



Valuation Report

D & H Steel

12 Brick Street, Henderson, Auckland

17 November 2017

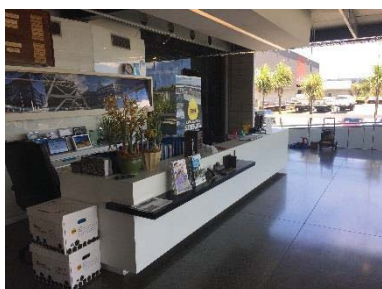
Augusta Industrial Fund Limited

This valuation has been prepared for Augusta Industrial Fund Limited for use by prospective investors (on a non-reliance basis) in that company, capital raising and mortgage security.



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 as part of a sale and leaseback arrangement.

We have previously prepared a full report for the property effective 17 November 2017 which complies with Valuation Standards. Due to the purpose of this valuation, the fact that content is likely to be readily available on the Companies Office website and potential breaches of confidentiality, this report has been provided in an abbreviated format.

Valuation

Prepared For	Augusta Industrial Fund Limited
Valuation Purpose	Proportionate ownership scheme that is proposed to acquire the property and for use by prospective investors (on a non-reliance basis) in that limited partnership, capital raising and mortgage security.
Date of Valuation	17 November 2017
Valuation Approaches	Capitalisation of Net Income and Discounted Cash Flow Approach
Zoning	Light Industry – Auckland Unitary Plan – Operative in Part 15 November 2016
Tenure	Freehold – Computer Freehold Register 522782 – North Auckland Registry
Interest Valued	100% Freehold Interest
Adopted Value	\$22,360,000 plus GST (if any)

Property Particulars

Net Lettable Area	Total	12,012 sqm
	Office	1,380 sqm
	Warehouse	10,632 sqm
Current Vacancy (% Total NLA)		0 sqm (0.00%)
Site Area		19,876 sqm

Financial Summary

Gross Passing Income	\$1,576,422	(\$131 /sqm)
Gross Market Income	\$1,580,552	(\$132 /sqm)
Adopted Outgoings	\$168,175	(\$14 /sqm)
Net Passing Income	\$1,408,247	(\$117 /sqm)
Net Market Income	\$1,412,377	(\$118 /sqm)
Weighted Average Lease Term (by Income)		10.42 years
Weighted Average Lease Term (by Area)		10.42 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

DCF Approach Assumptions

Discount Rate	8.50%
Terminal Yield	6.50%
Adopted Lease Term	6.0 years
Weighted Rental Growth (Avg. 10yr)	2.70%

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

Allowances for Capex Occurring within	24 months	CPI (Avg. 10yr)	1.95%
Market Income Capitalisation	\$22,563,000	Value based on DCF Approach	\$22,149,000
Passing Income Capitalisation	\$22,562,000		

Valuation Analysis

Equivalent Yield	6.31%	Rate/sqm of NLA	\$1,861/sqm
Initial Yield (Net Passing Income)	6.30%	Internal Rate of Return (10 year)	8.36%
Initial Yield (Notional Fully Leased Income)	6.30%		

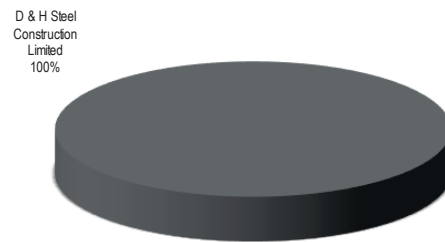
Financial Details & Critical Analysis

Tenancy Overview

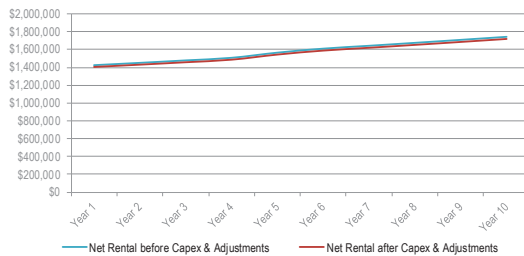
Tenant	Net Income	Area (sqm)
D & H Steel Construction Limited	\$1,423,247	12,012
Total	\$1,423,247	12,012

Note: Income above excludes Other Income

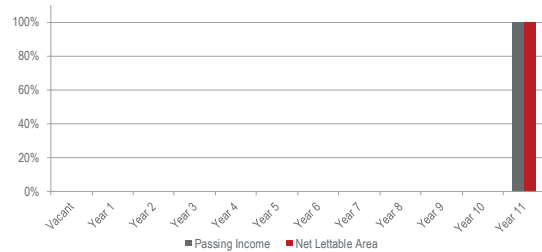
Tenant by Lettable Area



Projected Net Cash Flow



Lease Expiry Profile



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Property Performance

Market Performance

- Industrial vacancy levels continued to decrease through 2016 and 2017, on the back of high levels of tenant demand. Vacancy levels for industrial buildings is currently sitting below 3% across Auckland.
- We have had regard to recent leasing transactions for comparable industrial property in the surrounding area. The evidence would appear to indicate the general range for the warehouse to be in the order of \$100 to \$115 per square metre, the office rental range in the order of \$160 to \$243 per square metre, and the canopy rental range in the order of \$40 to \$55 per square metre.
- Rental incentives, if any have decreased to 0.5 per year of lease term.
- Market Yields for Auckland Industrial properties have historically been firm. Recent sales within the surrounding area would suggest that Lessee covenant is now more carefully scrutinised by investors when determining appropriate price level parameters for a property.
- The industrial market is has continued to strengthen through 2017, however with yields beginning to close in on the cost of capital, we are starting to see a stabilisation of yields towards the end of 2017.

Asset Performance

- The property is located in a secondary industrial location with motorway access provided via the Lincoln Road interchange to the north-east.
- Recent development in the area has helped to consolidate the locality.
- The property is zoned Light Industry which applies to mixed areas of light and medium industry, offices, and a limited range of retailing activity Improvements provide high quality prime industrial space which would appeal to a wide range of occupiers.
- Building configuration and size could potentially allow for subdivision into smaller units.
- The property offers a large industrial site with good access, carparking and site circulation.

Cash Flow Performance

- The property is currently 100% occupied by D & H Steel.
- The passing rent reflects an overall rate of \$117 psm of NLA, which is considered to be in line with our opinion of market rental rates.
- The weighted average lease term (by income) of 10.42 years would appeal to investors seeking medium to long term security of tenure. The WALT takes into account the proposed break at year 15.
- We have adopted an outgoings allowance of \$12.75 per square metre which we consider to be acceptable in the context of the market. We note however that management expenses of \$15,000 are unrecoverable as per the Deed of Lease.

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 17 November 2017. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property).
- We do not accept liability for losses arising from such subsequent changes in value. Without limiting this statement, we do not accept any liability where this valuation is relied upon more than 90 days after the date of valuation, or earlier if you become aware of any factors that may have any effect on the valuation.
- This report is relevant at the date of preparation and to the circumstances prevailing at that time. However, within a changing economic environment experiencing fluctuations in interest rates, inflation levels, rents and global economic circumstances, acceptable returns on investment may, as a consequence, be susceptible to future variation. We therefore recommend that before any action is taken involving an acquisition, disposal or other transaction more than 90 days after the date of this report, you consult the Valuer.
- This valuation has been completed for the specific purpose stated in this report. No responsibility is accepted in the event that this report is used for any other purpose.
- Our valuation assumes the information provided by the instructing party or its agents is correct and we reserve the right to amend our calculations, if deemed necessary, if that information is incorrect.
- Our valuation assumes all other professional/consultancy advice provided and relied upon is true and correct.
- We have relied on building areas, income figures and expense figures as provided by the instructing party or its agents and made specified adjustments where necessary. Where possible these have been verified through lease documentation and physical measurements.
- Unless otherwise stated all property measurements are in conformity with the Guide for the Measurement of Rentable Areas issued by the Property Council of New Zealand. Where certified areas have not been provided we have normally undertaken measurement in accordance with Property Council of New Zealand Standards.
- We have relied on the land dimensions and areas as provided in the Certificate of Title as searched. In certain cases physical checking of land dimensions and areas is difficult or not practical due to proximity of adjoining buildings, steep terrain or inaccessible title boundaries. Jones Lang LaSalle accepts no responsibility if any of the land dimensions or the area shown on title is found to be incorrect.
- Our valuation is made on the basis that the property is free of further caveats, mortgages, charges and other financial liens and that there are no memorials, encumbrances, restrictions or other impediments of an onerous nature which will affect the value other than those stated in the report or registered on the Certificate of Title.
- Enquiries as to the financial standing of actual or prospective tenants are not normally made unless specifically requested. Where properties are valued with the benefit of leases it is therefore assumed that the tenants are capable of meeting their obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.
- In the case of buildings where works are in hand or have recently been completed Jones Lang LaSalle does not normally make allowance for any liability already incurred but not yet discharged in respect of completed works or obligations in favour of contractors, sub-contractors or any members of the professional or design team.
- No enquiries in respect of any property, or of any improvements erected thereon, has been made for any sign of timber infestation, asbestos or other defect, whether latent, patent, or structural.
- Substances such as asbestos or other potentially hazardous materials could, if present, adversely affect the value of the property. The stated value estimate is on the assumption that there is no material on or in the property that would cause loss in value. No responsibility is assumed for any such conditions and the recipient of this report is advised that the valuer is not qualified to detect such substances or estimate the remedial cost.
- While due care has been taken to note any contamination liability, our investigations have been undertaken for valuation purposes only, and this report does not constitute an environmental audit. Unless otherwise stated no account has been taken of the effect on value due to contamination or pollution.
- We have undertaken a visual inspection in respect of any building valued, but must advise that we have not commissioned structural surveys or tested any of the services and are therefore unable to confirm that these are free from defect. We note further that we have not inspected unexposed or inaccessible portions of any building and are therefore unable to certify that these are free from defect.
- We note we are not experts in relation to assessing the condition of the building structure and cladding, or in assessing the impact or otherwise of water/weather penetration issues. Should the building prove to have structural or weather penetration issues we reserve the right to amend the valuation assessment and any recommendations contained within this report.

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

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1 Introduction

1.1 Instructions

We refer to instructions dated 14 November 2017 requesting that we undertake a market valuation of the freehold interest of 12 Brick Street, Henderson, Auckland (the Subject/Property), as at 17 November 2017 for and on behalf of Augusta Industrial Fund Limited.

We understand that the valuation is to be relied upon for **Proportionate ownership scheme that is proposed to acquire the property and for use by prospective investors (on a non-reliance basis) in that limited partnership, capital raising and mortgage security.**

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

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

Furthermore we confirm:

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

Due to the abbreviated nature of this report, there may be some departures from these standards, however we can confirm that a full market valuation report has previously been completed effective 17 November 2017.

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	17 November 2017
Date of Inspection	17 November 2017
Date of Preparation of Report	20 November 2017

Our valuation reflects the valuer's view of the market as at the inspection date and does not purport to predict the future.

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."

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
- ANZVGN 1 – Valuation Procedures – Real Property
- VPGA 1 – Valuation for Inclusion in Financial Statements
- VPGA 2 – Valuation for Secured Lending

Due to the abbreviated nature of this report, there may be some departures from these standards, however we can confirm that a full market valuation report has previously been completed effective 17 November 2017.

1.5 Information Sources

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

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

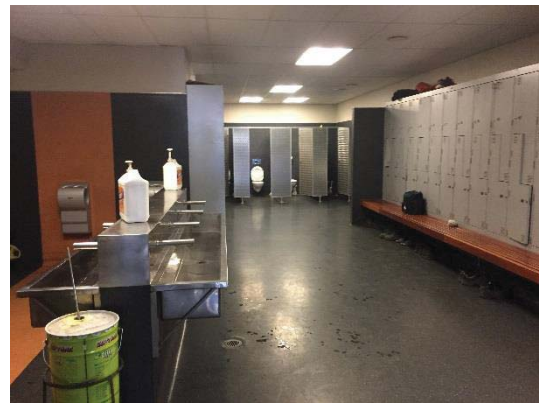
Our valuation is based on a significant amount of information which is sourced from the instructing party or managing agent and other third parties, including but not limited to tenancy schedules, operating cost budgets, title, site, environmental and planning documents. We have relied upon the accuracy, sufficiency and consistency of the information supplied to us. Jones Lang LaSalle accepts no liability for any inaccuracies contained in the information disclosed by our client or other parties, or for conclusions which are drawn either wholly or partially from that information. Should inaccuracies be subsequently discovered, we reserve the right to amend our valuation assessment.

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.



3 Land Particulars

3.1 Location

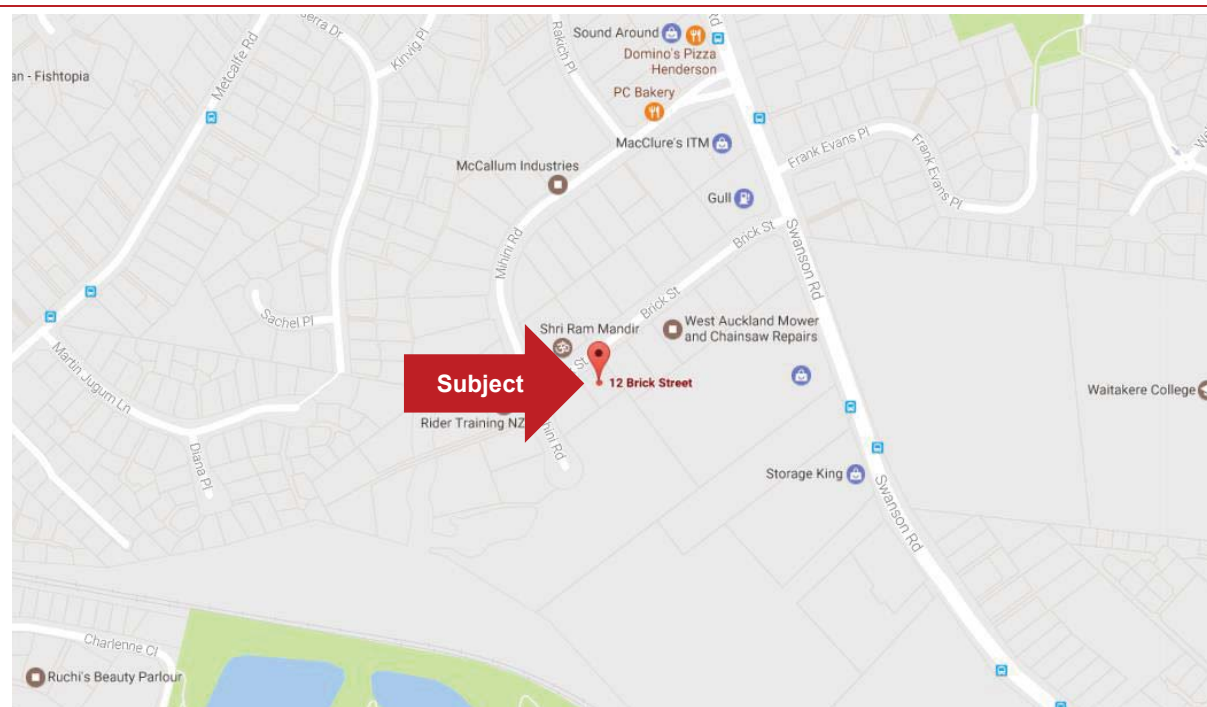
The subject property is located in the Henderson suburb of Waitakere City to the south of Brick Street and east of Mihini Road, a cul-de-sac, and approximately one kilometre north-west of its juncture with Lincoln Road.

