

Valuation Advisory

Report prepared for Oyster Industrial Ltd for Financial Reporting
and Mortgage Security purposes

Industrial Property

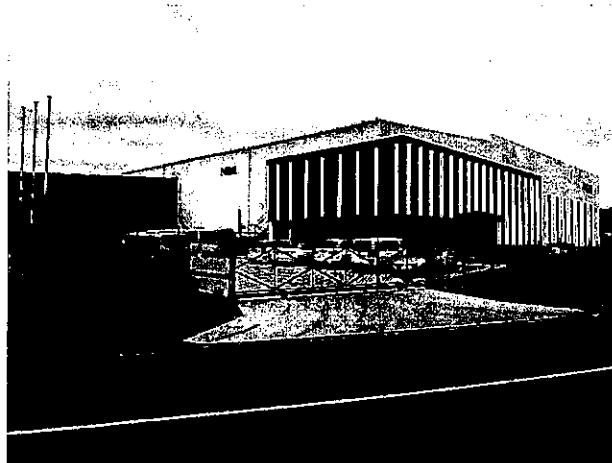
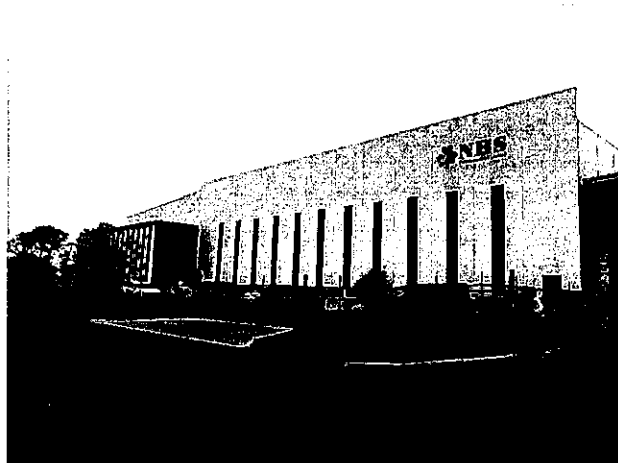
12 Harbour Ridge Drive, Wiri, Auckland

30 September 2020



Executive Summary

Industrial Property - 12 Harbour Ridge Drive, Wiri, Auckland



The subject property comprises a 6,140 square metre, regular shaped landholding, situated to the eastern side of Harbour Ridge Drive, within the industrial precinct of Wiri, Auckland. The property was constructed in 2017 to provide an approximate 4,682 square metre modern, high quality and design built industrial facility. Improvements comprise an approximate 3,500 square metre high-stud warehouse, with one row of columns and a stud height of approximately 9.50 metres at the portal knee, rising to approximately 11.55 metres at the apex. An approximate 690 square metre canopy lines the southern perimeter of the warehouse, with approximately 492 square metres of associated office and amenity accommodation located over two levels, towards the road frontage. The improvements are presented to a modern and high quality specification throughout.

At the date of valuation, the property was fully occupied by NBL (New Zealand) Limited on an initial ten year term from 1 December 2017, with two further rights of renewal of five years each remaining. The lease is currently returning a net rental of \$648,771 per annum plus GST, with rental reviews set annually to fixed 2.5% increases, with a market review on the tenth and fifteenth anniversary of the commencement date (if renewed). The property currently has a remaining lease term of 7.17 years, with two further rights of renewal of five years each remaining.

The COVID-19 pandemic and associated restrictions have had a significant impact on the global and local economies. For the proposed period of 30 August until 16 September, New Zealand has returned to a Level 2.5 lockdown in Auckland and Level 2 restrictions for the balance of New Zealand which highlights the economic environment may continue to show uncertainty. Our valuation is based on our opinion of 'Market Value', incorporating an assumption of a willing buyer and seller, and with regard to the current market outlook.

Valuation

Prepared for	Oyster Industrial Ltd
Additional Parties	Westpac New Zealand Limited – Funders Ernst & Young - Auditors
Valuation Purpose	Market Valuation for Financial Reporting and Mortgage Security
Date of Valuation	30 September 2020
Date of Report	4 September 2020
Valuation Approaches	Capitalisation of Net Income and Discounted Cashflow Approaches
Zoning	Quarry / Light Industry – Auckland Unitary Plan (Operative in part, 15 November 2016)
Tenure	Fee Simple – Record of Title 774841
Site Area	6,140 sqm
Lettable Area	4,682 sqm
Adopted Value	\$13,350,000 plus GST, if any Thirteen Million Three Hundred Fifty Thousand Dollars plus GST, if any

Valuation Analysis

Initial Yield	4.86%	Rate / sqm of Lettable Area	\$2,851
Equivalent Yield	4.79%	Weighted Average Lease Term	7.17 years
Internal Rate of Return (10 years)	6.70%	Current Occupancy	100.00%

Tenancy Overview

NBL (NZ) Ltd	\$648,771	4,682 sqm
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Financial Summary

Gross Passing Income	\$795,456
Gross Market Income	\$783,105
Adopted Outgoings	\$146,685
Net Passing Income	\$648,771
Net Market Income	\$636,420

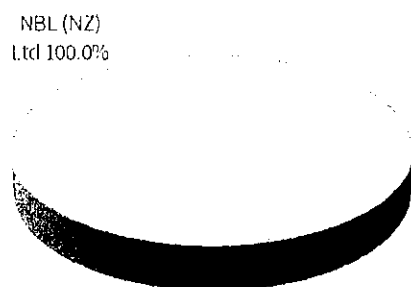
Cap Approach Assumptions

Adopted Cap Rate	4.75%
Allowance for Capex/Expiries	24 months
Market Income Capitalisation	\$13,500,000
Passing Income Capitalisation	\$13,500,000

DCF Approach Assumptions

Discount Rate	7.00%
Terminal Yield	5.00%
Average Applied Rental Growth	2.40%
Value Based on DCF Approach	\$13,100,000

Major Occupiers



Building Components



Valuers

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This is a summary only. It must not be relied on for any purpose. Jones Lang LaSalle's valuation of this asset is subject to assumptions, conditions and limitations as set out in the full text of this Valuation Report.

The below table summarises key valuation inputs and parameters associated with this current and a prior valuation undertaken by JLL. This table is a summary only and should be read alongside the full text and assumptions within each Valuation Report.

Valuation Comparison				
Valuation Summary	Sep-20	Mar-20	Variance	Proportion
Adopted Value	\$13,350,000	\$13,000,000	\$350,000	2.7%
Capitalisation Approach - Market Income	\$13,500,000	\$13,200,000	\$300,000	2.3%
Capitalisation Approach - Contract Income	\$13,500,000	\$13,100,000	\$400,000	3.1%
DCF Approach Value	\$13,100,000	\$12,700,000	\$400,000	3.1%
Adopted Cap Rate	4.75%	4.75%	0.00%	0.0%
Discount Rate	7.00%	7.00%	0.00%	0.0%
Terminal Yield	5.00%	5.00%	0.00%	0.0%
Initial Yield (Passing)	4.86%	3.46%	1.40%	40.4%
Initial Yield (Fully Leased)	4.86%	4.99%	(0.13%)	(2.6%)
Equivalent Yield	4.79%	4.81%	(0.01%)	(0.3%)
IRR (10 yr)	6.70%	6.65%	0.05%	0.7%
Rate/sqm of NLA	\$2,851	\$2,777	\$75	2.7%
Financial Summary				
Gross Passing Income	\$795,456	\$795,456	\$0	0.0%
Gross Market Income	\$783,105	\$774,355	\$8,750	1.1%
Adopted Outgoings	\$146,685	\$146,685	\$0	0.0%
Net Passing Income	\$648,771	\$449,907	\$198,864	44.2%
Net Market Income	\$636,420	\$627,670	\$8,750	1.4%
Weighted Average Lease Term				
WALT (by Income)	7.2 years	7.7 years	(0.5) years	(6.5%)
WALT (by Area)	7.2 years	7.7 years	(0.5) years	(6.5%)
Area Breakdown				
Lettable Area	4,682 sqm	4,682 sqm	0 sqm	0.0%
Current Vacancy (% Lettable Area)	0.00%	0.00%	0.00%	
Growth Assumptions				
CPI Average - 10 Years	1.78%		1.78%	
Weighted Average Growth Rate - 10 Years	2.40%		2.40%	
Capex Assumptions				
Allowance for Capex in Capitalisation Approach	24 months	24 months		0.0%
Total Capex Allowed - 10 Years	\$144,299	\$120,452	\$23,847	19.8%
Capex Proportion of Adopted Value	1.08%	0.93%	0.15%	16.66%

Critical Assumptions, Conditions & Limitations

- The valuation is current as at the date of valuation only, being 30 September 2020. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property).
- We do not accept liability for losses arising from such subsequent changes in value. Without limiting this statement, we do not accept any liability where this valuation is relied upon more than 90 days after the date of valuation, or earlier if you become aware of any factors that may have any effect on the valuation.
- This report is relevant at the date of preparation and to the circumstances prevailing at that time. However, within a changing economic environment experiencing fluctuations in interest rates, inflation levels, rents and global economic circumstances, acceptable returns on investment may, as a consequence, be susceptible to future variation. We therefore recommend that before any action is taken involving an acquisition, disposal or other transaction more than 90 days after the date of this report, you consult the Valuer.
- 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.
- Our valuation assumes the information provided by the instructing party or its agents is correct and we reserve the right to amend our calculations, if deemed necessary, if that information is incorrect.
- Our valuation assumes all other professional/consultancy advice provided and relied upon is true and correct.
- We have relied on building areas, income figures and expense figures as provided by the instructing party or its agents and made specified adjustments where necessary. Where possible these have been verified through lease documentation and physical measurements.
- Unless otherwise stated all property measurements are in conformity with the Guide for the Measurement of Rentable Areas issued by the Property Council of New Zealand. Where certified areas have not been provided we have normally undertaken measurement in accordance with Property Council of New Zealand Standards.
- We have relied on the land dimensions and areas as provided in the Record of Title as searched. In certain cases physical checking of land dimensions and areas is difficult or not practical due to proximity of adjoining buildings, steep terrain or inaccessible title boundaries. Jones Lang LaSalle accepts no responsibility if any of the land dimensions or the area shown on title is found to be incorrect.
- Our valuation is made on the basis that the property is free of further caveats, mortgages, charges and other financial liens and that there are no memorials, encumbrances, restrictions or other impediments of an onerous nature which will affect the value other than those stated in the report or registered on the Record of Title.
- Enquiries as to the financial standing of actual or prospective tenants are not normally made unless specifically requested. Where properties are valued with the benefit of leases it is therefore assumed that the tenants are capable of meeting their obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.
- In the case of buildings where works are in hand or have recently been completed Jones Lang LaSalle does not normally make allowance for any liability already incurred but not yet discharged in respect of completed works or obligations in favour of contractors, sub-contractors or any members of the professional or design team.
- No enquiries in respect of any property, or of any improvements erected thereon, has been made for any sign of timber infestation, asbestos or other defect, whether latent, patent, or structural.
- Substances such as asbestos 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 or estimate the remedial cost.
- While 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.
- We have undertaken a visual inspection in respect of any building valued, but must advise that we have not commissioned structural surveys or tested any of the services and are therefore unable to confirm that these are free from defect. We note further that we have not inspected unexposed or inaccessible portions of any building and are therefore unable to certify that these are free from defect.
- We note we are not experts in relation to assessing the condition of the building structure and cladding, or in assessing the impact or otherwise of water/weather penetration issues. Should the building prove to have structural or weather penetration issues we reserve the right to amend the valuation assessment and any recommendations contained within this report.

- Any elements of deterioration apparent during our consideration of the general state of repair of building/s has been noted or reflected in our valuation. We are however, unable to give any warranty as to structural soundness of any building and have assumed in arriving at our valuation that there are no structural defects or the inclusion of unsatisfactory materials.
- In preparing the valuation it has been assumed that items such as lifts, hot and cold water systems, electrical systems, ventilating systems and other devices, fittings, installations or conveniences as are in the building are in proper working order and functioning for the purposes for which they were designed, and conform to the current building, fire and government regulations and codes.
- Information on town planning and resource management is often obtained verbally from the local planning authority and if assurance is required Jones Lang LaSalle recommends that verification is sought from the relevant authority that confirms the position is correctly stated within this report, that the property is not subject to other decisions or conditions prescribed by public authorities and that there are no outstanding statutory notices.
- Jones Lang LaSalle's valuations are prepared on the basis that the premises (and any works thereto) comply with all relevant statutory regulations including the Building Act 2004 and the requirements of Territorial Authorities. Where we have obtained a Land Information Memorandum, we comment on this within our report. Where we have not obtained a Land Information Memorandum our valuation is therefore undertaken with the assumption that there are no outstanding requisitions.
- Unless otherwise stated all currencies within this report are in New Zealand Dollars.
- Non-residential valuations are (unless otherwise stated) carried out on the basis that the valuation is plus GST (if any). Residential property valuations are (unless otherwise stated) carried out on the basis that the valuation includes GST (if any).
- A reliant party can only rely on this valuation if received directly from JLL without any third party intervention.

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Appendices

Appendix 1 – Valuation Definitions

Appendix 2 – Record of Title

1 Introduction

1.1 Instructions

We refer to recent instructions requesting that we undertake a market valuation of the freehold interest of 12 Harbour Ridge Drive, Wiri, Auckland (the Subject/Property), as at 30 September 2020 for and on behalf of Oyster Industrial Ltd. We understand that the valuation is to be relied upon for Financial Reporting and Mortgage Security purposes only.

Our report has been prepared in accordance with the current Australia and New Zealand Property Institute's Valuation Standards, International Valuation Standards and the instructing parties valuation brief, and we confirm that the prime signatory:

- is independent of both the Instructing Party and Report Recipient;
- is authorised, under The Valuers Act 1948 to practise as a Valuer;
- is suitably registered and qualified to carry out valuations of such property;
- has no pecuniary interest that could reasonably be regarded as being capable of affecting that person's ability to give an unbiased opinion of the Property's value or that could conflict with a proper valuation of the Property;
- has satisfied professional education requirements and has experience in the location and category of property being valued or where applicable, has sought the advice of suitably qualified professionals who hold locational expertise; and
- has made a personal inspection of the property.

