BAYLEYS
IN ASSOCIATION WITH Knight Frank

Market Valuation **Report**

PMG Generation Fund Trustees Limited
11-13 Gough Street, Seaview, Lower Hutt

Prepared by
Bayleys Valuations Limited
31 March 2021

Valuation Summary

Property Address	11-13 Gough Street, Seaview, Lower Hutt
Client	PMG Generation Fund Trustees Limited
Additional Parties	Refer to Section 1.3
Instructing Party	Stephen Williams (Head of Transactions)
Purpose of Valuation	To assess the Market Value for Mortgage Security, Capital Raising and Financial Reporting Purposes
Basis of Valuation	Fair Value, by applying Market Value
Valuation Approach	Market and Income Approaches
Legal Description	Record of Title: Identifier 583085; Section 6 Survey Office Plan 452270
Interest Valued	Freehold
Zoning	Special Business Activity Area
Date of Inspection	18 March 2021
Date of Valuation	31 March 2021

Property Summary

The subject property comprises a series of industrial warehouse structures plus ancillary office and yard/circulation spaces situated at the western end of Gough Street. Centrally positioned on-site, the improvements provide universal industrial accommodation, in terms of functionality and provide useful drive-through capabilities. Ongoing demand for industrial property remains strong and Seaview/Gracefield has attracted quality national and international tenants and provides good connectivity to major arterial roading.

Leased to **H J Asmuss & Co Ltd** for ten years, the net rental is subject to 2.75% p.a. pre-set increases throughout the term and market reviews upon renewal. The vendor is underwriting the rental shortfall from settlement (30 July 2021) until the next scheduled review (11 December 2021) essentially providing continuity of cashflow. The effective net passing rental is therefore **$600,989.25 p.a. plus GST** and the Lessee is responsible for 100% of property related operating expenses. The market rent is considered to be above passing and reflects the intervening shift in market demand since lease commencement.

Unprecedented demand for quality assets has led to a general yield compression across all asset classes. This trend looks set to continue whilst interest remains remain at historic lows and the global market reacts to COVID-19 implications. Overall, the subject property is an attractive investment proposition underpinned by its, lease covenant and underlying market demand for stock of this nature.

Adopted Market Value

We are of the opinion that the Market Value of the subject property, subject to the overriding stipulations contained in the body of this report, and to there being no onerous restrictions or unusual encumbrances of which we are not aware is as follows:

Thirteen-Million, One-Hundred Thousand Dollars
(NZ$13,100,000)

plus, GST (if any)

Valuer Involvement

Valuer	Position	Inspection	Calculations	Reporting
Paul Butchers	Registered Valuer	Yes	Yes	Yes
Charlie Tudehope	Valuer	Yes	Yes	Yes

Property Details

Lettable Floor Area	5,376 sqm	Parking	On-Site
Total Land Area	9,091 sqm	Zoning	Special Business

Financial Analysis

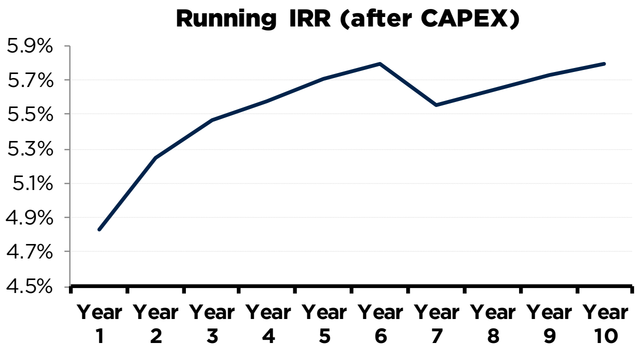
Net Passing Income	$594,989	Adopted Outgoings	($158,868)
Net Market Income	$670,836	Adopted Outgoings ($/sqm)	$29.55 /sqm
NPI + Mkt on Vacancies	$594,989	Adopted Gross Passing Income	$753,857
Vacancy	0%	Adopted Gross Market Income	$829,704

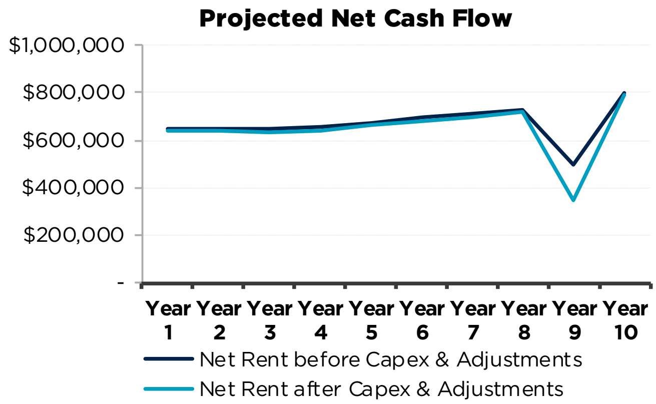
Valuation Approaches

Market Capitalisation Method	$13,350,000	Sales Comparison Method	N/A
Discounted Cash Flow Method	$12,900,000	Adopted Value	**$13,100,000**

Valuation Analysis

Market Capitalisation Rate	4.90%	CAPEX (PV over 10 years)	$177,725
Initial Yield	4.54%	Lease Renewal Prob	50.00%
Equivalent Market Yield	4.99%	Mkt Growth (10 yr avg.)	2.05%
Discount Rate	6.00%	CPI Growth (10 yr avg.)	1.89%
Ten Year IRR	5.80%	Vacancy Allowance	4 months
Terminal Yield	5.65%	WALT (Income)	8.70 years
Net Rate ($ per sqm)	$2,437 /sqm	WALT (Area)	8.70 years





N.B. the above income metrics exclude the billboard/signage lease.

Contents

1. Introduction

1.1 Instructions

In accordance with instructions received from Stephen Williams on behalf of PMG Generation Fund Trustees Limited, we have assessed the Market Value of the property at **11-13 Gough Street, Seaview, Lower Hutt**, for Mortgage Security, Capital Raising and Financial Reporting Purposes.

We can confirm that this report and our valuation can be relied upon for finance purposes.

PINZ Professional Practice guidelines and International Valuation Standards require the property be valued as at date of inspection, which we confirm as 18 March 2021. Our valuation is for financial reporting purposes and is effective as at 31 March 2021. Our valuation assumes that there are no significant physical or market changes between the date of inspection and our effective date of valuation.

1.2 Basis of Valuation

This valuation has been completed under the International Valuation Standards – IVS (effective 31 January 2020), and the relevant Australia and New Zealand Valuation and Property Standards as approved by the New Zealand Institute of Valuers (NZIV), in particular:

- IVS 400 - Real Property Interests.
- ANZVTIP 11 – Valuations Procedures – Real Property.
- ANZVTIP 12 – Valuations for Mortgage and Loan Security Purposes.
- NZVTIP 2 Valuations of Real Property, Plant & Equipment for use in New Zealand Financial Reports and NZIAS 40 – Investment Property, which relates to non-operational assets held for future development, investment or surplus to the operations of the entity.

We have adopted the IFRS 13 definition of "Fair Value" as follows:

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

This definition of "Fair Value" is generally synonymous with the term "Market Value" as defined in the International Valuation Standards – IVS (effective 31 January 2020) as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgably, prudently and without compulsion."

In adopting this definition of value, we are of the opinion that it is consistent with the international definition of market value as advocated by the New Zealand Institute of Valuers and Property Institute of New Zealand.

The property's value has been assessed in accordance with Australia and New Zealand Valuation and Property Standards, and with Bayleys Valuations Limited General Valuation Principles.

1.3 Liability and Confidentiality

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.

This report can be relied upon by the following parties for their respective purposes:

- PMG Generation Fund Trustees Limited – Capital Raising and Financial Reporting Purposes
- ASB Bank Limited as the Security Trustee
- Kiwibank Limited
- Industrial and Commercial Bank of China Limited, Auckland Branch
- Bank of China Limited, Auckland Branch

This valuation is not intended for general circulation, publication or reproduction for any purpose without written permission in any specific instance. No responsibility is accepted nor any liability for losses occasioned by yourselves, any financier or other parties as a result of the circulation, reproduction or use of this valuation.

We reserve the right (under no obligation) to review the valuation and revise our opinion after the release of this valuation, if any previously withheld information becomes known to us or erroneous information has been provided and relied upon.

1.4 Information Sources

In the compilation of this valuation we have been provided with detail of, but not limited to the following sources:

Information	Source
Record of Title	Land Information New Zealand
District Planning Controls	Lower Hutt City District Plan
Lease Document and Sales & Purchase Agreement	PMG Generation Fund Trustees Limited
Seismic Report	Silvester Clark (Draft February 2021)
Asbestos Management Plan/Survey	ENGEO (6 December 2019 & 21 February 2019)

1.5 Compliance Statement

This valuation has been performed in accordance with International Valuation Standards, and we confirm that:

- The statements of fact presented in the report are correct to the best of the Valuer's knowledge;
- The analyses and conclusions are limited only by the reported assumptions and conditions;
- The valuer has no interest in the subject property;
- The valuer's fee is not contingent upon any aspect of the report;
- The valuation was performed in accordance with an ethical code and performance standards;
- The valuer has satisfied professional education requirements;
- The valuer has experience in the location and category of the property being valued;
- The valuer 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.

1.6 Valuation Assumptions

In completing our valuation the following property specific assumptions have been made:

- We have placed total reliance on the Sales & Purchase Agreement dated 1 March 2021, in particular the vendor underwrite relating to the billboard/signage lease which essentially covers any rental shortfall. Any variation to these terms/conditions may warrant an amendment to our valuation. Further, the contract includes provision for the vendor to underwrite a base rental of $600,989.25 plus GST from Settlement (30 July 2021) to 10 December 2021, being the date, the passing rental is reviewed to the aforementioned sum.
- We have compiled a pro forma expense budget for the subject property reflecting anticipated revised capital values and estimated insurance costs. Any significant variation to these components would have a compounding impact on our concluded value. We therefore reserve the right to review our valuation once actual insurance costs are finalised and the capital value has been established.
- No value provision has been ascribed to the two existing decommissioned gantry cranes, nor allowances for their removal.

1.7 Previous Sale

Records indicate that the property most recently transacted for **$8,105,000** in October 2019.

1.8 Previous Valuation

Bayleys have had not had any prior dealings with this property.

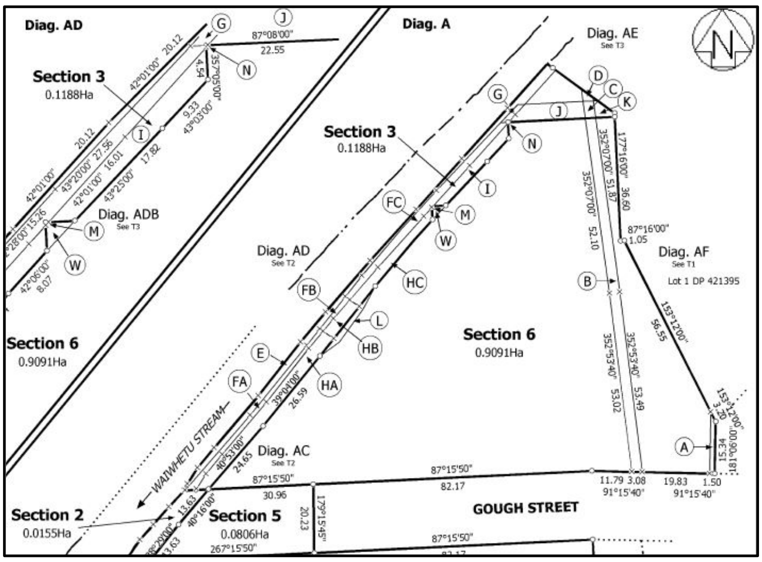
2. Property Details

2.1 Legal Description

We detail below a summary of the Record of Title as below:

Identifier	583085
Land Registration District	Wellington
Estate	Fee Simple
Legal Description	Section 6 Survey Office Plan 452270
Land Area	9,091 square metres (more or less)
Registered Owners	IPOH New Zealand Limited
Interests	• Subject to a sewage right (in gross) over part marked B on SO 452270 in favour of The Lower Hutt City Council created by Deed of Easement 861/50 - 24.9.1959 at 11:02 am • Subject to a drainage right (in gross) over part marked M, N on SO 452270 in favour of The Lower Hutt City Council created by Deed of Easement 861/51 - 24.9.159 at 11:03 am • Subject to Section 59 Land Act 1948 • Subject to a stormwater drainage right over part marked A on SO 452270 created by Easement Instrument 8252654.4 - 11.8.2009 at 9:00 am • Appurtenant hereto is a maintenance easement created by Easement Instrument 9143428.3 - 2.8.2012 at 2:59 pm • Appurtenant hereto is a right of way and a right to use truck wash facility created by Easement Instrument 9143428.4 - 2.8.2012 at 2:59 pm • Subject to a right of way over part marked M, W on SO 452270 created by Easement Instrument 9143428.5 - 2.8.2012 at 2:59 pm • Subject to a right of way over part marked L on SO 452270 created by Easement Instrument 9143428.6 - 2.8.2012 at 2:59 pm • 12032521.3 Mortgage to Westpac New Zealand Limited - 1.3.2021 at 5:17 pm

The Title Plan is shown below:



The sewage right easement part marked B, relates to a 3-metre-wide strip that spans in a north south direction underneath Warehouse D on the eastern edge of the subject parcel. The Maintenance Easement (9143428.3) allows the dominant tenement (subject parcel) the right to access to go over the easement facility marked J, K, C and G for the purpose of undertaking maintenance and repair to the Grantee's buildings (Asmuss Investments Ltd).

Easement Instrument 9143428.4 is a Right of Way and Right to Use Truck Wash Facility Easement located on the north western boundary running parallel to Waiwhetu Stream. Essentially, this designated area is an extension of the existing yard forming part of the subject parcel. For clarity, we have excluded this component from our adopted yard area due to the non-exclusive nature of this interest.

Additionally, the subject parcel is the servient tenement in both Easement Instrument 9143428.5 and 9143428.6, these areas comprising parts market M, L and W. Referencing the Title Plan, these areas are situated to the north western boundary running parallel to Waiwhetu Stream and more particularly the corner 'cut-out' portion of Warehouse B and the designated Truck Wash Facility.

We have noted all the above easements and encumbrances and have taken them into account in our valuation assessment. We refer you to the Record of Title in the Appendices of this report.

