. The property is situated on a special purpose – Quarry Zone site of approximately 4,215 square metres.

Improvements comprise of a clear-span warehouse of approximately 2,000 square metres with a stud height of approximately 9.5 metres, constructed with reinforced concrete flooring, full height precast concrete walls, steel portal framing and a long run metal roof with intermittent translucent panels, netting and sisalation. The warehouse is accessed via multiple roller doors along the northern elevation, which are protected by an approximate 780 square metre canopy. The canopy area is large enough to turn and manoeuvre b-train trucks and also provides outdoor storage accommodation. The offices comprise of approximately 301 square metres over two levels with construction comprising of an open floor plan with carpet flooring, painted plasterboard walls, suspended ceilings, and recessed fluorescent lighting.

The property is leased to Jarvis Trading Limited for a term of ten (10) years from 1 August 2016 with two (2) rights of renewal of five (5) years each and annual fixed rent review increases of 2%. Jarvis Trading Limited currently lease the property for $341,500 per annum plus GST and outgoings.

The property sold in May 2017 for $7,250,000 reflecting an initial yield of 4.71% and an average remaining lease term of 9.25 years. We have analysed this sale to reflect an equivalent yield of 4.77% and an internal rate of return of 7.44%.

The property would set the lower end (firmer yield) of the range for comparable transactions. We believe that this property is superior to the subject based on the longer lease term, fixed annual increases and more generic improvements providing a better office to warehouse ratio.

The above transactions indicate that initial yields have ranged from 5.00% to 6.91%, equivalent yields from 5.31% to 7.12% and internal rates of return from 6.83% to 8.86% largely dependent on tenant covenants, guaranteed rental growth and lease terms.

We consider 4 Kordel Place, 68-80 Stonedon Drive, 107 Harris Road both located in East Tamaki, and 2 Freight Place located in Airport Oaks, 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 upper end 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	6.25%
Discount Rate	8.50%

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
• Prime 'A' grade quality industrial facility offering flexibility of use which would suit a range of prospective tenants. • Long WALT of 9.42 years would provide an attractive tenure to investors looking for long term cashflow security. • CPI rent reviews providing for annual rental growth. • Strengthening construction industry would provide increased confidence around the tenant covenant. • Office to warehouse ratio would suit a range of prospective tenants in the manufacturing and distribution industries. • Good access to skilled and unskilled labour. • Limited buildings of a competitive nature within the surrounding locality.	• Management expenses unrecovered under the current Deed of Lease. • Large size and floor area of building would appeal to a reduced number of potential occupiers. • The property is of a monetary quantum and physical profile which will currently reduce the pool of potential purchasers. • Supporting columns in part of the warehouse would reduce the utility of the space. • Soft ratchet to commencement rent allowing rent to decrease upon market review.
Opportunities	**Threats**
• Purchase adjoining Lot at 14 Brick Street in order to provide additional yard and carparking or future expansion opportunities.	• Off-shore and local factors impacting negatively on economic growth, tenant demand and investor sentiment. • The emergence of other design-build accommodation within alternative Auckland industrial localities, such as The Airport and Westgate. • Surrounding industrial and office development, particularly along Swanson Road, may limit medium to long term rental growth and re-leasing opportunities as a result of increased competition. • An extended vacancy period could be experienced should the current tenant vacate the premises.

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 may take to sell the property if it were to be marketed at our opinion of market value. The actual time to sell the property will be impacted on by a range of factors such as the level of marketing undertaken, the number of potential buyers, availability of comparable properties, accessibility 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 high net worth individual, family trust or institutional investor, seeking a passive investment.

9.4 Sales History

The subject property last transacted June 2013 for $18,202,000.

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 6.25% on our adopted market rental profile and a 8.50% 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 and a long term vacancy allowance 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:

Direct Capitalisation Approach - Market Income	
Market Income	
Lettable Area Rental	$1,494,730
Ideal Outgoings Recovery (Full Net Leases)	$180,187
Total Market Rental	**$1,674,917**
Less Outgoings Expenditure	($180,187)
Net Market Rental	**$1,494,730**
Rental Adjustments	
Core Income	$1,494,730
Core Income Capitalised at 6.25%	**$23,915,675**
Value Adjustments	
Present Value of Rental Reversions	
Existing Tenancies	($221,155)
Present Value of Short Term Capital Expenditure: 24 months	($148,496)
Total Value Adjustments	**($369,651)**
Total Capitalised Value	**$23,546,024**
Adopted Capitalised Value	**$23,550,000**

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 deducted the present value of tenant rental reversions, which represents the present value of rental 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.

Capital Deductions

We have allowed for the present value of CAPEX allowances over the next 24 months from the valuation date, which total $148,496.

Calculation Summary

Having made these adjustments to the core value, we derive a total value of $23,550,000.

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		2.85%	
	2.75%	2.75%	3.00%	3.25%	3.50%	3.00%	2.75%	2.50%	2.50%	2.50%
Office							10 year average		2.85%	
	2.75%	2.75%	3.00%	3.25%	3.50%	3.00%	2.75%	2.50%	2.50%	2.50%
CPI							10 year average		2.02%	
	2.10%	2.10%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Capex							10 year average		2.02%	
	2.10%	2.10%	2.00%	2.00%	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 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 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/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 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 overleaf:

Industrial Letting Up Allowances

Cash Flow Year	Letting Up	Probability	Incentive	Probability	Capex $/sqm	Probability
Vacant	6 months	100%	0 months	100%	$15	100%
Year 1	6 months	100%	0 months	100%	$15	100%
Year 2	6 months	100%	0 months	100%	$15	100%
Year 3	6 months	100%	0 months	100%	$15	100%
Year 4	6 months	100%	0 months	100%	$15	100%
Year 5	6 months	100%	0 months	100%	$15	100%
Year 6	6 months	100%	0 months	100%	$15	100%
Year 7	6 months	100%	0 months	100%	$15	100%
Year 8	6 months	100%	0 months	100%	$15	100%
Year 9	6 months	100%	0 months	100%	$15	100%
Year 10	6 months	100%	0 months	100%	$15	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	$95,000	Year 6	$99,562
Year 2	$61,260	Year 7	$124,121
Year 3	$62,546	Year 8	$126,603
Year 4	$95,696	Year 9	$129,135
Year 5	$97,610	Year 10	$361,114

Total CAPEX allowances amount to $1,252,648 ($104.28 /sqm of NLA) over 10 years.

