aim valuation Registered Valuers

Commercial Market Valuation for Capital Raising Purposes

8 Rockridge Avenue
Penrose
Auckland

Prepared for:
PMG Direct Office Fund Trustees Limited
C/- Property Managers Group
PO Box 2034
Tauranga 3140

Attention: Mr Nigel Lowe

Date: 31 March 2020

Reference: 0220-24

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1. Executive Summary

Instructed by:	Mr Stephen Williams of Property Managers Group
Purpose of Valuation:	Market Value Assessment on the subject property, subject to existing leases, for capital raising purposes. Our report is confidential to the parties to which it is addressed and to the prospective subscribers for shares in The Company as part of a Capital Raising exercise to acquire 213 Tuam Street, Christchurch ("The Acquisition"). No responsibility is accepted to any third parties. Neither the whole of the report nor 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 to the form and context in which it will appear. This does not preclude Property Managers Group from providing to prospective subscribers for shares in The Company for The Acquisition.
Coronavirus (COVID-19):	Local and international markets will come to terms with Coronavirus and the impact or unclear impact this may have on the property market. A regular review of our report should be undertaken as circumstances become clearer. This is an integral part of any approved party relying on our report.
Date of Inspection:	11 March 2020
Date of Valuation:	31 March 2020
Valuation:	**NZD$13,500,000 (THIRTEEN MILLION FIVE HUNDRED THOUSAND DOLLARS) plus GST (if any)** This reflects the following.

Analysis	
Value per sqm of NLA	$4,343
Value per sqm of Land Area	$2,755
Initial Yield	7.40%
Yield on Net Market Income	7.54%
Weighted Average Remaining Lease Term	1.94 years

Previous Sale:	**NZD$11,250,530** in October 2017.
Valuation Approach:	Capitalisation of income; land and buildings; discounted cashflow.

1.1 Assumptions

In preparing our valuation, assumptions include:

- As at 31 March 2020, 4 air-conditioning units has been replaced, with the cost of that work paid in full.
- That all tenants are meeting their full responsibilities under their respective Leases.
- That the building does not have water tightness issues.

Should any of these assumptions change or are not met we reserve the right to amend our valuation accordingly.

1.2 Key Considerations

Condition: Average to good, having had progressive ongoing maintenance.

Saleability: Good if priced realistically, which reflects the overall quality of the property including being well occupied at realistic rents, a favourable onsite car park ratio and ongoing maintenance.

Property Type: Completed in 1997, the property comprises a 4 level purpose built office development providing ground level annex and covered car parking under the general building footprint and a further 3 floors of office accommodation. The rentable area is 3,149sqm including 41sqm of ground floor deck. This is all situated to a 4,900sqm freehold front site in an industrial dominated location of Penrose, Auckland.

The property is fully leased and currently generating a contract net rent of some $999,525 per annum ($996,404 p.a from building tenancies and building licensed carparks plus $3,120 p.a from 2 contractor carparks paid for by the building Opex) at an average office rental of $249.5 per sqm and average car park rental of $29.70 per week. Both the office and car park rents are considered representative of the market. The property is subject to 4 occupational leases with a current weighted average lease term of 1.94 years over a staggered expiry profile.

A less recognised office location however providing a higher specification building than typically encountered and leased at realistic market rents.

2. Property Description

2.1 Legal Description and Interests

Identifier	NA111A/218
Land Registration District	North Auckland
Estate	Fee Simple
Area	4900sqm more or less
Legal Description	Lot 4 Deposited Plan 180019
Registered Owners	PMG Direct Office Fund Trustees Limited

Record of Title

Lot	DP	Identifier	Area (sqm)
4	180019	NA111A/218	4,900
Total Land Area			**4,900**

Outstanding Interests: Interests include:

- 11165428.3 Mortgage to ASB Bank Limited - 10.7.2018 at 4:14 pm

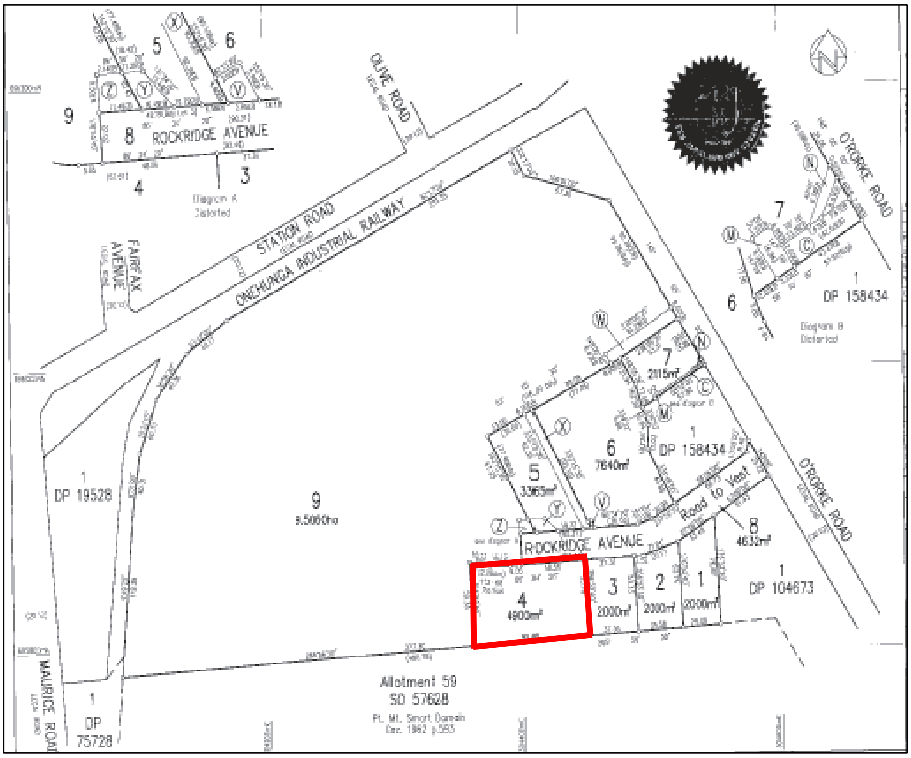
Interest Comments: We have considered these interests in assessing our value of the property.

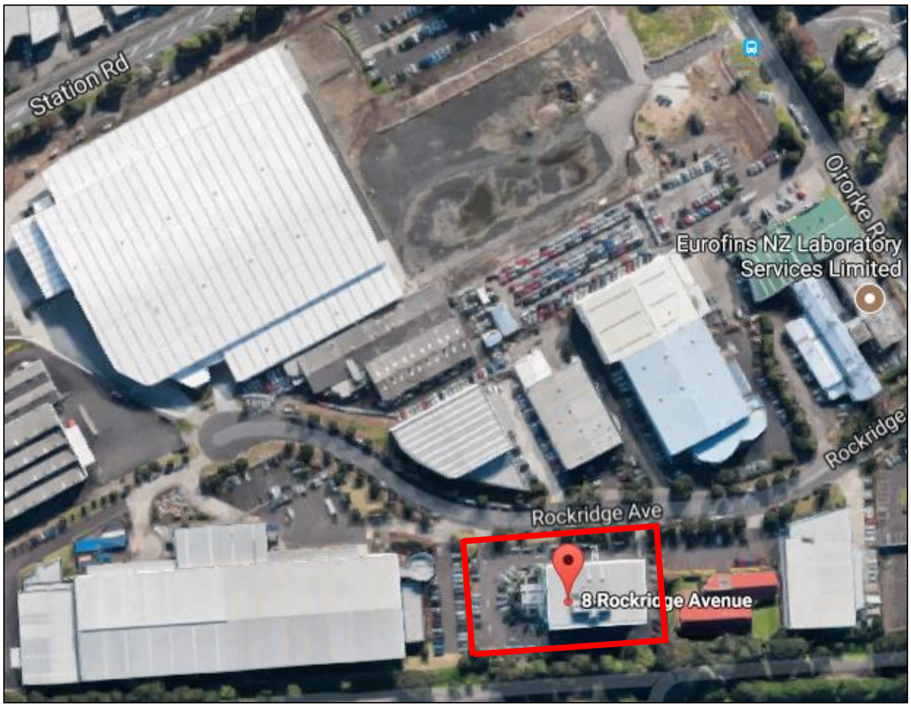
2.2 Land Description

Site Description: Lot 4 comprises a regular shaped 4,900sqm front site with northerly aspect to Rockridge Avenue. The building is centrally located on the site which allows full circulation and open off-street parking to the perimeter of the building and site.

The land is of level contour.

A site plan follows.


STATION ROAD
ONEHUNGA INDUSTRIAL RAILWAY
OLIVE ROAD
FAIRFAX AVENUE
O'RORKE ROAD
ROCKRIDGE AVENUE
MAURICE ROAD
DP 19528
9
9.5060ha
4
4900m²
3
2000m²
2
2000m²
1
2000m²
5
3369m²
6
7640m²
7
2115m²
8
4632m²
DP 158434
DP 104673
Road to Vest
Allotment 59
SO 57628
DP 75728


Station Rd
Eurofins NZ Laboratory Services Limited
Rockridge Ave
8 Rockridge Avenue

Unitary Plan Operative in Part:

Under the Auckland Unitary Plan Operative in Part from November 2016 the site is zoned **'Business - Light Industry'**. This zone anticipates industrial activities that do not generate objectionable odour, dust or noise including manufacturing, production, logistics, storage, transport and distribution activities.

Within this zone, permitted activities include:

<u>Accommodation</u>

- Workers accommodation

<u>Commerce</u>

- Dairies up to 100sqm
- Drive through restaurants
- Food and beverage up to 120sqm
- Garden centres not within 100m of a 'Business – Heavy Industry' zone
- Motor vehicle sales not within 100m of a 'Business – Heavy Industry' zone
- Marine retail not within 100m of a 'Business – Heavy Industry' zone
- Offices that are the accessory to the primary activity on the site and;
  a) the office gross floor area does not exceed 30% of all buildings on the site
  b) the office gross floor area does not exceed 100sqm
- Retail accessory to an industrial activity on the site where the retail area does not exceed 10% of all buildings on the site
- Service stations
- Show homes
- Trade suppliers

<u>Industry</u>

- Industrial activities
- Wholesalers
- Storage and lock facilities
- Horticulture

<u>Community</u>

- Emergency services
- Tertiary education services that are accessory to an industrial activity on the site

<u>Development</u>

- New buildings
- Additions and alterations to buildings
- Demolition of buildings

Discretionary activities include:

- Commercial services
- Entertainment facilities
- Care centres
- Community facilities up to 450sqm per site
- Hospitals and recreation facilities
- Tertiary education facilities not otherwise provided for

Development controls within this zone include:

Building Height

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

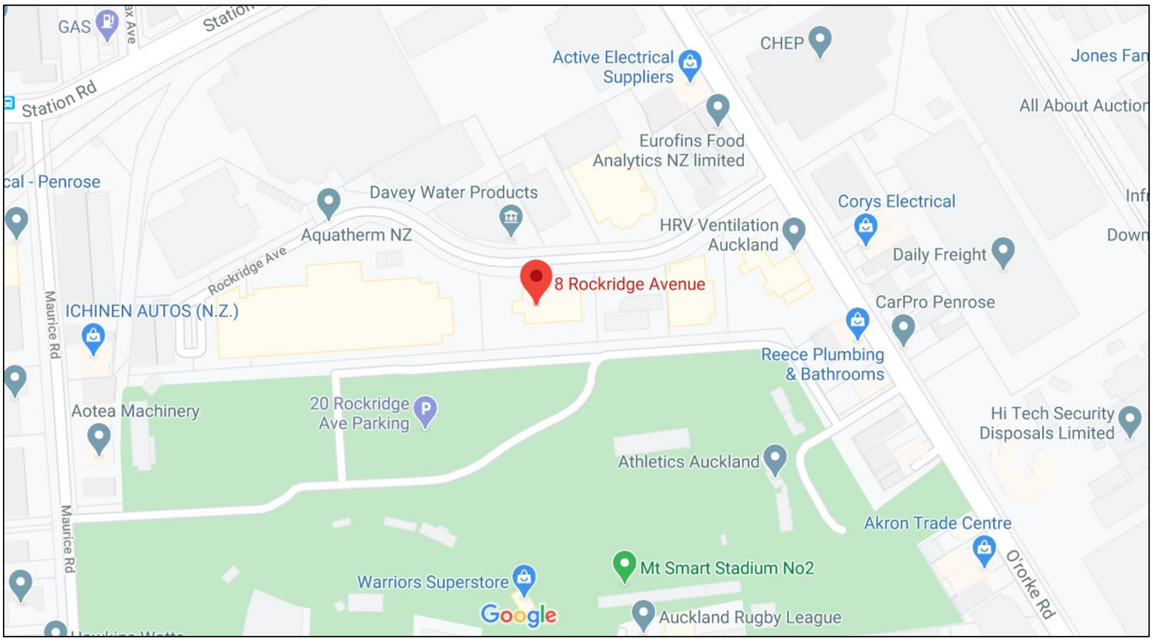
Yards

Rear and side yards: 5m but only where the rear or side boundary adjoins a Residential zone, Open Space zone, or a Special Purpose zone

Situation and Locality:

Rockridge Avenue is a sealed, curbed and channelled no-exit street extending in a westerly direction of O'Rorke Road which extends between Station Road in the north and Church Street in the south. Immediate surrounding development comprises a range of land uses although dominated by larger industrial operations including Reclaim, Waste Management, BJ Ball, The Danish Association and Laminex Group. There is a mix of both older and newer space.

This is a strongly regarded Penrose industrial location that immediately neighbours Mt Smart Stadium to the south, a multi-purpose athletics and entertainment venue. Other amenity includes Kreem Café close to Station Road while the Penrose and Te Papapa Railway Stations are within convenient walking distance. Motorway interchanges are available at Penrose and the nearby south-eastern link making access to the wider Auckland market relatively convenient, notwithstanding congestion at times.



In summary, an industrial dominated location although with various favourable amenity to an established and well-regarded Penrose, Auckland address.

2.3 Description of Improvements

Floor Area:

A summary of BOMA measurements completed by Harrison Grierson are shown below.