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:	<p>The Certificate of Title details the following encumbrances:</p> <ul style="list-style-type: none">• 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;<ul style="list-style-type: none">- 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;<ul style="list-style-type: none">- 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 Certificate of Title appended to this report.

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

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.

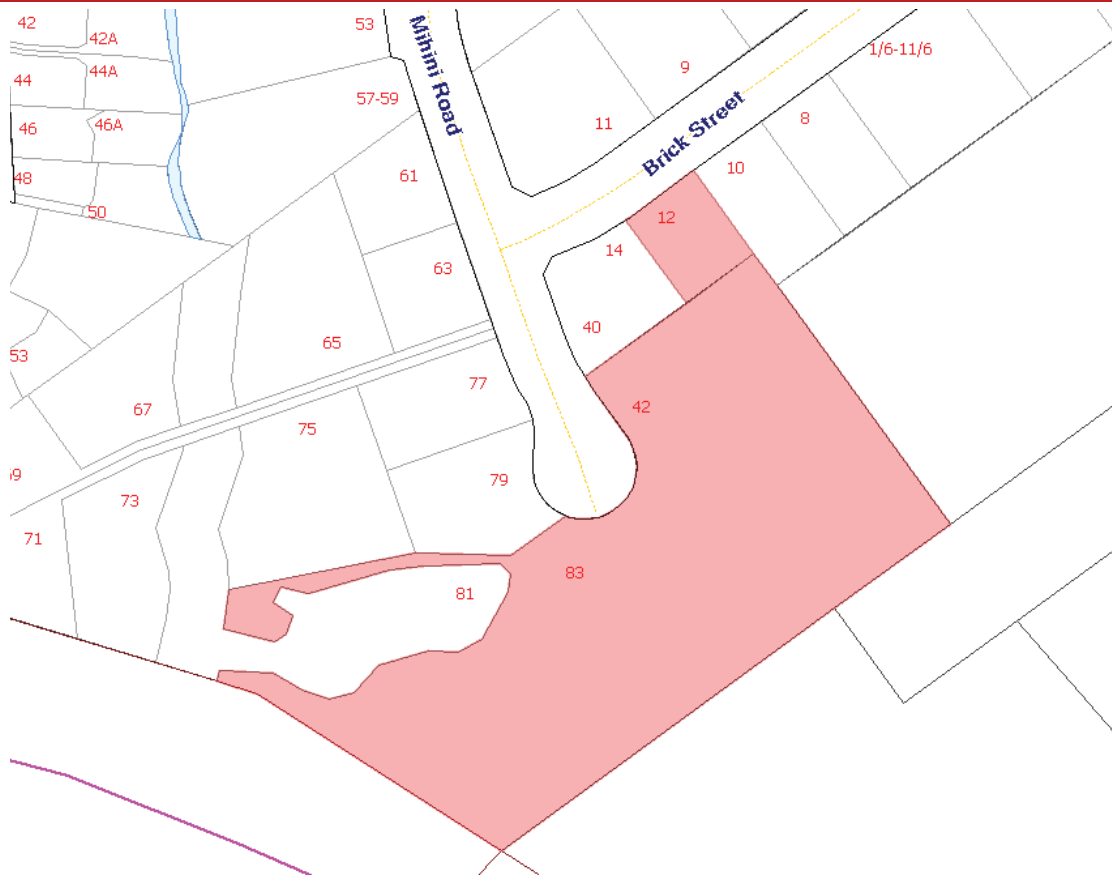
Lot 1 comprises a regular shaped parcel with a site area of 1,000 square metres. The site has direct access to Brick Street and is level in contour. Lot 3 forms the larger of the two parcels comprising 1.8876 hectares of an irregular arrangement. Contour to Lot 3 falls in a westerly direction particularly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

Improvements occupy the majority of the site forming an 'L' shaped configuration along the north-eastern and south-eastern elevations. Areas not improved by the building are predominantly concrete or asphalt sealed to provide on-grade carparking and vehicular circulation. Additional site improvements comprise extensive retaining to the west of the property and cyclone style inter linked wire mesh perimeter fencing.

Primary vehicle access is provided off Mahini Road with secondary access achieved from Brick Street.

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: Terraviva

3.3 Resource Management

Local Authority: Auckland Council

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

Zoning:

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 (subject to Height Variation Control):

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

Height in relation to boundary:

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

Yards:

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

Maximum impervious area:

- Must not exceed 10 per cent of the riparian yard

Permitted activities include, but are not limited to: industrial and rural activities, workers 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 [rcp/dp] – Exotic

Macroinvertebrate Community Index [rcp/dp] - 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.

3.4 Rateable Value

We have been advised that the Property's Capital Value, as at 1 July 2017, is as stated in the below table. We note that the annual rates are calculated based on the 1 July 2014 capital value for the property. New rates will be calculated at the start of the next rates year, being 1 July 2018.

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

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

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

3.5 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 and should any subsequent investigation show that the site is contaminated, this valuation may require revision. Our valuation excludes the cost to rectify and make good the Property, which may have become contaminated as a result of past and present uses.

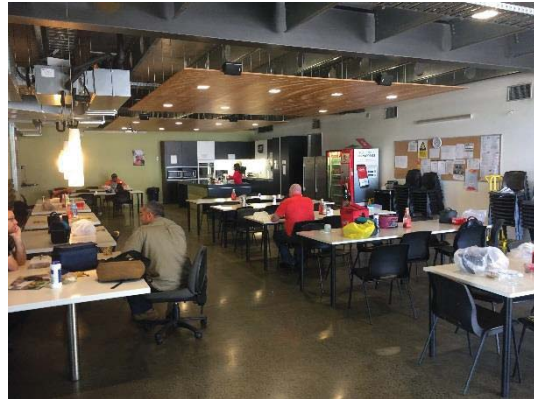
3.6 Heritage

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

4 Improvements

4.1 Overview

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.



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:

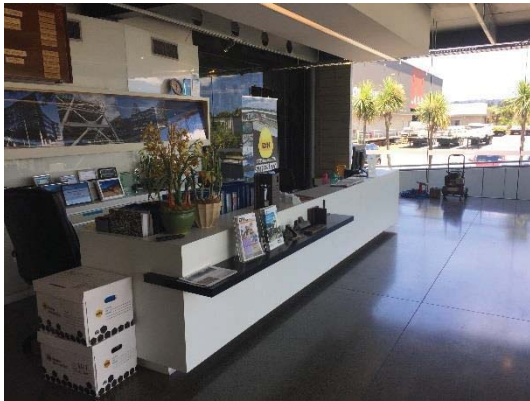
Offices are set back from the road frontage situated to the middle of the warehouse structure. The accommodation is provided over two levels and presents to a modern 'as new' standard.

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.



Ground Floor Office / Reception



First Floor Offices

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.

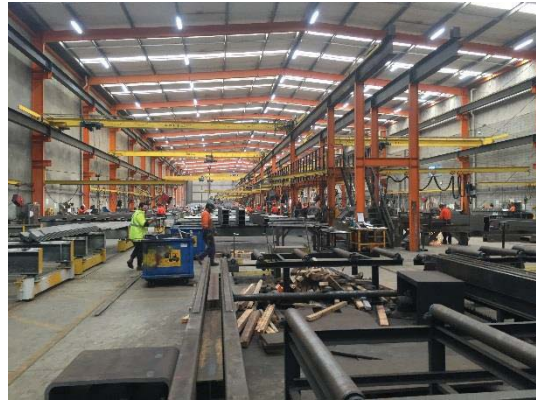
Stud height within the warehouse bays provides for a height of approximately 10.4 metres to the portal knee rising to a central apex of approximately 13.0 metres. Lighting is provided via high output incandescent bulbs, supplemented by translucent panel inserts to the roof.

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 Exterior



Warehouse Interior

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.



Carparking area and circulation



Yard area

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 below:

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
Ancillary Items	
Dangerous Goods	24
Outdoor Court	94
Total Area (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.

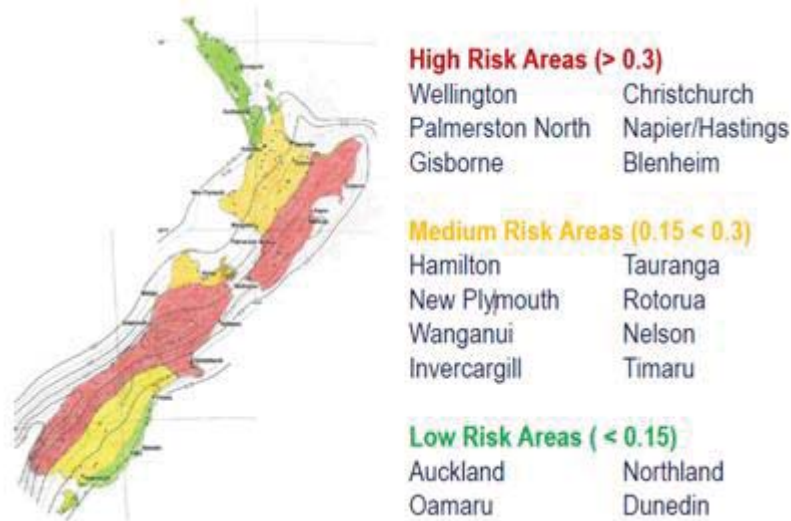
During the course of our inspections we did not view a current Building Warrant of Fitness. Our valuation continues on the basis that the building is fully compliant with statutory requirements and would possess a current BWOFF if required. Should this differ, we reserve the right to amend our report accordingly.

4.6 Earthquake Strengthening Requirements

Building regulations relating to a buildings expected performance in an earthquake have remained largely unchanged since the Building Act 2004 and associated building standard AS/NZS1170.5:2004. This required as a general guide, that buildings with a seismic strength that is less than 33% of the New Building Standard (NBS) are deemed 'earthquake prone'. Buildings that have an assessed strength greater than 33% but less than 66% of the noted standard are classified 'earthquake risk'.

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

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



- Sets time frames for identification and correction of risk.

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

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

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

Date built	Circa 2010's
Risk Zone	Low
NBS Rating	Unconfirmed

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

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

Refer appended Glossary for definition of:

- Priority Building
- Z Factor

5 Property Income and Expenditure

5.1 Tenancy Overview

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

The tenant within the Property is summarised as follows:

Tenant	Net Income	NLA	% NLA
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, 6 th 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
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%
Total	\$1,423,247	100%

Building Income Analysis

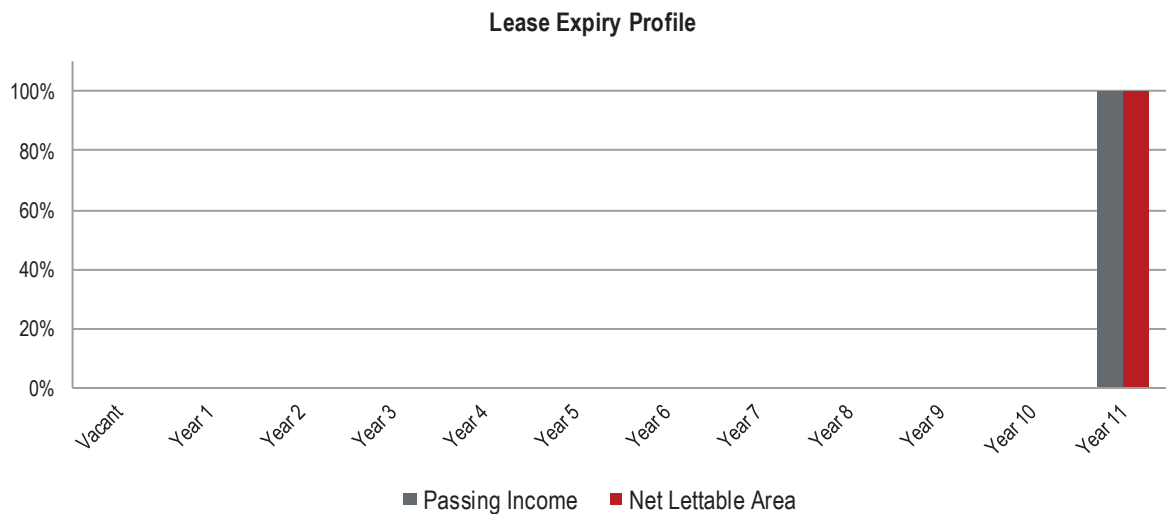


5.4 Weighted Average Lease Term and Expiry Profile

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

Weighted Average Lease Term Remaining	Years
By Area	10.42
By Income	10.42

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



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 not been provided with any actual or forecasted outgoings budgets. Therefore we have made an estimate as to what we would consider to be typical outgoings for this asset class. Our assumptions are based on industry benchmarks together with our experience of similar industrial properties. We summarise relevant Operating Expenses, adopted within our valuation, in the below table:

Category	Annual Amount	\$/sqm of NLA
Statutory Charges	\$109,175	\$9.09
Operating Expenses	\$44,000	\$3.66
Non-Recoverable Expenses	\$15,000	\$1.25
Total Outgoings	\$168,175	\$14.00

We have had regard to the budget provided and where applicable we have sought confirmation from the relevant rating authorities in relation to the statutory charges and have benchmarked the figures against the Property Council of New Zealand's (PCNZ) guidelines and other similar office buildings.

