CBRE VALUATION & ADVISORY SERVICES

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VALUATION REPORT

67 VICKERYS ROAD
WIGRAM, CHRISTCHURCH

LENDER: ASB BANK LIMITED
CLIENT: PMG GENERATION FUND TRUSTEES LIMITED

VALUATION DATE: 9 DECEMBER 2021

CBRE

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VALUATION SUMMARY

Market Value (plus GST if any)

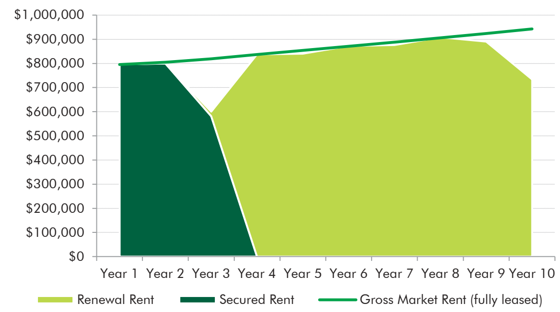
$11,300,000

The above valuation is subject to the Special Assumptions and Disclaimers within this Report.

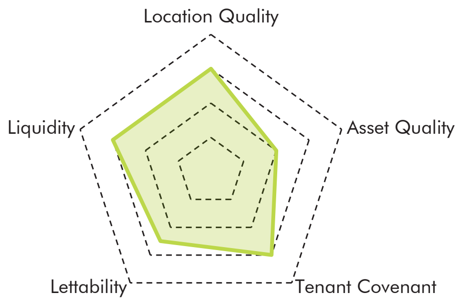
Key Valuation Metrics

Initial Yield:	6.05%	Net Passing Income:	$683,195 pa
Capital Value Rate:	$1,760 psm	Net Market Income:	$682,905 pa
Adopted Cap Rate:	6.00%	Rental Variance:	0%
Adopted Target IRR:	7.00%	No. of Tenants:	1
Adopted Terminal Yield:	6.25%	WALT (Income):	2.73 years
Area (GLA):	6,421.0 sqm	Vacancy Rate:	Nil

Tenancy Profile by Income



Property Risk Profile



Property Description

Large scale industrial office and warehouse building of mixed age situated on the north eastern side of Vickerys Road in the established industrial area of Wigram, Christchurch.

Improvements comprise single level architecturally design offices and amenities attached to clear span medium stud warehousing, inclusive of warehouse offices and mezzanine storage. The balance of the site is sealed providing opened marked carparking to road frontage and along the north western boundary, along with general yard.

The property is leased to Euro Corporation, a steel manufacturing business with 2.73 years remaining on the lease.

Prepared by CBRE Limited

SWOT & RISK ANALYSIS

Strengths	Weaknesses
■ Large scale heavy industrial premise with sufficient yard space (carparking). ■ Popular industrial location with a pleasant outlook over the former airfield. ■ Ample 'on street' carparking. ■ Euro Corporation would be accepted in the market as being of good tenant covenant. ■ Buildings understood to be 90% NBS.	■ Secondary industrial product showing signs of the tenant's heavy use. ■ Only 2.73 years remaining on the lease. ■ The two impending rights or renewal are only for periods of 4 years each. ■ No fixed rental growth, which is now common in many new leases. ■ Medium stud height and central columns may limit the number of alternative occupiers at expiry of the lease.

Opportunities	Threats
■ Refurbishment would improve market rental and in turn value. ■ Secure renewal or negotiate a longer lease renewal.	■ RBNZ capital ratio requirements to be imposed on the tier one banks in 2022, may constrain the availability of debt, and require investors to consider secondary finance, at higher interest rates, which may in turn impact on yields. ■ The long-term impacts COVID-19 will have on the global and national economy. ■ The threat of rising interest rates damping investment demand and challenging the feasibility of historically low investment yields. ■ Competition from more modern premises, in new subdivisions. ■ The potential for an extended vacancy period on expiry of the lease. ■ The property market may potentially be at a cyclical peak. ■ We refer you to the Market Risk comments below.

Market Risk Comment

Commercial property value growth has been strong for many sectors in recent years, even with the disruption caused by COVID-19 through 2020. This growth is largely attributable to historically low interest rates, alternative investment markets demonstrating more risk and volatility and low vacancy rates in some sectors (particularly industrial). Prime quality strongly leased property transactions continue to show some yields at historical lows.

Notwithstanding current buoyant conditions in many parts of the property market, the ongoing impact of COVID-19 on the global economy (including the emergence of more infectious strains) means that values and incomes may change more rapidly and significantly than during normal market conditions. We also note that the Reserve

Bank increased the OCR from October 2021 with further rises signalled. Retail interest rates have risen sharply in recent months.

Historical cycles have shown that commercial property yields can soften rapidly in the event of a market downturn. Should economic and property market conditions deteriorate in the future, then the market value of this asset may decline. This inherent risk factor should be considered in any lending or investment decisions.

1 INTRODUCTION

1.1 INSTRUCTIONS

Instructing Party:	Jamie Reid on behalf of PMG Generation Fund Trustees Limited
Purpose of Valuation:	Mortgage Security and for use within Retail Product Disclosure Statement
Basis of Valuation:	Market Value 'As Is' subject to existing occupancy arrangements
Date of Inspection:	9 December 2021
Date of Valuation:	9 December 2021
Date of Report Issue:	22 December 2021

1.2 MARKET VALUE DEFINITION

In accordance with the International Valuation Standards (IVS), the definition of market value is: "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

1.3 INDUSTRY PRACTICE

Subject to the assumptions and qualifications detailed within, this valuation report is issued in accordance with the 'Guidance Papers for Valuers & Property Professionals' effective 1 July 2021 and International Valuation Standards (IVS) effective 31 January 2020. Where these are at variance, the assumptions and qualifications included within this valuation report will prevail generally, and the International Valuations Standards will prevail over the 'Guidance Papers for Valuers & Property Professionals'.

We hereby certify that the Principal Valuer is suitably qualified and authorised to practise as a valuer; does not have a pecuniary interest, financial or otherwise, that could conflict with the proper valuation of the property; and accepts instructions to value the property only from the Responsible Entity/Instructing Party.

1.4 RELIANCE

Reliance: This valuation is strictly and only for the use of the following Reliant Parties and Purposes:

- PMG Generation Fund Trustees Limited for internal evaluation purposes only
- ASB Bank Limited as Security Trustee ("the Lender") for first mortgage security purposes only

The Client acknowledges and agrees that all material or documents created by CBRE in providing the Services are provided for its benefit and the purposes set out in the Report and may not be relied on by anyone other than the Reliant Parties. We do not assume any responsibility or accept any liability in circumstances where this valuation is relied upon by any Reliant Party after the expiration of 90 days from the date of valuation, or such earlier date if the Reliant Parties become aware of any factors that have any effect on the valuation.

Confidentiality:	Any valuation service is confidential as between CBRE and the Reliant Party as specifically stated in the valuation advice/report. Neither the whole of the report, nor any part of it, may be published in any document, statement, circular or otherwise by any party other than CBRE, nor in any communication with any third parties, without the prior written approval of CBRE of the form and context in which it is to appear, which may be conditional on relevant third parties first executing (i) a reliance letter on terms approved by CBRE where the third party wishes to use and/or rely on the relevant information; or (ii) a non-reliance letter where the third party wishes to use the report for information purposes only.
Transmission:	Only an original valuation report (hard and/or soft copy) received by the Reliant Parties directly from CBRE without any third-party intervention can be relied upon.
Restricted:	No responsibility is accepted or assumed to any third party who may use or rely on the whole or any part of the content of this valuation.
Copyright:	As between CBRE, the Instructing Party and the Reliant Parties, all intellectual property rights in this Valuation Report are owned by CBRE. Neither the whole nor any part of the content of this valuation may be published in any document, statement, circular or otherwise by any party other than CBRE, nor in any communication with any third party, without the prior written approval from CBRE, and subject to any conditions determined by CBRE, including the form and context in which it is to appear.

1.5 INFORMATION PROVIDED

We have been provided with the following key information which has been relied upon within our report:

- Deed of Lease between McKenzie Properties 2013 Limited at Auckland (now PMG Generation Fund Trustees Limited) and Euro Corporation Limited at Auckland signed and dated 21 December 2018.
- Deed of rent review and variation of lease dated 15 June 2021.
- Letter regarding the Strengthening works dated 9 March 2020 produced by Cameron Gibson & Wells Limited – CGW Consulting Engineers. This has been followed up with an email form Anthony Taylor from PMG confirming the 'strengthening works' have been undertaken.
- Various historic plans.
- Asbestos Management Survey produced by Precise Consulting dated June 2019.
- Tenancy with floor area breakdown and OPEX schedule produced PMG.

Our valuation is undertaken on the basis that provided information is accurate. Should this not be the case, we reserve the right to amend our valuation.