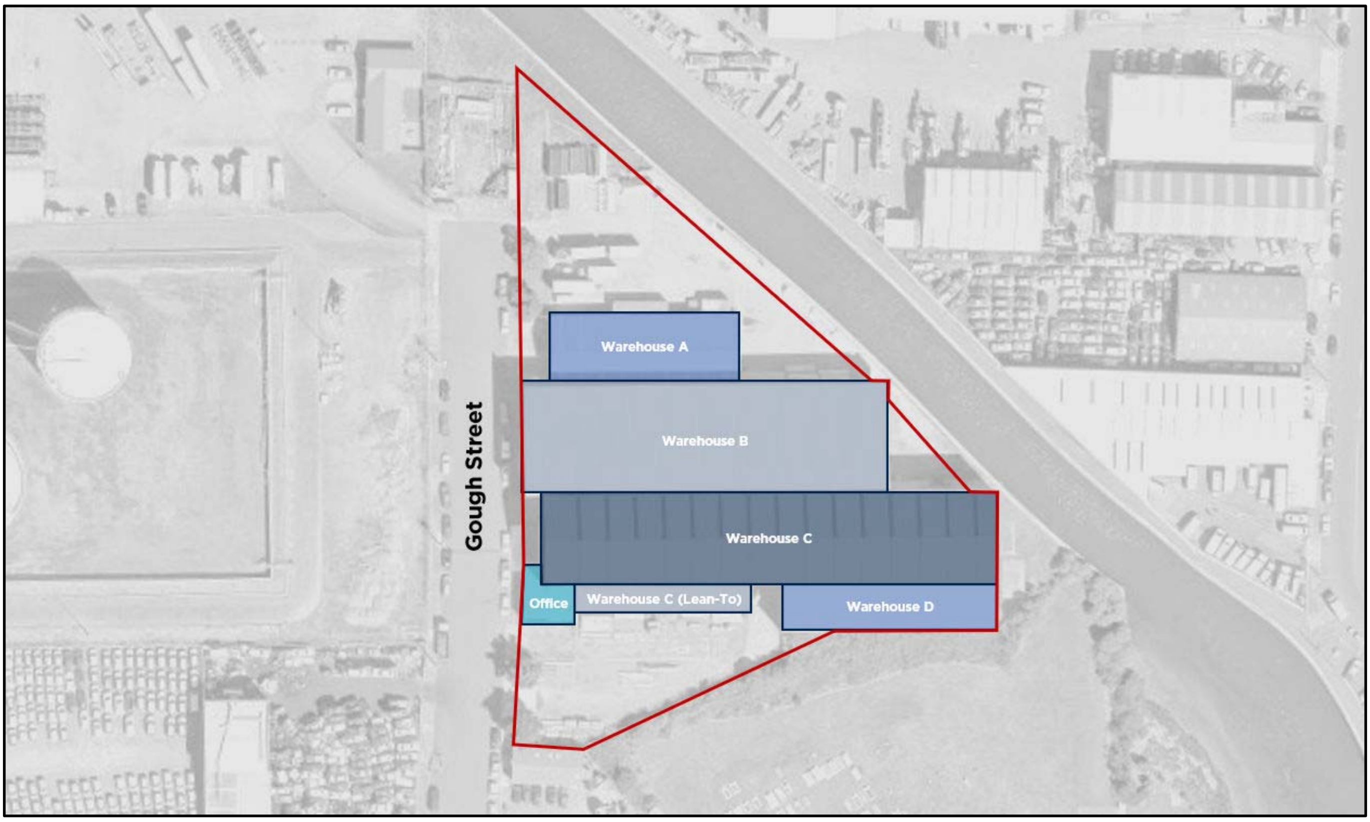
2.2 Site Description

We summarise the site details as below:

Shape and Site Area	Triangular shaped lot encompassing some 9,091 square metres.
Approximate Frontages	Gough Street 149.33 metres
Topography	Site contour is essentially level throughout.
Services	All standard utility services, telecommunications, drainage and water connections are connected or available in the nearby streets.
Access	Pedestrian and vehicular access is gained from Gough Street.
Subsoil	The site is situated on reclaimed land acquired circa mid 1950s. As per the Silvester Clark Detailed Seismic Assessment (DSA) Report, we understand that the subject land is identified as being 'Subsoil Class D', categorised as being 'sites that are typically deep or soft soil'.

The site is indicated below:

The respective warehouse structures are located below for identification purposes:



2.3 Locality

We summarise the locality details as below:

Location	Seaview, Lower Hutt
Situation	The original major warehouse building dates back to the 1960's and was formerly home to CablePrice Corporation, importers and distributors of specialist industrial machinery and commercial vehicles. Located on reclaimed land, the subject property comprises a triangular shaped lot nestled between Waiwhetu Stream and Owhiti Urupa Seaview (Seaview Cemetery). Records indicate that the original site was altered in 2002 following a land swap with the Owhiti Urupa Trustees. Essentially, the subject parcel gained 134 square metres of land from the Trustees and Trustees gained 141 square metres in return allowing an extension to Warehouse D. Historically, Seaview & Gracefield has been home to Government Stores, wool stores, engineering workshops and older style manufacturing operations. Oil installations occupy large sites towards the southern sector of the region, with pipelines providing connections to the Pt Howard oil berthage and wharf. Over the past two decades, several major manufacturing industries have relocated north, replaced largely by a number of transport logistic companies and light industrial businesses. Some new buildings have been constructed over recent years, the latest for PlaceMakers on Seaview Road, a new Master Pet building on Hutt Park Road and a logistic warehouse at 106 Hutt Park Road. In addition, Macaulay Metals are also currently constructing a new industrial metal processing shed at 45 Seaview Road encompassing circa 1,500 square metres. Seaview Road is a wide carriageway and continues to the south as Marine Drive, being the primary connection to those suburbs flanking the eastern harbour. Traffic volumes are heavy throughout the day and generous kerbside parking is available to either side. Local nearby retailing is limited, with the closest facilities located in Moera some 3 kilometres to the north.
Surrounds	Neighbouring properties are diverse; some properties have undergone extensions and upgrades over the years aimed at repositioning the accommodation to capitalise on the shift in tenant demand towards high stud clear span warehouse space which is a prerequisite for most logistic and racking type operations. Gough Street comprises mostly small-to-medium sized workshop-type structures erected during the 1960's and servicing automotive/car-wrecker oriented applications. Secondary access to the New Zealand Oil Services Limited Hutt City Terminal is obtained at the western end of Gough Street whilst TR Group utilise a large secured storage yard from the same. To the southeast on Seaview Road Macaulay Metals occupy a large site utilised as a scrap metal depot, and alongside are Humes Pipes and the newly constructed PlaceMakers hardware store.

	On the harbourside of Seaview Road are a number of small business entities including Gough, Gough & Hamer, Beaurepaires, various service workshops and a container storage yard.
Motorway / Public Transport	Access to State Highway 2 at the Petone interchange is some 5 kilometres to the west, with the intersection of State Highways 1 and 2 at Ngauranga a further 5 kilometres to the southwest.
Summary	The property is well located within Seaview with good connections to major arterial roading and rail network linkages. Seaview is recognised as an established industrial precinct, albeit a lot of the former heavy industries have been replaced by logistic related companies over the past decade. We foresee this trend continuing due to the large-scale nature of many sites, and space requirements sought after by logistic distributors for their business operations.

The locality is indicated below:

2.4 Zoning

Territorial Authority	Hutt City Council
District Plan	City of Lower Hutt District Plan
Zoning	Special Business Activity Area
Zone Description	The Special Business Activity Area is located in Seaview/Gracefield where large scale business operations have been accommodated for a number of years. The area accommodates a long established and regionally important area for industrial activities including the location of the regional oil terminal and storage facilities for the oil industry and other large-scale industrial activities. Some of these business operations manufacture, handle, use or store hazardous

	substances in large quantities. Such hazardous facilities are not appropriate in other business activity areas of the City which are near residential development or environmentally sensitive areas.
Permitted Activities	Permitted Activities Conditions are as follows: • Buildings and structures abutting an urupa shall have a minimum setback of 3m. • Maximum Height of Buildings and Structures shall not exceed 20m. • Maximum site coverage is 100% subject to compliance with yards and screening requirements and off-street carparking, loading and unloading requirements, and that portion of the site not covered shall be to the rear of the site for servicing and parking provision. • All outside areas shall be sealed, surfaced or managed appropriately so that there is no dust nuisance at or beyond the boundary of the site, and all use, handling and storage of goods, raw materials and waste materials shall be undertaken in such a manner so that there is no dust nuisance at or beyond the boundary of the site. • All activities shall be carried out in such a manner so as to ensure that there is not an offensive odour or fumes at or beyond the site boundary. • There shall be no retail activities except in the following circumstances: o Where the goods are manufactured on site; provided that the retailing shall be ancillary to such manufacturing. For the purposes of this Section, manufacturing excludes those activities which comprise only the packing, labelling, sorting, mixing or assembling of pre-made products; o Where the retail activity provides a food service, provided the gross floor area does not exceed 100 sqm; o Where the retail sale of goods is from a service station; and o Retailing of bituminous products. • No residential activities are permitted except where it is necessary to provide living quarters for a caretaker on site.
Overlays	Nil
Objections	Nil

N.B. As denoted on the abovementioned site plan (Section 2.2), the subject land is located immediately adjacent to Owhiti Urupa Seaview (Seaview Cemetery). As per Section 6B 2.1.1 (b), buildings and structures abutting an urupa shall have a minimum setback of 3m. We highlight that Warehouse D borders the easternmost edge of the perimeter boundary and does not comply with the 3m setback requirement. Enquiries with Hutt City Council advise that the resource consent for this non-complying activity and warehouse extension was granted on 21 June 2002, following written consent from Owhiti Urupa Trustees.

Accordingly, our valuation proceeds on the basis and is subject to the property being a complying activity and/or having all necessary consents and permits in place and/or having existing use rights under Section 10 of the Resource Management Act 1991.

The foregoing zone summary has been provided for valuation purposes only and should not be relied upon for the purposes of determining whether a particular activity or development is permitted within the zone. Should you require information in this regard we recommend you consult with a Planning Consultant or the Local Authority.

2.5 Highest and Best Use

The current use which is industrial is considered to be the highest and best use of the site. The subject land does provide yard areas that over time could be further subdivided and redeveloped, capitalising on the overall site area and increasing shortage of alternative redevelopment sites available.

3. Environmental and Statutory

3.1 Earthquake Compliance

A new national system for managing earthquake-prone buildings in New Zealand came into effect on 1 July 2017. The new system affects owners of earthquake-prone buildings, territorial authorities (local councils), engineers, other building professionals and building users.

The Building (Earthquake-Prone Buildings) Amendment Act 2016 introduced major changes to the way earthquake-prone buildings are identified and managed under the Building Act. It uses knowledge from past earthquakes in New Zealand and overseas. The system is consistent across the country and focuses on the most vulnerable buildings in terms of people's safety.

An earthquake prone building is defined under legislation as being a building whose strength is less than one-third of that required under the existing legislation for a new building (NZS 1170.5:2004). Once a building is classified as earthquake prone it will need to be strengthened or, if appropriate, demolished. The objective is to improve safety and increase the likelihood of existing buildings withstanding earthquakes.

The new legislation categorises New Zealand into three seismic risk areas and sets time frames for identifying and taking action to strengthen or remove earthquake-prone buildings. The seismic risk areas are High, Medium and Low. There is also a category of "priority buildings" in high and medium seismic areas. These are buildings that are considered higher risk because of their construction, type, use or location. They must be identified and remediated in half the time allowed for other buildings in the area. The system is also designed to ensure that information about earthquake prone buildings is publicly accessible through an Earthquake Prone Buildings Register.

The new national system ensures the way buildings are managed for future earthquakes is consistent and is intended to strike a balance between the following:

- Protecting people from harm in an earthquake.
- The costs of strengthening or removing buildings.
- The impact on New Zealand's built Heritage.

The typical process is:

- Territorial authorities identify potentially earthquake prone buildings.
- Owners who are notified by their territorial authority must obtain engineering assessments of the building carried out by suitably qualified engineers.
- Territorial authorities determine whether buildings are earthquake prone, assign ratings, issue notices and publish information about the buildings in a public register.
- Owners are required to display notices on their building and to remediate their building.

Seismic Risk Area	Example Locations	Priority	Other
High	Gisborne, Napier, Hastings, Palmerston North, Wellington, Blenheim, Christchurch	7.5 years	15 years
Medium	Tauranga, Hamilton, Rotorua, New Plymouth, Whanganui, Nelson, Timaru, Invercargill	12.5 years	25 years
Low	Northland, Auckland, Oamaru, Dunedin	N/A	35 years

Seaview is located in a High Seismic Risk Area. Time frames for owners to do seismic work on earthquake-prone buildings are shown above. We note priority buildings don't have to be identified in low seismic risk areas. In these low seismic risk areas, the time frames for all buildings are 15 years to identify and 35 years to remediate.

We have been provided with a Draft Detailed Seismic Assessment (DSA) Report conducted by Silvester Clark dated February 2021 which states the following seismic ratings and structural systems for the respective structures:

Property	NBS% Rating	Structural System
Warehouse A	**70%**	Lateral resisting system provided by steel portal frames in the transverse direction and by moment resisting framed in the longitudinal direction.
Warehouse B	**100%**	Steel portal frames acts as the primary lateral system in the transverse direction and steel cross bracing in the longitudinal direction.
Warehouse C	**70%**	
Warehouse D	**70%**	Lateral resisting system provided by steel portal frames in the transverse direction with cross bracing to the east elevation and precast panels to the west elevation providing lateral resistance to the longitudinal direction
Office Building	**67%**	Single storey concrete building with lightweight steel trusses supported on concrete walls and concrete frames. Mixture of reinforced concrete frame and walls in both longitudinal and transverse direction.

3.2 Contamination

As defined by the Australian and New Zealand Environment and Conservation Council (ANZECC) and the National Health and Medical Research Council (NHMRC) a contaminated site comprises "a site at which hazardous substances occur at concentrations above background levels, and where assessment indicates it poses or is likely to pose an immediate or long term hazard to human health or the environment".

Registered Valuers are not adequately qualified to detect substances of this type. Our role is limited to the detection and preliminary identification of contamination through making reasonable site inspections and making enquiries to appropriate authorities.

During inspections Bayleys Valuations Limited attempts to identify, from on-site observations, any potential or actual contamination issues thereafter recommending further expert advice where appropriate.

Referring to the Greater Wellington Regional Council (GWRC) Selected Land Use Register (SLUR) highlights that the Council has no prior records of any contaminated activity having been undertaken or recorded on site. We have completed our valuation on the basis that the site is free of contaminants and have made no allowance in our valuation for site remediation works.

As Valuers, we are not qualified to provide an opinion on potential environmental threats. This matter aside, the risk factor would appear to be quite low.