We confirm:

- the statements of fact presented in the report are correct to the best of the Valuers knowledge;
- the analyses and conclusions are limited only by the assumptions and conditions which follow within this report;
- the firm, Jones Lang LaSalle and the undersigned Valuers do not have a direct or indirect pecuniary interest in the subject property;
- the professional fee charged in relation to this assignment has not been contingent upon any aspect of this report;
- the valuation contained herein has been performed in accordance with PINZ / NZIV Codes of Ethics and Conduct;

The following parties may rely on this valuation report for the purposes stated above:

- Oyster Industrial Ltd – Financial Reporting purposes
- Westpac New Zealand Ltd – Mortgage Security purposes
- Ernst & Young – Financial Reporting purposes

Our report is confidential to the party or parties to which it is addressed, 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 our prior written approval of the form and context in which it will appear. Furthermore, this report can only be relied upon when the given party has received the report directly from JLL.

1.2 Valuation and Inspection Dates

The key dates that are relevant for our valuation are shown below:

Date of Valuation	30 September 2020
Date of Property Inspection	1 September 2020
Date of Preparation of Report	4 September 2020

We advise that we have been instructed to value the property as at 30 September 2020, which is our date of valuation. Our assessment assumes that there is no material change to the property or the market between the date of inspection and the date of valuation, and we reserve the right to review the valuation if there are material changes to either the property or the market over this period.

1.3 Basis of Valuation

Market Value

The value given herein is that of the market value of the Property as defined by the International Valuation Standards Committee (IVSC), and endorsed by the API and PINZ, which is as follows:

“Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

Fair Value

The International Valuation Standards, International Financial Reporting Standards and other accounting standards define fair value as follows, this being generally synonymous with the concept of Market Value-

‘...Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.’

We confirm that this valuation has been undertaken on the basis of the price that might reasonably be expected if the Property was sold at the date of valuation assuming:

- a willing, but not anxious, buyer and seller;
- a reasonable period within which to negotiate the sale, having regard to the nature and situation of the Property and the state of the market for property of the same kind;
- that the Property was reasonably exposed to that market;
- that no account is taken of the value or other advantages or benefit additional to market value, to the buyer incidental to ownership of the property being valued;
- that the current proprietor has sufficient resources to allow a reasonable period for the exposure of the Property for sale; and
- that the current proprietor has sufficient resources to negotiate an agreement for the sale of the Property.

Included within this valuation are lessor-owned items of building fixtures, fittings, plant and equipment. These items exclude all movable equipment, furniture, furnishings and tenant owned fit-out and improvements.

1.4 Relevant Valuation Standards & Disclosures

The valuations contained herein have been completed in accordance with current Australia and New Zealand Valuation and Property Standards, and in particular with:

- IVS (International Valuation Standards 2020) Framework and General Standards
- NZVTIP 2 – Valuations for Use in New Zealand Financial Reports
- ANZVTIP 11 – Valuation Procedures – Real Property
- ANZVTIP 12 – Valuations for Mortgage & Loan Security Purposes
- New Zealand Equivalent to International Accounting Standard 40 – Investment Property (New Zealand IAS40)
- IFRS 13 – Fair Value Measurement

1.5 Information Sources

The information reviewed or previously provided includes, but is not limited to, the following:

- Record of Title particulars memorialised by Land Information New Zealand;
- Resource Management classifications and controls as stated within the District Plan of the governing Territorial Local Authority;
- Sales and leasing data from various industry sources, including real estate agents;
- Market research and forecasts from JLL Research; and
- Lease documentation, building areas and budgets supplied by the instructing party.

Our valuation is based on a significant amount of information that has been sourced from the instructing party or managing agent and other third parties. We have relied upon the accuracy, sufficiency and consistency of the information supplied to us. Jones Lang LaSalle accepts no liability for any inaccuracies contained in the information disclosed to us.

1.6 Specific Assumptions

Our assessment as to value has been based on the following specific assumptions:

- The Novel Coronavirus (COVID-19) was declared a 'Global Pandemic' by the World Health Organisation on 11 March 2020. This led to a significant range of restrictions on individuals and businesses locally and throughout the world. New Zealand has geographic Alert levels in place, after an extended period of Alert Level 1 where domestic normality had essentially returned, the New Zealand Government announced from 12 August Auckland was to re-enter Alert Level 3 (which provides that most people should stay home, with limited businesses in operation, and a restriction on regional travel) and the balance of the country move to Alert Level 2 (work places and schools are open, however with limitations on public gatherings and requirements to physically distance). In addition there are continued border restrictions in place.

The restrictions over the last few months have resulted in volatility in the financial and property markets, and we note that transactions agreed prior to or during the restrictions may or may not be indicative of current market conditions. We refer to the definition of Market Value outlined above and the principles of 'willing buyer', 'willing seller' acting 'prudently and without compulsion' as adopted within our valuation.

Given the circumstances of COVID-19, we have had regard to a range of inputs and market evidence in coming to our opinion of Market Value. Notwithstanding this, there may be a greater range around our opinion of Market Value than would normally be the case, and we recommend interested parties re-confirm the value noted within with us prior to reliance.

2 Property Particulars

2.1 Location

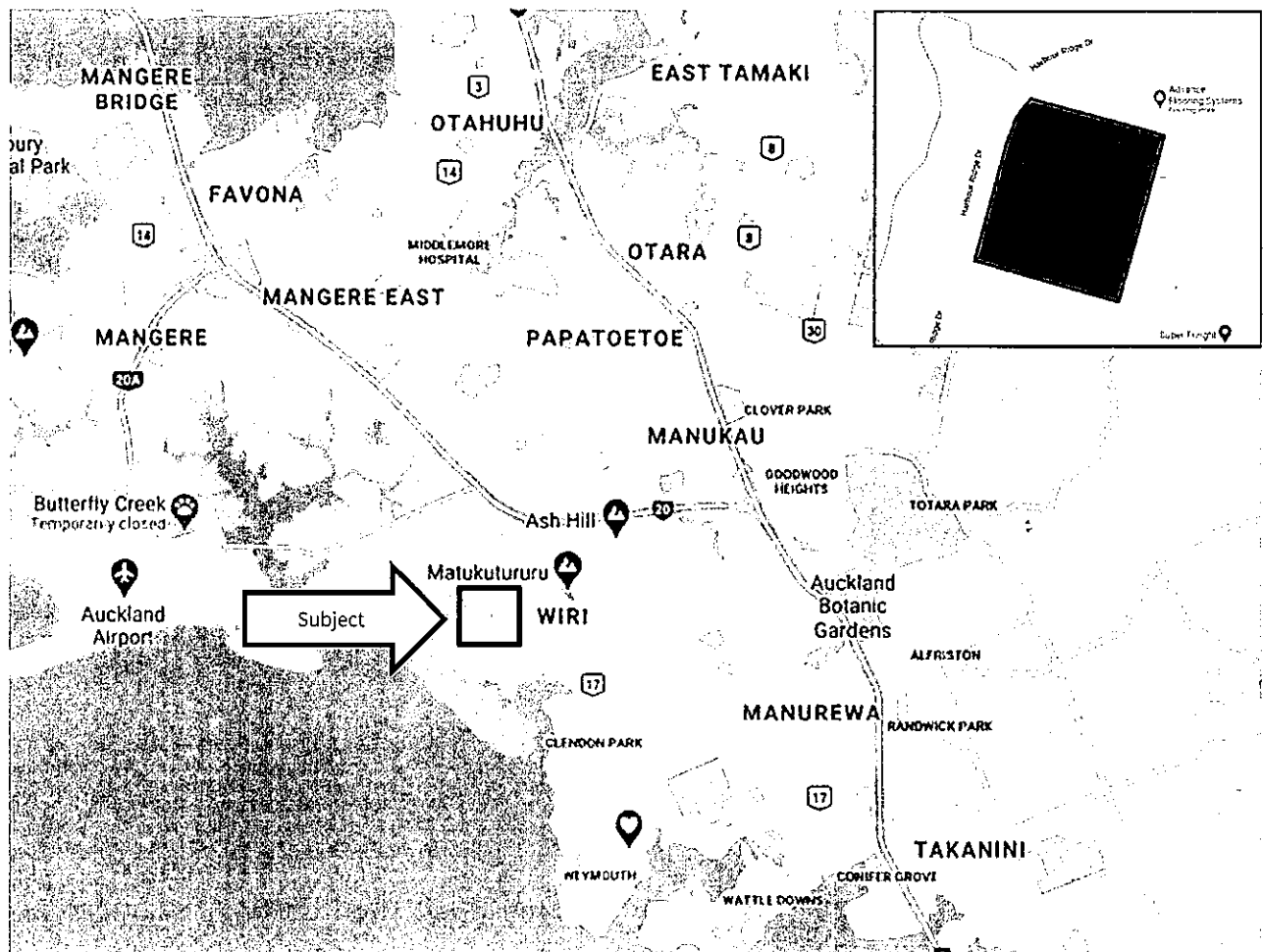
The subject property is located to the northern end of Harbour Ridge Drive, within the industrial precinct of Wiri. Harbour Ridge Drive is accessed via McLaughlins Road which connects to Vogler Drive, Roscommon Road and the nearby State Highway 20 motorway network.

Roscommon Road provides easy access to Auckland International Airport approximately 8.2 kilometres to the west. As such, the subject property also benefits from ease of access to the surrounding transportation network, with a full range of commercial and retail services within the Manukau CBD, situated approximately 4.3 kilometres to the north-east. We note that Wiri is also the home to the Wiri Inland Port, providing a commercial freight connection to Auckland Port and the national train network.

The general area was developed as an industrial estate in the 1970's to 1980's with larger scale industrial holdings being predominant. As the precinct has become a more established industrial location, a range of smaller and modern industrial premises have been constructed. Other high profile occupiers in the area include The Warehouse, Progressive, Griffins, Foodstuffs, Downer, K-Mart, Goodman Fielder and Orora.

Located to the south of Wiri is the residential area of Manurewa with a large portion of housing controlled and owned by Housing New Zealand.

The following map identifies the approximate location of the Property:



Source: Google Maps

2.2 Title Particulars

Title Reference	774841
Tenure	Fee Simple
Legal Description	Lot 31 Deposited Plan 508731
Area	6,140 square metres more or less
Registered Owner	Oyster Industrial Properties Limited
Registered Interest	<ul style="list-style-type: none">• 10888755.3 Consent Notice pursuant to Section 221 Resource Management Act 1991• Land Covenant in Easement Instrument 10888755.5• Subject to a right (in gross) to convey electricity over part marked A on DP 508731 in favour of Vector Limited created by Easement Instrument 11007934.1• Subject to a party wall right over part marked AA, and a right of support over part marked E, both on DP 508731 created by Easement Instrument 11117074.2• Appurtenant hereto is a party wall right created by Easement Instrument 11117074.2• Land Covenant in Easement Instrument 11117074.3• 11505013.1 Variation of Land Covenant created by Easement Instrument 10888755.5• 11573454.2 Mortgage to Westpac New Zealand Limited

Source: Land Information New Zealand

- **Land Covenant in Easement Instrument 10888755.5** - This relates to a Land Covenant over multiple sites, in which the Grantor covenanted over the sites prior to subdivision and development of the property.
- **Land Covenant in Easement Instrument 11117074.3** – This Land Covenant states that the grantor and successors agree to certain provisions over the servient lots within the subdivision of the property. The subject is both a dominant and servient tenement.

We have considered these notifications in arriving at our opinion of value. For a detailed summary of the dealings noted above, we refer you to the Record of Title appended to this report.

2.3 Site Details

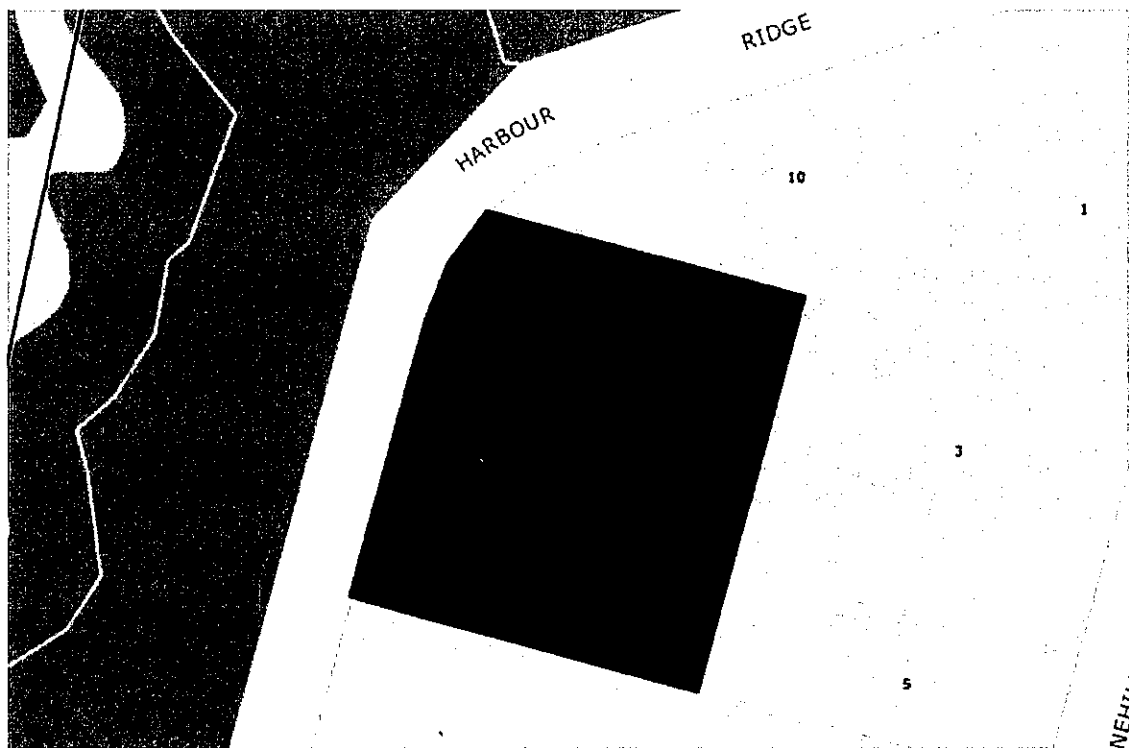
The property is located to the eastern side of Harbour Ridge Drive, providing a relatively regular shaped industrial holding with an area of 6,140 square metres. The site is bound by Harbour Ridge Drive to the west, Stonehill Drive to the east, with neighbouring industrial property to the north, and south.