1.6 SPECIAL ASSUMPTIONS

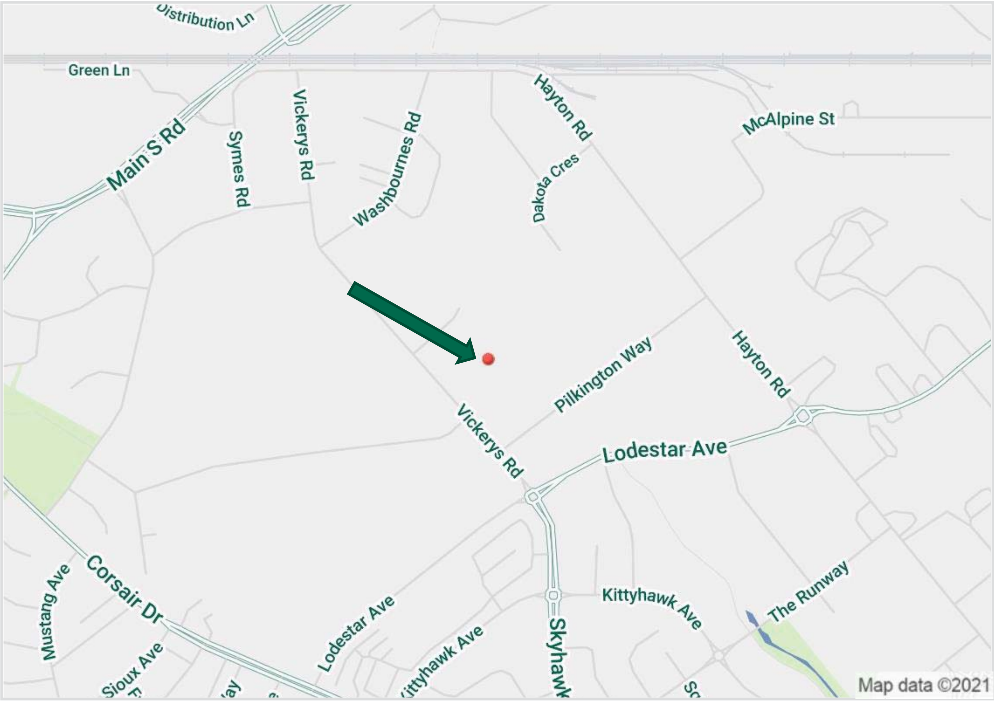
Assumptions are a necessary part of undertaking valuations. CBRE adopts assumptions for the purpose of providing valuation advice because some matters are not capable of accurate calculation or fall outside the scope of our expertise, or our instructions. Assumptions adopted by CBRE will be formulated on the basis that they could reasonably be expected from a professional and experienced valuer. The Reliant Parties accept that the valuation contains certain specific assumptions and acknowledges and accepts the risk that if any of the assumptions adopted in the valuation are incorrect, then this may have an effect on the valuation.

Refer to the Disclaimers, Limitations and Qualifications Section, which is pertinent to this valuation report.

2 LAND

2.1 LOCATION

Location Map:



View the subject property in Google Maps.

Suburb: Wigram, Christchurch

Surrounds: The subject property is situated on the north eastern side of Vickerys Road and forms part of the established and preferred industrial area of Wigram.

The immediate surrounds comprise largely heavy industrial properties along the eastern side of Vickerys Road, along with smaller unit titled developments.

Directly opposite the subject is the ex-Wigram Airbase which is essentially undeveloped land. A small pocket of 1920's – 1940's housing lies 350 metres to the north of the subject near the Sockburn overbridge. Whilst more modern housing lies to the south of the subject, forming part of Wigram Skies which is a residential subdivision.

The Landing, a commercial development anchored by a New World Supermarket is within the centre of Wigram Skies. The Hub Hornby is also in close proximity providing further commercial and retail amenity.

Transport Links: Vickerys Road runs between Hayton Road and Lodestar Avenue. Hayton Road along with Parkhouse Drive connect Main South Road and Curletts Road (SH73). Curletts Road (SH73) provides direct access to the Southern Motorway.

Further Comment: Located within the preferred and established industrial area of Wigram, with strong transport linkages.

2.2 RESOURCE MANAGEMENT

Local Authority and Plan:	Christchurch City Council, Christchurch District Plan.
Zone:	Industrial Heavy Zone The Industrial Heavy Zone recognises and provides for industrial activities that generate potentially significant adverse effects on the surrounding environment (such as high levels of noise, odour and heavy traffic movements), or involve significant use and storage of hazardous substances, necessitating separation from more sensitive land use activities.
Indicative Permitted Uses:	The zoning allows for various industrial activities including heavy industrial. ■ Industrial activity ■ Heavy industrial activity ■ Warehousing and distribution activities ■ High technology industrial activity ■ Service industry ■ Trade and industry training activity ■ Ancillary retail activity, with certain restrictions. ■ Food and beverage outlet ■ Service station ■ Ancillary office, with certain restrictions. ■ Public transport facility ■ Emergency service facilities ■ Parking lots and parking buildings ■ Gymnasium ■ Poultry hatchery ■ Bulk fuel supply infrastructure ■ Community corrections facility
Key Development Controls:	■ The maximum height of any building within 20 metres of a residential zone shall be 15 metres. ■ The minimum building setback from a road boundary and a rail corridor boundary shall be as follows: - Any activity unless specified below - 1.5 metres. - Any activity fronting on to an arterial road or opposite a residential zone unless specified in in the district plan – 3 metres. - Buildings, balconies and decks on sites adjacent to or abutting railway lines.

4 metres from the rail corridor boundary.

Present Use: The present use appears to comply with the underlying zoning.

Site Controls, Overlays & Designations:

- Christchurch International Airport Protection Services.
- Water Body Setback.

Development Approvals: None known.

Highest and Best Use: The current use is considered to be a highest and best use of the property.

Heritage Listing: No.

2.3 SITE DESCRIPTION

Aerial View

Indicative Title Boundaries

Land Area: 14,870 sqm (more or less).

Contour: Relatively level in contour.

Services: All typical municipal services appear to be connected to the site.

Accessibility: Access is provided off two points on Vickerys Road.

Potential Flooding: The property does not appear to be significantly affected by any flooding hazards. We note an open drain runs along the rear boundary.

Contamination: We have obtained contamination information held with Environment Canterbury in their Listed Land Use Register (LLUR). The LLUR identifies the site as a HAIL land use – E4 Concrete manufacture and bulk cement storage; A17 Storage tanks or drums for fuel, chemicals or liquid waste.

The site has been categorised as “Partially Investigated”. Of necessity our valuation assumes that there are no contamination issues that would have a material effect on the market value, use or marketability of the property which would prevent the property from continuation of its current use.

We are not environmental experts and we do not know the extent of contamination (if any). Should subsequent investigations reveal the presence of contaminated material, we reserve the right to revisit our valuation.

2.4 LEGAL DESCRIPTION

Identifier	Lot	Plan	Area (sqm)	Registered Owner	Tenure
74967	Lot 1	DP 319107	14,870	PMG Generation Fund Trustees Limited	Freehold

Relevant Interests: Registrations of note include:

- 42096.1 Resolution imposing a Building Line Restriction (20.12 metres from the centre line of Vickerys Road).
- Appurtenant hereto is a right to drain sewage specified in Easement Certificate 176921.1.
- The easement specified in Easement Certificate 176921.1 is subject to Section 37 (1)(a) Counties Amendment Act 1961.
- Subject to a right to drain water in gross over part marked A, B, C on DP 319107 to The Christchurch City Council created by Transfer 5746614.5.
- The easement created by Transfer 5746614.5 is subject to Section 243 (a) Resource Management Act 1991.
- Subject to a right to convey sewage over part marked B, D on DP 319107 created by Easement Instrument 5746614.6.
- The easement created by Easement Instrument 5746614.6 is subject to Section 243 (a) Resource Management Act 1991.
- Subject to a right to convey electricity in gross over part marked E on DP 319107 to Orion New Zealand Limited created by Transfer 5746614.7.
- The easement created by Transfer 5746614.7 is subject to Section 243 (a) Resource Management Act 1991.
- 12194908.2 Mortgage to ASB Bank Limited.

We do not consider there to be any registrations which materially impact on market value or saleability for the property in its current built form. The easements on the title can be clearly seen on the attached title.

Title Search: We refer you to the Appendix for copies of the relevant title documentation.

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3 IMPROVEMENTS

3.1 OVERVIEW

Brief Description:	Large scale heavy industrial office and warehouse building. Improvements comprise single level architecturally design offices and amenities attached to four interconnected warehouse buildings of various age and construction with stud heights of 6.4 – 6.8 metres. The warehouse buildings include 5 cranes, with 2 of the cranes owned by the Landlord. The warehouse incorporates further internal offices and a mezzanine. The balance of the site is fully fenced and sealed providing opened marked carparking and yard space.
Age:	Various, including an older warehouse building upgraded and significantly extended circa 2003, along with an office addition.
Condition and Repair:	The building has a 'heavy use' activity carried out from the property, and accordingly the building is now showing some signs of wear and tear reflective of its age and use including impact damage to areas of the exterior cladding.
Capital Expenditure:	We are not aware of any immediate major capital expenditure required.
BWOF:	We were unable to a sight a BWOF during our inspection. It is possible the subject property does not require such. Of necessity, our valuation is on the basis that the buildings comply with the relevant provisions of the Building Act 2004. Should this prove to be incorrect, we reserve the right to review and if necessary, amend our valuation findings.
Asbestos:	We have not been provided with, an Asbestos Management Plan or similar Survey. Whilst we did not identify asbestos during our inspection, we are not experts in this area and can give no warranty in this regard. We have undertaken our assessment assuming no adverse effect on the property's market value or marketability. If a more definitive asbestos statement is required, a report from a suitably qualified expert should be commissioned and if asbestos materials are found to be present on-site this valuation must be referred back to the Valuer for further consideration and possible re-assessment.
Seismic Comment:	We have been provided with a letter in regard to the strengthening works dated 9 March 2020 provided by Cameron Gibson & Wells Limited, CGW Consulting Engineers confirming after strengthening works take place the subject property would be at 90% NBS. We have received an email from Anthony Taylor of PMG confirming to us that this work has been completed.

