



# Market Valuation Report

**Pacific Property Fund Limited**

410 Eastern Hutt Road, Silverstream, Upper Hutt

Prepared by  
Bayleys Valuations Limited  
**26 November 2020**



# Valuation Summary

Property Address	410 Eastern Hutt Road, Silverstream, Upper Hutt
Client	Pacific Property Fund Limited
Instructing Party	Stephen Williams - Head of Transactions
Purpose of Valuation	To assess the Market Value for Mortgage Security, Capital Raising and Financial Reporting Purposes
Basis of Valuation	Market Value
Valuation Approach	Market and Income Approaches
Legal Description	Lot 2 Deposited Plan 387512 (Parent Title) - as per marketing collateral the subject lots will be identified as Lots 2 & 20 subdivided from the original Title.
Interest Valued	Freehold - 350250 (Parent Title)
Zoning	Special Activity & Business Industrial
Date of Inspection	26 November 2020
Date of Valuation	26 November 2020

## Property Summary

The subject property comprises a 2,262 square metre modern office and warehouse building, plus associated yard situated within the Silverstream Business Park. Centrally positioned on-site, the improvements provide universal modern accommodation, in terms of functionality and with scope to cater for future expansion requirements on adjacent yard components. Ongoing demand for industrial property remains strong and the subject business park has attracted quality national and international tenants and provides good connectivity to major arterial roading.

Leased to **Northpower Limited** for ten years, the net rental is fixed for the initial four years before subject to 2.0% p.a. pre-set increases for the balance of the term. The vendor is underwriting the rental shortfall during this period essentially providing continuity of cashflow. The net passing rental is **\$673,122 p.a. plus GST** and the Lessee is responsible for 100% of operating expenses with an overarching cap applicable through the initial years. The passing rent is considered slightly above market but reflects the new-build nature and likely return on construction costs.

Unprecedented demand for quality assets has led to a general yield compression across all asset classes. This trend looks set to continue whilst interest remains remain at historic lows and the global market reacts to COVID-19 implications. Overall, the subject property is an attractive investment proposition underpinned by its new-build nature, lease covenant and underlying market demand for stock of this nature.

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410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

## Adopted Market Value

We are of the opinion that the Market Value of the subject property, subject to the overriding stipulations contained in the body of this report, and to there being no onerous restrictions or unusual encumbrances of which we are not aware is as follows:

**Fourteen Million, Five Hundred and Twenty-Five Thousand Dollars  
(NZ\$14,525,000)  
plus GST (if any)**

## Valuer Involvement

Valuer	Position	Inspection	Calculations	Reporting
Paul Butchers	Registered Valuer	Yes	Yes	Yes
Charlie Tudehope	Valuer	Yes	Yes	Yes

## Property Details

Gross Lettable Area (GLA)	2,262 sqm	Parking	Incl. in Yard
Total Land Area (Lot's 2 & 20)	9,648 sqm	Zoning	Special Activity & Business Industrial

## Financial Analysis

Net Passing Income (excl. Signage)	\$673,122	Adopted Outgoings	\$114,500
Net Market Income (excl. Signage)	\$661,310	Adopted Outgoings (\$/sqm)	\$50.6 per sqm
NPI + Mkt on Vacancies	\$673,122	Adopted Gross Passing Income	\$787,622
Vacancy	0%	Adopted Gross Market Income	\$775,810

## Valuation Approaches

Market Capitalisation Method	\$14,510,000	Sales Comparison Method	N/A
Discounted Cash Flow Method	\$14,530,000	Adopted Value	<b>\$14,525,000</b>

## Valuation Analysis

Market Capitalisation Rate	4.60%	CAPEX (PV over 10 years)	\$31,076
Initial Yield	4.63%	Lease Renewal Prob.	75.00%
Equivalent Market Yield	4.59%	Mkt Growth (10 yr avg.)	2.67%
Discount Rate	6.00%	CPI Growth (10 yr avg.)	1.77%
Ten Year IRR	6.00%	Vacancy Allowance	4 months
Terminal Yield	5.10%	WALT (Income)	10.0 years
Net Rate (\$/sqm)	\$6,421 per sqm	WALT (Area)	10.0 years

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

# Contents

1. Introduction	5	- 4.6 Floor Areas	22
- 1.1 Instructions	5	5. Lease Details	23
- 1.2 Basis of Valuation	5	- 5.1 Lease Documentation	23
- 1.3 Liability and Confidentiality	5	- 5.2 Occupancy and Vacancy	25
- 1.4 Information Sources	6	6. Financial Summary	27
- 1.5 Compliance Statement	6	- 6.1 Operating Expenditure	27
- 1.6 Valuation Assumptions	6	- 6.2 Capital Expenditure	28
- 1.7 Previous Sale	7	7. Market Overview	29
- 1.8 Previous Valuation	7	- 7.1 Economic Outlook	29
2. Property Details	8	- 7.2 Market Commentary	32
- 2.1 Legal Description	8	8. Rental Evidence	34
- 2.2 Site Description	9	- 8.1 Rental Evidence	34
- 2.3 Locality	11	- 8.2 Sundries Rental	36
- 2.4 Zoning	13	- 8.3 Market Rental Conclusion	37
- 2.5 Highest and Best Use	14	9. Sales Evidence	38
3. Environmental and Statutory	15	- 9.1 Sales Evidence	38
- 3.1 Earthquake Compliance	15	- 9.2 Sales Reconciliation	40
- 3.2 Contamination	16	10. SWOT Analysis	41
- 3.3 Flooding	16	- 10.1 Conclusion of Valuation Metrics	41
- 3.4 Asbestos	17	11. Valuation Approach	42
- 3.5 Building Warrant of Fitness	17	- 11.1 Capitalisation of Income Method	42
- 3.6 Statutory Valuation	17	- 11.2 Discounted Cash Flow Method	43
4. Improvements	18	- 11.3 Summary of Valuation Approaches	45
- 4.1 Property Description	18	12. Valuation Conclusion	46
- 4.2 Construction	18	- 12.1 Valuation Analysis	46
- 4.3 Internal Finishes	18	- 12.2 Signatory	46
- 4.4 Building Services	19	13. General Principles	47
- 4.5 Accommodation Details	19	Appendix	49

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

# 1. Introduction

## 1.1 Instructions

In accordance with instructions received from Stephen Williams on behalf of Pacific Property Fund Limited, we have assessed the Market Value of the property at **410 Eastern Hutt Road, Silverstream, Upper Hutt**, for Mortgage Security, Capital Raising and Financial Reporting Purposes.

We can confirm that this report and our valuation can be relied upon for first Mortgage Security Purposes.

PINZ Professional Practice guidelines and International Valuation Standards require the property be valued as at date of inspection, which we confirm as 26 November 2020.

## 1.2 Basis of Valuation

This valuation has been completed under the International Valuation Standards – IVS (effective 31 January 2020), and the relevant Australia and New Zealand Valuation and Property Standards as approved by the New Zealand Institute of Valuers (NZIV), in particular:

- IVS 400 - Real Property Interests.
- ANZVTIP 2 - Valuations Procedures – Real Property.
- ANZVTIP 12 - Valuations for Mortgage and Loan Security Purposes.
- NZVTIP 2 Valuations of Real Property, Plant & Equipment for use in New Zealand Financial Reports and NZIAS 40 - Investment Property, which relates to non-operational assets held for future development, investment or surplus to the operations of the entity.

The market value of the property is defined by the International Valuation Standards Committee as follows:

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

In adopting this definition of value, we are of the opinion that it is consistent with the international definition of market value as advocated by the New Zealand Institute of Valuers and Property Institute of New Zealand.

The property’s value has been assessed in accordance with Australia and New Zealand Valuation and Property Standards, and with Bayleys Valuations Limited General Valuation Principles.

## 1.3 Liability and Confidentiality

Our valuation and report is strictly confidential to the party to whom it is addressed, and is prepared solely for the specific purpose to which it refers. No responsibility whatsoever is accepted for reliance on the valuation report for other purposes. Further, no responsibility whatsoever is accepted to persons other than the party to whom the valuation and report is addressed for any errors or omissions whether of fact or opinion.

This report can be relied upon by the following parties for their respective purposes:

- Pacific Property Fund Limited – Capital Raising and Financial Reporting Purposes
- ASB Bank Limited as the Security Trustee
- Kiwibank Limited
- Industrial and Commercial Bank of China Limited, Auckland Branch
- Bank of China Limited, Auckland Branch

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

This valuation is not intended for general circulation, publication or reproduction for any purpose without written permission in any specific instance. No responsibility is accepted nor any liability for losses occasioned by yourselves, any financier or other parties as a result of the circulation, reproduction or use of this valuation.