Estimated Terminal Sale Price

We have applied a terminal yield of 6.25% (the same as 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 8.50% to the cash flows to produce a present value of $23,620,000. 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		
	6.00%	6.25%	6.50%
8.25%	$24,630,000	$24,030,000	$23,490,000
8.50%	$24,200,000	**$23,620,000**	$23,090,000
8.75%	$23,770,000	$23,210,000	$22,690,000

10.5 Valuation Reconciliation

The results of our valuation methods are:

Methodology	Valuation
Capitalisation Approach - Market Income	$23,550,000
Capitalisation Approach - Contract Income	$23,550,000
Discounted Cash Flow Approach	$23,620,000
Adopted Value	**$23,580,000**

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 **$23,580,000** plus GST (if any).

The assessed value reflects an initial passing yield of 6.04%, an equivalent yield of 6.24%, an internal rate of return of 8.52%, and a rate of $1,963 per square metre of Net Lettable Area, as leased.

11 Valuation

In accordance with your instructions we have assessed the market value 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:

$23,580,000 plus GST (if any)

Twenty Three Million Five Hundred Eighty 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 Limited.

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 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	$9,940,000
Improvements Value	$13,640,000
Adopted Value	$23,580,000

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 Augusta Industrial Fund Limited (or its subsidiaries) for Use by Prospective Investors (on a non-reliance basis) in that Company, Financial Reporting, Capital Raising and Mortgage Security and ASB Bank Limited 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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Registered Valuer - Director
Head of Valuations & Advisory - Industrial
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wouter.robberts@ap.jll.com

Isabelle Hoy BProp/BCom
Assistant Valuer
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isabelle.hoy@ap.jll.com

Valuers Involvement in the preparation of this report:

Role	Name
Inspection of Property/Assets:	Wouter Robberts, Isabelle Hoy
Calculations:	Wouter Robberts
Information Review:	Wouter Robberts, Isabelle Hoy
Reporting Authoring:	Isabelle Hoy
Quality Assurance	Ben Johnson
Principal Valuer	Wouter Robberts

JLL require that all Valuation Reports are reviewed for Quality Assurance purposes before external release. The individual that has undertaken the Quality Assurance review offers no opinion on the subject property(s).

Report linked to N:\030 VALUATIONS\VALUATIONS\Waitakere City\Brick 12\2018\November 2018\12 Brick Street - MV Nov 2018.xlsm

N:\030 VALUATIONS\VALUATIONS\Waitakere City\Brick 12\2018\November 2018\Readdressed - JAN 2019\12 Brick Street - MV Nov 2018 READDRESSED.docm

Valuation Definitions

Net Passing Income	The annual sum of the current base rent, any supplementary income and recoverable outgoings, less total outgoings.
Net Income, Fully Leased	The annual net passing income as above, plus estimated income from vacant tenancies and any immediate reversions.
Capitalisation Rate	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.
Initial Yield	The net passing income from an investment divided by the sale price or value adopted for the investment.
Market Yield	The assessed net market income divided by the sale price or value adopted.
Equivalent Yield	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.
Discount Rate	A rate of return used to convert a future monetary sum or cash flow into a present value.
Internal Rate of Return (IRR)	The discount rate at which the present value of the future cash flows of the investment equals the acquisition cost of the investment.
Terminal Yield	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.
Ten Year IRR	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.
Market Rent	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.
Market Value	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.*
Highest and Best Use	The use of an asset that maximises its potential and that is physically possible, legally permissible and financially feasible.
Weighted Average Lease Term (WALT)	The weighted average lease term remaining to expire across the property or portfolio, it can be weighted by rental income or lettable area.
Fair 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 recommend that the reader consult the International Valuation Standards Council – International Valuation Glossary https://www.ivsc.org/standards/glossary

Record of Title

COMPUTER FREEHOLD REGISTER
UNDER LAND TRANSFER ACT 1952

Search Copy

R.W. Muir
Registrar-General
of Land

Identifier **522782**
Land Registration District **North Auckland**
Date Issued 19 May 2010

Prior References
392115 459896

Estate	Fee Simple
Area	1.9876 hectares more or less
Legal Description	Lot 3 Deposited Plan 398258 and Lot 1 Deposited Plan 415549

Proprietors
Augusta Industrial Fund No.1 Limited

Interests

7673703.2 Consent Notice pursuant to Section 221 Resource Management Act 1991 - 9.1.2008 at 9:00 am

Subject to a right of way (in gross) over part Lot 3 marked Q on DP 398258 in favour of Waitakere City Council created by Easement Instrument 7673703.7 - 9.1.2008 at 9:00 am

The easements created by Easement Instrument 7673703.7 are subject to Section 243 (a) Resource Management Act 1991

Subject to an overland flow path (drainage) (in gross) over parts Lot 3 marked A & Q on DP 398258 in favour of Waitakere City Council created by Easement Instrument 7673703.8 - 9.1.2008 at 9:00 am

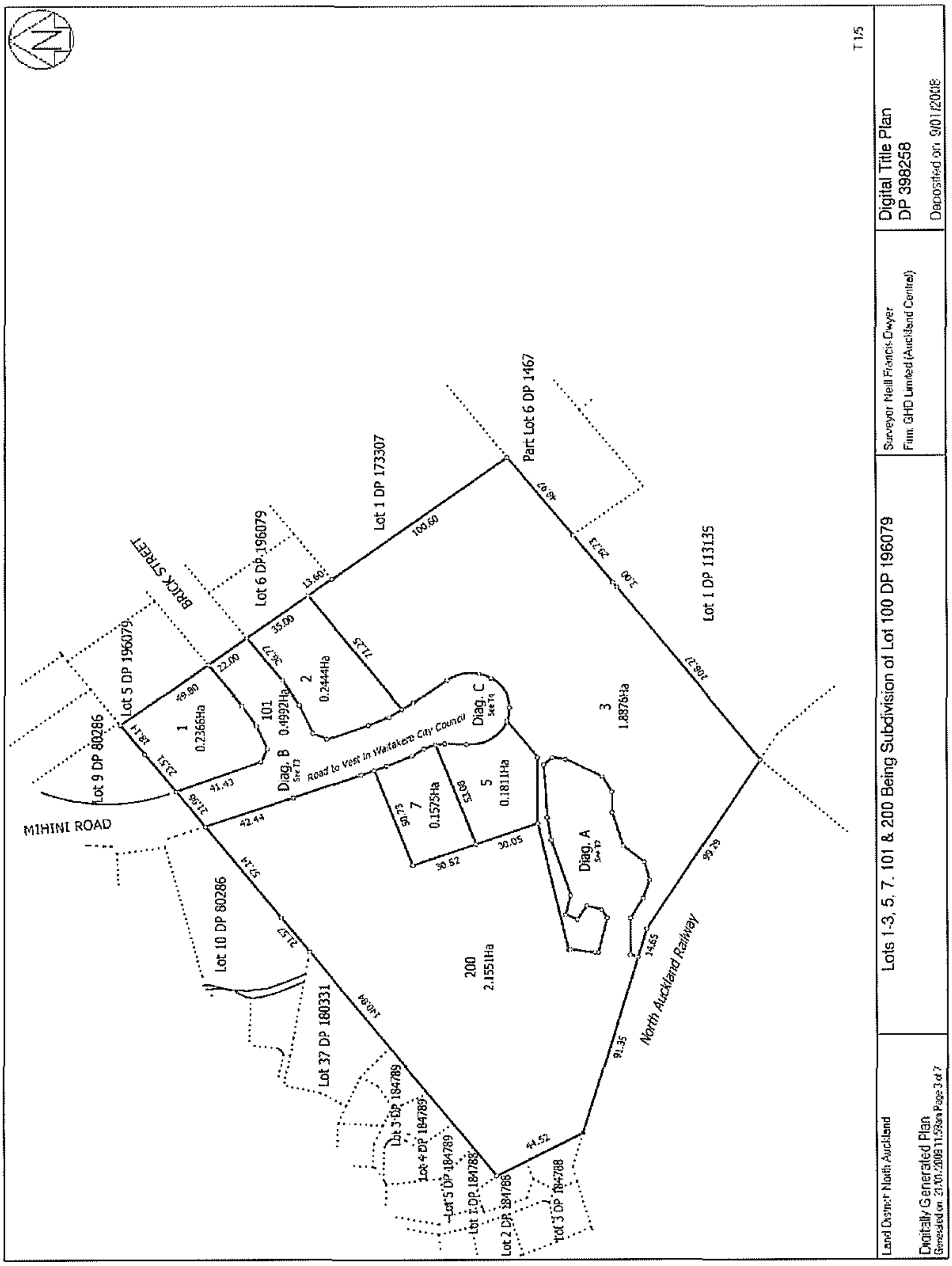
The easements created by Easement Instrument 7673703.8 are subject to Section 243 (a) Resource Management Act 1991