3.2 ACCOMMODATION

Offices & Amenities:	Architectural offices with extensive angled aluminium framed curtain wall glazing and a ceiling with exposed steel trusses following the pitch of the roof.

Large area of open plan offices complemented with partitioned offices, meeting room, lunchroom with toilet amenities to the rear.

Warehouse:

Four interconnected 6.4 – 6.8 metre stud clear span warehouses, which form an L-shape are positioned to the rear of the office accommodation.

The warehouses are accessed mostly via multiple large sliding doors in addition to a motorised roller shutter door.

The larger three interconnected warehouses benefit from drive thru capabilities, and the fourth smaller warehouse provides drive through access to the rear yard.

Five pairs of gantry cranes are present within the warehouse accommodation, two pairs of which are owned by the Landlord and form part of the property.

Balance of Improvements:

The balance of the site is sealed in a combination of concrete and asphalt providing open yard space and dedicated areas for carparking. The frontage also includes areas of landscaping.

We note an open drain is situated along the rear boundary.

The site is fenced to road frontage with two points of vehicle access.

3.3 FLOOR AREAS

Tenant Name	Component Name	GLA (sqm)
Euro Coporation Limited at Auckland	Offices & Amenities Internal Offices Warehouse / Workshop Mezzanine Storage Areas Carparks	285.0 58.0 6,020.0 58.0 92 bays
Sub-Total (Area)		6,421.0
Totals		6,421.0

Source: PMG Tenancy Schedule which is understood to have been measured in accordance with the relevant method from the PCNZ/PINZ Guide for the Measurement of Rentable Areas. We reserve the right to review our findings should a formal floor area survey be made available.

3.4 CONSTRUCTION DETAILS

Foundations & Floors:	Concrete foundations and flooring.
Structure:	Warehouse construction incorporates steel portal frames, with the offices incorporating steel trusses.
External Walls:	The warehouse has a combination of full height concrete, part concrete with metal above and part full height metal exterior wall cladding. The offices have extensive angled aluminium framed curtain wall glazing.
Roof:	Profiled metal roof over mesh, and sisalation or white building paper. Clear polycarbonate sheets are incorporated into the roof for natural light, and all roof cladding is supported on steel purlins. Natural light levels to the warehouse are considered adequate.
Interior Linings:	Offices & Amenities: Mixed floor coverings of carpet, laminate floor linings, and painted plasterboard wall linings. The office and amenity ceilings are a mix of plasterboard and ceiling tiles and lighting is a mix of mounted and flush fluorescent light panels. Warehouse: High bay lighting throughout.
Site Improvements:	The balance of the site is sealed in both concrete an asphalt with landscaping to road frontage. The property is fully fenced, with two gates allowing access off Vickerys Road.

4 OCCUPANCY

4.1 LEASE SUMMARY

Euro Corporation Limited

			$pa	$psm
Tenancy Area:	6,421.0 sqm	Contract Rent:	$683,195	$106.40
Lease Term:	6 years	Outgoings Recoveries:	$112,368	$17.50
Option Periods:	2 x 4 years	**Total Rent:**	$795,563	$123.90
Commencement:	1 September 2018			
Expiry:	30 August 2024			
Next Review:	1 September 2024			

Outgoings: The Lease is structured on a net lease basis, with the Lessee required to pay property outgoings.

Rent Reviews: Market rent reviews are on the 1st day of September 2020, 2024, 2026, 2028 and 2030. A Deed of Rent Review and Variation removed the September 2022 rent review.

Incentive: There are no outstanding incentives that we are aware of as at the date of valuation.

Maintenance Obligations: The Tenant is generally responsible for the maintenance and repair of the interior of the premises including Landlord's fixtures and fittings, in the same condition as at the commencement of the lease, excluding fair wear and tear. The Tenant is also responsible for minor breakages, make good of any damage caused by the Tenant or persons under their control, and maintenance of the grounds, drains, downpipes, and other works to the property as the Landlord may require in respect of which outgoings are payable by the Tenant. The Landlord shall keep and maintain the building, services within, and carparks in good order and repair and weatherproof.

Further Terms: *48. The parties shall on execution of this Deed of Lease execute a Deed of Surrender of the current lease dated 15th August 2014 effective as from the 1st day of September 2018 to the intent that the terms of this Deed of Lease shall prevail thereafter.*

49. The parties acknowledge that two Portacom buildings of approximately 12m x 2.5 each and a large air compressor are situated on the premises and are acknowledged by the parties to be the property of the Tenant. At the date of expiry of the term of the lease or on the surrender of the lease, the Landlord shall have the right to purchase from the Tenant at a price agreed upon by both parties and if no price can be agreed upon the value to be determined by a valuer experienced in valuing such equipment. In the event that the Landlord does not exercise the right to purchase the Portacom building and/or the air compressor, the Tenant shall within one month of the expiry or surrender of the lease remove the buildings and compressor equipment at its cost failing which the said Portacom buildings and compressors shall become the property of the Landlord.

50. The Tenant acknowledges the compressed air pipe works, electrical cables and trays will remain on the premises at the expiry of or earlier determination of the lease and become the property of the Landlord.

51.1 There are 10 cranes (5 pairs of two) situated on the premise, The Tenant owns six (3 pairs of two) of the Kone Gantry 4 Tonne, Model EKDR-Pro-10-3.6/1-12-210/1.7.

51.2 In the event that at any time during the term of this lease or on its expiry the Tenant agrees to sell, and the Landlord agrees to purchase the cranes and the sale price will be determined by an independent experienced valuer of plant and machinery agreed upon by the Landlord and the Tenant.

51.3 At the expiry of the term of this Lease or any earlier termination of the lease the Landlord has the option to purchase the cranes with the sale price determinates in accordance with 51.2 herein. If the Landlord advises the Tenant, it does not wish to purchase the cranes then within one month of the expiry of the Lease or its earlier determination the Tenant will pay the costs of removing the cranes from the premises.

Comments: We have been provided with a Deed of Lease which is in a standard Auckland District Law Society Format Sixth Edition 2012 (5).

We have also been provided with a Deed of Rent Review and Variation of Lease between PMG Generation Fund Trustees Limited and Euro corporation Limited dated 15 June 2021.

The Deed of Rent Review and Variation of Lease sets the annual rent payable from 1 September 2020 at $683,195 plus GST, which is to be paid in monthly instalments.

It also changes the market rent reviews to 1 September 2020, 2024, 2026, 2028 and 2030, essentially removing a market rent review formerly available in 2022, which we have reflected within our valuation.

Permitted Use: General industrial uses permitted under and which comply with Local Body requirements and ordinances.

4.2 OUTGOINGS

Outgoings Comment: We have been provided with an itemised opex budget which totals $111,918 per annum. We have adopted $17.50 psm, which is within normal market parameters for an asset of this type, and equates to $112,368 per annum.

4.3 NET INCOME SUMMARY

We summarise the property's net income as follows:

Tenant Name	Component Name	GLA (sqm)	Net Passing Rent $psm	Net Passing Rent $pa	Net Market Rent $psm	Net Market Rent $pa
Euro Coporation Limited at Auckland	Offices & Amenities	285.0	$185.00	$52,725	$185.00	$52,725
	Internal Offices	58.0	$140.00	$8,120	$140.00	$8,120
	Warehouse / Workshop	6,020.0	$95.05	$572,190	$95.00	$571,900
	Mezzanine Storage Areas	58.0	$40.00	$2,320	$40.00	$2,320
	Carparks	92 bays	$10.00	$47,840	$10.00	$47,840
Sub-Total (Area)		6,421.0	$106.40	$683,195	$106.35	$682,905
Totals		6,421.0	$106.40	$683,195	$106.35	$682,905

5 MARKET

5.1 COVID-19 MARKET COMMENT

The situation due to the COVID-19 pandemic has continued to evolve since the end of the first nationwide Alert Level 4 lockdown on 27 April 2020. Parts of the country, particularly Auckland, have undergone various Alert Level changes since then. Most recently, New Zealand was placed into a second Alert Level 4 lockdown from 18 August 2021 due to a Delta strain outbreak. Auckland exited Alert Level 4 on 22 September 2021 while the remainder of the country gradually eased restrictions from 1 September 2021.

Outside of these Alert Level changes, whilst domestic economic activity is essentially functioning in a normal manner and domestic and global vaccination programmes have commenced, New Zealand's borders remain largely closed. A brief exception was the Trans-Tasman 'Bubble' with Australia which commenced in April 2021 before being paused on 23 July 2021, due to the Delta strain outbreak on the Australian eastern seaboard.

