

Valuation Report



167 Bill Richardson Drive, West Invercargill, Invercargill City

Valuation Date 31 August 2025

Inspection Date 3 September 2025

Client PMG Direct Childcare Fund Trustees Limited

Lender ASB Bank Limited

Version 2 Redacted



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1 Valuation Summary

EXECUTIVE SUMMARY - Blue Duck Waihopai, 167 Bill Richardson Drive, West Invercargill, Invercargill

VALUATION SUMMARY 31 August 2025

MARKET VALUE **\$3,200,000** (plus GST, if any)

Initial (Passing) Yield	6.58%
Reversionary Yield (Yield on Market Income)	6.89%
Equivalent Yield	6.79%
Indicated IRR	7.86%
\$per License	\$35,556

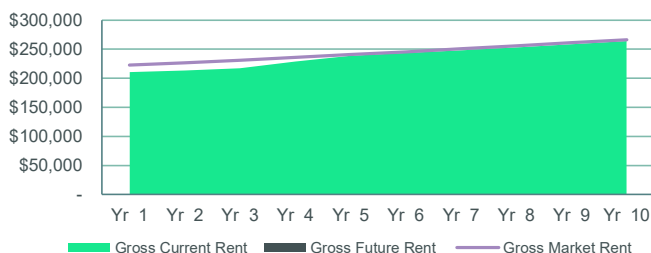
PROPERTY PARTICULARS

Brief Description	A purpose-built childcare facility which opened in 2020 and designed to be licenced for 90 children.
Site Area	2,408 sqm
Site Coverage	3.7%
License	90.0 sqm
Seismic Strength	Assume 100% NBS
Zoning	Business 6 (Business Park)

TENANCY PROFILE

Tenant	Expiry	Licenses (sqm)	Net Contract Rent	Net Market Rent
Blue Duck (Waihopai) Limited	31-Jan-39	90.0	210,600	220,500
WALE by Income		13.4 years		
Over/Under Renting (On Occupied)		4.5% under rented		

PROPERTY INCOME PROFILE **LEASE EXPIRY PROFILE**



CASH FLOW ASSUMPTIONS

Growth Forecasts	5 Year	10 Year	Future Assumptions	Childcare
CPI	1.96%	1.98%	Renewal Prob.	50.00%
Outgoings	0.00%	0.00%	Existing Vac. Lease Up	6.0 mths
Building CAPEX	1.96%	1.98%	Future Lease Up	6.0 mths
Childcare Net Market Rent	2.00%	2.02%	Lease Term	6.0 yrs
			Leasing Commissions	16.00%
			Rent Reviews	2 Yr Eff Mkt
			Refurb. Allowance	-
Capital Expenditure				
Ongoing Capex	16,624	35,626		
% of Adopted Value	0.52%	1.11%		

SIGNATORIES

Principal Valuer

Regan Johns | B Com (VPM), ANZIV
Registered Valuer
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.

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.
- Strong WALT which is appealing to investors.
- Annual 2% rental growth and net lease structure with a long remaining lease term and improving interest rates underpins strong passive investment profile.
- Modern, purpose-built improvements.
- Superior facility to the majority of competing centres.
- Situated in a growing commercial area.

Weaknesses & Threats

- Limited alternative uses for realty without substantial reconfiguration implying reversionary risk.
- Continued difficulty in the childcare industry in attracting qualified staff and possibility that some centres may be forced to reduce roll numbers if the required qualified teacher to child ratio is not maintained.
- Located on the edge of commercial and rural development which is inferior to centres located within residential suburbs.
- Situated within a Riverine Inundation Level 1 and Sea Level Rise Storm Surge zone.
- Political risk associated with industry reliance on government subsidisation.
- Oversupply of childcare centres within the catchment.
- Refer Market Risk Comment overleaf.

Overall Risk Summary

The property is considered to have a low risk profile in comparison with commercial properties in the locality.

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 recording, mortgage security and for use as a public document for Capital Raising
Asset Valued	167 Bill Richardson Drive, West Invercargill, Invercargill City.
Basis of Valuation	Market Value - As Is - Subject to existing occupancy arrangements.
Date of Inspection	3 September 2025
Date of Valuation	31 August 2025
Date of Report Issue	8 October 2025
Amended Version 2	Rents and Sales have been redacted. Removing any reference to a location.
Valuation Currency	All dollars quoted in this report are NZD.

2.2 Market Value Definition

IVS Market Value Definition	<p>In accordance with the International Valuation Standard, the definition of market value is:</p> <p><i>"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."</i></p>
Fair Value Definition	<p>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:</p> <p>"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."</p> <p>Fair Value under NZ IFRS 13 is generally synonymous with the concept of Market Value under IVS.</p> <p>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 3 September 2025. Our valuation is on the basis that there are no material changes between the Inspection Date and Date of Valuation.</p>

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).
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- Valuer Declaration** We hereby certify that Regan Johns 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 dated 15 September 2022 at \$3,525,000 plus GST (if any). Since that valuation, the childcare operator at the property has changed and there is a new lease in place.

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 operational asset, and in undertaking the valuation, the valuer has also observed the requirements of New Zealand International Accounting Standard 40, Investment Property (NZIAS40).
- 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
Record of Title	Land Online
Lease, opex budget and tenancy schedule	PMG Direct Childcare Fund Trustees Limited

