

Valuation Report

KiwiBank Centre & The Stack
410 Victoria Street & 12 Alma Street
Hamilton CBD
Hamilton

ASB Bank Limited & PMG Direct Office
Fund
c/- Property Managers Group
Tauranga

20 February 2019

Ref: 20734/MJS

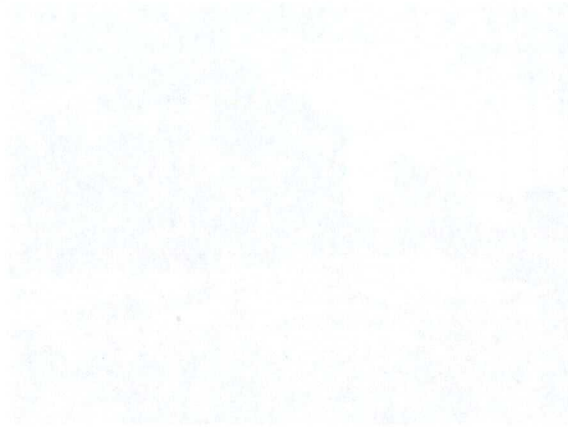
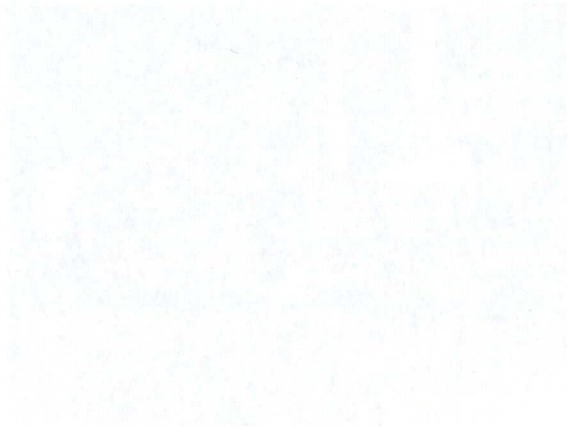
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Executive Summary

410 Victoria Street & 12 Alma Street, Hamilton

Brief Description

410 Victoria Street comprises a 1983 built, four level 'C Grade' office building that is fully occupied by a number of reputable tenants as well as a one year vendor underwrite over two small vacant areas. The Property comprises ground level retail space as well as three levels of office accommodation above. The floors have been refurbished over the last few years and provide for good quality office space. To the rear of the building are two on grade car parks.

The property is situated to the corner of Victoria and Alma Street and comprises three adjoining allotments with a combined land area of 596 sqm. From a location perspective, the property is positioned within the core of Hamilton's CBD, where there are a number of significant office buildings including Westpac Tower, BNZ Centre, and the former ASB Building. The property has good exposure to vehicular and pedestrian traffic along Victoria Street, and is located within close proximity to central city amenities.

12 Alma Street comprises a 32 park mechanical car stacker on a 255 sqm regular shaped site. The parks are used by tenants at 410 Victoria Street, and other surrounding office tenancies. Given the lack of parking provided at 410 Victoria Street, the additional parks provided by the Stacker is essential for the functionality of the building as a commercial asset.



Instruction & Approach

| | |
|--------------------|--|
| Instructing Party | Property Managers Group |
| Reliant Party/s | PMG Direct Office Fund and ASB Bank Limited |
| Purpose of Report | First Mortgage Security & Acquisition Purposes |
| Interest Valued | 100% |
| Date of Valuation | 20 February 2019 |
| Date of Inspection | 20 February 2019 |

Property Details

| | | |
|-------------------|---|--------------------|
| Legal Description | Kiwi Bank – Part Lot 44 Deposited Plan 1566 | |
| | Kiwi Bank – Part Lot 44-45 Deposited Plan 1566 | |
| | The Stack – Lot 2 Deposited Plan 374486 & Lot 2 Deposited Plan South Auckland 74799 | |
| Tenure | Freehold | |
| Proprietary Owner | PMG Capital Fund Limited | |
| Land Area | 410 Victoria Street | 596 m ² |
| | 12 Alma Street | 255 m ² |
| Lettable Area | 1911 m ² | |

| | |
|--------------------------|---|
| Zoning | Central City Zone under the Hamilton City Council Operative District Plan |
| Occupancy Details | The property provides a relatively good tenant covenant with Kiwi Bank occupying the ground level and having naming rights over the building. The upper levels are occupied by a variety of private and government tenants, and a part floors on level 1 is subject to a vendor underwrite. |
| WALD | 3.26 years |

SWOT Analysis

| | |
|----------------------------------|--|
| Strengths / Opportunities | <ul style="list-style-type: none"> • High profile corner position with exposure from Victoria and Alma Streets. • Close proximity to Hamilton's main central shopping malls, and city amenities. • Convenient access to the main transportation network into, and out of Hamilton's CBD. • The upper office floors have some views over the Waikato River. • Good IEP rating of above 72%. • Reasonable sized floor plates, providing good future re-leasing options. • Ample parking with 1 parking space per 56 sqm of NLA. • Anchored by a Bank to the ground floor • Refurbished accommodation that has been well maintained • Recent improvement in the local office market for B & C grade accommodation • Recent capital works on air conditioning, painting and the stacking car park • Strong demand in the commercial investment property market locally and nationally. |
| Weakness / Threats | <ul style="list-style-type: none"> • One part floor subject to Vendor underwrite for a 1 year term. • Relatively short remaining lease term with approximately 50% of tenancies (based on income) expiring in the next two years. • Surrounding building are somewhat taller than the subject, creating significant shadowing over the subject. • Negative perception by some of the stacking car park and limited onsite parking • Increasing city rates with some tenancies on gross leases. • Major banks are becoming increasingly resistant to funding properties with short remaining lease terms which may impact on a large portion of investors. |

Key Data & Assumptions

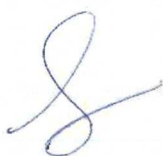
| | |
|-------------------------------------|--|
| Total Gross Contract Income | \$695,140 per annum |
| Outgoings | \$132,783 per annum |
| Assessed Net Passing Rental | \$570,158 per annum (Including market rental over vacancies) |
| Net Market Rental | \$554,931 per annum |
| Letting Up Allowance | 3 - 6 months |
| Tenant Retention | 50% |
| Average Growth | 2.39% per annum |
| Market Capitalisation Rate | 6.70% |
| Discount Rate | 8.25% |
| Terminal Capitalisation Rate | 7.00% |

Valuation Conclusions

| | |
|--|---|
| Adopted Value (100%) | \$8,100,000 plus GST |
| Passing Initial Yield | 6.84% |
| Equivalent Market Yield | 6.65% |
| Internal Rate of Return (including capex) | 8.27% |
| Direct Comparison Rate | \$4,239 per sqm of NLA |
| Hypothetical Apportionment | Office Building: \$6,800,000 Car Park Stacker: \$1,300,000 |

We confirm this apportionment does not reflect individual market values of the respective components of the property, and is a hypothetical apportionment of the combined market value only.

Valuers

A handwritten signature in blue ink, appearing to be "MS", enclosed within a circular blue ink stamp.

MATT SNELGROVE / BBS, SPINZ, ANZIV
Registered Valuer
Director / Valuation & Advisory Services

A handwritten signature in blue ink, appearing to be "CM", enclosed within a circular blue ink stamp.

CONNOR MCCASHIN / BBS
Valuer
Valuation & Advisory Services

CIVAS Limited trading as Colliers International
69 Victoria Street, Hamilton Central, Hamilton 3204
PO Box 19093, Hamilton 3244
Phone No. (07) 839 2538

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

1.0 INTRODUCTION

1.1 INTRODUCTION AND BRIEF

We have received instructions from Nigel Lowe of Property Managers Group to assess the market value of the subject property and have pleasure in reporting as follows:

We outline in the following subsections key assumptions, limitations and restrictions with regard to this valuation. We further note that this valuation is undertaken in accordance with the agreed written Scope of Work between the above instructing party and CIVAS Limited trading as Colliers International ("The Company"). A copy of this Scope of Work is attached at **Appendix 3** and we confirm this meets the requirements of the International Valuation Standards 2017 (IVS 101 Scope of Work).

We advise that Colliers have been the selling agent with this transaction, and as such there is a conflict of interest in CIVAS Limited carrying out this valuation. We confirm that CIVAS Limited has provided this valuation in a complete independent manner, and further confirm that conflict of interests clearances were obtained from the purchaser, vendor, and bank to whom will be relying on this valuation (to whom this report is addressed and as noted as a reliant party).

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

1.2 BASIS AND PURPOSE OF VALUATION

The valuation has been completed in accordance with the latest International Valuation Standards and the Australia and New Zealand Valuation and Property Standards for mortgage and loan security purposes.

We confirm that this valuation has been prepared to establish market value for the purpose of acquisition and mortgage security purposes.

We have adopted the International Valuation Standards definition of "Market Value" as follows:

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

1.3 INFORMATION SOURCES

The vendor's real estate agents have provided the following information which has been adopted in the valuation process:

- Tenancy schedule
- Lease Documentation
- Seismic Assessment

- Outgoings Budget
- LIM Report
- Sale & Purchase Agreement

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

1.4 RELIANCE & EXTENSION OF LIABILITY

This valuation has been prepared for *PMG DIRECT OFFICE FUND* for acquisition purposes, and *ASB BANK LIMITED* for first mortgage security purposes only.

No responsibility is accepted or assumed to any third parties, nor should there be any reliance upon this report by any third party other than the party(s) explicitly noted above without our express written agreement.

This report is confidential between The Company and the above party(s) to whom The Company agrees in writing may rely upon the valuation report for the purpose stated.

1.5 ASSUMPTIONS

Property Specific

1. We have not been provided with any information relating to the condition of the plant and equipment within 410 Victoria Street or The Stack. Whilst we understand that the vendor has made recent upgrades to both properties, the extent of the work is unknown. Therefore this valuation is completed on the basis that the plant and equipment is presented to a reasonable standard and no significant capital expenditure is required in the immediate future.
2. We have not been provided with any legal documentation relating to the vendor underwrite, and our valuation is based on the terms and conditions of the underwrite as detailed herein.
3. We have been provided with an unsigned agreement to lease between the landlord and Kiwibank Limited over a tenancy on level two. We understand the key financial terms are agreed and therefore we have adopted this agreement within our assessment. If this assumption proves to be incorrect, we reserve the right to amend the valuation.
4. The agreement to lease does not provide a full list of recoverable outgoings from the tenant. We have assumed that all standard outgoings including management expenses are recoverable from the tenant. Additionally we have allowed for a ratchet clause within our assessment which is common in an ADLS lease.

