CBRE

Valuation Report

130 Pinecrest Drive, Gulf Harbour, Auckland - Rodney

Valuation Date	31 August 2025
Inspection Date	28 August 2025
Client	PMG Direct Childcare Fund Trustees Limited
Lender	ASB Bank Limited
Amended	Version 2 - Redacted

Contents

Appendices

1 Valuation Summary

VALUATION SUMMARY — 31 August 2025

MARKET VALUE **$4,575,000** **(plus GST, if any)**

(Hypothetical Apportionment: Land - $1,975,000 | Improvements - $2,600,000)

Initial (Passing) Yield	7.00%
Reversionary Yield (Yield on Market Income)	6.56%
Equivalent Yield	6.69%
Indicated IRR	8.88%
$per License	$43,571
$psm of Land Area	$2,319

PROPERTY PARTICULARS

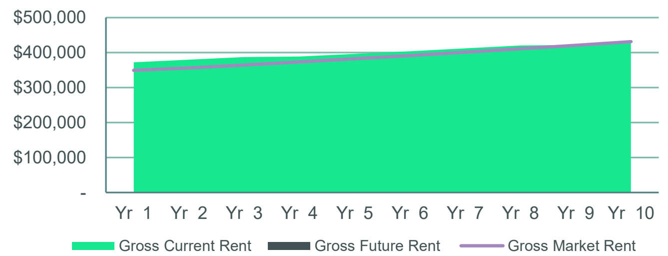
Brief Description	A purpose built Childcare facility constructed in 2020 and built to allow 105 Children.
Site Area	1,973 sqm
Lettable Area	558.7sqm
Licences	105
Zoning	Business

TENANCY PROFILE

Tenant	Expiry	Licenses (sqm)	Net Contract Rent	Net Market Rent
Harbour Haven	8-Oct-38	105.0	320,229	300,300

WALE by Income	13.1 years
Over/Under Renting (On Occupied)	6.6% over rented

PROPERTY INCOME PROFILE



LEASE EXPIRY PROFILE

CASH FLOW ASSUMPTIONS

Growth Forecasts	5 Year	10 Year
CPI	1.96%	1.98%
Outgoings	1.96%	1.98%
Building CAPEX	1.96%	1.98%
Childcare Net Market Rent	2.30%	2.40%
Capital Expenditure		
Ongoing Capex	28,847	60,148
% of Adopted Value	0.63%	1.31%

Future Assumptions	Childcare
Renewal Prob.	50.00%
Existing Vac. Lease Up	-
Future Lease Up	6.0 mths
Lease Term	10.0 yrs
Leasing Commissions	20.00%
Rent Reviews	Ann 2.50%
Refurb. Allowance	-

SIGNATORIES

Principal Valuer

Phil White | BPA, FNZIV
Registered Valuer
Director - Valuation & Advisory Services
Property Inspection - Yes | Job Involvement - Valuation & Analysis

Conditional Terms

This summary must not be acted on in isolation and must not be read independently of the valuation report in its entirety. This valuation and summary are subject to all content, assumptions, disclaimers, qualifications and recommendations in the report. The report is prepared for the use of and reliance by the Reliant Party only and limited only to the Purpose specifically stated. No responsibility is accepted or assumed to any third party for the whole or any part of the report.

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SWOT & Risk Analysis

Strengths & Opportunities

- Strong central government support of ECE with over 60% of business revenue typically derived from Ministry of Education (MoE) funding.
- Substantial parental take up of ECE to date (circa 96%) with further penetration targeted by central government.
- Near new, purpose-built improvements.
- Situated in a growing residential area.
- Penlink motorway (completion estimated 2026) will further enhance connectivity and future growth prospects.

Weaknesses & Threats

- Limited alternative uses for realty without substantial reconfiguration implying reversionary risk.
- Located on a side road with little profile.
- Political risk associated with industry reliance on government subsidisation.
- Competition between childcare centres, as there continues to be large growth in new childcare centres throughout wider Auckland.

Overall Risk Summary

The property is considered to have a low-medium risk profile in comparison with other commercial properties in the locality primarily due to the location of the property being at north end of the Whangaparaoa Peninsula.

Market Risk Comment

Global Economy Risks	Global markets remain under pressure from heightened economic uncertainty stemming from the ongoing trade war between the United States and its trading partners. These tensions have disrupted trade flows, supply chains, and investment strategies. While global interest rates have generally been declining, the longer-term outlook is increasingly uncertain. These developments present downside risks to New Zealand's economic activity and inflation trajectory.
Local Economy Risks	On 20 August 2025, the OCR was lowered by 25 basis points to 3.00%, reflecting subdued domestic activity and easing inflationary pressures. While inflation is currently near the top of the Reserve Bank's 1-3% target band, it is expected to return to the 2% midpoint by mid-2026. Economic outlook remains uncertain due to global trade restrictions and policy uncertainty, dampening household and business spending. Future Reserve Bank policy decisions will be determined by the outlook for inflationary pressure, with scope for further OCR reductions if medium-term inflation continues to ease.
Commercial Property Sector Risks	Transaction volumes were at historical lows throughout 2024, following similar subdued conditions in 2022-2023. As of 2025 general market sentiment has improved, and activity has increased driven in large part by lower mortgage rates. However, this nascent transactional activity has not been even across the country and structural challenges remain in certain sectors. In particular, Wellington office, shopping centres, larger scale properties with seismic risk, and assets relying on international capital.
Market Risk Summary	Our conclusions in this report are based on data and market sentiment as at the date of valuation. Experience has shown that market behaviour can rapidly change during periods of volatility. Given the current economic uncertainty, it is recommended that Reliant Parties review this valuation periodically.

2 Scope of Work

2.1 Instructions

Key Constituents	
Client	PMG Direct Childcare Fund Trustees Limited.
Instructing Party	Matthew White.
Other Intended User	ASB Bank Limited.
Intended Use	Financial reporting, mortgage security and for use as a public document for Capital Raising.
Asset Valued	130 Pinecrest Drive, Gulf Harbour, Auckland - Rodney 0930.
Basis of Valuation	Market Value - As Is - Subject to existing occupancy arrangements.
Date of Inspection	28 August 2025
Date of Valuation	31 August 2025
Date of Report Issue	1 October 2025
Amendment	This report has been amended and is noted as Version 2. The wording has been updated in the section Other Intended User and Intended Use, essentially inserting ASB Bank Limited as the User and adding mortgage security to the line Intended Use.
Valuation Currency	All dollars quoted in this report are NZD.

2.2 Market Value Definition

IVS Market Value Definition

In accordance with the International Valuation Standard, the definition of 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."

Fair Value Definition

We have also had regard to the requirements of the New Zealand Equivalent to International Financial Reporting Standard 13 (NZ IFRS 13). In particular, we have considered NZ IFRS 13 Fair Value Measurement, which adopts the following definition of Fair Value:

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

Fair Value under NZ IFRS 13 is generally synonymous with the concept of Market Value under IVS.

Under IVS, the date of valuation is the date at which our opinion of value applies, which in this case is 31 August 2025. This is different to the date of inspection which is 28 August 2025. Our valuation is on the basis that there are no material changes between the Inspection Date and Date of Valuation.

2.3 Industry Practice

Report Format

Our valuation has been prepared in accordance with International Valuation Standards (effective 31 January 2025) and Guidance Papers for Valuers and Property Professionals published by the Australian Property Institute (API), Property Institute of New Zealand (PINZ) and New Zealand Institute of Valuers (NZIV).

Valuer Declaration	We hereby certify that Phil White is suitably qualified and authorised to practise as a valuer; does not have a pecuniary interest, financial or otherwise, that could conflict with the proper valuation of the property; and accepts instructions to value the property only from the Responsible Entity/Instructing Party.
Prior Involvement	CBRE have previously assessed the value of this property for PMG Direct Childcare Fund as at 31st March 2023 at $4,825,000 plus GST for mortgage security and financial reporting purposes.

2.4 Financial Reporting Standard

NZ IAS 40	The valuation is undertaken in accordance with the requirements of NZVGP 502 – Valuations of Real Property, Plant & Equipment for Use in New Zealand Financial Reports. The property is an investment property and the valuer in conducting this report has also observed the requirements of New Zealand International Accounting Standard 40 – Investment Property (NZ IAS 40).
Financial Reporting Purposes	Financial Reporting Purposes means for the use in the preparation and issue of financial reports by the client in the general course of the client's operations only. This report is not to be used for any other purpose other than those specifically mentioned within this report.

2.5 Reliance and Confidentiality

Reliance Period	CBRE policy requires that reports cannot be reassigned for any purpose beyond 90 days from the date of valuation. We do not assume any responsibility or accept any liability in circumstances after the expiration of 3 months from the date of valuation, or such earlier date if the Client or Intended Users become aware of any factors that have any effect on the valuation.
Confidentiality	The Client acknowledges and agrees that all material or documents created by CBRE in providing the Services are provided for its benefit and the purposes set out in the Report and may not be relied on by anyone other than the Client and named Intended Users. No responsibility is accepted or assumed to any third party who may use or rely on the whole or any part of the content of this valuation. **That is no advice or representation is being provided to or made to any noteholders/subsidiaries/beneficiaries/affiliates or investors of the above- named reliant parties. Reliance and duty of care is strictly only extended to PMG Direct Childcare Fund Trustees Limited and ASB Bank.** Any valuation service is confidential as between CBRE, the Client and any Intended Users as specifically stated in the valuation advice/report. Neither the whole of the report, nor any part of it, may be published in any document, statement, circular or otherwise by any party other than CBRE, nor in any communication with any third parties, without the prior written approval of CBRE. As between CBRE, the Client and the Intended Users, all intellectual property rights in this Valuation Report are owned by CBRE.

2.6 Extent of Investigations

Extent of Investigations	We have carried out an inspection of exposed and readily accessible areas of the improvements. However, the valuer is not a building construction or structural expert and is therefore unable to certify the structural soundness of the improvements. Readers of this report should make their own enquiries. This report has been prepared for valuation purposes only and is not a geotechnical or environmental survey. If any defect is found, including structural defects, this information could impact on the value

of the property.

2.7 Information Provided

Summary

We have been provided with the following key information which has been relied upon within our report:

Document	Source
Deed of Lease and assignment of lease	PMG Funds
Current operating expenses	PMG Funds

Our valuation is undertaken on the basis that provided information is accurate. Should this not be the case, we reserve the right to amend our valuation.

2.8 Special and Significant Assumptions

Preface

Assumptions are a necessary part of undertaking valuations. CBRE adopts assumptions for the purpose of providing valuation advice because some matters are not capable of accurate calculation or fall outside the scope of our expertise, or our instructions. Assumptions adopted by CBRE will be formulated on the basis that they could reasonably be expected from a professional and experienced valuer. The Reliant Parties accept that the valuation contains certain specific assumptions and acknowledges and accepts the risk that if any of the assumptions adopted in the valuation are incorrect, then this may have an effect on the valuation. Refer to the Disclaimers, Limitations and Qualifications Section, which is pertinent to this valuation report.

Assumption

(1) We note that the Deed of Assignment, made reference to car parks as NIL, but we assume this was an oversight and that the carparks are included in the lease. Should this not be the case we reserve the right to reassess our valuation.

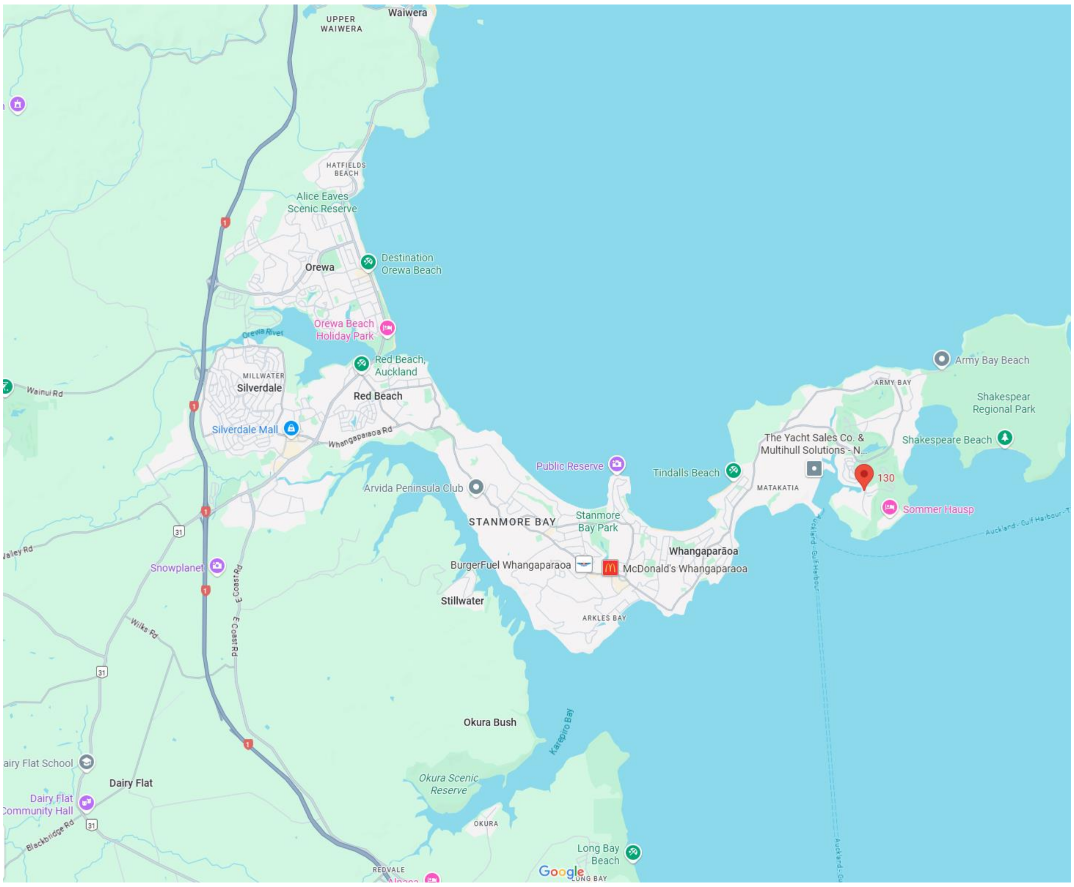
(2) In respect to the Land Covenants, it would appear that PMG Funds as the owner of the site will not be able to object to any developments on neighbouring properties. We are unaware if there are any immediate plans for the sites to the west of the subject property, however, should there be knowledge of any pending consents we would wish to take this matter into account and potentially reassess our valuation.

