aim valuation Registered Valuers

Commercial Market Valuation for Capital Raising Purposes

400 Arthur Porter Drive
Burbush
Hamilton

Prepared for:
Pacific Property Fund Limited
C/- Property Managers Group
PO Box 2034
Tauranga 3140

Attention: Daniel Lem

Date: 15 February 2021

Reference: 0221-05A

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1. Executive Summary

Instructed by:	Daniel Lem of PMG Funds Limited
Intended Users:	PMG Funds Limited
Purpose of Valuation:	Market Value on the subject property for capital raising purposes.

Our report is confidential to the parties to which it is addressed and to the prospective subscribers for shares in The Company as part of a Capital Raising exercise to acquire 400 Arthur Porter Drive, Burbush, Hamilton ("The Acquisition"). No responsibility is accepted to any other third parties.

Neither the whole of the report nor any part of it, or any reference to it, may be published in any document, statement or circular or in any communication with third parties without our prior written approval to the form and context in which it will appear. This does not preclude Property Managers Group from providing to prospective subscribers for shares in The Company for The Acquisition.

Date of Inspection/Valuation: 15 February 2021

Valuation: **NZD$6,900,000**
(SIX MILLION NINE HUNDRED THOUSAND DOLLARS)

Our valuation is on the basis of plus GST (if any) and reflects the following:

Analysis	
Value per sqm of GLA	$2,618
Value per sqm of Land Area	$1,377
Yield on Net Market Income	5.12%

Valuation Approaches: Capitalisation of income; land and buildings; and discounted cashflow.

Market Value Definition: Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion (IVS 104).

Coronavirus (COVID-19): Local and international markets will come to terms with Coronavirus and the impact or unclear impact this may have on the property market. A regular review of our report should be undertaken as circumstances are prone to change over a short time frame. This is an integral part of any approved party relying on our report.

Purchase Price: Purchased with vacant possession in November 2020 for **NZD$6,500,000 plus GST (if any)** as per the Agreement for Sale and Purchase of Real Estate dated

2 November 2020 between David and Lynda Webby as Trustees of The Dayda Trust as Vendor, and PMG Funds Limited as Purchaser.

Mortgage Recommendation:

As per current banking practice, we have not provided a specific mortgage recommendation, however subject to the contents and assumptions of this report; we confirm that the property provides appropriate security for the advance of first mortgage funds.

1.1 Assumptions

In preparing our valuation we have made the following assumptions:

- Vacant possession
- That the property has all necessary resource and building consents and has been issued with Code Compliance Certification.
- That the building, material or workmanship guarantees relating to the development remain applicable to any successors in title.
- That the improvements are not categorised as earthquake prone, which if so could effect value in certain market conditions.
- Aim Valuation had previously conducted a full inspection of the property on 9 November 2020. We were unable to complete an internal inspection and assume that the property is in a similar condition to that when we previously inspected.

Should any of these assumptions change or not be met, we reserve the right to amend our valuation accordingly.

1.2 Key Considerations

Condition:	Good and of effectively new build construction being completed in 2019.
Saleability:	Good with strong investor demand for well leased quality industrial property.
Property Type:	A 2019 completed industrial building providing ground and first floor offices, and 5.6m to 6.8m column free warehouse. The improvements have a certified premises rentable area of 2,635.33sqm plus a secure yard of 1,662sqm. This all occupies a 5,012sqm Industrial zoned front site in the popular and developing Northgate Business Park to the north-western side of Hamilton's CBD.

We have assessed a net annual rent of $353,265 plus GST, representing a net premises average rental of $121.43 per sqm, plus an average yard rental of $20 per sqm.

Industrial investment demand is strong in Hamilton at present, with any acquisition opportunity typically seeing demand come from a variety of sources, in part assisted by the prevailing low cost of borrowing and deposit rates.

2. Property Description

2.1 Legal Description and Interests

Identifier	816661
Land Registration District	South Auckland
Estate	Fee Simple
Area	5012sqm more or less
Legal Description	Lot 38 Deposited Plan 519514
Registered Owners	David Paul Webby and Lynda Anne Webby

Record of Title

Lot	DP	Identifier	Area (sqm)
38	519514	816661	5,012
Total Land Area			**5,012**

Outstanding Interests:

Interests include:

- Land Covenant in Easement Instrument 10209147.4 - 2.10.2015 at 11:07 am
- Land Covenant in Easement Instrument 10209147.5 - 2.10.2015 at 11:07 am
- 11020246.3 Consent Notice pursuant to Section 221 Resource Management Act 1991 - 22.2.2018 at 9:34 am
- 11020246.4 Encumbrance to Te Rapa Gateway Limited and Hamilton Porter JV Company Limited - 22.2.2018 at 9:34 am
- 11020246.5 Encumbrance to Te Rapa Gateway Limited and Hamilton Porter JV Company Limited - 22.2.2018 at 9:34 am
- 11117969.2 Mortgage to ANZ Bank New Zealand Limited - 22.5.2018 at 1:54 pm

Interest Comments:

Easement Instrument 10209147.4 relates to design and development guidelines between the Hamilton JV Investment Company Ltd as Grantor and Hamilton JV Investment Company Ltd and Hamilton Porter JV Company Ltd as Grantee. This requires following of the design guidelines produced by HJV dated June 2015 and includes any amended guidelines or variations thereto published from time to time by HJV in consultation with the relevant authority.

Easement Instrument 10209147.5 provides a similar requirement as the Easement Instrument above. It appears these Easements have been largely superseded by Encumbrance 11020246.5 discussed below.

11020246.3 is a Consent Notice pursuant to Section 221 Resource Management Act 1991, a Consent Notice to be registered on the Computer Freehold Registers of Lots 38 and 39, DP 519514 advising that development be in accordance with the site plans and conditions approved as part of land

use consent 010/2015/9357/1 granted by Hamilton City Council on 15 December 2015.
The Third Schedule of Encumbrance 11020246.4 provides in Clause 3:

"Throughout the term, the Encumbrancer covenants and agrees that it will not object to, prevent, prohibit or in any way interfere with or strain any subdivision and/or development work lawfully carried out by the Encumbrancee on the Encumbrancee's land, and will not lodge or permit or procure any third party to lodge with the Hamilton City Council or any other Territorial Authority or agency from whom the Encumbrancee may require approvals, permits or consents to undertake subdivision and/or development work…

Further, should the Encumbrancer (includes Lot 38) make an application to the Court to have this Encumbrance discharged pursuant to Sections 97, 115 or 317 of the Property Law Act 2007, or pursuant to Section 317 of the Property Law Act 2007 to have this Encumbrance revoked, cancelled, surrendered, discharged, lapsed or otherwise removed from the title… then the rent charge payable pursuant to Clause 3.2 will increase to $150,000 per annum payable in advance with effect from the time the Encumbrancer or such person first takes action."

Encumbrance 11020246.5 restates the requirement to follow design guidelines published and notified to the Encumbrancer and being as at the date of this instrument, those design guidelines dated August 2016, a copy of which has been provided to the Encumbrancer. It specifically excludes undertaking development for the following purposes:

a. Any residential use; or
b. Any other use not permitted by the District Plan of the relevant authority

These interests relate to the practical development of the land with ourselves assuming that all necessary approvals were obtained for the development as it stands.

We have considered these interests in assessing our value of the property.