Land Covenant in Easement Instrument 7673703.9 - 9.1.2008 at 9:00 am

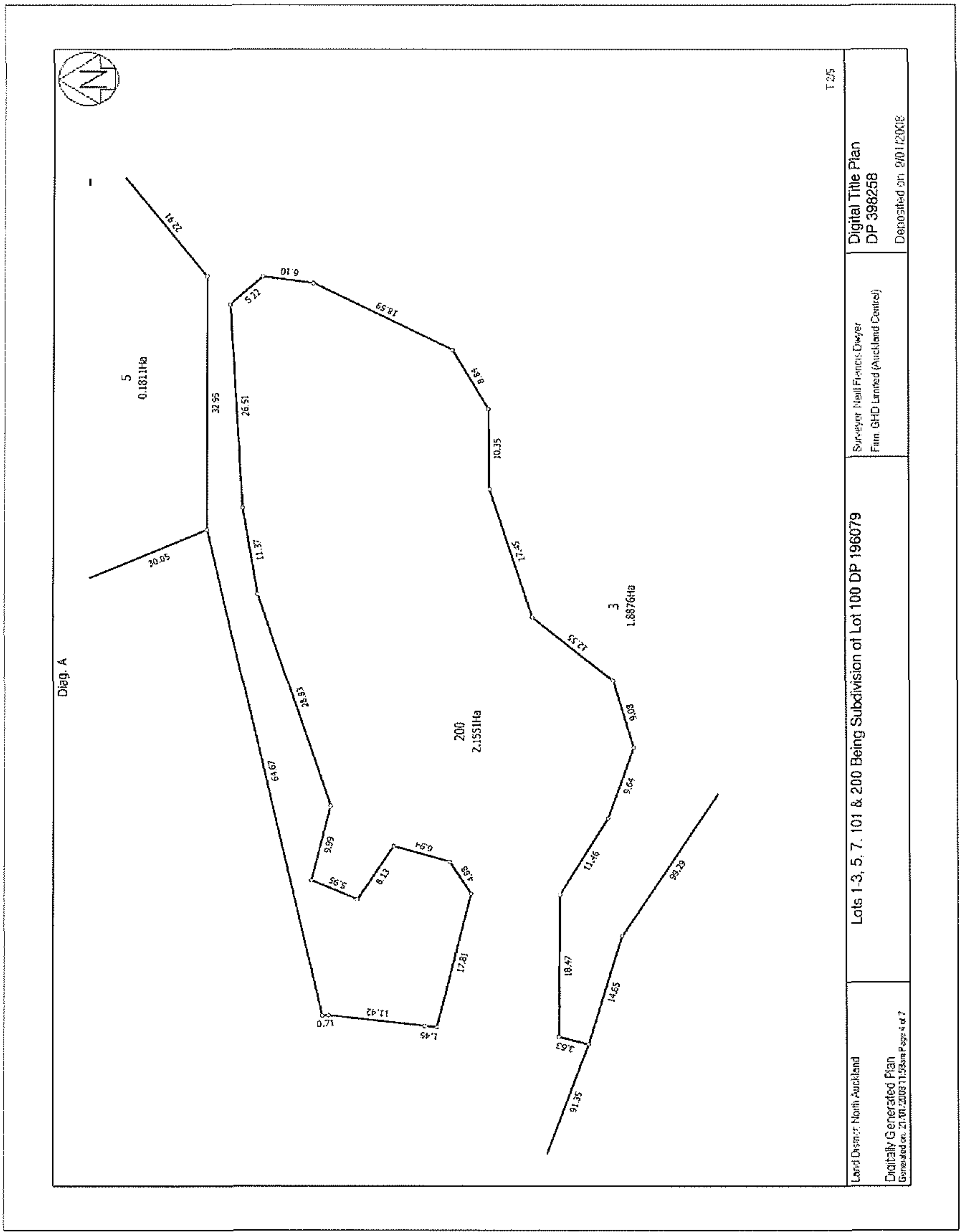
Fencing Covenant in Transfer 8095617.2 - 12.3.2009 at 9:58 am (affects Lot 1)

8433494.1 CERTIFICATE PURSUANT TO SECTION 77 BUILDING ACT 2004 THAT THIS COMPUTER REGISTER IS SUBJECT TO THE CONDITION IMPOSED UNDER SECTION 75(2) (AFFECTS LOTS 1 & 3 HEREIN) - 5.3.2010 at 9:00 am