(3) We have also assumed that when the Childcare was originally developed in 2020, that consent was obtained from Gulf Corporation Limited.

3 Land

3.1 Location

Local Map



Location Overview

Gulf Harbour is developed within Hobbs Bay, towards the end of the development along the Whangaparaoa Peninsula. The subdivision features a wide range of residential development, from apartments and terrace housing, through to substantial executive quality residences and clifftop properties. The subdivision also provides marinas, boat storage and launching facilities, private school, playing fields, Golf Courses and convenience retail and dining.

Further retail and commercial facilities are situated at Whangaparaoa Centre and Coast Plaza, and slightly further away is the Silverdale North precinct at the intersection of Whangaparaoa Road and State Highway 17 (Hibiscus Coast Highway).

Auckland’s Central Business District is approximately 50 kilometres to the south via the Silverdale interchange within the Northern Motorway network. The Hibiscus Coast Station and Park & Ride of the Northern Busway is situated to the west which provides convenient alternative to Auckland CBD. The proposed Penlink Road (including a bridge over the Weiti River from Stanmore Bay to Stillwater) would provide a quicker route between the peninsula and central Auckland.

Surrounds

The subject property is located 4.6 kilometres northwest from the Whangaparaoa town centre and 25 kilometres north of Auckland CBD.

Immediately surrounding development includes modern residential properties to the north and east, a vacant commercial site to the west and vacant development land to the south. A golf course and Marina are also in the immediate vicinity.

Access to the northern Motorway (State Highway 1) is situated approximately 12 kilometres west of the subject which provides access to central Auckland.

There is currently limited residential subdivision and development in the area, which may be a result of the issues surrounding the Golf Course which has been mis-managed, but once this has been resolved there may be a further interest in the area and more interest to build.

3.2 Resource Management

Territorial Local Authority	Auckland Council
Plan Status	Auckland Unitary Plan – Operative in part
Zone	Business - Mixed Use This zone provides for residential and smaller scale commercial activity that does not cumulatively affect the viability of centres. Provisions do not specifically require a mix of uses on individual sites or within areas, but buildings should be adaptable so that the uses within them can change over time. New developments within the zone require a resource consent in order to ensure that they are designed to a high standard which enhances the quality of the street within the area and public open spaces.
Indicative Permitted Uses	▪ Dwellings ▪ Integrated residential development ▪ Supported residential care ▪ Visitor accommodation and boarding houses ▪ Commercial services ▪ Drive-through restaurants ▪ Entertainment facilities ▪ Food and beverage ▪ Offices within the Centre Fringe Office Control as shown on the planning maps ▪ Offices up to 500m² gross floor area per site ▪ Retail up to 200m² gross floor area per tenancy ▪ Supermarkets up to 450m² gross floor area per tenancy ▪ Artworks ▪ Care centres ▪ Community facilities ▪ Education facilities ▪ Healthcare facilities ▪ Recreation facility ▪ Tertiary education facilities ▪ Industrial laboratories ▪ Light manufacturing and servicing ▪ Repair and maintenance services ▪ Warehousing and storage ▪ Marae complex ▪ Demolition of buildings ▪ Alterations to building facades that are less than 25m² ▪ Additions to buildings that are less than: (a) 25 per cent of the existing gross floor area of the building; or (b) 250m² whichever is the lesser ▪ Internal alterations to buildings
Key Development Controls	▪ The general maximum height limit is 16 metres, with provision for partial infringement of up to 2m by roof profiles. ▪ Height in relation to boundary controls can be applied subject to the adjoining zoning.

- Developments are subject to setback requirements at upper floors depending on the total height of the building and the locality to residential zones along with maximum tower dimension and tower separation requirements.
- Yards are required where a development adjoins a residential or Special Purpose - Maori Purpose Zone.

Zoning Comments

Modifications: Plan Changes, Plan Change 78 - Intensification, Multiple Layers, View PDF, Proposed, 18/08/2022

Zones: Business - Mixed Use Zone

Controls: Macroinvertebrate Community Index - Rural

3.3 Rating Valuation

Summary

As at 1 May 2024:

Land Value	Improvements Value	Capital Value
$1,300,000	$2,000,000	$3,300,000

Rating Valuations are conducted on a mass appraisal basis, generally once every three years, in order to provide a basis to assist territorial authorities to collect revenue through rates. Individual properties are not inspected on a regular basis and changes in the improvements may not be recorded. The rating values are expressed on a Freehold Estate basis. Notified rating valuations may be subject to an unresolved objection (if an objection has been lodged).

3.4 Land Information Memorandum

Summary

We have not been supplied with a Land Information Memorandum (LIM) relating to the property. Our report is subject to there being no outstanding requisitions or adverse information affecting this property. We reserve the right to amend our assessment should this not be the case.

3.5 Site Description

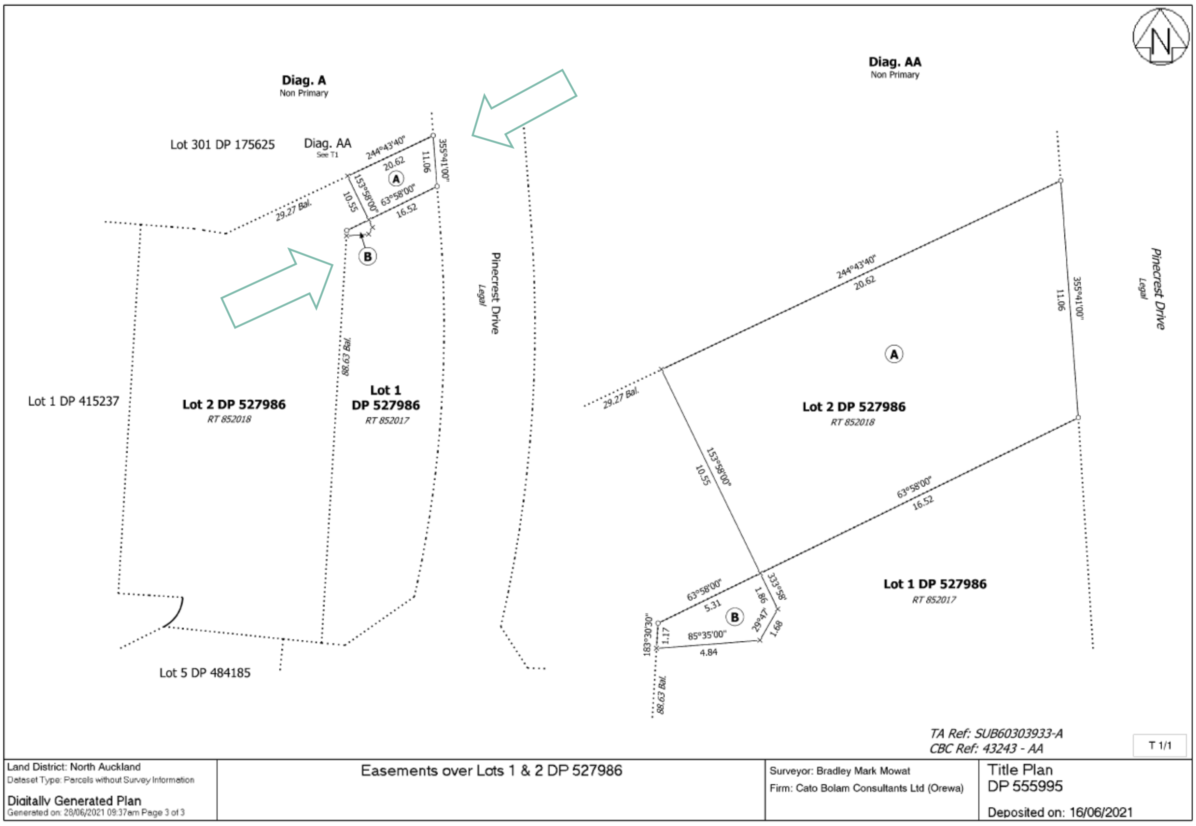
Aerial Photograph

Land Area: 1973 m² (more or less)

Shape: Regular

Contour: Generally, level throughout.

Access: Available from Pinecrest Road with access currently via a formed and sealed right of way (marked A) to the north of site. This is shown below:

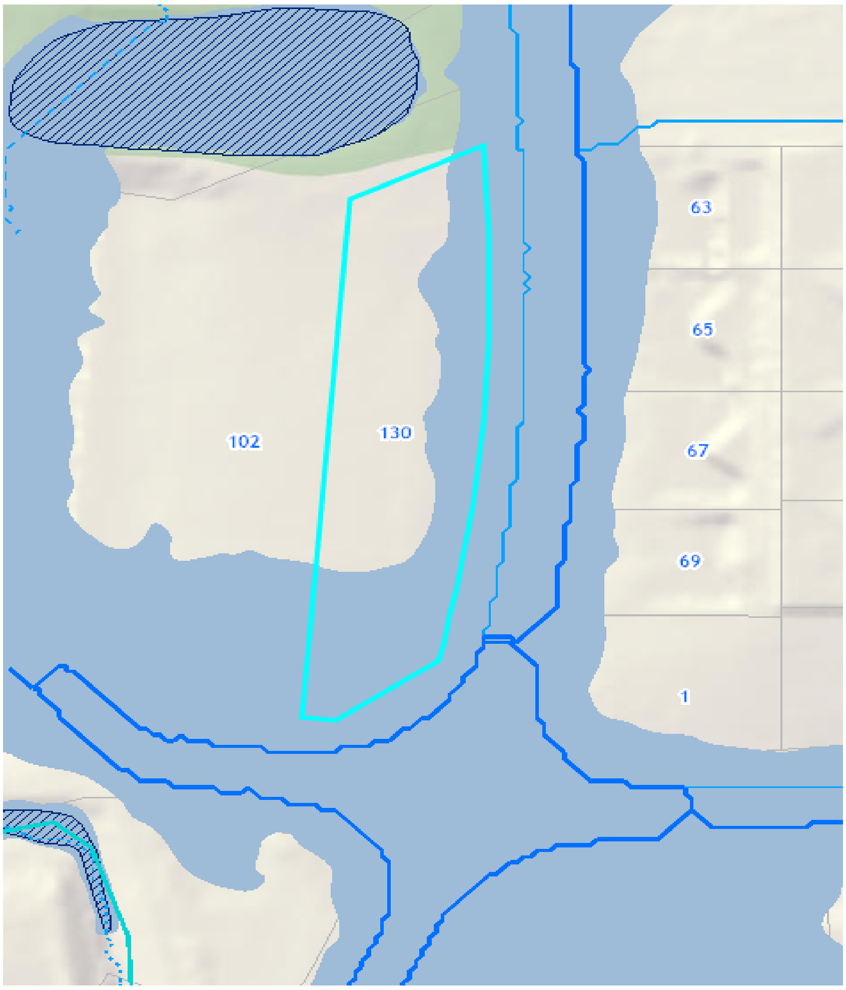


Services

All typical municipal services appear to be connected to the site. The site also provides an area marked B in the plan above in favour of the adjoining Lot 2 for a right to drain sewage.

Council GIS

We have checked Auckland Council GIS and the property is affected by a flood plain, but it is not impacted by any wastewater and stormwater pipes under the ground. The flood plain may impact on the property in times of heavy rain, but drainage works on construction should have been undertaken to minimise any potential flooding. The flood plain is shown below:



Carparks	There are 14 marked parks. (We note that the Deed of Assignment, made reference to car parks as NIL, but we assume this was an oversight and that the carparks are included in the lease)
Contamination	We have requested (but not been provided with) any contamination reports. Auckland Council do not hold a publicly available register of potentially contaminated sites. Further investigation requires the purchase of a LIM report or Contaminated Site Report, neither of which have been provided to us. Of necessity our valuation assumes that there are no contamination issues that would have a material effect on the continuation of the current use, market value or marketability, or future development of the land. We are not environmental experts, and we do not know the extent of contamination (if any). Should subsequent investigations reveal the presence of contaminated material, we reserve the right to revisit our valuation.