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

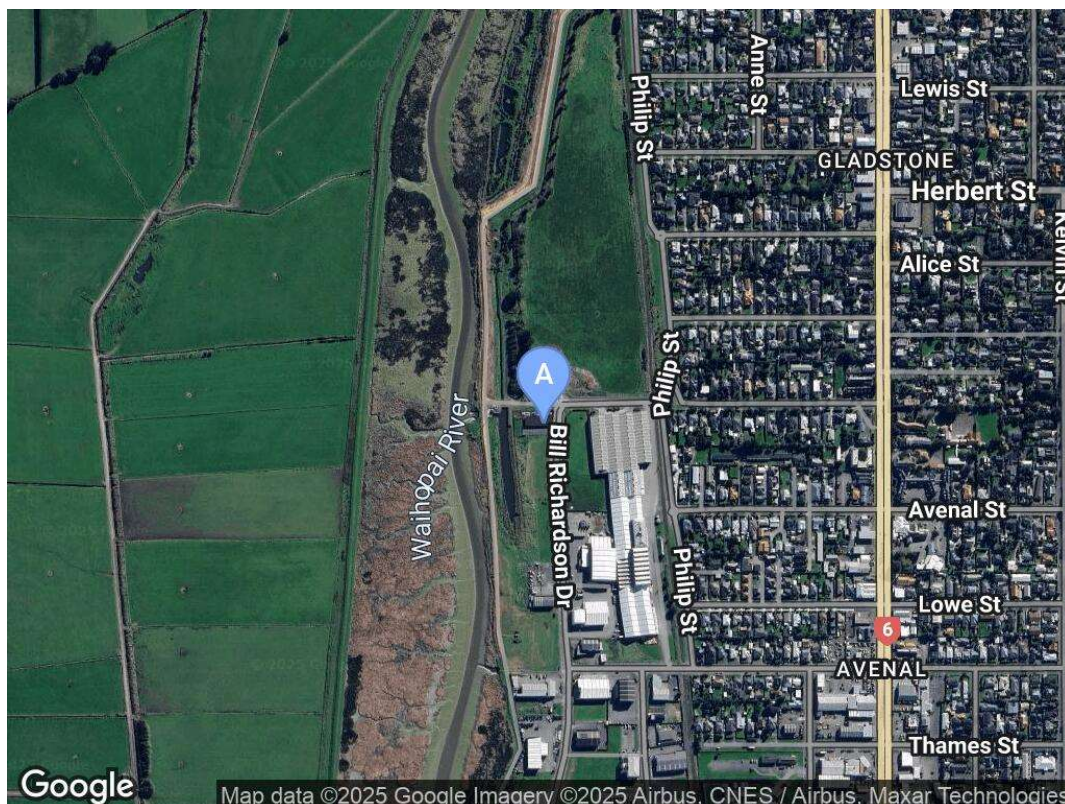
Preface

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.

3 Land

3.1 Location

Local Map



Location Overview The property is located on the western side of Bill Richardson Drive at its intersection with Beatrice Street. This location is within the locally known "Showgrounds Development" in West Invercargill, 1.5km north west of the Invercargill CBD.

The business park from which the property is located is the site of the former Invercargill A&P showgrounds which was developed in the late 2000s and is populated with a mixture of commercial and industrial trade premises.

Surrounds West Invercargill is the main industrial/commercial trade location for Invercargill being adjacent to the Invercargill CBD, that is characterised by the north to south heavy traffic bypass along Victoria Avenue and Bond Streets for the city and provides access to Invercargill Airport.

The properties within the immediate vicinity include vacant industrial sites or developed industrial properties, with rural property to the west separated from the subject by a river with walkway and water transfer station on the rear boundary. Residential development extends to the east from the opposite side of Philip Street which is some 150 metres from the subject.

3.2 Resource Management

Council (TLA)	Invercargill City
Plan Status	Operative
Zone	Business 6

This zone provides for a range of commercial activities and service-oriented industrial activities located on the site of the former Southland Showgrounds. The Business 6 Zone is readily accessible by heavy vehicles and is located in close proximity to central Invercargill. This zone continues to be developed for a range of light industrial and business purposes. While providing for a range of activities, the zone is not intended to compete with the City Centre as a destination retail and office area, nor provide the level of pedestrian amenity that is found in the City Centre.

The significant resource management issues for the Business 6 (Business Park) Zone:

BUS6Z-I1 The zone recognises a mix of service oriented business and light industrial activity located within the Business Park.

BUS6Z-I2 The wrong mix of activities in this zone could significantly affect the amenities within the zone and the viability of businesses within it.

BUS6Z-I3 Traffic to and from this zone could have adverse effects on the transportation networks and on connectivity within the urban area.

Indicative Permitted Uses

- 1. Car Parking 2. Commercial Recreation Activity 3. Commercial Service Activity 4. Community Corrections Facility 5. Community Service 6. Educational Activity 7. Essential Services 8. Healthcare Activity 9. Land Transport Facility 10. Light Industry 11. Motor Vehicle Sales 12. Retail Sales, where the retail floor area exceeds 400m² per tenancy 13. Service Stations 14. Supermarkets 15. Take-Away Food Premises 16. Temporary Activities 17. Trade Retail.

Key Development Controls

- The following are discretionary activities within the Business 6 Zone: 1. Any activity not listed as permitted, non-complying or prohibited. The following are non-complying activities within the Business 6 Zone: 1. Any Noise Sensitive Activity other than those provided for as a permitted activity, or those listed as a prohibited activity 2. Heavy Industry 3. Shopping Mall.
- The following are prohibited in the Business 6 Zone: Invercargill City District Plan Part Three Page 110 July 2019 Business 6 (Business Park) Zone 1. New Noise Sensitive Activities within the Outer Control Boundary or the Single Event Sound Exposure Boundary 2. Additions or alterations to existing buildings containing Noise Sensitive Activities within the Outer Control Boundary or the Single Event Sound Exposure Boundary which do not comply with the specifications contained in APP15 – Appendix 15 Noise Sensitive Insulation Requirements.

3.3 Rating Valuation

Summary As at 1 July 2023:

Land Value	Improvements Value	Capital Value
\$410,000	\$2,850,000	\$3,260,000

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.

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	2,408 m ² (more or less)
Shape	Rectangular
Contour	Flat
Access	Available from Bill Richardson Drive. The partially formed Beatrice Street adjoins the site to the north
Services	All typical municipal services appear to be connected to the site.
Flood Risk	Invercargill City Council flood maps indicate the site is within the Riverine Inundation Level 1 and Sea Level Rise Storm Surge zone. The risk is low due to the stop bank mitigation measures completed by the Invercargill City Council.:
Contamination	<p>We have searched the Environment Southland Land Use Register which does not currently have any information about a Hazardous Activities and Industries List site on the subject property. Of necessity our valuation assumes that there are no contamination issues that would have a material effect on the market value, use or marketability of the property which would prevent the property from continuation of its current use.</p> <p>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.</p>

3.6 Record of Title

Identifier	388951
Land registration	Southland
Legal description	Lot 27 Deposited Plan 397399
Estate	Fee Simple
Area	2,408 m ² (more or less)
Registered owner(s)	PMG Direct Childcare Fund Trustees Limited
Interests	<ul style="list-style-type: none"> ▪ 7962611.10 Consent Notice pursuant to Section 221 Resource Management Act 1991 - 10.10.2008 ▪ Land Covenant in Easement Instrument 7962611.11 - 10.10.2008 ▪ The easements created by Easement Instrument 7962611.13 are subject to Section 243 (a) Resource Management Act 1991 ▪ Subject to a right to convey telecommunications and computer media in gross over part marked AQ on DP 397399 in favour of Telecom New Zealand Limited created by Easement Instrument 7962611.13 - 10.10.2008 ▪ The easements created by Easement Instrument 7962611.17 are subject to Section 243 (a) Resource Management Act 1991 ▪ Subject to a right to convey electricity in gross over part marked AQ on DP 397399 in favour of Electricity Invercargill Limited created by Easement Instrument 7962611.17 - 10.10.2008 ▪ The easements created by Easement Instrument 7962611.20 are subject to Section 243 (a) Resource Management Act 1991 ▪ Subject to a right to convey water in gross over part marked AQ on DP 397399 in favour of Invercargill City Council created by Easement Instrument 7962611.20 - 10.10.2008 ▪ Land Covenant in Easement Instrument 8311267.10 - 23.10.2009 ▪ 11692414.1 Mortgage to ASB Bank Limited - 20.4.2020
Comments	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 which opened in 2020 and is licenced for 90 children. The facility provides children's activity rooms and associated staff and non-contact space, together with 16 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 From our onsite measurements we have calculated the approximate rentable floor areas for the subject property. Our measurements are in accordance with the Property Council of New Zealand and Property Institute of New Zealand Guide for the Measurement of Rentable Areas Revised March 2023.