Floor Area Summary

Description	Occupier	Rentable Area sqm	Total Property %
Level 1 (grd)	Matrix Security Group Ltd	159.9	5.1%
Part Level 2	Managed Hosted Applications Ltd	541.5	17.4%
Part Level 2	Advance Retail Technology Ltd	440.5	14.2%
Part Level 3	Matrix Security Group Ltd	549.8	17.7%
Part Level 3	IPSOS Limited	447.4	14.4%
Level 4	SGS New Zealand Limited	969.1	31.2%
Office Rentable Area		**3108.2**	**100.0%**
Ground Floor Deck	Matrix Security Group Ltd	41.1	
Rentable Area		**3149.3**	

Car Parks within Leases	Covered & Secure	Open	Total
Matrix Security Group Ltd	6	24	30
Managed Hosted Applications Ltd	0	14	14
Advance Retail Technology Ltd	2	20	22
IPSOS Limited	0	26	26
SGS New Zealand Limited	5	32	37
Leased Car Parks	**13**	**116**	**129**

Car Parks within Licenses	Covered & Secure	Open	Total
SGS New Zealand Limited	0	2	2
Carglass NZ Limited	7	3	10
Andre May	0	1	1
Licensed Car Parks	7	6	13
Sub Total	**20**	**122**	**142**
Vacant Carparks			0
Accessible, Contractor Carparks			3
Total Car Parks			**145**
Car Park ratio	1 space per		21.9 sqm

From this, the overall car park ratio is 1 space per 22sqm of rentable area. This is favourable in an office environment and potentially a genuine driver of occupier demand.

The individual floor plates are circa 1,000sqm and subdivide with shared centralised amenities.

Each floor area is characterised by northern and southern stairs/fire exits, and central bathrooms and lifts. The various tenancies include a pro rata share of the lobby which marginally reduces the efficiency of the floor plate although provides an appealing tenancy entrance.

General:	A late 1990's 4 level well specified and purpose-built office building producing a net contract rent of some $999,525 per annum plus GST. The property occupies a 4,900sqm front site in an industrial dominated location of Penrose, Auckland.

Construction: General construction consists of:

Flooring:	Reinforced concrete
Structural:	Reinforced concrete columns and beams
Exterior:	Concrete panel, selective alucabond and extensive glazing
Joinery:	Aluminium framed single glazed
Downpipes:	Stainless steel
Roof:	Profiled metal

<u>Ground Floor</u>

Lighting:	Recessed LED spotlights
Air-conditioning:	Both ducted and wall mounted units
Sprinklered:	No

<u>Level 1 Offices – Western Side</u>

Flooring:	Carpet tiles over a suspended floor
Lighting:	Recessed lighting in reflective trays
Ceiling:	Suspended ceiling on metal grid
Air-conditioning:	Ducted in-ceiling

<u>Top Floor – SGS</u>

Flooring:	Carpet tiles
Lighting:	Recessed fluorescent lighting in reflective trays
Ceiling:	Suspended ceiling on metal grid
Air-conditioning:	Ducted in-ceiling

<u>Stud Heights</u>

Ground floor carpark:	3.27m
Bathrooms (Level 1 & GF):	2.8m floor to underside of ceiling
Level 2 & 3 offices:	2.7m floor to suspended ceiling
Level 4 offices:	4.1m angling back to 3.7m

Building Services

- 2 Kone 900kg 13 person lifts finished with timber and tiled floor and feature panelling
- Level 1 and 2 have sensor activated fire curtains
- 180Kw diesel generator

Layout & Amenities:

Ground Floor

Generally provides sealed and secure parking with the building footprint. Secure single car park accessed by a dual width metal grill. To the rear of the lift lobby is an electrical cupboard, whilst to the centre of the southern side is a cleaners' cupboard and a designated smoking area. To the south-western corner of the ground floor is a generator. From the carpark are security controlled timber doors to a tiled lobby with steel and granite stairs and 2 lifts.

To the western side of the ground floor is the annex tenancy with 3 steps to the main level which has a feature coloured concrete floor with tile inserts. The eastern side is open plan with a lunch room which extends through to partitioned offices.

Level 1 – Eastern Side (Managed Hosted Applications)

Predominantly open plan with some floor to ceiling partitioning to the entrance side of the floor. To the southern side of the entrance lobby are 2 partitioned meeting rooms with feature timber panelling.

Level 1 – Western Side (Advance Retail Technology)

Reverse stairs open onto the generous lift lobby/landing. The western side office space is generally open plan. The suspended floor provides for cabling beneath and is easily repositioned as required.

Level 2 – Western Side (Ipsos)

Generally similar to Level 1 with central open plan and both internal and perimeter floor to ceiling partitioning. The kitchen turns to a corridor off which are male and female bathrooms

Level 2 – Eastern Side (Matrix Security)

Predominantly open plan with some floor to ceiling partitioning to both the southern and northern elevations. Male and female bathrooms with shower alongside are prior to the common corridor which accesses the main bathrooms.

Top Floor (SGS)

The reception is in the open plan lift lobby on the eastern side. Generally open plan with internalised floor to ceiling offices. Also has a feature angled roof with natural light and glazing extending between the bulkhead and ceiling. To the south-western end are perimeter floor to ceiling offices with some internal open plan.

Fixtures & Fittings:

Level 1

Disabled WC

- Ceramic WC
- Ceramic hand basin
- Tiled floor and walls
- Shower with railing and curtain

WC

- Ceramic WC
- Ceramic hand basin

Kitchen

- Stainless steel sink bench with Formica topped servery

Additional Features

- An open timber deck extends from the lunchroom and is behind a curved concrete wall

Level 2 – Western Side (Ipsos)

Kitchenette

- Stainless steel sink with Formica benchtop and servery

Female Bathroom

- Tiled floor and part walls
- 2 ceramic WCs
- 2 ceramic hand basins

Male Bathroom

- 2 ceramic WCs
- 2 ceramic urinals
- 2 ceramic hand basins
- Hand dryer
- Cleaners' cupboard off

Additional Bathrooms

- Ceramic hand basin
- Ceramic WC
- Linoleum floor

Additional Features

- Rear fire exit
- Closed tread concrete stairs on metal framing
- High risers

Level 2 – Eastern Side

Kitchen

- Stainless steel sink with vinyl topped servery
- Dishwasher, fridge and microwave recesses

Level 3 – Western Side (Ipsos)

Kitchen

- Stainless steel sink with vinyl benchtop and servery
- Dishwasher and microwave recesses

Level 3 – Eastern Side (Matrix Security)

Kitchen

- Stainless steel sink with vinyl benchtop
- Dishwasher and fridge recesses

Level 4 (SGS)

Male Bathroom

- 2 ceramic WCs
- 2 ceramic urinals
- 2 ceramic hand basins
- Hand dryer

Condition & Repair: Average to good, having had progressive ongoing maintenance.

Site Improvements: 2 dual width road crossings available from Rockridge Avenue with sealed and marked open parking around the full perimeter of the building. In some places this is both to the building and boundary side with a central drive. Additional covered and secure parking is provided on grade within the building footprint.

To the western side of the building is a single level lunchroom extension behind a ribbed concrete wall. At basement level is a back-up generator. The balance of the site has extensive boundary landscaping and gardens.

Reticulation of Services: Telephone, electricity, sewage, storm water and town water are all connected.

Heritage Status: We have not undertaken any formal heritage searches however the property is not notified on the District Plan. If any heritage issues are found to relate to the property, we reserve the right to review our valuation.

Environment Issues: We have proceeded on the basis that no known environmental issues exist that could affect the value of the property.

Building Warrant of Fitness: The building has a current Warrant of Fitness through to 7 August 2020.

Code Compliance: We assume all existing development on site has appropriate resource and building consent and has obtained Code Compliance Certification.

Seismic Rating: Assessed at 90% of New Building Standard by BECA.

Photos:

