



MARKET VALUATION

244 Heretaunga Street West
Hastings
Hastings District

Client

PMG Generation Fund Trustees Limited

Valuation date

9 November 2021

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1.0 EXECUTIVE SUMMARY



244 Heretaunga Street West, Hastings, Hastings District

Involving a substantial, two level department store situated on a high profile, three frontage corner site of 3,839m², situated within the Hastings CBD. The building was effectively rebuilt in 2012 and is subdivided into two tenancies. Farmers occupy 95% of the ground floor and the entire first floor, while TSB Bank occupy the ground floor corner retail tenancy. The property has a WALT of 10.3 years.

PROPERTY DETAILS

Type	Commercial Retail
Zoning	Central Commercial
Year built	Effectively rebuilt in 2012
Land area	3839m ²
Rentable floor area	6,699m ²
NBS rating	110% - 118% NBS.

OCCUPANCY DETAILS

Number of tenants	2
Occupancy	100%
Net contract rent	\$1,465,609
Net market rent	\$1,408,809
WALT	10.3 years

VALUATION

\$27,800,000 plus GST (if any)

Initial yield	5.27%
Yield on market income	5.07%
Equivalent yield	5.09%
Resultant IRR	6.38%
\$/m² of rentable floor area	\$4,150

Contract for sale

The property is under contract for \$26,950,000 plus GST (if any). We believe this is a fair price for the asset and it represents a yield on passing income of 5.44%.

Previous sale

The property has not transacted in the last 3 years.

INSTRUCTIONS

Instructed by	Daniel Lem
Report prepared for	PMG Generation Fund Trustees Limited
Purpose of valuation	Market Value for mortgage lending and capital raise purposes
Basis of valuation	Market Value – existing tenancies <i>Please note this report is a revised version of HBY-219795 due to changes to the purpose of valuation and client name.</i>
Valuation date	9 November 2021
Report issue date	17 January 2022

TelferYoung policy requires that reports cannot be reassigned for any purpose beyond 90 days from the date of valuation. This policy has been set to meet professional indemnity insurance requirements. It is a condition of this report that any valuation needing to be reassigned beyond 90 days may require re-inspection by the valuer with an update fee charged.

PREPARED BY

Susie Penrose	BBS (VPM) SPINZ ANZIV Director, Registered Valuer
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This report must be read in conjunction with TelferYoung (Hawkes Bay) Limited's Statement of Limiting Conditions and Valuation Policy.

2.0 FINANCIAL SUMMARY

PROPERTY & INSTRUCTION DETAILS

Address	244 Heretaunga Street West, Hastings
Property description	Prime Retail
Valuation date	4 November 2021
Interest valued	Freehold- subject to lease interests
Purpose of valuation	Market Value for Mortgage Lending

OCCUPANCY DETAILS & ANALYSIS

Total rentable floor area	6,699.1 square metres
Occupied floor area	6,699.1 square metres
Occupied area	100%
Carparks	9 spaces (744.3 sqm/carpark)
Number of tenants	2
Weighted average lease term to run (by income)	10.3 years
Weighted average lease term to run (by area)	10.4 years

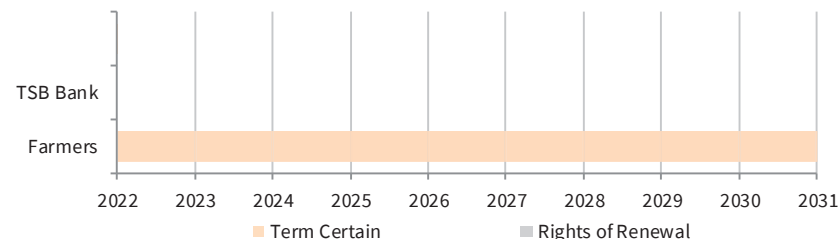
INCOME SUMMARY

Component	Passing rent	Market rent
Rental income	\$1,653,135	\$1,596,335
<i>plus</i> Other income	-	-
Total income	\$1,653,135	\$1,596,335
<i>less</i> Unrecovered outgoings	(\$187,526)	(\$187,526)
<i>less</i> Ground rent	-	-
Total net income	\$1,465,609	\$1,408,809

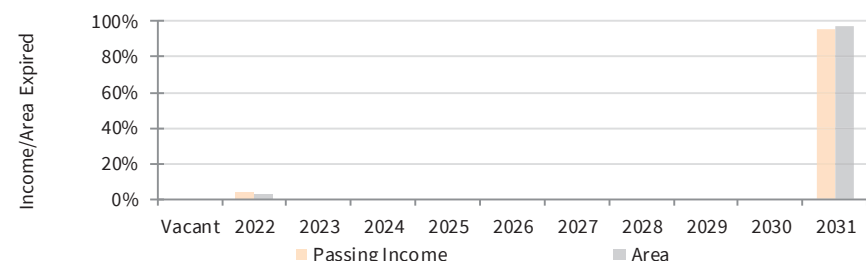
VALUATION METHODS

Method	Resultant Value
Income Capitalisation- Market Income Method	\$26,960,000
Discounted Cashflow Method	\$28,075,000
Income Capitalisation- Simple Method	\$27,915,000

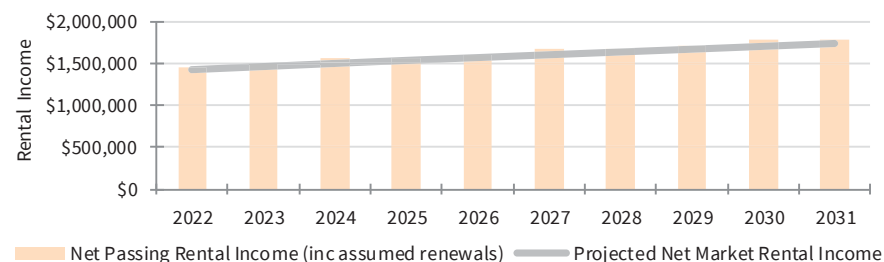
Major tenant lease profile



Lease expiry profile



Net rental income profile



VALUATION & ANALYSIS

Adopted value **\$27,800,000**

Initial yield	5.27%
Yield on market income	5.07%
Equivalent yield	5.09%
Internal rate of return	6.38%
Value psm of rentable area	\$4,150

3.0 RISK SUMMARY AND ASSUMPTIONS

RISK ANALYSIS

Strengths and opportunities

- Good corner position
- Strong lease conditions
- National tenants
- Good quality building
- Well presented building
- Good demand for investment properties in this price bracket
- To secure a longer lease on the smaller TSB tenancy
- Very good WALT over 10 years

Weaknesses and threats

- The uncertainty surrounding the impact of the COVID-19 virus on our economy is a continued and potentially fast changing downside risk
- Tenant failure
- TSB vacates
- Hastings CBD continues to struggle

Overall risk summary

Overall this property is considered to have a low to moderate risk profile. The strong tenant covenant and long remaining lease term is somewhat offset by the slightly higher risk around retail compared to the other investment types and the Hastings CBD location which has struggled somewhat over recent years.

COVID-19 comment

Disruption to the economy and an increase in general economic uncertainty has been evident from when the COVID-19 pandemic reached New Zealand in early 2020. At the date of reporting, New Zealand is under varying degrees of lockdown due to an outbreak of the Delta strain, with the entire country placed in Level 4 lockdown on 17 August. Auckland, Far North and Waikato have moved to Level 3 and are under a strict lockdown. The remainder of the country is now at Level 2 which allows most activities to take place but with restrictions on hospitality and events.

These lockdowns have followed one year of relative freedom. Despite the uncertainty around this current Delta outbreak, expectation is that markets will resume once the entire country moves out of the strict lockdowns. This outlook could change if Auckland's strict lockdown continues for an extended time, or if the remainder of New Zealand moves back into lockdown.

Throughout the country, prices across most commercial property sectors have increased during the pandemic, largely driven by low interest rates causing a structural decrease in yields. As shown in with the current outbreak of the Delta strain, the risk of a re-emergence of COVID-19 in the community will continue to be an ongoing threat and ongoing increases in Alert Levels could have a considerable effect on businesses. The level of risk will differ across different commercial property classes, with those not able to operate to full capacity during lower Alert Levels being the most affected. The impact may vary on a regional basis as a result of higher Alert Levels and the length of lockdowns for particular locations.

In general terms, industrial properties are likely to be the least affected commercial property class, with offices moderately affected and retail/hospitality the most affected. Given the quality of the asset and current tenure we consider that the risks associated with COVID-19 are expected to be low to average in comparison to other commercial retail properties.

SIGNIFICANT ASSUMPTIONS AND SPECIAL ASSUMPTIONS

Significant Assumptions and Special Assumptions are those assumptions that are material to the valuation and could reasonably be expected to influence the decisions of the user.

Significant Assumptions are those where the assumed facts are consistent with, or could be consistent with those existing at the date of valuation. These are often the result of a limitation on the extent of the investigations or enquiries undertaken by the valuer.

Special Assumptions are those where the assumed facts differ from those existing at the date of valuation. These are often used to illustrate the effect of proposed changes on the value of the property.

No Significant Assumptions or Special Assumptions have been made in completing this valuation.

4.0 SCOPE OF WORK

The valuer

The valuation has been undertaken by Susie Penrose who provides this objective and unbiased valuation. The valuer has no material connection with the instructing party or interest in the property and has the appropriate qualifications and experience to undertake the valuation.

Our client

PMG Generation Fund Trustees Limited.

Other than the client or addressee, the report may not be relied upon by any third party. We accept no liability to third parties. Written consent is required for any third party wishing to rely on this report. We reserve the right to withhold that consent, or to review the contents of the report if consent for third party use is sought.

Other intended users

Nil.

Purpose of valuation

Market Value for mortgage lending and capital raise purposes.

Asset valued

244 Heretaunga Street West, Hastings, Hastings District .

Basis of valuation

Market Value is defined in International Valuation Standards 2020 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 and where the parties had each acted knowledgeably, prudently and without compulsion.

Valuation currency

All dollars quoted in this report are NZD.

Important dates

Inspection date 9 November 2021
Valuation date 9 November 2021

Extent of investigations

We have carried out an inspection of exposed and readily accessible areas of the improvements. However, the valuer is not a building construction or structural expert and is therefore unable to certify the structural soundness of the improvements. Readers of this report should make their own enquiries.

This report has been prepared for valuation purposes only and is not a geotechnical or environmental survey. If any defect is found, including structural defects, this information could impact on the value of the property.

Nature and source of information relied upon

Information used to prepare the valuation has been obtained from our property inspection and public records. Additional information relied on includes:

Name of Document	Source of Document
Farmers Deed of Lease - 24 July 2012	Colliers
Farmers Deed of Renewal and Variation - 21 December 2020	Colliers
TSB Deed of Lease - 25 February 2008	Colliers
TSB Deed of Extension - 17 July 2019	Colliers
QBE Insurance Certificate - 1 April 2021	Colliers
KPMG SGA Asbestos Assessment Report - 15 September 2017	Colliers
OPEX	Colliers
Stephen Mitchell Engineers Limited Structural Report - August 2016	Colliers

Reporting format

We have prepared a formal valuation report meeting appropriate professional standards. This report must be read in conjunction with TelferYoung (Hawkes Bay) Limited's Statement of Limiting Conditions and Valuation Policy.

Valuation standards

Our valuation has been prepared in accordance with International Valuation Standards 2020 and the Guidance Papers for Valuers and Property Professionals published by the Australian Property Institute (API), Property Institute of New Zealand (PINZ) and New Zealand Institute of Valuers (NZIV).

5.0 RECORD OF TITLE

5.1 TITLE INFORMATION

The property comprises a number of estates in Fee Simple, with Record of Title Identifiers issued as follows:

Identifier	Legal description	Area
HB167/185	Lot 2-3 Deposited Plan 9711	766 m ² (more or less)
HB93/26	Part Lot 1 Deposited Plan 6230	480 m ² (more or less)
HBC4/966	Lot 2 Deposited Plan 11757	916 m ² (more or less)
HBD1/660	Lot 1 Deposited Plan 11757 and Part Lot 1 Deposited Plan 6230	1,677 m ² (more or less)

All are located in the Hawkes Bay Land Registration District.

We note the following interests:

- Appurtenant hereto are water and drainage rights created by Deed 44246 (Affects formerly the part of Lot 257 Deeds Plan 67)
- Appurtenant hereto are rights of way created by K2817 (affects part formerly Lot 5 Deeds Plan 532)
- 8804655.1 Certificate Pursuant To Section 77 Building Act 2004 That This Computer Register Is Subject To The Condition Imposed Under Section 75(2) (Also Affects HB93/26, HBC4/966 and HBD1/660) - 1.7.2011 at 7:00 am
- Appurtenant hereto is a right of way created by Easement Instrument 8862726.1 - 13.9.2011 at 12:23 pm
- 9160393.4 Mortgage to ASB Bank Limited - 4.9.2012 at 6:12 pm

The registered owner(s) are recorded as: King Street Nominees Limited.

