Valuation Report

Current Market Valuation
Shamrock House
79 – 81 Molesworth Street
Thorndon
Wellington

ASB Bank Limited
Property Finance Manager
PO Box 35
Auckland 1140

Attention: Gavin Berman

Date: 26 September 2016 Ref: 18597

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18597/AW

Executive Summary

Shamrock House, 79 – 81 Molesworth Street, Thorndon, Wellington

Brief Description

Shamrock House is a 10 storey podium and tower plus basement designed office building built in the 1980's. It has four levels of podium office accommodation (including ground floor), 6 levels of tower office accommodation, 11 ground floor carparks and loading area and basement carparking providing for 44 vehicles.

The building is located on the corner of Molesworth Street and Hawkestone Street, a prominent location within Thorndon.

The property is fully leased with ACC occupying part of the ground floor as well as office levels 1 to 7, accounting for approximately 84.6% of the total lettable area, under two separate leases, one for a six year term (Levels 4 to 7) and the other on a nine year term (ground and levels 1 to 3). The building has a weighted average lease duration of 4.66 years (by income).

Instruction & Approach

Instructing Party	Maat Property Group
Reliant Party/s	ASB Bank Limited
Purpose of Report	First Mortgage Security
Interest Valued	Unencumbered Freehold Market Value on the basis of existing occupancy arrangements
Date of Valuation	26 September 2016
Date of Inspection	26 September 2016

Property Details

Legal Description	Lot 1 Deposited Plan 62033
Computer Register	WN31A/705
Tenure	Freehold
Owner	81 Molesworth Street Limited
Land Area	1,246 m²
Rentable Area	5,712 m²
NBS	100%, (Aurecon 2015)
Zoning	Central Area
Major Tenancies	ACC; Wilkinson's Insurance Brokers, Insurance and Financial Services Ombudsman
WALT	4.66 years (by income)

Key Data & Assumptions

Current Net Contract Income	$1,731,534 per annum
Net Market Rental	$1,821,314 per annum
Letting Up Allowance	6 - 12 months
Tenant Retention	50%
Average Growth	2.94% per annum
Market Capitalisation Rate	7.25%
Discount Rate	8.50%
Terminal Capitalisation Rate	7.75%

Valuation Conclusions

Adopted Value	NZD$25,000,000 plus GST, if any
Passing Initial Yield	6.93%
Equivalent Market Yield	7.26%
Internal Rate of Return (including capex)	8.56%
Internal Rate of Return (excluding capex)	9.25%
Direct Comparison Rate	$4,377/m² of NLA
Equivalent Market Yield	The assessed annual market rent as a proportion of the assessed market value, the market value having been adjusted downwards/upwards to allow for any rental shortfall/overage.
Internal Rate of Return (IRR)	The rate of return on the assessed market value, based on forecast cash inflows and outflows over the next 10 years, based on our assumptions relating to market rentals, rental growth, escalation in outgoings and capital expenditure.

Valuers

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NOTE: This Executive Summary must be read in conjunction with the attached report and the details contained therein.

1.0 INTRODUCTION

1.1 SCOPE OF WORK

We have received instructions from Mr Neil Tuffin of Maat Property Group dated 14 September 2016 to assess the market value Shamrock House, 79 – 81 Molesworth Street, Thorndon, Wellington.

We outline in the following subsections key assumptions, limitations and restrictions with regard to this valuation. We further note that this valuation is undertaken in accordance with the agreed written Scope of Work between the above instructing party and Colliers International (Wellington Valuation) Limited.

We hold on file our exchange of emails setting out our Terms of Engagement and Scope of Works as agreed.

We confirm that the individual valuers who are signatories to this report are experienced in the location and category of the property valued.

1.2 BASIS AND PURPOSE OF VALUATION

The valuation has been completed in accordance with the International Valuation Standards and the Australia and New Zealand Valuation and Property Standards for assessing the market value of a property for mortgage and loan security purposes. In particular, Valuation Guidance Note ANZVGN 2 - Valuations for Mortgage and Loan Security Purposes and IVS 310 Valuation of Property Interests for Secured Lending.

We have adopted the International Valuation Standards Council definition of market value 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 and where the parties had each acted knowledgeably, prudently and without compulsion".*

This valuation has been prepared for mortgage and loan security purposes.

In accordance with bank and Property Institute of New Zealand reporting guidelines, we have excluded a mortgage recommendation from our valuation report. This valuation may however be relied upon by ASB Bank Limited for mortgage and loan security purposes.

1.3 INFORMATION SOURCES

We have been provided the following information which has been adopted/considered in the valuation process:

- A detailed tenancy schedule;
- Operating Expense budget;
- Operating Expense Recoverable schedule;

- Current Insurance Policy statement;
- Seismic status letter of confirmation.

We have searched Computer Register details independently from public records and rental and sales evidence from our own records.

1.4 RELIANCE & EXTENSION OF LIABILITY

This valuation has been prepared for the following parties and for the following purposes:

- Maat Property Group for internal due diligence purposes only.

No responsibility is accepted or assumed to any third parties, nor should there be any reliance upon this report by any third party other than the party(s) explicitly noted above without our express written agreement. We invite other parties who may come into possession of this report to seek our written consent to them relying on this report. We reserve the right to withhold our consent or to review the contents of this report in the event that our consent is sought.

This report is confidential between Colliers International (Wellington Valuation) Limited and the above party(s) to whom Colliers International (Wellington Valuation) Limited agrees in writing may rely upon the valuation report for the purpose stated.

1.5 ASSUMPTIONS

Property Specific Assumptions
The valuation is not based on any property specific assumptions.

Other Assumptions

1. We have assumed that the instructions and subsequent information supplied contain a full and frank disclosure of all information that is relevant.
2. We have assumed that there are no easements, rights of way or encroachments except those shown on the Computer Register or in the valuation.
3. A current survey has not been sighted. The valuation is made on the basis that there are no encroachments by or upon the property and this should be confirmed by a current survey or report and/or advice from a Registered Surveyor. If any encroachments are noted by the survey report we reserve the right to review our valuation.
4. Other than the Computer Register, we are not aware of any notices currently issued against the property and we have made no enquiries in this regard.
5. We have not inspected the plant and equipment or obtained any advice on its condition or suitability.
6. In the course of preparing this report we have relied upon information provided by the owner of the property unless otherwise stated. We have assumed that this information is correct and have adopted this information in our assessment.
7. We have inspected all readily accessible parts of the improvements considered necessary for the purposes of our valuation. We have not sighted a structural survey of the improvements, nor its

plant and equipment, by a qualified engineer. The valuer is not a building construction and/or structural expert, and is therefore unable to certify as to structural soundness of the improvements. Readers of this report should make their own enquiries in this regard. We have not inspected unexposed or inaccessible portions of the premises. We therefore cannot comment on the structural integrity, defect, rot or infestation of the improvements.

8. Our valuation has been completed on the assumption the building(s) and associated site development are adequately covered by normal full reinstatement insurance, including earthquake cover, both now and in the future. Should this not be the case or should this situation change in the future we caution the valuation may change.
9. There will be no major economic downturn during the projection period, beyond that envisaged at the date of valuation.
10. The property is managed in a prudent and professional manner.
11. There will be no new taxes or rates introduced which have a direct impact on the property over the projected period.

1.6 COMPLIANCE STATEMENT

This valuation has been performed in accordance with the International Valuation Standards (IVS) and we confirm that;

- The statements of fact presented in this report are correct to the best of the Valuer(s) knowledge;
- The analysis and conclusions are limited only by the reported assumptions and conditions;
- The Valuer(s) have no interest in the subject property;
- The Valuer(s) fee is not contingent upon any aspect of this report;
- The valuation has been performed in accordance with the NZIV Code of Ethics and performance standards;
- The Valuer(s) has satisfied professional education requirements;
- The Valuer(s) has experience in the location and category of the property being valued;
- The Valuer(s) (as noted in the executive summary and final section of this report) has made a personal inspection of the property and
- No one, except those specified in the report has provided professional assistance in preparing the report
- Further, the principal valuer is a Registered Valuer in accordance with the Valuers Act 1948 and holds an Annual Practising Certificate.
- We confirm that we are not aware of any conflicts of interest or pecuniary interests of the property being valued on the part of Colliers International New Zealand Limited.
- We confirm Colliers International (Wellington Valuation) Limited has previously valued this property the current owner. Colliers International (Wellington Valuation) Limited has also been involved in a number of two rent reviews within the subject building on behalf of the current landlord.

  We confirm we have been provided with written clearance by the current owners to act on behalf of Maat Property Group.

1.7 QUALITY MANAGEMENT SYSTEM

Colliers International (Wellington Valuation) Limited have a Quality Management System (QMS) which sets out specific procedures to be carried out in the valuation process to ensure each valuation is completed to a high standard.

The QMS provides for both internal and external audits to be carried out biannually and annually respectively to ensure Colliers International (Wellington Valuation) Limited is complying with the QMS.

We attach a copy of the current Certificate of Registration which recognises Colliers International (Wellington Valuation) Limited's current compliance at **Appendix Three** of this report.

2.0 SITE PARTICULARS

2.1 LEGAL DESCRIPTION

The property is legally described as all that parcel of land containing 1,246 square metres more or less being Lot 1, Deposited Plan 62033. This is contained in a Computer Freehold Register (formerly known as the Certificate of Title) Identifier WN31A/705, a copy of which is appended to this report at **Appendix Two**.

We note from our perusal of the Computer Freehold Register that the property is subject to the following interests:

- Appurtenant to the land formerly contained in CsT* (sic) WN111/248 and WN548/37 is a Right of Way over part CT WN731/84 pursuant to section 10(11) Wellington City Empowering and Amendment Act 1922;
- K21666 Notice that part of the western side of Molesworth Street is Subject to The Wellington City Consolidated Bylaw No. 1933/1 as amended by No. 1936/9;
- 618596.1 Memorandum of the conditions imposed by The Wellington City Council pursuant to Section 354 Local Government Act 1974 relating to the construction of a cellar on the above described land.

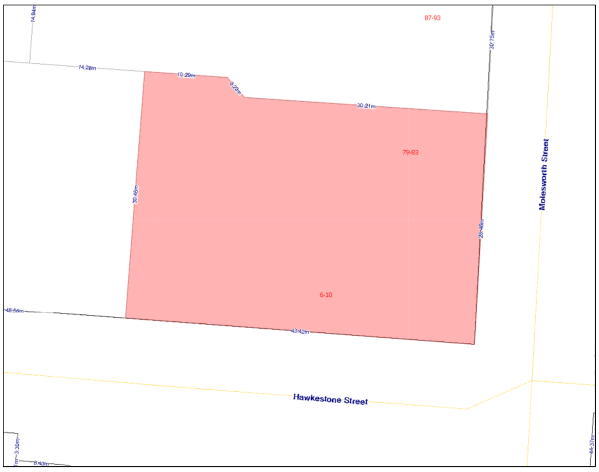
We note that in respect of interest K21666 noted on the Computer Register refers to the registration of building line restriction (by-law) against numerous titles along Molesworth Street (applies to rebuilds and additions to existing buildings. Given the age of the bylaw referred to, it is likely this memorial is obsolete but none the less still remains on the title. We have proceeded assuming it has no material impact on the property.

We do not believe that these encumbrances have a detrimental impact on value.

Ownership

We note from our perusal of the Computer Freehold Register that the property is in the registered proprietorship of 81 Molesworth Street Limited with a mortgage registered to ANZ Bank New Zealand Limited.

2.2 SITE DESCRIPTION



Topography

The site is a fairly regular shape with a frontage to Molesworth Street of approximately 28.50 metres and to Hawkestone Street of approximately 43.50 metres.

The site has a total area of 1,246 square metres. In terms of contour the site is near level.

Access to the Site

Pedestrian access to the site is taken directly off Molesworth Street a north-bound one way street. Car park access is taken directly off Hawkestone Street.

Utilities

We understand that the property is connected to all major utility services including electricity, water, telephone and sewage.

Geotechnical

We have not undertaken a geotechnical survey of the property, and therefore cannot comment as to the subsoil condition of the land. We recommend that before any action is taken involving this site, that you obtain advice regarding soil stability and contamination from persons appropriately qualified to provide such advice.

Environmental and other Special Risks

We have searched the Greater Wellington Regional Council's Selected Land Use Register (SLUR) and the subject property does not appear. This does not mean the site is not contaminated, simply that the Council holds no record of the property being subject to contamination.

We did note on our inspection a diesel fuel storage facility situated on the Hawkestone Street side of the property. We could not gain access to this facility, but assume it is utilised for the storage of Diesel fuel for an emergency generator. We recommend any potential purchaser or lender make their own investigations to satisfy themselves as to the condition of the storage facility and fuel tank itself, and the installation, and containment of potential contaminants.

Whilst the above comments suggest environmental matters may be an issue, the recipient of this report is advised that the Registered Valuer is not qualified to detect such substances, which in many cases are not visible, nor quantify the impact on values without an environmental report.

Substances such as asbestos, other chemicals, toxic waste or other potentially hazardous materials could, if present, adversely affect the value of the property. The stated value estimate is on the assumption that there is no material on or in the property that would cause loss in value. No responsibility is assumed for any such conditions and the recipient of this report is advised that the valuer is not qualified to detect such substances, quantify the impact on values or estimate the remedial cost.

2.3 SITUATION AND LOCALITY

The subject property is located on the corner of Molesworth Street and Hawkestone Street. Main pedestrian access is off north-bound one-way Molesworth Street, with vehicular access from Hawkestone Street. The property occupies a good corner position to the eastern side of the recognised Thorndon office precinct within close proximity of Parliament buildings, the New World Supermarket on Molesworth Street, the main rail and bus terminuses, with convenient access to Wellington's motorway and a short walking distance to the prime retail precinct along Lambton Quay.

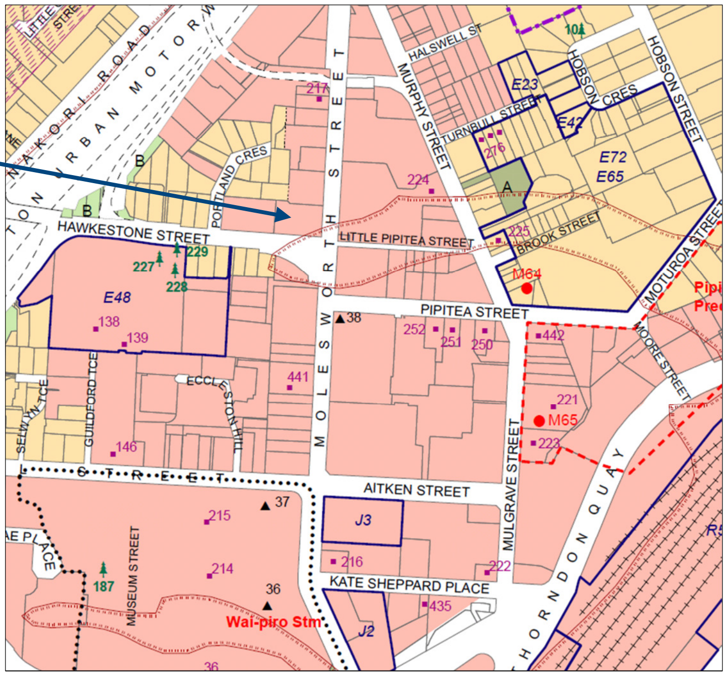
A dominant feature of this area is the group of substantial government buildings located on Molesworth, Pipitea, Murphy and Aitken Streets. These include the Justice Centre, the ex-Freyberg Building, Rugby Union House as well as the National Library of New Zealand. St Pauls Square is in the process of being fully refurbished and upgraded to house DIA (forming part of the WAP2 Government Accommodation Procurement Programme). In addition, a new office building for the Ministry for the Environment in Kate Sheppard Place was completed in 2005 and a new building for the Ministry of Defence on the corner of Aitken and Mulgrave Streets was completed in early 2007. Further north 133 Molesworth Street is the new building under construction to house the Ministry of Health.

As well as being a popular location for office accommodation, particularly with Government departments, Thorndon is also a popular apartment location given its proximity to the CBD and harbour views achieved from many developments. The Kate Sheppard Apartments were completed in 2005 and the Summit Apartments, a 10 storey apartment complex, was completed circa 2006 on the site adjoining the office building at 180 Molesworth Street.

Whilst towards the northern end of Wellington's CBD, the subject building is well placed in respect of proximity to public amenities, including public transport links from Wellington Railway Station, Parliament Buildings and Wellington's motorway. The building has good light and air and pleasant views over the surrounding town belt.

2.4 RESOURCE MANAGEMENT

Subject



Current Zoning

The property is zoned **Central Area** under the Wellington City District Plan which became operative in July 2000. The central area rules provide for a wide range of uses as permitted activities, with the Council's intention being to adopt a flexible approach to land use and encourage efficiencies in the central area, enabling owners and developers to respond appropriately to meet market needs and other economic and technological changes. The site has a maximum building height of **43.8 metres** above mean sea level.

Permitted Activity

In general permitted activities are activities which have no greater impact on the surrounding environment than those existing activities. Any activity which has a greater impact on the surrounding area than the existing activity is likely to require approvals under the Resource Management Process.

Of particular note in respect of properties within the central area there is no requirement to provide on site vehicle parking, but where parking is provided it is not to exceed a maximum of one space per 100m² of gross floor area.

The subject forms a 10 storey podium and tower office and retail building which appears to comply with the rules for permitted activities within the Central Area.

Potential Impact on the Subject Property

The subject property is not located in any of the heritage areas nor is it subject to any heritage or historic buildings listing. The planning maps show that a small portion to the south east of the subject property is within a ground hazard shaking area, as is much of the Central Area. As such the property cannot be used for essential services such as hospitals and fire stations etc. The ability to increase the size of this office tower may however be inhibited by the new building mass criteria proposed by the Wellington City Council.

2.5 STATUTORY INFORMATION

Building Act

Parliament passed the Building Act 2004, which replaces the Building Act 1991 and affects the building consent process. Some new measures came into effect on 30 November 2004, but the main changes came into effect on 31 March 2005, when the 1991 Building Act was repealed.

The main change from November 2004 is that it is now an offence to permit the public use of a building before a Code Compliance Certificate (CCC) for any new building work has been issued. Building owners had until 31 March 2005 to obtain the CCC. After that date, the offence became enforceable. We are not aware whether or not any new work that requires a CCC has recently been undertaken. If such work has been undertaken and a CCC has not been issued there may be cost/value implications for the property.

Under the Building Act, property owners are responsible for the safety and sanitation of their buildings. Certain systems and features such as fire alarms, lifts and air-conditioning require ongoing monitoring and maintenance.

Where necessary, owners must provide a Building Warrant of Fitness (BWOF) annually to verify systems are in working order. This must be accompanied by copies of Licenced Building Practitioner (LBP) Certificates to support that requirements of the Compliance Schedule have been met for the preceding year. A Compliance Schedule is an inventory of a building's systems and features that specifies inspection, testing and maintenance procedures as well as the frequency of work, and who should perform it.

The BWOF is current and displayed in the building and expires ***5 July 2017***.