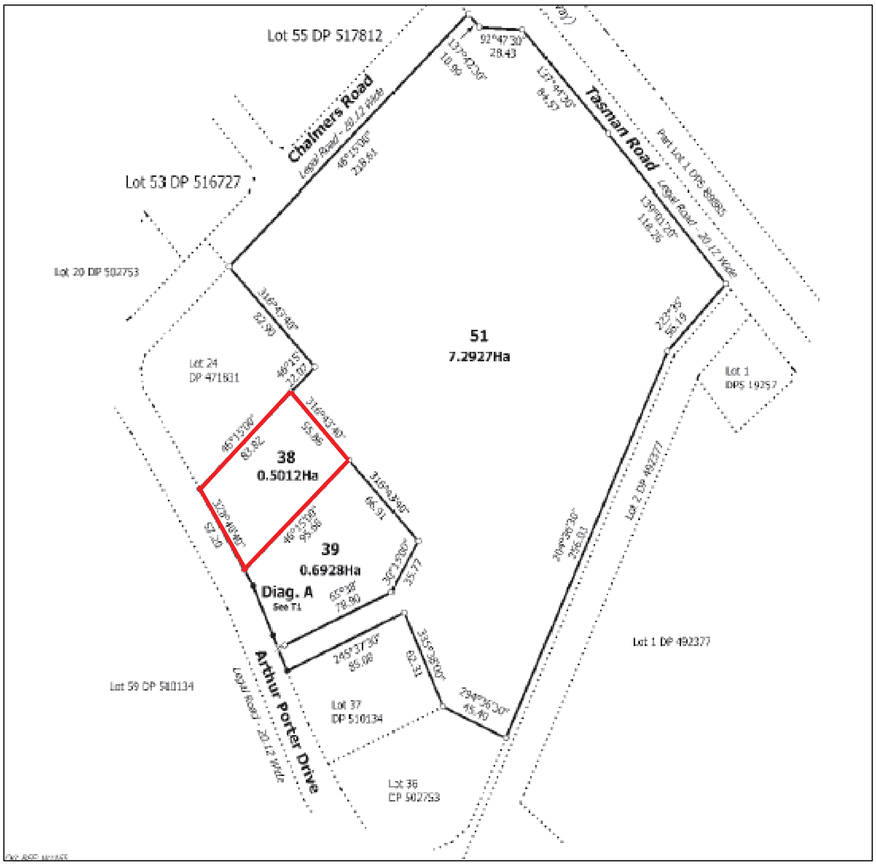
2.2 Land Description

Site Description:

Lot 38 is a regular shaped 5,012sqm front with a south-westerly aspect to Arthur Porter Drive to which it has frontage of 57.20m. The north-western side boundary is 83.82m and the south-eastern side boundary is 95.66m with a north-eastern rear boundary of 56.86m.

The improvements are developed out from the south-eastern boundary allowing yard and circulation to the north-eastern side. The site is of level contour and has two formed road crossings off Arthur Porter Drive.

A site plan and aerial follow.



Operative District Plan:

The land is zoned Industrial under the Hamilton City Council Operative District Plan of 18 October 2017. The zone recognises Industrial land represents a key economic driver for the regional economy.

Within this zone, permitted activities include:

- New buildings and alterations and additions to existing buildings
- Demolition or removal of existing buildings
- Light industrial activities
- Serviced industrial activities
- Ancillary offices
- Ancillary retail
- Trade and industry training facilities
- Food and beverage outlets no greater than 250sqm gross floor area
- Wholesale retail of trade supplies
- Yard based retail on front sites
- Key transport corridors
- Building improvements centres
- Healthcare services
- Passenger transport facilities
- Transport depot
- Motorised recreation activity

There are also a number of restricted discretionary and discretionary activities provided for.

Maximum Building Height: 20 metres, except as follows:

i. 10m for that part of the building located within the Amenity Protection Area.
ii. 15m where the site is in the Rotokauri Employment Zone.

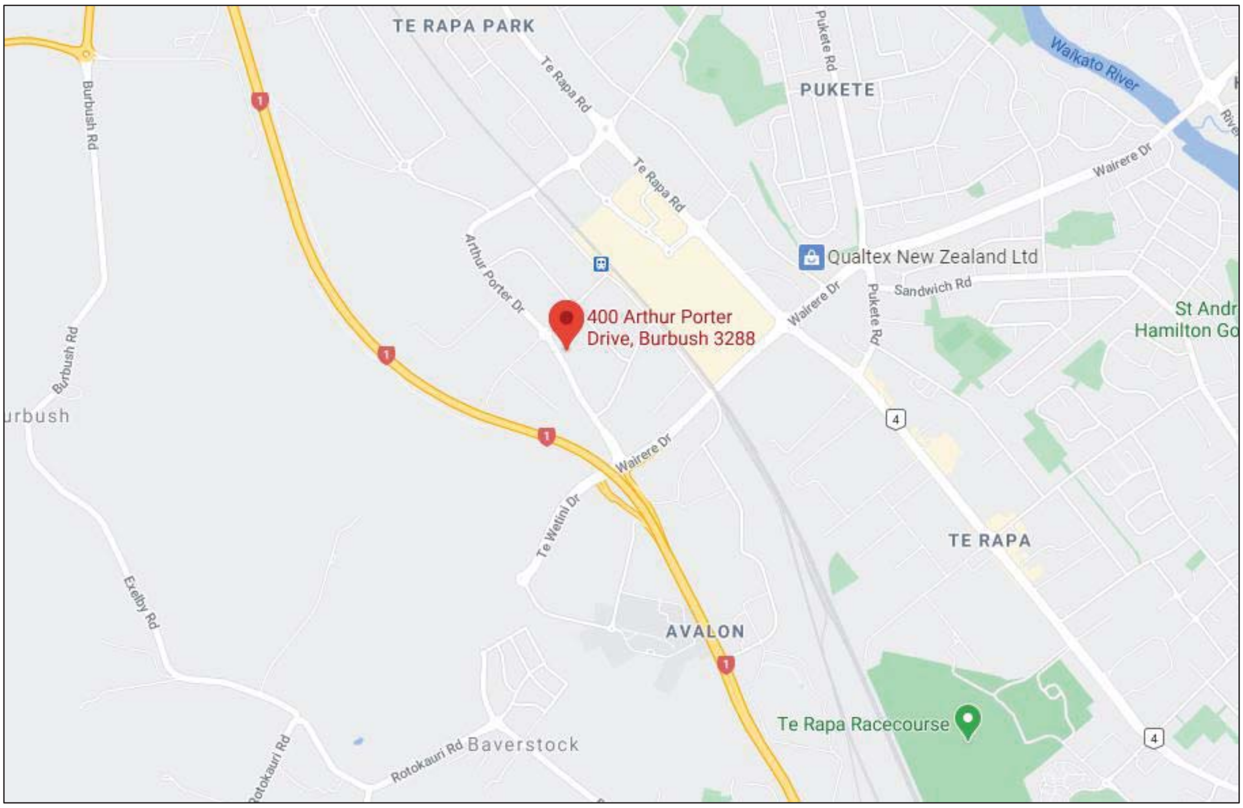
A variety of development controls exist in relation to height and boundary. We have proceeded on the basis that the existing improvements have all necessary resource and building consents and were issued with Code Compliance Certification.

Situation & Locality:

Arthur Porter Drive is a sealed, curbed and channelled through road extending between Ruffell Road in the north and Mangaharakeke Drive in the south. There is a small portion of the road linked by Te Kowhai Road, with the subject property situated to the southern part of Arthur Porter Drive, with Earthmover Crescent to the east, south of Chalmers Road and west of Clem Newby Road.

This area has been developed progressively from 2010, with a range of quality new industrial buildings. Occupiers of note include Hynds Pipes, The Tool Shed, Metro Performance Glass, and Veridian Glass.