We consider that the adopted outgoings rate of \$14.00 per square metre of NLA to be in line with current market outgoings.

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	90.28%
Outgoings Recovery	\$153,175	9.72%
Gross Passing Income	\$1,576,422	100.00%
Outgoings	\$168,175	
Net Passing Income	\$1,408,247	
Potential Net Income Fully Leased	\$1,408,247	

6 Market Commentary

6.1 Economic Summary

Post the New Zealand General Election in September 2017 a Labour-led coalition government has been formed with the New Zealand First Party supported by a confidence and supply agreement from the Green Party. Implications of the change in government are unlikely to come through in the economic data until 2018. The data being released over Q3 and Q4 2017 continues to demonstrate the solid performance of the New Zealand economy. Dairy prices have recovered off the back of global supply tightening and increased demand out of China in particular. General economic indicators point towards continued growth around the 3% mark over the medium term, driven by supportive financial conditions, a strong construction sector, and high tourism numbers. On a global scale, the World Bank expects the global economy to expand by 2.8% and 3.0% in 2017 and 2018 respectively. China's 2016 growth of 6.8% is set to ease to 6.6% and 6.7% in 2017 and 2018 respectively. Overall, New Zealand's forecast GDP growth for the next three years sits above that of our major trading partners including Australia, the U.S, the U.K and the Euro Zone.

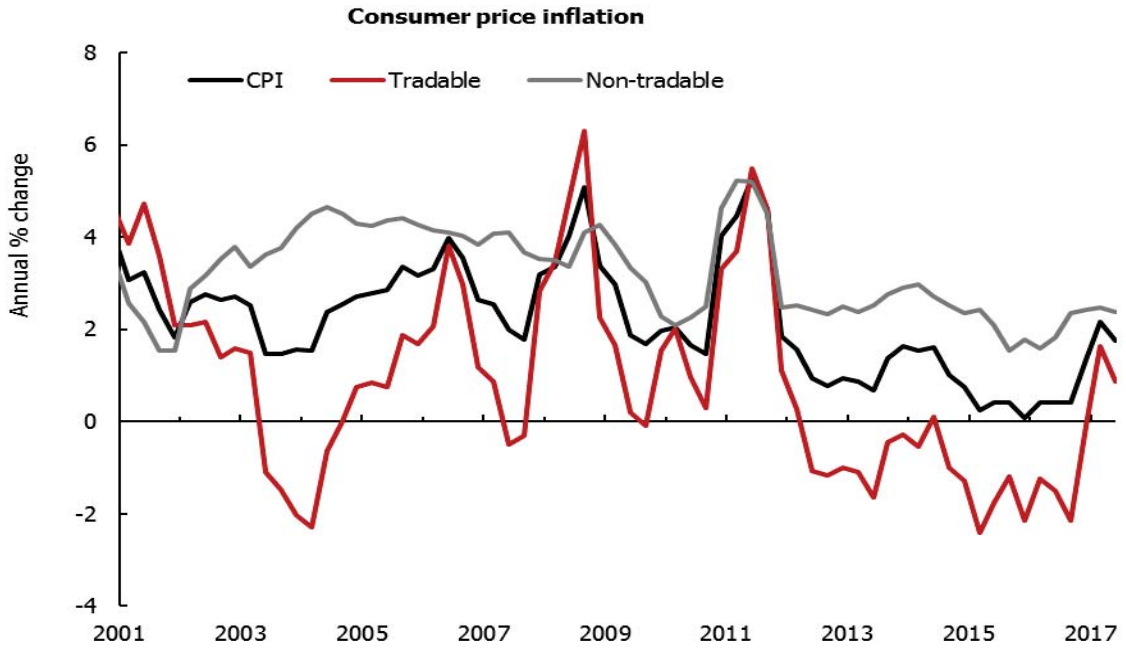
Major policy announced so far under the new government has focused on a rise in the minimum wage from \$15.75 per hour to \$20.00 per hour by 2021. Restrictions on immigration in particular foreign students, limitations on foreign investment into existing residential housing, government led construction of affordable housing under a programme called KiwiBuild, a \$1 billion fund for regional New Zealand and significant investment into infrastructure with major projects including light rail from Auckland CBD to the Airport and North-Western suburbs.

Housing market activity has eased in recent months, partly due to the recent election. A combination of further LVR restrictions, and tightening access to credit has dampened housing demand. The easing is particularly evident in Auckland, as the growing gap between house prices in Auckland and the rest of New Zealand has seen home buyers turn their attention to the regions. This has resulted in an increase in house price growth beyond Auckland, particularly in neighbouring regions. Stretched affordability is likely to limit the extent of further price growth in Auckland short term. However, population growth and the persistent shortage in supply caused by a number of constraining factors should continue to underpin housing demand longer term.

Offshore, uncertainty over global relations continues to present downside risks for New Zealand. However, for now the impact has been largely on sentiment rather than real activity. Global dairy prices are picking up as demand improves.

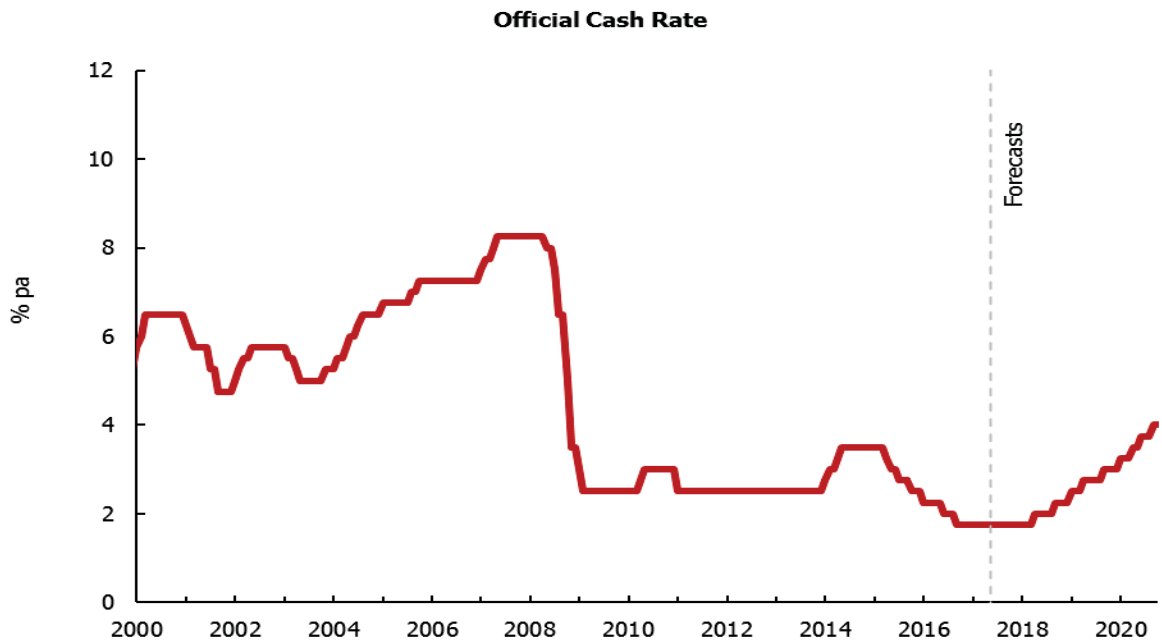
6.2 Inflation and Interest Rates

Consumer price inflation sits at 1.9% as at the September 2017 quarter. The high NZD over late 2016 and early 2017 dampened the price of imported household goods. Key drivers have included rises in food prices over the winter months (vegetables 6.2%), the cost of housing, household utilities, rates and rentals levels all increases whereas transportation costs were down including international airfares (-5.5%). Major capacity pressures look to be contained to the construction sector, with inflation in other areas less pronounced.



Source: NZIER

The Reserve Bank has kept the OCR at 1.75% since November 2016, and retained a neutral bias. The earlier lift in inflation had increased expectations that the next move in the OCR will be an increase, however inflation has since dropped back. There is little urgency for OCR increases and we do not expect and further changes until at least mid-2018. New government policy in regard to infrastructure spending and house building may put further capacity pressures on the construction sector, adding to inflationary pressures.

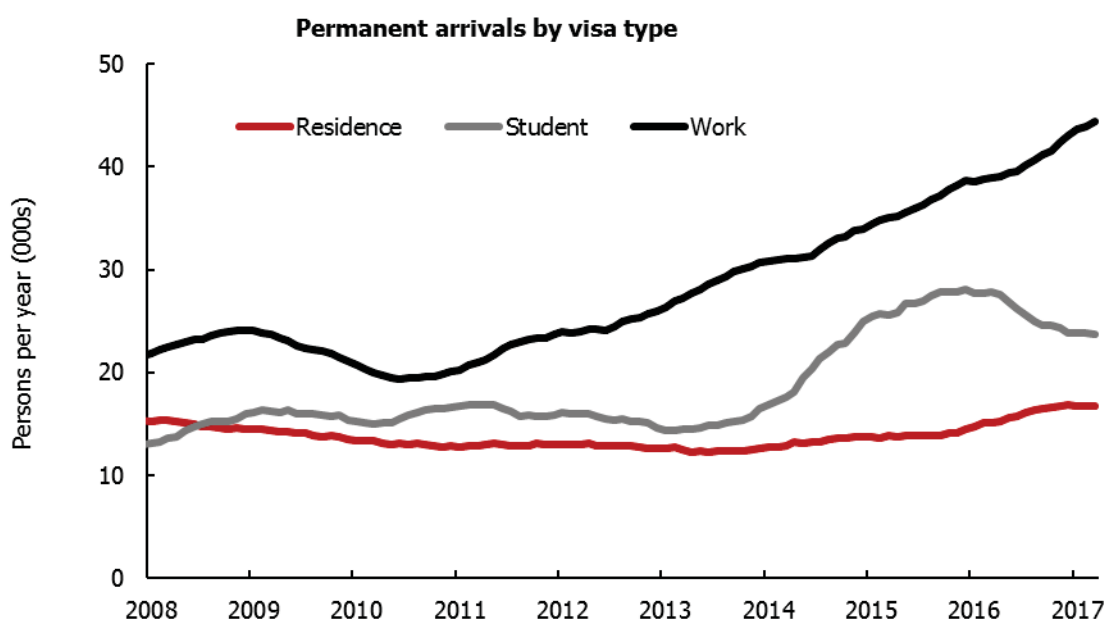


Source: NZIER

6.3 Population and Migration

Net migration into New Zealand continues to sit at elevated levels, although there are signs of moderation in some areas. Net migration hit a record level of 72,300 in the year to June 2017, this number has moderated to 71,000 in the year to September 2017. The number of migrants coming in on student visas is falling as the Government acts to tighten up on fraudulent student visa applications. In contrast, the number of migrants moving to New Zealand on work visas continues to surge. This reflects workers coming in to contribute to a wide range of sectors experiencing strong growth, including construction and hospitality. The Labour-led government has indicated intent to cut net migration numbers to a maximum of 30,000 per year. This is likely to have flow on effects in regard to economic indicators such as GDP growth and retail spending.

Meanwhile, net inflows from Australia are easing. We expect that as the Australian labour market continues to improve this will reduce both the number of returning Kiwis and Australian residents moving to New Zealand. We expect net migration to begin moderating later this year as job opportunities in the other major economies improve and tighter controls are implemented on entry into New Zealand



Source: NZIER

6.4 Employment

New Zealand unemployment fell to 4.6% in the September 2017 quarter from 4.8% in the June 2017 quarter. This is the lowest unemployment level since the December 2008 quarter which was 4.4%. In the September 2017 quarter 2,593 fewer people were unemployed.

The strongest growth sectors in the year to September were construction (up 11.8%) and the electricity, gas, water, and waste services sector (up 8.6%).

Auckland has seen 46,800 more people employed in the year to September 2017 (5.5% increase). The Waikato was up by 21,600 people (9.4%) while Bay of Plenty saw an additional 13,300 employed (9.2%). Wage inflation increased 1.9%, the largest annual increase since September 2012.

6.5 Business Confidence

Political uncertainty saw low business confidence throughout October as the interregnum before the coalition government was formed, impacting negativity across all sectors.

Business confidence fell to a net 10% of firms negative about the year ahead, from a previously net zero reading according to the ANZ Business Outlook. In seasonally adjusted terms, business confidence fell to a net -8% from a net 16%.

6.6 Currency

The New Zealand dollar has moderated post-election, but has recovered slightly on the back of low unemployment and New Zealand's more positive outlook relative to most other major economies. The USD is easing as markets pare back expectations of the extent of further tightening from the Federal Reserve. We expect that as the Federal Reserve continues to tighten over the remainder of 2017 the narrowing interest rate differential will drive a modest easing in the NZD/USD.



Source: NZIER

6.7 Market Drivers: Industrial

Demand for industrial buildings has been stable over the past year. Despite improved farm income from the recovery in global dairy prices, farmers have focused on paying down debt. With rural sector confidence improving we expect further improvements in farm income will flow through to a pick-up in on-farm investment including farm buildings and tractors later this year.

Manufacturing demand remains solid. The recent rebound in the New Zealand dollar presents a headwind to manufacturing exports, with manufacturers in the latest QSBO reporting a dip in export sales in the June quarter. That said, the sector has proved resilient to exchange rate movements. Meanwhile, strong construction activity continues to support domestic manufacturing demand.

The Business NZ PMI (performance of manufacturing index) indicates growth in manufacturing activity will moderate over the coming year, albeit from high levels.