Rating Valuation

Assessment Number:	17230 / 10200
Date of Assessment	1 September 2015
Land Value:	$5,200,000
Value of Improvements:	$10,400,000
Capital Value:	$15,600,000

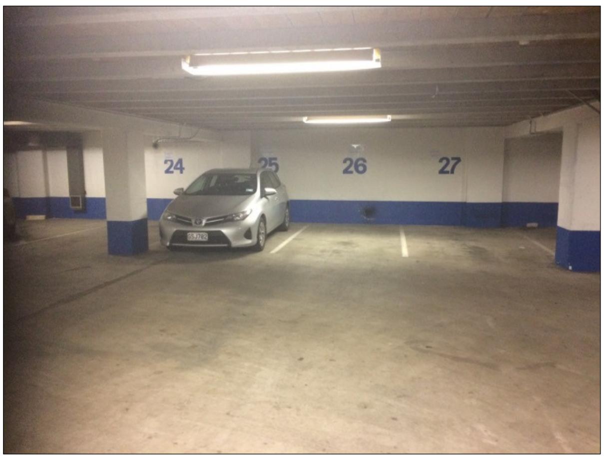
We point out that rating valuations are carried out under statutory criteria and may not reflect market value at any point in time.

3.0 IMPROVEMENTS

3.1 DESIGN AND CONSTRUCTION

Shamrock House is a 10 storey podium and tower plus basement designed office building built in the 1980's and located on the corner of Molesworth Street and Hawkestone Street. It has four levels of podium office accommodation (including ground floor), 6 levels of tower office accommodation 11 ground floor carparks and loading area and basement providing 44 carparks. Main pedestrian access is off north-bound one-way Molesworth Street, with vehicular access from Hawkestone Street.

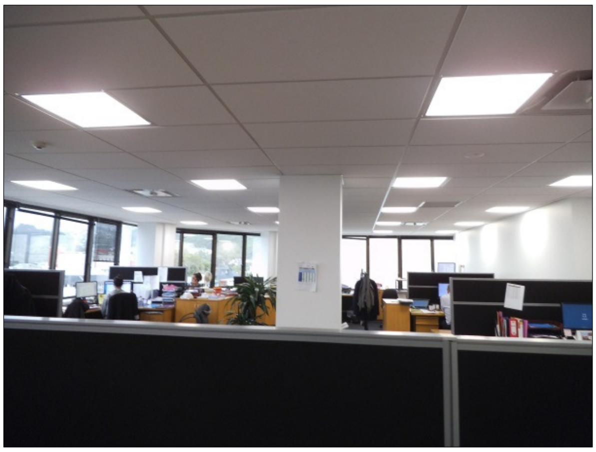
Constructed circa 1980's with reinforced concrete frame founded on bored concrete piles and containing precast flooring at each level. The basement car parking is surrounded by reinforced concrete and block work retaining walls. There is a mono-pitch steel roof, aluminium joinery, tinted glazed and frosted cladding with plaster finish to the ground floor.



3.2 ACCOMMODATION

Internally all of the office accommodation has recently been fully refurbished to provide a good standard of modern accommodation. Refurbishment included installation of new floor coverings, new ceilings (to most areas) and new recessed fluorescent lighting.

Generally the office floors are provided on an open plan basis with a number of perimeter and central meeting rooms and offices (tenant fixtures). Standard kitchenette facilities are provided on each floor, as well as separate men's and women's toilets.



The office floors have a stud height ranging from 2.55 metres to 2.65 metres. The building has good separation from surrounding properties, and as such all floors receive good levels of natural light. Upper office floors obtain pleasing views of the harbour and surrounds, while the lower levels obtain pleasant localised views.

Separate men's and women's toilets are located on each floor, some with shower facilities. All of these amenities have been recently refurbished. Accessible toilets are incorporated on various floors.

3.3 BUILDING SERVICES

The building has its main core on its northern side which contains three Otis 13 person (910kg) passenger lifts with accessible controls (one lift services the basement), which were modernised in 2008/2009 (involving the installation of new lift motors and controls) and more recently they have been internally refurbished. Also within the service core are stairs and main service risers. All levels of the building are accessed via this main core.

The majority of the mechanical plant servicing of the building is located in plant areas on the roof and at level 9 and appear to be in a well maintained condition. The transformer plant is located on ground level, with the buildings main switchboard in the basement, we understand a new main switchboard has recently been installed, as well as new no floor distribution boards.

Boiler Machinery

VAV Air Handling Unit

Office areas are conditioned by 2 variable air volume (VAV) systems. Air supply is distributed down through the building via 2 vertical riser shafts. Each floor has supply ducting in the ceiling serving ceiling mounted VAV supply air diffuser units which connect to form a ring-duct arrangement on each floor.

Heating is provided by perimeter heating units around each office floor. The ground floor has additional surface mounted heatpumps to partitioned offices/meeting rooms.

There are 44 onsite carparks provided, 33 at basement level and 11 at ground level which are accessed via Hawkestone Street.

Fire protection is by way of thermal detection sensors, smoke alarms, fire hydrant riser, emergency lighting, fire hose reels and extinguishers.

3.4 FLOOR AREAS

We have sighted floor areas certified by a registered surveyor for the ground level and levels 1 to 7. We have assumed these were measured and calculated in accordance with the PCNZ/PINZ (formerly BOMA/PLEINZ) method of measurement formula which has become an industry standard for the measurement of industrial, retail and office premises.

Accordingly, the area upon which we have based our valuation is as follows:

Level/Suite	Tenant	Use	Lettable Area NLA
Ground Unit 1	Belleza Hair Design Ltd	Retail	43.00
Ground Unit 2	ACC	Office	406.80
Office Level 1	ACC	Office	775.90
Office Level 2	ACC	Office	775.00
Office Level 3	ACC	Office	774.80
Office Level 4	ACC	Office	526.40
Office Level 5	ACC	Office	526.10
Office Level 6	ACC	Office	524.20
Office Level 7	ACC	Office	524.30
Office Level 8	Insurance & Financial Services Ombudsman	Office	525.00
Office Level 9	Wilkinson Insurance Brokers	Office	310.10
TOTALS			**5,711.60**

By way of background information, the PCNZ/PINZ method of measurement for the rentable area of a whole office floor is the area between the internal faces of external walls, and where there are windows, between the internal faces of the glass, at a height of 1.5 metres above the floor, and is inclusive of toilets and areas occupied by columns, regardless of whether they are free-standing, within or protruding into the office space. The area is exclusive of space occupied by lifts, stair treads, ducts and plant rooms.

3.5 CONDITION AND REPAIR

The building appeared to be in a very good state of repair with no major deferred maintenance apparent. We hold on file a Condition Survey report prepared by Beca Carter Hollings & Ferner Limited (dated 28 September 2010), whilst now dated the report does identify the age and condition of all building services at that time. Furthermore the building appears to have had the benefit of a proactive Landlord, who has adopted an efficient continued maintenance programme and general upkeep of the building. In this regard all plant appeared to be in good working order. Whilst we would not envisage any significant capital expenditure required within the medium term, we are not experts in this regard. Should there be a capital expenditure requirement over the next two to three years then this should be deducted from our assessment.

We have allowed refurbishment works on expiry of current leases of $250 psm and $100 psm on expiry of second lease terms, which would be required in order to maintain the quality of the accommodation, and help retain existing tenants, or attract new incoming tenants.

Overall, the building provides a good level of B-Grade office accommodation in a prominent Thorndon location, just north of the Core CBD.

3.6 SEISMIC

The Building Act 2004 required Councils to adopt an earthquake-prone buildings policy to ensure all earthquake-prone buildings are strengthened to at least meet the minimum prescribed standard (or be demolished). The Building Act 2004 and Building Regulations 2005 define the meaning of an "earthquake-prone building". As a general guidance an earthquake-prone building will have strength that is 33% or less of the seismic loading standard NZS1170.5: 2004 (typically referred to as 33% NBS or less where NBS is the New Building Standard).

Once a building is classified as earthquake-prone, it will need to be strengthened, or if appropriate, demolished. The timeframe for strengthening earthquake prone buildings in Wellington City currently ranges between 5 and 15 years depending upon the importance level of the building.

The New Zealand Society of Earthquake Engineers (NZSEE) has developed a grading system for earthquake risk associated with buildings. Earthquake prone buildings are deemed high risk, while buildings with an NBS rating between 34% and 67% are deemed moderate risk or earthquake risk. There is no statutory requirement to strengthen buildings in this range. However, since the seismic events in Canterbury in 2010/2011 and Wellington in 2013, the markets awareness of seismic issues has become more sophisticated, which has impacted the marketability and value (from both a leasing and sales perspective) of earthquake risk buildings.

Building (Earthquake-prone Buildings) Amendment Act 2016
On 13 May 2016 Royal assent was given to the Building (Earthquake-prone Buildings) Amendment Act 2016.

This new legislation does not come into force until 13 May 2018 unless the Governor-General appoints an earlier date by Order in Council.

The Amendment Act makes some significant changes to the existing Building Act 2004 provisions, which include:

- Inserting a new definition of 'earthquake-prone building' to now specifically exclude farm buildings, retaining walls, fences, monuments, wharves, bridges, tunnels and storage tanks. Residential buildings continue to be excluded, provided these are not two or more storeys and contain three or more household units or are hostels, boarding houses or other specialised accommodation providers.
- Geographical zones of seismic risk. Low, medium and High Risk areas (as defined by Z factor thresholds) have different timeframes for assessment and upgrade.
  High Risk: 5 years for assessment, 15 years to upgrade. Total: 20 years. Includes: ***Wellington****, Christchurch, Napier/Hastings*
  Medium Risk: 10 years for assessment, 25 years to upgrade. Total: 35 years. Includes: Hamilton, Tauranga, New Plymouth, Nelson, Invercargill
  Low Risk: 15 years for assessment, 35 years to upgrade. Total: 50 years. Includes: Whangarei, Auckland, Dunedin
- The new earthquake prone definition now provides for either, all or part of the building to be deemed earthquake prone.
- Providing for work on "priority buildings" (including parts of buildings such as verandahs and facades) to be prioritised, namely unreinforced masonry buildings and Education and Emergency buildings in high to medium risk areas that are regularly occupied by 20 people or more are to be identified and strengthened within half of the prescribed standard time frames
- Councils will have the task of identifying those areas with sufficient vehicle or pedestrian traffic to justify the new priority category. It is expected that all commonly used retail areas like central business districts will be included.
- Building owners undertaking earthquake strengthening work to also satisfy other requirements of the Building Code including fire escapes and access for people with disabilities, with provision for some exemptions.

A number of key definitions are not contained within the Amendment Act including "ultimate capacity" with respect to the Earthquake Prone Building definition. These are to be defined by way of yet to be drafted regulations. It is expected that the Ministry of Business, Innovation and Employment will begin consultations on these regulations later in 2016.

The Amendment Act does however reinforce the standard for when a building will be no longer considered an "earthquake prone building" will remain at 34% of the New Building Standard (NBS).

Requirements for making Earthquake Prone Building Registers publically available will be addressed by subsequent Regulation also.

Under the Acts transitional provisions, where a building owner has already been issued with a notice by a Territorial Authority requiring it to carry out seismic work, the deadline for completing the work will be the earlier of the deadline in the old notice issued and the deadline calculated in the normal way under the Amendment Act above.

Impact on the Subject Property

We have not been provided with a structural/seismic report prepared by an engineer, however have been provided with a letter of confirmation prepared by Aurecon dated 15 July 2015. The letter states Aurecon were commissioned by the current owners to conduct a detailed seismic assessment of the subject building, and determine a comprehensive view of the existing seismic strength of the building and develop strengthening solutions where required to achieve a minimum strength level of 100% NBS.

The letter then goes on to identify several areas that did not meet the current code loading requirements. It concludes the building has been strengthened in accordance with the scheme designed by Aurecon with construction complete in October 2013. In that regard the building can be considered to have a strength of 100% NBS.

3.7 CAPITAL EXPENDITURE

We have not been provided with any form of budget of planned capital expenditure for the subject property. For the purpose of this valuation we have therefore thought it appropriate to adopt some non-recoverable capital expenditure allowances throughout the ten year cashflow period. We have therefore made allowances comprising capital expenditure at the expiry of the existing leases for the refurbishment of all accommodation at $250 psm and again at $100 psm upon subsequent lease expiry. We envisage this would cover re-carpeting and other (limited) redecoration. We have finally allowed a general capital expenditure allowance of $15,000 per annum throughout the term of our cashflow.

We outline below the capital expenditure adopted within both our valuations below:

Capital Expenditure	Current Amount	Commencement Date	Duration Months	Escalated Amount
Total Budgeted Capex	$0			$0
Total General Allowance	$150,000	Oct-2016	121	$164,878
Total Tenant Refurb upon Lease Expiry	$1,529,573			$1,684,717
Total Capital Expenditure	$1,679,573			$1,849,594
%of Adopted Value	6.61%			7.28%

4.0 OCCUPANCY ARRANGEMENTS

4.1 TENANCY SCHEDULE

We provide a summary tenancy schedule providing the information adopted in our valuation at **Appendix One**, as part of our Valuation in Detail.

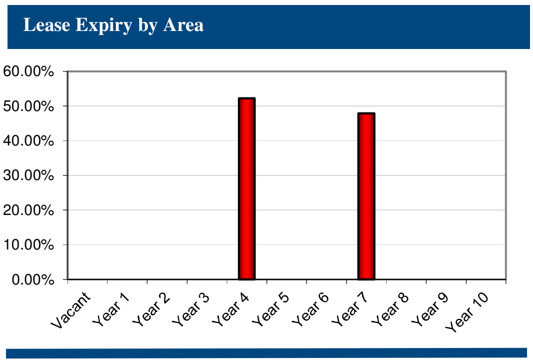
Arrears
We have assumed that collections with respect to rental and outgoings are generally up to date and that there are no substantial arrears.

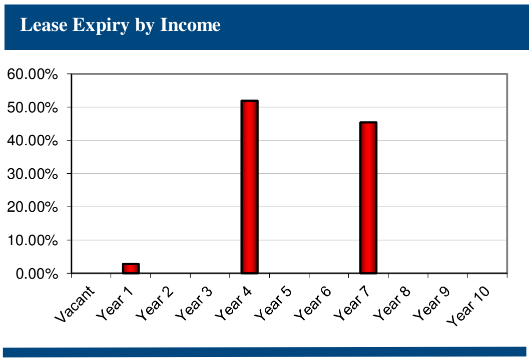
Vacancies
Currently there are three vacant carparks within the subject building. For the purpose of this valuation we have included a six month initial vacancy allowance.

Outstanding Rent Reviews
None outstanding, however we note the lower levels of the ACC leased accommodation is subject to review as at 22 November 2016.

Outstanding Incentives
None that we are aware of

Current Lease Expiries
There are no pending vacancies; however we note there are a number of carparks leased on a monthly basis. For the purpose of this valuation we have adopted a 12 month term for these parks.





As you can see from the above property has a very secure cashflow over the short to medium term.

4.2 LEASE DETAILS

We have been provided with a detailed tenancy schedule and we have sighted the majority of the lease (some of which are in the form of Agreement to Lease only) documents. These documents are generally either ADLS 4th or 5th edition documents.

All of the leases are gross i.e. the contract rentals are inclusive of operating expenses. In addition to their rental all tenants pay a share of water rates, fire service charges; other utilities consumed upon their respective premises as well as a share of rubbish removal charges. We have therefore excluded these items from our operating expense budget as they are fully recoverable from the tenants as tenancy consumables.

The majority of the leases are subject to three yearly rent reviews to market, with all of the leases containing either a hard ratchet clause preventing any decrease in rental at any time or a soft ratchet preventing the rental falling below a set rental level, typically being the rental applying at lease commencement.

Those leases which do not contain three yearly market reviews include the following:

- The Insurance and Financial Services Ombudsman have their rent reviewed 2 yearly to market, with a commencement ratchet clause in place.

- The rental of the Belleza Hair Design tenancy is subject to annual 5% increases throughout the term of their lease.

The lease to the Insurance and Financial Services Ombudsman includes an early break clause whereby the tenant may terminate their lease providing 6 months written notice, and pay a 3 month rental penalty payment; on the basis they have been disestablished. Furthermore as provided within the lease the Lessor warrants that the building has a seismic rating of 100% NBS, and the lease goes onto state that during the term of the lease, and any renewed term of the lease the Lessor will undertake all works necessary to maintain at least a 70% NBS rating.

For the most part the tenants at lease expiry the tenant will, if required by the Lessor remove all tenant fixtures and fittings including all internal partitioning (which was added by the tenant), reconfigure all in-ceiling services, repair and replace (where necessary) all ceiling tiles back to base build configuration, and yield up the premises as carpeted, decorated, bare, un-partitioned, air-conditioned space with undamaged ceiling tiles.

In terms of Lessor owned fixtures and fittings, for the most part the Lessor owns ceilings, lights, carpets, some inter-tenancy and internal partitioning, kitchenettes, toilet fixtures and fittings, air-conditioning systems, fire service and security systems.

4.3 OPERATING EXPENSES

We have been provided with a schedule of budgeted operating expenses. Based on these assumptions and our own enquiries, we itemise our adopted operating expense budget as follows:

Rates – actual (2016/2017 year)	$216,931
Insurance	$65,662
IQP	$1,500
General Repairs and Maintenance	$15,500
Management	$20,000
Air Conditioning	$14,504
Lift Contract	$13,512
Security	$4,500
Fire Protection	$12,500
Cleaning	$19,060
Water Rates	$2,300
General Fees	$1,262
Power / Gas	$61,500
Total	$448,731

Please note the above amounts are all exclusive of GST, if any.

The above operating expenses represent $78.56 per sqm of net lettable area.

We have sighted a copy of the insurance policy for the property, which is for full reinstatement cover including earthquake cover. The sum insured is $34,825,000 for the building plus a loss of rents cover for an 18 month period. The premium applies for the period from 30 June 2016 to 30 June 2017. The current premium equates to $11.50 psm of net lettable area, which falls within line of current rates for similar types of property. We consider a 24 month loss of rents cover would be appropriate for a building of this size and scale. In any case we would encourage any prospective purchasers satisfy themselves that adequate insurance cover can be obtained at this premium level.

We have included an additional allowance for management of the building, which was not accounted for within the operating expense budget provided. The building is currently managed by the owner however for the purpose of this valuation we have adopted $20,000 per annum as a fair and reasonable property management allowance.

Taking consideration of these factors, the operating expenses fall within an acceptable range for buildings of this size, quality and in this location.

Operating Expense Recoveries

As noted in section 4.2 of this report some of operating expenses are fully recoverable from tenants, whilst others are partly recovered from only some of the tenants. The majority of tenants are responsible for their own utilities consumed upon the premises, as well as fire service charges, and rubbish removal charges. The tenancy schedule provided shows total recoveries at $81,903.12. We have however been provided with a separate full breakdown of recoverable items on a tenant by tenant basis and have adopted these slightly lower total recoveries within this valuation. The total operating expense recoveries equate to **$78,830 per annum**. Based on this information provided, and taking into account our adopted operating expenditure allowances detailed earlier we calculate the building total non recoverable operating expenses to be **$369,901 per annum**. We recommend any prospective purchaser satisfy themselves these total recoveries are current and accurate at time of purchase.