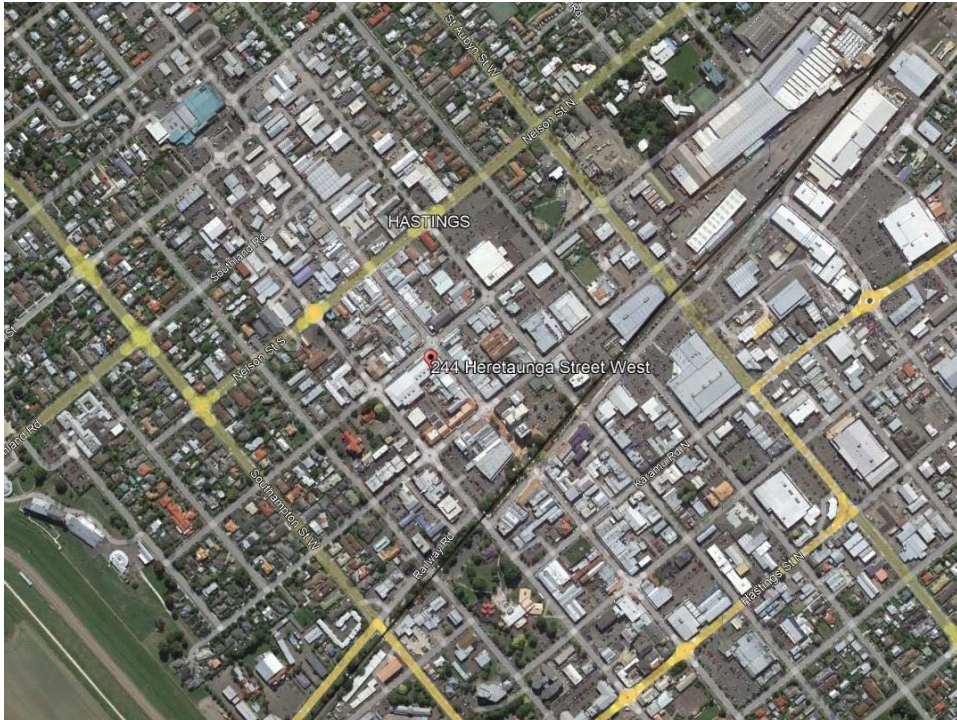
- Section 77 of the Building Act relates to a building consent issued for the construction of a building over two or more allotments, and that as a condition of the resource consent those allotments specified must not be transferred or leased except in conjunction with any of the specified allotments.

The above interests have been taken into account in our valuation considerations.

See **Appendix A** for the Record(s) of Title.

6.0 LOCATION

6.1 LOCATION DETAILS



Suburb

Hastings

Location

The subject property forms the redevelopment of the former Westpoint Plaza site which included the former Roaches Building. It is situated on the corner of King Street South and Heretaunga Street West and runs through to Eastbourne Street West. Heretaunga Street forms the main retail frontage with the adjoining “200 block” being one of the two preferred retail locations within the CBD.

The block of Heretaunga Street West is within the heart of the Hastings City’s preferred retail location with nearby properties including a range of national and local retailers.

The Hastings CBD retail has suffered somewhat from the construction of the bulk retail development in Nelson Park to the north of the CBD, with a number of retailers having relocated there in recent years which has lessened the retail spend in the main retail precinct. Retail occupancy levels appear to be bouncing back, reflecting strong recovery and retail spending growth from the initial COVID-19 lockdown in early 2020.

In summary, comprising a good retail situation which is well suited as a department store location.

7.0 LAND

7.1 SITE DESCRIPTION



Area	3,839 m ² (more or less)
Shape	The combined site forms an 'L' shaped site
Contour	Level
Services	Connected with all normal reticulated services
Access	Vehicle entry from Eastbourne street
Site coverage	91%
Comments	Extensive frontage - 30 metres to Heretaunga Street West, 99 metres to King Street South, and 44 metres to Eastbourne Street West.
Contamination	We have not been provided with an environmental audit of the property and we are not aware of any potential environmental concerns. We refer you to our Statement of Limiting Conditions and Valuation Policy on matters relating to potential contamination.
Lim Report	We have not been supplied with a Land Information Memorandum (LIM) relating to the property. Our report is subject to there being no outstanding requisitions or adverse information affecting this property. We reserve the right to amend our assessment should this not be the case.

8.0 RESOURCE MANAGEMENT

8.1 ZONING INFORMATION

Territorial authority	Hastings District
Plan status	Operative
Zone	Central Commercial

Zone description

The Central Commercial zone provides significant flexibility for a wide range of retail, office and residential activities to establish and operate in the centre of Hastings.

Permitted Activities and Development Controls within this Zone include the examples listed below.

Permitted activities

- Commercial activities.
- Residential activities except at ground floor level on sites with designated retail frontage.
- Activities ancillary to any permitted activity which comply with the General Performance Standards and Terms in Section 9.8 and any relevant Specific Performance Standards and Terms in Section 9.9.
- External repair and general maintenance of buildings within the identified central character precinct.
- Internal alterations of buildings within the identified central character precinct.

Development controls

- Above are activities that shall be permitted, provided that they comply with the General Performance Standards and Terms in Section 9.8 and the relevant Specific Performance Standards and Terms in Section 9.9 of the Plan:-

Comments

The current use is a permitted activity.

8.2 RATING VALUATION

As at 1 September 2019:

Land Value	Improvements Value	Capital Value
\$2,410,000	\$17,690,000	\$20,100,000

Rating Valuations are conducted on a mass appraisal basis, generally once every three years, in order to provide a basis to assist territorial authorities to collect revenue through rates. Individual properties are not inspected on a regular basis and changes in the improvements may not be recorded. The rating values are expressed on a Freehold Estate basis.

9.0 IMPROVEMENTS

9.1 OVERVIEW

The building comprises a large two storey commercial retail department building of good quality. The existing TSB Bank tenancy and the associated building located on the corner of Heretaunga Street West and King Street South is the original building, with the balance effectively rebuilt in 2012.



Cnr King and Eastbourne Streets



Farmers



Farmers



TSB

See **Appendix B** for additional photographs.

Our valuation has been prepared on the basis of the improvements being located within the site boundaries and constructed strictly in accordance with the recommended practices, and free from any defect; unless otherwise stated within this report.

9.2 BUILDING DETAILS

9.2.1 Floor areas

The rentable floor areas, as per the plans and rentable area measurements provided, are as follows:

Component	Area
Tenant: Farmers	
Ground Floor	3,251.1 m ²
First Floor	3,250.9 m ²
Rentable Floor Area	6,502.0 m²
Tenant: TSB Bank	
Retail	197.1 m ²
Rentable Floor Area	197.1 m²
Total Rentable Floor Area	6,699.1 m²

9.2.2 Construction

Foundation	Reinforced concrete
Flooring	Reinforced concrete floors and precast stairs
Exterior walls	Predominantly precast concrete wall panels with the 'heritage' concrete wall façade retained. Some aluminium composite panels to the upper floor.
Framing	Steel columns encased in fire rated fib with steel purlins and rafters. Timber internal framing.
Roofing	Coloursteel
Stud height	3.00 m
Joinery	Predominantly aluminium frames, frameless glass to the ground floor
Internal linings	Plasterboard
Ceilings	Predominantly suspension grid tiles with fluorescent tiles, some plasterboard ceilings
Natural lighting	TSB Tenancy is extensively glazed to street frontages and has good natural lighting with large glazed areas to the street frontage.
Artificial lighting	Good provision of artificial lighting in both tenancies.
Services	Fire sprinkler and detection systems, escalator, air-conditioning and automatic opening doors.

9.2.3 Layout and accommodation

Farmers Tenancy

This tenancy was purpose built and comprises good quality, open retail department store, built over two levels.

The ground floor is primarily open retail space and includes additional unlined loading and goods inwards areas, three store rooms, switch board room and rubbish area.

Access to the first floor is to be by way of centrally located escalators, three sets of stairs and two lifts. The tenancy also incorporates male and female toilets, two locker rooms, sick

room, cleaner room, store room, staff room, managers office, general office and three separate offices and a goods reserve area at first floor level.

Customer access is provided off a recessed entry from Heretaunga Street, King Street and with additional staff access provided from the rear access way.

This tenancy includes suspended ceilings, lighting, fire sprinkler system and detection systems, a range of mechanical services, air conditioning and automatic opening doors.

TSB Tenancy

Comprising a good quality, attractive, open space banking premises with glass frontage to both Heretaunga Street West and King Street South on a prominent corner site.

The tenancy incorporates two glass partitioned offices, a solid partitioned store room, and an amenities area to the rear comprising two toilet pans and two hand basins.

9.2.4 Lessee fitout/improvements

Farmers have provided their own fitout including floor tiling and coverings, retail related fittings and some specialist lighting.

It is our understanding that TSB fitted out their premises, including floor coverings and air conditioning.

9.2.5 Lessor Fitout

For the Farmers tenancy the Lessor provided lined retail space with ceilings, air conditioning, ventilation, fire protection, elevators, escalators, toilet and lunchroom fittings, carpet to the offices and vinyl flooring to the amenity and lunchroom areas.

It is our understanding that the Lessor provided a lined-out shell with toilet facilities within the TSB portion.

9.2.6 Building condition

The building is in very good condition throughout both tenancies.

9.3 BUILDING WARRANT OF FITNESS (BWOFF)

The Building Act 2004 requires that all buildings which include certain specified systems must have a Compliance Schedule and a Building Warrant of Fitness (BWOFF). The Act requires the various services and other facilities as set out in the Compliance Schedule to be inspected on a regular basis, and the Warrant of Fitness to be renewed annually.

A Building Warrant of Fitness has been issued for the subject property and this expires on 17/07/2022.

- Automatic Sprinkler System or Systems of Automatic
- Protection Final Exits
- Emergency Warning System for Fire or Other Dangers Fire Separations - Protecting the Means of Escape
- Automatic Doors Signs for Communicating Information for Evacuation
- Access Controlled Doors Smoke Separations - Protecting the Means of Escape
- Interfaced Fire/Smoke Doors/Windows
- Emergency Lighting Systems
- Riser Mains for Fire Service Use
- Automatic Back-flow Prevention Connected to a Potable Water
- Supply
- Passenger Carrying Lifts
- Service Lift
- Escalators and Moving Walks
- Mechanical Ventilation & Air Conditioning
- Signs Relating to Specified Systems 1-13

9.4 EARTHQUAKE CATEGORISATION

We have been provided with Initial Seismic Evaluation (ISE) report prepared by Stephen Mitchell Engineers Limited dated August 2016. This report confirms that the build has NBS ratings of been 110% NBS and 118% NBS and is therefore an A+ Building in regards to seismic strength.

9.5 ASBESTOS REGULATIONS

The Health and Safety at Work (Asbestos) Regulations 2016 came into effect on 4 April 2018. The regulations require workplaces to be surveyed for asbestos, and, an Asbestos Register and Asbestos Management Plan be prepared for buildings. A copy of the Asbestos Management Plan must be accessible on site.

Where Asbestos is present it can be left undisturbed if there is no risk to people, or it can be encapsulated, isolated or removed. If left undisturbed, future refurbishment or demolition requires further survey and works planning (including safe removal of Asbestos by competent persons).

We have perused the Asbestos Assessment Report prepared by KPMG dated 5 December 2017 which confirmed that no asbestos has identified.

9.6 OTHER IMPROVEMENTS

Site improvements involve a covered sealed carpark area to the south of the Farmers tenancy, (accessed via Eastbourne Street) with paved entrance into the rear of the building.

10.0 OCCUPANCY DETAILS

10.1 INTRODUCTION

With have been provided with all Lease documentation, with pertinent details as follows:

Unless otherwise stated in this report, our valuation is prepared on the basis that the rental income referred to in this report will be payable in full at all times by tenant(s) in accordance with obligations under leases or agreements to lease. This includes the obligation to pay operating expenses.

The Scope of Work does not extend to making any enquiries as to the financial position or covenant strength of a tenant. We are unable to provide specific comment on the impact which the COVID-19 events have had, or potentially will have, on a tenant's ability to meet its financial obligations under its lease. Our broader observation of the nature and likely market perception of tenant ability to pay rent is included in the preceding Risk Analysis summary and at Section 12 of this report.