Contour is essentially level across the majority of the land. The property benefits from street frontage of approximately 85 metres to Harbour Ridge Drive, with an average depth of approximately 75 metres.

Access is provided via a single ingress/egress point which is secured with lockable security gates. Perimeter chain link fencing secures all boundaries. The improvements occupy a central position upon the site being set back from the road and abutting the northern boundary. Balance area not occupied by the building is predominantly concrete sealed for carparking and vehicle manoeuvrability, along with some minor landscaping.

Site Area

Total Area 6,140 square metres



Source: Emap

2.4 Resource Management

Under the Auckland Unitary Plan (Operative in part, 15 November 2016), the subject site is zoned Special Purpose - Quarry.

We note that we have received a Land Information Memorandum (LIM) Report for the subject property, with a granted resource management decision made for the land use of the subject site (and surrounding property) to allow a Business 5 use (Light Industry) on this quarry zoned Land.

With the above in mind, we have summarised both the Quarry and Light Industry zoning, as follows:

Special Purpose – Quarry Zone

Local Authority	Auckland Council
Planning Instrument	Auckland Unitary Plan
Operative Date	2016 – Operative in Part
Zoning	Special Purpose - Quarry
Objectives	Mineral resources are important to Auckland's economy and development. The Special Purpose – Quarry Zone provides for significant mineral extraction activities to ensure that mineral extraction can continue in a manner that minimises adverse effects. These provisions seek to ensure that the demand for minerals can be met, where possible, from supply sources within Auckland. Objectives include:

- 1) Mineral extraction activities and appropriate compatible activities are carried out efficiently at significant mineral extraction sites.
- 2) The significant adverse effects associated with mineral extraction are avoided, remedied or mitigated.
- 3) The rehabilitation of quarries is assisted by clean fills and managed fills.

Development Controls

Permitted activities include, but are not limited to: farming, forestry, conservation planning, on-site primary produce manufacturing, processing and recycling mineral material, construction waste and demolition waste, rehabilitation of quarries using clean fill or managed fill, demolition of buildings, and new buildings or additions and alterations to existing buildings accessory to mineral extraction activities up to 200 square metres gross floor area.

Light Industry Zone

Local Authority

Auckland Council

Planning Instrument

Auckland Unitary Plan

Operative Date

2016 – Operative in Part

Zoning

Light Industry Zone

This zone provides for light industrial activities that do not generate objectionable odour, dust or noise emissions. This includes light manufacturing, production, logistics, storage, transport and distribution activities. Due to the industrial nature of the zone, activities to air discharges are generally not provided for.

Objectives

- Light industrial activities locate and function efficiently within the zone.
- The establishment of activities that may compromise the efficiency and functionality of the zone for industrial activities is avoided.
- Adverse effects on amenity values and the natural environment, both within the zone and on adjacent areas, are managed.
- Development avoids, remedies or mitigates adverse effects on the amenity of adjacent public open spaces and residential zones.

Development Controls

The Light Industry zone provides for a range of light industrial activities to locate in the zone and avoids activities that do not support the primary function of the zone, with limited office, retail, and residential uses permitted.

Building Height:

- Must not exceed 20 metres.

Height in relation to boundary:

- Buildings must not project beyond a 35 degree recession plane measured from a point 6m vertically above ground level along the boundary of residential, open space or special purpose boundary.

Yards:

- Front: 2 metres. Yards are not required for internal roads or service lanes
- Rear: 5 metres, where the rear boundary adjoins a residential zone, an open space zone or special purpose zone
- Side: 5 metres, where the side boundary adjoins a residential zone, an open space zone or special purpose zone
- Riparian: 10 metres from the edge of permanent and intermittent streams
- Lakeside: 30 metres
- Coastal protection yard: 25 metres

Maximum Impervious area:

- Must not exceed 10 per cent of the riparian yard

Permitted activities include, but are not limited to: industrial and rural activities, worker's accommodation – one per site, service stations, dairies, drive-through restaurants, show homes, food and beverage services, garden centres, motor vehicle sales, marine retail, trade suppliers, and emergency services. Office, retail and tertiary education services that are accessory to an industrial activity are also permitted. In terms of development controls, the Light Industry zone permits the construction, additions and alterations to buildings, and the demolition of buildings.

Due to the industrial nature of the zone, sensitive activities such as community facilities exceeding 450 square metres, dwellings, integrated residential accommodation, and office or retail activities that are not related to the predominant use on-site are non-complying.

We note that the below controls apply over the subject site:

Overlays	<ul style="list-style-type: none"> ▪ Natural Resources: High-Use Stream Management Areas Overlay [rp] ▪ Natural Resources: High-Use Aquifer Management Areas Overlay [rp] - Manukau Southeast Kaawa ▪ Natural Resources: High-Use Aquifer Management Areas Overlay [rp] - Manukau Waitemata Aquifer ▪ Natural Resources: Quality-Sensitive Aquifer Management Areas Overlay [rp] - Wiri Volcanic Aquifer
Controls	<ul style="list-style-type: none"> ▪ Macroinvertebrate Community Index - Rural
Designations	<ul style="list-style-type: none"> ▪ Designations: Airspace Restriction Designations - ID 1102, Protection of aeronautical functions - obstacle limitation surfaces, Auckland International Airport Ltd
Modification	<ul style="list-style-type: none"> ▪ Notice of Requirements, NoR 7: Proposed Northern Runway, Airspace Restriction Designations, Notified, 15/02/2018

The existing improvements would appear to comply with the resource management requirements of the site. We have also sighted granted Resource Consent documentation for the subject development.

2.5 Rateable Value

We have been advised that the Property's Rateable Value, as at 1 July 2017, being Assessment Number 12345790371, is as follows:

Land Value	\$2,700,000
Improvements Value	\$9,000,000
Capital Value	\$11,700,000

We note that rating valuations do not take account of a number of key issues affecting value, including land tenure and occupancy arrangements, and are often assessed on an indexed or kerb-side basis. Accordingly, market and rating values may vary significantly.

2.6 Environmental Issues

During the course of our inspection we did not notice any evidence of land or building contamination. Importantly, however, we are not experts in the detection or quantification of environmental problems and we have not sighted an Environmental Audit.

Our valuation has been made assuming an audit would be available which would satisfy all relevant environmental, and occupational health & safety legislation. If the Property's current status needs to be clarified, an Environmental Audit should be undertaken. Our valuation excludes the cost to rectify and make good the Property, which may have become contaminated as a result of past and present uses.

2.7 Heritage

We have not undertaken any formal heritage searches; the property is not notified on the District Plan as being a heritage structure and our valuation is made on the assumption that there are no heritage issues relating to the Property.

2.8 Improvements

Improvements to the site have been recently constructed, providing a modern and high quality industrial complex.

Improvements comprise an approximate 3,500 square metre high-stud warehouse with one row of columns. An approximate 690 square metre breezeway canopy lines the western perimeter of the warehouse, with approximately 492 square metres of associated office and amenity accommodation located over two levels to the Harbour Ridge Drive road frontage. The improvements are presented to a modern and high quality specification throughout.

Additional site improvements comprise predominantly concrete sealed yard space for carparking and vehicle manoeuvrability, along with some minor landscaping.

We note that the warehouse and office are not sprinklered.



Office



Warehouse

2.9 Construction

We briefly outline construction details to the building as follows:

Structure:	Concrete foundation and flooring with steel portal framing.
External Walls:	Predominantly precast concrete panels, long run metal and glass façade.
Internal Walls:	Predominantly plasterboard lining to lettable areas within the office component. Precast concrete panels to the warehouse, with some vertical translucent panel inserts.
Roof:	Assumed long run metal.
Ceiling:	Predominantly acoustic tiles in a suspended grid system to the office component, with plasterboard ceilings in the amenities.
Lighting:	Recessed fluorescent lighting.
Windows and doors:	Aluminium framing and glazed windows.
Key Services:	Ducted air conditioning.

2.10 Accommodation

Warehouse

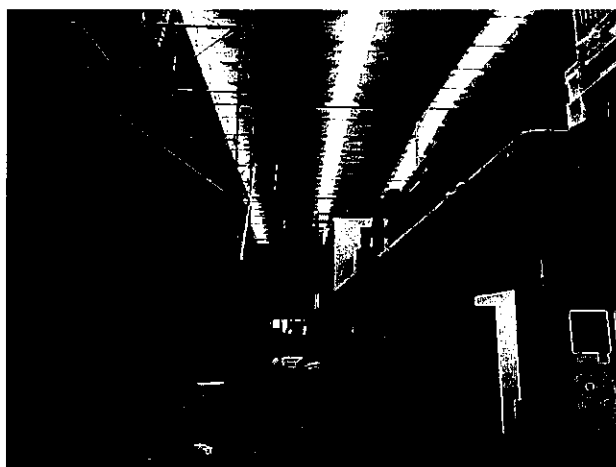
The warehouse component comprises approximately 3,500 square metre of high stud accommodation, with one row of columns to the middle of the floor plate. The warehouse has a stud height of approximately 9.50 metres at the portal knee, rising to approximately 11.55 metres at the apex.

Access to the warehouse is provided via two roller doors to the western elevation of the building, with an approximate 690 square metre canopy constructed externally overhead. General construction of the warehouse is of concrete foundations and flooring, steel portal framing, precast concrete panels with vertical translucent panel inserts to the walls, and assumed long run metal roofing. The ceiling is lined with long run metal, along with netting and sisalation.

Lighting throughout the warehouse is provided via high output hanging industrial lighting, with additional supplementary natural light achieved via intermittent translucent panels.



Warehouse



Warehouse

Office & Amenities

The office and amenities are located over two levels to the Harbour Ridge Drive frontage of the building, with entry achieved via double sliding doors into a reception/waiting area. Offices are a combination of both open plan and partitioned space. Male and female toilets, along with a staff kitchen/lunchroom area provide amenities to the ground floor. An additional kitchenette and bathroom amenities are also provided to the upper level.

Internal linings comprise predominantly plasterboard walls, a combination of carpet and tile flooring and suspended ceilings in a grid panel system. Amenities are lined with a combination of plasterboard and suspended ceilings, with vinyl flooring.

The lighting throughout the office areas is via recessed fluorescent lighting, which is supplemented by good levels of natural light via glazing to the perimeter. Ducted air conditioning provides climate control throughout the office areas.



Meeting Room



Reception

2.11 Lettable Areas

The Property's total Lettable Area is approximately 4,682 square metres. A summary of this Lettable Area is detailed as follows:

Building Floor Area	
Accommodation/Level	Lettable Area
Warehouse	3,500
Office & Amenities	492
Canopy	690
Total Lettable Area	4,682 square metres

The areas noted above have been taken from development plans provided by Oyster Management Limited and Nominee Company. We note that we have also undertaken a full measurement of the property in accordance with the Guide for the Measurement of Rentable Areas as published by the Property Institute and Property Council of New Zealand.

2.12 Condition and Repair

We inspected the interior and exterior of the property. The building appears to have been well maintained with no significant deferred maintenance requirements evident.

Our valuation has had regard to the apparent state of repair and condition of the Property; however, we were not instructed to carry out a structural survey or to test any of the services available to the Property. We are therefore unable to report that the Property is free from further defect and we have assumed that no deleterious material was used in the construction.

A Building Warrant of Fitness is an annual certificate that confirms the Specified Systems in the building have been inspected and maintained, and that the requirements of the Compliance Schedule associated with the operation of the property in its current use have been complied with.

We note that the building has several features that impose a requirement to obtain an annual Building Warrant of Fitness. We were unable to sight a current Warrant of Fitness upon inspection of the property, but we have assumed all applicable requirements have been met. If the building does not meet requirements to obtain a Building Warrant of Fitness we reserve the right to review our valuation.

The Health and Safety at Work (Asbestos) Regulations 2016 place requirements on building owners and occupiers in terms of assessing the risks associated with asbestos within buildings. Worksafe New Zealand recommend that buildings constructed before January 2000 are assessed for materials likely to contain asbestos, and if found, formulate a management plan.

As the building was recently constructed, we have not sought further information on asbestos within the property.

2.13 Earthquake Strengthening Requirements

New Zealand is prone to seismic activity and there are requirements on building owners to ensure their buildings are safe for occupants and users as outlined in the Building Act 2004 and Amendment (Earthquake-prone Buildings) Act 2016. These regulations categorise New Zealand into three seismic risk areas and sets timeframes for identifying and taking action to strengthen or remove earthquake prone buildings.

As part of our valuation we have been made aware of the following information:

Year of Building Construction	2017
National Risk Zone	Low
Compliance with New Building Standard	Assumed 100% NBS or greater

We note the building does not appear on the Earthquake Prone Building Register as published here:
<https://epbr.building.govt.nz/>.

We have not been provided with an earthquake strengthening report for the subject property, however based on the modern nature of improvements and low risk zone, being located in Auckland, we have assumed that the property will have an IEP rating of at least 100% NBS.

We are not qualified to undertake a structural survey of the property, and have proceeded based on the information available. We recommend interested parties confirm the insurability of the subject building.

3 Property Income and Expenditure

3.1 Tenancy Overview

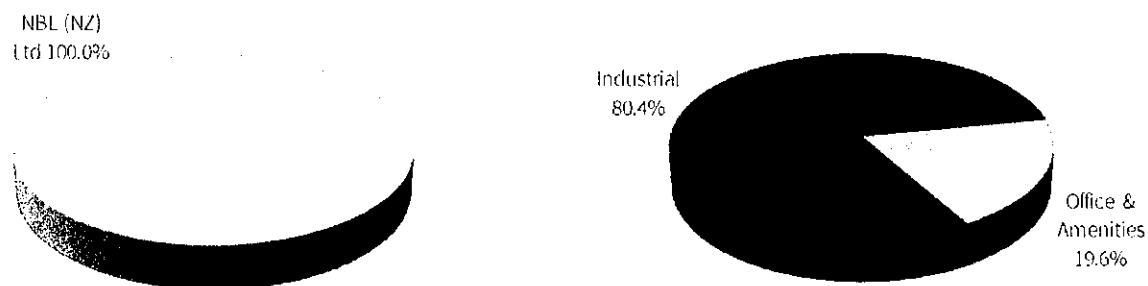
We have been provided with a tenancy schedule and with Lease documentation that was available at the time of valuation.