Southern elevation

North-eastern elevation

South-eastern elevation

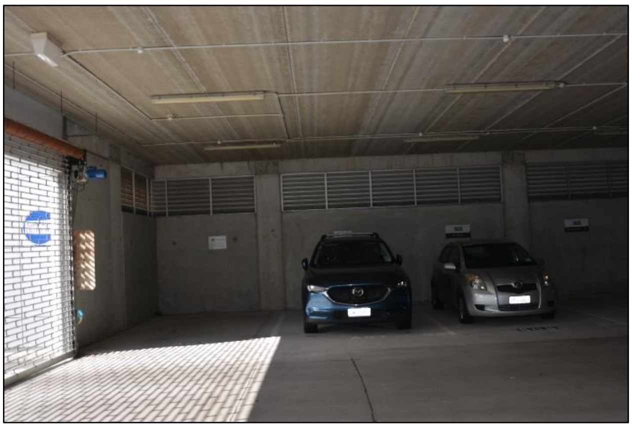
Southern carparking

Western carparking

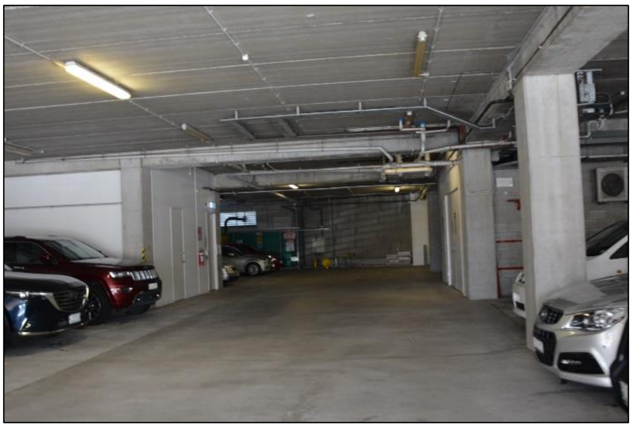
South-western elevation

Northern elevation

Secure carpark entrance

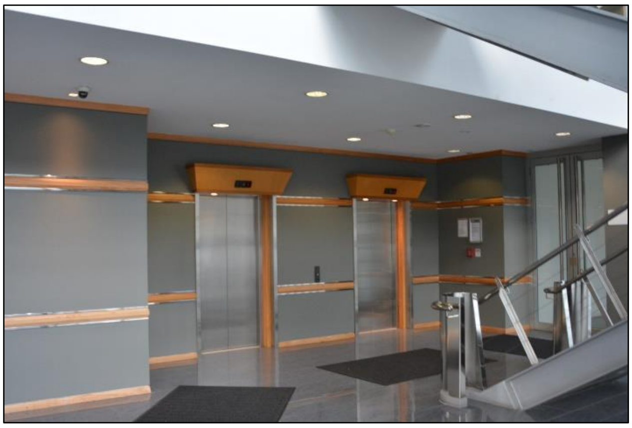


Secure carparking



Secure carparking

Fire hydrants



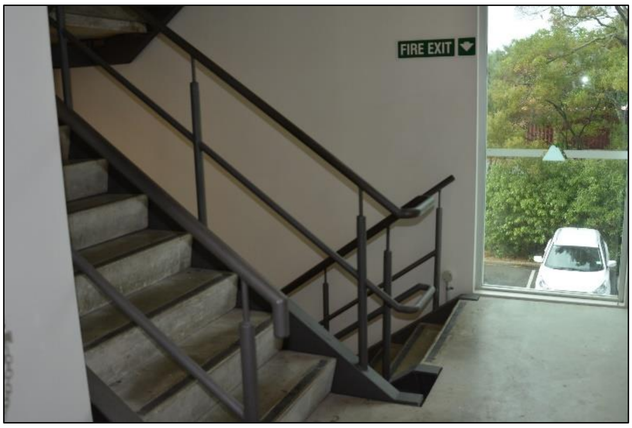
Entrance lobby and lift cars

Venting units

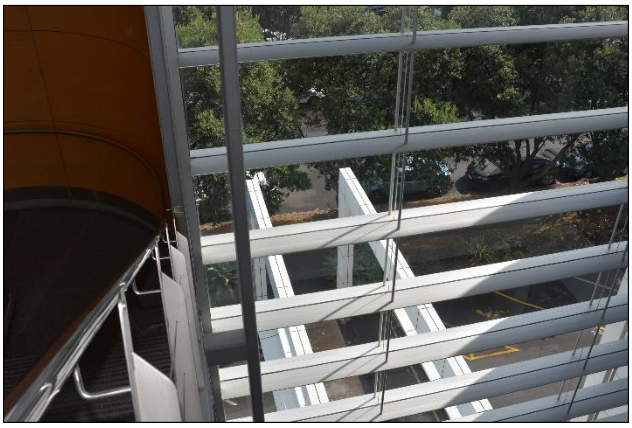
Cooling tower

Secondary stairs

View north-west towards One Tree Hill



Fire exit stair



Entrance roof

Back up generator

Stormwater system

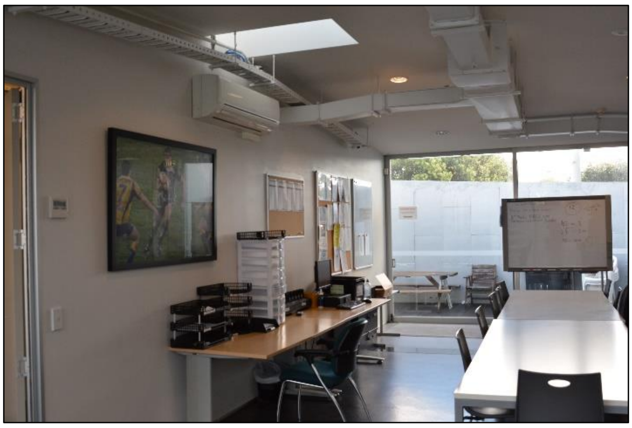
View to the south-west

Matrix Security Group Tenancy

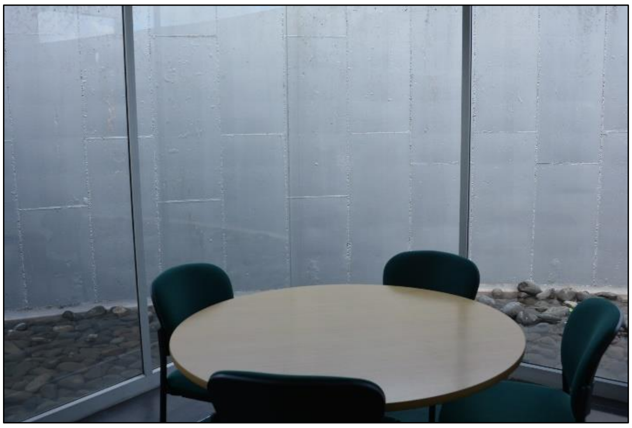
Entrance

Bathroom

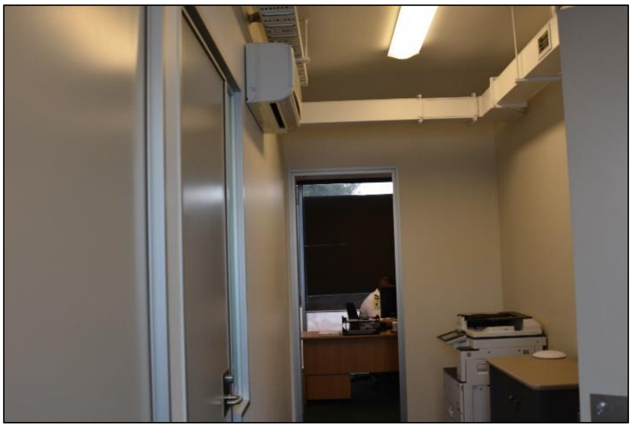
Bathroom



Office



Meeting room



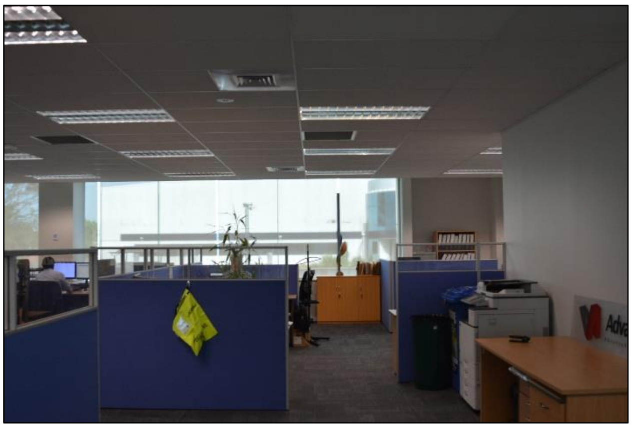
Office

Outdoor area

Kitchenette

Advance Retail Technology Tenancy

Entrance



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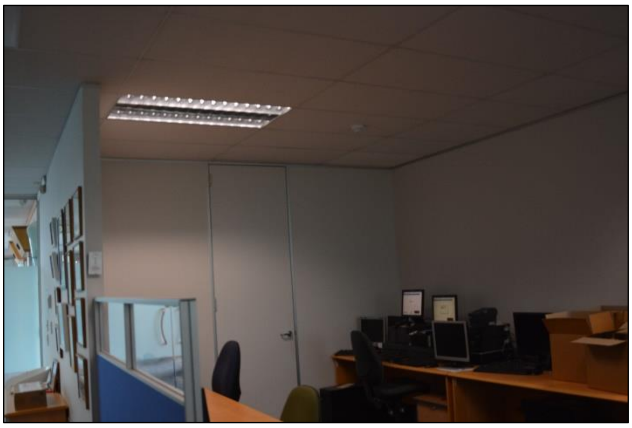
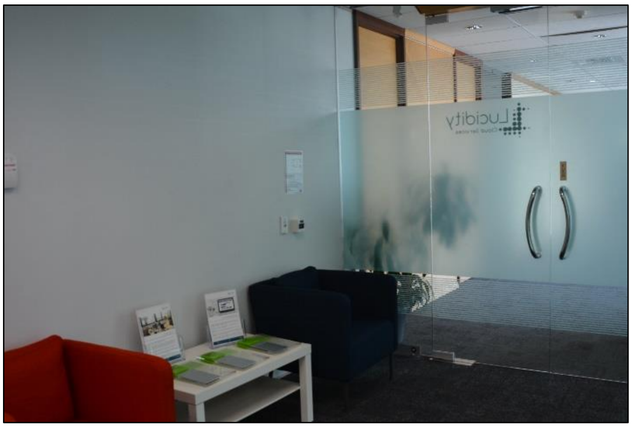


Office

Staff areas

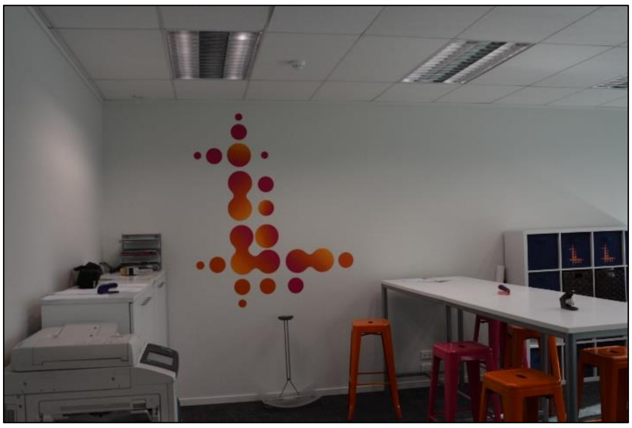
Kitchenette

Managed Hosted Applications Tenancy



Entrance

Office



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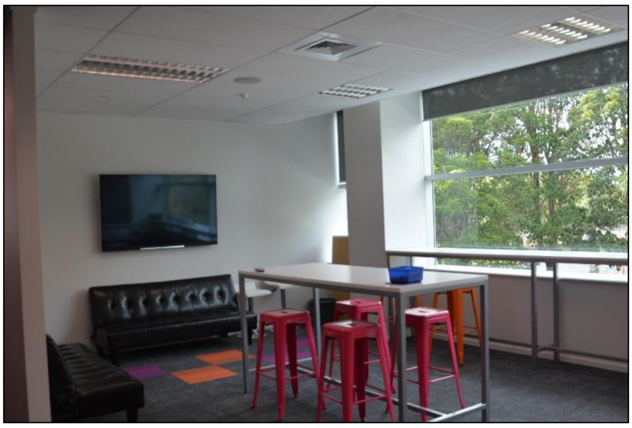
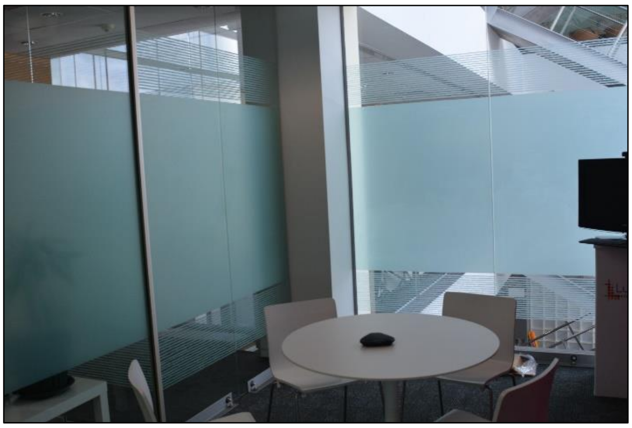


Staff area

Kitchenette

Bathroom

Bathroom

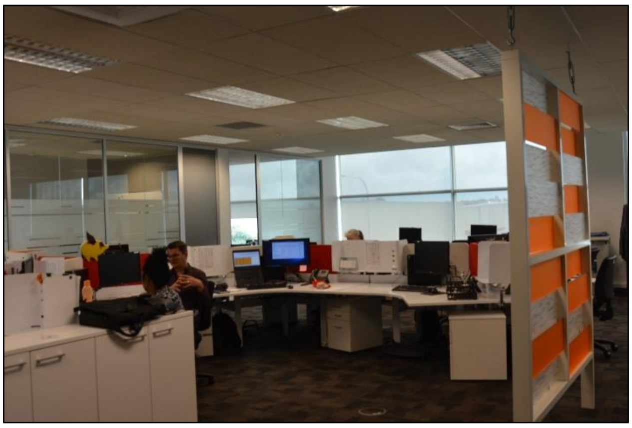


Meeting room

IPSOS Tenancy

Entrance

Reception and waiting area



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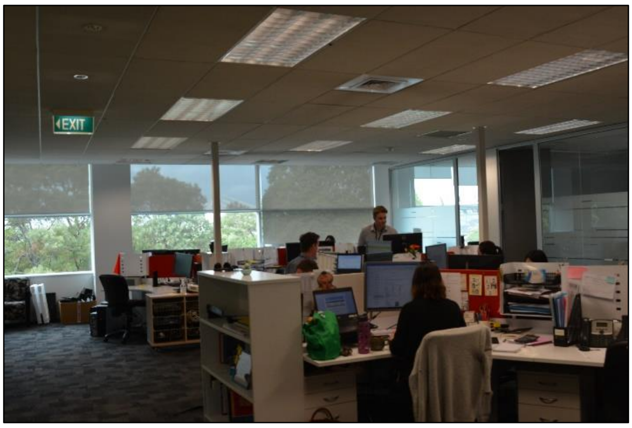


Office

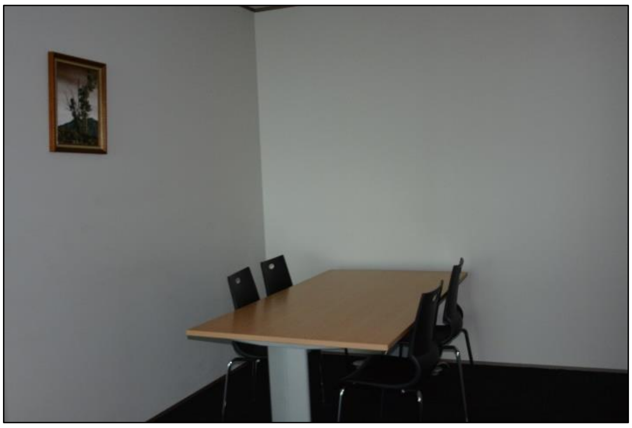
Kitchenette

Staff room

<u>**Matrix Security Group Tenancy – Level 4**</u>

Entrance

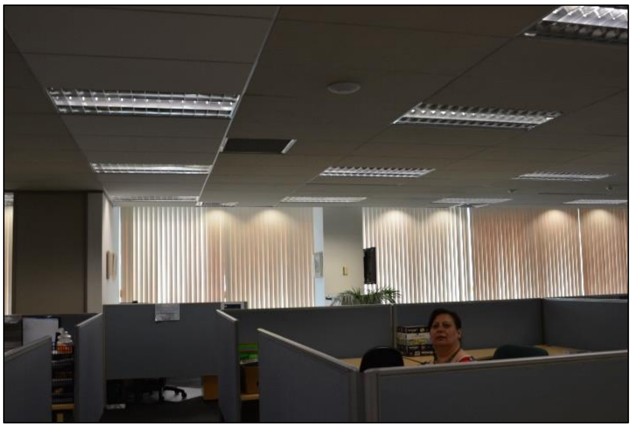
Reception and waiting area



Meeting room

Meeting room

Staff room and kitchen



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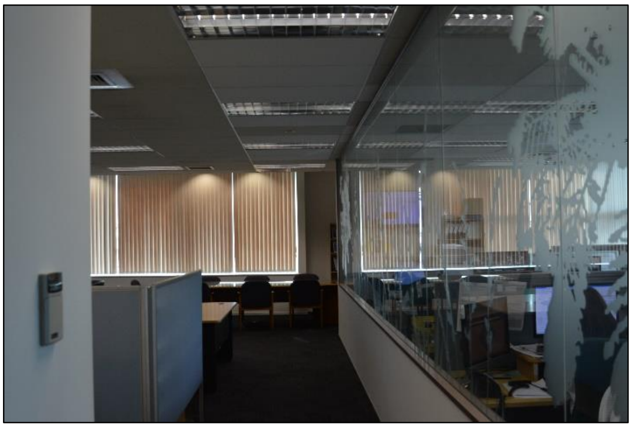
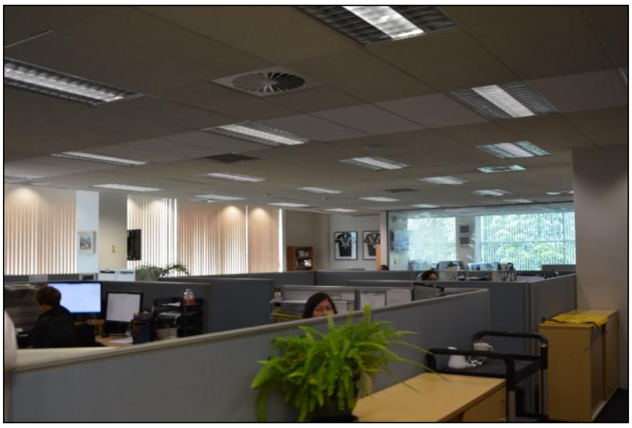


Office

Kitchenette

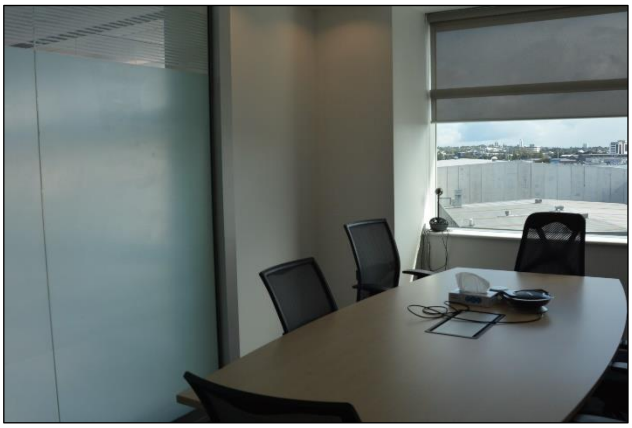


Office

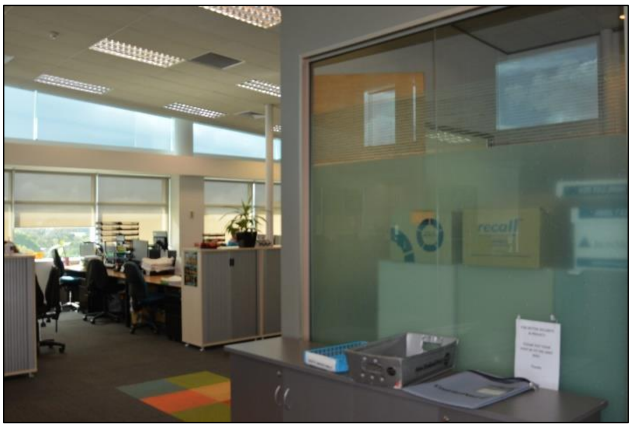
Bathroom

SGS New Zealand Tenancy

Reception



Meeting room



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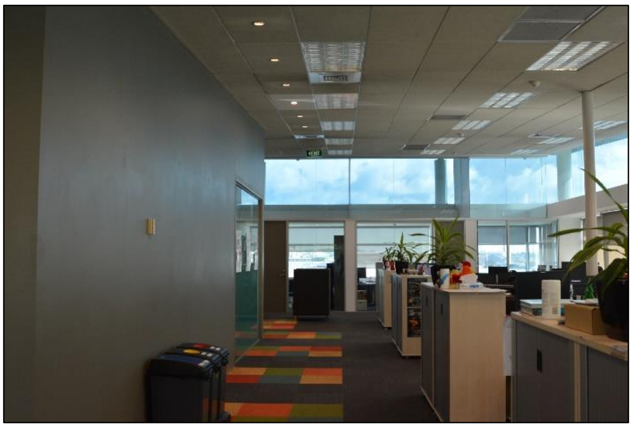