Verifiable

1. We have assumed that the instructions and subsequent information supplied contain a full and frank disclosure of all information that is relevant.
2. We have assumed that there are no easements, rights of way or encroachments except those shown on the Record of Title or in the valuation.

3. A current survey has not been sighted. The valuation is made on the basis that there are no encroachments by or upon the property and this should be confirmed by a current survey or report and/or advice from a Registered Surveyor. If any encroachments are noted by the survey report we reserve the right to review our valuation.
4. We are not aware of any notices currently issued against the property and we have made no enquiries in this regard. We have not inspected the plant and equipment or obtained any advice on its condition or suitability. In the course of preparing this report we have relied upon information provided by the owner of the property.

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

Further Consulting

1. We have inspected all readily accessible parts of the improvements considered necessary for the purposes of our valuation. We have not sighted a structural survey of the improvements, nor its plant and equipment, by a qualified engineer. The valuer is not a building construction and/or structural expert, and is therefore unable to certify as to structural soundness of the improvements. A prospective purchaser or mortgagee would need to make their own enquiries in this regard. We have not inspected unexposed or inaccessible portions of the premises. We therefore cannot comment on the structural integrity, defect, rot or infestation of the improvements.
2. Our valuation is plus GST (if any).

Opinion

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

1. There will be no major economic downturn during the projection period, beyond that envisaged at the date of valuation.
2. A continued stable economy and reasonable levels of growth as currently predicted over the next 5 years.
3. The property manager will continue to manage the property in an experienced professional manner.
4. There will be no new taxes or rates introduced which have a direct impact on the property over the projected period.

1.6 COMPLIANCE STATEMENT

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

- The statements of fact presented in this report are correct to the best of the Valuer(s) knowledge;
- The analysis and conclusions are limited only by the reported assumptions and conditions;
- The Valuer(s) have no interest in the subject property;
- The Valuer(s) fee is not contingent upon any aspect of this report;
- The valuation has been performed in accordance with an ethical code and performance standards;
- The Valuer(s) has satisfied professional education requirements;

- The Valuer(s) has experience in the location and category of the property being valued;
- The Valuer(s) (as noted in the executive summary and final section of this report) has made a personal inspection of the property and
- No one, except those specified in the report has provided professional assistance in preparing the report
- Further, the principal valuer is a Registered Valuer in accordance with the Valuers Act 1948 and holds an Annual Practising Certificate.
- We also confirm that The Company hold professional negligence insurance for an amount not less than 20% of the subject valuation assessment.
- We confirm that we are not aware of any conflicts of interest or pecuniary interests of the property being valued on the part of either The Company or the valuer(s).

2.0 SITE PARTICULARS

2.1 LEGAL DESCRIPTION

The subject properties are held in multiple titles which are summarised as follows:

| Property Summary | | | | | |
|----------------------|-----------------------------------|------------|----------|--------------------------|----------------|
| Building | Legal Description | Identifier | Tenure | Proprietary Owner(s) | Land Area |
| KiwiBank Building | Part Lot 44 DP 1566 | SA10A/1379 | Freehold | PMG Capital Fund Limited | 231 sqm |
| KiwiBank Building | Part Lot 44-45 DP 1566 | SA10A/1378 | Freehold | PMG Capital Fund Limited | 231 sqm |
| KiwiBank Building | Part Lot 44-45 DP 1566 | SA10A/1377 | Freehold | PMG Capital Fund Limited | 134 sqm |
| The Stack - Carparks | Lot 2 DP 374486 & Lot 2 DPS 74799 | 300443 | Freehold | PMG Capital Fund Limited | 255 sqm |
| Total | | | | | 596 sqm |

Copies of the Records of Title are appended to this report at **Appendix 2**.

We note from our perusal of the Records of Title that the property is subject to the following interests:

SA10A/1377 & SA10A/1378 & SA10A/1379

- Certificate Pursuant to Section 643(2) Local Government Act 1974 – *Relates to buildings being constructed over multiple titles.*

300443

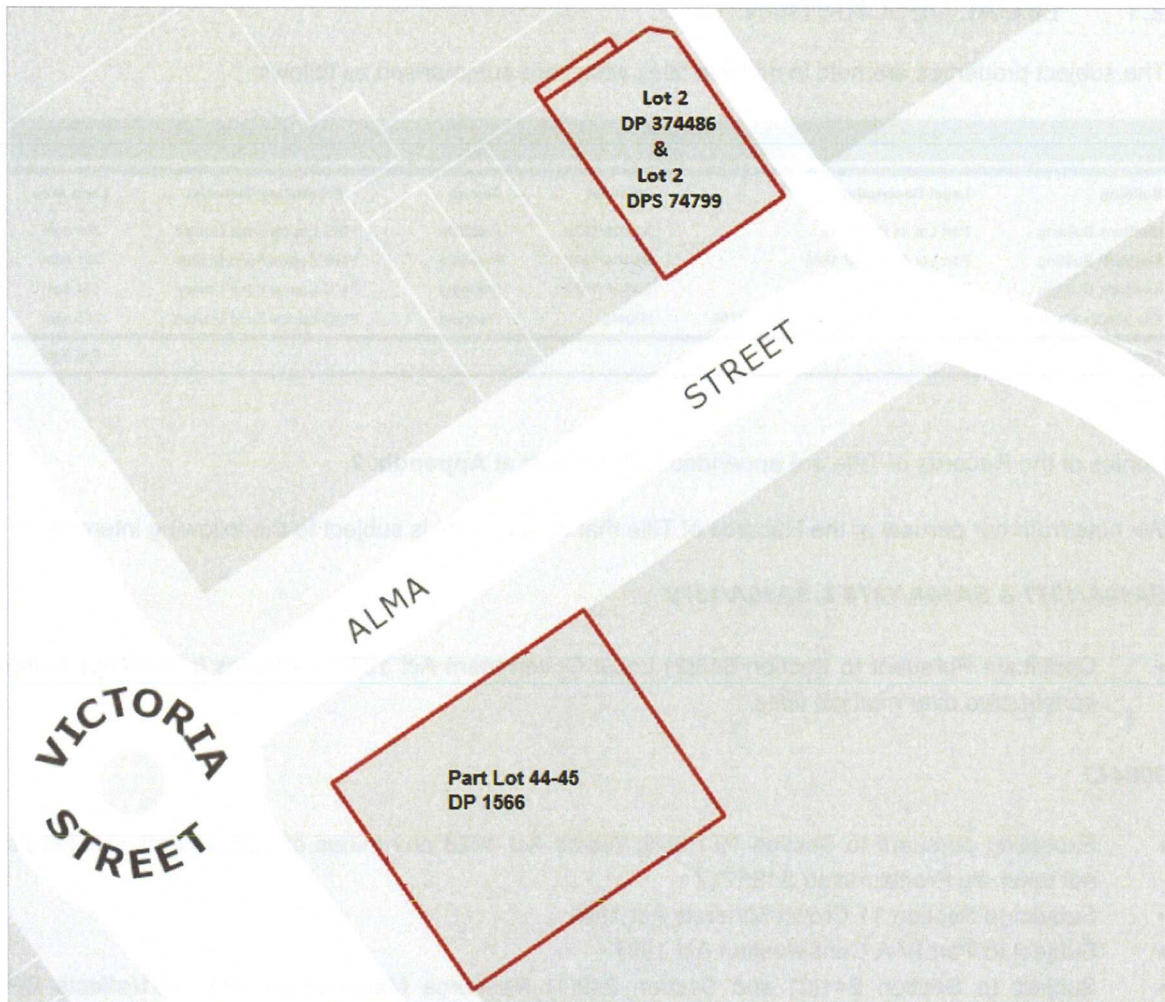
- Excepting pursuant to Section 19 Public Works Act 1928 any mines of coal and other minerals not taken by Proclamation S165717
- Subject to Section 11 Crown Minerals Act 1991
- Subject to Part IV A Conservation Act 1987
- Subject to Section 241(2) and Section 242(1) Resource Management Act 1991(affects DP 374486)
- Appurtenant hereto is a right of way created by Easement Instrument 7609180.11
- The easements created by Easement Instrument 7609180.11 are subject to Section 243 (a) Resource Management Act 1991
- Subject to a right of way over part marked A DP 397919 created by Easement Instrument 7877247.2

We have had consideration for the above encumbrances within our value concluded herein.

Ownership

We note from our perusal of the Records of Title that the properties are in the registered ownership of PMG Capital Fund Limited with a mortgage registered to ASB Bank Limited.

2.2 SITE DESCRIPTION



410 Victoria Street

The site is of a regular shape with frontage to Victoria Street of approximately 22 metres and to Alma Street of approximately 27 metres. The total site area is 596 and in terms of contour the site is level throughout.

12 Alma Street

The site is a regular shape with frontage to Alma Street of 12 metres. The site has a total area 255 sqm and in terms on contour the site is level throughout.

Access to the Site

Pedestrian access is granted to the Kiwi Bank Building from Victoria Street with Vehicular access off Alma Street.

Pedestrian and Vehicular access is granted to the Car Park from Alma Street.