The net rental from the Property can be summarised as follows:

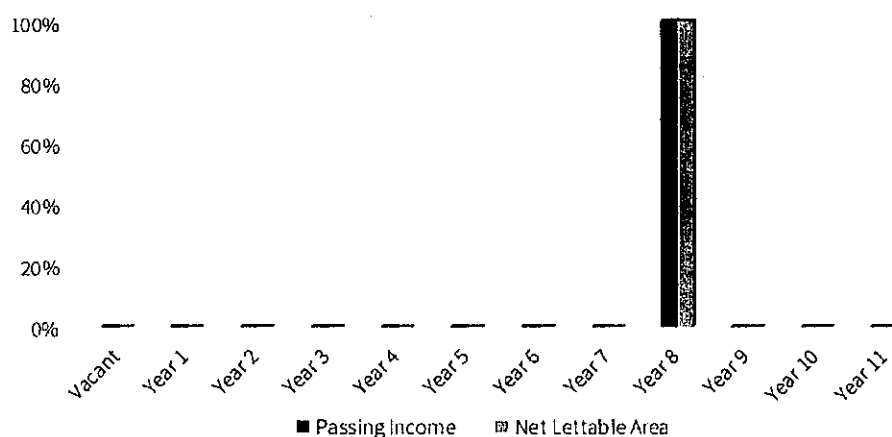
Tenant	Net Rental	Lettable Area	Proportion of Lettable Area
NBL (NZ) Ltd	\$648,771	4,682	100.0%
Total	\$648,771	4,682 sqm	100%

The events surrounding COVID-19 have led to greater consideration by market participants of the covenant strength of the occupiers within investment property. We are not qualified to advise you on the financial standing of the occupiers, however have formed a view on how we think the market would approach the tenancy profile of the property.

The net rental from the property can be analysed by occupier and component proportion as follows:



The graph below demonstrates the lease expiry profile (by income and area) over a ten-year horizon:



Our calculation of the property's Weighted Average Lease term is as noted below:

Weighted Average Lease Term Remaining	Years
By Area	7.17
By Income	7.17

3.2 Lease Summary

We summarise below the lease agreement for the tenant:

Lease Summary	NBL (New Zealand) Limited
Documents reviewed	Signed Deed of Lease dated 22 October 2018. Signed Agreement to Lease dated 3 November 2016.
Lessee	NBL (New Zealand) Limited
Bank Guarantee	For a sum of \$735,000 from a registered trading bank of New Zealand
Demised premises	12 Harbour Ridge Drive, Wiri, Auckland
Lettable Area	Warehouse 3,500 sqm Office & Amenities 492 sqm Canopy 690 sqm Total: 4,682 square metres
Commencement Date	1 December 2017
Expiry Date	30 November 2027
Lease Term	An initial ten (10) year term, with two (2) further rights of renewal of five (5) years each remaining.
Commencement Rent	\$617,500 per annum plus GST
Current Rent	\$648,771 per annum plus GST
Rental Review Provisions	Market reviews in line with the following provisions: Fixed rental review Fixed 2.5% annual rental reviews on the first anniversary of the commencement date and on each subsequent anniversary of the commencement date, including the anniversaries during renewal terms but excluding any date which falls on a market rent review date. Market rental review Market rental review ten years after the commencement date and fifteen years after the commencement date. Market reviews are subject to a hard ratchet clause.
Outgoings Recovery	Net lease – standard building operating expenses are recoverable from the tenant.
Permitted Use	Manufacturing, warehousing, storage and distribution of milk powder products and associated offices.
Emergency Provisions	<u>No Access in Emergency:</u> If there is an emergency and the Tenant is unable to occupy the premises due to restriction on occupation by a competent authority, then a fair proportion of the rent and outgoings shall cease to be payable for the period commencing on the date when the Tenant became unable to gain access, until the inability ceases.

3.3 Building Outgoings and Recoveries

The lease within the Property is structured on a net basis, with the tenant being responsible for payment of rates and other property expenses in addition to premises rental.

We have adopted the following allowances for building outgoings within our calculations:

Adopted Property Outgoings	Per Annum	Per Sqm of Lettable Area
Statutory Charges	\$58,282	\$12.45
Operating Expenses	\$88,403	\$18.88
Total Outgoings	\$146,685	\$31.33

The above allowances are based on information provided by the Client. We have had regard to this and have sought confirmation from the relevant rating authorities in relation to statutory charges. We consider that the adopted outgoings rate of \$31.33 per square metre of Lettable Area to be in line with market parameters for this type of asset.

3.4 Tenancy Schedule

Our understanding of the Property's occupancy situation is detailed in the Tenancy Schedule below:

Tenant Name	Premises	Lettable Area	Car Parks	Lease Start	Lease Expiry	Lease Term	Next Review	Review Frequency	Review Type	Contract Rental	Rental / sqm	Car Park pcpw	Outgoings Recovery	Recovery / sqm
NBL (NZ) Ltd	Warehouse	3,500.0		Dec 2017	Nov 2027	10.0 years	Dec 2020	1 yearly	Fixed	\$478,024	\$137		\$109,653	\$31
NBL (NZ) Ltd	Office & Amenities	492.0		Dec 2017	Nov 2027	10.0 years	Dec 2020	1 yearly	Fixed	\$127,251	\$259		\$15,414	\$31
NBL (NZ) Ltd	Canopy	690.0		Dec 2017	Nov 2027	10.0 years	Dec 2020	1 yearly	Fixed	\$43,496	\$63		\$21,617	\$31
Aggregate		4,682.0	0							\$648,771			\$146,685	

3.5 Income Analysis

We summarise the Property's total Passing Income as follows:

Passing Rental Analysis		
Lettable Area Rental	\$648,771	81.56%
Outgoings Recovery	\$146,685	18.44%
Gross Passing Income	\$795,456	100.00%
Outgoings	\$146,685	
Net Passing Income	\$648,771	

4 Market Commentary

4.1 Economic Overview

As at 12 August 2020:

- The Consumer Price Index fell 0.5% in the June 2020 quarter, though this still resulted in an annual 1.5% increase of the inflation rate from June 2019.
- In the March 2020 quarter, Annual Gross Domestic Product (GDP) contracted 1.6%. COVID-19 had a significant effect on economic activity in the March 2020 quarter, through travel restrictions, falling terms of trade, global COVID-19 impacts and the level-4 lock down period. It is expected that the bulk of the COVID-19 impact will hit Q2 GDP.
- As at 12 August 2020, the Reserve Bank announced that the Official Cash Rate is being held at 0.25% following its emergency 75 basis point reduction from 1.00% in March 2020. It was noted that due to the economic effects of COVID-19, the Monetary Policy Committee is prepared to use additional monetary tools if and when needed, including reducing the OCR even further.
- Through 2019 the RBNZ consulted on a requirement for banks to increase the capital they hold, from 10.5% to 18% for the large four banks. This was intended to be implemented on 1 July 2020, however has now been deferred 12 months due to the economic impact of COVID-19.
- The 90-day Bank Bill Benchmark Rate (BKBM) was 0.30% as at 12 August 2020. This has reduced significantly from 2019 where it averaged 1.52%.
- The unemployment rate is 4.2% as at March 2020, which is a 0.2% increase from Q4 2019. Unemployment is forecast to increase significantly due to the effects of the COVID-19 pandemic.
- The REINZ median house price across New Zealand increased by 9.2% in June 2020 to \$639,000, up from \$585,000 in June 2019, and up from \$620,000 (3.1%) in May 2020.
- In terms of the construction sector, private backed development and construction is expected to be muted in the short term, however the Government has announced their intention to fast track infrastructure spend as one method to kickstart the economy post the COVID-19 shutdown.

After 102 days of no recorded community transmission of the Novel Coronavirus (COVID-19) within the country, New Zealand has recorded its first positive tests of COVID-19 outside of a Managed Isolation or Quarantine facility. In response to this, at 12 noon on 12 August 2020 Auckland has moved back in to Alert Level 3, with the rest of New Zealand moving to Alert Level 2 for a minimum three day period. The economic impact of these restrictions is likely to have long standing effects, notwithstanding significant monetary and fiscal stimulus which has been implemented by the RBNZ and NZ Government to support New Zealanders and reduce the impact on the NZ economy.

Key initiatives taken to reduce the economic impacts of COVID-19 include the implementation of an increased \$100 billion Large Scale Asset Purchase, a circa \$17-\$18 billion support package which is aimed at those sectors most affected by the impacts of the virus, a \$6.25 billion Business Finance Guarantee Scheme for small to mid-sized enterprises (SME), along with a \$20 million Tertiary Support Package, and \$50 million Media Support Package. In addition to the above, as per the Government's 2020 Budget announcement on May 14, further key initiatives taken in response to COVID-19 include a \$50 billion Response and Recovery fund, along with a \$4 billion Business Support Package.

At this stage it is too early to forecast the full impacts on the economy and property market, however it is clear the measures taken and support packages provided are significant. The full effects of COVID-19 are yet to be fully understood and quantified, though the global economic disruption caused by the pandemic is expected to persist and lead to lower economic growth both in New Zealand and abroad.

4.2 Auckland Industrial Market Summary

Industrial remained the commercial property sector with the most positive outlook over 2Q20. Since New Zealand has returned to the 'normality' of COVID-19 Alert Level 1, it has been largely business as usual at a domestic scale with most industrial property-linked businesses seeking to re-open and trade as normally as possible. As a result, landlords are broadly continuing to take a longer-term view of the sector. During lockdown it became evident that some landlords were planning to carry out refurbishment of vacant properties, albeit these were limited, and this has improved the ability to lease space.

We do expect that COVID-19 will continue to impact many parts of the market to varying degrees of severity over the coming months, however, for instance with the latest restrictions. Some businesses will fail while others succeed, and property use will change for some occupiers as strategic business plans evolve. The key takeaway at this point in time is that a greater amount of information will be essential at a micro-market level with a sector-specific lens, rather than looking at the market as a whole.

Crucial benchmarks will be business activity levels through this micro-market lens and analysis of identifiable shifts in investment and occupation patterns.

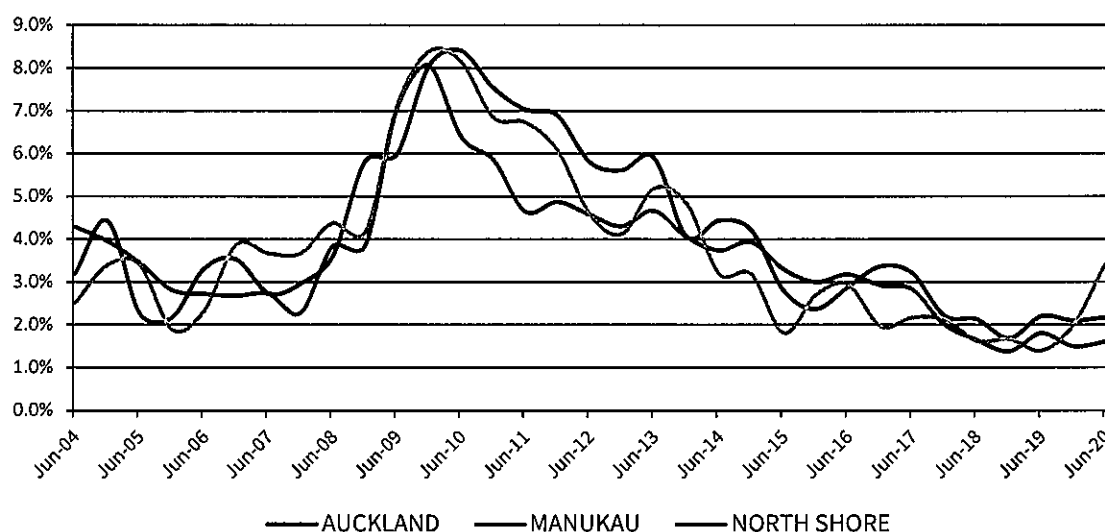
Overall, the industrial market is expected to be resilient compared to the other real estate sectors. The Auckland Industrial market up to June 2020 was performing very strongly, characterised by high occupancy rates.

Demand/Supply

Vacancy across all three precincts ticked up slightly during 1H20. With that being said, the Auckland industrial market remains very tight with only 2.1% vacancy overall (an increase of 32 bps since 2H19). Penrose and Avondale both saw increases in vacancy over the half, increasing from 2.0% to 2.3% and 2.5% to 4.3% respectively. Mt Wellington and Henderson both saw slight decreases in vacancy, however. In Mt Wellington, vacancy fell from 2.6% to 1.3% over 1H20, and in Henderson vacancy fell slightly from 1.1% to 1.0%. In the south industrial markets, an increase in vacancy in the Mangere and Airport Corridor areas from 1.2% to 2.9% resulted in a rise in overall Auckland South industrial vacancy to 1.6% from 1.5% in 2H19. The North Shore industrial markets saw vacancy increases across the board, with overall North Shore industrial vacancy rising 140 bps to 3.4% over the half.

There are fewer tenants around than in previous quarters, where we had a clear excess level of demand from potential occupiers. This re-balancing has seen offered incentives increase slightly and shorter lease terms being committed to. Prime stock vacancy is expected to remain low as occupier demand for high quality space remains robust. Pre-commitment on new stock required by developers will also help to keep prime vacancy low as oversupply is unlikely to happen. Any weakness in demand is expected to primarily impact secondary stock as occupiers look to move into new or better stock.

Auckland Industrial Vacancy



Source: JLL Research and Consulting

The Auckland industrial market saw a notable increase in stock of 111,701 square metres during 1H20. This was a combination of development completions (mostly during 1Q20 pre-COVID lock-down) plus premises being put back into the stock base as developers take a wait-and-see stance with new development plans. The Auckland South industrial precinct continues to see the most active development pipeline by a significant margin. The Mangere and Airport Corridor areas in particular have remained popular for new development, with a number of projects underway by Auckland International Airport and Goodman among other developers.