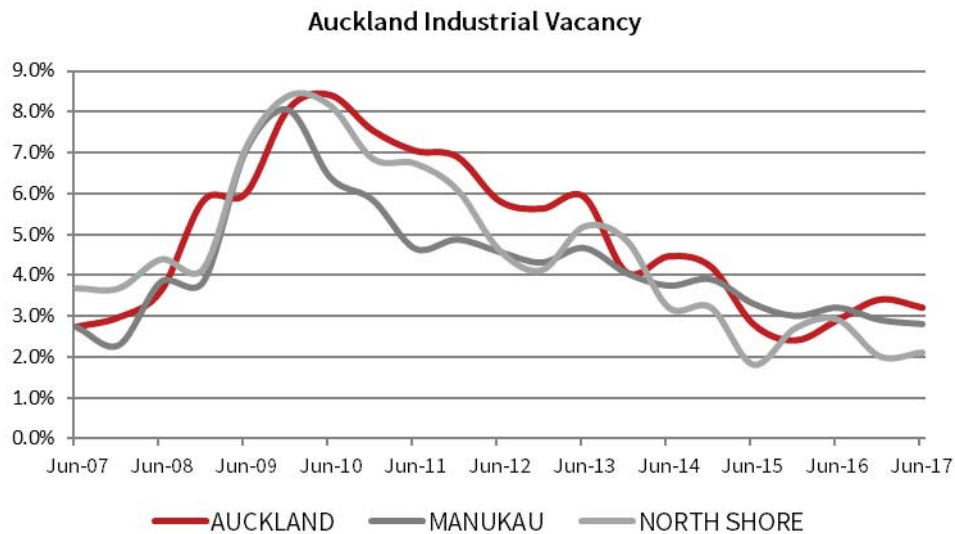
6.8 Auckland Industrial Market Summary

Auckland's industrial market remains in growth mode, stimulated by sustained occupier demand as businesses expand and the requirement for space increases. Overall industrial vacancy remained stable over 1H17, sitting at 2.9%.

In the Auckland City industrial market, Henderson vacancy decreased slightly to 1.6% over 1H17, the tightest vacancy across all survey markets. The Mt Wellington and Penrose precincts both increased marginally over 1H17, now sitting at 4.1% and 3.3% respectively. Similarly, Avondale vacancy rose over the same period to 3.4%, an increase of 69 bps.

The Manukau precinct, which includes East Tamaki, Wiri and the Airport Corridor, decreased by 9 bps over 1H17 to sit at 2.8%. While vacancy continues to trend downward, the pace of decrease slowed over 1H17. Strong demand for larger, modern premises spurred additional demand for South Auckland industrial space, where a growing proportion of this stock is located. The total survey market increased by 161,800 sqm over 1H17 to reach a total of 4.79 million sqm of stock. Leasing and construction activity was largely focused in the Airport Corridor, where there is ample supply of suitably zoned greenfield land. East Tamaki and the Airport Corridor within the Manukau precinct both saw vacancy rates remain static over the period at 2.4% and 3.1% respectively. The Wiri area experienced a minor fall in vacancy, down 21 bps from 2H16 to sit at 3.4%.

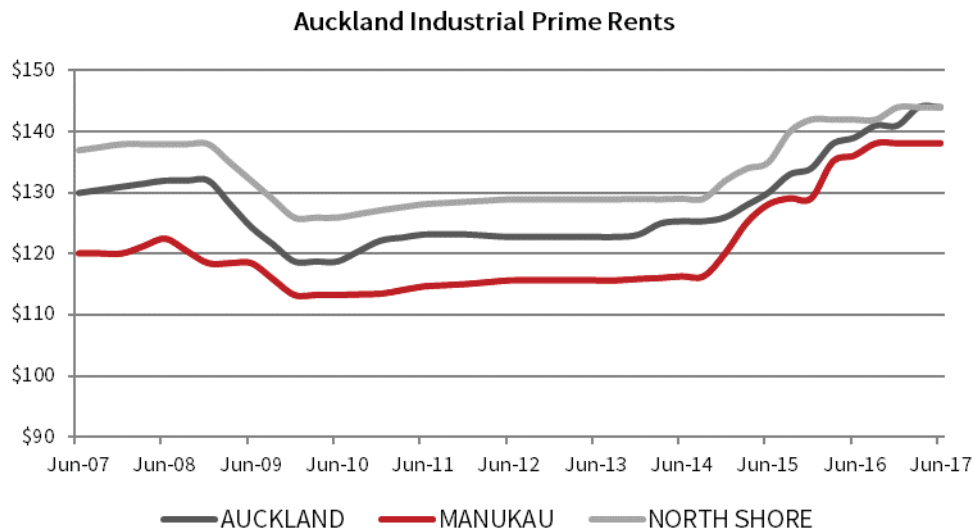
North Shore vacancy softened over 1H17, increasing by 20 bps to 2.2%. A rise in vacancy was observed across the Rosedale and North Harbour markets, rising to 1.8% and 2.4% respectively. Despite an increase in capacity within the Rosedale market the area still maintained the lowest vacancy rate across the locations surveyed on the North Shore. Wairau Valley vacancy firmed to 2.1% over the same period.



Source: JLL Research and Consulting

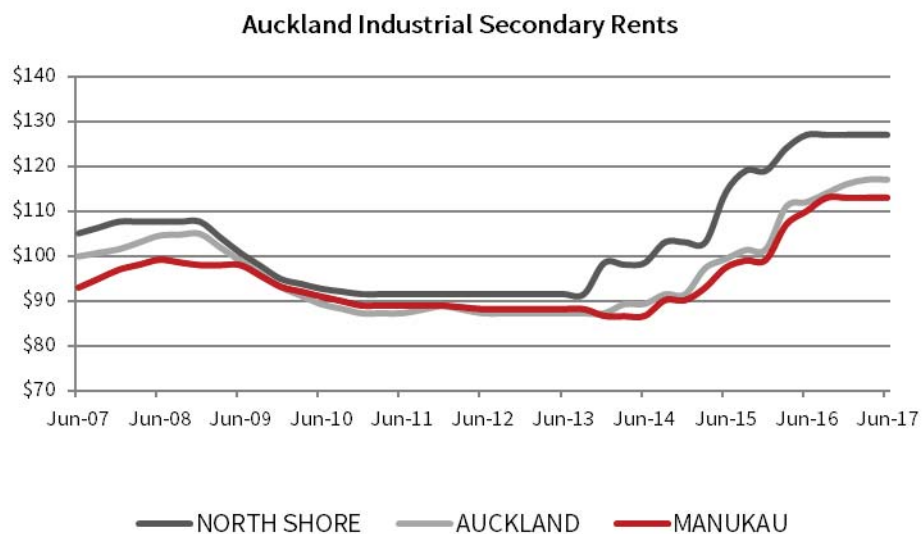
Business growth and expanding occupier footprints has ensured new supply is quickly absorbed, maintaining upward rental pressure across the Auckland region within the prime end of the market, while growth within the secondary market has slowed. Occupiers remain active in the market and this has helped maintain growth across prime industrial stock. The average prime combined rent now sits at NZD 142 psm, while secondary remains stationary at NZD 119 psm.

Tenants facing limited available prime options are increasingly being forced to consider secondary alternatives. Rising construction costs and land values will however affect the ability of the market to provide new stock beyond 2017 which will provide further competition for existing space. Incentivising is minimal in the market.



Source: JLL Research and Consulting

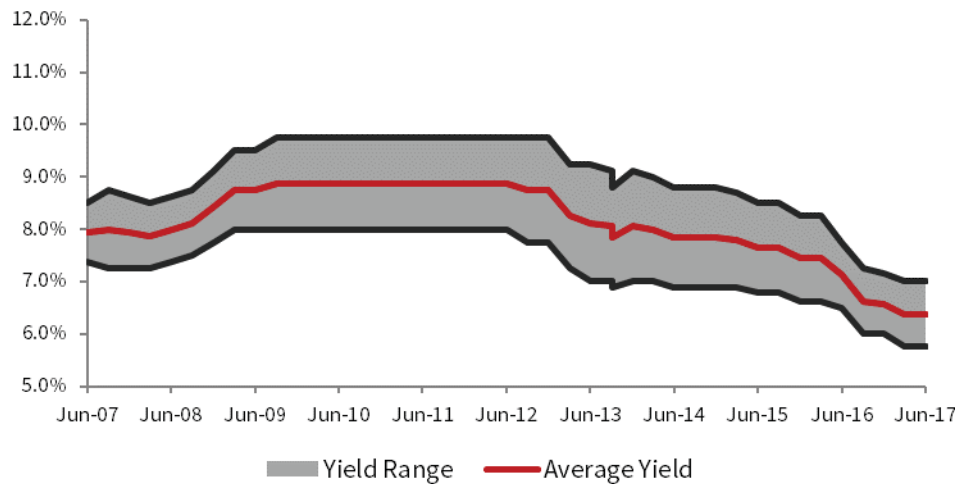
Rental growth is forecast to continue at a solid pace into 2018, on the back of strong underlying demand fundamentals and low vacancy. Secondary rents are similarly expected to see growth, a result of pent up demand in the prime sector.



Source: JLL Research and Consulting

The scarcity of income producing industrial properties in relation to high investor demand combined with low vacancy rates and strong rental growth, has driven further yield compression across the prime Auckland market. Average prime yields continued on their downward trend to reach an average of 5.88%. Yields are forecast to continue firming over the remainder of 2017, likely bottoming out from early 2018 onwards. Growing demand for industrial properties from both offshore and local investors will continue to drive yield compression over the 2H17 period.

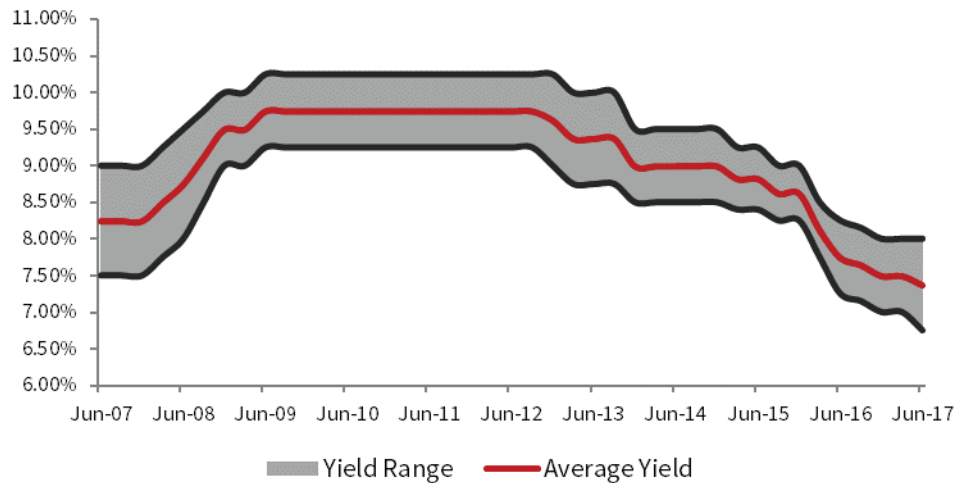
Auckland Region Industrial Yields : Prime



Source: JLL Research and Consulting

Increasing competition for quality industrial assets has forced investors to consider the secondary market as an alternative. Yields firmed to an average of 7.38% at the end of 1H17, down from 7.50% in 1Q17. There remains a strong interest for value-add opportunities in the secondary market and this will likely contribute to further yield compression over the remainder of 2017.

Auckland Regional Industrial Yields : Secondary



Source: JLL Research and Consulting

7 Leasing Evidence

7.1 Leasing Evidence

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



Rosebank Road, Avondale, Auckland

Effective Date	Mid 2017	Lease Basis	New Lease
Contract Rent	\$390,306 pa	Tenant	Confidential

The premises comprises a circa 2010, 3,048 square metre industrial building, located on 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 and 145 square metres of canopy space. 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			Effective Rate
Warehouse		2,550.0 m ²	\$116.71
Office	Ground Floor	208.0 m ²	\$240.00
Office	First Floor	145.0 m ²	\$240.00
Canopy		145.0 m ²	\$55.00



Patiki Road, Avondale, Auckland

Effective Date	June 2017	Lease Basis	New Lease
Contract Rent	\$284,776 pa	Tenant	Confidential

The premises comprises an industrial building with 2,284 square metres of warehouse and 247 square metres of office space, located at 61-69 Patiki Road, Avondale. The premises has been extended to include modern office accommodation with glazing and a high stud warehouse. The high stud warehouse consists of a clean span portal frame, tilt slab concrete, long run metal sprinklers and intermittent translucent panels. The premises was leased in June 2017 for \$284,776 per annum, with a 2 months rental incentive reflecting an effective premises rental rate of \$98.48 per square metres for warehouse space, and \$203 per square metres for office space.

Rental Analysis		Face Rate	Effective Rate
Warehouse	2,283.8 m ²	\$102.00	\$98.48
Office	246.8 m ²	\$210.00	\$203.00



Rosebank Road, Avondale, Auckland

Effective Date	October 2016	Lease Basis	Rent Review
Contract Rent	\$675,000 pa	Tenant	Confidential

The premises comprises an industrial building providing medium to high stud warehouse accommodation with associated office and amenities within an established industrial locality on Rosebank Road, Avondale. The space comprises a 4,424 square metre warehouse, 1,125 square metres of office space, 132 square metres of amenity space, a 226 square metre canopy and 268 square metres of mezzanine storage. The premises was leased in October 2016, returning \$675,001 per annum. This lease reflects a premises rental rate of \$95 per square metre for warehouse, \$151 per square metre for ground floor office, \$160 per square metre for first floor office and amenity space, \$70 per square metre for mezzanine storage and \$45 per square metre for canopy space.

Rental Analysis			Effective Rate
Warehouse		4,424.0 m ²	\$95.00
Office	Ground Floor	574.9 m ²	\$150.78
Office	First Floor	549.8 m ²	\$160.00
Amenities	Warehouse	132.0 m ²	\$160.00
Mezzanine	Storage	268.3 m ²	\$70.00
Canopy		226.0 m ²	\$45.00



Bruce McLaren Road, Henderson, Auckland

Effective Date	August 2016	Lease Basis	New Lease
Contract Rent	\$570,356 pa	Tenant	Confidential

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 currently under construction.