3.6 Record of Title

Identifier	852017
Land registration	North Auckland
Legal description	Lot 1 Deposited Plan 527986
Estate	Fee Simple
Area	1,973 m² (more or less)

Registered owner(s)	PMG Direct Childcare Fund Trustees Limited
Interests	▪ D084509.2 Consent Notice pursuant to Section 221(1) Resource Management Act 1991 - 24.12.1996 at 2.31 pm ▪ D084509.13 Deed of Covenant - 24.12.1996 at 2.31 pm ▪ Land Covenant in Transfer D601604.4 - 7.5.2001 at 11.53 am ▪ Land Covenant in Easement Instrument 7484235.1 - 31.7.2007 at 9:00 am ▪ Land Covenant in Easement Instrument 7809260.5 - 7.5.2008 at 3:41 pm ▪ Land Covenant in Easement Instrument 7809272.4 - 7.5.2008 at 3:41 pm ▪ Land Covenant in Easement Instrument 7809289.4 - 7.5.2008 at 3:41 pm ▪ Land Covenant in Easement Instrument 7815439.8 - 14.5.2008 at 9:00 am ▪ Land Covenant in Easement Instrument 7864111.5 - 1.7.2008 at 9:00 am ▪ 8038614.1 Consent Notice pursuant to Section 221 Resource Management Act 1991 - 23.12.2008 at 9:00 am ▪ Appurtenant hereto is a right to drain sewage and water created by Easement Instrument 8038614.4 - 23.12.2008 at 9:00 am ▪ 9532073.1 Conservation Covenant pursuant to Section 77 Reserves Act 1977 - 30.10.2013 at 1:53 pm ▪ Land Covenant in Easement Instrument 10051434.12 - 6.7.2015 at 8:59 am ▪ Land Covenant in Easement Instrument 10134285.2 - 18.9.2015 at 5:40 pm ▪ Appurtenant hereto is a right to convey water, gas, electricity, telecommunications and computer media and right to drain water and sewage created by Easement Instrument 10025915.4 - 29.9.2015 at 5:33 pm ▪ Land Covenant in Easement Instrument 10475461.15 - 12.9.2016 at 1:42 pm ▪ Land Covenant in Easement Instrument 10694132.8 - 9.3.2017 at 4:35 pm ▪ Land Covenant in Covenant Instrument 11728645.1 - 29.4.2020 at 10:25 am ▪ 11903815.2 Mortgage to ASB Bank Limited - 30.3.2021 at 11:57 am ▪ Subject to a right to drain sewage over part marked B on DP 555995 created by Easement Instrument 12152771.1 - 16.6.2021 at 4:58 pm ▪ Appurtenant hereto is a right of way created by Easement Instrument 12152771.2 - 16.6.2021 at 4:58 pm
Comments	Registrations of note include: D084509.2 Consent Notice pursuant to Section 221(1) Resource Management Act 1991 - 24.12.1996. An historic registration requiring roading and infrastructure to be constructed prior to development on subdivided sites. D084509.13 Deed of Covenant - 24.12.1996. An historic registration ensuring a road access is provided to the wider Gulf Harbour development. Land Covenant in Transfer D601604.4 - 7.5.2001. Land Covenant in Easement Instrument 7484235.1 - 31.7.2007. Land Covenant in Easement Instrument 7809272.4 - 7.5.2008. Land Covenant in Easement Instrument 7809260.5 - 7.5.2008. Land Covenant in Easement Instrument 7809289.4 - 7.5.2008. Land Covenant in Easement Instrument 7864111.5 - 1.7.2008.

Land Covenant in Easement Instrument 7815439.8 - 14.5.2008.

These covenants are made to enhance and protect the amenity value of neighbourhoods within the Gulf Harbour development to ensure views to the Golf Course are protected, architectural compatibility. Any planned developments require approval from Gulf Corporation Limited. These also require any landowner not to object to any further Gulf Corporation developments.

8038614.1 Consent Notice pursuant to Section 221 Resource Management Act 1991 - 23.12.2008. Relates to an historic subdivision and the requirement for the provision of infrastructure on subdivided sites. **It does also refer to engineering requirements, which infers that some land may be subject to instability and requiring additional foundation works.**

9532073.1 Conservation Covenant pursuant to Section 77 Reserves Act 1977 - 30.10.2013. This covenant was registered to provide a public strip on the waterfront edge of the site adjoining the subject property.

Land Covenant in Easement Instrument 10134285.2 - 18.9.2015. Provides various rights of way and rights to utilities and drainage throughout the wider development.

Land Covenant in Easement Instrument 10051434.12 - 6.7.2015.

Land Covenant in Easement Instrument 10475461.15 - 12.9.2016.

Land Covenant in Easement Instrument 10694132.8 - 9.3.2017.

Land Covenant in Covenant Instrument 11728645.1 - 29.4.2020.

The above Land Covenants are no objection covenants benefitting to various sites around the Marina and in particular PMG Funds are a party to Land Covenant in Covenant Instrument 11728645.1 - 29.4.2020

Subject to a right to drain sewage over part marked B on DP 555995 created by Easement Instrument 12152771.1 - 16.6.2021 and Appurtenant hereto is a right of way created by Easement Instrument 12152771.2 - 16.6.2021. Marked A.

These two interests marked A and B are noted on Deposited Plan 555995 and we have provided a copy in our Site Description section 3.5 above.

We do not consider there to be any registrations which materially impact on market value or saleability.

Title Search — We refer you to the Appendix for copies of the relevant title documentation.

4 Improvements

4.1 Property Description

Brief Description

A modern, purpose-built childcare facility constructed in 2020 to facilitate 105 children, and which opened in 2021. The centre is currently licenced for 90 children. The facility provides children's activity rooms and associated staff and non-contact space, together with 14 on-site car parks and fully developed external activity areas.

Our valuation has been prepared on the basis of the improvements being located within the site boundaries and constructed strictly in accordance with the recommended practices, and free from any defect; unless otherwise stated within this report.

Floor Areas

There are no published guidelines to determine the rentable floor areas for childcare centres. Our valuation is based on the measurements to the external walls (i.e. gross floor area) in line with our analysis of the market evidence. Most of the original childcare centres were converted from residential properties which are measured on a gross floor area basis, and this has continued to the present time. Further, the measurement guidelines state that freestanding, purpose-built buildings should be measured on a gross basis.

FLOOR AREA	GROSS
	sqm
Main Childcare building	558.7

Building Warrant of Fitness (BWOF)

The Building Act 2004 requires that all buildings which include certain specified systems must have a Compliance Schedule and a Building Warrant of Fitness (BWOF). The Act requires the various services and other facilities as set out in the Compliance Schedule to be inspected on a regular basis, and the Warrant of Fitness to be renewed annually.

A Building Warrant of Fitness has been issued for the subject property and this expires on 20th October 2025.

Fire Prevention

Smoke sensors and manual fire call points.

Seismic Comment

As far as we can ascertain from our enquiries, there has been no assessment of the seismic performance of this building.

The building is of modern design and construction and is unlikely to be discounted by the market if offered for sale without a seismic assessment. Although more recently, there have been instances of some large corporate and Government occupiers requiring seismic assessments on buildings constructed post 2004. While buildings built to code post 2004 should be 100% of the New Building Standards, some of these investigations have shown that some buildings have been found to be less than 100% new building standard.

Only a structural engineer can determine the seismic strength of the building. In the event that a seismic assessment was undertaken that confirmed the property is earth-quake prone, the value of the property may be materially affected, and a review of this valuation should be sought.

Asbestos

The Health and Safety at Work (Asbestos) Regulations 2016 came into effect on 4 April 2018. The regulations require workplaces to be surveyed for asbestos, and an Asbestos Register and Asbestos Management Plan be prepared for buildings. A copy of the Asbestos Management Plan must be accessible on site.

Where Asbestos is present it can be left undisturbed if there is no risk to people, or it can be encapsulated, isolated or removed. If left undisturbed, future refurbishment or demolition requires further survey and works planning (including safe removal of Asbestos by competent persons).

As this property comprises a relatively new-build we assume that asbestos or Asbestos Containing Materials (ACM) will not be present in the structure and a report will not be required.

4.2 Construction Details

Foundation	Concrete
Flooring	Concrete
Exterior Walls	Cedar weatherboard cladding with fibre cement panels
Framing	Timber
Roofing	Steel
Joinery	Aluminium
Internal Linings	Plasterboard and some feature timber panelling
Ceilings	Plasterboard
Natural Lighting	Good natural lighting
Artificial Lighting	Adequate for use
Services	Heat pumps
Fitout Improvements	The lease indicates that the main structure of the building including partitioning, ceilings, air conditioning, kitchen (except the oven) and bathrooms are all landlord improvements, with the tenant owning the appliances.
Building Condition	Near new condition.

4.3 Accommodation

Layout and Accommodation

The facility provides a spacious open plan entry lobby that doubles as a staff room with kitchen with sign in desk. A non-contact office and manager's office are provided.

The facility offers 3 age specific activity rooms with one under two's and two over two's rooms. The two over 2's rooms share an art store and children's bathroom/wash area.

Each activity room opens out onto a covered timber deck that leads to the outdoor play areas.

Two sleep rooms are provided and accessed from the Under 2's rooms.

Amenities include a kitchen, laundry, staff WC, kitchenettes and children's bathroom amenities.

4.4 Site Development

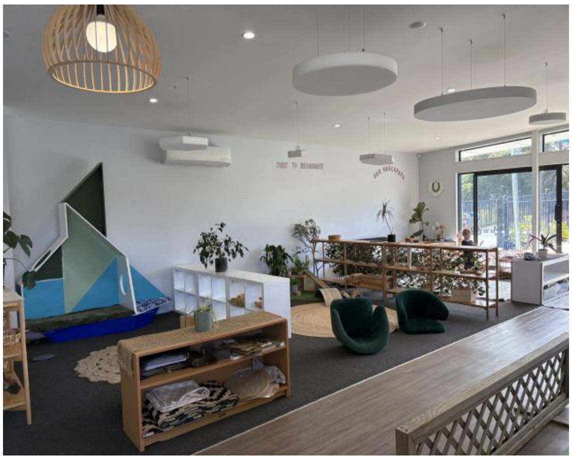
Site Development

The centre provides separated outdoor play areas which include covered timber decks. A sealed driveway and car parking area extends along the southern portion of the site and provides 14 car parks. The lease states that the plantings, artificial grass, bark ground cover, fencing, sand pits, shade sails and various play equipment are owned by the tenant.

4.5 Photographs

Photographs

Kitchen



One of 3 open rooms

Children toilets/wash area

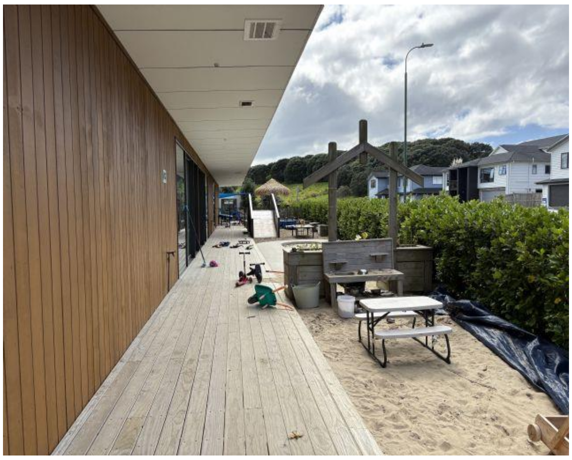
One of 3 open rooms

Kitchenette

Disabled access toilet

Laundry

Outdoor play area



Outdoor play area

Entrance area from carpark

4.6 Environmental, Social, Governance (ESG)

Overview:

IVS 2025 requires valuers to explicitly consider ESG (Environmental, Social and Governance) risk and benefit factors when assessing market value. ESG is often associated with issues such as climate change and pollution; however, these relate specifically to the Environmental pillar, while the term ESG itself encompasses more far-reaching goals.

With ESG now playing a much more prominent role in how companies operate, major commercial property investors are embedding ESG considerations into every stage of the property lifecycle, from due diligence to acquisitions and from leasing to asset management. As commercial property owners take steps to implement changes and mitigate risks, having an effective ESG framework is emerging as a key benchmark for achieving strong growth and maintaining profitability.

Subject ESG Considerations:

For comments on Environmental factors, we refer you to the Site Description, Resource Management and SWOT Analysis/Risk sections of this report for any potential flooding and contamination issues identified.

We do not consider there to be any additional ESG specific risk/benefit factors that would materially affect the market value of the subject property, outside of any factors specifically noted elsewhere within this report. We are not currently aware of any instances where such factors or lack of policy have influenced prices of similar properties in the local market, albeit there may be an influence in time.

Please note that we are not experts in climate change and are not suitably qualified to comment on any associated potential impacts on value without a comprehensive environmental report, or on any associated insurance risks in relation to coverage and/or premium impact.

4.7 Capital Expenditure

Overview

Major assets require continual expenditure to maintain the aesthetic appeal, structural integrity, and hence their capital value. We have incorporated a specific capital expenditure allowance throughout the term of our cash flow analysis in recognition of the requirement for an ongoing refurbishment program.

Capital Expenditure Assumptions

We have allowed:

- A minimum capital expenditure allowance equivalent to 1.50% of gross income per annum.

5 Occupancy Details

5.1 Introduction

Overview	We have been provided with a Deed of Lease and Deed of Assignment between PMG Direct Childcare Fund Trustees and the assignee being Gulf Harbour Childcare Limited. The Deed of Assignment was dated 23rd January 2025. Unless otherwise stated in this report, our valuation is prepared on the basis that the rental income referred to in this report will be payable in full at all times by tenant(s) in accordance with obligations under leases or agreements to lease. This includes the obligation to pay operating expenses. The Scope of Work does not extend to making any enquiries as to the financial position or covenant strength of a tenant. Our broader observation of the nature and likely market perception of the tenant(s) is included in the preceding Risk Analysis summary and at the Market Rent Assessment section of this report.