10.2 LEASE SUMMARY

10.2.1 Farmers

Tenant	The Farmers Trading Company Limited
The premises	The retail store as shown together with the landlords fixtures and Fittings. 9 carparks.
Commencement date	26 July 2012
Current commencement	21 December 2020
Current term	Initial term of 15 years, with the first renewal of 5 years agreed in December 2020. Expiry date 2032.
Remaining renewal terms	2 further terms of 5 years each remaining
Current annual rent	\$1,584,935 plus GST
Rent reviews	26 July 2023, 26 July 2026, 26 July 2029 and if renewed 26 July 2032, 26 July 2035, 26 July 2038, 26 July 2041

Rent review basis	CPI
Ratchet clause	Soft ratchet
Business use	Department store and/or such other retail use and/or any other use or uses permitted by the relevant authority as of right or in accordance with resource consent or consents.
Outgoings	<ul style="list-style-type: none"> All outgoings (excluding utilities charged directly to the premises) are included in the Annual Rent.
Special conditions	<p>11.6: If the tenant renews this lease, then an audit will be undertaken on the operational state, condition and economic lifespan remaining of the Systems. If the audit determines replacement is necessary, then the systems must be promptly replaced.</p> <p>46.1 the tenant has the right of first refusal to purchase</p>

10.2.2 TSB Bank Limited

Tenant	TSB Bank Limited
The premises	Shop number 5 being part of the landlord's property at Westpoint Building situated in Heretaunga Street, Hastings.
Commencement date	13 August 2007
Current commencement	12 August 2019
Current term	Extended to 3 years and 48 days
Remaining renewal terms	Nil remaining
Current annual rent	\$68,200 plus outgoings and GST
Rent reviews	NA
Business use	Banking and associated uses

Outgoings

Outgoings recoverable from the tenant include:

- Rates or levies to any local or territorial authority
- Utility charges
- Rubbish collection charges
- Fire Service charges
- Insurance premiums, excess and related valuation fees
- Service contract charges
- Cleaning, maintenance and repair charges (excluding structural)
- The provisioning of toilets and other shared facilities
- Ground maintenance
- Yard and carpark area maintenance and repair charges
- Body Corporate charges
- Management expenses
- Costs associated with the building warrant of fitness

We have been advised that TSB's opex apportionment is 2.94%.

10.3 OPERATING EXPENSES

We have been provided with the following operating expenses schedule:

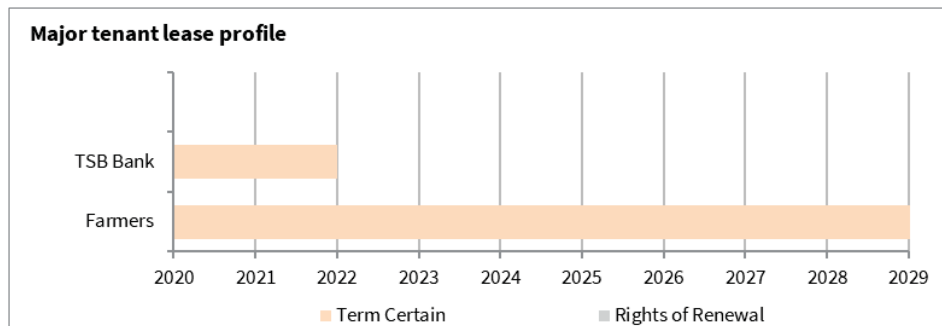
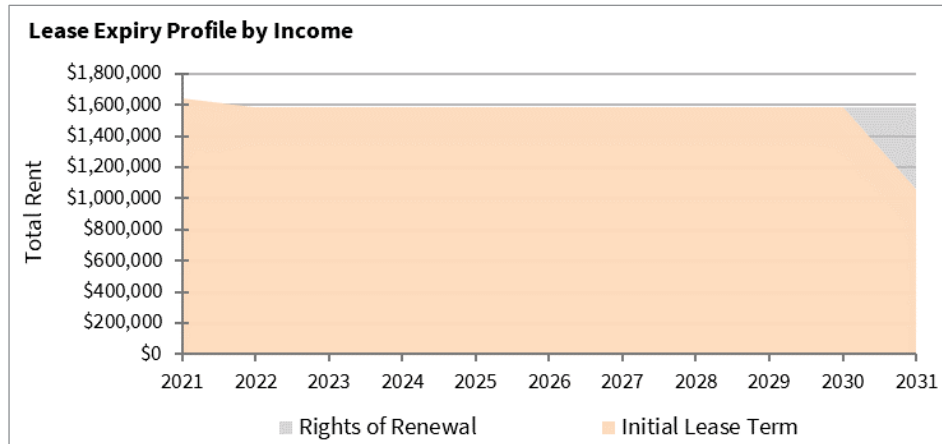
Operating Expenses (OPEX)			
Item	Budgeted Amount	\$/m ² of Rentable Area	% of Total
Rates - TA	\$43,775	\$6.53	22.7%
Rates - Regional	\$9,068	\$1.35	4.7%
Charges for utilities	\$1,292	\$0.19	0.7%
Fire service charges, monitoring & Trial Evac	\$10,300	\$1.54	5.3%
Insurance premiums	\$75,773	\$11.31	39.2%
Insurance Valuation	\$1,178	\$0.18	0.6%
Repairs and maintenance	\$3,654	\$0.55	1.9%
Management expenses	\$20,808	\$3.11	10.8%
BWOF and Building Act compliance costs	\$731	\$0.11	0.4%
Lift Contract & R&M	\$17,194	\$2.57	8.9%
Health & Safety	\$1,035	\$0.15	0.5%
Exterior Cleaning (cleaning/maintenance and repair)	\$5,768	\$0.86	3.0%
Airconditioning service charges	\$2,630	\$0.39	1.4%
Total	\$193,206	\$28.84	100.0%

These have been apportioned as follows:

Operating Expense Apportionment					
Tenant	Budgeted Amount	% of Total OPEX	OPEX \$/m ²	Recovered Amount	Unrecovered Amount
Farmers	\$187,526	97.1%	\$28.84	\$0	\$187,526
TSB Bank	\$5,680	2.9%	\$28.82	\$5,680	\$0
Total	\$193,206		\$28.84	\$5,680	\$187,526

10.4 WEIGHTED AVERAGE LEASE TERM

The property has a current WALT of 10.3 years.

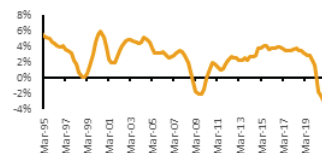


11.0 MARKET COMMENTARY

11.1 ECONOMIC OVERVIEW

- The New Zealand economy has been resilient and economic activity has grown faster than market expectations. Retail spending has continued to increase, construction is booming and business sector confidence has improved as a result of good trading activity. The labour market is also stronger with unemployment falling to 4.0% in June 2021, and building labour cost pressures and skill shortages. New Zealand's economy is now outperforming the majority of our trading partners who are continuing to manage significant COVID-19 related health issues.
- Some sectors of the economy are still struggling to bounce back from the impact of COVID-19 border restrictions and lockdowns. Spending in the travel, accommodation and entertainment sectors remains below pre-COVID-19 levels. This is unlikely to change quickly with border restrictions likely to continue into 2022.
- The strength of our economy is due in part to the very stimulatory monetary and fiscal policy settings in place over the last year. This has resulted in strong domestic demand which has helped to offset the impact of our closed borders and softness in the global economy. However, the RBNZ is likely to begin tightening monetary policy conditions as the ultra-stimulatory settings are no longer justified. Strong economic growth, building inflationary pressures, tight labour market conditions and increasing asset prices are all likely to result in higher OCR settings over the next year.
- Short-term mortgage rates have increased since July 2021, as the Reserve Bank started to tighten its monetary policy settings. Market expectations are for higher interest rates to increase with the OCR increasing by 1.5% by 2023.
- House prices have continued to increase despite changes in Government tax policies focused on residential property investments, the tightening of bank LVR ratios, and falling population growth rates (due to lower levels of overseas net migration). The outlook for the market is tempered by the prospect of rising mortgage interest rates and the potential introduction of debt to income ratio restrictions on bank lending.
- CPI statistics have recorded two consecutive quarters of strong inflation growth, having increased to 3.30% p.a. in June quarter and to 4.90% p.a. in the September quarter. Economists expect that inflation will realign with the RBNZ's target range of 1.0%-3.0% by year end 2022.

GDP



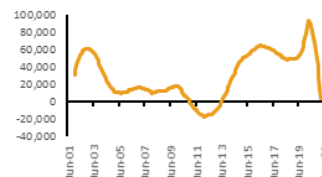
GDP increased by 2.8% during the June 2021 quarter representing an annual growth of 5.1% for year end June 2021. Market expectations are for GDP growth to continue to rebound.

Unemployment Rate



The number of people employed increased by 8,100 over the June 2021 year and the official unemployment rate exceeded market strengthening expectations and fell to 4.0%.

Net Migration



Current net migration gains fell to an estimated 4,700 people in the June 2021 year. COVID-19 related border restrictions are expected to result in further reductions in net migration over the next 12 months slowing population growth.

CPI

4.90%



Inflation figures for the September 2021 quarter have exceeded the RBNZ's annual target, reflecting strong consumer demand and increased shipping costs.

Official Cash Rate

0.50%



The RBNZ increased the Official Cash Rate by 0.25% at the October 2021 policy meeting. Going forward, further increases in the OCR are anticipated.

11.2 REGIONAL PROPERTY MARKET

Post the initial COVID-19 lockdown and from mid-2020 signs have been positive in Hawkes Bay, with strong demand for good quality investments. In the early stages of the post lockdown environment, there were a lack of commercial transactions, and it was difficult to gauge investor confidence. Transaction numbers increased during the latter part of 2020 and into 2021, although listings remain low as investors are holding property due to a lack of competitive alternative investments. There is little prime stock currently on the market and we are seeing a large increase in off-market transactions. There is not any clear evidence that the most recent COVID-19 lockdown has reduced demand, although it is likely too early to tell.

Demand for commercial property is very strong, although investors and lenders appear more aware of the key criteria associated with good investment property, with local and national investors driving strong demand and firmer yields. Demand for prime commercial property is expected to remain strong in the current tightly held market. Tenant quality, NBS ratings and lease terms are still key drivers for commercial property. Yield rates for prime (or first tier) property have firmed to between 4.4% - 5.5%, while most second-tier investments tend to sit between 5.5% and 7.00%. Industrial yields have fallen below retail and office yields, this being backed by stronger demand and a perception of lower vacancy and capital growth risk.

Generally, regional city yields rates are at marginally higher levels than apply in metropolitan locations. There is increased interest from national investors looking for better returns than are being achieved in the metropolitan areas and better-quality properties now form part of a New Zealand wide market.

Of the various property sectors, the industrial sector has performed best and holds the most investment opportunities. Several new office buildings have been developed but generally there has been less development in the retail sector.

Commercial property (retail and office) within secondary locations, with dated accommodation, low seismic ratings or short remaining lease terms are experiencing some buyer resistance, and higher yield expectations. Greater variance in the yields achieved between first, second and third tier properties is evident, and it is becoming increasingly difficult to secure tenants and obtain finance for buildings with low seismic ratings.

Larger investments are particularly sought after for syndication with the yields for the higher priced properties having firmed significantly.

Another change in market dynamics has been increased demand from owner occupiers, initially for smaller sized assets and now encompassing much larger property holdings. This demand has been driven by lower mortgage interest rates and rising rental levels. Yields remain firm with many purchasers making decisions based on comparison between the cost of owning and renting. For smaller assets, it is now common to see little or no variance between yields for leased investment property when compared to transactions for similar premises sold as vacant based on notional rental.

11.3 RENTAL MARKET

There was a reduction in leasing activity post the initial 2020 lockdown which continued until the end of 2020, where we started to see some movement. A lot of the demand was tenants 'reshuffling' around the CBD, rather than new tenants. This likely occurred because of increasing confidence in the economy as the ongoing recovery became apparent and due to pent up demand.

Currently rental levels have not shown any clear signs of declining for prime space and we have seen good levels of rental inflation over the past year for both new leases and market rent reviews/renewals. The Napier CBD has been performing well, while the Hastings CBD has been under pressure and struggling with both rental growth and vacancies for a number of years, although vacancy rates do appear to now be improving. The new Tribune complex and the ToiToi Centre will help to reinvigorate the Hastings CBD.

Secondary retail locations have seen an increase in vacancies with rental levels largely being held by Lessors in order to retain tenants. We believe that some of the vacancies can be attributed to business closing physical stores in reaction to COVID, with many of these businesses planning to do so anyway, but they took the opportunity to act earlier.

Larger bulk retail complexes on the fringe of both Napier and Hastings continue to attract destination shoppers from each cities CBD. The movement of Large Format retailers out of the Central Business District, which appears to be a nationwide trend, is still occurring.

11.4 RETAIL SPENDING STATISTICS

We monitor the retail sales value growth from Statistics New Zealand.

When we consider the variance in the value of sales by Geographical Area, we can see a clear trend occurring between the North and South Island. The North Island indicating strong year on year increase of 12.80%, with the South Island showing only 4.07%.

When focussing on Hawkes Bay, the 12.92% increase in retail sales values (shown below) supports strong economic conditions and demonstrates that the provincial areas not reliant on international tourism spending, have shown good retail sales growth coming out of the COVID-19 lockdowns, despite initial concerns. *Please note this data reflects June 2021 and does not reflect the most recent lockdown.*

Actual Retail Sales Values by Geographical Region (Sourced from StatsNZ)

Region	Annual Change (June 2020-21)
Northland	7.38%
Auckland	14.02%
Waikato	13.78%
Bay of Plenty	12.53%
Gisborne	7.95%
Hawke's Bay	12.92%
Taranaki	3.98%
Manawatu-Whanganui	17.10%
Wellington	9.52%
TOTAL NORTH ISLAND	12.80%
Tasman	-8.19%
Nelson	9.04%
Marlborough	2.00%
West Coast	-16.31%
Canterbury	10.83%
Otago	-5.03%
Southland	-0.20%
TOTAL SOUTH ISLAND	4.07%

Actual Retail Sales Values by Geographical Region (Sourced from StatsNZ)

Non-Retail Activity(4) 27.65%

TOTAL NEW ZEALAND 10.84%

Sales volumes have performed stronger than initially expected, with pent up demand, a reallocation of discretionary income that would have been used for overseas travel, a resilient domestic economy, low interest rates and a very strong residential market, having all contributed to a lift in sales over the past year.