4.4 CONTRACT RENT ANALYSIS

The net contract income for the property is derived as follows:

Gross Contract Income	
Retail	$22,601
Office	$1,903,076
Naming Rights	$20,000
Carparks	$155,758
	$2,101,435
Plus Recoverable Operating Expenses (as advised)	$78,830
Less Total Operating Expenses	($448,731)
Current Net Income	**$1,731,534**

5.0 MARKET COMMENTARY

5.1 ECONOMIC COMMENTARY

In determining the current market value of the subject property we have had regard to underlying economic conditions and the flow-on implications that these may have on investment and divestment decisions made across the broader property markets. This commentary is effective as at September 2016 and is based on the most recently sourced data from Government and independent sources. The following table provides a general overview of immediate past performance and short term projections.

New Zealand Institute of Economic Research Quarterly Forecasts

Economy Activity (March Year)	2014	2015	2016	2017F	2018F
GDP - annual % change	1.8%	1.9%	0.5%	0.8%	0.5%
Consumer Price Index	1.5%	0.3%	0.4%	1.2%	1.9%
Unemployment Rate	5.5%	5.4%	5.2%	4.6%	4.6%
Current Account % GDP	-2.5%	-3.4%	-3.0%	-2.6%	-3.4%
Trade Weighted Index	77.6	79.2	72.6	73.4	71.7

Source: NZIER Quarterly Predictions March 2016, RBNZ, Statistics New Zealand, New Zealand Treasury & Colliers International

KEY MARKET INDICATORS

	6 Month Change	12 Month Change	12 Month Forecast
Floating Rate	↓	↓	↓
Two-year Fixed Rate	↓	↓	-
OCR	↓	↓	↓
NZD/USD Exchange Rate	↑	↓	↔
NZD/AUS Exchange Rate	↔	↓	↔
Non-Residential Building Consents*	↑	↑	-
Residential Building Consents	↑	↓	-

Source: NZIER, RBNZ & Statistics New Zealand
*Value of Building Consents only

Key Point Summary

- Economic activity as measured by Gross Domestic Product (GDP) was up 0.7% in the March 2016 quarter. This follows a 0.9% increase in the December 2015 quarter. Growth for the year ended March 2016 was 2.4%.
- In the Q3 2016 release, NZIER forecast Real GDP growth of 0.5% and 0.8% to the September 2016 and September 2017 years.
- The Reserve Bank of New Zealand (RBNZ) reduced the Official Cash Rate (OCR) on 11 August 2016 by 25 basis points to 2.0%. This represents a 50 basis point reduction in 2016 and a 1% deduction since July 2015. It held the OCR at 2.0% at the latest announcement on 22 September 2016.
- The Consumer Price Index (CPI) rose 0.4% in the June 2016 quarter, following a 0.2% rise in the March 2016 quarter. Higher prices for petrol and housing-related costs were countered by lower prices for meat and domestic air fares.

Conclusion

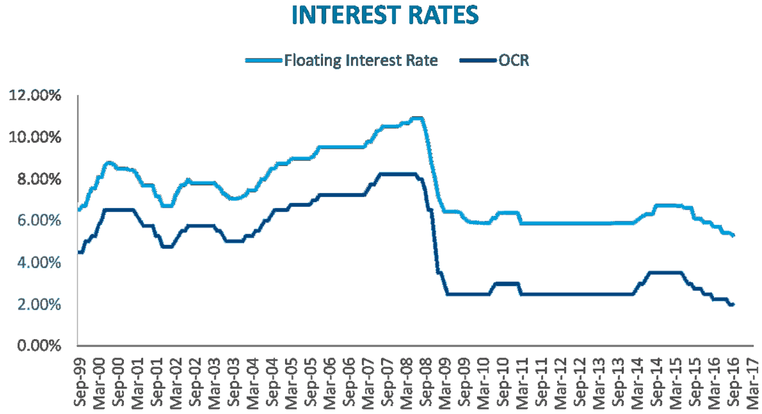
There remains enough momentum in the New Zealand economy to ride out the downside risks from the more fragile global growth outlook. Uncertainty over the effects of the decision by Britain to leave the European Union, the upcoming presidential election in the United States, and how successfully the Chinese economy can rebalance its economic growth is casting a shadow over the global growth outlook.

Domestic influences suggest an average annual growth rate of just under 3% over the medium term. The effects of strong population growth are flowing through to many sectors of the New Zealand economy, and the exceptionally strong tourism inflows are also boosting activity in many regions. Despite the high New Zealand dollar, tourists continue to travel to New Zealand from a wide range of countries including Australia, China, the United States and Europe. Tourism growth is expected to be a key support for regional economic development over the next few years.

Strong population growth is continuing to drive housing demand, and while residential construction has ramped up over the past few years housing supply is still falling short of demand. The housing shortage is particularly acute in Auckland, where migration-led population growth has been relatively strong in recent years. Construction activity has also increased in Hamilton, Queenstown and Tauranga, while the Christchurch rebuild has levelled off but will remain stable for the next few years.

Meanwhile, the risks surrounding the dairy sector have receded in recent auctions with a pick-up in global dairy prices. The lift in the price of whole milk powder is particularly encouraging given it is New Zealand's key dairy export. Fonterra has subsequently revised its 2016/17 pay-out forecast to $4.75 per kg of milk solids, bringing the total pay-out forecast to $5.25 to $5.35 per kg of milk solids (including dividends). With the low pay-out came reduced investment by farmers and as a result Dairy NZ has revised its estimated break-even pay-out to $5.05 per kg of milk solids. However as profitability improves it is expected that on-farm investment should recover.

Also driving demand are the record low interest rates and this has been seen most clearly in the housing market. Demand from owner occupiers has increased as has demand from investors. To counter the increased demand from investors the Reserve Bank has introduced tighter lending restrictions meaning that residential property investors will need a 40% deposit from 1 October 2016. The graph below shows the downward trend in interest rates since late 2014.

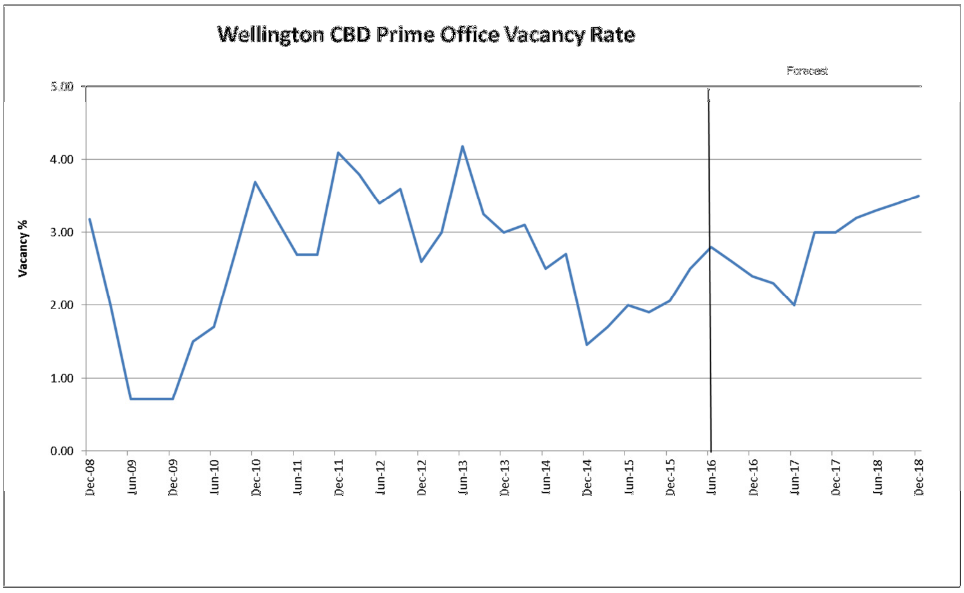


Source: RBNZ

Finally the very low inflation environment continues to cause concern for the RBNZ; however this issue is not unique to New Zealand. Central banks around the world are also grappling with trying to bring inflation up by undertaking extremely loose monetary policy. In New Zealand the subdued inflation environment is a stark contrast to the surge in house prices. While the RBNZ's main focus is on bringing annual CPI back to its 2% mid-point, it is likely according to most economists, that there will be two further cuts to the OCR by mid-2017, following the 25 basis point reduction to 2.0% at the beginning of August 2016.

5.2 WELLINGTON OFFICE MARKET COMMENTARY

Market Balance



The total Wellington CBD office stock is estimated at approximately 1,518,000 square metres as at June 2016. This represents a slight increase of approximately 4,000 square metres on the total office stock surveyed in December 2015. The increase is mainly due to a number of buildings, which were temporarily removed from the survey as were being seismically strengthened, or undergoing a full refurbishment. Significant buildings of note within the CBD Core back in the survey include the Old Public Trust building at the corner of Lambton Quay and Stout Street is now fully occupied by the Ministry of Culture and Heritage, following the completion of a full retrofit and seismic strengthening programme. 330 Lambton Quay has had substantial seismic works complete, and is now back within the survey. Buildings previously within the survey which are now removed include 101 The Terrace, which has been converted from office accommodation to hotel and apartment accommodation now called Park Hotel. The other significant removal from the survey is the former Tel Tower, 139 - 143 Willis Street (CBD Fringe), which is to be converted into student accommodation.

Colliers Research has been undertaking comprehensive office surveys since December 2008. The most recent survey completed in June 2016 indicates a slight decrease in the CBD Core vacancy rate from 14.9% in December 2015 to 13.6% in June 2016. The overall vacancy rate city wide increased slightly from 14.2% in December 2015 to 14.5% in June 2016. The majority of this vacancy is within older B and C grade buildings, while the Te Aro precinct has the largest percentage of vacant accommodation within the city. This vacancy is predominantly 'C' grade space.

The government sector (central and local Government) continues to be the major occupier of accommodation within the Wellington market, which accounts for 42.9% of the overall stock occupied within the survey. We note the Government have a significant presence within the Thorndon precinct, where they occupy approximately 157,000 square metres of office space in that locality, which accounts for 75% of the total stock in the precinct, or a staggering 82% of occupied office accommodation within Thorndon.

At June 2016 the vacancy rate for prime space in the core stood at 3.3% or 4,322m² and 2.8% or 7,544m² city wide. We are aware of further A grade leasings which have taken place since our most recent survey. Whilst A grade stock is set to increase following the completion of a number of new developments, we anticipate vacancy rates within this sub-sector to remain relatively static in the short term, before perhaps showing some slight increase. The forecast A grade vacancy following the completion of these new developments is still well below international vacancy levels for this standard of accommodation.

B grade office accommodation within the core CBD decreased from 14.9% in December 2015 to 12.2% in June 2016, or 48,438 square metres to 40,344 square metres. City wide, B grade vacancy increased from 11.5% to 12.3%. A significant amount of B grade accommodation is in the process of being refurbished as part of the WAP 2 process, which we have included as vacant accommodation within our survey, as although this accommodation has obtained tenant commitment, these tenants will relocate from existing stock predominantly within the Core CBD and also Thorndon. An example of this is where Ministry of Education relocated to 33 Bowen Street (WAP1) from St Pauls Square, which is now completely vacant, and is to undergo substantial refurbishment before being fully occupied by another Government department as part of the WAP2 process.

There are still very few vacant offerings of good quality office stock providing large footprints in excess of 1,000 square metres. Buildings with large floors have proven appealing over recent years particularly to Government departments as well as larger private organisations. Within the core CBD there are seven single floors of 1,000+ square metres vacant (as at June 2016), three floors within A grade buildings (two of which have subsequently been leased), and there are six C grade and two B grade buildings with 1,000+ square metres of vacant space over contiguous floors (as at June 2016).

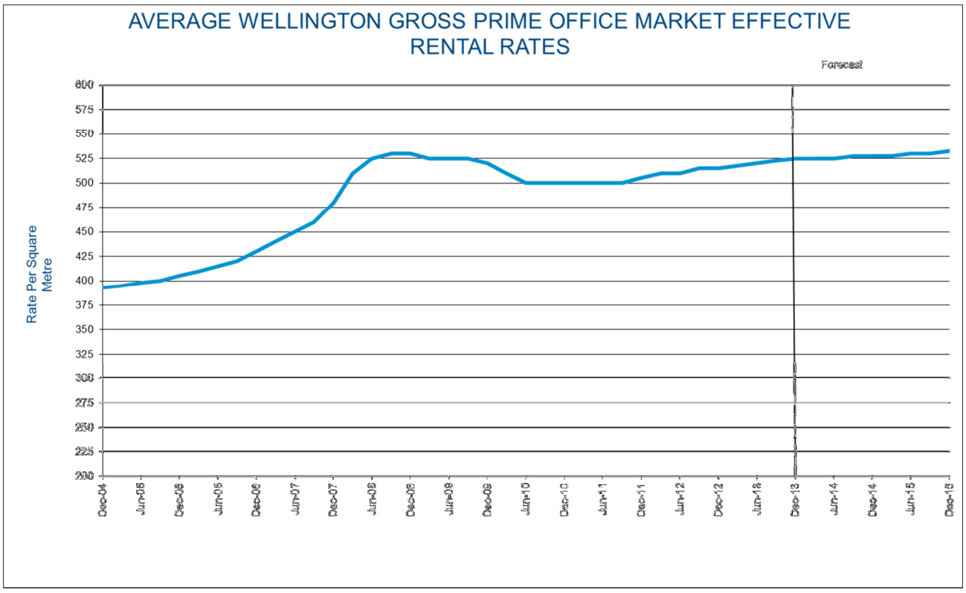
There continues to be a tenant flight to not only building quality, but also to structural integrity. So as well as earthquake prone buildings that will require strengthening in the short term, buildings which are not officially deemed earthquake prone, but are still significantly below the current building code (significantly below 67%) are likely to incur difficulties in sustaining full occupancy as some tenants seek to relocate to buildings which are at or closer to the current code. The greater 'Duty of Care' requirements placed on managers and directors from the Health and Safety at Work Act 2015 may trigger an accelerated shift to buildings with higher NBS scores.

There are a number of new office developments currently underway within the city, with all having some degree of tenant pre-commitment. The former BP House has been demolished, and construction of the new 17,000 square metre office development, known as 20 Customhouse has begun. The building has approximately 50% pre-commitment from two large corporates in Deloitte and IAG New Zealand. On the opposite side of Customhouse Quay Willis Bond are in the process of developing the new five level PWC Centre, which will accommodate PWC, FMG and Co-Operative Bank upon completion. Other developments underway within the city include the re-development and extension of the former Dominion Post building on Boulcott Street, which will house Transpower upon completion. While in Te Aro the former Manthel Building is to be extended and will provide a further three levels of office accommodation. Xero will upon completion occupy the entire building. Willis Bond are also developing the Cuba/Dixon site which will house a Whitireia Weltec Partnership.

There remain few potential development sites around the city (e.g. Kate Sheppard bus terminus, the Bluebridge terminal site and the Michael Fowler carpark site), however development will be subject to tenant pre-commitment and resource consent. The other important factor to consider is whether there is room in the Wellington market to justify additional office development following the completion of those abovementioned.

Whilst some research departments are anticipating Wellington office vacancy rates to spike on completion of new developments; we expect some of the vacant office accommodation to be absorbed through conversion to alternative uses, as is evident in the conversion of 101 The Terrace (Park Hotel) and the recent proposal to convert Tel Tower into student accommodation.

Rents

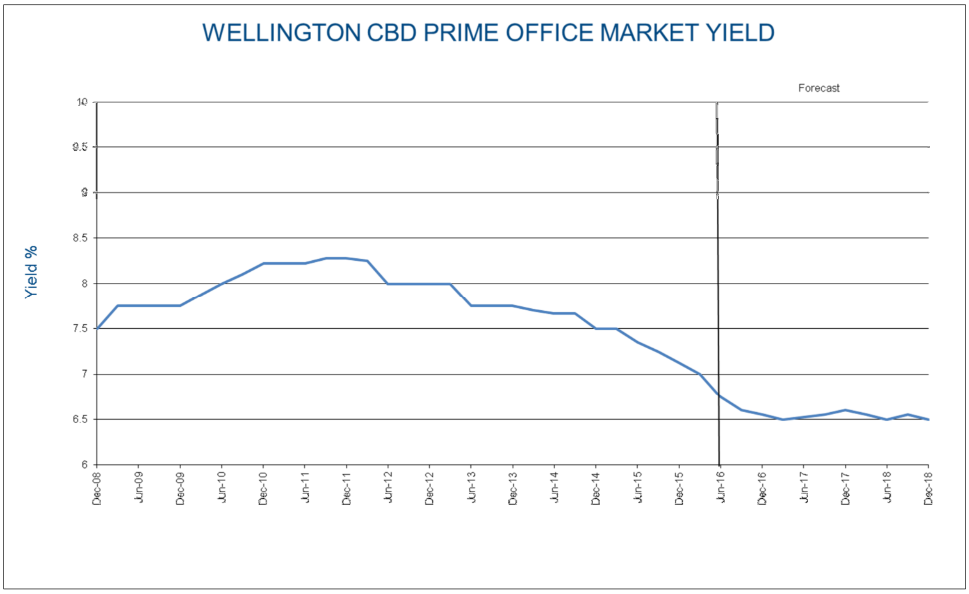


The key driver of the office rental market in recent years has come from the consolidation of Government departments from a number of buildings, and an enhancement in Government department's quality expectations. The Government's drive to cut spending in public sector services has resulted in many Government departments reluctant to commit to new accommodation. It is likely then, that there will be reluctance by the current Government to commit to what would be considered more 'expensive' accommodation, unless other, less expensive options are exhausted. Whilst the current Government has sought to reduce costs actual public service employee numbers in Wellington have actually increased over the last few years. Furthermore some Government departments have grown beyond initial expectations. For example through the WAP1 Government office procurement process MBIE were to originally be all housed in the former Defence house in Stout Street but have been forced lease other accommodation in addition to their Stout Street premises. MSD have yet to relocate to their newly refurbished premises within 56 The Terrace, and they have already found the requirement to lease a number of additional floors within another building close by. The successful developers for the WAP2 process have been confirmed. Many of the government agencies involved will return to their existing buildings following a short 'decanting' period in other buildings. The major examples are DIA who will move to a refurbished premise at 45 Pipitea Street and multiple agencies who will move to a retrofitted and expanded Bowen Campus.

Rental growth stalled in mid 2008 and rentals have generally decreased since that time with the largest decreases having occurred during 2009 and 2010. Rental decreases have been more significant in the southern sectors of the city where vacancies remain high and also for lesser quality space across the city. The very best quality space in the core CBD has been less affected. Face rentals particularly within the CBD core have shown some positive growth in more recent times and we expect these rental levels to remain relatively static over the short term. Whilst incentives are still commonplace within the market, the quantum of incentive provided appears to have decreased more so for good quality accommodation as well as within those buildings which have a high degree of seismic integrity.

In some instances rental rates within well located, refurbished and seismically strong buildings are approaching pre 2008 levels. Whilst expectations for the national economy remain positive there is some lag time before those positives filter through to the commercial property market and in particular the Wellington market, as such rental growth is still expected to be modest throughout the second half of 2016.

Investment Market Yields



Commercial sales activity continues to be buoyant and there have been a number of significant high value sales that have occurred within the wider Wellington Region, together with a number of similar transactions within other main centres throughout New Zealand. These latest sales show a continued firming of yields (increase in values). They generally, however involve good quality stock, with strong tenant covenants and healthy weighted average lease terms durations. We are also conscious of the decrease in the OCR and the flow on effect to interest rates and indeed the exchange rate.

