



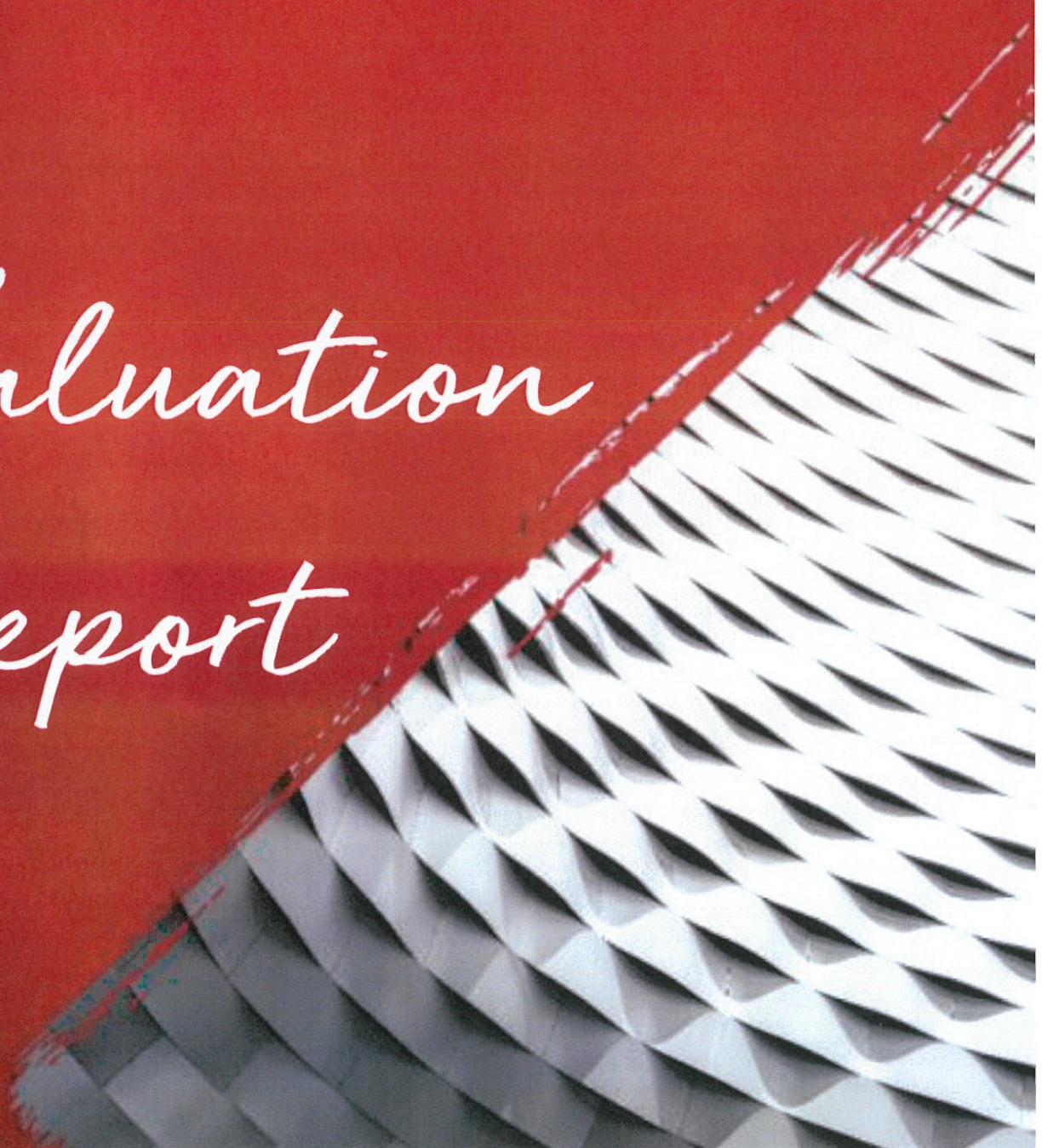
Report prepared for Westpac Bank Limited on behalf of Oyster Management Limited and Oyster Industrial Limited for Acquisition and Mortgage Security purposes

Industrial Property

12 Harbour Ridge Drive, Wiri, Auckland

13 August 2019

Valuation Report



Executive Summary

Industrial Property - 12 Harbour Ridge Drive, Wiri, Auckland



The subject property comprises a 6,140 square metre, regular shaped landholding, situated to the eastern side of Harbour Ridge Drive, within the industrial precinct of Wiri, Auckland. The property was constructed in 2017 to provide an approximate 4,682 square metre modern, high quality and design built industrial facility.

Improvements comprise an approximate 3,500 square metre high-stud warehouse, with one row of columns and a stud height of approximately 9.50 metres at the portal knee, rising to approximately 11.55 metres at the apex. An approximate 690 square metre canopy lines the southern perimeter of the warehouse, with approximately 492 square metres of associated office and amenity accommodation located over two levels, towards the road frontage. The improvements are presented to a modern and high quality specification throughout.

At the date of valuation, the property was fully occupied by NBL (New Zealand) Limited on an initial ten year term from 1 December 2017, with two further rights of renewal of five years each remaining. The lease is currently returning a net rental of \$632,948 per annum plus GST, with rental reviews set annually to fixed 2.5% increases, with a market review on the tenth and fifteenth anniversary of the commencement date (if renewed). The property currently has a remaining lease term of 8.33 years, with two further rights of renewal of five years each remaining.

Valuation

Prepared for	Westpac Bank Limited
Additional Parties	Oyster Management Limited and Oyster Industrial Limited
Valuation Purpose	Market Valuation for Acquisition and Mortgage Security purposes
Date of Valuation	13 August 2019
Date of Report	14 August 2019
Valuation Approaches	Capitalisation of Net Income and Discounted Cashflow Approaches
Zoning	Quarry / Light Industry – Auckland Unitary Plan (Operative in part, 15 November 2016)
Tenure	Fee Simple – Record of Title 774841
Site Area	6,140 sqm
Lettable Area	4,682 sqm
Adopted Value	\$13,100,000 plus GST, if any Thirteen Million One Hundred Thousand Dollars plus GST, if any

Valuation Analysis

Initial Yield	4.83%
Equivalent Yield	4.74%
Internal Rate of Return (10 years)	7.01%

Tenancy Overview

NBL (New Zealand) Limited	\$632,948	4,682 sqm
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Cap Approach Assumptions

Adopted Cap Rate	4.75%
Allowance for Capex/Expiries	24 months
Market Income Capitalisation	\$13,080,000
Passing Income Capitalisation	\$13,080,000

Occupiers

NBL (New Zealand) Limited 100%



Rate / sqm of Lettable Area	\$2,798
Remaining Lease Term	8.33 years
Current Occupancy	100.00%

Financial Summary

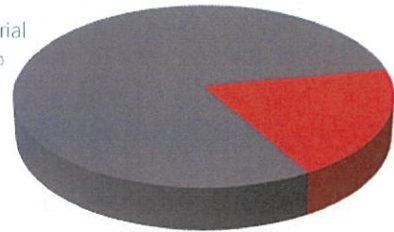
Gross Passing Income	\$779,635
Gross Market Income	\$762,157
Adopted Outgoings	\$146,687
Net Passing Income	\$632,948
Net Market Income	\$615,470

DCF Approach Assumptions

Discount Rate	7.00%
Terminal Yield	5.00%
Average Applied Rental Growth	2.85%
Value Based on DCF Approach	\$13,120,000

Building Components

Industrial 80%



Office & Amenities 20%

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This is a summary only. It must not be relied on for any purpose. Jones Lang LaSalle's valuation of this asset is subject to assumptions, conditions and limitations as set out in the full text of this Valuation Report.

Critical Assumptions, Conditions & Limitations

- The valuation is current as at the date of valuation only, being 13 August 2019. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property).
- We do not accept liability for losses arising from such subsequent changes in value. Without limiting this statement, we do not accept any liability where this valuation is relied upon more than 90 days after the date of valuation, or earlier if you become aware of any factors that may have any effect on the valuation.
- This report is relevant at the date of preparation and to the circumstances prevailing at that time. However, within a changing economic environment experiencing fluctuations in interest rates, inflation levels, rents and global economic circumstances, acceptable returns on investment may, as a consequence, be susceptible to future variation. We therefore recommend that before any action is taken involving an acquisition, disposal or other transaction more than 90 days after the date of this report, you consult the Valuer.
- This valuation has been completed for the specific purpose stated in this report. No responsibility is accepted in the event that this report is used for any other purpose.
- Our valuation assumes the information provided by the instructing party or its agents is correct and we reserve the right to amend our calculations, if deemed necessary, if that information is incorrect.
- Our valuation assumes all other professional/consultancy advice provided and relied upon is true and correct.
- We have relied on building areas, income figures and expense figures as provided by the instructing party or its agents and made specified adjustments where necessary. Where possible these have been verified through lease documentation and physical measurements.
- Unless otherwise stated all property measurements are in conformity with the Guide for the Measurement of Rentable Areas issued by the Property Council of New Zealand. Where certified areas have not been provided we have normally undertaken measurement in accordance with Property Council of New Zealand Standards.
- We have relied on the land dimensions and areas as provided in the Record of Title as searched. In certain cases physical checking of land dimensions and areas is difficult or not practical due to proximity of adjoining buildings, steep terrain or inaccessible title boundaries. Jones Lang LaSalle accepts no responsibility if any of the land dimensions or the area shown on title is found to be incorrect.
- Our valuation is made on the basis that the property is free of further caveats, mortgages, charges and other financial liens and that there are no memorials, encumbrances, restrictions or other impediments of an onerous nature which will affect the value other than those stated in the report or registered on the Record of Title.
- Enquiries as to the financial standing of actual or prospective tenants are not normally made unless specifically requested. Where properties are valued with the benefit of leases it is therefore assumed that the tenants are capable of meeting their obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.
- In the case of buildings where works are in hand or have recently been completed Jones Lang LaSalle does not normally make allowance for any liability already incurred but not yet discharged in respect of completed works or obligations in favour of contractors, sub-contractors or any members of the professional or design team.
- No enquiries in respect of any property, or of any improvements erected thereon, has been made for any sign of timber infestation, asbestos or other defect, whether latent, patent, or structural.
- Substances such as asbestos or other potentially hazardous materials could, if present, adversely affect the value of the property. The stated value estimate is on the assumption that there is no material on or in the property that would cause loss in value. No responsibility is assumed for any such conditions and the recipient of this report is advised that the valuer is not qualified to detect such substances or estimate the remedial cost.
- While due care has been taken to note any contamination liability, our investigations have been undertaken for valuation purposes only, and this report does not constitute an environmental audit. Unless otherwise stated no account has been taken of the effect on value due to contamination or pollution.
- We have undertaken a visual inspection in respect of any building valued, but must advise that we have not commissioned structural surveys or tested any of the services and are therefore unable to confirm that these are free from defect. We note further that we have not inspected unexposed or inaccessible portions of any building and are therefore unable to certify that these are free from defect.
- We note we are not experts in relation to assessing the condition of the building structure and cladding, or in assessing the impact or otherwise of water/weather penetration issues. Should the building prove to have structural or weather penetration issues we reserve the right to amend the valuation assessment and any recommendations contained within this report.