We reserve the right (under no obligation) to review the valuation and revise our opinion after the release of this valuation, if any previously withheld information becomes known to us or erroneous information has been provided and relied upon.

## 1.4 Information Sources

In the compilation of this valuation we have been provided with detail of, but not limited to the following sources:

Information	Source
Record of Title	Land Information New Zealand via Property Guru
District Planning Controls	Upper Hutt City Council
Lease Documents, Sales & Purchase Agreement and BOMA Plan	Pacific Property Fund Limited
Marketing Collateral	Bayleys Capital Commercial

## 1.5 Compliance Statement

This valuation has been performed in accordance with International Valuation Standards, and we confirm that:

- The statements of fact presented in the report are correct to the best of the Valuer's knowledge;
- The analyses and conclusions are limited only by the reported assumptions and conditions;
- The valuer has no interest in the subject property;
- The valuer's 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;
- The valuer has experience in the location and category of the property being valued;
- The valuer has made a personal inspection of the property; and
- No one, except those specified in the report, has provided professional assistance in preparing the report.

## 1.6 Valuation Assumptions

In completing our valuation, the following property specific assumptions have been made:

- Our valuation assumes that the subject land is to be subdivided in accordance with the preliminary Fee Simple subdivision plan (Schedule 5) as identified in the Sales & Purchase Agreement dated 16 November 2020. We have not sighted a finalised subdivision plan for the subject property and have relied upon marketing collateral and the Sales & Purchase Agreement terms/conditions provided to date. Bayleys reserves the right to review our valuation upon issuance of the Freehold subject Title(s).
- We have placed total reliance on the Sales & Purchase Agreement dated 16 November 2020, in particular the vendor underwrite which covers the rental shortfall from Lease commencement until the end of Year 2. Any variation to these terms/conditions may warrant an amendment to our valuation.

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

- We have compiled a pro forma expense budget for the subject property reflecting anticipated revised capital values and estimated insurance costs upon issuance of a separate Freehold Title. Any significant variation to these components would have a compounding impact on our concluded value. We therefore reserve the right to review our valuation once actual insurance costs are finalised and the capital value has been established.
- We have not accessed a copy of the development consent, however, for the purposes of this valuation, we have assumed that the development is compliant with the requirements of the Business Industrial zone. Further, our valuation proceeds on the basis that the property is compliant with all regulatory/statutory requirements and that a Code Compliance Certificate (CCC) will be shortly issued.
- The valuation assumes that all Building Performance Criteria is met as identified in Appendix 5 of the proposed Deed of Lease.
- No Detailed Seismic Assessment has been furnished, we have assumed the subject building has an NBS% Rating of at least 100% of the current Building Code.
- Elgas Limited have previously occupied part of the 1,470 square metre yard (useable) utilised as a separation zone as per Regulations. Subsequently, this License has lapsed and has therefore been excluded from our valuation assessment.

## **1.7 Previous Sale**

We are not aware of any sale of this property in the last three years.

## **1.8 Previous Valuation**

Bayleys Valuations have not had any prior dealings with this property.

# 2. Property Details

## 2.1 Legal Description

We detail below a summary of the Parent Record of Title as below:

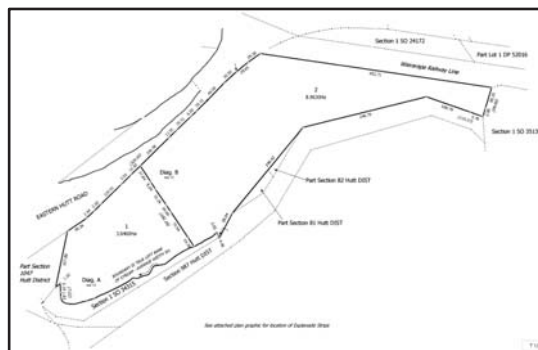
Identifier	350250
Estate	Fee Simple
Legal Description	Lot 2 Deposited Plan 387512
Land Area	8.9630 hectares more or less
Registered Owners	Nautilus Properties Limited
Interests	<ul style="list-style-type: none"><li>• Subject to Section 11 Crown Minerals Act 1991</li><li>• 7603937.1 Consent Notice pursuant to Section 221 Resource Management Act 1991 - 6.11.2007 at 9:00 am</li><li>• Subject to a right (in gross) to convey electricity over part marked H on DP 387512 in favour of Vector Wellington Electricity Network Limited created by Easement Instrument 7603937.6 - 6.11.2007 at 9:00 am</li><li>• The easements created by Easement Instrument 7603937.6 are subject to Section 243 (a) Resource Management Act 1991</li><li>• Subject to a right (in gross) to convey gas over part marked J on DP 387512 in favour of Powerco Limited created by Easement Instrument 7603937.7 - 6.11.2007 at 9:00 am</li><li>• The easements created by Easement Instrument 7603937.7 are subject to Section 243 (a) Resource Management Act 1991</li><li>• 7603937.8 Esplanade Strip Instrument pursuant to Section 232 Resource Management Act 1991 - 6.11.2007 at 9:00 am</li><li>• Fencing Covenant in Transfer 7643278.1 - 12.12.2007 at 9:30 am</li><li>• 7643278.2 Mortgage to Westpac New Zealand Limited - 12.12.2007 at 9:30 am</li><li>• 10960850.2 Variation of Mortgage 7643278.2 - 20.11.2017 at 3:20 pm</li><li>• 11126650.1 Variation of Mortgage 7643278.2 - 14.6.2018 at 3:46 pm</li><li>• 11180302.1 Notification that a building consent issued pursuant to Section 72 Building Act 2004 identifies Inundation as natural hazard - - 23.7.2018 at 7:00 am</li><li>• 11642126.1 Notification that a building consent issued pursuant to Section 72 Building Act 2004 identifies inundation as a natural hazard - 16.12.2019 at 7:00 am</li><li>• 11642126.2 Notification that a building consent issued pursuant to Section 72 Building Act 2004 identifies inundation as a natural hazard - 16.12.2019 at 7:00 am</li><li>• Land Covenant (in gross) in favour of Upper Hutt City Council created by Covenant Instrument 11743067.1 affecting part marked A on DP 543834 - 4.5.2020 at 11:32 am</li><li>• 11855647.1 Notification that a building consent issued pursuant to Section 72 Building Act 2004 identifies inundation as a natural hazard - 9.9.2020 at 7:00 am</li></ul>

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

- 11912649.1 Notification that a building consent issued pursuant to Section 72 Building Act 2004 identifies inundation as a natural hazard - 3.11.2020 at 7:00 am
- 11912677.1 Notification that a building consent issued pursuant to Section 72 Building Act 2004 identifies inundation as a natural hazard - 3.11.2020 at 7:00 am

We highlight that the majority of the abovementioned interests relate to the Parent Title and we have undertaken our valuation on the basis that the property is sold subject to existing easements (where applicable) and any building line restrictions or other encumbrances or rights. We refer you to the Parent Record of Title in the Appendices of this report.

The Parent Title Plan is shown below:



Whilst no separate Title has been issued for the subject property, the Sales & Purchase Agreement dated 16 November 2020 stipulates that the Vendor has granted a Right of Way with KiwiRail Limited for the purpose of emergency access and a 200mm watermain pipeline at Fergusson Drive. Neither interest is considered detrimental to the proposed subject parcel of land.

Further, we also note the subject title will be subject to a Gas Easement in favour of Powerco Limited to record an existing pipeline that traverses across the northern part of the site beneath the carpark (highlighted red on the proposed subdivision plan below).

The Parent Title also indicates a diagonal easement labelled 'E' crossing the south-western corner of the Parent site but fails to qualify the nature of this easement. We recommend legal advice be sought to clarify this matter.

## 2.2 Site Description

We summarise the site details as below:

### Shape and Site Area

The Northpower site comprises two separate parcels of land separated by a road. The smaller 1,993 sqm south-western site is irregular in shape, sealed in asphalt and widens to the rear. Boundaries are denoted by galvanised post and wire chain mesh fencing.

The northern main site is more regular in shape and is flanked by a common access road to two elevations and encompasses some 7,655 square metres.

Combined, the two sites extend some 9,648 square metres of land segmented over two separate parcels as per marketing collateral.