3.3 Asbestos

We have been provided with an Asbestos Management Plan & Survey completed by ENGEO as at 6 December 2019 and 21 February 2019, respectively. The latter identifies no high-risk materials present on site, however, several medium and low risk materials were recorded as being present along with a recommendation outlined and to be included within the Asbestos Management Plan and actioned accordingly. Our valuation assumes that the highlighted areas are addressed noting most require the identification that asbestos is present and labelled accordingly.

3.4 Building Warrant of Fitness

With the introduction of the Building Act 2004 and amendments in 2005, building owners have new responsibilities to guarantee a building's health and safety. Part of this responsibility includes the annual Building Warrant of Fitness. The Building Warrant of Fitness is the owner's statement that all automatic systems or all safety features have been inspected and maintained on a regular basis during the previous 12 months. The automatic systems or safety features which require an ongoing inspection are summarised on the Building Warrant of Fitness.

We have been provided with a copy of the Building Warrant of Fitness which was current as at the date of inspection. We note that the stated date of expiry is 30 April 2021.

3.5 Statutory Valuation

The latest Rating Valuation which was undertaken as at 1 September 2019 is as follows:

Land Value	$2,910,000
Improvements Value	$3,110,000
Capital Value	$6,020,000
Rates 2020/2021 (incl. GST)	**$48,201.18**

These assessments represent part of a mass appraisal, normally without any form of inspection. The Rating Valuation is reviewed on a three yearly basis with the next review due on 1 September 2022.

4. Improvements

4.1 Property Description

Occupying a large level site, the subject improvements comprise various industrial warehouse-type structures and ancillary office accommodation originally erected in the 1960's with subsequent extensions in more recent years. The four warehouse buildings are sited adjacent to one another spanning lengthwise in a north-south direction and providing drive-through capabilities.

Primary structural systems to the four warehouses consist of predominantly steel portal frames resting on reinforced concrete foundations supporting steel purlins and topped with lightweight corrugated iron roofing. The office and amenities building is a single-storey concrete structure with lightweight steel trusses supported by concrete walls and frames.

External from Gough Street

Warehouse A, B and Canopy

Warehouse C

4.2 Construction

Foundations	Reinforced concrete foundations.
Structural Frames	Steel portal members with precast panels and concrete block walls to part.
External Cladding	Corrugated profile iron and exposed concrete surfaces to office and amenities.
Joinery	Aluminium.
Roof	Long run profile iron.

4.3 Building Services

Power	Three-phase power.
Fire Protection	Egress signage, manual break alarms, fire hose reels and extinguishers.
Air Conditioning	Split A/C units to office & amenities block.

4.4 Accommodation Details

Office & Amenities

Positioned to the front of the main warehouse, the offices and amenities block comprises a part-open plan office/trade area with amenities, staff changing rooms and kitchenette facilities. Principal access is obtained via a small recessed wind lobby located on the eastern elevation, or, alternatively via Warehouse C. Medium height aluminium glazed panels extend along the perimeter ensuring adequate levels of natural lighting, supplemented by surface mounted tube lighting.

Internal surfaces comprise a mixture of carpet and vinyl flooring surfaces to utility areas and GIB wall and ceiling linings over a split height ceiling. Amenities/changing room facilities present to a tidy standard and comprise partitioned WCs, shower units and stainless-steel tubs typical of industrial accommodation. A medium size kitchenette features a 4-element stove, fridge, stainless steel sink and instant hot water unit over timber cabinetry.


Office / Trade Area


Kitchenette


Amenities

Individual descriptions of the respective warehouse structures are detailed as followed:

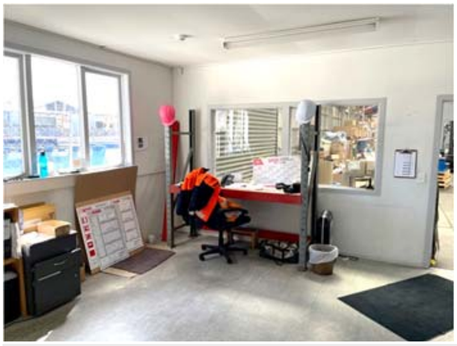
Warehouse A

Warehouse A comprises the westernmost structure being rectangular in configuration and providing large roller doors to either end, plus western elevation. Utilised for storage, the column-free building is of steel portal frame construction featuring a gable roofline with an internal stud height of 3.2 metres at the knee, extending to 6.1 metres at the apex. Translucent corrugated panels within the roofline provide good levels of natural lighting, aided by LED fittings. Also included within the warehouse is a small office and amenities area finished in vinyl floor coverings, GIB wall and ceiling linings and surface mounted tube lighting.

Warehouse B

Erected in 2010, Warehouse B is a contemporary 1,900 square metre steel portal frame structure with precast panels to lower sections and cross bracing to part providing rigidity. The building incorporates a mono-pitched roofline with wire-mesh, paper and steel purlins overlaid with profile iron. The shed provides an internal stud height of 8.9 metres to the midpoint. A small canopy with an electric roller door to the western façade ensures easy drive-through manoeuvrability, whilst the large five-tonne capacity gantry crane permits movement of goods.

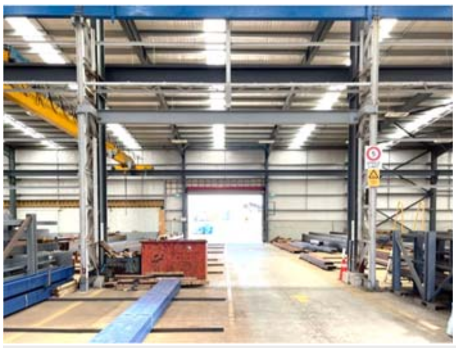

Warehouse A


Warehouse A (Office)


Warehouse B

Warehouse C

Originally constructed in 1960 with subsequent extensions in 1968, the original main warehouse comprises a steel lattice structure featuring an internal stud height of 9.88 metres. Translucent panels to the roof and part upper eastern elevation are incorporated within the roof and exterior elevation lines, whilst sodium bay lighting is provided internally. The gable shaped roofline drains to box guttering with PVC downpipes throughout. Three gantry cranes provide 100% coverage and traverse on side mounted running rails. A small low-stud lean-to structure is positioned alongside and is predominantly utilised for lightweight goods storage.


Drive Through


Warehouse C


Warehouse D

Warehouse D

Warehouse D is essentially a continuation of the Warehouse C roofline and is located along the north-eastern boundary line. The building is constructed of precast concrete panels to part with internal steel framing members supporting a long run iron roofline. A large electric roller door opens to the southern elevation and yard, whilst a pedestrian door at the northern end ensures emergency egress and access to billboard/signage areas. Sodium downlights feature within the respective bays.

Carparks & Yard

The balance of the site is essentially sealed and secured concrete yard space situated to either side of the improvements. As earlier alluded, the subject land benefits from a Right of Way/Truck Wash areas as designated on the respective Easement Instruments. Whilst useable and of utility to the dominant tenement, we have not included this component within our adopted area due to the non-exclusive nature of this benefit. Further, the boundary edge of the site fronting Gough Street provides vegetation and landscaping to areas which have also been excluded from our effective area. The Gough Street boundary is secured by post and wire-mesh fencing with swing entry gates securing driveways.


Yard / Carparking


Yard


Yard

Condition & Repair

The subject improvements present to a tidy standard and are a testament of proactive management over the years. No major issues or impact damage were noted during the course of our inspection, however, being sited in a coastal area, we would recommend periodic washdowns to the external building envelop to mitigate corrosion to susceptible building components. Regular inspection of stormwater drainage is recommended to address periodic blockages.

4.5 Floor Areas

We have completed an onsite measure of the subject improvements in accordance with the PCNZ and PINZ Guide for the Measurement of Rentable Areas, June 2013 revision, Method 4: Industrial Type Premise. Yard components have been determined by aerial mapping and exclude Rights of Way/Truck Wash areas as designated on the respective Easement Instruments. We summarise our adopted rentable areas as follows:

11-13 Gough Street - Floor Areas			
Component	Tenant	Gross Lettable Area (GLA excl. yard)	Proportion (% of Total Area)
Office & Amenities	H J Asmuss & Co Ltd	221.9 sqm	4.13%
Warehouse A	H J Asmuss & Co Ltd	636.0 sqm	11.83%
Warehouse B	H J Asmuss & Co Ltd	1,921.4 sqm	35.74%
Warehouse C	H J Asmuss & Co Ltd	1,932.2 sqm	35.94%
Warehouse C (Lean-To)	H J Asmuss & Co Ltd	149.3 sqm	2.78%
Warehouse D	H J Asmuss & Co Ltd	515.0 sqm	9.58%
Canopy	H J Asmuss & Co Ltd	26.2 sqm*	-
Yard	H J Asmuss & Co Ltd	2,865.0 sqm*	-
Total - 11-13 Gough Street		5,375.9 sqm	100.00%

*denotes areas excluded from GLA

N.B. For clarity, the above Office & Amenities relates to the main block only and excludes accommodation positioned within Warehouse A.

5. Lease Details

5.1 Lease Documentation

We have been provided with a copy of the following lease documents:

- Deed of Lease (2019)

The above have been perused and are held on file. The salient details are summarised as follows:

Form of Lease	ADLS Sixth Edition 2012 (5)
Tenant / Lessee	H J Asmuss & Co Limited
Guarantor	N/A
Premises	11-13 Gough Street, Seaview, Lower Hutt
Term	Ten (10) years
Commencement Date	11 December 2019
Initial Expiry Date	10 December 2029
Rights of Renewal	Four (4) of five (5) years each
Renewal Dates	11 December 2029, 11 December 2034, 11 December 2039 and 11 December 2044
Final Expiry Date	10 December 2049
Commencement Rental	$569,250 p.a. plus GST & Outgoings
Current Passing Rental	**$584,904.38 plus GST & Outgoings**
Rent Review Frequency	Annually
Rent Review Provision	Fixed 2.75% increases at each anniversary and market upon renewal
Ratchet Clause	Soft Ratchet Clause
Proportion of Outgoings	Full net Lease with Lessee responsible for 100% of all property related expenses
Business / Permitted Use	The storage, sale, manufacture and distribution of steel, pipe, plastic, valves, fittings, engineering and ancillary products including installation and ancillary and associate office and other functions.
Additional Clauses	**Clause 48** states that the Lessee shall deliver to the Lessor and maintain throughout the term, a bank guarantee guaranteeing a sum equivalent to twelve (12) months annual gross rental payable at the Commencement Date. The clause also states that every five (5) years from Commencement, the Lessee will increase the Bank Guarantee Sum to the sum of the annual gross rental payable during the previous twelve (12) months.
Fixtures and Fittings	Lessor's fixtures and fittings include: • All light fittings; • Hot Water Boiler; • Air Conditioning units; • Alarm System; • Oven; • Carpet & Vinyl; and • Reception counter

	The remaining fitout to the floor is assumed to be the Lessee's improvements (including four five-tonne Gantry Crane(s) and the Portacom Office, which have been excluded in our assessment.

N.B. as per the Sales & Purchase Agreement, the vendor is to provide an underwrite/top-up of the current passing rental up to $600,989.25 plus GST from Settlement until 11 December 2021. Our calculations reflect the inclusion of this underwrite.

5.2 Occupancy and Vacancy

Vacancies

At the time of our inspection, the subject building was 100% occupied. Appropriate leasing up, incentive and agents' commission allowances have been included within our calculations for any future expiries.

Impending Expiries

Whilst the current lease has 8.70 years to run with various rights of renewal available thereafter, the subject improvements are of good utility and would be an attractive prospect to many potential parties with scope for subdivision if required.

Outstanding Reviews/Incentives

We have not been advised of any outstanding rent free periods or incentive payments due as at our date of valuation.

Summary

Our valuation is reliant on information supplied to us relating to matters such as lease provisions, rental income, outgoings and other associated expenditure which appears realistic. We have had access to lease documentation and have verified key data of the major tenancies against supplied schedules.

We are unaware of any side agreements in existence which would alter the terms of the various lease agreements in respect of the property. In the event that a full due diligence report reveals such agreements do exist, the advice provided herein will require revision.

6. Financial Summary

The property is exclusively occupied by H J Asmuss & Co Limited who pay a current rental of **$584,904.38 per annum plus GST and outgoings** with a remaining term of 8.70 years. The incumbent is a longstanding, nationally recognised tenant that specialise in the supply of steel, pipe, fittings, fencing and valves. Founded in 1920, the company has supplied many of the biggest industrial and construction projects in New Zealand and underpins an excellent tenant covenant. We detail below the associated operating expenses and capital expenditure.

6.1 Lease Expiry Analysis

We have undertaken a detailed lease expiry analysis of the subject building relating to occupied areas only. The indicated WALT and lease profile by income and area is summarised below:

	Income Basis	Area Basis
WALT (years)	8.70	8.70

N.B., we highlight that the above WALT analysis excludes the proposed Signage underwrite from the Vendor.

6.2 Operating Expenditure

Operating Expenses (OPEX) relate to the ongoing costs associated with the occupation or ownership of a building. Typically, leases will be structured on a gross basis whereby operating costs are non-recoverable from the Lessee including but not limited to; rates, service contracts, insurance costs and other operational costs.

We have not been provided with a schedule of detailed operating expenses for the subject property. Therefore, we have made OPEX allowances based on our understanding of comparable properties in the surrounding and wider area and or based on industry benchmarks. Based on analogous properties within the immediate precinct, we have adopted a notional insurance expense of $12/sqm.

The subject property has a current Capital Value of $6,020,000 as determined by Quotable Value (QV) as at September 2019 (or $7,000 plus GST per million). In light of the impending sale, QV will likely revise their Capital Valuation assessment at the next revision. However, their concluded value is still likely to be below the transaction price, as traditionally adopted. To capture this uplift in rates from July 2023 onwards, we have assumed a revised annual rating burden based on a hypothetical Capital Value of $10,000,000 today. In the interim, we have treated this Rates expense 'benefit' as a Present Value Sum until the Capital Value is realigned with anticipated market levels.

