

Property Address:	104-106 Victoria Street Central City CHRISTCHURCH
Client(s):	Silverfin Capital Limited
For The Use and Benefit of:	Westpac New Zealand Limited
Date of Inspection:	24 August 2016
Effective Date:	24 August 2016
Valuation Purpose:	Market Valuation for the purpose of mortgage security and for the purposes of the proportionate ownership scheme that is proposed to acquire the property and for use by prospective investors (on a non-reliance basis) in that limited partnership.

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hospitality rental depreciation plant chattel motels arbitration infrastructure asset
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EXECUTIVE SUMMARY

Instructing Party:	Silverfin Capital Limited
Subject Property:	104-106 Victoria Street, Central City, Christchurch
Computer Register Details:	Computer Freehold Register: CB32B/269
	Legal Description: Lot 1, Deposited Plan 54250
	Proprietor(s): Victoria 104 Limited
Existing Zone:	'Central City Business'
Proposed Zone:	'Central City Business'
Date of Inspection:	24 August 2016
Effective Date:	24 August 2016
Purpose of Valuation:	Market Valuation for the purpose of mortgage security and for the purposes of the proportionate ownership scheme that is proposed to acquire the property and for use by prospective investors (on a non-reliance basis) in that limited partnership.
Brief Property Description:	<p>The subject property comprises a five level, medium rise office building which was originally designed and built for ANZ Bank. Subsequent to the recent seismic events, the building has been fully refurbished, including additions, together with structural engineer certification, confirming the structure is a minimum of 100% of New Building Standards (NBS).</p> <p>The property is located to the north eastern side of Victoria Street, having a dual street frontage, with its rear boundary fronting the western side of Montreal Street.</p> <p>The building occupies a prime position within the popular Victoria Street office precinct and is accordingly well situated. Fully leased at the date of inspection, the property includes a number of carparks which are located to its rear, Montreal Street frontage area.</p> <p>The building consists of ground floor hospitality use at its Victoria Street frontage, including an enclosed canopy courtyard. A gymnasium retail tenancy is positioned to the balance of the ground floor. The upper levels are office use, comprising levels one through four and are accessed through a spacious and well-appointed foyer, which includes passenger lifts.</p> <p>The building is 100% occupied and is subject to three leases associated with the premises, together with two billboard site leases, one of which is an electronic billboard.</p>

Lettable Area:

The floor areas have been certified by Davis Ogilvie, surveyors. We note that the lease agreement for the Telogis tenancy area details a lettable area which is inclusive of the ground floor lobby and rear stairwell areas. We summarise the lettable areas as follows:

Lettable Floor Areas			
Occupancy		Lettable Area	% Total
Tony Astle (Chinwag)	Ground Floor Retail	279.83 m ²	
	Courtyard	34.74 m ²	
		314.57 m ²	9.2%
(9.59% ex rear stairs and ground floor lobby)			
Prime Health & Fitness	Ground Floor Retail	247.30 m ²	7.2%
			(7.54% ex rear stairs)
Telogis	Ground Floor Lobby (Excluded)	79.72 m ²	
	1st Floor - Office	676.01 m ²	
	1st Floor - Rear Stairs (Excluded)	18.29 m ²	
	2nd Floor - Office	676.01 m ²	
	2nd Floor - Rear Stairs (Excluded)	18.29 m ²	
	3rd Floor - Office	682.75 m ²	
	3rd Floor - Rear Stairs (Excluded)	18.29 m ²	
	4th Floor - Office	682.75 m ²	
	4th Floor - Rear Stairs (Excluded)	18.29 m ²	
Lettable Area - Inclusive of Rear Stair and Ground Floor Lobby Areas		2,870.40 m ²	83.6%
Lettable Area - Exclusive of Rear Stair and Ground Floor Lobby Areas		2,717.52 m ²	82.9%
Total Lettable Floor Area:			
<u>Inclusive</u> of Rear Stairs & Ground Floor Lobby Areas		3,432.27 m²	100.0%
<u>Exclusive</u> of Rear Stairs & Ground Floor Lobby Areas		3,279.39 m²	100.0%

Occupancy Details:

Tenancy Schedule - Summary						
Occupancy	Lease Type	Commencement Date	Lease term	Expiry Date	Rights of Renewal	Contract Rent
Tony Astle (Chinwag)	Net	29-Jul-14	8 years	28-Jul-22	4 +4 Years	\$156,073
Prime Health & Fitness	Net	1-Jun-14	8 years	31-May-22	6 +6 Years	\$90,720
Telogis	Net	11-Jun-14	10 years	10-Jun-24	10 +10 Years	\$1,059,512
ISITE Media - North Billboard (Electronic)	Net	1-Nov-15	5 years	31-Oct-20	5 +5 Years	\$90,000
ISITE Media - South Billboard	Net	1-Jun-13	6 years	31-May-19	5 Years	\$20,511
Total Contract Rental						\$1,416,816
Total Non Recoverable Opex						\$0
Other Income						\$0
Total Lettable Floor Area						3,279.39 m²
Total Occupied Floor Area						3,279.39 m²
W.A.L.T (Income)						7.2 Years
W.A.L.T (Lettable Area)						7.5 Years

Key Characteristics:**Location**

The property has an excellent location, fronting Victoria Street within a popular office and hospitality precinct. Victoria Street is positioned to the fringe of the Christchurch Central City, and has risen in popularity, particularly post seismic events. This is largely as a result of the Central City having been cordoned off in the immediate aftermath of the earthquakes. Victoria Street was progressively developed during this time and a number of superior 'A' grade office developments were constructed, together with the refurbishment of existing buildings. Accordingly, the subject is positioned within what is considered a superior Christchurch City office and hospitality location.

Improvements

Comprising a medium rise office building which was originally designed and built for ANZ Bank. Subsequent to damage sustained during the seismic events, the building has been totally refurbished, including additions, together with structural engineering certification confirming the structure is a minimum of 100% of New Building Standards. The building benefits from dual street frontages, having access to the rear of the site from Montreal Street and it is at this point that the carpark for the property are situated.

Leases

The property is well leased, being fully occupied as at the effective date of valuation. The ground floor Victoria Road frontage portion of the building is leased to an established Christchurch hospitality provider and comprises the Chinwag Restaurant and Bar. The balance ground floor, comprising the rear (Montreal Street) portion of the building is leased to a gymnasium trading as Prime Health and Fitness. The balance building areas, comprising floors one through four are leased to Telogis, comprising a substantial, cloud based Mobile Enterprise Management (MEM) software company and which has recently been acquired by Verizon. Verizon Communications Inc. is a broadband telecommunications company and as at September 2014 was the largest US wireless communications service provider.

There is also an interrelated parties' lease between Victoria 104 Limited (being the lessor and Countrywide Property Trust Limited being the lessee. The lease relates to "that part of the rooftop area of the landlord's building at 104 Victoria Street, Christchurch (the 'Building') as shown on the plans, together with the right to use the lobby and stairwell of the building in order to access the premises. A 'peppercorn' rental of \$1.00 p.a. is payable for this space. This relates to a small antenna type structure on the roof.

A total of twelve (12) carparking spaces exist to the rear of the premise and which are all leased to the anchor tenant, Telogis. We note that a number of separate tenancy agreements for carparking spaces to separate sites along Victoria Street exist, providing for further carparking spaces for the tenants of the subject building. These have been disregarded from within our valuation.

Valuation:

Having regard to available market evidence and factors outlined later in the body of this report, we assess the current market value as at 24 August 2016 as follows:

\$18,890,000 (Eighteen Million Eight Hundred and Ninety Thousand Dollars) plus GST, (if any).

The above value we apportion as follows:

Land Value	\$2,830,000
Building Improvements	<u>\$16,060,000</u>
Total	\$18,890,000

Our reasons and methodology for the valuation are attached. This executive summary is not a standalone valuation report and should be read in conjunction with the full valuation report attached. All comments outlined above relate directly to the full report.

Special Conditions: 1. Our valuation is subject to the February 2016 earthquake damage being repaired.

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1.0 INTRODUCTION

1.1 REGISTERED VALUER / CO SIGNING VALUER

This report has been prepared by David William Harris, FNZIV, FPNZ, who has been in private practice as a Registered Valuer since 1980, together with Matthew James Binnie, Registered Valuer, B Com (VPM), both working as Urban Valuers, primarily in the Canterbury Province.

1.2 INSTRUCTION

We respond to instructions received verbally and confirmed by email as follows:

Report for the Use of:	Westpac New Zealand Limited
Client(s):	Silverfin Capital Limited
Instructing Party:	Mark Perriam, C/- Silverfin Capital Limited
Subject Property:	104-106 Victoria Street, Central City, Christchurch
Date of Inspection:	24 August 2016
Effective Date:	24 August 2016
Basis of Valuation:	The valuation has been completed in compliance with the following PINZ guidelines and standards. <ul style="list-style-type: none"> ➤ IVS-101 - Scope of Work ➤ IVS-102 - Implementation ➤ IVS-103 - Reporting ➤ IVS-230 - Real Property Interests ➤ IVS-310 - Valuation of Property Interests for Secured Lending ➤ ANZ-VGN-1 - Valuation Procedures Real Property ➤ ANZ-VGN-2 - Valuation for Mortgage and Loan Security Purposes ➤ ANZ-VGN-9 - Assessing Rental Value
Purpose of Valuation:	Market Valuation for the purpose of mortgage security and for the purposes of the proportionate ownership scheme that is proposed to acquire the property and for use by prospective investors (on a non-reliance basis) in that limited partnership.

Our report is confidential to the party or parties to which it is addressed, and to the prospective subscribers for shares in the company which is to acquire the property, for the specific purpose to which it refers. No responsibility is accepted to any third parties. Neither the whole of the report or any part of it, or any reference to it, may be published in any document, statement or circular or in any communication with third parties, without prior written approval of the form and context in which it will appear. This does not preclude Silverfin Capital Limited in providing to prospective subscribers for shares in the company which is to acquire the property.

This report may only be relied upon for potential acquisition purposes and by prospective subscribers for shares in the company which is to acquire the property being established by Silverfin Capital Limited in respect of the property. We acknowledge that the report may be relied upon by external auditors in deriving their audit opinion.

1.3 MARKET VALUE DEFINITION

For the purposes of our assessment, and in accordance with International Valuation Standards, Australian Property Institute (API) / Property Institute of New Zealand (PINZ) guidance notes, we have relied on the following definition of Market Value:

'The estimated amount for which an asset should exchange, on the date of valuation, between a willing buyer and a willing seller in an arms-length transaction, after proper marketing, wherein the parties have acted knowledgeably, prudently, and without compulsion'.

1.4 ASSUMPTIONS

1. We have assumed that the instructions and subsequent information supplied contain a full and frank disclosure of all information that is relevant
2. We have assumed that there are no easements, rights of way or encroachments except those shown on the Computer Freehold Registers or in the valuation
3. A current survey has not been sighted. The valuation is made on the basis that there are no encroachments by or upon the property and this should be confirmed by a current survey or report and/or advice from a Registered Surveyor. If any encroachments are noted by the survey report, we reserve the right to review our valuation
4. We are not aware of any notices currently issued against the property and we have made no enquiries in this regard. In the course of preparing this report we have relied upon information provided by the owner of the property
5. Our valuation is plus GST (if any)
6. Our valuation is subject to the February 2016 earthquake damage being repaired.

We have assumed that this information is correct and have adopted this information in our assessment.

Opinion

The assumptions we have made in respect of our projections are as follows:

1. There will be no major economic downturn during the projection period, beyond that envisioned at the date of valuation
2. A continued stable economy and reasonable levels of growth as currently predicted over the next five years
3. The property manager will continue to manage the property in an experienced professional manner
4. There will be no new taxes or rates introduced which have a direct impact on the property over the projected period.

1.5 NATURE AND SOURCE OF THE INFORMATION RELIED UPON

From research of private records and information provided, we have adopted the following in the valuation process:

- Property inspection
- Economic and discounted cashflow assessments being undertaken recognising potential increase in cashflow at lease renegotiation/renewals
- Identifier/Certificate of Computer Freehold Register – Land Information New Zealand
- Property-Guru information
- PropertySmarts (Headway Systems Limited)
- Christchurch City Council (www.ccc.govt.nz)
- Environment Canterbury (www.ecan.govt.nz)
- FordBaker Valuation Limited sales and rental database information
- Property information as provided by – Adele Childs (Countrywide Property Group), the vendor
- Property Information as provided by – Jonathan Lyttle, Savills
- Canterbury Earthquake Recovery Authority information
- QuickMap (Custom Software Limited)
- Google Earth (<https://www.google.com/earth>)
- www.wises.co.nz

1.6 CANTERBURY EARTHQUAKE

1.6.1 GENERAL

Christchurch and Canterbury suffered a 7.1 Magnitude earthquake on 4 September 2010 and a series of aftershocks. On 22 February 2011 Christchurch was hit by a second major earthquake of 6.3 Magnitude with catastrophic loss of life and unprecedented property destruction in the Central Business District and eastern sectors of the City. On 13 June 2011 and 23 December 2011, Christchurch was hit by further major earthquakes in excess of 6.0 Magnitude which caused further property damage.

1.6.2 IMPACT ON SUBJECT PROPERTY

The immediate locality was affected by the earthquakes, with building and land damage. This resulted in demolition of some buildings and subsequent new office buildings have been developed, together with the total re-engineering and refurbishment of existing low and medium rise commercial buildings, fronting the Victoria Street.

Immediately post-earthquake the Central Business District core of Christchurch City was cordoned off for a significant period of time and which precluded the rebuilding and demolition of existing structures whilst this was overseen by a central body. Redevelopment/rebuild of the central core was therefore significantly delayed and the timeline became difficult for many businesses. As a consequence, and due to the fact that Victoria Street was open and appropriately zoned, together with it being located in the historically popular northwest sector of the Central Business District, there was therefore demand from tenants/businesses wishing to be located back into the Central City. Correspondingly, Victoria Street became a popular office precinct and new development commenced relatively quickly after the seismic events, which is still continuing as at the effective date of valuation.

The Victoria Street office precinct was therefore one of the first areas of the Central City to have new office developments completed and occupied. This enabled buildings to be completed and occupied within more acceptable time periods, meeting the business demand and requirements at that point.

The subject property comprises a fully refurbished/re-engineered/upgraded building which has been assessed as having a current seismic strength of more than 100% of New Building Standards.

1.7 COMPLIANCE STATEMENT

This valuation has been completed in accordance with International Valuation Standards and API/PINZ Valuation Standards. FordBaker Valuation Limited confirm that:

- The statements of fact presented in this report are correct to the best of the Valuer's knowledge
- The analyses and conclusions are limited only by the reported assumptions and conditions
- The Valuer has no interest in the subject property
- The Valuer's fee is not contingent upon any aspect of the report
- The valuation was performed in accordance with the PINZ Code of Ethics and the API/PINZ Valuation Standards and Guidance Notes
- The Valuer has satisfied professional education requirements and holds a current Annual Practising Certificate
- The Valuer has experience in the location and category of the property being valued
- The Valuer has made a personal inspection of the property
- No-one, except those specified in the report, has provided professional assistance in preparing the report.

2.0 PROPERTY DETAILS

2.1 COMPUTER FREEHOLD REGISTER DETAILS

2.1.1 IDENTIFIER

Estate:	Fee Simple
Identifier:	CB32B/269
Legal Description:	Lot 1, Deposited Plan 54250
Land Area:	1,415 m ²
Land Registry District:	Canterbury
Registered Proprietor/s:	Victoria 104 Limited
Property Interests:	<ul style="list-style-type: none"> ➤ Easement Certificate 815387.11 specifying easements relating to right of way, rights to drain water and sewage, convey water, electric power and telephonic communications (limited in height). ➤ The right of way easement specified in Easement Certificate 815387.11 are subject to conditions in Document 251928.1. ➤ The easements specified in Easement Certificate 815387.11 when created will be subject to Section 309 (1) (a) Local Government Act 174. ➤ Mortgage 9659471.2

We have examined the above interests and summarise as follows:

Document 251928.1 relates to conditions with regards to Private Roads, Private Ways and creation of Rights of Way, in the matter of Section 348 of the Local Government Act 1974.