- Any elements of deterioration apparent during our consideration of the general state of repair of building/s has been noted or reflected in our valuation. We are however, unable to give any warranty as to structural soundness of any building and have assumed in arriving at our valuation that there are no structural defects or the inclusion of unsatisfactory materials.
- In preparing the valuation it has been assumed that items such as lifts, hot and cold water systems, electrical systems, ventilating systems and other devices, fittings, installations or conveniences as are in the building are in proper working order and functioning for the purposes for which they were designed, and conform to the current building, fire and government regulations and codes.
- Information on town planning and resource management is often obtained verbally from the local planning authority and if assurance is required Jones Lang LaSalle recommends that verification is sought from the relevant authority that confirms the position is correctly stated within this report, that the property is not subject to other decisions or conditions prescribed by public authorities and that there are no outstanding statutory notices.
- Jones Lang LaSalle's valuations are prepared on the basis that the premises (and any works thereto) comply with all relevant statutory regulations including the Building Act 2004 and the requirements of Territorial Authorities. Where we have obtained a Land Information Memorandum, we comment on this within our report. Where we have not obtained a Land Information Memorandum our valuation is therefore undertaken with the assumption that there are no outstanding requisitions.
- Unless otherwise stated all currencies within this report are in New Zealand Dollars.
- Non-residential valuations are (unless otherwise stated) carried out on the basis that the valuation is plus GST (if any). Residential property valuations are (unless otherwise stated) carried out on the basis that the valuation includes GST (if any).
- A reliant party can only rely on this valuation if received directly from JLL without any third party intervention.

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Appendices

Appendix 1 – Valuation Definitions

Appendix 2 – Record of Title

1 Introduction

1.1 Instructions

We refer to instructions requesting that we undertake a market valuation of the freehold interest of 12 Harbour Ridge Drive, Wiri, Auckland (the Subject/Property), as at 13 August 2019 for Westpac Bank Limited and on behalf Oyster Management Limited and Oyster Industrial Limited. We understand that the valuation is to be relied upon for Acquisition and Mortgage Security purposes only.

Our report has been prepared in accordance with the current Australia and New Zealand Property Institute's Valuation Standards, International Valuation Standards and the instructing parties valuation brief, and we confirm that the prime signatory:

- is independent of both the Instructing Party and Report Recipient;
- is authorised, under The Valuers Act 1948 to practise as a Valuer;
- is suitably registered and qualified to carry out valuations of such property;
- has no pecuniary interest that could reasonably be regarded as being capable of affecting that person's ability to give an unbiased opinion of the Property's value or that could conflict with a proper valuation of the Property;
- has satisfied professional education requirements and has experience in the location and category of property being valued or where applicable, has sought the advice of suitably qualified professionals who hold locational expertise; and
- has made a personal inspection of the property.

We confirm:

- the statements of fact presented in the report are correct to the best of the Valuers knowledge;
- the analyses and conclusions are limited only by the assumptions and conditions which follow within this report;
- the firm, Jones Lang LaSalle and the undersigned Valuers do not have a direct or indirect pecuniary interest in the subject property;
- the professional fee charged in relation to this assignment has not been contingent upon any aspect of this report;
- the valuation contained herein has been performed in accordance with PINZ / NZIV Codes of Ethics and Conduct;

The following parties may rely on this valuation report for the purposes stated above:

- Westpac Bank Limited - Mortgage Security purposes
- Oyster Management Limited and Oyster Management Limited – Acquisition purposes

Our report is confidential to the party or parties to which it is addressed, for the specific purpose to which it refers. No responsibility is accepted to any third parties. Neither the whole of the report or 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 of the form and context in which it will appear. Furthermore, this report can only be relied upon when the given party has received the report directly from JLL.

1.2 Valuation and Inspection Dates

The key dates that are relevant for our valuation are shown below:

Date of Valuation	13 August 2019
Date of Property Inspection	13 August 2019
Date of Preparation of Report	14 August 2019

Our valuation reflects the valuer's view of the market as at the inspection date.

1.3 Basis of Valuation

Market Value

The value given herein is that of the market value of the Property as defined by the International Valuation Standards Committee (IVSC), and endorsed by the API and PINZ, which is as follows:

“Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

We confirm that this valuation has been undertaken on the basis of the price that might reasonably be expected if the Property was sold at the date of valuation assuming:

- a willing, but not anxious, buyer and seller;
- a reasonable period within which to negotiate the sale, having regard to the nature and situation of the Property and the state of the market for property of the same kind;
- that the Property was reasonably exposed to that market;
- that no account is taken of the value or other advantages or benefit additional to market value, to the buyer incidental to ownership of the property being valued;
- that the current proprietor has sufficient resources to allow a reasonable period for the exposure of the Property for sale; and
- that the current proprietor has sufficient resources to negotiate an agreement for the sale of the Property.

Included within this valuation are lessor-owned items of building fixtures, fittings, plant and equipment. These items exclude all movable equipment, furniture, furnishings and tenant owned fit-out and improvements.

1.4 Relevant Valuation Standards & Disclosures

The valuations contained herein have been completed in accordance with current Australia and New Zealand Valuation and Property Standards, and in particular with:

- IVS (International Valuation Standards 2017) Framework and General Standards
- ANZVGN 1 – Valuation Procedures – Real Property
- ANZVGN 2 – Valuations for Mortgage & Loan Security Purposes
- ANZVGN 8 – Valuations For Use in Offer Documents

1.5 Information Sources

The information reviewed or previously provided includes, but is not limited to, the following:

- Record of Title particulars memorialised by Land Information New Zealand;
- Resource Management classifications and controls as stated within the District Plan of the governing Territorial Local Authority;
- Sales and leasing data from various industry sources, including real estate agents;
- Market research and forecasts from JLL Research; and
- Lease documentation, building areas, development plans, premises Condition Report, Land Information Memorandum, building consent documentation, and geotech report supplied by the Client.

Our valuation is based on a significant amount of information that has been sourced from the instructing party or managing agent and other third parties. We have relied upon the accuracy, sufficiency and consistency of the information supplied to us. Jones Lang LaSalle accepts no liability for any inaccuracies contained in the information disclosed to us.

1.6 Agreement for Sale and Purchase

We have been provided with a copy of a Sale and Purchase Agreement pertaining to the subject property and the property at 12 Harbour Ridge Drive, dated 17 June 2019, at a consideration of \$31,159,000 plus GST.

We have been informed by the Client that this total sale price is split at an amount of \$13,000,000 plus GST for the subject property and \$18,159,000 plus GST for the property at 101 McLaughlins Road.

We understand that this amount has been agreed between a willing buyer and a willing seller and meets the definition of Market Value as set out at the beginning of this report and is confirming of the assessed Market Value adopted within our valuation.

2 Property Particulars

2.1 Location

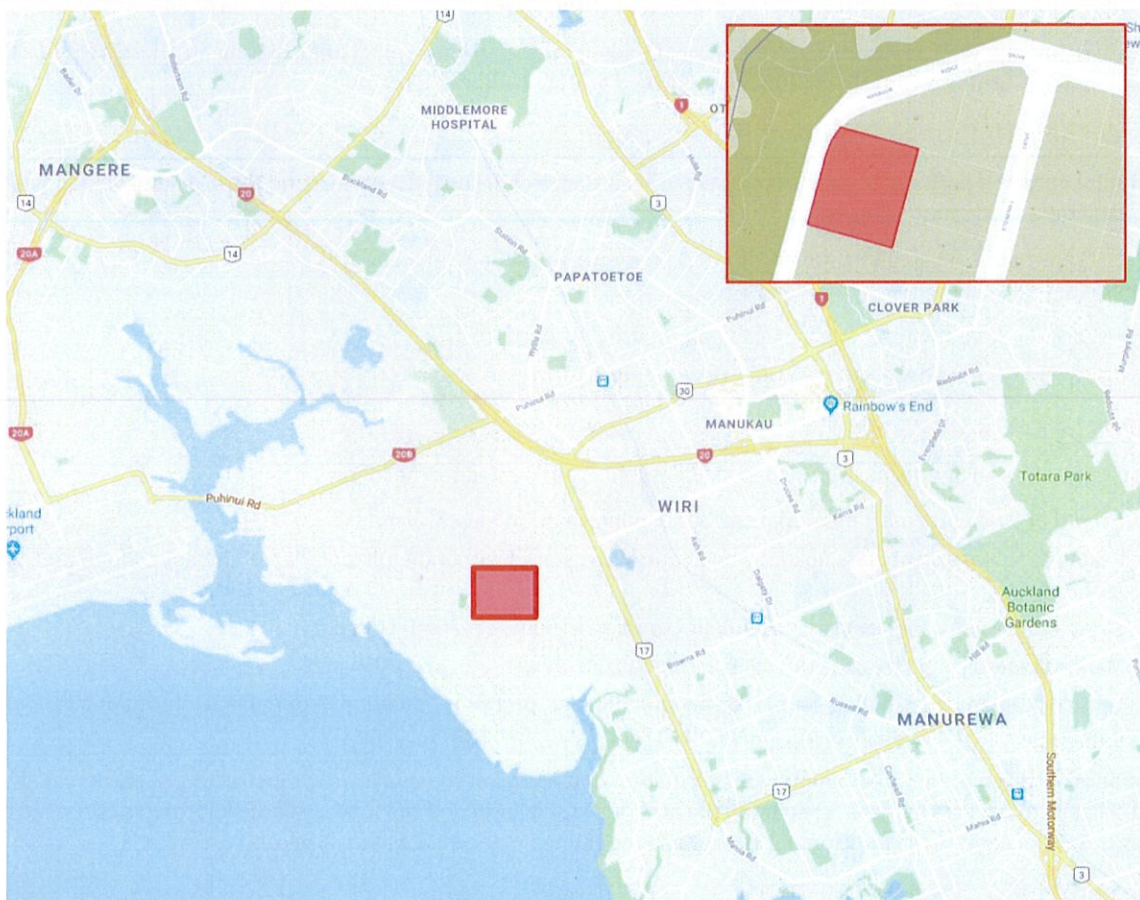
The subject property is located to the northern end of Harbour Ridge Drive, within the industrial precinct of Wiri. Harbour Ridge Drive is accessed via McLaughlins Road which connects to Vogler Drive, Roscommon Road and the nearby State Highway 20 motorway network.

Roscommon Road provides easy access to Auckland International Airport approximately 8.2 kilometres to the west. As such, the subject property also benefits from ease of access to the surrounding transportation network, with a full range of commercial and retail services within the Manukau CBD, situated approximately 4.3 kilometres to the north-east. We note that Wiri is also the home to the Wiri Inland Port, providing a commercial freight connection to Auckland Port and the national train network.

The general area was developed as an industrial estate in the 1970's to 1980's with larger scale industrial holdings being predominant. As the precinct has become a more established industrial location, a range of smaller and modern industrial premises have been constructed. Other high profile occupiers in the area include The Warehouse, Progressive, Griffins, Foodstuffs, Downer, K-Mart, Goodman Fielder and Orora.

Located to the south of Wiri is the residential area of Manurewa with a large portion of housing controlled and owned by Housing New Zealand. As such, Wiri benefits from good access to both skilled and unskilled labour.

The following map identifies the approximate location of the Property:



Source: Google Maps

2.4 Resource Management

Under the Auckland Unitary Plan (Operative in part, 15 November 2016), the subject site is zoned Special Purpose - Quarry.

We note that we have received a Land Information Memorandum (LIM) Report for the subject property, with a granted resource management decision made for the land use of the subject site (and surrounding property) to allow a Business 5 use (Light Industry) on this quarry zoned Land.