Utilities

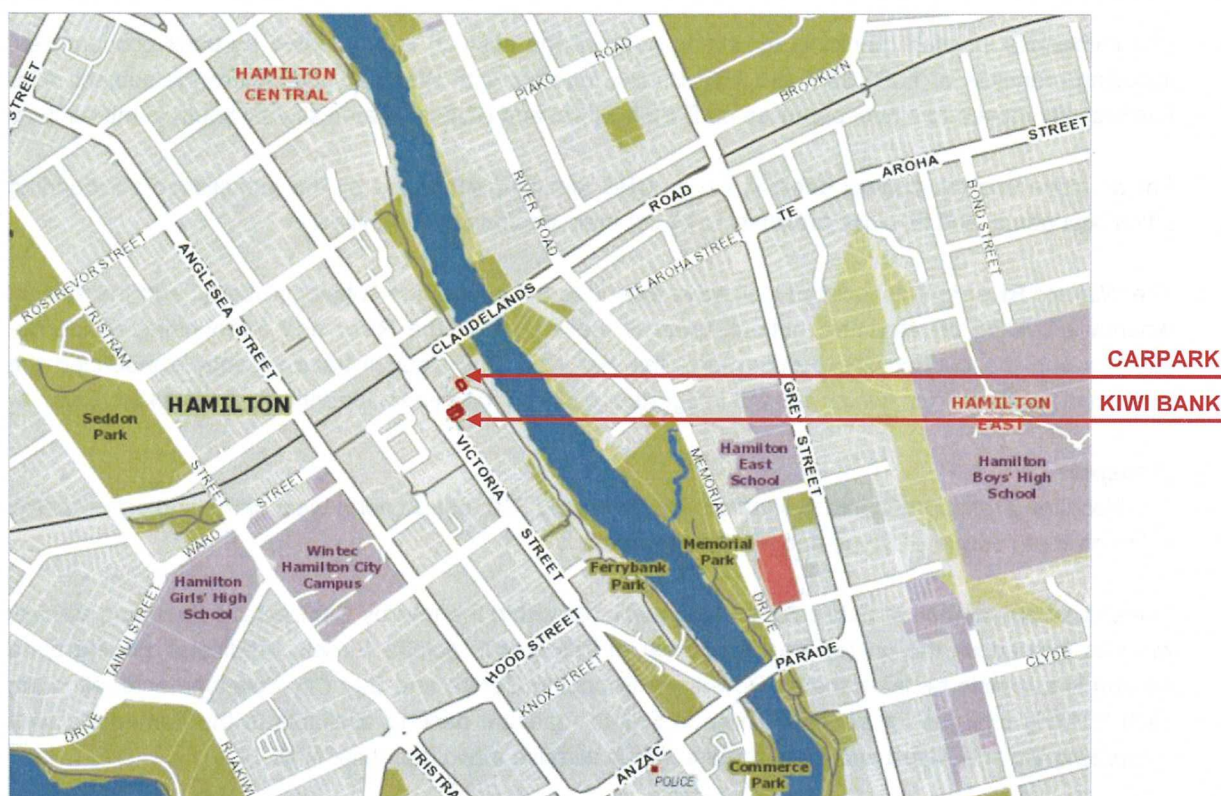
We understand that the property is connected to all major utility services including electricity, water, telephone and sewerage.

Other

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

2.3 SITUATION AND LOCALITY

The Kiwi Bank Centre is positioned to the corner of Victoria and Alma Street, with the Stacker located further along Alma Street. Given its CBD position, the property has very good exposure to passing vehicular traffic, together with a moderate level of pedestrian traffic. The property is well located in the core of Hamilton's Central Business District.



General Location Details

Surrounding development on Victoria Street comprises a wide range of commercial properties encompassing a mixture of low to medium level buildings providing for mostly office and ground floor retail accommodation, together with a number of multi-level office towers disbursed throughout the area. The subject property is surrounded by some of the larger buildings within the immediate locality.

Other properties of particular note within close proximity to the subject comprise the Novotel and Sky City Casino development, and the Centreplace Shopping Centre. Slightly north of the subject is the IBIS Hotel, and Westpac Building. Garden Place extends to the south west of the subject property, which includes mainly lower level development with ground floor retail accommodation, and a mixture of office and residential development above. The Hamilton City Council offices and council chambers are situated to the western end of Garden Place.

The property occupies a good central position within Hamilton's central core, on a prominent site with frontage to Victoria Street. And proximity to Centre Place. Victoria Street is the principle retailing and commercial thoroughfare through the CBD, consequently the property provides for retailing to the Victoria Street frontage.

Given the premium corner location of the property, it has excellent profile and exposure within the CBD. The layout and shape of the floor plates within the building afford good natural light around the building, with the upper levels providing views of the cityscape. The property adjoins the Novotel, which is currently in the process of a 40 room expansion to the eastern elevation of the subject which will limit the view towards the river and may create some shading over the property.

The immediate location (primarily extending north of the subject) is dominated by bank occupancies, including branches of TSB, SBS and ANZ Banks, together with Westpac adjacent to the subject. ASB has recently moved to a new premises on Barton Street and BNZ is located slightly south of the subject.

For an office use the subject offers a strong CBD location, enhanced by the established surrounding office occupants, and its close proximity to all the main central city amenities.

The Waikato River and associated walkways extend to the east of the subject property, with the subject tenancy providing an attractive outlook towards the east over the River and surrounding residential suburbs and the central city. Furthermore, the Hamilton City Council have recently announced the Hamilton City River Plan, which aims to integrate the city's urban environment with the Waikato River.

Transport

The Hamilton Transport Centre is situated approximately 300 metres north west of the subject property, to the northern corner of Bryce and Anglesea Streets.

There is an abundance of public car parking available within the nearby Centreplace Shopping Centre, which is located on the on the western corner of Bryce and Victoria Streets. Additional underground parking is available beneath the ex-Downtown Shopping Centre and Sky City developments, although each building charges for parking. There is limited roadside parking available in the immediate area comprising Victoria, Ward and Alma Streets, which all have a two hour time limit.

Due to the central CBD position, car parking is at a premium and parking rates associated with buildings in the immediate area are amongst the highest in the CBD.

Location Conclusion

The subject property is within a good quality, and well established Central Business District location which is central to all city amenities and transport networks. Given the property's corner position it benefits from very good exposure within the CBD.

2.4 RESOURCE MANAGEMENT

The property is within the Central City Zone, and the 'Downtown Precinct', under the Hamilton City Council Operative District Plan October 2017. Furthermore, the property is also in the Riverfront Overlay Policy Zone.

Zoning Purpose

The Central City of Hamilton is the heart of the Waikato region. It is the principal centre for employment, retailing, entertainment and business activities, and is the region's cultural and recreational hub.

Hamilton is growing and it is essential that the Central City recognises and provides for this growth through planning for development and urban design. Council's vision is for the Central City to be at the core of this growth and to guide development towards achieving a unique character, which is representative of and enhances the City's social, cultural, economic and environmental wellbeing.

Four distinct precincts have been identified within the Central City. The Local Area Plan identifies the desired character of the precincts and strategies for guiding future development and intensification within them. These strategies have helped inform the District Plan, where objectives, policies and rules seek to guide the growth and development of the Central City in a sustainable manner.

Precinct Rules and Objectives

The Downtown Precinct will provide for the largest proportion of the region's commercial growth over the next 30 years and will be characterised by its relationship with the Waikato River and built form to attract and support ongoing growth. At street-level there will be a requirement for active building frontages including retail, dining and entertainment. At higher levels, high-density commercial offices and residential use will be encouraged to enhance vitality and public safety.

Permitted activities within the Downtown Precinct include the following, provided they comply with the specific performance standards as outlined in the District Plan.

Service industry (except noxious or offensive activities), offices, home-based business, ancillary office, ancillary retail, retail (except ground floor retail greater than 250 sqm GFA per tenancy within the Riverfront Overlay), supermarkets, tourism ventures and information centres, restaurants, cafes and licensed premises, places of assembly, passenger transport facilities, health care services on ground floor level 250 sqm GFA or less, health care services above the ground floor, childcare facilities on ground floor 250 sqm GFA or less, childcare facilities above the ground floor, community centres on ground floor level 250 sqm GFA or less, community centres above the ground floor, tertiary education and specialised training facilities on ground floor level 250 sqm GFA or less, tertiary education and specialised training facilities above ground floor, public art, apartments at ground floor (with exceptions), apartments above ground floor, visitor accommodation, ancillary residential units above ground floor.

The following general standards (Development Controls) apply to all Permitted and Controlled Activities.

Development Intensity

- Maximum Floor Area Ratio (ratio of gross floor area to net site area) of 5:1.
- Maximum Site Coverage of 100%.

Building Height

- The maximum building height shall be 16 metres, in height overlays 1 and 2 and 13 metres in height overlay 3, although subject to Garden Place sunlight protection rules. Depending on the location of the property a 'bonus' may be given to increase the maximum height.

Building Setbacks

- There is no minimum setback from any boundary, except where adjoining the Riverfront Overlay where the setback is 5 metres.

Protection of the Riverbank

- For any development or redevelopment of any site within the Riverfront Overlay area which is within 15 m of the river boundary must be carried out in a manner which ensures the protection of the river bank, including an assessment by a qualified geotechnical engineer on the stability of the area with particular regard to the avoidance of damage to the adjoining reserve and the river.
- All stormwater discharges shall be reticulated directly to the Council's stormwater system and no discharge to the riverbank shall be allowed.

Various other rules and specific standards apply.

2.5 ENVIRONMENTAL AND OTHER SPECIAL RISKS

The subject property has been used for commercial purposes since its construction in 1983. We would not anticipate that this use would result in a major environmental risk.

We are not aware of the full history of the site, however, adjoining properties are in the main fully developed and uses would not appear to represent any environmental threat in our opinion.

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

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

We have perused the Land information Memorandum provided by the council for both properties and note that the documents state the council is unaware of any previous use or activities that is likely to cause land contamination.

While due care has been taken to note any contamination liability, our investigations have been undertaken for valuation purposes only, and this report does not constitute an environmental audit.

Unless otherwise stated no account has been taken of the effect on value due to contamination or pollution.

2.6 STATUTORY INFORMATION

Building Act

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

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

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

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

The Warrant of Fitness is current, expiring 12 January 2012 and displayed in the building.

Rating Valuation – 410 Victoria Street

| | |
|--------------------|------------------|
| Assessment Number: | 4002-37-00 |
| Date of Assessment | 1 September 2018 |

| | |
|------------------------|-------------|
| Land Value: | \$1,340,000 |
| Value of Improvements: | \$3,250,000 |
| Capital Value: | \$4,590,000 |

Rating Valuation – 12 Alma Street

| | |
|--------------------|------------------|
| Assessment Number: | 4002-46-01 |
| Date of Assessment | 1 September 2018 |

| | |
|------------------------|-----------|
| Land Value: | \$435,000 |
| Value of Improvements: | \$345,000 |
| Capital Value: | \$780,000 |

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

3.0 DESCRIPTION OF IMPROVEMENTS

3.1 OVERVIEW

410 Victoria Street comprises a 1983 built, four level 'C Grade' office building that is fully occupied by a number of reputable tenants as well as a one year vendor underwrite over two small vacant areas. The Property comprises ground level retail space as well as three levels of office accommodation above. The floors have been refurbished over the last few years and provide for good quality office space. To the rear of the building are two on grade car parks.