11128822.3 Mortgage to ASB Bank Limited - 15.6.2018 at 4:46 pm


Digital Title Plan
DP 398258
Deposited on 9/01/2008
Surveyor Neill Francis Dwyer
Firm GHD Limited (Auckland Central)
Lots 1-3, 5, 7, 101 & 200 Being Subdivision of Lot 100 DP 196079
Land District North Auckland
Digitally Generated Plan
T1/5
BRICK STREET
MIHINI ROAD
North Auckland Railway
Road to Vest in Waitakere City Council
Lot 1 DP 173307
Part Lot 6 DP 1467
Lot 1 DP 113135
Lot 6 DP 196079
Lot 5 DP 196079
Lot 9 DP 80286
Lot 10 DP 80286
Lot 37 DP 180331
1
0.2366Ha
101
0.4992Ha
2
0.2444Ha
3
1.8876Ha
5
0.1811Ha
7
0.1575Ha
200
2.1551Ha
Diag. A
Diag. B
Diag. C

Identifier **522782**



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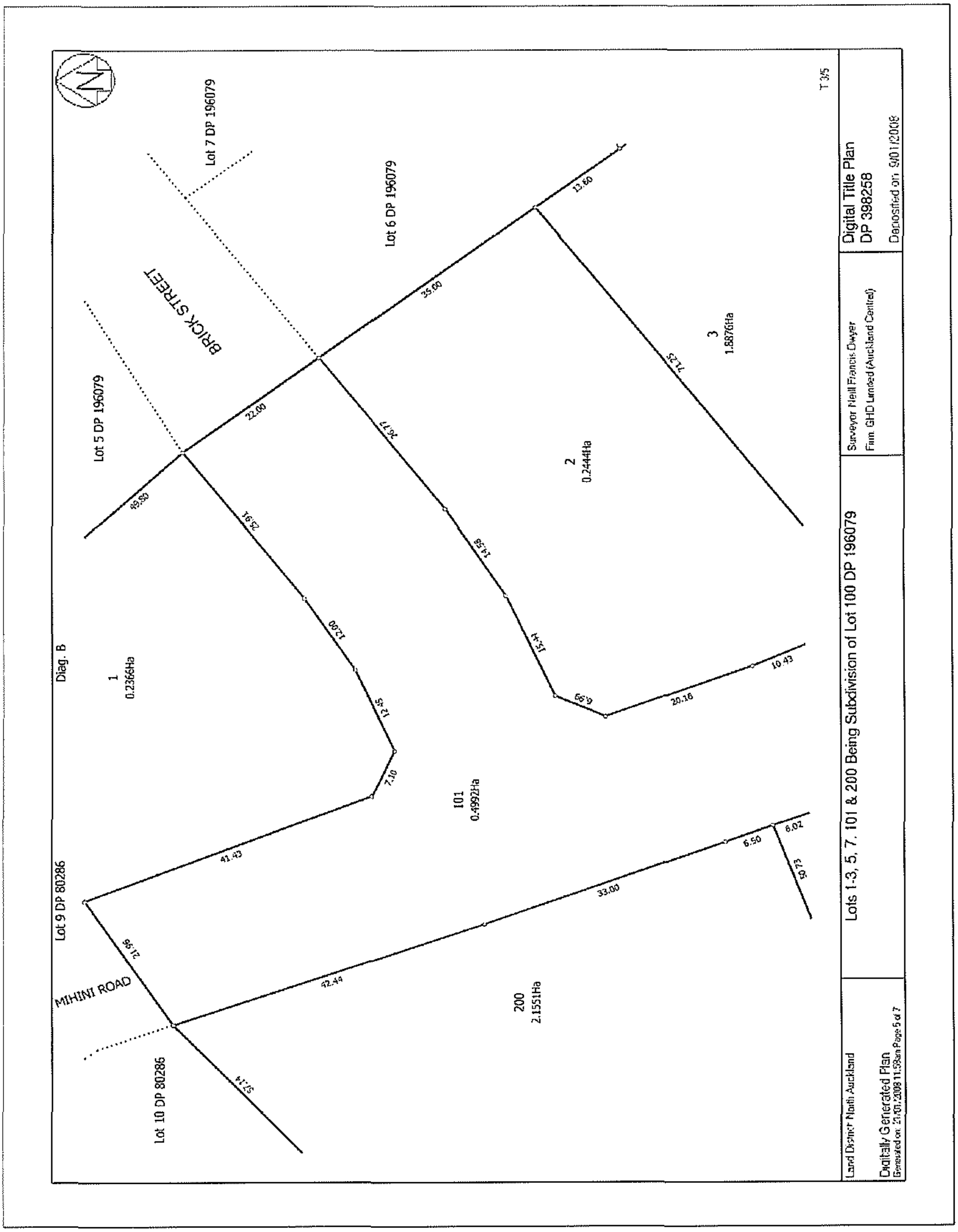

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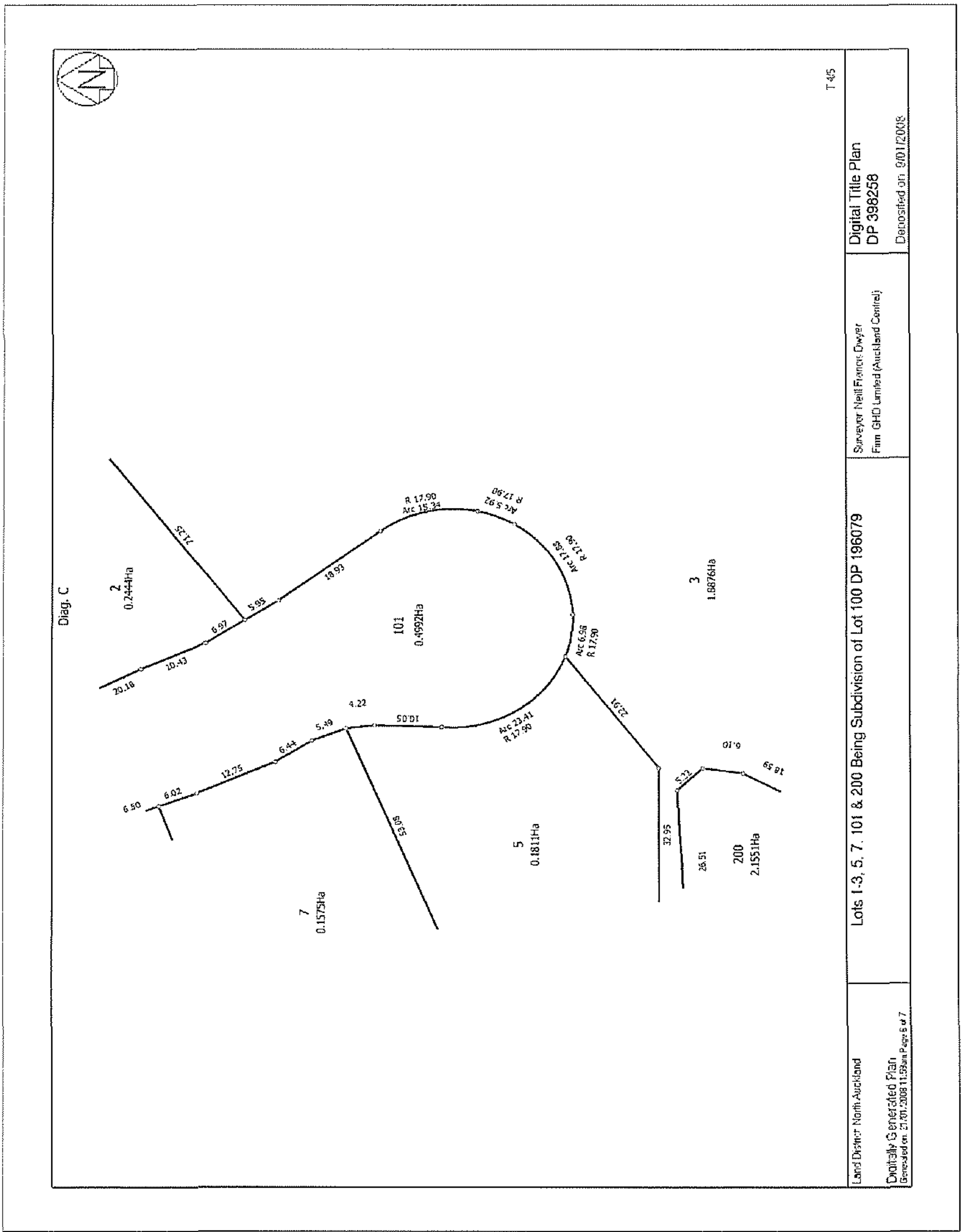