RENTABLE FLOOR AREA	
	sqm
Premises	451.52

BWOF A Building Warrant of Fitness has been issued for the subject property and this expires on 12/06/2026

Fire Prevention The building is fitted with break glass fire alarms, illuminated exit signage and smoke detectors.

Seismic Comment We have requested, however have not been provided with, seismic strength assessment reports for the subject property. Given the modern nature of the improvements, it is unlikely that the lack of information would affect potential purchasers. Should we be provided with seismic strength reports, we reserve the right to review and possibly amend our valuation.

Asbestos We have requested, but not been provided with, an Asbestos Management Plan or Survey. Given the age of the building we consider that it is unlikely that Asbestos Containing Materials are present. We are not experts in this area and can give no warranty in this regard.

4.2 Construction Details

Blue Duck Waihopai

Foundation	Reinforced concrete slab with a combination of vinyl and carpet floor linings.
Flooring	Reinforced concrete slab with a combination of vinyl and carpet floor linings.
Exterior Walls	Cedar weatherboard cladding.
Framing	Timber framing.
Roofing	Long run metal.
Joinery	Double glazed aluminium.
Internal Linings	Walls and ceilings are generally lined with painted plasterboard throughout.
Ceilings	Walls and ceilings are generally lined with painted plasterboard throughout.
Services	Air conditioning: Incremental heat pumps have been installed throughout the building. Security/Access Control: An automated building security system is installed within the building.

Building Condition The building appears in good condition with the fit out of a tidy standard of presentation.

4.3 Accommodation

Layout and Accommodation The centre provides a front reception with partitioned offices, meetings rooms, kitchen and staff amenities along the southern side of the building; a central corridor connects to the three activity rooms; the activity rooms include partitioned amenities, including toilets and change room, storage and sleep rooms.

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

4.4 Site Development

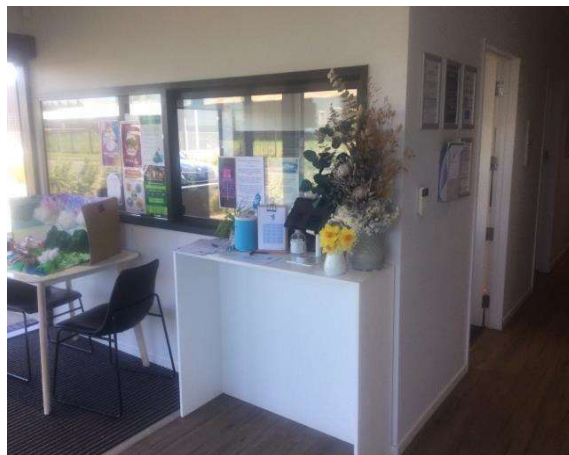
Site Development The centre provides separated outdoor play areas which include covered timber decks, plantings, artificial grass, bark ground cover, fencing, sand pits, shade sails and various play equipment. A sealed driveway and car parking area extends along the southern portion of the site and provides 16 car parks.