Easement Certificate 815387.11 relates to right of way, rights to drain water and sewage, convey water, electric power and telephonic communications (limited in height), and relate to rights between the subject property and the immediately adjoining property to the south, comprising Lot 2 Deposited Plan 54250.

We do not consider the above easements registered on the Computer Freehold Register detrimentally affect the property or its value. In fact, it is positive, providing vehicle right of way to the southern wall enabling building development to be across nearly the full Victoria Street frontage while providing carparking to the rear Montreal Street area of the site.

2.2 RESOURCE MANAGEMENT CONSIDERATIONS

2.2.1 EXISTING ZONE

The property is zoned '**Central City Business**' under the amendments to the Christchurch City Council's District Plan, Appendix 1.

The Business zone changes comprise the Central City 'Business' zone and those in the City in which commercial and industrial activities are the dominant activities. As such, the range of activities in these areas are characterised, to a greater or lesser extent, by building densities with strong and highly varied visual impacts. Traffic generation, noise and industrial processes will result in levels of affects greater than those experienced by residents in living or rural environments and for this reason the protection of amenities and the interface of living and business environments is an important factor in the City Plan.

Policies within the Central City Business zone are as follows:

- Provide for a wide range of activities in an area where the greatest concentration and scale of built development is intended to occur.
- Create a consolidated Central City Business zone promoting benefits to businesses through proximity to a diverse mix of activities and which provides for a vibrant and active place for residents, workers and visitors.
- Promote a high standard of amenity and discourage activities from establishing where they will have an adverse effect on the amenity values of the Central City.
- Encourage the inter-intensification of residential activity within the Central City Business zone by enabling residential development with appropriate level of amenities within buildings.

Permitted uses within this zone conclude the following:

- Retail activity (excluding trade suppliers, yard based suppliers, service stations)
- Commercial services
- Places of entertainment
- Recreation activity
- Gymnasiums
- Community facilities
- Education activity
- Daycare facilities
- Preschool facilities
- Health facilities
- Spiritual facilities
- Office
- Residential activity
- Travellers accommodation and hotels

Relevant development standards within this zone are as follows:

Building Setback and Continuity: There shall be separately identified building setbacks and continuity for buildings in the zone, depending upon the location.

Sunlight and Outlook for the Street: Buildings shall not project beyond a recession plane of 45° applying from the maximum road wall height and angling into the site except that this rule should not apply to accessways or service lanes.

Minimum Number of Floors: The minimum number of floors above ground level for any building within the core identified on Central City Plan Map 1 shall two (2).

Resource consent applications for non-compliance with this Rule can be obtained.

Building Height: This zone has a maximum building height of 17 metres.

Other Relevant Standards: Other relevant standards include separation from neighbours, minimum floor to floor heights on ground floor, screen of outdoor storage areas and minimum unit size for residential activities.

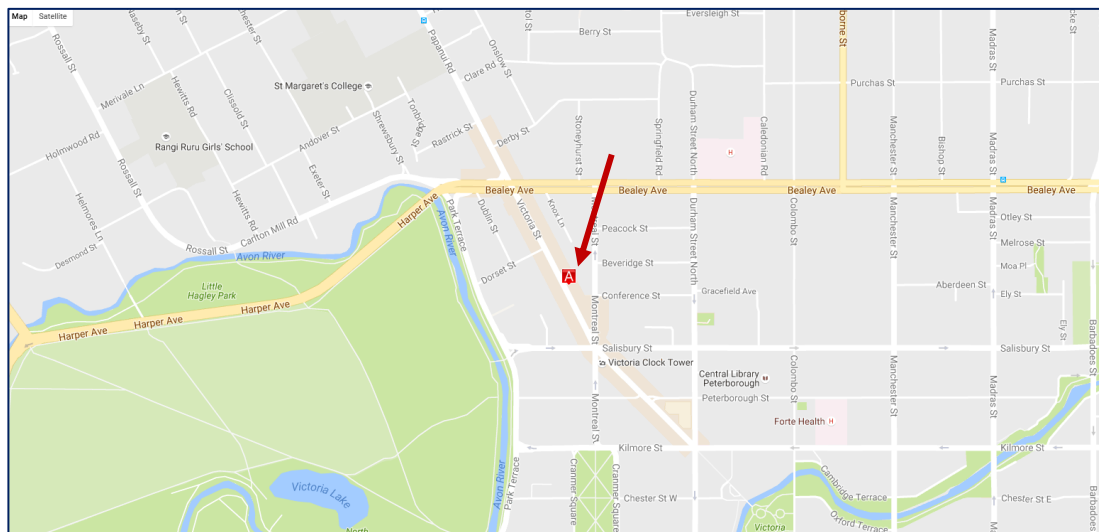
In summary, the site allows for a full range of activities to be catered for within the Central City Business zone in terms of any new development of this site.

2.3 SITUATION AND LOCALITY

2.3.1 SITUATION

The property is situated to the north eastern side of Victoria Street, benefitting from a second road frontage to its rear, where it is positioned to the western side of Montreal Street. Accordingly, the property is positioned to the 'northern gateway' fringe of the Central Business District of Christchurch City.

The location of the subject property is indicated on the following map:



Source: www.wises.co.nz

2.3.2 LOCALITY

Development in the Victoria Street precinct predominantly occurred in the early 1980s, providing good quality buildings, good off street parking and convenient access. Located in close proximity were the Christchurch Casino, Christchurch Town Hill, Christchurch Convention Centre, Town Plaza and Copthorne Hotel. A number of these buildings were demolished as a result of earthquake damage sustained, however the Christchurch Casino repairs were completed quickly and this reopened within a short period. The Christchurch Town Hill is presently under repair.

Although Victoria Street did suffer from earthquake damage, it enjoyed a distinct advantage over the Central Business Core as it was not cordoned off in the immediate aftermath of the 2011 seismic events. This allowed for more rapid repair/redevelopment and strengthening to occur. This has resulted in there being new office developments to both sides of Victoria Street. These include: The restoration of the Knox Church, an 'A' Grade five-star office building occupied by Duncan Cotterill and similar quality professional tenants, a contemporary mixed retail office and residential development to the north western side of Victoria Street near Bealey Avenue and known as the Carlton Butchery, Marriotts House and others.

Towards the City Centre is the post-earthquake constructed Craig's Building, situated to the corner of Salisbury and Victoria Streets, occupied by solicitors, investment advisors and a ground floor restaurant/hospitality. A new building is being constructed to the corner of Victoria and Peterborough Streets whilst opposite is The Bog Restaurant/Bar with upper level offices, and a new office building at 123 Victoria Street is being developed, with the anchor tenant being Nexia.

These buildings are generally of a high quality and have accordingly attracted a good mix of quality professional practices and ground floor mainly hospitality tenants.

2.3.3 CENTRAL CITY DEVELOPMENT

There has been significant development post earthquakes in the CBD, this includes: Office buildings fronting Cambridge Terrace and Durham Street, office/retail premises within the Victoria Street 'gateway', Crown 'Anchor Projects', multi-level office with ground floor retail buildings in the innovation precinct, together with other developments interspersed around the central core.

Key to the current and future development of the city, is the 100-day blueprint released by the Christchurch Central Development Unit (CCDU) in the middle of 2012.

The outline map 100 Day blueprint map is shown below:



The 100 Day Plan outlined plans to shrink the size of the CBD. This was to be achieved by the designation of two strips of land - one in the east of the city and one in the south - as open spaces. These spaces, along with the Avon River, are to frame the CBD, ensuring that development is concentrated within a smaller geographic area.

Other key objectives of the 100 Day Plan were as follows:

- Building heights in the city are to be kept at a maximum of 28 metres, however, exceptions may be made in some areas around the convention centre, to accommodate hotel developments.
- The convention centre occupies a substantial site next to Victoria Square and stretches the full block between Gloucester and Armagh streets and. Construction of this facility is projected to be finished by late 2019.

- A public library is to be built on the edge of Cathedral Square and the road through the Square will be closed to through traffic.
- The old brewery site in St Asaph St is to feature a substantial sized metro sports facility. It will include a competition-size swimming pool, leisure pools and eight indoor courts. Construction is yet to commence on this anchor project.
- A replacement stadium for the earthquake-damaged AMI Stadium is proposed for the old Turners & Growers site, which is located at the edge of the CBD's eastern frame. A covered stadium with natural turf and seating for 35,000 people has been suggested.
- A new music centre and auditoriums for the performing arts is nearing completion, being positioned near New Regent Street.
- The courts and Christchurch's emergency services are being grouped together in a new Justice Precinct which is between Lichfield, Tuam, Durham and Colombo streets. This campus-style precinct is now nearing completion and will house some 1,300 to 1,400 workers.
- A new bus exchange, has been completed in Lichfield St and is now the hub for the city's public transport network.
- A health precinct has been established and includes the construction on the hospital site of a 62,000 square metre Acute Services Building, together with the Canterbury District Health Board leasing of a substantial Oxford Street located office premises.
- In many parts of the new CBD, roads have been slowed or closed to through traffic, and there are new networks of walkways and cycle ways.

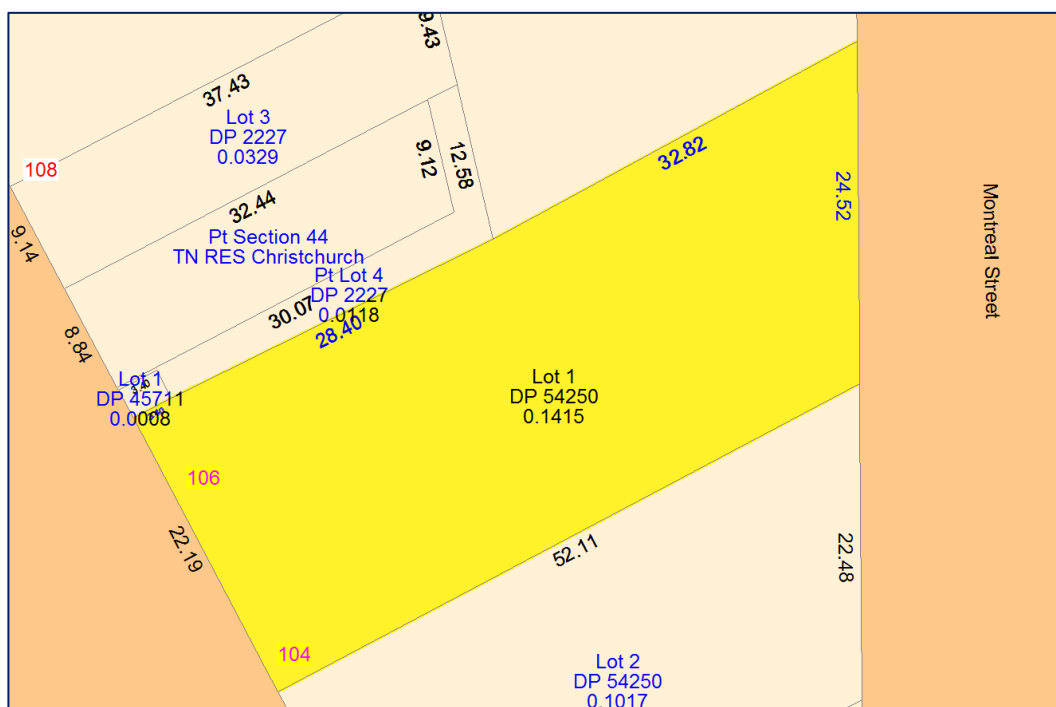
In summary, the central core of Christchurch City is continuing to develop, with some of the crown lead anchor projects completed or nearing completion. The subject property is located in the north western gateway to the core of central city, in a popular office precinct.

2.4 LAND DESCRIPTION

2.4.1 SITE PARTICULARS

Area: Full Site Area: 1,415 m²

Dimensions: Indicated on the following plan:



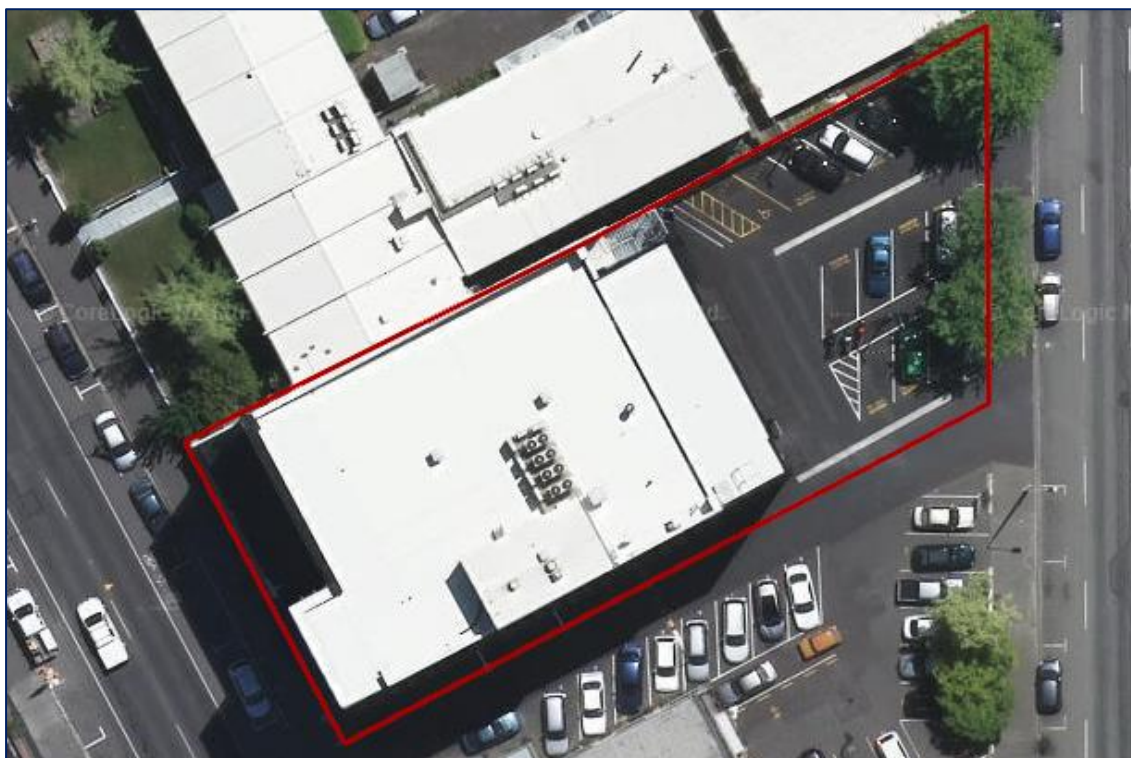
Source: QuickMap

Contour/Aspect: The site is level in contour, having a south western street frontage to Victoria Street and a north eastern frontage to Montreal Street.

Services: The site is served by sewer, high pressure water, electricity and telephone cabling.

2.4.2 SITE LAYOUT

The site layout is shown on the aerial photograph below:



Source: www.propertyguru.co.nz

2.5 QUALIFICATIONS

2.5.1 GEOTECHNICAL

We are not expert in geotechnical matters and therefore cannot therefore certify as to the structural soundness or integrity of the land. Our valuation is based on a visual inspection of the land only and assumes that there are no geotechnical issues with the property unless specifically identified. Should subsequent expert advice be counter to this, then we would reserve the right to review our valuation.

2.5.2 LOCAL AUTHORITY MEMORANDUM

In preparing this report and unless otherwise stated, services to the property have not been tested nor have we searched local authority records to ascertain restrictions affecting the property.

2.5.3 SURVEY

We have not undertaken a survey of the property and its boundaries and assume no responsibility in connection with such matters. Unless otherwise stated, it is assumed that all improvements lie within the Computer Freehold Register boundaries. Any sketch, plan or map in this report is included to assist the reader in visualising the property and should not be relied upon as being definitive.