With the above in mind, we have summarised both the Quarry and Light Industry zoning, as follows:

Special Purpose – Quarry Zone

Local Authority	Auckland Council
Planning Instrument	Auckland Unitary Plan
Operative Date	2016 – Operative in Part
Zoning	Special Purpose - Quarry
Objectives	<p>Mineral resources are important to Auckland's economy and development. The Special Purpose – Quarry Zone provides for significant mineral extraction activities to ensure that mineral extraction can continue in a manner that minimises adverse effects. These provisions seek to ensure that the demand for minerals can be met, where possible, from supply sources within Auckland.</p> <p>Objectives include:</p> <ol style="list-style-type: none">1) Mineral extraction activities and appropriate compatible activities are carried out efficiently at significant mineral extraction sites.2) The significant adverse effects associated with mineral extraction are avoided, remedied or mitigated.3) The rehabilitation of quarries is assisted by clean fills and managed fills.
Development Controls	Permitted activities include, but are not limited to: farming, forestry, conservation planning, on-site primary produce manufacturing, processing and recycling mineral material, construction waste and demolition waste, rehabilitation of quarries using clean fill or managed fill, demolition of buildings, and new buildings or additions and alterations to existing buildings accessory to mineral extraction activities up to 200 square metres gross floor area.

Light Industry Zone

Local Authority	Auckland Council
Planning Instrument	Auckland Unitary Plan
Operative Date	2016 – Operative in Part
Zoning	Light Industry Zone This zone provides for light industrial activities that do not generate objectionable odour, dust or noise emissions. This includes light manufacturing, production, logistics, storage, transport and distribution activities. Due to the industrial nature of the zone, activities to air discharges are generally not provided for.
Objectives	<ul style="list-style-type: none">▪ Light industrial activities locate and function efficiently within the zone.▪ The establishment of activities that may compromise the efficiency and functionality of the zone for industrial activities is avoided.▪ Adverse effects on amenity values and the natural environment, both within the zone and on adjacent areas, are managed.▪ Development avoids, remedies or mitigates adverse effects on the amenity of adjacent public open spaces and residential zones.
Development Controls	<p>The Light Industry zone provides for a range of light industrial activities to locate in the zone and avoids activities that do not support the primary function of the zone, with limited office, retail, and residential uses permitted.</p> <p>Building Height:</p> <ul style="list-style-type: none">▪ Must not exceed 20 metres. <p>Height in relation to boundary:</p> <ul style="list-style-type: none">▪ Buildings must not project beyond a 35 degree recession plane measured from a point 6m vertically above ground level along the boundary of residential, open space or special purpose boundary.

Yards:

- Front: 2 metres. Yards are not required for internal roads or service lanes
- Rear: 5 metres, where the rear boundary adjoins a residential zone, an open space zone or special purpose zone
- Side: 5 metres, where the side boundary adjoins a residential zone, an open space zone or special purpose zone
- Riparian: 10 metres from the edge of permanent and intermittent streams
- Lakeside: 30 metres
- Coastal protection yard: 25 metres

Maximum impervious area:

- Must not exceed 10 per cent of the riparian yard

Permitted activities include, but are not limited to: industrial and rural activities, worker's accommodation – one per site, service stations, dairies, drive-through restaurants, show homes, food and beverage services, garden centres, motor vehicle sales, marine retail, trade suppliers, and emergency services. Office, retail and tertiary education services that are accessory to an industrial activity are also permitted. In terms of development controls, the Light Industry zone permits the construction, additions and alterations to buildings, and the demolition of buildings.

Due to the industrial nature of the zone, sensitive activities such as community facilities exceeding 450 square metres, dwellings, integrated residential accommodation, and office or retail activities that are not related to the predominant use on-site are non-complying.

We note that the below controls apply over the subject site:

Overlays	<ul style="list-style-type: none">▪ Natural Resources: High-Use Stream Management Areas Overlay [rp]▪ Natural Resources: High-Use Aquifer Management Areas Overlay [rp] - Manukau Southeast Kaawa▪ Natural Resources: High-Use Aquifer Management Areas Overlay [rp] - Manukau Waitemata Aquifer▪ Natural Resources: Quality-Sensitive Aquifer Management Areas Overlay [rp] - Wiri Volcanic Aquifer
Controls	<ul style="list-style-type: none">▪ Macroinvertebrate Community Index - Rural
Designations	<ul style="list-style-type: none">▪ Designations: Airspace Restriction Designations - ID 1102, Protection of aeronautical functions - obstacle limitation surfaces, Auckland International Airport Ltd
Modification	<ul style="list-style-type: none">▪ Notice of Requirements, NoR 7: Proposed Northern Runway, Airspace Restriction Designations, Notified, 15/02/2018

The existing improvements would appear to comply with the resource management requirements of the site. We have also sighted granted Resource Consent documentation for the subject development.

2.5 Rateable Value

We have been advised that the Property's Rateable Value, as at 1 July 2017, is as follows:

Land Value	\$2,700,000
Improvements Value	\$9,000,000
Capital Value	\$11,700,000

We note that rating valuations do not take account of a number of key issues affecting value, including land tenure and occupancy arrangements, and are often assessed on an indexed or kerb-side basis. Accordingly, market and rating values may vary significantly.

2.6 Environmental Issues

During the course of our inspection we did not notice any evidence of land or building contamination.

We have been provided with a Premises Condition Report, undertaken by CBRE, dated 24 August 2018. We note that comments in this report state that the warehouse is predominantly presented to a new/excellent condition, with the exception of concrete floor slabs being presented to a good condition.

The office and amenities and building exterior were stated as being presented to an overall new/excellent standard.

Our valuation has been made assuming an audit would be available which would satisfy all relevant environmental, and occupational health & safety legislation. If the Property's current status needs to be clarified, an Environmental Audit should be undertaken. Our valuation excludes the cost to rectify and make good the Property, which may have become contaminated as a result of past and present uses.

2.7 Heritage

We have not undertaken any formal heritage searches; the property is not notified on the District Plan as being a heritage structure and our valuation is made on the assumption that there are no heritage issues relating to the Property.

2.8 Improvements

Improvements to the site have been recently constructed, providing a modern and high quality industrial complex.

Improvements comprise an approximate 3,500 square metre high-stud warehouse with one row of columns. An approximate 690 square metre breezeway canopy lines the western perimeter of the warehouse, with approximately 492 square metres of associated office and amenity accommodation located over two levels to the Harbour Ridge Drive road frontage. The improvements are presented to a modern and high quality specification throughout.

Additional site improvements comprise predominantly concrete sealed yard space for carparking and vehicle manoeuvrability, along with some minor landscaping.

We note that the property is not sprinklered.



Exterior



Canopy

2.9 Construction

We briefly outline construction details to the building as follows:

Structure:	Concrete foundation and flooring with steel portal framing.
External Walls:	Predominantly precast concrete panels, long run metal and glass façade.
Internal Walls:	Predominantly plasterboard lining to lettable areas within the office component. Precast concrete panels to the warehouse, with some vertical translucent panel inserts.
Roof:	Assumed long run metal.
Ceiling:	Predominantly acoustic tiles in a suspended grid system to the office component, with plasterboard ceilings in the amenities.
Lighting:	Recessed fluorescent lighting.
Windows and doors:	Aluminium framing and glazed windows.
Key Services:	Ducted air conditioning.

2.10 Accommodation

Warehouse

The warehouse component comprises approximately 3,500 square metre of high stud accommodation, with one row of columns to the middle of the floor plate. The warehouse has a stud height of approximately 9.50 metres at the portal knee, rising to approximately 11.55 metres at the apex.

Access to the warehouse is provided via two roller doors to the western elevation of the building, with an approximate 690 square metre canopy constructed externally overhead.

General construction of the warehouse is of concrete foundations and flooring, steel portal framing, precast concrete panels with vertical translucent panel inserts to the walls, and assumed long run metal roofing. The ceiling is lined with long run metal, along with netting and sisalation.

Lighting throughout the warehouse is provided via high output hanging industrial lighting, with additional supplementary natural light achieved via intermittent translucent panels.



Warehouse



Warehouse

Office & Amenities

The office and amenities are located over two levels to the Harbour Ridge Drive frontage of the building, with entry achieved via double sliding doors into a reception/waiting area. Offices are a combination of both open plan and partitioned space. Male and female toilets, along with a staff kitchen/lunchroom area provide amenities to the ground floor. An additional kitchenette and bathroom amenities are also provided to the upper level.

Internal linings comprise predominantly plasterboard walls, a combination of carpet and tile flooring and suspended ceilings in a grid panel system. Amenities are lined with a combination of plasterboard and suspended ceilings, with vinyl flooring,

The lighting throughout the office areas is via recessed fluorescent lighting, which is supplemented by good levels of natural light via glazing to the perimeter. Ducted air conditioning provides climate control throughout the office areas.



Office Component



Office Component

2.11 Lettable Areas

The Property's total Lettable Area is approximately 4,682 square metres. A summary of this Lettable Area is detailed as follows:

Building Floor Area	
Accommodation/Level	Lettable Area
Warehouse	3,500
Office & Amenities	492
Canopy	690
Total Lettable Area	4,682 square metres

The areas noted above have been taken from development plans provided by Oyster Management Limited and Oyster Industrial Limited. We note that we have also undertaken a full measurement of the property in accordance with the Guide for the Measurement of Rentable Areas as published by the Property Institute and Property Council of New Zealand.

2.12 Condition and Repair

We inspected the interior and exterior of the property. The building appears to have been well maintained with no significant deferred maintenance requirements evident.

Our valuation has had regard to the apparent state of repair and condition of the Property; however, we were not instructed to carry out a structural survey or to test any of the services available to the Property. We are therefore unable to report that the Property is free from further defect and we have assumed that no deleterious material was used in the construction.

A Building Warrant of Fitness is an annual certificate that confirms the Specified Systems in the building have been inspected and maintained, and that the requirements of the Compliance Schedule associated with the operation of the property in its current use have been complied with.

We note that the building has several features that impose a requirement to obtain an annual Building Warrant of Fitness. We were unable to sight a current Warrant of Fitness upon inspection of the property, but we have assumed all applicable requirements have been met. If the building does not meet requirements to obtain a Building Warrant of Fitness we reserve the right to review our valuation.

It is a requirement of the Health and Safety at Work (Asbestos) Regulations 2016 that buildings are required to have an Asbestos Management Plan that assesses improvements for the presence of asbestos, and if present, what steps are required to be taken to mitigate risks to health and safety. We have requested and not been provided with a copy of the Asbestos Management Plan, and therefore assume the property has no onerous obligations in terms of asbestos management that may impact on the use, saleability or value of the property.

2.13 Earthquake Strengthening Requirements

New Zealand is prone to seismic activity and there are requirements on building owners to ensure their buildings are safe for occupants and users as outlined in the Building Act 2004 and Amendment (Earthquake-prone Buildings) Act 2016. These regulations categorise New Zealand into three seismic risk areas and sets timeframes for identifying and taking action to strengthen or remove earthquake prone buildings.

We note the building does not appear on the Earthquake Prone Building Register as published here: <https://epbr.building.govt.nz/>.

We have not been provided with an earthquake strengthening report for the subject property, however based on the modern nature of improvements and low risk zone, being located in Auckland, we have assumed that the property will have an IEP rating of at least 100% NBS.

We are not qualified to undertake a structural survey of the property, and have proceeded based on the information available. We recommend interested parties confirm the insurability of the subject building.