4.5 Photographs

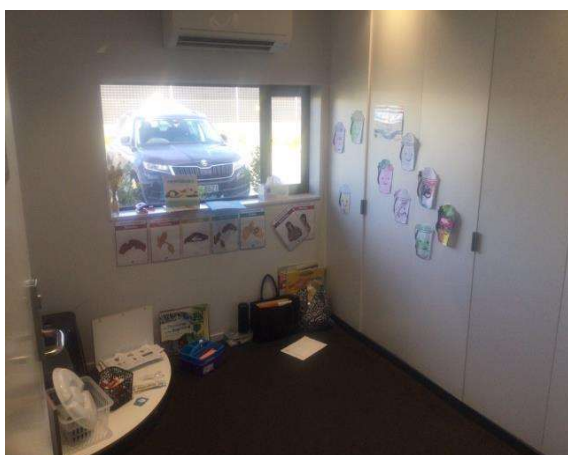
Photographs



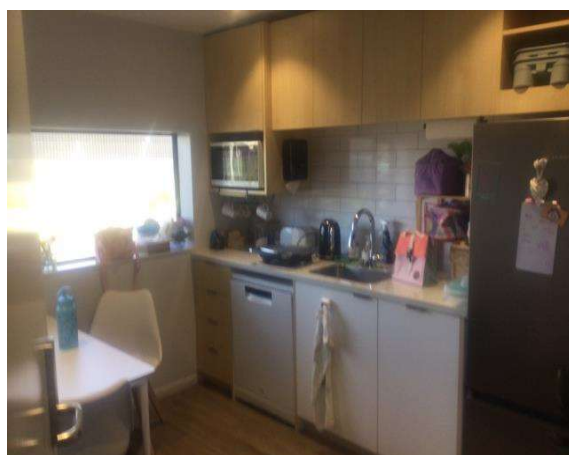
Northern aspect



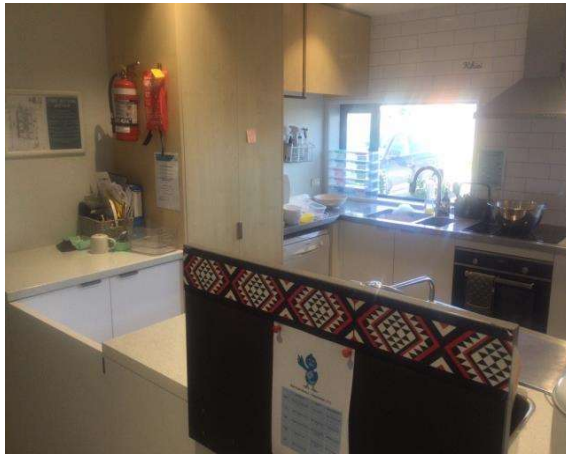
Reception



Meeting room



Staff kitchen



Centre kitchen



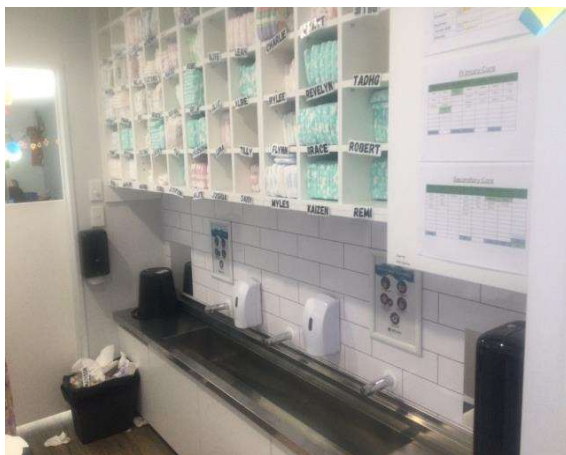
Activity room



Activity room



Preparation area



Toilet/Changing station



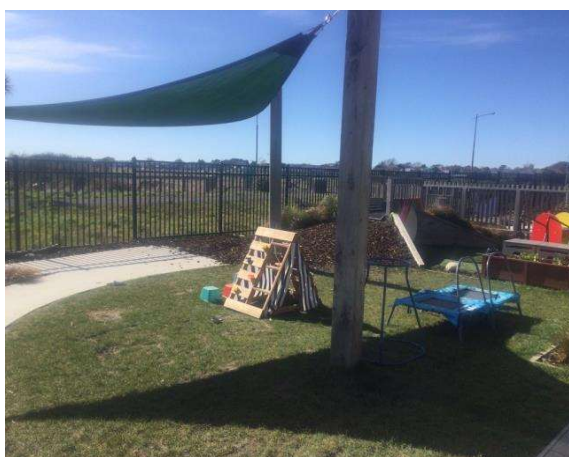
Office



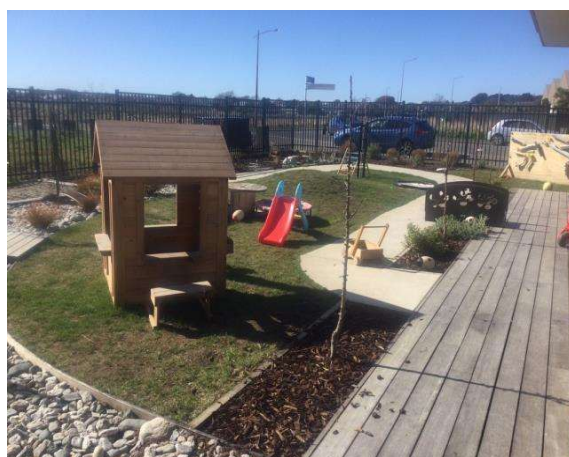
Playground



Bike track



Playground



Playground



Carpark



Street aspect

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 Blue Duck Early Learning Centres is a Southland based childcare operator with two centres in Invercargill and one in Winton.

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

Blue Duck Childcare

The Premises	167 Bill Richardson Drive, Invercargill
Commencement Date	1 February 2024
Current Commencement	1 February 2024
Current Term	15 years
Remaining Renewal Terms	1 of 10 years
Current Annual Rent	\$210,600 plus outgoings and GST
Rent Review Basis	Annual 2% fixed increased from year 3, market 5 yearly
Ratchet Clause	The annual rent payable as from the relevant market rent review date and relevant CPI adjustment date shall not be less than the annual rent payable immediately prior to the relevant review or adjustment date.
Business Use	Childcare centre
Outgoings	Outgoings recoverable from the tenant include: <ul style="list-style-type: none"> ▪ 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
Special Conditions	Early termination right – 6 months written notice after year 5. \$100,000 break fee, if tenant.

5.3 Outgoings

Outgoings
Comment

We have been provided with an outgoings budget for financial year ending March 2026 which is at \$43,346 per annum plus GST equating to \$96 psm of enclosed area. We adopt the same in our valuation allowing for inflationary growth. We note however that the lease is structured on a net basis with the tenant responsible for the payment of all outgoings.

5.4 Net Income Summary

Overview

We summarise the net income as follows:

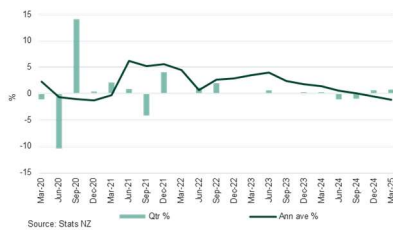
NET RENT SCHEDULE			
Tenant	Lic.	Net Contract Rent	
		\$pa	\$rate
Blue Duck (Waihopai) Limited			
License	90.0	210,600	2,340.00 psm
Totals	90.0	210,600	45 per lic pwk

6 Market Overview

6.1 Economic Overview

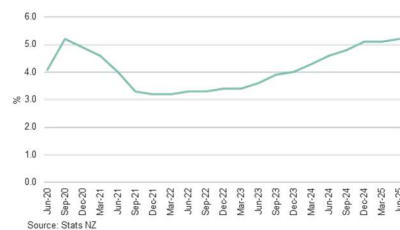
- GDP** Domestically, GDP grew by 0.8% in the March 2025 quarter, marking the second consecutive quarter of growth and confirming recovery from the brief recession in late 2024. Growth was broad-based across primary, goods-producing, and services sectors, with notable strength in business services and 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



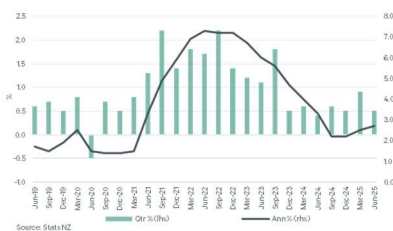
In the first quarter of 2025, GDP grew by 0.8%. The rise was stronger than most had anticipated. During the March 2025 quarter, activity rose across all three major industry sectors: primary, goods-producing, and services. Economists remain cautious due to global uncertainty.

Unemployment Rate



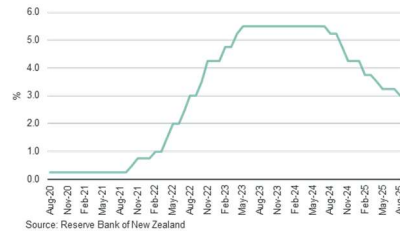
Unemployment rate rose to 5.2% in the June 2025 quarter, marking the highest level since 2020. The labour market continues to show signs of weakness, with minimal job growth and a noticeable rise in underutilisation.

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

Regional Property Market

The Southland regional economy has been performing stronger than most other centres in New Zealand during 2025. Strong commodity prices and a relatively weak Kiwi dollar are also boosting rural incomes. This combined with growth in commercial construction consents and steady housing activity across the region has seen Southland ranked in the top two according to Kiwibank's 2025 Regional Insights report.

The region continues to lead the country in house price growth for the third consecutive quarter, with a 3.3% annual increase. This impressive growth has been accompanied by a notable rise in sales activity, surpassing the national average. The biggest shift in housing remains the first home buyer market.

The commercial market is steady with limited properties greater than \$1million offered to the market.

The trade-offs have been a dip in the number of residential dwelling consents, new car registrations and employment growth.

The Southern sentiment remains positive with the Reserve Bank's recent drop in the official cash rate to 3.00% will hopefully spur more consumer spending and a potential recovery in sheep meat prices will see more good news for the province.