2.5.4 ENVIRONMENTAL

A visual inspection of the site and enquiry with the local authority has not revealed any obvious pollution or contamination. Nevertheless, we are not experts in the detection or quantification of environmental problems and, accordingly, have not carried out a detailed environmental investigation. Therefore, the valuation is made on the assumption that there are no actual or potential contamination issues affecting the value or marketability of the property or the site.

Verification that the property is free from contamination and has not been affected by pollutants of any kind may be obtained from a suitably qualified environmental expert. Should subsequent investigation show that the site is contaminated, this valuation may require revision.

We have obtained a Listed Land Use Register (LLUR) report for Environment Canterbury for the property and note there are no sites associated with the area of enquiry and does not record the property as having a Hazardous Activities & Industry List (HAIL).

Whilst the above comments suggest environmental matters may not be an issue, the recipient of this report is advised that the Registered valuer is not qualified to detect such substances, which in many cases are not visible, nor quantify the impact on values without an environmental report. Substances such as asbestos, other chemicals, toxic waste or other potentially hazardous materials could, if present, adversely affect the value of the property that would cause loss in value. No responsibility is assumed for any such conditions and the recipient of this report is advised that the valuer is not qualified to detect such substances, quantify the impact on values or estimate the remedial cost.

Whilst due care has been taken to note any contamination liability, our investigations have been undertaken for valuation purposes only, and this report does not constitute an environmental audit. Unless otherwise stated no account has been taken of the effect on value due to contamination or pollution.

3.0 RATING VALUATION

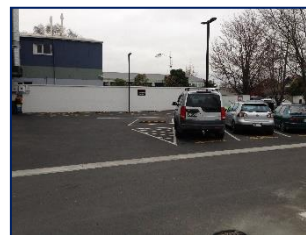
As at 1 November 2013, Christchurch City Council:

Land Value	\$3,400,000
Improvements Value	\$12,600,000
Capital Value	\$16,000,000

We do not consider the above Rateable Value to be indicative of the property's current market value. Rateable Values are assessed for Territorial Authority rating purposes using mass appraisal methodology and need to be so regarded.

4.0 IMPROVEMENT DETAILS

4.1 DESCRIPTION OF IMPROVEMENTS



Comprising a five level, originally circa 1980s constructed medium rise office building. The building was originally designed as an ANZ Banking chamber (ground floor) and upper level bank offices. Subsequent to the recent seismic events the building sustained damage and was sold to the present vendor (Victoria 104 Limited) and who have completed extensive refurbishment/strengthening and upgrading works, including new additions to the front and rear. Accordingly, the building now provides for a high specification of accommodation and with an engineer certified current seismic strength. The ground floor comprises retail accommodation with office space provided to the levels above.

4.2 CONSTRUCTION

Foundations:	Seismic designed upgraded foundations and new reinforced concrete floor, complying with appropriate geotechnical and seismic engineer recommendations
Floor:	Concrete floors throughout
Structure:	Original reinforced and concrete block infill with concrete column with plastered finish and new feature steel frame reinforcing
External Walls:	Concrete block, plastered concrete and Zincalume panel, all built in accordance with plans and prepared by DHC Consulting Limited (structural engineers)
Roof:	Tray profile galvanised iron roofing within parapet walls
Internal Finishes:	Generally suspended tile ceilings, plasterboard linings and timber framed partitions throughout
Joinery:	Predominantly double glazed exterior window joinery

4.3 BUILDING SERVICES

HVAC:	Fully ducted HVAC system
Fire:	Full compliance with current regulations, including being fully sprinklered and the alarm is connected to the central fire brigade
Lifts:	Two internal passenger lifts and which were refurbished by Schindler at the time of the building refurbishment (mid 2014)
Reticulated Services:	Normal services are provided

4.4 WARRANT OF FITNESS

The Building Act 2004 provides for greater regulation within the building industry and to ensure that safety systems within buildings are maintained to a satisfactory standard.

The Act states that buildings containing certain safety and essential systems, known as specified systems, require a compliance schedule. These specified systems ensure that a building is safe and healthy for members of the public to enter, occupy or work in. The building owner must ensure continued effective operation of those features and systems and sign an annual building warrant of fitness. The most common systems include: Automatic sprinkler systems or other systems of automatic fire protection, Emergency warning and lighting systems, Lifts, escalators and travelators or similar systems and Mechanical ventilation or air conditioning systems.

An annual Building Warrant of Fitness is required for the above systems under the Act and we note that the subject incorporates several of these systems. To this end, we are able to confirm that a current Building Warrant of Fitness is held, and which has an expiry date of 1 August 2017.

4.5 LAYOUT, DESCRIPTION AND ACCOMMODATION

4.5.1 LETTABLE FLOOR AREA(S)

We have been provided with certified lettable floor areas, as completed by Davis Ogilvie and which detail the lettable areas for the subject tenancies.

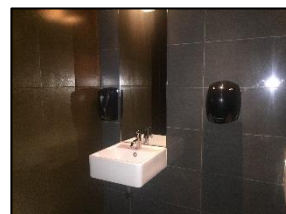
As previously noted, the lease agreement for the Telogis tenancy has included ground floor lobby and rear stairwell areas. Accordingly, we present the lettable floor areas and which details a total for the building, inclusive, as well as exclusive of these areas:

Lettable Floor Areas			
Occupancy		Lettable Area	% Total
104 Victoria Street, Central City, Christchurch - Tony Astle (Chinwag)	Ground Floor Retail	279.83 m ²	
	Courtyard	34.74 m ²	
		314.57 m ²	9.2%
	ex rear stairs and ground floor lobby		9.6%
104 Victoria Street, Central City, Christchurch - Prime Health & Fitness	Ground Floor Retail	247.30 m ²	7.2%
	ex rear stairs and ground floor lobby		7.5%
104 Victoria Street, Central City, Christchurch - Telogis	Ground Floor Lobby (Excluded)	79.72 m ²	
	1st Floor - Office	676.01 m ²	
	1st Floor - Rear Stairs (Excluded)	18.29 m ²	
	2nd Floor - Office	676.01 m ²	
	2nd Floor - Rear Stairs (Excluded)	18.29 m ²	
	3rd Floor - Office	682.75 m ²	
	3rd Floor - Rear Stairs (Excluded)	18.29 m ²	
	4th Floor - Office	682.75 m ²	
	4th Floor - Rear Stairs (Excluded)	18.29 m ²	
Lettable Area - Inclusive of Rear Stair and Ground Floor Lobby Areas		2870.40 m ²	83.6%
Lettable Area - Exclusive of Rear Stair and Ground Floor Lobby Areas		2717.52 m ²	82.9%
Total Lettable Floor Area:			
Inclusive of Rear Stairs & Ground Floor Lobby Areas		3,432.27 m²	100.0%
Exclusive of Rear Stairs & Ground Floor Lobby Areas		3,279.39 m²	100.0%

Accommodation provided within the building is summarised as follows:

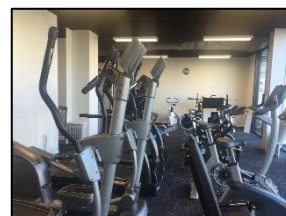
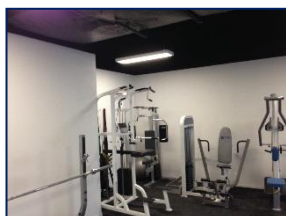
(a) Ground Floor – Tony Astle – Chinwag Restaurant

The tenancy comprises the premises to the north western, ground floor corner of the combined premise. Having its own entry directly off Victoria Street, which accesses a well-appointed bar/restaurant with a high standard of fit-out including commercial kitchen, built in alcove leather finished seating and high specification conveniences. To the front of the tenancy and included within the leased premises is a courtyard with permanently plumbed gas outdoor heating and part covered together with planting to the street frontage.



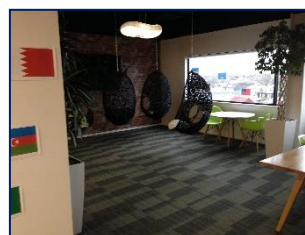
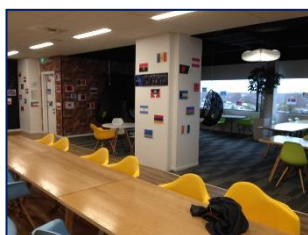
(b) Ground Floor – Prime Health and Fitness – Gym

A gym has been developed to the rear, Montreal Street frontage of the ground floor with access only from the rear carpark, or from Victoria Street down the common right of way. The gym has extensive glazing to the eastern wall/carpark and behind the open space are appropriate locker and convenience facilities including showers and toilets.



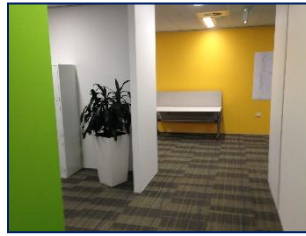
(c) Upper Levels – Telogis – Professional Offices, Levels 1 – 4

The lessee occupies all of the office space being Levels 1 – 4 and which comprises well-appointed offices with excellent natural light and good quality amenity fit-out, including toilets and disabled person facility (shower and toilet) to each level. The lessee has provided good quality staff amenity areas, specifically a large staff cafeteria and break out area on the upper floor positioned to the rear overlooking Montreal Street.



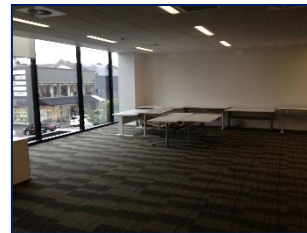
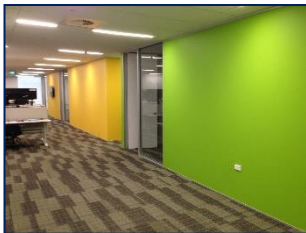
Each main floor has a boardroom/meeting room positioned to the south western corner and internally there are various internal management offices and open plan areas with each level having a small tea/coffee making area.

The premises are of high specification with good floor coverings and access is by way of two lifts with marble tile flooring and furniture to the ground floor lobby.



On inspecting the individual office floors, we noted that Level 1 was not being fully utilised, although we do understand that "overflow staff" do use this space when necessary. There is an opportunity for the incumbent lessee to sublease this space while holding it for future expansion.

In general, as previously mentioned, the building is of high presentation and quality, noting there are two stair accesses with one being an external fire egress to the north eastern corner with the "staff only" stair access positioned to the rear south eastern corner.



4.6 FIT-OUT OWNERSHIP

The various leases indicate the base building fit-out, including floor coverings are the property of the lessor, while internal fit-out, over and above toilet facilities have been completed by individual tenants. A summary of the fit-out ownership as detailed within the various leases is as follows:

Ground Floor – Restaurant – Chinwag

Landlord's fixtures and fittings (sub clause 47.1 (f)):

- Air-conditioning and fresh air system
- Fire (alarm) system
- Electrical distribution board
- Electrical check meter

The balance of the restaurant fit out is all tenant owned.

Ground Floor – Prime Health and Fitness – Gym

Landlord's fixtures and fittings (sub clause 47.1 (f)):

- Fire (alarm) system
- Electrical distribution board
- Electrical check meter
- Floor coverings
- Lighting
- Bathroom fixtures and fittings
- HVAC

Levels 1 – 4 and Foyer – Telogis Limited – Offices

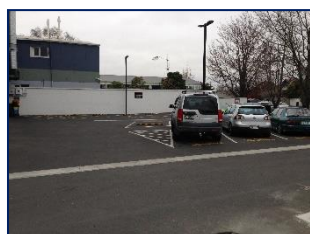
Landlord's fixtures and fittings (sub clause 47.1 (f)) whereby the tenant acknowledges and agrees that the following fixtures and fittings (without limitation and as applicable) are the property of the Landlord unless they have been installed by the Tenant or form part of the Tenant's fit-out:

- Fire (alarm) system
- Electrical check meter
- Floor coverings
- Lighting
- Bathroom fixtures and fittings
- HVAC

4.7 OTHER SITE IMPROVEMENTS

Other site improvements comprise asphalt sealed carparking, and which is located to the Montreal Street frontage portion of the overall property. At the rear north eastern corner of the site is a small structure comprising a gas bottle storage facility, which is constructed with concrete walls including a metal padlocked security gate.

The site has a total of twelve (12) carparks and basic/tidy site landscaping is evident to the Montreal Street frontage, comprising mature trees with plantings underneath. Photographs of these areas are as follows:

**4.8 CONDITION****4.8.1 EARTHQUAKE**

Buildings are generally required by legislation to have a minimum design life of 50 years, which we understand the chance of a one in 500-year event being exceeded in any 50-year period is approximately 10%. As a consequence of the Canterbury earthquakes, the relative earthquake risk of buildings has been created and is shown within the following table:

Building Grade	Percentage New Building Standard Strength (% NBS)	Approximate Risk Relative to New Building	Risk Descriptions
A+	Greater than 100%	Less than 1%	Low Risk
A	80% to 100%	One to two times	Low Risk
B	67% to 80%	Two to five times	Low or Medium Risk
C	33% to 67%	Five to 10 times	Medium Risk
D	20% to 33%	10 to 25 times	High Risk
E	Less than 20%	More than 25 times	Very High Risk

The building has been assessed by DHC Consulting Limited as having a seismic strength of a minimum of 100% of New Building Standards (NBS), accordingly this places the structure as having a building grade of a minimum of A grade on the above table.

4.8.2 EXTERNAL / STRUCTURAL

The subject building underwent a total refurbishment, including strengthening, upgrading and alterations. This included upgraded foundations and building frame, designed and built in accordance with current engineering and architectural design meeting current high Seismic and Building Act requirements. Accordingly, at the date of inspection the external portions of the subject property were found to be in excellent condition.

4.8.3 INTERNAL FINISHES

The subject property has high quality internal finishes throughout, including high quality amenity area fit-outs and the entrance foyer includes marble tiled flooring and is of a high appointment value.

At the date of inspection, areas of cracking were noted to internal partition plasterboard wall surfaces and which we understand were sustained as a result of the February 2016 Valentine's Day earthquake. We have been advised by the vendor, Countrywide Property Group, that these are of a minor cosmetic nature. Our valuation is subject to this damage being repaired by the vendor. We provide photographs of some of these areas as follows:



4.9 QUALIFICATIONS

4.9.1 BUILDING ACT

We have not obtained a Project and Land Information Memorandum from the Local Authority and recommend these be requested. We have therefore assumed that all building consents/permits have been obtained for the property and there are no major problems identified. If it is found within the Project and Land Information Memorandum that there are negative implications which may affect the property value, we reserve the right to review or reassess our valuation.

4.9.2 STRUCTURAL

This report has been prepared for valuation purposes only and is not intended to be a structural or geotechnical survey. We have not sighted a qualified engineer's structural survey of the improvements, or its plant and equipment, nor are we a building construction and/or structural expert. We are therefore unable to certify as to structural soundness of the improvements. Prospective purchasers or mortgagees would need to make their own enquiries in this regard.

4.9.3 OTHER

This report is not intended to be an environmental survey. No enquiries in respect of any property or of any improvements thereon has been made for any sign of timber infestation, asbestos or other defect, whether latent or patent or structural.

5.0 OCCUPANCY DETAILS

We have perused the following:

- Deed of Lease – Sixth Edition 2012 (4), dated 27 March 2014, agreed between Victoria 104 Limited (being the lessor) and Ghetto Limited trading as Chinwag (being the lessee).
- Deed of Lease – Sixth Edition 2012 (4), dated 1 April 2015, agreed between Victoria 104 Limited (being the lessor) and Blair Andrew Bowman and Joanne Catherine Borren as partners of the Prime Health and Fitness Partnership (being the lessee).
- Deed of Variation of Lease, as prepared by Buddle Findlay New Zealand lawyers, and dated 23 March 2016, agreed between Victoria 104 Limited (being the lessor) and Telogis Limited (being the lessee).
- Deed of Lease – Sixth Edition 2012 (4), dated 18 August 2015, agreed between Victoria 104 Limited (being the lessor) and Telogis Limited (being the lessee).
- Deed of Lease – Isite Limited format lease, dated 6 August 2013, agreed between Victoria 104 Limited (being the lessor) and Isite Limited (being the lessee).
- Deed of Lease – Isite format lease, dated 16 November 2015, agreed between Victoria 104 Limited (being the lessor) and Isite Limited (being the lessee).
- Deed of Lease – Sixth Edition 2012 (4), dated 30 October 2014 between Victoria 104 Limited (being the lessor) and Countrywide Property Trust Limited (being the lessee), comprising an inter-related party lease.