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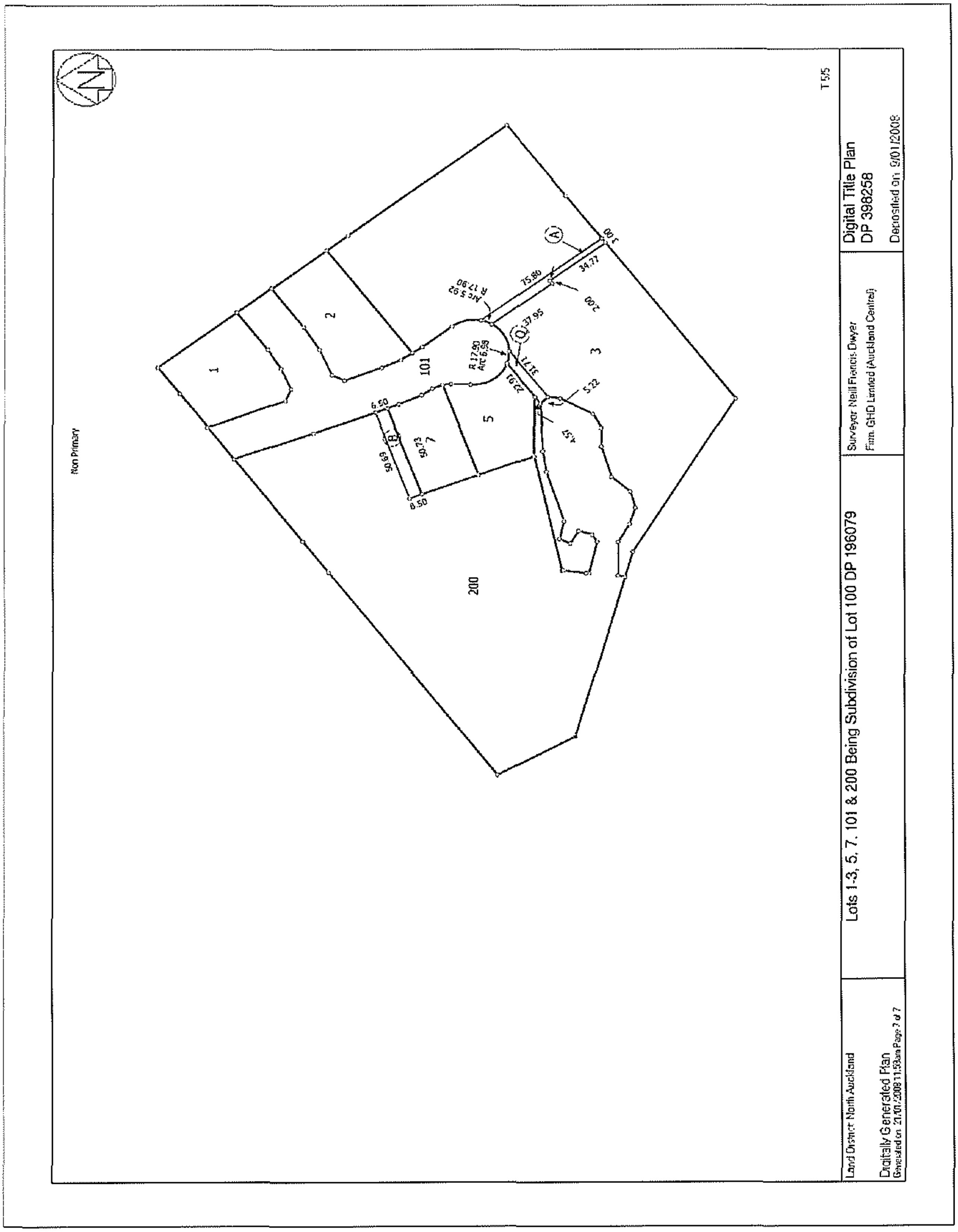
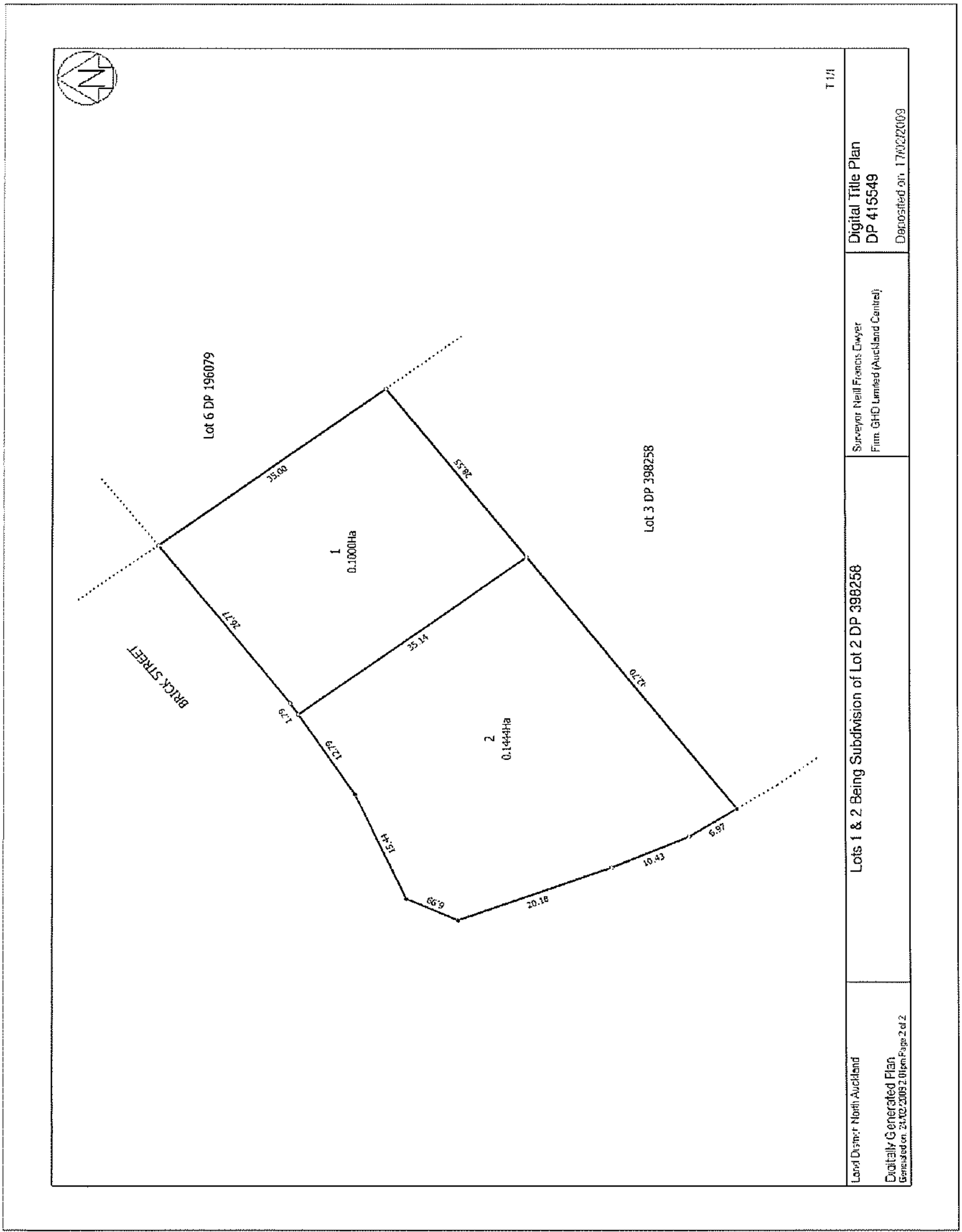