Childcare Market

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										
Service 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 February 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 February 2025										
Service Type	2016	2017	2018	2019	2020	2021	2022	2023	2024	CAG
Correspondence	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:

Enrolments 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%

Despite an increase in enrolments in Education & Care Services across this period, the increase in supply has resulted in a decline in overall occupancy rates. The occupancy rate of Education & Care Services by Regional Council is detailed in the following table:

Annual Occupancy Rates Year										
Service Type	2016	2017	2018	2019	2020	2021	2022	2023	2024	CAG
Northland Region	79%	81%	82%	82%	81%	80%	80%	78%	78%	-0.14%
Auckland Region	83%	81%	80%	78%	77%	74%	73%	73%	76%	-0.97%
Waikato Region	80%	80%	80%	79%	78%	77%	77%	78%	78%	-0.28%
Bay of Plenty Region	78%	79%	79%	78%	78%	78%	80%	80%	81%	0.39%
Gisborne Region	82%	81%	81%	81%	79%	79%	77%	77%	77%	-0.67%
Hawke's Bay Region	81%	79%	77%	77%	76%	78%	80%	79%	79%	-0.40%
Taranaki Region	82%	81%	82%	84%	83%	79%	81%	83%	83%	0.09%
Manawatū-Whanganui Regic	79%	78%	78%	79%	80%	78%	79%	79%	80%	0.15%
Wellington Region	80%	81%	81%	82%	82%	82%	82%	83%	84%	0.56%
West Coast Region	76%	75%	78%	77%	72%	66%	75%	76%	78%	0.29%
Canterbury Region	80%	79%	77%	77%	76%	75%	76%	78%	79%	-0.15%
Otago Region	79%	78%	78%	79%	78%	80%	82%	82%	81%	0.28%
Southland Region	87%	86%	84%	84%	86%	84%	85%	86%	84%	-0.43%
Tasman Region	76%	74%	72%	73%	75%	79%	80%	79%	79%	0.37%
Nelson Region	82%	79%	79%	81%	84%	82%	80%	80%	80%	-0.38%
Marlborough Region	82%	82%	83%	86%	80%	83%	84%	81%	81%	-0.12%
Total Average	80%	78%	78%	78%	79%	78%	80%	80%	80%	-0.01%

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

For childcare centres that fall within the category of ‘teacher-lead centre based services’, the Ministry of Education pays a subsidy to childcare centres dependant on occupancy (subject to a six hour per licence per day maximum). In line with the overall intention that childcare centres should have a higher proportion of registered teachers, the quantum of funding varies according to the number of registered teachers at a service, the highest funding available to those services with a registered teacher contingent of 80% or more. To qualify for funding, a minimum of 50% of teachers at a service must be registered.

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:

\$ per funded child hour (including GST)	Rates from 1 January 2023			Rates from 1 December 2023		
	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	13.58	7.5	12.79	14.47	7.95	13.24
50-79% certificated teachers	12.28	6.47	11.85	13.19	6.92	12.1
25-49% certificated teachers	9.91	5.16	10.24	10.82	5.81	10.89
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			Rates from 1 March 2024		
	Under 2	2 and over	20 Hours ECE	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	13.81	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	5.78	10.99	11.11	5.78	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			Rates from 1 December 2023		
	Under 2	2 and over	20 Hours ECE	Under 2	2 and over	20 Hours ECE
100% certificated teachers	\$16.19	\$9.48	\$15.48	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	\$14.28
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			Rates from 1 March 2024		
	Under 2	2 and over	20 Hours ECE	Under 2	2 and over	20 Hours ECE
100% certificated teachers	\$18.24	\$10.53	\$16.61	18.24	\$10.53	\$17.33
80-99% certificated teachers	\$17.63	\$9.72	\$15.84	17.63	\$9.72	\$16.53
50-79% certificated teachers	\$16.11	\$8.49	\$14.49	16.11	\$8.49	\$15.12
25-49% certificated teachers	\$13.29	\$6.92	\$12.77	13.29	\$6.92	\$13.32
0-24% certificated teachers	\$11.57	\$5.86	\$11.70	11.57	\$5.86	\$12.20

\$ 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	\$16.88
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 3.00%, which will create a level of optimism however, there is still got a long way to go on our road to recovery and in light of all the ongoing weakness, the reserve bank has signalled its intention to (pending further data) deliver additional OCR cuts in late 2025/early 2026, potentially bringing the OCR down to 2.50%.

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.

Competition

We have undertaken a high-level competition survey in the subject location which and helps build the overall supply and demand picture for the location.

Within Invercargill there are more than 40 childcare centres, kindergartens and Te Kohanga Reo's excluding home based and hospital facilities. This shows a higher proportion of Education and Care Services than is typical in New Zealand.

The majority of centres in this catchment are considered inferior in their presentation in comparison to the subject.

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.

Due to the sensitive nature of regional markets, we have labelled the evidence as confidential, as we do not have the permissions directly from the parties (landlords/tenants) to identify them.

7.1 Rental Evidence

RENTAL EVIDENCE			
Premises	Accommodation	Net Rent	Rent Date
Confidential	Placements	\$2,350.00/child	1 April 2025
Confidential	Placements Building Area	\$2,475.00/child \$400.00/m ²	1 December 2024
Confidential	Fulltime equivalents	\$1,606.80/child	30 September 2024
Confidential	Fulltime equivalents	\$2,350.00/child	1 September 2024
Confidential	Fulltime equivalents	\$2,350.00/child	1 September 2024
Confidential	Child Placements	\$1,530.00/child	15 July 2024
Confidential	Child Building Area	\$2,699.00/child \$479.33/m ²	1 February 2024
Confidential	Children	\$2,210.00/child	1 December 2023
Confidential	Fulltime equivalents	\$2,200.00/child	15 November 2023
Confidential	Children/face rent Lease Areas	\$2,496.00/child \$385.00/m ²	11 October 2023

Confidential

Fulltime equivalents

\$1,714.29/child

1 September 2023

7.2 Rental Evidence Commentary

Confidential

Date 1 April 2025

Type Rent review

A modern first floor childcare premises within a shopping centre/commercial precinct.

Confidential

Date 1 December 2024

Type Review

A purpose-built childcare architecturally designed centre. Built circa 2013 and providing a good standard of accommodation with a maximum number of 80 licenced positions.

Confidential

Date 30 September 2024

Type New lease

Tidy Childcare premises built in 2013 and currently licensed for 27 fulltime equivalents with capacity to increase to 40.

Confidential

Date 1 September 2024

Type New Lease

Lease of a 2009 purpose built childcare facility licensed for 65 fulltime equivalents.

Confidential

Date 1 September 2024

Type New Lease

Lease of a 2016 purpose built childcare facility licensed for 85 fulltime equivalents.

Confidential

Date 15 July 2024

Type Rent review, market

Built in the 1960s, this is a childcare centre which has been converted from a basic community hall. It includes an open teaching space with basic partitioned office, sleep room and amenities.

Confidential

Date 1 February 2024

Type Review (Fixed)

Purpose built 2018 childcare centre (separately tenanted offices to first floor). Modern standard of facility with 12 dedicated carparks. Landlord fitout provided.

Confidential

Date 1 December 2023

Type New Lease

New lease to existing operator of converted 1950's dwelling used as pre-school in suburban location. Licenced for 40 children.

Confidential

Date 15 November 2023

Type New lease

Transportable home converted into a childcare facility in 2013. Licensed for 30 fulltime equivalents.

Confidential

Date 11 October 2023

Type New Lease

A new purposed built childcare centre within a residential suburb.. Licenced for 80 children.