5.1 LEASE DETAILS

The key details are as follows:

Occupancy Details		
104 Victoria Street, Central City, Christchurch	Lessor	Victoria 104 Limited
	Lessee	Tony Astle (Chinwag)
	Commencement Date - Initial Term	29 July 2014
	Commencement Date - Current Term	29 July 2014
	Current Lease Term	8 Years
	Expiry Date	28 July 2022
	Further Terms	4 + 4 Years
	Final Expiry Date	28 July 2030
	Rent Review	At each anniversary, the rent shall increase by 3% per annum but at every fourth anniversary of the commencement date, a market review is to be undertaken, but to be no less than the rent at lease commencement.
	Lease Type	Net
	Non Recoverable Opex	N/A
	Current Rental	\$156,073 Per Annum Plus GST
104 Victoria Street, Central City, Christchurch	Lessor	Victoria 104 Limited
	Lessee	Prime Health & Fitness
	Commencement Date - Initial Term	1 June 2014
	Commencement Date - Current Term	1 June 2014
	Current Lease Term	8 Years
	Expiry Date	31 May 2022
	Further Terms	6 + 6 Years
	Final Expiry Date	31 May 2034
	Rent Review	At each anniversary, the rent shall increase by the lesser of CPI or 3% per annum but at every fourth anniversary of the commencement date, a market review is to be undertaken but to be no less than the rent at lease commencement.
	Lease Type	Net
	Non Recoverable Opex	N/A
	Current Rental	\$90,720 Per Annum Plus GST

104 Victoria Street, Central City, Christchurch	Lessor	Victoria 104 Limited
	Lessee	Telogis
	Commencement Date - Initial Term	11 June 2014
	Commencement Date - Current Term	11 June 2014
	Current Lease Term	10 Years
	Expiry Date	10 June 2024
	Further Terms	10 +10 Years
	Final Expiry Date	10 June 2044
	Rent Review	Nil reviews for the duration of the initial term. Thereafter, annual reviews to CPI, with a minimum increase of 1.75% and a maximum increase of 2.75%. Note: There are no market reviews during any renewed term.
	Review Timing	Annually
	Lease Type	Net
104 Victoria Street, Central City, Christchurch	Non Recoverable Opex	N/A
	Current Rental	\$1,059,512 Per Annum Plus GST
	Lessor	Victoria 104 Limited
	Lessee	ISITE Media - North Billboard (Electronic)
	Commencement Date - Initial Term	1 November 2015
	Commencement Date - Current Term	1 November 2015
	Current Lease Term	5 Years
	Expiry Date	31 October 2020
	Further Terms	5 +5 Years
	Final Expiry Date	31 October 2030
	Rent Review	At two and a half (2.5) yearly intervals to be the increase in the Consumer Price Index.
104 Victoria Street, Central City, Christchurch	Review Timing	2.5 yearly
	Lease Type	Net
	Non Recoverable Opex	N/A
	Current Rental	\$90,000 Per Annum Plus GST
	Lessor	Victoria 104 Limited
	Lessee	ISITE Media - South Billboard
	Commencement Date - Initial Term	1 June 2013
	Commencement Date - Current Term	1 June 2013
	Current Lease Term	6 Years
	Expiry Date	31 May 2019
	Further Terms	5 Years
104 Victoria Street, Central City, Christchurch	Final Expiry Date	31 May 2024
	Rent Review	At two and a half (2.5) yearly intervals to be the increase in the Consumer Price Index.
	Review Timing	2.5 yearly
	Lease Type	Net
	Non Recoverable Opex	N/A
	Current Rental	\$20,511 Per Annum Plus GST
Summary:	Total Lettable Floor Area	3,279.39 m ²
	Total Occupied Floor Area	3,279.39 m ²
	Total Contract Rental	\$1,416,816
	Total Non Recoverable Opex	\$0
	W.A.L.T (Income)	7.2 Years
	W.A.L.T (Lettable Area)	7.5 Years

5.2 LEASE COMMENTARY

Ground Floor – Chinwag

The Chinwag lease provides for an initial lease term of eight (8) years, together with two (2) rights to further terms of four (4) years each. Rent reviews are on an annual basis to CPI in accordance with further term 48 of the lease, and every fourth anniversary of the commencement date the rent is reviewed to market.

Further term 48, relating to the annual CPI reviews, details that annual rental shall be increased by 3.0% on the then current annual rent. Given that the lease was agreed at market rental rates and there has been low growth in market rents for premises of this type, accordingly the contract rental will likely experience good growth compared to market rent levels.

Ground Floor – Prime Health and Fitness

The Prime Health and Fitness lease provides for an initial term of eight (8) years, together with two (2) rights to further terms of six (6) years each. The rent is reviewed to market every fourth anniversary of the commencement date and annually to CPI as per further term 48 of the lease.

Further term 48 stipulates that the annual rent shall be increased on each CPI rent review date to the lower of:

- a) An amount that represents an increase of 3.0% on the then current annual rent, and
- b) An amount that represents an increase in the Consumer Price Index on the then current annual rental.

Accordingly, the annual rental, (excluding market reviews) is to the lower of 3.0% or CPI.

Levels 1-4 – Telogis Limited

The Telogis Deed of Lease comprises an initial lease term of ten (10) years, together with two (2) rights to further terms of ten (10) years each. The Deed of Variation of Lease, dated 23 March 2016 varied the terms within the original lease and the key new terms are as follows:

1.
 - a) Item 11 in the First Schedule (rent review dates) is deleted.
 - b) Clauses 48.1 and 48.2 are deleted. In their place the following is inserted and will apply:
"48.1 there will be no rent reviews (either market or CPI) for the duration of the initial term. Thereafter, on 11 June 2024 and 11 June in each successive year ('the CPI rent review dates') the then previous year's annual rent shall be subject to a CPI increase provided that there shall always be a minimum increase of 1.75% and a maximum increase of 2.75% for each review. There shall be no market reviews during any renewed term".
2. The landlord will at its sole cost and with all reasonable speed construct a secure and covered bike facility suitable for the tenant's reasonable usage requirements which the tenant shall be entitled to use for the duration of the lease including any renewal period.

In summary, the Deed of Variation of Lease provides for no reviews throughout the initial term of the lease, with reviews annually thereafter, which are capped and collared (1.75% - 2.75%), it also restricts any market reviews during any renewed term.

Southern Billboard – Isite Limited

Comprising a billboard (non-electronic), which is positioned to the southern external face of the building. The lease comprises a standard Isite Limited billboard lease format, it provides for an initial term of six (6) years, with one further right of renewal for a term of five (5) years. The rent is reviewed to CPI every 2.5 years from the commencement date and the lessee shall pay for all electricity consumed by the lessee in respect of illumination or floodlighting of the site.

The lease provides for important further terms, including the following:

- 15.1 Either party may terminate this deed with immediate effect by giving written notice to the other party if
- (a) the other party failed to comply with any of its obligations expressed or implied in this deed and has not remediated such breach within 20 days' notice from the other party requiring the breach to be remediated, or
 - (b) the other party becomes insolvent, has a receiver appointed over all or a substantial part of its assets, enters into an assignment for the benefit of creditors, is unable to pay its due debts as they fall due, has a resolution passed for its liquidation or goes into voluntary administration.
- 15.2 Subject to Clause 15.3, the lessor may also terminate this deed in respect of the effected site if at any time the lessor in good faith requires this site for redevelopment and requires vacant possession or is required to do so by statute, bylaw or regulation and the lessor has first given at least three months' written notice of the date that this deed will terminate in respect of the site.
- 15.3 Prior to issuing a termination notice under Clause 15.2, the lessor must first meet with the lessee at the property to discuss and use all best endeavours to find a suitable alternative new location for the site that is comparable to the site. If it is agreed between the parties that no new alternative location on the property is suitable then the lessor may terminate the lease in respect of the site in accordance with Clause 15.2. In addition, if any opportunity exists for potential advertising on the property following redevelopment of the property, then the lessor hereby grants the lessee a first right of refusal for the unexpired term of this deed for any potential advertising site, on terms no less favourable than terms offered or that would be offered to third parties.
- 15.4 If by reason of the operation of any act of Parliament, regulation, building or other ordinance or bylaw, order or resolution by any authority having jurisdiction whereby the lessee is prevented from
- (a) installing or is compelled to discontinue use of or dismantle the advertising structures erected on the site, or
 - (b) obtaining the substantial benefit of this deed

Then the lessee may at its option give one month's written notice to the lessor terminating this deed either in whole or in respect of the site only.

- 15.5 If that view of the advertising structures which is enjoyed by those persons using the roads or public spaces proximate to the site is partially or wholly obscured or obstructed, or if in the reasonable opinion of the lessee the advertising value of those advertising structures is substantially impaired or diminished, the lessee may at its option give one month's written notice to the lessor terminating this deed either in whole or in respect of the site only.

- 15.6 The lessee may terminate this lease at any time in whole or in part without cause by giving three months' written notice to the lessor to this effect.

Further key lease clauses are as follows:

- 16 Sale of the property by lessor

If the lessor sells, transfers or assigns its interest in the property to a third party, the lessor will advise the third party of the existence of this deed and procure the third party to agree in writing in favour of the lessee to be bound by and observe the provisions of this deed.

21 Option

If at any time during the 12-month period commencing on the expiry or termination of this lease, the lessor wishes to enter into a lease, licence or other agreement for the display of advertising signage on the site, the lessor will give the lessee a right of first refusal or such potential advertising opportunity and the following terms and conditions will apply:

- 21.1 The lessor will notify the lessee in writing of the terms on which it is prepared to grant rights to erect advertising on the site.
- 21.2 The lessee will have 20 days from the date of receipt of such notice in which to accept or decline the lessor's offer.
- 21.3 If the lessee advises the lessor that it does not wish to accept the offer or if the lessor has not received a response from the lessee within such 20-day period, the lessor is free to offer the relevant advertising site to a third party, but not on terms overall more favourable to the third party than those offered to the lessee, without first re-offering such opportunity to the lessee on those overall more favourable terms.

Northern Electronic Billboard – Isite Limited

Comprising a standard Isite Limited lease format and relating to the electronic billboard which has been affixed to the northern face of the subject building. The lease provides for an initial term of five (5) years, together with two further terms of five (5) years each. The rent is reviewed every 2.5 years from the commencement date to CPI and the lessee shall pay for all electricity consumed by the lessee in respect of the illumination or floodlighting of the sites. Any such electricity costs shall be measured by a separate metre installed at the lessee's cost and the lessee may at its cost install any electrical cabling required from the main switchboard on the property to each site.

The lessor shall permit the lessee and its agents reasonable access to the property for the purpose of installing such cabling and metres and reading of any metres so installed. To this end we understand that the current monthly electricity charges relating to the electronic billboard total some \$800 per month.

The lease is subject to key further terms as per the aforementioned southern billboard lease (above).

Rooftop Area – Countrywide Property Trust Limited

Comprising an inter-related parties' lease between Victoria 104 Limited (being the lessor and Countrywide Property Trust Limited being the lessee. The lease relates to "that part of the rooftop area of the landlord's building at 104 Victoria Street, Christchurch (the 'Building') as shown on the plans, together with the right to use the lobby and stairwell of the building in order to access the premises. The lease is subject to an initial term of ten (10) years subject to further term one and which details that the tenant may terminate this lease at any time during the term and any renewal term by the giving of one (1) month notice in writing to the landlord.

The lease provides for two (2) rights to further terms of ten (10) years and has a 'peppercorn' annual rental of one dollar. The rental is not reviewable during the initial term or subsequent rights of renewal terms.

This lease relates to an antenna on the roof top which we understand is used to provide wireless facilities for other buildings owned by the vendor in the locality.

5.3 OUTGOINGS

The leases are all on a net basis, with the tenants being responsible for all outgoing over and above the rental payable.

5.4 ANALYSIS OF CONTRACT RENTAL INCOME

Our analysis of the current contract rental income is as follows:

Contract Rental Analysis							
Tenant	Lease Type	Lettable Area (m ²)	Area Rate (\$/m ²)	Premises Rent	Car Park Rent	Other Rent	Total Contract Rent
Tony Astle (Chinwag)	Net	314.57	\$496.15	\$156,073	\$0	\$0	\$156,073
Prime Health & Fitness	Net	247.30	\$366.84	\$90,720	\$0	\$0	\$90,720
Telogis	Net	2,717.52	\$380.70	\$1,034,552	\$24,960	\$0	\$1,059,512
ISITE Media - North Billboard (Electronic)	Net	-	-	-	-	\$90,000	\$90,000
ISITE Media - South Billboard	Net	-	-	-	-	\$20,510	\$20,511
Total Contract Rental Income				\$1,281,345	\$24,960	\$110,510	\$1,416,816

6.0 MARKET CONSIDERATIONS

Adopting a market basis for our assessment requires that we consider the subject property in light of market evidence and sentiment. Therefore, we now examine wider economic and property specific market factors, along with evidence of recent and relevant sales evidence.

6.1 MARKET COMMENTARY

6.1.1 ECONOMIC OVERVIEW

In order to determine the current market value of the subject property, we have considered global, national and local economic conditions and the effects that these may have on the commercial property market. The information outlined below is based on recently sourced data from both Government and independent sources. This overview is effective as at August 2016.

Global Overview:

The world economy stumbled in 2015 with this trend continuing in 2016. United Nations economists suggest there is little prospect of a turnaround this year. World gross product is projected to grow by just 2.4% in 2016, the same pace as 2015, with forecasts for 2017 proposing a marginal rise to 2.8% which is still well below pre-crises trends. A number of factors have contributed to this period of slow economic growth. These factors include weak aggregate demand in developed economies, low commodity prices, mounting fiscal and current-account imbalances and policy tightening in commodity exporting economies. – United Nations Economic Report

Economists are now finding it increasingly difficult to make accurate predictions due to a number of 'special' factors including:

- The US Presidential Election
- Tightening US monetary policy
- The uncertainty and potential fallout following the 'Brexit' referendum
- China's Economy
- Australia's political instability
- Europe's growth rate
- Where the new equilibrium oil price sits.

Economists have stated that New Zealand is considered to be a safe and consistent country. A stable government and prudent monetary regulations often mitigate the large economic fluctuations felt throughout the world. This was best illustrated by the national economic performance following the GFC in 2008. With the world becoming full of economic and political uncertainties, overseas investors may look toward New Zealand as a way to protect their financial position.

New Zealand Overview:

The New Zealand economy is heavily influenced by the Dairy, Tourism and Construction Industries. Although Dairy has been struggling in more recent times, tourism and construction have been taking the New Zealand economy forward. Low dairy prices and the effects of a particularly dry, El Nino induced summer, have reduced profit margins, with the longer than expected below-break-even pay-out likely to continue for some time. Continued growth in tourism made this sector our top export earner in 2015, with expectations that this trend will continue throughout 2016. Australia, China and the United States of America remain our key players in tourism. The Construction Industry remains strong in New Zealand, particularly in Auckland and Christchurch. Auckland is in a state of well reported housing under supply, while Christchurch continues to rebuild following the destruction caused by the Canterbury Earthquakes.