The property is situated to the corner of Victoria and Alma Street and comprises three adjoining allotments with a combined land area of 596 sqm. From a location perspective, the property is positioned within the core of Hamilton's CBD, where there are a number of significant office buildings including Westpac Tower, BNZ Centre, and the former ASB Building. The property has good exposure to vehicular and pedestrian traffic along Victoria Street, and is located within close proximity to central city amenities.



Construction of the office building comprises reinforced concrete foundations and floors with concrete columns and beams supporting suspended concrete upper floors. Cladding comprises a mix of finished spandrel beams with inset aluminium framed glazing.

Internally, most levels comprise carpet floor coverings, plasterboard internal wall linings and partitioning, and suspended grid-system ceilings with flush panel fluorescent lighting. Each floor is presented to a varying quality, with most office levels having undergone refurbishment over the past few years.

12 Alma Street comprises a 32 park mechanical car stacker on a 255 sqm regular shaped site. The parks are used by tenant at 410 Victoria Street and other surrounding office tenancies. Given the low parking provided at 410 Victoria Street the additional parks provided by the Stacker is essential for the functionality of the building as a commercial asset.

3.2 ACCOMMODATION

Entrance Lobby

The main entrance to the building is from the Victoria Street frontage via a glazed automated sliding door. The lobby provides an attractive entrance with feature tile and timber floor covering and wall linings surrounding the lift. Timber stairs with a glass balustrade provided additional access to the upper levels with recessed downlights.



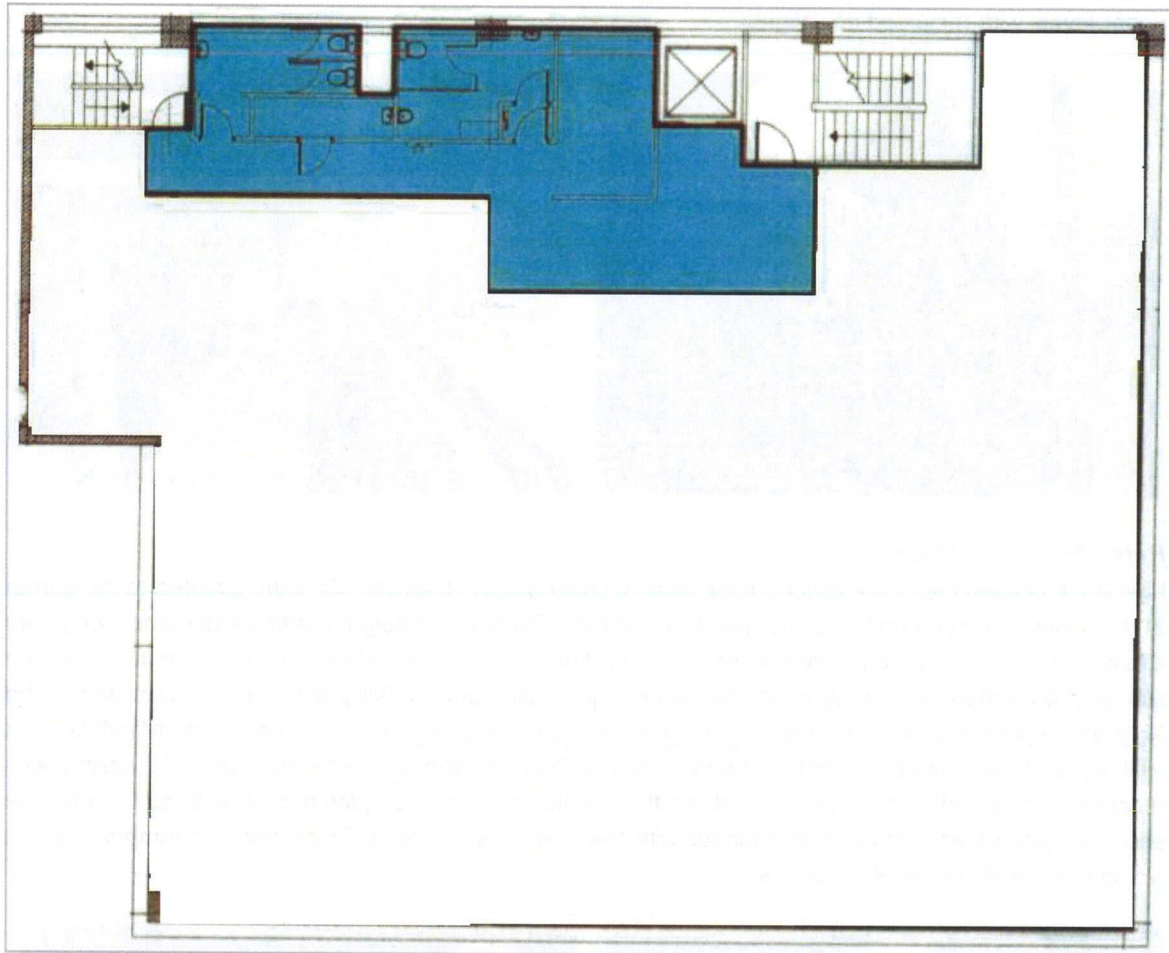
Retail Accommodation

Kiwi Bank occupy the entire ground floor retail accommodation totalling 422 sqm, situated to the corner of the building fronting both Victoria and Alma Streets. There is full height Glazing extending along both elevations providing good profile and natural light. Internally the accommodation is presented to a high standard consistent with bank accommodation. Open retail and banking activities are provided to the front of the premises, with the rear including office space, meeting and lunchroom accommodation, as well as staff amenities. Fit out comprises carpet floor coverings, suspended grid tile ceiling with recessed florescent lights. We understand the partitioning was completed by the tenant. Extensive security systems are provided throughout with the premises providing functional accommodation that would suit a wide range of occupiers.



Office Accommodation

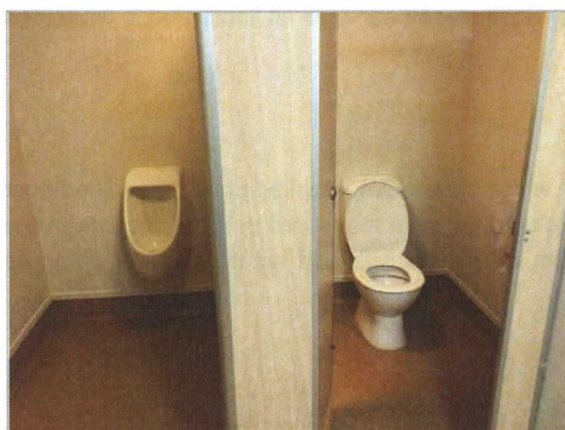
The general configuration of the property incorporates a lift and two stairwell cores along the southern elevation. Each of the offices levels include a floor plate between of 495 and 500 sqm, and are split into multiple tenancies with a shared lunchroom and separate gender ablutions within the common area lift lobby and access ways.



Internally, most levels incorporate carpet floor coverings, plasterboard internal walls and partitioning, and suspended grid-system ceilings with flush panel fluorescent lighting and ducted air-conditioning. Each floor is presented to a varying quality, with the majority of the office floors having recently undergone refurbishment.



The shared ablutions and lunch area are presented to a basic albeit functional standard with the floor coverings to some tenancies subject to reasonable levels of wear and tear.



Overall the accommodation would suit a range of office occupiers and benefits from good levels of natural light and access to central city amenities.

12 Alma Street – Car Park Stacker

The car park stacker is accessed off Alma Street and provides parking for 32 vehicles. We understand prior to settlement the vendor is to complete so mechanical upgrades to the stacker. We also note that without the additional parking spaces at 12 Alma Street, 410 Victoria Street would be less marketable from a sales and leasing perspective as there are limited onsite parking spaces. Accordingly, it improves the functionality of the premises as a commercial asset.



3.3 BUILDING SERVICES

The building provides fire protection throughout with fire hose reels, thermal detection and an alarm system fitted to each level. A single 10 person (700 kg) Schindler lift services all floors and is presented to a good standard.

3.4 FLOOR AREAS

The floor areas adopted within our valuation are those which have been supplied to us by certified floor plans provided by the Landlord. We note that these areas have been measured in accordance with the PINZ/PCNZ recommended guidelines for measurement of office areas. We summarise the areas as follows:

| Component | Tenant | Lettable Area NLA |
|---------------------------------------|---------------------|----------------------|
| Premises - 410 Vicotria Street | | |
| Ground - Retail | KiwiBank Limited | 422.0 |
| Pt Level 1 | Vendor Underwrite | 180.0 |
| Pt Level 1 | Te Rito Maioha | 234.0 |
| Pt Level 1 | Te Tume Paeroa | 81.1 |
| Pt Level 2 | Vendor Underwrite | 181.9 |
| Pt Level 2 | Internal Affairs | 317.2 |
| Pt Level 3 | Jacobs (NZ) Limited | 216.7 |
| Pt Level 3 | Quotable Value | 278.2 |
| Total Premises | | 1,911.0 |
| Other Areas | | |
| Naming Rights | KiwiBank Limited | 1.0 |
| Total Other Area | | |
| Car Parking | | |
| Car Parks - Open | | 2.0 |
| Car Parks - Stacker | | 32.0 |
| Total Parking | | 34.0 |
| Total | | 1,911.0 |

3.5 CONDITION AND REPAIR

Upon inspection the building was presented in good condition commensurate with its age. The external elevations appear to be in good repair overall. We did not see any items of deferred maintenance on inspection. For the purpose of this valuation we have assumed that no significant capital expenditure is required for the subject property at the present time.