Confidential

Date 1 September 2023

Type New lease

Lease of a childcare facility located within a 1950s weatherboard clad building. 70 fulltime equivalents.

7.3 Rental Evidence Conclusions

Summary

Based on the evidence available we analyse the following rental range:

Component	Rental Rate Range
South Island Childcare	\$1,530.00/FTE - \$2,699.00/FTE

Conclusions

The evidence in the table above refers primarily to purpose-built childcare centres situated in regional locations across South Island and a few older converted spaces. The most relevant evidence relates to the premises; both leased at \$2,350/fulltime equivalents. Both premises are modern purpose-built centres with good quality fit outs.

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.

NET RENT SCHEDULE					
Tenant	Lic.	Net Contract Rent		Net Market Rent	
		\$pa	\$rate	\$pa	\$rate
Blue Duck (Waihopai) Limited					
License	90.0	210,600	2,340.00 psm	220,500	2,450.00 psm
Totals	90.0	210,600	45 per lic pwk	220,500	47 per lic pwk

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								
Address	Sale Date	Sale Price	Initial Yield	Market Yield	Equivalent Yield	Discount Rate	WALE	\$/License
	January 2025	\$1,350,000	7.41%	7.41%	N/A	N/A	9.7 years	\$27,000
	February 2024	\$1,525,000	8.07%	8.07%	8.05%	10.00%	5.5 years	\$38,125
	April 2024	\$1,730,000	6.70%	6.79%	6.79%	8.12%	6.6 years	\$34,600
	March 2025	\$1,975,000	9.04%	8.56%	8.56%	10.60%	N/A	\$28,214
	October 2024	\$2,070,000	N/A	6.40%	6.07%	7.53%	N/A	\$41,400
	September 2024	\$2,310,000	7.58%	7.58%	7.58%	9.15%	1.1 years	\$33,000
	August 2024	\$2,370,000	7.20%	7.39%	7.40%	9.36%	9.2 years	\$32,466
	January 2025	\$4,700,000	6.38%	6.38%	6.37%	8.06%	11.4 years	\$39,167
	March 2024	\$5,800,000	6.17%	6.17%	6.18%	7.79%	16.8 years	\$55,238
Ranges		Min.	6.17%	6.17%	6.07%	7.53%	1.1 years	\$27,000
		Max.	9.04%	8.56%	8.56%	10.60%	16.8 years	\$55,238

8.2 Investment Sales Evidence Commentary

Confidential

Sale Date	January 2025		
Sale Price	\$1,350,000		
Tenant			
Initial Yield	7.41%	Discount Rate	N/A
Market Yield	7.41%	Weighted Av. Lease Expiry	9.7 years
Equivalent Yield	N/A	\$/License	\$27,000

An investment sale of purpose-built childcare facility with 50 licenced children in the centre, with potential to increase to 60 licenced children. It is subject to a ten year lease from Sep 2024.

Comparability: Inferior based on the presentation and scale of the license

Confidential

Sale Date	February 2024		
Sale Price	\$1,525,000		
Tenant			
Initial Yield	8.07%	Discount Rate	10.00%
Market Yield	8.07%	Weighted Av. Lease Expiry	5.5 years
Equivalent Yield	8.05%	\$/License	\$38,125

A 2011 purpose-built childcare facility on a rural zone site. Near the airport, surrounded by industrial properties. Licenced for 40 children which equates to \$38,125/child. The building is of an industrial style. Relatively basic. Sold with a 6-year lease.

Comparability: Inferior based on the presentation and scale of the license

Confidential

Sale Date	April 2024		
Sale Price	\$1,730,000		
Tenant			
Initial Yield	6.70%	Discount Rate	8.12%
Market Yield	6.79%	Weighted Av. Lease Expiry	6.6 years
Equivalent Yield	6.79%	\$/License	\$34,600

This is a purpose-built preschool licenced for 50 child placements. The building was constructed in 2006. The property is subject to a 10-year lease with three rights of renewal of 5 years. The lease allowed for annual 1% rent increases.

Comparability: Inferior based on the presentation and scale of the license

Confidential

Sale Date	March 2025		
Sale Price	\$1,975,000		
Tenant			
Initial Yield	9.04%	Discount Rate	10.60%
Market Yield	8.56%	Weighted Av. Lease Expiry	N/A
Equivalent Yield	8.56%	\$/License	\$28,214

A purpose built early childcare centre constructed in 2014/15 situated on a 1,749m² site. Licensed for 70 children which equates to \$28,214 per child. 5 years remaining on a 15 year term with three further rights renewals of 5 years each. Appears a good buy in relation to the sales evidence.

Comparability: Inferior based on the presentation and scale of the license

Confidential

Sale Date	October 2024		
Sale Price	\$2,070,000		
Tenant	N/A		
Initial Yield	N/A	Discount Rate	7.53%
Market Yield	6.40%	Weighted Av. Lease Expiry	N/A
Equivalent Yield	6.07%	\$/License	\$41,400

At the time of sale the building was being rebuilt from the floor up after a fire. Completion of the proposed works was included as part of the transaction and therefore this sale is effectively a new build and will provide a basic modern childcare facility of average quality and specification. The former centre had Resource Consent and MOE license for 50 children but it is large enough to potentially accommodate 130, subject to MOE criteria and Resource Consent. The purchaser intends to submit resource consent for 80 child placements on settlement. The increase in child placements is reflected in the agreed sale price.

Comparability: Inferior based on the presentation and scale of the license

Confidential

Sale Date	September 2024		
Sale Price	\$2,310,000		
Tenant			
Initial Yield	7.58%	Discount Rate	9.15%
Market Yield	7.58%	Weighted Av. Lease Expiry	1.1 years
Equivalent Yield	7.58%	\$/License	\$33,000

The property comprises a modern preschool/nursery complex originally built in the 2000s and converted to a early childhood education centre in 2019. It is positioned on an irregular shaped site on the large parcel with two paddocks. The preschool/nursery is licensed for 70 children including a maximum of 20 children under 2 years old. The property had a short residual lease term but likely to be renewed based on conversations with tenant who had recently taken the business over.

Comparability: Inferior based on the presentation and scale of the license

Confidential

Sale Date	August 2024		
Sale Price	\$2,370,000		
Tenant			
Initial Yield	7.20%	Discount Rate	9.36%
Market Yield	7.39%	Weighted Av. Lease Expiry	9.2 years
Equivalent Yield	7.40%	\$/License	\$32,466

A 2018 purpose-built childcare centre on a rear site within an industrial area. The building is constructed to an average specification. Licenced for 73 children. Leased to a national tenant. Unknown lease terms.

Comparability: Inferior based on the presentation and scale of the license

Confidential

Sale Date	January 2025		
Sale Price	\$4,700,000		
Tenant			
Initial Yield	6.38%	Discount Rate	8.06%
Market Yield	6.38%	Weighted Av. Lease Expiry	11.4 years
Equivalent Yield	6.37%	\$/License	\$39,167

This property comprises a modern purpose-built childcare facility constructed circa 2016/2017 and is licenced for 120 child placements. It is situated on a rear site and accessed via a shared right of way, with surrounding development being a mixture of residential and commercial. The long-term lease includes allowance for annual fixed rental increases and market reviews six yearly.