This is a strongly developing industrial location on the western side of the Te Rapa industrial district and east of the Te Rapa bypass which continues into the Waikato Expressway. Hamilton's CBD is approximately 5km to the south-east with favourable links to key arterial routes in the district. Auckland can be reached within 90 minutes of this location in reasonable driving conditions.



In summary, a developing and popular industrial location of Te Rapa to the north-west of Hamilton's CBD.

2.3 Description of Improvements

Floor Area: A floor area survey has been completed by Harrison Grierson, with a summary of these areas contained in the schedule below:

Floor Area Summary

Description	Occupier	Rentable Area sqm	Total Property %
Ground office	Vacant	178.22	6.8%
Level 1 office	Vacant	175.07	6.6%
Warehouse	Vacant	2080.90	79.0%
Canopy	Vacant	201.14	7.6%
Adopted Rentable Area		**2635.33**	**100.0%**
Other Areas			
Yard	Vacant	1,662 sqm	
Total Other Areas		1,662 sqm	
Footprint & Site Coverage Calculations			
Approximate Footprint		2460.26	
Approximate Site Cover		49.1%	

The overall building area ratios appear sensible for a property of this size and could reasonably be expected to be demanded in the marketplace.

General: A 2019 completed industrial building with a generous secure yard component providing versatile and adaptable accommodation.

Construction: Construction consists of:

Office

Foundations: Concrete ground floor, particle board or similar Level 1

Structural: Metal framed

Joinery: Aluminium framed double glazed

Exterior: Generally profiled metal with some flat fibrocement

Roof: Unsighted

Air-conditioning: 2 wall mounted heat pumps

Internal linings consist of:

Flooring: Carpet over particle board or similar

Ceiling: Suspended ceiling on metal grid

Lighting: Recessed LED lighting in frosted covers

Air-conditioning: 5 wall-mounted heat pumps

Warehouse

Foundations:	Concrete slab
Structural:	RSJ columns and beams
Exterior:	Precast concrete panel and profiled metal
Roof:	Profiled metal with translucent panelling on netting and sisalation
Stud Height:	5.6m – 6.8m column free
Sprinklered:	No
Roller Doors:	6 motorised roller doors

Layout & Amenities:

Ground Floor

The ground floor opens off the customer carpark area to a reception with a partitioned office and computer room immediately beyond. A second entrance lobby provides separate access to the upper level. Beyond the reception is a lunchroom with sliding door access onto a covered outdoor area. Female and disabled bathrooms are alongside the lunchroom. Off the bathrooms are two partitioned offices which extend through to the warehouse.

Level 1

Reverse stairs provide access to a landing with a fire door providing access to the main office area, provided with perimeter partitioned offices and a central open plan area. Bathrooms are to the south-eastern corner. The corridor provides access to a further office with stair access down to the warehouse.

Fixtures & Fittings:

Fixtures and fittings within the tenancy include:

Ground Floor

Lunchroom

- Stainless steel sink bench
- Composite benchtop
- Dishwasher recess

Bathroom

- 3 partitioned WCs, each with a ceramic hand basin
- Handicapped WC which includes a lino floor with drainage
- Ceramic WC
- Ceramic hand basin
- Shower with curtain railing and curtain
- 180l hot water cylinder

Level 1

Lunchroom
- Stainless steel sink
- Composite benchtop
- Dishwasher recess

Bathroom
- 2 ceramic WCs
- 2 ceramic hand basins

Condition & Repair: Good and of effectively new build construction being completed in 2019.

Site Improvements: A formed road crossing provides access to the warehouse off Arthur Porter Drive, with a second crossing providing access to the carparking and yard. Prior to the security fencing are 4 open car parks including disabled together with motorcycle/bicycle parking area. Beyond the security gate is a fully secure concrete and part metalled yard which is accessed from the western side of the warehouse. There is selective landscaping with grassed areas to the Arthur Porter Drive frontage.

Reticulation of Services: Telephone, electricity, sewage, storm water and town water are all available to the site.

Building Warrant of Fitness: The building has a current Building Warrant of Fitness to 17 May 2021 as issued by P Urlich, Registration no. 2010/5299 on 22 May 2020.

Code Compliance: We assume all existing development on site has appropriate resource and building consent and has obtained Code Compliance Certification.

Seismic Rating: We have assessed our value on the basis that all improvements have a seismic rating of not less than 67% of New Building Standard.

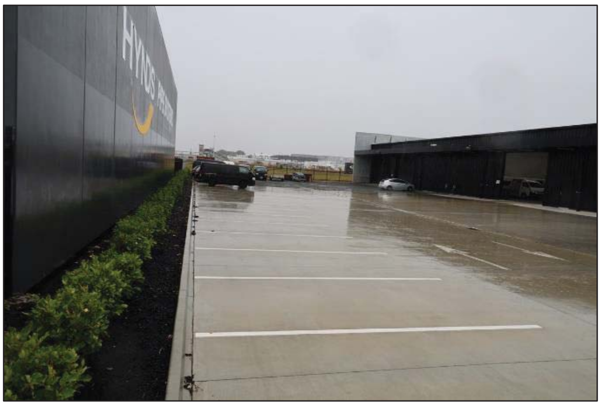
Photos:

<u>Photos from our 15 February 2021 inspection</u>

North-eastern aspect

Office

Yard and warehouse



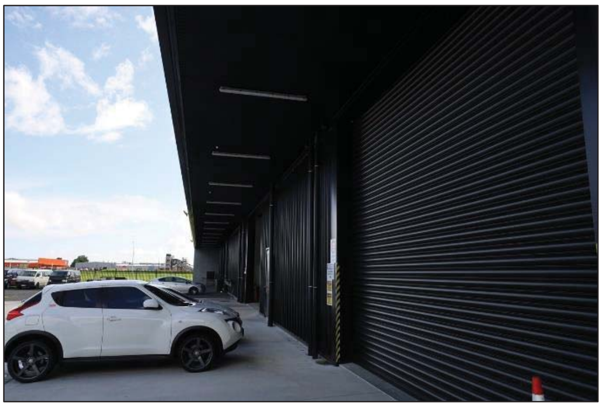
Yard and warehouse

Warehouse

Office and parking

Arthur Porter Drive frontage

Photos from our 9 November 2020 inspection



Canopy

North-western aspect

North-western aspect

Internal warehouse

Internal warehouse

Warehouse office

Warehouse office bathroom

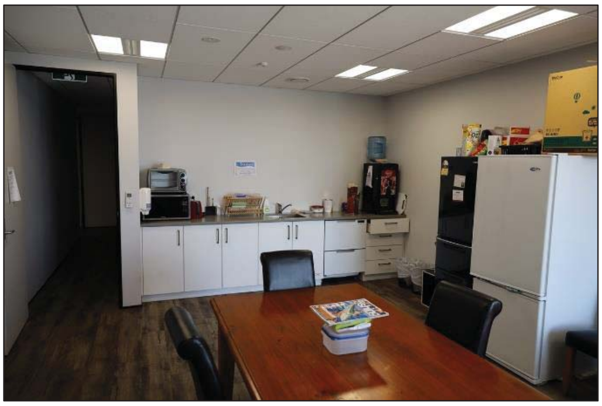
Warehouse

Roller doors

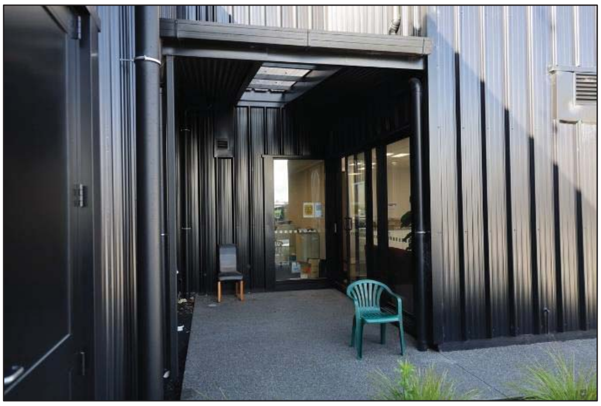
Warehouse

Warehouse

Offices



Ground floor lunchroom



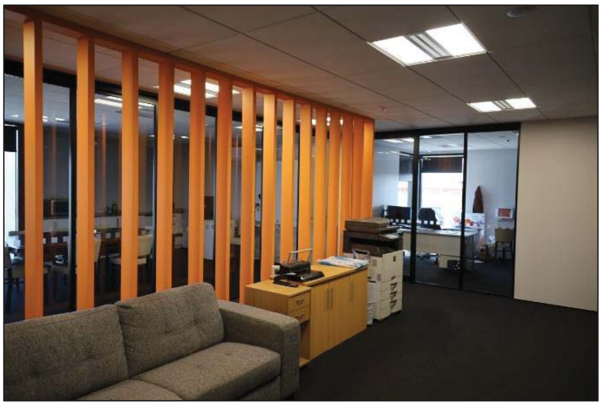
Covered courtyard

Disabled wc

Ground reception

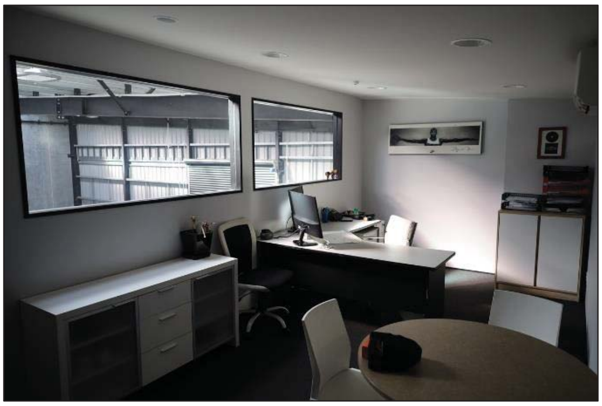
Ground reception

Level 1 office



Level 1 office

Level 1 office



Level 1 office

Warehouse from Level 1 office

Warehouse from Level 1 office

Ground and first floor office

Arthur Porter Drive frontage

North-eastern aspect

3. Occupancy Arrangements

We have valued the property with vacant possession.

3.1 Outgoings

Outgoings for the property as estimated to us are summarised along with rates below.

Item	Adopted Outgoings	
	$pa	$psm
Rates	35,253	13.38
Other Adopted Charges	25,000	9.49
Total Adopted Outgoings	**60,253**	**22.86**

Outgoings analyse to $22.86 per sqm.

3.2 Analysis of Existing Rent

Not applicable

4. Rental Evidence

An integral part of undertaking an investment approach to value is assessing the relativity of the contract rent with the prevailing market rent, or in the situation where the premises is vacant, a probable market rent. A selection of these rentals is contained in the following schedule:

Address	Burbush	NL	10 yrs
Tenant	Hamilton	Net	Fixed annual, market yr 5 & on renewal w cap/collar
Date	2021		5 months rent free
Premises	**Area sqm**	**$p.a**	**$per sqm**
Office	250.0 sqm	$58,750	$235.00
Warehouse	1985.0 sqm	$238,200	$120.00
Canopy	275.0 sqm	$17,875	$65.00
Premises sub total	**2510.0 sqm**	**$314,825**	**$125.43**
Yard	830 sqm	$20,750	$25.00
		$335,575	
Contract Rent		**$335,575**	**$133.70**

Address	Burbush	NL	8 yrs, 1*2yr renewals
Tenant	Hamilton	Net	2% p.a increases until market review start yr 5
Date	2021		6 months half rent from commencement
Premises	**Area sqm**	**$p.a**	**$per sqm**
Office	353.3 sqm	$70,658	$200.00
Warehouse	2080.9 sqm	$237,223	$114.00
Canopy	201.1 sqm	$10,057	$50.00
Premises sub total	**2635.3 sqm**	**$317,938**	**$120.64**
Yard	1662 sqm	$33,246	$20.00
		$351,184	
Contract Rent		**$351,184**	**$133.26**

Address	Te Rapa	NL	9 yrs
Tenant	Hamilton	Net	8m stud
Date	Mar-20		
Premises	**Area sqm**	**$p.a**	**$per sqm**
Office	353.0 sqm	$73,424	$208.00
Warehouse	1512.0 sqm	$199,584	$132.00
Canopy	192.0 sqm	$10,944	$57.00
Level 1 deck	18.0 sqm	$1,710	$95.00
Premises sub total	**2075.0 sqm**	**$285,662**	**$137.67**
Annual Rent		**$286,000**	

Address	Burbush	RR	
Tenant	Hamilton	Net	
Date	Jul-19		
Premises	**Area sqm**	**$p.a**	**$per sqm**
Office & Amenities	992.0 sqm	$178,560	$180.00
Warehouse	3840.0 sqm	$422,400	$110.00
Sorting area	1144.0 sqm	$160,160	$140.00
Loading bay	154.0 sqm	$13,860	$90.00
Canopy	2074.0 sqm	$145,180	$70.00
Bike shed	167.0 sqm	$12,525	$75.00
Premises sub total	**8371.0 sqm**	**$932,685**	**$111.42**
Courtyard	100 sqm	$5,000	$50.00
		$937,685	
Annual Rent		**$938,000**	

Address	Melville	RR	
Tenant	Hamilton	Net	
Date	Aug-19		
Premises	**Area sqm**	**$p.a**	**$per sqm**
Offices	481.5 sqm	$72,225	$150.00
Warehouse	3630.8 sqm	$381,234	$105.00
Canopy	724.0 sqm	$28,960	$40.00
Undercroft storage	69.3 sqm	$4,158	$60.00
Storage room	24.9 sqm	$1,743	$70.00
Mezzanine storage	112.5 sqm	$5,625	$50.00
Entry canopy	36.0 sqm	$720	$20.00
Premises sub total	**5079.0 sqm**	**$494,665**	**$97.39**
Annual Rent		**$495,000**	

Address		NL	12 yrs
Tenant		Net	
Date			
Premises	**Area sqm**	**$p.a**	**$per sqm**
Office	375.0 sqm	$67,500	$180.00
Warehouse	3243.0 sqm	$366,459	$113.00
Premises sub total	**3618.0 sqm**	**$433,959**	**$119.94**
Sealed yard	3,060 sqm	$55,080	$18.00
		$489,039	
Annual Rent		**$489,000**	

aim valuation

4.1 Market Rent Conclusion

The Waikato industrial market has performed strongly over the past 5 years with the rural and horticultural sectors, and Hamilton City all growing, whilst the proximity to the Auckland market and completion of the Waikato Expressway have also assisted. Rentals have tended to grow on the back of that sentiment and activity as demonstrated by the recent evidence outlined.

Relating to the subject, it provides adaptable and versatile industrial accommodation with the ground and first floor offices being arguably over-partitioned, but offering separate access should this be required. Bathrooms and lunchrooms are available on both levels. Reflecting this, we have applied a market rent of **$200 per sqm** for that component of the property.

The warehouse provides functional and adaptable accommodation with access available directly off Arthur Porter Drive plus an additional 5 roller doors to the western elevation. We believe it could suit a variety of uses. The most recent evidence for new space ranges between $115 per sqm and $132 per sqm, with the majority of evidence between $110 and $125 per sqm. Reflecting the current situation, we have applied **$115 per sqm** for the warehouse. This warehouse rental also recognises that the yard is separately rentalised.