5.2 Lease Summary

Harbour Haven	
The Premises	All that parcel of land comprised and described in record of title 852017 and situated at 130 Pinecrest Drive, Gulf Harbour, Auckland and all improvements on that land.
Commencement Date	9 October 2023
Current Commencement	9 October 2023
Current Term	15 years
Remaining Renewal Terms	One term of 10 years
Current Annual Rent	$320,229 plus outgoings and GST
Rent Reviews	Yearly and five yearly
Rent Review Basis	Fixed yearly at 2% and Market at each 5 years
Ratchet Clause	Full ratchet clause
Business Use	Childcare
Outgoings	Outgoings recoverable from the tenant include: ▪ Rates or levies to any local or territorial authority ▪ Utility charges ▪ Rubbish collection charges ▪ Fire Service charges ▪ Insurance premiums, excess and related valuation fees ▪ Service contract charges ▪ Cleaning, maintenance and repair charges (excluding structural) ▪ The provisioning of toilets and other shared facilities ▪ Ground maintenance ▪ Yard and carpark area maintenance and repair charges ▪ Body Corporate charges ▪ Management expenses ▪ Costs associated with the building warrant of fitness ▪ Health & Safety Audit Costs ▪ All other costs incurred but not including any capital items

Unrecovered outgoings include:

- Structural maintenance

Special Conditions

The tenant has provided a Bank Guarantee for $177,484 plus GST, which will remain in place until 6 months after the expiry of the lease.

5.3 Outgoings

Outgoings Comment

We have been provided with the total operating expenses for the subject property and on the basis of the floor area of 558.7m^2 the cost is $82.64/m^2, which considering that the building **does not** include services such as a lift, that this would appear to be relatively high in comparison to other similar properties.

OUTGOINGS SCHEDULE

	Adopted Year Ending: 31-Dec-25 Total $pa	 Total $psm
STATUTORY EXPENSES		
Municipal/Council Rates	15,768	28.22
Total Statutory Expenses	15,768	28.22
OPERATING EXPENSES		
Insurance Premiums	7,266	13.01
Air Conditioning/Ventilation	4,490	8.04
Fire Protection/Public Address	2,439	4.37
Repairs & Maintenance	3,846	6.88
Management Fee	4,888	8.75
BWOF and IQP Inspections	1,446	2.59
Window and Building Cleaning	6,026	10.79
Total Operating Expenses	30,401	54.41
TOTAL OUTGOINGS	**46,169**	**82.64**

6 Market Overview

6.1 Economic Overview

GDP
Domestically, GDP grew by 0.8% in the March 2025 quarter, marking the second consecutive quarter of growth and confirming recovery from the brief recession in late 2024. Growth was broad-based across primary, goods-producing, and services sectors, with notable strength in business services and manufacturing, particularly in machinery and equipment production. However, recent indicators suggest a slowdown in activity since March, with consumer confidence and construction activity remaining subdued.

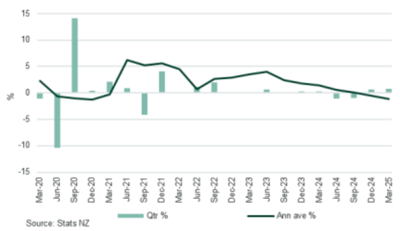
Migration
Migration has slowed significantly, with a net gain of 26,400 people in the year to March 2025—just a quarter of the previous year's figure. This decline reflects both fewer arrivals and a record number of departures, which may impact housing demand and labour market dynamics.

Inflation
Annual inflation rose to 2.7% in Q2 2025, up from 2.5% in Q1, remaining within the RBNZ's target band. While administered prices and food costs have contributed to near-term inflationary pressure, core inflation continues to ease. Central banks globally have responded with rate cuts, though the extent of easing may be constrained by geopolitical risks and trade tensions.

Interest Rates
On 20 August the Reserve Bank of New Zealand (RBNZ) reduced the Official Cash Rate (OCR) by 25 basis points to 3.00% in response to subdued domestic activity and easing inflation pressures. This move aligns with earlier projections and signals potential for further easing should medium-term inflation continue to decline.

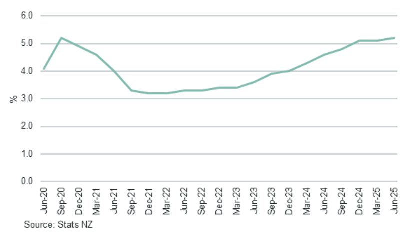
Summary
In the property sector, sentiment remains cautious amid economic uncertainty. Both occupier and investment market conditions are expected to remain soft over the coming quarters. However, the falling interest rate environment is anticipated to support higher sales volumes in 2025, as we enter Spring, particularly in residential markets.

GDP



In the first quarter of 2025, GDP grew by 0.8%. The rise was stronger than most had anticipated. During the March 2025 quarter, activity rose across all three major industry sectors: primary, goods-producing, and services. Economists remain cautious due to global uncertainty.

Unemployment Rate



Unemployment rate rose to 5.2% in the June 2025 quarter, marking the highest level since 2020. The labour market continues to show signs of weakness, with minimal job growth and a noticeable rise in underutilisation.

CPI Inflation

After peaking in late 2022, inflation has been steadily falling due to higher interest rates and weakening economic conditions. The latest figures show inflation within the RBNZ target band of 1% - 3%, with the latest Monetary Policy Statement from RBNZ indicating an expectation that inflation will remain within the target band over the medium term.

Interest Rates

The RBNZ cut the OCR by 25 basis points to 3% and signalled that further cuts are likely. Market expectations are that the OCR will fall to circa 2.5% by early 2026. Retail interest rates are not expected to fall materially further, as banks have already priced in most of the expected changes.

6.2 Market Commentary – Childcare

The Ministry of Education regularly releases updated statistics on the ECE sector. The latest statistics are effective February 2025, of which the key findings can be summarised as follows:

ECE Supply

The following refers to supply of ECE providers nationally:

Number of ECE Service Providers at 1 February 2025										
Sevice Type	2016	2017	2018	2019	2020	2021	2022	2023	2024	CAG
Casual Education & Care	10	10	8	8	7	7	7	5	3	-12.52%
Correspondence School	1	1	1	1	1	1	1	1	1	0.00%
Education & Care	2,495	2,558	2,585	2,670	2,701	2,736	2,741	2,712	2,666	0.74%
Home-based	472	476	437	453	424	392	353	277	248	-6.90%
Hospital-based	20	22	22	20	20	20	20	20	20	0.00%
Kindergarten	656	658	655	654	661	664	663	669	674	0.30%
Kōhanga Reo	460	454	453	444	444	434	423	413	416	-1.11%
Playcentre	427	421	407	403	404	398	389	386	382	-1.23%
Total	4,541	4,600	4,568	4,653	4,662	4,652	4,597	4,483	4,410	-0.32%

There were 4,410 licenced services at February 2025. This number was down 5.7% from 2020. Compounding Annual Growth (CAG) equates -0.32% over the 9 years shown.

Education and Care services decreased in number by -1.66% in 2024, lower than the longer term trend (CAG -0.32%). Education and Care services make up 60.45% of all licenced services by number which has increased from 54.9% in 2016.

The following table shows total licence capacity by service type, with Education and Care services being the prime driver of growth:

Number of ECE Service Places at 1 Febraury 2025										
Service Type	2016	2017	2018	2019	2020	2021	2022	2023	2024	CAG
Casual Education & Care	318	283	283	283	238	189	205	155	124	-9.94%
Education & Care	119,686	126,112	132,420	139,241	143,394	146,771	148,785	148,598	148,433	2.42%
Home-based	33,933	31,879	31,676	30,878	28,719	25,645	22,840	17,315	15,965	-8.04%
Hospital-based	332	386	386	460	457	440	464	464	436	3.07%
Kindergarten	25,442	25,648	25,871	25,821	25,866	26,309	26,369	26,659	26,672	0.53%
Playcentre	11,621	11,365	11,112	11,018	11,077	10,857	10,681	10,596	10,523	-1.10%
Te Kōhanga Reo	13,039	12,763	12,706	12,784	12,856	12,702	12,392	12,511	11,909	-1.00%
Total	204,371	208,436	214,454	220,485	222,607	222,913	221,736	216,298	214,062	0.52%

Overall compound average annual growth is -0.51% with stronger decline of 2.36% experienced in the Education and Care category. The latest year shows an effectively no change in capacity of Education and Care services

Anecdotally, we also note the increasingly significant development interest in the sector, in part we suspect due to population growth brought about by high net migration to New Zealand, combined with strong institutional interest in Education and Care businesses and the generally benign economic environment.

Network Management

The Ministry of Education has announced they will bring into effect a Network Management function in relation to childcare facilities. The Government set an objective for early learning services to be part of a planned and coherent education ecosystem that is supported, accountable and sustainable. Network management is one of the actions designed to support this objective, as it establishes a new process to manage the supply of new early childhood services. From 1 February 2023 anyone wanting to operate a new licensed early childhood service will need to apply for network management approval from the Minister of Education before applying for licensing.

The aim of Network Management is to reduce the risk of oversupply of facilities within any particular locality as well ensure the financial viability of a centre. This proposal is expected to result in a slowing of supply of childcare centres and reduce the risk of oversupply.

This was repealed in June 2024. It was seen as a barrier to entry for potential new early learning services by limiting supply and market competition.

ECE Demand

The following shows year on year ECE participation:

Number of ECE Service Places at 1 Febraury 2025										
Service Type	2016	2017	2018	2019	2020	2021	2022	2023	2024	CAG
Corespondence	414	367	324	312	333	391	428	424	381	-0.92%
Education & Care	129,488	132,221	134,701	135,237	130,908	135,341	128,436	136,777	139,044	0.79%
Home-based	18,818	18,440	18,267	17,196	15,022	13,879	11,326	10,514	9,887	-6.90%
Kindergarten	30,832	29,787	29,048	28,238	27,483	27,638	25,099	26,743	27,565	-1.24%
Playcentre	13,502	13,326	9,734	9,452	8,268	9,332	8,352	9,361	9,592	-3.73%
Te Kōhanga Reo	8,621	8,631	8,514	8,488	8,334	8,116	7,832	8,207	8,512	-0.14%
Total	201,675	202,772	200,588	198,923	190,348	194,697	181,473	192,026	194,981	-0.37%

Overall, ECE take-up has declined in the last 9 years, with a CAG of -0.37% with the majority of the declines experienced in 2020 and 2021 due to the impact of COVID-19 on the sector. The Education and Care sector is the only sector to have experienced growth across the last 9 years at a CAG of 0.79%. All categories, with the exception of Correspondence Schools, recorded a decline in enrolments in 2020 with an overall decline of 4.3% for the year however enrolments recovered partially in 2021 with overall growth of 2.3%.

In terms of enrolments by age category, the following refers:

Enrolemnets in ECE Services By Age Group Year End June 2024										
Service Type	2016	2017	2018	2019	2020	2021	2022	2023	2024	CAG
0 - 12 Months	10,076	10,549	9,538	9,319	7,939	9,808	9,788	9,352	9,193	-1.01%
1 Year Olds	28,066	28,467	28,725	28,217	25,840	29,274	28,460	30,696	28,341	0.11%
2 Year Olds	41,250	42,504	42,326	42,626	39,965	41,556	39,242	42,490	44,015	0.72%
3 Year Olds	58,529	57,052	56,725	55,588	53,957	53,139	48,843	51,477	53,883	-0.91%
4 Year Olds	61,592	61,763	59,675	59,229	57,578	57,680	52,080	54,325	55,931	-1.07%
5 or More	2,048	2,341	2,803	3,483	4,781	3,142	2,921	3,591	3,559	6.33%
Unknown	114	96	796	461	288	98	139	95	56	-7.59%
Total	201,561	202,676	199,792	198,462	190,060	194,599	181,334	191,931	194,922	-0.37%

In 2016 the percentage of under 2's of the total ECE enrolments was 18.92% and has now grown to 19.26%. This is a good indicator of the overall health of the sector and is likely to flow through to better uptake of over twos places over the coming two to three years.

The following table details the annual occupancy rates of ECE services:

Annual Occupancy Rates Year End June 2024										
Service Type	2016	2017	2018	2019	2020	2021	2022	2023	2024	CAG
Education & Care	81%	80%	80%	79%	78%	77%	77%	77%	78%	-0.42%
Kindergarten	84%	84%	84%	82%	83%	83%	82%	81%	82%	-0.27%
Playcentre	52%	52%	52%	48%	48%	53%	49%	51%	51%	-0.22%

The majority of regions have experienced declines in occupancy across the period due largely to increased supply across most of the country. The declines have been limited however with cumulative average growth rates in all regions of between -3% and 1%.

Outlook

As with any market, risk of oversupply applies in the ECE sector and this is exacerbated by some comparatively low barriers to entry for new services accessing the market. There are exceptions however where high land prices, increasing construction costs and resource consenting difficulties do present some significant challenges around developing new supply.

At the current time, we are aware of some significant development interest in the ECE sector, in all likelihood as developers see the opportunity to achieve stronger margins than other sectors presently permit. We note however, that there has been strong growth in ECE development for a number of years now and the statistics indicate that occupancy rates have remained relatively stable with demand increasing.

The Ministry of Education remains resolute in achieving increases in hours attended and in the age brackets within which children access ECE and the current rate of ECE attendance within new school starters was reported to be 97% in 2021. This decreased to 95.6% in 2023

The proportion of children aged 3 and 4 participating in ECE for 10 hours or more per week increased from 74% in 2016 to 78% in 2024. For 3 year olds, this measure increased from 69% in 2017 to 74% in 2024 For 4 year olds, this measure increased from 79% in 2017 to 82% in 2024 Participation rates decreased over the COVID-19 impacted years.

The challenge for developers and operators will be to keep pace with population growth without getting too far ahead of it, be mindful of competitive supply pipelines and to allow themselves to be led by the core demand for ECE spaces instead of unqualified optimism. If the sector does not follow these basic market principles, we are likely to see imbalance in supply and demand, which could weaken business viability in some markets, and in turn realty values.