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

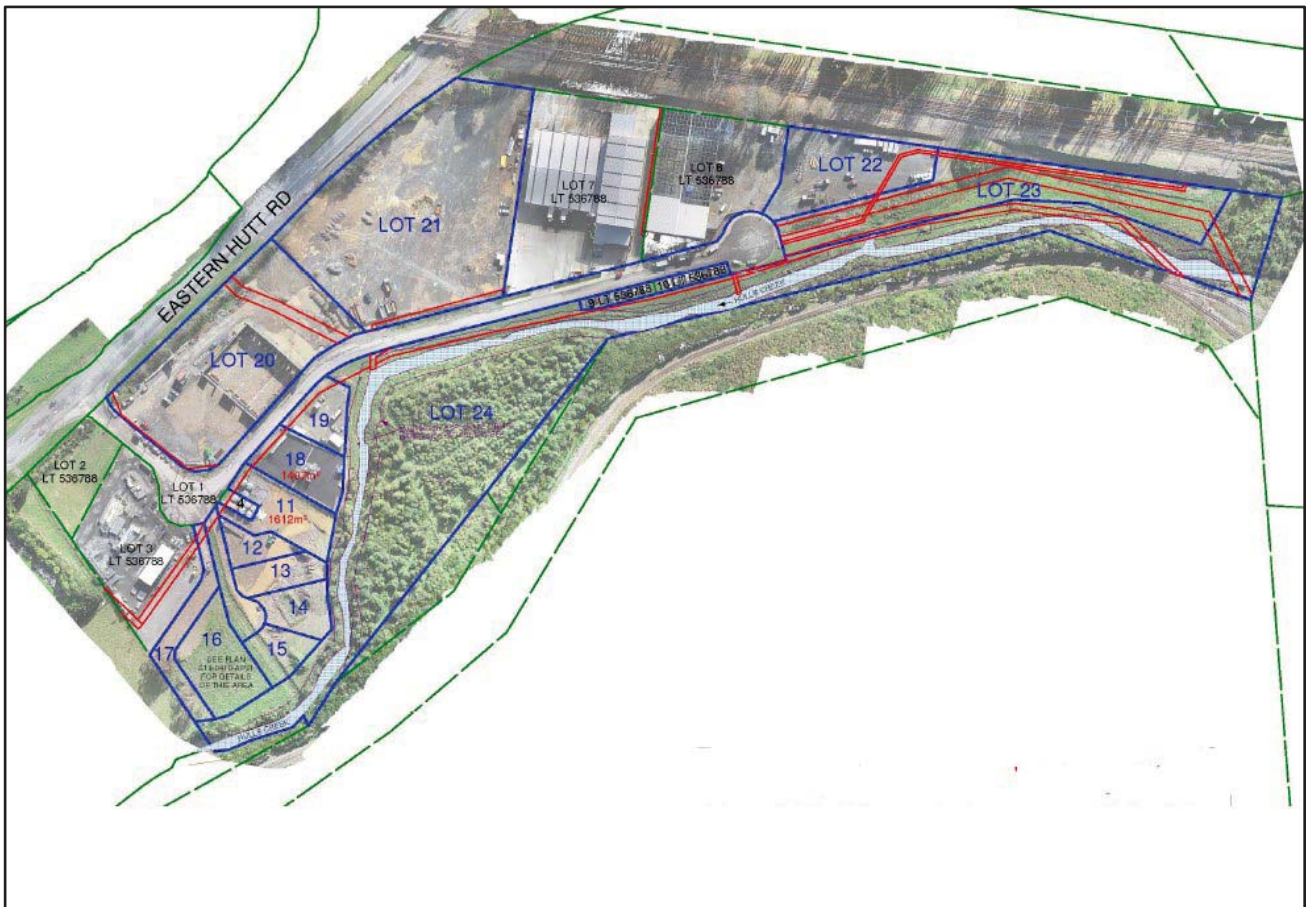
Approximate Dimensions	Main Site                    130 metres x 65 metres Southern Yard                30 metres x 54 metres  All dimensions are approximate only.
Topography	The central part of the main site has been elevated some 0.5 metres by engineered compacted fill and retaining to create a raised building platform upon which the main building is sited. Sealed yards are graded falling away from the building and are utilised for staff parking. The larger southern yard offers open plant and equipment storage and provides warehouse truck access.  The contour of the southern yard is essential level.
Services	All standard utility services, telecommunications, drainage and water connections are connected or available in the nearby streets.
Access	Dual vehicle entry points at either end of the main site access the respective yards. A singular vehicle road crossing services the southern yard.
Subsoil	A Geotechnical Report prepared by Spencer Holmes highlighted the subsoil as expected for an alluvial situation towards the upstream end of the Hutt River, comprising predominantly layers of silts and sands over some gravel and alluvial material.

The aerial plan below highlights the Parent Title prior to ground works and the issuance of individual titles:



410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

The proposed subdivision plan as per marketing collateral is highlighted below:



Northpower occupy Lots 2 & 20, positioned towards the left hand-side of the above plan.

### 2.3 Locality

We summarise the locality details as below:

Location	A common no-exit access road branches off the northern end of Eastern Hutt Road, some 400 metres south of the rail overbridge and 600 metres from the southern Fergusson Drive roundabout. The industrial estate runs parallel with Eastern Hutt Road and the northern boundary abuts the Railway Line. Silverstream is situated approximately two kilometres to the north east of the subject and offers a wide range of services and amenities including a small shopping centre.
Surrounds	The Silverstream Business Park has been developed to fulfil the upsurge in demand for industrial land. A number of the sites have been developed to date and accommodate the newly built Fliways occupied property to the north, Hirepool, CDC Pharmaceuticals and Elgas, the latter party occupies a small industrial building with gas filling and yard facilities. Several vacant sites in the development have been raised, sealed and are utilised as lock up yards. Two large sites remain listed for sale.

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

This section of Eastern Hutt Road contains large areas of open land flanking the Hutt River. The Silverstream Refuse turnoff is located to the south whilst the Stokes Valley residential suburb is situated further south, extending eastward up the valley.

To the north, Fergusson Drive is one of the major arterial roads leading into Upper Hutt. St Patrick's Silverstream, a secondary boy's school, occupies a large site between Fergusson Drive and the river, whilst Silverstream and Pinehaven are set into the eastern pine clad hills.

The Upper Hutt commercial town centre is located approximately five kilometres to the north and contains a wide range of established retail, commercial and industrial applications

Over the past five years, Upper Hutt has experienced a flurry of commercial property activity, signalling renewed interest in Wellington's northern areas. A shortage of industrial property throughout the wider Wellington region has refocused attention to the northern sectors, aided by recent roading enhancement works to the SH58 interchange and works to Transmission Gully.

#### Transport

Eastern Hutt Road is a secondary arterial road running in a north to south direction from Fergusson Drive servicing the residential suburbs of Stokes Valley, Taita, Naenae and Avalon. The road ultimately provides connections to Lower Hutt. Commercial applications are concentrated in pockets along the major roads and most commercial/industrial properties date the 1970's and 1980's era. Fergusson Drive to the north is the major highway connection, linking back onto State Highway 2 and Wellington to the south, and the Wairarapa to the north.

The recent upgrade to the SH 58 interchange, and the imminent opening of Transmission Gully in late 2021 will offer improved linkages north via SH1.