The latest high value office sales of note within the Wellington market include the ANZ Centre, 49 Tory Street which sold in August 2016 for $56.0m. It comprises four multi storey commercial buildings of five and six storeys (referred to as Units 1 to 4), variously detached and interconnected and arranged around a central concourse with vehicular access from Tory Street and also rear vehicular access from Alpha Street and side access from Forresters Lane. It is predominantly leased to ANZ Bank (92%) on a twelve year term from 2013 with the rental subject to annual fixed increases (mid term market correction with +/-7.5% cap and collar). Other tenants on ground floor levels including Snap Fitness (gymnasium) and Sustainability Trust (Government agency) together with a number of kiosks situated wtihin the front courtyard area. The property has a weighted average lease term remaining of 8.67 years.

ASB Tower, 2 Hunter Street also sold in August 2016 for $32.0m. The property comprises a 16 storey reinforced concrete podium and tower building originally constructed in the late 1980's to the design of Craig Craig & Moller. It provides ground floor retail, basement, ground and Level one parking with 14 levels of modern office accommodation above. The building is situated on a 1,387m² leasehold site held by way of a 21 year perpetually renewable Wellington City Council ground lease. The ground rental will be next reviewed upon renewal in January 2027. Extensive refurbishment and seismic strengthening has been carried out within the building over the past two years. It provides a total lettable area of some 9,735m² and is approximately 73% occupied. At time of sale the property had a WALT of 4.02 years (including vacancies) and represents an effective market yield of 7.76%.

Conservation House and Tel Tower at 18 – 36 Manners Street and 139 Willis Street sold in July 2016 together as a 'sale in one line'. We understand the purchaser intends to convert Tel Tower to provide student accommodation. The Department of Conservation have extended their lease within Conservation House, which is following the completion of seismic strengthening works as well as some further refurbishment and upgrades. The new lease is for a fourteen year term from practical completion with the rental subject to annual fixed growth (CPI capped at 1.5%) throughout the lease term with intermittent market reviews. The total 'gross' sale price agreed was $43.44m before deduction of estimated construction cost to complete.

In addition to the confirmed sales we are also aware of a number of conditional contracts in place, one to purchase a building within the Innovation Hub precinct. This building is in the process of being extended, and fully refurbished. Upon completion Xero will occupy the entire building and enter into a new 12 year lease.

There is a conditional contract in place to purchase the PWC Centre (on completion). We have perused all leasing documents as well as the sale and purchase agreement, however are bound by a confidentiality undertaking, so cannot disclose full details that are not already known to the wider market. We can confirm the reported purchase price of circa $89m, which represents an initial passing yield of 6.45%. At time of agreement we note there were three part office levels and two ground floor spaces vacant, all of which are vendor guaranteed (for varying terms). Approximately 70% of the building is leased to three corporate tenants on lease terms ranging from 10 to 15 years, all with fixed annual rental growth (some with interim market corrections).

The 'Cuba Dixon' development under construction on Dixon Street will predominantly house a Whitireia Weltec Partnership on a 21 year lease with fixed 2% per annum rental growth. The remainder of the property is leased to good quality national retail tenants (Barkers, Cotton On & Vodafone). The building will incorporate the historic facades which front Cuba Street. Overall the building will provide bare shell space, with the tenants proving all of their own internal fitout (excluding lifts). Plant areas will be made available to house the tenants plant and equipment; however these services are the sole responsibility of the tenant. This is rumoured to have sold at close to $63m with considerable buyer interest from local and international investors. Whilst the initial passing yield is less than 6.25%, we note the running yield at year 10 of the cashflow period is circa 7.4%. At this point the property would still have an above average WALT of circa 11 years.

Of the high value sales that occurred during 2015 the more significant include the sale Datacom House at 68 Jervois Quay sold in November for $47.0m, which represents an effective market yield of 8.67%. This property is situated on leasehold land. 12 – 20 Hawkestone Street in Thorndon sold in November for $22.0m, which represents an effective market yield of 7.46%. The property is largely leased to IRD, while a new childcare centre has entered into a new ten year lease for part of the ground floor of the building.

125 The Terrace sold in August 2015 for $65.0m at an effective market yield of 7.89%. It comprises a modern 19 level office tower and retail podium with the benefit of dual frontage and access from both The Terrace and Lambton Quay.

The ANZ Centre at 171 Featherston Street sold in July 2015 for $76.0m. The property was purchased by the owners of the adjoining Intercontinental Hotel, who had the first right of refusal to purchase the building. The building provides a good standard of A grade office accommodation, largely refurbished. Anchor tenants include ANZ, Bell Gully and Regus NZ. The property has a healthy WALT of 6.5 years with this sale representing an equivalent market yield of 7.43%. At the time of the sale two part floors were vacant which account for 5.98% of the lettable area.

80 The Terrace sold in June 2015 for $36.1m to an Auckland investor. The property provides a good standard of B grade accommodation which was refurbished to a good standard over 2013/2014. The office accommodation is fully occupied to a mixture of Government and corporate tenants, and has a WALT of 5.7 years. This sale shows an equivalent market yield of 8.47%.

133 Molesworth Street sold to a Western Australian syndication fund in June 2015 for $80.0m. The property was sold on an “as complete” basis following the completion of the redevelopment and extension programme currently being undertaken. The building will almost double in size (8,000 to 15,540 sqm) and provide a good standard of A grade office accommodation. It is to be leased to Ministry of Health on a new 15 year lease from completion. The purchaser will inherit any outstanding lease incentives which are associated with the lease, and the recoverable outgoings are capped during the first three years of the lease term. We analyse an effective market yield of 7.23%. If available in 2016 we would envisage this property would sell at a lower yield.

In addition to the above we are aware of several other large commercial office buildings currently for sale (officially and unofficially) within the Wellington market, and we anticipate the improved sales activity of late to continue throughout the remainder of 2016. We are aware of a more heightened interest from overseas purchasers (plus Auckland purchasers) looking for investment opportunities within the Wellington Region. It would appear with the heightened interest from most classes of investor, coupled with the favourable economic conditions, good quality stock may continue to show a firming yield.

5.3 IMPLICATIONS FOR SHAMROCK HOUSE

The office sector fundamentals are still relatively strong with vacancies decreasing and rentals increasing slightly over the last twelve months, for the better quality stock. Even though there are several new office developments on the horizon, occupancy levels have improved in the "A" and "B" grade sub sectors, and are likely to remain relatively static with some potential of rental growth in the mid term. Properties with high %NBS scores will likely see the greatest rental uplift, as occupiers (and risk adverse purchasers and their financiers) make a flight to building quality and structural integrity.

Interest rates in New Zealand have declined as the Reserve Bank has decreased the Official Cash Rate to an all time low, which is predicted to see further cut or cuts over the short term. By contrast the share market is on a less certain path at present. Historically investors in such environments have turned to alternative investments such as property.

Following the completion of 20 Customhouse Quay and the new PWC Centre we expect an increase in office vacancy levels, however these could remain relatively low when compared to other cities within Australasia. We are also anticipating a slight increase in overall office vacancies following the completion and execution of the Governments procurement programme. The increase in vacancies will however be offset by the continued conversion of office stock (particularly C grade buildings) to residential and student accommodation.

The subject building is predominantly occupied by a single government tenant (84.6% by area) with an healthy weighted average lease term remaining of 4.66 years (by income). It is an attractive building providing a good standard of air-conditioned B grade office accommodation, which has undergone significant refurbishment over recent times, including some plant upgrades. It is located within the heart of the government precinct, and is within close proximity to the Core CBD. Taking into account the rental income the property generates, it falls within the low to medium value range for the Wellington Office market.

As noted earlier the government sector (central and local Government) continues to be the major occupier of accommodation within the Wellington market, which accounts for 42.9% of the overall stock occupied city wide. We note the Government have a significant presence within Thorndon, where they occupy approximately 157,000 square metres of office space accounting for 75% of the total office stock in the Thorndon precinct, or a staggering 82% of occupied Thorndon office accommodation.

All in all the subject property would be well sought after given its size, income producing potential and government location, and as such it would attract buyer interest from larger national and international investors, and syndicators alike.

6.0 VALUATION CONSIDERATIONS

6.1 VALUATION METHODOLOGY

This is an investment property and accordingly we have adopted well established valuation techniques.

We have applied the following accepted methods of valuation which are considered to be appropriate in concluding a market value for the subject property. Below is a brief outline of each approach and how it is adopted:

Contract Income Approach
This method of valuation applies direct capitalisation to the passing income. This is considered to be a well proven method of determining value for an investment property where income is receivable for a reasonable term from a secure tenant(s).

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

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

Discounted Cashflow Approach
In addition we have carried out a discounted cashflow valuation over a ten year horizon in accordance with established practice.

This method involves projecting the cashflow of the property over the 10 year period and making explicit forecasts for many variables within the property including:

- Discount Rate
- Growth Rates
- Sustainable Rental Levels
- Vacancy Allowances
- Capital Expenditure and Outgoings
- End of Period Valuation/Terminal yield

In order to assess the current market value of the subject property, we have researched and analysed recent leasing and sales activity in the immediate and nearby localities.

6.2 RENTAL EVIDENCE

The valuation approach adopted requires us to assess the market rent for the subject building by comparison to other leasing evidence. Our market rental assessment has been completed on a gross occupancy cost basis, where "gross occupancy cost" may be defined as the total of rental and operating expenses payable by the lessee. This approach allows for varying operating expense liabilities when comparing rental evidence, and is commonly used in the commercial and industrial property markets in the Wellington Region.

Office and Carpark Rental Evidence

Indicative of prevailing rental levels within this sector include:

Premises	Tenant	Transaction Type	Effective Date	Premises Component	Floor Area sqm/No. Parks	Effective Gross Rental Rate per sqm
Subject 79-81 Molesworth Street	Insurance & Financial Services	NL	Nov-15	Office - L8	525	$360.00^
				Carparks	2.00	$85
	Wilkinson's Insurance Brokers	NL	Jun-14	L9 Office	310	$350.00
				Carparks	5	$70
133 Molesworth Street	Ministry of Health	NLE	Oct-16	Basement	928.00	$279.76*
				Ground	2,898.00	$465.18*
				Level 1	2,835.00	$467.68*
				Level 2	2,959.00	$470.18*
				Level 3	2,959.00	$472.68*
				Level 4	2,961.00	$475.18*
				Carparks	70	$85.22*
100 Molesworth Street	NZRU	RR	Feb-16	Office - L 3 & 4	2,437.00	$423.50
				Storage - Base	76.00	$120.00
				Carparks	7.00	$85
48 Mulgrave Street	Ministry of Defence	NL	Nov-15	Part Level 8	374.69	$284.32
	Evaluation Consult	RR	Sep-15	Part Level 6	237.1	$259.89
				Carpark	1	$70.00
	NZ Walking Access	RR	Sep15	Part Level 6	173.9	$340.00
				Carparks	1	$80.00
15 Murphy Street	Plastic Surgeons Institute	NL	Feb-17	Pt Level 6	320.13	$320.00^
				Carparks (covered)	1	$50
				Carparks (uncovered)	1	$70
	Kahui Legal	NL	Dec-16	Level 11	486.00	$292.50^
					2	$65.00
	EnerNoc	NL	Apr-16	Pt Level 8	182.30	$320.00^
				Carparks (covered)	1	$50
				Carparks (uncovered)	1	$70

NL = New Lease, NLE = New lease to existing tenant, RR = Rent Review, R = Renewal,

* = Based on Sale Information Memorandum, ^ = Lessor owned fitout

Office and Carpark Rental Reconciliation

Typically upper office floors attract higher rentals than lower floors due to greater natural light and outlooks obtained from those floors, but also the greater prestige associated in occupying those floors. In addition, very small office suites often attract higher rentals than larger whole floors. We comment on the aforementioned rental evidence in more detail as follows:

Shamrock House (the subject) has undergone substantial refurbishment in recent years, but with central plant largely original. The most recent leasing within Shamrock House is for level 8 to the Insurance and Financial Services Ombudsman. The lease is for a four year term from November 2015. The rental was set at $360 psm, and includes internal partitioning, which is to be ignored on review. The floor was refurbished by the Lessor prior to lease commencement to include new floor coverings, internal partitions, while utilising existing ceilings and lights.

Wilkinson's Insurance Brokers entered into a new six year lease of Level 9 from June 2014. The rental was set at $350 psm and the floor was refurbished prior to lease commencement to include new floor coverings, ceilings, lights and kitchenette.

133 Molesworth Street is currently being refurbished and extended. The total net lettable area of the building will essentially be doubled, and the existing accommodation will be retrofitted. The Ministry of Health have entered into a new 15 year lease from practical completion. The rent is to be reviewed to market three yearly (protected by a commencement ratchet). The lease is on a full net basis with the recoverable outgoings capped over the first three years of the lease term. The building is in an inferior location, situated at the top end of Thorndon, however will provide a superior standard of accommodation (meeting the governments A grade requirements). It will have large sized floorplates, and base isolated, providing a seismic rating of (100%+ NBS). The effective gross rent range from $465 to $475 psm. Full details are however confidential.

Please note, the 133 Molesworth Street leasing formed part of the confidential WAP1 Government office accommodation project. The details disclosed have been available in the market place. We have sighted all documents for the WAP1 4 building project plus some of the proposed WAP2 transactions (for example, 45 Pipitea Street to be developed for DIA). We have however signed confidentiality undertakings. In any event details are not available to the market and (for a raft of reasons) we have formed the view that by and large these transactions do not fit the willing lessee/willing lessor test.

The NZRU premises at **100 Molesworth Street** had their rental set from February 2016. Whilst the market rental was assessed at $430 psm the lease dictated a capped rental at $423.50 psm. In addition the lessor is to create a further 157 square metre of space at the same rental. In 2014 the Public Trust leased the 366m² high stud ground floor office area at $395 psm. This building was completely retrofitted in 2013 including new building plant (chilled beams, new lifts, etc.) and provides superior accommodation.

The premises within **48 Mulgrave Street** are inferior in terms of location and in terms of recent refurbishment works. It has an inferior NBS seismic score of 71%.

Classic House at 15 Murphy Street also provides a basic standard of B grade accommodation which is inferior to the subject. The building is in the process of being seismically strengthened and upon completion will be at or close to 80% NBS. The latest leasings within this building have had their floors substantially refurbished by the landlord. The lessor has also provided free fitouts and so many of the premises are leased on a “turn key” basis. The existing tenants and recent tenants have however all lost some ‘quiet enjoyment’ whilst strengthening works are completed plus they have occupied a low seismic rated building in the interim. We believe these factors have also impacted on achieved rentals.

Turning now to carparks we note achieved carpark rentals in Thorndon have varied greatly in recent years including the leasings in the subject building which have been at $70 - $85 pspw. Very generously sized high stud parks at 100 Molesworth Street (diagonally opposite the subject) have been at $85 pspw but others at 12 Hawkestone Street (adjoining the subject) are at $70 pspw. Further, parks in the modern Freyberg building on Aitken Street have recently been set at $71 pspw. The most recent leasing in the subject building was at $85 pspw.

Retail Rental Evidence

Indicative of prevailing rental levels within this sector include:

Premises	Tenant	Transaction Type	Effective Date	Premises Component	Floor Area m²	Effective gross Rental Rate $psm
79-83 Molesworth Street	**Belleza Hair Design Ltd**	**NL**	**Jan-14**	**Retail**	**41**	**$473.82**
100 Molesworth Street	Radius Pharmacy	NLE*	Nov-15	Retail	68	$515.00
	Viva Fashion	NL*	Nov-15	Retail	66	$420.00
	NZ Post	NLE*	Sep-15	Retail	60	$500.00
	Healthy for life (Gym)	NL*	Apr-15	Retail - basement	120	$170.00
	ANZ	R*	Nov-14	Retail	100	$485.00
	Sr & AJ Gandhi	R*	Jan-13	Retail	99	$350.00
126 Molesworth Street	Boxhill Limited	R*	Sep-15	Retail	82	$520.00
	Fish & Chip Shop	R*	Nov-14	Retail	41	$790.00
	Pharmacy	R*	Nov-14	Retail	66	$610.00
85 Molesworth Street	Westpac	R	Feb-15	Retail	129	$456.94^
	Café 93	NLE	Aug-14	Retail	89	$450.00^
	Lunchbox	NLE	Jun-13	Retail	67	$504.80^

NL = New Lease, NLE = New lease to existing tenant, RR = Rent Review, R = Renewal

^ Rental remained at existing rental on renewal, ratchet held rental,

*Full details remain confidential (indicative effective rental only)

Retail Rental Reconciliation

In general terms, higher rental rates are achieved for smaller premises relative to larger premises and higher rental rates are achieved for premises with a corner influence relative premises with no corner influence.

There are a limited number of new lease transactions in close proximity to the subject, retail premises appear to be tightly held in this part of the city, particularly along Molesworth Street, similar to that of Lambton Quay and The Terrace in the Core CBD.

Belleza Hair Design has taken a new six year lease from January 2014 for part of the ground floor retail accommodation within the subject building. The Lessor is to undertake some fitout works including installing a new automatic shop entrance and suspended ceilings. The Lessor is also providing the tenant with a cash contribution toward their own fitout. The rental is subject to annual fixed increases.

We are aware of the leasings for the ground floor retailers at 100 Molesworth Street and those within 126 Molesworth Street. Whilst full details remain confidential for these transactions we note the indicative gross rentals range from circa $350 psm to $515 psm (100 Molesworth Street) and from $520 psm to $790 psm (within 126 Molesworth Street) depending on location within the respective buildings, size and quality. All of the leasing within 126 Molesworth Street have direct street frontage, and are located adjacent to the New World Thorndon Supermarket. We would therefore expect these rentals to be well above the current market rents within the subject.

The recent transactions at 85 Molesworth were all held at their existing levels with a ratchet clause preventing is from falling below this level. Again these tenancies all have frontage to Molesworth Street, and therefore would set the upper limit as to rental for the subject tenancies.

Naming Rights

With respect to naming rights, we have had regard to a number of agreements including:

Building	Address	Date Set	Rental ($ p.a.)
NZ Post House	7 – 27 Waterloo Quay	Jul-16	$60,000
TSB Tower	147 Lambton Quay	Jul-16	$30,000
Fujitsu Tower	141 The Terrace	Apr-16	$42,944
Solnet House	70 The Terrace	Jul-16	$35,675
Terrace Conference Centre	114 The Terrace	Jan-16	$12,500
Vodafone	152 Lambton Quay	Dec-15	$32,500
Co-Operative Bank House	2 – 20 Ballance Street	Nov-15	$40,000
EMC² House	5 – 7 Willeston Street	Oct-15	$12,500
BNZ	60 Waterloo Quay	Jun-15	$33,684
Intilecta	15 Murphy Street	Mar-15	$6,364

Naming Rights Rental Reconciliation

The achievable naming rights for a building are a function of its size, quality, its presence in the immediate locality and its overall exposure. The subject building is situated within a prominent Thorndon location; however the prominence of signage is somewhat restricted.

6.3 MARKET RENT ASSESSMENT

Having reviewed the above evidence we have adopted the following market rentals:

Ground Floor Retail Accommodation	$525 psm
Office Accommodation	$335.00 - $357.50 psm
Carparks	$85 pspw
Naming Rights	$20,000 per annum

Taking into account the above we consider the subject property to be slightly under-rented with the current passing rents below our assessed market levels. The majority of the leases are subject to market reviews within the next 12 – 24 months and so the passing income has potential to increase from these effective review dates. In any case, whilst we do not anticipate a reduction in market rental levels we note the majority of these rentals are protected by ratchet clause (preventing any reduction in rental, from existing levels). In this regard we consider the current passing income to be relatively secure in the short to medium term.