Funding

In 2007, the Government introduced the provision of 20 hours fully funded ECE for three and four year olds which provides a higher level of funding for centres that choose to be part of the scheme. Centres can receive funding for a maximum six hours per child per day and up to 20 hours per week for three and four year olds. Importantly, the subsidised rate for the 20 ECE hours is higher than the standard over 2's rate and is claimed per child rather than on a per licence basis.

In 2023, the Ministry of Education introduced the pay parity op-in scheme to address the disparity in pay between certified teachers working in education and care services and their counterparts working in kindergartens. The scheme provides higher funding rates to education and care services that attest to paying their certified teachers at least the salary amounts described in the Funding Handbook. Four opt-in funding rates are available to services. Services that do not opt-in to the pay parity scheme have less funding available. The four funding rates are as follows:

- Base Funding Rates

The set of funding rates available to education and care and hospital-based services who pay all employed certificated teachers at least Step 1 of the salary scale.

- Parity Funding Rates

A higher set of funding rates available to education and care and hospital-based services who pay all employed certificated teachers according to Steps 1 to 6 of the salary scale.

- Extended Parity Funding Rates

A higher set of funding rates available to education and care and hospital-based services who pay all employed certificated teachers according to Steps 1 to 11 and the management step of the salary scale.

- Full Parity Funding Rates

A higher set of funding rates available to education and care and hospital-based services who pay all employed certificated teachers according to Steps 1 to 11 and the management step of the salary scale.

Funding condition related to the Full Parity Salary Scale are effective from 1 November 2023.

The dollar per funded child hour for 'Education and Care Services', GST inclusive under a Base Funding Rate scenario are as follows:

	Rates from 1 January 2023			Rates from 1 December 2023		
$ per funded child hour (including GST)	Under 2	2 and over	20 Hours ECE	Under 2	2 and over	20 Hours ECE
100% certificated teachers	14.16	8.3	13.55	15.07	8.75	14
80-99% certificated teachers	13.56	7.5	12.79	14.47	7.95	13.24
50-79% certificated teachers	12.28	6.47	11.65	13.19	6.92	12.1
25-49% certificated teachers	9.91	5.16	10.24	10.82	5.61	10.69
0-24% certificated teachers	8.48	4.28	9.33	$9.39	4.73	9.78

$ per funded child hour (including GST)	Rates from 1 January 2024 Under 2	2 and over	20 Hours ECE	Rates from 1 March 2024 Under 2	2 and over	20 Hours ECE
100% certificated teachers	15.48	8.99	14.39	15.48	8.99	15.03
80-99% certificated teachers	14.87	8.17	13.61	14.87	8.17	14.22
50-79% certificated teachers	13.55	7.11	12.44	13.55	7.11	12.99
25-49% certificated teachers	11.11	5.76	10.99	11.11	5.76	11.47
0-24% certificated teachers	9.64	4.85	10.05	9.64	4.85	10.49

$ per funded child hour (including GST)	Rates from 1 January 2025 Under 2	2 and over	20 hours ECE
100% certificated teachers	$15.79	$9.17	$15.33
80-99% certificated teachers	$15.17	$8.33	$14.50
50-79% certificated teachers	$13.82	$7.25	$13.25
25-49% certificated teachers	$11.33	$5.88	$11.70
0-24% certificated teachers	$9.83	$4.95	$10.70

The above rates increase incrementally for centres opting in to the different levels of pay parity with the highest rates received under full pay parity as follows:

$ per funded child hour (including GST)	Rates from 1 November 2023 Under 2	2 and over	20 Hours ECE	Rates from 1 December 2023 Under 2	2 and over	20 Hours ECE
100% certificated teachers	$16.19	$9.48	$15.46	17.97	$10.37	$16.35
80-99% certificated teachers	$15.59	$8.68	$14.70	17.37	$9.57	$15.59
50-79% certificated teachers	$14.09	$7.47	$13.37	15.87	$8.36	$14.26
25-49% certificated teachers	$11.32	$5.93	$11.68	13.1	$6.82	$12.57
0-24% certificated teachers	$9.63	$4.89	$10.63	11.41	$5.78	$11.52

$ per funded child hour (including GST)	Rates from 1 January 2024 Under 2	2 and over	20 Hours ECE	Rates from 1 March 2024 Under 2	2 and over	20 Hours ECE
100% certificated teachers	15.48	8.99	14.39	15.48	8.99	15.03
80-99% certificated teachers	14.87	8.17	13.61	14.87	8.17	14.22
50-79% certificated teachers	13.55	7.11	12.44	13.55	7.11	12.99
25-49% certificated teachers	11.11	5.76	10.99	11.11	5.76	11.47
0-24% certificated teachers	9.64	4.85	10.05	9.64	4.85	10.49

$ per funded child hour (including GST)	Rates from 1 January 2025 Under 2	2 and over	20 hours ECE
100% certificated teachers	$18.60	$10.74	$17.68
80-99% certificated teachers	$17.98	$9.91	$16.86
50-79% certificated teachers	$16.43	$8.66	$15.42
25-49% certificated teachers	$13.56	$7.06	$13.59
0-24% certificated teachers	$11.80	$5.98	$12.44

Typically, government funding accounts for between 60% and 75% of an Education and Care service's revenue, the balance being from private fees.

ECE Land and Buildings Market

With revenue strongly underpinned by Government funding, the subject has the potential to provide considerable appeal as an investment option in comparison with more conventional property that may be subject to greater tenancy risk and/or increased inherent obsolescence.

Many investment assets in this submarket are structured on long lease terms, often with fixed or CPI related rent reviews and correspondingly, they can offer a good passive investment profile.

Conversely, the inherent specialisation in the improvements and discrepancy in rents under existing and alternative use scenarios means that in the event of vacancy, the investor is exposed to significant reversionary risk and as such, yields are often marginally higher than for more generic investment property and the more so as lease terms wind down.

At present, despite significant increases in market rent over the last few years the rental levels remain affordable to the efficient business unit. Centres have adapted over this time to provide for more licences and new developments reflect this. Anecdotally the smaller centres with less than 50 licences are getting more challenging to operate in a profitable environment without an owner operator reducing the margins. This is likely to have an impact on rental growth over time.

Notwithstanding this, the cost to establish alternative premises appears to be the key determinant in rental levels and by comparison with other specialised real estate types, the setup costs for childcare assets are generally quite low. Consenting, high land values and construction costs tend to be the biggest cost and risk areas, which vary according to the relevant local authority.

Childcare centres are now well established in their own right as attractive property investments. Investors range from those with a strong understanding of the business to those purchasing a longer term 'hands off' cash flow. On the whole, childcare facilities are too small to attract large scale institutional interest, although there has been limited institutional and syndication presence in the market in New Zealand primarily for new purpose-built centres with long remaining lease terms.

There is normally a discrepancy between values for new built centres and older conversions. Additionally, the value quantum has an effect on the yields paid by investors with a significantly smaller pool of buyers for larger, higher value centres than for those of a lower value quantum.

One of the key drivers in Childcare land and buildings yields is the cost of debt with properties being occupied under long leases with generally predictable rental profiles. Debt costs reduced considerably between 2016 and 2020 leading to downward pressure on yields however with the Reserve Bank increased the Official Cash Rate through 2022 and 2023 there was softening in childcare centre yields as a result. Recently the RBNZ reduced the OCR by 25 bps to 3.0%, following a 25bps cut in May 2025. While sentiment may have improved, there will likely be a lag before any transactions occur.

There were very few transactions of childcare centres from 2022 to 2024, and this trend continued into 2025 despite a number of properties being taken to the market which aligns with other property classes.

If economic and property market conditions deteriorate further in the future, then the market value of this asset is likely to decline. This inherent risk factor should be considered in any lending or investment decisions.

7 Market Rent Assessment

Market Rent

Income-based valuation assessments consider the cash flow that could be, or is, generated from the property. Part of the process is a review of the potential rental earning capacity, or Market Rent. Market Rent is defined in International Valuation Standard 102 as:

"The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

To establish a market rental for the premise we have made comparison with recent rental settlements for comparable accommodation in the wider location.

The best evidence is that of new leasing agreements of comparable premises in the same or similar locations with the date of the transaction being as close as possible to the subject rent review date. Regard can also be had to lease renewals and rent reviews where these are consistent with the new lease evidence, however, carry less weight.

The rental evidence has been analysed on a Net basis (excluding operating expenses).

Adjustments made for variation in factors such as the size and quality of accommodation, location and where the lease terms are varied.

7.1 Rental Evidence

RENTAL EVIDENCE

	Accom.	Licence (Children)	Rent ($/Licence)	Rent ($Lic/wk))	Event Date	Annual Rent ($pa)
[redacted]	Childcare	48.0	$2,860.00	$55.00	1-May-25	$137,280
	Total	**48.0**	**$2,860.00**		Renewal	
	Childcare	80.0	$2,990.00	$57.50	1-Oct-24	$239,200
	Total	**80.0**	**$2,990.00**		New Lease	
	Childcare	85.0	$3,082.04	$59.27	1-Apr-24	$261,973
	Total	**85.0**	**$3,082.04**		New Lease	
	Childcare	130.0	$3,120.00	$60.00	1-Oct-24	$405,600
	Total	**130.0**	**$3,120.00**		New Lease	
	Childcare	100.0	$3,265.60	$62.80	1-Sep-25	$326,560
	Total	**100.0**	**$3,265.60**		Renewal	
	Childcare	50.0	$3,510.00	$67.50	1-Sep-24	$239,200
	Total	**50.0**	**$3,510.00**		Renewal	

Note: Rental rate excludes attached office tenancy

7.2 Rental Evidence Conclusions

Conclusions

Based on our analysis of the available rental evidence, we have established an appropriate market rental range for the subject premises as follows:

Component	Rental Rate
Rental per child per annum	$2,860 - $3,120 /child/pa
Rental per child per week	$55.00 - $60.00 /child/wk

7.3 Rental Evidence Commentary

We refer to the above schedule of rents for Childcare facilities in the wider Auckland area which as shown range from $55 to $67.50/child/week or $2860 to $3510/licence/year. The lower end of the range is represented by an older facility in a central area which was not purpose built through to a purpose-built modern premises in the central city area of [redacted].

The property at [redacted] is also an older property and has a similar rate as compared to [redacted]. The two facilities have been extended but were not initially designed as a childcare. Typically, most modern purpose-built childcare properties are rented for between $60 to $62.50/child/week and this is shown by the rental evidence of [redacted]

The upper end of the Childcare rental market is represented by [redacted], which is a purpose-built property and is [redacted] in Auckland. We acknowledge that this building is now a little dated but there have recently been some internal improvements.

In respect to the subject childcare, this property is near new and purpose-built. The initial tenant on completion has failed and the current tenant is rebuilding the business with currently 60 children enrolled. The property is located in a fringe suburban area at the northern end of the Whangaparaoa Peninsula. The location is to the east of the centre of Gulf Harbour and although adjacent to the marina it is essentially in a residential location and on a side street, providing a low profile.

Given, the location of the property we also wish to refer to a property which is included in our sales schedule at [redacted] where the rental was set at approximately $50/child/week in August 2024. Therefore, we would assess a market rental rate of **$55.00/child/week (or $2,860/child/year)** being below the above range of $60 to $62.50/child/week but which better reflects the location of property, and this is also a reflection that some of the internal fitout is tenant owned and that the tenant owns the outdoor play equipment.

7.4 Market Rent Assessment

Overview

Having regard to the market evidence and consideration of the subject property, we assess the current market rental, in comparison with our analysis of the current contract rental, as follows.

RENT SCHEDULE						
			Contract Rent		Market Rent	
Tenant	Lic.	Car Parks	$pa	$rate	$pa	$rate
Harbour Haven						
Main building	105.0		320,229	3,050 per lic	300,300	2,860 per lic
Totals	**105.0**	**-**	**320,229**	**3,050 per lic**	**300,300**	**2,860 per lic**

8 Sales Evidence

Overview	To assist in establishing the Market Value of the property we have analysed relevant sales of investment properties. We summarise below brief definitions of salient valuation metrics to assist the reader.
Initial yield	The initial yield is the return on the current net income. It is calculated from a single period and is therefore implicit of inflation. It is calculated by dividing the net income by the sale price or value.
Yield on market income	This is the return that would be achieved with the income at market level. It is based on a single period and is therefore implicit of inflation. It is calculated by dividing the market income by the sale price or value.
Equivalent yield	The equivalent yield represents the return on market income but reflecting known value adjustments such as income shortfalls/surpluses, vacancy, leasing costs and other capital items that a market participant would recognise. It typically represents the relationship between passing and market income and is generally a 'weighted average' of the two.
Discount rate	This is the rate of return used to convert a monetary sum, payable or receivable in the future, into a present value. This represents the total return (capital and income) to the investor over a specified investment horizon, adjusted for inflation.
Weighted average lease expiry (WALE)	This is a risk measure and represents the weighted average period in which the leases will expire; it reflects the period in which the income from the property will be secure. The weightings have been calculated by income but can also be calculated based on occupied area.

8.1 Investment Sales

SALES EVIDENCE

Property	Sale Date	Sale Price	Licence No	Net Income ($pa)	Initial Yield	Equiv Yield	IRR	$/Licence	WALT (yrs)
[redacted]	Jun-25	2,670,000	48	137,280	5.14%	5.61%	7.67%	55,625	9.9
[redacted]	Mar-25	5,700,000	108	352,578	6.17%	5.89%	7.90%	52,778	10.7
[redacted]	May-25	4,012,000	80	239,200	5.96%	5.95%	8.15%	50,150	9.5
[redacted]	Mar-24	5,800,000	105	357,600	6.17%	6.18%	7.79%	55,238	16.8
[redacted]	Jan-25	4,250,000	85	262,000	6.16%	6.22%	8.31%	50,000	8.3
[redacted]	May-24	6,450,000	130	405,600	6.28%	6.28%	7.80%	49,615	14.8
[redacted]	Dec-23	2,950,000	64	185,313	6.28%	6.29%	7.88%	46,094	12.9
[redacted]	Aug-24	2,780,000	70	181,000	6.51%	6.82%	8.39%	39,714	9.8
[redacted]	Apr-25	4,600,000	100	326,600	7.10%	7.19%	9.45%	46,000	6.0

8.2 Investment Sales Evidence Commentary

[redacted]

Description: A non-purpose-built childcare centre but with modern extensions. The centre is well presented with good outdoor play areas. It is licensed for 48 children.