12.0 MARKET RENT ASSESSMENT

12.1 INTRODUCTION

Income-based valuation assessments consider the cash flow that could be, or is, generated from the property. Part of the process is a review of the potential rental earning capacity, or Market Rent. Market Rent is defined in International Valuation Standard 104 as:

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.

To establish a market rental for the premise we have made comparison with recent rental settlements for comparable accommodation in the wider location.

The best evidence is that of new leasing agreements of comparable premises in the same or similar locations with the date of the transaction being as close as possible to the subject rent review date. Regard can also be had to lease renewals and rent reviews where these are consistent with the new lease evidence, however carry less weight.

The rental evidence has been analysed on a Total Occupancy Cost (TOC) basis (inclusive of all operating expenses).

Adjustments made for variation in factors such as the size and quality of accommodation, location and where the lease terms are varied.

12.2 RENTAL EVIDENCE

Rental settlements that assist in establishing a market rent include the following:

300 St Aubyn Street East, Hastings



Tenant

Warehouse Stationery

involving modern, open space retail accommodation with amenities comprising a lobby, cleaners cupboard, a separately partitioned toilet and open retail space with the lessor having provided a dividing partition to create a rear store room area and with access to the rear inward goods loading bay and lessee provided offices. The accommodation has a suspended grid ceiling, air conditioning and heat/smoke sensors.

Date

4 December 2019

Type

Rent Review

Bulk Retail

Load Out Area (share of)

Estimated share of total

(carparks)

20-60 Wellesley Road, Napier South



Tenant	Harvey Norman
Date	27 September 2021
Type	Renewal
Bulk Retail	1,600.00

Comprising the eastern unit in the main building complex formerly having been two separate units, comprising a lettable area of 1,600m², 3.50 metre stud height situated on the western fringe of the Napier City central business area having frontage and excellent identification to an arterial traffic route which carries large volumes of vehicular traffic to and from the city centre from the western suburbs. Shred use of ample carparks.

63 Prebensen Drive, Tamatea



Tenant	Torpedo 7
Date	20 March 2021
Type	New Lease
Premises and Shared Parks	1,200.00

Modern large format retail building completed in March 2021. Modern store of 3.2m stud, being air conditioned, automatic doors, no ceiling and rear service areas. Shared use of 150 carparks. No market reviews during the term of the lease or subsequent renewals, CPI only. Calculation includes rent free period.

63 Prebensen Drive, Onekawa



Tenant	Kmart
Date	1 March 2021
Type	New Lease
Premises and Shared Parks	5,394.00

Modern large format retail building completed in May 2021. Standard Kmart store, being air conditioned, automatic doors, no ceiling and rear service areas.

65 Emerson Street, Napier South



Tenant		Cotton On	Involving a large retail tenancy within the prime retail block in the Napier CBD. Shared use of common areas. Modern tenancy with all normal fitout by the Lessor. Very wide frontage.
Date		17 September 2020	
Type		Rent Review - fixed	
Retail	994.31		

200 Market Street North, Hastings



Tenant		Kiwibank Limited	Comprising a two storey office building situated on a large corner site in Hastings with frontage to both Market Street North and Queen Street West. The property was converted from its original use as a department store circa 2014 and provides high stud ground floor retail and office space with mezzanine office and amenity areas (serviced by lift) to part and with rooftop parking (29 parks) to the balance.
Date		22 December 2020	
Type		Rent review	
Ground Floor - Retail	388.20		
Ground Floor - Offices	1,179.20		
Mezzanine Floor	753.10		
Carparks - First Floor	29.00		
Carparks - Ground Floor	4.00		

Invercargill

Tenant		Confidential	Large format retail store, well located with onsite carparking.
Date		1 April 2019	
Type		New Lease	
Ground and First Floor	6,381.2		

Invercargill

Tenant		Confidential-	Large retail tenancy located within a multi-tenant retail development.
Date		22 November 2019	
Type		New lease	
Retail	5,313.00		

85 Roberts Street, Taupo



Tenant	Briscoes	Involving a purpose built Briscoes tenancy constructed in 2015 and situated on a prominent corner site in Taupo CBD.
Date	1 May 2021	
Type	Rent review	
Large format retail store	2,414.00	

539 Main Street, Palmerston North



Tenant	Smith City	Modern bulk retail destination premises with wide frontage to Main Street. Situated on the eastern periphery of the Palmerston North CBD. Balance property is in bitumen sealed carparking area. Current rental set by Rent Review.
Date	1 December 2020	
Type	Rent Review	
Premises	2,340.00	
Carparks	33.00	

112 Jackson Street, Petone



Tenant	Smiths City	A large retail showroom tenancy. The Landlord granted the Tenant one month rent free. The Landlord works comprise of painting the interior and exterior of the premises.
Date	1 August 2020	
Type	New Lease	
Retail - Showroom	2,056.00	
Office	88.00	
Carparks	19.00	

66 Clarence Street, Addington



Tenant		Harvey Norman	A large retail tenancy in the Tower Junction large format retail shopping centre.
Date		1 July 2020	
Type		New, net lease	
Retail	2,095.11		

250 Moorhouse Avenue, Christchurch Central



Tenant		Spotlight Limited	A recently completed two level large format retail building situated on the corner of Moorhouse Avenue and Durham Street.
Date		1 December 2019	
Type		New, net lease	
Main Level 1 Retail	3,599.00		
Office and Amenities	165.00		
Despatch Storage	370.00		
Loading Dock	55.00		
Loading Dock (1/2 share)	44.00		
Entry Area	202.00		

Invercargill



Tenant		Spotlight	The Spotlight Building occupies a prominent 5097m2 site on the East side of Leven Street, Leven Street is the primary 'large format' retail location supporting a number of other National brands including The Warehouse and Farmers. The property comprises a well constructed and presented large format retail building built circa 2005 with good access and on site parking.
Date		30 November 2019	
Type		Rent Review	
Retail	2,707.82		
Mezzanine	64.17		

12.3 MARKET RENT SUMMARY AND CONCLUSION

12.3.1 Farmers

We have extended our search to include a range of other larger department store type rentals around NZ, due to a lack of similar scaled tenancies in Hawkes Bay.

In regards to the Farmers rental, Farmers forms a destination department store in NZ with all modern stores being constructed to the same high standard and of similar layout and fitout. It appears most of the Farmers leases are on similar rental review provisions as the subject, which means there is a lack of relevant (timely) new lease or market review evidence available, as CPI reviews do not provide genuine market transactions.

Due to confidentiality requirements we no longer provide full rental detail within our reports. Based on the evidence available we analyse the following rental range:

Component	Rental Rate Range	Average
Retail - Local	\$182/m ² - \$260/m ²	\$224/m ²
Retail - Other Areas	\$201/m ² - \$259/m ²	\$223/m ²

Where different regions operate on a net lease basis, we have converted these rentals to TOC for the purposes of this valuation.

The local evidence indicates a range of \$182 to \$260/m² with an average of \$224/m². The upper end of the range is for new, good quality, smaller accommodation, while the lower end relates to smaller scale premises of much lesser quality.

The other areas evidence shows very similar rates to our local evidence, therefore we have focussed primarily on these rentals. We have adjusted the evidence for differences in scale primarily, quality, location and services, with an adjusted range of \$219 to \$246. We have adopted rates at the upper end and have adopted \$240/m² to the ground floor, with the first floor discounted slightly to \$225/m².

12.3.2 TSB

As this tenancy attributes only 4.7% of the total net income, we have not provided full detail on the comparable rentals used to assess this rental. We summarise these Hastings tenancies below, and can provide further detail on these comparisons if required.

- The Co-Operative Bank
- ASB Bank
- Currizas
- Te Rito Maioha Early Childhood
- AMI

Component	Rental Rate Range	Average
Retail	\$246/m ² - \$388/m ²	\$301/m ²

The subject property is situated on a high profile site and is presented to a very good standard. We have adopted \$375/m² which is at the upper end of the range and well above average, reflecting corner profile and quality.

12.4 PASSING VS MARKET RENT ANALYSIS

Our analysis of the current passing rent in comparison to the assessed market rent is as follows:

Passing & Market Rent Comparison							
Component	Area/Units m ² /units	Passing Rent Analysis		Market Rent Analysis		Variance	
		\$/m ² or unit	\$pa	\$/m ² or unit	\$pa	\$	%
Tenant: Farmers							
Ground Floor	3,251.1	\$248.93	\$809,285	\$240.00	\$780,264	\$29,021	3.7%
First Floor	3,250.9	\$233.37	\$758,661	\$225.00	\$731,455	\$27,206	3.7%
Carparks	9.0	\$36.30	\$16,989	\$35.00	\$16,380	\$609	3.7%
Subtotal			\$1,584,935		\$1,528,099	\$56,836	3.7%
Tenant: TSB Bank							
Retail	197.1	\$374.82	\$73,880	\$375.00	\$73,916	(\$36)	(.0%)
Less Recoverable Opex			(\$5,680)		(\$5,680)	-	-
Subtotal			\$68,200		\$68,236	(\$36)	(.1%)
Total			\$1,653,135		\$1,596,335	\$56,800	3.6%

13.0 SALES EVIDENCE

13.1 INTRODUCTION

To assist in establishing the Market Value of the property we have analysed relevant sales of investment properties. We summarise below brief definitions of salient valuation metrics to assist the reader:

Initial yield	The initial yield is the return on the current net income. It is calculated from a single period and is therefore implicit of inflation. It is calculated by dividing the net income by the sale price or value.
Yield on market income	This is the return that would be achieved with the income at market level. It is based on a single period and is therefore implicit of inflation. It is calculated by dividing the market income by the sale price or value.
Equivalent yield	The equivalent yield represents the return on market income but reflecting known value adjustments such as income shortfalls/surpluses, vacancy, leasing costs and other capital

items that a market participant would recognise. It typically represents the relationship between passing and market income and is generally a 'weighted average' of the two.

Discount rate	This metric represents the opportunity cost of capital to a purchaser, being the annualised total return (capital and income) to the investor over a specified investment horizon, adjusted for inflation. It is the rate calculated/applied to convert future values to present value.
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Weighted average lease term to run (WALT)	This is a risk measure and represents the weighted average period in which the leases will expire; it reflects the period in which the income from the property will be secure. The weightings have been calculated by income, but can also be calculated based on occupied area.
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13.2 INVESTMENT SALES

Sales analysed to assist in calculating the market value of the subject property include:

93-97 Dalton Street, Napier South



Sale date	8 June 2021
Sale price	\$2,550,000
Tenant	Dollarama and Villa Asti
Initial yield	6.01%
Yield on market income	6.21%
Equivalent yield	6.20%
Discount rate	6.96%
Weighted avg. lease term	1.5 years
\$/m ² of rentable area	\$3,861/m ²

Involving a single level commercial retail building occupying a high profile corner site of 814m². The building has an NBS rating of 80% and is presented to a good modern standard. Fully leased with a WALT of 1.5 years and renewal options to both tenants. There are 6 on-site carparks associated with this property.

19 Marine Parade, Napier South



Sale date	18 October 2021
Sale price	Confidential
Tenant	Intersoft and Talking Cure
Initial yield	Confidential
Yield on market income	6.40%
Equivalent yield	5.28%
Discount rate	7.61%
Weighted avg. lease term	2.9 years
\$/m ² of rentable area	0/m ²

Involving a modern four storey commercial office building known as "Kel Tremain House" which was constructed circa 2008 and has a seismic rating of at least 100% NBS. This building is conveniently situated on Marine Parade with sea views, located just outside of the fringe commercial area in the Napier CBD. This property is currently fully leased with a WALT of 2.9 years.

126 Hastings Street, Napier South



Sale date	30 November 2020
Sale price	\$3,100,000
Tenant	BNZ, Bike Tours, lag, Citizens
Initial yield	5.52%
Yield on market income	7.01%
Equivalent yield	6.82%
Discount rate	6.10%
Weighted avg. lease term	1.7 years
\$/m ² of rentable area	\$2,717/m ²

A two storey commercial building with a mix of retail and office tenancies, and having frontage to both Hastings Street and Marine Parade. 81% occupied at the time of sale, with a WALT of 1.7 years. Good tenant mix.

147 Carlyle Street, Napier South



Sale date	8 April 2021
Sale price	\$3,400,000
Tenant	Tiny Voices
Initial yield	5.14%
Yield on market income	4.71%
Equivalent yield	4.92%
Discount rate	6.01%
Weighted avg. lease term	12.0 years
\$/m ² of rentable area	\$7,845/m ²

Involving a purpose built childcare centre construction in 2019 and providing two level modern space. Sold with a new 12 year lease in place. Situated on a relatively high profile corner site on the fringe of the commercial precinct. Licenced for 60 children and we understand was initially meant to be 70 licences but there was some minor construction issues which prevented reaching this number.