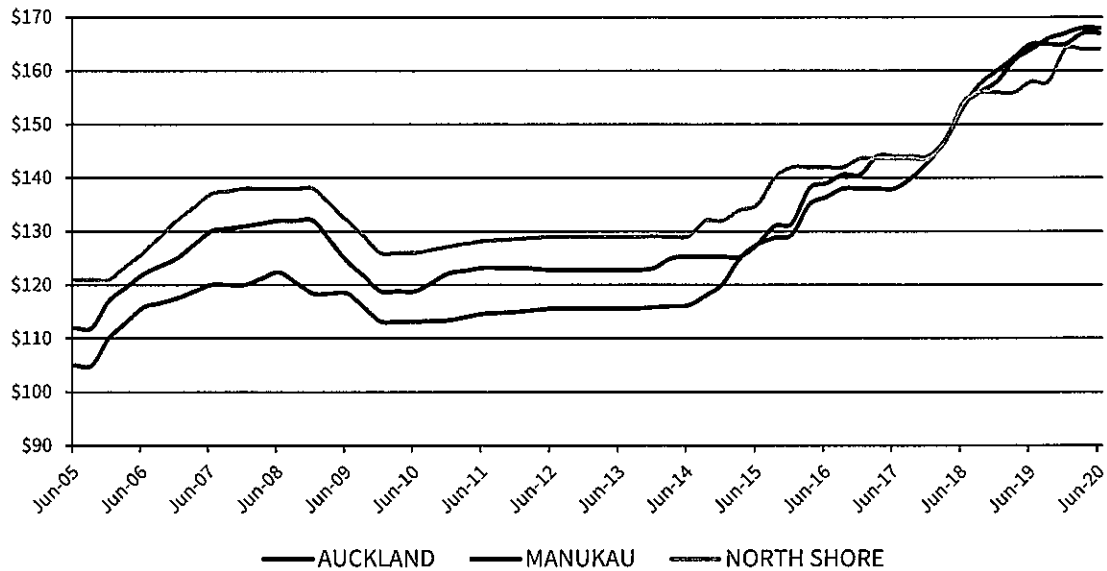
Looking forward, we expect projects that are currently under construction will likely go ahead as they typically have pre-committed tenants. Completion dates are expected to push out slightly given the delays during COVID lock-down, however. As for medium term projects that are currently in planning, we expect the rate of these projects transitioning from the planning to construction phase to slow down. Limited supply will help to keep vacancy levels low and support rental levels.

Rents

Average industrial net face rents have held up strongly during 2Q20. By comparison, average prime rents remain unchanged at \$166 per square metre (blended rate) while average secondary rents declined by just \$1 to \$135 per square metre (blended rate). Notwithstanding, we are seeing an increase in average incentive levels being offered to attract and retain the best tenants. Average incentive levels for prime industrial increased from 3.0% to 3.3% during 2Q20, while average incentive levels for secondary industrial increased more noticeably from 4.2% to 6.3%. Increased incentive levels also take into account the

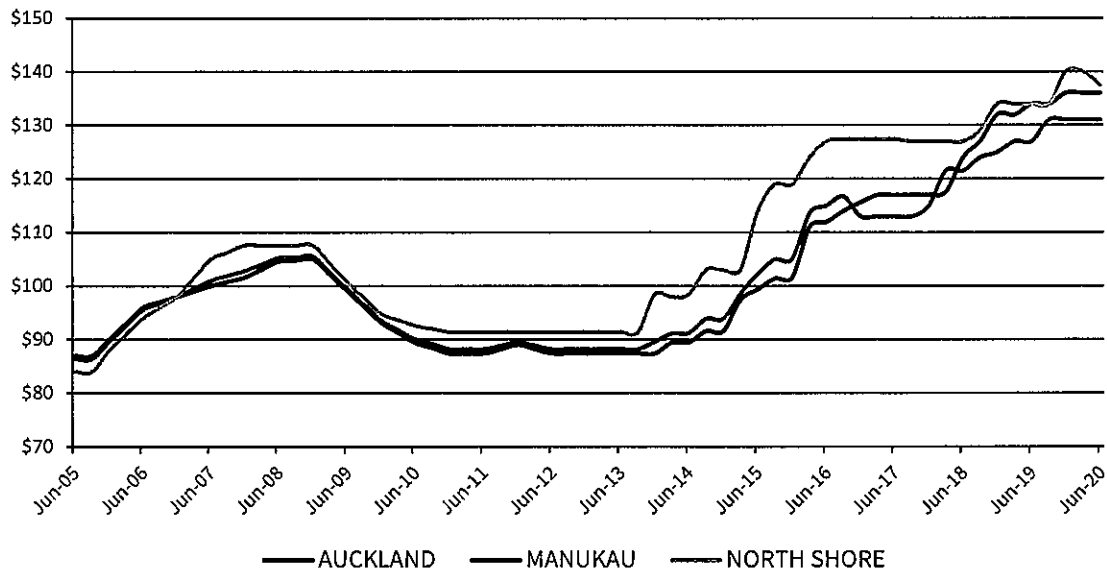
shortened lease terms committed to by occupiers. We expect rents to remain stable for the rest of 2020, but we also expect the gap between prime and secondary rents to widen as the flight to quality trend continues.

Auckland Industrial Prime Rents



Source: JLL Research and Consulting

Auckland Industrial Secondary Rents

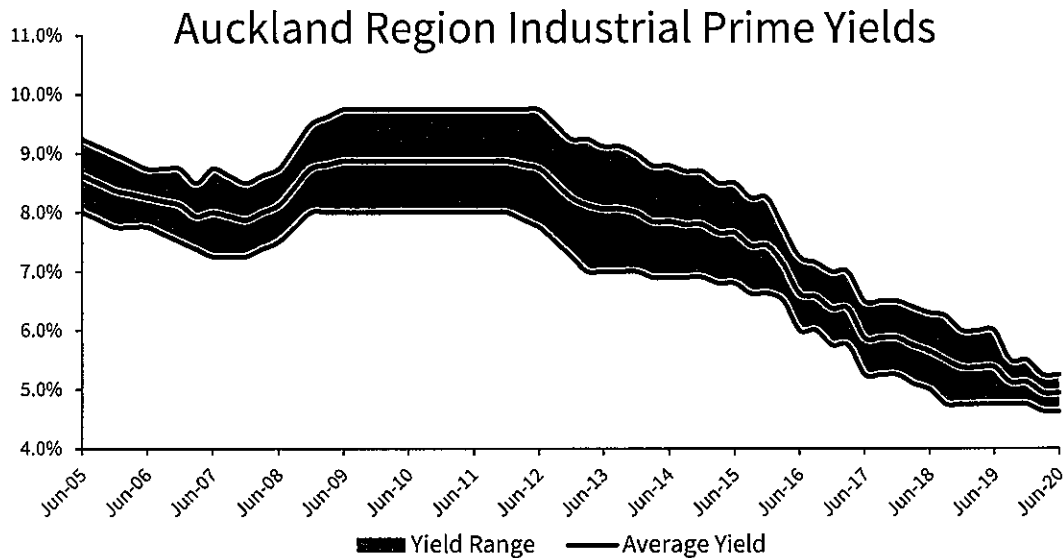


Source: JLL Research and Consulting

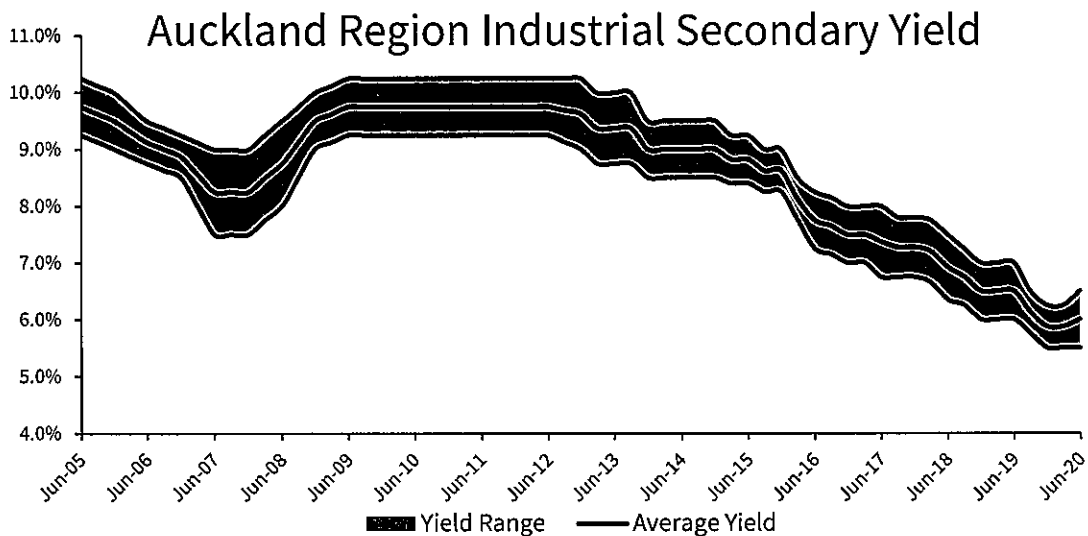
Yields

Similar to rents, yields for industrial property have also held up strongly during 2Q20. This has been supported by strong investor interest and general lack of stock available for sale. By comparison, average prime yields remain unchanged at 4.94%, while average secondary yields increased by 13 bps to 6.00% due to an increasing gap between upper and lower secondary yields.

Several notable sales occurred over 2Q20, and we forecast yields to remain stable for the rest of the year with ongoing investor interest in assets with a strong tenant covenant and longer-term lease profile. In the medium term, we also expect an increasing gap between prime and secondary assets as both occupiers and investors are increasingly leaning towards quality and defensive assets.



Source: JLL Research and Consulting



Source: JLL Research and Consulting

Market Outlook

The Auckland industrial sector has a generally positive outlook for the short to medium term, even with the effect of Covid-19, as it looks to be the most protected in these economic conditions. We expect prime properties in good locations with strong tenant covenants to hold up well in the existing environment, however we expect to see the yield gap widen between prime and secondary properties as vacancy rates may start to increase slightly in the secondary market.

Generally, the industrial market is supported by low vacancy and robust demand for industrial space, with increasing demand for quality space. Prior to Covid-19, there was rising levels of development however developers were needing to achieve higher rental levels in order to justify rising development costs. Albeit at a very early stage, we expect rental growth to slow in the short term.

Yields are forecasted to hold for prime assets, supported by a low interest rate environment and a flight to quality by investors, with industrial assets expected to be resilient compared to the other real estate sectors. As stated above, we expect the additional risk to be factored into pricing for secondary quality assets and as such a slight widening of the prime and secondary yield gap in the short term.

Overall, we are confident that the Auckland industrial sector is in a good shape to cope with the stresses and strains that the market will face in the short to medium term. Importantly, in addition to a low interest rate environment and the attractiveness of the industrial sector due to the strong underlying fundamentals, the sector also remains a beneficiary of e-commerce.

5 Leasing Evidence

5.1 Leasing Evidence

In assessing a market rental profile for the accommodation, we have had regard to the lease within the property, together with recent rental evidence in the wider locality. We have had particular regard to the evidence detailed below:



1/118 Savill Drive, Manakau, Auckland

Effective Date	October 2020	Lease Basis	Rent Review
Contract Rent	\$396,292 pa	Tenant	Rondo Building Services Pty Ltd

The property at Savill Drive provides an industrial warehouse located within the industrial precinct of Manukau. The building is occupied by Rondo Building Services Pty Ltd, and is subject to a market rent review effective October 2020. The new rental rates reflect an increase of 6% from the annual rental payable prior to the market rent review. When the rent review has effect the property will return a net annual rental of \$396,292 plus GST.

Rental Analysis		Rate
Warehouse	2,131.30 m ²	\$130.00
Office	287.30 m ²	\$244.08
Canopy	261.20 m ²	\$63.67
Yard	1,275.00 m ²	\$25.47



21A Oak Road, Wiri, Auckland

Effective Date	June 2020 (ATL)	Term	9 years
Contract Rent	\$687,952 pa	Tenant	Confidential
Lease Basis	New Lease		

The property is subject to a signed Agreement to Lease dated September 2019, with practical completion being 24 July 2020 and lease commencement date being 1 June 2020.

The lease is to be for 9 years with fixed 2.75% annual increases with a market review in year 5 subject to a cap and collar of a 2.75% and 3.75% increase. The rent within the Agreement to Lease is set at a commencement rent of \$687,952 per annum plus GST and outgoings, with the breakdown provided in the lease as follows:

Rental Analysis		Rate
Warehouse	4,000.53 m ²	\$135.00
Office / Showroom	357.80 m ²	\$250.00
Canopy	549.20 m ²	\$65.00
Carparks	48 Parks	\$0.00
Yard	649.00 m ²	\$35.00



212 Cavendish Drive, Wiri, Auckland

Effective Date	February 2020	Tenant	CTB Panelbeaters
Contract Rent	\$279,013 pa	Lease Basis	Rent Review

The property comprises an industrial building constructed in 1998, being one of four buildings at the property. This unit is situated to the rear of the development. The property underwent a rent review in February 2020, whereby the annual rental was set at \$279,013 per annum plus GST.

Rental Analysis		Effective Rate
Warehouse	1,183.00 m ²	\$122.50
Offices & Showroom	138.00 m ²	\$220.00
Office	33.00 m ²	\$155.00
Canopy	295.00 m ²	\$60.00
Yard	4,760.00 m ²	\$17.00



9 Stonehill Drive, Wiri, Auckland

Effective Date	November 2019	Term	10 years
Contract Rent	\$798,000 pa	Tenant	Nick Scali Ltd
Lease Basis	New Lease		

The property comprises an approximate 6,240 square metre industrial facility, situated on the western side of Stonehill Drive, making up part of Stonehill Business Park. Stonehill Business Park comprise of a recently subdivided block of land that is currently being developed. The property is located toward the western periphery of Wiri, in close proximity to Auckland Airport, the motorway network and major arterial routes in the area. The design build facility comprises an approximate 5,200 square metre warehouse with approximately 200 square metres of associated offices together with an approximate 840 square metre canopy.