3.6 SEISMIC

Overview

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

On 10 May 2015 the Building and Housing Minister announced a number of changes to the proposed Earthquake Strengthening Bill. The key policies announced are:

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

2. Low, Medium and High Risk areas have different timeframes for assessment and upgrade. Instead of a single 5 year assessment and 15 year upgrade period, the country will be divided into these three categories:

High Risk: 5 years for assessment, 15 years to upgrade. Total: 20 years. Includes: Wellington, Christchurch, Napier/Hastings

*Medium Risk: 10 years for assessment, 25 years to upgrade. Total: 35 years. Includes: **Hamilton**, Tauranga, New Plymouth, Nelson, Invercargill*

Low Risk: 15 years for assessment, 35 years to upgrade. Total: 50 years. Includes: Whangarei, Auckland, Dunedin

On 2 September 2015 the Minister further announced a new category of 'priority buildings' to cover those parts of an unreinforced masonry building like a parapet or veranda which could fall into a public road, footpath or other thoroughfare that has been identified by a Council as having sufficient vehicle or pedestrian traffic to warrant prioritisation.

The effect of being a 'priority building' is that the times for assessment and upgrade requirements are halved. In a high risk area, this means the assessments will need to be completed in two and a half years, instead of five, and upgraded within seven and a half years rather than 15. In a medium risk area, the assessments would need to occur in five years instead of 10, and the repairs within 12 and a half years, rather than 25.

Councils will have the task of identifying those areas with sufficient vehicle or pedestrian traffic to justify the new priority category. It is expected that all commonly used retail areas like central business districts will be included.

Another change to the Bill will require building owners undertaking earthquake strengthening work to also satisfy other requirements of the Building Code including fire escapes and access for people with disabilities, with provision for some exemptions.

We note that despite the regulatory framework setting 34%NBS (*New Building Standard*) as the minimum threshold for a building to be not earthquake prone, both the occupational and investment markets have been adopting a level of 67%NBS in terms of their decision making and discounting as a general rule. This may well reduce or have already reduced slightly for particular lower risk location due to the potential change in legislation.

We have been provided with an Initial Evaluation Procedure (IEP) Seismic Assessment by prepared by G A Hughes & Associates Limited in March 2012. The building was assessed 72.5% NBS in the transverse direction and 91% NBS in the longitudinal direction. Overall, the building corresponds to a Grade B building as defined by the New Zealand Society for Earthquake Engineering (NZSEE) building grading scheme. The evaluation of the building suggests it is not earthquake prone or a potential earthquake risk structure.

4.0 OCCUPANCY ARRANGEMENTS

4.1 OVERVIEW

We have been provided the opportunity to view all lease and tenancy documentation for the individual components of the Kiwi Bank building. We confirm we have (where available) sighted Deed of Lease, and any associated Deed of Renewal and Rent Review documents.

Our valuation is undertaken on the basis that all leases are executed and the income and occupancy provisions are in accordance with the tenancy information we have been provided, as summarised in the tenancy schedule to follow. This forms a Critical Assumption to our valuation herein.

4.2 TENANCY SCHEDULE

We provide below a summary tenancy schedule providing the information adopted in our valuation:

| Level/Suite | Tenant | Use | Lettable Area NLA | Lease Commence | Lease Term | Lease Expiry | Type | % NLA | Lease Option | Next Review Date | Base Passing Rent | Base Passing Rent \$/m ² |
|------------------------|----------------------|---------|----------------------|-------------------|---------------|-----------------|-------|----------------|-----------------|---------------------|----------------------|--|
| 1 Ground - Retail | KiwiBank Limited | Retail | 422.00 | 8-Apr-16 | 9.00 | 7-Apr-25 | Net | 22.08% | 3x3 | 8-Apr-20 | 155,513 | 368.51 |
| 2 Pt Level 1 | Vendor Underwrite | Office | 180.00 | 14-Dec-18 | 1.00 | 13-Dec-19 | Net | 9.42% | - | 13-Dec-19 | 38,700 | 215.00 |
| 3 Pt Level 1 | Te Rito Maioha | Office | 234.00 | 1-Apr-18 | 6.00 | 31-Mar-24 | Net | 12.24% | 3x3 | 1-Apr-19 | 50,310 | 215.00 |
| 4 Pt Level 1 | Te Tume Paeroa | Office | 81.05 | 1-Sep-17 | 3.00 | 31-Aug-20 | Gross | 4.24% | - | 31-Aug-20 | 21,883 | 269.99 |
| 5 Pt Level 2 | KiwiBank Limited | Office | 181.92 | 1-Apr-19 | 6.00 | 31-Mar-25 | Net | 9.52% | 1x6 | 1-Apr-22 | 41,842 | 230.00 |
| 6 Pt Level 2 | Internal Affairs | Office | 317.21 | 15-Sep-14 | 6.00 | 14-Sep-20 | Gross | 16.60% | 3x3 | 14-Sep-20 | 83,910 | 264.53 |
| 7 Pt Level 3 | Jacobs (NZ) Limited | Office | 216.67 | 1-Jul-17 | 2.00 | 30-Jun-19 | Net | 11.34% | - | 30-Jun-19 | 46,584 | 215.00 |
| 8 Pt Level 3 | Quotable Value | Office | 278.19 | 21-Nov-17 | 3.00 | 20-Nov-20 | Net | 14.56% | 1x3 | 21-Nov-19 | 59,810 | 215.00 |
| 9 Fitout Rental | Quotable Value | Other | 1.00 | 21-Nov-17 | 3.00 | 20-Nov-20 | Net | 0.00% | 1x3 | 21-Nov-19 | 8,000 | 8,000.00 |
| 10 Naming & Signage | KiwiBank Limited | Naming | 1.00 | 8-Apr-16 | 9.00 | 7-Apr-25 | Net | 0.00% | 3x3 | 8-Apr-20 | 15,793 | 15,793.46 |
| 11 Car Parks - Stacker | KiwiBank Limited | Parking | 3.00 | 8-Apr-16 | 9.00 | 7-Apr-25 | Net | 0.00% | 3x3 | 8-Apr-20 | 8,213 | 2,737.53 |
| 12 Car Parks - Rear | KiwiBank Limited | Parking | 2.00 | 8-Apr-16 | 9.00 | 7-Apr-25 | Net | 0.00% | 3x3 | 8-Apr-20 | 5,475 | 2,737.53 |
| 13 Car Parks - Stacker | Te Rito Maioha | Parking | 2.00 | 1-Apr-18 | 6.00 | 31-Mar-24 | Net | 0.00% | 2x2 | 1-Apr-19 | 5,200 | 2,600.00 |
| 14 Car Parks - Stacker | Te Tume Paeroa | Parking | 2.00 | 1-Sep-17 | 3.00 | 31-Aug-20 | Gross | 0.00% | - | 31-Aug-20 | 5,200 | 2,600.00 |
| 15 Car Parks - Stacker | Jacobs (NZ) Limited | Parking | 1.00 | 1-Jul-17 | 2.00 | 30-Jun-19 | Net | 0.00% | - | 30-Jun-19 | 2,600 | 2,600.00 |
| 16 Car Parks - Stacker | Westpac Bank | Parking | 20.00 | - | Monthly | 29-Feb-20 | Net | 0.00% | - | 31-Jan-20 | 52,000 | 2,600.00 |
| 17 Car Parks - Stacker | Propellor Properties | Parking | 1.00 | - | Monthly | 29-Feb-20 | Net | 0.00% | - | 31-Jan-20 | 2,600 | 2,600.00 |
| 18 Car Parks - Stacker | Vacant | Parking | 3.00 | - | - | - | Net | 0.00% | - | - | - | - |
| 20 Total | | | 1,911.04 | | | | | 100.00% | | | 603,633 | |

Arrears

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

Vacancies

We note that part of level one is vacant, totalling 180 sqm or approximately 9.4% of the NLA. However, this area is subject to a one year underwrite by the Vendor. We note three car parks are also vacant, with the intention that these are to be reserved for this office accommodation.

4.3 LEASE DETAILS

Kiwi Bank Limited

We have been provided with a signed copy of the Deed of Lease which is summarised below:

LEASE SUMMARY

| | | | | | | | | | |
|---------------------------------------|---|---------------|--------------------|------------|-------------------|----------------------------|--------------------------|---------------|---------------------------|
| <i>Premises:</i> | 422 sqm on the ground floor of the landlord's premises at 410 Victoria Street / Alma Street Hamilton. | | | | | | | | |
| <i>Lease Term & Commencement:</i> | Nine (9) years, commencing 8 April 2016 | | | | | | | | |
| <i>Rights of Renewals:</i> | The lessee has three (3) further terms of three (3) years each. | | | | | | | | |
| <i>Final Expiry:</i> | 7 April 2034 if all renewals are exercised. | | | | | | | | |
| <i>Annual Rental:</i> | Our Apportionment of the rental, set at the recent rent review is as follows <table> <tr> <td>Ground Level:</td><td>\$155,513 Plus GST</td></tr> <tr> <td>Car Parks:</td><td>\$13,688 Plus GST</td></tr> <tr> <td><u>Naming and Signage:</u></td><td><u>\$15,793 Plus GST</u></td></tr> <tr> <td>Total:</td><td>\$184,994 Plus GST</td></tr> </table> | Ground Level: | \$155,513 Plus GST | Car Parks: | \$13,688 Plus GST | <u>Naming and Signage:</u> | <u>\$15,793 Plus GST</u> | Total: | \$184,994 Plus GST |
| Ground Level: | \$155,513 Plus GST | | | | | | | | |
| Car Parks: | \$13,688 Plus GST | | | | | | | | |
| <u>Naming and Signage:</u> | <u>\$15,793 Plus GST</u> | | | | | | | | |
| Total: | \$184,994 Plus GST | | | | | | | | |
| <i>Rent Reviews:</i> | The rental shall be review on the 8 April 2018 & 8 April 2020 to CPI + 1% per annum with market rent reviews on 8 April 2022 and all subsequent renewals. We note the rent on market review dates cannot fall below the rental payable at the commencement date of the then current lease term. | | | | | | | | |
| <i>Proportion of Outgoings:</i> | 22.17% | | | | | | | | |
| <i>Business Use:</i> | The Business of NZ Post and Kiwi Bank Limited as well as any use allowed under the operative district plan. | | | | | | | | |
| <i>Outgoings:</i> | The lease is prepared on a net basis whereby the tenant is required to pay a proportionate share of outgoings associated with the tenancy. That being said the tenant is not required to pay any management expenses | | | | | | | | |