We have been provided with an unsigned Agreement to Lease on a term expiring 9 years from the date of practical completion, at a total annual rent of \$572,000 per annum, with rent reviews annually in accordance with movement in the CPI.

Rental Analysis		Face Rate	Effective Rate
Warehouse	2,847.00 m ²	\$89.51	\$85.63
Under Level 1	113.60 m ²	\$89.51	\$85.63
Office	237.40 m ²	\$194.81	\$185.01
Lunchroom	98.90 m ²	\$136.89	\$129.98
Reception	67.00 m ²	\$194.81	\$185.01
Factory Office	29.90 m ²	\$136.89	\$129.98
Factory Amenity	87.50 m ²	\$136.89	\$129.98
Warehouse B	791.50 m ²	\$100.04	\$94.88
Office B	16.90 m ²	\$136.89	\$129.98
Canopy	53.80 m ²	\$0.00	\$0.00
Warehouse Extension May 14	364.20 m ²	\$102.00	\$96.78
Further Warehouse Extension	800.00 m ²	\$125.00	\$118.60



Rosebank Road, Avondale, Auckland

Effective Date	August 2016	Lease Basis	New Lease
Contract Rent	\$150,000 pa	Tenant	Confidential

The premises comprises a 1,325 square metre industrial building, located on Rosebank Road, Avondale. The premises offers a 936 square metre warehouse along with a single level office and amenity component with the main warehouse structure including a two level office/amenity component inset within the warehouse. The warehouse offers a stud height of 8.40 metres with vehicle access by way of roller doors along the western/southern elevation. Canopies extend over each roller door. The premises was leased in August 2016 on a four year lease term, with two yearly market reviews. The lease is returning \$150,000 per annum, reflecting a premises rental rate of \$103 per square metre for warehouse space, \$190 per square metre for office, \$160 per square metre for mezzanine, \$40 per square metre for canopy and \$150 per square metre for the workshop space.

Rental Analysis		Effective Rate
Warehouse	936.0 m ²	\$102.59
Office	Front Office 116.5 m ²	\$190.00
Mezzanine	91.2 m ²	\$169.00
Canopy	90.0 m ²	\$40.00
Workshop	Rear warehouse/office/workroom 91.0 m ²	\$150.00



Rosebank Road, Avondale, Auckland

Effective Date	May 2016	Lease Basis	Rent Review
Contract Rent	\$388,100 pa	Tenant	Confidential

The premises comprises 2,763 square metres of industrial space, located on Rosebank Road, Avondale. The property comprises 2,207 square metres of a medium stud height warehouse, along with two levels of office space and amenities. The premises was leased in May 2016, for an undisclosed lease term, returning \$388,100 per annum. This lease reflects a premises rental rate of \$100 per square metres for warehouse space, \$207 per square metres for office space and \$45 per square metres for canopy.

Rental Analysis		Effective Rate
Warehouse	2,207.0 m ²	\$100.00
Office	410.0 m ²	\$207.00
Canopy	146.0 m ²	\$45.00



Jomac Place, Avondale, Auckland

Effective Date	March 2016	Lease Basis	New Lease
Contract Rent	\$831,690 pa	Tenant	Confidential

Located at the end of a cul-de-Sac, this is a modern industrial building providing an approximately 9 metre stud warehouse accommodation with tilt-slab to 2 sides and tilt slab base wall and longrun metal above over the balance.. There are 2 levels of offices, providing open plan accommodation. The property is not sprinklered, and if it becomes a requirement, additional rent will be paid. 90 council required open car parks are leased at \$10 per car, per week.

Rental Analysis		Effective Rate
Warehouse	4,500.0 m ²	\$115.00
Office	1,011.0 m ²	\$240.00
Canopy	450.0 m ²	\$55.00
90 Carparks	90 parks	\$10.00

The evidence above demonstrates a general range of \$150 per square metre to \$243 per square metre over the office accommodation with the evidence below \$200 per square metre relating to dated office or warehouse office accommodation, and above \$200 per square metre relating to modern office accommodation. Warehouse rates typically range from \$90 per square metre to \$115 per square metre and \$40 to \$55 per square metre over the canopy area, largely dependent upon the quality of accommodation, stud heights, access, and scale of the premises, location and quality.

The subject property offers high stud accommodation that would appeal to a wide range of industrial tenants. In our view the warehouse rental rate would fall towards the mid-point to upper end of the range. Office and amenity areas present to a modern standard with recently new finishes and services, therefore we have adopted rates towards the upper end of the range.

7.2 Market Rental Profile

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 market rental profile is displayed below:

Premises	NLA	Passing Rental	Market Rental
D & H Steel Construction Limited - Warehouse	10,420	\$104 /sqm	\$105 /sqm
D & H Steel Construction Limited - Reception / Office	297	\$234 /sqm	\$230 /sqm
D & H Steel Construction Limited - Canteen	175	\$188 /sqm	\$190 /sqm
D & H Steel Construction Limited - Amenities	138	\$156 /sqm	\$160 /sqm
D & H Steel Construction Limited - Mezzanine Office	771	\$234 /sqm	\$230 /sqm
D & H Steel Construction Limited - Paint / Store	107	\$125 /sqm	\$125 /sqm
D & H Steel Construction Limited - Low Stud	68	\$125 /sqm	\$125 /sqm
D & H Steel Construction Limited - Gas Storage	13	\$125 /sqm	\$125 /sqm
D & H Steel Construction Limited - Dangerous Goods	24	\$47 /sqm	\$50 /sqm
D & H Steel Construction Limited - Switchboard Room	24	\$125 /sqm	\$125 /sqm
D & H Steel Construction Limited - Outdoor Court	94	\$47 /sqm	\$50 /sqm
Total	12,131 m²		

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	\$1,427,377
Outgoings Recovery	\$153,175	\$153,175
Gross Income	\$1,576,422	\$1,580,552
Outgoings	\$168,175	\$168,175
Net Income	\$1,408,247	\$1,412,377

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:



68-80 Stonedon Drive, East Tamaki, Auckland

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

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.



84 Central Park Drive, Henderson, Auckland

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

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.



2 Freight Place, Airport Oaks, Auckland

Sale Price	\$9,770,000	Sale Date	July 2017
Initial Yield	Confidential	Equivalent Yield	5.91%
IRR	8.16%	WALE	Confidential

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.



100 Carbine Road, Mount Wellington, Auckland

Sale Price	\$36,800,000	Sale Date	July 2017
Initial Yield	Confidential	Equivalent Yield	6.74%
IRR	9.00%	WALE	Confidential

The property comprises a large industrial complex with approximately 29,526 square metres of lettable accommodation. The property is situated on an approximate 4.48 hectare, rear, Light Industry zoned site, situated on the eastern side of Carbine Road, within the industrial precinct of Mount Wellington.

Improvements comprise of a circa 1970's constructed warehouse with a stud height of approximately 7 metres at the portal knee and rising to approximately 10 metres at the apex. An extension was added to this circa 2005 providing clearspan warehouse accommodation with a stud height of approximately 9 metres at the portal knee and rising to approximately 11 metres at the apex, a separate two level office building with a large staff cafeteria at the front with air-conditioning. There is additional yard space surrounding the buildings. Prior to sale, the property was used as a distribution centre.



68-70 Henderson Valley Road, Henderson, Auckland

Sale Price	\$4,500,000	Sale Date	May 2017
Initial Yield	Confidential	Equivalent Yield	6.00%
IRR	7.40%	WALE	Confidential

68-70 Henderson Valley Road comprises a circa 1980's constructed industrial building located on the eastern side of Henderson Valley Road, approximately 1.2 kilometres to the south of that road's intersection with Great North Road, within the industrial precinct of Henderson. Improvements comprise of medium stud warehousing and offices together with a freestanding circa 1960's constructed, converted dwelling fitted out as office accommodation. The warehouse is accessed via 6 roller doors and offers a stud height of approximately 5.3 at the portal knee and rising to approximately 6.0 metres at the apex.



3 Stonehill Drive, Wiri, Manukau

Sale Price	\$7,250,000	Sale Date	May 2017
Initial Yield	Confidential	Equivalent Yield	4.77%
IRR	7.44%	WALE	Confidential

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 sisilation. 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.



11 Turin Place, East Tamaki, Manukau

Sale Price	\$14,200,000	Sale Date	February 2017
Initial Yield	Confidential	WALE	Confidential

The property comprises a medium sized, industrial facility located towards the end of Turin Place, a cul-de-sac within the well-established East Tamaki industrial precinct.

The property comprises 6,936 square metres of warehouse, 457 square metres of office and amenities, and 1,072 square metres of breezeway canopies, situated on a 1.9 hectare site. The property has been recently leased for 15 years to Thermakraft, a building and wall wrap, roofing underlay, and window flashing tape company.



26-28 Ross Reid Place, East Tamaki, Auckland

Sale Price	\$10,000,000	Sale Date	December 2016
Initial Yield	<i>Confidential</i>	Equivalent Yield	5.97%
IRR	8.06%	WALE	<i>Confidential</i>

The property comprises a medium sized, generic industrial facility located on the eastern side of Ross Reid Road, a cul-de-sac, within the well-established East Tamaki industrial precinct.

The property comprises a total lettable area of approximately 5,241 square metres. Improvements comprise of a clear span warehouse with a stud height of approximately 6 metres to the portal knee rising to approximately 7.6 metres at the apex and good quality associated office space, provided over a single level to the frontage of Ross Reid Road. There is a storage area and lecture room on the mezzanine floor located within the warehouse envelope, above a large, partitioned storage area. Various concrete sealed areas located on site provide access, carparking and storage.

The above transactions indicate that Initial yields have ranged from 4.71% to 6.50%, equivalent yields from 4.77% to 6.74% and Internal Rates of Return from 7.40% to 9.00% largely dependent on tenant covenants and lease terms.

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 low to mid-point of the range.

The subject property offers prime industrial accommodation in a secondary but established industrial locality. In our view a yield towards the lower end of the range would be justifiable in light of current market conditions and the long weighted average lease term.

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
<ul style="list-style-type: none"> • Prime 'A' grade quality industrial facility offering flexibility of use which would suit a range of prospective tenants. • Long WALT of 10.42 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. 	<ul style="list-style-type: none"> • 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. • Potential to subdivide the site and sell down as smaller more affordable parcels not available until expiry of the lease. • 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
<ul style="list-style-type: none"> • Potential to subdivide building into smaller tenancies and let individually in order to diversify risk associated with a single occupier, should Lessee vacate. • Purchase adjoining Lot at 14 Brick Street in order to provide additional yard and carparking or future expansion opportunities. 	<ul style="list-style-type: none"> • 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. • Potential future difficulties within the construction industry may weaken the tenant covenant, however this is somewhat mitigated by the proposed rental guarantee. • 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 might take for the Property to sell if it were marketed at the ascribed market value. The actual time it may take to sell the Property will be impacted upon by numerous factors including the marketing undertaken, eagerness of buyers both generally and also in relation to assets similar to the Property, availability of finance, and changes in market conditions subsequent to the valuation date.

9.3 Most Probable Purchaser

In consideration of the current market, we anticipate the most probable purchaser of the Property to be a 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 of 0.00% 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	\$1,427,377
Ideal Outgoings Recovery (Full Net Leases)	\$153,175
Total Market Rental	\$1,580,552
Less Outgoings Expenditure	(\$168,175)
Net Market Rental	\$1,412,377
Rental Adjustments	
Core Income	\$1,412,377
Core Income Capitalised at 6.25%	\$22,598,037
Value Adjustments	
Present Value of Rental Reversions	
Existing Tenancies	\$2,573
Present Value of Short Term Capital Expenditure: 24 months	(\$38,077)
Total Value Adjustments	(\$35,504)
Total Capitalised Value	\$22,562,533
Adopted Capitalised Value	\$22,563,000

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

Our adopted adjustments are detailed as follows:

Rental Reversions

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

Letting Up Allowances

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

Capital Deductions

We have allowed for the present value of CAPEX allowances over the next 24 months from the valuation date, which total \$38,077.

Calculation Summary

Having made these adjustments to the core value, we derive a total value of \$22,563,000.

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		2.70%	
	2.50%	2.50%	2.75%	3.00%	3.00%	3.00%	2.75%	2.50%	2.50%	2.50%
Prime Retail							10 year average		2.70%	
	2.50%	2.50%	2.75%	3.00%	3.00%	3.00%	2.75%	2.50%	2.50%	2.50%
CPI							10 year average		1.95%	
	1.70%	1.90%	1.90%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Capex							10 year average		1.95%	
	1.70%	1.90%	1.90%	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 office, retail and car parking market rents have been grown over the 10 year cash flow period by their respective growth rate as set out within the summary table above. In formulating our views as to the appropriate projected rental growth rates for the Property we have had regard to forecasts supplied by JLL Research and NZIER. These forecasts have been used as a base from which growth rates appropriate for the Property have been derived.

Letting Up/Incentive/Leasing Cost Allowances

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

Industrial Letting Up Allowances

Cash Flow Year	Letting Up	Probability	Incentive	Probability	Capex \$/sqm	Probability
Vacant	6 months	100%	0%	100%	\$20	100%
Year 1	6 months	100%	0%	100%	\$20	100%
Year 2	6 months	100%	0%	100%	\$20	100%
Year 3	6 months	100%	0%	100%	\$20	100%
Year 4	6 months	100%	0%	100%	\$20	100%
Year 5	6 months	100%	0%	100%	\$20	100%
Year 6	6 months	100%	0%	100%	\$20	100%
Year 7	6 months	100%	0%	100%	\$20	100%
Year 8	6 months	100%	0%	100%	\$20	100%
Year 9	6 months	100%	0%	100%	\$20	100%
Year 10	6 months	100%	0%	100%	\$20	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	\$20,000	Year 6	\$21,974
Year 2	\$20,340	Year 7	\$22,413
Year 3	\$20,726	Year 8	\$22,861
Year 4	\$21,120	Year 9	\$23,318
Year 5	\$21,543	Year 10	\$23,785

Total CAPEX allowances amount to \$218,080 (\$18.15 /sqm of NLA) over 10 years.

