

## Market Valuation 'As If Complete'

**Moorhouse Central  
347 Moorhouse Avenue  
Christchurch**

**Client:** Mainland Retail Fund 2 Trust

**Valuation Date:** 19 October 2017

**TelferYoung (Canterbury) Limited**



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**TelferYoung (Canterbury) Limited**

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## 1.0 Executive Summary

### Asset Valued:

Moorhouse Central, 347 Moorhouse Avenue, Christchurch

#### Building – 'As Is'

The original building was constructed in 1990 and was developed as a Big Fresh Supermarket, associated Deka department store, liquor store and 15 speciality shops. The building was completely reconfigured in 2008 to provide the current format with the anchor tenants being the Countdown Supermarket and the large Burger King fast food outlet with a drive-through facility. Supporting retail uses include a pharmacy and food court.

Associated with the building is a large car park primarily accessed from either Moorhouse Avenue or Madras Street.

#### Building - Proposed Improvements

The supermarket tenancy is currently being reconfigured which will reduce the total floor area by creating a new retail area along the frontage to the car park. When completed there will be 5 new retail spaces, a toilet block and four storage cages.

There will be a new glazed frontage to the car park together with a covered verandah. A new supermarket entry will be created between the new retail shops.

### Purpose of Valuation:

Market Value for potential acquisition, syndication, offer, mortgage security and prospectus purposes.

### Instructing Party:

Mr Tim Jones of Mainland Capital Limited

### Client:

Mainland Retail Fund 2 Trust

### Report Prepared For:

Mainland Retail Fund 2 Trust  
PO Box 178  
Christchurch 8140  
Attention: Mr Tim Jones

### Date of Inspection:

18 August 2017 and 19 October 2017

### Date of Valuation:

19 October 2017

### Interests Valued:

The property is held in 4 Computer Unit Title Registers.

Unit	Identifier
1	410108
2	410109
3	410110
4	410111

It also includes an Estate in Leasehold in part of the Common Property on Unit Plan 403088 relating to the Burger King Drive Through and 8 carparks being a lease for 35 years from 9 June 2009 comprised in Computer Interest Register 477544. There are also 3 separate Licences to Occupy part of the Common Property on Unit Plan 403088 being the canopy over the front of the supermarket, the basketball court at the front of Burger King, the drive through and the communal toilet in the food court. The licences are for 30 years from 1 November 2016.

**The valuation excludes the Future Development Units A & B comprised in Computer Unit Title Register Identifiers 45711 and 475637**

**Basis of Valuation:**

Market Value – 'As If Complete'.

The valuation has been undertaken on an 'As If Complete' basis assuming completion of the buildings works providing the new retail tenancies forming part of the existing Countdown premises.

**Land Area:**

Share in 1.8033 hectares

**Rentable Floor Area:**

6298.21m<sup>2</sup>

**Tenancy Summary:**

Tenant	Tenancy Summary				
	Current Lease Commencement	Term	Final Expiry	Lease Type	Passing Income
Westpac	10-Mar-14	5 Years	9-Mar-24	Net	\$15,500
General Distributors Ltd	18-Aug-17	10 Years	17-Aug-49	Part Gross	\$1,442,200
Pharmacy Xtra	17-Mar-14	5 Years	16-Mar-24	Net	\$128,792
Food Court 1 Small Café	31-May-15	4 Years	30-May-19	Net	\$23,686
Food Court 2 Hang Seng	31-May-15	4 Years	30-May-19	Net	\$17,589
Food Court 3 Rice Box	31-May-15	6 Years	30-May-21	Net	\$17,556
Food Court 4 Cambodian Noodle	1-Jun-12	6 Years	31-May-18	Net	\$17,000
Food Court 5 Curry in a Hurry	1-Aug-12	6 Years	31-Jul-26	Net	\$37,534
New Retail R1A	18-Aug-17	3 Years	17-Aug-20	Net	\$33,300
New Retail R1B	18-Aug-17	3 Years	17-Aug-20	Net	\$29,610
New Retail F1	18-Aug-17	3 Years	17-Aug-20	Net	\$49,950
New Retail F2	18-Aug-17	3 Years	17-Aug-20	Net	\$25,650
New Retail Kiosk K1	18-Aug-17	3 Years	17-Aug-20	Net	\$24,750
Store Cages					\$0
Antares (Burger King)	1-Apr-17	10 Years	31-Mar-27	Net	\$242,647
<b>Total Passing Income</b>					<b>\$2,105,764</b>

**Net Contract Rent:**

\$1,953,093 per annum plus GST

**Net Market Rent:**

\$1,939,604 per annum plus GST

**Weighted Average Lease Term:**

8.3 years

**Valuation Methodology:**

The Market Value has been established by the Income Approach utilising the following methodologies:

- + Income Capitalisation
- + Discounted Cash Flow Approach

**Valuation:**

**Twenty Eight Million Two Hundred and Fifty Thousand Dollars (\$28,250,000) plus GST (if any).**

Indicating:

+ Yield on Passing Income:	6.91%
+ Yield on Market Income:	6.87%
+ Equivalent Yield:	6.89%
+ Resultant IRR:	7.91%
+ \$/m <sup>2</sup> of Rentable Floor Area:	\$4,485

**Significant Assumptions and Special Assumptions:**

- + The proposed improvements will be completed in accordance with the plans and specifications provided to a good standard of workmanship.
- + A Code Compliance Certificate will be issued by the Territorial Authority.

- + Any significant deviation in respect of style, layout, design or construction standards would invalidate the value conclusions within the report. We reserve the right to review and if deemed necessary amend the valuation and any conclusions should changes occur during the project.
- + A final inspection by the valuer verifying practical completion of construction and that there have been no material changes from the original valuation basis.
- + Confirmation from Beca that the building achieves or exceeds a seismic structural rating of 67% NBS.
- + Completion of structural works as identified in the Beca report of 8 May 2017.
- + The values reported herein are based on data collected and reviewed as at the date of this report. The valuer assumes no responsibility for unforeseeable events that alter market conditions prior to the completion of the development.
- + Vendor rental underwrites for a term of 3 years for the new retail tenancies.

**Risk Profile:**

Considered low – medium risk due to excellent tenant covenant for 80% of the income, high profile location and tenant mix.

**Report Issue Date:**

30 October 2017

**Valuer:**

Chris Stanley - M Prop Stud (Distn), FNZIV, FPINZ, AAMINZ  
Registered Valuer  
Director



## 2.0 Scope of Work

### 2.1 The Valuer

The valuation has been undertaken by Chris Stanley 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.

### 2.2 Our Client

Mainland Retail Fund 2 Trust for potential acquisition, syndication, offer, mortgage security and prospectus purposes including prospective subscribers.

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.

### 2.3 Other Intended Users

- + ANZ Bank New Zealand Limited
- + Prospective Investors.

### 2.4 Purpose of the Valuation

Market Value for potential acquisition, syndication, offer, mortgage security and prospectus purposes.

### 2.5 Asset Valued

347 Moorhouse Avenue, Christchurch.

### 2.6 Valuation Currency

All dollars quoted in this report are NZD.

### 2.7 Basis of Valuation

We are to provide our opinion of Market Value which is defined in International Valuation Standards 2017 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 have each acted knowledgeably, prudently and without compulsion.*

**The valuation has been undertaken on an 'As If Complete' basis assuming completion of the buildings works providing the new retail tenancies forming part of the existing Countdown premises.**

### 2.8 Relevant Dates

Inspection Date: 18 August 2017 and 19 October 2017

Valuation Date: 19 October 2017



## 2.9 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.

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.

We have not been provided with an environmental audit of the property and we are not aware of any potential environmental concerns. Our valuation and report assumes that the land and buildings are unaffected by harmful contaminants or noxious materials which may impact on value. We refer you to our Statement of Limiting Conditions and Valuation Policy on matters relating to potential contamination.

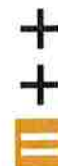
We have not conducted a land survey of the property and assume all improvements lie within the title boundaries.

We have not sighted a current Land Information Memorandum for the property during the course of this valuation. Our report is subject to there being no outstanding requisitions or adverse information affecting the property.

## 2.10 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:

<u>Name of Document</u>	<u>Source of Document</u>
Proposed Deed of Lease Countdown	Ocean Partners
Deeds of Lease for all other tenancies	Ocean Partners
Tenancy Schedule	Mainland Capital Limited
Operating Expenses	Mainland Capital Limited
Lane Neave Due Diligence Report	Mainland Capital Limited
Beca Damage Assessment 2012	Ocean Partners
Beca Detailed Seismic Report 2017	Mainland Capital Limited
Beca Commentary on Seismic Performance	Mainland Capital Limited



## 2.11 Assumptions and Special Assumptions

Standard valuation assumptions made in completing the report are stated in 'Extent of Investigations' and 'Statement of Limiting Conditions and Valuation Policy'.

**Special Assumptions** made within the valuation are as follows:

- + The proposed improvements will be completed in accordance with the plans and specifications provided to a good standard of workmanship.
- + A Code Compliance Certificate will be issued by the Territorial Authority.
- + Any significant deviation in respect of style, layout, design or construction standards would invalidate the value conclusions within the report. We reserve the right to review and if deemed necessary amend the valuation and any conclusions should changes occur during the project.
- + A final inspection by the valuer verifying practical completion of construction and that there have been no material changes from the original valuation basis.
- + Confirmation from Beca that the building achieves or exceeds a seismic structural rating of 67% NBS.
- + Completion of structural works as identified in the Beca report of 8 May 2017.
- + The values reported herein are based on data collected and reviewed as at the date of this report. The valuer assumes no responsibility for unforeseeable events that alter market conditions prior to the completion of the development.
- + Vendor rental underwrites for a term of 3 years for the new retail tenancies.

## 2.12 Reporting Format

We have provided a formal valuation report meeting all appropriate valuation and professional standards.

This report must be read in conjunction with TelferYoung (Canterbury) Limited's Statement of Limiting Conditions and Valuation Policy.

## 2.13 Valuation Standards

Our valuation has been prepared in accordance with International Valuation Standards 2017 and Australia and New Zealand Valuation Guidance Notes and Technical Information Papers including:

- |            |  |
|------------|--|
| + IVS      | - Framework  |
| + IVS 101  | - Scope of Work                                      |
| + IVS 102  | - Investigations and Compliance                      |
| + IVS 103  | - Reporting  |
| + IVS 104  | - Bases of Value                                     |
| + IVS 105  | - Valuation Approaches and Methods                   |
| + IVS 400  | - Real Property Interests                            |
| + ANZVGN 1 | - Valuation Procedures - Real Property               |
| + ANZVGN 2 | - Valuations for Mortgage and Loan Security Purposes |
| + ANZVGN 9 | - Assessing Rental Value                             |





## 2.14 ANZ Professional Services Brief - Valuations

Our valuation has been completed with reference to the July 2014 ANZ Bank New Zealand *'Professional Services Brief - Valuations'*. In this regard, we make the following comments:

- + The valuer is an ANZ Panel valuer;
- + The valuer has more than 3 years' experience for this class of property;
- + The valuer has all the necessary qualifications and certifications to undertake the valuation;
- + The valuer has undertaken the required professional development;
- + The valuer has had no disciplinary action.



## 3.0 Legal Description

### 3.1 Unit 1

Identifier:	410108
Land Registration District:	Canterbury
Legal Description:	Unit 1 and Accessory Unit 1A, 1B, 1C, 1D, 1E, 1F, 1G, 1H, 1I, 1J, 1K, 1L, 1M, 1N Deposited Plan 403088
Estate:	Stratum in freehold
Proprietor(s):	Moorhouse Central Limited
Interests:	Mortgage to Bank of New Zealand.

### 3.2 Unit 2

Identifier:	410109
Land Registration District:	Canterbury
Legal Description:	Unit 2 and Accessory Unit 2A, 2B, 2C, 2D, 2E Deposited Plan 403088
Estate:	Stratum in freehold
Proprietor(s):	Moorhouse Central Limited
Interests:	Land Covenant in Easement Instrument 8095351.6 - 10.6.2009 Mortgage to Bank of New Zealand.

### 3.3 Unit 3

Identifier:	410110
Land Registration District:	Canterbury
Legal Description:	Unit 3 and Accessory Unit 3A Deposited Plan 403088
Estate:	Stratum in freehold
Proprietor(s):	Moorhouse Central Limited
Interests:	Mortgage to Bank of New Zealand.



### 3.4 Unit 4

Identifier:	410111
Land Registration District:	Canterbury
Legal Description:	Unit 4 and Accessory Unit 4A Deposited Plan 403088
Estate:	Stratum in freehold
Proprietor(s):	Moorhouse Central Limited
Interests:	Land Covenant in Easement Instrument 8095351.5 - 10.6.2009 Mortgage to Bank of New Zealand.

### 3.5 Supplementary Record Sheet

The Supplementary Record Sheet Identifier 471557 records the following:

- + Right of way over Part Section 108 Christchurch Town Reserve.
- + Subject to drainage easement (in gross) over Part marked F, G, H on DP 403088 in favour of the Christchurch City Council.
- + Subject to an easement to drain water (in gross) over part marked I, J, K on DP 403088 in favour of the Christchurch City Council.
- + Certificate pursuant to Section 77 of the Building Act 2004.
- + Right to convey electricity in gross over part marked A, C, D on DP 403088 to the Christchurch City Council.
- + Subject to a right of way on foot in gross over part marked B DP 403088 to the Christchurch City Council.
- + Subject to a right to convey electricity in gross over part marked A, C, D DP 403088 in favour of Orion New Zealand Limited.
- + Land Covenant in Easement Instrument 8095351.5.
- + Land Covenant in Easement Instrument 8095351.6.
- + Lease of Lots 1, 2, 3 DP 419830 for a term of 35 years from 9.6.2009. Computer Interest Register 477544.

### 3.6 Summary

Unit	Identifier
Unit 1	410108
Unit 2	410109
Unit 3	410110
Unit 4	410111

Copies of the Computer Registers are included as **Appendix A**.



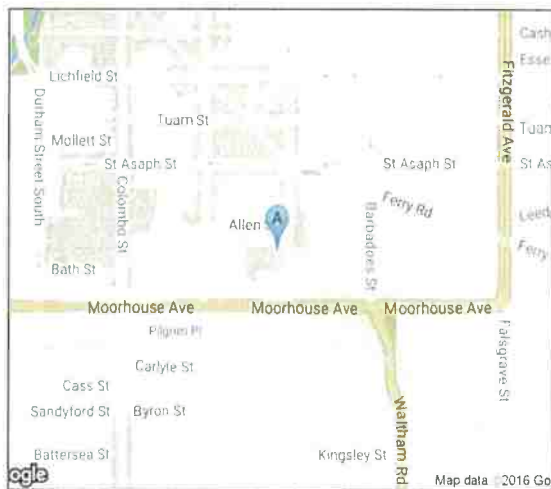
## 4.0 Rating Valuation

### 4.1 Rating Valuation

As at 1 August 2016

Component	Value
Land Value	\$14,800,000
Improvements	\$5,400,000
<b>Capital Value</b>	<b>\$20,200,000</b>

## 5.0 Location



Source: Google Earth



Moorhouse Central occupies a strategic high profile location at the northwestern intersection of Moorhouse Avenue and Madras Street on the southern fringe of the Central Business District.

Both Moorhouse Avenue and Madras Street are major arterial traffic routes through the city with Madras Street forming part of the inner city one-way traffic system carrying vehicles in a northerly direction and Moorhouse Avenue has a multi lane carriageway with a central median strip. Moorhouse Avenue is a high profile mixed use location incorporating motor vehicle dealerships, bulk retail, showrooms and offices.

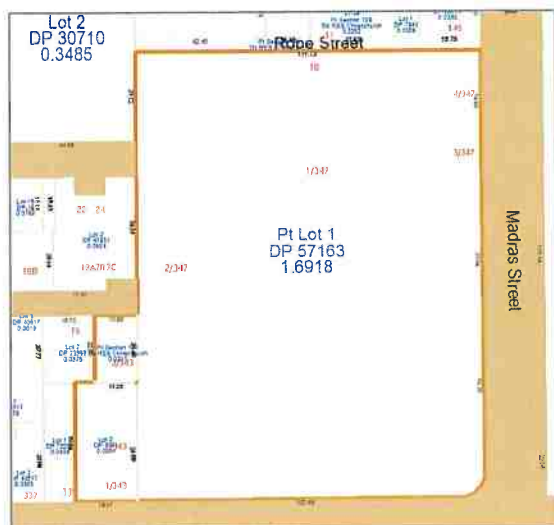
Secondary access is also provided from Mortimer Place and Eaton Street which allow rear access to the supermarket. There is also frontage to Rope Street which is not a legal road.

The property is located opposite the Ara education campus (formerly known as Christchurch Polytechnic Institute of Technology). Ara has undertaken significant new building development over the last 5 years with most recent building commissioned being the Engineering Centre a 6500m<sup>2</sup> building. The campus has daily student numbers of over 5000 which gives a significant shopping catchment for the complex.

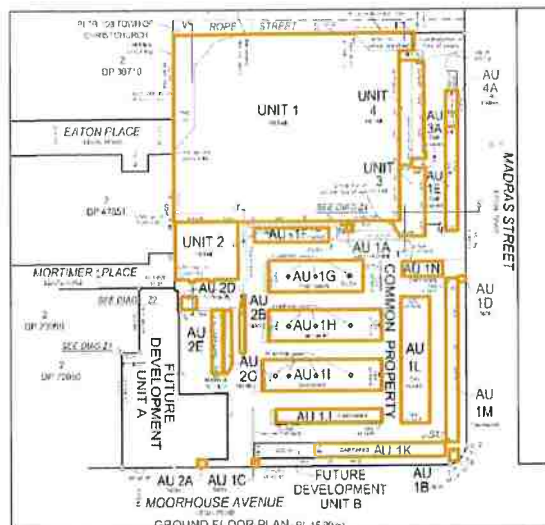
The property is also in close proximity to the new Innovation Precinct being one of the major recovery projects and also the East and South Frames. The resident population of the inner city, particularly in the eastern sector, will increase significantly when the East Frame residential accommodation is completed.

In terms of competition, there is a Pak'nSave close by on Moorhouse Avenue, the South City Shopping Centre on Colombo Street and a New World Supermarket soon to be constructed on Moorhouse Avenue close to South City.

## 6.0 Land



Source: Quickmap



Source: Unit Plan

Area:	Share in 1.8033 hectares	
Frontage:	Moorhouse Avenue:	131.04 metres
	Madras Street:	149.13 metres
	Mortimer Place:	26.12 metres
	Eaton Place:	11.22 metres
Shape:	Rectangular with corner rounding at the intersection of Madras Street and Moorhouse Avenue.	
Contour:	Level	
Services:	All services available.	
Comments:	A large well-proportioned corner site held by way of Unit Titles. The units are situated towards the northern boundary, with a large off-street parking area to the Moorhouse Avenue frontage.	

The areas outlined in orange on the Unit Plan prepared by aurecon identify the Units and Accessory Units included in the valuation. The Units also have use of the Common Property.