Comparability: Superior based on the scale of the license

Confidential

Sale Date	March 2024		
Sale Price	\$5,800,000		
Tenant			
Initial Yield	6.17%	Discount Rate	7.79%
Market Yield	6.17%	Weighted Av. Lease Expiry	16.8 years
Equivalent Yield	6.18%	\$/License	\$55,238

A new modern purpose-built childcare facility licensed for 105 child placements constructed to above average standard of specification. Leased for an 18 year term from 2023, with annual CPI increases and market reviews, four yearly. The property is situated within a developing residential location.

Comparability: Superior based on the scale of the license

8.3 Investment Profile

Overview	In establishing appropriate investment benchmarks for the property we have considered its investment profile in terms of:
Location	Lower profile being established in the northwestern corner of a large mixed use business park. One direct competitor located within the business park.
Building Quality	Modern, well-presented and maintained.
Tenant Strength	Local established operator with three centres.
Weighted Average Lease Expiry	13.4 year WALE is which will appeal to investors.
Contract Rent vs Market Rent	Net contract rent is close to market with a less than 5% difference. The lease provisions state that the market rent cannot be applied until year 5. The rent is to increase yearly by 2% from 2027.
Scale of Investment	The quantum of value is not excessive for an established investor or syndicate, and the length of initial lease will be attractive.

8.4 Sales Evidence Conclusion

Conclusion	<p>The property is considered a low-risk investment property based on its presentation and tenant.</p> <p>The evidence for market transaction ranges from a low of \$1,350,000 to a high of \$5,800,000, with market yields of developed property sales are in the range of 6.17% to 8.56% and license range of \$27,000 to \$55,238.</p> <p>We consider the sales (\$2,370,000) as inferior based on the scale of the license. This is the sale of a 2018 purpose-built childcare centre on a rear site within an industrial area near the . The property is set back behind two industrial warehouses and the fit out is inferior in relation to the subject. The property is licenced for 73 children, with the market rent indicating a yield of 7.39% and price per licenced number of fulltime equivalents at \$32,466.</p> <p>(\$4,700,000) is determined to be superior on the scale of the license. This property comprises a modern purpose-built childcare facility constructed circa 2016/2017 and is licenced for 120 child placements. It is situated on a rear site and accessed via a shared right of way from , with surrounding development being a mixture of residential and commercial. The long-term lease includes allowance for annual fixed rental increases and market reviews six yearly. The sale indicates a yield of 6.38% and price per licenced number of fulltime equivalents at \$39,167.</p> <p>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:</p> <ul style="list-style-type: none"> ▪ Capitalisation Rate: 6.85% ▪ Target IRR: 7.50% ▪ \$/License Rate: \$35,000
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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 6.85%, which reflects the nature, location and tenancy profile of the property when compared with analysis of comparable sales evidence.

Our valuation calculations are detailed as follows:

INCOME CAPITALISATION METHOD		
	Lic.	Market
RENTAL INCOME		
Blue Duck	90.0	220,500
NET INCOME		220,500
CAPITALISED VALUE Capitalised In Perpetuity @ 6.85%		3,218,978
CAPITAL ADJUSTMENTS		
Tenant Rent Adjustments		
- PV of Rent Reversions		(40,493)
Present Value of Capital Expenditure		
- Capital Expenditure (1.50% of Gross Income)	24 months	(5,933)
Total Adjustments		(46,426)
INCOME CAPITALISATION VALUE		3,172,553
INCOME CAPITALISATION VALUE ADOPTED		3,175,000

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	2.00%	50%	6 Mths

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

Terminal Yield: 7.75%

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: 7.50%

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		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Year Ending	5 yr	10 yr	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%
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	2.00%	2.02%	1.88%	1.99%	2.04%	2.04%	2.04%	2.04%	2.04%	2.04%	2.04%	2.04%	2.04%
FUTURE LEASE ASSUMPTIONS													
Valuation Period	Unit		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Year Ending	Default		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	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 Costs - New Leases	%		16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%

DISCOUNTED CASH FLOW METHOD - ANALYSIS

PURCHASE CONSIDERATIONS			DCF SUMMARY		SENSITIVITY ANALYSIS																																												
Purchase Price	3,290,093		Target IRR	7.50%	<table border="1"> <thead> <tr> <th colspan="2"></th> <th colspan="3">Terminal Yield</th> </tr> <tr> <th colspan="2"></th> <th>7.25%</th> <th>7.75%</th> <th>8.25%</th> </tr> </thead> <tbody> <tr> <td>Legal/Due Diligence</td> <td>(4,107)</td> <td>0.13%</td> <td>DCF Result</td> <td>3,285,986</td> <td>Target</td> <td>7.00%</td> <td>3,520</td> <td>3,400</td> <td>3,295</td> </tr> <tr> <td>Other</td> <td>-</td> <td></td> <td></td> <td></td> <td>IRR</td> <td>7.50%</td> <td>3,400</td> <td>3,285</td> <td>3,185</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>8.00%</td> <td>3,285</td> <td>3,175</td> <td>3,080</td> </tr> </tbody> </table>							Terminal Yield					7.25%	7.75%	8.25%	Legal/Due Diligence	(4,107)	0.13%	DCF Result	3,285,986	Target	7.00%	3,520	3,400	3,295	Other	-				IRR	7.50%	3,400	3,285	3,185							8.00%	3,285	3,175	3,080
		Terminal Yield																																															
		7.25%	7.75%	8.25%																																													
Legal/Due Diligence	(4,107)	0.13%	DCF Result	3,285,986	Target	7.00%	3,520	3,400	3,295																																								
Other	-				IRR	7.50%	3,400	3,285	3,185																																								
						8.00%	3,285	3,175	3,080																																								
SELLING CONSIDERATIONS			ADOPT																																														
Terminal Yield	7.75%		ADOPT	3,285,000																																													
Agent Commissions	2.00%		Year 1 Cash Flow Yield	6.48%																																													
Legal/Due Diligence	0.13%		Income %	49.96%																																													
Other	-		Terminal Value %	50.04%																																													
			Terminal WALE by Income	13.43 yrs																																													

DISCOUNTED CASH FLOW METHOD - FORECAST

(All figures shown as \$1,000s)