Key Point Summary:

- GDP in New Zealand advanced a seasonally adjusted 0.7% in the three months to March 2016, this followed a 0.9% increase over the previous quarter.
- Net Migration has shown a record net gain of 65,900 migrants in the year ending January 2016. Canterbury experienced a net gain of international migrants of 6,900 people, while Auckland gained 30,400.
- The OCR was lowered to a new record low of 2.00% at the review on 11 August 2016. This follows on from the 100 basis points drop over 2015 and further 25 basis point drop in early 2016.
- The New Zealand Dollar remains steady against all major currencies, hovering at around \$0.72 USD and \$0.95 AUD, continuing its upward trend over the last 20 years. Following the 'Brexit' referendum, the NZD has risen to \$0.55 against the British Pound and now sits at €0.64 against the Euro.
- Business confidence in New Zealand came in at 16.0 in July of 2016, down from 20.2 in June. It was the first reduction in business confidence since January. Business confidence in New Zealand has averaged 6.30 from 1970 to the current date. A score of above zero indicates positive business confidence.
- Consumer Confidence in New Zealand decreased to 106.0 in the first quarter of 2016 from 109.6 in the previous quarter, slightly below the national average of 111.41 (1988-2016). A score of above 100 indicates positive consumer confidence.
- In the second quarter of 2016 the consumer price index (CPI) rose 0.4% from the previous quarter to a level of 1205. From the June 2015 quarter to the June 2016 quarter CPI inflation has remained at 0.4%.

Christchurch Overview:

Christchurch remains in a rebuilding phase following the destruction caused by the Canterbury Earthquakes. Residential development has experienced a flurry of activity due to housing shortages, while commercial development continues in both suburban and central city localities. The Construction sector, as expected, has led the way, contributing approximately 11% of GDP in Christchurch. Following the re-opening of the Central Business District, a period of office and retail development began in accordance with 'The Blue Print', spearheaded by 16 Anchor Projects which were implemented as points from which further development could spread from. Development has since slowed as uncertainties around the government instigated anchor projects gave many developers reason to be cautious, with the supply and demand of office space reaching a tipping point also a contributing factor in their decision making. The recent government announcement regarding the Convention Centre, which now has a projected completion date of late 2019, is expected to bring confidence to the market, particularly to developers, investors and business owners. Hotel, Hospitality and Retail operators are now able to make more secure business decisions as the future of the Central City becomes clearer. Other key anchor projects include the Justice Precinct and Metro Sports facility, with growth and occupancy within the CBD expected to regain momentum as these projects progress.

6.1.2 MARKET SUMMARY

Following the destruction of the Central Business District caused by the Canterbury earthquakes, the Christchurch office market experienced a period of severe undersupply. Businesses were forced into the suburbs in significant numbers, with an unprecedented take up of vacant space in these fringe localities. These areas showed moderate office vacancies prior to the seismic events.

The north western gateway to the Central City, particularly Victoria Street, was among the first areas within the Central City to be redeveloped and re-occupied post-earthquakes. Rentals in this area were recorded at over \$400 per square metre, and this was due to the undersupply of offices and limited options available for businesses wishing to relocate to the Central City.

Up until recent times, the Christchurch Central Business District rebuild has struggled to gain momentum, however in early 2015 a number of key projects emerged. These key projects will form a significant business hub from which the future growth of the CBD can spread. One such project is situated at the former Central Police Station site at the corner of Hereford and Cambridge Terrace. This site is to be developed and part occupied by Ngai Tahu, with the remaining space to be tenanted by the Ministry of Education, Housing New Zealand Corporation and the Ministry of Health.

As the Central City rebuild gains momentum, more office space is becoming available. The increase in available office space has swung lease negotiation power to the tenants, with landlords now often providing significant incentives to secure quality tenants on medium to long term leases. These incentives often include fit out contributions, rent free periods and discounted rentals. The recent increase in office supply has brought rental rates down, with rental rates appearing to stabilise at between \$300 and \$380 per square metre for new office space within the Central City.

With the increase in office supply in the central city, fringe/suburban office rental rates are expected to drop to avoid vacancies. Tenants are now having to weigh up the benefits of occupying more expensive, often higher quality central city office space, versus less expensive rental levels in the suburbs as their current lease terms near expiry.

As the supply of the new central city developments increases, tenants have a wider range of options available, consequently having a stronger market position in terms of lease negotiation. Landlords are now having to offer higher incentives to lease space in the Central City.

As businesses relocate into the Central City, suburban office rentals are expected to soften before evening out at a sustainable level. This level is yet to be determined as businesses weigh up the benefits of leasing central city space at higher rental rates, versus the lower, more affordable suburban rates.

Demand for well-located suburban office space is expected to soften due to the immanent shift back into the Central City by a portion of the suburban office market. How large this portion moving back into the City Centre is yet to be determined, however we are aware of significant interest in this regard.

Accordingly, this valuation considers current market conditions based on the following factors:

- Limited office rental growth in the near future, with potential rent reductions, particularly in the suburban sub-market
- Stabilised low investment yields for commercial properties
- Low commercial lending rates
- High demand for quality investment properties

Longer lease terms and firmer rents have been achieved for some time, with a number of investors taking the opportunity to market investments that until recent times have been tightly held. In general, there is limited high quality stock for sale, which is forcing some purchasers to pay a premium to secure these investments.

In the sub \$1 million price bracket, investors are actively seeking stock, with significant activity in this market sector from both owner occupiers and purchasers. We note that in the \$1 to \$5 million price bracket there has been an increase in activity, with local developers and investors at the forefront. In the upper price bracket, above the \$5 million mark, a number of key projects have emerged. These projects will form a significant business hub from which the future growth of the CBD can spread.

Central City - Major Developments			
<i>Development:</i>	<i>Location:</i>	<i>Completion:</i>	<i>NLA:</i>
Ngai Tahu Complex	Montreal, Cambridge, Cashel & Hereford	Staged (Early 2017)	-
The BNZ Centre	Cashel, Hereford & Colombo	Staged (part 2015)	22,482 m ²
Grand Central	Cashel	Late 2015	14,094 m ²
The Terrace	Cashel, Hereford & Oxford	2017	13,609 m ²
The ANZ Centre	Colombo, High & cashel	Late 2016	11,785 m ²
Awly Building	Cnr Gloucester, Cambridge & Armagh	Early 2016	11,500 m ²
The Crossing	Colombo, Cashel & Lichfield	Staged (Oct 2016)	11,000 m ²
Vodafone	Tuam St	Early 2016	8,800 m ²
9 Cathedral Square - ASB	Catherdral Square	Early 2016	7,355 m ²
PWC Centre	Cnr Cambridge & Cashel	2016	6,565 m ²
Lane Neave Building	Cambridge Tce	Late 2015	5,170 m ²
Deloitte	Cnr Gloucester & Cambridge	Completed (2015)	5,000 m ²
Kathmandu Building	Tuam St	Early 2016	4,800 m ²
Wynn Williams House	Cnr Hereford & Montreal	Completed (2014)	4,500 m ²
Press Building	Gloucester St	Completed (2014)	4,250 m ²
124-130 Kilmore St	Kilmore St	Late 2015	4,050 m ²
299 Durham St	299 Durham St	Late 2015	3,078 m ²
Anderson Lloyd House	Gloucester St	Completed (2014)	3,000 m ²
Chester & Durham	Cnr Chester & Durham	Mid 2015	1,954 m ²

Office investment trends within the Central Business District during 2015 have been positive, with yields being recorded between 6.00% and 8.00%. The yields appear to be falling, possibly as a result of lending rates reducing and strong demand from cashed up investors seeking returns above those offered by the banks.

Central City Office & Retail Areas								
<i>Sector:</i>	<i>Grade:</i>	<i>Rents:</i>		<i>OPEX:</i>	<i>Yields</i>		<i>Previous 12 Month Yield Trend</i>	<i>Yield Forecast</i>
		<i>low</i>	<i>high</i>		<i>low</i>	<i>high</i>		
Office	"A Grade" Tier 1	\$330/m ²	\$380/m ²	\$100/m ² p.a.	6.00%	7.25%	<i>falling</i>	<i>level</i>
	"B Grade" Tier 2	\$275/m ²	\$330/m ²	\$70 - 100/m ² p.a.	6.50%	7.50%	<i>falling</i>	<i>level</i>
Retail	Victoria St	\$385/m ²	\$625/m ²	\$70 - 100/m ² p.a.	6.50%	7.50%	<i>falling</i>	<i>level</i>
	Balance Central Areas	\$350/m ²	\$450/m ²	\$50 - 80/m ² p.a.	6.50%	7.50%	<i>falling</i>	<i>level</i>

Fringe/Suburban offices yields have been falling over the past 18 months, with yields generally being recorded below 8.00%, and high quality properties being purchased, on occasion, at below 6.00%.

6.1.3 CENTRAL CITY OFFICE – KEY INDICATORS

The Christchurch Central City office market in 2016 has been characterised by continuing construction of CBD office developments and this includes the completion of a number of high profile multi-level developments.

Many of the buildings which have been completed and those currently under construction are not 100% leased. Accordingly, there is a concern that the Central City office market will have an oversupply of accommodation.

We note that landlords are generally offering incentives, sometimes substantial sized ones, to potential occupiers of larger floor plates and these generally include rent free periods and/or fit-out contributions.

Therefore, whilst face rentals have maintained their level in or around the \$360/m² to \$400/m² mark, effective rents are now falling and are generally between \$300 to \$380/m² for prime 'A' grade space.

In a 2015 survey, Colliers identified that within the CBD a total of 246,193 m² of office accommodation was either recently completed, commenced construction of confirmed for development and shortly to begin. A further 41,008 m² of office space was intended for development, although not guaranteed.

In total, as at 2015, approximately 287,201 m² of office space had been constructed post 2011, was under construction, was confirmed or was intended.

These figures are summarised as follows:

Christchurch CBD Office Space		
Completed	97,939 m ²	34 %
Under Construction	142,507 m ²	50 %
Confirmed	5,8747 m ²	2 %
Intended	41,008 m ²	14 %
Total	287,201 m²	100 %

Source: Colliers

Of this potential 287,201 m² of office space, 191,218 m² (67%) was leased.

The total amount of office space within the CBD, comprising those buildings which survived the earthquakes and are occupiable, together with those which have been/are to be constructed consists of a total of approximately 356,280 m². It has been estimated that of this there will be a vacancy factor of 22%. It is further suggested that this figure will reduce, as tenants in outlying suburban location choose to move back into the central city.

7.0 VALUATION METHODOLOGY

In our assessment of the current market value we have taken into consideration comparable sales, appropriate depreciation rates, current market rent rates, occupancy details including operating expenses concluding a net passing rent, discounted cashflow analysis and current market conditions.

A summary of the approaches is as follows:

Contract Income Approach

The first method of valuation considered is that of direct capitalisation of passing income. This is considered to be a well proven method of determining value for an investment property where income is receivable for a reasonable term from secure tenants.

However, this method can prove less effective where the current contract rent varies from the assessed market rent due to over and under renting, vacant space and a number of other factors.

Market Income Approach

This approach requires the assessment of a current market rental for the property, capitalisation and appropriate yields. It is then possible to make capital adjustments to allow for the difference between contract rent (either over or under) discounted until a notional equilibrium point in the lease term. Vacancies and other capital adjustments are made where appropriate.

Discounted Cashflow

In addition, we have carried out a discounted cashflow valuation over a ten-year period in accordance with established practice.

This method involves projecting the cashflow of the property over a ten-year period and making explicit forecasts for the many variables within the property including:

- Discount rates
- Growth rates
- Sustainable rental level
- Vacancy allowance
- Operating expenses and increase over discount period
- Capital expenditure
- End of period valuation/terminal yield

8.0 RENTAL EVIDENCE AND MARKET RENTAL ASSESSMENT

Central to the market value of commercial properties is the level of net operating income which the property can substantially return to the investor. Accordingly, we now examine the potential rental return which is assessed on a market basis. For the purposes of our assessment and in accordance with International Valuation Standards and Australian Property Institute (API)/Property Institute of New Zealand (PINZ) guidance notes, we have relied on the following definition of Market Rent:

'The estimated amount for which a property, or space within a property, should lease on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion'.

We have researched comparable evidence within the greater Christchurch area noting in particular rental evidence for prime Central City located and 'A' grade office space, as follows:

(a) Comparable Rentals

MARKET RENTAL EVIDENCE - CENTRAL CITY OFFICE PREMISES					
-	104-120 HEREFORD ST	Office and amenities	2,951.00 m2	@	\$375.00 /m2
new lease	BNZ	Balconies	196.00 m2	@	\$180.00 /m2
		Carparks	46 Spaces	@	\$65.00 p.w.
PWC Centre - Under Construction, yet to be completed					
	56-64 CASHEL ST	Office and amenities	1,505.02 m2	@	\$400.00 /m2
	PWC	Balconies	47.32 m2	@	\$133.00 /m2
		Carparks	20 Spaces	@	\$70.00 p.w.
	56-64 CASHEL ST	Office and amenities	1,151.41 m2	@	\$400.00 /m2
	Chapman Tripp	Balconies	189.26 m2	@	\$133.00 /m2
		Carparks	12 Spaces	@	\$70.00 p.w.
	56-64 CASHEL ST	Office and amenities	678.30 m2	@	\$395.00 /m2
	Tonkin & Taylor	Carparks	5 Spaces	@	\$65.00 p.w.
In all three leases, there were incentives involved and which would reduce the net effective rent. The details of these incentives is not known.					
Deloitte Building					
	151 CAMBRIDGE TCE	Office and amenities (Level 1)	505.00 m2	@	\$418.00 /m2
	Windoma Holdings	Covered Carports	3 Spaces	@	\$70.00 p.w.
		Uncovered Carports	3 Spaces	@	\$65.00 p.w.
	151 CAMBRIDGE TCE	Office and amenities (Level 2)	550.00 m2	@	\$418.00 /m2
	Forsyth Barr	Covered Carports	4 Spaces	@	\$70.00 p.w.
		Uncovered Carports	3 Spaces	@	\$65.00 p.w.
	151 CAMBRIDGE TCE	Office and amenities (Level 3)	357.50 m2	@	\$418.00 /m2
	McQuarrie Group Holdings	Uncovered Carports	3 Spaces	@	\$65.00 p.w.
	151 CAMBRIDGE TCE	Office and amenities (Level 3)	309.00 m2	@	\$418.00 /m2
	QBE Insurance	Uncovered Carports	3 Spaces	@	\$70.00 p.w.
	151 CAMBRIDGE TCE	Office and amenities (Levels 4 & 5)	2,019.66 m2	@	\$420.00 /m2
	Deloitte	Uncovered Carports	20 Spaces	@	\$68.00 p.w.