### **The valuation excludes the areas shown as Future Development Units A and B.**

The site benefits from multiple access from Moorhouse Avenue, Madras Street, Eaton Place and Mortimer Street. The property also fronts Rope Street which is not a legal road. The property is understood to have rights over Rope Street which is a private lane.

The site is subject to a number of easements in favour of the Christchurch City Council. The drainage easements are located along the western boundary of the carpark extending from the Burger King tenancy to Moorhouse Avenue.





The right to convey electricity in gross in favour of both the Christchurch City Council and Orion relates to an area along the Madras Street frontage adjacent to the main entry to the carpark.

The right of way on foot is gross in favour of the Christchurch City Council land is also located along the Madras Street frontage.

There is a lease of 6 disabled carparks in the common property in favour of General Distributors (to be cancelled following new building works).

A right of way limited in height over Future Development Unit A in favour of Unit 2 (Burger King) which relates to the western part of the drive through.

The lease of Lots 1, 2 and 3 DP 419830 relates to carparks and drive through associated with Lot 2 which is the Burger King premises. It is for a term of 35 years from 9 June 2009. Separate title Computer Interest Register 477544 has issued.

The certificate pursuant to Section 77 of the Building Act relates to the fact that buildings have been constructed over existing title boundaries.

There are two land covenants on the title which relate to the food court common area, access to the carpark, drive through and protects these activities for use of the units in the development.

## 7.0 Resource Management

### 7.1 Zoning

Territorial Authority:	Christchurch City
Plan Status:	Operative
Zone:	Central City Mixed Use
Zone Description:	<p>The area is zoned for a mix of office, residential, servicing and light industrial activities to provide opportunities to assist in the enhancement and revitalisation of the area itself and also, in turn, the wider central city area. These areas are not to be 'in competition' with the central business district (Core and Fringe areas), but rather, to complement and support its important role and function. The development of a zone containing a mixture and diversity of activities that attracts people into the area is but one tool to support urban rejuvenation and revitalisation.</p>
Development Controls:	<p>Permitted activities include light industrial, education, health facilities, residential activity and travellers' accommodation. There are restrictions on retail, commercial services and office development in the Central City Mixed Zone in an attempt to push those activities to the new consolidated Central City Business Zone.</p> <p>Pertinent development controls include (but are not limited to) the following:</p> <ul style="list-style-type: none"> <li>+ Offices and Commercial Services shall only be ancillary to any permitted activity located on the site;</li> <li>+ Where non-ancillary office tenancies or commercial services are proposed on a site, these shall not exceed 450m<sup>2</sup> Gross Leasable Floor Area;</li> <li>+ Maximum building height in this particular location of 17 metres;</li> <li>+ A minimum of 5% of the total site shall be set aside for landscaping;</li> <li>+ Minimum floor areas and requirements for outdoor areas apply to residential activities.</li> </ul>
Other:	<ul style="list-style-type: none"> <li>+ Subject to the Central City Building Height Restriction Overlay with a maximum building height of 17 metres.</li> <li>+ Subject to the Central City Large Format Retail Overlay.</li> <li>+ Situated in a Liquefaction Management Area.</li> <li>+ Situated in a Flood Management Area.</li> </ul>



## 8.0 Environmental Issues

### 8.1 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.

We have obtained a copy of the Listed Land Use Register (LLUR) for the property from Environment Canterbury. This records the fact the property has a HAIL activity shown as being for the storage tanks or drums for fuel, chemicals or liquid waste.

In November a site validation was undertaken by MWH which recorded an underground storage tank was installed in 1983 and removed in 1990. Soil samples were taken. The Soil Sample report stated that concentrations complied with MfE Guideline Values for Commercial/Industrial Land Use and for the protection of ground water quality criteria.

Based on the information available we proceeded on the basis that the property is not subject to material site contamination that impacts on the value of the property.

### 8.2 Land Information Memorandum

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.



## 9.0 Improvements

### 9.1 Overview

The original complex was constructed in 1990 and was designed as a Big Fresh Supermarket together with a Deka Department Store, Liquor King Bottle Store and associated speciality shops.

In 2007/2008 the building was reconfigured including substantial alterations and extensions to provide the current Countdown Supermarket, Burger King Restaurant with associated drive through, a food court and pharmacy.

At the present time the frontage of the supermarket is being reconfigured to incorporate new speciality retail which will slightly reduce the overall floor area of the supermarket. Building works are planned for completion in December 2017.

#### 9.1.1 Floor Areas

Stated lettable areas are as follows:

Tenant	Rentable Area (m <sup>2</sup> )	% of total
Westpac	2.00 m <sup>2</sup>	0.0%
General Distributors Ltd	4918.03 m <sup>2</sup>	78.1%
Pharmacy Xtra	231.45 m <sup>2</sup>	3.7%
Food Court 1 Small Café	35.78 m <sup>2</sup>	0.6%
Food Court 2 Hang Seng	26.57 m <sup>2</sup>	0.4%
Food Court 3 Rice Box	26.52 m <sup>2</sup>	0.4%
Food Court 4 Cambodian Noodle	26.52 m <sup>2</sup>	0.4%
Food Court 5 Curry in a Hurry	107.24 m <sup>2</sup>	1.7%
New Retail R1A	74.00 m <sup>2</sup>	1.2%
New Retail R1B	65.80 m <sup>2</sup>	1.0%
New Retail F1	111.00 m <sup>2</sup>	1.8%
New Retail F2	57.00 m <sup>2</sup>	0.9%
New Retail Kiosk K1	55.00 m <sup>2</sup>	0.9%
Store Cages	34.10 m <sup>2</sup>	0.5%
Antares (Burger King)	527.10 m <sup>2</sup>	8.4%
<b>Total Rentable Area</b>	<b>6298.11 m<sup>2</sup></b>	

**We have not measured the tenancies. We have relied upon the agreed lettable areas.**

The lettable areas for Countdown, for rental purposes, exclude canopies totalling 289.20m<sup>2</sup>. The total area of the Countdown premises, following the alterations, has been estimated by the Property Managers, at **5207.23m<sup>2</sup>**.

The lettable area for the new retail premises is based on the plans supplied. They will be certified on completion of the building works.

### 9.1.2 Construction

Foundations:	Concrete
Flooring:	Concrete
Exterior Walls:	Concrete tilt slab, concrete block and composite panel
Framing:	Steel and timber
Roofing:	Longrun metal roofing
Joinery:	Aluminium
Internal Linings:	Plasterboard
Ceilings:	Suspended panel ceiling system to Burger King and Pharmacy
Natural Lighting:	Perimeter glazing
Artificial Lighting:	A mixture of recessed and suspended fluorescent light fittings.
Services:	Fire sprinklers, Air conditioning

### 9.1.3 Supermarket

The Countdown supermarket comprises a large open plan supermarket with the principal entry from the foyer shared with the adjoining pharmacy tenancy. The supermarket currently has a wide frontage to the front carpark however this will be reconfigured and replaced with speciality retail shops under the proposed reconfiguration.

The premises basically provide a large open plan supermarket with speciality areas located around the perimeter including walk-in beer and wine chiller, bakery, delicatessen and butchery.

Along the western boundary there are further chiller and freezer facilities and storage. There are also male and female toilets, office, staff training room and cafeteria.

At mezzanine floor level there are two plant rooms.

### 9.1.4 Burger King

Burger King comprises a large open plan fast food restaurant with the feature being the high stud. It has large floor to ceiling display windows opening to the front carpark and drive through facility. Internally it is subdivided to provide the main customer ordering and dining area, kitchen, drive through area, food preparation and storage, customer toilets, staff toilets, staff cafeteria and offices. At mezzanine level there is a further staff room and training room.

### 9.1.5 Pharmacy

The pharmacy is located adjacent to the main entry to the Countdown supermarket and provides standard retail accommodation with suspended panel ceilings and flush mounted diffused fluorescent lighting.

### 9.1.6 Food Court

The Food Court extends along the eastern boundary of the site with direct access from the Madras Street carpark area. It provides four food court outlets and a restaurant.



### 9.1.7 Building Condition

The building is generally in a good average condition which one would expect for a commercial retail building of this age and style.

Some refurbishment has been undertaken post earthquake damage. At the present time building works have just commenced for the proposed reconfiguration of the frontage of the Countdown Supermarket to provide speciality retail stores.

## 9.2 Seismic Report

We have been provided with a copy of the Earthquake Damage Assessment prepared by Beca which is dated 21 February 2012. This report covers both the seismic capacity of the building and observed earthquake damage together with a proposed repair strategy.

It concluded that no earthquake strengthening or structural repairs were required. It did note a number of non-structural repairs including:

- + Minor cracking to the external concrete panel walls.
- + Cracking and crushing of the plasterboard linings.
- + Minor floor cracks.
- + Damage to the sealed areas.

Repairs were undertaken in September 2015.

We have also been provided with a copy of a Detailed Seismic Assessment prepared by Beca and dated 8 May 2017.

The report concluded the building is likely to achieve approximately 67% NBS in terms of equivalent seismic performance for life safety in a 1 in 500 year design level earthquake. The assessment has been undertaken considering the as built condition of the building and does not account for any reduction in seismic performance due to previous earthquake damage. It is therefore a Grade B building which could be regarded as exposing the occupant to a low or medium seismic risk. The seismic performance has determined examining an 'undamaged' building.

The report recommended the following steps:

- + Improve the precast concrete panel bolted connections along the south façade.
- + Verify the strengthened cantilevered columns are fixed at the base through invasive investigation.
- + Verify the load path from the roof diaphragm to the cantilevered columns through invasive investigation.

In a letter dated 12 September 2017 Beca provide further commentary on the seismic performance. The letter concludes that once the structural scope is complete the building will achieve a seismic rating of 67% NBS.

**Our valuation is contingent upon this work being completed and the building achieves a minimum seismic rating of 67% NBS.**





### 9.3 Other Improvements

The large carpark area extends along the Moorhouse Avenue/Madras Street frontages with access points from both streets as well as secondary access from Mortimer Place and Eaton Place.

There is some border landscaping strips and signage.

The sealed carpark area provides off street parking for 237 carparks. There is a separate drive through service lane and canopy associated with the Burger King tenancy.

Along the northern and western elevations of the supermarket there are canopies to provide weather protection over the loading areas. There is also a drive through access behind the building through to Eaton Place.

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.



## 10.0 Proposed Reconfiguration

It is proposed the reconfigure of the supermarket to provide five new retail tenancies fronting the carpark together with a number of storage lockers.

A copy of the proposed plan is attached as Appendix B. This will reduce the floor area of the supermarket and require a secondary egress point. A plan details the following areas for the new retail shops.

Retail Unit	Area
R1A	74.0m <sup>2</sup>
R1B	65.8m <sup>2</sup>
F1	111.0m <sup>2</sup>
F2	57.0m <sup>2</sup>
Kiosk	55.0m <sup>2</sup>

In addition, there will be a number of storage cages totalling 34.1m<sup>2</sup>.

Each retail unit will have a glazed frontage to the front carpark area with each having a separate unit. Situated between F1 and R1A there will be a fire egress corridor for the supermarket. The kiosk known as K1 will be a high exposure location at the main entry to the supermarket.



## 11.0 Tenancy Details

### 11.1 Introduction

We have been provided with a tenancy summary together with leases for the individual tenancies. We have also been provided with a copy of the Deed of Variation of Lease as part of the proposed reconfiguration. A brief summary follows:

### 11.2 Supermarket

The Premises:	The Premises less the Retail Area (subject to final measure)
Commencement Date:	Practical completion
Term:	10 years
Rights of Renewal:	2 of 6 years, 2 of 5 years
Contract Rent:	\$1,442,200 per annum plus GST
Rent Reviews:	5 yearly
Rent Review Basis:	Turnover Formula
	Turnover rent is payable on the following basis:
	+ 2.50% of Turnover up to \$45,000,000
	+ 2.00% of Turnover in excess of \$45,000,000 up to \$55,000,000 and
	+ 1.75% of Turnover in excess of \$55,000,001
Ratchet Clause:	To initial rent
Business Use:	Supermarket
Outgoings:	The tenant is only responsible for payment of a proportion of insurance costs, utility charges and internal cleaning/repair/maintenance



### 11.3 Westpac ATM

The Premises:	ATM forming part of the premises
Commencement Date:	10 March 2014
Term:	5 years
Rights of Renewal:	1 of 5 years
Contract Rent:	\$15,500 per annum plus GST
Rent Reviews:	2 yearly
Rent Review Basis:	Market
Ratchet Clause:	Full ratchet
Business Use:	ATM
Outgoings:	Tenant pays all costs associated with the ATM

### 11.4 Pharmacy Extra

The Premises:	Part of the property with an area of 231.45m <sup>2</sup>
Commencement Date:	17 March 2014
Term:	5 years
Rights of Renewal:	1 of 5 years
Contract Rent:	\$128,792.16 per annum plus GST
Rent Reviews:	3 <sup>rd</sup> , 9 <sup>th</sup> , and 14 <sup>th</sup> anniversary of lease commencement. CPI increases 6 <sup>th</sup> and 11 <sup>th</sup> anniversary of lease market review
Ratchet Clause:	To initial
Business Use:	Pharmacy
Outgoings:	Tenant pays a proportionate share of all outgoings



## 11.5 Food Court Lease

All Food court leases are on a similar basis being net leases with rent reviews to market. A summary follows:

Tenant	Commencement	Term	Renewals	Review	Rental
Food Court 1	31/05/15	4	Nil	2	\$23,686
Food Court 2	31/05/15	4	Nil	2	\$17,589
Food Court 3	31/05/15	6	Nil	2	\$17,556
Food Court 4	04/10/12	6	1 x 2 yrs	2	\$17,000
Food Court 5	01/08/12	6	2 x 5 yrs	2	\$37,534

## 11.6 Burger King

The Premises: Part of the building with a ground floor of 477.77m<sup>2</sup> and mezzanine floor of 71.11m<sup>2</sup>

Commencement Date: 1 April 2017

Term: 10 years

Rights of Renewal: Nil

Contract Rent: \$242,647 per annum plus GST (subject to dispute)

Rent Reviews: 3 yearly

Rent Review Basis: Market

Ratchet Clause: To initial

Outgoings: Proportionate share of all property outgoings

Special Conditions: In establishing the annual rent the ground floor is deemed to have an area of 455.99m<sup>2</sup>

Outstanding Review: The rent review for the new lease is still in dispute. The current contract rent is \$242,647



## 11.7 Tenancy Summary

Tenancy Summary					
Tenant	Current Lease Commencement	Term	Final Expiry	Lease Type	Passing Income
Westpac	10-Mar-14	5 Years	9-Mar-24	Net	\$15,500
General Distributors Ltd	18-Aug-17	10 Years	17-Aug-49	Part Gross	\$1,442,200
Pharmacy Xtra	17-Mar-14	5 Years	16-Mar-24	Net	\$128,792
Food Court 1 Small Café	31-May-15	4 Years	30-May-19	Net	\$23,686
Food Court 2 Hang Seng	31-May-15	4 Years	30-May-19	Net	\$17,589
Food Court 3 Rice Box	31-May-15	6 Years	30-May-21	Net	\$17,556
Food Court 4 Cambodian Noodle	1-Jun-12	6 Years	31-May-18	Net	\$17,000
Food Court 5 Curry in a Hurry	1-Aug-12	6 Years	31-Jul-26	Net	\$37,534
New Retail R1A	18-Aug-17	3 Years	17-Aug-20	Net	\$33,300
New Retail R1B	18-Aug-17	3 Years	17-Aug-20	Net	\$29,610
New Retail F1	18-Aug-17	3 Years	17-Aug-20	Net	\$49,950
New Retail F2	18-Aug-17	3 Years	17-Aug-20	Net	\$25,650
New Retail Kiosk K1	18-Aug-17	3 Years	17-Aug-20	Net	\$24,750
Store Cages					\$0
Antares (Burger King)	1-Apr-17	10 Years	31-Mar-27	Net	\$242,647
<b>Total Passing Income</b>					<b>\$2,105,764</b>

## 11.8 Vendor Underwrite

There will be five new retail tenancies with the Vendor Underwrite being for a term of 3 years from completion of the building works at an agreed rental of \$450/m<sup>2</sup> plus operating expenses. There is no vendor underwrite for the storage cages.

## 11.9 Rope Street Access

Rope Street is not a legal road. It is a private lane. The development has physical access to Rope Street along the rear boundary. Part of the property has the benefit of right of way access over part of land known as Section 108 Christchurch Town Reserve. The Countdown lease refers to the landlord granting exclusive rights for the tenant to use the access route to rear of the supermarket. There are four other properties fronting Rope Street/Madras Street/Allen Street that do not have express rights but are likely to have assumed rights over Rope Street.

The landlord cannot grant exclusive use to the whole of Rope Street. Countdown has installed a gate at the western end of Rope Street past the point that the four properties referred to gain access to secure this area.

Our valuation proceeds on the basis that the issue of the landlord's inability to grant exclusive use of Rope Street does not impact on the status of the lease and consequently the value of the property.





## 12.0 Operating Expenses

### 12.1 Introduction

We have been provided with a copy of the existing operating expenses and the proposed operating expenses post the completion of the reconfiguration of the Countdown Supermarket and construction of the new retail outlets.

### 12.2 Operating Expenses Summary

Operating Expenses (OPEX)			
Item	Budgeted Amount	\$/m <sup>2</sup> of Rentable Area	% of Total
Rates	\$176,622	\$28.60	45.0%
Statutory	\$1,404	\$0.23	0.4%
Insurances	\$80,100	\$12.97	20.4%
Fire Protection	\$3,670	\$0.59	0.9%
R & M	\$13,200	\$2.14	3.4%
Security	\$720	\$0.12	0.2%
Administration	\$3,032	\$0.49	0.8%
Air Conditioning	\$10,941	\$1.77	2.8%
Garden & Car Park	\$8,580	\$1.39	2.2%
Pest Control	\$3,000	\$0.49	0.8%
Cleaning	\$40,441	\$6.55	10.3%
Sanitary Services	\$1,500	\$0.24	0.4%
Electricity	\$9,000	\$1.46	2.3%
Management	\$40,000	\$6.48	10.2%
<b>Total</b>	<b>\$392,210</b>	<b>\$63.50</b>	<b>100.0%</b>

With the exception of Countdown all tenants pay a proportionate share of operating expenses. Countdown only pays a share of insurance costs currently amount to **\$64,514**. Non-recoverable operating expenses are calculated at **\$152,671** following the reconfiguration.

## 13.0 Valuation Methodology

### 13.1 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 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.

We consider the current use as a supermarket with associated retail stores and Burger King Restaurant to be the highest and best use of the property. This is a strategic site at the intersection of two major inner city traffic routes. The building is located close to Ara (formerly known as CPIT) and in close proximity to the developing East Frame which will increase inner city residential living in the city.

### 13.2 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. The approach encompasses various methods to indicate value. Methods adopted in this instance include:

#### + 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.

#### + 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.

## 14.0 Market Commentary

### 14.1 Economic Overview

The New Zealand property investment market is in a very buoyant phase with strong demand for quality investment property in the main centres and also provincial areas. Investment yields have firmed across all investment sectors which are in part due to the low returns available from alternative forms of investment such as fixed interest and the low cost of debt. With mortgage interest rates at very low levels, and the likelihood of no significant increase in the short to medium term, well leased investment properties show very attractive returns on equity at conservative gearing ratios.