The market had shown better than expected sentiment after exiting the initial Alert Level 4 lockdown on 27 April 2020. Prime properties (particularly those leased to Government or healthcare providers, or those with long term leases to reputable tenants) remained strongly sought after with analysed investment yields showing no material discount from pre-lockdown, buoyed in part by interest rates which fell during 2020 to record low levels. Industrial property has proven to the be the least affected sector with historically firm investment yields achieved. The residential market has surged since restrictions were lifted with values in many locations increasing by 20% to 30% over a 12-month period.

Notwithstanding the above, there remains a degree of uncertainty in the market because of the economic impacts of COVID-19. Questions remain over parts of the short to medium term performance of the Office and Retail occupier markets. The Tourism, Retail and Hospitality sectors remain the worst affected by the pandemic and some material value discounting has been evident. The Reserve Bank had also commenced raising the OCR from October 2021 with further rises signalled. Lenders have increased retail interest rates sharply in recent months.

To assist the economy, the Government has set aside NZD$50 billion for the "COVID-19 Response and Recovery Fund", which encompasses a range of initiatives to support economic recovery, the most significant of which is the Wage Subsidy Scheme, supporting employers affected by Alert Level 4 lockdowns. Further economic stimulus has been announced including significant infrastructure investment.

Generally speaking, there has been a sufficient depth of recent transactions in most markets to provide considered valuation advice. However, given the wider uncertainty we recommend our valuations are reviewed periodically to reflect the duration and severity of impact that COVID-19 has on the local and international economy.

5.2 CANTERBURY INVESTMENT MARKET

The commercial property market has been strong across the board due to multiple contributing factors including the low interest rate environment.

Debt still remains relatively cheap, however there are some impediments to availability of debt from the traditional banks. The RBNZ has increased the regulatory pressure on capital that will come into effect in 2022 and this still may limit bank lending in the medium term. This combined with the forecast of rising interest rates could have a negative impact on yields, with investors required to pay more for debt or obtain funds from secondary financiers.

Doubt surrounded the commercial market following the initial COVID-19 lockdown with significant pressure placed on both tenants and landlords. There was increasing public debate around rent abatement resulting in the government amending the Property Law Act. This debate continues during periods of lockdown, but with the increased vaccination rates lockdowns may become a thing of the past.

Overall COVID-19 has not deterred investors with transactions post the initial lockdown achieving landmark results. This strength in the commercial sector has continued until present day with demand for tenanted investment stock being unprecedented, with a general preference for industrial assets followed by office and retail. We note there is some hesitance associated with hospitality tenanted assets and of course tourism related assets.

The industrial market has gone from strength to strength with tenanted industrial buildings with essential service-based tenants, including food production, commanding exceptionally low yields and across all price brackets, with the upper price bracket experiencing strong demand from syndicators and managed funds, and the lower price bracket appealing to both private investors and owner occupiers.

The office and retail markets have also been strong but not to the same extent as industrial assets given the risk around tenancy profile and the future of both the retail and office environments. There have been fewer transactions, and those that have transacted tend to take longer to sell, but with that said yields are still relatively low, with some outliers.

An increased number of syndicators are also present in the market, prepared to pay a premium compared to other private entities or parties.

There has been a reduction of stock available on the market and an increasing number of off market transactions have taken place.

The commercial investment market remains strong albeit with limited stock available on the market. Head winds are on a horizon with high inflation, increasing interest rates, increased construction costs and increasing government controls on the economy and the property market.

5.3 CANTERBURY INDUSTRIAL MARKET

The industrial market has been exceptionally strong over the last 18 months as previously mentioned, with strong investor demand across all sectors. Modern industrial product within a desirable location and strong tenant covenant has experienced unpresented demand. Limited stock is available on the market, driving a rise of off market transactions. Prime yields now sit between 4.5% – 5.5%, with investors paying a premium for long term leased industrial stock especially if the tenant is perceived to be ‘recessionary and or COVID proof’ for the likes of an essential service.

Owner occupiers have been prevalent in the market over the last 18 months, with low interest rates resulting in mortgage servicing being on par with potential market rent payable. Following the recent OCR announcement and the high inflationary environment occupancy costs will increase. This potentially may deter owner occupiers to a certain extent.

Industrial rental levels in Christchurch have remained relatively static, as the rate of development continues to provide options for owner occupiers to transition from traditional leases. As a result, there has been more competition for existing landlords to retain existing tenants. That said, prior to the onset of the Covid-19 pandemic we had anticipated rental growth going forward given the relatively low vacancy rate across the industrial market. This growth is now deferred as the economy enters uncertain times, and the owner occupiers who have been a major participant in the local market over the last two years reconsider their options.

Secondary industrial stock has seen moderate market absorption given global supply chain issues have resulted in businesses having to stockpile or order product in larger quantities.

Industrial vacancy rates from our recent survey in June 2021 showed prime industrial vacancy sits at 2.5% and secondary industrial vacancy rates sit at 3.75%.

In summary, the industrial market remains strong for prime industrial assets, particularly from an investor's perspective, however as a result of the pandemic market dynamics are continually changing.

We also note there has been considerable demand for vacant industrial land, and this demand combined with limited supply, particularly for sites without building ties have resulted in a rise in industrial land values.

5.4 RENTAL EVIDENCE

In establishing our opinion of market rental for the subject property, we have had regard to recent rental transactions within the wider market. We provide details of the most relevant market evidence below:

Property	Tenant	Accom.	GLA (sqm)	Rent $psm	Comm. Date	Annual Rent ($pa)
92 Treffers Road Wigram	Alliance Logistics Group Limited	Ground Floor Office/Showroom First Floor Office Warehouse Carparks			Dec-21	$179,000 *New Lease*
17 Islington Avenue Hornby	Mico New Zealand Limited	Office Warehouse Canopy Carparks			Nov-21	$515,000 *New Lease*
Confidential Hornby	Confidential	Office Battery Store Warehouse One Canopy - Warehouse One Warehouse Two Canopy - Warehouse Two Carparks			Jul-21	$640,000 *New Lease*
925 Halswell Junction Road Halswell	The Moving Company	Office and Amenities Warehouse Canopy Carparks Yard			Aug-21	$358,816 *New Lease - NER*
6 Morse Road Wigram	Agpac Limited	Office (over two levels) Warehouse Dispatch Office Canopy Carparks			May-21	$400,389 *Rent Review*
6-8 William Lewis Drive Hornby	Peter Hallifax Limited	Building 1 - Office Building 1 - Warehouse Building 1 - Canopy Building 3 - Office Building 3 - Warehouse Building 3 - Canopy Combinded Carparks - Notional			Apr-21	$325,000 *New Lease*
Confidential Hornby	Confidential	Office Dock Office Warehouse - Wet Warehouse - 10m Battery Charge Canopy Carparks Dock Levellers			Feb-21	$790,448 *New Lease*
Confidential Middleton	Confidential	Office Warehouse Canopy Storage Yard Carparks			Jan-21	$190,500 *New Lease - NER*
22 Baigent Way Middleton	Owens Transports Limited	Offices & Amenities Warehouse Yard Carparks			Dec-20	$306,987 *New Lease*
788 Halswell Junction Road Hornby	A Class Coaches 2008 Limited	Main Office Warehouse Office Warehouse Canopy Carparks Surplus Sealed Yard Surplus Metal Yard			Aug-20	$185,279 *New Lease - NER*
46 Braeburn Drive Hornby	B&D Doors (NZ) Limited	Ground Floor Office & Amenities First Floor Office & Amenities Mezzanine Storage (Above Café) Warehouse Office and Amenities Warehouse Canopy Carparks			May-20	$657,579 *Rent Review*
81 Seymour Street Hornby	DHL Supply Chain (NZ) Limited	Office & Amenities Office Courtyard Warehouse Battery Charge Area Sprinkler Room Canopies Carparks			Sep-19	$1,020,975 *New Lease*

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5.5 RENTAL EVIDENCE COMMENTARY

92 Treffers Road is an industrial office and warehouse building constructed early 2000's and positioned on the southern side of Treffers Road in Wigram. Accommodation comprises offices and amenities split across two levels and a rear medium stud clear span warehouse accessed via two roller shutter doors. The property was leased in December 2021 for $179,000 per annum, analysing to per square metre for the office accommodation and per square metre for the warehouse accommodation. This forms a useful comparable of a more modern industrial asset with similar stud height and location albeit it is significantly smaller in size when compared to the subject property.

17 Islington Avenue comprises a recently constructed industrial office and warehouse located within Waterloo Business Park in Islington. Accommodation comprises offices to road frontage with a formal entrance way and rear warehouse with a partly enclosed canopy. The warehouse has the stud height of 11 metres and is interrupted by columns. The building has high site coverage with limited manoeuvrability. The building was leased to Mico New Zealand Limited in November 2021 for $515,000 per annum for a five-year term. The offices analysed to $220 per square metre and the warehouse analysed to per square metre. This is a superior comparable, with superior quality offices and a higher stud warehouse, although constrained to some extent by the limited yard, situated in a modern subdivision with good locational attributes.

A recent confidential lease in Hornby of a 1990's large heavy industrial warehouse. The office accommodation achieved per square metre and the warehouses achieved per square metre. This forms a good comparable given a similar asset quality, size and location.