Estimated Terminal Sale Price

We have applied a terminal yield of 6.50% (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 \$22,149,000. 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		
	6.25%	6.50%	6.75%
8.25%	\$23,037,000	\$22,529,000	\$22,059,000
8.50%	\$22,644,000	\$22,149,000	\$21,689,000
8.75%	\$22,261,000	\$21,776,000	\$21,327,000

10.5 Valuation Reconciliation

The results of our valuation methods are:

Methodology	Valuation
Capitalisation Approach - Market Income	\$22,563,000
Capitalisation Approach - Contract Income	\$22,562,000
Discounted Cash Flow Approach	\$22,149,000
Replacement Cost Approach	\$10,421,000
Adopted Value	\$22,360,000

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 **\$22,360,000** plus GST (if any).

The assessed value reflects an initial passing yield of 6.30%, an equivalent yield of 6.31%, an internal rate of return of 8.36%, and a rate of \$1,861 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 17 November 2017, is:

\$22,360,000 plus GST (if any)

Twenty Two Million Three Hundred Sixty Thousand Dollars plus GST (if any)

11.1 Mortgage Security Recommendation

We are aware that this report will be used for mortgage security purposes. General banking valuation standard requirements dictate that a specific sum shall not be recommended and that a focus on potential risks and threats associated with the property are included. We refer you to our SWOT analysis in this regard. We consider the property suitable for First Mortgage Security purposes.

Finally, and in accordance with our normal practice, we confirm that this report is confidential to Augusta Industrial Fund Limited for Full Disclosure, Acquisition Purposes and 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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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.
Quoted 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 initial net passing income from an investment divided by the sale price or value adopted for the investment expressed as a percentage.
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 and where 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 amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.
Priority Building	Section 133AE Building (Earthquake-prone Buildings) Amendment Act 2016 - Meaning of priority building: <i>Located in an area of medium or high seismic risk and likely to be used in an emergency situation or generally providing education for greater than 20 people. Additionally, any unreinforced masonry that could fall on a public area or impede a transport route.</i>
Z Factor	The Z factor of an area is the seismic hazard factor that would be used to design a new building on a site in that area in accordance with the building code, verification methods and standards incorporated by reference into the building code or a verification method, as they relate to calculating Z factors.

We recommend that the reader consult the International Valuation Standards Council – International Valuation Glossary

Computer Interest Register



COMPUTER FREEHOLD REGISTER UNDER LAND TRANSFER ACT 1952




R.W. Muir
Registrar-General
of Land

Search Copy

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

Brick Street Nominees 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

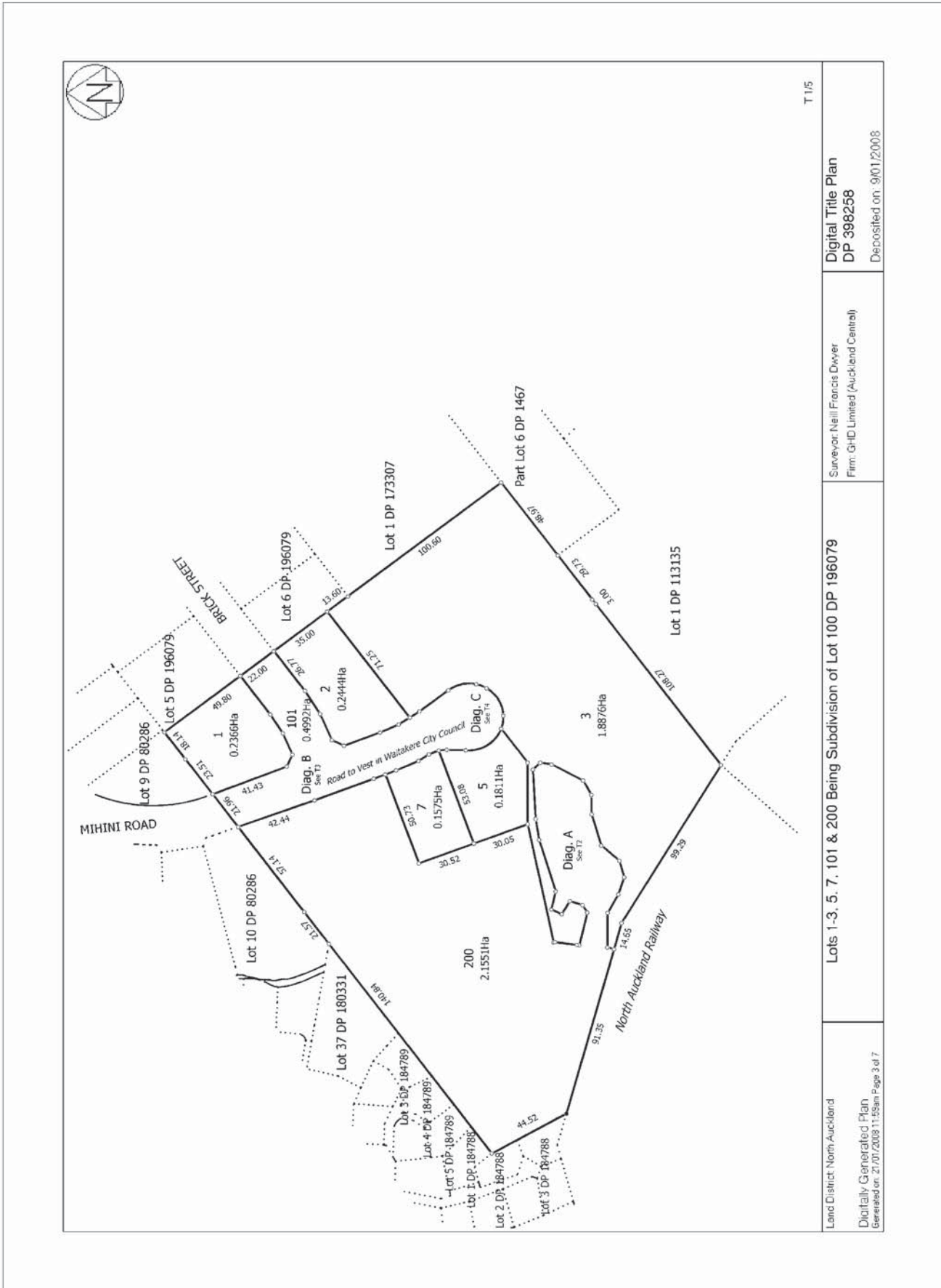
The easements created by Easement Instrument 7673703.8 are subject to Section 243 (a) Resource Management Act 1991

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)

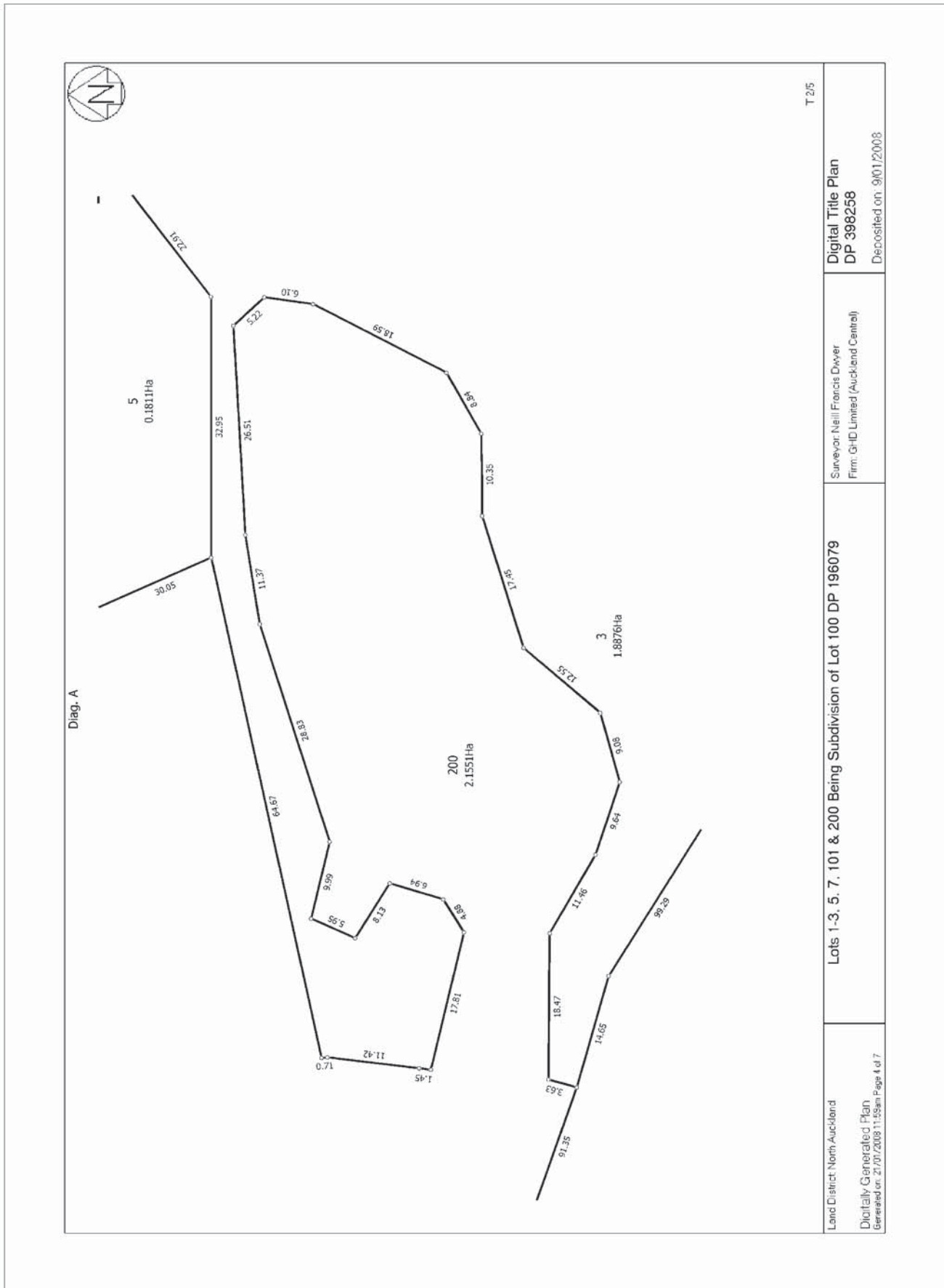
8433494.1 CERTIFICATE PURSUANT TO SECTION 77 BUILDING ACT 2004 THAT THIS COMPUTER REGISTER IS SUBJECT TO THE CONDITION IMPOSED UNDER SECTION 75(2) (AFFECTS LOTS 1 & 3 HEREIN) - 5.3.2010 at 9:00 am

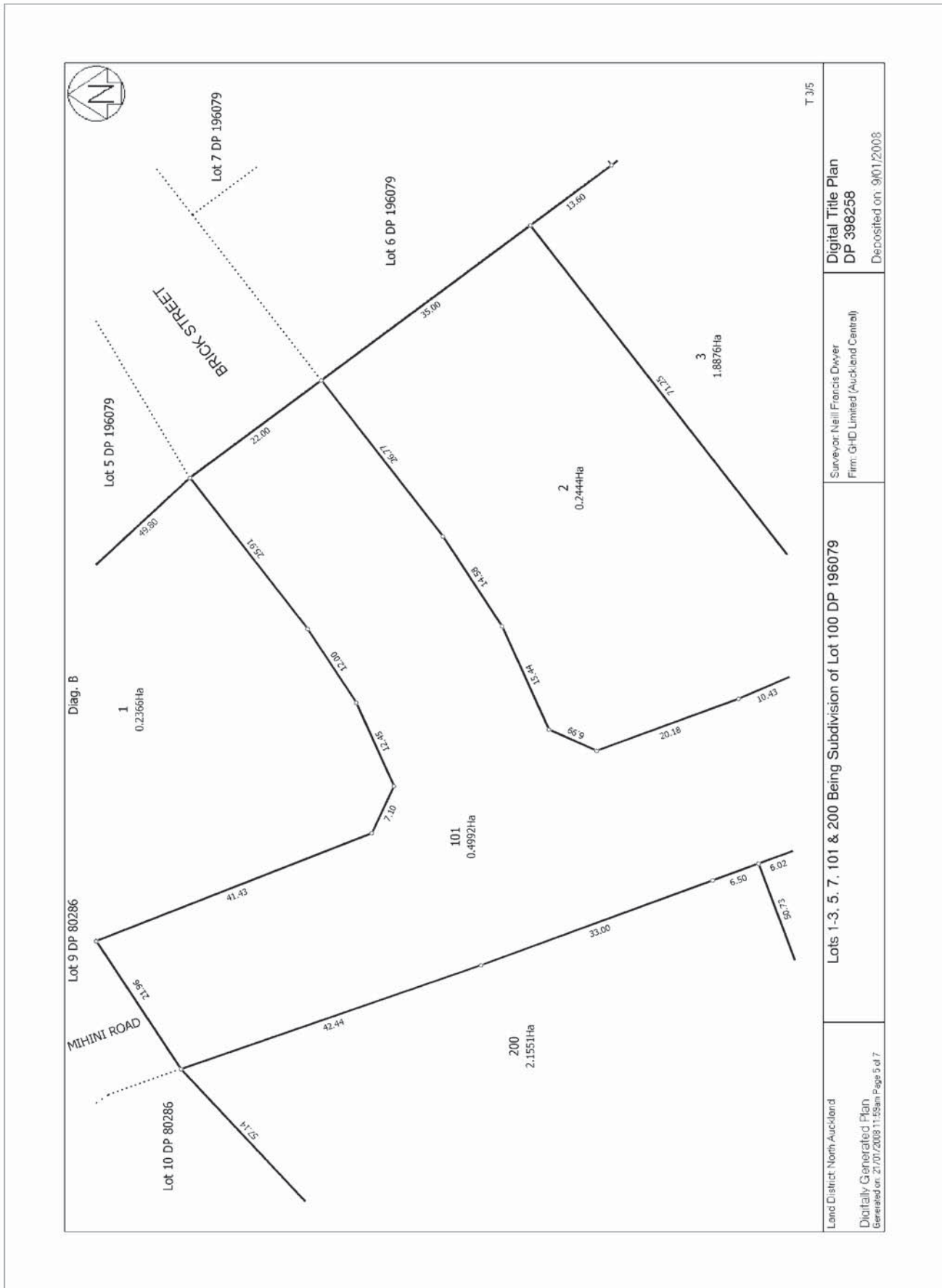
9481374.3 Mortgage to ASB Bank Limited - 30.8.2013 at 5:11 pm