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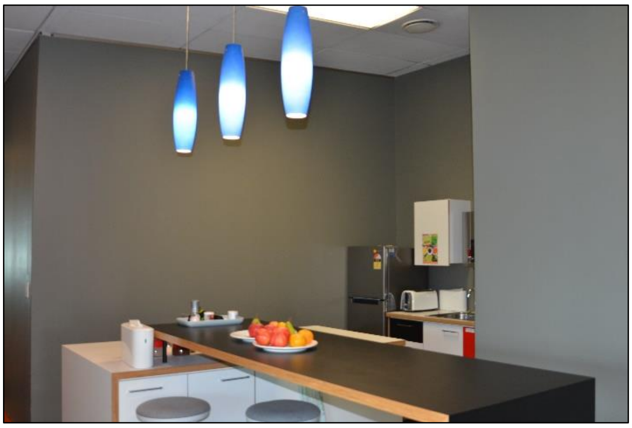


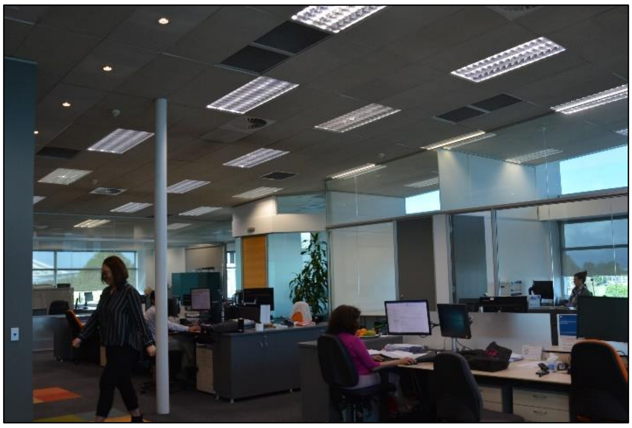
Kitchen and staff room

Second kitchen and staffroom


Meeting room

Bathroom


Bathroom


Office


Kitchenette


Bathroom

3. Occupancy Arrangements

3.1 Lease Summaries

Matrix Security

Deed of Lease dated 7 July 2011 – Part Level 1 and Part Level 3
Deed Recording Rent Review
Letter from Property Managers Group Re Rent Review Effective 18 August 2018

Landlord:	DNZ Property Fund Limited
Tenant:	Matrix Security Group Limited
Guarantor:	Scott Jonathon Carter and Asset Management Limited
Lease Format:	ADLS Fifth Edition 2008 (2)
Premises:	That part of the Landlord's building at 8 Rockridge Avenue, Penrose, Auckland comprising part level 1 (159.91sqm) and part level 3 (549.77sqm) as shown on attached plan.
Car Parks:	6 covered car parks and 24 uncovered car parks as designated by the Landlord from time to time.
Term:	6 years
Commencement Date:	18 August 2010
Rights of Renewal:	1 right of 6 years (10 months' notice required) **The Lease is renewed for a period of 6 years from 18 August 2016**
Renewal Dates:	18 August 2016
Final Expiry Date:	17 August 2022
Annual Rental:	Offices (Part level 1): $28,783.80 Offices (Part level 3): $109,954.00 Car parks (covered): $7,800.00 Car parks (uncovered): $24,960.00 Total: $171,497.80 plus GST **Offices (Part level 1): $33,206.00** **Offices (Part level 3): $123,698.00** **Car parks (covered): $8,580.00** **Car parks (uncovered): $28,080.00** **Total: $193,564.00 plus GST** The new Annual Rent from 18 August 2018 is set at $199,867.80 plus GST
Rent Review Dates:	On the second anniversary of the commencement date in accordance with clause 2.1 being the lesser of: i. Current market rent for the Premises ii. CPI Adjusted Rent.

	Annual rent payable from relevant rent review date shall not be less than the annual rent payable in the 12 months immediately preceding the relevant rent review date.
Proportion of Outgoings:	Pro rata
Improvements Rent Percentage:	12%
Business Use:	Commercial offices, security call centre, security guard operations area
Additional Clauses:	Clause 47 Early Termination by Tenant The Tenant may, on the 4th anniversary of the commencement date of the renewal term, terminate this Lease by giving the Landlord not less than 12 months' prior written notice of its intention to do so (time being of the essence).

Landlord's Fixtures & Fittings:

Item	Condition
All partitions & internal glazing – Levels 3 & 1	New
Kitchens Levels 3 & 1	New
Separate shower & toilet – Level 3	New
All flooring	New
Blinds and window decorations	New
Air conditioning & server room	New
Main building air conditioning	New
Date cabling	New
Boardroom & office furniture – Levels 3 & 1	New
Ceiling grid & tiles	Fair
Ceiling lighting	Fair
Fire	New

Managed Hosted Applications Limited

Agreement to Lease dated 8 April 2019

Landlord:	PMG Direct Office Fund Trustees Limited
Tenant:	Managed Hosted Applications Limited
Guarantor:	N/A
Lease Format:	ADLS Sixth Edition 2012 (5)
Premises:	Tenancy B on Level 2 of 8 Rockridge Avenue, Penrose, Auckland
Rentable Area:	541.48sqm inclusive of a pro rata share of the common areas on Level 2 of the Building
Car Parks:	10 uncovered car parking spaces
Term:	3 years
Commencement Date:	1 June 2019

Rights of Renewal:	N/A
Final Expiry Date:	N/A
Rent Review Dates:	N/A
Annual Rent:	Premises: $250 per sqm net: $135,370 per annum
	Car Parks: $30 per car per week: $15,600 per annum
Building Outgoings:	Outgoings will be payable by the Tenant form 1 May 2019, based on the percentage that the Rentable Area of the Premises bears to the total Rentable Area of the office space in the Building. Outgoings for the year ending 31 March 2020 are budgeted at $83.10 per sqm = $44,996.99 per annum.
Business Use:	Commercial offices
Tenant's Work & Landlord's Fitout Contribution:	The Landlord agrees to make a contribution of $25,800 plus GST to the cost of any Tenant's Work
Lease Incentive:	In consideration of the Tenant committing unconditionally to a lease of the Premises in accordance with the terms and conditions of this Agreement, the Landlord will provide a Lease Incentive with a value equivalent to $75,000 plus GST. The Lease Incentive will be in the form of a rent rebate to be applied equally over the Term of Lease, to be made on a monthly basis from the Lease Commencement Date and of 36 equal amounts.

<u>Advance Retail Technology (New Lease – Tenancy A)</u>

Agreement to Lease dated 14 January 2019

Landlord:	PMG Direct Office Fund Trustees Limited
Tenant:	Advance Retail Technology Limited
Guarantor:	3Q Holdings Limited
Lease Format:	ADLS Sixth Edition 2012 (5)
Premises:	Tenancy A on Level 2 of 8 Rockridge Avenue, Penrose, Auckland
Rentable Area:	440.52sqm inclusive of a pro rata share of the common areas on Level 2 of the Building
Car Parks:	20 uncovered and 2 covered car parking spaces
Term:	6 years
Access Date:	1 March 2019
Commencement Date:	1 month after the Access Date

Rights of Renewal:	1 additional term of 6 years, with a minimum of 12 months written notice required from the Tenant to exercise the Right of Renewal
Final Expiry Date:	1 day before the twelfth anniversary of the New Lease Commencement Date (if the Right of Renewal is exercised)
Annual Rent:	Premises: $250 per sqm net = $110,130 per annum Covered Car Parks: $35 per car per week Uncovered Car Parks: $30 per car per week
Rent Review Dates:	a) On each anniversary of the New Lease Commencement Date during the initial term and any renewal term, the Annual Rent for the new premises will increase by an amount equal to 3% of the Annual Rent payable for the 12 month period immediately preceding the date of the relevant Rent Review (excluding any Rent Holiday). b) On the Renewal Date, the Annual Rent will be reviewed in accordance with 14a) above or to the then current market rent of the premises, whichever is the greater.
Building Outgoings:	Payable by the Tenant from the New Lease Commencement Date, based on the percentage that the Rentable Area of the new premises bears to the total Rentable Area of the office space in the Building.
Business Use:	Commercial offices
Existing Lease:	The Tenant and the Landlord acknowledge and agree that the Existing Lease will expire on the date that is 1 day prior to the New Lease Commencement Date, and will not be renewed. As a term of this Agreement, the Landlord hereby agrees to waive the Tenant's obligation to redecorate the Existing Premises in accordance with clause 48 of the Existing Lease. The Tenant and the Landlord acknowledge and agree that the obligations of the Tenant and the Landlord under the Existing Lease will be considered as fully discharged on expiry of the Existing Lease unless written notice to the contrary is given by either the Tenant or the Landlord to the other prior to the New Lease Commencement Date.
Landlord's Work:	The Landlord will carry out certain works within the New Premises… by 28 February 2019 including: ▪ Construction of the full height gib and glass partitions, doors, etc required to form the layout of the New Premises; ▪ The reconfiguration of the existing light fittings and installation of new light switches to configure with the hard fitout; ▪ The provision of new power points (including wiring) as required to configure to the hard fitout, to include an allowance for up to 40 workstations in the open plan area; ▪ The reconfiguration of the existing air conditioning plant to the hard fitout, as required to provide fully air conditioned premises (excluding

any supplementary air conditioning that may be required to the boardroom and server/store room);
- The redecoration of all new partitions and doors within the New Premises, colours to be agreed with the Tenant.

Lease Incentive:	$75,000 plus GST granted by way of a rent-free period until 6 October 2019.

Agreement to Lease dated 2015 – Part Level 3
Email exchange effective 1 March 2018

Landlord:	Penrith Holdings Limited	
Tenant:	IPSOS Limited	
Guarantor:	Ipsos Asia Limited	
Premises:	Part level 3, 8 Rockridge Avenue, Auckland of approximately 447.38sqm as the shown on the attached plan, together with: a) 24 car parks in places designated by the Landlord from time to time; b) The right to use the Landlord's fixtures and fittings (if any) situated in the Premises; c) The right to use the common areas (as that term is defined in the Lease. **An additional 2 car parks were leased by way of a Lease Variation Letter of 27 February 2017**	
Term:	6 years	
Commencement Date:	1 August 2015	
Rights of Renewal:	1 right of 6 years – 12 months' notice required	
Final Expiry Date:	31 July 2021 unless renewed, then the Final Expiry Date shall be 31 July 2027	
Annual Rental:	Offices 447.38sqm @ $220 per sqm:	$98,423.60
	24 Car Parks @ $20 per car per week:	$24,960.00
	Total:	$123,383.60 plus GST
	1 additional Car Park @ $20 per week:	**$1,040.00**
	1 additional Car Park @ $25 per week:	**$1,300.00**
	Total:	**$125,723.00 plus GST**
	Offices 447.38sqm @ $235 per sqm:	$105,134.30
	24 Car Parks @ $27.50 per car per week:	$34,320.00
	2 stacked car parks @ $40 per car per week:	$2,080.00
	Total:	$141,534.50 plus GST
Market Review Dates:	1 August 2017 and 1 August 2019; and if renewed 1 August 2021 and 1 August 2023	

Proportion of Outgoings:	Pro rata
Business Use:	Commercial offices
Outgoings:	Estimated at $88 per sqm

Landlord's Fixtures & Fittings:

Item	Condition
Ceiling	Good
Carpet and floor coverings	New
Air conditioning	Good
Fire protection	Good
Partitions	Good
Lighting	Good

Lease Comment: The IPSOS review from 1 August 2019 is outstanding.

Deed of Lease dated 7 November 2015 – Level 4
Lease Variation Letter dated 27 February 2017
Deed of Rent Review dated 15 August 2019

Landlord:	Penrith Holdings Limited
Tenant:	SGS New Zealand Limited
Guarantor:	N/A
Lease Format:	Fifth Edition 2008 (2)
Premises:	Level 4, 8 Rockridge Avenue, Auckland, comprising approximately 969.12sqm as shown on the attached floor plan
Car Parks:	35 in places designated by the Landlord from time to time as shown on the attached car park plan **An additional 2 car parks were leased by way of Lease Variation Letter of 27 February 2017**
Term:	6 years and 3 months
Commencement Date:	1 November 2015
Rights of Renewal:	1 right of 6 years – 9 months' notice required
Renewal Dates:	1 February 2022
Final Expiry Date:	31 January 2028

Annual Rental:

Premises:	$222,897.60 plus GST
Premises from 1 November 2016:	$229,584.52 plus GST
Car Parks:	$37,700.00 plus GST
Car Parks from 1 November 2016:	$38,831 plus GST
Total:	$260,597.60 plus GST
Total from 1 November 2016:	$268,415.52 plus GST
2 additional Car Parks @ $25 per week:	**$2,600 plus GST**

	Total: **$271,015 plus GST**
	Effective from 1 February 2019:
	Premises: $255,146.00 plus GST
	5 Basement Car Parks: $ 9,620.00 plus GST
	32 External Car Parks: $ 54,912.00 plus GST
	Total: $319,678.00 plus GST
Rent Review Dates:	3% annual increases with market reviews 3 yearly subject to clause 47.1
	Annual rent payable from relevant rent review date shall not be less than the annual rent payable in the 12 months immediately preceding the relevant rent review date.
Proportion of Outgoings:	32.11%
Business Use:	Commercial offices
Additional Clauses:	Clause 47.1
	Market rent reviews are capped at 15%, except on the renewal date when any market review will be uncapped. The 15% cap shall apply to the compounded rent as at the market review date. Market review dates are 1 February 2019 (capped) and if renewed 1 February 2022 (no cap) and 1 February 2025 (capped)
Landlord's Fixtures & Fittings:	Item / Condition
	Ceiling: Good
	Carpet and floor coverings: New
	Partitions: Good
	Lighting: Good

Carpark Licenses

Carglass NZ Limited	3 uncovered car parks	@ $33	
(Smith & Smith)	7 covered car parks	@ $37	Total rent of $18,616 plus GST
Andre May	1 covered car parks	@$27	Total rent of $1,404 plus GST

Overall Lease Comment

We consider these leases are well drafted, clearly outlining the basis of the rent, and landlord's fixtures and fittings. They also provide between 9 and 12 months' notice of renewal, which provides certainty earlier than in many commercial situations.

Tenancies include a mix of local but established private companies such as Matrix Security Group through to international subsidiary companies such as SGS New Zealand Limited.

3.2 Outgoings

Budgeted outgoings, as provided by Property Managers Group to 31 March 2021, are summarised below.