There is a 10-year lease to [redacted] which commenced in May 2025. We understand that the contract rent is $137,280 per annum plus GST. Reviews are yearly at 3.5%. Three further rights of 5 years each.

The land is zoned Mixed Housing Urban and being close to [redacted], there is substantial future redevelopment options.

Comparability: This centre sold with a WALT of 9.9 years. The property has shown a low yield which reflects the high underlying land value and future development options.

[redacted]

Description: A purpose-built childcare centre which is situated in a relatively new subdivision. The centre is well presented with a high stud height and extensive outdoor play areas. It is licensed for 108 children.

There is a 15-year lease to [redacted] which commenced in March 2025. We understand that the contract rent is $352,578 per annum plus GST. Annual increases fixed at 2% with a market review at each 5 years but capped at 10%. Two further rights of 10 years each.

Comparability: This centre sold with a WALT of 10.7 years. It is located within a residential area that is undergoing substantial expansion.

[redacted]

Description: A non-purpose-built childcare centre but with modern extensions. The centre is well presented with good outdoor play areas. It is licensed for 80 children.

There is an 18-year lease to [redacted] which commenced in October 2024. We understand that the contract rent is $239,200 per annum plus GST. Fixed reviews at 3% with market reviews 5 yearly and 3 yearly if renewed. Two further rights of 6 years each.

The site is zoned Single House and although close to [redacted] there is little future redevelopment opportunities.

Comparability: This centre sold with a WALT of 9.5 years. It is occupied by a large national tenant and is located within a residential area.

[redacted]

Description: A purpose-built childcare centre which is positioned on [redacted]. The centre is well presented with a high stud height and extensive outdoor play areas. It is licensed for 105 children.

There is an 18-year lease to [redacted] which commenced in January 2023. We understand that the contract rent is $357,600 per annum plus GST.

The majority of the underlying site is zoned Mixed Housing Urban, although a small portion is zoned Mixed Housing Suburban. The site is also subject to the [redacted]

Comparability: This centre sold with a long WALT of 16.8 years. It is occupied by a large national tenant and is located within a residential area that is undergoing substantial expansion.

[redacted]

Description: A purpose-built childcare centre which is positioned on a main arterial route through [redacted] The centre is well presented with a high stud height and extensive outdoor play areas. It is licensed for 85 children.

There is a 15-year lease to [redacted] which commenced in April 2018. We understand that the contract rent is $262,000 per annum plus GST. Annual CPI reviews and market at year 6, and 11. Two further rights of 10 years each.

Comparability: This centre sold with a WALT of 8.3 years.

[redacted]

Description: A purpose-built childcare centre which we understand was originally constructed circa 2015. The centre is licensed for 130 children, including 40 children under two years of age. It is well presented.

The property is subject to a new 15-year lease with a contract rent of $405,600 per annum plus GST. There are annual fixed increases of 2% with market reviews every five years. There are two further rights of renewal of 10 years each.

The improvements occupy a Mixed Housing Urban zoned site of 3,508 sqm.

Comparability: A local centre which sold with a long WALT of 14.8 years.

[redacted]

Description: A purpose-built childcare centre which we understand was completed in 2021. The centre was licensed for 60 children however an application was granted to increase the number of children to 64. We understand that this was actioned during the sales process and the sale price was slightly higher as a result i.e. $2,950,000 vs $2,900,000.

At the time of sale, the property was generating a contract rent of $185,313 per annum plus GST. This is a 15-year lease commencing on 11 October 2021. There are annual fixed increases of 2.5%, with five yearly reviews to market. The lease includes three further rights of renewal of six years each.

The underlying site is zoned Residential – Mixed Housing Suburban with a land area of 1,014 sqm.

Comparability: This is a local centre which and sold with a favourable WALT of 12.9 years. A good quality asset located within an established inner-city suburb.

[redacted]

Description: A purpose-built childcare centre which we estimate to have been completed circa 2010's. The centre is licensed for 70 children. This is a road front site which carries a Mixed-Use zoning.

The property is leased for a term of ten years from 1 June 2024 with a contract rent of $181,000 per annum plus GST. There are two yearly reviews to market and two further rights of renewal of five years each.

Comparability: A local centre which sold with a long WALT of 9.8 years.

[redacted]

Description: A purpose-built childcare centre which is located [redacted] at a [redacted]. The centre is licensed for 100 children.

The property is subject to a new 12-year lease with a contract rent of $326,600 per annum plus GST. There are annual fixed increases at either the CPI or 3% whichever is the greater and market reviews every six years. There are two further rights of renewal of 6 years each.

The property is located on a unit title ownership.

Comparability: The property sold with a relatively short WALT of 6 years. Inferior tenure.

8.3 Investment Profile

Overview	In establishing appropriate investment benchmarks for the property, we have considered its investment profile in terms of:
Location	A fringe location at the northern of the Whangaparaoa Peninsula.
Building Quality	Near new purpose-built building of an average standard but good design.
Tenant Strength	Bank Guarantee by the tenant, however the premium rental is subject to the viability of the tenant.
Weighted Average Lease Expiry	The property has a WALT of 13.1 years. This would be considered as a long period for a commercial property investment.
Contract Rent vs Market Rent	The assessed market rent is below the current contract rental. Therefore, there is a premium rental being paid for the term of the lease and this is reflected in the positive rental reversion.
Scale of Investment	The property would be considered a mid-scale commercial property investment in the Auckland market.

8.4 Sales Evidence Conclusion

Conclusion

We have detailed sales which indicate equivalent yield rates ranging from 5.61% to 7.19% where the lower yield reflects the higher underlying land value at [redacted] and the higher return on [redacted] reflects that the property has a low land value content being unit titled and shorter-term remaining lease period. Generally, the purpose-built properties which all have approximately 10 years remaining on their lease, offer yield rates of between approximately 6.0% to 6.25%. The property at [redacted] is also located on the [redacted], like the subject property. In our opinion we would assess the subject property to be inferior to the main group of sales being [redacted] and more comparable to the sale at [redacted]. This would place the yield rate at between 6.25% and 6.75% and on balance we would adopt the higher end of the range at **6.75%,** which is consistent with the sale at [redacted] The centre was designed for 105 children and there is future potential in this area with some new housing construction. The Golf Course at Gulf Harbour has been mis-managed, but once this has been resolved there may be a further interest in the area and more development.

In concluding the adopted investment parameters, we have particularly taken note of the following value drivers for the subject property:

- A modern purpose-built facility
- Good quality, contemporary construction and design.
- Licenced for up to 90 children but designed for 105 children
- A WALT of 13.1 years
- Bank Guarantee by the tenant
- Premium rental above market level
- Limited new housing development in the area

Considering all of the sales evidence discussed, together with the asset specific attributes highlighted in the SWOT and Investment Profile Section of this report, we conclude investment parameters for the subject property as follows:

- Capitalisation Rate: 6.75%
- Target IRR: 8.50%

9 Valuation

9.1 Introduction

Highest and Best Use

The Market Value of an asset will reflect its 'highest and best use'. The highest and best use is the use of an asset that maximises its potential and that is physically possible, legally permissible and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.

The current use of the asset is the highest and best use.

Approaches and Methods

In arriving at our opinion of value, we have considered relevant general and economic factors and have investigated recent sales and leasing transactions of comparable properties (as previously detailed).

We have utilised the following valuation approach(es) and methods as defined by IVS :

- Income Approach
  - Income Capitalisation Method
  - Discounted Cash Flow Method
- Market Approach
  - Comparable Transactions Method

9.2 Income Capitalisation Method

Overview

This method encompasses the conversion of net market income to value via the application of a capitalisation rate (investment return). The basic premise of income capitalisation is that a property investor expects a pre-determined rate of return on their investment. The capitalisation rate varies according to several factors including risk, type & scale of investment, location, residual lease term and expected income and capital value growth. The two main variables, namely market income and capitalisation rate, are analysed from available rental and sales evidence.

The adopted fully leased net income has been capitalised in perpetuity from the valuation date at a capitalisation rate of 6.75%, which reflects the nature, location and tenancy profile of the property when compared with analysis of comparable sales evidence. We have then made various capital adjustments to the calculated core value, including:

- Calculation of reversions to market rent.
- Capital expenditure allowances.

Our valuation calculations are detailed as follows:

INCOME CAPITALISATION METHOD		
	Lic.	Market
RENTAL INCOME		
Harbour Haven	105.0	300,300
NET INCOME		**300,300**
CAPITALISED VALUE | Capitalised In Perpetuity @ 6.75%		**4,448,889**
CAPITAL ADJUSTMENTS		
Tenant Rent Adjustments		
- PV of Rent Reversions		97,180
Present Value of Capital Expenditure		
- Capital Expenditure (1.50% of Gross Income)	24 months	(10,433)
Total Adjustments		86,748
INCOME CAPITALISATION VALUE		4,535,637
INCOME CAPITALISATION VALUE ADOPTED		**4,525,000**
Sensitivity Analysis	6.500%	4,700,000
	6.750%	4,525,000
	7.000%	4,375,000

9.3 Discounted Cash Flow Method

Overview

The Discounted Cash Flow method 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. A wide range of assumptions are made including a target or pre-selected internal rate of return, rental growth, occupancy, sale price of the property at the end of the investment horizon, potential capital expenditure, costs associated with the initial purchase of the property, and also its disposal at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the commencement of the 11th year. The cash flow analysis comprises monthly income streams which we have discounted on a monthly basis.

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

Key Allowances & Assumptions

Accommodation Type	Forecast Rental Growth (10-year average)	Renewal Probability	Lease Up Period
Childcare	2.40%	50%	6.0 months

Capital Expenditure: Refer to Capital Expenditure section for specific comments.

Terminal Yield: 7.00%

In establishing the terminal capitalisation rate, we have had regard to anticipated market conditions at that time, locational and physical attributes and lease profile.

Target IRR: 8.50%

The adopted rate represents the overall rate of return to an investor over a specific investment horizon. This adopted rate has been assessed based on our analysis of recent transactions, and the allowance and projections in our cash flow.

We provide our full workings as follows:

GROWTH ASSUMPTIONS

Valuation Period	CAGR 5 yr	CAGR 10 yr	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Year Ending			Aug-26	Aug-27	Aug-28	Aug-29	Aug-30	Aug-31	Aug-32	Aug-33	Aug-34	Aug-35	Aug-36
EXPENSE GROWTH													
CPI	1.96%	1.98%	1.84%	1.95%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Statutory Expenses	1.96%	1.98%	1.84%	1.95%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Operating Expenses	1.96%	1.98%	1.84%	1.95%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Capital Expenditure	1.96%	1.98%	1.84%	1.95%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
NET MARKET RENT													
Childcare	2.30%	2.40%	2.00%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

FUTURE LEASE ASSUMPTIONS

Valuation Period	Unit	Default	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Year Ending			Aug-26	Aug-27	Aug-28	Aug-29	Aug-30	Aug-31	Aug-32	Aug-33	Aug-34	Aug-35	Aug-36
CHILDCARE													
Renewal Probability	%		50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Lease Up	mths	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Lease Term	yrs	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Lease Costs - New Leases	%		20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%

DISCOUNTED CASH FLOW METHOD - ANALYSIS

PURCHASE CONSIDERATIONS		
Purchase Price	4,687,317	
Legal/Due Diligence	(5,852)	0.13%
Other		-
SELLING CONSIDERATIONS		
Terminal Yield		7.00%
Agent Commissions		1.75%
Legal/Due Diligence		0.13%
Other		-

DCF SUMMARY	
Target IRR	8.50%
DCF Result	4,681,466
ADOPT	**4,675,000**
Year 1 Cash Flow Yield	7.00%
Income %	49.90%
Terminal Value %	50.10%
Terminal WALE by Income	3.10 yrs

SENSITIVITY ANALYSIS

		Terminal Yield 6.50%	7.00%	7.50%
Target IRR	8.00%	5,050	4,850	4,675
	8.50%	4,875	4,675	4,525
	9.00%	4,700	4,525	4,375

DISCOUNTED CASH FLOW METHOD - FORECAST (All figures shown as $1,000s)