The lease to Nick Scali Ltd commenced in November 2019, with a commencement rent of \$798,000 per annum plus GST. The lease is for a 10 year term, and includes annual fixed 2.5% rent increases together with two rights of renewal of 5 years each. The lease includes a 5 month rent free period.

Rental Analysis		Rate
Warehouse	5,200.00 m ²	\$135.00
Offices & Amenities	200.00 m ²	\$240.00
Canopy	800.00 m ²	\$60.00



246 Puhinui Road, Wiri, Auckland

Effective Date	November 2019	Term	15 years
Contract Rent	\$668,218 pa	Tenant	Cardinal Logistics Limited
Lease Basis	New Lease		

The property comprises a 5,504 square metre, regular shaped industrial building, situated to the southern side of Puhinui Road, benefiting from dual access from both Puhinui Road and Nesdale Avenue, within the industrial precinct of Wiri, Auckland.

The property has recently been developed to provide an approximate 4,325 square metre modern, high-stud, clear span warehouse, with a stud height of approximately 11 metres at the portal knee, rising to approximately 12.9 metres at the apex. There are two canopies, a larger canopy situated along the eastern side of the warehouse with a smaller canopy to the southern side of the warehouse. There is no office accommodation associated with the property. The improvements are presented to a modern and high quality specification throughout.

The property was leased to Cardinal Logistics Limited on an initial 15 year term from November 2019 at a net rental of \$668,218 per annum plus GST.

Rental Analysis		Rate
Warehouse	4,325.10 m ²	\$135.00
Server Room	28.00 m ²	\$135.00
Canopy	1,150.70 m ²	\$70.00



101 McLaughlins Road, Wiri, Auckland

Effective Date	June 2019	Term	10 years
Contract Rent	\$849,310 pa	Tenant	Plumbing World Limited
Lease Basis	New Lease		

The property comprises a 9,605 square metre, regular shaped landholding, situated to the western side of McLaughlins Road, benefiting from dual street frontage to Stonehill Drive, within the industrial precinct of Wiri, Auckland.

The property has recently been developed to provide an approximate 7,176 square metre modern, high quality and design built industrial facility. Improvements comprise an approximate 5,500 square metre high-stud, clear span warehouse, with a stud height of approximately 9.10 metres at the portal knee, rising to approximately 11.6 metres at the apex. An approximate 1,326 square metre drive-thru canopy lines the northern perimeter of the warehouse, with approximately 350 square metres of associated office and amenity accommodation located to the road frontage. The improvements are presented to a modern and high quality specification throughout.

The property was fully occupied by Plumbing World limited on an initial ten year term from date of sale (June 2019), with two further rights of renewal of five years each remaining. The lease is currently returning a net rental of \$849,310 per annum plus GST, with rental reviews set annually to fixed 2% increases, with a market review on the fifth anniversary of the commencement date.

Rental Analysis		Rate
Warehouse	5,500.00 m ²	\$125.32
Office	1,326.00 m ²	\$230.00
Canopy	350.00 m ²	\$60.00

The industrial evidence above provides a range of rental rates from approximately \$122.50 to \$135 per square metre over the warehouse accommodation, \$220 to \$250 per square metre over the office and amenities, and \$60 to \$70 per square metre over the canopies.

We note that we have also had consideration to recent confidential lease evidence from within the Auckland Airport precinct, where comparable industrial properties rental rates have ranged from approximately \$230 to \$255 per square metre over the office accommodation, \$110 to \$135 per square metre over warehousing and \$60 to \$70 per square metre over canopies.

In general, the driving factors for rental rates over the office accommodation are location, size (office to warehouse ratio), condition, and quality of internal space, while the driving factors of rental rates over warehouse accommodation are the size of the premises, the location, access, quality, and the stud height within the warehouse, including whether it is clear span or column interrupted accommodation.

We consider the property located at 21A Oak Road, Wiri, to be comparable to that of the subject, given that it is a recent settlement of a brand new building which is of a similar scale to the subject, albeit slightly smaller. The property is currently being subdivided into three and will be situated on its own freehold site upon completion of the subdivision. The property is in closer proximity to the subject being approximately 3.9 kilometres east, on the opposite side of Roscommon Road. The lease achieved rates of \$135 per square metre over the warehouse, \$250 per square metre over the offices and \$60 per square metre over the canopy. We would expect the subject to achieve a lower rental over the office accommodation given that this component at Oak Road has been completed to a higher specification.

We have had regard to the new lease at 9 Stonehill Drive in Wiri in November 2019 which provides a brand new warehouse in a comparable location on the opposite side of the road. The property is of a similar scale to the subject with a comparable modern and high quality nature of improvements. The lease reflects rates of \$135 per square metre over the warehouse, \$240 per square metre over the offices and \$60 per square metre over the canopy.

We have also had primary regard to the new lease from within the neighbouring property, 101 McLaughlins Road, which also provides a comparable quality of accommodation. The property was leased to Plumbing World in June 2019. We note that although the lease commencement on the aforementioned date, the lease documentation and rental rates were agreed in early-2018. The industrial market has seen some growth since this time, and we have therefore adjusted our market rental rates that we have applied over the subject accordingly.

From the above evidence and comments, we have adopted market rental rates of \$135 per square metre over the warehouse, \$70 per square metre over the canopy and \$235 per square metre over the office and amenity accommodation.

5.2 Market Rental Profile

We have assessed the market rental profile for the property on a net basis. Our adopted market rental profile is as summarised below:

Tenant Name	Premises	Lettable Area	Car Parks	Next Review/Expiry	Review Type	Contract Rental	Rental / sqm	Car Park pcpw	Recovery / sqm	Ideal Recovery	Net Market / sqm	Gross Market / sqm	Car Park pcpw	Net Market Rental
NBL (NZ) Ltd	Warehouse	3,500.0		Dec 2020	Fixed	\$478,024	\$137		\$31	\$31	\$135	\$166		\$472,500
NBL (NZ) Ltd	Office & Amenities	492.0		Dec 2020	Fixed	\$127,251	\$259		\$31	\$31	\$235	\$266		\$115,620
NBL (NZ) Ltd	Canopy	690.0		Dec 2020	Fixed	\$43,496	\$63		\$31	\$31	\$70	\$101		\$48,300
Aggregate		4,682.0	0			\$648,771								\$636,420

5.3 Net Income Assessment



The table below presents both the passing income and adopted market net income profile of the Property:

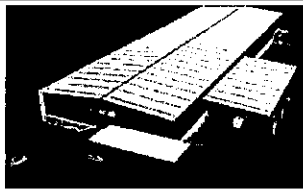
Passing Versus Market Comparison	Passing per annum	Market per annum
Rental Analysis		
Lettable Area Rental	\$648,771	\$636,420
Outgoings Recovery	\$146,685	\$146,685
Gross Income	\$795,456	\$783,105
Outgoings	\$146,685	\$146,685
Net Income	\$648,771	\$636,420

6 Sales Evidence

6.1 Sales Transaction

In assessing a suitable capitalisation rate and discount rate profile for the Property, we have had regard to a range of property transactions. The more relevant sales are summarised in the sales schedule and commentary below:

	Lot 2, 72 Tidal Road, Mangere, Auckland			
	Sale Price	\$21,418,000	Sale Date	June 2020
	Initial Yield	4.95%	Equivalent Yield	4.83%
	IRR	6.56%	WALT	15.00 years
<p>The property comprises a 1.0890 hectare land parcel situated to the western side of Tidal Road within Mangere, currently being a development site. The property on completion will comprise a modern industrial facility with a total lettable area of approximately 5,690 square metres, including approximately 970 square metres of canopy. The yard area will comprise approximately 3,781 square metres, and there will be on-site parking for 13 vehicles. It will comprise of two standalone warehouses with associated offices, being Unit A and Unit B, leased to a single tenant.</p> <p>On completion the property will be leased to Cardinal Logistics for a term of 15 years with a commencement rent of \$1,070,917 per annum net plus GST with annual fixed increases of 1.50% with a market review on every 5th anniversary subject to a hard ratchet clause.</p> <p>The property sold in June 2020 subject to completion and the 15 year lease, for \$21,418,000 reflecting an initial yield of 4.95%, an equivalent yield of 4.83%, and an IRR of 6.56%. We note that the initial yield on contract rent is 5.00% however there is a \$10,000 per annum liability to the Landlord to maintain the bank guarantee.</p>				
	27-29 Neales Road, East Tamaki, Auckland			
	Sale Price	\$25,223,000	Sale Date	October 2019
	Initial Yield	5.31%	Equivalent Yield	5.26%
	IRR	7.55%	WALT	6.75 years
<p>The property comprises a purpose-built industrial development which was originally constructed circa 1996, with extensions added in 1997 and 2001. The property provides a total net lettable area of approximately 11,016 square metres, inclusive of an industrial steel store and good quality office accommodation situated to the road frontage.</p> <p>Improvements include an approximate 9,985 square metre high-stud, column-interrupted warehouse with a stud height of approximately 8.5 metres at the portal knee, rising to approximately 10.3 metres at the apex. Two canopies of approximately 151 and 160 square metres are provided to the front and rear perimeters of the warehouse, respectively. Approximately 540 square metres of office and amenity accommodation is located to the frontage of the property, with additional warehouse and distribution office accommodation provided to the rear of the warehouse.</p> <p>Additional site improvements comprise predominantly concrete sealed yard space for carparking and vehicle manoeuvrability, along with some minor landscaping.</p> <p>At the date of sale, the property was fully occupied by Vulcan Steel Limited on a renewed 15 year term from 1 July 2011, with no further rights of renewals remaining. The lease is currently returning a net rental of \$1,340,000 per annum plus GST, with reviews set two yearly to market levels.</p> <p>The property sold in October 2019 for \$25,223,000, reflecting an initial yield of 5.31%, an equivalent yield of 5.26%, and an IRR of 7.55%. The sale price reflects a land and buildings rate of \$2,290 per square metre.</p>				



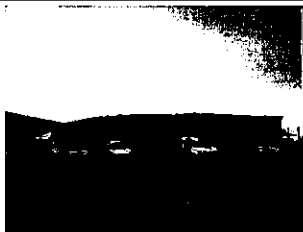
9 Stonehill Drive, Wiri, Auckland

Sale Price	\$17,200,000	Sale Date	September 2019
Initial Yield	4.64%	Equivalent Yield	4.61%
IRR	6.79%	WALT	10.00 years

The property comprises a newly built distribution centre at 9 Stonehill Drive, Wiri. The 5,200 square metre warehouse has a stud height of approximately 10 metres at the portal knee and provides 200 square metres over a single level of open plan offices. The site has secondary frontage along the northern boundary to Harbour Ridge Drive.

The property is leased to Nick Scali with a lease term of 10 years with two rights of renewals of 5 years each, and annual fixed rental increases of 2.5% through the lease term.

The property sold in September 2019 (settled in April 2020) for \$17,200,000 plus GST. The tenant received a 5 month rent free period from the commencement date. The vendor is to provide a \$220,000 payment to the purchaser upon settlement of the transaction. This sale price reflects an initial yield of 4.64%, an equivalent yield of 4.61%, and an IRR of 6.79%.



55 McLaughlins Road, Wiri, Auckland

Sale Price	\$10,000,000	Sale Date	July 2019
Initial Yield	5.00%	Equivalent Yield	5.55%
IRR	7.39%	WALT	8.83 years

The property comprises an approximate 3,293 square metre industrial building with a large yard area, situated upon a 2.2355 hectare site at 55 McLaughlins Road, Wiri.

Improvements comprise an approximate 2,887 square metre warehouse, with 406 square metres of associated office and amenity accommodation. A 16,000 square metre yard is also provided onsite.

At the date of sale, the property was leased to Fletcher Distribution Limited, who have occupied the premises since April 2005. The current lease expires in May 2028, with rental reviews set annually to fixed 2% rental increases. The lease is currently returning a net rental of \$500,000 per annum.

The property sold in July 2019 for \$10,000,000 plus GST, reflecting an initial yield of 5.00%, equivalent yield of 5.55%, and an IRR of 7.39%.



101 McLaughlins Road, Wiri, Auckland

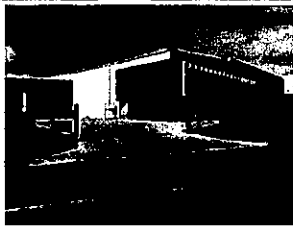
Sale Price	\$18,159,000	Sale Date	June 2019
Initial Yield	4.68%	Equivalent Yield	4.79%
IRR	7.39%	WALT	10.00 years

The property comprises a 9,605 square metre, regular shaped landholding, situated to the western side of McLaughlins Road, benefiting from dual street frontage to Stonehill Drive, within the industrial precinct of Wiri.

The property has recently been developed to provide an approximate 7,176 square metre modern, high quality and design built industrial facility. Improvements comprise an approximate 5,500 square metre high-stud, clear span warehouse, with a stud height of approximately 9.10 metres at the portal knee, rising to approximately 11.6 metres at the apex. An approximate 1,326 square metre drive-thru canopy lines the northern perimeter of the warehouse, with approximately 350 square metres of associated office and amenity accommodation located to the road frontage. The improvements are presented to a modern and high quality specification throughout.

Plumbing World Limited occupies the premises on an initial ten year term from 20 June 2019, with two further rights of renewal of five years each remaining. At the time of sale the lease was returning a net rental of \$849,310 per annum plus GST, with rental reviews set annually to fixed 2% increases, with a market review on the fifth anniversary of the commencement date.

The property sold in June 2019 for \$18,159,000 plus GST, reflecting an initial yield of 4.68%, an equivalent yield of 4.79%, and an IRR of 7.39%. We note that this property sold in conjunction with 12 Harbour Ridge Drive for a combined \$31,159,000 plus GST, however \$18,159,000 plus GST was apportioned to this property in the Sale and Purchase Agreement.