Item	Actual 2019-20	Budgeted 2020-21	Adopted Outgoings $pa	$psm
Recoverable Expenses				
City Rates		55,926	53,905	17.34
Water Rates		11,750	11,750	3.78
Access Control PPM		3,940	3,940	1.27
Access Control R&M		1,200	1,200	0.39
Air Conditioning PPM		15,445	15,445	4.97
Air Conditioning R&M		4,000	4,000	1.29
Auto & Roller Door PPM		1,200	1,200	0.39
Auto & Roller Door R&M		1,200	1,200	0.39
BOWF Compliance		1,250	1,250	0.40
BOWF Compliance Consultancy		0	0	0.00
Carpark Maintenance		0	0	0.00
Cleaning Consumables & Hygiene		2,000	2,000	0.64
Cleaning Exterior Window & Building R&M		0	0	0.00
Cleaning Exterior Window & Building PPM		7,500	7,500	2.41
Cleaning Pest Control		1,930	1,930	0.62
Cleaning PPM		13,410	13,410	4.31
Cleaning R&M		0	0	0.00
Electrical PPM		7,200	7,200	2.32
Electrical R&M		4,000	4,000	1.29
Electrical - Common Area		21,000	21,000	6.76
Exterior Gardens PPM		6,450	6,450	2.08
Exterior Gardens R&M		0	0	0.00
Fire Arlam Monitoring		2,500	2,500	0.80
Fire PPM		2,950	2,950	0.95
Fire R&M		2,000	2,000	0.64
General R&M		6,000	6,000	1.93
Health & Safety		2,450	2,450	0.79
Hire of Plant & Equipment		0	0	0.00
Insurance Excess		0	0	0.00
Insurance Premiums		32,508	32,508	10.46
Insurance Valuation		0	0	0.00
Lift & Escalator PPM		9,820	9,820	3.16
Lift & Escalator R&M		0	0	0.00
Management Fees		30,000	30,000	9.65
Plumbing PPM		1,800	1,800	0.58
Plumbing R&M		3,000	3,000	0.97
Rubbish Removal		5,200	5,200	1.67
Security Callouts		300	300	0.10
Security PPM		0	0	0.00
			0	0.00
Non-Recoverable Expenses				
Ground Rental			0	0.00
Other Non-Recoverable Expenses			0	0.00
Total Recoverable Expenses	0	257,929	255,908	82.33
Non-Recoverable Expenses	0	0	0	0.00
Total Operating Expenses	**0**	**257,929**	**255,908**	**82.33**

The operating expense budget of $82.3 per sqm is relatively high in a suburban office environment, however not inconsistent with the overall quality of the building which features mechanical services including 2 lifts, a back-up generator, and comprehensive air-conditioning. Operating expenses can vary anywhere between $50 and $100 per sqm in suburban office environments, with variation reflecting individual specification of the property. Examples include operating expenses of $76 and $95 per sqm within the Millennium Office Park, and $84.89 per sqm for 205 Great South Road, Greenlane.

3.3 Analysis of Existing Rent

Our analysis of the existing contract rent is contained in the schedule below.

Tenant	Tenancy	Area	Passing Rent		Unrecovered Opex		Net Contract Rent	
		(sqm)	($pa)	($psm)	($pa)	($psm)	($pa)	($psm)
Tenancies								
Matrix Security Group Ltd	Level 1 (grd)	159.9	34,288	214.42	0	0.00	34,288	214.42
Managed Hosted Applications Ltd	Part Level 2	541.5	135,370	250.00	0	0.00	135,370	250.00
Advance Retail Technology Ltd	Part Level 2	440.5	110,130	250.00	0	0.00	110,130	250.00
Matrix Security Group Ltd	Part Level 3	549.8	127,728	232.33	0	0.00	127,728	232.33
IPSOS Limited	Part Level 3	447.4	105,134	235.00	0	0.00	105,134	235.00
SGS New Zealand Limited	Level 4	969.1	262,800	271.17	0	0.00	262,800	271.17
Total		**3,108.2**	**775,450**	**249.49**	**0**	**0.00**	**775,450**	**249.49**

Ten. No.	Tenant	Car Parks	Contract Rent ($pa)	($pcpw)
Leased Parks				
1	Matrix Security Group Ltd	6	8,861	28.40
2	Managed Hosted Applications Ltd	14	21,840	30.00
3	Advance Retail Technology Ltd	22	34,840	30.45
1	Matrix Security Group Ltd	24	28,991	23.23
4	IPSOS Limited	26	36,400	26.92
5	SGS New Zealand Limited	37	66,467	34.55
Licensed Parks - Building Tenants				
5	SGS New Zealand Limited	2	3,536	34.00
Licensed Parks - Non-Building Tenants				
1001	Carglass NZ Limited	10	18,616	35.80
1002	Andre May	1	1,404	27.00
1004	Contractor Car Parks	2	3,120	30.00
1005	Accessible Car Parks	1	0	0.00
Vacant Car Parks				
	Vacant Carparks	--	0	0.00
Total		**145**	**224,075**	**29.72**

Rent Summary	Contract Rent
Premises	775,450
Carparks	224,075
Annual Rent	**999,525**

This is our own analysis of the rental which may have been agreed differently between the parties.

3.4 Capital Expenditure

Property Managers Group commissioned Telco to provide a Building Services Condition Assessment Report in November 2017. The report confirms that much of the electrical, fire protection and mechanical services remain in functional condition although some are close to reaching their economic life. They provided a capital expenditure schedule which we summarise as follows:

Item	Item Cost	Planned Spend Date	Time from Val Date
Telco recommendation	$184,969	Nov-20	8 mths
Telco recommendation	$270,469	Mar-21	12 mths
Total Planned Expenditure	$455,438		

These amounts have been adjusted for the replacement cost of four air-conditioning units since mid-2018 of $85,000 each as per this plan. In addition we have made an allowance for capital expenditure of 3% of net income p.a.

4. Rental Evidence

An integral part of assessing an investment approach to value is assessing the relativity of the contract rent with the prevailing market rent, or in the situation where the premises is vacant, a probable market rent. A selection of these is contained in the following schedule:

Address	Tenant	Tenancy	NLA	Rent	Annual Rent	Date Type	Term
650 Great South Road	Kāhui Tū Kaha	Pt GF Office	468	$285.00	$133,443	Aug-19	6 yrs, 2*3 RoR
Greenlane		Pt Level 2 Office	833	$259.56	$216,284	NL, Net	Ann. Indexed 2.0%/Market on renewal
		Net Premises Rent	1301	$268.71	$349,727		
		Car Parks	50	$46.40	$120,640		
		Annual Rent			**$470,367**		
626 Great South Rd	Telarc	pt L2 Office	368.2	$295.00	$108,610	01-Jul-19	2 yrs, no incentive
Ellerlsie		Budgeted Opex	368.2	$94.62	$34,836	NL, Net	2% p.a fixed reviews
		TOC - Premises	**368.2**	**$389.62**	**$143,446**		
		Open carparks	10	$50.00	$26,000		
600-604 Great South Rd	Broadspectrum	pt L2 Office	880.0	$290.00	$255,200	01-Jul-18	7 yrs
Building C, Millenium II		Budgeted Opex	880.0	$82.09	$72,239	NL, Net	10 mths net rent free
Greenlane		**TOC - Premises**	**880.0**	**$372.09**	**$327,439**		3% p.a fixed reviews
		Car parks	10	$50.00	$26,000		
600-604 Great South Rd	Endace	pt L1 Office	383.0	$300.00	$114,900	01-Mar-19	3 yrs
Building C, Millenium I		Budgeted Opex	383.0	$94.50	$36,194	NL, Net	4.5 mths net rent free
Greenlane		**TOC - Premises**	**383.0**	**$394.50**	**$151,094**		3% p.a fixed reviews
		Car parks	13	$55.00	$37,180		
600-604 Great South Rd	NZ Streamland Honey	pt Grd Retail/Office	207.0	$315.00	$65,205	25-Mar-19	3 yrs
Tellow HQ, Millenium Centre		Budgeted Opex	207.0	$95.38	$19,744	NL, Net	4.5 mths net rent free
Greenlane		**TOC - Premises**	**207.0**	**$410.38**	**$84,949**		3% p.a fixed reviews
		Car parks	5	$55.00	$14,300		
600-604 Great South Rd	Wise Group	pt Grd Office	764.0	$300.00	$229,200	10-May-18	6 yrs
Building B, Millenium II		Budgeted Opex	764.0	$80.00	$61,120	NL, Net	6 mths net rent free
Greenlane		**TOC - Premises**	**764.0**	**$380.00**	**$290,320**		3% p.a fixed reviews
		Car parks	7	$55.00	$20,020		
95 Ascot Ave	Loan Market	pt L1 Office	431.0	$335.00	$144,385	01-Feb-18	6 yrs
Ellerslie		Budgeted Opex	431.0	$80.00	$34,480	NL, Net	4 mths net rent free
		TOC - Premises	**431.0**	**$415.00**	**$178,865**		3% p.a fixed reviews
		Car parks	13	$55.00	$37,180		
57 Market Rd	AIA International	L1 Office	820.1	$310.00	$254,225	01-Oct-18	6 yrs, 1*2yr RoR
Remuera		Signage			$15,000	NL, Net	Incentives not disclosed
		Car parks	12	$50.00	$31,200		2.5% p.a fixed reviews
		Net Rental			**$300,425**		
2 Robert St	Westferry Property Services	Ground Floor	324.86	$285.00	$92,585	01-Apr-19	8 yrs, no renewal
Ellerslie		Opex	324.86	$67.07	$21,788	NL, Net	2.75% p.a for 1st 3 yrs, 4th & 6th anniv to market
		Gross Premises Rent	**324.9**	**$352.07**	**$114,373**		3 mth rent free,
		Carparks	9	$33.00	$15,444		Landlord works incl carpet, lighting, a/c
		Net Contract Rent			**$108,029**		

650 Great South Road, Ellerslie. Kāhui Tū Kaha have committed to a new lease for part Ground floor and part Level 2 of 650 Great South Road Building from August 2019. The lease provides 2 rights of renewal of 3 years, fixed annual rent reviews at 2% with market reviews upon renewal. The leases analysed to **$285 per sqm** for the ground floor offices, **$260 per sqm** for level 1 space and **$46.4 per car per week** on average for 50 carparks which is a mixture of open, covered/stacked and covered/secured carparks. Superior profile.

626 Great South Road, Ellerslie. Telarc occupy part Level 2 of this modernised 1980's building under a 2-year lease from 1 July 2019. The contract rent was agreed at **$295 per sqm** with budgeted operating expenses of **$94.62 per sqm** giving a total occupancy cost for the premises of **$389.62 per sqm**. In addition, 10 open car parks are leased for **$50 per park per week**. The lease provides for annual 2% rent increases, with no incentive paid.

Part Level 2 of Building C in Millennium 2 at **600-604 Great South Road, Ellerslie** was leased to Broadspectrum for a 7-year term from 1 July 2018. The contract rent was agreed at **$290 per sqm** with budgeted operating expenses at **$82.09 per sqm** providing a total occupancy cost for the premises of **$372.09 per sqm**. In addition, 10 car parks were leased for **$50 per park per week**. The tenant received 10 months rent free, with rent reviews annually and fixed at 3%.

Endace lease **part Level 1 of Building C in Millennium 2** under a 3-year term from 1 March 2019. The contract rent was agreed at **$300 per sqm**, with budgeted operating expenses at **$94.50 per sqm** providing a total occupancy cost for the premises of **$394.50 per sqm**. In addition, 13 covered and secure car parks were leased at **$55 per park per week**. This is a 3-year lease with 4.5 months' rent-free provided. Fixed annual rent increases are set at 3%.

NZ Streamland Honey lease a ground floor tenancy of the **Yellow** building in the **Millennium Centre**. This is situated to the southern end of the development with frontage to Great South Road. The rental was agreed at **$315 per sqm**, with budgeted operating expenses at **$95.38 per sqm** providing a total occupancy cost for the premises of **$410.38 per sqm**. In addition, 5 car parks are leased at **$55 per park per week**. This was a 3-year Lease with the tenant receiving 4.5 months' rent free. The Lease provides 3% fixed annual reviews.

Wise Group lease part ground floor of **Building B in Millennium 2** under a 6-year Lease from 10 May 2018. The 764sqm office was leased for **$300 per sqm**, with budgeted operating expenses at **$80 per sqm** providing a total occupancy cost for the premises of **$380 per sqm**. In addition, 7 car parks are leased at **$55 per park per week**. The tenant received 6 months' rent free with annual rent reviews fixed at 3%.

95 Ascot Avenue, Ellerslie. Loan Market lease part Level 1 in the Ascot Office Park under a 6-year term from 1 February 2018. The office tenancy of 431sqm was agreed at **$335 per sqm** which is inclusive of signage rights. Budgeted operating expenses are **$80 per sqm** providing a total occupancy cost of **$415 per sqm**. In addition, 13 car parks were leased at **$55 per park per week**. This is for a 6-year term with 4 months' rent free and 3% annual fixed increases.

57 Market Road, Remuera. Level 1 of this freestanding office building was leased to AIA International for a 6-year term from 1 October 2018. This is an 820sqm tenancy with the rent agreed at **$310 per sqm**, while signage was agreed at **$15,000 per annum** in addition. 12 car parks were leased at **$50 per park per week**. The Lease provides for one 2 year right of renewal and 2% annual fixed increases. Incentives were not disclosed.

2 Robert Street, Ellerslie. Westferry Property Services committed to a 324.86sqm ground floor tenancy from 1 April 2019. This is an 8-year lease with no rights of renewal with the annual rent increasing by 2.75% for the first 3 years. Market reviews are on the fourth and sixth anniversary of the commencement. Budgeted operating expenses are $67 per sqm, providing a total occupancy cost of **$352 per sqm**. In addition, 9 open car parks are leased at **$33 per car per week.** This is a side street location although offers some profile from the motorway overbridge.

4.1 Office Rent Summary

From the above information, prevailing market rents for similar quality accommodation in the southern corridor generally range between $220 and $300 per sqm. Variance generally arises due to the age and condition of the building with Millennium 2 being a newer development and achieving around $300 per sqm contract rent. By comparison older space in Central Park achieves upwards of $230 per sqm, and modernised Southern Corridor rents generally achieve between $245 and $260 per sqm.

Existing prevailing rents in the subject building generally range between $215 and $271 per sqm. We consider these representatives of the market for the comfortable standard of accommodation provided, but also at the lower end of what would be likely if the building was in a Great South Road, Ellerslie location. Consequently, we consider the differential between these two areas provides a genuine incentive for more rent sensitive businesses where they obtain comfortable accommodation at realistic market rents. Accordingly, we have adopted market rents of between **$220 and $265 per sqm** for the office accommodation. That also sits at approximately 65% - 70% of prevailing net rentals in Newmarket.