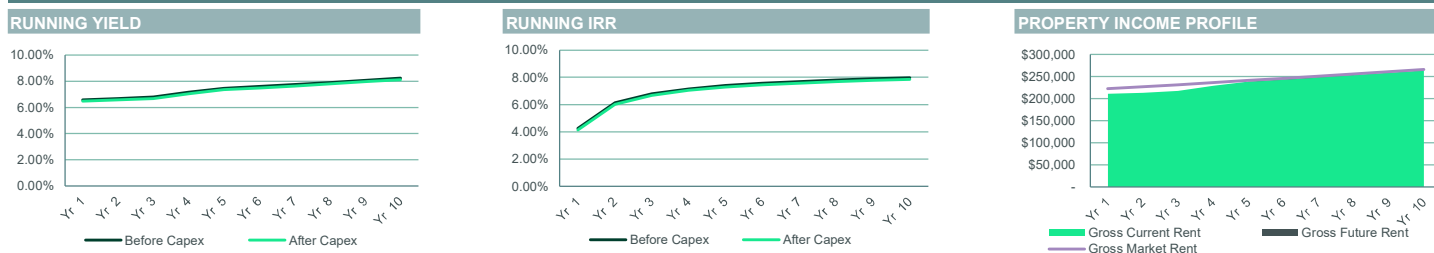
Valuation Period	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Year Ending	Aug-26	Aug-27	Aug-28	Aug-29	Aug-30	Aug-31	Aug-32	Aug-33	Aug-34	Aug-35	Aug-36
INCOME											
Major Tenants											
Blue Duck	211	213	217	229	239	243	248	253	258	264	269
Total Majors Income	211	213	217	229	239	243	248	253	258	264	269
Recoverable Outgoings											
Total Income	211	213	217	229	239	243	248	253	258	264	269
OUTGOINGS											
Operating Expenses	-	-	-	-	-	-	-	-	-	-	-
Total Outgoings	-	-	-	-	-	-	-	-	-	-	-
NET INCOME	211	213	217	229	239	243	248	253	258	264	269
CASH FLOW ADJUSTMENTS											
Ongoing Capex Allowance (1.50% of Gross Income)	(3)	(3)	(3)	(3)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Total Adjustments	(3)	(3)	(3)	(3)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
NET INCOME (incl Cash Flow Adjustments)	207	210	214	225	235	240	244	249	255	260	265
SELLING CONSIDERATIONS											
Sale Price											3,467
Agent Commissions											(69)
Legal & Other Fees											(5)
Net Sales Proceeds											3,393
NET CASH FLOW	207	210	214	225	235	240	244	249	255	260	3,393
Running Cash Yield (After Capex)	6.48%	6.56%	6.69%	7.04%	7.34%	7.49%	7.64%	7.79%	7.96%	8.12%	-

DISCOUNTED CASH FLOW METHOD - CALCULATIONS

TERMINAL VALUE - CALCULATIONS

Sum of Discounted Cash Flows	1,643,674	Gross Market Income	269,296
PV of Terminal Value	1,646,420	Less Outgoings	-
		Net Market Income	269,296
		Core Capital Value @ 7.75%	3,474,785
NPV (before Acquisition Costs)	3,290,093	Reversions	-
Acquisition Costs @ 0.13%	(4,107)	Exp. Allowances (24 months)	-
NPV	3,285,986	Capex & Misc	(7,611)
DCF VALUE ADOPTED	3,285,000	Terminal Value (before disp. costs)	3,467,174

DISCOUNTED CASH FLOW METHOD - CHARTS



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 licensed fulltime equivalent (FTE).

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.

The evidence is in the range of \$27,000/FTE to \$55,238/FTE with the median at \$34,600/FTE.

The majority of sales have smaller licenses, than then subject and based on the characteristics of the property, the license along with the market evidence, we adopt a rate of \$35,000 per fulltime equivalent.

Our calculations are as follows:

COMPARABLE TRANSACTIONS METHOD - LICENSES

Licenses			90
	<u>Rate \$per License</u>	<u>Calculated Value</u>	
	32,500	2,925,000	
	35,000	3,150,000	
	37,500	3,375,000	
Comparable Transactions Method Value Adopted			3,150,000
\$per License			35,000

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	3,175,000
	Capitalisation Rate	6.85%
Discounted Cash Flow Method	Assessed Value	3,285,000
	Target IRR	7.50%
	Terminal Yield	7.75%
Summation Method	Assessed Value	3,150,000
MARKET VALUE ADOPTED		3,200,000
	Initial (Passing) Yield	6.58%
	Equivalent Yield	6.79%
	Reversionary Yield (Yield on Market Income)	6.89%
	Indicated IRR	7.86%
	\$per License	35,556
	WALE by Income	13.4 years

Further Comments We have applied a greater weighting towards the two income methods over the market approach.
The above valuation is plus GST (if any).

9.6 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.

9.7 Additional Reporting

Previous Sale Not applicable, property purchased as a vacant section in December 2018.

Contract of Sale Not are not aware of any sales and purchase agreement in place.

Reasonable Marketing Period Under current market condition, we consider a selling period of 3-6 months is reasonable.

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
Historical Search Copy**




 R. W. Muir
 Registrar-General
 of Land

Constituted as a Record of Title pursuant to Sections 7 and 12 of the Land Transfer Act 2017 - 12 November 2018

Identifier **388951**

Land Registration District **Southland**

Date Issued 10 October 2008

Prior References

338899	392082	SL5C/1279
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Estate Fee Simple

Area 2408 square metres more or less

Legal Description Lot 27 Deposited Plan 397399

Original Registered Owners

Leven Investments Limited

Interests

7962611.10 Consent Notice pursuant to Section 221 Resource Management Act 1991 - 10.10.2008 at 9:00 am

Land Covenant in Easement Instrument 7962611.11 - 10.10.2008 at 9:00 am

Subject to a right to convey telecommunications and computer media in gross over part marked AQ on DP 397399 in favour of Telecom New Zealand Limited created by Easement Instrument 7962611.13 - 10.10.2008 at 9:00 am

The easements created by Easement Instrument 7962611.13 are subject to Section 243 (a) Resource Management Act 1991

Subject to a right to convey electricity in gross over part marked AQ on DP 397399 in favour of Electricity Invercargill Limited created by Easement Instrument 7962611.17 - 10.10.2008 at 9:00 am

The easements created by Easement Instrument 7962611.17 are subject to Section 243 (a) Resource Management Act 1991

Subject to a right to convey water in gross over part marked AQ on DP 397399 in favour of Invercargill City Council created by Easement Instrument 7962611.20 - 10.10.2008 at 9:00 am

The easements created by Easement Instrument 7962611.20 are subject to Section 243 (a) Resource Management Act 1991

7962611.23 Mortgage to Westpac New Zealand Limited - 10.10.2008 at 9:00 am

Land Covenant in Easement Instrument 8311267.10 - 23.10.2009 at 2:30 pm

11375230.1 Discharge of Mortgage 7962611.23 - 22.3.2019 at 12:10 pm

11375230.2 Transfer to PMG Direct Childcare Fund Trustees Limited - 22.3.2019 at 12:10 pm

11692414.1 Mortgage to ASB Bank Limited - 20.4.2020 at 11:38 am

B. Signed TOE

Removed in this redacted version

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, outgoing recoveries and sundry income, less total outgoing 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, outgoing recoveries and sundry income, less total outgoing (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 outgoing 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 - | VALUATION & ADVISORY SERVICES

Regan Johns

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