3 Property Income and Expenditure

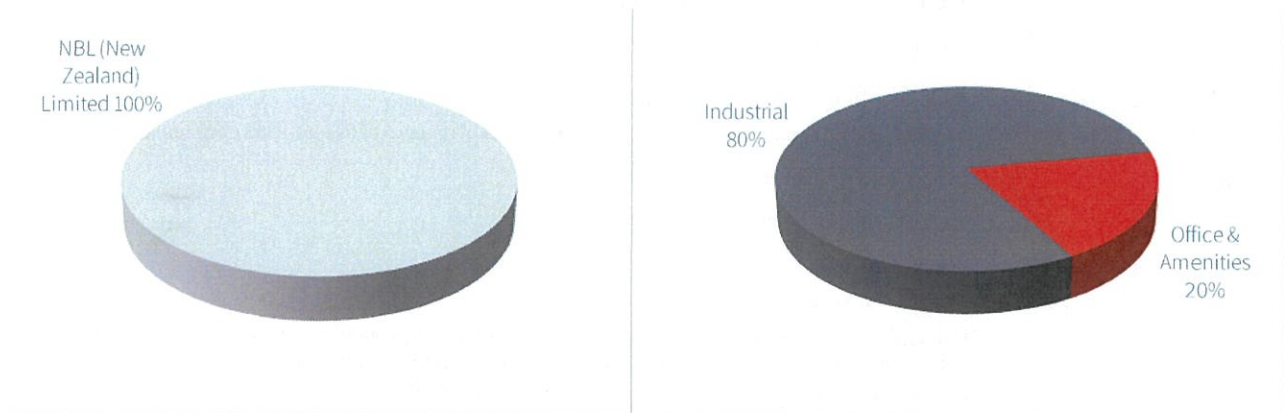
3.1 Tenancy Overview

We have been provided with a tenancy schedule and with Lease documentation that was available at the time of valuation.

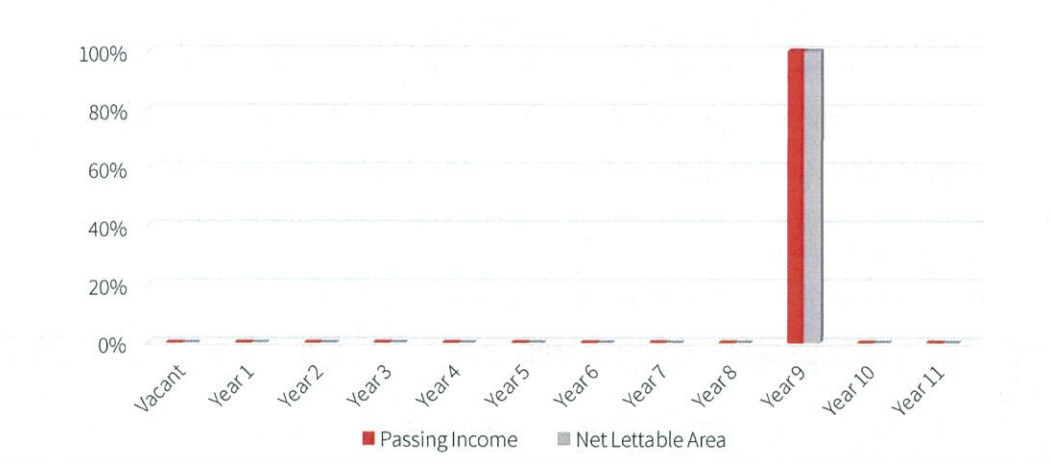
The net rental from the Property can be summarised as follows:

Tenant	Net Rental	Lettable Area	Proportion of Lettable Area
NBL (New Zealand) Limited	\$632,948	4,682	100%
Total	\$632,948	4,682 sqm	100%

The net rental from the property can be analysed by occupier and component proportion as follows:



The graph below demonstrates the lease expiry profile (by income and area) over a ten-year horizon:



Our calculation of the property’s Weighted Average Lease term is as noted below:

Weighted Average Lease Term Remaining	Years
By Area	8.33
By Income	8.33

3.2 Lease Summary

We summarise below the lease documentation for the tenant that occupies the premises:

Lease Summary	NBL (New Zealand) Limited
Documents reviewed	Signed Deed of Lease dated 22 October 2018. Signed Agreement to Lease dated 3 November 2016.
Lessee	NBL (New Zealand) Limited
Demised premises	12 Harbour Ridge Drive, Wiri, Auckland
Lettable Area	Warehouse 3,500 sqm Office & Amenities 492 sqm Canopy 690 sqm Total: 4,682 square metres
Commencement Date	1 December 2017
Expiry Date	30 November 2027
Lease Term	An initial ten (10) year term, with two (2) further rights of renewal of five (5) years each remaining.
Commencement Rent	\$617,500 per annum plus GST
Current Rent	\$632,948 per annum plus GST
Rental Review Provisions	Market reviews in line with the following provisions: Fixed rental review Fixed 2.5% annual rental reviews on the first anniversary of the commencement date and on each subsequent anniversary of the commencement date, including the anniversaries during renewal terms but excluding any date which falls on a market rent review date. Market rental review Market rental review ten years after the commencement date and fifteen years after the commencement date. Market reviews are subject to a hard ratchet clause.
Outgoings Recovery	Net lease – standard building operating expenses are recoverable from the tenant.
Permitted Use	Manufacturing, warehousing, storage and distribution of milk powder products and associated offices.

3.3 Building Outgoings and Recoveries

The lease within the Property is structured on a net basis, with the tenant being responsible for payment of rates and other property expenses in addition to premises rental.

We have adopted the following allowances for building outgoings within our calculations:

Adopted Property Outgoings	Per Annum	Per Sqm of Lettable Area
Operating Expenses	\$146,687	\$31.33
Total Outgoings	\$146,687	\$31.33

The above allowances are based on operating expenses given to us by the Client. We have had regard to the budget provided and have sought confirmation from the relevant rating authorities in relation to statutory charges and have considered the figures against the Property Council of New Zealand's (PCNZ) benchmarks and other similar buildings.

We consider that the adopted outgoings rate of \$31.33 per square metre of Lettable Area to be high for a property of its nature.

3.4 Tenancy Schedule

Our understanding of the Property's occupancy situation is detailed in the Tenancy Schedule below:

Tenant Name	Premises	Lettable Area	Car Parks	Lease Start	Lease Expiry	Lease Term	Next Review	Review Frequency	Review Type	Contract Rental	Rental / sqm	Car Park pcpw	Outgoings Recovery	Recovery / sqm
NBL (New Zealand) Limited	Warehouse	3,500.0		Dec 2017	Nov 2027	10.0 years	Dec 2019	1 yearly	Fixed	\$466,365	\$133		\$109,655	\$31
NBL (New Zealand) Limited	Office & Amenities	492.0		Dec 2017	Nov 2027	10.0 years	Dec 2019	1 yearly	Fixed	\$124,148	\$252		\$15,414	\$31
NBL (New Zealand) Limited	Canopy	690.0		Dec 2017	Nov 2027	10.0 years	Dec 2019	1 yearly	Fixed	\$42,435	\$62		\$21,618	\$31
Aggregate		4,682.0	0							\$632,948			\$146,687	

3.5 Income Analysis

We summarise the Property's total Passing Income as follows:

Passing Rental Analysis		
Lettable Area Rental	\$632,948	81.19%
Outgoings Recovery	\$146,687	18.81%
Gross Passing Income	\$779,635	100.00%
Outgoings	\$146,687	
Net Passing Income	\$632,948	

4 Market Commentary

4.1 Economic Overview

As at May 2019:

- The Consumer Price Index is 1.5% for the year to March 2019. NZIER forecast that CPI will remain close to the 2.0% mark over the next few years.
- Gross Domestic Product grew by 2.8% for the year to December 2018. Consensus forecasts allow for continued growth of GDP at 3.0% to March 2020 however with some risk factors that may impact on growth into the longer term.
- The Reserve Bank reduced the Official Cash Rate to 1.50% in their May 2019 announcement with commentary that interest rates are expected to remain at this level or reduce over 2019.
- The 90-day Bank Bill Benchmark Rate (BKBM) was 1.81% as at April 2019. This averaged 1.95% over 2018 and is expected to stay similar over the short term.
- Unemployment is at 4.2%, which is close to historical lows. Upcoming increases to minimum wage and several collective negotiations within industries such teachers and nurses may impact on employment levels over the medium term as wage expectations increase.
- The REINZ median national house price increased to \$585,000 to April 2019, up 6.4% over the year. Days to sell as a nationwide median increased slightly to 37 days April to April from 36 days.

There has been some softness in construction activity over 2018, but this looks largely to reflect capacity and financing constraints rather than weaker demand. Although population growth is slowing on the back of an easing in net migration, the surge in population in recent years should continue to underpin underlying demand for construction.

Offshore, there remains downside risks to the global growth outlook. These risks stem from how the extensive amount of stimulus in the major economies, particularly the US, will be unwound. Tensions between the US and China, as well as renewed geopolitical issues in the Middle East and Europe, add to the global uncertainty.

Overall the economic environment is positive, however with some risk issues following several years of strong growth and increasing asset values.

4.2 Auckland Industrial Market Summary

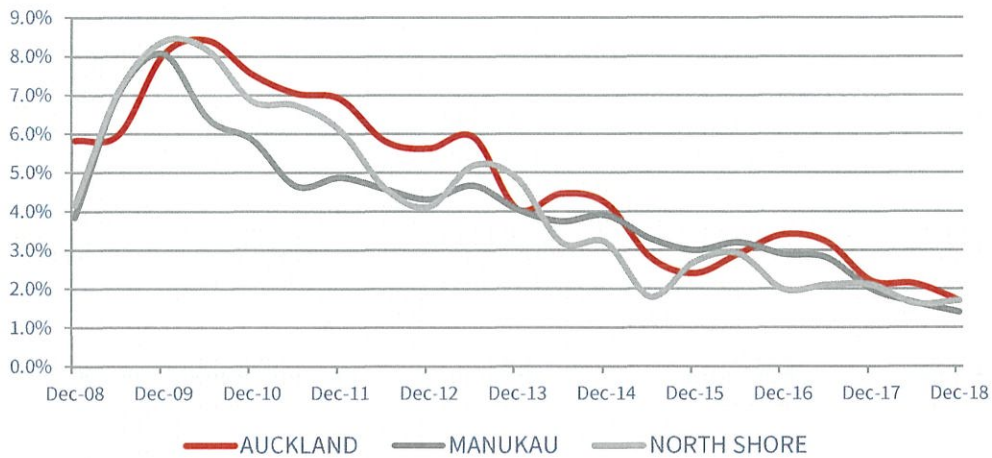
The total vacancy rate for the Auckland Industrial market has trended further downward, reaching another record low of only 1.5%, despite a net addition to supply of approximately 40,000 square metres in 2H18. Despite supply continuing to enter the market, 2H18 was down significantly from the prior six months, which reached approximately 115,000 square metres. Tight vacancy rates reflect the persistent occupier demand present within the market, supported by an expanding occupier footprint and a lack of supply. Demand has been particularly for high quality, modern, well-appointed stock with good connectivity.

East Tamaki recorded the tightest vacancy in 2H18, followed closely by Henderson, sitting at 1.0% and 1.4% respectively. Vacancy rates are at their lowest on record across many of the individual markets monitored by JLL, depicting the supply-demand imbalance that is underpinning rental growth and forcing occupiers down the grade spectrum in order to secure accommodation.

Robust demand for modern, larger and more sustainable stock has been primarily catered for in the southern industrial markets, such as the Manukau/Airport corridor area. Strong connectivity, proximity to the airport and large swathes of greenfield land have driven popularity of the area between occupiers and developers alike. The constraint on supply of suitable development land in other markets will continue to drive development activity in the area.

Annual net absorption for 2H18 was positive at approximately 63,100 square metres, the 11th consecutive period of positive take-up. Annual net absorption is down from the peak recorded during 1H17, but still remains well above post-GFC levels.

Auckland Industrial Vacancy



Source: JLL Research and Consulting

Supply remains positive but was subdued in 2H18 as development constraints increased along with land values, construction costs and the general availability of labour. Auckland Region’s industrial market experienced a net gain in stock of approximately 39,726 square metres during 2H18, with total stock now sitting at approximately 11.1 million square metres.