Kiwi Bank Limited

We have been provided with a signed copy of the Agreement to Lease which is summarised below:

LEASE SUMMARY

| | |
|---------------------------------------|--|
| <i>Premises:</i> | 181.92 sqm on level 2 of the landlord's premises at 410 Victoria Street, Hamilton (Tenancy A). |
| <i>Lease Term & Commencement:</i> | Six (6) years, commencing 1 April 2019. |
| <i>Rights of Renewals:</i> | The lessee has one (1) further term of six (6) years. |

| | |
|---------------------------------|---|
| <i>Final Expiry:</i> | 31 March 2031, if the renewal is exercised. |
| <i>Annual Rental:</i> | \$41,841.60 per annum plus GST. |
| <i>Incentives:</i> | The landlord will provide an incentive equivalent in value to 6 (six) months Annual Rent plus GST. |
| <i>Rent Reviews:</i> | The rental shall be reviewed on 1 April 2022, 1 April 2025, and 1 April 2028 to market. |
| <i>Proportion of Outgoings:</i> | 100% of the tenancies pro rata share of outgoings. |
| <i>Business Use:</i> | Commercial Offices. |
| <i>Outgoings:</i> | The lease is prepared on a net basis whereby the tenant is required to pay all outgoings associated with the tenancy. |

Te Rito Maioha Early Childhood New Zealand Incorporated

We have been provided with a signed of the Deed of Lease which is summarised below:

LEASE SUMMARY

| | | | | | | | |
|---------------------------------------|--|-----------|-------------------|------------|------------------|---------------|--------------------------|
| <i>Premises:</i> | Part of the landlord's property being 234 sqm of level 1 at 410 Victoria Street Hamilton. | | | | | | |
| <i>Lease Term & Commencement:</i> | Six (6) years commencing 1 April 2018 | | | | | | |
| <i>Rights of Renewals:</i> | The lessee has three (3) further terms of three (3) years each. | | | | | | |
| <i>Final Expiry:</i> | 31 March 2033, if all renewals are exercised. | | | | | | |
| <i>Annual Rental:</i> | Our Apportionment of the rental, set at the commencement date is as follows <table> <tr> <td>Premises:</td><td>\$50,310 Plus GST</td></tr> <tr> <td>Car Parks:</td><td>\$5,200 Plus GST</td></tr> <tr> <td>Total:</td><td>\$55,510 Plus GST</td></tr> </table> | Premises: | \$50,310 Plus GST | Car Parks: | \$5,200 Plus GST | Total: | \$55,510 Plus GST |
| Premises: | \$50,310 Plus GST | | | | | | |
| Car Parks: | \$5,200 Plus GST | | | | | | |
| Total: | \$55,510 Plus GST | | | | | | |
| <i>Rent Reviews:</i> | The rental shall be reviewed every anniversary of the commencement date to the change in consumer price index and to market on lease renewal. | | | | | | |
| <i>Proportion of Outgoings:</i> | 12.24% | | | | | | |
| <i>Business Use:</i> | Administration Offices and Early Childhood Education | | | | | | |
| <i>Outgoings:</i> | The lease is prepared on a net basis whereby the tenant is required to pay a proportionate share of outgoings associated with the tenancy. | | | | | | |

Te Tumu Paeroa

We have been provided with a signed copy of the Deed of Lease which is summarised below:

LEASE SUMMARY

| | |
|---------------------------------------|--|
| <i>Premises:</i> | Part of level 1 at 410 Victoria Street comprising 81.05 sqm. |
| <i>Lease Term & Commencement:</i> | Initial Term: Three (3) years commencing 1 September 2014 Renewed Term: Three (3) years commencing 1 September 2017 |
| <i>Rights of Renewals:</i> | The lessee has no further rights of renewal remaining. |
| <i>Final Expiry:</i> | 30 August 2020. |
| <i>Annual Rental:</i> | Premises : 21,883 per annum plus GST Car Parks :\$5,200 per annum plus GST. |
| <i>Rent Reviews:</i> | The rental shall be reviewed on lease renewal |
| <i>Business Use:</i> | Offices |
| <i>Outgoings:</i> | The lease is prepared on a gross basis whereby any outgoings associated with the building are included in the annual rental. For clarity the tenant is responsible for all utilities consumed within the premises. |

Her Majesty the Queen acting by and through the Secretary for Internal Affairs

We have been provided with a signed copy of the Deed of Lease which is summarised below:

LEASE SUMMARY

| | |
|---------------------------------------|--|
| <i>Premises:</i> | Part level 2 at 410 Victoria Street being a total of 316.64 sqm. |
| <i>Lease Term & Commencement:</i> | Six (6) years commencing 15 September 2014 |
| <i>Rights of Renewals:</i> | The lessee has three (3) further terms of three (3) years each. |
| <i>Final Expiry:</i> | 15 September 2029, if all renewals are exercised. |
| <i>Annual Rental:</i> | \$83,910 per annum plus GST. |
| <i>Rent Reviews:</i> | The rental shall be reviewed every three years to the current market rental. |
| <i>Business Use:</i> | Commercial and Government Offices |
| <i>Outgoings:</i> | The lease is prepared on a gross basis whereby any outgoings associated with the building are included in the annual rental. For clarity the tenant is responsible for all utilities consumed within the premises. |

Jacobs (NZ) Holdings Limited

We have been provided with a signed copy of the Deed of Lease to Lease which is summarised below:

LEASE SUMMARY

| | |
|---------------------------------------|--|
| <i>Premises:</i> | Part of level 3, 410 Victoria Street Hamilton a total floor area of 216.67 sqm. |
| <i>Lease Term & Commencement:</i> | One (1) year commencing 1 July 2018. |
| <i>Rights of Renewals:</i> | The lessee has no further rights of renewal remaining. |
| <i>Final Expiry:</i> | 30 June 2019. |
| <i>Annual Rental:</i> | Premises: \$46,584 per annum plus GST. Car Parks: \$2,600 per annum plus GST |
| <i>Business Use:</i> | Offices |
| <i>Outgoings:</i> | The lease is prepared on a net basis whereby the tenant is required to pay a proportionate share of outgoings associated with the tenancy. |

Quotable Value Limited

We have been provided with a signed copy of the Deed of Lease and Deed of Variation which is summarised below:

LEASE SUMMARY

| | |
|---------------------------------------|--|
| <i>Premises:</i> | Part of the landlord's property being part level 3 410 Victoria Street, Hamilton and comprising 278.19 sqm. |
| <i>Lease Term & Commencement:</i> | Three (3) years commencing 21 November 2017 |
| <i>Rights of Renewals:</i> | The lessee has one (1) further term of three (3) years remaining. |
| <i>Final Expiry:</i> | 20 November 2023 if all renewals are exercised. |
| <i>Annual Rental:</i> | Premises :\$59,810 per annum plus GST. Fitout Rental :\$8,000 per annum plus GST |
| <i>Rent Reviews:</i> | The rental shall be reviewed every two years to current market rental. The new rental is prevented from falling below the rental payable as at the commencement date of the then current lease term. |
| <i>Business Use:</i> | Property Valuers |
| <i>Outgoings:</i> | The lease is prepared on a net basis whereby the tenant is required to pay a proportionate share of outgoings associated with the tenancy. |

Vendor Underwrite

We understand part level one and two are subject to a vendor underwrite as specified within the Sale and Purchase agreement. The underwrite is for a one year term at a net rental of \$215 per sqm plus GST and outgoings from settlement date. We are aware the expiry of this underwrite is 14 December 2019 and have adopted this within our assessment of the market value.

We understand that if a tenant was to be found for these two tenancies, prior to the termination of the underwrite, then vendor will cease to pay the underwrite.

4.4 OPERATING EXPENSES

We have been provided with a schedule of actual operating expenses prepared by the property owner, and have adopted these in most part for the budgeted operating expenses going forward. However, where there are components that reflect a higher level of recent expenditure, or do not align with the wider market regarding operating expenditure components, we have adjusted accordingly. Furthermore, we have applied a management allowance in the operating expenditure, which has not been allowed for in the current schedule provided to us. A component of the operating expenses has been treated as non-recoverable, which relates to the carparking (Stacker) occupancy, whereby the carpark rentals are paid on a gross basis.

Our adopted budget is detailed in the following table:

| Outgoings Budget | \$pa | \$psm |
|---------------------------------|----------------|--------------|
| Statutories | | |
| Hamilton City Council Rates | 35,942 | 18.81 |
| Waikato Regional Council Rates | 2,656 | 1.39 |
| Total Statutory Charges | 38,598 | 20.20 |
| Operating Expenses | | |
| Administration | 15,000 | 7.85 |
| Cleaning | 9,852 | 5.16 |
| Fire Protection | 293 | 0.15 |
| Insurance | 17,022 | 8.91 |
| HVAC | 9,561 | 5.00 |
| Lifts & Escalators | 4,870 | 2.55 |
| Repairs & Maintenance | 11,473 | 6.00 |
| Security | 4,205 | 2.20 |
| Total Energy | 8,359 | 4.37 |
| Water Charges | 550 | 0.29 |
| Other Expenses | - | - |
| Total Operating Expenses | 81,185 | 42.48 |
| Total Outgoings | 119,783 | 62.68 |
| Non-Recoverable | | |
| Management Fees -NONREC | 13,000 | 6.80 |
| Total Non-Recoverable | 13,000 | 6.80 |
| Adopted Outgoings | 132,783 | 69.48 |

Total operating expenses applied equates to \$132,783, representing \$69.44 per sqm. We reiterate that that the outgoings budget provided by the owner did not include an allowance for management. Accordingly, we have included a notional allowance of \$15,000 per annum based on our knowledge of management charges for similar sized buildings within the Hamilton CBD.

Based on our involvement with the valuation of similar commercial office properties within Hamilton's CBD, we confirm that these operating expenses are generally in line with market levels, although are slightly on the high side. This is we suspect a reflection of the additional maintenance costs associated with the car parking stacker.

After changes in the 10 year plan, there has been some ambiguity around increases in Hamilton City Council rates. After consulting with the public, the Council agreed to an average increase in rates of 9.7% for the 2018/2019 (current) rating period.