The locality is indicated below:



## 2.4 Zoning

Zoning details for the Parent Title are as follows:

Territorial Authority	Upper Hutt District Council
District Plan	Upper Hutt City District Plan 2004
Zoning	Special Activity & Business Industrial
Zone Description	Land on Eastern Hutt Road zoned Business Industrial is suitable for development and use for business industrial activities, taking advantage of its strategic location on the transportation network, provided the risk of flooding from both the Hutt River and Hulls Creek is satisfactorily mitigated. The land's location would also allow for larger building heights required by the business and service industry, provided the visual appearance of the buildings can be adequately sited and designed, and the front yard landscaped.
Permitted Activities	<p>A wide range of land use activities are permitted on the subject land, including but not limited to:</p> <ul style="list-style-type: none"> <li>• Retail activities (sale and maintenance of heavy machinery; garden centres; building improvement centres; yard oriented retail activities; the sale of goods manufactured on the site, provided, that the retail component is ancillary to the manufacturing activity; and the sale of kit-set buildings and framing);</li> <li>• Warehouses;</li> <li>• The sale and hire of motor vehicles, boats, caravans, motor homes and accessories and motor vehicle spare parts;</li> <li>• Churches;</li> </ul>

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

	<ul style="list-style-type: none"> <li>Residential accommodation for a caretaker, where the caretaker is required to live on the site; and</li> <li>Signs (no sign shall be located within 6 metres of Eastern Hutt Road, nor shall any sign be located on the elevation of any building facing Eastern Hutt Road and there shall be a maximum of one free-standing sign which may be located at the road entrance to the Business Industrial Zone and it shall not exceed a face area of 20 square metres visible from any one direction; or be more than 9 metres above ground level)</li> </ul>
Development Controls	<p>Height Limit: <b>15 metres</b> (Eastern Hutt Road).</p> <p>Net Site Area: <b>500 Square metres</b></p> <p>Within the Business Industrial zone located on Eastern Hutt Road, buildings shall be set back from the front boundary with Eastern Hutt Road by <b>6 metres</b>, and this setback area shall be landscaped prior to the construction of any buildings. Buildings exceeding 2,000 square metres of floor area are to provide <b>2 loading provisions</b> each requiring a manoeuvring space for ingress/egress.</p>
Overlay Controls/Features	<p><b>Hulls Creek Overlay Area:</b> Any activity other than conservation and passive recreation in the area identified as “Hulls Creek Overlay” within the Business Industrial zone on Eastern Hutt Road is a Non-Complying Activity.</p> <p><b>Eastern Hutt Road Industrial Area</b></p> <p><b>1 in 100-year Flood Extent</b></p>
Objections	Nil

**N.B.,** We have not accessed a copy of the development consent, however, for the purposes of this valuation we have assumed that the development is compliant with the requirements of the Business Industrial zone.

Our valuation proceeds on the basis and is subject to the property being a complying activity and/or having all necessary consents and permits in place and/or having existing use rights under Section 10 of the Resource Management Act 1991.

The foregoing zone summary has been provided for valuation purposes only and should not be relied upon for the purposes of determining whether a particular activity or development is permitted within the zone. Should you require information in this regard we recommend you consult with a Planning Consultant or the Local Authority.

## 2.5 Highest and Best Use

Considering the new build nature of the property, its universal design and provision to offer a combination of commercial office and industrial accommodation, together with generous yards, we regard the current use as the highest and best use of the site. The placement of the existing improvements and surrounding yards offer scope for building expansion if needed subject to establishing a suitable elevated building platform.

# 3. Environmental and Statutory

## 3.1 Earthquake Compliance

A new national system for managing earthquake-prone buildings in New Zealand came into effect on 1 July 2017. The new system affects owners of earthquake-prone buildings, territorial authorities (local councils), engineers, other building professionals and building users.

The Building (Earthquake-Prone Buildings) Amendment Act 2016 introduced major changes to the way earthquake-prone buildings are identified and managed under the Building Act. It uses knowledge from past earthquakes in New Zealand and overseas. The system is consistent across the country and focuses on the most vulnerable buildings in terms of people's safety.

An earthquake prone building is defined under legislation as being a building whose strength is less than one-third of that required under the existing legislation for a new building (NZS 1170.5:2004). Once a building is classified as earthquake-prone it will need to be strengthened or, if appropriate, demolished. The objective is to improve safety and increase the likelihood of existing buildings withstanding earthquakes.

The new legislation categorises New Zealand into three seismic risk areas and sets time frames for identifying and taking action to strengthen or remove earthquake-prone buildings. The seismic risk areas are High, Medium and Low. There is also a category of "priority buildings" in high and medium seismic areas. These are buildings that are considered higher risk because of their construction, type, use or location. They must be identified and remediated in half the time allowed for other buildings in the area. The system is also designed to ensure that information about earthquake prone buildings is publicly accessible through an Earthquake Prone Buildings Register.

The new national system ensures the way buildings are managed for future earthquakes is consistent and is intended to strike a balance between the following:

- Protecting people from harm in an earthquake.
- The costs of strengthening or removing buildings.
- The impact on New Zealand's built Heritage.

The typical process is:

- Territorial authorities identify potentially earthquake prone buildings.
- Owners who are notified by their territorial authority must obtain engineering assessments of the building carried out by suitably qualified engineers.
- Territorial authorities determine whether buildings are earthquake prone, assign ratings, issue notices and publish information about the buildings in a public register.
- Owners are required to display notices on their building and to remediate their building.

Seismic Risk Area	Example Locations	Priority	Other
High	Gisborne, Napier, Hastings, Palmerston North, Wellington, Blenheim, Christchurch	7.5 years	15 years
Medium	Tauranga, Hamilton, Rotorua, New Plymouth, Whanganui, Nelson, Timaru, Invercargill	12.5 years	25 years
Low	Northland, Auckland, Oamaru, Dunedin	N/A	35 years

Upper Hutt is located in a High Seismic Risk Area. Time frames for owners to do seismic work on earthquake-prone buildings are shown above. We note priority buildings do not have to be identified in low seismic risk areas. In these low seismic risk areas, the time frames for all buildings are 15 years to identify and 35 years to remediate.

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

Bearing in mind the new build nature of the building, and its design and construction to the latest Building Code Standards, we have assumed that the building is fully compliant to the latest Standards and has a minimum NBS% Rating of 100% or greater.

Further, we note in the Spencer Holmes Geotechnical Report, that the site is located on the Greater Wellington Regional Council hazard maps as having no liquefaction potential, low-moderate ground shaking, and low slope failure.

### **3.2 Contamination**

As defined by the Australian and New Zealand Environment and Conservation Council (ANZECC) and the National Health and Medical Research Council (NHMRC) a contaminated site comprises “a site at which hazardous substances occur at concentrations above background levels, and where assessment indicates it poses or is likely to pose an immediate or long term hazard to human health or the environment”.

Registered Valuers are not adequately qualified to detect substances of this type. Our role is limited to the detection and preliminary identification of contamination through making reasonable site inspections and making enquiries to appropriate authorities.

During inspections Bayleys Valuations Limited attempts to identify, from on-site observations, any potential or actual contamination issues thereafter recommending further expert advice where appropriate.

Referring to the Greater Wellington Regional Council Contamination Register highlights that the Council has no prior records of any contaminated activity having been undertaken or recorded on site. We have completed our valuation on the basis that the site is free of contaminants and have made no allowance in our valuation for site remediation works.

As Valuers, we are not qualified to provide an opinion on potential environmental threats. This matter aside, the risk factor would appear to be quite low.

### **3.3 Flooding**

The Hutt River Floodplain Management Plan is a 40-year blueprint for managing and implementing programmes that will gradually reduce the effects of flooding from the Hutt River. The Plan is non-statutory, and therefore contains no regulations such as the rules and standards typically found in in district or regional planning documents.

Greater Wellington Regional Council (GWRC) have identified Hutt River as being a 0.23% AEP (Annual Exceedance Probability) flood hazard. AEP is a probability measurement of the likelihood of a flood of a given size or larger occurring in any year. Whilst this assessment appears to be quite low, it is recommended that an experienced practitioner be consulted where this information is to be used for development purposes.

Further, the District Plan identifies the subject land as being flat with good road access and is not located near potentially sensitive activities. The site therefore has the ability to provide for activities requiring relatively higher heavy vehicle movements and larger buildings. However, this land is currently subject to the risk of flooding from both the Hutt River and Hulls Creek; and requires appropriate measures to be implemented to mitigate these flood risks, ensuring that these matters do not exacerbate the risks elsewhere. Given the high visibility of the land and amenity values in the vicinity, appropriate siting, design and landscaping measures are required to maintain these values.

Consequently, any development of the site shall be designed and built to ensure that buildings and site access will be free of inundation from a flood with a magnitude of 2,300 cumecs (including freeboard) in the Hutt River, and a

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

1 in 100-year (including freeboard) event in Hulls Creek. This level of flood protection shall not be achieved by surrounding the buildings with stopbanks or any other flood protection structure.

### 3.4 Asbestos

During the course of our inspection, no asbestos-based construction materials was evident on site as most have long been withdrawn from the market. If asbestos materials are found to be present on site, this valuation must be referred back to the valuer for further consideration and possible reassessment.

### 3.5 Building Warrant of Fitness

With the introduction of the Building Act 2004 and amendments in 2005, building owners have new responsibilities to guarantee a building's health and safety. Part of this responsibility includes the annual Building Warrant of Fitness. The Building Warrant of Fitness is the owner's statement that all automatic systems or all safety features have been inspected and maintained on a regular basis during the previous 12 months. The automatic systems or safety features which require an ongoing inspection are summarised on the Building Warrant of Fitness.