Canopy rents range between $40 and $50 per sqm with ourselves adopting **$50 per sqm**.

Yard

The subject building extends from its eastern boundary and allows a generous sealed and part-metalled yard with security yard fencing. Harrison Grierson calculated a yard area of 1,662sqm. There are examples where yard rent is being paid separately and in addition to the premises rent in the location with a recent lease further verifying this. There may be situations where the market will not pay for the yard and others where it will be demanded. On balance, in this situation we believe the yard has a rental value and have applied **$20 per sqm** to that component. If rent was not separately paid for the yard, we believe higher rents could be applied to the offices and warehouse.

4.2 Market Rent Assessment

Having regard to the above rental evidence and summary, we show our opinion of net market rent and compare this to the contract rent in the table below:

Tenant	Tenancy	Area	Passing Rent		Unrecovered Opex		Net Contract Rent		Net Market Rent	
		(sqm)	($pa)	($psm)	($pa)	($psm)	($pa)	($psm)	($pa)	($psm)
Tenancies										
Vacant	Ground office	178.2	0	0.00	0	0.00	0	0.00	35,644	200.00
Vacant	Level 1 office	175.1	0	0.00	0	0.00	0	0.00	35,014	200.00
Vacant	Warehouse	2,080.9	0	0.00	0	0.00	0	0.00	239,304	115.00
Vacant	Canopy	201.1	0	0.00	0	0.00	0	0.00	10,057	50.00
Vacant	Yard	1,662.3	0	0.00	0	0.00	0	0.00	33,246	20.00
Total		**4,297.7**	**0**	**0.00**	**0**	**0.00**	**0**	**0.00**	**353,265**	**82.20**

On this basis we consider the contract rent is supported by prevailing market evidence.

5. Sales Evidence

In establishing our opinion of value, we have had regard to the following transactions.

Address	Sale Date	Price	GLA (sqm)	Site (sqm)	Initial Yield	WALT	Price /GLA	Price /Site Area
Raynes Rd Rukuhia	Dec-20	$16,500,000	6,000	15,599	4.29%	20.00 yrs	$2,750	$1,058
13A Quentin Dr Hamilton Lake, Hamilton	Nov-20	$36,250,000	11,645	31,074	3.92%	8.83 yrs	$3,113	$1,167
279 Kahikatea Dr Frankton	Oct-20	$10,775,000	5,166	24,396	5.43%	3.44 yrs	$2,086	$442
22 Hounsell Dr Te Rapa	Sep-20	$6,200,000	1,865	3,540	4.88%	9.00 yrs	$3,324	$1,751
19 Earthmover Cr Te Rapa	Aug-20	$3,400,000	1,282	2,401	5.00%	6.00 yrs	$2,652	$1,416
4 Latham Ct Frankton	Aug-20	$1,843,100	589	4,084	5.43%	1.13 yrs	$3,129	$451
4 Kells Pl Frankton	Jun-20	$4,000,000	2,340	5,060			$1,709	$791
26 Sharpe Rd Titanium Park	Nov-19	$26,620,521	16,010	40,710	5.83%	6.27 yrs	$1,663	$654
20 Karewa Pl Te Rapa	Aug-19	$7,000,000	1,702	1,702	6.10%	5.66 yrs	$4,113	$4,113
11-19 Karewa Pl Te Rapa, Hamilton	Oct-19	$19,430,000	5,300	15,900	5.15%	7.00 yrs	$3,666	$1,222
122 Ingram Rd Rukuhia	Jul-19	$71,020,000	36,320	85,105	4.93%	20.00 yrs	$1,955	$834
38D Northway St Te Rapa, Hamilton	Mar-19	$17,000,000	8,771	19,915	6.06%	2.25 yrs	$1,938	$854

5.1 Sales Commentary

Raynes Road, Rukuhia sold in December 2020 for **$16,500,000** which reflected a **4.29%** initial yield. The property will be subject to a 20 year lease on completion of the development to a plastic injection moulding firm, Tekplas, at a net annual rental of $707,260 per annum which reflects **$117 per sqm** overall. The buildings have an approximate area of 6,000sqm all situated to a 15,599sqm freehold site. Surplus land for expansion exists. The sale price further represents **$2,750 per sqm** on a combined land and buildings basis. A quality development close to Hamilton airport.

13A Quentin Drive, Hamilton Lake, Hamilton sold in November 2020 for **$35,250,000** which represented an initial yield of **3.92%**. This is a strongly located property occupied by Bunnings under a long term lease which had 8.83 years remaining at the time of transaction. Improvements comprise some 11,645sqm situated to a 31,074sqm Industrial zoned site. The property occupies a high profile location to the corner of the Kahikatea Drive and Quentin Drive intersection which borders residential development generally to the east and south. The annual rental of $1,420,000 represented **$121.94 per sqm** overall. The sale price also represented **$3,113 per sqm** on a combined land and buildings basis.

279 Kahikatea Drive, Frankton sold in October 2020 for **$10,775,000** which represented an initial yield of **5.43%**. The property provides a 1980’s facility with high stud warehouse and ground and first floor offices. The warehouse is occupied by PBT and the offices by Admark. The rentable area is some 5,166sqm, whilst the property occupies a 2.4396 hectare site which has a secondary egress to Wickham Street. The property had a weighted average lease term of 3.4 years and we note it had previously transacted in September 2018 for $8,300,000. The most recent price is $2,475,000, or 29.8% higher.

22 Hounsell Drive, Te Rapa sold in September 2020 for **$6,200,000** which represented an initial yield of **4.88%** on the back of a new 9 year lease to Global Valocity. The sale price represents **$3,324 per sqm** on a combined land and buildings basis. Improvements consist of some 1,865sqm of high stud warehouse with associated offices, all situated to a 3,540sqm front site. Representative of strong demand for quality industrial property.

19 Earthmover Crescent, Te Rapa sold in August 2020 for **$3,400,000** which represented an initial yield of **5.00%**. The property was sold with a 6 year lease to Safety Apparel Ltd and comprises a single level ground floor office showroom with a high stud warehouse immediately behind. It has a rentable area of some 1,282sqm and occupies a 2,401sqm front site. The sale further analyses to **$2,652 per sqm** on a combined land and buildings basis.

4 Latham Court, Frankton sold in August 2020 for **$1,843,100** to represent an initial yield of **5.43%**. The property consists of modest medium stud warehouse with a residential style office to the front and metalled yard immediately behind. The property occupies a 4,084sqm site with the sale also representing **$451 per sqm** of land.

4 Kells Place, Frankton sold June 2020 for **$4,000,000**. The property comprises medium stud warehouse with ground and first floor offices fronting onto Kahikatea Drive, although no direct access from that road. To the western side is an integrated canopy providing covered loading. The sale price represented **$1,709 per sqm** on a combined land and buildings basis.

26 Sharpe Road, Titanium Park sold in November 2019 for **$26,620,521** which represented an initial yield of **5.83%**. It comprises a 2013 completed industrial building providing ground and first floor offices of some 577.68sqm of a total rentable area of some 16,009.69sqm. The property occupies 3 sites with a combined land area of 40,710sqm and site coverage of 38.6%. Torpedo 7 Ltd occupy the property under a 10 year lease from March 2016 at a net annual rental of $1,551,751. That provides for 2.5% increases every 12 months. The sale price further analysed to **$1,663 per sqm** on a combined land and buildings basis. Significantly larger than the subject.

20 Karewa Place, Te Rapa sold in August 2019 for **$7,000,000** which represented an initial yield of **6.1%**. The front showroom tenancy is occupied by Burnsco and the rear office tenancy over two levels is occupied by TuTonu. We have further analysed this sale to show **$4,113 per sqm** on a combined land and buildings basis. A more commercial location.