Our assessment of market rental rates is detailed in our Valuation In Detail attached as **Appendix One**.

6.4 SALES EVIDENCE

There has been significant sales activity in 2014 and 2015/2016 with currently a distinct lack of supply to meet investor demand.

We summarise our analysis of recent Wellington CBD office building sales below:

Building	Sale Price	Sale Date	WALT	Analysed Market Yield	Initial Yield	Internal Rate of Return	Value $psm NLA
			2016/2015				
Cuba/Dixon, 82 Cuba Street	$63.00m	Nov-17	17.98	6.06%	6.12%	7.90%	$6,429
ANZ Centre, 49 Tory Street*	$56.00m	Aug-16	8.67	7.02%	7.03%	8.33%	$3,913
ASB Tower, 2 Hunter Street^	$32.00m	Aug-16	4.02	7.76%	6.27%	9.64%	$3,414
Conservation House, 18 Manners Street°				See comments below			
Tel Tower, 139 Willis Street°				See comments below			
HP House, 8 Gilmer Terrace	$15.60m	May-16	2.51	11.36%	8.30%		$1,583
Datacom House, 68 Jervois Quay^	$47.00m	Nov-15	4.07	8.67%	8.76%	9.28%	$2,884
12 – 22 Hawkestone Street	$22.00m	Nov-15	4.44	7.46%	8.02%	7.99%	$3,643

^Leasehold tenure, ~^Part Leasehold, * Off market transaction, ° Part of a portfolio transaction

We are also aware of a number of conditional contracts in place, one to purchase a building within the Innovation Hub precinct. This building is in the process of being extended, and fully refurbished. Upon completion Xero will occupy the entire building and enter into a new 12 year lease.

We are aware there is a conditional contract in place to purchase the PWC Centre (on completion). We have perused all leasing documents as well as the sale and purchase agreement, however are bound by a confidentiality undertaking, so cannot disclose full details that are not already known to the wider market. We can confirm the reported purchase price of circa $89m, which represents an initial passing yield of **6.45%**. At time of agreement we note there were three part office levels and two ground floor spaces vacant, all of which are vendor guaranteed (for varying terms). Approximately 70% of the building is leased to three corporate tenants on lease terms ranging from 10 to 15 years, all with fixed annual rental growth (some with interim market corrections).

The **'Cuba Dixon'** development under construction on Dixon Street will predominantly house a Whitireia Weltec Partnership on a 21 year lease with fixed 2% per annum rental growth. The remainder of the property is leased to good quality national retail tenants (Barkers, Cotton On & Vodafone). The building will incorporate the historic facades which front Cuba Street. Overall the building will provide bare shell space, with the tenants proving all of their own internal fitout (excluding lifts). Plant areas will be made available to house the tenants plant and equipment; however these services are the sole responsibility of the tenant. The property sold by tender for $63.0m with considerable buyer interest from local and international investors. We note the running yield at year 10 of the cashflow period is circa 7.4%. At this point the property would still have an above average WALT of circa 11 years.

The **ANZ Centre, 49 Tory Street** comprises four multi storey commercial buildings of five and six storeys (referred to as Units 1 to 4), variously detached and interconnected and arranged around a central concourse with vehicular access from Tory Street and also rear vehicular access from Alpha Street and side access from Forresters Lane. The buildings were originally constructed in 1988 and were fully upgraded, refurbished and strengthened in 2012/2013. The property is located within Te Aro nearby the Courtenay Precinct, Wellington's premier entertainment and nightlife area. This is a secondary office locality, approximately 1.5 km south of the core CBD.

The building it predominantly leased to ANZ Bank (92%) on a twelve year term from 2013 with the rental subject to annual fixed increases (mid term market correction with +/-7.5% cap and collar). Other tenants on ground floor levels including Snap Fitness (gymnasium) and Sustainability Trust (Government agency) together with a number of kiosks situated within the front courtyard area. The property has a weighted average lease term remaining of 8.67 years.

ASB Tower, 2 Hunter Street, comprises a 16 storey reinforced concrete podium and tower building originally constructed in the late 1980's to the design of Craig Craig & Moller. It provides ground floor retail, basement, ground and Level one parking with 14 levels of modern office accommodation above. The building is situated on a 1,387m² leasehold site held by way of a 21 year perpetually renewable Wellington City Council ground lease. The ground rental will be next reviewed upon renewal in January 2027.

Extensive refurbishment and seismic strengthening has been carried out within the building over the past two years. It provides a total lettable area of some 9,735m² and is approximately 73% occupied. There are three full floors and two part floors currently vacant, totalling 2,336m², while one 165m² ground floor tenancy is also vacant. Major tenants include ASB Bank, Tonkin & Taylor, Shell NZ Limited, and the Embassy of Korea. At time of sale the property had a WALT of 4.02 years (by income including vacancies), and represented an effective market yield of 7.76%.

Conservation House and Tel Tower at 18 – 36 Manners Street and 139 Willis Street sold in July 2016 together as a 'sale in one line'. Maurice Clark was the purchaser, and the intention is to convert Tel Tower to provide further student accommodation. The Department of Conservation have extended their lease within Conservation House, which is following the completion of seismic strengthening works as well as some further refurbishment and upgrades. The new lease is for a fourteen year term from practical completion with the rental subject to annual fixed growth (CPI capped at 1.5%) throughout the lease term with intermittent market reviews. The total 'gross' sale price agreed was $43.44m before deduction of estimated construction cost to complete. These costs include allowance for tenant disruption and decant, as well as leasing incentive. We have analysed this sale on a hypothetical apportionment of the combined sale price.

Conservation House, 18 Manners Street comprises a four level podium plus basement structure built in the 1980's providing over 7,100 sqm office accommodation together with 970 sqm retail sapce and 34 basement carparks. It is situated below a separatley titled 11 storey office tower (Tel Tower), not forming part of this analysis. The majority of the accommodation is occupied by the Department of Conservation, who have agreed to enter into a new long term lease from practical completion; they will however relinquish some space on initial lease expiry. There are a number of ground floor retail tenancies, of which 742m² is currently vacant. The building is to be seismically strengthened (to at least 80% NBS) and also have a major upgrade and refurbishment of all office accommodation, including a full upgrade of the lifts and fire services. Our analysis includes allowance for these capital works, and also a six month rental void during capital works, immediately prior to the new DoC lease commencement. On this basis the property has a WALT of 14.42 years, and an effective market yield of 7.20%.

Tel Tower, 143 Willis Street, comprises an 11 storey office tower situated above a separately titled four level podium (Conservation House) originally built circa 1988 with the main building entrance and lobby setback off Willis Street. The building provides approximately 7,600 square metres of office accommodation together with 16 basement carparks. The building sold vacant, and we understand the purchaser intends on converting and retrofitting the building to provide student accommodation. Our analysis is on the basis the building is being sold as a strengthend vacant bare shell. The sale represents a land and building rate of $1,184 psm.

Datacom House, 68 Jervois Quay comprises a 12 storey office building completed in 1981 of two almost identical office towers situated above a four level podium and basement. It is located on a prominent corner on the western side of Jervois Quay opposite Frank Kitts Park and enjoys unobstructed harbour views to the north-east. It is sited on perpetually renewable leasehold land (next renewed in 2024) and is towards the southern end of the central business district.

Datacom occupy the majority of office accommodation within the building, accounting for approximately 97% of the total lettable area. Their current lease is on varying lease terms (separate podium and tower leases) expiring July 2018 (tower floors) and July 2021 (podium floors). The entire building has recently been fully refurbished to now provide a good standard of modernised B grade accommodation.

12 – 22 Hawkstone Street comprises a freehold 10 storey (plus basement and mezzanine) office tower constructed in the late 1980s located in the Government office precinct of Thorndon to the north of the Wellington CBD core. The building is of podium and tower design with the two podium floors having an approximate lettable area of 898m² and the tower floors having an approximate lettable area of 506m². The property provides a total of 6,039m² of office space and 38 carparks. Inland Revenue lease the majority of the building on a lease expiring December 2019. A childcare centre is being developed on the ground floor, which will be leased for a 10 year term from 1 December 2015.

The IRD owns items of building plant and the existing rentals are above market hence intial yield of 8.02% is above the analysed market yield of 7.46%.

6.5 CAPITALISATION RATE CONCLUSION

We have carried out a SWOT analysis in order to assist in determining the appropriate yield for the property.

Strengths

- Freehold land tenure;
- Corner site position;
- On-site carparking;
- Located close to Wellington CBD and within Government precinct;
- Close to local amenities and transport facilities;
- Strong tenant covenant;
- Above average WALT;
- Affordable value range.

Weaknesses

- Retail accommodation within this locality has historically struggled;
- Not all plant has been replaced, some upgraded only.

Opportunities

- Continue proactive management of building to maintain good standard of accommodation;
- Upgrade and refurbish accommodation when become vacant.

Threats

- Reduction in size of Government sector and therefore potential for reduced requirement for office accommodation;
- Increase in competition from new developments coming on stream in short term;
- Limited rental uplift achieved in upcoming reviews;
- General downturn in the market

Capitalisation Rate Conclusion

There has been a significant increase in the number of office building transactions since 2012/2013, and yields continue to firm when compared to 12 months ago, as there appears to be an increase in the number of investors looking to purchase property within the Wellington market.

When considering the subject, one of the most significant sales is that of neighbouring property at 12-22 Hawkestone Street. This building provides a good standard of refurbished office accommodation leased to IRD, and a childcare centre has recently entered into a new ten year lease for part of the ground floor. The building has a slightly inferior WALT, however has a similar quality tenant covenant, and is situated the same Thorndon location. IRD own some of their own fitout, and their passing rent is above market levels. It falls within a similar price range, and sold reflecting an effective market yield of 7.46%. We consider an adjustment is required to reflect the improvement in the market between November 2015 and the present stronger investment sales environment.

Bearing in mind the evidence in the market we believe a market equivalent yield of **7.25%** is applicable to the subject property on the assessed market rent.

6.6 DISCOUNTED CASHFLOW ANALYSIS

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

The key assumptions adopted in the cashflow are as follows:

- *Market Rental:* We have adopted gross market rental rates in our cashflow as detailed in **Section 6.3** and detailed in our Valuation in Detail at **Appendix One**.

- *Rental Growth:* We have considered the Wellington office market as outlined in the market commentary earlier in the report, having particular regard for the flight to seismically strengthened buildings. We have projected rental growth rates as follows:

Calendar Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Inflation (CPI)	0.90%	1.90%	1.90%	1.80%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%
Office (Net Effective)	2.00%	2.50%	3.00%	3.00%	3.50%	3.50%	3.50%	3.00%	2.50%	2.50%
Retail (Net Effective)	2.00%	2.50%	2.50%	2.50%	3.00%	3.00%	3.00%	3.00%	2.50%	2.50%
Car Parking	2.19%	2.59%	3.00%	3.00%	3.40%	3.31%	3.31%	2.91%	2.50%	2.50%
Statutories	3.00%	3.00%	3.00%	3.00%	3.00%	2.50%	2.50%	2.50%	2.50%	2.50%
Operational	0.90%	1.90%	1.90%	1.80%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%
Capital expenditure	0.90%	1.90%	1.90%	1.80%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%

Whilst we have referred to the NZIER forecasts in our economic commentary, we note that there are a number of different institutions who also forecast CPI. For the purpose of this report we have adopted a consensus of these figures from the New Zealand Institute of Economic Research Consensus Survey.

- *Terminal Yield:* Discounted cashflow appraisal technique requires a consideration for the property to be sold at the end of the 10 year cashflow period. In adopting an appropriate terminal capitalisation rate, it is correct to recognise that the property by that stage is 10 years older and accordingly may warrant a higher capitalisation rate.

  We have adopted a terminal capitalisation rate of 7.75%.

- *Discount Rate:* We have adopted a property discount rate of 8.50% which is derived from our analysis of investment sales within Wellington. Alternatively, this represents a risk free rate of return such as the 10 year Government bond and an additional property risk factor.

- *Capital Expenditure:* We have detailed our adopted capital expenditure allowances in **Section 3.7** of this report.

- *Operating Expenses:* We have adopted operating expenses as detailed in **Section 4.3** of this report and have escalated these in line with the growth rates shown above over the 10 year cashflow, and have escalated statutory expenses at slightly higher growth rates (see above)..

- *Vacancies:* On lease expiry we have adopted between three and six months let up periods followed by new six year leases with three yearly rent reviews for the office accommodation, while adopting a six month let up period followed by new six year leases with three yearly rent reviews to market for the retail accommodation.

7.0 VALUATION CONCLUSION

We refer you to **Appendix One** that contains our Valuation Calculations and Cashflow in Detail. We summarise the results hereunder.

Contract Income Approach	
Capitalised at 7.00%	$24,880,000
Market Income Approach	
Capitalised at 7.25%	$25,050,000
Discounted Cashflow Approach	
Discounted at 8.50%	$25,100,000

Having regard to available market evidence and factors outlined in the body of this report, we confirm our assessed market value of the property as at the valuation date as follows:

NZD$25,000,000 plus GST, (if any)
(TWENTY FIVE MILLION DOLLARS)

The above current market value is analysed as follows:

Passing Initial Yield (Contract Rent)	6.93%
Equivalent Market Yield	7.26%
Terminal Yield	7.75%
Indicated IRR on Value	8.56%
Direct Comparison Rate (Value per sqm NLA)	$4,377
Weighted Average Lease Duration	4.66 years

Equivalent Market Yield: The assessed annual market rent as a proportion of the assessed market value, the market value having been adjusted downwards/upwards to allow for the rental shortfall/overage.

IRR (Internal Rate of Return): The rate of return on the assessed market value, based on forecast cash inflows and outflows over the next 10 years, based on our assumptions relating to market rentals, rental growth, escalation in outgoings and capital expenditure.

Lender Security

Subject to the conditions noted in this report, we consider the property to be suitable for first mortgage security purposes. This statement is made only with reference to the property itself and the property factor outlined in this report. We make no recommendation on the personal covenant of the mortgagor or their ability or willingness to meet their commitment under the proposed loan.

8.0 GENERAL

Our valuation is subject to the Colliers International Statement of Valuation Qualifications and Conditions as follows:

1. In accordance with PINZ Guidance Notes, all non-residential valuations are on the basis of **plus GST (if any)**. Valuations of residential property are stated as **including GST (if any).** We have attempted to ascertain whether the sales evidence and/or leasing evidence is inclusive or exclusive of Goods and Services Tax (GST). The national database of sales evidence does not identify whether or not GST is included in a sale price. If we have not been able to verify GST, we have assumed residential property sales are inclusive of GST (if any), and plus GST (if any) for non-residential properties. If this proves to not be the case for any evidence, we reserve the right to reconsider our valuation.

2. Where it is stated in the report that information has been supplied to us by another party, this information is believed to be reliable but we can accept no responsibility if this should prove not to be so. Where information is given without being attributed directly to another party, this information has been obtained by our search of records and examination of documents or by enquiry from Government or other appropriate sources.

3. We have been engaged to provide a valuation only and while due care was taken to note obvious building defects in the course of our inspection, we have not been engaged for any purpose other than the valuation and we are not able to advise on matters such as structural or site surveys or any other defects in the building. The valuer is not a building construction and/or structural expert, and is therefore unable to certify as to structural soundness of the improvements or detect any ingress of water, liquid, moisture or mould type substances or effects from these, other than to parts of the improvements readily accessible and visible.

4. In preparing the valuation it has been assumed that all lifts, hot and cold water systems, electrical systems, ventilating systems and other devices, fittings, installations or conveniences in the building are in proper working order and functioning for the purposes of Government regulations and codes. We will not include in our valuation those fixtures and fittings owned and able to be removed by the tenant(s).

5. Where applicable, our valuation includes those items which form part of the building including special wall and floor finishes, toilet amenities, integrated heating and ventilation equipment, external lighting and all site works including landscaping.

6. In preparing the valuation and/or providing valuation services, it has been assumed that a full and frank disclosure of all relevant information has been made.

7. We do not hold ourselves out to be experts in environmental contamination. Our inspection of the site did not reveal any contamination or pollution affectation, and our valuation has been prepared on the assumption that the land is not contaminated and has not been affected by pollutants of any kind. We would recommend that this matter be checked by a suitably qualified environmental consultant. Should subsequent investigation show that the site is contaminated, our valuation may require revision.

8. In preparing the valuation, we have relied on photocopies of the Computer Register and the leases provided. It has been assumed that these are accurate copies of the original documents and that no dealings or changes have occurred since the date such photocopies were made.

9. This valuation and all valuation services are provided by us solely for the use of our client. We do not assume any responsibility to any person other than the client for any reason whatsoever by reason of or arising out of the provision of this valuation.

10. This report is relevant as at the date of preparation and to circumstances prevailing at the time. However, within a rapidly changing economic environment experiencing fluctuations in interest rates, availability of finance, rents, building expenditure and returns on investments, values can be susceptible to variation over a relatively short time scale. We therefore strongly recommend that before any action is taken involving acquisition, disposal, mortgage advance, shareholding restructure or other transaction, that you consult further with us.

11. **Confidentiality and Disclaimer of Liability**
Our valuation and report is strictly confidential to the party to whom it is addressed and is prepared solely for the specific purpose to which it refers. No responsibility whatsoever is accepted for reliance on the valuation

report for other purposes. Further, no responsibility whatsoever is accepted to persons other than the party to whom the valuation and report is addressed for any errors or omissions whether of fact or opinion.

12. Neither the whole nor any part of this valuation and/or report or any reference to it may be included in any published document, circular, or statement without our written approval.

13. **PINZ: Valuation Standards & Guidance Notes**
All valuations are carried out in accordance with the Valuation Standards and Guidance Notes recommended by the Property Institute of New Zealand, where the definition of "Market Value" is the estimated amount for which an asset or liability 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.

14. Please note that personnel in this firm will or may have stocks, shares or other interests in entities that directly or indirectly hold properties which are the subject of this valuation and/or may have direct or indirect personal relationships with third parties with interests in these same entities. Colliers' valuers are required to abide by an industry standard disclosure regime and Colliers internal policies with respect to conflicts of interest, and will disclose any material conflict of interest that arises in its capacity as valuer concerning the property which is the subject of this valuation.

15. **Valuation Basis**
Unless otherwise stated no allowances are made in our valuations for any expenses of realisation, or to reflect the balance of any outstanding mortgages either in respect of capital or interest accrued.

We trust that this report is suitable for current purposes. If you have any questions, please contact the writer directly.

Yours faithfully
COLLIERS INTERNATIONAL (WELLINGTON VALUATION) LIMITED

Andrew Washington BCOM (VPM) ANZIV SPINZ
Registered Valuer
Director – Valuation

Nathan Wolfe BCOM (VPM) MPINZ
Registered Valuer

This report has been checked by ………………The purpose of the report check is for the correction of grammatical and basic arithmetic errors only. The person who has checked this report does not necessarily carry any responsibility in relation to the method of valuation adopted, analysis of sales/rental evidence or final value adopted within this report.