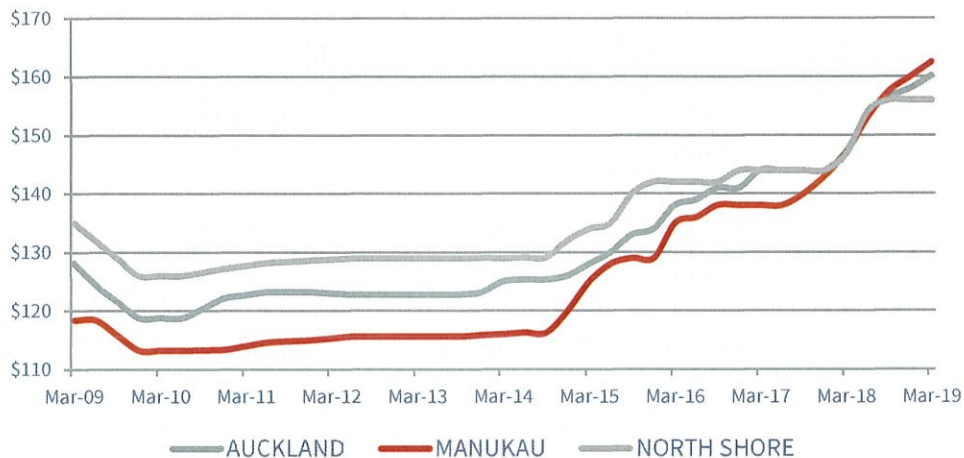
New supply is primarily focused in South Auckland as the Manukau precinct (Airport Corridor, Manukau, Wiri and East Tamaki) had the highest net gain of approximately 37,437 square metres. These additions bring the total tracked stock level to approximately 4.96 million square metres.

Encouragingly, Auckland City precinct (Penrose, Avondale, Mt Wellington & Henderson) saw a net gain of approximately 3,400 square metres, bringing total tracked stock levels to approximately 4.39 million square metres. The North Shore precinct saw a minor decrease of stock by approximately 1,560 square metres. The reduction was due to an entire complex at 78-80 Paul Matthews Road being acquired by Auckland Transport for roadwork purposes.

Over the medium term, we anticipate substantial new supply will continue to filter into the market. We are currently tracking in excess of approximately 209,000 square metres already under construction and approximately 380,000 square metres of stock earmarked to be delivered by 2H21. Having said that, we do find it hard to identify where the next 300,000 square metres of development will be found in the future.

Foodstuff’s distribution centre within the Airport precinct is well underway, which will add approximately 65,000 square metres to Auckland International Airport (AIA) portfolio once completed in 2H20. Simultaneously, LOGOS continue to plan their NZD industrial logistic estate in Wiri. Once completed, it will provide approximately 55,000 square metres of much needed industrial stock into the Auckland industrial market.

Auckland Industrial Prime Rents



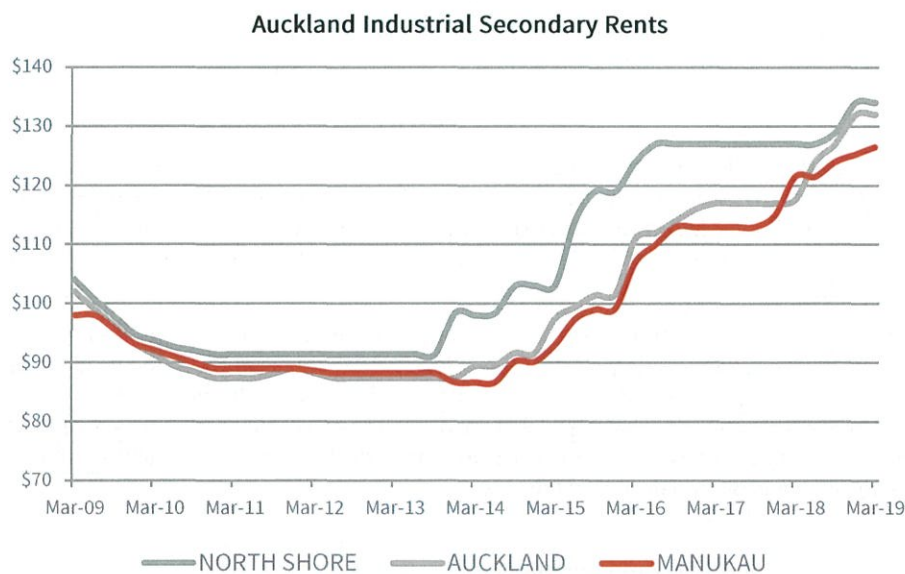
Source: JLL Research and Consulting

Rental levels continue to rise, fuelled by a persistent supply/demand imbalance. Prime industrial overall rents grew 2.9% from \$154 psm to \$158 psm in 2H18, growing further to \$160 psm in 1Q19. This increase is being driven primarily by new build stock as developers are achieving higher rents to compensate for rising development costs.

Secondary industrial rents grew 5.0% from NZD \$124 psm to NZD \$130 psm in 2H18, then to \$131 in 1Q19. The lack of availability in prime industrial assets has pushed secondary industrial rentals up much closer to prime levels in recent years. However, we anticipate the gap to widen again when more new stock is delivered. The new stock typically having higher ceiling heights is helping to push rents by the offer of more space by volume for the same square metres footprint. Rental growth is still forecast for both grades given such tight landlord-favourable conditions. Incentives offered for prime space have reduced although secondary stock incentives have remained unchanged since 2015.

Overall, rental outlook remains positive. We expect Auckland Industrial rents to continue to grow but at a more subdued level in the next 5 years. Our forecasts suggest that the average prime rental will increase from \$160 psm to \$186 psm by 2H23. This view is driven by increasing demand for quality space and by developers needing to achieve higher rental levels in order to justify rising development costs.

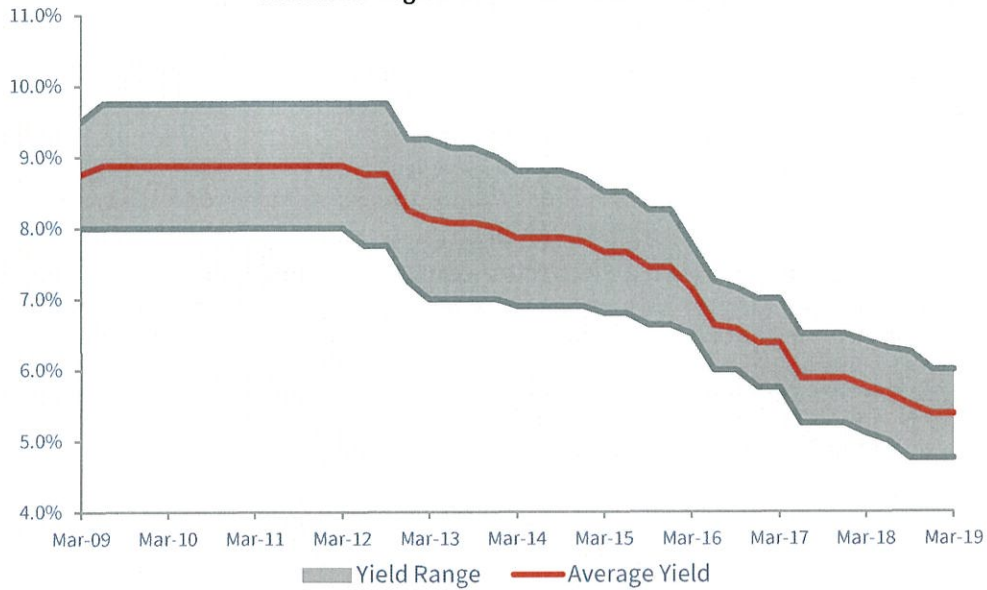
Average secondary rental will also increase as we expect vacancy rates to remain low, which will continue to drive competition for existing space. But, at a relatively more moderate level from \$131 psm to \$147 psm by 2H23.



Source: JLL Research and Consulting

Yields compressed and reached further into record territory during 2H18, supported by strong rental growth expectation. Average prime industrial yields have tightened by 27 bps to 5.38%, while average secondary industrial yields have tightened further by 43 bps to 6.50%. These rates have held flat in 1Q19, as the market nears the top of the cycle. This has resulted in prime capital values increasing to \$2,980 psm and secondary capital values reaching \$2,013 psm respectively. Yield compression in the secondary market has been aided by the lack of prime assets available, with investors becoming more active in purchasing lower grade stock for add-value opportunities.

Auckland Region Industrial Yields : Prime

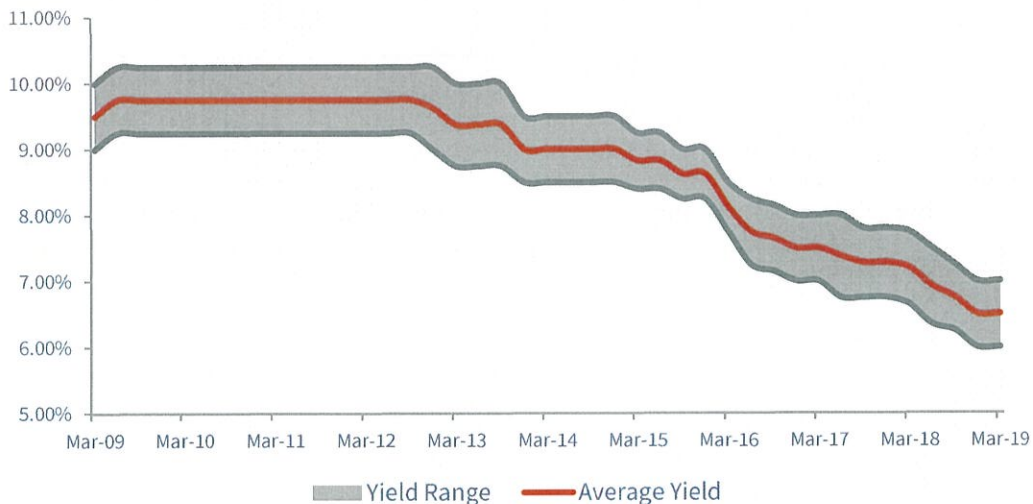


Source: JLL Research and Consulting

Transaction activity was elevated in 2H18, reaching \$413m and surpassing the \$389m achieved in 2H17. This includes the sale of the Foodstuff distribution centre to Goodman, who purchased the 13.12ha property for \$93m, reflecting a yield of 5.00%. This sale is also New Zealand’s largest single industrial transaction ever to be carried out. More recently, Goodman sold the Concourse for \$35m to Stride, reflecting a yield of 6.10%. The property comprises a 1.84ha site with established buildings and 2.17ha of development land.

Investor confidence in the market remains strong, especially for long-term industrial holdings. However, with stock being tightly held, sale volumes remain slower. We anticipate yields to remain low for both prime and secondary industrial, but we do not expect further yield compression as we believe the market will factor in lower rates of future rental growth in due course, which will increase net initial yield requirements for investors. Investment activity is expected to remain stable, encouraged by favourable sector performance. Quality assets and properties presenting development opportunity will continue to attract interest from national, regional and potentially global buyers.

Auckland Regional Industrial Yields : Secondary



Source: JLL Research and Consulting

5 Leasing Evidence

5.1 Leasing Evidence

In assessing a market rental profile for the accommodation, we have had regard to the lease within the property, together with recent rental evidence in the wider locality. We have had particular regard to the evidence detailed below:

McLaughlins Road, Wiri, Auckland

Effective Date	June 2019	Term	10 years
Contract Rent	\$849,310 pa	Tenant	Confidential
Lease Basis	New Lease		

The property has recently been developed to provide an approximate 7,176 square metre modern, high quality and design built industrial facility.