The desirability of investment property has resulted in an increase in property syndication which has provided new options for retail investors as well as giving greater liquidity for higher priced assets. The listed property companies have also increased in popularity.

The Reserve Bank, in its September 2017 statement, noted global economic growth has continued to improve in recent quarters. However, inflation and wage outcomes remain subdued across the advanced economies and challenges remain with on-going surplus capacity. Bond yields are low, credit spreads have narrowed and equity prices are near record levels. Monetary policy is expected to remain stimulatory in the advanced economies, but less so going forward.

The trade-weighted exchange rate has eased slightly since the August Statement. A lower New Zealand dollar would help to increase tradables inflation and deliver more balanced growth.

GDP in the June quarter grew in line with expectations, following relative weakness in the previous two quarters. While exports recovered, construction was weaker than expected. Growth is projected to maintain its current pace going forward, supported by accommodative monetary policy, population growth, elevated terms of trade, and fiscal stimulus.

House price inflation continues to moderate due to loan-to-value ratio restrictions, affordability constraints, and a tightening in credit conditions. This moderation is expected to continue, although there remains a risk of resurgence in prices given population growth and resource constraints in the construction sector.

Annual CPI inflation eased in the June quarter but remains within the target range. Headline inflation is likely to decline in coming quarters, reflecting volatility in tradables inflation. Non-tradables inflation remains moderate but is expected to increase gradually as capacity pressure increases, bringing headline inflation to the midpoint of the target range over the medium term. Longer-term inflation expectations remain well anchored at around 2.00%.

Monetary policy will remain accommodative for a considerable period. Numerous uncertainties remain and policy may need to adjust accordingly.

The Reserve Bank retained the OCR at 1.75%.



## 14.2 Investment Market

There is very strong demand for well leased investment property priced below \$10.0 million. Investors focus is on quality of the tenant, location and percentage of the New Building Standard (NBS).

The strong demand for investment property has flowed through to investment yields with sales over the last 18 months showing investment yields at historically low levels. The greatest demand is in the industrial and suburban retail sectors with the market less buoyant for office buildings whether in suburban or CBD locations.

The availability of mortgage finance is impacting on sale volumes and investors are showing less appetite for risk particularly in relation to properties with short residual lease terms, substantial over-renting or seismic issues. The market is certainly less liquid than in 2016.

Demand still exists for smaller scale properties from owner-occupiers where there is little, if any, discount in price to similar leased property, however, the availability of finance is constraining activity.

An investment benchmark summary is outlined below:

Asset Class	Prime Yield	Prime IRR*
Industrial	5.75% - 6.25%	6.25% - 7.00%
Retail	5.75% - 6.25%	6.50% - 7.25%
Office	6.25% - 6.75%	7.00% - 8.00%

\*IRR= Internal Rate of Return

## 14.3 Central City Retail Market

Christchurch has historically provided speciality retail and tourism related activities in the heart of the CBD with larger format retail development surrounded around the periphery of the CBD in locations such as Moorhouse Avenue and Fitzgerald Avenue.

There are a number of retail developments in close proximity to Moorhouse Central. The major inner city shopping complex is the South City shopping centre which extends from Colombo Street to Durham Street just north of Moorhouse Avenue. It has two anchors being The Warehouse and New World with a number of supporting speciality retail tenants and a central food court.

Just to the east along Moorhouse Avenue from South City there is the stand-alone Pak'nSave supermarket which extends from Moorhouse Avenue through to Dundas Street at the north and Manchester Street to the east.

Foodstuffs are soon to develop a New World supermarket opposite South City at the intersection of Durham Street, Moorhouse Avenue and Wilmer Street. This will see the existing New World supermarket in South City being closed.



Further to the west along Moorhouse Avenue there is a range of bulk retail developments primarily situated between the Colombo Street overbridge and Antigua Street. Major tenants include the following:

- + Noel Leeming
- + Freedom Furniture
- + Harvey Norman
- + Farmers
- + Accent Lighting
- + Hunter Furniture

The inner city area is undertaking significant transformation with many major retail developments either under construction or recently completed. Significant developments include the following:

- + The Crossing
- + The ANZ Centre
- + The BNZ Centre
- + Ballantynes redevelopment
- + Farmers Market Cashel Mall

The Central City is going through a significant period of change with many new retail stores developed together with large carpark buildings and associated service uses. A number of new retailers new to the city will be located in the central city which will strengthen the CBD as a speciality retail location giving a point of difference from the suburban shopping malls such as Westfield Riccarton, the Palms at Shirley, Northlands at Papanui and the Hub at Hornby.

#### 14.4 Moorhouse Central

Moorhouse Central does not directly compete with South City shopping centre in terms of its speciality retail offerings with the primary retail offering being the Countdown supermarket and Burger King. The supporting retail both in the present configuration and proposed configurations support these two anchor tenants but comprise only a relatively small proportion of the total income. The complex does not provide the tenancy mix found with comprehensive suburban retail shopping centres.

Moorhouse Central is however extremely well located adjacent to Ara and is on the major traffic thoroughfares of Moorhouse Avenue and Madras Street.

In our opinion, it is extremely well located to cater for the needs of inner city inhabitants which are growing as the development of the South and East Frames continue.



## 15.0 Valuation Considerations

### 15.1 Reconfiguration

The Countdown supermarket is to be reconfigured to provide the five speciality retail shops along the carpark frontage, the Kiosk adjacent the main entry to the supermarket and internal storage facilities.

Our valuation proceeds on an 'As If Complete' basis assuming the building works are completed and the new base rental for Countdown applies and the vendor underwrites for the new retail premises.

### 15.2 Investment Market

As previously noted in our Market Commentary section the investment market is still strong notwithstanding the reduction in availability of debt finance. Investment yields are still strong which is evidenced by recent sales of a number of inner city office buildings.

### 15.3 Tenant Profile

The vast majority of the income (80%) is generated by the two anchor tenants, the Countdown (68%) supermarket and Burger King (12%). Both are subject to 10 year leases which provides excellent security.

### 15.4 Investment Scale

A complex of medium/high capital scale for the Christchurch market. The majority of investment sales are sub \$20m. The property is held under Unit Title which gives the ability to sell separate components to create greater liquidity.

### 15.5 Location

Considered a high profile inner city location strategically located opposite Ara and close to the developing residential East Frame.



## 16.0 Market Rent Assessment

### 16.1 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.

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

### 16.2 Rental Evidence - Supermarkets

#### + Pak'nSave Hornby, Christchurch

Effective Date:	03/15		
Analysis:	6439.30m <sup>2</sup>	@	\$179.37/m <sup>2</sup>

#### + Countdown Northlands, Christchurch

Effective Date:	06/13		
Analysis:	4845.74m <sup>2</sup>	@	\$241.45/m <sup>2</sup>

#### + Countdown Ferrymead, Christchurch

Effective Date:	04/14		
Analysis:	4428.30m <sup>2</sup>	@	\$218.15/m <sup>2</sup>

#### + Countdown Upper Riccarton, Christchurch

Effective Date:	02/15		
Analysis:	4795.46m <sup>2</sup>	@	\$245.02/m <sup>2</sup>



+	<b>Countdown Vogeltown, New Plymouth</b>			
	Effective Date:	06/15		
	Analysis:	2400.00m <sup>2</sup>	@	\$259.17/m <sup>2</sup>
+	<b>Countdown Stratford</b>			
	Effective Date:	07/15		
	Analysis:	3055.00m <sup>2</sup>	@	\$233.15/m <sup>2</sup>
+	<b>Countdown Dargaville</b>			
	Effective Date:	11/15		
	Analysis:	3500.00m <sup>2</sup>	@	\$323.00/m <sup>2</sup>
+	<b>Countdown Hastings</b>			
	Effective Date:	08/16		
	Analysis:	3300.00m <sup>2</sup>	@	\$186.00/m <sup>2</sup>
+	<b>New World Greenmeadow</b>			
	Effective Date:	09/16		
	Analysis:	4222.00m <sup>2</sup>	@	\$223.00/m <sup>2</sup>
+	<b>New World Bishopdale</b>			
	Effective Date:	02/17		
	Analysis:	2131.00m <sup>2</sup>	@	\$319.10/m <sup>2</sup>

The Supermarket rentals, on a net basis, show a significant range from a low of \$179.37/m<sup>2</sup> for the large Pak'nSave at Hornby to a maximum of \$319.10/m<sup>2</sup> for the New World Bishopdale.

The bulk of the evidence falls within a range of \$220/m<sup>2</sup> to \$260/m<sup>2</sup> net. On a TOC basis, being base rent plus operating expenses, rentals generally range between \$250/m<sup>2</sup> to \$330/m<sup>2</sup>. The TOC for the subject is \$306.36/m<sup>2</sup> when the insurance contribution is added. This sits towards the upper end of the range and we believe is slightly in excess of the market. We consider a TOC rental of **\$300/m<sup>2</sup>** is more market based.

### 16.3 Retail Inner City

#### + 142 Lichfield Street

Tenant:	Sal's New York Pizza Company			
Date:	1 January 2016			
Type:	New lease			
Analysis:	Retail	157.53m <sup>2</sup>	@	\$533.73/m <sup>2</sup>



**+ 181 High Street**

Tenant: Paperswan Bride  
Date: Agreed early 2016  
Type: New lease  
Analysis: Retail

25.00m<sup>2</sup> @ \$600.00/m<sup>2</sup>

**+ 128-130 Lichfield Street**

Tenant: Hodgepodge Hospitality Hub Limited  
Date: 2 May 2016  
Type: New lease  
Analysis: Retail

220.90m<sup>2</sup> @ \$430.00/m<sup>2</sup>

**+ 181 High Street**

Tenant: St Germain Restaurant & Bistro  
Date: 1 December 2016  
Type: New lease  
Analysis: First Floor Restaurant  
Balcony

180.00m<sup>2</sup> @ \$350.00/m<sup>2</sup>  
60.00m<sup>2</sup> @ \$150.00/m<sup>2</sup>

**+ 6/245 St Asaph Street**

Tenant: Espresso 245 Limited  
Date: 1 April 2017  
Type: New lease  
Analysis: Retail  
Carparks

37.00m<sup>2</sup> @ \$479.46/m<sup>2</sup>  
1.00 @ \$30.00/week

**+ Ground Floor, 159-161 High Street**

Tenant: The Monday Room Limited  
Date: 1 July 2017  
Type: New lease  
Analysis: Front Retail  
Balance Retail  
Mezzanine Dining Area

130.20m<sup>2</sup> @ \$375.00/m<sup>2</sup>  
51.50m<sup>2</sup> @ \$250.00/m<sup>2</sup>  
37.80m<sup>2</sup> @ \$187.50/m<sup>2</sup>

**+ 3/177 High Street**

Tenant: Unknown  
Date: 1 February 2018  
Type: New lease  
Analysis: Retail

44.35m<sup>2</sup> @ \$600.00/m<sup>2</sup>

Small scale retail premises within close proximity to the subject range between \$350/m<sup>2</sup> to \$600/m<sup>2</sup> for modern retail premises in the southeastern sector of the city. They support the current and proposed retail rentals for the complex.

## 16.4 Fast Food

A summary of fast food restaurant rentals follows:

Location	Tenant	Type	Date	Area m <sup>2</sup>	\$/m <sup>2</sup>
Oamaru	KFC	New lease	Apr-16	255.54	\$454.47
Invercargill - South	KFC	Review	Dec-16	228.82	\$465.58
ChCh Shirley	KFC	CPI Review	Dec-15	279.00	\$560.53
Invercargill	BK	Review	Oct-14	307.00	\$456.03
Invercargill - North	KFC	CPI Review	Sep-14	254.00	\$519.81
Blenheim	KFC	CPI Review	Sep-14	230.00	\$464.78
Gore	KFC	CPI Review	Sep-14	202.00	\$444.74
Alexandra	KFC	CPI Review	Sep-14	121.00	\$468.83
Nelson	KFC	CPI Review	Sep-14	245.00	\$571.79
Timaru	KFC	CPI Review	Sep-14	232.00	\$492.00
ChCh Papanui	KFC	Review	Jun-14	240.00	\$575.00
ChCh Linwood	BK	New lease	Feb-15	291.60	\$788.75
ChCh Linwood	KFC	New lease	Dec-16	256.00	\$566.41
ChCh Colombo	KFC	Review	Jun-14	201.00	\$565.07
ChCh Papanui	BK	Review	Sep-16	305.00	\$600.00
ChCh Riccarton	Subway	New lease	Jun-15	124.80	\$424.00
ChCh Riccarton	Sushi	New lease	Jun-15	54.70	\$335.00
ChCh Ferrymead	PitaPit	New lease	Sep-16	108.50	\$451.00
ChCh Ferrymead	Pepes Mexican	New lease	Sep-16	117.10	\$370.00
ChCh Upper Riccarton	Subway	Review	Nov-16	130.00	\$430.00
<b>Range</b>				<b>\$370.00/m<sup>2</sup> - \$788.75/m<sup>2</sup></b>	

The rentals show a range of between \$370.00/m<sup>2</sup> to \$788.75/m<sup>2</sup>. The lower rates relate to a new retail tenancy in the Ferrymead area with the higher rental relating to the purpose built Burger King on the corner of Linwood Avenue and Aldwins Road, Linwood.

The bulk of the evidence ranges between \$450/m<sup>2</sup> to \$550/m<sup>2</sup>. The current Burger King rental, which is still subject to dispute, is approximately \$460/m<sup>2</sup> for a total area of 527.10m<sup>2</sup>. We consider it is market based and possibly conservative.



## 16.5 Contract Rent Analysis

Our analysis of the prepared contract rent post redevelopment rent is as follows:

Contract Rent Analysis							
Tenant	Lease Type	Rentable Area (m <sup>2</sup> )	Area Rate (\$/m <sup>2</sup> )	Premises Rent	Carpark Rent	Other Rent	Passing Rent
Westpac	Net	2.00	\$7,750.00	\$15,500	\$0	\$0	\$15,500
General Distributors Ltd	Part Gross	4,918.03	\$293.25	\$1,442,200	\$0	\$0	\$1,442,200
Pharmacy Xtra	Net	231.45	\$556.46	\$128,792	\$0	\$0	\$128,792
Food Court 1 Small Café	Net	35.78	\$661.99	\$23,686	\$0	\$0	\$23,686
Food Court 2 Hang Seng	Net	26.57	\$661.99	\$17,589	\$0	\$0	\$17,589
Food Court 3 Rice Box	Net	26.52	\$661.99	\$17,556	\$0	\$0	\$17,556
Food Court 4 Cambodian Noodle	Net	26.52	\$641.03	\$17,000	\$0	\$0	\$17,000
Food Court 5 Curry in a Hurry	Net	107.24	\$350.00	\$37,534	\$0	\$0	\$37,534
New Retail R1A	Net	74.00	\$450.00	\$33,300	\$0	\$0	\$33,300
New Retail R1B	Net	65.80	\$450.00	\$29,610	\$0	\$0	\$29,610
New Retail F1	Net	111.00	\$450.00	\$49,950	\$0	\$0	\$49,950
New Retail F2	Net	57.00	\$450.00	\$25,650	\$0	\$0	\$25,650
New Retail Kiosk K1	Net	55.00	\$450.00	\$24,750	\$0	\$0	\$24,750
Store Cages	Net	34.10	\$0.00	\$0	\$0	\$0	\$0
Antares (Burger King)	Net	527.10	\$460.34	\$242,647	\$0	\$0	\$242,647



## 16.6 Contract and Market Rent Comparison

A comparison of the contract and market rental follows:

Tenant	Lease Type	Cash Flow Summary				
		Passing Income	Market Rent	Surplus / Shortfall	Surplus / Shortfall (%)	Months to Reversion
Westpac	Net	\$15,500	\$15,500	\$0	0.0%	0.0
General Distributors Ltd	Part Gross	\$1,442,200	\$1,410,895	\$31,305	2.2%	120.0
Pharmacy Xtra	Net	\$128,792	\$121,511	\$7,281	6.0%	77.0
Food Court 1 Small Café	Net	\$23,686	\$23,686	(\$0)	0.0%	0.0
Food Court 2 Hang Seng	Net	\$17,589	\$17,589	(\$0)	0.0%	0.0
Food Court 3 Rice Box	Net	\$17,556	\$17,556	(\$0)	0.0%	0.0
Food Court 4 Cambodian Noodle	Net	\$17,000	\$17,000	\$0	0.0%	0.0
Food Court 5 Curry in a Hurry	Net	\$37,534	\$37,534	\$0	0.0%	0.0
New Retail R1A	Net	\$33,300	\$33,300	\$0	0.0%	0.0
New Retail R1B	Net	\$29,610	\$29,610	\$0	0.0%	0.0
New Retail F1	Net	\$49,950	\$55,500	(\$5,550)	-11.1%	0.0
New Retail F2	Net	\$25,650	\$25,650	\$0	0.0%	0.0
New Retail Kiosk K1	Net	\$24,750	\$35,750	(\$11,000)	-44.4%	0.0
Store Cages	Net	\$0	\$8,525	(\$8,525)	N/A	0.0
Antares (Burger King)	Net	\$242,647	\$242,647	\$0	0.0%	0.00
Subtotal		\$2,105,764	\$2,092,254	\$13,510	0.6%	
less Non Recoverable Outgoings		(\$152,671)	(\$152,671)			
Total Net Rental Income		\$1,953,093	\$1,939,583			
<b>Net Operating Income</b>		<b>\$1,953,093</b>	<b>\$1,939,583</b>			

Full rental calculations are shown in **Appendix C**.

## 16.7 Conclusions

In our opinion the contract rent for the Supermarket is in excess of market by 2.2%. We also consider the pharmacy contract rent is slightly in excess of market. The rentals for the other tenancies are considered to be market based.

The rental underwrite for the new retail premises at \$450/m<sup>2</sup> is considered conservative. In our opinion it should be possible to achieve higher market rentals particularly for the shops adjacent to the main entry to Countdown.

In relation to the storage cages these have been assessed at \$250/m<sup>2</sup> for small areas. We consider this is market based.

Adopting a market cash flow of \$2,092,254 and deducting non-recoverable outgoings of \$152,671 results in a net market income of **\$1,939,583**.



## 17.0 Sales Evidence

### 17.1 Investment Properties

To assist in establishing a Market Value for the subject property we have analysed relevant sales of investment properties, including:

+	<b>550 Colombo Street</b>	
	Sale Date:	08/15
	Tenant:	Smiths City
	Sale Price:	\$20,000,000
	Passing Yield:	7.24%
	Yield on Market:	7.24%
	Effective Yield:	7.24%
	Discount Rate:	8.63%
+	WALT:	12.0 years
	Comments:	The large Smiths City bulk retail complex opposite South City Shopping Centre. The lease provides for annual increase to the lower of CPI or 1.5%. Purchased by owner of South City Shopping Centre.
	<b>Show Place</b>	
	Sale Date:	10/15
	Tenant:	IAG
	Sale Price:	\$33,200,000
	Passing Yield:	7.77%
	Yield on Market:	7.77%
+	Effective Yield:	7.77%
	Discount Rate:	8.78%
	WALT:	9.65 years
	Comments:	Three separate buildings at the head of Show Place. Sold by Goodman Property. The bulk of the income secured by long term leases to IAG. Considered a secondary location with access difficulties at peak times.
	<b>146 Shands Road</b>	
	Sale Date:	08/15
	Tenant:	General Distributors
	Sale Price:	\$39,525,000
	Passing Yield:	7.15%
+	Yield on Market:	7.27%
	Effective Yield:	7.20%
	Discount Rate:	8.99%
	Residual Lease Term:	8.80 years
	Comments:	A large distribution complex in Hornby. Large area of land available for future development. Potential for minor rental growth. Purchased for syndication.