REF: J:\Valuation\CMV 2016\Wellington\Molesworth Street 81, CMV, September 2016.docx

Inspection of Property:	Andrew Washington & Nathan Wolfe
Valuation Calculations:	Andrew Washington & Nathan Wolfe
Authoring of report:	Andrew Washington & Nathan Wolfe

APPENDIX 1
Valuation in Detail

Valuation Calculations

Under Instruction From

Maat Group

Building Financial Security

As At

26 September 2016

Reference: 18597

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

Valuation Calculations Summary

Shamrock House, 79 - 81 Molesworth Street, Thorndon , Wellington

VALUATION DETAILS

Valuation Date	26 September 2016	**Cash Flow Model Date**	1 October 2016
Interest Valued	Freehold Interest	**Purpose of Valuation**	Mortgage Security Purposes

CORE VALUATION ASSUMPTIONS

Financial Details

Gross Passing Income (Fully Let)	$2,114,695	**Adopted Gross Market Income**	$2,191,215
Outgoings (pa)	$369,901	**Outgoings (pa)**	$369,901
Net Passing Income (Fully Let)	$1,744,794	**Adopted Net Market Income**	$1,821,314
Net Passing Income (Current)	$1,731,534		

Passing Income is $76,519 below current market levels

Over / Under rented %	-4.93%
Fully Leased - over / under rented %	-4.20%

Total NLA	5,711.60 m²	**Total Vacancy**	-
Total Carparks	44 parks		
Office NLA	5,668.60 m²	**Retail NLA**	43.00 m²
Proportion of Occupied Office Area	100.00%	**Proportion of Occupied Retail Area**	100.00%

	Net	Gross		Net	Gross
Average Passing Office Rental*	$271/m²	$336/m²	**Average Passing Retail Rental***	$461/m²	$526/m²
Average Market Office Rental	$280/m²	$345/m²	**Average Market Retail Rental**	$460/m²	$525/m²

**Passing rental averages are based on the proportion of occupied area.*

Global Assumptions

Agents Leasing Fees (Gross)	15.00%	**Refurb Allowance - Initial Expiries**	$250/m²
Renewal Leasing Fee (Gross)	5.00%	**Refurb Allowance - Secondary Expiries**	$100/m²

Office

Lease Term	6 years
Letting Up - Market	6 months Upper Levels / 12 months Lower Levels
Retention Probability (Letting Up & Leasing Fees)	50.0%
Letting Up - Applied	3 months Upper Levels / 6 months Lower Levels
Renewal Probability (Incentives)	0.0%
Reviews	3 yearly rent reviews to market rent

Retail

Lease Term	6 years
Letting Up - Market	12 months
Retention Probability (Letting Up & Leasing Fees)	50.0%
Letting Up - Applied	6 months
Renewal Probability (Incentives)	0.0%
Reviews	3 yearly rent reviews to market rent

Traditional Valuation Approach

Core Initial Capitalisation Rate	**7.000%**
Core Market Capitalisation Rate	**7.250%**
Pending Vacancies Allowances within	12 months
Capital Expenditure Allowances for	12 months
Rental Reversions (PV)	Current tenants at expiry/market review with subsequent leases at 12 months

Discounted Cash Flow Approach

Cash Flow Term		10 years
Terminal Capitalisation Rate	***+50.00 bps***	**7.750%**
Terminal Allowances & Reversions within		12 months
Discount Rate		**8.500%**
10 Yr Rental Growth	*Office (Net Effective)*	2.94%
(compounded)	*Retail (Net Effective)*	2.69%

VALUATION CONCLUSIONS

Traditional Valuation Approach

Initial Yield Approach	**$24,880,000**
Market Yield Approach	**$25,050,000**

Discounted Cash Flow Approach

Discounted Terminal Value	*54%*	$13,558,889
NPV of Cash Flows	*46%*	$11,540,838
Sum of Discounted Cash Flows		$25,099,727
Less Acquisition Costs		-
Net Present Value		$25,099,727
Rounded DCF Value		**$25,100,000**

ADOPTED VALUE

$25,000,000 - GST Exclusive
(TWENTY FIVE MILLION DOLLARS)

RESULTANT YIELDS AND IRR'S ON ADOPTED VALUE

Direct Comparison	$4,377 per m² NLA	**Terminal Initial Yield**	5.40%
Passing Initial Yield	6.93%	**Terminal Market Yield**	7.75%
Equivalent Initial Yield	6.97%	**Terminal Capital Value**	$5,370 per m² NLA
Equivalent Market Yield	7.26%	**Rate of Increase in Capital Value**	2.02%
Weighted Average Lease Duration by Area	4.83 years	**IRR (Incl. Capex)**	8.56%
Weighted Average Lease Duration by Income (incl Vacancy)	4.66 years	**IRR (Excl. Capex)**	9.25%
Weighted Average Lease Duration by Income (excl Vacancy)	4.69 years	3 Year IRR (incl. Capex)	8.10%
Total Capital Expenditure (Nominal)	$1,849,594	5 Year IRR (incl. Capex)	9.01%
% of Adopted Value (Nominal)	7.40%	7 Year IRR (incl. Capex)	8.58%

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

Tenancy Schedule

Shamrock House, 79 - 81 Molesworth Street, Thorndon , Wellington **Valuation Date: 26 September 2016**

	Level/Suite	Tenant	Use	Lettable Area NLA	Lease Commence	Lease Term	Lease Expiry	Type	% NLA	Lease Option	Next Review Date	Base Passing Rent	Base Passing Rent $/m²	Adopted Market Rent	Adopted Market Rent $/m²	PV of Rental Reversion	Gross Rent $/m²
1	Ground Unit 1	Belleza Hair Design Ltd	Retail	43.00	13-Jan-14	6.00	12-Jan-20	Gross	0.75%	1 x 3 yrs	13-Jan-17	22,601	525.61	22,575	525.00	2	525.00
2	Ground Unit 2	ACC	Office	406.80	18-Nov-13	9.00	21-Nov-22	Gross	7.12%	Nil	18-Nov-16	134,244	330.00	148,482	365.00	(1,187)	365.00
3	Office Level 1	ACC	Office	775.90	18-Nov-13	9.00	21-Nov-22	Gross	13.58%	Nil	18-Nov-16	256,047	330.00	259,927	335.00	(323)	335.00
4	Office Level 2	ACC	Office	775.00	18-Nov-13	9.00	21-Nov-22	Gross	13.57%	Nil	18-Nov-16	255,750	330.00	261,563	337.50	(484)	337.50
5	Office Level 3	ACC	Office	774.80	18-Nov-13	9.00	21-Nov-22	Gross	13.57%	Nil	18-Nov-16	255,684	330.00	263,432	340.00	(646)	340.00
6	Office Level 4	ACC	Office	526.40	1-Jul-14	6.00	30-Jun-20	Gross	9.22%	2 x 3 yrs	1-Jul-17	173,712	330.00	178,976	340.00	(4,237)	340.00
7	Office Level 5	ACC	Office	526.10	1-Jul-14	6.00	30-Jun-20	Gross	9.21%	2 x 3 yrs	1-Jul-17	173,613	330.00	180,189	342.50	(5,098)	342.50
8	Office Level 6	ACC	Office	524.20	1-Jul-14	6.00	30-Jun-20	Gross	9.18%	2 x 3 yrs	1-Jul-17	172,986	330.00	180,849	345.00	(5,940)	345.00
9	Office Level 7	ACC	Office	524.30	1-Jul-14	6.00	30-Jun-20	Gross	9.18%	2 x 3 yrs	1-Jul-17	183,505	350.00	182,194	347.50	266	347.50
10	Office Level 8	Insurance & Financial Services Ombudsman	Office	525.00	1-Nov-15	4.00	31-Oct-19	Gross	9.19%	1 x 4 yrs	1-Nov-17	189,000	360.00	187,688	357.50	261	357.50
11	Office Level 9	Wilkinson Insurance Brokers	Office	310.10	1-Jun-14	6.00	31-May-20	Gross	5.43%	2 x 3 yrs	1-Jun-17	108,535	350.00	110,861	357.50	(1,702)	357.50
12	Carparking	ACC	Parking	14.00	18-Nov-13	9.00	17-Nov-22	Gross	0.00%	Nil	18-Nov-16	50,959	3,639.96	61,880	4,420.00	(910)	4,420.00
13	Carparking	ACC	Parking	2.00	1-Jul-14	6.00	30-Jun-20	Gross	0.00%	2 x 3 yrs	1-Jul-17	8,320	4,160.04	8,840	4,420.00	(379)	4,420.00
14	Carparking	Insurance & Financial Services Ombudsman	Parking	3.00	1-Nov-15	4.00	31-Oct-19	Gross	0.00%	1 x 4 yrs	1-Nov-17	13,260	4,420.00	13,260	4,420.00	-	4,420.00
15	Carparking	Wilkinson Insurance Brokers	Parking	5.00	1-Jun-14	6.00	31-May-20	Gross	0.00%	2 x 3 yrs	1-Jun-17	16,900	3,380.04	22,100	4,420.00	(3,050)	4,420.00
16	Carparking	Wilkinson Insurance Brokers	Parking	2.00	1-Jun-14	6.00	31-May-20	Gross	0.00%	2 x 3 yrs	1-Jun-17	8,320	4,160.04	8,840	4,420.00	(327)	4,420.00
17	Carparking	NZ Police	Parking	3.00	-	Monthly	30-Sep-17	Gross	0.00%	-	31-Dec-16	11,700	3,900.00	13,260	4,420.00	(261)	4,420.00
18	Carparking	Minstry of Health	Parking	3.00	-	Monthly	30-Sep-17	Gross	0.00%	-	31-Dec-16	11,700	3,900.00	13,260	4,420.00	(261)	4,420.00
19	Carparking	Various	Parking	7.00	-	Monthly	30-Sep-17	Gross	0.00%	-	31-Dec-16	27,300	3,900.00	30,940	4,420.00	(609)	4,420.00
20	Carparking	Kyla Vaughan	Parking	1.00	-	Monthly	30-Sep-17	Gross	0.00%	-	31-Dec-16	3,918	3,918.24	4,420	4,420.00	(84)	4,420.00
21	Carparking	Anne Mackenzie	Parking	1.00	-	Monthly	30-Sep-17	Gross	0.00%	-	31-Dec-16	3,380	3,380.04	4,420	4,420.00	(173)	4,420.00
22	Carparking	Vacant	Parking	3.00	-	-	-	Gross	0.00%	-		-	-	13,260	4,420.00	-	4,420.00
23	Naming Rights	ACC	Naming	1.00	1-Jul-14	6.00	30-Jun-20	Gross	0.00%	2 x 3 yrs	1-Jul-17	20,000	20,000.04	20,000	20,000.00	0	20,000.00
25	**TOTALS**			**5,711.60**					**100.00%**			**2,101,435**		**2,191,215**		**(25,142)**	

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

Capitalisation Approach

Shamrock House, 79 - 81 Molesworth Street, Thorndon , Wellington — **Valuation Date: 26 September 2016**

(Initial) Passing Yield Calculations

Office			1,903,076	
Retail			22,601	
Naming			20,000	
Parking			155,758	
Current Passing Income			2,101,435	
Add Recoverable Outgoings			-	
Add Estimated Gross Rental Value on Vacant Space			13,260	
Potential Gross Income Fully Let			2,114,695	
Less Outgoings	$64.76/m²		369,901	
Net Income			**1,744,794**	
Capitalised at		**6.875%**	**7.000%**	**7.125%**
Capitalised Value		**$25,378,826**	**$24,925,633**	**$24,488,341**
Capital Value Adjustments				
Existing Vacant Tenancy Allowances				
Downtime		(6,630)	(6,630)	(6,630)
Downtime for Deferred Tenancy Commencement		-	-	-
Agents Leasing Fees		(1,989)	(1,989)	(1,989)
Incentives		-	-	-
Refurbishment Allowance		-	-	-
Pending Vacancy Allowances (expiries within 12 months)				
Downtime		(16,575)	(16,575)	(16,575)
Agents Leasing Fees		(6,630)	(6,630)	(6,630)
Incentives		-	-	-
Refurbishment Allowance		-	-	-
PV Outstanding Current Incentives		-	-	-
General Capital Expenditure Allowance (12 months)		(14,876)	(14,876)	(14,876)
Budgeted Capital Expenditure (12 months)		-	-	-
Other Adjustments		-	-	-
Total Adjustments		***(46,700)***	***(46,700)***	***(46,700)***
Assessed Capital Value as at 26 September 2016		**$25,332,126**	**$24,878,933**	**$24,441,641**
Value $/m²		*$4,435*	*$4,356*	*$4,279*
Rounded Initial Capitalisation Value			$24,880,000	
Adopted Value as at 26 September 2016			**$25,000,000**	
Capital Value Analysis				
Actual Net Passing Income			$1,731,534	
Initial Yield			6.93%	
Equivalent Initial Yield			6.97%	
Rate per metre of NLA			$4,377/m²	

Market Yield Calculations

Office			1,954,160	
Retail			22,575	
Naming			20,000	
Parking			194,480	
Market Income			2,191,215	
Add Recoverable Outgoings			-	
Total Gross Market Income			2,191,215	
Less Outgoings	$64.76/m²		369,901	
Net Market Income			1,821,314	
Net Income			**1,821,314**	
Capitalised at		**7.125%**	**7.250%**	**7.375%**
Capitalised Value		**$25,562,298**	**$25,121,569**	**$24,695,780**
Capital Value Adjustments				
Existing Vacant Tenancy Allowances				
Downtime		(6,630)	(6,630)	(6,630)
Downtime for Deferred Tenancy Commencement		-	-	-
Agents Leasing Fees		(1,989)	(1,989)	(1,989)
Incentives		-	-	-
Refurbishment Allowance		-	-	-
Pending Vacancy Allowances (expiries within 12 months)				
Downtime		(16,575)	(16,575)	(16,575)
Agents Leasing Fees		(6,630)	(6,630)	(6,630)
Incentives		-	-	-
Refurbishment Allowance		-	-	-
PV Outstanding Current Incentives		-	-	-
PV Rental (Shortfall) / Overage		(25,142)	(25,142)	(25,142)
General Capital Expenditure Allowance (12 months)		(14,876)	(14,876)	(14,876)
Budgeted Capital Expenditure (12 months)		-	-	-
Other Adjustments		-	-	-
Total Adjustments		***(71,842)***	***(71,842)***	***(71,842)***
Assessed Capital Value as at 26 September 2016		**$25,490,456**	**$25,049,727**	**$24,623,938**
Value $/m²		*$4,463*	*$4,386*	*$4,311*
Rounded Market Capitalisation Value			$25,050,000	
Adopted Value as at 26 September 2016			**$25,000,000**	
Capital Value Analysis				
Equivalent Market Yield			7.26%	
Rate per metre of NLA			$4,377/m²	

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

Discounted Cash Flow Assumptions

Shamrock House, 79 - 81 Molesworth Street, Thorndon , Wellington

Growth Assumptions

Calendar Year	Code	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	10 Yr CAGR
Inflation (CPI)	*1*	0.60%	0.90%	1.90%	1.90%	1.80%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	***2.23%***
Office (Net Effective)	*5*		2.00%	2.50%	3.00%	3.00%	3.50%	3.50%	3.50%	3.00%	2.50%	2.50%	2.50%	***2.94%***
Retail (Net Effective)	*9*		2.00%	2.50%	2.50%	2.50%	3.00%	3.00%	3.00%	3.00%	2.50%	2.50%	2.50%	***2.69%***
Car Parking	*10*		2.19%	2.59%	3.00%	3.00%	3.40%	3.31%	3.31%	2.91%	2.50%	2.50%	2.50%	***2.90%***
Statutories	*11*		3.00%	3.00%	3.00%	3.00%	3.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	***2.71%***
Operational	*12*		0.90%	1.90%	1.90%	1.80%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	***2.23%***
Capital expenditure	*13*		0.90%	1.90%	1.90%	1.80%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	***2.23%***
Other	*14*		0.90%	1.90%	1.90%	1.80%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	***2.23%***

Discounted Cash Flow Assumptions

Valuation Date	26 September 2016
Commencement of Cash Flow	1 October 2016
Term of Cash Flow	10 years
Discount Rate	8.500%
Terminal Yield	7.750%
Terminal Yield Variance over Market Cap Rate	+50.00 bps
Acquisition Costs	0.00%
Disposal Costs	0.00%
Total Budgeted Capital Expenditure	$0 pa (Real)
	$0 pa (Nominal)
General Capital Expenditure Allowance applied from 1-Oct-2016	$26.26/m²
	$150,000 pa (Real)
	$164,878 pa (Nominal)
Refurbishment Allowance on Initial Expiries	$250.0/m²
Refurbishment Allowance on Secondary Expiries	$100.0/m²
Total Capital Expenditure (Real)	$1,679,573
% of Adopted Value (Real)	6.72%
Total Capital Expenditure (Nominal)	$1,849,594
% of Adopted Value (Nominal)	7.40%
1 Yr Summary	$14,876 (Nominal)

Lease Renewal Assumptions

Agents Fees - New Tenant (Year 1 Gross Rent)	15.0%
Agents Fees - Renewal (Year 1 Gross Rent)	5.0%
Office Upper Levels	
Renewal Lease Term	6.0 years
Letting Up Period - Market	6 months
Retention Probability (Letting Up, Leasing Fees)	50%
Letting Up Period - Applied	3 months
Incentive Probability	0%
Review Structure	3 yearly rent reviews to market rent
Office Lower Levels	
Renewal Lease Term	6.0 years
Letting Up Period - Market	12 months
Retention Probability (Letting Up, Leasing Fees)	50%
Letting Up Period - Applied	6 months
Incentive Probability	0%
Review Structure	3 yearly rent reviews to market rent
Retail	
Renewal Lease Term	6.0 years
Letting Up Period - Market	12 months
Retention Probability (Letting Up, Leasing Fees)	50%
Letting Up Period - Applied	6 months
Incentive Probability	0%
Review Structure	3 yearly rent reviews to market rent

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

Annual Summary by Tenant - Rental Summary

Shamrock House, 79 - 81 Molesworth Street, Thorndon , Wellington **Valuation Date: 26 September 2016**