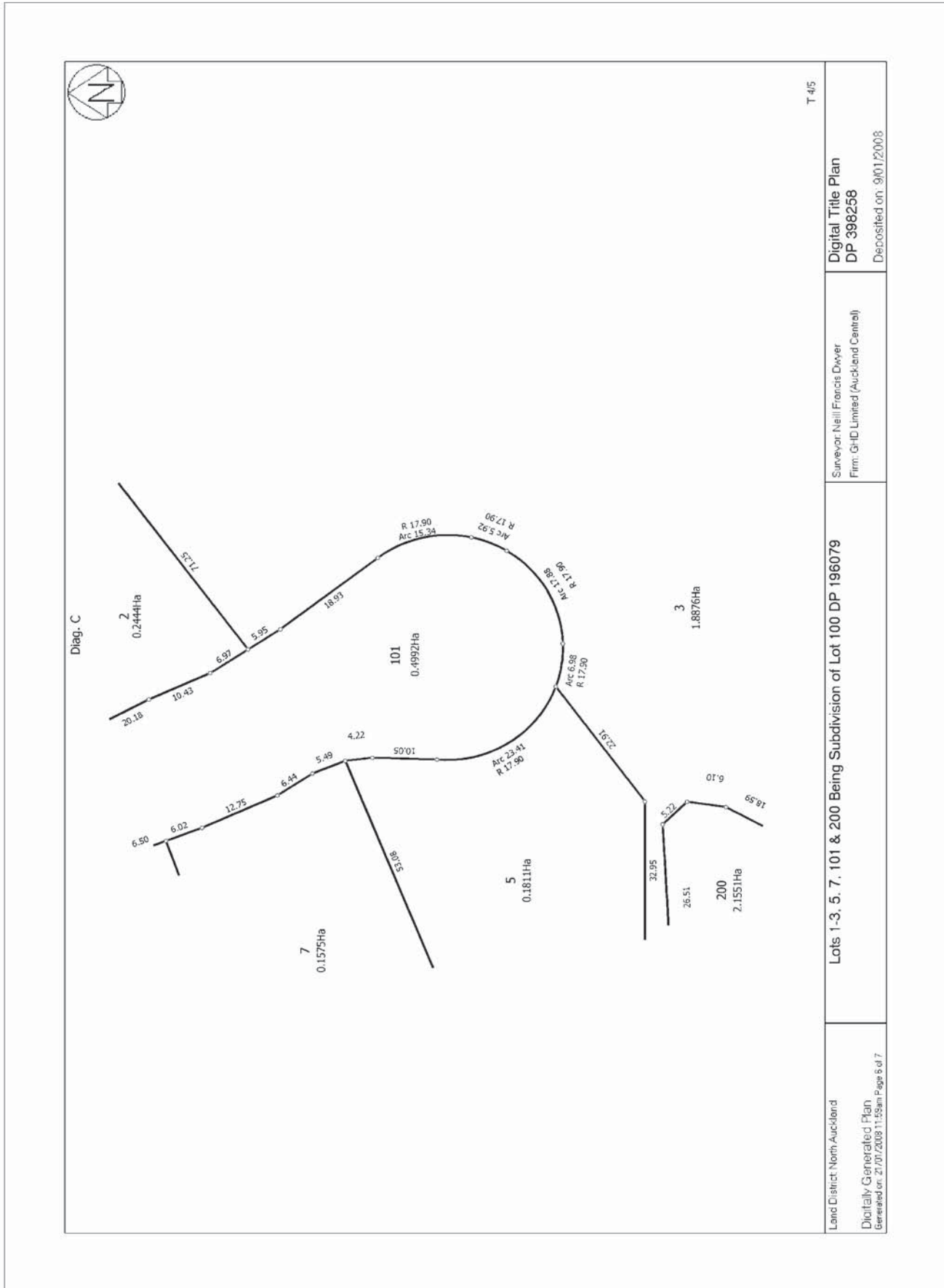


T 1/5

Land District North Auckland Digitally Generated Plan Generated on: 27/07/2008 11:59am Page 3 of 7	Lots 1-3, 5, 7, 101 & 200 Being Subdivision of Lot 100 DP 196079	Surveyor: Neill Francis Dwyer Firm: GHD Limited (Auckland Central)	Digital Title Plan DP 398258 Deposited on: 9/01/2008
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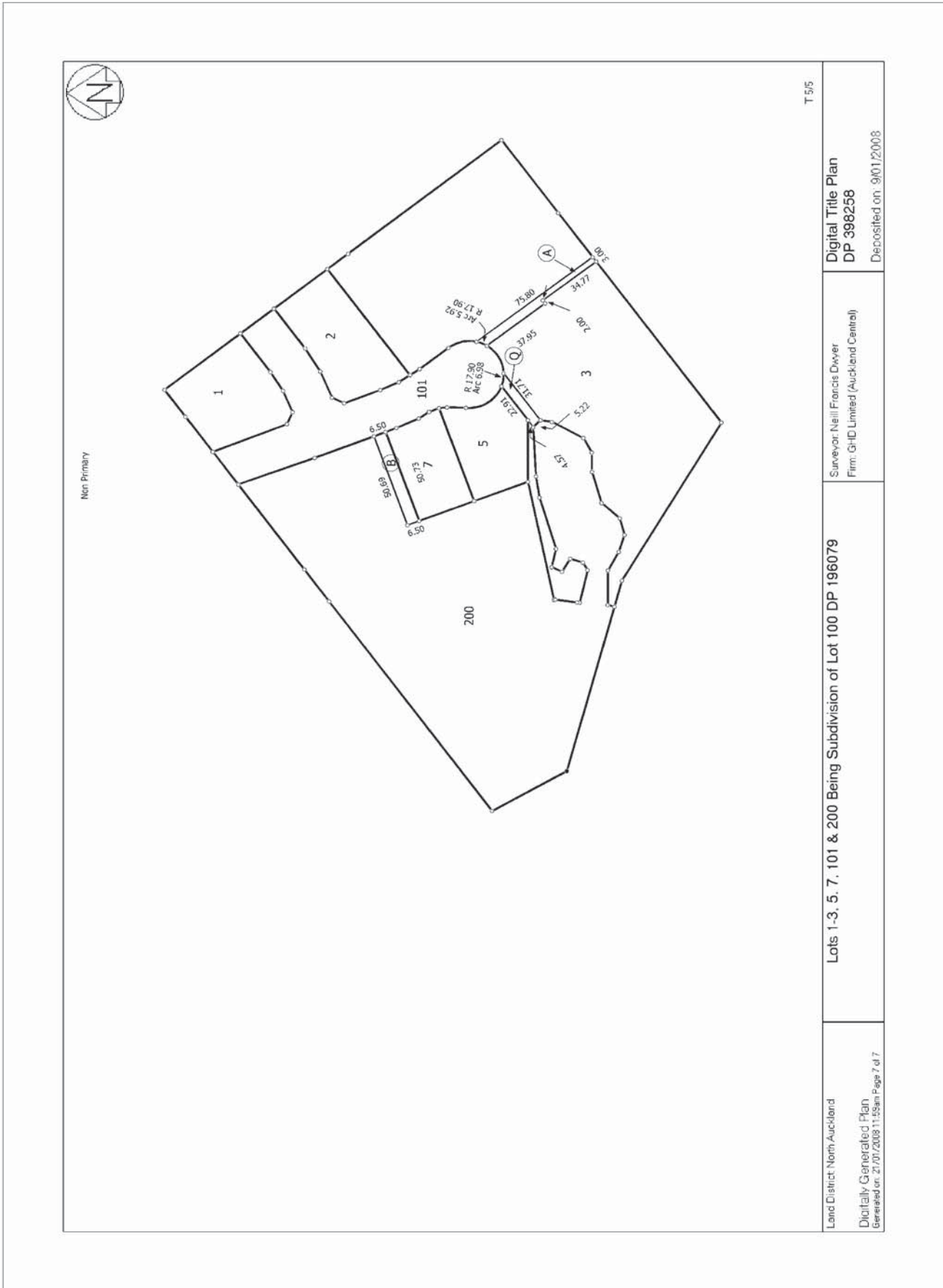


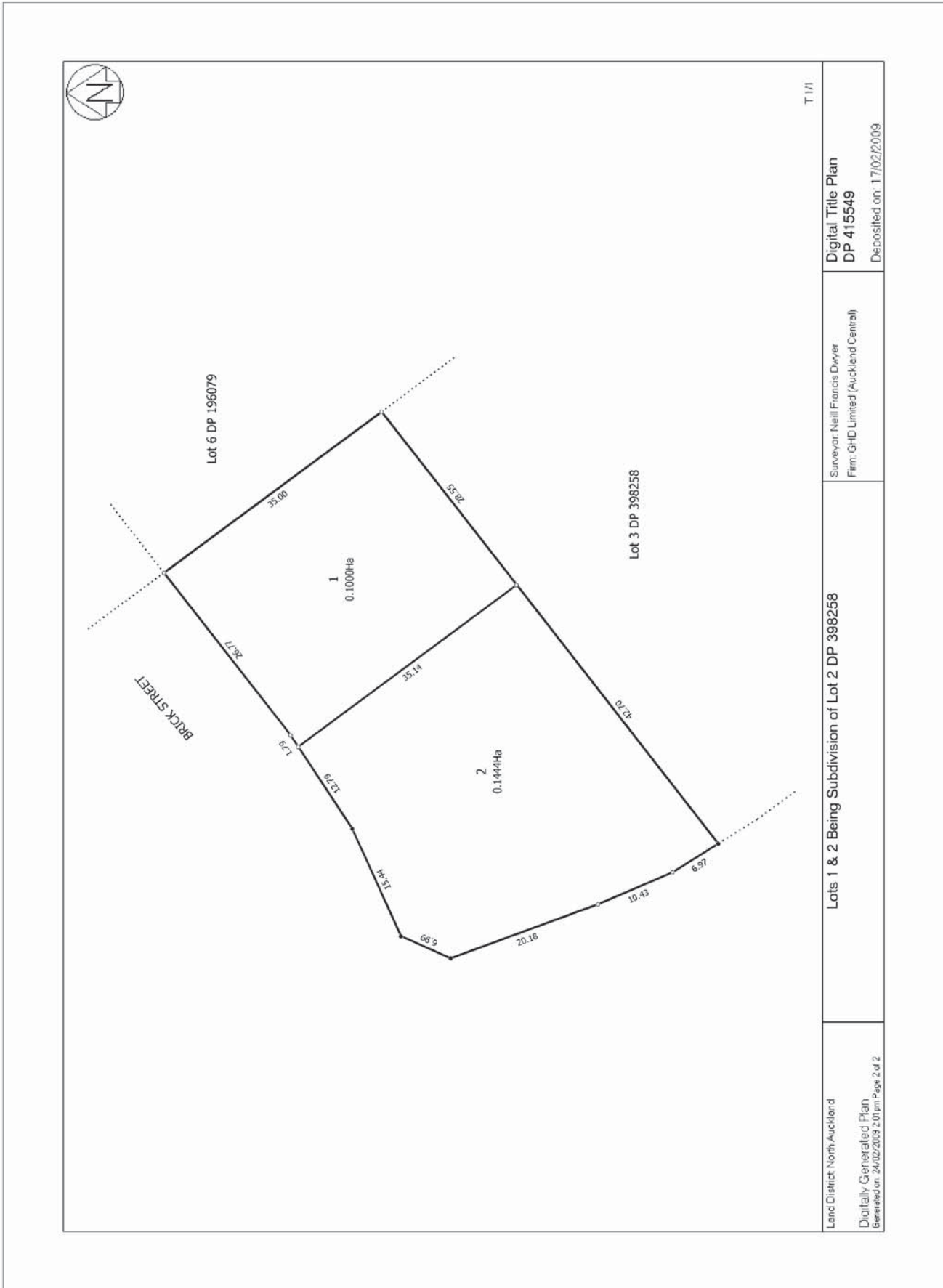




T 4/5

Land District North Auckland	Lots 1-3, 5, 7, 101 & 200 Being Subdivision of Lot 100 DP 196079	Surveyor: Neill Francis Dwyer Firm: GH Limited (Auckland Central)	Digital Title Plan DP 398258 Deposited on: 9/01/2008
Digitally Generated Plan Generated on: 27/07/2008 11:59am Page 6 of 7			





Land District North Auckland	Lots 1 & 2 Being Subdivision of Lot 2 DP 398258	Surveyor: Neill Francis Dwyer Firm: GHD Limited (Auckland Central)	Digital Title Plan DP 415549 Deposited on: 17/02/2009
Digitally Generated Plan Generated on: 24/02/2009 2:01pm Page 2 of 2			T 1/1

Valuation Calculations

Property	D & H Steel - 12 Brick Street, Henderson, Auckland
Property Description	Industrial
Net Lettable Area	12,012 square metres
Car Parking	Nil
Prepared For	Brick Street Nominees Limited
Purpose	Mortgage Security
Date of Valuation	17 November 2017
Valuation Approach	Capitalisation of Net Income and Discounted Cashflow
Valuation	\$22,360,000 plus GST (if any)

Valuation Analysis

Initial Yield (Net Passing)	6.30%
Initial Yield (Fully Leased)	6.30%
Equivalent Yield	6.31%
Internal Rate of Return (Ten Year)	8.36%
Weighted Average Lease Term - Income	10.42 years
Weighted Average Lease Term - Area	10.42 years
Occupancy As Valued	100.00%
Capital Value per square metre of NLA	\$1,861 /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	\$22,563,000
Value Based on Contract Capitalisation	\$22,562,000
Capitalisation Rate	6.25%