Our adopted Operating Expenses are summarised in the table below:

11-13 Gough Street - Outgoings Schedule		
	Adopted (Budgeted)	
	$ pa.	$/m² pa.
Statutory Expenses		
Municipal/Council Rates	69,857	*12.99*
Other Statutory Charges	1,500	*0.28*
Total Statutory Charges	71,357	*13.27*
Operating Expenses		
Insurance Premiums	64,511	*12.00*
Fire Protection/Public Address	7,500	*1.40*
Repairs & Maintenance	7,500	*1.40*
Security/Access Control	500	*0.09*
Gardening/Landscaping	1,500	*0.28*
Total Operating Expenses	81,511	*15.16*
Non-Recoverables		
Administration/Management Fee	6,000	*1.12*
Total Non-Recoverable Expenses	6,000	*1.12*
Total Outgoings	158,868	*29.55*

The tabled outgoings budget indicates a total dollar per square metre rate of **$29.55/sqm** and is considered to be market aligned for this asset class, considering the scale, locality and overall condition of the subject property. As the current lease is on a net basis, any fluctuation in outgoings is borne by the Lessee, somewhat insulating the Lessor whilst the existing lease still has remaining term to run. However, as the cost of operating expenses increase, it typically erodes scope for rental growth but as the passing rental is subject to pre-set increases, this is deferred until lease expiry being the earliest date the rental is realigned to market.

6.3 Capital Expenditure

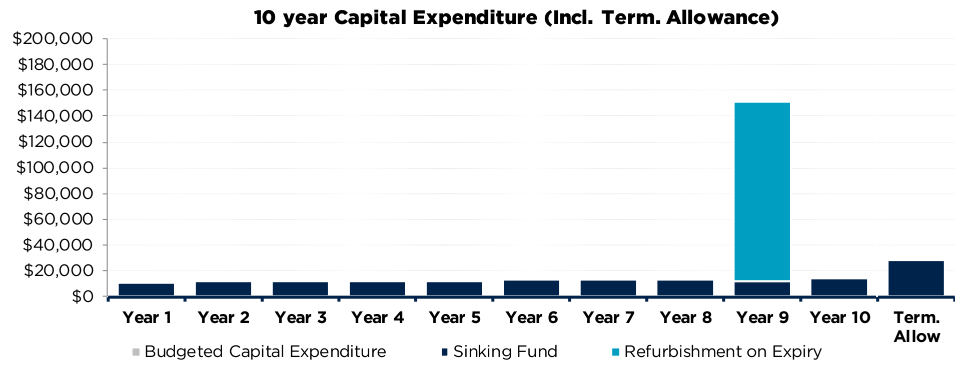
Buildings require ongoing expenditure to maintain their structural integrity and to future-proof the value of the asset. We have not been advised of any specific capital expenditure allowances for the property throughout the term of our cash flow analysis.

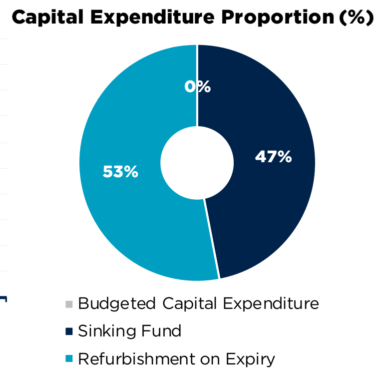
We note however, refurbishment works are necessary to maintain the quality of the building accommodation. Allowances for such works normally coincide with lease expiry and are summarised as follows:

- We foresee cosmetic refurbishment work would be required at lease expiry and have applied a refurbishment allowance of **$20 per square metre** (in today's dollars) for industrial components and **$75 per square metre** (in today's dollars), for office accommodation. Both have been discounted by a renewal probability factor of **50%**. These rates reflect the industrial nature of the improvements and minimal refurbishment work typically required.
- We have incorporated a minimum capital expenditure allowance of **1.50%** of the total gross income per annum as a general contingency for building works to the exterior and services over the cash flow period. This sum is applied to those years where planned CAPEX does not exceed this threshold.

Our adopted capital expenditure forecast is summarised as below:

11-13 Gough Street - Capital Expenditure Summary										
Year Commencing	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Period Beginning	Apr-21	Apr-22	Apr-23	Apr-24	Apr-25	Apr-26	Apr-27	Apr-28	Apr-29	Apr-30
Period Ending	Mar-22	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27	Mar-28	Mar-29	Mar-30	Mar-31
Budgeted Capital Expenditure	-	-	-	-	-	-	-	-	-	-
Sinking Fund	11,321	11,420	11,703	12,004	12,318	12,642	12,977	13,323	11,453	14,910
Refurbishment on Expiry	-	-	-	-	-	-	-	-	139,969	-
Total Capital Expenditure	**11,321**	**11,420**	**11,703**	**12,004**	**12,318**	**12,642**	**12,977**	**13,323**	**151,421**	**14,910**
Total 10 year capital expenditure										264,038
Total 10 year capital expenditure ($/m²)										49
Total 10 year capital expenditure (% of Adopted Value)										2.02%
Terminal Valuation (Start Year 11)										
Budgeted Capital Expenditure										-
Sinking Fund (24 mths)										28,333
Refurbishment on Expiry (24 mths)										-
Terminal Value Capital Expenditure Allowances										28,333
Total 10 year Capital Expenditure (Incl. terminal value Capital Expenditure Allowances)										292,372
Total 10 year Capital Expenditure (Incl. terminal value Capital Expenditure Allowances) - $/m²										54
Total 10 year Capital Expenditure (Incl. terminal value Capital Expenditure Allowances) - % of Adopted Value										*2.23%*





We foresee this level of capital expenditure will help “future proof” the building and ensure that it maintains its aesthetic appeal, structural integrity and hence, capital value in the future.

7. Market Overview

7.1 Economic Outlook

Introduction

The Coronavirus (COVID-19) pandemic had a major effect on global economies. There continues to be disruption to export industries, global trade, the tourism sector, labour supply and job losses.

The timeline for travel restrictions to ease is subject to considerable uncertainty. Tourism and international students directly account for approximately 5% of New Zealand's GDP and the restrictions on borders have greatly impacted the benefits this brings to the economy. Many businesses have remained viable and operational due to Government support with a wage subsidy and business loan scheme, where additional impact is likely to be felt when this support comes to an end.

The below table indicates the performance of the New Zealand economy over the previous six months:

Economic Indicator	Period	Rate	Forecasted Trends
GDP	Q2 2020 -Q3 2020	-12.2%	↓
CPI	Q1 2020 – Q2 2020	1.50%	↓
OCR	September 2020	0.25%	→
Unemployment Rate	Q3 2020	5.3%	↑
10 Year Bond Rate	September 2020	< 1.00%	→

Migration

New Zealand has full border restrictions in place, limiting people's ability to travel and only allowing citizens, permanent residents and a minimal number of exemptions into the country. April 2020 to July 2020 saw a net migration gain of only 800 with two in every three arrivals being a New Zealand citizen, and six in every seven departures being non-New Zealand citizens. The current net gain of New Zealand citizens is largely fuelled by people returning from overseas and restrictions making people unable to head offshore.

Interest Rates & Inflation

Reacting to curtail an imminent economic recession, the RBNZ reduced the OCR to a new historic low of 0.25%, guaranteed for 12 months. In an additional effort to stimulate lending and aid debt affordability, the Reserve Bank has chosen to put on hold a proposed increase in capital requirements for banks on retail mortgage lending. The RBNZ has announced its plan to keep the OCR at 0.25% for "at least 12 months". The RBNZ's Monetary Policy Committee (MPC) noted that a negative OCR will become an option in the future.

Following the reduction in the OCR, most retail banks have passed on the point cut to floating mortgage rates. Fixed interest rates have since followed suit, and historic lows for fixed mortgages has fuelled house prices growth. Inflation is now at approximately 1.5% for the year to September 2020, decreasing from 2.5% in March of 2020. The Monetary Policy Committee forecast annual inflation dropping from 2.5% to approximately 1%.

Investment & Construction

Demand for residential construction leading up to the pandemic was still strong, mirroring the delayed response to rapid population growth in the last few years. Residential construction continues to move towards townhouses and higher density developments, and this is expected to intensify with the housing shortage and supply pressures. Residential building consents are up a further 3.5% over the past year. On the other hand, the construction sector is faced with the hurdle of reduced profitability, with cost and labour constraints restricting the ability for activity to escalate.

Retail accommodation is most likely to be the most severely affected by the downturn in overseas visitor numbers. Commercial construction is also expected to slow for office space and hotels as demand is predicted to decrease in the coming years, however increased Government spending in infrastructure will see some offset.

Summary

The short-term projection for the New Zealand economy is difficult to determine. Business operations for some are 'as usual', or enjoying increased trade due to domestic demand, while others are restricted. It is likely the effects will be unevenly felt with some sectors such as food production, supermarkets, residential housing, online sales, and learning performing well, and others such as "High Street" retail and international tourism faring poorly. It is apparent that many investors and consumers are confidently spending on consumer items, domestic travel and also ploughing capital into property and equity markets. Much of this is driven by the very low interest rate environment and hunt for yield on capital.

Source: Bayleys Valuations, Statistics NZ, Interest, ASB, ANZ, NZIER, RBNZ, Westpac (28 January 2021)

7.2 Market Commentary

As New Zealand transitions and exits unchartered waters following an earlier nationwide Lockdown period, businesses are needing to reassess the new business environment that we now all face. Many businesses will encounter difficulties, several have needed to change tack and pursue new opportunities, and invariably, some businesses will struggle as the wider global market has changed. Without doubt, the tourism and hospitality sectors have felt the brunt of the downturn due to border closures and the demise of international visitors.

Most Lessees sought some form of rental abatements to offset the lockdown period. Staff redundancies became widespread and layoffs occurred. Rents declined across all sectors during the initial period of uncertainty and the emergence of increasing vacancies over the following months stymied prospects for rental growth. Many landlords forewent rental increases in favour of tenant preservation.

Post lockdown, businesses have slowly reopened and a trade up period was endured as workers return to work and businesses resumed. For many businesses, the cost incurred was too great as supply orders were cancelled and imposed restrictions placed on normal business operations, this resulted in staff lay-offs. Lease renegotiations become prevalent and various rental abatement clauses and rent relief packages were negotiated as landlords endeavour to work with and retain existing tenants where possible.

As history illustrates, the market will eventually rebound, albeit some property classes and rents achieved will not be at those levels previously enjoyed for many years. Industrial property assets have rebounded well, being the standout property class performer. Many office occupants have needed to recalibrate their office footprint requirement as businesses adjust to what could be a more balanced office / home environment as individuals seek to work remotely following the lockdown period. Retailing has been more adversely affected by a sharp decline in consumer retail spend and lower passing foot traffic, as people are more accustom to online retailing. Market dynamics will have altered, shopping and business work patterns have changed, higher unemployment will mean there is less disposal income in the market, and potentially, consumer habits may be refocused towards essential goods. A general downturn in globalisation will extend over many years as countries slowly get atop of this pandemic and restart their economies.

Over the past five years, there has been a slow imbalance brewing within the industrial sector, vacancy rates have been trending downward and many traditional industrial premises in prime locations have been repurposed to offer bulk retail type accommodation to appease this growth sector. New infrastructural projects have inflated demand, both from an occupation perspective but also with the withdrawal of property associated with the Petone to Grenada Link, flood protection works and the proposed Melling Interchange.

Accordingly, the Wellington region industrial sector has experienced solid rental growth over recent years, with increasing capital values and declining vacancy levels. Development of new stock is currently at relatively low levels largely due to the lack of Greenfield development opportunities outside of the existing prime industrial precincts. Elsewhere industrial utilised land is under pressure from 'higher value end use applications' such as commercial and residential.

Industrial rents fared well following the COVID-19 outbreak and although business activity may have paused, the industrial sector has been the most resilient. Ongoing demand is strong for prime industrial assets from tenants and investors alike and considering the physical limitations on new stock coming on stream, market pressure on quality warehouse stock is unlikely to abate.

Prime warehouse space tends to be concentrated near the main transport nodes such as Ngauranga, Grenada, Porirua and the Petone / Seaview area. With the roading upgrade to the State Highway 2 / Highway 58 interchange now completed, demand has recently extended to Silverstream primarily due to improved accessibility and upgrades to the nearby interchange. Completion of Transmission Gully will further enhance roading connections to/from Silverstream.

Without doubt, there are changing times ahead. Commercial property will be impacted but over what duration is uncertain. However, new opportunities will emerge. From an investment perspective, the decline in deposit rates on offer is likely to attract funds towards property in search of more favourable returns. Low interest rates have also enticed many parties previously leasing accommodation to consider owner-occupation alternatives in lieu of paying rent.

We foresee this trend continuing as interest rates are projected to remain at record low levels for many years. Despite there being some immediate uncertainty as the market 'resets', we foresee buyer appetite channelled towards those property classes accommodating more essential and resilient businesses, and to those properties with moderate to long term lease covenants at market aligned rents.

8. Rental Evidence

The traditional method of rental assessment is by comparison with similar premises that have recently been subject to new leasing deals or rent reviews. Adjustments are then made for factors at variance with those of the subject premises such as location, quality and presentation, size, lease terms and conditions and other pertinent factors.