Level/Suite	Tenant	Year 1 1-Oct-16	Year 2 1-Oct-17	Year 3 1-Oct-18	Year 4 1-Oct-19	Year 5 1-Oct-20	Year 6 1-Oct-21	Year 7 1-Oct-22	Year 8 1-Oct-23	Year 9 1-Oct-24	Year 10 1-Oct-25
Ground Unit 1	Belleza Hair Design Ltd	23,449	24,621	25,852	12,757	24,866	24,866	25,432	27,129	27,129	20,347
Ground Unit 2	ACC	146,556	149,019	149,019	160,000	162,196	162,196	87,564	181,593	181,593	186,377
Office Level 1	ACC	260,063	260,866	260,866	280,089	283,933	283,933	153,285	317,889	317,889	326,263
Office Level 2	ACC	261,381	262,508	262,508	281,852	285,720	285,720	154,250	319,890	319,890	328,317
Office Level 3	ACC	262,934	264,384	264,384	283,866	287,763	287,763	155,353	322,177	322,177	330,663
Office Level 4	ACC	175,866	182,327	182,327	136,745	152,034	202,713	202,713	217,555	222,503	222,503
Office Level 5	ACC	176,100	183,563	183,563	137,672	153,065	204,087	204,087	219,030	224,011	224,011
Office Level 6	ACC	175,798	184,235	184,235	138,176	203,142	203,142	203,142	223,300	223,300	223,300
Office Level 7	ACC	184,030	185,605	185,605	139,204	204,653	204,653	204,653	224,962	224,962	224,962
Office Level 8	Insurance & Financial Services Ombudsman	189,000	192,521	192,841	153,517	206,170	206,170	220,296	227,359	227,359	178,775
Office Level 9	Wilkinson Insurance Brokers	109,922	112,696	112,696	85,479	124,179	124,179	125,211	136,557	136,557	125,177
Carparking	ACC	60,246	62,104	62,104	66,680	67,595	67,595	55,097	75,139	75,139	78,650
Carparking	ACC	8,491	9,006	9,006	6,754	9,930	9,930	9,930	10,915	10,915	10,915
Carparking	Insurance & Financial Services Ombudsman	13,260	13,594	13,624	10,846	14,566	14,566	15,564	16,063	16,063	12,630
Carparking	Wilkinson Insurance Brokers	18,755	22,466	22,466	17,040	24,755	24,755	24,961	27,223	27,223	24,954
Carparking	Wilkinson Insurance Brokers	8,542	8,986	8,986	6,816	9,902	9,902	9,984	10,889	10,889	9,982
Carparking	NZ Police	12,927	10,265	13,687	13,687	14,686	15,019	15,019	12,048	16,587	16,587
Carparking	Minstry of Health	12,927	10,265	13,687	13,687	14,686	15,019	15,019	12,048	16,587	16,587
Carparking	Various	30,164	23,952	31,936	31,936	34,267	35,043	35,043	28,112	38,703	38,703
Carparking	Kyla Vaughan	4,314	3,422	4,562	4,562	4,895	5,006	5,006	4,016	5,529	5,529
Carparking	Anne Mackenzie	4,179	3,422	4,562	4,562	4,895	5,006	5,006	4,016	5,529	5,529
Carparking	Vacant	6,711	13,422	13,422	14,035	14,647	14,647	11,388	16,256	16,256	16,575
Naming Rights	ACC	20,063	20,251	20,251	15,188	21,525	21,525	21,525	23,161	23,161	23,161
	Total Passing Income	2,165,679	2,203,498	2,222,188	2,015,150	2,324,070	2,427,434	1,959,526	2,657,328	2,689,951	2,650,497
Total Gross Passing Income		2,165,679	2,203,498	2,222,188	2,015,150	2,324,070	2,427,434	1,959,526	2,657,328	2,689,951	2,650,497
Outgoings		371,674	379,918	390,333	400,989	411,987	422,537	433,100	443,927	455,026	466,401
Vacancy Allowance		-	-	-	-	-	-	-	-	-	-
-		-	-	-	-	-	-	-	-	-	-
Net Income before Capital Expenditure		1,794,005	1,823,580	1,831,855	1,614,161	1,912,083	2,004,898	1,526,426	2,213,401	2,234,925	2,184,095
Capital Expenditure		14,876	15,134	15,421	15,701	16,010	16,397	16,807	17,227	17,658	18,099
Refurbishment Allowance		-	-	-	774,755	-	-	771,801	-	-	81,684
Agents Fees		2,013	6,843	-	40,444	84,605	-	123,294	8,293	-	26,463
Incentives		-	-	-	-	-	-	-	-	-	-
Ground Rent		-	-	-	-	-	-	-	-	-	-
Other Adjustments		-	-	-	-	-	-	-	-	-	-
Net Income after Capital Expenditure		1,777,116	1,801,603	1,816,434	783,261	1,811,468	1,988,501	614,523	2,187,880	2,217,267	2,057,849

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

Terminal Value Calculations

Shamrock House, 79 - 81 Molesworth Street, Thorndon , Wellington

Level/Suite	Tenant	NLA	Terminal Rent Market	Terminal Rent Passing	Shortfall/ Overage	Next Review or Expiry	Number of Months	PV (within 12mths) Reversions
Ground Unit 1	Belleza Hair Design Ltd	43.00	29,448	-	29,448	31-Dec-32	75.0	-
Ground Unit 2	ACC	406.80	197,563	195,944	1,619	31-May-29	32.0	-
Office Level 1	ACC	775.90	345,846	343,011	2,835	31-May-29	32.0	-
Office Level 2	ACC	775.00	348,023	345,170	2,853	31-May-29	32.0	-
Office Level 3	ACC	774.80	350,510	347,637	2,873	31-May-29	32.0	-
Office Level 4	ACC	526.40	238,137	222,503	15,634	31-Dec-26	3.0	3,912
Office Level 5	ACC	526.10	239,751	224,011	15,740	31-Dec-26	3.0	3,939
Office Level 6	ACC	524.20	240,629	-	240,629	31-Dec-32	75.0	-
Office Level 7	ACC	524.30	242,419	-	242,419	31-Dec-32	75.0	-
Office Level 8	Insurance & Financial Services Ombudsman	525.00	249,728	247,172	2,556	30-Apr-32	67.0	-
Office Level 9	Wilkinson Insurance Brokers	310.10	147,506	-	147,506	30-Nov-32	74.0	-
Carparking	ACC	14.00	82,335	81,157	1,177	28-Feb-29	29.0	-
Carparking	ACC	2.00	11,762	-	11,762	31-Dec-32	75.0	-
Carparking	Insurance & Financial Services Ombudsman	3.00	17,643	17,463	181	30-Apr-32	67.0	-
Carparking	Wilkinson Insurance Brokers	5.00	29,405	-	29,405	30-Nov-32	74.0	-
Carparking	Wilkinson Insurance Brokers	2.00	11,762	-	11,762	30-Nov-32	74.0	-
Carparking	NZ Police	3.00	17,643	16,587	1,056	1-Apr-27	6.0	518
Carparking	Minstry of Health	3.00	17,643	16,587	1,056	1-Apr-27	6.0	518
Carparking	Various	7.00	41,167	38,703	2,464	1-Apr-27	6.0	1,209
Carparking	Kyla Vaughan	1.00	5,881	5,529	352	1-Apr-27	6.0	173
Carparking	Anne Mackenzie	1.00	5,881	5,529	352	1-Apr-27	6.0	173
Carparking	Vacant	3.00	17,643	17,535	109	30-Jun-29	33.0	-
Naming Rights	ACC	1.00	24,942	-	24,942	31-Dec-32	75.0	-
Total		**5,711.60**	**2,913,267**	**2,124,536**				**10,441**

Terminal Value Calculations - Market Approach

Office		2,600,111
Retail		29,448
Naming		24,942
Parking		258,766
Market Income		2,913,267
Add Recoverable Outgoings		-
Total Gross Market Income		2,913,267
Less Outgoings	$82.16/m²	469,263
Net Market Income		2,444,004
Vacancy Allowance	0.00%	-
Net Income		2,444,004
Capitalised at		**7.75%**
Capitalised Value		**31,535,538**

Terminal Value Adjustments

Existing Vacant Tenancy Allowances	
Downtime	169,844
Agents Leasing Fees	73,787
Incentives	-
Refurbishment Allowance	174,793
Pending Vacancy Allowances (expiries within 12 months)	
Downtime	238,944
Agents Leasing Fees	47,789
Incentives	-
Refurbishment Allowance	131,257
NPV Outstanding Current Incentives	-
PV Rental Shortfall / (Overage)	10,441
General Capital Expenditure Allowance (12 months)	18,552
Budgeted Capital Expenditure (12 months)	-
Other Adjustments	-
Total Adjustments	**865,408**
Assessed Terminal Value as at 26 September 2026	**30,670,130**
Value $/m²	***5,370***

Terminal Value Analysis

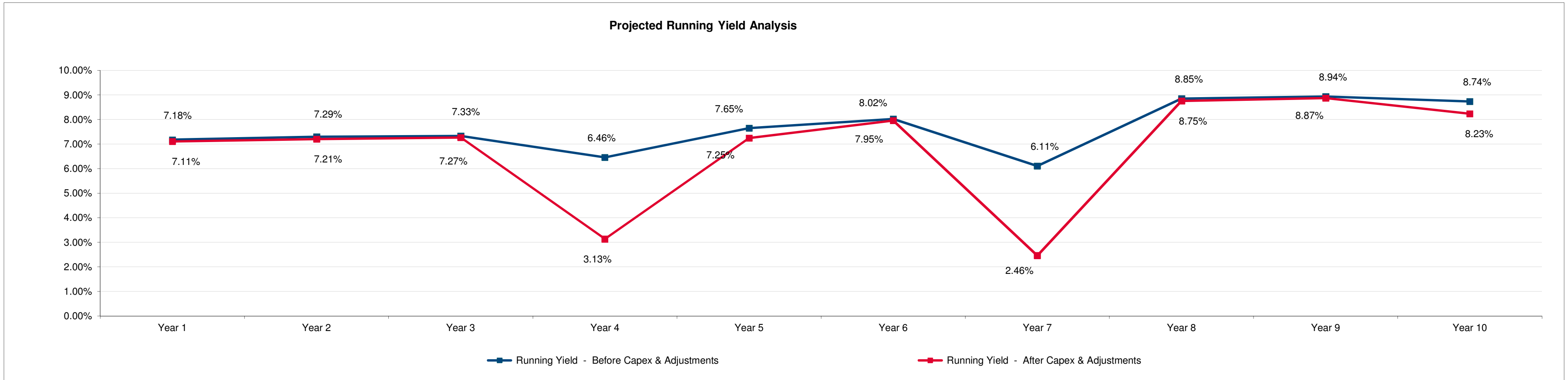
Terminal Initial Yield	5.40%
Equivalent Market Yield With Vacancy Factor	7.75%
Equivalent Market Yield Without Vacancy Factor	7.75%
Rate per metre of NLA	$5,370/m²

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

Cash Flow Summary

Shamrock House, 79 - 81 Molesworth Street, Thorndon , Wellington

For Year Commencing		Year 1 1-Oct-16	Year 2 1-Oct-17	Year 3 1-Oct-18	Year 4 1-Oct-19	Year 5 1-Oct-20	Year 6 1-Oct-21	Year 7 1-Oct-22	Year 8 1-Oct-23	Year 9 1-Oct-24	Year 10 1-Oct-25
Office		1,941,651	1,977,723	1,978,043	1,796,599	2,062,856	2,164,556	1,710,553	2,390,314	2,400,242	2,370,349
Retail		23,449	24,621	25,852	12,757	24,866	24,866	25,432	27,129	27,129	20,347
Naming		20,063	20,251	20,251	15,188	21,525	21,525	21,525	23,161	23,161	23,161
Parking		180,517	180,903	198,042	190,605	214,823	216,488	202,016	216,725	239,419	236,641
Outgoings Recoveries		-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Total Income		2,165,679	2,203,498	2,222,188	2,015,150	2,324,070	2,427,434	1,959,526	2,657,328	2,689,951	2,650,497
Outgoings		371,674	379,918	390,333	400,989	411,987	422,537	433,100	443,927	455,026	466,401
Vacancy Allowance		-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Net Income Before Capital Expenditure		1,794,005	1,823,580	1,831,855	1,614,161	1,912,083	2,004,898	1,526,426	2,213,401	2,234,925	2,184,095
Capital Expenditure (Budgeted & General)		14,876	15,134	15,421	15,701	16,010	16,397	16,807	17,227	17,658	18,099
Refurbishment Allowance		-	-	-	774,755	-	-	771,801	-	-	81,684
Agents Fees		2,013	6,843	-	40,444	84,605	-	123,294	8,293	-	26,463
Incentives		-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
Other Adjustments		-	-	-	-	-	-	-	-	-	-
Net Income After Capital Expenditure		1,777,116	1,801,603	1,816,434	783,261	1,811,468	1,988,501	614,523	2,187,880	2,217,267	2,057,849
Terminal Value											30,670,130
Disposal Costs											-
Net Cash Flow		1,777,116	1,801,603	1,816,434	783,261	1,811,468	1,988,501	614,523	2,187,880	2,217,267	32,727,979
Adopted Value @ 8.500%	$ 25,000,000										
Acquisition Costs	$ -										
Adopted Value before Acquisition Costs	$ 25,000,000										
Running Yield - Before Capex & Adjustments		7.18%	7.29%	7.33%	6.46%	7.65%	8.02%	6.11%	8.85%	8.94%	8.74%
Running Yield - After Capex & Adjustments		7.11%	7.21%	7.27%	3.13%	7.25%	7.95%	2.46%	8.75%	8.87%	8.23%
Running Yield - Before Capex & incl. Adjustments		7.17%	7.27%	7.33%	6.29%	7.31%	8.02%	5.61%	8.82%	8.94%	8.63%
Running Yield - After Capex, Adjustments & incl. Acquisition Costs		7.11%	7.21%	7.27%	3.13%	7.25%	7.95%	2.46%	8.75%	8.87%	8.23%



Note: This running yield analysis is based upon the projected net income and includes potential downtime and associated re-letting costs, as per our specific assumptions.

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

DCF Summary

Shamrock House, 79 - 81 Molesworth Street, Thorndon , Wellington

Present Value of Cash Flows	$25,099,727	
Discount Rate	8.500%	
Terminal Value	$30,670,130	
Less Disposal Costs	-	
Net Terminal Value	$30,670,130	
Discounted Terminal Value	$13,558,889	*54.02%*
Discounted Cash Flow	$11,540,838	*45.98%*
Sum of Discounted Cash Flows	$25,099,727	
Less Acquisition Costs	-	
Present Value	$25,099,727	
Rounded Present Value	**$25,100,000**	
Rate $/m²	$4,395	
Rate of Increase in Capital Value	2.02%	
IRR (incl. Capex)	8.56%	
IRR (excl. Capex)	9.25%	
3 Year IRR (incl. Capex)	8.10%	
5 Year IRR (incl. Capex)	9.01%	
7 Year IRR (incl. Capex)	8.58%	

Net Present Value Matrix

		Terminal Yield		
		7.500%	**7.750%**	8.000%
	8.000%	26,466,481	25,979,784	25,523,506
	8.250%	26,010,215	25,534,648	25,088,805
Discount Rate	**8.500%**	25,564,443	**25,099,727**	24,664,056
	8.750%	25,128,891	24,674,754	24,249,001
	9.000%	24,703,292	24,259,470	23,843,387

IRR Matrix

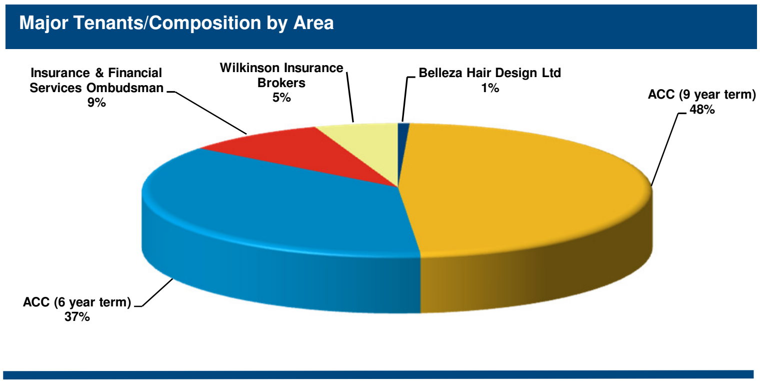
		Terminal Yield		
		7.500%	**7.750%**	8.000%
	22,562,500	10.35%	10.09%	9.83%
	23,750,000	9.58%	9.31%	9.06%
Adopted Value	**25,000,000**	8.83%	**8.56%**	8.30%
	26,250,000	8.12%	7.85%	7.59%
	27,562,500	7.42%	7.16%	6.90%

Graphs

Shamrock House, 79 - 81 Molesworth Street, Thorndon , Wellington

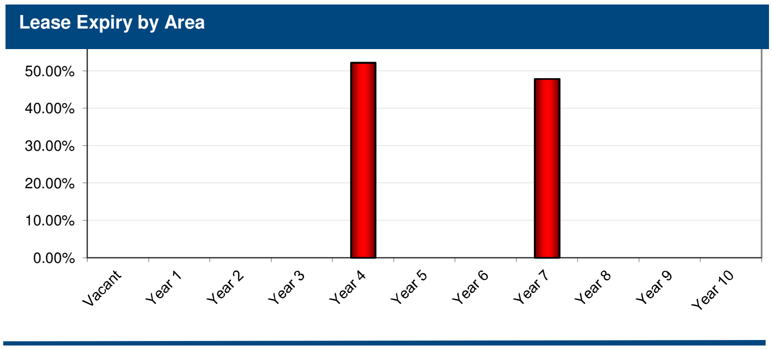
Major Occupants/Composition by Area

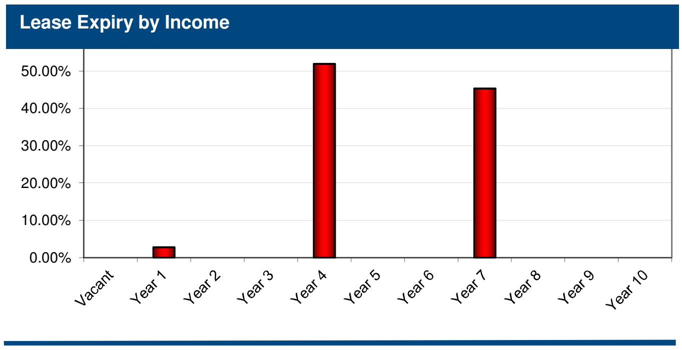
	Major Tenants/Composition	Area
1	Belleza Hair Design Ltd	43.00 m²
2	ACC (9 year term)	2,732.50 m²
3	ACC (6 year term)	2,101.00 m²
4	Insurance & Financial Services Om	525.00 m²
5	Wilkinson Insurance Brokers	310.10 m²
	Remainder	-
	Vacant	-
	Total NLA	***5,711.60 m²***



Lease Expiry Profiles

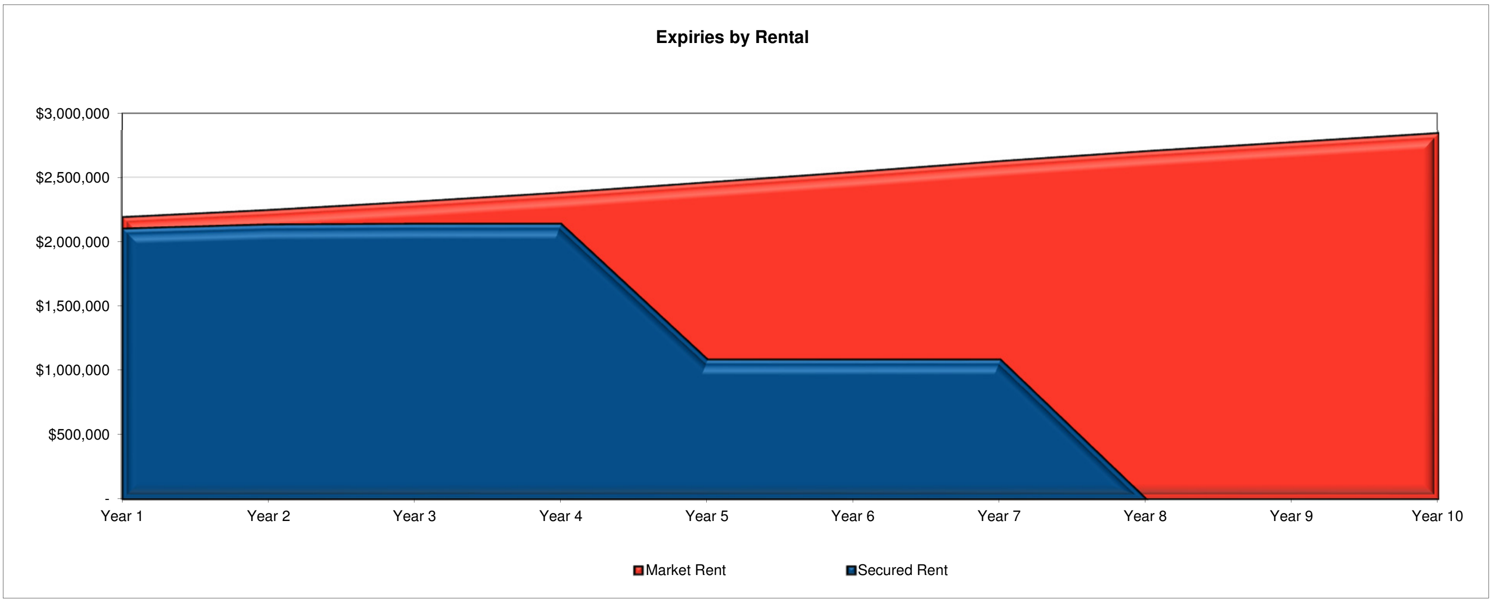
	Vacant	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Lease Expiry by Area	0.00%	0.00%	0.00%	0.00%	52.16%	0.00%	0.00%	47.84%	0.00%	0.00%	0.00%
Lease Expiry by Income	0.00%	2.76%	0.00%	0.00%	51.91%	0.00%	0.00%	45.33%	0.00%	0.00%	0.00%