926 Heretaunga Street West, Stortford Lodge



Sale date	11 February 2021
Sale price	\$3,975,000
Tenant	Cribs 2 Crayons
Initial yield	4.79%
Yield on market income	5.07%
Equivalent yield	5.04%
Discount rate	6.06%
Weighted avg. lease term	7.8 years
\$/m ² of rentable area	\$10,314/m ²

Land area 1,867m². Building area 385.4m². The sale comprises a dual frontage commercial site originally developed in 2007 as a car sales showroom and yard and subsequently redeveloped and extended circa 2018 for use as a childcare centre. The facility now provides a high standard of purpose built accommodation. The property sold to an Auckland based investor subject to a 10 year lease term with 7.8 years left to run to childcare provider Cribs 2 Crayons who hold a license for 84 children and enjoy full/near full occupancy. The sale analyses to - \$45,833/child license.

7 Maui Street, Pukete



Sale date	4 October 2020
Sale price	\$4,500,000
Tenant	Highbury Group Limited
Initial yield	6.60%
Yield on market income	5.17%
Equivalent yield	6.61%
Discount rate	7.14%
Weighted avg. lease term	4.7 years
\$/m ² of rentable area	\$3,191/m ²

A modern large format retail premise situated on a freehold site with rear profile to Te Rapa Road. The property is subject to an eight year lease commencing in 2017, with built in rental growth of 3.5% per annum.

10 Limerick Street, Alexandra



Sale date	6 May 2021
Sale price	\$5,100,000
Tenant	Warehouse
Initial yield	6.85%
Yield on market income	7.23%
Equivalent yield	7.15%
Discount rate	7.50%
Weighted avg. lease term	6.8 years
\$/m ² of rentable area	\$1,395/m ²

Bulk retail premises leased to the Warehouse. Sold with new 7 year lease term from March 2021, includes two further rights of renewal of 3 years each. Well located within Alexandra.

108 Te Mata Road, Havelock North



Sale date	16 May 2021
Sale price	\$5,300,000
Tenant	Piccolini
Initial yield	4.54%
Yield on market income	4.63%
Equivalent yield	4.60%
Discount rate	5.62%
Weighted avg. lease term	8.8 years
\$/m ² of rentable area	0/m ²

Involving a large childcare centre with licence for 109 children. The property is fully leased under two separate 10 years leases effective March 2020. This property occupies two titles on a prime site in Havelock North.

1105 Ferry Road, Ferrymead



Sale date	5 March 2020
Sale price	\$6,150,000
Tenant	Anytime Fitness, Surf Shop and 3
Initial yield	7.01%
Yield on market income	6.36%
Equivalent yield	6.53%
Discount rate	8.06%
Weighted avg. lease term	6.4 years
\$/m ² of rentable area	\$5,467/m ²

Near new retail block on high profile site adjacent to Ferrymead Bridge. Secondary frontage to Tidal View Place. 49% of income from Anytime Fitness.

200 Mangorei Road, Merrilands



Sale date	Unconfirmed
Sale price	Confidential
Tenant	Merrilands Shopping Centre
Initial yield	Confidential
Yield on market income	6.02%
Equivalent yield	6.02%
Discount rate	N/A
Weighted avg. lease term	N/A
\$/m ² of rentable area	\$4,206/m ²

A medium size suburban shopping complex located in Merrilands a residential suburb situated to the south eastern side of New Plymouth. A New World supermarket is the anchor tenant but there is also a pharmacy, takeaway shop, magazine and Lotto shop, hair dresser, medical centre and dental studio.

233-245 Rangitikei Street, Palmerston North Central



Sale date	20 August 2021
Sale price	\$8,550,786
Tenant	Crackerjack & Noel Leeming
Initial yield	5.69%
Yield on market income	6.36%
Equivalent yield	6.14%
Discount rate	7.27%
Weighted avg. lease term	4.8 years
\$/m ² of rentable area	\$3,141/m ²

Modern 2,722 square metre purpose-built bulk-retail premises as situated on the northern fringe of the Palmerston North CBD. Balance property is in front carparking and rear yard areas. Seismic rating 83% NBS (New Building Standard). Zoned 'Outer Business'.

14 Gravatt Road, Papamoa Beach



Sale date	7 August 2020
Sale price	\$9,000,000
Tenant	Mitre 10
Initial yield	6.02%
Yield on market income	6.04%
Equivalent yield	6.02%
Discount rate	6.31%
Weighted avg. lease term	1.2 years
\$/m ² of rentable area	\$3,420/m ²

This is a commercial zoned property of 7,734 square metres containing a bulk retail style tenancy leased to Mitre 10 and two telecommunication site tenancies. The property is within the Centamax development which is comprised of a number of retail tenancies and was constructed in the mid 2000s. It forms part of a larger master-planned commercial precinct. The tenancy sits in a prominent location having good frontage and a central position with profile to Gravatt Road. Land area of 7,734m² analysed at \$750/m².

67 Courtenay Street, New Plymouth



Sale date	3 January 2020
Sale price	\$13,000,000
Tenant	The Warehouse
Initial yield	6.80%
Yield on market income	6.80%
Equivalent yield	6.85%
Discount rate	9.05%
Weighted avg. lease term	5.9 years
\$/m ² of rentable area	\$2,202/m ²

The Warehouse New Plymouth is a 5,904 m² bulk retail store within a larger unit titled development with access from both Courtenay Street and Devon Street East. Sold with a 6 year lease in place. Features include the use of 207 car parks under separate NPDC ownership and a high NBS seismic rating of 135%.

620 Karamu Road North, Karamu



Sale date	19 December 2018
Sale price	\$19,760,000
Tenant	The Warehouse
Initial yield	6.13%
Yield on market income	5.80%
Equivalent yield	6.21%
Discount rate	7.14%
Weighted avg. lease term	8.1 years
\$/m ² of rentable area	\$2,990/m ²

The Warehouse within the Park Mega Centre. 6400m² bulk retail property on a 1.5389 ha site. Purpose built in 2012. 15 year lease with three year renewal options.

Karamu Road North, Hastings



Sale date	20 August 2018
Sale price	\$21,000,000
Tenant	Briscoes/Rebel Sports, Noel
Initial yield	6.47%
Yield on market income	7.79%
Equivalent yield	6.87%
Discount rate	7.84%
Weighted avg. lease term	6.4 years
\$/m ² of rentable area	\$2,631/m ²

Involving four separate modern large format retail properties situated within the Park Mega Centre and purchased as one transaction. Tenancies include Briscoes, Rebel Sport, The Clearance Shed, Noel Leeming and Pet Stock. WALT of 6.4 years. The Park Mega Centre development is situated to the northern fringe of the Hastings CBD and has been developed with large format retail buildings from

2011 to 2017 and is now fully developed.

15 Karewa Place, Pukete



Sale date	1 December 2020
Sale price	\$23,750,000
Tenant	KMART/Coles Group New Zealand
Initial yield	4.21%
Yield on market income	4.29%
Equivalent yield	4.30%
Discount rate	4.53%
Weighted avg. lease term	5.9 years
\$/m ² of rentable area	\$4,444/m ²

Large scale retail development, constructed circa 2013, situated opposite The Base with frontage to Te Rapa Road. Rental reviews are calculated based on OCR movement. Off market sale to a private investor.

The property sold in October 2019 for \$19,430,000 reflecting a passing yield of 5.15%.

2 Taurikura Drive, Tauriko



Sale date	1 December 2020
Sale price	\$44,000,000
Tenant	Farmers, Gilmours, Bed Bath &
Initial yield	4.71%
Yield on market income	4.70%
Equivalent yield	4.70%
Discount rate	5.80%
Weighted avg. lease term	9.3 years
\$/m ² of rentable area	\$3,819/m ²

A 2017 built large-format retail development comprised of a Gilmour's supermarket, Farmers and Bed Bath and Beyond. Located on Industrial zoned land, in close proximity to the new Tauranga Crossing shopping mall. Strong review provisions with CPI+ and market. Land area of 2.5ha analysed at \$650/m².

13.3 SALES SUMMARY

Address	Sale date	Sale price	Initial yield	Market yield	Equivalent yield	Discount rate	WALT	\$/m ² rentable area
93-97 Dalton Street	8 June 2021	\$2,550,000	6.01%	6.21%	6.20%	6.96%	1.5 years	\$3,861/m ²
19 Marine Parade	18 October 2021	Confidential	Confidential	6.40%	5.28%	7.61%	2.9 years	0/m ²
126 Hastings Street	30 November 2020	\$3,100,000	5.52%	7.01%	6.82%	6.10%	1.7 years	\$2,717/m ²
147 Carlyle Street	8 April 2021	\$3,400,000	5.14%	4.71%	4.92%	6.01%	12.0 years	\$7,845/m ²
926 Heretaunga Street West	11 February 2021	\$3,975,000	4.79%	5.07%	5.04%	6.06%	7.8 years	\$10,314/m ²
7 Maui Street	4 October 2020	\$4,500,000	6.60%	5.17%	6.61%	7.14%	4.7 years	\$3,191/m ²
10 Limerick Street	6 May 2021	\$5,100,000	6.85%	7.23%	7.15%	7.50%	6.8 years	\$1,395/m ²
108 Te Mata Road	16 May 2021	\$5,300,000	4.54%	4.63%	4.60%	5.62%	8.8 years	0/m ²
1105 Ferry Road	5 March 2020	\$6,150,000	7.01%	6.36%	6.53%	8.06%	6.4 years	\$5,467/m ²
200 Mangorei Road	Unconfirmed	Confidential	Confidential	6.02%	6.02%	N/A	N/A	\$4,206/m ²
233-245 Rangitikei Street	20 August 2021	\$8,550,786	5.69%	6.36%	6.14%	7.27%	4.8 years	\$3,141/m ²
14 Gravatt Road	7 August 2020	\$9,000,000	6.02%	6.04%	6.02%	6.31%	1.2 years	\$3,420/m ²
67 Courtenay Street	3 January 2020	\$13,000,000	6.80%	6.80%	6.85%	9.05%	5.9 years	\$2,202/m ²
620 Karamu Road North	19 December 2018	\$19,760,000	6.13%	5.80%	6.21%	7.14%	8.1 years	\$2,990/m ²
Karamu Road North	20 August 2018	\$21,000,000	6.47%	7.79%	6.87%	7.84%	6.4 years	\$2,631/m ²
15 Karewa Place	1 December 2020	\$23,750,000	4.21%	4.29%	4.30%	4.53%	5.9 years	\$4,444/m ²
2 Taurikura Drive	1 December 2020	\$44,000,000	4.71%	4.70%	4.70%	5.80%	9.3 years	\$3,819/m ²
Ranges		<i>minimum</i>	4.21%	4.29%	4.30%	4.53%	1.2 years	\$1,395/m²
		<i>maximum</i>	7.01%	7.79%	7.15%	9.05%	12.0 years	\$10,314/m²

13.4 INVESTMENT PROFILE

In establishing appropriate investment benchmarks for the property we have considered its investment profile in terms of:

Location

Hastings CBD location occupying a prominent, three frontage, corner site. Although the Hastings CBD has struggled over recent years, the main tenant Farmers is a destination store and relies less on passing foot traffic. The two main Hastings CBD redevelopments will enhance the location and attract patrons back to the CBD, and vacancy levels have improved over the past year.

Building quality

Good quality building, effectively constructed in 2012 whilst still retaining some heritage features. Both tenancies are well presented and of good quality.

Tenant strength

Farmers is a strong national retailer, especially within the provincial townships. Whilst there is some risk to retailers from increased online spending, well renowned retailers, specifically bulk retailers, such as Farmers have held their ground, although we are not privy to Farmers financial performance.

TSB is considered a good quality tenant although banks now pose a new risk that retail stores will be discontinued, a trend which started soon after the initial COVID-19 lockdown, although these closures occurred predominantly in smaller rural townships.

Weighted average lease term to run

The property has a good WALT of 10.9 years which is incredibly appealing to investors and syndicators in this market.

Contract rent vs market rent

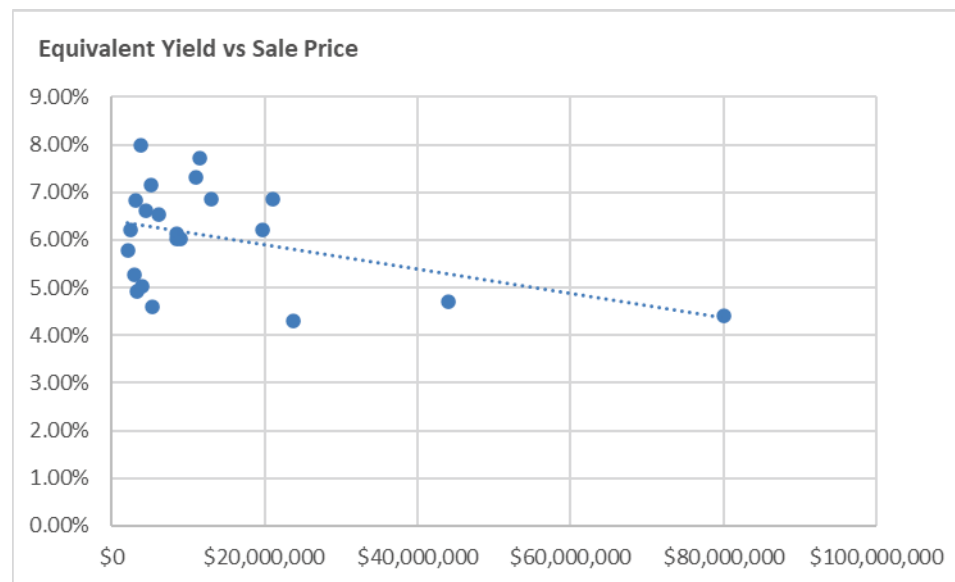
Our adopted market rent for Farmers is 3.6% below the contract rental. There are no market reviews during the duration of the lease which has CPI reviews only. Although it is important to understand the difference between contract and market rents, in this instance we have focused primarily on the contract rental and our CPI predictions. CPI is currently really strong.