In some cases there were incentives involved and which reduced the net effective rent. The following is a summary of these rents where incentives are known:

	Windoma Holdings	Office and amenities (Level 1)	505.00 m2	@	\$381.61 /m2
	Forsyth Barr	Office and amenities (Level 2)	550.00 m2	@	\$384.09 /m2
	McQuarrie Group Holdings	Office and amenities (Level 3)	357.50 m2	@	\$401.17 /m2
May-16	223 -231 TUAM ST	Ground Floor Offices	1,521.20 m2	@	\$355.00 /m2
new lease	Kathmandu	First Floor Offices	1,543.60 m2	@	\$355.00 /m2
		Second Floor Offices	1,540.50 m2	@	\$355.00 /m2
		Carparks	65 Spaces	@	\$60.00 p.w.
		Bike parks	50 Spaces	@	\$5.00 p.w.
May-16	213 TUAM ST	Cafe	365.00 m2	@	\$450.00 /m2
new lease	Vodafone	Ground Floor Retail	180.00 m2	@	\$450.00 /m2
		Ground Floor Offices	1,355.00 m2	@	\$365.00 /m2
		Levels 1 - 4 Offices	6,915.00 m2	@	\$365.00 /m2
		Fit Out Rental	8,270.00 m2		\$25.00 /m2
		Carparks	40 Spaces		\$60.00 p.w.
		Bike parks	60 Spaces		\$5.00 p.w.
Apr-16	122 VICTORIA ST	Office and amenities	321.50 m2	@	\$294.25 /m2
lease variation	House of Travel	Carparks	8 Spaces	@	\$40.00 p.w.
Apr-16	203 -205 DURHAM ST	Office and amenities	289.60 m2	@	\$287.68 /m2
new lease	NZ Legal Limited	Naming Rights	1	@	\$10,000
		Carparks	4 Spaces	@	\$30.00 p.w.
Feb-16	203 -205 DURHAM ST	Office and amenities	104.10 m2	@	\$340.91 /m2
new lease	Pegasus Chambers	Carparks	1 Spaces	@	\$30.00 p.w.
Nov-15	834 COLOMBO ST	Office and amenities	329.19 m2	@	\$316.56 /m2
new lease	Quotable Value Limited	Carparks	4 Spaces	@	\$35.00 p.w.
Sep-15	203 -205 DURHAM ST	Office and amenities	283.20 m2	@	\$316.20 /m2
new lease	Layburn Holdings	Deck	81.86 m2	@	\$100.00 /m2
		Carparks	4 Spaces	@	\$30.00 p.w.
		Offsite Carports	6 Spaces	@	\$25.00 p.w.
Aug-15	248 MONTREAL ST	Office and amenities	342.73 m2	@	\$360.00 /m2
new lease	Structex Harvard Limited	Carparks	7 Spaces	@	\$25.00 p.w.
Jul-15	203 -205 DURHAM ST	Office and amenities	98.71 m2	@	\$309.75 /m2
new lease	Fidelity Life	Fit Out Rental	98.71 m2	@	\$70.00 /m2
		Carparks	2 Spaces	@	\$30.00 p.w.
Jun-15	63 MANCHESTER ST	Office and amenities	658.50 m2	@	\$350.00 /m2
new lease	Plato Creative Design Limited	Carparks	8 Spaces	@	\$25.00 p.w.
Apr-15	51 CHESTER ST	Office and amenities	432.00 m2	@	\$365.00 /m2
new lease	The NZ Guardian Trust Company	Carparks	4 Spaces	@	\$45.00 p.w.
Mar-15	51 CHESTER ST West	Office and amenities	188.00 m2	@	\$365.00 /m2
new lease	HFIX Limited				
Mar-15	51 CHESTER ST West	Office and amenities	841.40 m2	@	\$359.14 /m2
new lease	Staples Rodway Ch Ch Limited	Air Bridge	8.84 m2	@	\$180.00 /m2
		Carparks	13 Spaces	@	\$45.00 p.w.
Feb-15	322 MANCHESTER ST	Office and amenities	378.83 m2	@	\$290.88 /m2
new lease	Chester Services	Carparks	10 Spaces	@	\$15.00 p.w.
Feb-15	51 CHESTER ST West	Office and amenities	1,026.00 m2	@	\$367.13 /m2
new lease	Tavendale & Partners Limited	Carparks	21 Spaces	@	\$45.00 p.w.
		Balcony	67.68 m2	@	\$110.00 /m2
		Air Bridge	8.84 m2	@	\$180.00 /m2
MARKET RENTAL EVIDENCE - VICTORIA STREET RETAIL PREMISES (SOME OLDER)					
Jun-16	31 VICTORIA ST	Retail	280.70 m2	@	\$430.00 /m2
lease variation	Peter Edmonds Limited	Outdoor Area	41.50 m2		\$191.29 /m2
Nov-15	74 VICTORIA ST	Retail	175.10 m2	@	\$571.10 /m2
new lease	John Jones Steel Limited				
Feb-15	169 VICTORIA ST	Retail	118.92 m2	@	\$370.00 /m2
review	Zebrano Limited	Carparks	3 Spaces	@	\$47.00 p.w.

Aug-14	76-78 VICTORIA ST	Retail	405.72 m2	@	\$440.00 /m2
new lease	Spice Paragon	Raised Store	10 m2	@	\$440.00 /m2
		Ground Floor Toilet	15 m2	@	\$400.00 /m2
		Courtyards	40 m2	@	\$150.00 /m2
		Basement Store	14 m2	@	\$150.00 /m2
		Basement Toilet	29 m2	@	\$150.00 /m2
		Carparks	2 Spaces	@	\$65.00 p.w.
Aug-14	165 VICTORIA ST	Retail	3.00 m2	@	\$300.00 /m2
new lease	Procopé	Office and amenities	51 m2	@	\$250.00 /m2
		Rear Workrooms	95 m2	@	\$219.27 /m2
		Carparks	6 Spaces	@	\$35.00 p.w.
Jun-14	51 VICTORIA ST	Retail	210.00 m2	@	\$525.00 /m2
new lease	Yamagen	Carparks	1 Space	@	\$50.00 p.w.
Mar-14	51 VICTORIA ST	Retail	60.00 m2	@	\$600.00 /m2
new lease	Arori Thai				

Other Rental Evidence

We are also aware of a number of recent leasing's of office space within prominent, recently constructed, or still under construction, A-Grade office buildings. Of commercially sensitive natures, these leasing's are of a confidential nature, as such we present summary details only, as follows:

- A new lease for a medium rise, multiple level, A Grade office building, located in the health precinct and comprising all of the upper floors and part of the ground floor, leased to a blue chip tenant and agreed in late 2016, for a 15-year term, plus a further right of renewal. The tenancy has a total lettable area just under 6,000m² and was agreed at a rate of \$320/m². The rental is subject to annual reviews to CPI which are capped and collared.
- A new lease for a full upper floor tenancy in an A Grade office building in Victoria Street currently under construction, and which was agreed in 2016 for a 12-year initial term, at a face rental of just under \$400/m² together with carparks at a rate of \$65 p.w. It is reviewed annually to CPI and to market four yearly and the effective rent, after consideration of incentives is assessed at \$320/m².
- A new lease for a part floor tenancy in an A Grade office building in Victoria Street currently under construction, agreed in 2016 for a 6-year initial term, with rights of renewal, at a face rental of just under \$400/m². The lease is however subject to a rent free period, accordingly, the effective rent is at a lower level.
- A new lease for a substantial tenancy in an A Grade office building in Oxford Terrace currently under construction and located to a prime central city location. Agreed at a rate of \$425/m² for just under 4,000 m² of office space. The details of an incentive are confidential.
- A new lease for a tenancy in an A Grade office building in Oxford Terrace currently under construction and located to a prime central city location. Agreed at a rate of \$400/m² for just under 1,000 m² of office space. The details of an incentive are confidential.
- A new lease, consisting of a 20-year term and comprising a currently under construction, purpose design/built medical use complex, with associated office components. Agreed in May 2015 at a rate of \$380/m² for circa 1,700 m² of net lettable area. The building is situated in a good, fringe city location and the car parks were adopted at a rate of \$35 p.w.
- A new lease, for a multi-level, high grade office building in Victoria Street, comprising two separate leasing's, the first for 535.9 m² of third level space, agreed at a face rental rate of \$365/m² and \$55 per space per week for the carparks. After allowance for incentives, the effective rental is in a range of between \$320-340/m². The second leasing is for 544.7 m² of second level space, and which was also agreed at a face rental rate of \$365/m² and \$55 per

space per week for the carparks. Again, this is reduced to an effective rental range of between \$320-340/m² after an allowance for incentives.

Summary of Evidence

It is noted that there has been increasing leasing evidence for central city located office premises in recent times. This is largely due to ongoing development of these premises, with many buildings now constructed and available for occupation, together with others now being close to completion.

We note that the above evidence, generally shows "A Grade" office space in a range from \$300/m² upwards. With "B Grade" space generally between \$275/m² and \$330/m², depending on location and quality.

It is also important to note that whilst face rents of very close to \$400/m² are still currently being agreed, there is growing evidence of substantial incentives being offered including rent free period and substantial lessor fit outs. As such, effective rental rates for prime A Grade office space in good central city locations are now generally below \$380/m².

The subject property comprises a well located fringe central city, Victoria Street precinct, multi-level premise, which provides for A Grade office accommodation. The property is of a slightly inferior location, compared to those buildings fronting the Avon River and those in the very heart of the Cashel/Colombo CBD precinct. Accordingly, we find it to fall towards the upper middle end of the above rental evidence range. We adopt an office rental rate of \$320/m².

We have also examined ground floor retail rental evidence for Victoria Street. The above retail premise leasing's show rates from a low end of \$300/m² up \$600/m², with rates at the upper end being for more recently constructed, higher profile located and/or smaller spaces. We find the subjects prime Victoria Street frontage, ground floor retail tenancy area, to fall at the upper end of this range. We adjust the rear ground floor tenancy downwards to reflect its lower profile. We have adopted a rate of \$525/m² for the Chinwag space, with the front courtyard at a rate of \$250/m². For the rear, Prime Health & Fitness tenancy area, we adopt a rate of \$365/m².

Car park rental rates in this location generally evidence a rate of between \$35.00 to \$65.00 per space per week. With the rentals at the upper end generally comprising more centrally located and/or covered carpark spaces. We find the subject to fall towards the middle end of this range, in line with the rates agreed at the very closely located 122 Victoria Street building. We adopt a rate of \$40 per space per park.

In summary, we have adopted a net rental rate of **\$525/m²** for the Victoria Street frontage ground level retail, with the front courtyard at a rate of **\$250/m²**. The rear ground floor retail area is assessed at a rate of **\$365/m²**, with the balance building, being floors 1-4 assessed at a rate of **\$320/m²**. We note that in determining the market rental, in line with normal convention in Christchurch, and in line with the market evidence, we have not assessed a separate rental on the rear stairs, and ground floor entry foyer. The rental rates adopted reflect the benefit of the rear stairs, and wide, exclusive use of the ground floor entry foyer.

We adopt the market rental for the billboards at the recently agreed contract rents of **\$20,500 p.a.** for the south facing billboard, and **\$90,000 p.a.** for the north facing, electronic billboard.

Car parks are set at a rate of **\$40.00 per space per week**.

We proceed on this basis.

(b) Market Rental Assessment

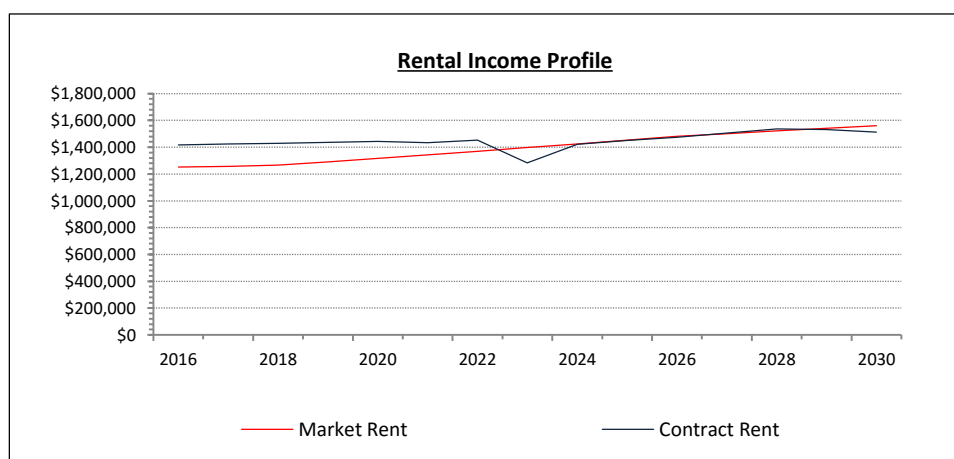
After consideration of the above market evidence, we assess the market rentals for the subject property as follows:

Market Rental Assessment						
Tony Astle (Chinwag)						
Building Rental	Ground Floor Retail	279.83 m ²	@	\$525.00 per m ²	=	\$146,911
	Courtyard	34.74 m ²	@	\$250.00 per m ²	=	\$8,685
		314.57 m ²	@	\$494.63 per m ²	=	\$155,596
Current Net Market Rental - Tony Astle (Chinwag)						\$155,596
Prime Health & Fitness						
Building Rental	Ground Floor Retail	247.30 m ²	@	\$365.00 per m ²	=	\$90,265
Current Net Market Rental - Prime Health & Fitness						\$90,265
Telogis						
Building Rental	Ground Floor Lobby and Stairwell	79.72 m ²	@	\$0.00 per m ²	=	\$0
	1st Floor - Office	676.01 m ²	@	\$320.00 per m ²	=	\$216,323
	1st Floor - Rear Stairs (Excluded)	18.29 m ²	@	\$0.00 per m ²	=	\$0
	2nd Floor - Office	676.01 m ²	@	\$320.00 per m ²	=	\$216,323
	2nd Floor - Rear Stairs (Excluded)	18.29 m ²	@	\$0.00 per m ²	=	\$0
	3rd Floor - Office	682.75 m ²	@	\$320.00 per m ²	=	\$218,480
	3rd Floor - Rear Stairs (Excluded)	18.29 m ²	@	\$0.00 per m ²	=	\$0
	4th Floor - Office	682.75 m ²	@	\$320.00 per m ²	=	\$218,480
	4th Floor - Rear Stairs (Excluded)	18.29 m ²	@	\$0.00 per m ²	=	\$0
		2790.68 m ²	@	\$311.61 per m ²	=	\$869,606
Car Park Rental	Carparks	12 spaces	@	\$40.00 per week	=	\$24,960
Current Net Market Rental - Telogis						\$894,566
ISITE Media - North Billboard (Electronic)						
Other Rental	Signage Board	1 unit	@	\$90,000.00 per annum	=	\$90,000
Current Net Market Rental - ISITE Media - North Billboard (Electronic)						\$90,000
ISITE Media - South Billboard						
Other Rental	Signage Board	1 unit	@	\$20,500.00 per annum	=	\$20,500
Current Net Market Rental - ISITE Media - South Billboard						\$20,500
Total Market Rental Assessment						Adopt: \$1,250,927

(c) Financial Summary

Financial Summary

Tenant	Contract Rental	Market Rental	Annual Surplus / Shortfall	Market Rental Reversion	Initial Vacancy Period
Tony Astle (Chinwag)	\$156,073	\$155,596	\$477	70.0 Months	-
Prime Health & Fitness	\$90,720	\$90,265	\$456	9.0 Months	-
Telogis	\$1,059,512	\$894,566	\$164,945	92.0 Months	-
ISITE Media - North Billboard (Electronic)	\$90,000	\$90,000	-	-	-
ISITE Media - South Billboard	\$20,511	\$20,500	\$11	-	-
Subtotal	\$1,416,816	\$1,250,927	\$165,889		
Less Non Recoverable Opex	-	-			
Net Rental Income	\$1,416,816	\$1,250,927			



9.0 SALES EVIDENCE

9.1 IMPROVED SALES

We have considered a wide canvas of sales evidence; however, we note in particular the transactions below. The following guidance notes detail the relevant analysis benchmarks:

The **Initial Yield** is calculated on the contract passing rent at the date of sale.

The **Market Yield** is calculated on the market rent at the date of sale.

The **Effective Yield** is calculated on the market rent at the date of sale and adjusted to reflect capitalised rental surplus or shortfall, vacancy, letting up costs and other capital sums.

The **Internal Rate of Return (IRR)** is the overall rate of return to the investor, calculated over a specified investment holding period and allowing specifically for capital and income returns.