- + 75 & 80 Seymour Street and 652 Halswell Junction Road, Hornby**  
Sale Date: 10/15  
Tenant: Move Logistics, DHL, Bridgestone & others  
Sale Price: \$38,900,000  
Passing Yield: 6.76%  
Yield on Market: 6.77%  
Effective Yield: 6.77%  
Discount Rate: 7.47%  
WALT: 4.3 years  
Comments: Comprising three recently completed industrial properties in 'Glassworks Industry Park', an industrial development completed by Goodman Property Trust. The purchase encompassed three large industrial properties each on separate titles. The properties generally had strong leases in place
- + 131-133 Victoria Street**  
Sale Date: 03/16  
Tenant: Saunders & Co.  
Sale Price: \$11,000,000  
Passing Yield: 6.89%  
Yield on Market Rent: 6.62%  
Effective Yield: 6.67%  
Discount Rate: 7.06%  
Residual Lease Term: 5.60 years  
Comments: Low rise office building refurbished and strengthened to 100% NBS. Sale includes adjoining vacant site with 45 carparks fully leased.
- + 335 Lincoln Road**  
Sale Date: 04/16  
Tenant: Audit NZ, Markhams, Media Works and others  
Sale Price: \$27,110,000  
Passing Yield: 8.16%  
Yield on Market: 7.15%  
Effective Yield: 7.75%  
Discount Rate: 8.13%  
Residual Lease Term: 5.15 years  
Comments: Two separate buildings and carparks on a corner site. Good tenant mix and excellent carpark ratios.



- +
- 32 Oxford Terrace**  
Sale Date: 07/16  
Tenant: CDHB  
Sale Price: \$39,113,256  
Passing Yield: 6.00%  
Yield on Market: 6.04%  
Effective Yield: 6.02%  
Discount Rate: 6.91%  
Residual Lease Term: 12.0 years  
Comments: A refurbished six level office building with the bulk of the office space leased to CDHB for 15 years with minimum rental increase of 1.75% per annum. Ground floor vacant subject to a vendor rent guarantee.
- +
- 106 Victoria Street**  
Sale Date: 07/16  
Tenant: Telogis and Others  
Sale Price: \$18,886,744  
Passing Yield: 7.50%  
Yield on Market: 6.62%  
Effective Yield: 7.13%  
Discount Rate: 7.87%  
Residual Lease Term: 7.2 years  
Comments: A refurbished and strengthened medium rise office building. Major tenant Telogis subject to ten year lease with no review in initial lease. Other terms have CPI review. Rental is above market. There is very limited carparking on site.
- +
- 56 – 64 Cashel Street**  
Sale Date: 06/17  
Tenant: PwC and Others  
Sale Price: \$49,000,000  
Passing Yield: 6.83%  
Yield on Market: 6.57%  
Effective Yield: 6.71%  
Discount Rate: 7.24%  
Residual Lease Term: 8.52 years  
Comments: The large 6 level PwC building on a high profile site at the intersection of Cashel street and Cambridge Terrace. The sale also includes a carpark site at 38 Cashel Street. Sale subject to a vendor underwrites for vacant space for 5 years.



+	<b>148 Victoria Street</b> Sale Date: 06/17 Tenant: Duncan Cotterill and Others Sale Price: \$24,000,000 Passing Yield: 7.19% Yield on Market: 6.83% Effective Yield: 7.02% Discount Rate: 7.39% Residual Lease Term: 11.11 years Comments: The Duncan Cotterill building at the top end of Victoria Street close to Bealey Avenue. Sale price also includes carparking sale of 151 Montreal Street. The bulk of the income relates to the Duncan Cotterill tenancy with a number of sub tenants.
+	<b>17 Washington Way</b> Sale Date: 11/16 Tenant: NZ Nurses Organisation Sale Price: \$2,875,000 Passing Yield: 6.55% Yield on Market: 6.34% Effective Yield: 6.43% Discount Rate: 7.06% Residual Lease Term: 7.0 years Comments: A two level office building constructed in 1995 at the intersection with Gasson Street. High profile site with the building 72% NBS. NZ Nurses Organisation actioned renewal prior to sale. Purchaser to spend approximately \$62,000 on repairs.
+	<b>31 Dundas Street</b> Sale Date: 12/16 Tenant: TVNZ, JLT and PB Sale Price: \$7,003,840 Passing Yield: 6.19% Yield on Market: 6.13% Effective Yield: 6.15% Discount Rate: 6.84% Residual Lease Term: 4.1 years Comments: Post earthquakes two level office building in South City area. Ground floor leased to TVNZ with JLT and PB on first floor.



- + **56 Langdons Road**  
Sale Date: 12/16  
Tenant: Ministry of Social Welfare  
Sale Price: \$5,739,000  
Passing Yield: 6.00%  
Yield on Market: 6.00%  
Effective Yield: 6.00%  
Discount Rate: 6.70%  
Residual Lease Term: 9.17 years  
Comments: New single level design built office building on a rear site in Northfield Business Park. Three yearly reviews. Gross lease.
- + **41 – 59 Fitzgerald Avenue**  
Sale Date: 02/17  
Tenant: Repco, Mag & Turbo  
Sale Price: \$7,739,000  
Passing Yield: 5.75%  
Yield on Market: 5.75%  
Effective Yield: 5.75%  
Discount Rate: 6.56%  
Residual Lease Term: 10.1 years  
Comments: Two new bulk retail buildings at the intersection of Fitzgerald Avenue and Ferry Road. The Repco lease provides for 3 yearly reviews with the Mag & Turbo lease providing annual 2% increase.
- + **118 Hayton Road**  
Sale Date: 02/17  
Tenant: Best Health Foods  
Sale Price: \$6,400,000  
Passing Yield: 6.03%  
Yield on Market: 5.75%  
Effective Yield: 5.87%  
Discount Rate: 6.73%  
Residual Lease Term: 7.6 years  
Comments: A rear new high stud warehouse. 100% NBS with long term lease.



+	<b>31 Kennaway Road</b>	
	Sale Date:	03/17
	Tenant:	Kathmandu
	Sale Price:	\$15,900,000
	Passing Yield:	6.84%
	Yield on Market:	6.65%
	Effective Yield:	6.91%
	Discount Rate:	8.04%
	Residual Lease Term:	5.2 years
	Comments:	A large scale high stud distribution warehouse constructed in 2012 and extended in 2014. Fixed annual rental increase of 4.0%.

## 17.2 Investment Sales Summary

Address	Sale Date	Sale Price	Effective Yield	Discount Rate
550 Colombo Street	08/15	\$20,000,000	7.05%	8.63%
Show Place	10/15	\$33,200,000	7.77%	8.78%
146 Shands Road	08/15	\$39,525,000	7.20%	8.99%
75 & 80 Seymour St/652 Halswell Junction Rd	10/15	\$38,900,000	6.77%	7.47%
131 – 133 Victoria Street	03/16	\$11,000,000	6.67%	7.06%
335 Lincoln Road	04/16	\$27,110,000	7.75%	8.13%
32 Oxford Terrace	07/16	\$39,113,256	6.02%	6.91%
106 Victoria Street	07/16	\$18,886,744	7.13%	7.87%
56 – 64 Cashel Street	06/17	\$49,000,000	6.71%	7.24%
148 Victoria Street	06/17	\$24,000,000	7.02%	7.39%
17 Washington Way	11/16	\$2,875,000	6.43%	7.06%
31 Dundas Street	12/16	\$7,003,840	6.15%	6.84%
56 Langdons Road	12/16	\$5,739,000	6.00%	6.70%
41 – 59 Fitzgerald Avenue	02/17	\$7,739,000	5.75%	6.56%
118 Hayton Road	02/17	\$6,400,000	5.87%	6.73%
31 Kennaway Road	03/17	\$15,900,000	6.19%	8.04%
<b>Yield Range</b>			<b>5.75% - 7.77%</b>	
<b>Discount Rate Range</b>				<b>6.56% - 8.99%</b>

## 17.3 Key Investment Criteria

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

### + Location

The property is located at a high profile intersection. Both Moorhouse Avenue and Madras Street carry significant traffic volumes. The property is also strategically located opposite Ara and close to the developing East Frame.



+ **Building Quality**

The building has had earthquake repairs completed and will have new shops along the retail frontage. The building is assessed at a minimum 67% NBS.

+ **Tenant Strength**

The bulk of the income is secured against 10 year leases to Countdown and Burger King. The balance of the cash flow is supported under shorter term leases however we consider there is limited risk of vacancy within the food court. The pharmacy has a strategic location close to Ara with limited competition in close proximity.

+ **Weighted Average Lease Term**

The weighted average lease term by income is calculated at 8.3 years which includes the 3 year vendor underwrite for the proposed new tenancies and storage cages. This is considered to be an excellent WALT.

+ **Rental Growth**

Rental growth is limited with the supermarket rental above market. The rental for the other tenancies should align with general market movement.

+ **Scale of Investment**

Considered to be a medium scale investment by Christchurch standards although has the benefit of being held in unit titles allowing sale of the property as four separate components comprising:

- + Burger King
- + Countdown and new retail shops
- + Pharmacy and Thai restaurant
- + Food court

This gives it significant flexibility and reduces the risk associated with the property. There have been a number of transactions on a larger scale investment property in Christchurch over the last two years which appears to show greater liquidity in the market for higher priced assets as evidenced by the following sales:

Property	Sale Price	Effective Yield	WALT
Show Place	\$33,200,000	7.77%	9.65 years
146 Shands Road	\$39,525,000	7.20%	8.80 years
478-85 Seymour Street	\$38,900,000	6.77%	4.30 years
335 Lincoln Road	\$27,110,000	7.75%	5.15 years
32 Oxford Terrace	\$39,113,256	6.02%	12.00 years
56 Cashel Street	\$49,000,000	6.71%	8.52 years
148 Victoria Street	\$24,000,000	7.02%	11.11 years

These sales clearly indicate greater liquidity for higher priced assets across a range of residual lease terms.



## 17.4 Sales Commentary and Conclusions

The sales noted show initial yields ranging from 5.75% for a smaller scale bulk retail development at the intersection of Fitzgerald Avenue and Ferry Road which sold for \$7,739,000 to a maximum of 7.77% for the IAG office complex in Show Place at a sale price of \$33,200,000. In terms of total sale price, prices range from \$2,875,000 for the older style office building at 17 Washington Way to \$49,000,000 for the PwC Building in Cashel Street which sold at an effective yield of 6.71%.

The bulk of the sale evidence, excluding the large scale office buildings, show an effective yield range of between 6.00% to 7.20%. This covers assets with values ranging from \$5.7m to \$39.5m.

In our opinion the property would be considered superior to larger scale office buildings with less risk associated with ongoing vacancies. The anchor tenants of Countdown and Burger King are secured under 10 year leases which mitigates risk.

In our opinion the property would be regarded as a B+ Grade investment property with excellent anchor tenant, long WALT and high profile moderated by limited potential for rental growth from the supermarket.

On an initial yield basis this would place the property at a higher yield than the sub \$10million property sales ranging from 5.75% to 6.43% and lower than the majority of the sales over \$30million with yields ranging from 6.71% to 7.77%.

On an overall yield basis we consider the property should fall towards the middle of the yield range and we have adopted an initial yield of **6.85%**. This reflects the long WALT, tenant quality and high profile offset by the limitation on rental growth.

We have also considered the property as two separate components comprising the stand-alone Burger King and the balance of the property. On this basis we have utilised yields as follows:

Component	Initial Yield
Unit 2 - Burger King	6.00%
Units 1, 3 and 4 – Countdown and Retail/Food Court	7.00%

We have adopted a yield of 7.00% due to the larger scale of combined Units 1, 3 and 4 and the limited potential for overall rental growth. As a stand-alone investment we consider the Burger King property, with a long residual lease term, would fall towards the bottom of the yield range for similar investment scale properties and have therefore adopted a yield of 6.00%.

In terms of the discount rate these range from 6.56% for the Repco property in Fitzgerald Avenue which is of a significantly smaller scale to a maximum of 8.99% for the larger scale Progressive Enterprises Distribution Centre in Shands Road. If we exclude the outliers the range is generally between 6.75% and 8.50%. We consider the property should fall towards the upper end of the range to reflect the limited rental growth prospects for a large component of the cash flow. We have therefore adopted a discount rate of **8.00%**.





## 17.5 Land Sales

A summary of recent inner city land sales follows:

Address	Sale Date	Sale Price	Area	\$/m <sup>2</sup>
213 O 221 Tuam Street	05/14	\$3,800,000	2567m <sup>2</sup>	\$1,480/m <sup>2</sup>
63 Manchester Street	08/14	\$1,350,000	1489m <sup>2</sup>	\$907/m <sup>2</sup>
54 Manchester Street	07/15	\$2,260,000	1824m <sup>2</sup>	\$1,239/m <sup>2</sup>
116 St Asaph Street	06/15	\$751,500	835m <sup>2</sup>	\$900/m <sup>2</sup>
156 Moorhouse Avenue	07/14	\$3,100,000	2797m <sup>2</sup>	\$1,108/m <sup>2</sup>
193 Moorhouse Avenue	10/13	\$15,220,800	12684m <sup>2</sup>	\$1,200/m <sup>2</sup>
7 Southwark Street	09/16	\$1,300,000	1184m <sup>2</sup>	\$1,098/m <sup>2</sup>
246 St Asaph Street	05/16	\$1,160,000	1019m <sup>2</sup>	\$1,138/m <sup>2</sup>
386 Moorhouse Avenue	07/15	\$1,300,000	11435m <sup>2</sup>	\$550/m <sup>2</sup>
392 Moorhouse Avenue	10/14	\$4,612,800	5766m <sup>2</sup>	\$800/m <sup>2</sup>
153 Montreal Street	04/17	\$1,050,000	920m <sup>2</sup>	\$1,141/m <sup>2</sup>
175 Durham Street	06/14	\$20,000,000	20377m <sup>2</sup>	\$982/m <sup>2</sup>

The most comparable sale is for the property at 175 Moorhouse Avenue purchased by Foodstuffs for a New World supermarket development at \$982/m<sup>2</sup>. It has similar attributes to the subject in terms of scale and frontage however is in a slightly more recognised retail/bulk retail location. We consider a land value of **\$950/m<sup>2</sup>** to be appropriate. The land value is calculated as follows:

Land Area	Rate	Value
18033m <sup>2</sup>	\$950/m <sup>2</sup>	\$17,131,350
<b>Adopt</b>		<b>\$17,130,000</b>

**This relates to the total land area including the Common Property and Future Development Units A and B.**

There is no exact land area allocated to Future Development Units A and B. We are of the opinion on a realistic apportionment of the land value attributable to Units 1-4 would be **\$15,500,000**.



## 18.0 Valuation Rationale

### 18.1 Income Capitalisation Method

In an earlier section, we have established a total market income of \$2,092,254. We have then made a deduction for non-recoverable outgoings of \$152,671 to give a net cash flow of **\$1,939,583**.

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 **6.85%** on the market cash flow. We have then added the present value of the surplus contract income.

Our investment calculations are as follows:

Income Capitalisation			
<b>Market Income</b>			
+ Total Market Income		\$2,092,254	
+ Less Unrecovered Outgoings		(\$152,671)	
<b>Net Market Income</b>		<b>\$1,939,583</b>	
Net Market Income Capitalised	@	6.85%	
<b>Market Value- Fully Leased at Market Level</b>			<b>\$28,315,081</b>
<b>Capital Adjustments</b>			
+ Present Value of Rental Reversions		\$103,028	
+ Present Value of Initial Vacancy Void		(\$2,108)	
+ Leasing Costs		(\$1,449)	
<b>Total Capital Adjustments</b>			<b>\$99,471</b>
<b>Market Value</b>			<b>\$28,414,552</b>
		<b>Adopt</b>	<b>\$28,415,000</b>

We have also considered the property as two separate components comprising the Burger King being Unit 2 and Units 1, 3 and 4 being the balance of the property.

Based on the individual cash flows and the investment yields discussed in the previous section our calculations are as follows:

Income Capitalisation Units 1, 3 & 4			
<b>Net Market Income</b>			
		<b>\$1,696,936</b>	
Net Market Income Capitalised	@	7.00%	
<b>Market Value- Fully Leased at Market Level</b>			<b>\$24,241,946</b>
<b>Capital Adjustments</b>			
+ Present Value of Rental Reversions		\$103,028	
+ Present Value Storage Vacancy		(\$2,108)	
+ Leasing Costs		(\$1,449)	
<b>Total Capital Adjustments</b>			<b>\$99,471</b>
<b>Market Value</b>			<b>\$24,341,417</b>
		<b>Adopt</b>	<b>\$24,340,000</b>



Income Capitalisation Unit 2			
Net Market Income			\$242,647
Net Market Income Capitalised	@	6.00%	
Market Value- Fully Leased at Market Level			\$4,044,117
Market Value			\$4,044,117
		Adopt	\$4,045,000
Total			\$28,385,000
Overall Yield			6.83%

## 18.2 Discounted Cash Flow Method

Our valuation via this method has been completed over a ten-year year investment horizon to derive the present value of the property. The ten-year horizon is considered a typical holding period for an investment of this nature.

Appended to this report is detailed analysis outlining our cash flow calculations. We stress that these cash flow calculations represent one of many potential scenarios for the property. The analysis has been developed to illustrate the impact of variable cash flows over the investment period. 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. As the property has recently been refurbished and will be subject to seismic strengthening we have not allowed CAPEX in the cash flow.

### 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

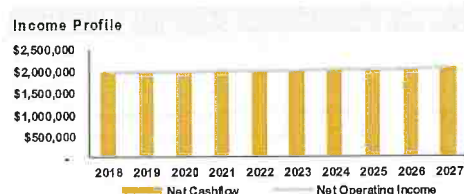
The discount rate represents the overall rate of return to an investor over a specific investment horizon. We have analysed Internal Rates of Return (IRR) from sales of investment property to establish an appropriate discount rate to apply to the cash flow. In selecting the rate, we have considered the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



Discounted cash flow analysis requires a projection of income and expenditure over a ten year horizon. Our cash flow calculations are based on a number of assumptions which are considered reasonable in comparison to how the market would be expected to operate and are specific to the subject property. We stress that these cash flow calculations represent one of many potential cash flow scenarios for the property. It has been developed to illustrate the impact on the values of changing cash flows over the investment period.