We have been provided with a draft copy of the Building Warrant of Fitness / Compliance Schedule (undated) which identifies the current building systems. We have completed our valuation on the basis that the building will achieve all BWOF/Statutory Requirements when assessed.

### 3.6 Statutory Valuation

The Rating Valuation below relates to the Parent Title are dates back to 1 August 2019:

Land Value	\$1,940,000
Improvements Value	\$3,020,000
<b>Capital Value</b>	<b>\$4,960,000</b>
Rates 2020/2021 (incl. GST)	\$40,996.13

Upon completion of the subdivision, and the issuance of individual Titles, Quotable Value will complete individual assessments of the separate lots and any improvements thereon. Capital Values will be back dated to August 2019 to coincide with the latest roll revision and this data will be used for the August 2022 revision in due course.

# 4. Improvements

## 4.1 Property Description

The property comprises a new purpose-built warehouse facility with associated yard, an adjoining two level office component incorporating well-appointed staff facilities, plus a northern sealed yard for parking. Situated to the opposite side of the main shared accessway, is a separate 1,993 sqm sealed and fence yard connected with the main Northpower site. We note the southern site provides a reduced lettable area after factoring in setback allowances.



External Street View



Rear Yard and Warehouse access



Carpark and Northern Elevation

## 4.2 Construction

Foundations	Reinforced concrete floor slab designed to allow normal commercial storage loading and capable of supporting medium density racking.
Floors	Floors are finished to a smooth surfaced with localised transition to doorways.
Structural Frames	Steel portals to suit layout with DHS purlins/girts to affix roofing and wall cladding.
External Cladding	Externally exposed structural steel is painted. Precast concrete tilt slab wall panels to 2 metres in height around the perimeter with profile metal cladding fixed to steel girts and metal framed structure. The exterior walls to the offices are a combination of pre-finished architectural panels (Alucbond or similar) to feature areas, precast concrete panels and painted sheet cladding.
Joinery	Aluminium and glass joinery.
Roof	0.55mm Colorsteel profile metal roof laid over white faced roofing insulation and Ausmesh wire safety netting. Fixed to steel purlins.

## 4.3 Internal Finishes

Entry Foyer	Bi-parting aluminium framed glazed doors open into a shallow entry foyer with side doors accessing the adjacent office areas.
Flooring	Hard wearing resilient carpet floor tiles have been laid to the offices with toilets, kitchenette and café featuring vinyl composite flooring with coved upstands.
Walls	Internal walls constructed from steel stud with aluminium partitioning suite proprietary system. Lined in plasterboard and Aqualine where required, plastered

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

	and decorated. Skirtings, trims and coves are anodised aluminium. Glazed walls to internal meeting rooms, separate offices and breakout areas.
Ceilings	Suspended grid with mid-range acoustic absorption rated mineral fibre tiles. Ceilings to all wet areas are lined in waterproof GIB, stopped and painted or vinyl faced tiles to suit configuration.
Lighting & Power	LED pan light fittings incorporated within ceiling grid to offices to achieve a minimum 400 lux at desk level as required. Bulkhead and pan LED light fittings to other areas. Suspended LED high bay style light fittings to warehouse. Adequate hot point and data connections throughout.

#### 4.4 Building Services

Amenities	Unisex toilet facility with combined shower provided to the ground floor. Separate male and female toilets are alongside, fittings are of a commercial grade and include wall-mounted mirrors, towel rails and grab rails. Two 300 litre hot water cylinders provide hot water requirements. Spacious staff kitchen with wall-mounted instant hot water unit, stainless steel sink inserts fitted within Formica bench units, under-bench cupboard and a dishwasher facility. Sliding side door provides access to adjacent exposed aggregate courtyard.
Power	Three phase power is connected to the building
Fire Protection	The entire warehouse and office components are protected by fire alarm systems with manual call points, alerting devices and smokes and heat detectors. Illuminated exit signs are fitted to all exit ways and egress routes together with emergency lighting throughout the warehouse and office components.
Air Conditioning	Heat pumps provide air conditioning and fresh air ventilation to the office areas. Heat pumps comprise a combination of cassette and high wall-mounted units, all compliant to deliver prescribed temperature ranges and meet low noise criteria. The main plant is located outside with under-floor connections and in-ceiling ducting.
Lifts, Escalators, Stairs	Two stairwells provide pedestrian access to the upper floor, lined in carpet tile with aluminium and rubber nosings. Stainless steel handrails to either side of the stairwells. No lift access to the first floor.
Security	Tenant installed security system throughout.

#### 4.5 Accommodation Details

##### Office & Amenities

The property offers high stud office accommodation to part ground and the first-floor level, being largely open plan with extensive glazing to the northern and part side elevations. Various meeting rooms are located to each floor and some are fitted with stand-alone A/C wall mounted units. Carpet tile flooring is throughout, and LED recessed lights are incorporated within the ceiling grid.

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

Well-appointed and spacious amenities are located to the mid ground floor and contain good quality fittings and a high level of finishing. Disabled facilities and shower are alongside.

Internal access provides connections through to the warehouse component with various doors to the internal wall accessing small meeting rooms and lined storage areas located to the rear ground floor of the offices.



Ground Floor Lunchroom



Ground Offices



Lunchroom

### Warehouse

The warehouse provides clear span high stud accommodation serviced by three wide electric roller doors to the southern elevation. Stud height to the apex is 7.2 metres, decreasing to 6.04 metres at the knee. Fitout comprises a high quality finished concrete floor, concrete tilt slab to the lower walls sections, suspended LED lighting and fire protections systems.



Warehouse



Internal Warehouse



Concrete Ramp to Warehouse

Overall, the warehouse offers extremely tidy, functional accommodation that would be universally appealing to many large business type operations requiring a large warehouse component. The connectivity between the warehouse and offices is good, as is the separate means of access from either end of the site.

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**



First Floor Offices



First Floor Kitchen



Meeting Room

### Yard and Carparks

A bitumen sealed forecourt measuring 1,837 sqm is situated to the north of the two-storey office component and is accessed directly off the shared accessway. The area is line marked for parking with generous central areas for manoeuvring. The rear side area is wire mesh fenced off and incorporates a swing vehicle gate allowing access to the larger yard that extends along the rear of the main building and to the south. A concrete sloped section traverses from the main yard to the elevated warehouse and hardstand immediately in front of the roller doors. The balance of the yard is paved bitumen with an attractive black steel boundary fence and remote operated roller entry gate. The separate southern yard is sealed in bitumen and denoted by post and wire chain fencing topped with barb wire.



Amenities



Rear Main Yard



Separate Southern Yard

### Condition & Repair

As the improvements are new, the building presented to a tidy condition with no major areas requiring further attention. Some minor defect work was evidence and are unsure if defect inspection and sign off by the architect has been undertaken.

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

## 4.6 Floor Areas

We have been supplied with certified surveyed floor areas of the subject improvements, prepared by Spencer Holmes, and measured in accordance with PCNZ/PINZ Guidelines, Method 4, Industrial type premises. We have relied upon these areas for the purpose of this valuation and summarise the rentable areas as follows:

<b>Northpower, 410 Eastern Hutt Road, Silverstream, Upper Hutt</b>			
Component	Tenant	Gross Lettable Area (GLA) (*excl. yard)	Proportion (% of Total Area)
<i>Industrial Components</i>			
Offices	Northpower Limited	764 sqm	33.78%
Warehouse	Northpower Limited	1,498 sqm	66.22%
Yard 1	Northpower Limited	5,818 sqm*	N/A
Yard 2	Northpower Limited	1,676 sqm*	N/A
Subtotal - Industrial Components		2,262 sqm	100.00%
<i>Sundry Components</i>			
Signage	IPOH New Zealand Limited Leaseback	N/A	N/A
Subtotal - Sundry Components		N/A	N/A
<b>Total</b>		<b>2,262.00 sqm</b>	

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

# 5. Lease Details

## 5.1 Lease Documentation

We have been provided with a copy of the Agreement to Lease dated 20 December 2019.

We have perused the document and summarise the salient details as follows.