8.1 Rental Evidence

We have considered a cross section of leasing transactions relating to comparable industrial properties within the Hutt Valley and wider Wellington locality. A summary of these transactions is detailed below:

Address	Suburb	Tenant (s)	Review Date	Accommodation	Floor Area (sqm)	Rate ($/sqm)	Type
Seaview							
11-13 Gough Street (Subject)	Seaview	H J Asmuss & Co Ltd	Dec-19	Office & Amenities Warehouse A Warehouse B Warehouse C Warehouse C (Lean-To) Warehouse D Canopy Yard	295 564 1,898 1,993 133 524 27.4 2,585	$160 $110 $119 $119 $105 $110 $40 $23	NL
65 Seaview Road	Seaview	Crown Worldwide (NZ) Limited	Nov-20	Office Warehouse Carparks	304 1,934 20	$240 $150 $20	NL
43 Seaview Road	Seaview	Champion Construction Ltd	Feb-20	Warehouse (High/Low) Office & Amenities Yard	1,713 119 1,860	$138 $184 $30	NL
77 Port Road	Seaview	Crawford Carrying	Oct-19	Warehouse Office Gnd & Lvl 1 Yard (Asphalt)	1,814 111 1,200	$105 $130 $28	RR
77 Port Road	Seaview	M.K. Archibald & Company	May-19	Warehouse (2.5m) Warehouse (Addition) Office Gnd Office Lvl 1 Carparks	1,093.01 580.64 130.99 126.99 11	$92.5 $102.27 $130 $150 $20	NLE
39-49 Randwick Road	Seaview	GUD NZ (T/A Precision)	Feb-19	Warehouse Showroom / Office Amenities Offices Canopy Walkway Yard - Front Yard - Rear	2,863 403 41 261 125 17 1221 505	$105 $140 $110 $135 $45 $35 $22.50 $17.50	RR
118 Hutt Park Road	Gracefield	United Steel Ltd	Aug-18	Warehouse/Workshop Office & Amenities Yard	1,047 150 2,002	$209 $311 $36	NL
120 Hutt Park Road	Gracefield	Globus Group NZ Ltd	Jul-18	Office Warehouse Yard	302 1,687 2,555	$211 $150 $26	NL
Silverstream							
410 Eastern Hutt Road	Silverstream	Northpower Limited	TBC	Office Warehouse Yard 1 Yard 2	764 1,498 5,818 1,470	$250 $190 $35 $35	NL
410 Eastern Hutt Road	Silverstream	Fliway Transport Limited	Aug-18	Office & Amenities Logistics Warehouse & Cross Dock Canopies Yard/Circulation/Additional CP's	230 2,205 566 4,475	$230 $150 $90 $32	NL
Kaiwharawhara							
92-102 Hutt Road	Kaiwharawhara	Geeves Scaffolding Ltd	May-20	Warehouse Yard Carparks	1,800 800 28	$176 $30 $25	NL
180-202 Hutt Road	Kaiwharawhara	Flectchers Distributions (T/A PlaceMakers)	Apr-20	Office - Gnd & Mezz Drive Through Trade Hall/Showroom Yard - Concrete Carparks	469 2,201 1,043 3,223 29	$346 $286 $306 $50 $35	NL

Address	Suburb	Tenant (s)	Review Date	Accommodation	Floor Area (sqm)	Rate ($/sqm)	Type
Grenada North / Newlands / Ngauranga							
32 Jamaica Drive	Grenada North	Coca-Cola Amatil (NZ) Ltd	Dec-20	Offices (Main) Workshop Workshop (Low Stud) Supply Chain Offices (Workshop) Mezzanine Canopy Coutyard Yard Carparks	515 1,123 330 653 109 330 30 50 1,505 35	$220 $170 $130 $168 $150 $100 $75 $50 $25 $23	RN
14 Jamaica Drive	Grenada North	General Distributors Limited	Nov-20	Office Warehouse (Converted Office) Warehouse (11.4m to 12.4m stud) Canopy Yard & Parking	310 350 2,533 270 2,828	$205 $205 $158 $90 $25	NL
32 Jamaica Drive	Grenada North	Desktop Imaging Ltd & NZ Micrographic Services Ltd	May-20	Office (Gnd) Office (Level 1) Warehouse (Workshop) Store Outside BBQ Space Deck Canopy Carparks	778 723 406 62 50 25 42 20	$229 $234 $174 $179 $45 $50 $70 $22.5	RN
6 Hurring Place	Newlands	New Zealand Defence Force (NZDF)	May-20	Office - Gnd & Lvl 1 Warehouse Yard Carparks (Open)	1,008 1,383 260 10	$230 $196 $40 $35	NL
52 Jamaica Drive	Grenada North	Turners & Growers Fresh Ltd	Jan-20	Warehouse Showroom Office & Amenities Gnd Offices Lvl 1 Offices New Canopies Yard (Secure) Yard	3,847 350 335 348 186 2,025 344 10,806	$135 $150 $160 $163 $178 $64 $35 $19	RR
21 Jamaica Drive	Grenada North	Excel Digital	Apr-19	Office Warehouse (7m stud) Carparks (Covered) Carparks (Uncovered) Carparks (Rear)	486 1,826 4 19 12	$180 $155 $30 $25 $20	NL
12 Hurring Place	Newlands	City Fitness	Apr-19	Offices Warehouse Warehouse (Internal Carparks) Carparks (Open)	485 3,432 530 75	$230 $168 $168 $26	NL

The transactions shown above are briefly discussed as follows:

Our initial focus is on the subject property and associated ten-year sale and leaseback agreement struck late-2019. Leased at a commencement rental of $569,250 p.a. plus GST, the net lease ensures full recovery of property related outgoings. Our analysis includes a $25/sqm provision for these expenses. The lease provides four further renewal options of five years each and is subject to pre-set annual increases of 2.75% p.a. We highlight that this letting is now dated and requires a time adjustment to capture the intervening shift in market demand for industrial stock.

Crown Worldwide NZ Ltd have committed to a nine-year net lease involving all the land and buildings at **65 Seaview Road** comprising warehouse, office and twenty carparks. Commencing from November 2020, the rental is subject to three-yearly market reviews and includes one four-year renewal option. The agreed annual rent is $319,200 p.a. net plus $20,800 p.a. for the carparks. The advised outgoings payable equate to circa $53,000 p.a. and after factoring in a two-month rent free period, the analysed gross rents for the office and warehouse components equate to $240/sqm and $150/sqm respectively. Prior to commencement, the Lessor is required to install a security gate – we have not treated this as an inducement due to its ongoing utility and benefit to the property.

77 Port Road comprises a multi-unit industrial complex originally erected circa 1960's providing circa 5 metre stud drive-through warehouse accommodation with office and showroom connected alongside. Freight forwarding service **Crawford Carrying** were subject to a rent review late-2019 with the revised gross rental equating to $238,500 p.a. Apportioned over the various components, the indicated rentals equate to $105/sqm and $130/sqm for the warehouse and office accommodation respectively.

M.K. Archibald & Company are a sitting tenant occupying Unit 6 within the same premises and have entered a new lease commencing May 2019. Rental rates are analogous to the abovementioned tenancy; however, we understand that the office accommodation benefits from an outlook over Wellington Harbour.

United Steel Ltd occupy purpose-built facilities offering tidy air-conditioned office accommodation with a medium stud drive-through warehouse alongside. The warehouse is of concrete tilt slab construction and features gantry running rails affixed to the side walls allowing gantry hoist access over the entire warehouse component.

The former Turners Car Auction premises on Hutt Park Road has been partitioned and leased to Globus Industries and 880 Production. Both tenancies provide good quality office and high stud warehouse accommodation, including a latter addition to the rear that has a stud height of circa 11 metres plus.

Northpower Ltd have leased a newbuild facility for ten years with the lease providing two five-year renewal options thereafter. The base rental is stepped over years 1 and 2, increasing to $673,122 p.a. net (subject to final measure) from year three. Thereafter, 2.00% annual increases are to occur from year four onwards with market reviews at renewal if exercised. The outgoings for the initial year are capped at $50/sqm and annual rates at $70,000 p.a. for years one to five.

Further north within the Business Park, **Fliways** relocated from Hurring Place to a new-build facility in 2018. The structure is setback on the site and provides a central large warehouse with front and rear canopies, a 230 square metre office component and extensive sealed and fenced yards. The 'L' shaped warehouse has a split stud height (approx. 6.0 and 10.0 metres) of roughly equal proportion. Office quality was tidy and modest featuring some A/C, carpet tiles, Plasterboard and Ply panel wall linings and recessed lights.

Leased for 12 years from August 2018, the rental is CPI adjusted annually with a mid-term market review and again at renewal. Two five-year renewal options are provided. The Lease contains a first right to purchase and an early termination clause in favour of the Lessee. If the termination clause is exercised, the Lessee is required to pay a significant break penalty payment.

Analysing the transaction factoring in moderate CPI growth indicates gross effective rents of $230/sqm and $150/sqm for the office and warehouse accommodation respectively. These rents reflect the initial 12-year term whereby the Lessee does not exercise their break option clause. The market reviews are subject to cap and collar provisions (90%/110%). This deal was concluded well before lease commencement and market rents have continued to firm as evidenced by comparable new lease data alongside.

We have had recent involvement with the **Coca-Cola Amatil** premises at **32 Jamaica Drive**. The premises offer extremely tidy moderate stud warehouse accommodation with an adjacent drive through transition warehouse linking through to single level offices & amenities. The lease provided for a six-year renewal term from November 2020, and the appointed valuers negotiated the above rent which is subject to pre-set increases for the balance of the term.

Another timely letting involves **General Distributors Limited** entering an Agreement to Lease over **14 Jamaica Drive, Grenada North**. The property comprises a high stud warehouse building plus an adjoining office component situated on a level sealed site offering shared drive on truck access and secured surrounding yards. The 2,533 sqm warehouse has a stud height of circa 10.0 metres and the Lessor has installed two rapid close roller doors as per the tenant's requirements. The Lessee has funded and converted part of the former offices to a chiller (350 sqm), leaving approximately 310 sqm of offices for traditional use. Secured yards extend 2,828 sqm with controlled entry points. The Lessor commissioned minor works to the offices involving some repainting and new LED lighting.

General Distributors Ltd (Countdown) leased the premises for six (6) years from 1 November 2020 and have six (6) further three (3) year renewal options thereafter. The commencement rent is $516,000 p.a. plus GST and the rent is subject to pre-set increases of 2.0% p.a. other than when a market rent review applies at each renewal date. Market rent reviews are subject to cap and collar provisions (90% collar, 110% cap) based on the rent payable immediately prior.

The net lease requires the Lessee to cover all outgoings. Actual outgoings are not available; however, we have sourced publicly available information where possible and included additional costs based on comparable evidence and industry levels to extrapolate a market aligned level of outgoings. Standard tenant and Landlord obligations prevail; the noted exception is that the Lessee shall reinstate that part of the building back to a carpeted lined office area including a suspended ceiling consistent with the balance of the office component at lease end.

Analysed on a total occupancy cost basis and factoring in the pre-set review mechanism indicates a gross rental of $205/sqm for the office component and $158/sqm for the warehouse accommodation before adjustments.

Excel Digital agreed to a nine-year sale and leaseback of their premises at 21 Jamaica Drive. The large industrial warehouse building was erected circa 2000 and features temperature and humidity control to part, with the warehouse providing a 7-metre stud. The Lease includes fixed 1.50% annual increases and three six-year renewal options.

City Fitness occupy the former Fliway and Mana Bus tenancies at **12 Hurring Place**. As part of the negotiation, City Fitness funded the demolition of the side lean-to building and convert the front portion of the existing warehouse component into a large gym. The rear part of the warehouse was retained and is utilised for internal carparking. The lease states that the rear warehouse component shall be treated as warehouse space in relation to future reviews. A large side sealed area will provide additional on-site parking.

8.2 Sundries Rental

The subject property has an additional sundry rental income stream derived from signage to the northern elevation of Warehouse's C & D. The vendor has underwritten this cashflow for a ten-year term from lease commencement (11 December 2019) at **$20,000 p.a. plus GST**. We have adopted the underwritten rental as market but acknowledge that entities that lease billboards typically do so on a shared income basis, whereby the billboard entity secures parties wishing to advertise, but income voids are not uncommon and are borne by both parties.

To account for this sporadic income stream, we have separated the signage cashflow and have treated this cashflow on a present value basis for the duration of the lease term certain.

8.3 Market Rental Conclusion

Having regard to the above evidence along with the individual characteristics of the subject property, we detail below our assessment of market rents, along with contract rents for comparison purposes:

11-13 Gough Street - Contract & Market Comparison								
Component	Tenant	GLA	Gross Passing Rent			Gross Market Rent		
			$ p.a.	$/sqm	prop.	$ p.a.	$/sqm	prop.
Office & Amenities	H J Asmuss & Co Ltd	221.9 sqm	$37,943	$171	5.03%	$37,730	**$170**	4.55%
Warehouse A	H J Asmuss & Co Ltd	636.0 sqm	$75,162	$118	9.97%	$82,683	**$130**	9.97%
Warehouse B	H J Asmuss & Co Ltd	1,921.4 sqm	$245,519	$128	32.57%	$268,996	**$140**	32.42%
Warehouse C	H J Asmuss & Co Ltd	1,932.2 sqm	$246,904	$128	32.75%	$265,683	**$137.5**	32.02%
Warehouse C (Lean-To)	H J Asmuss & Co Ltd	149.3 sqm	$16,066	$108	2.13%	$17,168	**$115**	2.07%
Warehouse D	H J Asmuss & Co Ltd	515.0 sqm	$60,865	$118	8.07%	$69,530	**$135**	8.38%
Canopy	H J Asmuss & Co Ltd	26.2 sqm*	$1,244	$48	0.17%	$1,964	**$75**	0.24%
Yard	H J Asmuss & Co Ltd	2,865.0 sqm*	$70,155	$24	9.31%	$85,950	**$30**	10.36%
Total - 11-13 Gough Street		5,375.9 sqm	$753,857	$140.23	100.00%	$829,704	$154.34	100.00%

*denotes areas excluded from GLA

9. Sales Evidence

9.1 Sales Evidence

In determining the market value of the subject property, we have considered a cross-section of comparable sales that have occurred in the wider Wellington locality. A summary of these transactions is detailed below:

Address	Sale Date	Sale Price	NLA	WALT (yrs)	Initial Yield	Equivalent Yield	IRR	Net Rate	Land Area
H.J. Asmuss & Co Ltd (Sale & Leaseback) 11-13 Gough Street, Seaview, Lower Hutt	Oct-19	$8,105,000	5,407 sqm	10.00 yrs	7.02%	-	-	$1,499 /sqm	9,091 sqm
Alto Packaging Ltd 75 Wainuiomata Road, Lower Hutt	Jan-21	$29,400,000	18,132 sqm	12.00 yrs	5.53%	5.52%	7.12%	$1,621 /sqm	44,371 sqm
Steel & Tube Distribution Complex (Sale & Leaseback) 26–32 Hautonga St, Petone, Lower Hutt	Under Contract	$7,000,000	7,614 sqm	2.00 yrs	8.90%	8.90%	9.59%	$919 /sqm	15,901 sqm
Northpower Ltd 410 Eastern Hutt Road, Silverstream, Upper Hutt	Under Contract	$14,500,000	2,262 sqm	10.00 yrs	4.60%	4.60%	-	$6,410 /sqm	9,648 sqm
CDC Pharmaceuticals 410 Eastern Hutt Road, Silverstream, Upper Hutt	Under Contract	Confidential	-	-	4.10% to 4.50%	-	-	-	TBC
Downer New Zealand Ltd 14-16 Makaro Street, Porirua	Oct-20	$35,600,000	5,324 sqm	11.08 yrs	4.99%	4.74%	6.03%	$6,687 /sqm	25,026 sqm
General Distributors Ltd (T/A Countdown) 14 Jamaica Drive, Grenada North, Wellington	Nov-20	$10,850,000	3,193 sqm	6.00 yrs	4.76%	4.76%	5.84%	$3,398 /sqm	9,180 sqm
Ultibend Industries Ltd 15 Raiha Street, Porirua	Aug-20	$5,200,000	3,730 sqm	5.66 yrs	6.12%	-	-	$1,394 /sqm	7,564 sqm
Flecther Distribution Ltd (T/A PlaceMakers) 180-202 Hutt Road, Kaiwharawhara, Wellington	Jun-20	$23,500,000	3,713 sqm	8.81 yrs	4.63%	4.91%	5.85%	$5,521 /sqm	10,660 sqm
Geeves Scaffolding Ltd 92-102 Hutt Road, Kaiwharawhara, Wellington	Apr-20	$6,400,000	2,200 sqm	9.00 yrs	5.00%	6.17%	7.75%	$2,909 /sqm	3,876 sqm
Coca Cola, Rentokil and Desktop Imaging et al. 32, 32A & 32B Jamaica Drive, Grenada North, Wellington	Mar-20	$14,750,000	6,337 sqm	0.70 yrs	6.69%	6.39%	-	$2,328 /sqm	10,867 sqm
Efficient Carrying Co. Ltd & Wakefield Metals Ltd 9-13 Wareham Place, Seaview, Lower Hutt	Oct-19	$4,150,000	2,177 sqm	1.86 yrs	6.32%	6.99%	-	$1,906 /sqm	2,607 sqm
Aquatech New Zealand Ltd 1 Jarden Mile, Ngauranga, Wellington	Oct-19	$2,750,000	620 sqm	4.00 yrs	5.09%	-	-	$4,435 /sqm	1,149 sqm
IML Plastics Ltd 14-20 Meachen Street, Seaview, Lower Hutt	Jun-19	$3,200,000	2,730 sqm	4.80 yrs	7.16%	-	-	$1,172 /sqm	3,461 sqm
City Fitness & Office Max 12 Newlands Road, Newlands, Wellington	May-19	$13,220,000	4,927 sqm	13.26 yrs	6.25%	6.21%	-	$2,683 /sqm	10,705 sqm
NZ Defence Force, NZ Bus, Office Max et al. 6 Hurring Place, Newlands, Wellington	Apr-19	$12,809,370	5,191 sqm	3.98 yrs	6.93%	6.59%	-	$2,468 /sqm	12,784 sqm
Fliway Transport Ltd 410 Eastern Hutt Road, Silverstream, Upper Hutt	Aug-18	$10,750,000	2,435 sqm	12.00 yrs	4.42%	4.48%	5.74%	$4,415 /sqm	7,097 sqm