Specific assumptions and a sensitivity analysis based on the key variables, terminal yield and the discount rate is shown below:

Discounted Cashflow Method Summary										
<b>Assumptions</b>										
+ 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	1.00%	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.50%	2.50%	2.50%
- Supermarket	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.50%	1.50%
- ATM	1.00%	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.50%	2.50%	2.50%
- Food Court	1.00%	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.50%	2.50%	2.50%
- CPI	1.40%	2.00%	1.90%	1.60%	1.70%	1.50%	1.60%	1.80%	1.80%	1.90%
- Expenses	1.40%	2.00%	1.90%	1.60%	1.70%	1.50%	1.60%	1.80%	1.80%	1.90%
+ Leasing Commissions:	17.00%									
+ Annual Net Cashflow:										
- Period End:	Aug-2018	Aug-2019	Aug-2020	Aug-2021	Aug-2022	Aug-2023	Aug-2024	Aug-2025	Aug-2026	Aug-2027
- Net Cashflow	\$1,974,661	\$1,979,654	\$1,980,834	\$2,000,078	\$1,998,339	\$2,006,887	\$1,993,892	\$2,025,291	\$2,033,702	\$2,067,075
+ Terminal Capitalisation Rate:	7.00%									
+ Discount Rate:	8.00%									
+ Terminal Value:	\$30,789,065									
+ PV of Terminal Value:	\$14,170,124									
+ PV of Net Cashflows:	\$13,909,495									
<b>Market Value</b>	\$28,079,619									
<b>Adopt</b>	\$28,080,000									



Sensitivity Analysis			
Discount Rate	Terminal Yield		
	6.75%	7.00%	7.25%
7.75%	\$29,098,336	\$28,558,829	\$28,056,529
8.00%	\$28,606,665	\$28,079,619	\$27,588,921
8.25%	\$28,126,203	\$27,611,302	\$27,131,912

Appendix E contains detailed spreadsheets showing our cash flow calculations. We stress that these cash flow calculations represent one of many potential cash flow scenarios for the property. They have been developed to illustrate the impact on the values of changing cash flows over the investment period.

### 18.3 Valuation Reconciliation

Method	Value
Income Capitalisation - Total Property	\$28,415,000
Income Capitaliation - Separate Properties	\$28,385,000
Discounted Cash Flow	\$28,080,000
<b>Adopt Market Value</b>	<b>\$28,250,000</b>



The three approaches show a good correlation with an indicated value range of \$335,000. In our opinion investors would give greatest attention to the overall initial yield and therefore we have placed most weight on the overall income capitalisation method and have adopted a value of **\$28,250,000** subject to full and final completion of all building work.

#### 18.4 Investment Summary

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

Yield on Passing Income:	6.91%
Yield on Market Income:	6.87%
Equivalent Yield:	6.89%
Discount Rate:	7.91%
\$/m <sup>2</sup> of Rentable Floor Area:	\$4,485



## 19.0 Risk Analysis

### 19.1 Strengths & Opportunities

- + Long WALT underpinned by Countdown and Burger King
- + High profile corner site close to Ara and East Frame
- + Multiple titles increase liquidity

### 19.2 Weaknesses & Threats

- + Limited retail growth potential for Supermarket
- + Investment scale
- + Competition from new inner city development

### 19.3 Property Risk Profile

Considered low – medium risk due to excellent tenant covenant for 80% of the income, high profile location and tenant mix.



## 20.0 Valuation

We assess the Market Value of the property, 'As If Complete' as at 19 October 2017 at:

**\$28,250,000**

**Twenty Eight Million Two Hundred and Fifty Thousand Dollars** plus GST (if any).

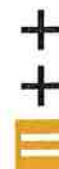
The value can be apportioned as follows:

Component	Value
Land	\$15,500,000
Improvements	\$12,750,000
<b>Market Value</b>	<b>\$28,250,000</b>

## 21.0 Significant Assumptions and Special Assumptions

- + The proposed improvements will be completed in accordance with the plans and specifications provided to a good standard of workmanship.
- + A Code Compliance Certificate will be issued by the Territorial Authority.
- + Any significant deviation in respect of style, layout, design or construction standards would invalidate the value conclusions within the report. We reserve the right to review and if deemed necessary amend the valuation and any conclusions should changes occur during the project.
- + A final inspection by the valuer verifying practical completion of construction and that there have been no material changes from the original valuation basis.
- + Confirmation from Beca that the building achieves or exceeds a seismic structural rating of 67% NBS.
- + Completion of structural works as identified in the Beca report of 8 May 2017.
- + The values reported herein are based on data collected and reviewed as at the date of this report. The valuer assumes no responsibility for unforeseeable events that alter market conditions prior to the completion of the development.
- + Vendor rental underwrites for a term of 3 years for the new retail tenancies.





## 22.0 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 (Canterbury) Limited and the author of the report. TelferYoung (Canterbury) 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 original 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 Historic Places Trust 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 (Canterbury) 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 is 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 have 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.

### Water Leaks & 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.

### Professional Indemnity Cover

We have in force at the time of supplying the above valuation, current professional negligence insurance appropriate to the nature and level of our business activities.

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

Yours faithfully

**TelferYoung (Canterbury) Limited**



Chris Stanley - M Prop Stud (Distn), FNZIV,  
FPINZ, AAMINZ  
Registered Valuer  
Director

Email: [chris.stanley@telferyoung.com](mailto:chris.stanley@telferyoung.com)



## Appendix A Computer Register



COMPUTER UNIT TITLE REGISTER  
UNDER LAND TRANSFER ACT 1952



Identifier **410108**  
Land Registration District **Canterbury**  
Date Issued 20 May 2009

Prior References  
473912

Supplementary Record Sheet  
471557

Estate Stratum in Freehold  
Legal Description Unit 1 and Accessory Unit 1A, 1B, 1C, 1D,  
1E, 1F, 1G, 1H, 1I, 1J, 1K, 1L, 1M, 1N  
Deposited Plan 403088

Proprietors  
Moorhouse Central Limited

The above estates are subject to the reservations, restrictions, encumbrances, liens and interests noted below and on the relevant unit plan and supplementary record sheet  
8192341.3 Mortgage to Bank of New Zealand - 25.6.2009 at 9:13 am

Transaction Id  
Client Reference *knewman002*

Dated 18/08/17 9:28 am, Page 1 of 6  
Register Only



Identifier

410108



**SUPPLEMENTARY RECORD SHEET  
UNDER UNIT TITLES ACT 1972**

Identifier

471557

Land Registration District

Canterbury

Date Issued

20 May 2009

Plan Number

DP 403088

Subdivision of

Part Town Reserve 122 Town of Christchurch and Part Lot 1 and Lot 2 Deposited Plan 9341

Prior References

473912

Unit Titles Issued

410108

410109

410110

410111

474511

475637

Interests

OWNERSHIP OF COMMON PROPERTY

Pursuant to Section 47 Unit Titles Act 2010 -

(a) the body corporate owns the common property and

(b) the owners of all the units are beneficially entitled to the common property as tenants in common in shares proportional to the ownership interest (or proposed ownership interest) in respect of their respective units.

The above memorial has been added to Supplementary Record Sheets issued under the Unit Titles Act 1972 to give effect to Section 47 of the Unit Titles Act 2010.

Appurtenant to part formerly CT CB25F/448 is a right of way over part of Section 108 Christchurch Town Reserve

Subject to a (in gross) drainage easement over part herein marked F,G,H on DP 403088 in favour of the Christchurch City

Council created by Deed of Easement 63141 (104D/86) - 5.10.1881 at 2:40 pm

Subject to a right (in gross) to drain water over part herein marked I,J,K on DP 403088 in favour of the Christchurch City

Council created by Transfer A26274.3 - 20.5.2009 at 11:18 am

7518145.1 CERTIFICATE PURSUANT TO SECTION 77 BUILDING ACT 2004 THAT THIS COMPUTER REGISTER IS SUBJECT TO THE CONDITION IMPOSED UNDER SECTION 75(2) (AFFECTS THE PART FORMERLY CT'S CB CB421/272 AND CB21F/68) - 27.8.2007 at 9:00 am

Subject to a right to convey electricity in gross over part marked A,C,D DP 403088 to Christchurch City Council created by Easement Instrument 8095351.1 - 10.6.2009 at 10:44 am

Subject to a right of way on foot in gross over part marked B DP 403088 to Christchurch City Council created by Easement Instrument 8095351.2 - 10.6.2009 at 10:44 am

Subject to a right to convey electricity in gross over part marked A,C,D DP 403088 to Orion New Zealand Limited created by Easement Instrument 8095351.3 - 10.6.2009 at 10:44 am

8095351.4 Change of rules of the Body Corporate - 10.6.2009 at 10:44 am

Land Covenant in Easement Instrument 8095351.5 - 10.6.2009 at 10:44 am

Land Covenant in Easement Instrument 8095351.6 - 10.6.2009 at 10:44 am

8095351.7 Lease of lots 1,2,3 DP 419830 Term 35 years from 9.6.2009 CIR 477544 issued - 10.6.2009 at 10:44 am

8781236.1 Change of address of the Body Corporate - 30.6.2011 at 2:24 pm

10688387.1 Notice of change of body corporate operational rules pursuant to Section 106 Unit Titles Act 2010 - 31.1.2017 at 7:00 am

Transaction Id

Client Reference knewman002

Dated 18/08/17 9:28 am, Page 2 of 6

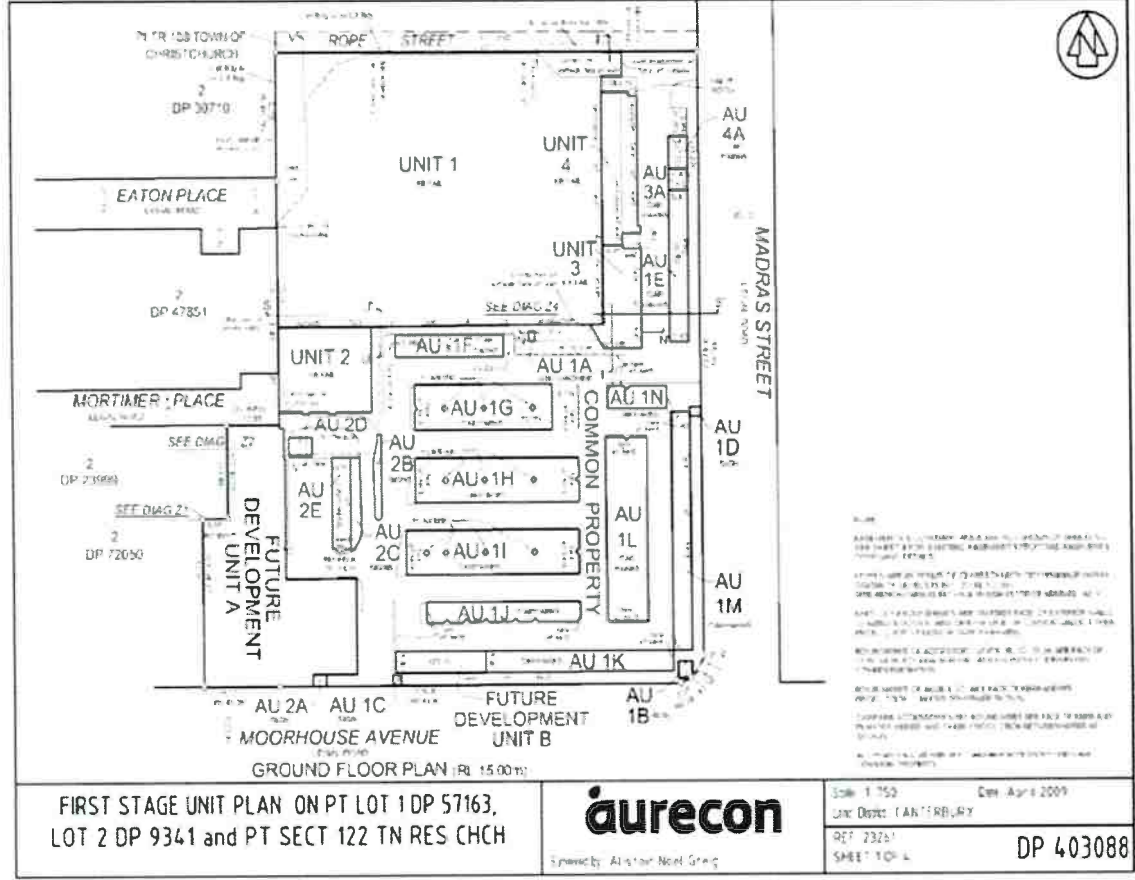
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Identifier

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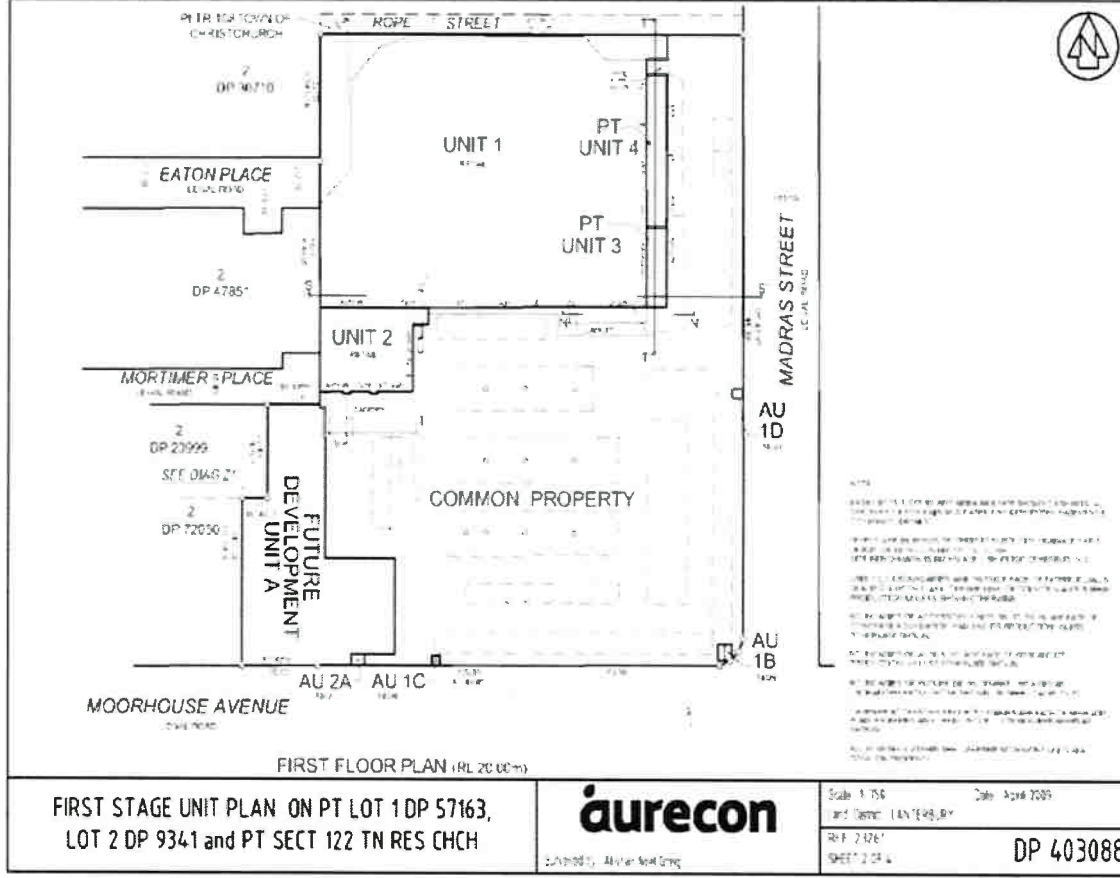
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Identifier

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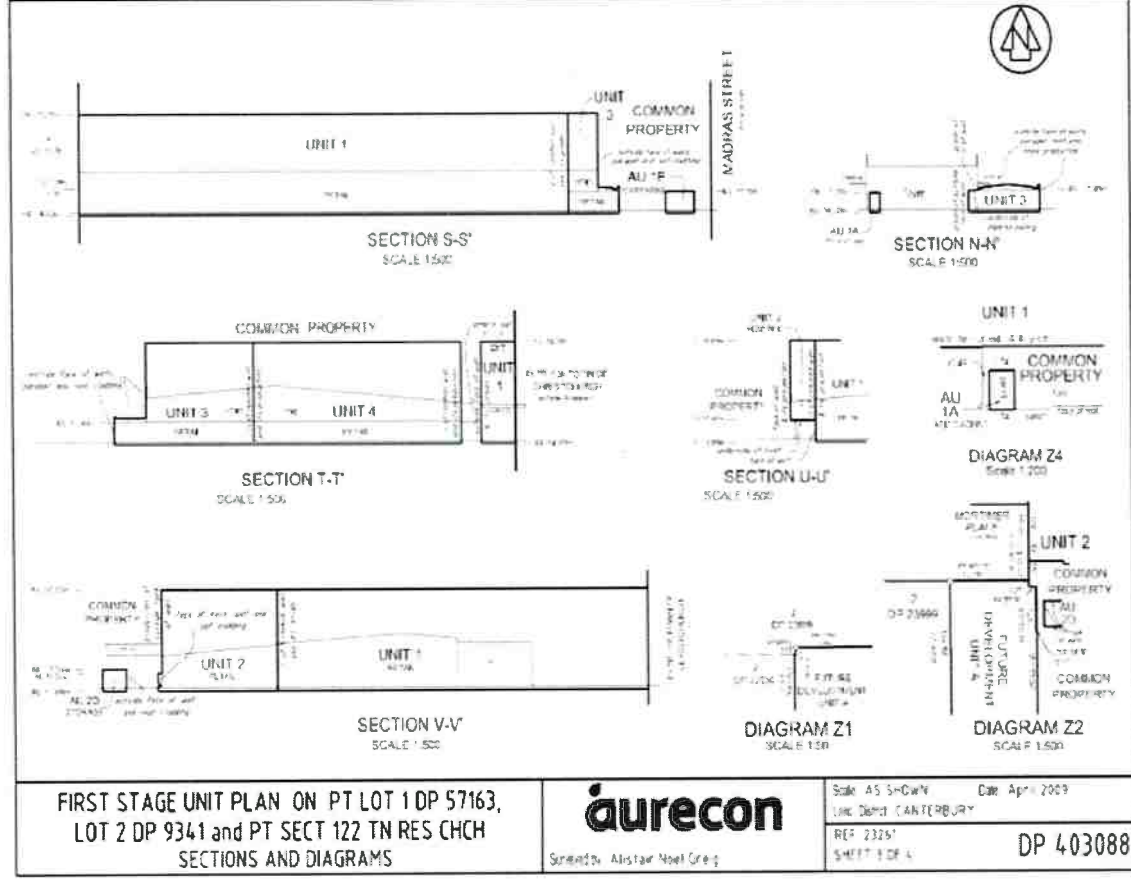
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410108