Further uncertainties lie within the future growth of rates. Although the Council has suggested an increase of 3.8% per property per annum, this will be in addition to the Capital Value rating adjustment.

The adoption of a Uniform Annual General Charge, plus a 100% Capital Value rating system, has been shortened from 10 years to six, and will now be at 100% in the 2020/2021 rating year.

We have been provided with a rating calculator by the Hamilton City Council in order to forecast rates increase at 100% Capital Value, or the 2020/2021 rating year. However, this has no allowance for the Rating Valuations that have recently been complete.

Accordingly, it is proving difficult to forecast the movement in Council rates as a result of the above issues. That being said, given the high Capital Value in relation to the Land Value for the property at 410 Victoria Street, there could be a fairly significant rates increase in the short term created by the Capital Value adjustment. The extent of this is unknown, and is likely to become clearer upon the completion of the Rating Valuations later this year.

As at the date of valuation, we have relied on the information supplied to use by the council in order to forecast the future rates growth. We point out that a number of tenancies within the subject property are on a gross lease basis and accordingly these future increases will erode the net income.

4.5 NET INCOME

Based on our interpretation of the above occupancy details, the total net income derived from the subject property can be summarised as follows:

| Component Income | Passing Income | | |
|--|----------------|---------------|----------------|
| | \$ pa | \$ psm | % of total |
| Office | 343,039 | 230.38 | 48.80% |
| Retail | 155,513 | 368.51 | 22.12% |
| Naming | 15,793 | 15,793.46 | 2.25% |
| Parking | 81,288 | 2,390.81 | 11.56% |
| Other | 8,000 | 8,000.00 | 1.14% |
| Outgoings Recoveries | 91,508 | 47.88 | 13.02% |
| Total Gross Passing Income | 695,140 | 363.75 | 98.89% |
| Vacant Areas (gross) | 7,800 | 4.08 | 1.11% |
| Potential Fully Leased Gross Income | 702,940 | 367.83 | 100.00% |
| Less Adopted Outgoings | 132,783 | 69.48 | |
| Potential Fully Leased Net Income | 570,158 | 298.35 | |

4.6 CAPITAL EXPENDITURE

Office assets require continual expenditure in order to maintain their appearance, structural integrity and service facilities. We therefore consider it appropriate to include a specific allowance for capital expenditure throughout our cash flow period in recognition of these requirements.

Our valuation includes an initial allowance of \$75 per sqm (at the expiry of the initial leases) which reflects the refurbished nature of the premises, and \$75 per sqm for subsequent expiries. We have also allowed a general capital expenditure allowance of \$25 per sqm throughout the cash flow, which again reflects the condition of the recently refurbished asset.

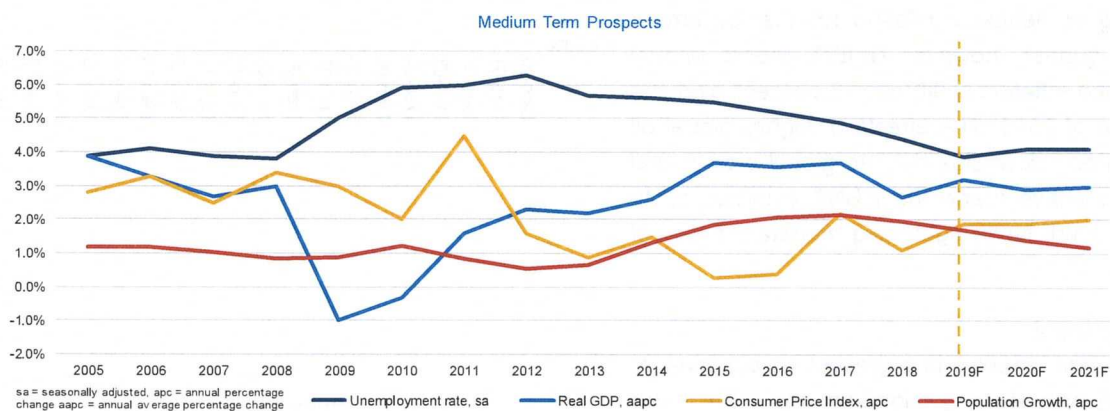
We understand that the vendor recently completed works in relation to the Air Conditioning, repainting the premises, security features and will do upgrade on the car park stacker prior to the settlement date. Accordingly we understand that the plant and equipment are in good working order with no significant capital expenditure required in the immediate future. If this proves to be incorrect, we reserve the right to amend our valuation accordingly.

5.0 MARKET COMMENTARY

5.1 ECONOMIC COMMENTARY

In determining the current market value of the subject property, we have had regard to underlying economic conditions and the flow-on implications that these may have on investment and divestment decisions made across the broader property markets.

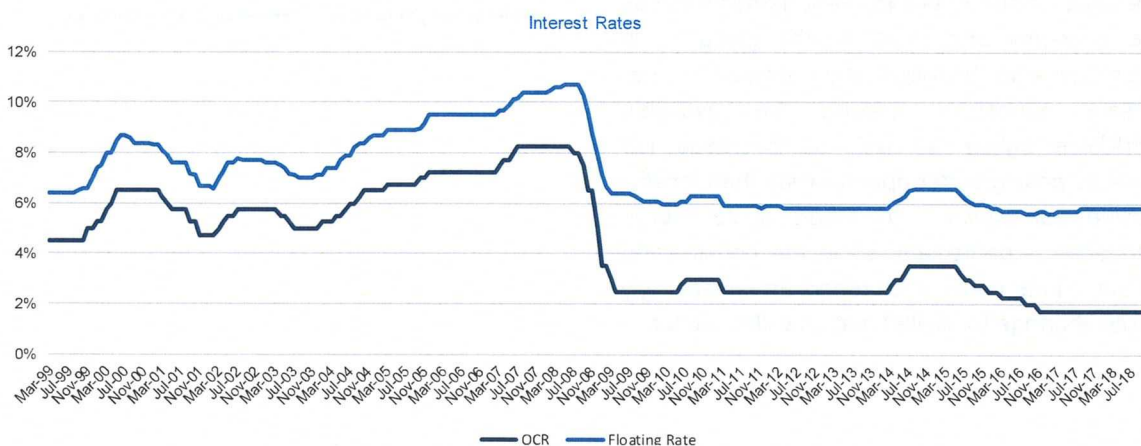
This commentary is effective as at February 2019 and is based on the most recently sourced data from Government and independent sources. The following graph provides an overview of key market indicators in recent times plus forecasts.



Interest Rates

The Official Cash Rate (OCR) has remained unchanged by the RBNZ at 1.75% since November 2016. Despite interest rates rising globally, the RBNZ have continued to indicate there is little urgency to raise the OCR with the potential to cut the OCR by up to 100 basis points should GDP not reach 3% over 2019. However, NZIER still expect an upward shift in the OCR suggesting a rise in early 2020.

The suggestion towards cutting the interest rates further comes on the back of weaker business confidence and profitability. This move could leave little room to manoeuvre through the next downturn. The graph shows the downward trend in rates since 2014.

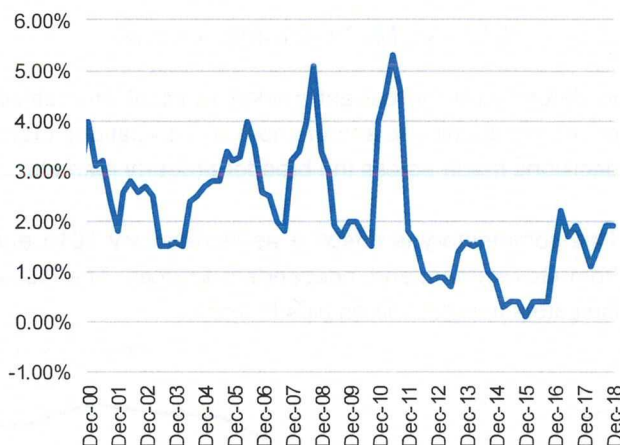


Inflation / CPI

Annual CPI change for the year to December 2018 increased 1.9 percent, close to the Reserve Bank's target mid-point of 2%. The sectors pushing inflation the highest was petrol (11%) and construction costs (3.6%). Outside of petrol, annual inflation was only 1.5% for the December 2018 year.

Fuel prices have dropped off marginally over recent months which is likely a key reason in the easing of headline inflation for the December 2018 quarter, however NZIER expect annual headline inflation to lift over 2 percent over the course of 2019. The effects of higher global oil prices and downside risks to global growth and inflation have made the RBNZ cautious as to when it will begin tightening monetary policy, if at all.

Annual CPI % Change

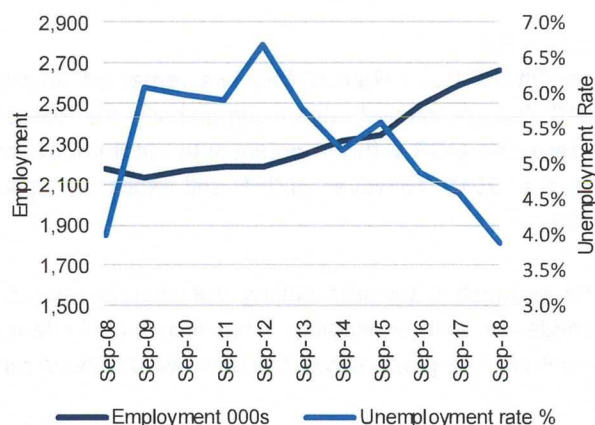


Employment

The labour market is expected to continue to tighten with slowing migration and more Kiwis looking towards overseas job markets. Proposed changes to employment laws and immigration including increases in the minimum wage and elimination of the 90-day trial period are unlikely to deter employment.

Strong demand for labour has had a balancing effect with the unemployment rate dropping to 3.9 percent in the September 2018 quarter, down from 4.5 per cent the previous quarter – the lowest in ten years. This is expected to be the result of strong employment demand across the economy and more youths going in to education after the introduction of free first year tertiary education, making the available workforce tighter as well as overseas job markets posing better opportunities than locally. Businesses continue to report acute labour shortages – particularly so in the construction sector. Firms continue to report an increasingly acute shortage for skilled and unskilled labour.