The pertinent transactions shown above are briefly discussed as follows:

Records indicate that the subject property last sold in October 2019 for $8,105,000 at an initial yield of 7.02%. Subsequently, we understand that property has gone under contract off-market to a prominent Wellington investor/developer, however, we're uncertain as to the offical contracted price. This off-market contract has subsequently been on-sold to PMG at $13,100,000, subject to conditions.

75 Wainuiomata Road is located within Lower Hutt, Wellington on the fringe of the industrial sector of Gracefield and Waiwhetu. The property comprises an extensive plastics recycling factory of mixed age and construction. Accommodation encompasses some 18,132 square metres (excluding canopies, garaging and yard) comprises mostly warehouse space with ancillary office administration, yard and residual land to surrounding areas. The property is leased to Australia and New Zealand's leading sheet and packaging manufacturer under a twelve-year lease term (commencing from settlement) at an annual net rental of $1,722,470 p.a. plus GST. The lease is subject to annual 3.00% fixed annual review mechanisms during the initial twelve-year lease term (and any further terms), with market reviews to occur upon renewal subject to a hard ratchet clause and a 10% cap provision.

Oyster Industrial have contracted to purchase the asset for $29,400,000 as a part of their second equity raise for an unlisted property vehicle with investment parcels starting from $51,500. The property indicates an IRR of 7.12% and an initial yield of 5.53%, with the commencement rental considered market aligned demonstrating an equivalent yield that is similar to the same. As part of the Sales & Purchase Agreement, the Vendor has agreed to provide an escrow sum of $3,500,000 for Oyster Industrial to seismically upgrade the Dough Room and Administration Buildings to a minimum of 67% NBS.

The **Steel & Tube Distribution Complex** in Petone, Lower Hutt has recently sold as part of a sale & leaseback agreement for $7,000,000. Steel & Tube will continue to lease the property for a two (2) year term from settlement (22 March 2021) with two (2) further terms of one (1) year each beyond the initial term. The property comprises a strategic landholding with functional high stud warehousing, supporting office accommodation and generous yards. Benefitting from dual street frontages the property offers excellent traffic management for distribution purposes and is conveniently located to major arterial roading.

The net lease format indicates a net annual income of $622,910 p.a. plus GST with the Lessee responsible for all property related outgoings. Outgoings are estimated at circa $26/sqm. The main warehouse is split into four bays, the two central bays are high stud and include gantry running rails enabling overhead hoist capabilities. The standalone eastern warehouse has a good medium stud with multiple roller door entry points. Seismically, the main building has structural issues, and remediation costs are estimated at $750,000. The remaining buildings have NBS% Ratings of circa 50%+.

Due to the uncertainty of occupation of the incumbent tenant, seismic remediation issues and scope for better utilisation of the existing land, we have analysed the sale on an interim holding income basis prior to ultimate redevelopment / strengthening and repurposing. Backing out the Present Value of the current income over the term certain, and allowing a market aligned demolition allowance for the main building indicates a global land and building rate of around $400/sqm. Considering the scale and location of the property, this indicated rate appears low relative to other sales in this precinct.

14-16 Makaro Street Porirua is a recent major industrial transaction, selling via Private Treaty in November 2020 for $35,600,000 to Oyster Property Management. The property was purpose built for Downer New Zealand and completed in 2011 as their main Wellington office and depot servicing the Lower North Island. Situated on a 2.5026 ha site, the building offers circa 5,324 sqm of high-quality office and warehouse accommodation in approximate equal proportions, 44 basement carparks. 112 open carparks and some 16,510sqm of sealed fence yard.

The property is located at the eastern end of Makaro Street, in what is regarded as one of the newest industrial subdivisions in Porirua. Other national businesses occupy nearby premises, the Porirua Mega Centre and Shopping Centre are some 600 metres to the east, with SH 1 a further 300 metres away in a similar direction.

Downer's lease commenced in late 2010 and is for a term of just under 21 years; the current passing net income is $1,757,786 p.a. and the rental is subject to structured two yearly reviews. The income stream is protected by a hard ratchet in relation to the market review scheduled for November 2021. The lessee bears all property outgoings including a pre-set management fee linked to the annual rent payable.

The property was widely marketed and generated strong buyer interest as a function of the 11.08-year WALT and pre-set rental growth. Purchased for syndication purposes, this transaction supports the emerging trend of sub 5.00% yields, analysed to indicate a market equivalent yield of 4.74%, a passing yield of 4.99% and an IRR of 6.04%.

14 Jamaica Drive, Grenada North has recently sold off-market to a local investor for $10,850,000, indicating an initial yield of 4.76%. The property was leased to General Distributors Limited (T/A Countdown) for a six-year term at $516,000 p.a. net and provides tidy warehouse and office accommodation occupying an elevated position above Takapu Road. The lease provides six further terms of three years each and is subject to pre-set review mechanisms of 2% p.a. with market reviews upon renewal. As part of the Agreement to Lease, the Vendor has reconfigured the former northern office component to provide part cool store/chiller warehouse accommodation and refurbished office and amenities to the balance. Overall, this transaction is considered useful in reinforcing the shift in yields post COVID-19 involving good quality stock with solid WALTs (by income).

15 Raiha Street is a large industrial property leased to Ultibend Industries Ltd under a 10-year lease agreement commencing April 2016. The 3,370 square metre industrial asset is positioned on a 7,564 square metre regularly shaped allotment and provides modern warehousing accessed via a generous yard area at the rear of the property. Office and amenities are located at the front of the premises over the ground and first floors and are presented to a tidy standard. The property sold for $5,200,000 to a Taranaki based investor at an initial yield of 6.12%, this transaction exemplifies the depth of buyer demand for quality commercial/industrial assets that are subject to strong lease covenants.

PlaceMakers Kaiwharawhara comprises two buildings, the northern structure is a newly constructed high specification trade merchant warehouse occupied by Fletcher Distribution Limited with associated customer carpark, a staff drive through/goods lane to the rear and an open trade yard alongside the southern entrance. The ex-PlaceMakers building is located to the city end of the site and provides a short-term holding income of $25,000 + GST per month for a term of eight months. The structure is earthquake prone and has a NBS% Rating of 15%. Discussions with involved agents advise the purchaser is intending to demolish existing improvements and redevelop to provide modern equivalent bulk-retail type accommodation.

PlaceMakers entered into a new nine-year lease commencing 1 April 2020 at a net rental of $950,000 p.a. The Lease is subject to fixed 2.5% yearly increments and market reviews upon renewal. The net lease requires the Lessee to cover all standard property outgoings and includes three six-year renewal options beyond the initial term.

The property sold for $23,500,000 by Deadline Private Treaty to a private investor and received 15 total offers, 6 of which were unconditional. Deducting a $3,000,000 allowance for the rear ex-PlaceMakers portion of the site indicates an initial yield of 4.63%, equivalent yield of 4.91% and an IRR of 5.85% when applying market rents. The property provides a WALT (by income) of 8.81 years.

Overall, the property is a quality asset with value upside, leased to a national tenant and is centrally located. Despite market uncertainty relating to COVID-19, the transaction demonstrates strong appetite for new-build premises which offer both investment fundamentals and potential for future add-value opportunities.

9.2 Sales Reconciliation

In finalising our adopted market capitalisation rate for the subject property, we have considered the merits of the accommodation offering, size, re-lettability, price quantum and the underlying lease covenant.

Like most of New Zealand, market yields have firmed over the last twelve months, fuelled by the prevailing low interest rate environment and pent up demand for property assets post COVID-19. Quality industrial assets are extremely sought after, especially those offering longer lease tails and cashflow certainty with structured review mechanisms.

10. SWOT Analysis

We have considered and summarised the key positive and negative features associated with the subject property. This process assists in determining the appropriate yield and adopted rates for valuation.

Strengths	Opportunities
• Attractive WALT (by income) of 8.70 years with pre-set 2.75% annual increases. • Tidy, well looked after warehouse structures with solid NBS% Ratings exceeding 67%. • Net lease passes risks connected to outgoings onto the tenant. • Well located, with extended frontage to Gough Street and good on-site circulation via drive through capability. • Seaview/Gracefield is of a scale that attracts complimentary businesses, thus ensuring steady tenant inquiry and new business operations. • Industrial property remains the 'darling' asset class, sought by investors both domestically and internationally. • General scarcity of industrial stock both for lease and sale within the Wellington region.	• Scope to subdivide and re-let/divest as separate offerings if required. • Underutilised land components offering scope for development and further value upside in time. • The commencement market rent is now considered to be understated and offers upside in time.
Weaknesses	**Threats**
• Due to its age, Warehouse C has elements that provide less functional space compared to modern warehouse structures today. • Signage cashflow is perceived as a 'riskier' income stream and may be unsustainable over the long-term. • Traffic congestion along The Esplanade at peak hours.	• Redevelopment of the former CentrePort on Seaview Road and the relocation of existing tenants to new build facilities. • Escalating rates and insurance costs may erode net effective rental position under current lease format. • Market correction may lead to a rebound in yields diminishing capital value/equity. • Coastal location and risk presented from corrosion. • Offshore and local factors having a negative impact on the domestic economy and property values. • Unknown impact of economic fallout from COVID-19 Pandemic and volatile financial markets.

10.1 Conclusion of Valuation Metrics

We consider that using the Income Approach, a market capitalisation rate of **4.90%** and discount rate of **6.00%** would be appropriate.

11. Valuation Approach

In arriving at our concluded value, we have considered relevant general and economic factors and have in particular investigated a summary of sales of comparable properties.

There are two key approaches to valuation of commercial and industrial property, these being the Market Approach and Income Approach.

The appropriate method of valuation under the Market Approach is the Sales Comparison Method. The appropriate methods of valuation under the Income Approach include the Capitalisation of Income Method and Discounted Cash Flow Method.

In some instances, a third approach known as the Cost Approach is applicable, the appropriate method under this approach is the Depreciated Replacement Cost (DRC) method.

In this case we consider the following approaches and applicable methods most appropriate.

11.1 Capitalisation of Income Method

For property that is income producing, the primary method of valuation is the Capitalisation Method. This method is market-derived and considers both sales and leasing evidence in order to determine the current market value. This method involves capitalising the actual contract and/or potential net income at an appropriate market derived rate of return. In situations where the contract rental varies from our assessed market rent the rental surplus or shortfall is calculated on a present value basis and adjusted against the capitalised value. The capitalised value may also be adjusted for costs associated with vacancy/part vacancy if this exists or is pending.

In determining an appropriate market yield for the subject, we have regard to market demand for the type of asset stock, commercial/industrial rental levels, along with general allowances for the scope of future rental growth, competition and location.

It is important to realise that the basis of any value is very much derived from a number of factors such as the quality and security of income, the degree of risk associated with the prospect of both an increase in rental and/or capital gain and the attractiveness of the investment as compared to other forms of investment available in the market place.

We summarise our calculations under this method as follows:

11-13 Gough Street - Market Capitalisation Method			
Gross Market Income			$829,704
Less Adopted Outgoings			($158,868)
Net Income			$670,836
Capitalised @		4.90%	$13,690,540
Capital Value Adjustments			
Rent Adjustments			
	Present Value of Rental Reversions		(540,649)
	Capital Value of Special Income (Billboard Lease)		150,214
	Capital Value of Other Adjustments (Rates Benefit)		59,953
Capital Expenditure			
	Capital Sinking Fund Allowance	*24 months*	(21,611)
Total Capital Value Adjustments			($352,092)
Indicated Market Value			$13,338,448
Adopt			$13,350,000

Sensitivity Analysis	
Capitalisation Rate	Market Value
5.150%	$12,700,000
4.900%	**$13,350,000**
4.650%	$14,050,000

11.2 Discounted Cash Flow Method

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of both rental and capital growth over an assumed investment horizon.

In undertaking this analysis, a wide range of assumptions are made including a target or pre-selected internal rate of return, rental growth, refurbishment costs, vacancies, costs associated with the initial purchase of the property and also its disposal at the end of the investment period.

Whereas the investment method capitalises income at a specific point in time, the DCF permits us to make allowances and forecasts over a predetermined investment period. The estimated cash flows including the reversionary value estimate at the end of the investment period are then discounted to provide the property's net present value.

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

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10 year investment horizon.