Proposed Form of Lease	Auckland District Law Society 6 <sup>th</sup> Edition
Tenant / Lessee	Northpower Limited (Company No. 524776)
Guarantor	N/A
Premises	Those parts of the Landlord's building located at 410 Eastern Hutt Road, Silverstream, all such areas being part of the land comprised and described on Record of Title 350250 (Wellington Registry) together with and subject to all interest noted thereon.
Carparks	Fifty-five (55) single carparks and seventy-six (76) operational vehicle parks, both sets of carparking are included in the yard components of the premises.
Lease Term	Ten (10) years
Commencement Date	To be confirmed (Adopt 1 December 2020 for modelling purposes)
Rights of Renewal	Two (2) further terms of five (5) years each
Commencement Rental	<b>\$673,122 p.a. plus GST</b> As an incentive for the tenant entering into this lease, a reduced annual rent is payable for the initial two years being \$450,000 for Year 1 and \$550,000 for Year 2. (All stated amounts are exclusive of GST)
Rent Review Frequency	Fixed rent reviews of 2% per annum from the commencement of Years 4-10, Years 12-15 and Years 17-20, the latter two review bands are subject to the renewal option being exercised. Market rents are to occur at renewal. Full market reviews can be initiated by either party not earlier than three (3) months prior to a market rent review date and no later than the next review date. The recipient of the rent notice has twenty (20) working days to dispute the proposed annual rent and failing to reply is deemed as acceptance. Thereafter, the principal parties have ten (10) working days to reach an agreement, thereafter the new rent may be determined either by one party giving notice that they require the rent to be determined by arbitration or by third party determination. This latter option involves the appointment of valuers who shall endeavour to reach a resolution, but failing this, the matter proceeds to a hearing where each party shall be given the opportunity to make written and oral representation before a third party concludes and releases a rental determination notice.
Ratchet Clause	Hard ratchet clause - rent shall not be less than the rent payable immediately prior to the relevant review date.
Proportion of Outgoings	100% in respect of the premises and related outgoings excluding management expenses. Notwithstanding any other provision of the lease, the outgoings payable by the tenant for the first year of the initial term shall be capped at a maximum of \$50 per square metre. Thereafter, the rates component payable by

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

	<p>the tenant will be capped at a maximum of \$70,000 p.a. for the first five (5) years of the initial term of the lease.</p> <p>The Landlord is also obligated to repair and maintain at its cost the yard, hardstand and carparking area components of the premises for the first four (4) years of the initial term of the lease. This obligation is subject to normal use of the yard taking into account the tenant's business operation and intended use.</p>
Business / Permitted Use	Industrial warehouse with associated office and yard and all other uses permitted under the Local Authority's Operative District Plan from time-to-time.
Fixtures & Fittings	<p>The following Fixtures and Fittings are Lessee's works. These have been excluded from our assessment;</p> <ul style="list-style-type: none"> <li>• The supply of all machinery;</li> <li>• Backup generator (if any);</li> <li>• Security cameras;</li> <li>• Phone system;</li> <li>• Reception and office furniture and soft furnishing throughout;</li> <li>• Window treatments i.e. blinds;</li> <li>• Signage;</li> <li>• Server and computer equipment;</li> <li>• Feature lighting; and</li> <li>• Data cabling.</li> </ul>
Additional Clauses	<p>The tenant shall maintain the premises in a proper and workmanlike manner and repair or replace glass breakages or damage to doors, windows, light fittings and power points. The tenant shall also make good any damage to the property caused by improper, careless or abnormal use. As the tenant is the sole occupant of the property, the tenant shall keep any grounds and serviced areas in clean and tidy condition and maintain the storm and wastewater drainage systems. The Landlord's maintenance obligations extend to keeping and maintaining the building, all building services and the carparks in good order and repair and ensure their ongoing watertight integrity.</p> <p>At lease expiry, the tenant may at any time before and will if required by the Landlord remove all of the tenant's chattels.</p>
Vendor Underwrite	As per the Sales & Purchase Agreement dated 16 November 2020, the vendor underwrites the tenancy for a two (2) year term from either Lease commencement or one day after settlement (whichever is the later). This underwrite essentially makes up the shortfall between rent payable by the Lessee and \$673,122 p.a. plus GST (subject to final measure and adjustments).

## Signage Lease

Forming part of the property is a Signage Lease between Nautilus Properties Limited and IPOH New Zealand Limited relating to a double-sided billboard located to the north-western boundary backing onto Eastern Hutt Road. The Lease is unsigned but states the lease term is two (2) years six (6) months commencing concurrently with the Northpower lease. The annual rent is fixed at **\$25,000 p.a. plus GST**.

Tenant obligations include maintaining the structure and ensuring that the structure remains free of graffiti and undertake any required repairs. The Lessee shall not assign or sublease the billboard without prior Lessor approval and the Lessee shall comply with all compliance related requirements.

## 5.2 Occupancy and Vacancy

### Vacancies

At the time of our inspection, the subject building was 100% occupied. The ten-year lease term to Northpower mitigates any rental void over the cashflow horizon however, there is scope for a potential void to be incurred in year eleven coinciding with lease expiry in the event that Northpower vacates.

We have made appropriate leasing up, incentive and agents' commission allowances to the calculated terminal value to account for this potential risk element.

### Impending Expiries

No lease expiries are imminent.

The 30-month signage lease has been modelled as a present value sum for the lease term certain only.

### Incentives

Northpower's Lease provides for the base rent to be stepped over the initial two (2) years, fixed at \$450,000 and \$550,000 p.a. for years one (1) and two (2) respectively. The rent increases to the "full" base rent (\$673,122 p.a.) for years three and four before being subject to pre-set 2.0% fixed annual increases thereafter.

As earlier eluded, the vendor is to provide an underwrite during this period essentially covering the rental differential between rent payable by the Lessee and the "full" base rent.

Northpower also receive an outgoings benefit; the outgoings are capped at \$50/sqm for year one and the rates component is capped at a maximum of \$70,000 p.a. plus GST for years one to five inclusive of the initial term.

### Monthly Tenancies/Licenses

As per the Sales & Purchase Agreement dated 16 November 2020, **Elgas Limited** have previously occupied part of the 1,470 square metre yard (useable) as a separation zone. As part of the Licensee's obligations under the Regulations, the Licensee is required to maintain a separation distance from the boundary of its premises which adjoin alongside. This License was for a four (4) month term commencing 1 March 2020 at an initial Licensee Fee of **\$500 plus GST per week**. Subsequently, this License has lapsed and has therefore been excluded from our valuation assessment.

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

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## Summary

Our valuation is reliant on information supplied to us relating to matters such as lease provisions, rental income, outgoings and other associated expenditure which appears realistic. We have had access to lease documentation and have verified key data of the major tenancies against supplied schedules.

We are unaware of any side agreements in existence which would alter the terms of the various lease agreements in respect of the property. In the event that a full due diligence report reveals such agreements do exist, the advice provided herein will require revision.

# 6. Financial Summary

We detail below the associated operating expenses and capital expenditure.

## 6.1 Operating Expenditure

Operating Expenses (OPEX) relate to the ongoing costs associated with the occupation or ownership of a building. Typically, industrial leases for new build facilities are structured on a net basis whereby operating costs are recoverable from the Lessee including but not limited to; rates, service contracts, insurance costs and other operational costs.

Due to the new build nature of the asset, no operating expense budget has been supplied. We have therefore compiled a proforma budget with reference to publicly available information and have benchmarked against comparable properties that we are aware of in the surrounding and wider area.

Our adopted Operating Expenses are summarised in the table below:

Outgoings Schedule		
	Adopted (Budgeted)	
	\$ pa.	\$/m <sup>2</sup> pa.
<b>Statutory Expenses</b>		
Municipal/Council Rates	70,000	30.95
Other Statutory Charges	2,000	0.88
<b>Total Statutory Charges</b>	<b>72,000</b>	<b>31.83</b>
<b>Operating Expenses</b>		
Insurance Premiums	35,000	15
Repairs & Maintenance	3,000	1
Administration/Management Fee	4,500	2
<b>Total Operating Expenses</b>	<b>42,500</b>	<b>18.79</b>
<b>Total Outgoings</b>	<b>114,500</b>	<b>50.62</b>

The above OPEX allowances are considered to fall in line with normal expectations for this asset class. Typically, in the prime industrial locations, OPEX costs range from **\$32.50/sqm to \$45/sqm** largely dependent on the scale of the property and the volume of net lettable area to apportion the outgoings over. In secondary industrial locations, outgoings tend to fall within the **\$22.50/sqm to \$30/sqm** price band.

The Northpower lease provides tenant incentives and caps the outgoings over years one to five. Appropriate adjustments have been forecasted over the 10-year Discounted Cash Flow Period to reflect the Lessee incentives and non-recovery of full outgoings over the initial years of the lease.