Discounted Cashflow Approach

Value Based on DCF Approach	\$22,149,000
Discount Rate	8.50%
Terminal Capitalisation Rate	6.50%
Nominal Assumed Rental Growth	2.70% pa
Nominal Assumed CPI	1.95% pa

Contract and Market Rental Income Summary

	Contract	Market
Rental Income	\$1,423,247	\$1,427,377
Other Income		
Recoverable Outgoings	\$153,175	\$153,175
Gross Income	\$1,576,422	\$1,580,552
Total Outgoings	(\$168,175)	(\$168,175)
Less Year 1 Incentives		
Net Income	\$1,408,247	\$1,412,377

DCF Sensitivity Analysis

Discount Rate	Terminal Yield		
	6.25%	6.50%	6.75%
8.25%	\$23,037,000	\$22,529,000	\$22,059,000
8.50%	\$22,644,000	\$22,149,000	\$21,689,000
8.75%	\$22,261,000	\$21,776,000	\$21,327,000

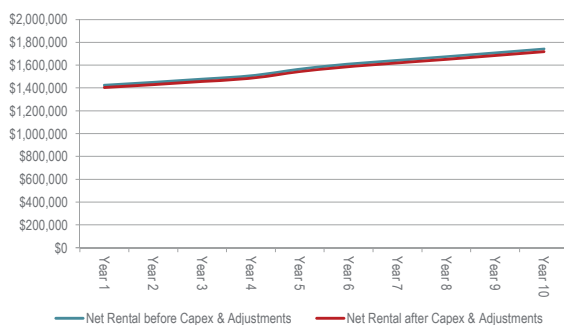
Major Tenant Occupancy Profile by Rental Income



Capex and Letting Up Assumptions

	Year 1	Year 2	Year 3
Capex	\$20,000	\$20,340	\$20,726
Letting Up	\$0	\$0	\$0
Unexpired Incentives	\$0	\$0	\$0

Projected Net Rental Cash Flow



Lease Expiry Profile



Market Income		
Lettable area rental		\$1,427,377
Car Parking Rental		\$0
Ideal Outgoings Recovery (Full Net Leases)		\$153,175
Total Market Rental		\$1,580,552
Less Outgoings Expenditure		(\$168,175)
Net Market Rental		\$1,412,377
Rental Adjustments		
Less Long Term Vacancy Allowance @ 0.00%		\$0
Core Income		\$1,412,377
Core Income Capitalised at 6.25%		\$22,598,037
<hr/>		
Value Adjustments		
Present Value of Rental Reversions		
Existing Tenancies		\$2,573
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		(\$38,077)
Value of Other Income		\$0
Total Value Adjustments		(\$35,504)
<hr/>		
Total Capitalised Value		\$22,562,533
Adopted Capitalised Value		\$22,563,000
Adopted Value		\$22,360,000

Analysis

Weighted Lease Duration		Performance Indicators on Adopted Value	
By Income	10.42 years	Initial Yield (Net Passing)	6.30%
By Area	10.42 years	Initial Yield (Fully Leased)	6.30%
Current Vacancies		Equivalent Market Yield	6.31%
By Area	0 sqm	Rate per m ² of NLA	\$1,861 /sqm
Proportion of NLA	0.00%	Net Income	
By Market Income	\$0	Net Passing Income	\$1,408,247
Proportion of Market Income	0.00%	Net Passing Income (Fully Leased)	\$1,408,247



Passing Income	
Lettable Area Rental	\$1,423,247
Car Parking Rental	\$0
Outgoings Recovery	\$153,175
Total Passing Rental	\$1,576,422
Less Outgoings Expenditure	(\$168,175)
Net Passing Income*	\$1,408,247
Rental Adjustments	
Less Long Term Vacancy Allowance @ 0.00%	\$0
Core Income	\$1,408,247
Core Income Capitalised at 6.25%	\$22,531,952
Value Adjustments	
Present Value of Rental Reversions	
Existing Tenancies	\$68,575
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	(\$38,077)
Value of Other Income	\$0
Total Value Adjustments	\$30,498
Total Capitalised Value	\$22,562,450
Adopted Capitalised Value	\$22,562,000
Adopted Value	\$22,360,000

* Excludes adjustments for outstanding incentives and any other income



Discounted Cashflow Results	
PV of Rental Income	\$10,521,850
PV of Terminal Value	\$11,626,657
Acquisition Costs	\$0
Total Net Present Value	\$22,148,508
Adopted Net Present Value	\$22,149,000
Adopted Value	\$22,360,000
Adopted Discount Rate	8.50%
Internal Rate of Return	8.36%

Sensitivity Analysis*		Terminal Yield	6.75%
Discount Rate	6.25%	\$23,037,000	\$22,059,000
	8.25%	\$22,529,000	\$21,689,000
	8.50%	\$22,644,000	\$21,689,000
	8.75%	\$22,261,000	\$21,327,000

* Rounded Values

Key Property Statistics		Valuation Date	Terminal Period
Weighted Average Lease Term - Income	10.42 years	10.42 years	0.42 years
Weighted Average Lease Term - Area	10.42 years	10.42 years	0.42 years
Occupancy	100.00%	100.00%	100.00%
Initial Yield (Net Passing)	6.30%	6.30%	6.57%
Initial Yield (Fully Leased)	6.30%	6.30%	6.57%
Capex Assumptions			
Total Allowance over DCF Period	\$218,080	\$218,080	\$18.15 /sqm
Proportion of Adopted Value	0.98%	0.98%	

Year Ending	16-Nov-2018 Year 1	16-Nov-2019 Year 2	16-Nov-2020 Year 3	16-Nov-2021 Year 4	16-Nov-2022 Year 5	16-Nov-2023 Year 6	16-Nov-2024 Year 7	16-Nov-2025 Year 8	16-Nov-2026 Year 9	16-Nov-2027 Year 10	16-Nov-2028 Year 11
Rental Income											
Lettable Area and Car Park Income	\$1,439,377	\$1,465,776	\$1,493,626	\$1,523,007	\$1,581,096	\$1,626,533	\$1,659,063	\$1,692,245	\$1,726,089	\$1,760,611	\$0
Outgoings Recovery	\$153,175	\$156,238	\$159,363	\$162,550	\$165,801	\$169,117	\$172,500	\$175,950	\$179,469	\$183,058	\$0
Other Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gross Rental Income	\$1,592,552	\$1,622,015	\$1,652,989	\$1,685,557	\$1,746,898	\$1,795,650	\$1,831,563	\$1,868,194	\$1,905,558	\$1,943,669	\$0
Rental Deductions											
Unexpired Incentives	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Outgoings Expenditure	(\$168,175)	(\$171,538)	(\$174,969)	(\$178,488)	(\$182,038)	(\$185,679)	(\$189,392)	(\$193,180)	(\$197,044)	(\$200,984)	\$0
Net Rental Cashflow	\$1,424,377	\$1,450,476	\$1,478,020	\$1,507,069	\$1,564,860	\$1,609,971	\$1,642,171	\$1,675,014	\$1,708,515	\$1,742,685	\$0
Rental Adjustments											
Letting Up Allowances - Leasing Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Expenditure	(\$20,000)	(\$20,340)	(\$20,726)	(\$21,120)	(\$21,543)	(\$21,974)	(\$22,413)	(\$22,861)	(\$23,318)	(\$23,785)	\$0
Net Cashflow	\$1,404,377	\$1,430,136	\$1,457,294	\$1,485,969	\$1,543,317	\$1,587,998	\$1,619,758	\$1,652,153	\$1,685,196	\$1,718,900	\$0
Purchase Price											
Acquisition Costs @ 0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gross Purchase Price	\$22,360,000	\$22,360,000	\$22,360,000	\$22,360,000	\$22,360,000	\$22,360,000	\$22,360,000	\$22,360,000	\$22,360,000	\$22,360,000	\$22,360,000
Net Sale Price After Costs @ 1.50%											
Annual Cashflow	(\$20,955,623)	\$1,430,136	\$1,457,294	\$1,485,969	\$1,543,317	\$1,587,998	\$1,619,758	\$1,652,153	\$1,685,196	\$1,718,900	\$26,287,680
Running Initial Yield	6.37%	6.49%	6.61%	6.74%	7.00%	7.20%	7.34%	7.49%	7.64%	7.79%	-
Running IRR	8.06%	8.38%	8.56%	8.71%	8.82%	8.89%	8.90%	8.88%	8.31%	8.36%	-



Tenancy Schedule
D & H Steel - 12 Brick Street, Henderson, Auckland
17 November 2017

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	Warehouse	10,420.3		15.0 years	28-Mar-13	3-Apr-28	3-Apr-18	1 yearly	CPI	\$1,086,649	\$104.28		\$1,094,134	\$105.00		\$132,873	
2. D & H Steel Construction	Reception / Office	296.6		15.0 years	28-Mar-13	3-Apr-28	3-Apr-18	1 yearly	CPI	\$69,516	\$234.38		\$68,216	\$230.00		\$3,782	
3. D & H Steel Construction	Canteen	175.0		15.0 years	28-Mar-13	3-Apr-28	3-Apr-18	1 yearly	CPI	\$32,813	\$187.50		\$33,250	\$190.00		\$2,231	
4. D & H Steel Construction	Amenities	137.8		15.0 years	28-Mar-13	3-Apr-28	3-Apr-18	1 yearly	CPI	\$21,531	\$156.31		\$22,040	\$160.00		\$1,756	
5. D & H Steel Construction	Mezzanine Office	771.0		15.0 years	28-Mar-13	3-Apr-28	3-Apr-18	1 yearly	CPI	\$180,704	\$234.38		\$177,330	\$230.00		\$9,831	
6. D & H Steel Construction	Paint / Store	107.0		15.0 years	28-Mar-13	3-Apr-28	3-Apr-18	1 yearly	CPI	\$13,375	\$125.05		\$13,370	\$125.00		\$1,364	
7. D & H Steel Construction	Low Stud	68.4		15.0 years	28-Mar-13	3-Apr-28	3-Apr-18	1 yearly	CPI	\$8,550	\$124.96		\$8,553	\$125.00		\$872	
8. D & H Steel Construction	Gas Storage	12.8		15.0 years	28-Mar-13	3-Apr-28	3-Apr-18	1 yearly	CPI	\$1,600	\$125.00		\$1,600	\$125.00		\$163	
9. D & H Steel Construction	Dangerous Goods	24.4		15.0 years	28-Mar-13	3-Apr-28	3-Apr-18	1 yearly	CPI	\$1,144	\$46.88		\$1,220	\$50.00		\$0	
10. D & H Steel Construction	Switchboard Room	23.6		15.0 years	28-Mar-13	3-Apr-28	3-Apr-18	1 yearly	CPI	\$2,950	\$124.79		\$2,955	\$125.00		\$301	
11. D & H Steel Construction	Outdoor Court	94.2		15.0 years	28-Mar-13	3-Apr-28	3-Apr-18	1 yearly	CPI	\$4,416	\$46.88		\$4,710	\$50.00		\$0	
	GLA	12,131 sqm	0						Passing Rental	\$1,423,247		Market Rental	\$1,427,377			Outgoings Recovery	\$153,175
	NLA	12,012 sqm							Net Passing Rental	\$1,408,247						Vacant Outgoings	\$0
																Outgoings Shortfall	\$15,000
																Total Outgoings	\$168,175



Annualised Receivable Income
D & H Steel - 12 Brick Street, Henderson, Auckland
17 November 2017

Tenant Name	Premises	Year 1 16-Nov-2018	Year 2 16-Nov-2019	Year 3 16-Nov-2020	Year 4 16-Nov-2021	Year 5 16-Nov-2022	Year 6 16-Nov-2023	Year 7 16-Nov-2024	Year 8 16-Nov-2025	Year 9 16-Nov-2026	Year 10 16-Nov-2027
D & H Steel Construction Li	Warehouse	\$1,098,964	\$1,119,120	\$1,140,383	\$1,162,815	\$1,210,414	\$1,246,794	\$1,271,729	\$1,297,164	\$1,323,107	\$1,349,569
D & H Steel Construction Li	Reception / Offic	\$70,304	\$71,593	\$72,953	\$74,389	\$76,100	\$77,734	\$79,288	\$80,874	\$82,491	\$84,141
D & H Steel Construction Li	Canteen	\$33,185	\$33,793	\$34,435	\$35,113	\$36,708	\$37,889	\$38,647	\$39,420	\$40,208	\$41,013
D & H Steel Construction Li	Amenities	\$21,775	\$22,175	\$22,596	\$23,041	\$24,254	\$25,115	\$25,617	\$26,130	\$26,652	\$27,185
D & H Steel Construction Li	Lifexamine Offic	\$182,752	\$186,104	\$189,640	\$193,370	\$197,823	\$202,072	\$206,113	\$210,236	\$214,440	\$218,729
D & H Steel Construction Li	Paint / Store	\$13,527	\$13,775	\$14,036	\$14,313	\$14,826	\$15,235	\$15,540	\$15,851	\$16,168	\$16,491
D & H Steel Construction Li	Low Stud	\$8,647	\$8,806	\$8,973	\$9,149	\$9,482	\$9,746	\$9,941	\$10,140	\$10,342	\$10,549
D & H Steel Construction Li	Gas Storage	\$1,618	\$1,648	\$1,679	\$1,712	\$1,774	\$1,823	\$1,860	\$1,897	\$1,935	\$1,974
D & H Steel Construction Li	angorous Goo	\$1,157	\$1,178	\$1,200	\$1,224	\$1,325	\$1,390	\$1,418	\$1,446	\$1,475	\$1,505
D & H Steel Construction Li	witchboard Roc	\$2,983	\$3,038	\$3,096	\$3,157	\$3,275	\$3,367	\$3,435	\$3,503	\$3,573	\$3,645
D & H Steel Construction Li	Outdoor Court	\$4,466	\$4,548	\$4,634	\$4,725	\$5,116	\$5,367	\$5,475	\$5,584	\$5,696	\$5,810
Total Receivable Rental Income		\$1,439,377	\$1,465,776	\$1,493,626	\$1,523,007	\$1,581,096	\$1,626,533	\$1,659,063	\$1,692,245	\$1,726,089	\$1,760,611



JLL

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