Our critical DCF assumptions are:

Market Rental	We have adopted market rents as outlined the preceding section of this report.
Rental Growth	In adopting our rental growth forecasts, we have had regard to several key factors, namely: • Market and prevailing business confidence; • New business growth; • Market trends and occupier preferences, and • Prevailing and forecasted vacancy levels. As noted above, we have applied an industrial growth rate to rental at an average of **2.05%** per annum.
Terminal Yield	We have adopted a terminal capitalisation rate of **5.65%** which sits **75 basis points** above our market capitalisation rate of **4.90%**, reflecting the property will be 10 years older upon terminal sale.
Discount Rate	In this instance we have applied a Discount Rate of **6.00%** which includes a reasonable risk premium inherent with direct property investment and its illiquidity compared with other forms of investment. Additionally, in determining a suitable Discount Rate to apply we have been mindful of analysed IRR of comparable sales.
Capital Expenditure	We have made an annual allowance reflecting **1.50%** of the gross annual income of the property in order to account for general capital expenditure requirements which are not recovered under the current lease document. We refer the reader to **Section 6.3** for a more detailed CAPEX synopsis.
Vacancy / Letting Up	In terms of letting up periods, a term of **four-months** has been allowed although we have also assumed a current lease renewal probability of **50%** resulting in a

two-month vacancy period being adopted on future expiries. In addition, leasing fees have been applied.

We summarise our calculations under this method as follows:

11-13 Gough Street - Discount Cash Flow Method Summary										
Year Commencing	1	2	3	4	5	6	7	8	9	10
Period Beginning	Apr-21	Apr-22	Apr-23	Apr-24	Apr-25	Apr-26	Apr-27	Apr-28	Apr-29	Apr-30
Period Ending	Mar-22	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27	Mar-28	Mar-29	Mar-30	Mar-31
Office	$31,632	$31,899	$32,776	$33,678	$34,604	$35,555	$36,533	$37,538	$31,533	$36,570
Industrial	$569,357	$574,155	$589,944	$606,168	$622,837	$639,965	$657,564	$675,647	$583,448	$774,194
Base Passing Rent	**$600,989**	**$606,054**	**$622,721**	**$639,845**	**$657,441**	**$675,521**	**$694,098**	**$713,185**	**$614,981**	**$810,764**
Recoveries										
Secured recoveries	$153,716	$155,258	$157,452	$160,415	$163,744	$167,294	$171,058	$175,006	$123,878	$0
Renewal recoveries	$0	$0	$0	$0	$0	$0	$0	$0	$24,655	$183,220
Recoveries	**$153,716**	**$155,258**	**$157,452**	**$160,415**	**$163,744**	**$167,294**	**$171,058**	**$175,006**	**$148,533**	**$183,220**
Other Income										
Special Income (Billboard Lease)	$27,842	$21,115	$21,696	$22,292	$22,905	$23,535	$24,183	$24,848	$0	$0
Other Adjustments (Rates Benefit)	$27,943	$27,943	$6,986	$0	$0	$0	$0	$0	$0	$0
Other Income	**$55,785**	**$49,058**	**$28,681**	**$22,292**	**$22,905**	**$23,535**	**$24,183**	**$24,848**	**$0**	**$0**
Total Income	**$810,491**	**$810,370**	**$808,854**	**$822,552**	**$844,090**	**$866,350**	**$889,338**	**$913,039**	**$763,514**	**$993,984**
Outgoings										
Statutory expenses	$71,753	$72,472	$73,497	$74,880	$76,434	$78,091	$79,848	$81,690	$83,586	$85,525
Operating expenses	$81,964	$82,786	$83,956	$85,535	$87,310	$89,203	$91,210	$93,315	$95,480	$97,695
Non-recoverable expenses	$6,033	$6,094	$6,180	$6,296	$6,427	$6,566	$6,714	$6,869	$7,028	$7,191
Outgoings	**$159,750**	**$161,352**	**$163,632**	**$166,711**	**$170,171**	**$173,860**	**$177,772**	**$181,875**	**$186,094**	**$190,412**
Net Income	**$650,741**	**$649,018**	**$645,222**	**$655,842**	**$673,920**	**$692,490**	**$711,566**	**$731,164**	**$577,419**	**$803,573**
Allowances										
Leasing Costs	$0	$0	$0	$0	$0	$0	$0	$0	$79,268	$0
Allowances	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$79,268**	**$0**
Net Income before Capital Expenditure	**$650,741**	**$649,018**	**$645,222**	**$655,842**	**$673,920**	**$692,490**	**$711,566**	**$731,164**	**$498,151**	**$803,573**
Capital Expenditure										
Sinking Fund	$11,321	$11,420	$11,703	$12,004	$12,318	$12,642	$12,977	$13,323	$11,453	$14,910
Refurbishment on Expiry	$0	$0	$0	$0	$0	$0	$0	$0	$139,969	$0
Capital Expenditure	**$11,321**	**$11,420**	**$11,703**	**$12,004**	**$12,318**	**$12,642**	**$12,977**	**$13,323**	**$151,421**	**$14,910**
Net Income after Capital Expenditure	**$639,421**	**$637,598**	**$633,519**	**$643,838**	**$661,602**	**$679,848**	**$698,589**	**$717,841**	**$346,730**	**$788,663**

Terminal Valuation Summary	
Gross Market Income	$1,015,706
Less Adopted Outgoings	($191,497)
Net Market Income	$824,209
Less Vacancy Factor	0.00%
Net Income	$824,209
Discount Rate	6.00%
Terminal Capitalisation Rate	5.65%
Core Capital Value (fully leased)	$14,587,775
Capital Value Adjustments	($28,333)
Capitalised Value	$14,559,442
Disposal Costs	($163,794)
Net Sale Proceeds	$14,395,648

Adopted DCF Value	
Rounded NPV	**$12,900,000**
10 Year IRR	**5.80%**

Discounted Cash Flow Summary	
Sum of Cash Flows (after Capex & Adj.)	$6,447,648
Sum of Discounted Cash Flows	$4,900,301
Present Value of Terminal Value	$8,038,455
NPV (before acquisition costs)	$12,938,756
Less Acquisition Costs	($32,266)
NPV (after acquisition costs)	**$12,906,490**

10 Year Sensitivity Matrix					
	6.50%	6.25%	**6.00%**	5.75%	5.50%
6.15%	$11,813,408	$12,030,774	$12,253,387	$12,481,391	$12,714,935
5.90%	$12,111,746	$12,336,207	$12,566,100	$12,801,576	$13,042,788
5.65%	$12,436,488	$12,668,671	**$12,906,490**	$13,150,099	$13,399,659
5.40%	$12,791,302	$13,031,923	$13,278,400	$13,530,895	$13,789,576
5.15%	$13,180,567	$13,430,445	$13,686,421	$13,948,666	$14,217,352

Adopted Growth Rates										
10 Year Avg.	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
CPI Growth										
1.89%	0.74%	1.09%	1.52%	2.00%	2.10%	2.19%	2.27%	2.32%	2.32%	2.32%
Industrial Market Rent Growth - Gross										
2.05%	1.25%	1.75%	2.00%	2.00%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

11.3 Summary of Valuation Approaches

We summarise the above valuation approaches and methods as follows:

Valuation Method	
Capitalisation of Income	$13,350,000
Discounted Cashflow	$12,900,000
Market Value	**$13,100,000**

12. Valuation Conclusion

Bayleys Valuations Limited confirms that we undertook an inspection of the property at **11-13 Gough Street, Seaview, Lower Hutt**, on 18 March 2021, in order to assess the Market Value for Mortgage Security, Capital Raising and Financial Reporting Purposes.

Subject to the critical assumptions and comments noted within this report, we hereby assess the Market Value of the abovementioned property to be:

Thirteen-Million, One-Hundred Thousand Dollars
(NZ$13,100,000)

We confirm that the above valuation has been expressed on a plus GST (if any) basis. Further, our valuation excludes all selling costs and is not reliant upon any outstanding lease incentives.

12.1 Valuation Analysis

Net Rate	$2,437 per sqm
Initial Yield	4.54%
Equivalent Yield	4.99%
IRR	5.80%

12.2 Signatory

We thank you for your instructions in this matter and if you require any further assistance, please contact the undersigned.

Prepared by
Bayleys Valuations Limited

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13. General Principles

Valuation Standards	This valuation has been performed in accordance with International Valuation Standards - IVS (effective 31 January 2020), and the relevant Australia and New Zealand Valuation and Property Standards as approved by the New Zealand Institute of Valuers (NZIV) Council. The definition of Market Value as defined by the International Valuation Standards (IVS) effective 31 January 2020 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".
Valuation Basis	No allowances are made in our valuations for any expenses of realisation or to reflect the balance of any outstanding mortgages either in respect of capital or interest accrued thereon.
Information Supplied	The valuation assumes as being complete and correct information provided to us by the sources detailed in our report on any relevant matters including, without limitation, items such as rents, operating expenses, tenure, tenancies and tenant's improvements. We accept no responsibility, however, for the completeness and accuracy of information provided to us.
Documentation	Our inspection has included searching of the Certificate(s) of Title and if appropriate and where available, the ground and/or building lease(s) and other relevant tenancy schedules and documents. We recommend that reliance should not be placed on our interpretation thereof without prior verification by your lawyers.
Title	Unless specifically stated in the report, we assume that each property has a good and marketable title and is free from any pending litigation. We further assume that all documentation is satisfactorily drawn and that there were no unusual or onerous restrictions, easements, covenants or other outgoings which would adversely affect the value or negotiability of the relevant interest(s).
Title Boundaries	We have not carried out a detailed site survey and we have of necessity assumed for the purposes of the valuation that all structural improvements have been erected within the Title Boundaries. We do not undertake a measurement of the site or survey but calculate the site areas by reference to identified boundaries of the property and the appropriate Record of Title.
Resource Management Act 1991	Our valuation is on the basis of uses indicated on our copies of the Transitional District Plan, Proposed District Plan and District Plan (as the case may be) and our enquiries of the Territorial Authority as to any Resource Consents for the land.
LIM & PIM	Unless otherwise stated, we have not obtained a Land Information Memorandum (LIM) or Project Information Memoranda (PIM) from the Territorial Authority. It is considered an obligation of the recipient of the report to request a Land Information Memorandum from the appropriate local authority and search legal registrations on the relevant Record of Title, in order to satisfy themselves as to the suitability of the property for their specific purpose.
Valuation	The valuation provided is our opinion of the market value. This value may change in the future due to market conditions and changes to the state of the property. For the purposes of our valuation we have assumed there will be no adverse market changes in the short to medium term.
Validity	Should a period of greater than three months elapse from the date of preparation of the report, it is recommended that the person to whom it is addressed seek confirmation from the Valuer concerned that the valuation can still be relied upon in context of relevant current market situation. Failing to do so will nullify the validity of the report as well strict reliance upon a copy of the same unless previously agreed to in writing between us and the recipient and/or end user. If a copy of the report is relied upon, we cannot guarantee the accuracy of the same which could be at variance with the original document. Furthermore, the reference to the 3 month time period does not imply that the value will remain static during this time. From the perspective of Bayleys Valuations Ltd, this valuation is valid by valuer signature only.

Practising Certificate	This valuation has been carried out by a Registered Valuer carrying a current practising certificate.
Insurance	BVL hold Professional Indemnity cover that is at a level accepted by our large corporate clients and banks and it is at/or above industry standards. A copy of our certificate is available upon request.
Acceptance of Reports	The use of this report by the client/instructing party for market value/mortgage purposes in its current format is deemed an acceptance by the same of all value, terms, conditions and specification contained herein unless advised to the contrary immediately.
Inspections	We undertake such inspections and conduct investigations as are, in our opinion, correct in our personal judgement, appropriate and possible in the particular circumstance.
Legislation	Building Act 2004, Health and Safety at Work Act 2015, Fire Safety and Evacuation of Buildings Regulations 2006, Disabled Persons Community Welfare Act 1975. Unless otherwise stated in our report, our valuation is on the basis that the property complies with this legislation or it has no significant impact on the value of the property.
Structural Surveys	The valuation report does not purport to be a structural survey and we accept no responsibility for the omission of building or other defects which may not be apparent without such a survey.
Deleterious Materials	Unless stated in our report, we do not carry out investigations to ascertain whether any building has been constructed or altered using deleterious materials or methods. Unless notified, our valuations assume that no such materials or methods have been used (e.g. asbestos, PCBs).
Site Conditions	We do not carry out investigations on-site in order to determine the suitably of ground conditions and services, nor do we undertake environmental or geotechnical surveys. Unless notified to the contrary, our valuations are on the basis that these aspects are satisfactory and also that the site is clear of underground mineral or other workings, methane gas or other noxious substances. In the case of properties which may have redevelopment potential, we assume that the site has load bearing capacity suitable for the anticipated form of redevelopment without the need for additional and expensive foundations or drainage systems.
Environmental Contamination	Our valuations assume that no contaminative or potentially contaminative use is, or ever has been, carried out at the property. Unless specifically instructed, we do not undertake any investigation into the past or present uses of either the property or any adjoining or nearby land, to establish whether there is any potential for contamination from these uses and assume that none exists.
Plant & Machinery	Our valuations include items usually regarded as forming part of the building and comprising fixtures, such as lifts, boilers, heating, ventilation, air conditioning, water, drainage, electrical, lighting, fire detection and sprinkler systems. We have assumed the fixtures are in proper working order and functioning for the purpose for which they were designed.
Taxation, GST	In preparing our valuations, no allowances are made for any liability which may arise for payment of income tax or any other property related tax, whether existing or which may arise on development or disposal, deemed or otherwise. In respect to Goods and Services Tax we specifically draw your attention to the fact that our valuation is on the following basis: • Non Residential - Market and rental valuations are (unless otherwise stated) carried out on the basis that valuation is plus GST (if any). • Residential - Market and rental valuations are (unless otherwise stated) carried out on the basis that the valuation includes GST (if any).
Publication	Neither the whole nor any part of our reports, nor any reference thereto, may be included in any published document, circular or statement, nor published in any way without any written approval of the form and context of such publication or disclosure. Such approval is required whether or not Bayleys Valuations Ltd referred to by name and whether or not the reports are combined with others.