(SUBJECT)

12 Harbour Ridge Drive, Wiri, Auckland (SUBJECT)

Sale Price	\$13,000,000	Sale Date	June 2019
Initial Yield	4.87%	Equivalent Yield	4.78%
IRR	7.07%	WALT	8.42 years

The subject property sold in June 2019 for \$13,000,000 plus GST, reflecting an initial yield of 4.87%, an equivalent yield of 4.78%, and an IRR of 7.07%. We note that this property sold in conjunction with 101 McLaughlins Road for a combined \$31,159,000 plus GST, however \$13,000,000 plus GST was apportioned to this property in the Sale and Purchase Agreement.



105 Wiri Station Road, Wiri, Auckland

Sale Price	\$21,565,000	Sale Date	February 2019
Initial Yield	4.16%	Equivalent Yield	5.00%
IRR	7.49%	WALT	14.67 years

The property comprises an irregular shaped site, improved with a warehouse and adjacent refurbished two level office facility, facing Wiri Station Road and totalling 6,770 square metres in gross lettable area. The main access is from Wiri Station Road, with additional access and parking area off Plunket Avenue. The warehouse has a low stud section of 5.5 metres at the portal knee rising to 6.15 metres at the apex and a higher stud component of 10 metres at the portal knee rising to 10.9 metres at the apex. A concrete sealed and secure yard is located towards the north-west corner of the site with access from Wiri Station Road and Plunket Avenue.

The property sold in February 2019 for \$21,565,000 plus GST at an initial yield of 4.16%, an equivalent yield of 5.00%, and an internal rate of return of 7.49%.

The above transactions indicate that initial yields have ranged from approximately 4.16% to 5.31%, equivalent yields from 4.61% to 5.55% and IRRs from 6.56% to 7.55%. These variances are largely dependent on tenant covenants, development potential, tenure, location, quality of improvements, guaranteed rental growth and lease terms.

The lower end of the yield range typically relates to properties with either modern accommodation, situated in prime locations, with medium to long term weighted average lease terms or are of a smaller value quantum, or have some redevelopment potential. Sales to the higher end of the yield range typically relate to properties with either secondary quality accommodation, in secondary locations, have short weighted average lease terms or are of a high value quantum.

We consider the sales of Lot 2, 72 Tidal Road in Mangere and 9 Stonehill Drive located in Wiri to provide us with the most comparable pieces of evidence to that of the subject, together with the sales of the subject and 101 McLaughlins Road in June 2019.

The property at Lot 2, 72 Tidal Road sold in June 2020 (subject to completion, being a new design build facility) at an initial yield of 4.95%, an equivalent yield of 4.88% and an IRR of 6.56%, with a new 15 year lease. The property provides a total lettable area of approximately 5,690 square metres with the warehouse component split into two units which are leased to the same tenant. The property provides a comparable quality of improvements, location and scale to the subject. The property upon completion will be leased to Cardinal Logistics for a 15 year term, with a commencement rent of \$1,070,917 per annum plus GST with annual fixed 1.5% rent increases and market reviews on every 5th anniversary. This property is superior to the subject given that is a brand new design facility with a longer remaining lease term, however the subject is situated in a superior Wiri location and as such we have adopted a lower yield.

We have considered the sale of the property at 9 Stonehill Drive in Wiri, which sold in September 2019 for \$17,200,000 plus GST, at an initial yield of 4.64%, an equivalent yield of 4.61% and an IRR of 6.77% with a remaining lease term of 10 years. There was a 5 months' rent free incentive associated with the property, paid in the form of a cash incentive. The property provides a newly constructed design build industrial facility situated to the western periphery of Wiri, being more or less across the road from the subject. The property provides modern and high quality accommodation, similar to that of the subject, and is of a similar scale. We consider this property comparable to the subject with regard to quality, location and long remaining lease term, although this property has a slightly longer lease term.

101 McLaughlins Road comprises a comparable property which sold in conjunction with the subject property in June 2019. The property sold for \$18,159,000 plus GST reflecting an initial yield of 4.68%, with a WALT of 10.00 years. This is comparable to the subject although the sale is now slightly more dated.

We have also had consideration to the sale of the subject property which sold in June 2019, for an estimated \$13,000,000 plus GST (if any).

When assessing the yield profile of the subject property, we have been mindful of the location, being situated towards the northern end of Harbour Ridge Drive, within Wiri, the scale and modern quality of improvements, strong tenant covenant in NBL (New Zealand) Limited, with a remaining lease term of 7.17 years. We also note that we believe that the property is currently over

rented, with the lease incorporating annual fixed 2.50% rental reviews, providing for a further guaranteed rental uplift in the short to medium term. With the above in mind, we have adopted a yield towards the middle of the aforementioned range.

Based on the sales evidence, we have adopted the following valuation inputs:

Valuation Input	
Capitalisation Rate	4.75%
Discount Rate	7.00%

7 Valuation Considerations

7.1 SWOT Analysis

The strengths and weaknesses of any investment property generally show the positive and negative characteristics of that property, whereas opportunities and threats represent future external factors or events that could enhance or diminish the value of the asset. We set out our SWOT analysis as inspected as follows:

Strengths	Weaknesses
<ul style="list-style-type: none"> ▪ Large industrial land holding in a sought after locality. ▪ Modern quality of improvements. ▪ Generic industrial buildings that would suit a range of potential future occupiers. ▪ Low vacancy in the Wiri area restricting supply and driving up market rental rates. ▪ Fully let property in a strong location. ▪ Strong tenant covenant in NBL (New Zealand) Limited, with a long remaining lease term of 7.17 years and annual fixed 2.5% rental increases. ▪ Bank Guarantee of \$750,000. 	<ul style="list-style-type: none"> ▪ Minimal profile and exposure, being located off a main road. ▪ Warehouse is non-sprinklered. ▪ No guarantor.
Opportunities	Threats
<ul style="list-style-type: none"> ▪ Rental growth at the next rental review, if renewed on expiry. 	<ul style="list-style-type: none"> ▪ The economic and social impacts of COVID-19 have the potential to be persistent. ▪ Competition from surrounding development limiting rental growth. ▪ Global economic threats from our major trading partners. ▪ Local economic factors impacting negatively on economic growth, tenant demand and investor sentiment. ▪ Extended vacancy on expiry of the lease term. ▪ Upcoming NZ election.

7.2 Likely Selling Period

We are of the opinion that the likely selling period for the Property is up to 6 months, assuming that the property is presented to the market in accordance with the specific assumptions noted in this report, and with an appropriate level of marketing. The actual time to sell the property may vary depending on the number of potential buyers in the marketplace, availability of comparable properties, access to finance, and changes in market conditions subsequent to the valuation date.

7.3 Most Probable Purchaser

In consideration of the current market, we anticipate the most probable purchaser of the Property to be an institutional or private investor.

7.4 Sales History

The subject property last transacted in June 2019, in combination with the neighbouring property 101 McLaughlins Road, for \$31,159,000 plus GST. We have been informed by the Client that the total sale price is split at an amount of \$13,000,000 plus GST for the subject property and \$18,159,000 plus GST for the property at 101 McLaughlins Road.

The value uplift is due to the increase in market rental, driven by low supply and high demand for high quality industrial developments.

8 Valuation Rationale

8.1 Valuation Overview

In arriving at our opinion of market value we have had consideration to the capitalisation and discounted cashflow (DCF) approaches to valuation, along with a cross check via the market comparison approach.

8.2 Capitalisation Approach

The capitalisation approach involves the determination of a sustainable net income from the property, and the application of a capitalisation rate as a measure of expected return from the property. Adjustments are made to the core value for items such as under/over renting, required capital expenditure or current/upcoming vacancy.

We have adopted a core capitalisation rate of 4.75%, with our calculations summarised below:

Direct Capitalisation Approach		
Rental Income	Contract Income	Market Income
Lettable Area Rental	\$648,771	\$636,420
Ideal Outgoings Recovery (Full Net Leases)	\$146,685	\$146,685
Total Rental Income	\$795,456	\$783,105
Less Outgoings Expenditure	(\$146,685)	(\$146,685)
Net Rental Income	\$648,771	\$636,420
Core Income Capitalised at 4.75%	\$13,658,341	\$13,398,316
Value Adjustments		
Present Value of Existing Rental Reversions	(\$186,457)	\$75,448
Present Value of Short Term Capital Expenditure: 24 months	(\$4,927)	(\$4,927)
Total Value Adjustments	(\$191,384)	\$70,520
Total Capitalised Value	\$13,466,957	\$13,468,836
Adopted Capitalised Value (say)	\$13,500,000	\$13,500,000

From our core value, present value adjustments (for rental reversions, letting up allowances, incentives, future lease agreements and short term CAPEX) where appropriate have been made in order to derive the resultant capitalised value.

Our adopted adjustments are detailed as follows:

Rental Reversions

From the core value, we have added/deducted the present value of tenant rental reversions, which represents the present value of rental overage / underage for each existing tenancy relative to our adopted rental profile.

Letting Up Allowances

Within our capitalisation calculations we have made present value letting up allowances for those tenancies that are expiring over the next 24 months. This letting up allowance includes rental and outgoings void (downtime) as well as leasing / agents fees with leasing up the captured lease expiry's.

Capital Deductions

We have allowed for the present value of CAPEX allowances over the next 24 months from the valuation date, which total \$4,927.

Calculation Summary

Having made these adjustments to the core value, we derive a total value of \$13,500,000. A sensitivity analysis based on adjustments to our adopted Core Capitalisation rate is as displayed below:

Sensitivity Analysis		Contract Approach	Market Approach
(0.25%)	4.500%	\$14,200,000	\$14,200,000
Adopted Capitalisation Rate	4.750%	\$13,500,000	\$13,500,000
0.25%	5.000%	\$12,800,000	\$12,800,000

8.3 Discounted Cash Flow Approach

We have undertaken a discounted cash flow analysis over a 10-year investment horizon to derive a net present value for the Property.

We note that a DCF analysis looks to forecast cashflow performance from the property over a future horizon based on an understanding and due diligence related to the property and the specific market in which it sits. The adopted forecasts incorporate what we consider reasonably foreseeable as at the valuation date in terms of key lease events, capital expenditure and likely growth in rental rates, costs and changes in property values over the cashflow term. We note that the actual cashflows associated with the property may vary significantly depending on management decisions, market conditions or unforeseeable events.

Discount Rate

In assessing an appropriate target discount rate for the property, we have considered primarily the analysis of recent comparable or benchmark property sales, the current level of risk free return, discussions with active property investors as well as consideration of the property's specific investment attributes.

We have applied a target discount rate of 7.00% to the cash flows to produce a present value of \$13,100,000. Our DCF calculations are summarised overleaf:

The main valuation inputs used in our cash flow are summarised as follows:

Revenue Projections

Our revenue projections commence with the passing rents for each existing tenant and, where relevant, include structured annual and market rent reviews, together with ratchet clauses, as provided for under existing leases.

Growth Rates

A summary of the growth rates adopted for the cash flow period are as follows:

Growth	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Industrial							10 year average		2.40%	
	1.00%	1.50%	2.00%	2.50%	3.00%	3.00%	3.00%	2.75%	2.75%	2.50%
Office & Amenities							10 year average		2.40%	
	1.00%	1.50%	2.00%	2.50%	3.00%	3.00%	3.00%	2.75%	2.75%	2.50%
CPI							10 year average		1.78%	
	0.80%	1.40%	1.60%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Capex							10 year average		2.78%	
	1.80%	2.40%	2.60%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Outgoings							10 year average		2.78%	
	1.80%	2.40%	2.60%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

The market rents have been grown over the 10-year cash flow period by their respective growth rate as set out within the summary table above. In formulating our views as to the appropriate projected rental growth rates we have had regard to forecasts supplied by JLL Research and NZIER. These forecasts have been used as a base from which growth rates appropriate for the Property have been derived.

Letting Up Allowances

We have allowed for a letting up period at the end of each existing lease (being the estimated time to secure a new tenant) and associated probability. We have assumed a new lease term for tenants of 6.0 years and associated agents/leasing costs of 16.00%. Our allowances are outlined in the table below:

Industrial	Cash Flow Year	Letting Up	Probability	Incentive	Probability	Capex /sqm	Probability
	Vacant	12 months	50%	0%	100%	\$5	100%
	Year 1	6 months	50%	0%	100%	\$5	100%
	Year 2	6 months	50%	0%	100%	\$5	100%
	Year 3	6 months	50%	0%	100%	\$5	100%
	Year 4	6 months	50%	0%	100%	\$5	100%
	Year 5	6 months	50%	0%	100%	\$5	100%
	Year 6	6 months	50%	0%	100%	\$5	100%
	Year 7	6 months	50%	0%	100%	\$5	100%
	Year 8	6 months	50%	0%	100%	\$5	100%
	Year 9	6 months	50%	0%	100%	\$5	100%
	Year 10	6 months	50%	0%	100%	\$5	100%

Capital Expenditure

Within our calculations we have made capital expenditure allowances for any known upcoming costs, together with our own allowances for capital and refurbishment works coinciding with major lease expiries that we feel would be necessary to achieve our rental growth forecast and which a prudent purchaser is likely to make allowances for. The allowances we have made are as summarised below, split between capex associated with a tenancy expiry or renewal, and general property expenditure:

Cash Flow Year	Tenancy Capex	Building Capex	Total Capex
Year 1	\$0	\$2,545	\$2,545
Year 2	\$0	\$2,606	\$2,606
Year 3	\$0	\$2,674	\$2,674
Year 4	\$0	\$2,754	\$2,754
Year 5	\$0	\$2,837	\$2,837
Year 6	\$0	\$2,922	\$2,922
Year 7	\$0	\$3,009	\$3,009
Year 8	\$56,477	\$61,994	\$118,471
Year 9	\$0	\$3,193	\$3,193
Year 10	\$0	\$3,288	\$3,288
10 Year Total	\$56,477	\$37,822	\$144,299
Capex as a proportion of Value	1.1%	Per Sqm of Lettable Area	\$30.82

The above allowances have been adjusted for forecast CPI movements throughout the cash flow.

Estimated Terminal Sale Price

We have applied a terminal yield of 5.00% (a 25.0 basis point premium to the going in capitalisation rate) to the market net income at the start of Year 11 in order to calculate the estimated terminal sale price. This value also includes reversions to the forecast market rent as at the end of Year 10, deferred until the next review date.