Transaction Id

Client Reference

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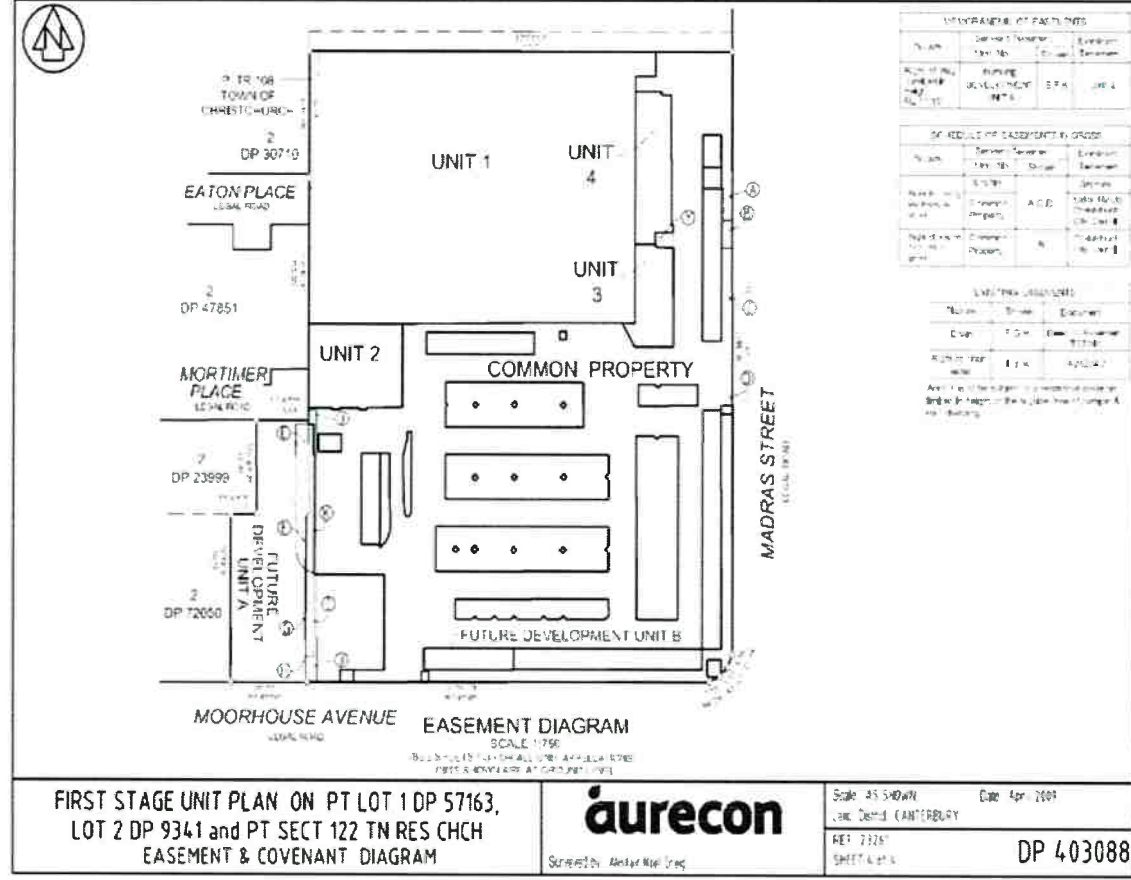
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Identifier

410108



Transaction Id  
Client Reference

known002

Dated 18/08/17 9:28 am, Page 6 of 6  
Register Only



## COMPUTER UNIT TITLE REGISTER UNDER LAND TRANSFER ACT 1952



**Identifier** 410109  
**Land Registration District** Canterbury  
**Date Issued** 20 May 2009

**Prior References**  
473912

**Supplementary Record Sheet**  
471557

**Estate** Stratum in Freehold  
**Legal Description** Unit 2 and Accessory Unit 2A, 2B, 2C, 2D,  
2E Deposited Plan 403088

**Proprietors**  
Moorhouse Central Limited

**The above estates are subject to the reservations, restrictions, encumbrances, liens and interests noted below and on the relevant unit plan and supplementary record sheet**

Appurtenant hereto is a right of way (limited in height) created by Easement Instrument 8166873.3 - 20.5.2009 at 11:18 am

The easements created by Easement Instrument 8166873.3 are subject to Section 243 (a) Resource Management Act 1991

Land Covenant in Easement Instrument 8095351.6 - 10.6.2009 at 10:44 am

8192341.3 Mortgage to Bank of New Zealand - 25.6.2009 at 9:13 am

*Transaction Id*  
*Client Reference* knwman002

*Dated 18/08/17 9:28 am, Page 1 of 6*  
*Register Only*



Identifier

410109



**SUPPLEMENTARY RECORD SHEET  
UNDER UNIT TITLES ACT 1972**

Identifier

471557

Land Registration District **Canterbury**

Date Issued 20 May 2009

Plan Number DP 403088

Subdivision of

Part Town Reserve 122 Town of Christchurch and Part Lot 1 and Lot 2 Deposited Plan 9341

Prior References

473912

Unit Titles Issued

410108	410109	410110	410111
474511	475637		

Interests

OWNERSHIP OF COMMON PROPERTY

Pursuant to Section 47 Unit Titles Act 2010 -

(a) the body corporate owns the common property and

(b) the owners of all the units are beneficially entitled to the common property as tenants in common in shares proportional to the ownership interest (or proposed ownership interest) in respect of their respective units.

The above memorial has been added to Supplementary Record Sheets issued under the Unit Titles Act 1972 to give effect to Section 47 of the Unit Titles Act 2010.

Appurtenant to part formerly CT CB25F/448 is a right of way over part of Section 108 Christchurch Town Reserve Subject to a (in gross) drainage easement over part herein marked F,G,H on DP 403088 in favour of the Christchurch City Council created by Deed of Easement 63141 (104D/86) - 5.10.1881 at 2:40 pm

Subject to a right (in gross) to drain water over part herein marked I,J,K on DP 403088 in favour of the Christchurch City Council created by Transfer A26274.3 - 20.5.2009 at 11:18 am

7518145.1 CERTIFICATE PURSUANT TO SECTION 77 BUILDING ACT 2004 THAT THIS COMPUTER REGISTER IS SUBJECT TO THE CONDITION IMPOSED UNDER SECTION 75(2) (AFFECTS THE PART FORMERLY CT'S CB CB421/272 AND CB21F/68) - 27.8.2007 at 9:00 am

Subject to a right to convey electricity in gross over part marked A,C,D DP 403088 to Christchurch City Council created by Easement Instrument 8095351.1 - 10.6.2009 at 10:44 am

Subject to a right of way on foot in gross over part marked B DP 403088 to Christchurch City Council created by Easement Instrument 8095351.2 - 10.6.2009 at 10:44 am

Subject to a right to convey electricity in gross over part marked A,C,D DP 403088 to Orion New Zealand Limited created by Easement Instrument 8095351.3 - 10.6.2009 at 10:44 am

8095351.4 Change of rules of the Body Corporate - 10.6.2009 at 10:44 am

Land Covenant in Easement Instrument 8095351.5 - 10.6.2009 at 10:44 am

Land Covenant in Easement Instrument 8095351.6 - 10.6.2009 at 10:44 am

8095351.7 Lease of lots 1,2,3 DP 419830 Term 35 years from 9.6.2009 CIR 477544 issued - 10.6.2009 at 10:44 am

8781236.1 Change of address of the Body Corporate - 30.6.2011 at 2:24 pm

10688387.1 Notice of change of body corporate operational rules pursuant to Section 106 Unit Titles Act 2010 - 31.1.2017 at 7:00 am

Transaction Id

Client Reference knwsm002

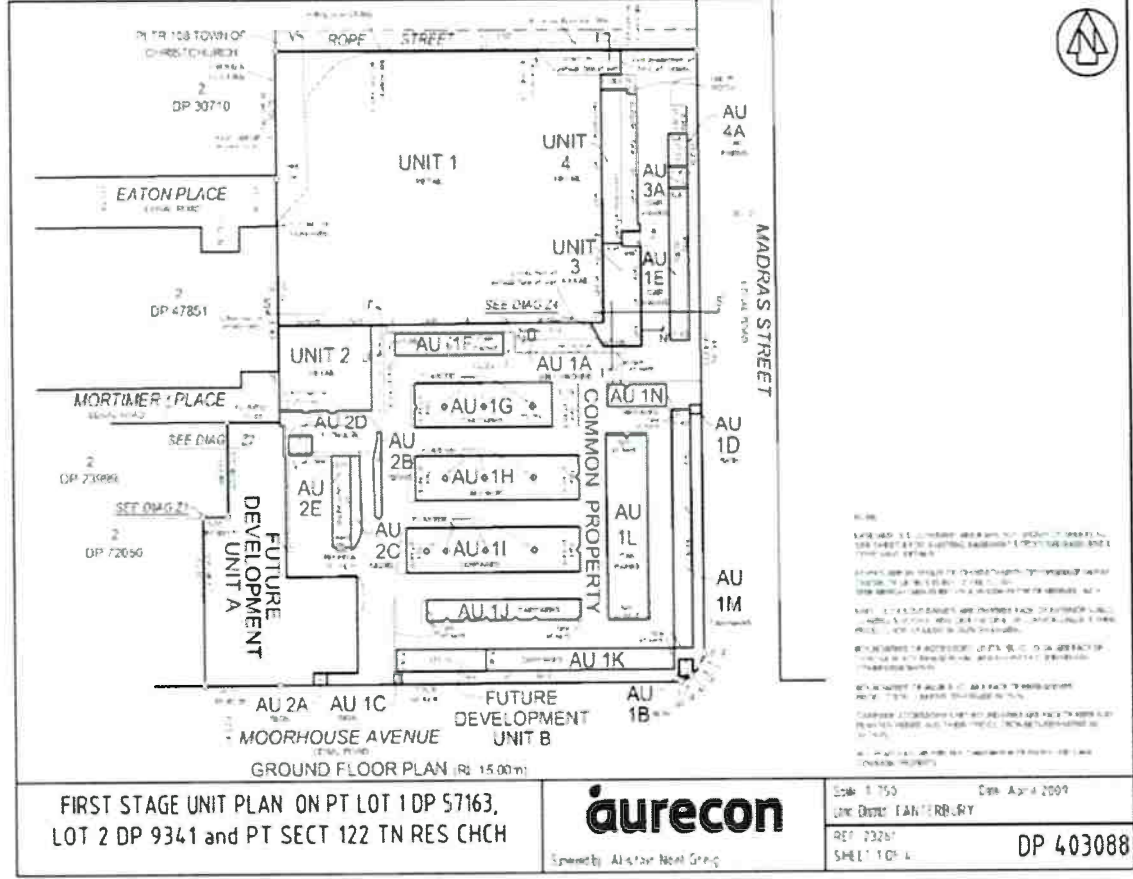
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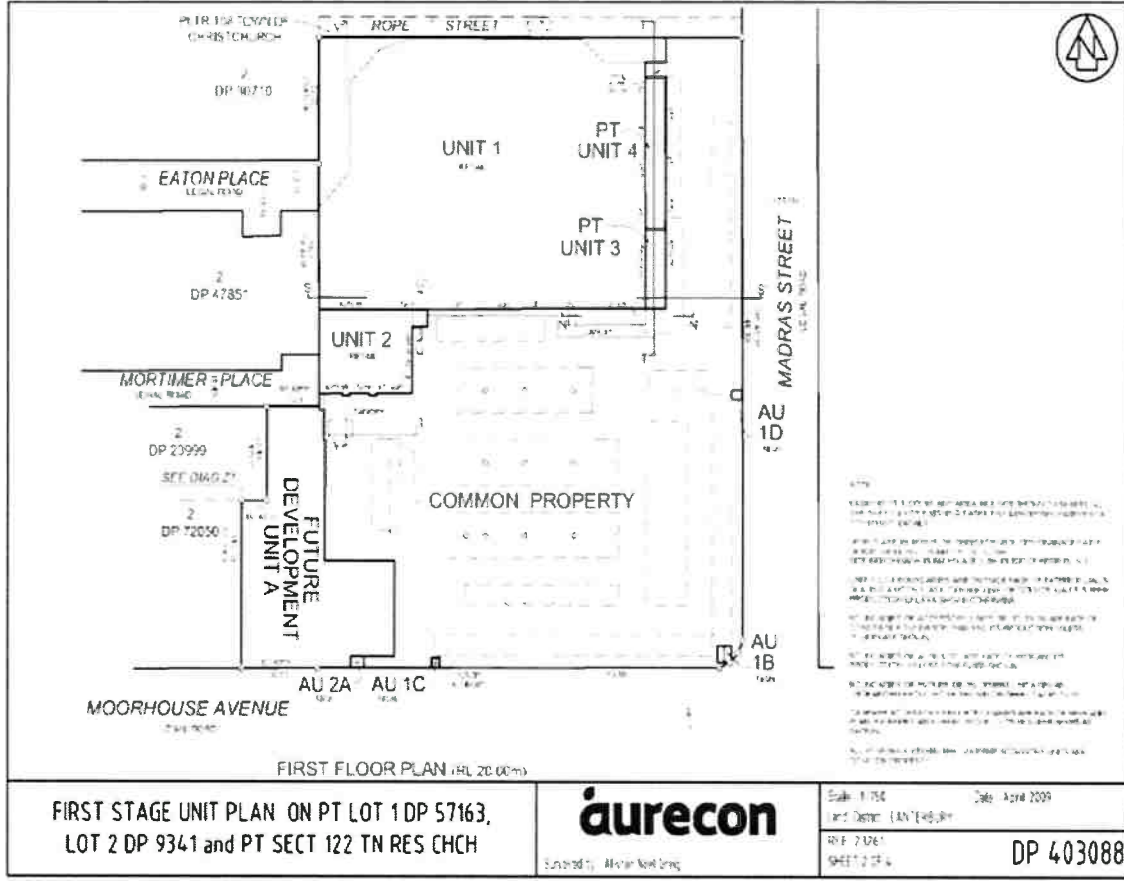


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Register Only



Identifier

410109



Transaction Id  
Client Reference

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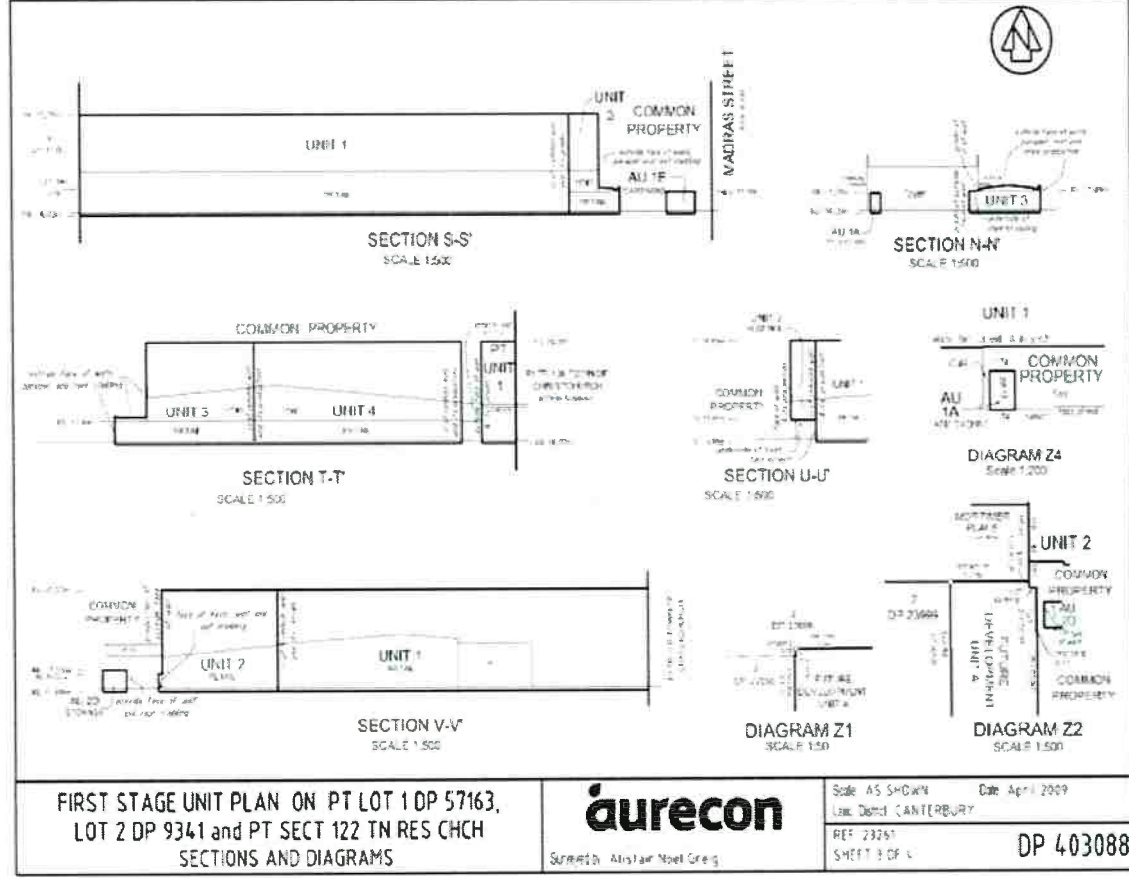
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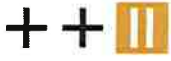
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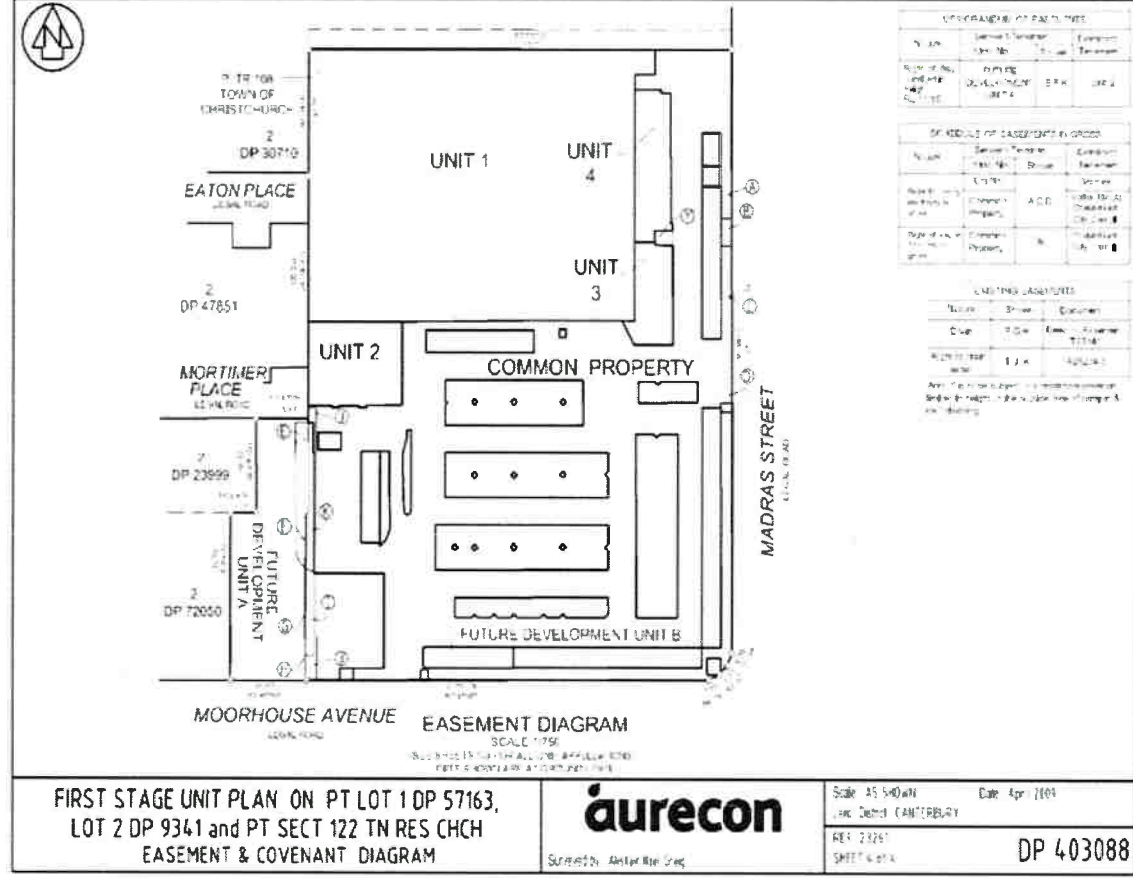
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Register Only



Identifier

410109



Transaction Id  
Client Reference

Encumbrance

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COMPUTER UNIT TITLE REGISTER  
UNDER LAND TRANSFER ACT 1952



Identifier **410110**  
Land Registration District **Canterbury**  
Date Issued 20 May 2009

Prior References  
473912

Supplementary Record Sheet  
471557

Estate Stratum in Freehold  
Legal Description Unit 3 and Accessory Unit 3A Deposited  
Plan 403088

Proprietors  
Moorhouse Central Limited

The above estates are subject to the reservations, restrictions, encumbrances, liens and interests noted below and on the relevant unit plan and supplementary record sheet  
8192341.3 Mortgage to Bank of New Zealand - 25.6.2009 at 9:13 am

Transaction Id  
Client Reference *knewman002*

Dated 18/08/17 9:29 am, Page 1 of 6  
Register Only



Identifier

410110



# SUPPLEMENTARY RECORD SHEET UNDER UNIT TITLES ACT 1972

Identifier

471557

Land Registration District

Canterbury

Date Issued

20 May 2009

Plan Number

DP 403088

Subdivision of

Part Town Reserve 122 Town of Christchurch and Part Lot 1 and Lot 2 Deposited Plan 9341

Prior References

473912

Unit Titles Issued

410108

410109

410110

410111

474511

475637

Interests

OWNERSHIP OF COMMON PROPERTY

Pursuant to Section 47 Unit Titles Act 2010 -

(a) the body corporate owns the common property and

(b) the owners of all the units are beneficially entitled to the common property as tenants in common in shares proportional to the ownership interest (or proposed ownership interest) in respect of their respective units.