Scale of investment

This is at the upper end of the commercial price bracket for Hawkes Bay and we have seen some very strong sales above \$10mil in the past two to three years. While the scale has previously presented some risk, there is currently good demand for syndication and Hawkes Bay is currently viewed as a good investment opportunity by out-of-town investors, which has had a positive impact on sale prices, especially for higher priced properties. There is now evidence that higher price good quality prime stock may now attract a premium due to the number of active syndicates looking to invest in the New Zealand market.

The very recent Turners and Growers sale of circa \$80,000,000 in Hastings District which returned a yield on passing of 4.4%, shows the strength of the Hawkes Bay market and the increasing demand for good quality provincial assets.

Due to the scale of this property, we have additionally plotted the sale price vs yield to see if any obvious trends are apparent.



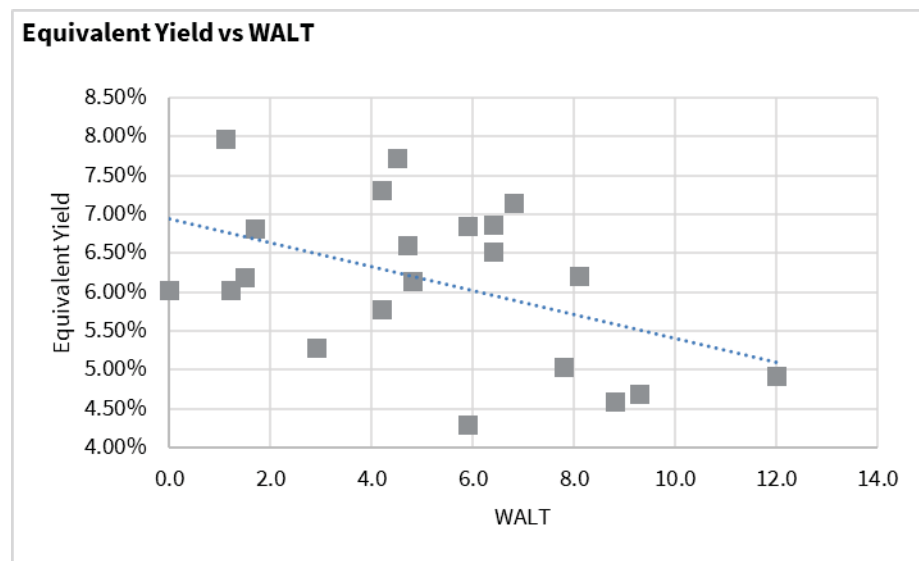
The above chart indicates no real trend for scale, and it appears there could be a premium for well those properties sitting in the upper price bracket as there is increasing demand

from syndications but we note that with a small number of sales the data is skewed somewhat by the strong sales at the upper end of the price range.

13.5 SALES SUMMARY AND CONCLUSIONS

Prime retail developments are very rarely sold as these are tightly held throughout most of New Zealand. There has been a lack of prime commercial sales of all types having occurred in Hawkes Bay over the past two years or so as Landlords are holding onto good quality stock due to a lack of alternative sound investment opportunities. Sale numbers have increased during 2021 and we are now seeing very clear trends of reducing yields for good quality stock. We are well aware that yields have continued to drop during the later part of 2021, but due to the lack of sales there is still limited directly comparable evidence

We have attached a range of Hawkes Bay investment sales, although none of these are directly comparable to the subject due to scale and property type. We have therefore analysed a range of commercial retail sales from around New Zealand (excluding Auckland) from the past year as well. Looking at the overall evidence, there is a clear correlation between WALT and yield, as shown below:



Out of the evidence, the best sales include the following:

Address	Sale Date	Sale Price	WALT (years)	Passing Yield	Equivalent Yield
147 Carlyle Street	Apr 2021	\$3,400,000	12.0	5.14%	4.92%
926 Heretaunga Street West	Feb 2021	\$3,975,000	7.8	4.79%	5.04%
10 Limerick Street	May 2021	\$5,100,000	6.8	6.85%	7.15%
108 Te Mata Road	May 2021	\$5,300,000	8.8	4.54%	4.60%
1105 Ferry Road	Mar 2020	\$6,150,000	6.4	7.01%	6.53%
67 Courtenay Street	Jan 2020	\$13,000,000	5.9	6.80%	6.85%
15 Karewa Place	Dec 2020	\$23,750,000	5.9	4.21%	4.30%
2 Taurikura Drive	Dec 2020	\$44,000,000	9.3	4.71%	4.70%

Ranges	minimum	4.21%	4.30%
	maximum	7.01%	7.15%
	Average	5.51%	5.51%
	Median	4.97%	4.98%

The above sales indicate a relatively wide equivalent yield range of 4.30% to 7.15% with an average of 5.51% but a lower median of 4.98%.

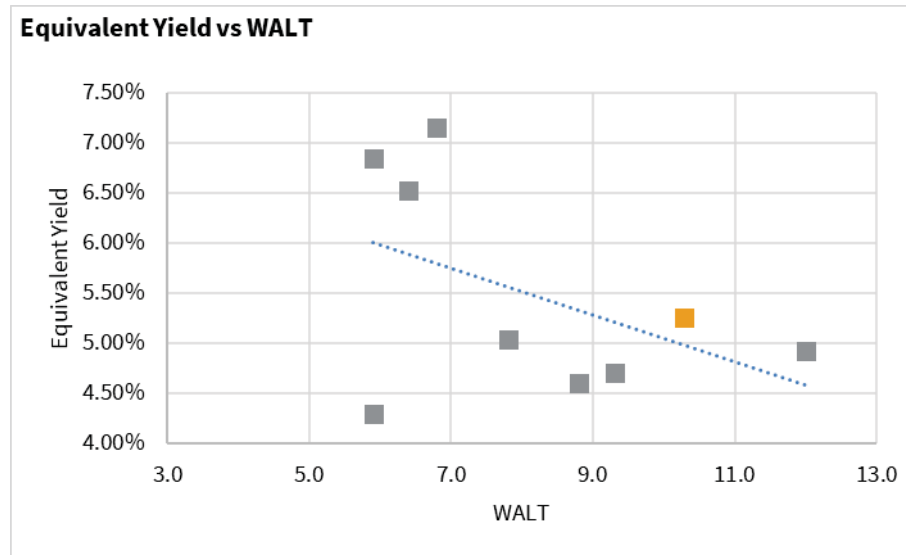
- The Hawkes Bay sales shown above, all reflect prime quality assets although in this instance these were all childcare centres, representing a different property type, with different risk factors. These properties all sit within a much lower, more affordable price bracket than the subject, but do provide a good indication of the strength of the market. These sales sit within an equivalent yield range of 4.60% to 5.04%.

- The Taurikura Street sale is a Tauranga sale of a mixed bulk retail complex constructed in 2017, with a similar tenant profile to the subject and having a WALT of 9.3 years. Tauranga attracts lower yields than Hawkes Bay, as it sits within the ‘triangle’ (Auckland, Hamilton and Tauranga). This property is also situated outside of the CBD, in line with bulk retail movements around the country. This sold with a yield of 4.71% on passing and equivalent, and is considered to be superior to the subject, even considering the upper price bracket.
- 15 Karewa Place is a 2013 bulk retail/supermarket with a lower WALT of 5.9 years, situated within Hamilton. This property is of similar age, sits in a similar price bracket, with mixed use department store and supermarket tenants. This sold with an equivalent yield of 4.21%, but again given the locational differences this is considered a superior yield.

The balance two sales are less relevant given the lower price, somewhat dated sales and lower WALTs.

The subject property has a longer WALT than the majority of these sales, is of good quality and provides an attractive investment opportunity. Considering all of the above evidence, we have adopted a yield on net passing rent of 5.25%.

We have plotted the adopted equivalent yield against the key sales as follows (shown in orange).



The discount rates indicate a range of 4.5% to 9.0%, or a differential over the equivalent yield of 0.2% to 1.1%, with a median of 1.02%. Based on the more comparable sales, we have adopted 6.25%, or 1.0 percentage point above our adopted equivalent yield.

14.0 VALUATION

14.1 HIGHEST AND BEST USE

The Market Value of an asset will reflect its 'highest and best use'. The highest and best use is the use of an asset that maximises its potential and that is physically possible, legally permissible and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.

The current use of the asset is the highest and best use.

14.2 VALUATION APPROACHES AND METHODS

To establish Market Value, as per International Valuation Standard 105, we have utilised the following recognised valuation approaches:

- Income Approach

14.2.1 Income Approach

The Income Approach is predicated on the conversion of net actual or market income, which either is or could be generated by an owner of the interest, to value.

Income Capitalisation

This method encompasses the conversion of net income (actual, market or notional) to value via the application of a capitalisation rate or yield (investment return). The basic premise of income capitalisation is that a property investor expects a pre-determined rate of return on their investment. The yield varies according to a number of factors including: risk, type & scale of investment, location, residual lease term and expected income and capital value growth. The two main variables, namely income and yield, are analysed from available rental and sales evidence.

Implicit adjustments are made when determining an appropriate yield to apply, however, in instances where the contract rent varies from market rent, the present value of the variation is adjusted against the capitalised value. The capitalised value may also be adjusted for costs associated with vacancy if existing or imminent, refurbishment/incentives and capital expenditure.

Given that the lease has no market review provisions for the initial term or subsequent reviews, the market rental is considered much less relevant in this instance. We have therefore focussed on passing yields and the net passing return.

In relation to the investment yield we have analysed a wide range of sales. Based on the sales evidence, and reflecting the key investment criteria of the subject property, we have concluded an appropriate return of 5.25% on the passing cashflow. Our investment calculations are as follows:

Income Capitalisation			
Income			
■ Total Contract Rent			\$1,653,135
■ Less Unrecovered Outgoings			(\$187,526)
Net Contract Income			\$1,465,609
Net Income Capitalised	@	5.25%	
Market value			\$27,916,361
		Adopt	\$27,915,000

We have additionally capitalised the equivalent yield, as a check method only. We have adopted a market yield of 5.25%, given the slight variance between market and contract. To this, we have then added back the present value of the overage until reversion. Our calculations follow:

Income Capitalisation

Market income

■ Total Market Income	\$1,596,335
■ Less Unrecovered Outgoings	(\$187,526)

Net market income **\$1,408,809**

Net Market Income Capitalised @ 5.25%

Market value- fully leased at market level **\$26,834,451**

Capital adjustments

■ Present Value of Rental Reversions	\$153,760
■ Imminent Vacancy Allowance (final lease expiry within @ 12 mont	(\$29,551)

Total capital adjustments **\$124,208**

Market value **\$26,958,659**

adopt **\$26,960,000**

Discounted Cash Flow

The Discounted Cash Flow (DCF) method is a variation of the Income Capitalisation Method whereby cash flows are explicitly forecast over a ten-year investment horizon. Allowances are made within the cash flow projection to account for the market's expectation of rental growth, or where appropriate, structured rental adjustments in accordance with the leases. Deductions for costs associated with property ownership are then made to establish the net annual cash flow. Costs of ownership may include; unrecovered outgoings, vacancy (actual or potential) and capital expenditure.

Having determined the net annual income, we then establish the terminal value of the property based on a hypothetical sale at the beginning of year 11 of the investment horizon, and discount the cash flows at a market based discount rate, as analysed from sales, reflecting the cost of capital, risk and required return. The aggregate of the present value of each cash flow establishes market value via this method.

The method is of particular relevance where cash flows or costs associated with ownership are irregular.

A summary of the key inputs is as follows:

Income & Expense Growth Forecasts

Our cash flow model commences with the existing rental levels with adjustments made to the income streams reflecting occupational arrangements. Appropriate rentals are adopted at review where there are structured review mechanisms or rental ratchets. Growth forecasts are based on research & analysis completed by TelferYoung with consideration given to economic expectations and market sentiment. Our adopted growth rates are outlined in the summary.

Capital Expenditure (CAPEX)

In order to maintain the appeal, integrity and ultimately value of an asset, capital expenditure (CAPEX) is required. In this regard we have incorporated allowances for CAPEX explicitly in our cash flow projection when, in our opinion, expenditure will be required.