In estimating the terminal value of the property we have primarily had regard to the increased age of the property at the end of the cashflow and likely occupancy and net income profile for the property.

Transaction Costs

We have made allowances for the following transaction costs within our discounted cash flow:

Transaction Costs	
Acquisition Costs	Nil
Disposal Costs	1.50% of the forecast Terminal Value

Sensitivity Analysis

The table below highlights a sensitivity analysis of the net present value around variations to the discount rate and terminal yield:

Discount Rate	Terminal Yield		
	4.75%	5.00%	5.25%
6.75%	\$13,700,000	\$13,300,000	\$12,900,000
7.00%	\$13,500,000	\$13,100,000	\$12,700,000
7.25%	\$13,200,000	\$12,800,000	\$12,400,000

9 Valuation

9.1 Valuation Reconciliation

The results of our valuation methods are:

Methodology	Valuation
Capitalisation Approach - Market Income	\$13,500,000
Capitalisation Approach - Contract Income	\$13,500,000
Discounted Cash Flow Approach	\$13,100,000
Adopted Value	\$13,350,000

9.2 Valuation Conclusion

Having regard to the results from the valuation methods described above, together with available market evidence, the comments made within this report, and present market sentiment, we have adopted a rounded valuation figure of \$13,350,000 plus GST (if any).

Our valuation is subject to the comments, qualifications and financial data contained within our report. On that basis, and assuming the Property is free of encumbrances, restrictions or other impediments of an onerous nature that would affect value, in our opinion its market value as at 30 September 2020, is:

\$13,350,000 plus GST (if any)

Thirteen Million Three Hundred Fifty Thousand Dollars plus GST (if any)

The assessed value reflects an initial passing yield of 4.86%, an equivalent yield of 4.79%, an internal rate of return of 6.70%, and a rate of \$2,851 per square metre of Lettable Area.

We confirm that this report is confidential to the following parties and for the specific purposes noted below:

- Oyster Industrial Ltd – for Financial Reporting and Mortgage Security
- Westpac New Zealand Limited – for Mortgage Security purposes
- Ernst & Young – for Financial Reporting purposes

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 nor in any communication with third parties without our prior written approval of the form and context in which it will appear.

9.3 Mortgage Security Recommendation

Subject to the comments in this report, we consider the Property to be a suitable security for first mortgage purposes.

There remains some uncertainty around market parameters given the events of recent months, and we recommend caution is applied to lending at present. We recommend interested parties re-confirm the value noted within with us prior to reliance.

9.4 Market Value Apportionment

We have been requested to provide an apportionment of the land and improvements within the Market Value as assessed.

In order to establish value parameters to the subject we have investigated recent land sales within the general locality. In the interest of brevity, we retain all sales evidence on file and outline our apportionment of the value assessed as follows:

Valuation Apportionment	Value
Land Value	\$4,000,000
Improvements Value	\$9,350,000
Adopted Value	\$13,350,000

This apportionment has been undertaken for accounting purposes only, and should not be utilised as an assessment of improvement indemnity or replacement value for insurance purposes.

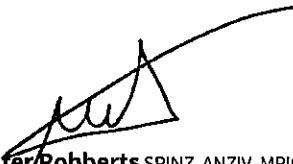
9.5 Involvement Statement

The following parties have been involved in the completion of this valuation:

Inspection of Property	Wouter Robberts
Calculations	Wouter Robberts, Isabelle Hoy
Information Review	Wouter Robberts, Isabelle Hoy
Report Authoring	Isabelle Hoy
Quality Assurance	Brad Chemaly
Principal Valuer	Wouter Robberts

JLL require that all Valuation Reports are reviewed for Quality Assurance purposes before external release. The individual that has undertaken the Quality Assurance review offers no opinion on the subject property(s).

Yours faithfully,
Jones Lang LaSalle, Valuation Advisory



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Appendix 1 – Valuation Definitions

Net Passing Income	The annual sum of the current base rent, any supplementary income and recoverable outgoings, less total outgoings.
Net Income, Fully Leased	The annual net passing income as above, plus estimated income from vacant tenancies and any immediate reversions.
Capitalisation Rate	The capitalisation rate adopted within the valuation applied to either the net income, fully leased (excluding supplementary income) or net market income prior to adjustments for vacancy, rental reversion and capital expenditure.
Initial Yield	The net passing income from an investment divided by the sale price or value adopted for the investment.
Market Yield	The assessed net market income divided by the sale price or value adopted.
Equivalent Yield	A market yield which reflects additional adjustments for capital expenditure, letting up assumptions or the present value of rental reversions after the capitalisation of income.
Discount Rate	A rate of return used to convert a future monetary sum or cash flow into a present value.
Internal Rate of Return (IRR)	The discount rate at which the present value of the future cash flows of the investment equals the acquisition cost of the investment.
Terminal Yield	Alternatively referred to as a Reversionary Yield, being the anticipated yield from an investment property once a reversionary value is attained at the end of the cashflow with adjustments for vacancy allowances.
Ten Year IRR	The IRR (as above) for which the property would achieve based on the present value of all the net cashflows over a 10 year period given the assessed value.
Market Rent	The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
Market Value	The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.
Highest and Best Use	The use of an asset that maximises its potential and that is physically possible, legally permissible and financially feasible.
Weighted Average Lease Term (WALT)	The weighted average lease term remaining to expire across the property or portfolio, it can be weighted by rental income or lettable area.
Fair Value	Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Appendix 2 – Record of Title



**RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD
Search Copy**



R.W. Muir
Registrar-General
of Land

Identifier 774841
Land Registration District North Auckland
Date Issued 21 May 2018

Prior References
697053

Estate	Fee Simple
Area	6140 square metres more or less
Legal Description	Lot 31 Deposited Plan 508731

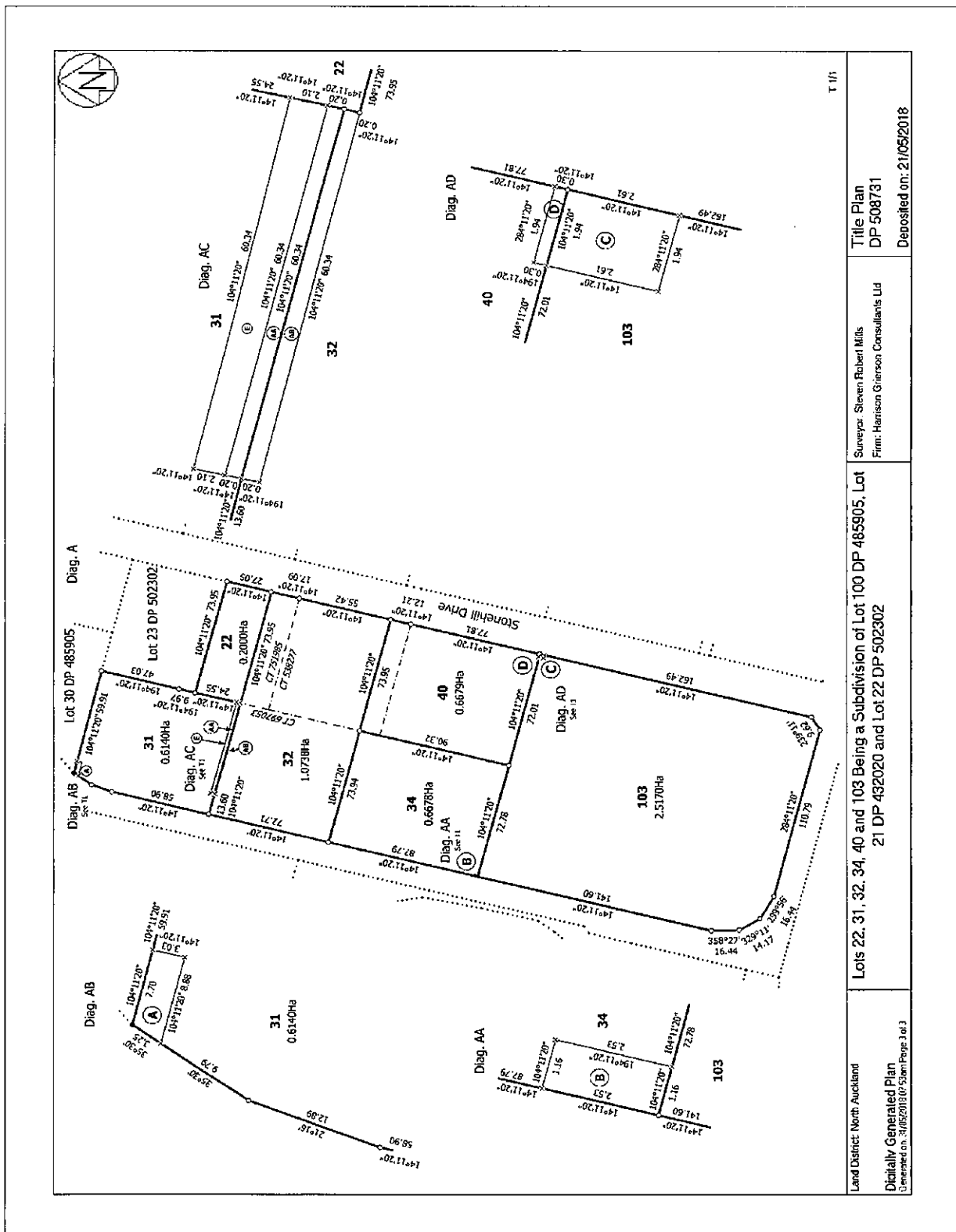
Registered Owners
Oyster Industrial Properties Limited

Interests

10888755.3 Consent Notice pursuant to Section 221 Resource Management Act 1991 - 26.9.2017 at 3:12 pm
Land Covenant in Easement Instrument 10888755.5 - 26.9.2017 at 3:12 pm
Subject to a right (in gross) to convey electricity over part marked A on DP 508731 in favour of Vector Limited
created by Easement Instrument 11007934.1 - 5.3.2018 at 4:53 pm
Subject to a party wall right over part marked AA, and a right of support over part marked E, both on DP 508731
created by Easement Instrument 11117074.2 - 21.5.2018 at 2:38 pm
Appurtenant hereto is a party wall right created by Easement Instrument 11117074.2 - 21.5.2018 at 2:38 pm
Land Covenant in Easement Instrument 11117074.3 - 21.5.2018 at 2:38 pm
11505013.1 Variation of Land Covenant created by Easement Instrument 10888755.5 - 3.9.2019 at 4:39 pm
11573454.2 Mortgage to Westpac New Zealand Limited - 21.10.2019 at 4:34 pm

Identifier

774841

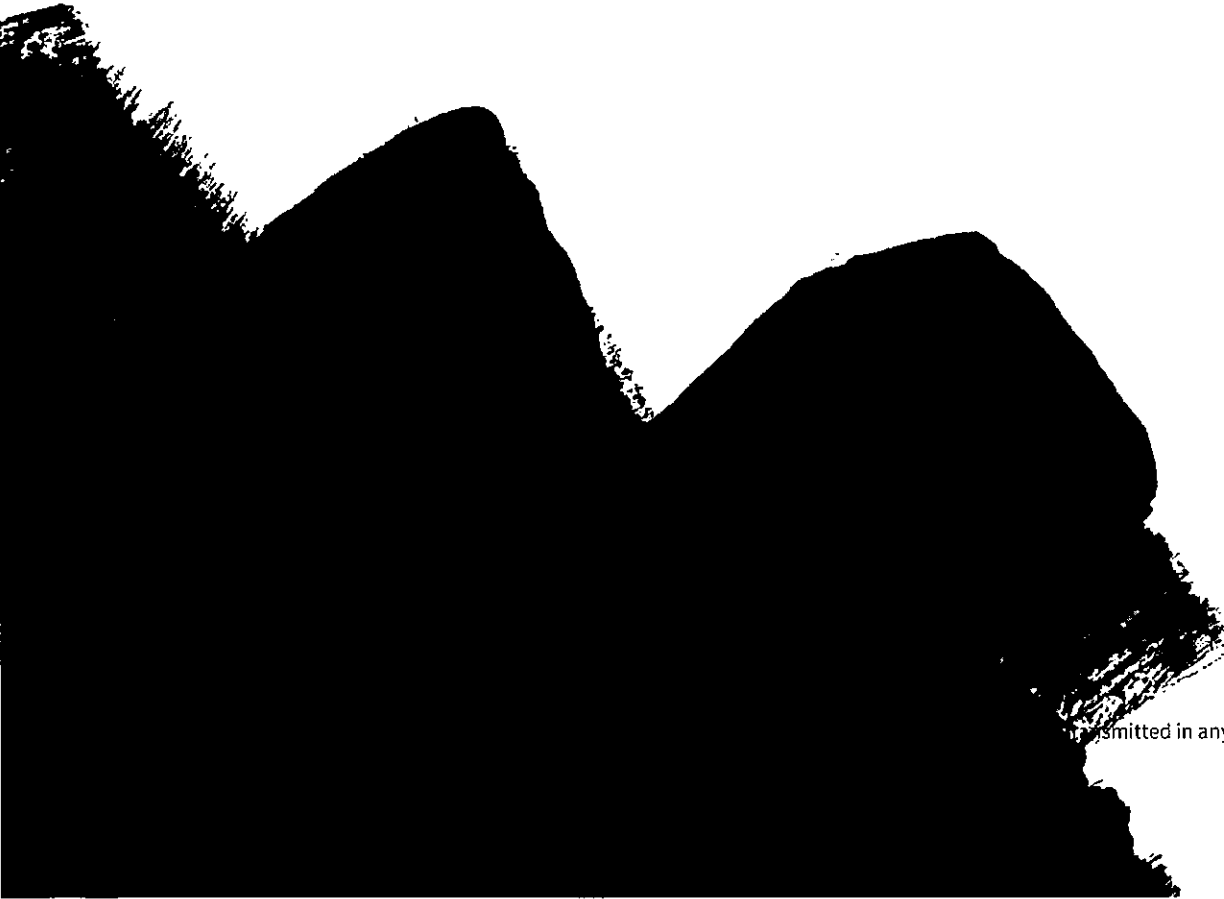


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mitted in any form or by any