925 Halswell Junction Road, currently under construction, will provide a modern industrial office and warehouse building located within Waterloo Business Park, Islington. The property has been leased by The Moving Company with the commencement date being the date of completion, which was anticipated to be August 2021. The face rental was agreed at $401,200 per annum for a 10-year term, subject to 9 months' rent free. After taking the incentive into account the net effective rental equates to $358,816 per annum. The net effective rental analyses to per square metre for the office accommodation and per square metre for the warehouse accommodation. This will be a newly constructed high quality industrial premise in a desirable industrial location, providing a superior comparison.

6 Morse Road is a modern high spec office and warehouse industrial building located in Wigram. The rental was agreed at rent review in May 2021 for $499,389 per annum, which equates to per square metre for the offices and per square metre for the warehouse accommodation. This is a superior quality modern facility establishing an upper limit.

14 Sir James Wattie Drive, modern industrial office and warehouse development situated on the south western side of Sir James Wattie Drive in Hornby Quadrant, Hornby. This property was leased in November 2020 for $790,447 per annum. The office accommodation achieved per square metre and the warehouse achieved per square metre. This forms a good comparable of large asset with limited profile. Overall superior.

Confidential lease in Middleton is for a 1990's industrial building situated within a shared environment off a main arterial route. The property was leased to a confidential national tenant in January 2021 for $ per square metre. This forms a good comparable being of similar asset quality and age.

46 Braeburn Drive was subject to a rent review in May 2018 and the rental agreed at $657,579 per annum. This is an early 2000's built industrial complex with two level offices and two large inter connected

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warehouses. The warehouses are fully sprinklered with a stud height of 7.35 metres. There is also a large drive through canopy. Overall a useful comparison.

5.6 RENTAL EVIDENCE CONCLUSIONS

We have considered comparable rental evidence of properties of a similar asset quality and location to the subject.

Good quality office accommodation generally ranges between $140 - $240 per square metre, ultimately dependent upon quality and tenancy size whereby rental rates dilutes as tenancy size increases and any heightened fit-out or profile characteristics.

Rental rates for warehouse accommodation generally lie within the range of $75 - $115 per square metre, however, the majority falls between $85 - $105 per square metre. We have placed more weighting on large scale existing warehouse accommodation.

Key determinates for warehouse rental rates are stud height, access, tenancy size, construction profile, any further fit-out such as sprinklers, profile attributes and any additional associated canopy or yard. We also note a lack of yard space detrimentally impacts on warehouse rentals.

Carparks in Wigram and Hornby are consistently analysed at $10 per week.

The key rental attributes of the subject property are detailed as follows:

- Strong industrial location within Wigram.
- Architecturally designed offices.
- Large scale nature of improvements, significant warehouse accommodation.
- Warehouse incorporates 2 pairs of 5 Tonne Gantry Cranes.
- Excellent yard and carparking.

On the balance of the relevant evidence discussed and the specific attributes of the subject property discussed above have assessed the market rental as follows:

We have adopted between per square metre for the office accommodation, given its architectural design and scale. We have adopted $140 per square metre for the internal offices, constructed within the warehouse and $185 per square metre for the architectural offices.

We have adopted per square metre for the warehouse reflecting the overall size, location, high stud height, surplus yard, cranes and condition. We have adopted per square metre for the mezzanine.

We have adopted $10 per week for the open marked carparking which is consistent with rates achieved within the surrounding area.

5.7 MARKET RENT ASSESSMENT

Having regard to the market evidence and consideration of the subject property, we assess the current market rental, in comparison with our analysis of the current contract rental, as follows:

Tenant Name	Component Name	GLA (sqm)	Net Passing Rent $psm	Net Passing Rent $pa	Net Market Rent $psm	Net Market Rent $pa
Euro Coporation Limited	Offices & Amenities	285.0				
	Internal Offices	58.0				
	Warehouse / Workshop	6,020.0				
	Mezzanine Storage Areas	58.0				
	Carparks	92 bays				
	Gantry Crane	1.0				
Sub-Total (Area)		6,421.0				
Totals		6,421.0	$106.40	$683,195	$106.35	$682,905

We have assessed the market rental for the warehouse inclusive of the cranes and yard, whereas some of the evidence is analysed on a 50% site coverage basis, and accordingly care needs to be taken when making direct comparisons.

5.8 SALES EVIDENCE

In order to assess the market value of the subject property, we have considered a cross section of sales transactions which have occurred within the local market.

We summarise the sales evidence considered in undertaking our assessment within the following table:

Property	Sale Date	Sale Price	Land (sqm)	GLA (sqm)	Initial Yield	Equiv. Yield	Market Yield	IRR	Land $psm	GLA $psm	WALT (yrs)
15 Avenger Crescent Wigram	Nov 21	$3,650,000	1,616	1,011					$2,259	$3,610	
62 Columbia Avenue Hornby	Oct 21	$21,800,000	30,975	12,932					$704	$1,686	
35 Hickory Place Hornby	Sep 21	$12,350,000	16,715	9,552					$739	$1,293	
16 Calgary Place, 10-14 Mountview Place & 22-24 Edmonton Road Hornby	Sep 21	$14,550,000	14,064	5,750					$1,035	$2,530	
89 Buchanans Road Hornby	Aug 21	$11,000,000	8,281	5,084					$1,328	$2,164	
16 Sir James Wattie Drive Hornby	Jul 21	$10,800,000	10,598	3,467					$1,019	$3,115	
6 Morse Road Wigram	Jul 21	$7,500,000	4,000	3,404					$1,875	$2,204	
20 Westland Place Rolleston	Jun 21	$11,500,000	12,669	5,219					$908	$2,203	
32 - 40 Hammersmith Drive Wigram	Jun 21	$9,800,000	9,637	5,548					$1,017	$1,766	
20 - 22 McAlpine Street Wigram	Jun 21	$8,200,000	10,106	4,536					$811	$1,808	
15 Sir James Wattie Drive Hornby	Dec 20	$16,660,000	14,201	7,007					$1,173	$2,378	
3 Distribution Lane Wigram	Nov 20	$7,500,000	4,488	2,756					$1,671	$2,721	
89 Treffers Road Wigram	Nov 20	$8,645,000	4,794	2,081					$1,803	$4,154	
48-50 Waterloo Road Hornby	Nov 20	$5,000,000	7,564	4,102					$661	$1,219	

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5.9 KEY SALES EVIDENCE COMMENTARY

62 Columbia Avenue, Hornby

Description: Large scale industrial property located in Columbia Avenue in the preferred industrial area of Hornby.

The property sold off market to an investment fund on a sale and leaseback basis to a national tyre wholesaler Value Tyres.

Comparability: This forms a good comparable of a large industrial transaction for a similar quality asset situated in western Christchurch. This is a larger industrial property with a superior lease term. Overall superior.

16 Calgary Place, 10-14 Mountview Place & 22-24 Edmonton Road, Hornby

Description: Large scale industrial property located on the corner of Calgary Place, Mountview Place and Edmonton Road in Hornby.

This property sold off market as part of a sale and lease back transaction to a national syndicator.

Comparability: This forms a good comparable of a heavy industrial transaction constructed in a similar era. The property had a superior lease term and on this basis we would anticipate a sharper yield when compared to the subject property.

89 Buchanans Road, Hornby

Description: Modern industrial office and warehouse property situated on the southern side of Buchanans Road in the established industrial area of Hornby, although directly opposite residential development.

Accommodation provides high quality offices split across two levels, rear high stud warehouse with supporting canopy. The balance of the site provides open marked carparking.

The property sold via auction fully leased to Diamond Roofing.

Comparability: Good quality modern conventional industrial asset situated in a popular location with a very good tenant covenant and superior lease term. Overall superior.

6 Morse Road, Wigram

Description: Modern industrial office and warehouse building with dual frontage to both Morse Road and Avenger Crescent and situated within the popular industrial area of Wigram.

Accommodation provides high quality offices built over two levels and attached to a 9-metre-high stud clear span warehouse and effectively a tunnel canopy.

The balance of the site is sealed and provides open marked carparking.

The property sold fully leased to Agpac Limited. The lease recently renewed in May 2021 for a five-year term. An off-market transaction, selling to a private investor.

Comparability: Generic modern industrial product in a very good location and a strong tenant covenant however in a lower price bracket. Overall superior.

20 Westland Place, Rolleston

Description: Large scale industrial premise constructed circa 2005 and situated within IZone, Rolleston. The property comprises good quality offices, although due for refurbishment and a heavy industrial warehouse.

The property sold via deadline sale to a syndicator in June 2021 at a initial yield, with a 6.52-year lease term remaining. We considered the contract rental to be above market.

Comparability: This recent heavy use industrial asset sale in Rolleston. This property sold above expectations in a similar price bracket to the subject property. Overall superior.

20-22 McAlpine Street, Wigram

Description: A substantial well-presented manufacturing premises constructed in the circa late 1990's-early 2000's and comprised in two titles. Improvements provide 8 metre stud manufacturing warehouse space over two separate freestanding buildings inclusive of gantry cranes. The warehouses are complimented with modest offices and amenities. Located on the northern side of McAlpine Street, a low profile position however the locality is an established and desirable industrial location with good amenities and access to main arterial routes. The property adjoins the Main Trunk Rail Line along the rear boundary.