Future Vacancy

Where a future vacancy is assumed the new lease will be based on market rent reviews.

Terminal Capitalisation Rate

In establishing the terminal capitalisation rate we have had regard to anticipated market conditions at that time, locational and physical attributes and lease profile. It should be noted that estimating the long range yield is subjective; it is our forecast of the most likely conditions at that time.

Discount Rate

The Discount Rate represents the overall rate of return to an investor over a specific investment horizon. We have analysed Discount Rates (Internal Rates of Return) from sales of investment property to establish an appropriate discount rate to apply to the cash flow. In selecting the rate, we have considered the risk associated with the asset and the returns from alternative forms of investment.

We have also conducted sensitivity analysis based on the key variables, terminal yield and the discount rate. This is shown below along with a graph depicting the cashflow assumptions made within this approach.

Specific assumptions made are illustrated in the following table:

We summarise our valuation via this method below:

Discounted Cashflow Method Assumptions

■ Cashflow Period:	10 years									
■ Growth Forecasts:	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
- Prime Retail	2.50%	2.50%	2.50%	2.20%	2.10%	2.10%	2.00%	2.00%	2.00%	2.00%
- CPI	3.10%	2.80%	2.20%	2.20%	2.10%	2.10%	2.00%	2.00%	2.00%	2.00%
- Expenses	3.10%	2.80%	2.20%	2.20%	2.10%	2.10%	2.00%	2.00%	2.00%	2.00%
■ Future Vacancy Allowance										
- Tenant 2:	3 months from September 2022									
■ Leasing Commissions:	17.00%									
■ Annual Net Cashflow:										
- Period End:	Nov-2022	Nov-2023	Nov-2024	Nov-2025	Nov-2026	Nov-2027	Nov-2028	Nov-2029	Nov-2030	Nov-2031
- Net Cashflow	\$1,453,255	\$1,474,280	\$1,564,157	\$1,563,141	\$1,597,664	\$1,673,506	\$1,669,617	\$1,705,887	\$1,777,047	\$1,775,587
■ Terminal Capitalisation Rate:	6.00%									
■ Discount Rate:	6.25%									

Our full DCF follows:

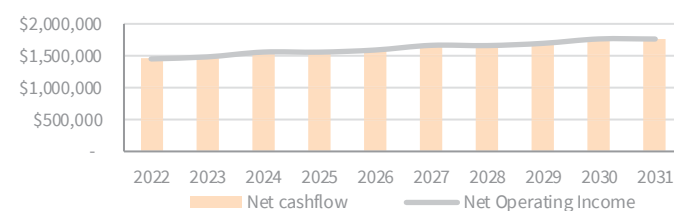
Discounted Cash Flow Method

Year ending	Nov-2022 Year 1	Nov-2023 Year 2	Nov-2024 Year 3	Nov-2025 Year 4	Nov-2026 Year 5	Nov-2027 Year 6	Nov-2028 Year 7	Nov-2029 Year 8	Nov-2030 Year 9	Nov-2031 Year 10	Nov-2032 Year 11
Rental Income											
▪ Farmers	\$1,584,935	\$1,619,936	\$1,689,939	\$1,689,939	\$1,728,380	\$1,805,262	\$1,805,262	\$1,842,877	\$1,918,107	\$1,918,107	-
▪ TSB Bank	\$56,833	\$58,405	\$70,086	\$73,183	\$73,465	\$76,508	\$76,784	\$79,688	\$79,952	\$82,913	-
Total income	\$1,641,768	\$1,678,341	\$1,760,025	\$1,763,122	\$1,801,845	\$1,881,770	\$1,882,047	\$1,922,565	\$1,998,058	\$2,001,019	-
Operating Expenses											
▪ Less Unrecovered Opex	(\$187,526)	(\$191,652)	(\$195,868)	(\$199,981)	(\$204,181)	(\$208,264)	(\$212,430)	(\$216,678)	(\$221,012)	(\$225,432)	-
▪ Less Opex During Vacancy	(\$987)	(\$496)	-	-	-	-	-	-	-	-	-
Total operating expenses	(\$188,513)	(\$192,148)	(\$195,868)	(\$199,981)	(\$204,181)	(\$208,264)	(\$212,430)	(\$216,678)	(\$221,012)	(\$225,432)	-
Net operating income	\$1,453,255	\$1,486,193	\$1,564,157	\$1,563,141	\$1,597,664	\$1,673,506	\$1,669,617	\$1,705,887	\$1,777,047	\$1,775,587	-
Leasing & Capital Expenses											
▪ Commissions	-	(\$11,914)	-	-	-	-	-	-	-	-	-
Total leasing & capital expenses	-	(\$11,914)	-	-	-	-	-	-	-	-	-
Net cashflow	\$1,453,255	\$1,474,280	\$1,564,157	\$1,563,141	\$1,597,664	\$1,673,506	\$1,669,617	\$1,705,887	\$1,777,047	\$1,775,587	-
Reversionary value											
▪ Net Market Cashflow at Period End											\$1,756,248
▪ Capitalised At Terminal Yield of: 6%											\$29,270,798
▪ Plus PV Rental Surplus To Market Rental Reversion											\$610,052
▪ Less Disposal Costs of: 0%											-
Net reversionary value											\$29,880,850
Net present value of net cash flo	\$11,858,455										
Present value of terminal value	\$16,214,721										

Indicated market value \$28,073,176
adopt \$28,075,000

Discounted cash flow summary	
PV of Net Income:	\$11,858,455
PV of Terminal Value:	\$16,214,721
Total Net Present Value:	\$28,073,176
Disposal Costs:	-
Capital Items:	-
Adopted value (via this method)	\$28,075,000

Income Profile



Sensitivity analysis

Discount Rate	Terminal Yield		
	5.75%	6.00%	6.25%
6.00%	\$29,304,825	\$28,597,630	\$27,947,010
6.25%	\$28,763,771	\$28,073,176	\$27,437,829
6.50%	\$28,235,525	\$27,561,104	\$26,940,636

14.3 VALUATION SUMMARY

Method	Value
Income Capitalisation - Passing	\$27,915,000
Income Capitalisation	\$26,960,000
Discounted Cash Flow	\$28,015,000
Adopted Market Value	\$27,800,000

The income capitalisation approach is considered to be the best method of determining the Market Value, with the discounted cashflow approach having less weight, due to the number of assumptions required to project cashflows over a ten year horizon.

Based on our adopted value, the following investment benchmarks are indicated:

Initial yield	5.27%
Yield on market income	5.07%
Equivalent yield	5.09%
Resultant IRR	6.38%
\$/m² of rentable floor area	\$4,150

The Market Value can be apportioned as follows:

Land	Improvements	Market Value
\$2,880,000	\$24,920,000	\$27,800,000

14.4 REASONABLE SELLING PERIOD

The valuation is based on a selling period of up to 3 months for this scale.

14.5 CONTRACT FOR SALE

The property is under contract for \$26,950,000 plus GST (if any). We believe this is a fair price for the asset and it represents a yield on passing income of 5.44%.

14.6 PREVIOUS SALE DETAILS

The property has not sold in the last three years.

14.7 MORTGAGE RECOMMENDATION

In compliance with requirements of the Australia and New Zealand Valuation and Property Standards, unless an intending lender expressly requests or has a stated policy requirement that such recommendation be provided by the valuer, no specific recommendation has been made as either to the suitability of the property as a lending security or the maximum loan as an amount or percentage of value.

15.0 STATEMENT OF LIMITING CONDITIONS AND VALUATION POLICY

Purpose

This valuation report has been completed for the specific purpose stated. No responsibility is accepted in the event that this report is used for any other purpose.

Responsibility to third party

Our responsibility in connection with this valuation is limited to the client to whom the report is addressed and to that client only. We disclaim all responsibility and will accept no liability to any other party without first obtaining the written consent of TelferYoung (Hawkes Bay) Limited and the author of the report. TelferYoung (Hawkes Bay) Limited reserves the right to alter, amend, explain or limit any further information given to any other party.

Reproduction of report

Neither the whole nor any part of this valuation and report or any reference to it may be included in any published document, circular or statement without first obtaining our written approval of the form and context in which it may appear. Our report is only valid when bearing the Valuer's signature.

Date of valuation

Unless otherwise stated, the effective date of the valuation is the date of the inspection of the property. This valuation is current as at the date of valuation only. 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 the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of 3 months from the date of the valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

Legislation

We have not obtained a Land Information Memorandum (LIM) or Property Information Memorandum (PIM) for this property which, unless otherwise stated, is assumed to conform to all requirements of the Resource Management Act 1991, the New Zealand Building Code contained in the First Schedule to the Building Regulations 1992, the Building Act 2004 and any Historic Places Trust registration. Our valuation reports are

prepared on the basis that properties comply with all relevant legislation and regulations and that there is no adverse or beneficial information recorded on the Territorial Local Authority (TLA) property file, unless otherwise stated. Legislation that may be of importance in this regard includes the Health & Safety at Work Act 2015, the Fire Safety and Evacuation of Buildings Regulation 1992, and the Disabled Persons Community Welfare Act 1975.

Registrations

Unless otherwise stated, our valuation is subject to there being no detrimental or beneficial registrations affecting the value of the property other than those appearing on the title. Such registrations may include Waahi Tapu and Heritage New Zealand registrations.

Reliability of data

The data and statistical information contained herein was gathered for valuation purposes from reliable, commonly utilised industry sources. Whilst we have endeavoured to ensure that the data and information is correct, in many cases, we cannot specifically verify the information at source and therefore cannot guarantee its accuracy.

Assumptions

This report contains assumptions believed to be fair and reasonable at the date of valuation. In the event that assumptions are made, based on information relied upon which is later proven to be incorrect, or known by the recipient to be incorrect at the date of reporting, TelferYoung (Hawkes Bay) Limited reserves the right to reconsider the report, and if necessary, reassess values.

GST

The available sources of sales data upon which our valuation is based generally do not identify whether or not a sale price is inclusive or exclusive of GST. Unless it has been necessary and possible to specifically verify the GST status of a particular sale, it has been assumed that available sale price data has been transacted on a plus GST (if any) basis, which is in accordance with standard industry practice for most commercial property. Should this interpretation not be correct for any particular sale or rental used as evidence, we reserve the right to reconsider our valuation.

Land survey

We have made no survey of the subject property and assume no responsibility in connection with these matters. Unless otherwise stated, the valuation has been assessed conditional upon all improvements being within the title boundaries.

Unless otherwise stated, we have not undertaken investigations or been supplied with geotechnical reports with respect to the nature of the underlying land. Unless otherwise stated, the valuation has been assessed conditional upon the land being firm and suitable ground for the existing and/or potential development, without the need for additional and expensive foundation and retaining work or drainage systems.

Contamination

We have not undertaken an environmental audit of the property. Unless otherwise stated, our valuation and report are conditional upon the land and buildings being unaffected by harmful contaminants or noxious materials which may impact on value. Verification that the property is free from contamination and has not been affected by noxious materials should be obtained from a suitably qualified environmental expert.

Not a structural survey

Our inspection has been undertaken for valuation purposes only and does not constitute a structural survey. Verification that the building is sound should be obtained from a suitably qualified building engineer. If the building is found to be unsound, this finding/new information is likely to impact on the value of the property.

Earthquake-prone buildings

We are aware that a number of buildings are, or may be potentially, affected by local territorial authority policies for 'earthquake-prone' buildings (Earthquake-Prone Building Policies) required to be in place under the Building Act 2004. The Earthquake-Prone Building Policies may require building owners to undertake engineering investigations and subsequent structural upgrading, demolition or other steps to meet the requirements of the Earthquake-Prone Building Policies. Unless otherwise stated, our valuation makes no allowance for any costs of investigation, upgrading, demolition or other steps which may be incurred by the building owner to meet the requirements of Earthquake Prone Building Policies. We are not qualified to determine the 'earthquake-prone' status of the buildings. Our valuation is therefore subject to a review, investigation and assessment of seismic performance of the building, by a suitably qualified building engineer, to determine the

'earthquake-prone' status of the building and where required, an estimate of any costs for structural upgrading, demolition or other steps required for the building to meet the requirements of Earthquake-Prone Building Policies. If the building is found to be 'earthquake-prone', this finding is likely to impact on the value of the property, and our valuation may materially alter as a result.

Systems

Our valuation has been assessed conditional upon all hot and cold water systems, electric systems, ventilating systems and other devices, fittings, installations or conveniences, including lifts and escalators where appropriate, as are in the building, being in proper working order and functioning for the purposes for which they were designed.

Market valuations

Market valuations are carried out in accordance with the Valuation Standards and Guidance Notes. Market Value is defined "The estimated amount for which an asset or liability should exchange on the date of valuation 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".

No allowances are made in our valuations for any expenses of realisation, or to reflect the balance of any outstanding mortgages either in respect of capital or interest accrued thereon.

Mortgage recommendation

Where an intending lender, by way of either general policy requirements or specific instruction, has required that a mortgage recommendation be provided in the valuation report, we have included a specific recommendation as to the suitability of the property as a security and the maximum loan as an amount or percentage of value. The valuation report has also included comment on commonly known, readily ascertainable and/or reasonably foreseeable property-specific and market factors as are relevant to the market value and marketability, to assist in informing the lender.