Improvements comprise an approximate 5,500 square metre high-stud, clear span warehouse, with a stud height of approximately 9.10 metres at the portal knee, rising to approximately 11.6 metres at the apex. An approximate 1,326 square metre drive-thru canopy lines the northern perimeter of the warehouse, with approximately 350 square metres of associated office and amenity accommodation located to the road frontage. The improvements are presented to a modern and high quality specification throughout.

The property is on an initial ten year term from 20 June 2019, with two further rights of renewal of five years each remaining. The lease is currently returning a net rental of \$849,310 per annum plus GST, with rental reviews set annually to fixed 2% increases, with a market review on the fifth anniversary of the commencement date.

Rental Analysis		Rate
Warehouse	5,500.00 m ²	\$125.32
Office	1,326.00 m ²	\$230.00
Canopy	350.00 m ²	\$60.00

Kerwyn Ave, East Tamaki, Auckland

Effective Date	June 2019	Term	3 years
Contract Rent	\$1,046,763 pa	Tenant	Confidential
Lease Basis	New Lease		

The property comprises a modern industrial property located on Kerwyn Avenue. The accommodation comprises high stud warehousing (approximately 10 metres), modern offices, a dispatch office, a breezeway and canopy. In addition there are 23 open carparks. It is well located, within walking distance, to Highbrook Crossing, which has cafes, gyms, a conference centre, apartments and banks. The property benefits from quality access to main arterial routes, as well as close proximity to SH1.

The property was leased for a three year term from June 2019, with one right of renewal of three years, with the resulting rates reflected below.

Rental Analysis		Rate
Warehouse	5,846.90 m ²	\$125.00
Office	419.20 m ²	\$235.00
Dispatch Office	156.10 m ²	\$180.00
Breezeway	1,657.50 m ²	\$75.00
Canopy	983.30 m ²	\$60.00
Carparks	23 parks	\$5.00

Plunket Avenue, Manukau, Auckland

Effective Date	February 2019	Lease Basis	New Lease
Contract Rent	\$623,564 pa	Tenant	Confidential

The property comprises an industrial facility located on the eastern side of Plunket Avenue.

Improvements comprise of a single level of office accommodation towards the road frontage which provides open floor plan accommodation and associated amenities. To the rear of the offices is a clearspan warehouse with a stud height of approximately 8.5 metres at the portal knee and rising to approximately 12 metres at the apex. Access to the warehouse is gained via multiple roller doors along the northern elevation.

The property has been leased for a term of 6 years from 1 February 2019 with one right of renewal of 6 years and fixed rental increases of 3%. An incentive of \$208,000 has been granted which is to be reduced from the annual rent and spread in equal monthly amounts over the first 24 months of the lease.

Rental Analysis			Face Rate	Effective Rate
Warehouse	3,442.10	m ²	\$125.00	\$122.29
Office & Amenities	531.40	m ²	\$230.00	\$225.02
Yard	1,564.90	m ²	\$30.00	\$29.35
Canopy	402.20	m ²	\$60.00	\$58.70

Ha Crescent, Wiri, Auckland

Effective Date	September 2018	Lease Basis	Rent Review
Contract Rent	\$582,865 pa	Tenant	Confidential

The property comprises a high quality industrial building situated on an approximately 6,500 square metre site, located on Ha Crescent, Wiri, Auckland. Improvements are positioned to the road frontage and the property provides a total net lettable area of approximately 5,211 square metres which comprises a high stud warehouse, canopy and modern office accommodation.

At the date of valuation, the property is leased for a term of eight (8) years commencing 11 September 2014. The property has four (4) right of renewals of four (4) years each. The property was reviewed to market in September 2018 whereby the rent was set at \$582,865 per annum plus GST.

Rental Analysis			Effective Rate
Office		278.00 m ²	\$225.00
Warehouse		3,889.00 m ²	\$115.00
Canopy		1,044.00 m ²	\$70.00

McLaughlins Road, Wiri, Auckland

Effective Date	January 2018	Term	10 years
Contract Rent	\$499,500 pa	Tenant	Confidential
Lease Basis	NL		

The property is located on McLaughlins Road, Wiri and provides a brand new purpose built warehouse with large breezeway and office. The site provides a total area of approximately approximately 6,898 square metres with improvements located to the road frontage. The property provides approximately 3,000 square metres of warehouse, 300 square metres of office accommodation, and approximately 1,250 square metres of canopy. Presentation is to a modern, high standard and provides a generic layout. The warehouse has a stud height of approximately 9.3 metres at the knee, rising to approximately 11.3 metres at the apex.

The property has been leased from 1 January 2018 for a term of 10 years with two right of renewals, of five years each. The property has annual fixed rent review increases of 2% per annum. The property is leased for a total rental of \$499,500 per annum plus GST and Outgoings.

Rental Analysis			Face Rate	Effective Rate
Warehouse	3,000	m ²	\$118.50	\$118.50
Office	300	m ²	\$230.00	\$230.00
Canopy	1,250	m ²	\$60.00	\$60.00

The industrial evidence above provides a range of rental rates from approximately \$105 to \$125 per square metre over the warehouse accommodation, \$225 to \$235 per square metre over the office and amenities, and \$59 to \$75 per square metre over the canopies.

We note that we have also had consideration to recent confidential lease evidence from within the Auckland Airport precinct, where comparable industrial properties rental rates have ranged from approximately \$230 to \$255 per square metre over the office accommodation, \$110 to \$135 per square metre over warehousing and \$60 to \$70 per square metre over canopies.

In general, the driving factors for rental rates over the office accommodation are location, size (office to warehouse ratio), condition, and quality of internal space, while the driving factors of rental rates over warehouse accommodation are the size of the premises, the location, access, quality, and the stud height within the warehouse, including whether it is clear span or column interrupted accommodation.

We consider the property located on Kerwyn Avenue, East Tamaki, to be comparable to that of the subject, given it is a recent settlement, and is of a similar scale and quality of accommodation to that of the subject. The new lease commenced in June 2019, with rental rates being settled at \$125 per square metre over the warehouse, \$235 per square metre over the office and amenities and \$60 per square metre over the canopy.

We have also had regard to the new lease on McLaughlins Road, Wiri, which has recently been let from June 2019. Rental rates for this premises have been set at \$230 per square metre over the office, \$125 per square metre over the warehouse and \$60 per square metre over the canopy. We note that although the lease commenced on the aforementioned date, the lease documentation and rental rates were agreed in early-2018. The industrial market has seen some growth since this time.

We have also considered the new lease to NBL (New Zealand) Limited, from within the subject, dated December 2017.

From the above evidence and comments, we believe that the subject property is currently over rented, and have adopted market rental rates of \$130 per square metre over the warehouse, \$65 per square metre over the canopy and \$235 per square metre over the office and amenity accommodation.

5.2 Market Rental Profile

We have assessed the market rental profile for the property on a net basis. Our adopted market rental profile is as summarised below:

Tenant Name	Premises	Lettable Area	Car Parks	Next Review/Expiry	Review Type	Contract Rental	Rental /sqm	Car Park pcpw	Recovery /sqm	Ideal Recovery	Net Market /sqm	Gross Market /sqm	Car Park pcpw	Net Market Rental
NBL (New Zealand) Limited	Warehouse	3,500.0		Dec 2019	Fixed	\$466,365	\$133		\$31	\$31	\$130	\$161		\$455,000
NBL (New Zealand) Limited	Office & Amenities	492.0		Dec 2019	Fixed	\$124,148	\$252		\$31	\$31	\$235	\$266		\$115,620
NBL (New Zealand) Limited	Canopy	690.0		Dec 2019	Fixed	\$42,435	\$62		\$31	\$31	\$65	\$96		\$44,850
Aggregate		4,682.0	0			\$632,948								\$615,470

5.3 Net Income Assessment

The table below presents both the passing income and adopted market net income profile of the Property:

Passing Versus Market Comparison	Passing per annum	Market per annum
Rental Analysis		
Lettable Area Rental	\$632,948	\$615,470
Outgoings Recovery	\$146,687	\$146,687
Gross Income	\$779,635	\$762,157
Outgoings	\$146,687	\$146,687
Net Income	\$632,948	\$615,470

6 Sales Evidence

6.1 Sales Transaction

In assessing a suitable capitalisation rate and discount rate profile for the Property, we have had regard to a range of property transactions. The more relevant sales are summarised in the sales schedule and commentary below:



9 Richard Pearse Drive, Airport Oaks, Auckland

Sale Price	\$17,325,000	Sale Date	February 2019
Initial Yield	5.17%	Equivalent Yield	5.14%
IRR	7.75%	WALE	10 years

The property comprises an approximately 4,328 square metre warehouse facility with associated office accommodation of approximately 994 square metres. The property is located in Airport Oaks, a well-established industrial precinct. The Property benefits from dual street frontages and approximately 5,000 square metres of future development land to the northern boundary. The property is situated on a generally regular shaped site, and is of level contour with improvements being constructed circa 1990.

The property has an agreement to lease commencing 1 February 2019 for a term of 10 years with annual fixed rent reviews of 2.50% and one further right of renewal of 8 years. The property is leased for \$888,560 per annum.

The property sold off market in February 2019 for \$17,325,000 reflecting an initial yield of 5.17% and a weighted average lease term of 10 years. We have analysed the sale to reflect an equivalent yield of 5.14% and an IRR of 7.75%.



7 Stonehill Drive, Wiri, Auckland

Sale Price	\$16,700,000	Sale Date	October 2018
Initial Yield	4.80%	Equivalent Yield	4.28%
IRR	6.55%	WALE	15.00 years

The property comprises a 4,194 square metre design built industrial facility, located at 7 Stonehill Drive, Wiri. The property has a low site coverage of 39%.

The building was constructed in 2018 and comprises warehouse and office accommodation, canopy and a large asphalt sealed yard. The warehouse is an un-sprinklered single gable structure with a stud height of approximately 8 metres rising to approximately 10.5 metres.

At the date of sale the property was leased to Super Freight (who purchased the property) on a 15 year lease with fixed annual 2.5% rental increases. The property is over rented by circa 18%.

Considering the tenant purchased the property, alternative analysis of this sale assuming vacant possession, no letting up allowances and the rental at market level equates to an equivalent yield of 4.03% and an IRR of 6.03%.



12 Hautu Drive, Wiri, Auckland

Sale Price	\$12,700,000	Sale Date	October 2018
Initial Yield	5.17%	Equivalent Yield	5.11%
IRR	7.91%	WALE	11.33 years

The property is a design build industrial development which comprises a single level of partitioned offices to the road frontage with a stud height of approximately 2.7 metres, recessed lighting, suspended ceilings and ducted air conditioning.

The approximately 4,488 square metre warehouse has a stud height of approximately 9.0 metres at the knee rising to approximately 10.8 metres at the apex with a good standard of natural lighting plus an above standard thick reinforced floor. The warehouse has excellent access by the way of drive thru roller doors within the elevations. The warehouse includes a one level of warehouse offices and amenities.

The property was originally leased to Kiwi Steel NZ Limited for a term of 16 years commencing from 31 July 2002, with a Deed of Extension and Variation of Lease extending the term for an additional term of eleven years and six months commencing 31 July 2018 with fixed annual rent reviews to 3%.

The property sold in October 2018 for \$12,700,000, indicating an initial yield of 5.17%, equivalent yield of 5.11%, an IRR of 7.91% and a weighted average lease term of 11.33 years.



107 McLaughlins Road, Wiri, Auckland

Sale Price	\$10,200,000	Sale Date	March 2018
Initial Yield	4.90%	Equivalent Yield	4.88%
IRR	7.52%	WALE	9.83 years

The property is located to an approximately 6,898 square metre site at 107 McLaughlins Road, Wiri and provides a brand new purpose built warehouse with large breezeway and office. The property is situated in close proximity to Auckland Airport, Wiri Inland Port, as well as SH1 and SH20. The property has been designed for and fully tenanted to New Zealand owned and operated, Cargo Plus Limited on a new 10 year lease which commenced in January 2018.