11-19 Karewa Place, Te Rapa, Hamilton sold in October 2019 for **$19,430,000** which represented an initial yield of **5.15%**. The property is occupied by Kmart under a 12 year lease from October 2014 who pay a net annual rent of $1,000,000 per annum plus GST. There is no provision in the Lease for reviews until any renewal, with the rent representing **$188 per sqm**, with two 6 year terms provided. This is a large format retail offering directly opposite The Base in Te Rapa with immediate occupiers included Countdown, Mitre 10 Mega, Big Save Furniture and Super Cheap Autos. The sale price also represented **$3,666 per sqm** on a combined land and buildings basis. We understand this property has resold at a higher price although do not have full details of that transaction.

122 Ingram Road, Rukuhia sold in July 2019 for **$71,020,000** representing the largest industrial transaction in Waikato history. The property consists of a brand new catering and distribution centre occupied by Visy Board under a 20 year lease providing annual fixed increases of 2.5% and a market review at the end of Year 12 and on each renewal. The lease provides for five 10 year rights of renewal and constitutes a triple net lease whereby the tenant pays all outgoings including structural repairs and maintenance. Further the lease is guaranteed by Visy Industries Australia Pty Limited. The warehouse is fully sprinklered with a stud height of 8.4m rising to 13.4m at the apex. The transaction represented an initial yield of **4.93%**, and **$1,955 per sqm** on a combined land and buildings basis. The average premises rental was **$96.37 per sqm** inclusive of yard rent or **$93 per sqm** excluding yard rent.

38D Northway Street, Te Rapa, Hamilton sold in March 2019 for **$17,000,000** which represented an initial yield of **6.06%**. The property sold as part of a larger estate that had been offered to the market. The Lease to Steel and Tube had approximately 2.25 years remaining of a 14 year term, although provides 8 rights of renewal of 3 years each. Net annual rent excluding management is $1,030,000 plus GST which represents **$123 per sqm**. The property also occupies a 19,115sqm site whose rear boundary adjoins the railway, being south of The Base in a strong but rear industrial location of Te Rapa.

5.2 Valuation Considerations

Investment demand has been strong for industrial property in Hamilton, with a number of recent transactions verifying this. The under $10m market tends to have appeal to private investors who often seek long term, secure income.

The new lease to a quality tenant is likely to be viewed strongly in the market. Reflecting the current situation, we have applied an initial yield of **4.85%** before making allowance for a lease up period. On a combined land and buildings basis we have applied **$2,650 per sqm** as analysed from recent transactions.

5.3 SWOT Analysis

Strengths

- Functional and adaptable space
- Generous secure yard area
- Quality modern industrial environment of North-western Hamilton

Weaknesses

- Restricted street parking

Opportunities

- Conclude a lease on prevailing market terms

Threats

- Value sensitivity to yield or rental change
- Change in economic sentiment and activity
- Interest rate changes

5.4 Discounted Cashflow Parameters

We have also modelled the property on the basis of discounted cashflow (DCF), with key assumptions outlined below.

Renewal Probability:	50%
Make Good Allowance:	$50 per sqm for the ground and first floor offices, $15 per sqm for the warehouse, and $5 per sqm for the canopy and yard.
Vacancy Period:	6 months
New Lease Term:	6 years
New Lease Reviews:	2 yearly
Net Rent Incentive:	3 months
Terminal Yield:	5.0%
Target IRR:	6.3%

Our DCF calculations are contained in Appendix II of this report

Rating Valuation

Assessed as at 1 September 2018, Land Value $1,450,000, Improvements Value $2,930,000, Capital Value $4,380,000.

6. Valuation

First, we have considered the capitalisation of income approach, whereby our assessed market income is capitalised into perpetuity at an appropriate capitalisation rate, with adjustments made for any variance between contract and market rent.

CAPITALISATION OF INCOME APPROACH				
				Market Rent
FULLY LEASED GROSS INCOME			**$**	**413,518**
Less: Outgoings				
Recoverable Outgoings			$	(60,253)
FULLY LEASED NET INCOME			**$**	**353,265**
Capitalised at				4.85%
Capitalised Value			**$**	**7,283,812**
Capital Adjustments				
Vacancies: Lease-Up Allowance	6 mths	$ (206,759)		
Leasing Commission	16.0%	$ (66,163)		
Total Lease-Up Costs		$ (272,922)	$	(272,922)
Rent-Free Incentive	3 mths		$	(88,316)
P.V. of Rental Surplus/Shortfall		4.85%		-
Deferred Capitalised Rental Surplus/Shortfall		4.85%		
Rent Shortfall (New Leases)				-
P.V. of Unexpired Incentives				-
P.V. of Future Lease-up Allowances		30 mths		-
P.V. Of Future Lease Incentives		30 mths		-
P.V. of Annual Capital Expenditure		30 mths	$	(19,885)
P.V. of Make Good Allowance		30 mths		-
P.V. of Programmed Capital Expenditure		30 mths		-
P.V. of Future Refurbishment Allowance		30 mths		-
Total Capital Adjustments			$	(381,123)
			$	6,902,690
INDICATED VALUE			**$**	**6,900,000**

Second, we have had regard to the land and buildings approach, whereby we apply our analysed rate per sqm to the total lettable area of the improvements.

Our calculations are detailed as follows.

LAND & BUILDINGS APPROACH					
400 Arthur Porter Dr	2,635.3 sqm	@	$2,550 per sqm	$	6,720,092
		@	$2,650 per sqm	$	6,983,625
		@	$2,750 per sqm	$	7,247,158
		adopt			**$2,650 per sqm**
INDICATED VALUE				**$**	**6,975,000**

Our assessments are summarised and weighted as follows.

VALUATION SUMMARY			
	Weighting		*Assessment*
Capitalisation of Income Approach	50%	$	6,900,000
Land and Buildings Approach	20%	$	6,975,000
Discounted Cash Flow Approach	30%	$	6,850,000
ADOPTED MARKET VALUE		**$**	**6,900,000**

6.1 Value Conclusion

In light of the contents of this report we confirm our opinion of market value for capital raising purposes of 400 Arthur Porter Drive, Burbush, Hamilton, as at 15 February 2021, at:

NZD$6,900,000
(SIX MILLION NINE HUNDRED THOUSAND DOLLARS)

This valuation assessment is on the basis of plus GST (if any) and reflects the following:

Analysis	
Value per sqm of GLA	$2,618
Value per sqm of Land Area	$1,377
Yield on Net Market Income	5.12%

Compliance Statement

This valuation has been performed in accordance with International Valuation Standards (IVS) and the Australia and New Zealand Valuation and Property Standards (ANZVPS) and we confirm that:

- The statements of fact presented in the report are correct to the best of the Valuer's knowledge and the analysis and conclusions are limited only by the reported assumptions and conditions;
- The Valuer has no interest in the subject property and the valuation fee is not contingent upon any aspect of the report;
- The valuation was performed in accordance with an ethical code and performance standards. The Valuer has satisfied professional education requirements and holds Professional Indemnity Insurance together with a current Valuers Practicing Certificate;
- The Valuer has experience in the location and category of the property being valued and has made a personal inspection of the property;
- No one, except those specified in the report, has provided professional assistance.

Our valuation is subject to the attached Disclaimers.