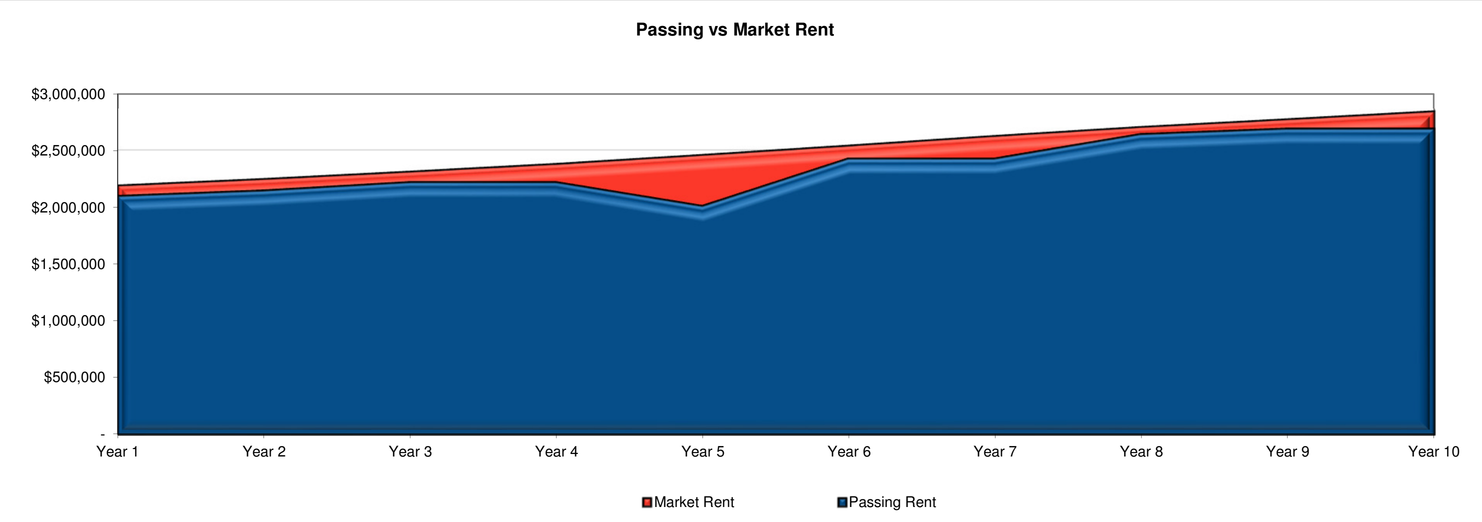
Expiries by Rental

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Secured Rent	$2,101,435	$2,134,005	$2,139,397	$2,140,643	$1,087,207	$1,087,207	$1,087,207	-	-	-
Market Rent	$2,191,215	$2,246,414	$2,311,991	$2,381,002	$2,460,075	$2,541,615	$2,625,514	$2,703,486	$2,772,889	$2,842,212



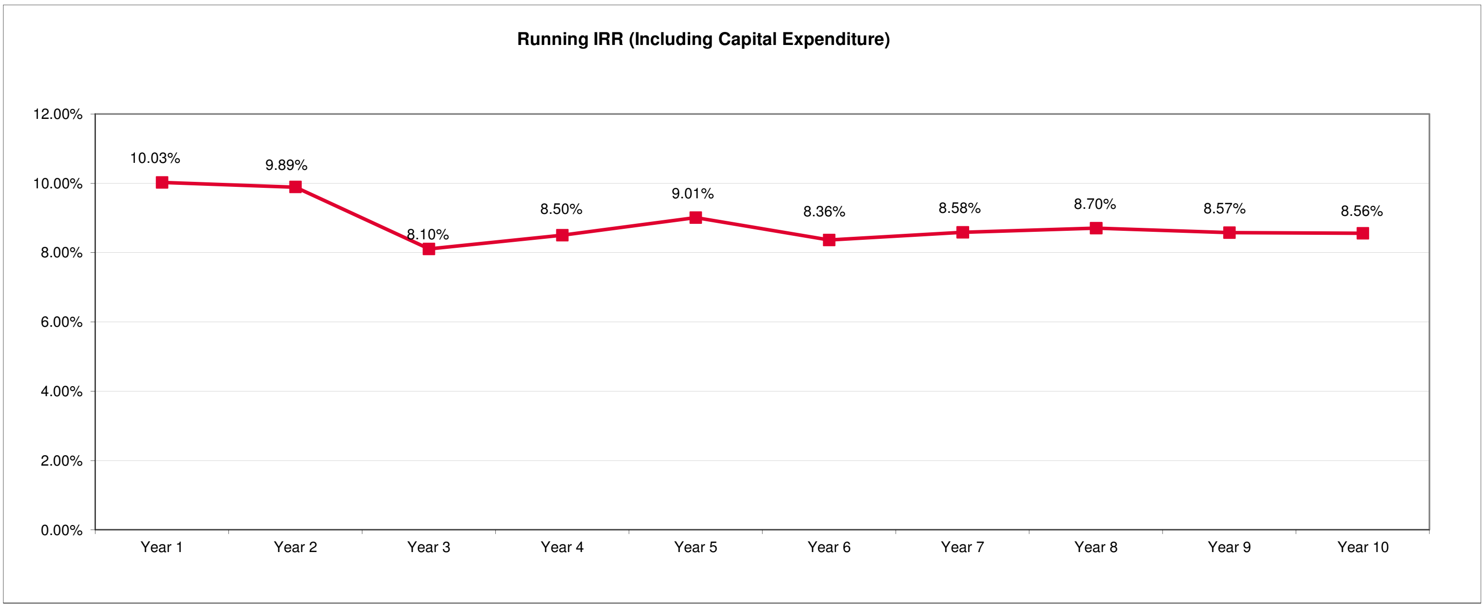
Annualised Passing versus Market

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Passing Rent	$2,101,435	$2,147,427	$2,221,254	$2,222,500	$2,013,977	$2,427,434	$2,427,434	$2,642,394	$2,689,951	$2,689,951
Market Rent	$2,191,215	$2,246,414	$2,311,991	$2,381,002	$2,460,075	$2,541,615	$2,625,514	$2,703,486	$2,772,889	$2,842,212



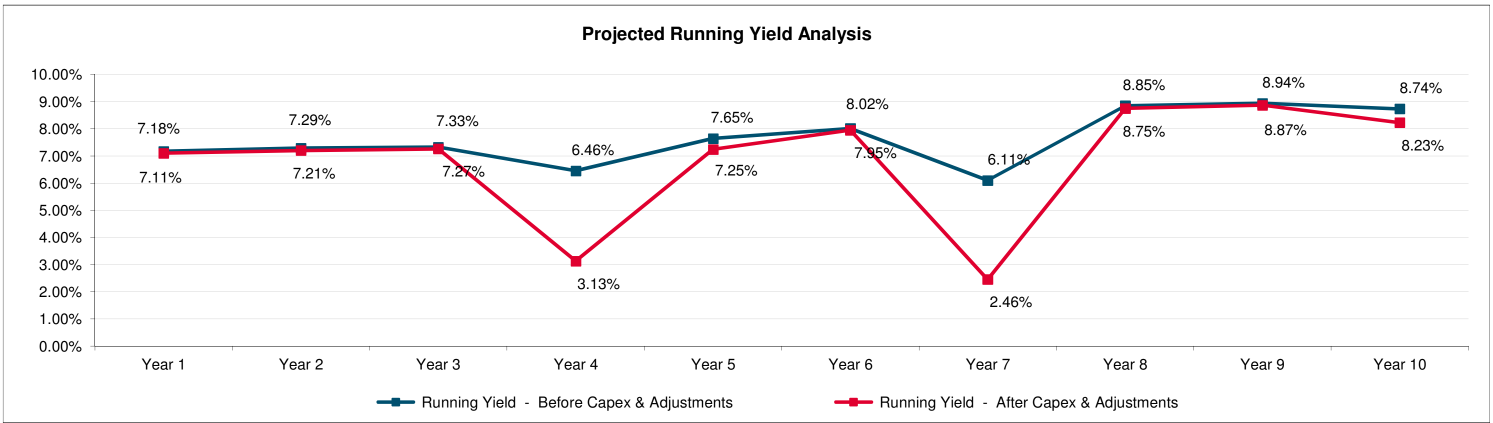
Running IRR (incl. Capex)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Running IRR	10.03%	9.89%	8.10%	8.50%	9.01%	8.36%	8.58%	8.70%	8.57%	8.56%



Running Yield Analysis

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Running Yield - Before Capex & Adjustments	7.18%	7.29%	7.33%	6.46%	7.65%	8.02%	6.11%	8.85%	8.94%	8.74%
Running Yield - After Capex & Adjustments	7.11%	7.21%	7.27%	3.13%	7.25%	7.95%	2.46%	8.75%	8.87%	8.23%



Shamrock House, 79 - 81 Molesworth Street, Thorndon , Wellington

Purpose of the Report	Mortgage Security Purposes
Type of Property	Investment Style.
Method of Arriving at the Discount Rate	Analysis of comparable sales, discussions with industry participants, consideration of the long term bond rate plus adjustment factors.
Purchase and Sale Costs	Included in the Discounted Cash Flow ** Costs are based upon the normal market terms of each party paying their own purchase/sale costs.*
Rest Periods	Monthly, assumed cash received in arrears.
Term of the cash flow (years)	10 Years
Terminal Value	Calculated using the market capitalisation approach ** We have taken the rental value in the 121 month, capitalised this and deducted or added the value of the shortfalls or overages.*
Financing Costs and Taxation	All cash flows are calculated before financing costs and tax.
Returns	Quoted in annual terms.
Commencement Date	Oct-16
Inflows and Outflows	The inflow comprises estimated revenue and the outflows the estimated costs.
Specific Exceptions	None.
Debt	Calculations prepared on a pre-debt basis.
Cash Flow Developer	Colliers International Valuation & Advisory Services
Tax	All calculations are prepared on a net of Income Tax and other general taxes, including GST, basis but after the deduction of direct property taxes including Rates etc., if applicable unless specifically stated as below.

Some definitions

Discounted Cash Flow	The method involves the discounting of the net cash flow on a monthly basis over the assumed cash flow period at an appropriate rate to reflect risk to derive a market value. The net cash flow comprises the cash inflows less the cash outflows over the cash flow period, with the addition of the terminal value in the final cash flow period.
Initial yield	The initial net income at the date of transaction or valuation expressed as a percentage of the sale price or valuation.
Market yield	The assessed net market income divided by the sum of the sale price or the adopted value plus any capital adjustments to the core value such as letting up allowances, capital expenditure and present value of reversions (to obtain this net market income).
Terminal yield	The capitalisation rate used to convert income into an indication of the anticipated value of the property at the end of the holding period or property resale value.
Discount rate	A rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it should reflect the opportunity cost of capital, i.e., the rate of return the capital can earn if put to other uses having similar risk. (Determined with reference to 10-year bond and risk margin - Also referred to as the required rate of return).
Net Present Value	The measure of the difference between the discounted revenues, or inflows, and the costs, or outflows, in a DCF analysis. In a valuation that is done to arrive at Market Value, where discounted inflows and outflows and the discount rate are market derived.
Internal Rate of Return	The discount rate that equates the present value of the net cash flows of a project with the present value of the capital investment. It is the rate at which the Net Present Value (NPV) equals zero. The IRR reflects the total return over an investment horizon having regard to the assumed inherent growth and cost assumptions.

Notes

The future values quoted for property, rents and costs are projections only formed on the basis of information currently available to us and are not representations of what the value of the property will be as at a future date. This information includes the current expectations as to property values and income that may not prove to be accurate.

APPENDIX 2
Computer Register

COMPUTER FREEHOLD REGISTER
UNDER LAND TRANSFER ACT 1952

Search Copy

R.W. Muir
Registrar-General
of Land

Identifier	**WN31A/705**
Land Registration District	**Wellington**
Date Issued	12 October 1987

Prior References

WN111/248	WN13A/1016	WN350/185
WN548/37	WN5D/248	

Estate	Fee Simple
Area	1246 square metres more or less
Legal Description	Lot 1 Deposited Plan 62033

Proprietors

81 MOLESWORTH STREET LIMITED

Interests

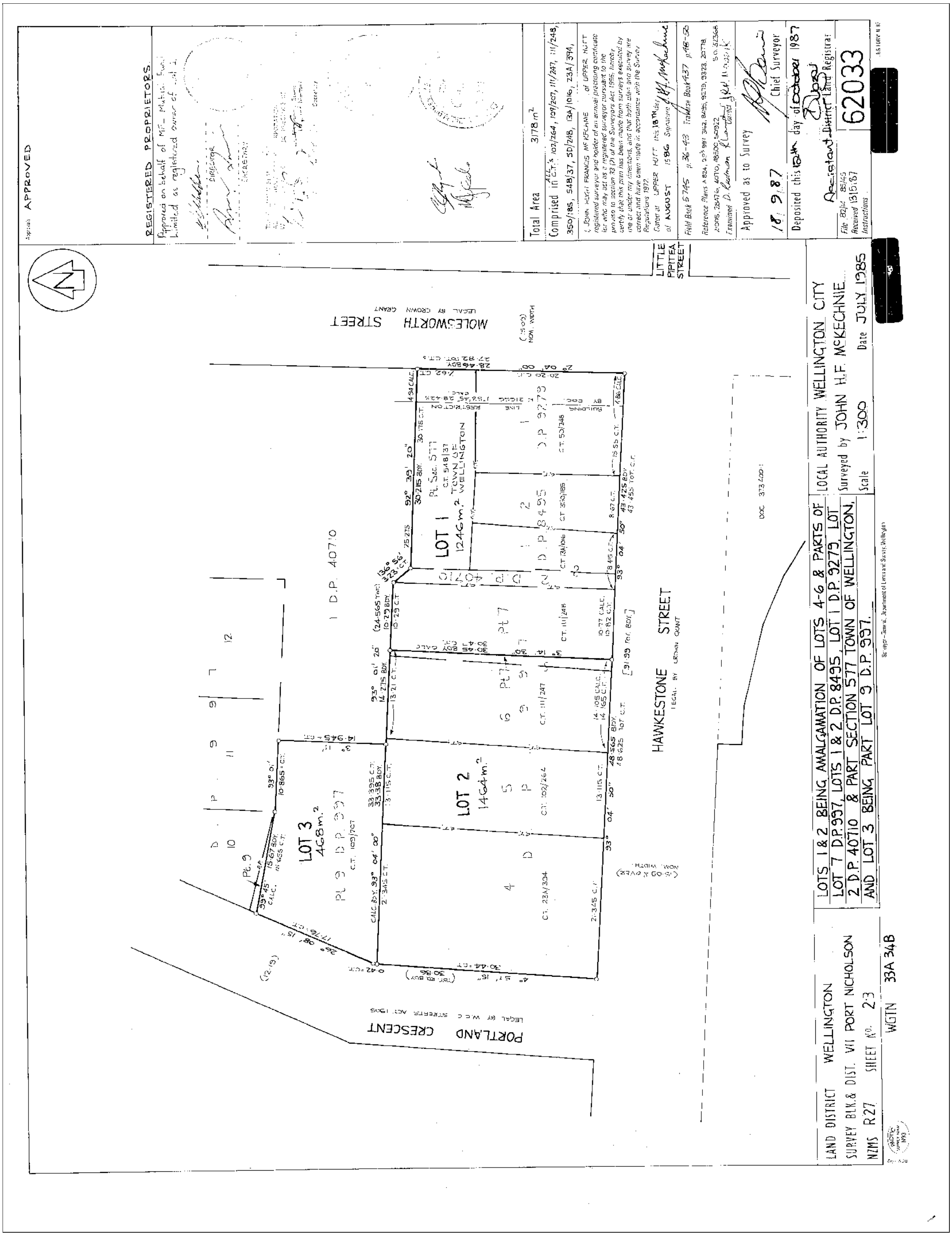
Appurtenant to the land formerly contained in CsT WN111/248 and WN548/37 is a Right of Way over part Ct WN731/84 pusuant to section 10(11) Wellington City Empowering and Amendment Act 1922

K21666 Notice that part of the western side of Molesworth Street is Subject to The Wellington City Consolidated Bylaw No.1933/1 as amended by No.1936/9

618596.1 Memorandum of the conditions imposed by The Wellington City Council pursuant to Section 354 Local Government Act 1974 relating to the construction of a cellar on the above described land - 13.4.1984 at 9.47 am

9245147.2 Mortgage to ANZ Bank New Zealand Limited - 23.11.2012 at 5:35 pm

Identifier **WN31A/705**



APPENDIX 3

Certificate of Registration

Certificate of Registration

This is to certify that

Colliers International New Zealand Ltd

PO Box 1631, Shortland Street, **AUCKLAND**
Level 27, SAP Tower, 151 Queen Street, Auckland Central, **AUCKLAND**

having been assessed by Telarc SAI Limited and having been found to operate a management system conforming to

AS/NZS ISO 9001:2008

is hereby designated

TELARC REGISTERED

for the following systems, goods or services:

The provision of property valuation services from offices in Auckland and Wellington.

Registration Number: QEC13885

Certificate Issued:	12 February 2014	Original Registration:	15 February 2002
Current Registration:	12 February 2014	Expiry Date:	12 February 2017

Chairperson

Chief Executive

This certificate and its associated schedules remain the property of Telarc SAI Limited and must be returned if registration is withdrawn

Registered by Telarc SAI Limited 626 Great South Road, Ellerslie, Auckland 1051, Private Bag 28901, Remuera, Auckland 1541, Telephone: 64 9 525 0100 Facsimile: 64 9 525 1900 and subject to the Telarc SAI Limited Terms and Conditions for Certification. While all due care and skill was exercised in carrying out this assessment, Telarc SAI Limited accepts responsibility only for proven negligence. To verify that this certificate is current please refer to the JAS-ANZ register at www.jas-anz.org/register .