This property sold as part of sale and lease back with a short 3.00-year lease term remaining, but in the knowledge that the tenant was intending to vacate on expiry.

Comparability: This forms a good comparable of an industrial asset transaction similar in terms of asset quality, lease term remaining and location.

5.10 SALES EVIDENCE CONCLUSION

In concluding the adopted investment parameters, we have particularly taken note of the following value drivers for the subject property:

- Well established industrial location in Wigram, a preferred industrial area within Christchurch.
- Good quality offices and modest quality warehousing.
- Good secure yard and carparking provisions, and currently has the benefit of good 'on street' carparking.
- Euro Corporation would be accepted in the market as being of good tenant covenant.

- Relatively short lease term of 2.73 years remaining, particularly given the value quantum.
- Contract rent approximates market.
- Relatively large value quantum, although being over $10 million increases the assets appeal to syndicators who still remain active in the market.

Considering all of the sales evidence discussed, together with the asset specific attributes highlighted above and, in the SWOT, and Risk Analysis Section of this report, we conclude investment parameters for the subject property as follows:

- Capitalisation Rate: 6.00%
- Target IRR: 7.00%

6 VALUATION

6.1 VALUATION APPROACHES

In arriving at our opinion of value, we have considered relevant general and economic factors and have investigated recent sales and leasing transactions of comparable properties (as previously detailed).

- Capitalisation Approach.
- Discounted Cash Flow Approach.

6.2 CAPITALISATION APPROACH

The adopted fully leased net income has been capitalised in perpetuity from the valuation date at a capitalisation rate of 6.00%, which we consider reflects the nature, location and tenancy profile of the property when compared with current market investment criteria. We have then made various capital adjustments to the calculated core value, including:

- Future vacancies based on a letting up period of 6 months together with letting fees.
- Calculation of reversions to market rent.
- An allowance for the anticipated future letting-up expenses and associated capital expenditure over a 24 month period. This is not merely an arbitrary period, but a consistent approach that we take for the majority of properties that we value and sales which we analyse.

Our valuation calculations are detailed as follows:

Market Capitalisation Analysis			
INCOME		Area (sqm)	Market Rent
Gross Rental Income	Euro Coporation Limited	6,421.0	795,273
	Total Lettable Area / Total Market Rental Income	6,421.0	795,273
GROSS MARKET INCOME (Fully Leased)			795,273
OUTGOINGS	Operating Expenses		(112,368)
	Total Outgoings:		(112,368)
NET MARKET INCOME (Fully Leased)			682,905
CAPITALISED VALUE	@ 6.00%		11,381,750
CAPITAL ADJUSTMENTS			
Rent Adjustments	PV of Rent Reversions		(28,213)
	PV of General Capital Expenditure	*24 months*	(22,952)
	Total Capital Adjustments		(51,165)
		Capitalised Value	11,330,585
MARKET CAPITALISATION RESULT (rounded)			11,350,000

Capitalisation Sensitivity Analysis	
5.75%	11,850,000
6.00%	11,350,000
6.25%	10,900,000

6.3 DISCOUNTED CASHFLOW APPROACH

The Discounted Cash Flow analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of both rental and capital growth over an assumed investment horizon. A wide range of assumptions are made including a target or pre-selected internal rate of return, rental growth, occupancy, sale price of the property at the end of the investment horizon, potential capital expenditure, costs associated with the initial purchase of the property, and also its disposal at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10 year investment horizon in which we have assumed that the property is sold at the commencement of the 11th year. The cash flow analysis comprises monthly income streams which we have discounted on a monthly basis.

The analysis proceeds on a before tax basis, and while we have not qualified any potential taxation benefits associated with the property, we are of the view that these are an issue which a prospective purchaser would reflect in its consideration. The analysis is predicated on the assumption of a cash purchase. No allowance for interest and other funding costs have been made.

Our key assumptions are detailed as follows:

Accommodation Type	Forecast Rental Growth (10 year average)	Renewal Probability	Lease Up Period
Industrial	1.90%	50%	6 months

Sinking Fund Allowance:	1.50% of Gross Income.
Capital Expenditure:	Refer to Capital Expenditure section for specific comments.
Terminal Yield:	6.25% This adopted rate reflects that at the end of the cash flow period the building will be 10 years older.
Target IRR:	7.00% This adopted rate has been assessed based on our analysis of recent transactions, and the allowance and projections in our cash flow.

We provide our full workings as follows:

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Discounted Cash Flow Analysis

GROWTH RATE FORECAST

Valuation Period Year Ending	[CAGRs]	Year 1 Dec 22	Year 2 Dec 23	Year 3 Dec 24	Year 4 Dec 25	Year 5 Dec 26	Year 6 Dec 27	Year 7 Dec 28	Year 8 Dec 29	Year 9 Dec 30	Year 10 Dec 31
Growth Forecast	5 yrs / 10 yrs										
CPI	2.02% / 2.01%	2.07%	1.94%	2.07%	2.03%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Outgoings	2.08% / 2.04%	2.44%	1.77%	2.17%	2.04%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Net Face Rent (Industrial)	1.79% / 1.90%	1.00%	1.77%	2.17%	2.04%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

CASH FLOW ASSUMPTIONS

Lease Renewal Assumptions (Industrial)		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Renewal Probability		50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Expiry/Renewal for year	(sqm)	-	-	6,421	-	-	-	-	-	6,421	-
Letting Up	(mths)	6	6	6	6	6	6	6	6	6	6

New Lease Term	6 years	Review Frequency	2 yearly	Leasing Commissions - New	16%
New Lease Recoveries	Market	New Lease Reviews	ME	Leasing Commissions - Renewal	-

Capital Expenditure Assumptions	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Overall Capital Expenditure (% of Gross Income)	1.5%	1.5%	15.6%	1.5%	1.5%	1.5%	1.5%	1.5%	12.3%	1.5%
Generic Refurbishment Allowance @ Expiry	Industrial	$25 psm	-	$0 psm						

CASH FLOW FORECAST (All figures shown as $1,000's)

Valuation Period Year Ending	Year 1 Dec 22	Year 2 Dec 23	Year 3 Dec 24	Year 4 Dec 25	Year 5 Dec 26	Year 6 Dec 27	Year 7 Dec 28	Year 8 Dec 29	Year 9 Dec 30	Year 10 Dec 31
Income										
Industrial	683	683	512	717	717	747	748	777	760	628
Recoverable Outgoings	114	116	88	121	123	126	128	131	130	106
Total Income	797	799	600	838	841	873	876	908	890	733
Less										
Operating Expenses	-114	-116	-118	-121	-123	-126	-128	-131	-133	-136
NET INCOME	683	683	482	717	717	747	748	777	757	597
Capital Adjustments										
Leasing Commissions	-	-	-67	-	-	-	-	-	-	-76
Refurbishment Allowance on Expiry	-	-	-85	-	-	-	-	-	-96	-
General Capital Expenditure Allowance	-12	-12	-9	-13	-13	-13	-13	-14	-13	-11
CAPITAL ADJUSTMENTS	-12	-12	-161	-13	-13	-13	-13	-14	-109	-87
Selling Considerations									Net Market Rent End Yr 10	
									Sale Price	13,158
									Agent Commissions	-197
									Legal & Other Fees	-16
NET CASH FLOW	671	671	321	704	705	734	734	764	648	511
Running Yield (Cash Flow)	6.02%	6.16%	2.91%	6.08%	5.99%	6.13%	6.04%	6.36%	5.33%	4.10%
Running IRR (Cash Flow)	2.34%	4.83%	5.89%	6.37%	6.63%	6.83%	6.59%	6.73%	6.85%	6.95%

DISCOUNTED CASH FLOW RESULT (ROUNDED) 11,250,000

Purchase Considerations		
Purchase Price	11,300,000	
Stamp Duty	0	0.00%
Legal Fees/Due Diligence	14,125	0.13%
	11,314,125	
Selling Considerations		
Terminal Yield		6.25%
Disposal Cost	213,811	1.63%
Net Sale Proceeds	12,943,778	

NPV @ Target Discount Rate	
Discount Rate	7.00%
DCF Result	11,250,000
Yr 1 Cash Flow Yield	5.94%
Partitioned IRR Analysis	
Income %	41.63%
Terminal Value %	58.37%

Terminal Value Calculations		
Gross Market Income		961,585
Less Adopted Outgoings		-137,528
Net Market Income		824,057
Core Capital Value @	6.25%	13,184,912
Reversions		-
Exp. Allowances (2.0 yrs)		-
Capex & Misc		-27,323
Terminal Value (before disp. costs)		13,157,589

6.4 VALUATION RECONCILIATION

Having regard to these analyses and the available market evidence, we have reconciled the market value for the subject property as follows:

Summary Of Values		
Capitalisation Analysis	Assessed Value	$11,350,000
	Adopted Capitalisation Rate	6.00%
Discounted Cash Flow Analysis	Assessed Value	$11,250,000
	Adopted Discount Rate	7.00%
	Adopted Terminal Yield	6.25%
Adopted Value		**$11,300,000**
Initial Yield		6.05%
Initial Yield (Fully Leased)		6.05%
Equivalent Yield		6.02%
10 Year IRR		6.95%
Rate $psm of GLA		$1,760
Rate $psm of Land Area		$760
WALT (by income)		2.7 years

We have applied an equal weighting between the adopted approaches.