The above memorial has been added to Supplementary Record Sheets issued under the Unit Titles Act 1972 to give effect to Section 47 of the Unit Titles Act 2010.

Appurtenant to part formerly CT CB25F/448 is a right of way over part of Section 108 Christchurch Town Reserve

Subject to a (in gross) drainage easement over part herein marked F,G,H on DP 403088 in favour of the Christchurch City Council created by Deed of Easement 63141 (104D/86) - 5.10.1881 at 2:40 pm

Subject to a right (in gross) to drain water over part herein marked I,J,K on DP 403088 in favour of the Christchurch City Council created by Transfer A26274.3 - 20.5.2009 at 11:18 am

7518145.1 CERTIFICATE PURSUANT TO SECTION 77 BUILDING ACT 2004 THAT THIS COMPUTER REGISTER IS SUBJECT TO THE CONDITION IMPOSED UNDER SECTION 75(2) (AFFECTS THE PART FORMERLY CT'S CB CB421/272 AND CB21F/68) - 27.8.2007 at 9:00 am

Subject to a right to convey electricity in gross over part marked A,C,D DP 403088 to Christchurch City Council created by Easement Instrument 8095351.1 - 10.6.2009 at 10:44 am

Subject to a right of way on foot in gross over part marked B DP 403088 to Christchurch City Council created by Easement Instrument 8095351.2 - 10.6.2009 at 10:44 am

Subject to a right to convey electricity in gross over part marked A,C,D DP 403088 to Orion New Zealand Limited created by Easement Instrument 8095351.3 - 10.6.2009 at 10:44 am

8095351.4 Change of rules of the Body Corporate - 10.6.2009 at 10:44 am

Land Covenant in Easement Instrument 8095351.5 - 10.6.2009 at 10:44 am

Land Covenant in Easement Instrument 8095351.6 - 10.6.2009 at 10:44 am

8095351.7 Lease of lots 1,2,3 DP 419830 Term 35 years from 9.6.2009 CIR 477544 issued - 10.6.2009 at 10:44 am

8781236.1 Change of address of the Body Corporate - 30.6.2011 at 2:24 pm

10688387.1 Notice of change of body corporate operational rules pursuant to Section 106 Unit Titles Act 2010 - 31.1.2017 at 7:00 am

Transaction Id

Client Reference knewman002

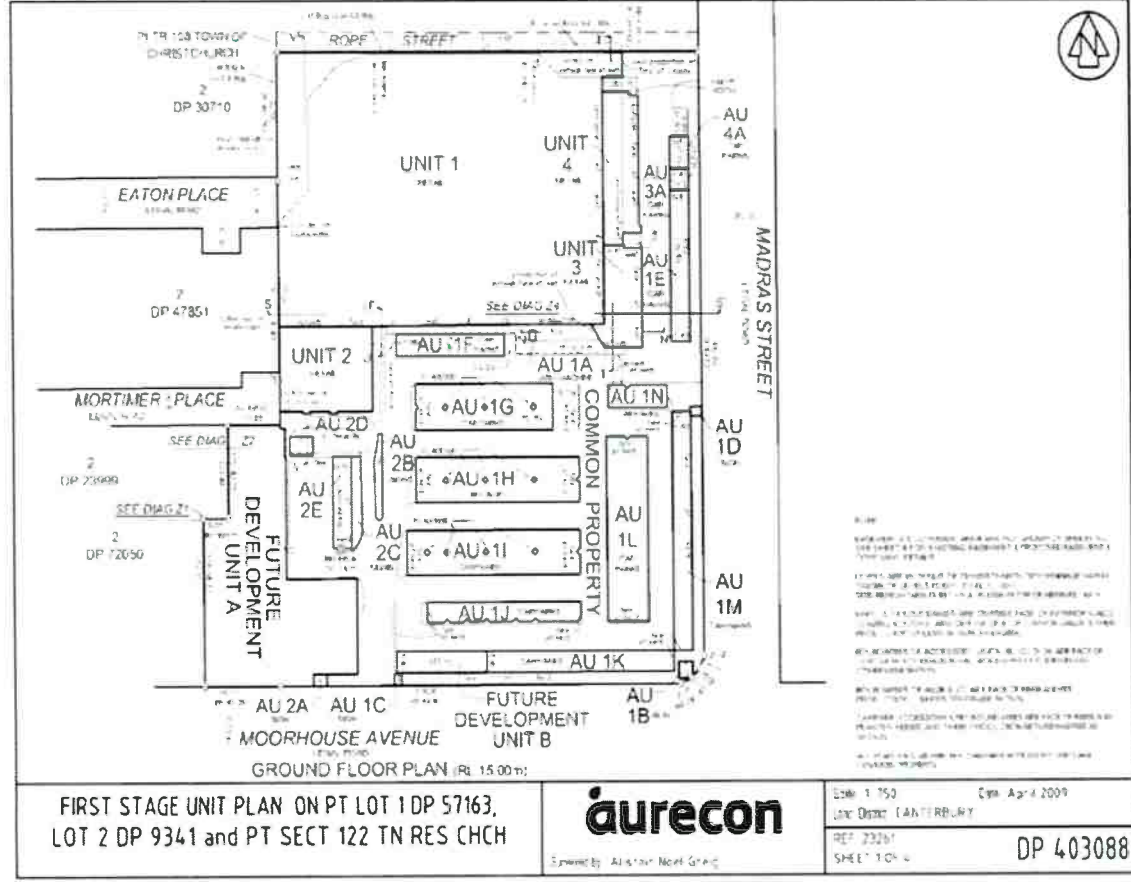
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Register Only



Identifier

410110



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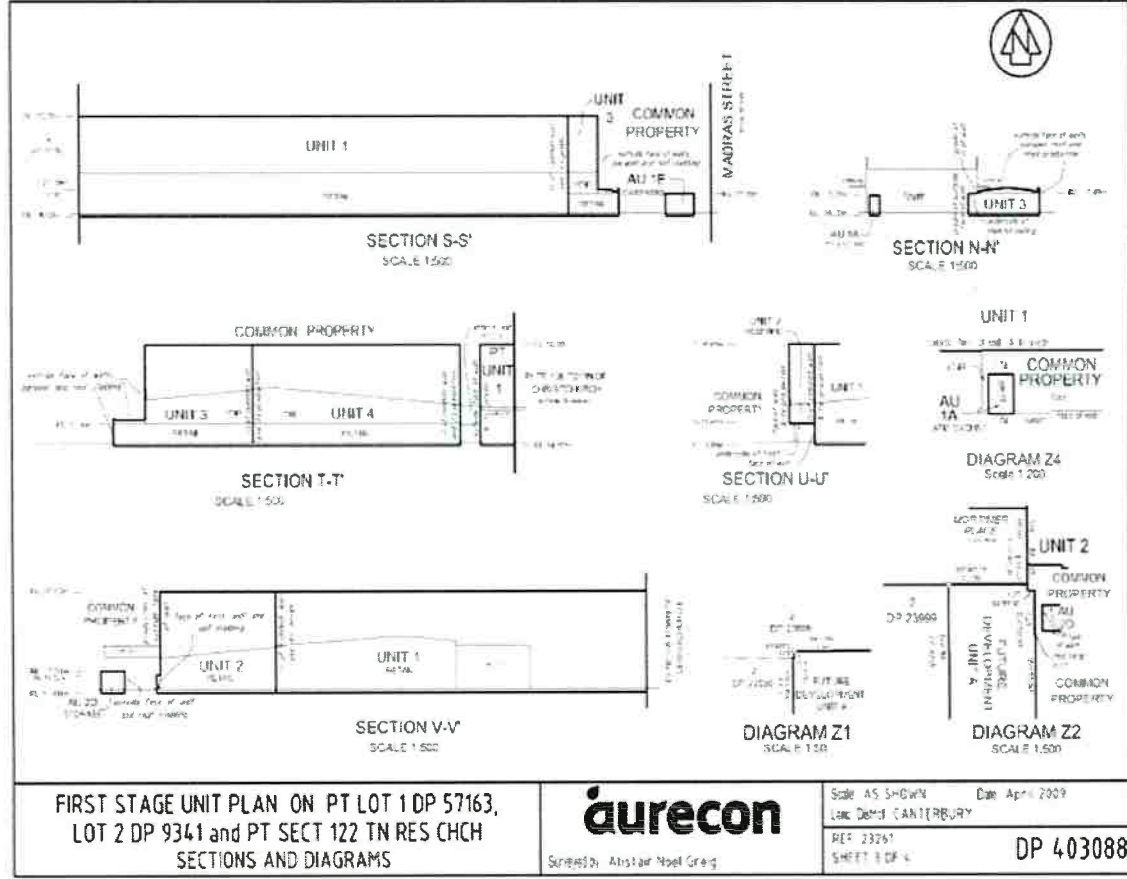
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Register Only





Identifier

410110



Transaction Id  
Client Reference

knownum002

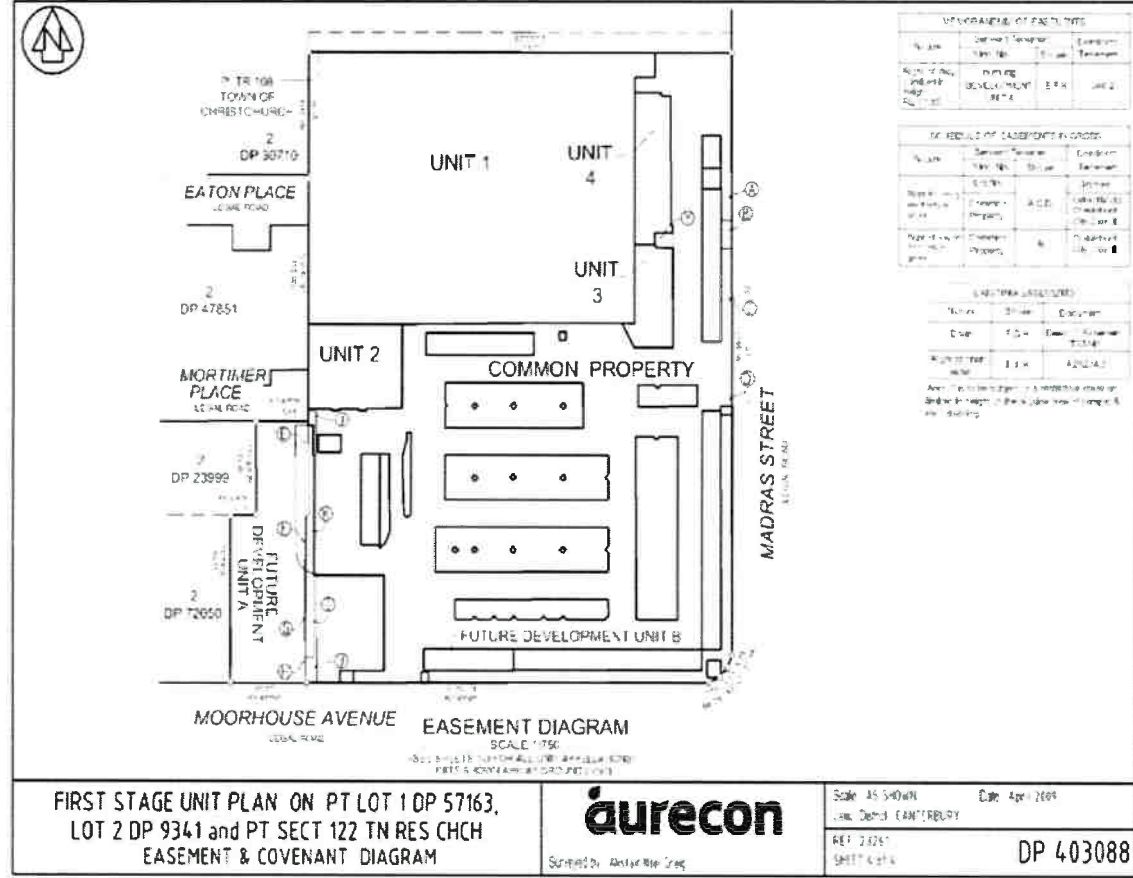
Dated 18/08/17 9:29 am. Page 5 of 6  
Register Only





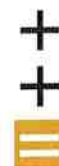
Identifier

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Transaction Id  
Client Reference

Dated 18/08/17 9:29 am, Page 6 of 6  
Register Only



COMPUTER UNIT TITLE REGISTER  
UNDER LAND TRANSFER ACT 1952



Identifier **410111**  
Land Registration District **Canterbury**  
Date Issued 20 May 2009

Prior References  
473912

Supplementary Record Sheet  
471557

Estate Stratum in Freehold  
Legal Description Unit 4 and Accessory Unit 4A Deposited  
Plan 403088

Proprietors  
Moorhouse Central Limited

The above estates are subject to the reservations, restrictions, encumbrances, liens and interests noted below and on the relevant unit plan and supplementary record sheet  
Land Covenant in Easement Instrument 8095351.5 - 10.6.2009 at 10:44 am  
8192341.3 Mortgage to Bank of New Zealand - 25.6.2009 at 9:13 am

Transaction Id  
Client Reference *knewman002*

Dated 18/08/17 9:30 am, Page 1 of 6  
Register Only



Identifier

410111



**SUPPLEMENTARY RECORD SHEET  
UNDER UNIT TITLES ACT 1972**

Identifier

471557

Land Registration District

Canterbury

Date Issued

20 May 2009

Plan Number

DP 403088

Subdivision of

Part Town Reserve 122 Town of Christchurch and Part Lot 1 and Lot 2 Deposited Plan 9341

Prior References

473912

Unit Titles Issued

410108

410109

410110

410111

474511

475637

Interests

OWNERSHIP OF COMMON PROPERTY

Pursuant to Section 47 Unit Titles Act 2010 -

(a) the body corporate owns the common property and

(b) the owners of all the units are beneficially entitled to the common property as tenants in common in shares proportional to the ownership interest (or proposed ownership interest) in respect of their respective units.

The above memorial has been added to Supplementary Record Sheets issued under the Unit Titles Act 1972 to give effect to Section 47 of the Unit Titles Act 2010.