Car Parks

From the evidence, car parks currently range between $25 and $57 per car per week, with higher rents generally in the office parks where there is significant demand for spaces. 8 Rockridge Avenue has a favourable car park ratio of 1 space per 22.5sqm which we consider, particularly in the current market, to be grounds for overall occupier demand. Consequently, we have adopted market rents for the open unsecure car parks at **$30 per car per week, $32.50 per car per week** for the covered unsecure spaces; and **$35 per car per week** for covered secure spaces.

Some licensed car park income such as the recent Carglass Limited deals have recently achieved $33 to $37 per car per week.

<u>Signage</u>

In this situation we do not believe a separate signage rent is justified, reflecting the no-exit location of the building.

<u>Other Income</u>

We are not aware of income from any other sources such as telecommunications, utilities and the like.

4.2 Incentives

Incentives remain available in the immediate office market, particularly where building refurbishment has occurred, and higher contract rents are expected.

Incentives will vary depending on a number of factors including the time a tenancy has been vacant, the current condition of the tenancy, and whether significant capital expenditure or refurbishment has been incurred. There are vacancy levels within the southern corridor including the Millennium Centre and Central Park. These properties are currently owned by Oyster Management or related entities. However, with these 2 major assets and a number of other office buildings, the southern corridor does remain a competitive office and occupier location. Accordingly, we have adopted an incentive equivalent of 1 month per 1 year of lease term certain.

4.3 Market Rent Assessment

Based on our commentary above we provide our assessment of market rent and compare this to the prevailing contract rent in the tables below.

Tenant	Tenancy	Area	Passing Rent		Unrecovered Opex		Net Contract Rent		Net Market Rent	
		(sqm)	($pa)	($psm)	($pa)	($psm)	($pa)	($psm)	($pa)	($psm)
Tenancies										
Matrix Security Group Ltd	Level 1 (grd)	159.9	34,288	214.42	0	0.00	34,288	214.42	35,180	220.00
Managed Hosted Applications Ltd	Part Level 2	541.5	135,370	250.00	0	0.00	135,370	250.00	135,370	250.00
Advance Retail Technology Ltd	Part Level 2	440.5	110,130	250.00	0	0.00	110,130	250.00	110,130	250.00
Matrix Security Group Ltd	Part Level 3	549.8	127,728	232.33	0	0.00	127,728	232.33	137,443	250.00
IPSOS Limited	Part Level 3	447.4	105,134	235.00	0	0.00	105,134	235.00	111,845	250.00
SGS New Zealand Limited	Level 4	969.1	262,800	271.17	0	0.00	262,800	271.17	256,817	265.00
Total		**3,108.2**	**775,450**	**249.49**	**0**	**0.00**	**775,450**	**249.49**	**786,785**	**253.13**

Ten. No.	Tenant	Car Parks	Contract Rent ($pa)	Contract Rent ($pcpw)	Market Rent ($pa)	Market Rent ($pcpw)
Leased Parks						
1	Matrix Security Group Ltd	6	8,861	28.40	10,920	35.00
2	Managed Hosted Applications Ltd	14	21,840	30.00	21,840	30.00
3	Advance Retail Technology Ltd	22	34,840	30.45	34,840	30.45
1	Matrix Security Group Ltd	24	28,991	23.23	37,440	30.00
4	IPSOS Limited	26	36,400	26.92	40,560	30.00
5	SGS New Zealand Limited	37	66,467	34.55	59,020	30.68
Licensed Parks - Building Tenants						
5	SGS New Zealand Limited	2	3,536	34.00	3,120	30.00
Licensed Parks - Non-Building Tenants						
1001	Carglass NZ Limited	10	18,616	35.80	17,420	33.50
1002	Andre May	1	1,404	27.00	1,560	30.00
1004	Contractor Car Parks	2	3,120	30.00	3,120	30.00
1005	Accessible Car Parks	1	0	0.00	1,560	30.00
Vacant Car Parks						
	Vacant Carparks	--	0	0.00	0	0.00
Total		**145**	**224,075**	**29.72**	**231,400**	**30.69**

Rent Summary	Contract Rent	Market Rent
Premises	775,450	786,785
Carparks	224,075	231,400
Annual Rent	**999,525**	**1,018,185**
Market Rent on Vacant Premises	0	0
Market Rent on Vacant Cars	0	0
Annual Rent	**999,525**	**1,018,185**

Accordingly, we consider the existing contract rent for the property is realistic and supported by the market. The casual car park rents are slightly above market reflecting the short term nature of the occupation. Those tenancies can be cancelled with 1 month's notice.

5. Sales Evidence

In establishing our opinion of value, we have had regard to the following office investment sales.

Address	Sale Date	Price	GLA (sqm)	Site (sqm)	Initial Yield	WALT	Price /NLA	Price psm NLA excl Carparks
17 Ronwood Avenue Manukau	Mar-20	Confidential	3,438	4,070	6.50%	5.67 yrs		
92 Hugo Johnston Dr Penrose	Mar-20	$5,345,000	1,415	3,181	4.64%	5.74 yrs	$3,777	
25 Broadway Newmarket	Feb-20	$19,450,000	2,345	736	5.88%	3.40 yrs	$8,294	$7,591
Unit A & I, 49 Main Highway Ellerslie	Dec-19	$17,000,000	4,910	Strata	6.96%	Vacant	$3,462	$2,685
323 Great South Rd Ellerslie	Jun-19	$20,630,000	3,566	4,129	5.99%	5.48 yrs	$5,785	$4,457
57 Market Rd Remuera	Jun-19	$11,650,000	1,646	2,147	5.80%	5.70 yrs	$7,079	$5,501
Unit B, 65 Main Highway Ellerslie	Jan-19	$21,743,000	4,588	Strata	6.81%	4.19 yrs	$4,739	$3,642
5-7 Kingdon St Newmarket	Dec-18	$19,750,000	4,710	1,191	7.49%	2.23 yrs	$4,193	$3,637
626 Great South Rd Ellerslie	Nov-18	$11,600,000	2,647	2,878	6.85%	2.43 yrs	$4,382	$3,429
4E Pacific Rise Mt Wellington	Nov-18	$3,150,000	820	strata	6.1%		$3,841	$2,670
22 Amersham Way Manukau	Sep-18	$7,800,000	2,874	854	5.40%	1.72 yrs	$2,714	$2,714
5 Broadway Newmarket	Oct-18	$6,750,000	770	819	4.52%	3.68 yrs	$8,763	$7,103
205 Great South Road Greenlane	Aug-18	$17,525,000	3,974	3,294	7.27%	2.18 yrs	$4,410	$3,609
15 Lambie Drive Manukau	Dec-17	$10,700,000	2,511	7,068	6.90%	6.00 yrs	$4,261	$3,570

5.1 Sales Comment

17 Ronwood Avenue, Manukau sold in March 2020. Whilst aware of the details these were provided in confidence, although we can confirm the sale showed a net initial yield of circa **6.5%** on a weighted average lease term of 5.67 years. Built in 2008, the property comprises a 3,438sqm commercial office building with an A-grade seismic rating of 100% IEP, on a 4,070sqm Business – Metropolitan Centre zoned site, that extends over 3 floors, with 65 secured covered/uncovered carparks and 22 open car parking spaces. At the time of sale, the property was leased to ASB Bank generating some $1,186,886.92 net per annum.

92 Hugo Johnston Drive, Penrose sold March 2020 for **$5,345,000** which reflected an initial yield of **4.65%**. The property comprises a late 1980's building providing 990sqm of ground and first floor office which represents 70% of the rentable area, and 425sqm of 6.6m – 7.0m stud warehouse. The property is leased to Cushman and Wakefield for 10 years from 1 December 2015 at a net annual rental of $248,000 plus GST, increasing to $260,000 plus GST in December 2020. Two 5 year renewals are available, each with a market review. No other reviews are available, and the lease does not separately charge for the 40 car parks. The average contract rent represented **$175.26 per sqm** which is inclusive of any carparking. Although having site coverage of approximately 29%, various water, gas, telephone, and electronic communication easements extend some 13m from the Hugo Johnston Drive frontage and 8m from the Autumn Place frontage.

25 Broadway, Newmarket sold in February 2020 for **$19,450,000.** The property comprises a 7 level 1980's retail/office building providing 1 level of basement and part Level 1 carparking, ground floor retail, with the balance of space office. Net annual income from 100% occupation was some $1,144,000 plus GST at average rents of $337 per sqm for retail, $359 per sqm for office and $56.50 per week for car parking. Net income split saw 72.6% from office/retail, 8.5% from car parks and 18.9% from billboard and cell tower sources. The rentable area was 2,420sqm with 33 car parks. The property adjoins Mercury Energy Headquarters with strong views from upper levels. Our analysis of the sale shows an initial yield of **5.88%, $8,294 per sqm** on a combined land and buildings basis and **$7,562 per sqm** on a combined land and buildings basis excluding the value of car parks. Our analysis also indicates an internal rate of return of **7.25%.**

Unit A&I, 49 Main Highway, Ellerslie sold together in December 2019 for **$17,000,000**. The interlinked 49A (Unit I) & 49B (Unit A) Main Highway buildings comprise contemporary style office accommodation with Unit A developed in 2006 along with extending and upgrading of the original factory/warehouse and offices which date from the 1960s-1970s. The property provides some 5,232sqm of rentable area inclusive of decks (or 4,910sqm exclusive of decks) and 137 car parks. The property is currently generating contract income of some $1,182,575 per annum and is 89.4% occupied by NLA. The sale results in an initial yield of **6.96%** and analyses to **$3,462 per sqm** on a land and buildings basis. Strata title units.

323 Great South Road, Ellerslie sold in November 2017 for **$10,500,000.** This is a mid 1980's commercial office building providing covered and secure basement/ground level carparking, with two above office floors of some 1,818sqm and 1,617sqm rentable area respectively. The property has 96 car parks at a comfortable ratio of one space per 35.8sqm. Average office rent for that space is **$220 per sqm** and car parks **$40 per park per week**, both of which are considered competitive. Current net income is some $512,000 p.a. although existing vacancy of some 45% NLA sees an element of non-recovered outgoings dilute net income. The sale results in an initial yield of **3.56%** and analyses to **$2,945 per sqm** on a land and buildings basis. A slightly indistinctive commercial office building, although well located to public transport and key arterial routes, in a northern southern corridor office location close to the Harp of Erin, Ellerslie, Auckland.

57 Market Road, Remuera sold July 2019 for **$11,650,000** representing an initial yield of **5.8%** on a weighted average lease term of 5.7 years. The property provides a rentable area of some 1,646sqm and 59 on-site car parks. It occupies a visible location adjacent to the Remuera train station, albeit in a less recognised office location. The sale price also represents **$7,079 per sqm** of rentable area or **$5,501 per sqm** of rentable area excluding the value of car parks. We understand solid interest was received during the marketing campaign with an initial yield spread between 5.8% and 6.5%.

65B Main Highway, Ellerslie sold in January 2019 for **$21,743,000** which represented an initial yield of **6.81%**, **$4,739 per sqm** of rentable area, and **$3,641 per sqm** of rentable area excluding car parks. A 2013 completed development comprising 4 levels of above ground office and 3 levels of basement parking. 65B Main Highway is one of two similar buildings held by way of stratum in freehold title on a 4,780sqm Business – Mixed Use zoned parent site. At the time of sale, the property was 100% occupied, generating net income of $1,480,456 plus GST at an average net contract rent of **$248 per sqm** for the office, and **$42.80 per park per week** for 154 leased or licensed car parks. Additional income could be generated from 35 vacant car parks.

The offices were 100% occupied by 3 tenants including the Ministry of Justice through to July 2027 and the Ministry of Social Development through to February 2020. An expenditure requirement of $500,000 for the Ministry of Justice tenancy was outstanding, as was a $300,000 share of emergency exit seismic upgrading.

5-7 Kingdon Street, Newmarket sold in December 2018 for **$19,750,000**. A mid 1980's office building with 7 above ground floors including Ground Floor retail, Level 1 carparking, and Levels 2-7 office accommodation. The property occupies a 1,191sqm Business - Metropolitan Centre zoned site with a 32m height limit, and frontage to both Kingdon and Suiter Street. The property has a rentable area of 4,710sqm with 62 car parks, at a ratio of one per 76sqm NLA. The average contract office rent was **$269 per sqm**, and average car park rent **$61 per week**. Set back from its Kingdon Street frontage and potentially offering alternate use options or refurbishment. Selective plant had been replaced including air-conditioning.

626 Great South Road, Greenlane re-sold in November 2018 for **$11,600,000** which represented an initial yield of **6.85%**, **$4,382 per sqm** of rentable area, or **$3,428 per sqm** of rentable area excluding the value of car parks. This was the re-sale of a mid 1980's office building for $1,000,000 more than the September 2018 transaction. The improvements provide a rentable area of 2,647sqm and 90 generally open car parks. The property was 100% leased to 4 office tenants at an average contract rent of **$226 per sqm**, and an average car park rent of **$36.94 per park per week**. The property has a favourable car park ratio of one space per 29.4sqm. Additional income of $22,587 per annum was generated from 2 telecommunications licences.


22 Amersham Way, Manukau sold in September 2018 for **$7,800,000** which represented an initial yield of **5.4%**, but an equivalent yield of **7.8%** if market rent was achieved on 27% vacant floor space at the time. This is a 4 level 1990's office building with a rentable area of 2,870sqm and 7 covered car parks. At the time of sale, there were 4 tenancies plus a vacant top floor, although that had been upgraded. Ministry of Justice occupy the Ground Floor and part Level 1 on gross leases. The average office rent was **$223 per sqm** on the occupied space. The sale also represented **$2,714 per sqm** of lettable area and had a weighted average lease term (WALT) on occupied space of 2.4 years. It was acquired by an adjoining owner.

5 Broadway, Newmarket sold in August 2016 for **$5,100,000** and re-sold in October 2018 for **$6,750,000**. A compact and modernised 1980's office property providing 770sqm ground and Level 1 accommodation, plus 19 open and basement parking spaces. The purchaser already owned 1 and 3 Broadway providing a combined land holding of 3,464sqm. Two tenancies produce an indexed net contract income of $304,920 p.a. at an average office rent of **$320 per sqm**, and average car park rent of **$58.50 per park per week**. Access is via a right of way onto George Street. The latest sale represented an initial yield of **4.5%** and **$8,676 per sqm** on a combined land and buildings basis.

205 Great South Road, Greenlane sold August 2018 for **$17,525,000** following an on-market campaign. The sale price represented an initial yield of **7.27%**, **$4,410 per sqm** of rentable area and **$3,609 per sqm** of rentable area excluding the value of car parks. A 4-level commercial building extended and modernised in 2002 providing ground floor retail, Level 1 covered parking and Level 2 and 3 office. 100% leased at time of sale to 6 tenants and 7 leases, of which 4 were gross. Gross income of $1,611,195 reduced to $1,273,840 after allowing for non-recoverable outgoings. Average net office rental of $235 per sqm. 120 car parks at a favourable ration of 1 per 33sqm.