T 1/1
Digital Title Plan
DP 415549
Deposited on 17/02/2009
Surveyor Neill Francis Dwyer
Firm GHD Limited (Auckland Centre)
Lots 1 & 2 Being Subdivision of Lot 2 DP 398258
Land District North Auckland
Digitally Generated Plan
Lot 6 DP 196079
Lot 3 DP 398258
BRICK STREET
1
0.1000Ha
2
0.1444Ha
35.00
28.55
26.77
35.14
42.70
1.29
12.79
15.44
6.99
20.18
10.43
6.97

Valuation Calculations

Executive Summary

Property	D & H Steel - 12 Brick Street, Henderson, Auckland
Property Description	Industrial Property
Net Lettable Area	12,012 square metres
Car Parking	Nil
Prepared For	Augusta Industrial Fund Limited (or its subsidiaries)
Purpose	Use by Prospective Investors (on a non-reliance basis) in that
Date of Valuation	31 October 2018
Valuation Approach	Capitalisation of Net Income and Discounted Cashflow
Valuation	**$23,580,000 plus GST (if any)**

Valuation Analysis

Initial Yield (Net Passing)	6.04%
Initial Yield (Fully Leased)	6.04%
Equivalent Yield	6.24%
Internal Rate of Return (Ten Year)	8.52%
Weighted Average Lease Term - Income	9.42 years
Weighted Average Lease Term - Area	9.42 years
Occupancy As Valued	100.00%
Capital Value per square metre of NLA	$1,963 /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	$23,550,000
Value Based on Contract Capitalisation	$23,550,000
Capitalisation Rate	6.25%

Discounted Cashflow Approach

Value Based on DCF Approach	$23,620,000
Discount Rate	8.50%
Terminal Capitalisation Rate	6.25%
Nominal Assumed Rental Growth	2.85% pa
Nominal Assumed CPI	2.02% pa

Major Tenant Occupancy Profile by Rental Income

Contract and Market Rental Income Summary

	Contract	Market
Rental Income	$1,423,247	$1,494,730
Other Income		
Recoverable Outgoings	$180,187	$180,187
Gross Income	$1,603,434	$1,674,917
Total Outgoings	($180,187)	($180,187)
Less Year 1 Incentives		
Net Income	**$1,423,247**	**$1,494,730**

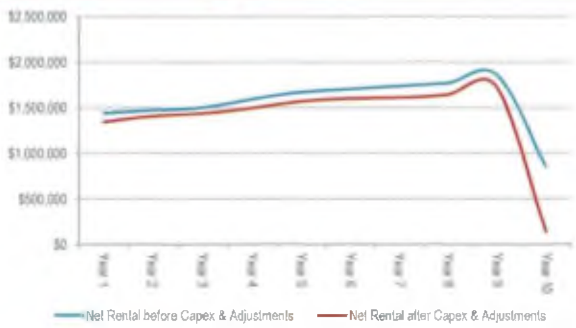
DCF Sensitivity Analysis

Discount Rate	Terminal Yield 6.00%	6.25%	6.50%
8.25%	$24,630,000	$24,030,000	$23,490,000
8.50%	$24,200,000	**$23,620,000**	$23,090,000
8.75%	$23,770,000	$23,210,000	$22,690,000

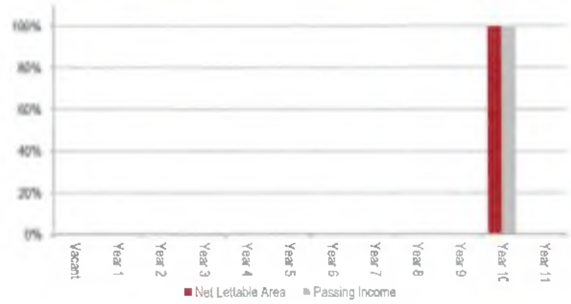
Capex and Letting Up Assumptions

	Year 1	Year 2	Year 3
Capex	$95,000	$61,260	$62,546
Letting Up	$0	$0	$0
Unexpired Incentives	$0	$0	$0

Projected Net Rental Cash Flow



Lease Expiry Profile



Market Income	
Lettable area rental	$1,494,730
Car Parking Rental	$0
Ideal Outgoings Recovery (Full Net Leases)	$180,187
Total Market Rental	**$1,674,917**
Less Outgoings Expenditure	($180,187)
Net Market Rental	**$1,494,730**
Rental Adjustments	
Less Long Term Vacancy Allowance @ 0.00%	$0
Core Income	**$1,494,730**
Core Income Capitalised at 6.25%	**$23,915,675**