Appendix

1. Record(s) of Title

RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD

Search Copy

R.W. Muir
Registrar-General
of Land

Identifier **583085**
Land Registration District **Wellington**
Date Issued 02 August 2012

Prior References
587485

Estate Fee Simple
Area 9091 square metres more or less
Legal Description Section 6 Survey Office Plan 452270
Registered Owners
IPOH New Zealand Limited

Interests

Subject to a sewage right (in gross) over part marked B on SO 452270 in favour of The Lower Hutt City Council created by Deed of Easement 861/50 - 24.9.1959 at 11:02 am

Subject to a drainage right (in gross) over part marked M, N on SO 452270 in favour of The Lower Hutt City Council created by Deed of Easement 861/51 - 24.9.159 at 11:03 am

Subject to Section 59 Land Act 1948

Subject to a stormwater drainage right over part marked A on SO 452270 created by Easement Instrument 8252654.4 - 11.8.2009 at 9:00 am

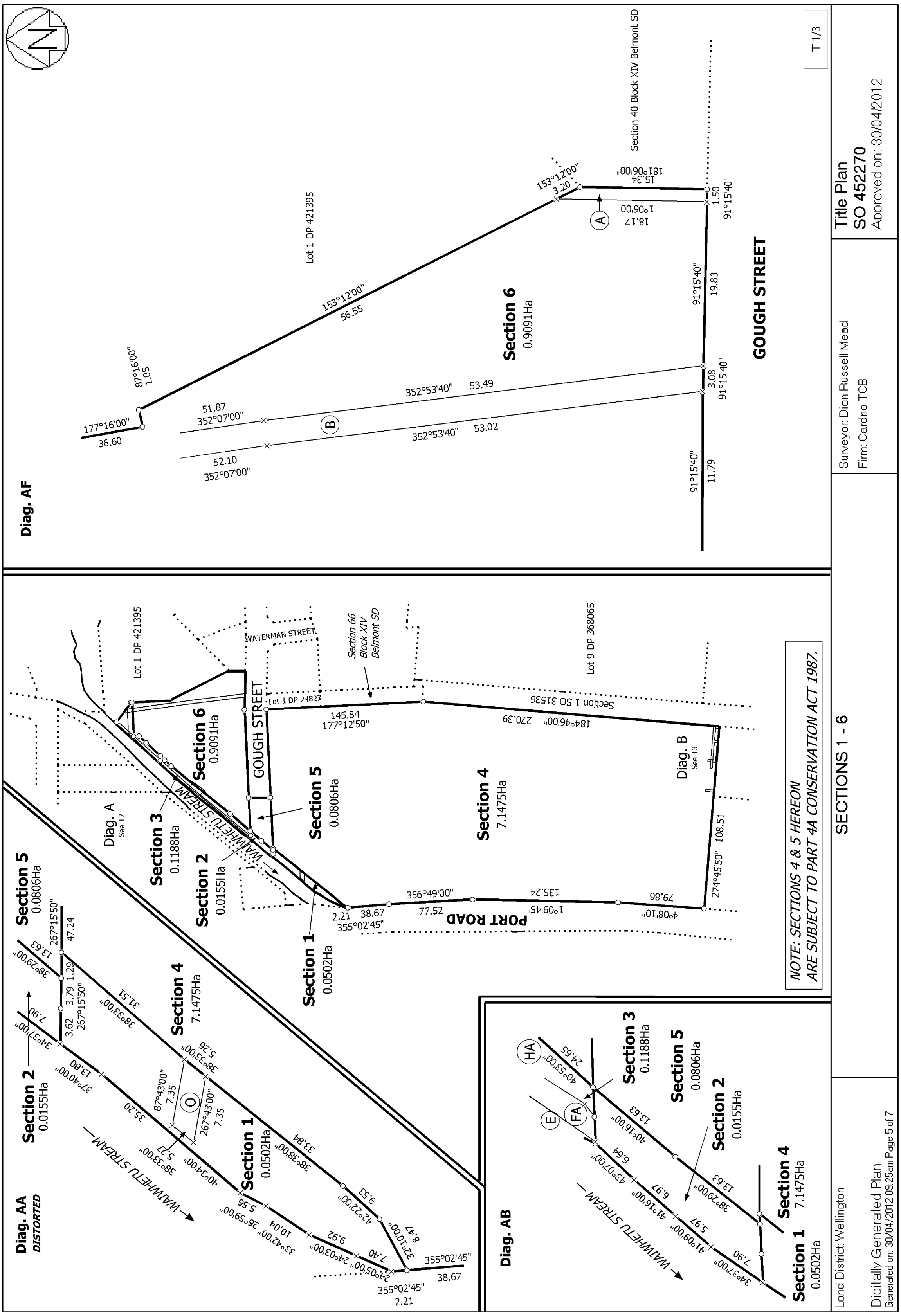
Appurtenant hereto is a maintenance easement created by Easement Instrument 9143428.3 - 2.8.2012 at 2:59 pm

Appurtenant hereto is a right of way and a right to use truck wash facility created by Easement Instrument 9143428.4 - 2.8.2012 at 2:59 pm

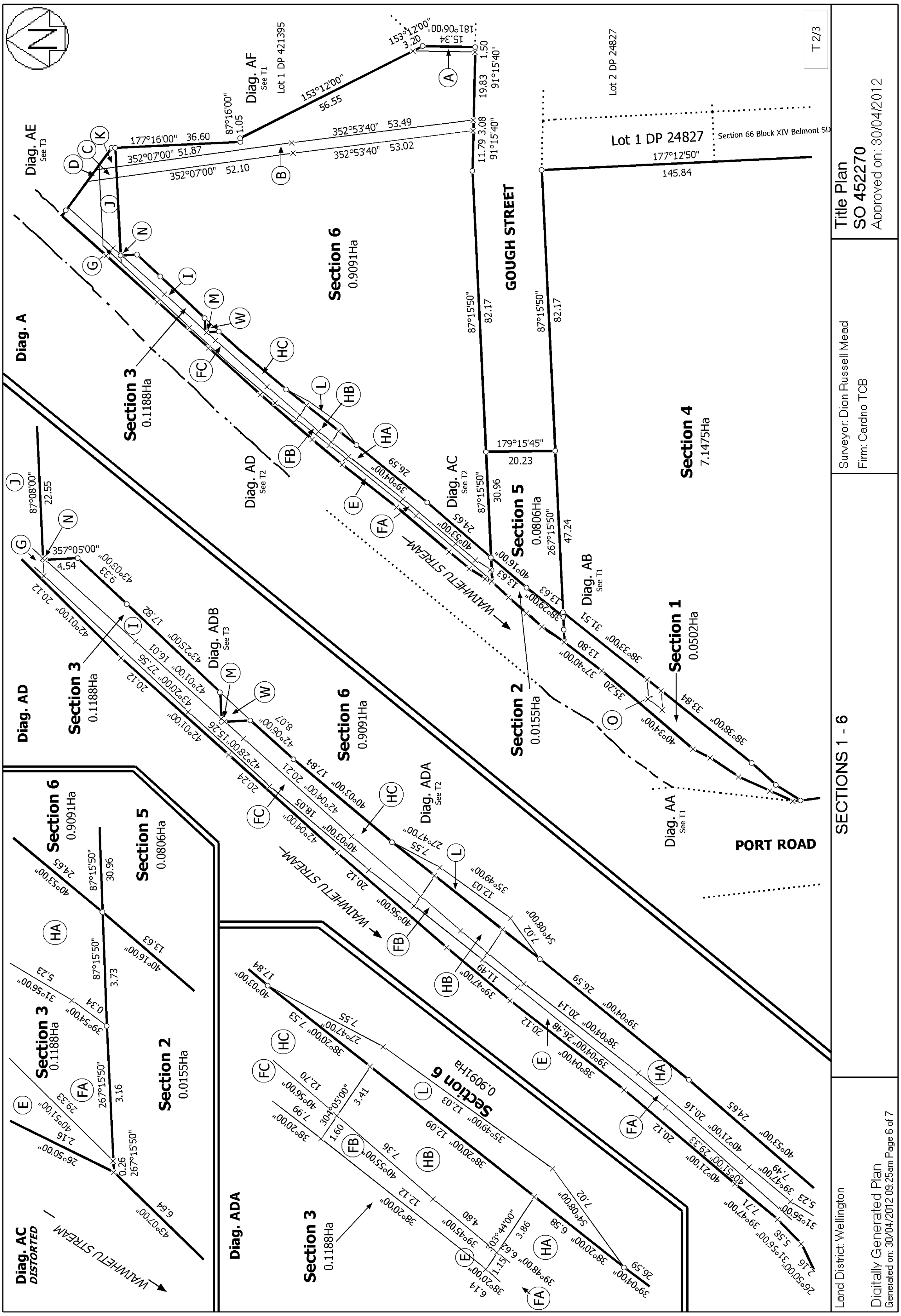
Subject to a right of way over part marked M, W on SO 452270 created by Easement Instrument 9143428.5 - 2.8.2012 at 2:59 pm

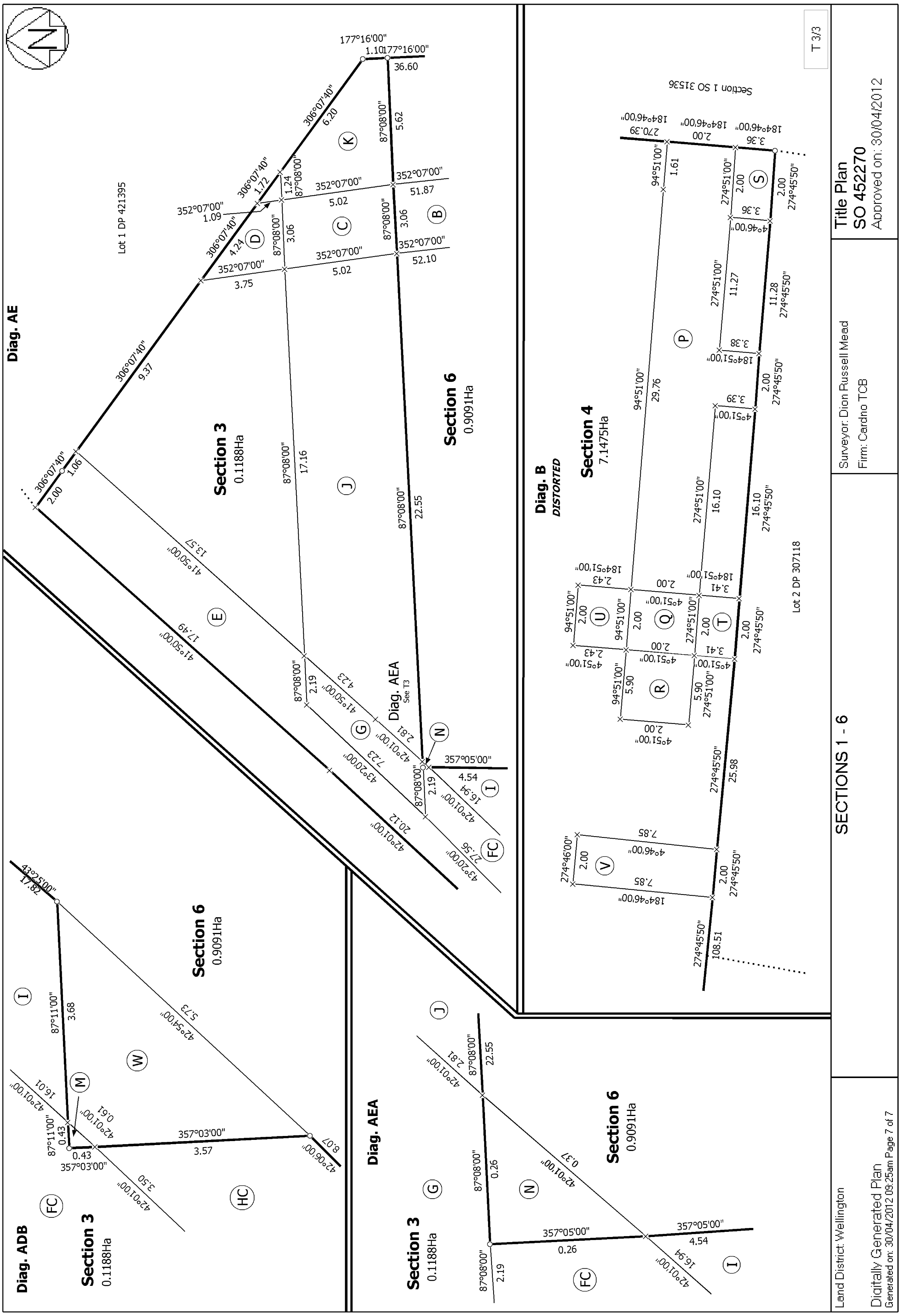
Subject to a right of way over part marked L on SO 452270 created by Easement Instrument 9143428.6 - 2.8.2012 at 2:59 pm

12032521.3 Mortgage to Westpac New Zealand Limited - 1.3.2021 at 5:17 pm



Title Plan
SO 452270
Approved on: 30/04/2012
T1/3
Surveyor: Dion Russell Mead
Firm: Cardno TCB
SECTIONS 1 - 6
Land District: Wellington
Digitally Generated Plan
Generated on: 30/04/2012 09:25am Page 5 of 7
NOTE: SECTIONS 4 & 5 HEREON ARE SUBJECT TO PART 4A CONSERVATION ACT 1987.
Diag. AF
Section 6
0.9091Ha
GOUGH STREET
Lot 1 DP 421395
Section 40 Block XIV Belmont SD
Section 1
0.0502Ha
Section 2
0.0155Ha
Section 3
0.1188Ha
Section 4
7.1475Ha
Section 5
0.0806Ha
PORT ROAD
WAIWHETU STREAM
WATERMAN STREET
Lot 1 DP 2482
Section 66 Block XIV Belmont SD
Lot 9 DP 368065
Section 1 SO 31536
Diag. A
See T2
Diag. B
See T3
Diag. AA
DISTORTED
Diag. AB


Title Plan
SO 452270
Approved on: 30/04/2012
T 2/3
Surveyor: Dion Russell Mead
Firm: Cardno TCB
SECTIONS 1 - 6
Land District: Wellington
Digitally Generated Plan
Generated on: 30/04/2012 09:25am Page 6 of 7
GOUGH STREET
PORT ROAD
WAIWHETU STREAM
Lot 1 DP 24827
Lot 2 DP 24827
Lot 1 DP 421395
Section 66 Block XIV Belmont SD
Section 1
0.0502Ha
Section 2
0.0155Ha
Section 3
0.1188Ha
Section 4
7.1475Ha
Section 5
0.0806Ha
Section 6
0.9091Ha
Diag. A
Diag. AA
Diag. AB
Diag. AC
Diag. AD
Diag. ADA
Diag. ADB
Diag. AE
Diag. AF
Diag. AC DISTORTED


Title Plan
SO 452270
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Firm: Cardno TCB
SECTIONS 1 - 6
Land District: Wellington
Digitally Generated Plan
Generated on: 30/04/2012 09:25am Page 7 of 7
T 3/3
Section 3
0.1188Ha
Section 4
7.1475Ha
Section 6
0.9091Ha
Diag. AE
Diag. B
DISTORTED
Diag. AEA
Diag. ADB
Lot 1 DP 421395
Lot 2 DP 307118
Section 1 SO 31536

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