15 Lambie Drive, Manukau sold in December 2017 for **$10,700,000**. Built in the mid-2000s, the property comprises a 2,511sqm commercial office building with an A-grade seismic rating of 115% IEP, on a 7,068sqm Business - Light Industrial zoned site, that extends over 2 floors, with 92 on grade car parking spaces. The building is primarily used as a Vodafone call centre on the upper floor, with offices and equipment on the ground floor. At the time of sale, the property was generating some $737,767 net per annum. The sale price represents $4,261 per sqm on a combined land and buildings basis and an initial yield of **6.9%**. Larger, Manukau location, modernised.

5.2 Valuation Considerations

Initial yields have ranged anywhere between 5% and 8% for suburban office properties over the past 12 to 18 months, and typically between $4,000 and $5,000 per sqm on a combined land and buildings basis. The most recent transaction at 17 Ronwood Avenue at circa 6.5% yield. This is arguably a comparable building situated in a superior central location of Papatoetoe/Manukau. 205 Great South Road, Greenlane was at an initial yield of 7.27% for a property with approaching vacancies from Housing New Zealand who occupies circa 61% rentable area of the building. 626 Great South Road resold at $11,600,000 or an initial yield of 6.85% with this a building that provides reasonable 1980's accommodation which would benefit from modernisation. 323 Great South Road was fully leased to New Zealand Police, with this transaction representing an initial yield of 5.99%.

Where yields have been higher reflects other considerations such as at 49A &B Main Highway being two interlink commercial units with a reasonable occupancy rate of 89.4% plus some potential of achieving higher revenue via rent reviews mechanism to the existing low rental tenancies and possibly some floor plan reconfigurations. 65B Main Highway Ellerslie is one of two in a strata title, and had an outstanding capital expenditure requirement at the time of sale, and lease expiry uncertainty with one key occupier.

Further analysis of these transactions, where the value of the car parks is stripped out, shows land and building rates of between $3,200 per sqm and $4,500 per sqm for the most comparable sales.

Relating to the subject, it provides a superior standard of specification than typically encountered in an industrial office location. That reflects the original construction was purpose built with a number of features evident including:

- Full height entry atrium
- Lobby fire screens
- 2 lifts serving all floors
- Backup generator

The property is 100% occupied and provides modern suburban office accommodation to a less recognised office location. However, the existing contract rents are considered representative of the market.

On balance, we have adopted an initial yield of **7.0%** before making adjustments for any capital expenditure or re-lease/incentive requirements over the upcoming 30 months.

On a combined land and buildings basis we have adopted **$4,350 per sqm**. An alternative approach would be to apply $21,000 per car parking space overall and $3,350 per sqm of rentable area.

5.3 SWOT Analysis

Strengths

- Progressively maintained
- Feature full height atrium to the entrance
- Excellent car parking ratio
- Comfortable overall specification
- Fully leased at realistic market rents

Weaknesses

- Less recognised suburban office location
- Mixed outlooks
- Limited immediate profile

Opportunities

- Obtain market rent for Ipsos tenancy
- Tenant theme the building
- Attract similar or complementary style occupiers
- Obtain consent for additional development
- Undertake capital expenditure to generate goodwill from occupiers

Threats

- The competitive nature of the southern corridor office market
- Any unforeseen capital expenditure requirements
- Any significant increase in interest rates

5.4 Discounted Cashflow Parameters

Key assumptions in our discounted cashflow are:

Terminal yield:	7.45%
Target IRR:	8.5%
Market rental growth:	Between 2.25% and 2.50% per annum
Annual capital expenditure:	3% per annum of net income plus any additional cost as recommended in the Telco Building Services Condition Assessment Report.
Renewal Probability:	50%
Make good allowance:	$100 per sqm
Vacancy period:	6 months
New lease term:	3 years for the small tenancy, 6 years for the larger tenancy
New lease rent reviews:	2 yearly
Net rent incentives:	6 months

Rating Valuation

Assessed as at 1st July 2017, Land Value $2,700,000; Improvements Value $8,550,000; Capital Value $11,250,000.

6. Valuation

First, we have considered the capitalisation of income approach, whereby our assessed market income is capitalised into perpetuity at an appropriate capitalisation rate, with adjustments made for the variance between contract and market rent, and any approaching capital expenditure or vacancies.

CAPITALISATION OF INCOME APPROACH				
			Market Rent	Contract Rent
FULLY LEASED GROSS INCOME			**$ 1,274,093**	**$ 1,255,433**
Less: Outgoings				
Recoverable Outgoings			$ (255,908)	$ (255,908)
FULLY LEASED NET INCOME			**$ 1,018,185**	**$ 999,525**
Capitalised at			7.00%	7.00%
Capitalised Value			**$ 14,545,493**	**$ 14,278,933**
Capital Adjustments				
Vacancies: Lease-Up Allowance	4 mths	-		
Leasing Commission	16.0%	-		
Total Lease-Up Costs		-	-	-
Rent-Free Incentive	6 mths		-	-
P.V. of Rental Surplus/Shortfall		7.00%	$ 22,601	
Deferred Capitalised Rental Surplus/Shortfall		7.00%		$ 288,467
Rent Shortfall (New Leases)			-	-
P.V. of Unexpired Incentives			$ (52,031)	$ (52,031)
P.V. of Future Lease-up Allowances		30 mths	$ (188,284)	$ (188,284)
P.V. Of Future Lease Incentives		30 mths	$ (102,586)	$ (102,586)
P.V. of Annual Capital Expenditure		30 mths	$ (64,768)	$ (64,768)
P.V. of Make Good Allowance		30 mths	$ (121,659)	$ (121,659)
P.V. of Programmed Capital Expenditure		30 mths	$ (435,457)	$ (435,457)
P.V. of Future Refurbishment Allowance		30 mths	-	-
Total Capital Adjustments			$ (942,182)	$ (676,316)
			$ 13,603,311	$ 13,602,617
INDICATED VALUE			**$ 13,600,000**	**$ 13,600,000**

Second, we have had regard to the combined land and buildings approach, whereby we apply our analysed rate per sqm to the total lettable area of the improvements. Our calculations are detailed as follows:

LAND & BUILDINGS APPROACH					
8 Rockridge Avenue	3,108.2 sqm	@	$4,250 per sqm	$	13,209,765
		@	$4,350 per sqm	$	13,520,583
		@	$4,450 per sqm	$	13,831,401
		adopt			**$4,350 per sqm**
INDICATED VALUE				**$**	**13,500,000**

Our assessments are summarised and weighted as follows:

VALUATION SUMMARY			
	Weighting		*Assessment*
Capitalisation of Income Approach	50%	$	13,600,000
Land and Buildings Approach	20%	$	13,500,000
Discounted Cash Flow Approach	30%	$	13,400,000
ADOPTED MARKET VALUE		**$**	**13,500,000**

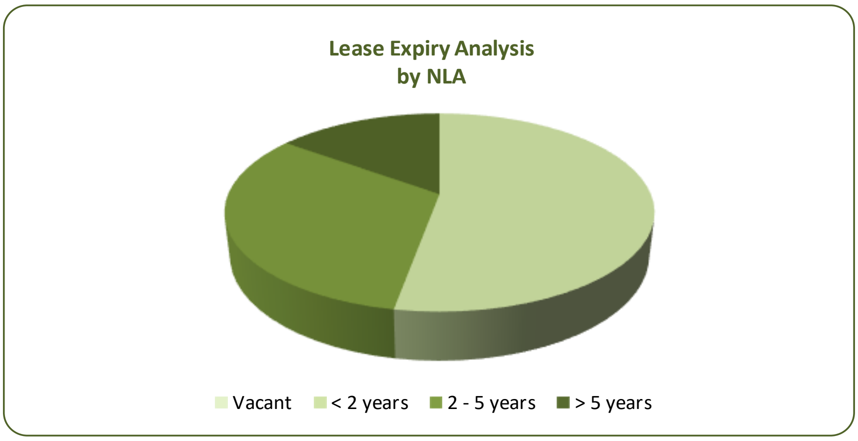
6.1 Value Conclusion

In light of the contents of this report we conclude our opinion of market value for capital raising purposes of 8 Rockridge Avenue, Penrose, Auckland, as at 31 March 2020, at:

NZD$13,500,000
(THIRTEEN MILLION FIVE HUNDRED THOUSAND DOLLARS)

This valuation assessment is on the basis of plus G S T (if any) and reflects the following:

Valuation Summary Statistics	
Valuation Date	31 March 2020
Assessed Market Value	$13,500,000
Property	
Land Area	4,900.0 sqm
Total Net Lettable Area	3,108.2 sqm
Vacancy Rate	0.0%
Car Parks	145 spaces
Car Parking Ratio - 1 space per	21.4 sqm of NLA
Income	
Net Income (per annum)	$999,525
Net Market Income (per annum)	$1,018,185
Contract / Market	-1.8%
Valuation	
Adopted Capitalisation Rate	7.00%
Adopted Discount Rate	8.50%
Adopted Terminal Yield	7.45%
Analysis	
Yield on Net Income (Initial Yield)	7.40%
Yield on Net Market Income (Market Yield)	7.54%
Value per sqm of NLA	$4,343
Value per sqm of NLA (excl. Car Parks)	$3,370
Value per sqm of Land Area	$2,755
10 year Internal Rate of Return	8.31%
WALT (On Occupied Space, by Net Income)	1.94 years
WALT (as above, incl. Market Income on Vacancies)	1.94 years



Compliance Statement

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

- IVS 104 define Market Value as 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 where the parties had each acted knowledgeably, prudently and without compulsion;
- The statements of fact presented in the report are correct to the best of the Valuer's knowledge and the analysis and conclusions are limited only by the reported assumptions and conditions;
- The Valuer has no interest in the subject property and the valuation fee is not contingent upon any aspect of the report;
- The valuation was performed in accordance with an ethical code and performance standards. The Valuer has satisfied professional education requirements and holds Professional Indemnity Insurance together with a current Valuers Practicing Certificate;
- The Valuer has experience in the location and category of the property being valued and has made a personal inspection of the property;
- No one, except those specified in the report, has provided professional assistance.

Our valuation is subject to the attached Disclaimers.

Our valuation is subject to the attached Limitations and Exclusions.

Yours faithfully

Matt Tooman
Registered Valuer
ANZIV, SPINZ

James Ngo
Valuer
BBS (VPM), MRICS, MPINZ

DISCLAIMERS

Valuation Subject to Change:	Premise 1 – This valuation is current as at the date of valuation only and is based on available information as at the date of valuation. The value assessed herein may change over a relatively short period including as a result of general market movement or factors specific to the particular property. This may include national or international global financial circumstances or force majeure events. Therefore, it should be reviewed periodically whilst no warranty is given by AIM Valuation Limited ("AIM") as to the maintenance of this value into the future.
Information Supplied by Others:	Premise 2 – This document contains information which is derived from other sources. Where this information is provided by experts and experienced professionals, we have relied upon the expertise of such experts and by necessity that information provided being accurate, whether prepared specifically for valuation purposes or not. Unless otherwise specifically instructed, we have not independently verified that information, nor adopted it as our own. Notwithstanding the above, we have reviewed the provided information to the extent that such a review would be reasonably expected from a professional and experienced valuer having regard to normal industry practice undertaking a similar valuation/consultancy service. Any Instructing/Reliant Party properly able to rely on our report acknowledges that the valuer is not a specialist in the areas from which the expert information is derived and accepts the risk that if any of the information/advice provided by others and referred to in the valuation is incorrect, then this may have an effect on the valuation.
Our Investigations:	Premise 3 – This valuation is conducted on the basis that we are not engaged to carry out all possible investigations in relation to the property. Where in our report we have identified certain limitations to our investigations, this is to enable you to instruct further investigations if you consider this appropriate. AIM is not liable for any loss occasioned by a decision not to conduct further investigations.
Assumptions:	Premise 4 – Assumptions are a necessary part of this valuation. AIM adopts assumptions because some matters are not capable of accurate calculation or fall outside the scope of our expertise, or our instructions. Assumptions adopted by AIM will be formulated on the basis that they could reasonably be expected from a professional and experienced valuer undertaking a similar valuation. However, the risk that any of the assumptions adopted in this document may be incorrect and have a material impact on the concluded value(s) should be taken into account.
Lease/Licence Documentation:	Premise 5 – Where applicable, our assessment of value is provided on the assumption that all Leases/Licences and Variations of Leases/Licences have been supplied in full and are all executed.
Disclosure:	Premise 6 – AIM must be advised in the event that the Reliant Party becomes aware of any changes relating to the information and advice provided by the Instructing/Reliant Party during the Reliance Period. This includes, without limitation, any changes to information and advice provided in relation to encumbrances, registered/unregistered interests, title, and land area/dimensions. In any such event, this valuation must not be relied upon without consulting AIM first to reassess any effect on the valuation.
Future Matters:	Premise 7 – To the extent that the valuation includes any statement as to a future matter, that statement is provided as an estimate and/or opinion based on the information known to AIM at the date of this document. AIM does not warrant that such statements are accurate or correct.
Site Survey:	Premise 8 – We do not commission site surveys and a site survey has not been provided to us. We have assumed there are no encroachments by or on the property, and the Instructing/Reliant Parties should confirm the status by obtaining a current survey report and/or advice from a registered surveyor.
Property Titles:	Premise 9 – We have assumed that there are no further easements, unregistered interests or encumbrances not disclosed by this brief Record of Title search which may affect market value. However, in the event that a future title search is undertaken which reveals additional easements or encumbrances, AIM should be consulted to reassess any effect on the value stated herein.
Environmental Conditions:	Premise 10 – Unless otherwise stated, we have assumed that the site is free of levels of contaminants or subsoil asbestos that would prevent the continuation of the current use of the property. Our visual inspection is an inconclusive indicator of the actual site condition. We make no representation as to the actual environmental status of the subject property. If any formal testing is undertaken to assess the degree, if any, of contamination of the site and this is found to be positive, this valuation must not be relied upon without first consulting AIM to reassess any effect on the valuation.
Asbestos / Hazardous Materials:	Premise 11 – Unless otherwise noted, we have assumed that the improvements are free of asbestos and hazardous materials, or should these materials be present then they do not pose significant risk to human health, nor require immediate removal. Our visual inspection is an inconclusive indicator of the actual condition/presence of asbestos/hazardous materials within the property. We make no representation as to the actual status of the subject property. If any testing is undertaken and the presence of any asbestos/hazardous materials on site is found to be positive, this valuation must not be relied upon before first consulting AIM to reassess the valuation.
Site Conditions:	Premise 12 – We do not carry out investigations on site in order to determine the suitability of ground conditions and services, nor do we undertake environmental or geotechnical surveys. Unless notified to the contrary, our valuations are on the basis that these aspects are satisfactory and also that the site is clear of underground mineral or other workings, methane gas or other noxious substances. In the case of properties which may have redevelopment potential, we proceed on the basis that the site has load bearing capacity suitable for the anticipated form of redevelopment without the need for additional and expensive foundations or drainage systems.
Planning Information:	Premise 13 – We assume information provided by the relevant responsible authority is current and accurate. We do not commission formal investigations to verify information provided to us. In the event that a Land Information Memorandum (LIM) report is obtained and the information therein is later found to be materially different to the resource management information detailed within the valuation, we reserve the right to amend the valuation.
Inclusions & Exclusions:	Premise 14 – Our valuation includes those items that form (or will form) part of the building service installations such as heating and cooling equipment, lifts, sprinklers, lighting etc, that would normally pass with the sale of the property, but excludes all items of plant, machinery, equipment, partitions, furniture and other such items which may have been installed by the occupant or operator or are used in connection with the enterprise carried on within the property.
Side Agreements:	Premise 15 – In the event that the Instructing/Reliant Party becomes aware of any side agreements, this valuation must not be relied upon before first consulting AIM to reassess any effect on the valuation.
Floor Area:	Premise 16 – Where we have not undertaken the floor area measurement, we have proceeded on the premise that the floor areas provided have been calculated in accordance with the PCNZ/PINZ Method of Measurement of Lettable Areas. We recommend that a survey be undertaken to determine whether the areas provided differ from these guidelines. In the event that there is a material variance in areas, we reserve the right to review our valuation as assessed herein. Any measurement undertaken by AIM is an estimate of rentable area only.
Condition & Repair:	Premise 17 – We undertake inspections and conduct investigations as are, in our opinion, correct in our personal judgement, appropriate and possible in the particular circumstances. We have inspected the building; however, we advise that we have not carried out a structural survey nor tested any of the services or facilities and are therefore unable to state that these are free from defect. We advise that we have not inspected unexposed or inaccessible portions of the building and are therefore unable to state that these are free from rot, infestation, asbestos or other hazardous material. We have, however, viewed the general state of repair of the property and have provided relevant information in this regard within the main body of the valuation report. Our valuation proceeds on the premise that a detailed report of the structure and service installations of the building would not reveal any defects requiring significant