The property sold in March 2018 for \$10,200,000, indicating an initial yield of 4.90%. equivalent yield of 4.88%, and IRR of 7.52%. The property has a net rental of \$499,500 per annum, fixed annual increases of 2%, and a weighted average lease term of 9.83 years

The above transactions indicate that initial yields have ranged from approximately 4.80% to 5.17%, equivalent yields from 4.28% to 5.14% and IRRs from 6.55% to 7.91%. These variances are largely dependent on tenant covenants, development potential, tenure, location, quality of improvements, guaranteed rental growth and lease terms.

The lower end of the yield range typically relates to properties with either modern accommodation, situated in prime locations, with medium to long term weighted average lease terms or are of a smaller value quantum, or have some redevelopment potential. Sales to the higher end of the yield range typically relate to properties with either secondary quality accommodation, in secondary locations, strata titled, have short weighted average lease terms or are of a high value quantum.

We consider the sales of 7 Stonehill Drive, located within Wiri, and 107 McLaughlins Road, Wiri, to provide us with the most comparable pieces of evidence to that of the subject.

The property located at 7 Stonehill Drive comprises a 4,191 square metre design built industrial facility, on a large site within Wiri. Improvements comprise modern accommodation, being completed in 2018, including warehousing and associated office and amenity accommodation, canopy and large asphalt sealed yard. The warehouse provides a stud height of approximately 8 metres at the portal knee, rising to approximately 10.5 metres at the apex. At the date of sale, the property was occupied by Super Freight on a new 15 year lease, with fixed annual 2.5% rental reviews. The property sold in October 2018 for \$16,700,000, reflecting an initial yield of 4.80%, equivalent yield of 4.28%, and IRR of 6.55%. We consider 7 Stonehill Drive to be comparable when considering its close proximity to the subject, similar value quantum, tenant covenant and modern quality of improvement. We note that the subject is of a relatively larger overall scale, with 7 Stonehill Drive providing a low site coverage of 39%.

The property situated at 107 McLaughlins Road, within Wiri, sold in March 2018 for \$10,200,000, reflecting an initial yield of 4.90%, an equivalent yield of 4.88% and an IRR of 7.52%. This property provides 4,550 square metres of net lettable space, situated on a 6,898 square metre site, benefitting from dual street connectivity. Improvements comprise a modern, high quality and design built industrial building, incorporating a 3,000 square metre clear span warehouse with a stud height of approximately 9 metres at the portal knee, rising to approximately 10 metres at the apex, a 1,250 square metre breezeway canopy, and 300 square metres of associated office and amenity accommodation located over two levels. At the date of sale, the property was fully leased to Cargo Plus, with a remaining lease term of 9.83 years, returning a rental of \$499,500 per annum plus GST, with fixed rental increases, providing guaranteed rental growth. We consider this property comparable to the subject when comparing the scale and modern quality of improvement, strong tenant covenant, WALT and rental review provisions, along with its location, situated approximately 600 metres to the south of the subject.

We have also had consideration to the sale of the subject property, which sold in June 2019 for an estimated amount of \$13,000,000 plus GST.

When assessing the yield profile of the subject property, we have been mindful of the location, being situated towards the northern end of Harbour Ridge Drive, within Wiri, the scale and modern quality of improvements, strong tenant covenant in NBL (New Zealand) Limited, with a remaining lease term of 8.33 years. We also note that we believe that the property is currently over rented, with the lease incorporating annual fixed 2.50% rental reviews, providing for a further guaranteed rental uplift in the short to medium term. With the above in mind, we have adopted a yield towards the middle of the aforementioned range.

Based on the sales evidence, we have adopted the following valuation inputs:

Valuation Input	
Capitalisation Rate	4.75%
Discount Rate	7.00%

7 Valuation Considerations

7.1 SWOT Analysis

The strengths and weaknesses of any investment property generally show the positive and negative characteristics of that property, whereas Opportunities and threats represent future external factors or events that could enhance or diminish the value of the asset. We set out our SWOT analysis as inspected as follows:

Strengths	Weaknesses
<ul style="list-style-type: none"> ▪ Large industrial land holding in a sought after locality. ▪ Modern quality of improvements. ▪ Generic industrial buildings that would suit a range of potential future occupiers. ▪ Low vacancy in the Wiri area restricting supply and driving up market rental rates. ▪ Fully let property in a strong location. ▪ Strong tenant covenant in NBL (New Zealand) Limited, with a long remaining lease term of 8.33 years and annual fixed 2.5% rental increases. 	<ul style="list-style-type: none"> ▪ Minimal profile and exposure, being located off a main road.
Opportunities	Threats
<ul style="list-style-type: none"> ▪ Rental growth at the next rental review, if renewed on expiry. 	<ul style="list-style-type: none"> ▪ Competition from surrounding development limiting rental growth. ▪ Local and offshore factors impacting negatively on our economy and driving down property values. ▪ Construction cost increases impacting on development feasibility if redevelopment is intended. ▪ Extended vacancy on expiry of the lease term.

7.2 Likely Selling Period

We are of the opinion that the likely selling period for the Property is up to six months, assuming that the property is presented to the market in accordance with the specific assumptions noted in this report, and with an appropriate level of marketing. The actual time to sell the property may vary depending on the number of potential buyers in the marketplace, availability of comparable properties, access to finance, and changes in market conditions subsequent to the valuation date.

7.3 Most Probable Purchaser

In consideration of the current market, we anticipate the most probable purchaser of the Property to be a private investor.

7.4 Sales History

We have been provided with a copy of a Sale and Purchase Agreement pertaining to the subject property and the neighbouring property at 12 Harbour Ridge Drive, dated 17 June 2019, at a consideration of \$31,159,000 plus GST.

We have been informed by the Client that this total sale price is split at an amount of \$13,000,000 plus GST for the subject property and \$18,159,000 plus GST for the property at 5 McLaughlins Road.

8 Valuation Rationale

8.1 Valuation Overview

In arriving at our opinion of market value we have had consideration to the capitalisation and discounted cashflow (DCF) approaches to valuation, along with a cross check via the market comparison approach.

8.2 Capitalisation Approach

The capitalisation approach involves the determination of a sustainable net income from the property, and the application of a capitalisation rate as a measure of expected return from the property. Adjustments are made to the core value for items such as under/over renting, required capital expenditure or current/upcoming vacancy.

We have adopted a core capitalisation rate of 4.75%, with our calculations summarised below:

Direct Capitalisation Approach		
Rental Income	Contract Income	Market Income
Lettable Area Rental	\$632,948	\$615,470
Ideal Outgoings Recovery (Full Net Leases)	\$146,687	\$146,687
Total Rental Income	\$779,635	\$762,157
Less Outgoings Expenditure	(\$146,687)	(\$146,687)
Net Rental Income	\$632,948	\$615,470
Core Income Capitalised at 4.75%	\$13,325,211	\$12,957,263
Value Adjustments		
Present Value of Existing Rental Reversions	(\$249,940)	\$121,022
Total Value Adjustments	(\$249,940)	\$121,022
Total Capitalised Value	\$13,075,271	\$13,078,285
Adopted Capitalised Value (say)	\$13,080,000	\$13,080,000

From our core value, present value adjustments (for rental reversions, letting up allowances, incentives, future lease agreements and short term CAPEX) where appropriate have been made in order to derive the resultant capitalised value.

Our adopted adjustments are detailed as follows:

Rental Reversions

From the core value, we have added the present value of tenant rental reversions, which represents the present value of rental overage for the existing tenancy relative to our adopted rental profile.

Calculation Summary

Having made these adjustments to the core value, we derive a total value of \$13,080,000. A sensitivity analysis based on adjustments to our adopted Core Capitalisation rate is as displayed below:

Sensitivity Analysis		Contract Approach	Market Approach
(0.25%)	4.50%	\$13,800,000	\$13,800,000
Adopted Capitalisation Rate	4.75%	\$13,080,000	\$13,080,000
0.25%	5.00%	\$12,430,000	\$12,430,000

8.3 Discounted Cash Flow Approach

We have undertaken a discounted cash flow analysis over a 10-year investment horizon to derive a net present value for the Property.

We note that a DCF analysis looks to forecast cashflow performance from the property over a future horizon based on an understanding and due diligence related to the property and the specific market in which it sits. The adopted forecasts incorporate what we consider reasonably foreseeable as at the valuation date in terms of key lease events, capital expenditure and likely growth in rental rates, costs and changes in property values over the cashflow term. We note that the actual cashflows associated with the property may vary significantly depending on management decisions, market conditions or unforeseeable events.

Discount Rate

In assessing an appropriate target discount rate for the property, we have considered primarily the analysis of recent comparable or benchmark property sales, the current level of risk free return, discussions with active property investors as well as consideration of the property's specific investment attributes.

We have applied a target discount rate of 7.00% to the cash flows to produce a present value of \$13,120,000. Our DCF calculations are summarised overleaf:

The main valuation inputs used in our cash flow are summarised as follows:

Revenue Projections

Our revenue projections commence with the passing rents for the existing tenant and, where relevant, include structured annual and market rent reviews, together with ratchet clauses, as provided for under the existing lease.

Growth Rates

A summary of the growth rates adopted for the cash flow period are as follows:

Growth	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Industrial							10 year average		2.85%	
	2.75%	3.00%	3.00%	3.25%	3.50%	3.00%	2.75%	2.50%	2.50%	2.25%
Office & Amenities							10 year average		2.85%	
	2.75%	3.00%	3.00%	3.25%	3.50%	3.00%	2.75%	2.50%	2.50%	2.25%
CPI							10 year average		1.99%	
	1.80%	2.00%	2.00%	2.10%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Capex							10 year average		1.99%	
	1.80%	2.00%	2.00%	2.10%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Outgoings							10 year average		1.99%	
	1.80%	2.00%	2.00%	2.10%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

The market rents have been grown over the 10-year cash flow period by their respective growth rate as set out within the summary table above. In formulating our views as to the appropriate projected rental growth rates we have had regard to forecasts supplied by JLL Research and NZIER. These forecasts have been used as a base from which growth rates appropriate for the Property have been derived.

Letting Up Allowances

We have allowed for a letting up period at the end of the existing lease (being the estimated time to secure a new tenant) and associated probability. We have assumed a new lease term for tenants of 6.0 years and associated agents/leasing costs of 16.00%. Our allowances are outlined in the table below:

Industrial	Cash Flow Year	Letting Up	Probability	Incentive	Probability	Capex /sqm	Probability
	Vacant	6 months	50%	0%	100%	\$5	100%
	Year 1	6 months	50%	0%	100%	\$5	100%
	Year 2	6 months	50%	0%	100%	\$5	100%
	Year 3	6 months	50%	0%	100%	\$5	100%
	Year 4	6 months	50%	0%	100%	\$5	100%
	Year 5	6 months	50%	0%	100%	\$5	100%
	Year 6	6 months	50%	0%	100%	\$5	100%
	Year 7	6 months	50%	0%	100%	\$5	100%
	Year 8	6 months	50%	0%	100%	\$5	100%
	Year 9	6 months	50%	0%	100%	\$5	100%
	Year 10	6 months	50%	0%	100%	\$5	100%

Capital Expenditure

Within our calculations we have made capital expenditure allowances based on our own allowances for capital and refurbishment works coinciding with major lease expiries that we feel would be necessary to achieve our rental growth forecast and which a prudent purchaser is likely to make allowances for. The allowances we have made are as summarised below, split between capex associated with a tenancy expiry or renewal, and general property expenditure:

Cash Flow Year	Tenancy Capex	Building Capex	Total Capex
Year 1	\$0	\$0	\$0
Year 2	\$0	\$0	\$0
Year 3	\$0	\$0	\$0
Year 4	\$0	\$0	\$0
Year 5	\$0	\$0	\$0
Year 6	\$0	\$0	\$0
Year 7	\$0	\$0	\$0
Year 8	\$0	\$0	\$0
Year 9	\$54,383	\$0	\$54,383
Year 10	\$0	\$0	\$0
10 Year Total	\$54,383	\$0	\$54,383
Capex as a proportion of Value	0.4%	Per Sqm of Lettable Area	\$11.62

The above allowances have been adjusted for forecast CPI movements throughout the cash flow.