Value Adjustments	
Present Value of Rental Reversions	
Existing Tenancies	($221,155)
Vacant Tenancies	$0
Present Value of Letting Up Allowances: 24 months	$0
Present Value of All Unexpired & Forecast Incentives: 24 months	$0
Present Value of Future Lease Agreements and Stepped Rentals	$0
Present Value of Short Term Capital Expenditure: 24 months	($148,496)
Value of Other Income	$0
Total Value Adjustments	**($369,651)**
Total Capitalised Value	$23,546,024
Adopted Capitalised Value	$23,550,000
Adopted Value	**$23,580,000**

Analysis

Weighted Lease Duration		Performance Indicators on Adopted Value	
By Income	9.42 years	Initial Yield (Net Passing)	6.04%
By Area	9.42 years	Initial Yield (Fully Leased)	6.04%
Current Vacancies		Equivalent Market Yield	6.24%
By Area	0 sqm	Rate per m² of NLA	$1,963 /sqm
Proportion of NLA	0.00%	Net Income	
By Market Income	$0	Net Passing Income	$1,423,247
Proportion of Market Income	0.00%	Net Passing Income (Fully Leased)	$1,423,247

Capitalisation Approach - Contract Income
D & H Steel - 12 Brick Street, Henderson, Auckland
31 October 2018

Passing Income	
Lettable Area Rental	$1,423,247
Car Parking Rental	$0
Outgoings Recovery	$180,187
Total Passing Rental	**$1,603,434**
Less Outgoings Expenditure	($180,187)
Net Passing Income*	**$1,423,247**
Rental Adjustments	
Less Long Term Vacancy Allowance @ 0.00%	$0
Core Income	**$1,423,247**
Core Income Capitalised at 6.25%	**$22,771,952**
Value Adjustments	
Present Value of Rental Reversions	
Existing Tenancies	$929,745
Vacant Tenancies	$0
Present Value of Letting Up Allowances: 24 months	$0
Present Value of All Unexpired & Forecast Incentives: 24 months	$0
Present Value of Future Lease Agreements and Stepped Rentals	$0
Present Value of Short Term Capital Expenditure: 24 months	($148,496)
Value of Other Income	$0
Total Value Adjustments	**$781,249**
Total Capitalised Value	$23,553,201
Adopted Capitalised Value	$23,550,000
Adopted Value	**$23,580,000**

* Excludes adjustments for outstanding incentives and any other income

JLL

Discounted Cashflow Approach
D & H Steel - 12 Brick Street, Henderson, Auckland
31 October 2018

Discounted Cashflow Results	
PV of Rental Income	$9,768,109
PV of Terminal Value	$13,849,350
Acquisition Costs	$0
Total Net Present Value	**$23,617,458**
Adopted Net Present Value	$23,620,000
Adopted Value	**$23,580,000**
Adopted Discount Rate	8.50%
Internal Rate of Return	8.52%

Sensitivity Analysis*	Terminal Yield		
Discount Rate	6.00%	6.25%	6.50%
8.25%	$24,630,000	$24,030,000	$23,490,000
8.50%	$24,200,000	**$23,620,000**	$23,090,000
8.75%	$23,770,000	$23,210,000	$22,690,000

* Rounded Values

Key Property Statistics	Valuation Date	Terminal Period
Weighted Average Lease Term - Income	9.42 years	5.91 years
Weighted Average Lease Term - Area	9.42 years	5.91 years
Occupancy	100.00%	100.00%
Initial Yield (Net Passing)	6.04%	6.24%
Initial Yield (Fully Leased)	6.04%	6.24%
Capex Assumptions		
Total Allowance over DCF Period	$1,252,648	$104.28 /sqm
Proportion of Adopted Value	5.31%	

Year Ending		30-Oct-2019 Year 1	30-Oct-2020 Year 2	30-Oct-2021 Year 3	30-Oct-2022 Year 4	30-Oct-2023 Year 5	30-Oct-2024 Year 6	30-Oct-2025 Year 7	30-Oct-2026 Year 8	30-Oct-2027 Year 9	30-Oct-2028 Year 10	30-Oct-2029 Year 11
Rental Income												
Lettable Area and Car Park Income		$1,440,682	$1,470,936	$1,500,960	$1,592,660	$1,668,571	$1,701,942	$1,735,981	$1,770,701	$1,857,989	$963,109	$0
Outgoings Recovery		$180,187	$183,791	$187,467	$191,215	$195,041	$198,941	$202,920	$206,979	$211,118	$107,670	$0
Other Income		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Gross Rental Income		$1,620,869	$1,654,727	$1,688,427	$1,783,876	$1,863,611	$1,900,884	$1,938,901	$1,977,679	$2,069,107	$1,070,779	$0
Rental Deductions												
Unexpired Incentives		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Outgoings Expenditure		($180,187)	($183,791)	($187,467)	($191,215)	($195,041)	($198,941)	($202,920)	($206,979)	($211,118)	($215,340)	$0
Net Rental Cashflow		$1,440,682	$1,470,936	$1,500,960	$1,592,660	$1,668,571	$1,701,942	$1,735,981	$1,770,701	$1,857,989	$855,438	$0
Rental Adjustments												
Letting Up Allowances - Leasing Fees		$0	$0	$0	$0	$0	$0	$0	$0	$0	($351,033)	$0
Capital Expenditure		($95,000)	($61,260)	($62,546)	($95,696)	($97,610)	($99,562)	($124,121)	($126,603)	($129,135)	($361,114)	$0
Net Cashflow		**$1,345,682**	**$1,409,676**	**$1,438,414**	**$1,496,964**	**$1,570,961**	**$1,602,380**	**$1,611,860**	**$1,644,098**	**$1,728,854**	**$143,291**	**$0**
Purchase Price	$23,580,000											
Acquisition Costs @ 0.00%	$0											
Gross Purchase Price	$23,580,000											
Net Sale Price After Costs @ 1.50%												$31,313,150
Annual Cashflow		**($22,234,318)**	**$1,409,676**	**$1,438,414**	**$1,496,964**	**$1,570,961**	**$1,602,380**	**$1,611,860**	**$1,644,098**	**$1,728,854**	**$143,291**	**$31,313,150**
Running Initial Yield		6.11%	6.24%	6.37%	6.75%	7.08%	7.22%	7.36%	7.51%	7.88%	3.63%	-
Running IRR		8.17%	8.48%	8.66%	8.86%	9.03%	9.05%	9.02%	8.89%	8.44%	8.52%	-