The following is a summary of a basket of higher value investment sales evidence in Christchurch City, as follows:

fordbaker valuation									
SALES ANALYSIS									
Address	Sale Date	Sale Price	Lettable Area (sqm)	Lease Term to Run	Rate Per sqm	Passing Yield	Market Yield	Effective Yield	IRR
131-133 Victoria Street, Central City	Mar-16	\$11,000,000	1,655	-	\$6,647	6.97%	-	-	-
Comprising a two level, multi tenanted, fully leased, part retail, part office complex located at 131 Victoria Street. Tenants include Saunders & Co, Mexicano's and The Dirty Land, MAP, Hays and EQI. The sale included the neighbouring 133 Victoria Street site which consists of a 45 space carpark. The property was refurbished post earthquake events to now comprise high quality accommodations, having a seismic strength of 100% of NBS. The property sold in march 2016 for \$11,000,000 with total annual contract rental of \$766,813 which indicates a passing yield of 6.97%.									
335 Lincoln Road, Addington	Apr-16	\$27,110,000	5,380	5.77 yrs	\$5,039	8.16%	7.76%	-	-
Comprising a modern, high quality, three building campus style complex, located at 335 Lincoln Road. Constructed post earthquakes (2013) and providing for three level A Grade office space, together with part ground floor retail over two separate buildings. The property includes a separate car park building and which has a total of 184 spaces. The property is leased to some twelve separate occupiers, with the anchor tenants consisting of Media Works and Moore Stephen Markhams, with a WALT at the date of sale of 5.77 years. The property sold in April 2016 for \$27,110,000 with a contract rental inflated above market rates, this indicated a passing yield of 8.16% and a market yield at market rental rates of 7.76%									
122 Victoria Street, Central City	Apr-16	\$3,600,000	915	3.40 yrs	\$3,935	7.40%	8.09%	7.97%	9.24%
Comprising a three level, circa 1972 – 1973 constructed with small ground floor extension in the mid-2000s, commercial building. Comprising three levels of office accommodation although the ground floor would alternatively suit a retail purpose. Fully leased at the date of inspection, the property includes a number of carparks to its rear which are leased to both tenants of the building, together with tenants of neighbouring buildings. The building occupies a good position within the popular Victoria Street office precinct and accordingly is well situated. The property sold in April 2016 for \$3,600,000 with a total contract rental of \$267,780 p.a. which indicates a passing yield of 7.40% The ground floor tenancy was varied prior to the sale to provide for no review until 30 April 2020 (at renewal) at which a market review will take place, together with a CPI rent review to occur on 30 April 2024. Accordingly the property is assessed as under rented. At a market rental of \$291,329 p.a. this indicates a market yield of 8.09%									
12 & 14 Show Place, Addington	Nov-15	\$33,200,000	7,881	10.00 yrs	\$4,213	7.80%	-	-	-
Comprising 12 and 14 Show Place, a campus style estate located in Addington. Consisting of modern, high quality, multi level, A Grade buildings within Show Place. IAG (Insurance Australia Group Ltd), is the anchor tenant, together with two minor, comprising a gym and café. The IAG building has had a full refit which included a complete refurbishment, new energy efficient HVAC and lighting systems. 12 Show Place has an NBS of 75% and 14 Show Place is 80% NBS. We understand that the building is targeting a 4-5 star whole building NABERSNZ energy rating. The property was sold in November 2015 for \$33,200,000 on total annual contract rental of \$2,588,625 This indicates a passing yield of 7.80%									

SALES ANALYSIS									
Address	Sale Date	Sale Price	Lettable Area (sqm)	Lease Term to Run	Rate Per sqm	Passing Yield	Market Yield	Effective Yield	IRR
652 Halswell Junction Road & 75-81 Seymour Street, Hornby	Nov-15	\$38,900,000	-	5.50 yrs	-	6.76%	-	-	-
Comprising a sale of the Glassworks Industrial Park, consisting of a modern industrial development, with five industrial premises. Occupied by: Move Logistics, DHL Supply Chain, Bridgestone, Cirtex Industries and Westfarmers Industrial & Safety. The property is located over three separate titles, and had a total contract rental at the date of sale of \$2,629,391 p.a. with a WALT of 5.5 years. The property sold in November 2015 for \$38,900,000 which indicates a passing yield of 6.76%									
323 Madras Street, City	Oct-15	\$6,800,000	1,407	6.00 yrs	\$4,833	7.46%	7.47%	7.46%	8.96%
Comprising a post earthquake, circa late 2013 constructed, two level retail/office, building located on the corner of Madras and Peterborough Streets. Consisting of ground floor retail and first floor office accommodation plus associated carparks. Subject to two long term leases, both having initial terms of 8 years, with approximately 6 years remaining as at the date of sale. The property sold in October 2015 with total annual contract rental of \$507,523 which indicates a passing yield of 7.46%									
550 Colombo Street, Central City	Aug-15	\$20,000,000	6,810	12.00 yrs	\$2,937	7.04%	7.24%	-	-
Comprising a sale and leaseback for the Colombo Street, Smiths City bulk retail premise property, located at the intersection of Colombo and Dundas Streets. The total land area of the property is 1.4490 hectares. Leased for a term of 12 years from August 2015 at an annual contract rental of \$1,408,654 with fixed increases of 2.0% p.a. and market reviews on renewal. The lease excludes an area of some 255 m2 which comprises a concrete block storage building which has 15 carparks. The property sold in August 2015 for \$20,000,000 which indicates a passing yield of 7.04%. This increases to 7.24% if an additional \$40,000 p.a. in rental is allowed for this additional area.									
146 Shands Road, Hornby	Aug-15	\$39,525,000	-	9.00 yrs	-	7.21%	-	-	-
Comprising the General Distributors Limited premise, a substantial warehouse complex at 146 Shands Road, Hornby. The buildings were constructed circa 2000 and 2012 and were leased to General Distributors for a term of 20 years from August 2004 at a net contract rental of \$2,753,908 p.a. which included non-reviewable rent components consisting of an improvements rent of \$7,000 p.a., a subdivision rent of \$210,000 p.a. for additional land and an improvement rent of \$969,100 which relates to the expansion work, which was completed in 2012. We understand that the vendor guaranteed the contract rent at \$2,850,000 p.a. until the review at 30 August 2019. The property sold in August 2015 for \$39,525,000 which indicates a yield of 7.21%									
17 Sir Gil Simpson Drive, Burnside	Feb-15	\$5,250,000	1,113	5.00 yrs	\$4,719	7.03%	6.60%	6.70%	5.46%
The principal improvement on the property comprises a recently constructed, two level office building. The building includes an internal lift between the two floors and high quality amenities and services to each floor. The building has been constructed to a minimum of 100% New Building Standard (NBS). Other improvements include a bike shed/generator room located adjacent to the northern boundary, asphalt sealed car parking areas with a total of 45 spaces and balance landscaped areas. The property sold fully leased, with a 5 year WALT, in February 2015 for \$5,250,000 at a total annual contract rental of \$368,850. This indicates a passing yield of 7.03%									
223-231 Tuam Street, Central City	Oct-14	Confidential	4,500	10.00 yrs	-	7.30%	-	-	-
Comprising the new Kathmandu head office building, currently under construction and located at the corner of Tuam and Madras Streets in the Central City. The building will be 5 Green Star Design & Build rated, with construction estimated to be completed by early 2016. Kathmandu has entered into a 10 year initial lease, with further rights of renewal. We understand that the total rent will be \$1,597,000 p.a. and indicating a passing yield of 7.30%									
83 Victoria Street, Central City	Sep-14	\$18,451,806	-	6.81 yrs	-	7.50%	-	-	-
Comprising a six-storey building with underground parking, retail space on the ground floor, and offices on the floors above. Located at the intersection of Kilmore and Peterborough Streets, the building has a dual frontage profile. Tenants include: Mr Sushi (Ground floor hospitality space), Martinovich Jewellers (Ground floor), Black and White Coffee Cartel (Ground floor), Hamilton Hindin Greene (Level 1), Ashton Wheelans (Level 2), Buddle Findlay (Levels 3 & 4) and Greenwood Roche Chisnall (Level 5). The WALT was 6.81 years.									
88-98 Moorhouse Avenue, City	May-14	\$6,800,000	1,620	Vacant	\$4,199	-	7.54%	-	-
Comprising a two level modern conventional commercial building suitable for a blend of showroom and office activities. The ground floor is primarily an open office or bulk retail space with some minor intrusion from internal support columns. The first floor layout is similar with the stair/lift lobby at the front of the building and similar services and amenities to the rear. Construction was completed early 2014 and the property sold on a vacant possession basis in May 2014 for \$6,800,000. Market rental is assessed at \$514,404 p.a. which indicates a market yield of 7.56%									
351 Lincoln Road, Addington	Sep-13	\$27,000,000	5,250	Vacant	\$5,143	-	7.42%	-	-
Comprising a five level building with a separate car parking building under construction on the corner of Lincoln Road and Bernard Street, Christchurch with major frontages and public access from both roads. Having a total lettable area of 5,250 m ² with 196 allocated car parks contained within the site, with 106 car parks housed in a separate car parking building, 53 are undercover. Sold as if complete and vacant in September 2013 for \$27,000,000 with the purchaser now leasing out the space, analysis allowing for market rent and vacancy allowance indicates a yield of 7.42%									

SUMMARY OF EVIDENCE

It is noted that there has been a good number of sales of substantial sized, higher price bracket investment properties within the greater Christchurch area in recent times. This has largely been due to the recent earthquake events/Christchurch rebuild and the following resulting factors:

- An increase in the number of higher value, good quality investment properties being offered to the market for sale
- Investors with insurance proceeds, looking for good quality investment properties
- Low bank deposit rates, which make property investment returns more attractive

This has generally increased prices and lowered yields.

We summarise the above sales evidence as follows:

Address	Sale Date	Sale Price	Lettable Area (sqm)	Lease Term to Run	Rate Per sqm	Passing Yield	Market Yield	Effective Yield	IRR
131-133 Victoria Street, Central City	Mar-16	\$11,000,000	1,655	-	\$6,647	6.97%	-	-	-
335 Lincoln Road, Addington	Apr-16	\$27,110,000	5,380	-	\$5,039	8.16%	7.76%	-	-
122 Victoria Street	Apr-16	\$3,600,000	915	3.40 yrs	\$3,935	7.40%	8.09%	7.97%	9.24%
12 & 14 Show Place, Addington	Nov-15	\$33,200,000	7,881	10.00 yrs	\$4,213	7.80%	-	-	-
652 Halswell Junction Road & 75-81 Seymour Street, Hornby	Nov-15	\$38,900,000	-	5.50 yrs	-	6.76%	-	-	-
323 Madras Street, City	Oct-15	\$6,800,000	1,407	6.00 yrs	\$4,833	7.46%	7.47%	7.46%	8.96%
550 Colombo Street, Central City	Aug-15	\$20,000,000	6,810	12.00 yrs	\$2,937	7.04%	7.24%	-	-
146 Shands Road, Hornby	Aug-15	\$39,525,000	-	9.00 yrs	-	7.21%	-	-	-
17 Sir Gil Simpson Drive, Burnside	Feb-15	\$5,250,000	1,113	5.00 yrs	\$4,719	7.03%	6.60%	6.70%	5.46%
223-231 Tuam Street, Central City	Oct-14	Confidential	4,500	10.00 yrs	-	7.30%	-	-	-
83 Victoria Street, Central City	Sep-14	\$18,451,806	-	6.81 yrs	-	7.50%	-	-	-
88-98 Moorhouse Avenue, City	May-14	\$6,800,000	1,620	Vacant	\$4,199	-	7.54%	-	-
351 Lincoln Road, Addington	Sep-13	\$27,000,000	5,250	Vacant	\$5,143	-	7.42%	-	-

Higher value, office property sales (above) generally indicate yields in a range of between 6.00% and 7.75%, with older properties, those with less secure leases and/or in less desirable locations tending towards the upper end of the range. The lower end of the yield range (above) generally comprises well leased, high quality, good profile developments situated in superior locations.

When determining the yield which the subject property would transact at, we have assessed the risk levels which a prudent investor would judge the investment on, we analyse as follows:

Age, Quality & Specification - Comprising a high quality, fully refurbished/strengthened/upgraded, five level, commercial building. It comprises good quality, A Grade office accommodation. The buildings seismic strength has been assessed by DHC Consulting Limited as at 100% of New Building Standards (NBS) requirements for bracing. These are all positive (risk decreasing) factors.

Value, Affordability - The property is a larger sized office investment property. At a sale and purchase price around just under \$20 million, the property is not affordable to smaller sized investors, being suited to wealthy individuals, syndications and/or institutional investors. Whilst this would limit the potential purchaser pool, we find due to the current high demand, the affordability to be a nil risk factor.

Lease Profile - The property is fully leased, with a WALT at the date of valuation, assuming the billboard leases run their full term, of 7.2 years on an income basis and 7.5 years on a lettable area basis. The Victoria Street frontage is leased to a well-established, Christchurch hospitality operator, while the rear ground floor is leased to a small gymnasium operator, with some 5 years and 10 months to run on the initial term and two further rights of six years each. The balance floors are leased to a substantial, cloud-based Mobile Enterprise Management (MEM) software company (Telogis) and which has recently been acquired by the Verizon. Verizon Communications, Inc., is a broadband telecommunications company and was the largest U.S. wireless communications service provider as of September 2014. These are all positive (risk decreasing) factors.

We note that Telogis does not appear to require its full tenancy area. At the date of inspection, the full first floor area was being utilised for employee bike parking and storage only. Whilst this maybe a sign that the company is expecting growth and is future proofing itself on the site. Notwithstanding this, Telogis has just under 8 years to run on its lease term, with 2 x 10 year rights of renewal. Is a multi-national tenant and the lease is agreed at above market rates, with no reviews to market in the current lease agreement.

Tony Astle (Chinwag) is a local, established hospitality operator.

Prime Health and Fitness is a local gymnasium and operator.

ISite is a local established signage/advertising display operator. There is a risk of this tenant exiting their lease, as per the terms, should the neighbouring sites have developments made to them in the future, which impact on the visibility of the subject property's billboards. This is tempered by the new maximum building height restrictions in the city plan, which prevent new buildings from being constructed above 17m in height. The right of way which is located to the subject property's southern boundary would also temper any future development on the neighboring site which might affect the billboards lines of site.

Tenancy Spread - Multiple tenancies. As such, the risk of total vacancy and a resulting loss of total income is much lower than for a single tenant property. This is a nil risk factor.

Design - The subject comprises a very well located, good profile building, within a popular central city office/retail precinct. As such we would consider that any available space would be well met by prospective tenants. These are positive (risk decreasing) factors for the property.

Insurance Cost - Insurance costs have risen as a result of the seismic events. We note that the buildings seismic strength has been assessed at 100% of New Building Standards (NBS). This is a positive (risk decreasing) factor with regards to insurance costs. We further understand that recent insurance premiums are now reducing, which is also positive.

9.2 S.W.O.T. ANALYSIS

Having regard to our collection of sales in the higher price range, within Christchurch City, we have concluded a capitalisation rate by completing a SWOT analysis as follows:

Strengths

- Excellent location being positioned within the superior Victoria Street office/retail precinct.
- Fully leased at the date of inspection.
- Onsite carparking.
- Double road frontages.
- Weighted average lease term of 7.2 years
- Mix of local and international tenants
- Fully upgraded building to 100% NBS

Weaknesses

- Limited onsite carparking (12 spaces) given the substantial lettable area and the number of persons occupying the building during the daytime.
- The Telogis contract rental is above current market rental rates.
- No rent reviews during the initial lease term for the Telogis leasing, together with no market reviews during any renewed term of the Telogis lease.

Opportunities

- New owner (Verizon) of the anchor tenant (Telogis) may seek to expand their Christchurch presence, given they now have a presence in the city

Threats

- Weakness in the New Zealand economy, particularly given the ongoing struggles of the dairying sector and the low returns to farmers.
- Signage tenants may be built out in the future

Conclusions

The above sales evidence for investment properties in Christchurch City, shows a transaction range of between 6.00% and 7.80% with those at the lower end of the range comprising: well leased, more recently constructed, superior located and/or higher profile properties.

We find the subject property to fall towards the middle of this market yield range. This is to reflect the following key points:

- Excellent location to Victoria Street, a popular office and retailing precinct
- Fully leased nature of the property

However, also considering the following:

- The over rented to market rates nature of the Telogis tenancy
- The risk that the signage tenants may be built out in the future.

Summary

Therefore, given the: location, age, size and utility of the subject property, and the above assessed risk allowances, we believe that the subject property would transact at a yield of **7.00%** on Net Market Rentals and **7.50%** on the Contract Rental. Furthermore, we have concluded a Discount Rate for the DCF approach of **8.25%** and a Terminal Capitalisation Rate of **7.50%**.