Estimated Terminal Sale Price

We have applied a terminal yield of 5.00% (a 25.0 basis point premium to the going in capitalisation rate) to the market net income at the start of Year 11 in order to calculate the estimated terminal sale price. This value also includes reversions to the forecast market rent as at the end of Year 10, deferred until the next review date.

In estimating the terminal value of the property we have primarily had regard to the increased age of the property at the end of the cashflow and likely occupancy and net income profile for the property.

Transaction Costs

We have made allowances for the following transaction costs within our discounted cash flow:

Transaction Costs	
Acquisition Costs	Nil
Disposal Costs	1.50% of the forecast Terminal Value

Sensitivity Analysis

The table below highlights a sensitivity analysis of the net present value around variations to the discount rate and terminal yield:

Discount Rate	Terminal Yield		
	4.75%	5.00%	5.25%
6.75%	\$13,800,000	\$13,360,000	\$12,960,000
7.00%	\$13,550,000	\$13,120,000	\$12,720,000
7.25%	\$13,300,000	\$12,880,000	\$12,490,000

9 Valuation

9.1 Valuation Reconciliation

The results of our valuation methods are:

Methodology	Valuation
Capitalisation Approach - Market Income	\$13,080,000
Capitalisation Approach - Contract Income	\$13,080,000
Discounted Cash Flow Approach	\$13,120,000
Adopted Value	\$13,100,000

9.2 Valuation Conclusion

Having regard to the results from the valuation methods described above, together with available market evidence, the comments made within this report, and present industrial market investment sentiment, we have adopted a rounded valuation figure of \$13,100,000 plus GST (if any).

Our valuation is subject to the comments, qualifications and financial data contained within our report. On that basis, and assuming the Property is free of encumbrances, restrictions or other impediments of an onerous nature that would affect value, in our opinion its market value as at 13 August 2019, is:

\$13,100,000 plus GST (if any)

Thirteen Million One Hundred Thousand Dollars plus GST (if any)

The assessed value reflects an initial passing yield of 4.83%, an equivalent yield of 4.74%, an internal rate of return of 7.01%, and a rate of \$2,798 per square metre of Lettable Area.

We confirm that this report is confidential to the following parties and for the specific purposes noted below:

- Westpac Bank Limited – for Mortgage Security Purposes
- Oyster Management Limited and Oyster Industrial Limited – for Acquisition Purposes

No responsibility is accepted to any third parties. Neither the whole of the report, or any part of it, or any reference to it, may be published in any document, statement or circular nor in any communication with third parties without our prior written approval of the form and context in which it will appear.

9.3 Mortgage Security Recommendation

Subject to the comments in this report, we consider the Property to be a suitable security for first mortgage purposes.

9.4 Market Value Apportionment

We have been requested to provide an apportionment of the land and improvements within the Market Value as assessed.

In order to establish value parameters to the subject we have investigated recent land sales within the wider locality. In the interest of brevity, we retain all sales evidence on file and outline our apportionment of the value assessed as follows:

Valuation Apportionment	Value
Land Value	\$3,530,000
Improvements Value	\$9,570,000
Adopted Value	\$13,100,000

This apportionment has been undertaken for accounting purposes only, and should not be utilised as an assessment of improvement indemnity or replacement value for insurance purposes.

9.5 Involvement Statement

The following parties have been involved in the completion of this valuation:

Inspection of Property	Wouter Robberts, Cara Christopher
Calculations	Wouter Robberts, Cara Christopher
Information Review	Wouter Robberts, Cara Christopher
Report Authoring	Cara Christopher
Quality Assurance	Brad Chemaly
Principal Valuer	Wouter Robberts

JLL require that all Valuation Reports are reviewed for Quality Assurance purposes before external release. The individual that has undertaken the Quality Assurance review offers no opinion on the subject property(s).

Yours faithfully,
Jones Lang LaSalle, Valuation & Advisory



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Appendix 1 – Valuation Definitions

Net Passing Income	The annual sum of the current base rent, any supplementary income and recoverable outgoings, less total outgoings.
Net Income, Fully Leased	The annual net passing income as above, plus estimated income from vacant tenancies and any immediate reversions.
Capitalisation Rate	The capitalisation rate adopted within the valuation applied to either the net income, fully leased (excluding supplementary income) or net market income prior to adjustments for vacancy, rental reversion and capital expenditure.
Initial Yield	The net passing income from an investment divided by the sale price or value adopted for the investment.
Market Yield	The assessed net market income divided by the sale price or value adopted.
Equivalent Yield	A market yield which reflects additional adjustments for capital expenditure, letting up assumptions or the present value of rental reversions after the capitalisation of income.
Discount Rate	A rate of return used to convert a future monetary sum or cash flow into a present value.
Internal Rate of Return (IRR)	The discount rate at which the present value of the future cash flows of the investment equals the acquisition cost of the investment.
Terminal Yield	Alternatively referred to as a Reversionary Yield, being the anticipated yield from an investment property once a reversionary value is attained at the end of the cashflow with adjustments for vacancy allowances.
Ten Year IRR	The IRR (as above) for which the property would achieve based on the present value of all the net cashflows over a 10 year period given the assessed value.
Market Rent	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.
Market Value	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 wherein the parties had each acted knowledgeably, prudently and without compulsion.
Highest and Best Use	The use of an asset that maximises its potential and that is physically possible, legally permissible and financially feasible.
Weighted Average Lease Term (WALT)	The weighted average lease term remaining to expire across the property or portfolio, it can be weighted by rental income or lettable area.
Fair Value	Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Appendix 2 – Record of Title



**RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD
Search Copy**



Identifier 774841
Land Registration District North Auckland
Date Issued 21 May 2018

Prior References

697053

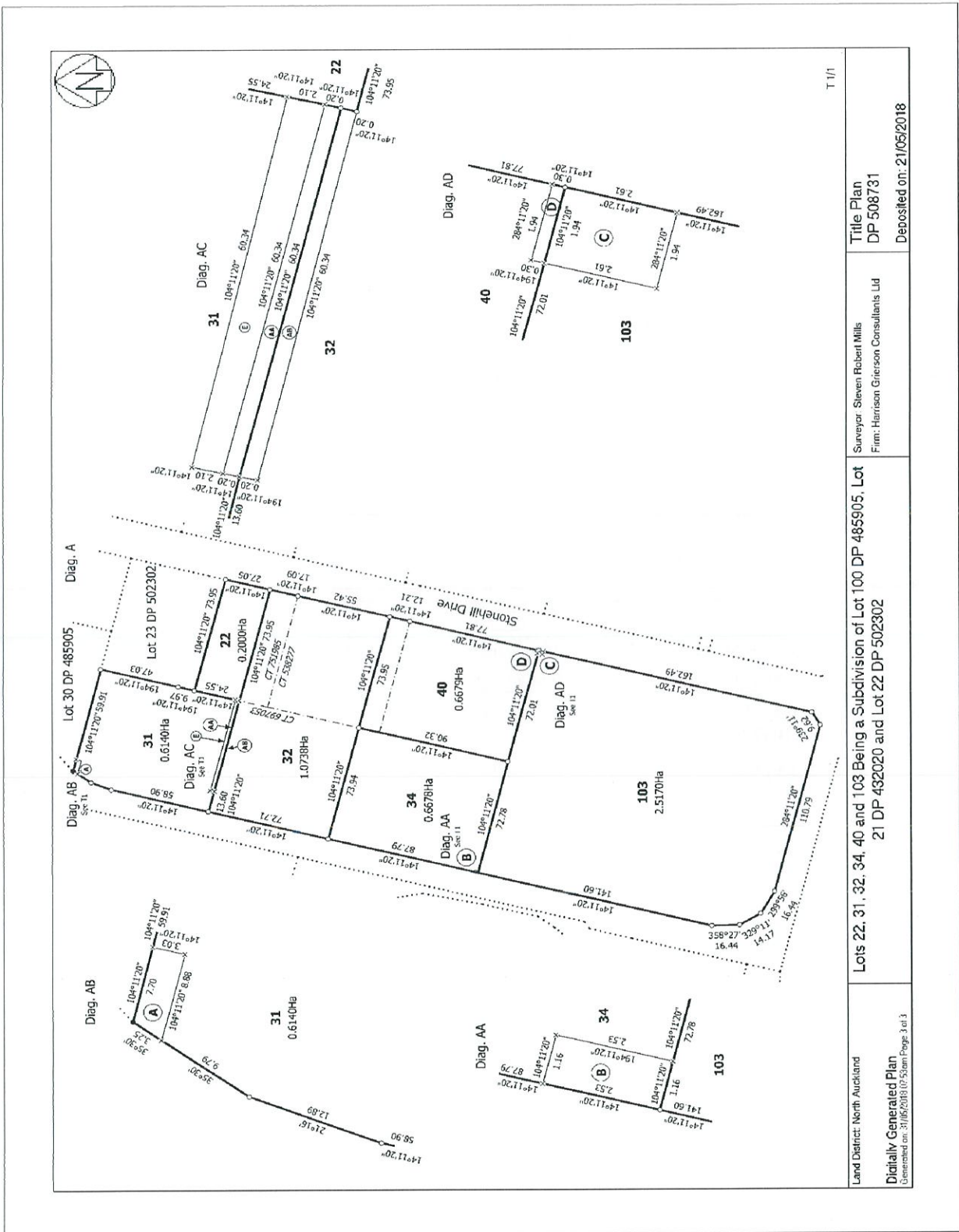
Estate Fee Simple
Area 6140 square metres more or less
Legal Description Lot 31 Deposited Plan 508731

Registered Owners

Rock Solid Holdings Limited

Interests

10888755.3 Consent Notice pursuant to Section 221 Resource Management Act 1991 - 26.9.2017 at 3:12 pm
Land Covenant in Easement Instrument 10888755.5 - 26.9.2017 at 3:12 pm
Subject to a right (in gross) to convey electricity over part marked A on DP 508731 in favour of Vector Limited created by Easement Instrument 11007934.1 - 5.3.2018 at 4:53 pm
Subject to a party wall right over part marked AA, and a right of support over part marked E, both on DP 508731 created by Easement Instrument 11117074.2 - 21.5.2018 at 2:38 pm
Appurtenant hereto is a party wall right created by Easement Instrument 11117074.2 - 21.5.2018 at 2:38 pm
Land Covenant in Easement Instrument 11117074.3 - 21.5.2018 at 2:38 pm



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<p>Land District: North Auckland Digitally Generated Plan Generated on: 31/05/2018 10:53am Page 3 of 3</p>	<p>Lots 22, 31, 32, 34, 40 and 103 Being a Subdivision of Lot 100 DP 485905, Lot 21 DP 482020 and Lot 22 DP 502300</p>	<p>Surveyor: Steven Robert Mills Firm: Harrison Giererson Consultants Ltd</p>	<p>Title Plan DP 508731 Deposited on: 21/05/2018</p>
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