expenditure that would have a material impact on the valuation conclusions. Additionally, we assume that the building complies with all relevant statutory requirements in respect of matters such as health, building and fire safety regulations.

Currency: Premise 18 – All dollars are NZ$.

International Valuation Standards Effective 31 January 2020 and Australia and New Zealand Guidance Notes: Premise 19 – All valuations are carried out in accordance with the International Valuation Standards effective January 2020 and ANZVGN. 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 where the parties had each acted knowledgeably, prudently and without compulsion.

Valuation Basis: Premise 20 – No allowances are made in our valuation for any expenses of realisation or to reflect the balance of any outstanding mortgages either in respect of capital or interest accrued thereon.

LIM and PIM: Premise 21 – Unless otherwise stated, we have not obtained Land Information Memoranda (LIM) or Project Information Memoranda (PIM) from the Territorial Authority.

Lease Covenant Strength: Premise 22 – Unless specifically requested, we do not make detailed enquiries into the covenant strength of occupational tenants but rely on our judgement of the market's perception of them. Any comments on covenant strength should therefore be read in this context. Furthermore, we assume, unless otherwise advised, that the tenant is capable of meeting its financial obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.

Taxation and GST: Premise 23 – In preparing our valuations, no allowances are made for any liability which may arise for payment of income tax or any other property related tax, whether existing or which may arise on development or disposal, deemed or otherwise. We also specifically draw your attention to the fact that our valuation has been undertaken on a plus GST (if any) basis.

Confidentiality and Disclaimer of Liability: Premise 24 – Our valuation and report is strictly confidential to the party to whom it is addressed ("Instructing/Reliant Party") and is prepared solely for the specific purpose to which it refers. No responsibility whatsoever is accepted for reliance on the valuation report for other purposes. Further, no responsibility whatsoever is accepted to persons other than the party to whom the valuation and report is addressed for any errors or omissions whether of fact or opinion.

Publication: Premise 25 – Neither the whole nor any part of our reports, nor any reference thereto, may be included in any published document, circular or statement, nor published in any way without the written approval of AIM of the form and context of such publication or disclosure. Such approval is required whether or not AIM is referred to by name and whether or not the reports are combined with others.

Director's Clause: Premise 26 – Under required circumstances, this report may have been co-signed by a Director of AIM. In accordance with our internal Quality Assurance procedures, the co-signing Director certifies that they have discussed the valuation methodology and calculations with the prime signatory, however the opinion of value expressed herein has been arrived at by the prime signatory alone. The co-signing Director may or may not have inspected the subject property.

RECORD OF TITLE

RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD
Search Copy

R.W. Muir
Registrar-General
of Land

Identifier	**NA111A/218**
Land Registration District	**North Auckland**
Date Issued	30 April 1997

Prior References
NA95A/324

Estate	Fee Simple
Area	4900 square metres more or less
Legal Description	Lot 4 Deposited Plan 180019

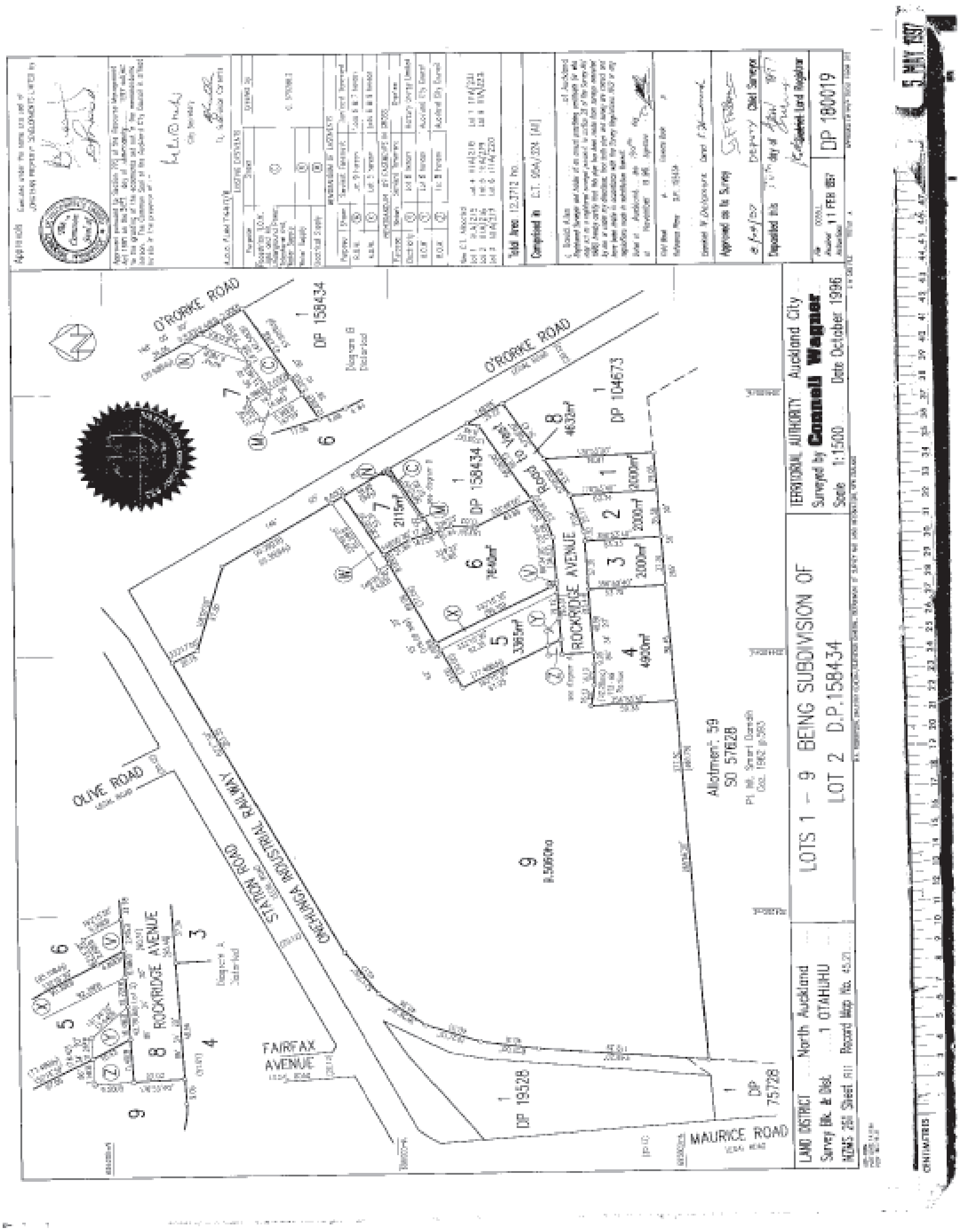
Registered Owners
PMG Direct Office Fund Trustees Limited

Interests

11165428.3 Mortgage to ASB Bank Limited - 10.7.2018 at 4:14 pm

Transaction Id — *Search Copy Dated 24/02/20 2:11 pm, Page 1 of 2*
Client Reference *vthomson001* — *Register Only*

Identifier **NA111A/218**



DISCOUNTED CASHFLOW ANALYSIS

DISCOUNTED CASH FLOW SUMMARY

Selling Considerations					**Purchase Considerations**		
Terminal Yield	7.45%	Target IRR	8.50%		Purchase Price		13,400,000
Agent Commission	1.50%	Net Present Value	13,417,743		Legal Fees	0.50%	67,000
Legal Fees	0.50%	**INDICATED VALUE**	**13,400,000**		Cost of Purchase		13,467,000

Valuation Year		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
Year Ending		**Mar-21**	**Mar-22**	**Mar-23**	**Mar-24**	**Mar-25**	**Mar-26**	**Mar-27**	**Mar-28**	**Mar-29**	**Mar-30**	**Mar-31**
Income												
Passing Rent (as occupied)		755,780	633,119	176,862	110,130	110,130	0	0	0	0	0	0
Car Park Rent		192,215	154,279	48,505	34,840	34,840	0	0	0	0	0	0
New Leases		17,809	93,650	590,909	715,271	738,784	828,571	892,789	894,202	839,780	964,765	990,520
Future Car Park Income		34,479	77,533	191,656	213,326	218,126	262,862	269,433	276,169	283,073	290,150	297,404
Recovered Outgoings		253,714	242,382	251,896	272,903	279,180	269,769	287,968	289,160	268,807	308,237	314,402
Rent Shortfall (New Leases)		0	0	0	0	0	0	0	0	0	0	0
Total Income		1,253,996	1,200,963	1,259,828	1,346,470	1,381,060	1,361,201	1,450,190	1,459,531	1,391,659	1,563,152	1,602,325
Less												
Recoverable Outgoings		(255,908)	(262,306)	(267,552)	(272,903)	(279,180)	(284,763)	(290,459)	(296,268)	(302,193)	(308,237)	(314,402)
Non-Recoverable Outgoings		0	0	0	0	0	0	0	0	0	0	0
Unexpired Incentives		(25,000)	(25,000)	(6,250)	0	0	0	0	0	0	0	0
Ground Rent		0	0	0	0	0	0	0	0	0	0	0
Vacancy Allowance - Licensed Car Parks	5%	(1,354)	(1,388)	(1,421)	(1,453)	(1,486)	(1,521)	(1,559)	(1,598)	(1,638)	(1,679)	(1,721)
Total Net Income		971,734	912,269	984,605	1,072,114	1,100,394	1,074,917	1,158,172	1,161,665	1,087,828	1,253,236	1,286,203
Adjustments												
New Lease Commissions		(4,153)	(12,556)	(56,819)	0	0	(26,895)	(4,739)	(14,395)	(65,277)	0	0
New Lease Incentives		(8,904)	(29,016)	(139,779)	0	0	(69,533)	(6,862)	(25,793)	(145,064)	(27,954)	0
Annual Capital Expenditure (% of Income)		(29,152)	(27,368)	(29,538)	(32,163)	(33,012)	(32,248)	(34,745)	(34,850)	(32,635)	(37,597)	(38,586)
Make Good Allowance		(8,038)	(72,880)	(56,756)	0	0	(54,248)	(9,067)	(25,874)	(120,981)	0	0
Programmed Capital Expenditure		(186,937)	(274,797)	0	0	0	0	0	0	0	0	0
Future Refurbishment Allowance		0	0	0	0	0	0	0	0	0	0	0
Net Sale Price												16,981,940
NET CASH FLOW		**734,550**	**495,653**	**701,712**	**1,039,951**	**1,067,382**	**891,993**	**1,102,759**	**1,060,754**	**723,871**	**1,187,685**	**16,981,940**

TENANCY SCHEDULE

Tenant	NLA (sqm)	Car Parks	Contract Rent ($pa)	Contract Rent ($psm)	Other Income	Outgoings ($pa)	Outgoings ($psm)	Car Park Rent ($pa)	Car Park Rent ($pw)	Lease Start	Lease Term	Lease Expiry	Option(s) (years)	Option Notice	Standard Review	Ratchet Clause	Next Review
Tenancies																	
1 Matrix Security Group Ltd	709.7	30	162,016	228.29		58,431	82.33	37,852	24.26	18-Aug-10	10.00	17-Aug-20					
2 Managed Hosted Applications Ltd	541.5	14	135,370	250.00		44,582	82.33	21,840	30.00	1-Jun-19	3.00	31-May-22					
3 Advance Retail Technology Ltd	440.5	22	110,130	250.00		36,270	82.33	34,840	30.45	1-Apr-19	6.00	31-Mar-25	1	12 mths			
4 IPSOS Limited	447.4	26	105,134	235.00		36,834	82.33	36,400	26.92	1-Aug-15	6.00	31-Jul-21	1	3 mths			
5 SGS New Zealand Limited	969.1	37	262,800	271.17		79,791	82.33	66,467	34.55	1-Nov-15	6.25	31-Jan-22	1	3 mths	Ann. Indexed 3.0%/3.0 yrl	Hard	1-Nov-19
Car Parks																	
Licensed Car Parks		16						26,676	32.06	Various		Various					
Vacant Car Parks																	
Total	**3,108.2**	**145**	**775,450**	**249.49**		**255,908**	**82.33**	**224,075**	**29.72**								
Total Annual Rent			**999,525 (excluding outgoings from net leases)**							**Weighted Average Lease Term:**			**1.94 years**				