Employment



GDP

Gross Domestic Product (GDP), a measure of economic productivity, grew a mere 0.3% in the September 2018 quarter dropping 0.7% from the June 2018 Quarter. Annual GDP growth was 3.0% for the year ended September 2018 and is forecasted by NZIER to average around 3.0% over the next five years on the back of expected slower population growth.

NZIER measures business confidence within businesses own operations uninfluenced by the Government in office. Despite decreasing economic growth, firms are relatively positive regarding hiring and investment with intentions to invest in plant & machinery increasing with net 7% of businesses expecting to increase investment in this area. However, businesses remain cautious surrounding investment in buildings.

Business profitability has also deteriorated as cost pressures intensify and businesses struggle to pass these on, however demand has reportedly increased. The increasingly strong labour market is expected to support household income growth, and in turn household spending over the coming year.

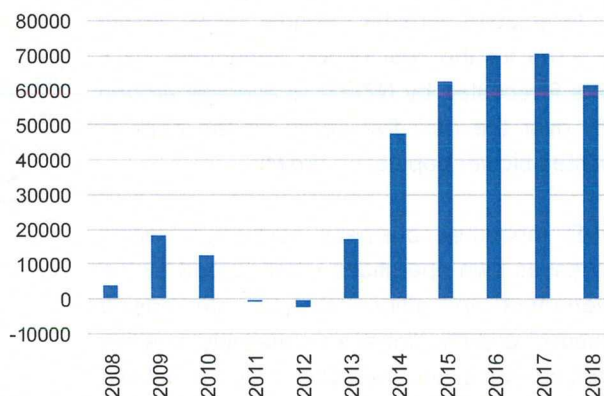


Population/Migration

Strong population growth is a key factor which has flowed through to many sectors of the economy including construction and retail spending. Despite remaining relatively strong by historical standards, there has been a decrease in the number of permanent & long-term migrants with annual net migration for November 2018 at 43,400, down 10,400 from the previous year.

The drop in net migration is likely the effect of composition changes in visa types and lift in the minimum salary migrants must earn to be classified as skilled. However, the surge in the number of migrants on work visas continues to be offset by a significant drop in the number of student visas as a result of the crackdown on fraudulent visas.

Net Migration
Year Ended October

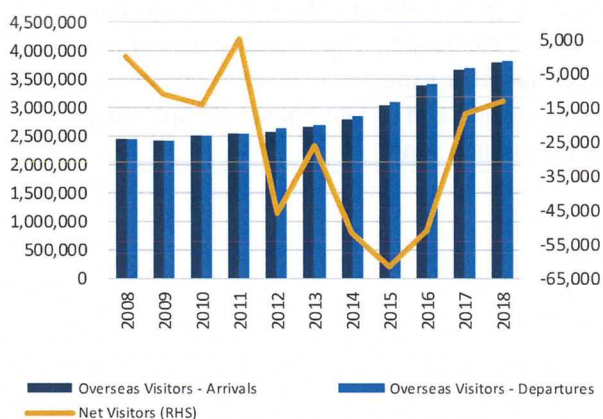


Tourism

Strong tourism will continue to be a major supporter in economic activity around a range of sectors including retail spending and commercial construction. Visitor arrivals in November 2018 were up to 132,800 on November 2017.

NZIER expects tourism to remain strong over the coming years due to a buoyant Chinese economy and a more competitive New Zealand Dollar. Tourism spending will be an important contributor to New Zealand's regional economic development and NZIER's global demand forecast expects this positive momentum to continue. Demand remains strongest in Auckland, but activity has plateaued with the Auckland tourism sector reaching capacity as the region waits the arrival of new hotel developments. Christchurch is recovering back to pre-earthquake levels as new accommodation comes on board.

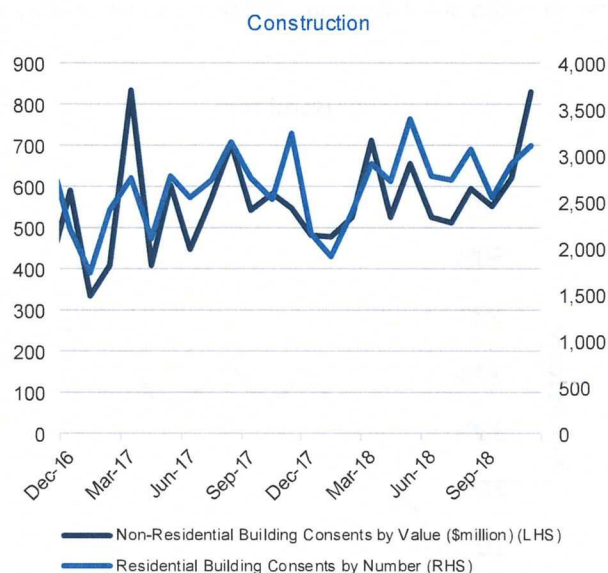
Tourism - Arrivals & Departures
Year Ended September



Construction

Effects of high tourism and net migration continue to impact the construction sector. The construction pipeline remains strong, however changes in Government spending and capacity constraints are leading to increased uncertainty as to which projects will be going ahead. NZIER's business confidence survey indicates there is a softening in new demand for infrastructure spending from government. The year ending December 2018 saw an increase of 9.0% on the value of non-residential building activity, compared to the December 2017 year. The year ended December 2018 saw a 6.1% rise in actual number of dwellings consented. For standalone houses only, the number of consents issued was down 3.2%, demonstrating the increase in multiunit developments.

Cost pressures remain intense in the sector impacting negatively on profitability, pushing some firms off projects and others in to receivership, affecting multiple sites across the country. Building sector firms no longer expecting a recovery in profitability, with many expecting profitability to worsen in the next quarter. Uncertainty remains in the economy as the effects are yet to be fully realised.

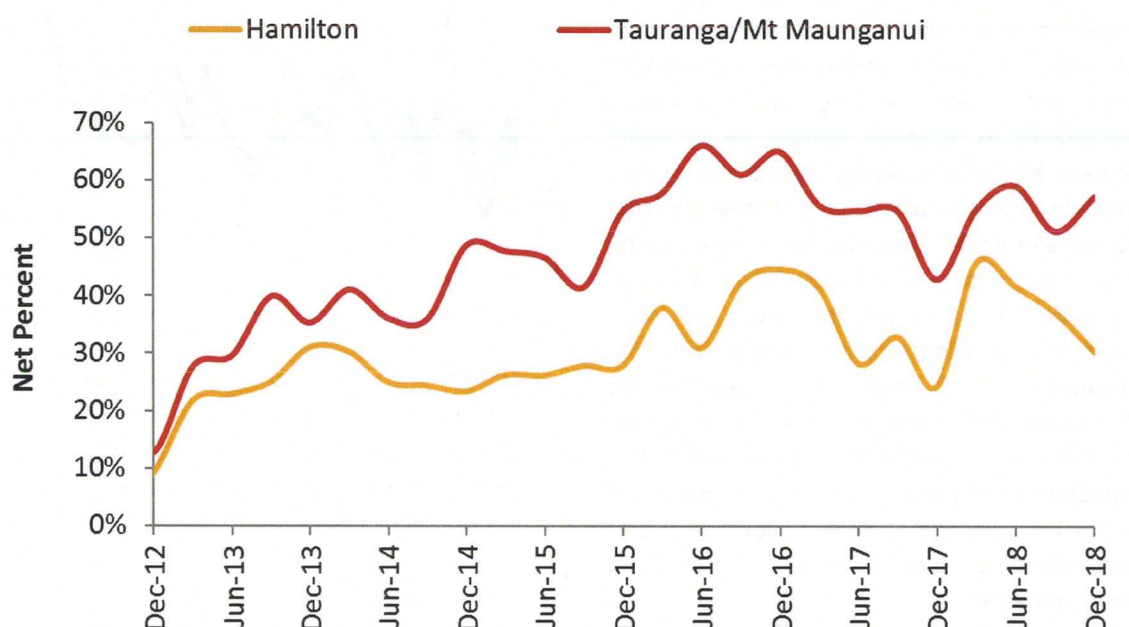


5.2 HAMILTON INVESTMENT MARKET COMMENTARY

There continues to be a strong appetite for good quality investment assets across all price levels within the Hamilton market. Properties which have solid investment fundamentals (including a reputable tenant, good location, and strong lease covenant) are in high demand, and as a result yield rates for these assets have compressed over the last two years as competition amongst investors has increased. This is particularly the case within the sub \$3M market. Demand for higher priced investment assets has also improved over the last 12-18 months as interest rates have remained low, therefore attracting syndicators and high net worth investors to the market.

Although there has been a noticeable change in investor sentiment over the last two years from uncertainty towards improved confidence, there continues to be a level of caution taken with acquisitions, and extensive due diligence is typically carried out for most major transactions. This extends to not only the building itself, but the financial wellbeing of any major tenants.

The results of the Colliers International quarterly Commercial Property Investor Confidence Survey (for the Hamilton and Tauranga / Mt Maunganui markets) are illustrated in the graphic:



Source: Colliers International Research

Prime quality assets in the sub \$3M price range within the Hamilton market that 'tick all the boxes' are achieving initial yield rates from around 5.50% to 6.50%.

A margin still exists between primary and secondary assets, where secondary yields for lesser quality properties generally range from around 7.5% to 9.0%. Those properties that have an additional risk element, such as extensive vacancy, a short WALT or structural deficiencies, are attracting yield premiums where returns of in excess of 10% are common for these assets.

Throughout 2013 and 2014 we saw an increase in demand for secondary quality commercial and industrial properties which offer good fundamentals, with developers observing an increase in tenant demand which has led to the refurbishment of a handful of older buildings.

The earthquake status, particularly of older buildings, has become an increasingly significant issue in the Hamilton investment market over the last two-three years, to the extent where any older buildings without at least an IEP (Initial Evaluation Procedure) is virtually unsalable. Most purchasers of substantial assets are now requesting detailed seismic assessments as part of the due diligence investigations. 'Earthquake Prone' buildings are generally heavily discounted by the market, although other investment fundamentals have come into play with these assets. For example location is a key influence in price where there maybe partial or full redevelopment opportunities. We have seen several transactions in Hamilton's CBD in particular where Earthquake Prone buildings have been purchased for short-medium term redevelopment. Prices in these instances have generally reflected land value.