We proceed on this basis.

10.0 VALUATION APPROACHES

10.1 DIRECT CAPITALISATION APPROACH

Direct Capitalisation encompasses the conversion of the net operating income to capital value through the application of a capitalisation rate, derived from market evidence. The capitalisation rate encompasses a number of implicit assumptions including the property's physical attributes, the quality and security of the investment, the prospect of future rental growth and occupational prospects upon vacancy. Specific adjustments can be made to account for vacancy, premium or shortfall rental, lease-up expenses and other capital items.

Market Rental Capitalisation Valuation						
Potential Net Market Rental Income						\$1,250,927
						6.80% \$18,395,980
						6.90% \$18,129,372
Capitalised in Perpetuity at:						7.00% \$17,870,381
						7.10% \$17,618,685
						7.20% \$17,373,981
Capitalised Market Value - Fully Leased at Market Rental						Adopt: \$17,870,000
Capitalised Cashflow Adjustments						
Occupancy:	PV Rental Surplus / Shortfall	PV Initial Vacancy Void	PV Unexpired Lease Incentives	PV Opex During Initial Vacancy	Leasing Costs @ 15%	
Tony Astle (Chinwag)	\$2,223	-	-	-	-	
Prime Health & Fitness	\$331	-	-	-	-	
Telogis	\$944,497	-	-	-	-	
ISITE Media - North Billboard (Electronic)	-	-	-	-	-	
ISITE Media - South Billboard	\$18	-	-	-	-	
Subtotal	\$947,069	-	-	-	-	
Total Capitalised Cashflow Adjustments						\$947,069
Subtotal						\$18,817,069
Indicated Market Value						Adopt: \$18,820,000

Contract Rental Capitalisation Valuation			
Net Contract Passing Rental Income			\$1,416,816
			7.30% \$19,408,439
			7.40% \$19,146,163
Capitalised in Perpetuity at:			7.50% \$18,890,881
			7.60% \$18,642,317
			7.70% \$18,400,209
Indicated Market Value:			Adopt: \$18,890,000

10.2 DISCOUNTED CASHFLOW ANALYSIS

We have also analysed the property applying discounted cashflow analysis, adopting a 10 year cashflow time horizon and making appropriate allowances for rental income growth, leasing up allowances on expiries, along with a terminal value at the end of the time period. The resultant Net Present Value being a reflection of market based income and expenditure projections over the 10-year period.

Discounted Cashflow Valuation										
Assumptions										
Investment Cashflow Period:	10 years									
Nominal Cashflow Calculation:	Annually In Arrears									
Adjusted Cashflow Calculation:	Monthly In Advance									
Receipt of Initial Rental Payments:	September-2016									
Ground Lease Payments:	Monthly in Advance									
Anticipated Ground Rental Inflation Rate:	0.00%									
Leasing Commission:	15.00%									
Disposal Cost Estimate:	2.50%									
Weighted Average Term To Run - Effective Date:	7.16 years									
Weighted Average Term To Run - Year 10:	6.90 years									
Adopted Discount Rate:	8.25%									
Adopted Terminal Capitalisation Rate:	7.50%									
Vacancy Allowance on Expiry - Prime Retail:	3 months									
Vacancy Allowance on Expiry - Prime Office:	3 months									
Vacancy Allowance on Expiry - Signage Board Rental:	0 months									
Forecast Growth - Year Ending	Aug-17	Aug-18	Aug-19	Aug-20	Aug-21	Aug-22	Aug-23	Aug-24	Aug-25	Aug-26
Prime Retail Rental Growth	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Prime Office Rental Growth	0.00%	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Signage Board Rental Growth	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
CPI (All Groups) Inflation [Treasury]	0.40%	1.10%	1.70%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Opex Inflation	1.90%	2.60%	3.20%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Valuation										
Year Ending	Aug-17	Aug-18	Aug-19	Aug-20	Aug-21	Aug-22	Aug-23	Aug-24	Aug-25	Aug-26
Net Cashflow	\$1,480,587	\$1,486,903	\$1,491,236	\$1,499,723	\$1,507,781	\$1,481,350	\$1,517,564	\$1,183,776	\$1,483,850	\$1,513,239
Terminal Value										\$19,194,838
Present Value Cash Flows	\$18,438,189									
Sensitivity Analysis	Discount Rate:		7.50%	7.75%	8.00%	8.25%	8.50%	8.75%	9.00%	
	Indicated Value:		\$19,395,000	\$19,070,000	\$18,750,000	\$18,440,000	\$18,135,000	\$17,835,000	\$17,540,000	
Indicated Market Value	\$18,440,000									

DCF Valuation – Adopt \$18,440,000

Attached in the Appendix is our discounted cashflow valuation summary.

10.3 SUMMARY

The approaches undertaken indicate a value range of between \$18,440,000 and \$18,890,000.

In general, when assessing the value of commercial property, the investment approaches are considered to most accurately reflect market value, having particular regard to leasing and economic considerations and being the approaches best understood by participants in the market.

Given that the contract rent will be stable in the immediate future and given the terms of the leases, we consider this is the basis upon which a prudent purchaser would base their decision. We have therefore relied most heavily on the contract income capitalisation approach.

Accordingly we summarise our assessment as follows:

SUMMARY OF VALUATION APPROACHES

Investment Valuation

- Market Rental Capitalisation Approach	\$18,820,000
- Contract Rental Capitalisation Approach	\$18,890,000
- Discounted Cashflow Approach	\$18,440,000

Adopted Market Value	\$18,890,000
-----------------------------	---------------------

Indicating:

Passing Yield on Contract Rental:	7.50%
Passing Yield on Market Rental:	6.62%
Effective Yield:	6.97%
Internal Rate of Return:	7.89%
Value per m ² LFA:	\$5,504

11.0 VALUATION

11.1 RECONCILIATION AND CONCLUSION

Having regard to available market reconciliation and factors outlined above in the body of this report together with our appendices, we confirm our assessed market value as at 24 August 2016 is:

\$18,890,000 (Eighteen Million Eight Hundred and Ninety Thousand Dollars) plus GST, (if any)

The above value we apportion as follows:

Land Value	\$2,830,000
Building Improvements	<u>\$16,060,000</u>
Total	\$18,890,000

11.2 OVERRIDING CONDITIONS

Our valuation is subject to the February 2016 earthquake damage being repaired.

11.3 APPENDIX TO VALUATION

- 1 General Valuation Policies and Qualifications
- 2 Computer Freehold Register
- 3 Discounted Cashflow

11.4 REGISTERED VALUER / CO-SIGNING VALUER



DAVID W HARRIS – FNZIV, FPNZ

REGISTERED VALUER
DIRECTOR VALUATION SERVICES
Phone: +64 3 379 7830
Mobile: 021 631 077
DDI: +64 3 964 4153
Email: david@fordbaker.co.nz

Involvement: Inspection / Valuation Calculation /
Report Preparation



M J BINNIE – B COM (VPM)

REGISTERED VALUER
EMAIL: matthew@fordbaker.co.nz

Involvement: Inspection / Valuation Calculation /
Report Preparation

This valuation has been peer reviewed by **MARTIN REX CUMMINGS, Dip Urb Val, FNZIV, MPMI**, who has previously inspected the property and is familiar with the location and confirms the appropriateness of the valuation methodology and conclusion.



Registered Valuer

Director

APPENDIX 1

General Valuation Policies and Qualifications

The valuation assessment contained herein is subject to FordBaker Valuation Limited's Statement of General Valuation Policies, which included within the conclusion section of this report, and other assumptions and limitations as detailed below:

- This valuation and all valuation services are provided by FordBaker Valuation Limited solely for the use of the client. FordBaker Valuation Limited does not and shall not assume any responsibility to any person other than the client for any reason whatsoever including breach of contract, negligence (including negligent misstatement) or wilful act or default of itself or others by reason of or arising out of the provision of this valuation or valuation services. Any person, other than the client, who uses or relies on this valuation, does so at their own risk.
- In the course of our assessment, reliance has been placed on sales data sourced from a variety of databases and/or from Real Estate agencies involved with these transactions. We have not sighted the sale and purchase agreements relating to all of these transactions. Our Valuation is completed on the basis that this information is correct and we reserve the right to amend our Valuation if that information proves to be incorrect.
- This valuation has been completed for the specific purpose stated in this report. No responsibility is accepted in the event that this report is used for any other purpose.
- This report is relevant as at the date of preparation and to circumstances prevailing at that time. However, within a changing economic environment, returns on investment and values can be susceptible to variation - sometimes over a relatively short time scale. We therefore strongly recommend that before any action is taken involving acquisition, disposal or borrowing, restructuring or any other transaction that you consult us.
- The value provided in this valuation is our opinion of the current rental value on a willing lessor/willing lessee basis. That value may change in the future due to market conditions and changes to the state of the property which is the subject of this report.
- FordBaker Valuation Limited has a policy of not contracting out of the provisions of the Consumer Guarantees Act. Accordingly, where there is any conflict between any statement in this report and the Consumer Guarantees Act 1993, the latter shall prevail.
- Neither the whole nor any part of any valuation report, or any reference to the same may be included in any published document, circular or statement without our written approval as to the form and context in which it may appear.
- Substances such as asbestos, other chemicals, toxic wastes or other potentially hazardous materials could, if present, adversely affect the value of the property. The stated value estimate is on the assumption that there is no material on or in the property that would cause loss in value. No responsibility is assumed for any such conditions and the recipient of this report is advised that the Valuer is not qualified to detect such substances, quantify the impact on values or estimate the remedial cost.
- This report complies with the International Valuation Standards and API/PINZ Valuation Standards and Guidance Notes.
- We confirm that FordBaker Valuation holds and maintains a current professional indemnity insurance policy.
- We confirm that the Valuer has no financial interest or otherwise in the property and has no relationship with the vendor, purchasers or agents.
- Where another party has supplied information to us, this information is believed to be reliable and accurate, but we can accept no responsibility if this should prove not to be so.
- Our assessment is also contingent on suitable insurance being obtained and maintained for the property. Should adequate insurance be unable to be obtained or maintained, this may have a significant impact on the market value of the property.

APPENDIX 2

Computer Freehold Register



COMPUTER FREEHOLD REGISTER UNDER LAND TRANSFER ACT 1952

Historical Search Copy



Identifier CB32B/269
Land Registration District Canterbury
Date Issued 12 July 1989

Prior References
CB304/293 CB30F/1153 CB30F/1155
CB30F/1156 CB30F/1157

Estate Fee Simple
Area 1415 square metres more or less

Legal Description Lot 1 Deposited Plan 54250

Original Proprietors
Wilfrid Owen Holdings Limited

Interests

The right of way easements specified in Easement Certificate 815387.11 are subject to Condition's conditions in Document 251928.1

815387.11 Easement Certificate specifying the following easements - 12.7.1989 at 11.07 am

Type	Servient Tenement	Easement Area	Dominant Tenement	Statutory Restriction
Right of way, rights to drain water and sewage, convey water, electric power and telephonic communications (Limited in height)	Lot 1 Deposited Plan 54250 - herein	A DP 54250	Lot 2 Deposited Plan 54250 - CT CB32B/270	
Right of way, rights to drain water and sewage, convey water, electric power and telephonic communications	Lot 2 Deposited Plan 54250	B DP 54250	Lot 1 Deposited Plan 54250 - herein	

The easements specified in Easement Certificate 815387.11 when created will be subject to Section 309(1)(a) Local Government Act 1974

A149767.2 Mortgage to Merchant International Finance Corp Limited - 12.12.1994 at 11.42 am

5386260.1 Variation of Mortgage A149767.2 - 30.10.2002 at 9:00 am

5531891.1 Mortgage to Merchant International Finance Corp Limited - 26.3.2003 at 9:00 am

6718753.1 Discharge of Mortgage A149767.2 - 17.1.2006 at 9:00 am

6718753.1 Discharge of Mortgage 5531891.1 - 17.1.2006 at 9:00 am

6718753.2 Transfer to 104 Victoria Street Limited - 17.1.2006 at 9:00 am

6718753.3 Mortgage to ANZ National Bank Limited - 17.1.2006 at 9:00 am

7161128.1 Discharge of Mortgage 6718753.3 - 19.12.2006 at 2:23 pm

7161128.2 Transfer to Ventu Anno Limited - 19.12.2006 at 2:23 pm

Identifier

CB32B/269

7161128.3 Mortgage to ANZ National Bank Limited - 19.12.2006 at 2:23 pm
9429088.1 Discharge of Mortgage 7161128.3 - 17.6.2013 at 2:59 pm
9429088.2 Transfer to Victoria 104 Limited - 17.6.2013 at 2:59 pm
9429088.3 Mortgage to ASB Bank Limited - 17.6.2013 at 2:59 pm
9659471.1 Discharge of Mortgage 9429088.3 - 5.3.2014 at 4:05 pm
9659471.2 Mortgage to Westpac New Zealand Limited - 5.3.2014 at 4:05 pm

304/293
References 30F/1153, 1155, 1156, 1157
Prior C/T

Land and Deeds 69

Transfer No.
N/C. Order No. 815387/9



REGISTER

No. 32B / 269

CERTIFICATE OF TITLE UNDER LAND TRANSFER ACT

This Certificate dated the 12th day of July one thousand nine hundred and eighty nine under the seal of the District Land Registrar of the Land Registration District of CANTERBURY

WITNESSETH that WILFRID OWEN HOLDINGS LIMITED at Christchurch ---

is seized of an estate in fee-simple (subject to such reservations, restrictions, encumbrances, liens, and interests as are notified by memorial underwritten or endorsed hereon) in the land hereinafter described, delineated with bold black lines on the plan hereon, be the several admeasurements a little more or less, that is to say: All that parcel of land containing 1415 square metres or thereabouts being Lot 1 Deposited Plan 54250 ---



ASSISTANT LAND REGISTRAR

Subject to:

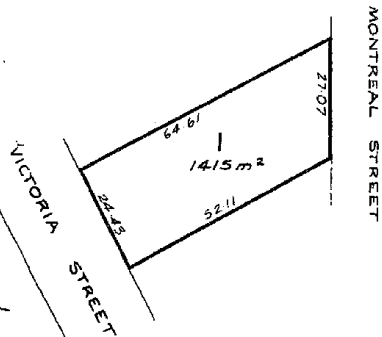
No. 815387/11 Easement Certificate specifying intended easements on D.P. 54250

DISCHARGED
Mortgage 754536/1 to Westpac Finance Limited, Westpac Securities Limited and Westpac Merchant Finance Limited, 25.7.1988 at 10.10am (affects the parts formerly contained in O.S.T. 30F/1153, 1155, 1156 and 1157) 879659

Nature	Servient Tenement	Dominant Tenement
Right of Way, rights to drain water and sewage and convey water, electric power and telephonic communications, Limited in height	1 (herein)	A 2 (32B/270)

A.L.R.

Christchurch City



Measurements are Metric

" 2 B 1

- 12.7.1989 at 11.07am

The easements specified in Easement Certificate 815387/11 when created will be subject to Section 309 (1) (a) Local Government Act 1974 and the rights of way to Conditions 1, 2, 4, 9 or 10 and 11 of Council's conditions in Document 251928/1

A.L.R.

A.L.R.

over.....

No. 32B / 269

Amended 16-4-1991
A.L.R.

Amended 16-4-1991
A.L.R.

CERTIFICATE OF TITLE No. 328 / 269

Mortgage 851182/1 to Westpac Finance
Limited, Westpac Securities Limited
and Westpac Merchant Finance Limited
- 24.1.1990 at 9.05am

[Signature]
for A.L.R.

Mortgage A95899/2 to Westpac Banking
Corporation - 9.2.1994 at 10.00am

DISCHARGED
12/12/1994

[Signature]
for A.L.R.

Mortgage A149767/2 to Merchant
International Finance Corp Limited -
12.12.1994 at 11.42am

[Signature]
for A.L.R.



APPENDIX 3

[illegible]