Yours faithfully

Matt Tooman
Registered Valuer
ANZIV, SPINZ

Disclaimers

1.	Valuation Subject to Change	This valuation is only current as at the date of valuation and is based on available information as at that date. The value assessed herein may change over a relatively short period including as a result of general market movement or factors specific to the property. These may include changes in national or international circumstances, environmental circumstances or force majeure events. Therefore, this valuation should be reviewed periodically, and no warranty is given by AIM Valuation Limited ("AIM") as to the maintenance of this value into the future. AIM does not accept liability for losses arising from subsequent changes in value.
2.	Information Supplied by Others	This valuation report includes information derived from other sources, provided by the Client. We have reviewed that information and have assumed that it is accurate. Unless otherwise stated, we have not independently verified that information. The Client acknowledges that AIM is not a specialist in the information from other sources and accepts that AIM is not liable in the event that that information is incorrect. If the information is found to be incorrect AIM reserve the right to reassess our opinion of value.
3.	Our Investigations	This valuation is conducted on the basis that we are not engaged to carry out all possible investigations in relation to the property. Where in our report we have identified certain limitations to our investigations, you may instruct further investigations if you consider this appropriate. AIM is not liable for any loss occasioned by a decision not to conduct further investigations.
4.	Assumptions	Assumptions may be a necessary part of this valuation. AIM adopts assumptions because some items are unable to be accurately calculated or fall outside the scope of our expertise, or our instructions. Assumptions adopted by AIM will be formulated on the basis that they could reasonably be expected from a professional and experienced valuer undertaking a similar valuation. However, the risk that any of the assumptions adopted in this document may be incorrect and have a material impact on the concluded value(s) should be taken into account.
5.	Property Documentation	Where applicable, our assessment of value is provided on the assumption that all Agreements, Leases, Licences, Deeds, Variations and other documentation relevant to establishing the value have been supplied in full. Our assumption includes that all Agreements, Leases, Licences, Deeds and Variations are executed or have been agreed to be executed without any changes and other documentation is the latest accurate available information.
6.	Side Agreements	In the event that the Client becomes aware of any side agreements, this valuation must not be relied upon before first consulting AIM to reassess any effect on the valuation.
7.	Disclosure	AIM must be advised in the event that the Client becomes aware of any changes relating to the information and advice provided by the Client. 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 AIM first to reassess any effect on the valuation.
8.	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 AIM at the date of this valuation. AIM does not warrant that such statements are accurate or correct.
9.	Site Survey	We do not commission site surveys and will acknowledge if one is provided to us. We have assumed there are no encroachments by or on the property, and the Instructing/Reliant Parties should confirm the status by obtaining a current survey report and/or advice from a registered surveyor.
10.	Property Titles	Our Record of Title search identifies all current easements, interests or encumbrances. In the event that a future title search is undertaken which reveals new or different easements, interests or encumbrances AIM should be consulted to reassess any effect on our assessed value.
11.	Contamination	Unless otherwise stated, we have assumed that the site is free of contaminants that would prevent the continuation of the current use or the planned development of the site. Unless otherwise noted, we have assumed that the improvements are free of contamination, or should contaminants 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 contamination within the property. We make no representation as to the actual environmental status of the property. If any formal testing is undertaken to assess the presence, if any, of contamination of the property and this is found to be positive, this valuation must not be relied upon without first consulting AIM to reassess any effect on the valuation.
12.	Hazardous Materials	Where the current use includes the storage and/or processing of hazardous materials, we assume the storage and processing to be compliant. We make no representation as to the actual status of hazardous materials on the property. If any testing or auditing is undertaken and identifies issues with hazardous materials on site, this valuation must not be relied upon before first consulting AIM to reassess the valuation.
13.	Earthquake-Prone Buildings	If the property is earthquake-prone, as defined by the Building Act and local government policies on Earthquake-Prone Buildings, then unless otherwise stated, our value estimate makes no allowance for any costs of investigation, upgrading, demolition or other steps which may be incurred by the building owner to meet policy and Building Act requirements. We are

not qualified to determine the Earthquake Rating of buildings. An assessment by a suitably qualified building engineer may be needed. If the building is later found to be earthquake-prone this valuation must not be relied upon before first consulting AIM to reassess the valuation.

14.	Site Conditions	Unless otherwise specified we have assumed the site is suitable for the current use. In the case the property has redevelopment potential, we proceed on the assumption the site is suitable for the planned redevelopment and would not incur development costs above those which prevail in the market.
15.	Council Records	Unless otherwise stated, we have not obtained a Land Information Memorandum (LIM) or Property File (PF) or Planning Advice from the Territorial Authority. In the case that the Client provides us with a LIM or PF we assume that these are current and accurate. In the event that the LIM or PF is provided later and found to be materially different to the resource management information detailed within the valuation, we reserve the right to amend our valuation.
16.	Inclusions & Exclusions	Unless otherwise stated, 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 or operator or are used in connection with the enterprise carried on within the property.
17.	Floor Area	Where we have not undertaken the floor area measurement, we have proceeded on the assumption that the floor areas provided have been calculated in accordance with the Property Council of New Zealand (PCNZ) and Property Institute of New Zealand (PINZ) Guide for the Measurement of Rentable Areas (GMRA). In those circumstances where specific areas are not covered by the GMRA the Client must provide any separately agreed definitions of Rentable Area. In the event that there is a material variance in Rentable Area, we reserve the right to review our valuation. Any measurement undertaken by AIM is an estimate of rentable area only.
18.	Condition & Repair	Unless otherwise stated, our valuation proceeds on the assumption that the structure and service installations of the building do not reveal any defects requiring significant expenditure that would have a material impact on the valuation conclusions. Additionally, we assume that the building complies with all relevant statutory requirements in respect of matters such as health, building and fire safety regulations.
19.	Currency	All values are in New Zealand Dollars $NZD.
20.	Valuation Standards	The valuation report is carried out in accordance with the International Valuation Standards (IVS) and the Australia and New Zealand Valuation and Property Standards (ANZVPS).
21.	Value Conclusion	Our Value Conclusion does not include any deduction for the cost of realisation or the balance of any outstanding mortgages or other charges
22.	Lease Covenant Strength	Unless specifically requested, 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. Furthermore, we assume, unless otherwise advised, that the tenant is capable of meeting its financial obligations under the lease as and when they fall due and that there are no arrears of rent or undisclosed breaches of covenant.
23.	Taxation and GST	In preparing our valuations, no allowances are made for any liability which may arise for payment of income tax or any other property related tax, whether existing or which may arise on development or disposal, deemed or otherwise. We also specifically draw your attention to the fact that our valuation has been undertaken on a plus GST (if any) basis, unless otherwise stated.
24.	Confidentiality	Our valuation report and its contents are confidential. It is prepared for the Client and Intended Users and for the Purpose stated. AIM accepts no responsibility or liability for use of and reliance on the valuation report by other parties for the same Purpose or other Purposes. Further, no responsibility is accepted to parties other than the Client for any errors or omissions whether of fact or opinion.
25.	Publication	Our valuation report or any part of it, may not be published or form a part of any other material or communication, without prior written approval of AIM. Such approval is required whether or not AIM is referred to by name and whether or not the report is combined with others.
26.	Valuation Report Review	This valuation report is signed by a Director of AIM, signifying that the valuation report has been peer-reviewed and the valuation methodology, calculations and the valuer's opinion of value have been discussed with the valuer.