We note that the valuation provided in this report is our opinion of the market value, as at the valuation date, on a willing buyer/willing seller basis and does not allow for the potential consequences and costs of a forced sale. The value may change in the future because of market conditions and changes to the state of the subject property.

Water leaks and penetration effects

We are aware that a number of buildings have developed problems associated with water leaks, water penetration, weather-proofing, moisture and water exit control systems, mould, fungi, mildew, rot, decay, gradual deterioration, microorganisms, bacteria, protozoa or like forms. Problems can result from defects in design, construction methods and materials used, or any combination of defects.

Our valuation has been assessed conditional upon all buildings and structures being constructed strictly in accordance with recommended practices and free from defect unless otherwise stated. We are not qualified to undertake, nor have we undertaken, a structural survey of the buildings or structures. We accept no liability for any defects that may arise as a result of poor building design, construction methods or building materials. If you have any concerns, you should engage a suitably qualified person to report on this matter. Defects revealed by a suitably qualified expert may affect the value of the property.

Leases

The interpretation of leases or other contractual agreements referred to in this report is solely the opinion of the author and should not be construed as a legal interpretation. Furthermore, summaries of contractual agreements which may appear in the report or appendices, are presented for the sole purpose of giving the reader an overview of the salient facts thereof.

Tenancies

Unless specifically requested, we do not make detailed enquiries into the covenant strength of occupational tenants but rely on our judgement of the market perception of them. Unless otherwise advised, our valuation has been assessed subject to the tenant being independent of the owner and capable of meeting all financial obligations under the lease, and that there are no arrears of rent or undisclosed breaches of covenant. Further, our valuation is conditional upon all rents referred to in this report representing the rental arrangement stipulated in the contractual agreements pertaining to the tenant's occupancy, to the extent that such rents have not been prepaid, abated or inflated to reflect extraordinary circumstances, unless such conditions have been identified and noted in this report.

Valuer's statement

This report has been undertaken by Susie Penrose who has inspected the property externally and internally. The Registered Valuer holds an Annual Practising Certificate.

Please contact the writer should you wish to discuss any matters raised in this report.

Yours faithfully

TelferYoung (Hawkes Bay) Limited



Susie Penrose - BBS (VPM) SPINZ ANZIV

Director, Registered Valuer

Email: susie.penrose@telferyoung.com

APPENDIX



RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD
Search Copy



R.W. Muir
Registrar-General
of Land

Identifier **HB93/26**
Land Registration District **Hawkes Bay**
Date Issued 22 November 1934

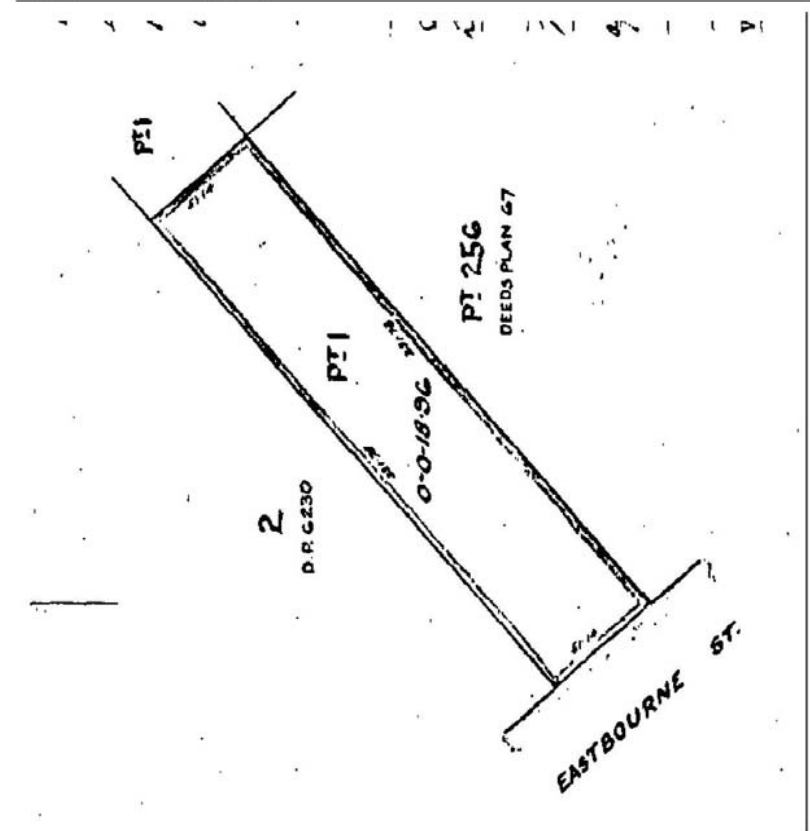
Estate Fee Simple
Area 480 square metres more or less
Legal Description Part Lot 1 Deposited Plan 6230
Registered Owners
King Street Nominees Limited

Interests
8804655.1 CERTIFICATE PURSUANT TO SECTION 77 BUILDING ACT 2004 THAT THIS COMPUTER REGISTER IS SUBJECT TO THE CONDITION IMPOSED UNDER SECTION 75(2) (ALSO AFFECTS HB167/185, HBC4/966 and HBD1/660) - 1.7.2011 at 7:00 am
Appurtenant hereto is a right of way created by Easement Instrument 8862726.1 - 13.9.2011 at 12:23 pm
9160393.4 Mortgage to ASB Bank Limited - 4.9.2012 at 6:12 pm

Transaction ID 66783708
Client Reference egerbes001

Search Copy Dated 27/10/21 1:07 pm, Page 1 of 2
Register Only

Identifier **HB93/26**



Transaction ID 66783708
Client Reference egerbes001

Search Copy Dated 27/10/21 1:07 pm, Page 2 of 2
Register Only



RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD
Search Copy



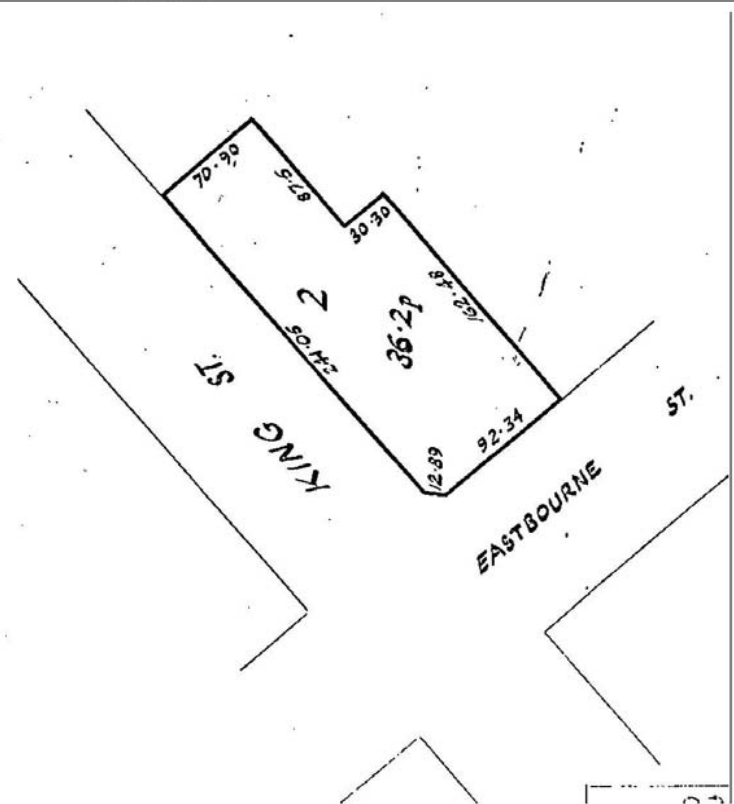
R.W. Muir
Registrar-General
of Land

Identifier **HBC4/966**
Land Registration District **Hawkes Bay**
Date Issued 21 May 1969
Prior References
HB90/197

Estate Fee Simple
Area 916 square metres more or less
Legal Description Lot 2 Deposited Plan 11757
Registered Owners
King Street Nominees Limited

Interests
8804655.1 CERTIFICATE PURSUANT TO SECTION 77 BUILDING ACT 2004 THAT THIS COMPUTER REGISTER IS SUBJECT TO THE CONDITION IMPOSED UNDER SECTION 75(2) (ALSO AFFECTS HB167/185, HB93/26 and HBD1/660) - 1.7.2011 at 7:00 am
Appurtenant hereto is a right of way created by Easement Instrument 8862726.1 - 13.9.2011 at 12:23 pm
9160393.4 Mortgage to ASB Bank Limited - 4.9.2012 at 6:12 pm

Identifier **HBC4/966**





RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD
Search Copy



R.W. Muir
Registrar-General
of Land

Identifier **HBD1/660**
Land Registration District **Hawkes Bay**
Date Issued 02 February 1969

Prior References
HB93/27 HBC4/965

Estate Fee Simple
Area 1677 square metres more or less
Legal Description Lot 1 Deposited Plan 11757 and Part Lot 1
Deposited Plan 6230

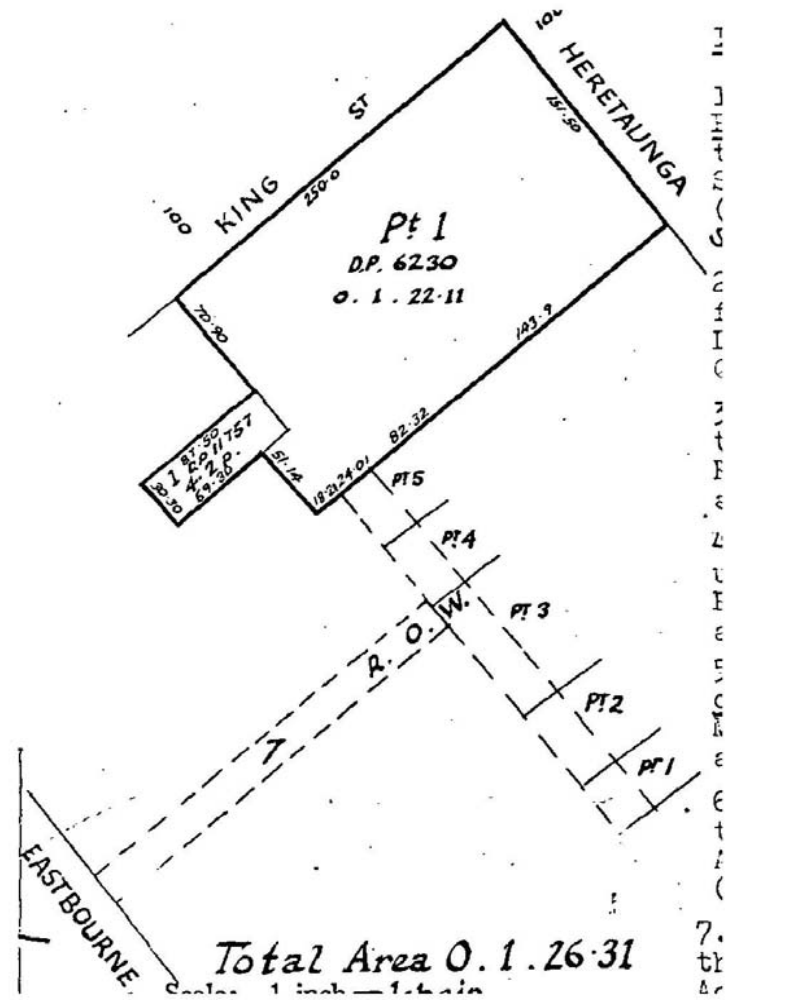
Registered Owners
King Street Nominees Limited

Interests
K2817 Appurtenant hereto are rights of way
8804655.1 CERTIFICATE PURSUANT TO SECTION 77 BUILDING ACT 2004 THAT THIS COMPUTER REGISTER IS SUBJECT TO THE CONDITION IMPOSED UNDER SECTION 75(2) (ALSO AFFECTS HB167/185, HB93/26 and HBC4/966) - 1.7.2011 at 7:00 am
Appurtenant hereto is a right of way created by Easement Instrument 8862726.1 - 13.9.2011 at 12:23 pm
9160393.4 Mortgage to ASB Bank Limited - 4.9.2012 at 6:12 pm

Transaction ID 66783696
Client Reference egerbes001

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Register Only

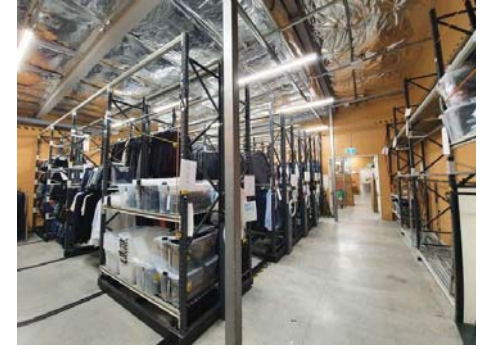
Identifier **HBD1/660**



Transaction ID 66783696
Client Reference egerbes001

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Register Only

APPENDIX B ADDITIONAL PHOTOGRAPHS





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