Valuation Period	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Year Ending	Aug-26	Aug-27	Aug-28	Aug-29	Aug-30	Aug-31	Aug-32	Aug-33	Aug-34	Aug-35	Aug-36
INCOME											
Major Tenants											
Harbour Haven	326	332	339	340	346	353	360	367	368	374	382
Total Majors Income	326	332	339	340	346	353	360	367	368	374	382
Recoverable Outgoings	46	47	48	49	50	51	52	53	54	55	56
Total Income	**372**	**379**	**387**	**389**	**396**	**404**	**412**	**420**	**422**	**429**	**438**
OUTGOINGS											
Statutory Expenses	(16)	(16)	(16)	(17)	(17)	(17)	(18)	(18)	(18)	(19)	(19)
Operating Expenses	(30)	(31)	(32)	(32)	(33)	(33)	(34)	(35)	(36)	(36)	(37)
Total Outgoings	**(46)**	**(47)**	**(48)**	**(49)**	**(50)**	**(51)**	**(52)**	**(53)**	**(54)**	**(55)**	**(56)**
NET INCOME	**326**	**332**	**339**	**340**	**346**	**353**	**360**	**367**	**368**	**374**	**382**
CASH FLOW ADJUSTMENTS											
Ongoing Capex Allowance (1.50% of Gross Income)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(7)
Total Adjustments	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(7)
NET INCOME (incl Cash Flow Adjustments)	**320**	**327**	**333**	**334**	**340**	**347**	**354**	**361**	**362**	**368**	**375**
SELLING CONSIDERATIONS											
Sale Price											5,411
Agent Commissions											(95)
Legal & Other Fees											(7)
Net Sales Proceeds											5,310
NET CASH FLOW	**320**	**327**	**333**	**334**	**340**	**347**	**354**	**361**	**362**	**368**	**5,310**
Running Cash Yield (After Capex)	7.00%	7.14%	7.29%	7.30%	7.43%	7.58%	7.73%	7.89%	7.90%	8.04%	-

DISCOUNTED CASH FLOW METHOD - CALCULATIONS

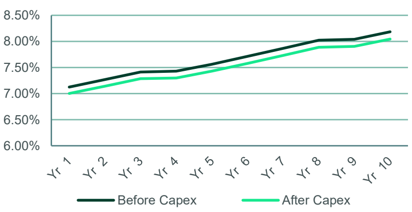
Sum of Discounted Cash Flows	2,338,889
PV of Terminal Value	2,348,428
NPV (before Acquisition Costs)	4,687,317
Acquisition Costs @ 0.13%	(5,852)
NPV	4,681,466
DCF VALUE ADOPTED	**4,675,000**

TERMINAL VALUE - CALCULATIONS

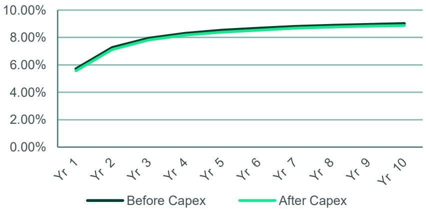
Gross Market Income	436,834
Less Outgoings	(56,165)
Net Market Income	380,668
Core Capital Value @ 7.00%	**5,438,117**
Reversions	(14,341)
Exp. Allowances (24 months)	-
Capex & Misc	(12,283)
Terminal Value (before disp. costs)	**5,411,493**

DISCOUNTED CASH FLOW METHOD - CHARTS

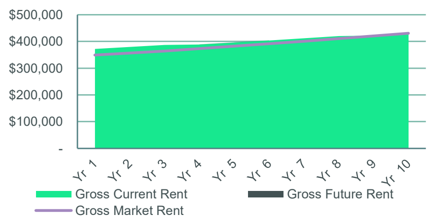
RUNNING YIELD



RUNNING IRR



PROPERTY INCOME PROFILE



9.4 Comparable Transactions Method

Overview

This method utilises information about transactions involving assets that are the same as (or similar to) the subject asset to arrive at an indication of value, using appropriate units of comparison. In this instance we have analysed the comparable sales evidence to a rate per square metre of land and/or buildings.

Direct comparison using the Comparable Transactions Method is considered to be one of the best methods of valuation however seldom are any two properties directly comparable due to differences in age, floor area, quality, location, lease terms and cash flows.

This approach considers Market Value by comparing directly the property with sales of other similar properties. A unit of comparison is analysed, in this instance the rate per square metre ($/m²) of gross floor area, in order to provide a practical basis of comparison where evidence is limited to properties with fewer similarities. Adjustments for a range of variables may also need to be considered.

In this instance we have shown the subject property at the lower end of the range, with most childcare facilities falling in the range of $45,000 to $55,000/child. The rental for the subject property has been set at a rate which in our opinion is above the market level, and therefore this creates a premium value, which is subject to the ongoing viability of the tenant. In line with the evidence and in particular [redacted] we have shown a range for the subject to be at between $40,000 to $45,000. The inclusion of this approach and through the averaging of all the methods, this basis assists to better reflect the location and results in a more realistic value.

Our calculations are as follows:

COMPARABLE TRANSACTIONS METHOD - LICENSES

Licenses			105
	Rate $per License	Calculated Value	
	40,000	4,200,000	
	42,500	**4,462,500**	
	45,000	4,725,000	
Comparable Transactions Method Value Adopted			**4,475,000**
$per License			42,619

9.5 Valuation Reconciliation

Valuation Reconciliation

Having regard to these methods and the available market evidence, we have reconciled the market value for the subject property as follows:

VALUATION RECONCILIATION		Date of Valuation: 31 August 2025
Income Capitalisation Method	**Assessed Value**	**4,525,000**
	Capitalisation Rate	6.75%
Discounted Cash Flow Method	**Assessed Value**	**4,675,000**
	Target IRR	8.50%
	Terminal Yield	7.00%
Comparable Transactions Method - Licenses	**Assessed Value**	**4,475,000**
	$per License	42,500
MARKET VALUE ADOPTED		**4,575,000**
	Initial (Passing) Yield	7.00%
	Equivalent Yield	6.69%
	Reversionary Yield (Yield on Market Income)	6.56%
	Indicated IRR	8.88%
	$per License	43,571
	$psm of Land Area	2,319
	WALE by Income	13.1 years

Further Comments

We have applied an equal weighting between the adopted methods.

The above valuation is plus GST (if any).

9.6 Land & Buildings Apportionment

Hypothetical Apportionment

We provide a hypothetical apportionment of our market value as follows:

HYPOTHETICAL APPORTIONMENT	
Land	1,975,000
Buildings	2,600,000

We retain relevant land sales evidence supporting the above assessment on file.

9.7 Mortgage Recommendation

Mortgage Recommendation

Our report is undertaken for mortgage security purposes and may be relied upon by ASB Bank Limited for the advance of first mortgage funds only. In undertaking our valuation, we have observed the requirements of IVS 400 Real Property Interests and ANZVGP 112 – Valuations for Mortgage and Loan Security Purposes. We confirm that the property is satisfactory for the advance of first mortgage funds only and recommend lending within normal first mortgage lending parameters.

9.8 Additional Reporting

Previous Sale

The property market was last purchased in September 2020 for $5,350,000.

Contract of Sale

The property is not currently subject to a sale and purchase agreement.

Reasonable Marketing Period

The valuation is based on a selling period of up to 3-6 months for this location.

10 Disclaimers & Qualifications

Valuation Subject To Change	This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including because of general market movement or factors specific to the particular property). For the avoidance of doubt, this may include global financial crises or force majeure events. We do not accept liability for losses arising from such subsequent changes in value. Furthermore, values vary from time to time in response to changing market circumstances. The valuation is based on available information as at the date of valuation. No warranty can be given as to the maintenance of this value into the future. Therefore, it should be reviewed periodically.
Lease Documentation	Where applicable, our assessment of value is provided on the assumption that all leases are executed and that individual lease provisions are in accordance with the tenancy information provided.
Disclosure	CBRE must be advised if the Reliant Party becomes aware of any changes relating to the information and advice provided by the Instructing/Reliant Party during the Reliance Period. This includes, without limitation, any changes to information and advice provided in relation to encumbrances, registered/unregistered interests, title, and land area/dimensions. In any such event, this valuation must not be relied upon without consulting CBRE first to reassess any effect on the valuation.
Taxation & GST	Unless otherwise stated, all financial information and valuation calculations and assessments in this report are on a plus GST (if any) basis. We are not tax experts and have not been provided with tax or legal advice. The Reliant Party must make its own enquiries if they consider that GST applies.
Site Survey	We do not commission site surveys and a site survey has not been provided to us. We have assumed there are no encroachments by or on the property, and the Reliant Parties should confirm this status by obtaining a current survey report and/or advice from a registered surveyor.
Property Titles	We have assumed that there are no further easements, unregistered interests or encumbrances not disclosed by our title search which may affect market value. However, if a future title search is undertaken which reveals additional easements or encumbrances, CBRE should be consulted to reassess any effect on the value stated herein.
Environmental Conditions	Unless otherwise stated, we have assumed that the site is free of elevated levels of contaminants or subsoil asbestos that would prevent the continuation of the current use of the property. Note our visual inspection is an inconclusive indicator of the actual site condition. We make no representation as to the actual environmental status of the subject property. If any formal testing is undertaken to assess the degree, if any, of contamination of the site and this is found to be positive, this valuation must not be relied upon without first consulting CBRE to reassess any effect on the valuation.
Flooding Caution	The quality, completeness and accuracy of flood mapping varies widely between localities and Councils. We have not verified, and make no representation as to the appropriateness, accuracy, reliability, or currency of the flood mapping reviewed. The Reliant Party may wish to confirm the flood mapping information by obtaining an expert hydrologist's report. If further flooding data is obtained, we reserve the right to review and if necessary, amend the valuation.
Asbestos/ Hazardous Materials	Unless otherwise noted, we have assumed that the improvements are free of asbestos and hazardous materials, or should these materials be present then they do not pose significant risk to human health, nor require immediate removal. Our visual inspection is an inconclusive indicator of the actual condition/presence of asbestos/hazardous materials within the property. We make no representation as to the actual status of the subject property. If any testing is undertaken and the presence of any asbestos/hazardous materials on site is found to be positive, this valuation must not be relied upon before first consulting CBRE to reassess the valuation.
Planning Information	We assume information provided by the relevant responsible authority is current and accurate. We do not commission formal investigations to verify information provided to us. If a Land Information Memorandum (LIM) report is obtained, and the information therein is later found to be materially different to the town planning information detailed within the valuation, we reserve the right to amend the valuation.

Inclusions & Exclusions	Our valuation includes those items that form (or will form) part of the building service installations such as heating and cooling equipment, lifts, sprinklers, lighting, etc., that would normally pass with the sale of the property, but excludes all items of plant, machinery, equipment, partitions, furniture and other such items which may have been installed (by the occupant/operator) or are used in connection with the enterprise carried on within the property.
Side Agreements	If the Reliant Party becomes aware of any side agreements, this valuation must not be relied upon before first consulting CBRE to reassess any effect on the valuation.
Floor Areas	Unless stated otherwise in the valuation, we have assumed that the floor areas have been calculated in accordance with the Property Council of New Zealand (PINZ PCNZ) Guide to Measurement of Rentable Areas or as specifically instructed by the party who we have agreed to provide this valuation. We recommend that the person or entity relying upon this report should obtain a survey to determine whether the areas provided differ from PINZ PCNZ guidelines. If the survey reveals a variance in areas, then the relevant person or entity should not rely upon the valuation and should provide all relevant survey details to CBRE for consideration and possible review of the valuation.
Condition & Repair	We are not building/structural experts and are therefore unable to certify the structural soundness of the improvements. Unless otherwise stated, we have not sighted a qualified engineer’s structure survey of the improvements, or its plant and equipment. Any Reliant Parties would need to make their own enquiries in this regard. Unless otherwise stated, we have not sighted a structural report on the property, nor have we inspected unexposed or inaccessible portion of the premises. We therefore cannot comment on the structural integrity, defect, rot or infestation of the improvements nor can we comment on any knowledge of the use in construction of material such as asbestos or other materials considered hazardous.
Currency	All dollars are NZ$.
LIM & PIM	Unless otherwise stated, we have not obtained Land Information Memoranda (LIM) or Project Information Memoranda (PIM) from the Territorial Authority.
Lease Covenant Strength	We do not make detailed enquiries into the covenant strength of occupational tenants but rely on our judgement of the market’s perception of them. Any comments on covenant strength should therefore be read in this context. We assume that tenants are capable of meeting their financial obligations and there are no undisclosed rental arrears or breaches of covenant.
Site Conditions	We do not commission site investigations to determine the suitability of ground conditions and services, nor do we undertake environmental or geotechnical surveys. We have assumed 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 property which may have redevelopment potential, we proceed on the basis 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 (unless stated otherwise).
Not a Structural Survey	We state that this is a valuation report, and not a Structural Survey.
Director’s Clause	Under required circumstances, this report may have been co-signed by a Director of CBRE. In accordance with our internal Quality Assurance procedures, the co-signing Director certifies that they have discussed the valuation methodology and calculations with the prime signatory, however the opinion of value expressed herein has been arrived at by the prime signatory alone. The co-signing Director may or may not have inspected the subject property.
Reliance	For the avoidance of doubt, nothing in this valuation report will constitute any legal recommendation or advice in relation to investment, or an offer or solicitation for the purpose of or for sale of any securities, financial instrument or products or other services. CBRE are not liable to any purchasers and/or investors in their own decisions in relation to any purchasing or investments from the services provided.
Market Movement	Values vary from time to time in response to changing market circumstances. The valuation is based on available information as at the date of valuation. No warranty can be given as to the maintenance of this value into the future. Therefore, it should be reviewed periodically.

Extent of Investigations

We are not engaged to carry out all possible investigations in relation to the property. Where in our report we identify certain limitations to our investigations, this is to enable the Reliant Party to instruct any further investigations considered appropriate or where we recommend as necessary prior to Reliance. CBRE is not liable for any loss occasioned by a decision not to conduct further investigations.

Assumptions

Assumptions are a necessary part of undertaking valuations. CBRE adopts assumptions for the purpose of providing valuation advice because some matters are not capable of accurate calculation or fall outside the scope of our expertise, or our instructions. Assumptions adopted by CBRE will be formulated on the basis that they could reasonably be expected from a professional and experienced valuer. The Reliant Party accepts that the valuation contains certain specific assumptions and acknowledges and accepts the risk that if any of the assumptions adopted in the valuation are incorrect, then this may influence the valuation.