Appendix I – Record of Title

RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD
Search Copy

R.W. Muir
Registrar-General
of Land

Identifier	**816661**
Land Registration District	**South Auckland**
Date Issued	22 February 2018

Prior References
780452

Estate	Fee Simple
Area	5012 square metres more or less
Legal Description	Lot 38 Deposited Plan 519514

Registered Owners
David Paul Webby and Lynda Anne Webby

Interests

Land Covenant in Easement Instrument 10209147.4 - 2.10.2015 at 11:07 am

Land Covenant in Easement Instrument 10209147.5 - 2.10.2015 at 11:07 am

11020246.3 Consent Notice pursuant to Section 221 Resource Management Act 1991 - 22.2.2018 at 9:34 am

11020246.4 Encumbrance to Te Rapa Gateway Limited and Hamilton Porter JV Company Limited - 22.2.2018 at 9:34 am

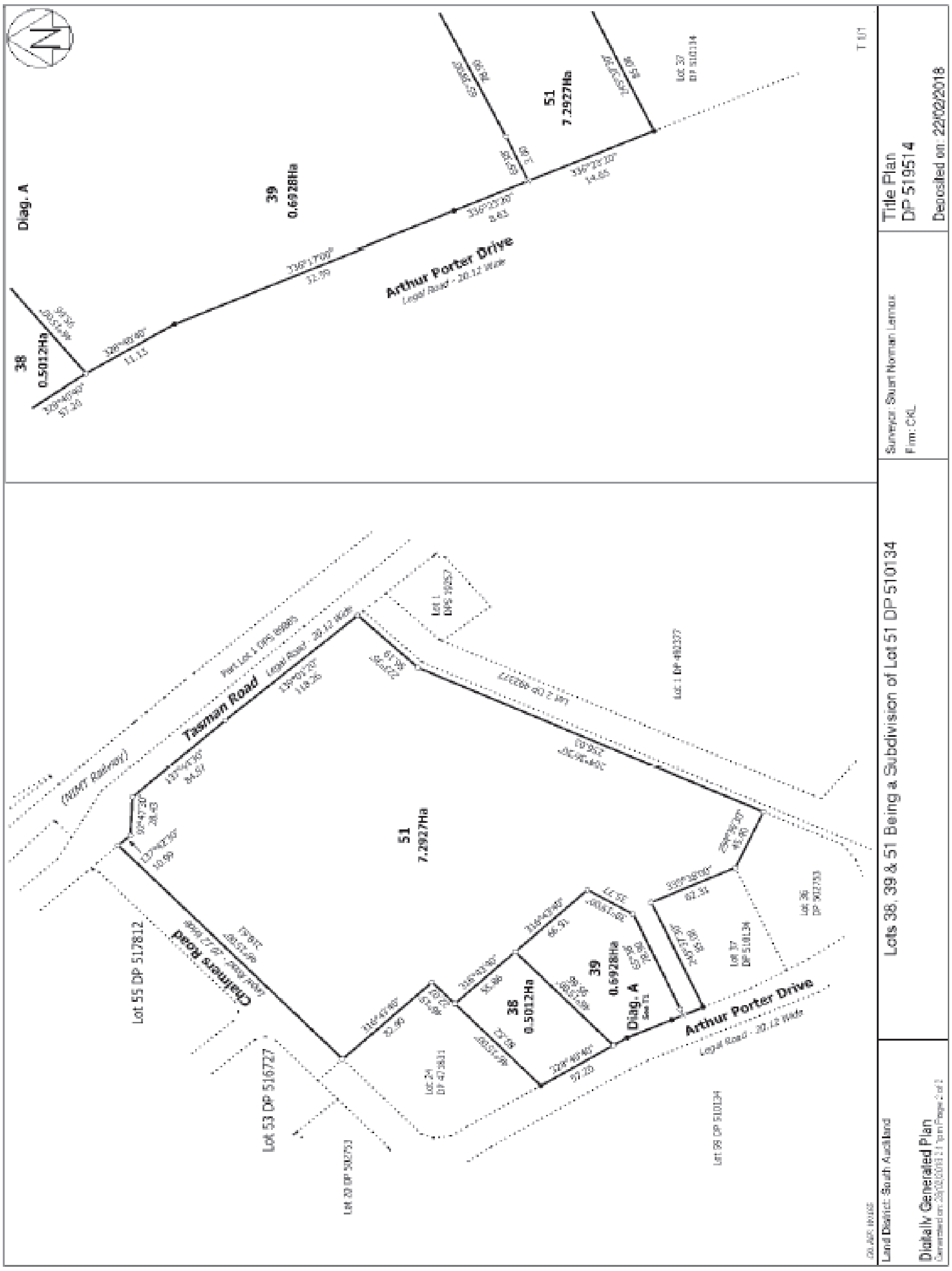
11020246.5 Encumbrance to Te Rapa Gateway Limited and Hamilton Porter JV Company Limited - 22.2.2018 at 9:34 am

11117969.2 Mortgage to ANZ Bank New Zealand Limited - 22.5.2018 at 1:54 pm

Transaction Id
Client Reference *vthomson001*

Search Copy Dated 10/02/21 2:03 pm, Page 1 of 2
Register Only

Identifier **816661**



Transaction Id
Client Reference *vthomson001*

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Register Only

Appendix II – Discounted Cashflow Analysis

DISCOUNTED CASH FLOW SUMMARY

Selling Considerations				Purchase Considerations		
Terminal Yield	5.00%	Target IRR	6.30%	Purchase Price		6,850,000
Agent Commission	1.75%	Net Present Value	6,841,294	Legal Fees	0.50%	34,250
Legal Fees	0.50%	**INDICATED VALUE**	**6,850,000**	Cost of Purchase		6,884,250

Valuation Year		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
Year Ending		**Feb-22**	**Feb-23**	**Feb-24**	**Feb-25**	**Feb-26**	**Feb-27**	**Feb-28**	**Feb-29**	**Feb-30**	**Feb-31**	**Feb-32**
Income												
Passing Rent (as occupied)		0	0	0	0	0	0	0	0	0	0	0
Car Park Rent		0	0	0	0	0	0	0	0	0	0	0
New Leases		177,513	355,027	359,712	364,397	372,688	380,979	291,053	402,254	407,345	422,618	427,966
Future Car Park Income		0	0	0	0	0	0	0	0	0	0	0
Recovered Outgoings		30,126	61,759	63,303	64,885	66,443	68,037	52,253	71,342	73,055	74,808	76,603
Rent Shortfall (New Leases)		0	0	0	0	0	0	0	0	0	0	0
Total Income		207,640	416,786	423,015	429,283	439,131	449,017	343,306	473,596	480,399	497,426	504,570
Less												
Recoverable Outgoings		(60,253)	(61,759)	(63,303)	(64,885)	(66,443)	(68,037)	(69,670)	(71,342)	(73,055)	(74,808)	(76,603)
Non-Recoverable Outgoings		0	0	0	0	0	0	0	0	0	0	0
Unexpired Incentives		0	0	0	0	0	0	0	0	0	0	0
Ground Rent		0	0	0	0	0	0	0	0	0	0	0
Vacancy Allowance - Licensed Car Parks	5%	0	0	0	0	0	0	0	0	0	0	0
Total Net Income		147,387	355,027	359,712	364,397	372,688	380,979	273,636	402,254	407,345	422,618	427,966
Adjustments												
New Lease Commissions		(68,945)	0	0	0	0	0	(39,004)	0	0	0	0
New Lease Incentives		(88,757)	0	0	0	0	0	(50,282)	0	0	0	0
Annual Capital Expenditure (% of Income)		(5,325)	(10,651)	(10,791)	(10,932)	(11,181)	(11,429)	(8,732)	(12,068)	(12,220)	(12,679)	(12,839)
Make Good Allowance		0	0	0	0	0	0	(32,929)	0	0	0	0
Programmed Capital Expenditure		0	0	0	0	0	0	0	0	0	0	0
Future Refurbishment Allowance		0	0	0	0	0	0	0	0	0	0	0
Net Sale Price												8,508,621
NET CASH FLOW		**(15,640)**	**344,376**	**348,921**	**353,465**	**361,508**	**369,550**	**142,690**	**390,186**	**395,124**	**409,939**	