Growth and Cost Assumptions

	Current Vacancies	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Industrial	Assumed Lease Term	6.0 years	Review Frequency	2 yearly	Average Growth	2.85%						
Rental Growth Rate	-	2.75%	2.75%	3.00%	3.25%	3.50%	3.00%	2.75%	2.50%	2.50%	2.50%	2.50%
Letting Up Assumption	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months
Letting Up Probability	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Applied Incentive	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Incentive Months Equivalent	0 months	0 months	0 months	0 months	0 months	0 months	0 months	0 months	0 months	0 months	0 months	0 months
Capex Allowance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$188,884	$0
Office	Assumed Lease Term	6.0 years	Review Frequency	2 yearly	Average Growth	2.85%						
Rental Growth Rate	-	2.75%	2.75%	3.00%	3.25%	3.50%	3.00%	2.75%	2.50%	2.50%	2.50%	2.50%
Letting Up Assumption	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months
Letting Up Probability	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Applied Incentive	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Incentive Months Equivalent	0 months	0 months	0 months	0 months	0 months	0 months	0 months	0 months	0 months	0 months	0 months	0 months
Capex Allowance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$40,512	$0
Growth Rates	Average	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Ancillary	2.85%	2.75%	2.75%	3.00%	3.25%	3.50%	3.00%	2.75%	2.50%	2.50%	2.50%	2.50%
Carparking	2.85%	2.75%	2.75%	3.00%	3.25%	3.50%	3.00%	2.75%	2.50%	2.50%	2.50%	2.50%
CPI	2.02%	2.10%	2.10%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Capex	2.02%	2.10%	2.10%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Outgoings	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Ground Rental	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Other Income	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Tenancy Schedule
D & H Steel - 12 Brick Street, Henderson, 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. D & H Steel Construction L	Warehouse	10,420.3		15.0 years	28-Mar-13	3-Apr-28	3-Apr-19	1 yearly	CPI	$1,086,649	$104.28		$1,146,236	$110.00		$156,305
2. D & H Steel Construction	Reception / Offic	296.6		15.0 years	28-Mar-13	3-Apr-28	3-Apr-19	1 yearly	CPI	$69,516	$234.38		$71,182	$240.00		$4,449
3. D & H Steel Construction L	Canteen	175.0		15.0 years	28-Mar-13	3-Apr-28	3-Apr-19	1 yearly	CPI	$32,813	$187.50		$34,125	$195.00		$2,625
4. D & H Steel Construction L	Amenities	137.8		15.0 years	28-Mar-13	3-Apr-28	3-Apr-19	1 yearly	CPI	$21,531	$156.31		$22,729	$165.00		$2,066
5. D & H Steel Construction	Mezzanine Offic	771.0		15.0 years	28-Mar-13	3-Apr-28	3-Apr-19	1 yearly	CPI	$180,704	$234.38		$185,040	$240.00		$11,565
6. D & H Steel Construction L	Paint / Store	107.0		15.0 years	28-Mar-13	3-Apr-28	3-Apr-19	1 yearly	CPI	$13,375	$125.05		$13,905	$130.00		$1,604
7. D & H Steel Construction L	Low Stud	68.4		15.0 years	28-Mar-13	3-Apr-28	3-Apr-19	1 yearly	CPI	$8,550	$124.96		$8,895	$130.00		$1,026
8. D & H Steel Construction L	Gas Storage	12.8		15.0 years	28-Mar-13	3-Apr-28	3-Apr-19	1 yearly	CPI	$1,600	$125.00		$1,664	$130.00		$192
9. D & H Steel Construction	Dangerous Goo	24.4		15.0 years	28-Mar-13	3-Apr-28	3-Apr-19	1 yearly	CPI	$1,144	$46.88		$3,172	$130.00		$0
10. D & H Steel Constructio	Switchboard Roc	23.6		15.0 years	28-Mar-13	3-Apr-28	3-Apr-19	1 yearly	CPI	$2,950	$124.79		$3,073	$130.00		$355
11. D & H Steel Construction	Outdoor Court	94.2		15.0 years	28-Mar-13	3-Apr-28	3-Apr-19	1 yearly	CPI	$4,416	$46.88		$4,710	$50.00		$0
	GLA	12,131 sqm	0						Passing Rental	$1,423,247		Market Rental	$1,494,730		Outgoings Recovery	$180,187
	NLA	12,012 sqm							Net Passing Rental	$1,423,247					Vacant Outgoings	$0
															Outgoings Shortfall	$0
															Total Outgoings	$180,187

Annualised Receivable Income
D & H Steel - 12 Brick Street, Henderson, 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
D & H Steel Construction Li	Warehouse	$1,099,960	$1,123,059	$1,145,983	$1,219,220	$1,279,546	$1,305,137	$1,331,240	$1,357,865	$1,424,802	$736,971
D & H Steel Construction Li	Reception / Offic	$70,368	$71,845	$73,312	$76,615	$79,460	$81,049	$82,670	$84,324	$88,481	$45,766
D & H Steel Construction Li	Canteen	$33,215	$33,912	$34,604	$36,502	$38,094	$38,856	$39,633	$40,425	$42,418	$21,941
D & H Steel Construction Li	Amenities	$21,795	$22,253	$22,707	$24,169	$25,372	$25,880	$26,397	$26,925	$28,252	$14,613
D & H Steel Construction Li	Mezzanine Offic	$182,918	$186,759	$190,571	$199,163	$206,561	$210,692	$214,906	$219,204	$230,010	$118,971
D & H Steel Construction Li	Paint / Store	$13,539	$13,823	$14,105	$14,876	$15,522	$15,832	$16,149	$16,472	$17,284	$8,940
D & H Steel Construction Li	Low Stud	$8,655	$8,837	$9,017	$9,513	$9,929	$10,128	$10,330	$10,537	$11,056	$5,719
D & H Steel Construction Li	Gas Storage	$1,620	$1,654	$1,687	$1,780	$1,858	$1,895	$1,933	$1,971	$2,068	$1,070
D & H Steel Construction Li	Dangerous Goo	$1,158	$1,182	$1,206	$2,548	$3,541	$3,612	$3,684	$3,758	$3,943	$4,113
D & H Steel Construction Li	Switchboard Roc	$2,986	$3,049	$3,111	$3,285	$3,431	$3,499	$3,569	$3,641	$3,820	$1,976
D & H Steel Construction Li	Outdoor Court	$4,470	$4,564	$4,657	$4,988	$5,258	$5,363	$5,470	$5,580	$5,855	$3,028
Total Receivable Rental Income		$1,440,682	$1,470,936	$1,500,960	$1,592,660	$1,668,571	$1,701,942	$1,735,981	$1,770,701	$1,857,989	$963,109

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