Information Supplied by Others

This document contains information which is derived from other sources. Where this information is provided by experts and experienced professionals, we have relied upon the expertise of such experts and by necessity we have relied upon the information provided being accurate, whether prepared specifically for valuation purposes or not. Unless otherwise specifically instructed by you, we have not independently verified that information, nor adopted it as our own. Notwithstanding the above, we have reviewed the provided information to the extent that such a review would be reasonably expected from a professional and experienced valuer having regard to normal industry practice undertaking a similar valuation/consultancy service. The Reliant Party acknowledges that the valuer is not a specialist in the areas from which the expert information is derived and accepts the risk that if any of the information/advice provided by others and referred to in the valuation is incorrect, then this may influence the valuation.

Future Matters

To the extent that the valuation includes any statement as to a future matter, that statement is provided as an estimate and/or opinion based on the information known to CBRE at the date of this document. CBRE does not warrant that such statements are accurate or correct.

Industry Practice

Subject to the assumptions and qualifications detailed within, this valuation report is prepared and issued in accordance with the International Valuation Standards published by the IVSC and adopted by PINZ, as well as relevant and applicable valuation guidelines published by the PINZ as Guidance Papers, Technical Information Papers and Valuation Protocols.

APPENDICES

A. Record of Title

RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD
Search Copy

R.W. Muir
Registrar-General
of Land

Identifier	**852017**
Land Registration District	**North Auckland**
Date Issued	27 May 2019

Prior References
458514

Estate	Fee Simple
Area	1973 square metres more or less
Legal Description	Lot 1 Deposited Plan 527986

Registered Owners
PMG Direct Childcare Fund Trustees Limited

Interests

D084509.2 Consent Notice pursuant to Section 221(1) Resource Management Act 1991 - 24.12.1996 at 2.31 pm

D084509.13 Deed of Covenant - 24.12.1996 at 2.31 pm

Land Covenant in Transfer D601604.4 - 7.5.2001 at 11.53 am

Land Covenant in Easement Instrument 7484235.1 - 31.7.2007 at 9:00 am

Land Covenant in Easement Instrument 7809260.5 - 7.5.2008 at 3:41 pm

Land Covenant in Easement Instrument 7809272.4 - 7.5.2008 at 3:41 pm

Land Covenant in Easement Instrument 7809289.4 - 7.5.2008 at 3:41 pm

Land Covenant in Easement Instrument 7815439.8 - 14.5.2008 at 9:00 am

Land Covenant in Easement Instrument 7864111.5 - 1.7.2008 at 9:00 am

8038614.1 Consent Notice pursuant to Section 221 Resource Management Act 1991 - 23.12.2008 at 9:00 am

Appurtenant hereto is a right to drain sewage and water created by Easement Instrument 8038614.4 - 23.12.2008 at 9:00 am

9532073.1 Conservation Covenant pursuant to Section 77 Reserves Act 1977 - 30.10.2013 at 1:53 pm

Land Covenant in Easement Instrument 10051434.12 - 6.7.2015 at 8:59 am

Land Covenant in Easement Instrument 10134285.2 - 18.9.2015 at 5:40 pm

Appurtenant hereto is a right to convey water, gas, electricity, telecommunications and computer media and right to drain water and sewage created by Easement Instrument 10025915.4 - 29.9.2015 at 5:33 pm

Land Covenant in Easement Instrument 10475461.15 - 12.9.2016 at 1:42 pm

Land Covenant in Easement Instrument 10694132.8 - 9.3.2017 at 4:35 pm

Land Covenant in Covenant Instrument 11728645.1 - 29.4.2020 at 10:25 am

11903815.2 Mortgage to ASB Bank Limited - 30.3.2021 at 11:57 am

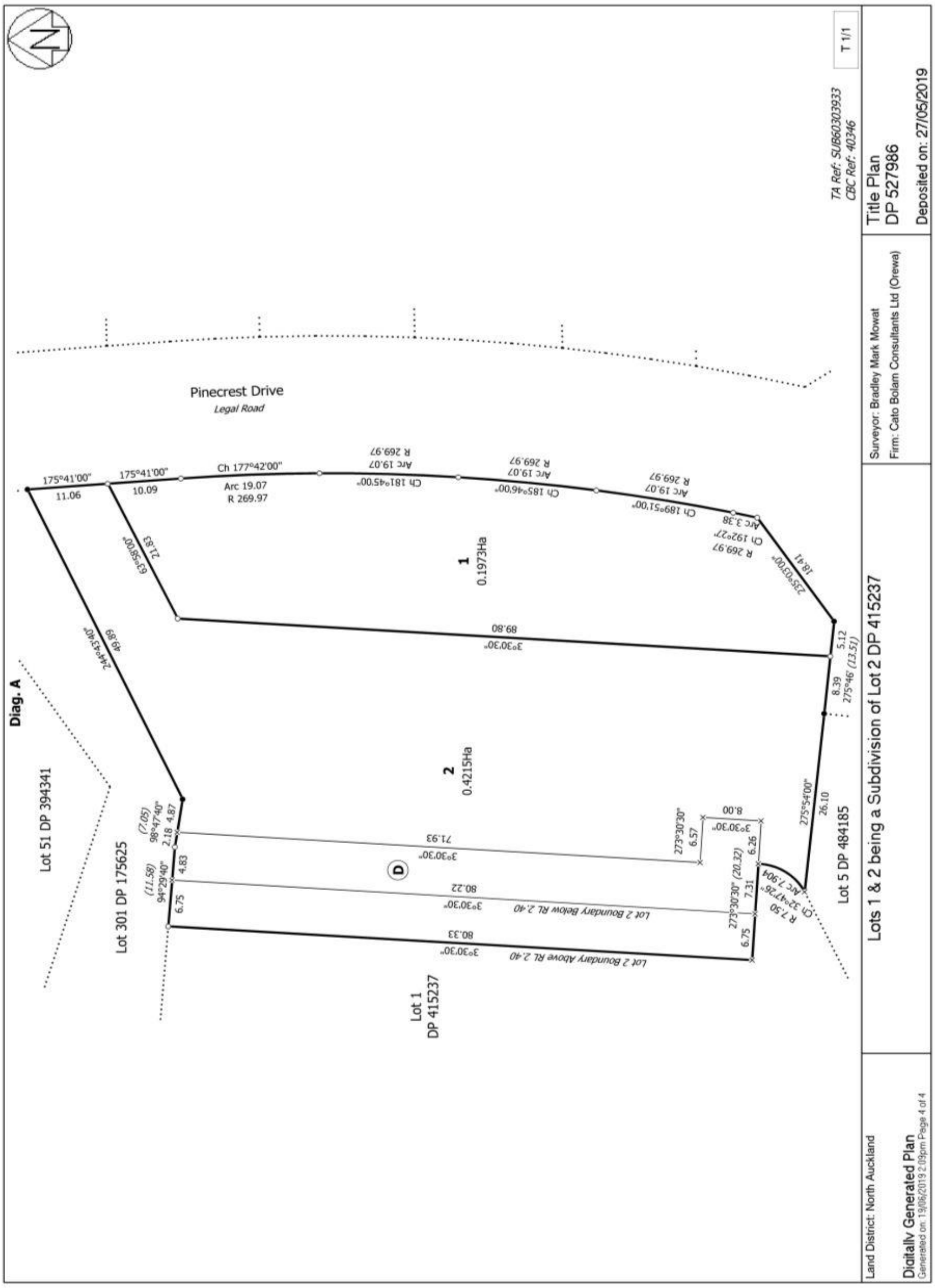
Subject to a right to drain sewage over part marked B on DP 555995 created by Easement Instrument 12152771.1 - 16.6.2021 at 4:58 pm

Appurtenant hereto is a right of way created by Easement Instrument 12152771.2 - 16.6.2021 at 4:58 pm

Transaction ID 6534407
Client Reference commercial Auckland

Search Copy Dated 20/08/25 12:12 pm, Page 1 of 2
Register Only

Identifier **852017**

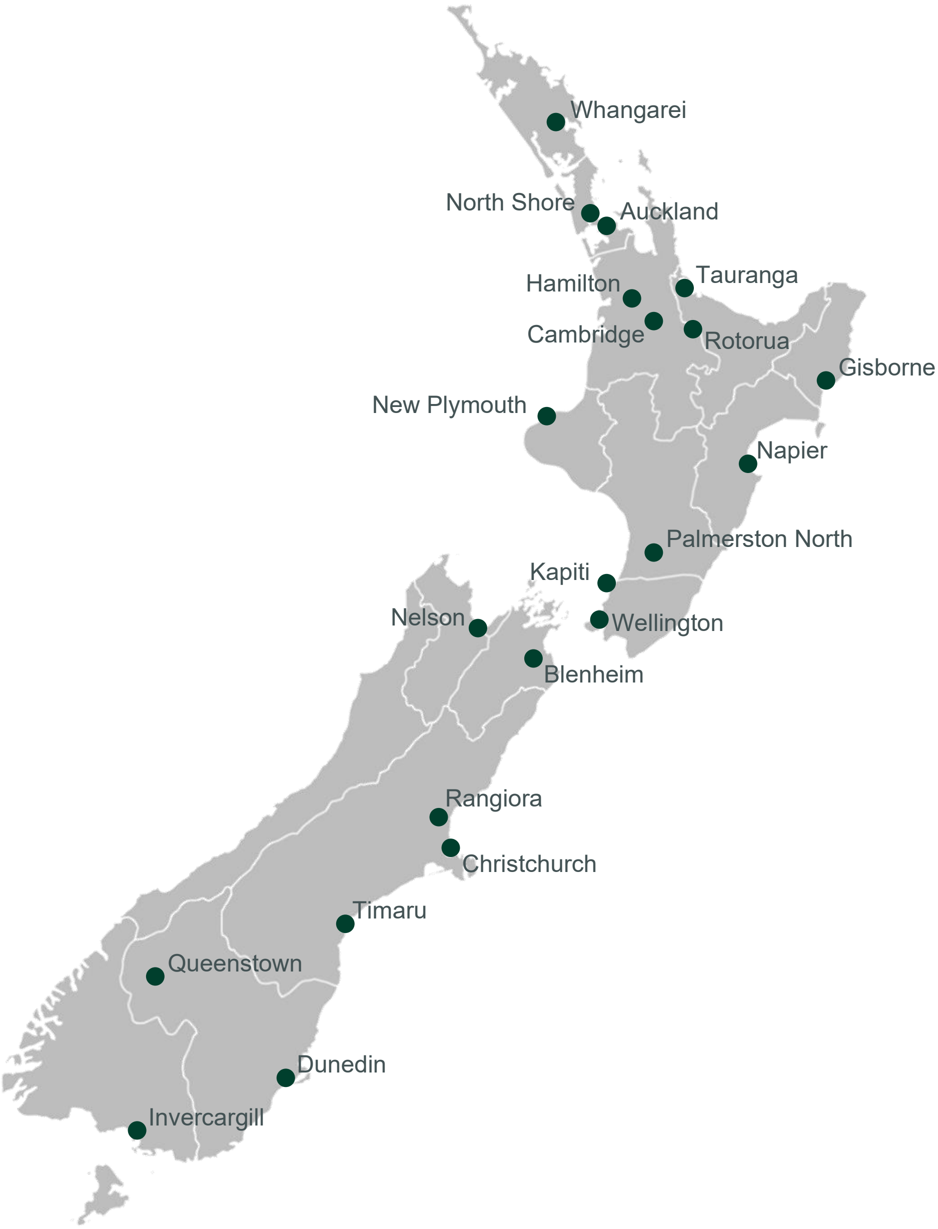


B. Signed Terms of Engagement

C. Valuation Terminology & Definitions

Terminology	Definition
Net Income Estimate, Fully Leased	The total current net income for the subject property plus the estimated income from vacant tenancies. The total current net income is the sum of the current base, outgoings recoveries and sundry income, less total outgoings expenses (including non-recoverable expenses). The estimated income from vacant tenancies reflects our market assessment of gross rent for these tenancies.
Net Passing Income	The sum of the current base, outgoings recoveries and sundry income, less total outgoings (including non-recoverable expenses).
Outstanding Tenant Incentives	The total cost of all outstanding tenant incentives as at the date of valuation including unexpired rent free periods, outstanding fitout or cash contributions and rental discounts.
Initial Yield	Initial yield reflects the net contract income (including any outgoings for vacant tenancies) as a percentage of the assessed value.
Adopted Capitalisation Rate (or Equivalent Yield)	The capitalisation rate applied within our valuation to the net income estimate fully leased (as defined above). The term equivalent yield (as utilised within our analysis of comparable sales) essentially reflects a derived capitalisation rate based on the analysed purchase price adjusted for any under/over renting, surplus land, capital expenditure, vacancy allowances and other below the line adjustments.
Terminal Yield	The capitalisation rate applied within our valuation to the net passing income forecast during Year 11 of our Discounted Cash Flow (DCF) analysis. From this capitalised amount capital adjustments are made to arrive at a selling price for the property at the end of Year 10 of the DCF. Our adopted Terminal Yield is supported by the estimated terminal occupancy profile and the capital expenditure allowed throughout the cash flow, and at the end of the projection, which reflects efficient asset management practices in ensuring the property maintains its competitive position with its peer group.
Target Internal Rate of Return (IRR)	The discount rate applied to the annual net cash flows of the property and the hypothetical sale of the property at the end of Year 10 to arrive at the adopted value (excluding any balance land) using the Discounted Cash Flow method.
Ten Year IRR (Indicated)	The Internal Rate of Return which the property would achieve over a 10 year period given the forecast net cash flow and assessed value. This analysis excludes the value of any balance land.

CBRE OFFICE LOCATIONS



CBRE AUCKLAND | VALUATION & ADVISORY SERVICES

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