The above valuation is plus GST (if any).

6.5 MORTGAGE RECOMMENDATION

Our report is undertaken for mortgage security purposes and may be relied upon by ASB Bank Limited for the advance of first mortgage funds only. In undertaking our valuation, we have observed the requirements of IVS 400 Real Property Interests and ANZVGP 112 – Valuations for Mortgage and Loan Security Purposes. We confirm that the property is satisfactory for the advance of first mortgage funds only and recommend lending within normal first mortgage lending parameters.

6.6 ADDITIONAL REQUIREMENTS

Previous Sale:	According to public records, the property last sold in August 2019 for $10,239,923.
Contract of Sale:	None of which we are aware.
Reasonable Selling Period:	Circa 3 months assuming a typical marketing campaign.
Anticipated buyer demand/liquidity:	Moderate – Strong.
Likely purchaser profile:	Private investors or syndicators.

7 DISCLAIMERS

Valuation Subject To Change	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 movement or factors specific to the particular property). For the avoidance of doubt, this may include global financial crises or force majeure events. We do not accept liability for losses arising from such subsequent changes in value. Furthermore, values vary from time to time in response to changing market circumstances. The valuation is based on available information as at the date of valuation. No warranty can be given as to the maintenance of this value into the future. Therefore, it should be reviewed periodically.
Extent of Investigations	We are not engaged to carry out all possible investigations in relation to the property. Where in our report we identify certain limitations to our investigations, this is to enable the Reliant Party to instruct further investigations where considered appropriate or where we recommend as necessary prior to Reliance. CBRE is not liable for any loss occasioned by a decision not to conduct further investigations.
Information Supplied By Others	This document contains information which is derived from other sources. Where this information is provided by experts and experienced professionals, we have relied upon the expertise of such experts and by necessity we have relied upon the information provided being accurate, whether prepared specifically for valuation purposes or not. Unless otherwise specifically instructed, we have not independently verified that information, nor adopted it as our own. Notwithstanding the above, we have reviewed the provided information to the extent that such a review would be reasonably expected from a professional and experienced valuer having regard to normal industry practice undertaking a similar valuation/consultancy service. The Reliant Parties acknowledge that the valuer is not a specialist in the areas from which the expert information is derived and accepts the risk that if any of the information/advice provided by others and referred to in the valuation is incorrect, then this may have an effect on the valuation.
Lease Documentation	Where applicable, our assessment of value is provided on the assumption that all leases are executed and that individual lease provisions are in accordance with the tenancy information provided.
Disclosure	CBRE must be advised in the event that the Reliant Party becomes aware of any changes relating to the information and advice provided by the Instructing/Reliant Party during the Reliance Period. This includes, without limitation, any changes to information and advice provided in relation to encumbrances, registered/unregistered interests, title, and land area/dimensions. In any such event, this valuation must not be relied upon without consulting CBRE first to reassess any effect on the valuation.
Future Matters	To the extent that the valuation includes any statement as to a future matter, that statement is provided as an estimate and/or opinion based on the information known to CBRE at the date of this document. CBRE does not warrant that such statements are accurate or correct.
Taxation & GST	Unless otherwise stated, all financial information and valuation calculations and assessments in this report are on a plus GST (if any) basis. We are not tax experts and have not been provided with tax or legal advice. The Reliant Party must make its own enquiries if they consider that GST applies.
Site Survey	We do not commission site surveys and a site survey has not been provided to us. We have assumed there are no encroachments by or on the property, and the Reliant Parties should confirm this status by obtaining a current survey report and/or advice from a registered surveyor.
Property Titles	We have assumed that there are no further easements, unregistered interests or encumbrances not disclosed by our title search which may affect market value. However, in the event that a

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future title search is undertaken which reveals additional easements or encumbrances, CBRE should be consulted to reassess any effect on the value stated herein.

Environmental Conditions

Unless otherwise stated, we have assumed that the site is free of elevated levels of contaminants or subsoil asbestos that would prevent the continuation of the current use of the property. Note our visual inspection is an inconclusive indicator of the actual site condition. We make no representation as to the actual environmental status of the subject property. If any formal testing is undertaken to assess the degree, if any, of contamination of the site and this is found to be positive, this valuation must not be relied upon without first consulting CBRE to reassess any effect on the valuation.

Flooding Caution

The quality, completeness and accuracy of flood mapping varies widely between localities and Councils. We have not verified, and make no representation as to the appropriateness, accuracy, reliability or currency of the flood mapping reviewed. The Reliant Party may wish to confirm the flood mapping information by obtaining an expert hydrologist's report. If further flooding data is obtained, we reserve the right to review and if necessary amend the valuation.

Asbestos/ Hazardous Materials

Unless otherwise noted, we have assumed that the improvements are free of asbestos and hazardous materials, or should these materials be present then they do not pose significant risk to human health, nor require immediate removal. Our visual inspection is an inconclusive indicator of the actual condition/presence of asbestos/hazardous materials within the property. We make no representation as to the actual status of the subject property. If any testing is undertaken and the presence of any asbestos/hazardous materials on site is found to be positive, this valuation must not be relied upon before first consulting CBRE to reassess the valuation.

Planning Information

We assume information provided by the relevant responsible authority is current and accurate. We do not commission formal investigations to verify information provided to us. In the event that a Land Information Memorandum (LIM) report is obtained and the information therein is later found to be materially different to the town planning information detailed within the valuation, we reserve the right to amend the valuation.

Inclusions & Exclusions

Our valuation includes those items that form (or will form) part of the building service installations such as heating and cooling equipment, lifts, sprinklers, lighting, etc., that would normally pass with the sale of the property, but excludes all items of plant, machinery, equipment, partitions, furniture and other such items which may have been installed (by the occupant/operator) or are used in connection with the enterprise carried on within the property.

Side Agreements

In the event that the Reliant Party becomes aware of any side agreements, this valuation must not be relied upon before first consulting CBRE to reassess any effect on the valuation.

Floor Areas

Unless stated otherwise in the valuation, we have assumed that the floor areas have been calculated in accordance with the Property Council of New Zealand (PINZ PCNZ) Guide to Measurement of Rentable Areas or as specifically instructed by the party who we have agreed to provide this valuation. We recommend that the person or entity relying upon this report should obtain a survey to determine whether the areas provided differ from PINZ PCNZ guidelines. In the event that the survey reveals a variance in areas, then the relevant person or entity should not rely upon the valuation and should provide all relevant survey details to CBRE for consideration and possible review of the valuation.

Condition & Repair

We are not building/structural experts and are therefore unable to certify the structural soundness of the improvements. Unless otherwise stated, we have not sighted a qualified engineer's structure survey of the improvements, or its plant and equipment. Any Reliant Parties would need to make their own enquiries in this regard. Unless otherwise stated, we have not sighted a structural report on the property, nor have we inspected unexposed or inaccessible portion of the premises. We therefore cannot comment on the structural integrity, defect, rot or infestation of the improvements nor can we comment on any knowledge of the use in construction of material such as asbestos or other materials considered hazardous.

Currency	All dollars are NZ$.
LIM & PIM	Unless otherwise stated, we have not obtained Land Information Memoranda (LIM) or Project Information Memoranda (PIM) from the Territorial Authority.
Lease Covenant Strength	We do not make detailed enquiries into the covenant strength of occupational tenants but rely on our judgement of the market's perception of them. Any comments on covenant strength should therefore be read in this context. We assume that tenants are capable of meeting their financial obligations and there are no undisclosed rental arrears or breaches of covenant.
Site Conditions	We do not commission site investigations to determine the suitability of ground conditions and services, nor do we undertake environmental or geotechnical surveys. We have assumed that these aspects are satisfactory and also that the site is clear of underground mineral or other workings, methane gas or other noxious substances. In the case of property which may have redevelopment potential, we proceed on the basis that the site has load bearing capacity suitable for the anticipated form of redevelopment without the need for additional and expensive foundations or drainage systems (unless stated otherwise).
Not a Structural Survey	We state that this is a valuation report, and not a Structural Survey.
Director's Clause	Under required circumstances, this report may have been co-signed by a Director of CBRE. In accordance with our internal Quality Assurance procedures, the co-signing Director certifies that he has discussed the valuation methodology and calculations with the prime signatory, however the opinion of value expressed herein has been arrived at by the prime signatory alone. The co-signing Director may or may not have inspected the subject property.