## 6.2 Capital Expenditure

Buildings require ongoing expenditure to maintain their structural integrity and to future-proof the value of the asset.

We have not been advised of any specific capital expenditure allowances for the property throughout the term of our cash flow analysis. Further, we would expect any required works over the initial years would be minimal and potentially, any servicing or remedial works to building plant and services would be covered under warranties.

Notwithstanding, capital provisions and periodic works are necessary to maintain the quality of the building accommodation. We have applied the following allowance for such works, cognisant of the above factors and overarching costs incurred coinciding with lease expiry.

- We have incorporated a minimum capital expenditure allowance of **0.50%** of the total gross income per annum as a general contingency for building works to the exterior and services over the cash flow period.

Our adopted capital expenditure forecast is detailed as below:

Capital Expenditure Summary										
Year Commencing	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Period Beginning	Nov-20	Nov-21	Nov-22	Nov-23	Nov-24	Nov-25	Nov-26	Nov-27	Nov-28	Nov-29
Period Ending	Nov-21	Nov-22	Nov-23	Nov-24	Nov-25	Nov-26	Nov-27	Nov-28	Nov-29	Nov-30
<b>Budgeted Capital Expenditure</b>	-	-	-	-	-	-	-	-	-	-
Sinking Fund	3,886	3,948	3,953	3,959	4,034	4,114	4,198	4,284	4,372	4,462
Refurbishment on Expiry	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure</b>	<b>3,886</b>	<b>3,948</b>	<b>3,953</b>	<b>3,959</b>	<b>4,034</b>	<b>4,114</b>	<b>4,198</b>	<b>4,284</b>	<b>4,372</b>	<b>4,462</b>
Total 10 year capital expenditure										41,211
Total 10 year capital expenditure (\$/m <sup>2</sup> )										18
Total 10 year capital expenditure (% of Adopted Value)										0.28%
<b>Terminal Valuation (Start Year 11)</b>										
Budgeted Capital Expenditure										-
Sinking Fund (24 mths)										1,422
Refurbishment on Expiry (24 mths)										-
Terminal Value Capital Expenditure Allowances										1,422
<b>Total 10 year Capital Expenditure (Incl. terminal value Capital Expenditure Allowances)</b>										<b>42,633</b>
<i>Total 10 year Capital Expenditure (Incl. terminal value Capital Expenditure Allowances) - \$/m<sup>2</sup></i>										19
<i>Total 10 year Capital Expenditure (Incl. terminal value Capital Expenditure Allowances) - % of Adopted Value</i>										0.29%

We foresee this level of capital expenditure will future proof the building and ensure that it maintains its aesthetic appeal, structural integrity and hence, capital value in the future.

# 7. Market Overview

## 7.1 Economic Outlook

### Introduction

The 2020 Coronavirus (COVID-19) pandemic has led to significant implications on New Zealand and global economies. New Zealand has now officially entered a recession following two consecutive quarters of negative GDP. Following the first lockdown in April, New Zealand has fared better than forecasted and managed to recover with the help of financial support from the Government and fast elimination of the virus. However, following a recent resurgence in cases, the end of the wage subsidy extension and continued restrictions on international travel, a bleaker outlook for the coming months seems evident. There continues to be major disruption to export industries, global trade, the tourism sector, supply chain channels, business and consumer spending and sentiment, coupled with the uncertainty another outbreak may cause nationally.

The aftermath of the first COVID-19 outbreak has shown an increase in unemployment with job losses in various sectors, particularly the retail and tourism sector being the hardest hit. Unemployment figures are currently predicted to supersede the peak recorded during the Global Financial Crisis, and currently sits at 5.3% for the September 2020 quarter. Despite entering a recessionary period, the major stock market indexes have since recovered from its March plunge with investors optimistic of a swift economic recovery.

Gross Domestic Product (GDP) growth has fallen strongly as a result of the lockdowns and trade restrictions, resulting in a drop of 12.2% for the June 2020 quarter. Currently, the timeline for travel restrictions to ease is subject to considerable uncertainty. Tourism and international students directly account for approximately 5.0% of New Zealand's GDP and the restrictions on borders have greatly impacted the benefits this brings to the economy. Large conglomerates to smaller businesses have already closed as a result of the pandemic, while others have rolled out large scale redundancies, pay cuts and other schemes to reduce capital expenditure during the effective economic halt. Many businesses have remained viable and operational due to Government support with a wage subsidy and business loan scheme, where additional impact is likely to be felt when this support comes to an end.

The below table indicates the performance of the New Zealand economy over the previous six months:

Economic Indicator	Period	Rate	Forecasted Trends
GDP	Q2 2020 -Q3 2020	-12.2%	↓
CPI	Q2 2020 - Q3 2020	1.40%	↓
OCR	November 2020	0.25%	→
Unemployment Rate	Q2 2020 - Q3 2020	5.30%	↑
10 Year Bond Rate	November 2020	< 1.00%	→

### Migration

Since lockdown restrictions began in late March 2020 migrant arrivals and departures in New Zealand have dropped to low levels. New Zealand has full border restrictions in place, limiting people's ability to travel and only allowing citizens, permanent residents and a minimal number of exemptions into the country. According to the most recent figure, September 2020 saw a net migration gain of 67,700 with two in every three arrivals being a New Zealand citizen. The current net gain of New Zealand citizens is largely fuelled by people returning from overseas and restrictions making people unable to head offshore. Annual net migration estimates are being kept at high levels

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

due to the ongoing stay of people who arrived before border restrictions and these will be revised depending on whether these people stay in New Zealand or head back overseas.

## **Political**

The level of Government debt in terms of a percentage of Gross Domestic Product (GDP) has been steady at around 20 - 25% of GDP over the past four to five years and is currently sitting around 30% of GDP. This debt is forecasted to rise to 32% of GDP by the end of 2020. New Zealand's debt to GDP levels are relatively low in comparison to the United States which is above 110% and the United Kingdom above 100%. On 10 September 2020, Government borrowing costs went negative as a result of the bond tender 738. This perhaps reflects the lack of confidence fund managers have in the future of the economy and outlook for inflation. As a result of the pandemic, the Government announced the first of its 'stimulus packages' on 17 March 2020. This encompassed \$12.1b of proposed economic injection to cover \$500m for health, \$8.7b for businesses and jobs and \$2.8b for income support and boosting consumer spending. During the course of the lockdown further Government spending packages were announced including \$900m loan to supporting Air New Zealand, wage subsidy scheme increase from \$5.1b initially to \$13.9b, introduction of the Business Finance Scheme for business loans, \$130m tertiary student support package, \$3.1b tax loss carry-back scheme, \$1.4b trades and apprenticeship training and a \$1.1b environmental jobs scheme. The 2020 Budget allocated \$50b to the COVID-19 Response and Recovery Fund with the Government setting aside a further \$20.2b for future investment purposes to support the economic recovery. Trading Economics predicts Government debt in terms of GDP is expected to grow to 41% in 2021 and 47% in 2022. We are yet to witness the impact of the abovementioned spending and stimulus packages; however, these have generally been met with positive response and have softened imminent economic damage. In October, New Zealand held its General Election in which the Labour Party won the majority vote retaining Jacinda Ardern as New Zealand's Prime Minister.

## **Interest Rates & Inflation**

Prior to the global pandemic, given the downside risks associated with the effects of the USA Government closure and their extended trade-war with China, coupled with the slowdown in the Chinese economy, lower growth forecasts in Australia and the impacts of the inevitable Brexit plan, a global growth reduction was being witnessed. Nationally, the Reserve Bank announced a cut in the OCR from 1.5% to 1% in August 2019 and maintained this in the following two announcements, with the RBNZ stating "ongoing low interest rates were needed to keep inflation and employment close to their mandated targets".

Most recently, reacting to curtail an imminent economic recession, the RBNZ announced a reduction of 75 basis points to the OCR, reducing this to a new historic low of 0.25%, guaranteed for 12 months. The RBNZ's Monetary Policy Committee (MPC) noted that a negative OCR will become an option in the future, although at present financial institutions are not yet operationally ready. Additionally, the RBNZ quantitative easing programme has announced a total bond buy back policy from the Government capped at \$60 billion to ease monetary conditions.

Following the reduction in the OCR, most retail banks have passed on the entire 75 basis point cut to floating mortgage rates. Fixed interest rates have since followed suit, marketing historic lows for fixed mortgages. This should relieve some pressure on current borrowers and also incentivise some levels of additional investment. The access to capital is important if business and investment activity are to return to New Zealand's economy.