Appurtenant to part formerly CT CB25F/448 is a right of way over part of Section 108 Christchurch Town Reserve Subject to a (in gross) drainage easement over part herein marked F,G,H on DP 403088 in favour of the Christchurch City Council created by Deed of Easement 63141 (104D/86) - 5.10.1881 at 2:40 pm

Subject to a right (in gross) to drain water over part herein marked I,J,K on DP 403088 in favour of the Christchurch City Council created by Transfer A26274.3 - 20.5.2009 at 11:18 am

7518145.1 CERTIFICATE PURSUANT TO SECTION 77 BUILDING ACT 2004 THAT THIS COMPUTER REGISTER IS SUBJECT TO THE CONDITION IMPOSED UNDER SECTION 75(2) (AFFECTS THE PART FORMERLY CT'S CB CB421/272 AND CB21F/68) - 27.8.2007 at 9:00 am

Subject to a right to convey electricity in gross over part marked A,C,D DP 403088 to Christchurch City Council created by Easement Instrument 8095351.1 - 10.6.2009 at 10:44 am

Subject to a right of way on foot in gross over part marked B DP 403088 to Christchurch City Council created by Easement Instrument 8095351.2 - 10.6.2009 at 10:44 am

Subject to a right to convey electricity in gross over part marked A,C,D DP 403088 to Orion New Zealand Limited created by Easement Instrument 8095351.3 - 10.6.2009 at 10:44 am

8095351.4 Change of rules of the Body Corporate - 10.6.2009 at 10:44 am

Land Covenant in Easement Instrument 8095351.5 - 10.6.2009 at 10:44 am

Land Covenant in Easement Instrument 8095351.6 - 10.6.2009 at 10:44 am

8095351.7 Lease of lots 1,2,3 DP 419830 Term 35 years from 9.6.2009 CIR 477544 issued - 10.6.2009 at 10:44 am

8781236.1 Change of address of the Body Corporate - 30.6.2011 at 2:24 pm

10688387.1 Notice of change of body corporate operational rules pursuant to Section 106 Unit Titles Act 2010 - 31.1.2017 at 7:00 am

Transaction Id

Client Reference knewman002

Dated 18/08/17 9:30 am, Page 2 of 6

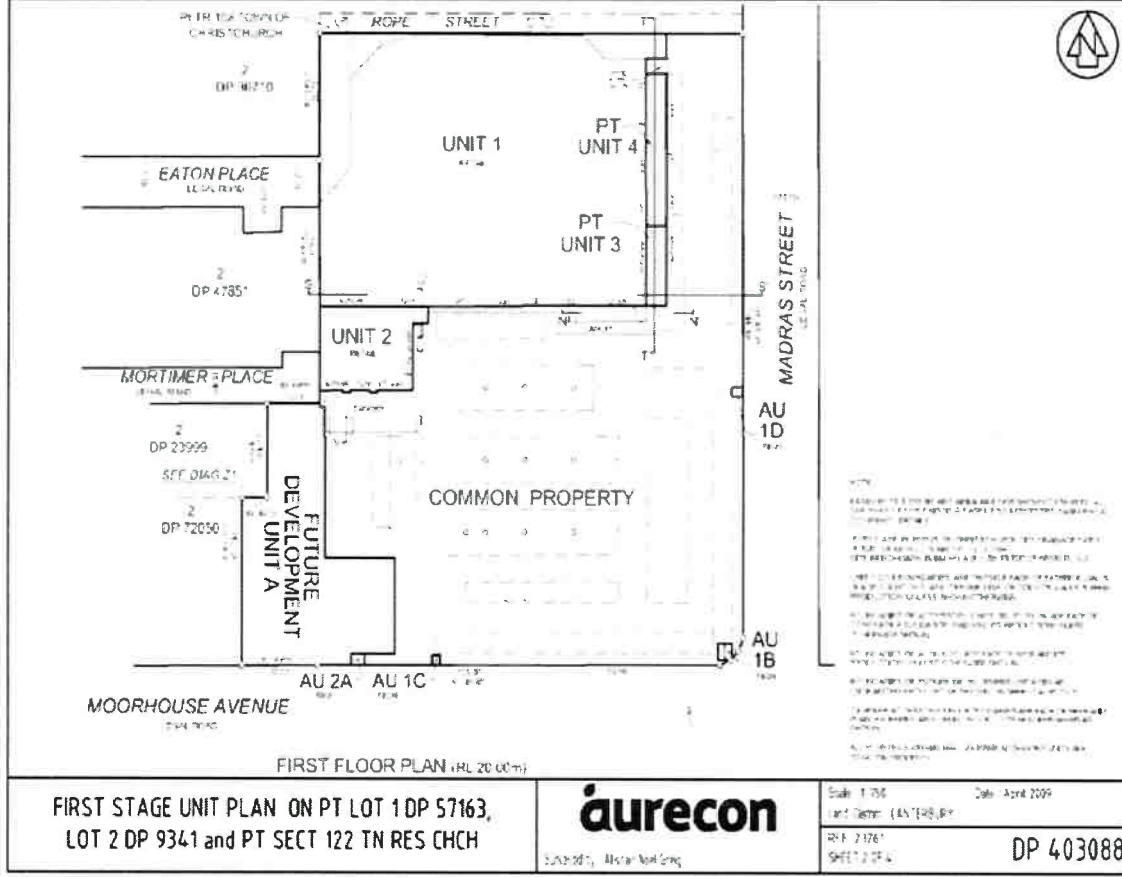
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Identifier

410111



Transaction Id  
Client Reference

newman012

Dated 18/08/17 9:30 am, Page 4 of 6  
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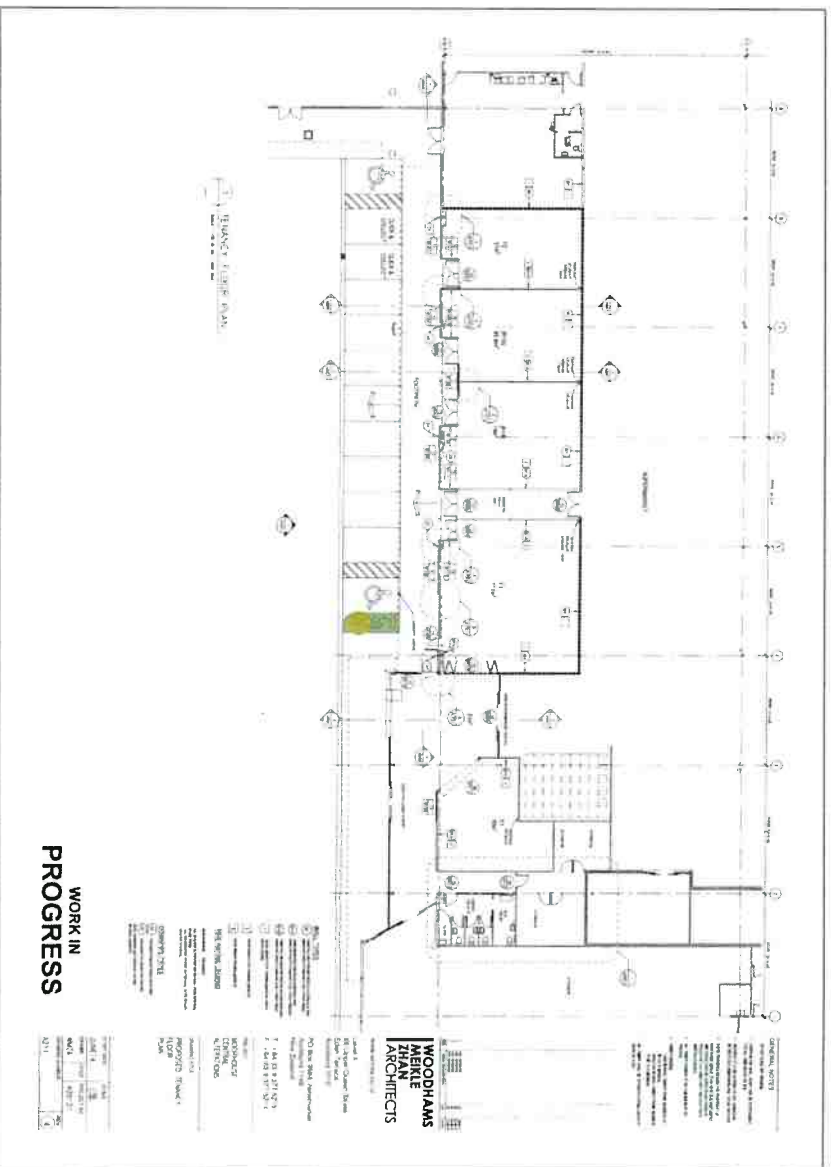






## **Appendix B**

### **Building Redevelopment Plan**





## Appendix C Tenancy Schedule

DATE	INSTR. COMMENTS	INT. REVIEW	REMARKS	STATUS	PRG. NO.	CURRENT BUDGET	PROPOSED BUDGET	APR-17	MAY-17	JUN-17	AUG-17	SEP-17	OCT-17	NOV-17	DEC-17	JAN-18	FEB-18	MAR-18	TOTAL YTD
10/03/2018	10/03/2018	10/03/2018	8/03/2018	7/15/02		16,505.04	16,505.04												
17/03/2008	17/03/2008	17/03/2008	17/03/2008	27/07		1,627,377.58	1,627,377.58												
10/04/2017	10/04/2017	10/04/2017	10/04/2017	480.34		242,846.96	242,846.96												
10/02/2016	10/02/2016	10/02/2016	10/02/2016	16.00		10,721.87	10,721.87												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	865.00		21,686.15	21,686.15												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												
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3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												
3/05/2016	3/05/2016	3/05/2016	3/05/2016	660.00		17,586.36	17,586.36												



## Appendix D Tenancy Summary

Tenant	Premises	Rentable Area (sqm)	% of Area Occupied	Lease Commencement	Term	Tenancy Schedule							Lease Type	Passing Income	% of Total Passing Income	Unrecovered Outgoings	Net Passing Income	Assessed Net Market Rent
						Remaining Rights of Renewal (Years)	Final Expiry	Review Frequency	Next Review	Months to Review	Review Type							
Westpac	ATM	2.0	0.0%	10-Mar-14	5 Years	5	9-Mar-24	2 yearly	10-Mar-18	7.0	Market	Net	\$15,500	0.7%	\$0	\$15,500	\$15,500	
General Distributors Ltd	Supermarket	4,918.0	78.1%	17-Mar-08	10 Years	6 + 6 + 5 + 5	17-Aug-49	5 yearly	18-Aug-22	60.0	Market	Part Gross	\$1,442,200	68.5%	\$152,671	\$1,289,529	\$1,258,224	
Pharmacy Xtra	Prime Retail	231.5	3.7%	17-Mar-14	5 Years	5	16-Mar-24	3 yearly	17-Mar-20	31.0	CPI	Net	\$128,792	6.1%	\$0	\$128,792	\$121,511	
Food Court 1 Small Café	Food Court	35.8	0.6%	31-May-15	4 Years		30-May-19	2 yearly	-	-	Market	Net	\$23,686	1.1%	\$0	\$23,686	\$23,686	
Food Court 2 Hang Seng	Food Court	26.6	0.4%	31-May-15	4 Years		30-May-19	2 yearly	-	-	Market	Net	\$17,589	0.8%	\$0	\$17,589	\$17,589	
Food Court 3 Rice Box	Food Court	26.5	0.4%	31-May-15	6 Years		30-May-21	2 yearly	31-May-19	22.0	Market	Net	\$17,556	0.8%	\$0	\$17,556	\$17,556	
Food Court 4 Cambodian Noodle	Food Court	26.5	0.4%	1-Jun-12	6 Years		31-May-18	2 yearly	-	-	Market	Net	\$17,000	0.8%	\$0	\$17,000	\$17,000	
Food Court 5 Curry in a Hurry	Prime Retail	107.2	1.7%	1-Aug-12	6 Years	4 + 4	31-Jul-26	2 yearly	1-Aug-18	12.0	Market	Net	\$37,534	1.8%	\$0	\$37,534	\$37,534	
New Retail R1A	Prime Retail	74.0	1.2%	18-Aug-17	3 Years		17-Aug-20	3 yearly	-	-	Market	Net	\$33,300	1.6%	\$0	\$33,300	\$33,300	
New Retail R1B	Prime Retail	65.8	1.0%	18-Aug-17	3 Years		17-Aug-20	3 yearly	-	-	Market	Net	\$29,610	1.4%	\$0	\$29,610	\$29,610	
New Retail F1	Prime Retail	111.0	1.8%	18-Aug-17	3 Years		17-Aug-20	3 yearly	-	-	Market	Net	\$49,950	2.4%	\$0	\$49,950	\$55,500	
New Retail F2	Prime Retail	57.0	0.9%	18-Aug-17	3 Years		17-Aug-20	3 yearly	-	-	Market	Net	\$25,650	1.2%	\$0	\$25,650	\$25,650	
New Retail Kiosk K1	Prime Retail	55.0	0.9%	18-Aug-17	3 Years		17-Aug-20	3 yearly	-	-	Market	Net	\$24,750	1.2%	\$0	\$24,750	\$35,750	
Store Cages	Prime Retail	34.1	0.5%	18-Nov-17	3 Years		17-Nov-20	3 yearly	-	-	Market	Net	\$0	0.0%	\$0	\$0	\$8,525	
Antares (Burger King)	Prime Retail	527.1	8.4%	1-Apr-17	10 Years		31-Mar-27	3 yearly	1-Apr-20	32.0	Market	Net	\$242,647	11.5%	\$0	\$242,647	\$242,647	
Total		6,298.1											\$2,105,764	100%	\$152,671	\$1,953,093	\$1,939,583	

Lease Expiry Profile by Income

Lease Expiry Profile

Analysis

Total Rentable Area (sqm)	6,298.1
Area Occupied (sqm)	6,298.1
Weighted Average Lease Term Remaining (WALT) (by income)	8.4 years
Weighted Average Lease Term Remaining (WALT) (by area)	8.9 years
Total Passing Income	\$2,105,764
Total Non-Recoverable Outgoings	\$152,671
Total Net Passing Income	\$1,953,093
Total Assessed Market Rent	\$1,939,583



## Appendix E

### Discounted Cash Flow



Discounted Cash Flow Method											
Year Ending	Aug-2018 Year 1	Aug-2019 Year 2	Aug-2020 Year 3	Aug-2021 Year 4	Aug-2022 Year 5	Aug-2023 Year 6	Aug-2024 Year 7	Aug-2025 Year 8	Aug-2026 Year 9	Aug-2027 Year 10	Aug-2028 Year 11
<b>Rental Income</b>											
+ Westpac	\$15,538	\$15,590	\$15,764	\$16,008	\$16,278	\$16,655	\$16,935	\$17,328	\$17,666	\$18,138	-
+ General Distributors Ltd	\$1,442,200	\$1,442,200	\$1,442,200	\$1,442,200	\$1,442,200	\$1,442,200	\$1,442,200	\$1,442,200	\$1,442,200	\$1,442,200	-
+ Pharmacy Xtra	\$128,792	\$128,792	\$132,142	\$136,831	\$136,831	\$139,690	\$140,421	\$135,842	\$138,610	\$142,486	-
+ Food Court 1 Small Café	\$23,686	\$25,799	\$24,102	\$24,336	\$25,035	\$25,288	\$26,046	\$26,337	\$27,209	\$27,564	-
+ Food Court 2 Hang Seng	\$17,589	\$19,158	\$17,898	\$18,071	\$18,591	\$18,779	\$19,342	\$19,558	\$20,205	\$20,461	-
+ Food Court 3 Rice Box	\$17,556	\$17,633	\$17,865	\$19,584	\$18,556	\$18,743	\$19,306	\$19,521	\$20,167	\$20,423	-
+ Food Court 4 Cambodian Noodle	\$17,024	\$17,142	\$17,221	\$17,616	\$17,734	\$18,327	\$18,451	\$19,068	\$19,226	\$20,017	-
+ Food Court 5 Curry in a Hurry	\$37,534	\$37,909	\$37,909	\$39,086	\$39,086	\$40,665	\$40,665	\$42,325	\$42,325	\$44,468	-
+ New Retail R1A	\$33,300	\$33,300	\$33,300	\$34,677	\$34,677	\$34,677	\$36,855	\$36,860	\$36,860	\$39,311	-
+ New Retail R1B	\$29,610	\$29,610	\$29,610	\$30,835	\$30,835	\$30,835	\$32,771	\$32,776	\$32,776	\$34,955	-
+ New Retail F1	\$55,500	\$55,500	\$55,500	\$57,795	\$57,795	\$57,795	\$61,426	\$61,434	\$61,434	\$65,518	-
+ New Retail F2	\$25,650	\$25,650	\$25,650	\$26,711	\$26,711	\$26,711	\$28,389	\$28,393	\$28,393	\$30,280	-
+ New Retail Kiosk K1	\$35,750	\$35,750	\$35,750	\$37,228	\$37,228	\$37,228	\$39,567	\$39,572	\$39,572	\$42,203	-
+ Store Cages	\$6,410	\$8,546	\$8,546	\$8,828	\$8,922	\$8,922	\$9,342	\$9,483	\$9,483	\$9,950	-
+ Antares (Burger King)	\$242,647	\$242,647	\$245,438	\$251,019	\$251,019	\$256,141	\$266,384	\$266,384	\$272,629	\$287,494	-
<b>Total Income</b>	<b>\$2,128,785</b>	<b>\$2,135,226</b>	<b>\$2,138,895</b>	<b>\$2,160,826</b>	<b>\$2,161,498</b>	<b>\$2,172,656</b>	<b>\$2,198,100</b>	<b>\$2,197,082</b>	<b>\$2,208,757</b>	<b>\$2,245,456</b>	<b>-</b>
<b>Operating Expenses</b>											
+ Less Unrecovered Opex	(\$152,671)	(\$155,572)	(\$158,061)	(\$160,748)	(\$163,159)	(\$165,770)	(\$168,754)	(\$171,791)	(\$175,055)	(\$178,381)	-
<b>Total Operating Expenses</b>	<b>(\$152,671)</b>	<b>(\$155,572)</b>	<b>(\$158,061)</b>	<b>(\$160,748)</b>	<b>(\$163,159)</b>	<b>(\$165,770)</b>	<b>(\$168,754)</b>	<b>(\$171,791)</b>	<b>(\$175,055)</b>	<b>(\$178,381)</b>	<b>-</b>
<b>Net Operating Income</b>	<b>\$1,976,114</b>	<b>\$1,979,654</b>	<b>\$1,980,834</b>	<b>\$2,000,078</b>	<b>\$1,998,339</b>	<b>\$2,006,887</b>	<b>\$2,029,347</b>	<b>\$2,025,291</b>	<b>\$2,033,702</b>	<b>\$2,067,075</b>	<b>-</b>
<b>Leasing &amp; Capital Expenses</b>											
+ Commissions	(\$1,453)	-	-	-	-	-	(\$35,455)	-	-	-	-
<b>Total Leasing &amp; Capital Expenses</b>	<b>(\$1,453)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(\$35,455)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Cashflow</b>	<b>\$1,974,661</b>	<b>\$1,979,654</b>	<b>\$1,980,834</b>	<b>\$2,000,078</b>	<b>\$1,998,339</b>	<b>\$2,006,887</b>	<b>\$1,993,892</b>	<b>\$2,025,291</b>	<b>\$2,033,702</b>	<b>\$2,067,075</b>	<b>-</b>
<b>Reversionary Value</b>											
+ Net Market Cashflow at Period End											\$2,164,379
+ Capitalised At Terminal Yield of: 7%											\$30,919,697
+ Less PV Rent Shortfall To Market Rental Reversion											(\$130,632)
+ Less Disposal Costs of: 0%											-
<b>Net Reversionary Value</b>											<b>\$30,789,065</b>
<b>Net Present Value of Net Cash Flows</b>	<b>\$13,909,495</b>										
<b>Present Value of Terminal Value</b>	<b>\$14,170,124</b>										
<b>Indicated Market Value</b>	<b>\$28,079,619</b>										
<b>adopt</b>	<b>\$28,080,000</b>										
<b>Discounted Cash Flow Summary</b>											
PV of Net Income:	\$13,909,495										
PV of Terminal Value:	\$14,170,124										
Total Net Present Value:	\$28,079,619										
Disposal Costs:	-										
<b>Adopted Value (via this method):</b>	<b>\$28,080,000</b>										



Sensitivity Analysis			
Discount Rate	Terminal Yield		
	6.75%	7.00%	7.25%
7.75%	\$29,098,336	\$28,558,829	\$28,056,529
8.00%	\$28,606,665	\$28,079,619	\$27,588,921
8.25%	\$28,126,203	\$27,611,302	\$27,131,912



## Appendix F Additional Photographs





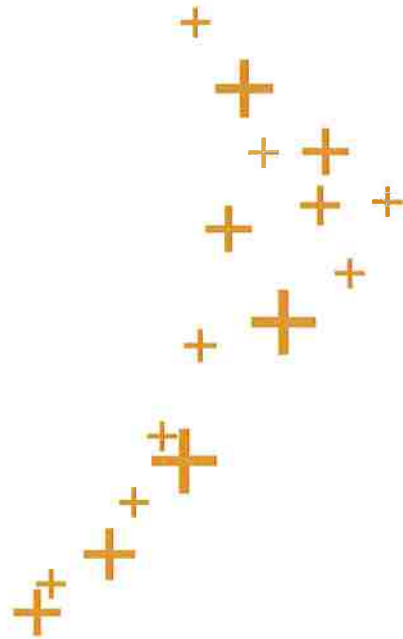








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