8 APPENDICES

RECORD OF TITLE

RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD

Search Copy

R.W. Muir
Registrar-General
of Land

Identifier **74967**
Land Registration District **Canterbury**
Date Issued 15 October 2003

Prior References
CB15B/1394

Estate Fee Simple
Area 1.4870 hectares more or less
Legal Description Lot 1 Deposited Plan 319107
Registered Owners
PMG Generation Fund Trustees Limited

Interests

42096.1 Resolution imposing a Building Line Restriction - 10.7.1975 at 9:35 am

Appurtenant hereto is a right to drain sewage specified in Easement Certificate 176921.1 - 16.5.1978 at 1:34 pm

The easement specified in Easement Certificate 176921.1 is subject to Section 37 (1)(a) Counties Amendment Act 1961

Subject to a right to drain water in gross over part marked A,B,C on DP 319107 to The Christchurch City Council created by Transfer 5746614.5 - Produced 30.9.2003 at 9:00 am and entered 15.10.2003 at 9.00 am

The easement created by Transfer 5746614.5 is subject to Section 243 (a) Resource Management Act 1991

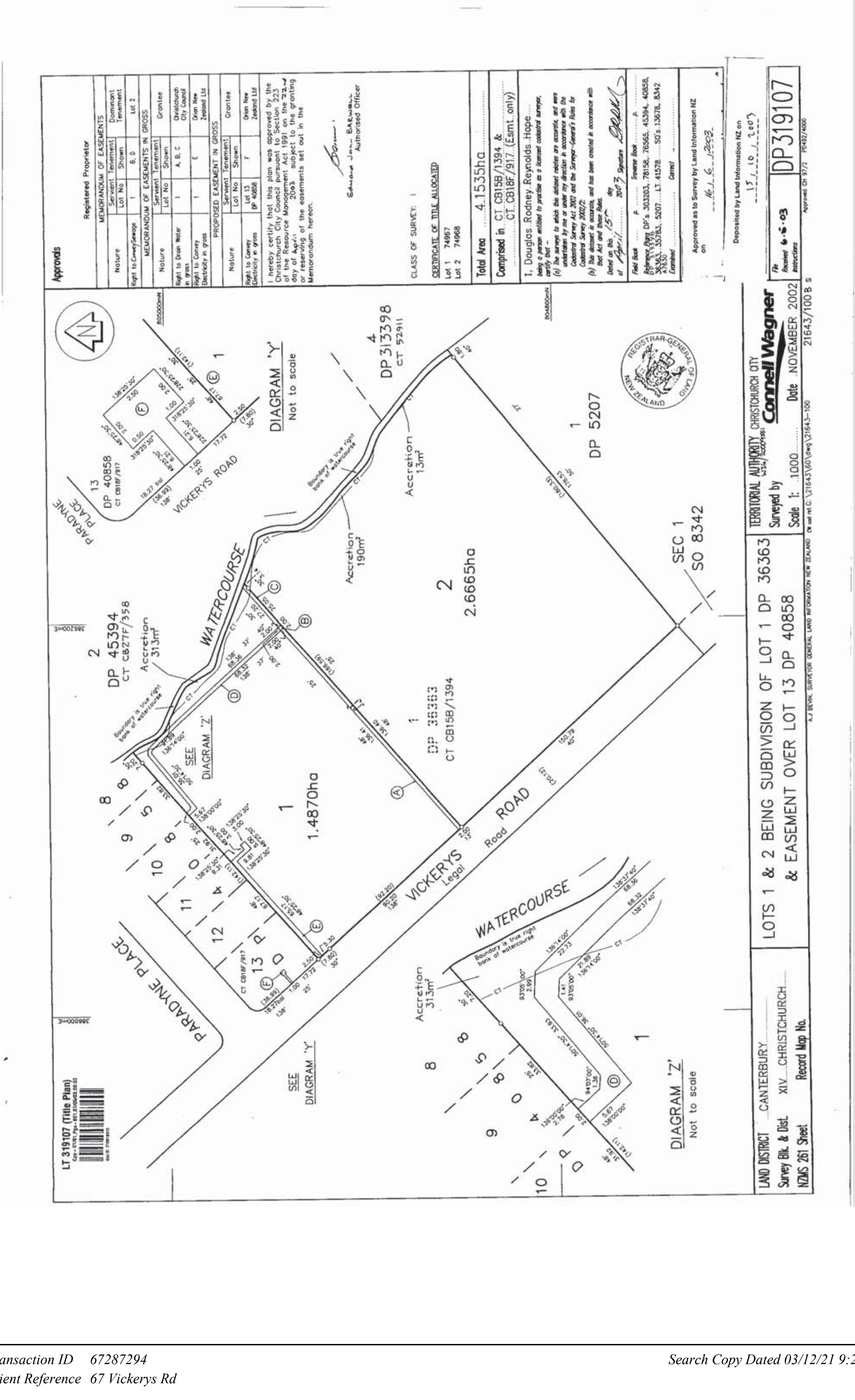
Subject to a right to convey sewage over part marked B,D on DP 319107 created by Easement Instrument 5746614.6 - Produced 30.9.2003 at 9:00 am and entered 15.10.2003 at 9.00 am

The easement created by Easement Instrument 5746614.6 is subject to Section 243 (a) Resource Management Act 1991

Subject to a right to convey electricity in gross over part marked E on DP 319107 to Orion New Zealand Limited created by Transfer 5746614.7 - Produced 30.9.2003 at 9:00 am and entered 15.10.2003 at 9.00 am

The easement created by Transfer 5746614.7 is subject to Section 243 (a) Resource Management Act 1991

12194908.2 Mortgage to ASB Bank Limited - 30.7.2021 at 4:21 pm


LOTS 1 & 2 BEING SUBDIVISION OF LOT 1 DP 36363
& EASEMENT OVER LOT 13 DP 40858
DP 319107
LT 319107 (Title Plan)
LAND DISTRICT CANTERBURY
Survey Blk. & Dist. XIV CHRISTCHURCH
TERRITORIAL AUTHORITY CHRISTCHURCH CITY
Connell Wagner
Scale 1: 1000
Date NOVEMBER 2002
DIAGRAM 'Y'
Not to scale
DIAGRAM 'Z'
Not to scale
VICKERYS ROAD
PARADYNE PLACE
WATERCOURSE
1.4870ha
2.6665ha
DP 36363
CT CB15B/1394
DP 45394
CT CB27F/358
DP 313398
CT 52911
DP 40858
CT CB18F/917
DP 5207
SEC 1
SO 8342
Accretion 313m²
Accretion 190m²
Accretion 13m²
Boundary is true right bank of watercourse
Approvals
MEMORANDUM OF EASEMENTS
MEMORANDUM OF EASEMENTS IN GROSS
PROPOSED EASEMENT IN GROSS
Right to Convey Sewage
Right to Drain Water in gross
Right to Convey Electricity in gross
Christchurch City Council
Orion New Zealand Ltd
Total Area 4.1535ha
Comprised in CT CB15B/1394 & CT CB18F/917 (Esmt. only)
CERTIFICATE OF TITLE ALLOCATED
Lot 1 74967
Lot 2 74968
REGISTRAR-GENERAL OF LAND NEW ZEALAND

VALUATION DEFINITIONS AND TERMINOLOGY

Net Income Estimate, Fully Leased	The total current net income for the subject property plus the estimated income from vacant tenancies. The total current net income is the sum of the current base, outgoings recoveries and sundry income, less total outgoings expenses (including non-recoverable expenses). The estimated income from vacant tenancies reflects our market assessment of gross rent for these tenancies.
Net Passing Income	The sum of the current base, outgoings recoveries and sundry income, less total outgoings (including non-recoverable expenses).
Outstanding Tenant Incentives	The total cost of all outstanding tenant incentives as at the date of valuation including unexpired rent free periods, outstanding fitout or cash contributions and rental discounts.
Initial Yield	Initial yield reflects the net contract income (including any outgoings for vacant tenancies) as a percentage of the assessed value.
Adopted Capitalisation Rate (or Equivalent Yield)	The capitalisation rate applied within our valuation to the net income estimate fully leased (as defined above). The term equivalent yield (as utilised within our analysis of comparable sales) essentially reflects a derived capitalisation rate based on the analysed purchase price adjusted for any under/over renting, surplus land, capital expenditure, vacancy allowances and other below the line adjustments.
Terminal Yield	The capitalisation rate applied within our valuation to the net passing income forecast during Year 11 of our Discounted Cash Flow (DCF) analysis. From this capitalised amount capital adjustments are made to arrive at a selling price for the property at the end of Year 10 of the DCF. Our adopted Terminal Yield is supported by the estimated terminal occupancy profile and the capital expenditure allowed throughout the cash flow, and at the end of the projection, which reflects efficient asset management practices in ensuring the property maintains its competitive position with its peer group.
Target Internal Rate of Return (IRR)	The discount rate applied to the annual net cash flows of the property and the hypothetical sale of the property at the end of Year 10 to arrive at the adopted value (excluding any balance land) using the Discounted Cash Flow approach.
Ten Year IRR (Indicated)	The Internal Rate of Return which the property would achieve over a 10 year period given the forecast net cash flow and assessed value. This analysis excludes the value of any balance land.

CBRE VALUATION & ADVISORY SERVICES

Carl Graham
Registered Valuer
Director

+64 3 353 5738
carl.graham@cbre.co.nz

Anna Kennedy
Valuer

+64 3 353 5737
anna.kennedy@cbre.co.nz

Jamahl Williams
Registered Valuer
Director

+ 64 21 888 452
jamahl.williams@cbre.co.nz

CBRE Auckland
Level 14, ANZ Centre
23-29 Albert Street
Auckland 1010
New Zealand

CBRE Wellington
Level 12, Harbour Tower
2 Hunter Street
Wellington 6011
New Zealand

CBRE Christchurch
Level 4, 222 High Street
Christchurch 8011
New Zealand