Inflation is now at approximately 1.4% for the year to September 2020, decreasing from 1.5% in June of 2020. The Monetary Policy Committee forecast annual inflation to continue to fall.

## Investment & Construction

Demand for residential construction leading up to the pandemic was still strong, mirroring the delayed response to rapid population growth in the last few years. Residential construction continues to move towards apartments and townhouses and is expected to intensify with the estimated housing shortage in Auckland reaching 34,000 dwellings. Residential building consents are up a further 12% over the past year. On the other hand, the construction sector is faced with the hurdle of reduced profitability, with cost and labour constraints restricting the ability for activity to escalate. Furthermore, we are yet to see the impact of the pandemic on the demand for new projects given the unknown impact on demand levels and values for end product. Housing construction is expected to slow in 2021 as developers become reluctant to expand further and existing work is completed.

In contrast, non-residential demand has been underpinned by office construction activity and refurbishment of retail outlets and industrial buildings. However, supply has not kept up with demand, with Canterbury a notable exception, which has seen vacancy rates falling to record low levels, specifically in Auckland and Wellington with corresponding increases in rent occurring. However, we are yet to witness the impact of the recent pandemic on rental levels and vacancy rates. Commercial construction is also expected to slow for office space and hotels as demand is predicted to decrease in the coming years, however increased Government spending in infrastructure will see some offset.

## Summary

The short-term projection for the New Zealand economy is very difficult to determine in light of recent events. With the ever-real presence of a flare up in COVID-19 cases, business operations for some are 'as usual' while others are restricted. The current increasing unemployment rate has not yet had an impact on market performance, however there is uncertainty about what will happen with the wage subsidy extension coming to an end. With the Government announcing that the New Zealand economy has entered a recession it is likely that we will see significant job losses, increased unemployment and increasing pressure on profitability for many businesses. It is likely the effects will be unevenly felt with some sectors such as food production, supermarkets, residential housing, and online sales and learning performing far better than expectations whilst others such as High Street retail and international tourism faring poorly. New Zealand's exit from recession will be linked to the global recovery which again is highly uncertain in terms of form and timing, and sensitively linked to the health response and uncertainty. It is apparent that many investors and consumers are entering a holding pattern, waiting to see the magnitude of the pandemic effect.

*Source: Bayleys Valuations, Statistics NZ, Interest, ASB, ANZ, NZIER, RBNZ, Westpac (18 November 2020)*

## 7.2 Market Commentary

As New Zealand transitions and exits uncharted waters following an earlier nationwide Lockdown period, businesses are needing to reassess the new business environment that we now all face. Many businesses will encounter difficulties, several have needed to change tack and pursue new opportunities, and invariably, some businesses will struggle as the wider global market has changed. Without doubt, the tourism and hospitality sectors have felt the brunt of the downturn due to border closures and the demise of international visitors.

Most Lessees sought some form of rental abatements to offset the lockdown period. Staff redundancies became widespread and layoffs occurred. Rents declined across all sectors during the initial period of uncertainty and the emergence of increasing vacancies over the following months stymied prospects for rental growth. Many landlords forewent rental increases in favour of tenant preservation.

Post lockdown, businesses have slowly reopened and a trade up period was endured as workers return to work and businesses resumed. For many businesses, the cost incurred was too great as supply orders were cancelled and imposed restrictions placed on normal business operations, this resulted in staff lay-offs. Lease renegotiations became prevalent and various rental abatement clauses and rent relief packages were negotiated as landlords endeavour to work with and retain existing tenants where possible.

As history illustrates, the market will eventually rebound, albeit some property classes and rents achieved will not be at those levels previously enjoyed for many years. Industrial property assets have rebounded well, being the standout property class performer. Many office occupants have needed to recalibrate their office footprint requirement as businesses adjust to what could be a more balanced office / home environment as individuals seek to work remotely following the lockdown period. Retailing has been more adversely affected by a sharp decline in consumer retail spend and lower passing foot traffic, as people are more accustomed to online retailing. Market dynamics will have altered, shopping and business work patterns have changed, higher unemployment will mean there is less disposal income in the market, and potentially, consumer habits may be refocused towards essential goods. A general downturn in globalisation will extend over many years as countries slowly get atop of this pandemic and restart their economies.

Over the past five years, there has been a slow imbalance brewing within the industrial sector, vacancy rates have been trending downward and many traditional industrial premises in prime locations have been repurposed to offer bulk retail type accommodation to appease this growth sector. New infrastructural projects have inflated demand, both from an occupation perspective but also with the withdrawal of property associated with the Petone to Grenada Link, flood protection works and the proposed Melling Interchange.

Accordingly, the Wellington region industrial sector has experienced solid rental growth over recent years, with increasing capital values and declining vacancy levels. Development of new stock is currently at relatively low levels largely due to the lack of Greenfield development opportunities outside of the existing prime industrial precincts. Elsewhere industrial utilised land is under pressure from 'higher value end use applications' such as commercial and residential.

Industrial rents fared well following the COVID-19 outbreak and although business activity may have paused, the industrial sector has been the most resilient. Ongoing demand is strong for prime industrial assets from tenants and investors alike and considering the physical limitations on new stock coming on stream, market pressure on quality warehouse stock is unlikely to abate.

Prime warehouse space tends to be concentrated near the main transport nodes such as Ngauranga, Grenada, Porirua and the Petone / Seaview area. With the roading upgrade to the State Highway 2 / Highway 58 interchange now completed, demand has recently extended to Silverstream primarily due to improved accessibility and

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

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upgrades to the nearby interchange. Completion of Transmission Gully will further enhance roading connections to/from Silverstream.

Without doubt, there are changing times ahead. Commercial property will be impacted but over what duration is uncertain. However, new opportunities will emerge. From an investment perspective, the decline in deposit rates on offer is likely to attract funds towards property in search of more favourable returns. Low interest rates have also enticed many parties previously leasing accommodation to consider owner-occupation alternatives in lieu of paying rent.

We foresee this trend continuing as interest rates are projected to remain at record low levels for many years. Despite there being some immediate uncertainty as the market 'resets', we foresee buyer appetite channelled towards those property classes accommodating more essential and resilient businesses, and to those properties with moderate to long term lease covenants at market aligned rents.

# 8. Rental Evidence

The traditional method of rental assessment is by comparison with similar premises that have recently been subject to new leasing deals or rent reviews. Adjustments are then made for factors at variance with those of the subject premises such as location, quality and presentation, size, lease terms and conditions and other pertinent factors.

## 8.1 Rental Evidence

We have considered a cross section of leasing transactions relating to comparable industrial properties within the Hutt Valley and wider Wellington locality. A summary of these transactions is detailed below:

410 Eastern Hutt Road, Silverstream, Upper Hutt							
Address	Suburb	Tenant (s)	Review Date	Accommodation	Floor Area (sqm)	Rate (\$/sqm)	Type
<b>Silverstream</b>							
<i>410 Eastern Hutt Road</i>	Silverstream	Northpower Limited	TBC	Office	764	\$250	NL
				Warehouse	1,498	\$190	
				Yard 1	5,818	\$35	
				Yard 2	1,470	\$35	
<i>410 Eastern Hutt Road</i>	Silverstream	Fliway Transport Limited	Aug-18	Office & Amenities	230	\$230	NL
				Logistics Warehouse & Cross Dock	2,205	\$150	
				Canopies	566	\$90	
				Yard/Circulation/Additional CP's	4,475	\$32	
<b>Seaview</b>							
<i>65 Seaview Road</i>	Seaview	Crown Worldwide (NZ) Limited	Nov-20	Office	304	\$240	NL
<i>43 Seaview Road</i>	Seaview	Champion Construction Ltd	Feb-20	Warehouse	1,934	\$150	NL
				Carparks	20	\$20	
				Warehouse (High/Low)	1,713	\$138	
<i>118 Hutt Park Road</i>	Gracefield	United Steel Ltd	Aug-18	Office & Amenities	119	\$184	NL
				Yard	1,860	\$30	
				Warehouse/Workshop	1,047	\$209	
<i>120 Hutt Park Road</i>	Gracefield	Globus Group NZ Ltd	Jul-18	Office & Amenities	150	\$311	NL
				Yard	2,002	\$36	
				Office	302	\$211	
<i>92-102 Hutt Road</i>	Kaiwharawhara	Geeves Scaffolding Ltd	May-20	Warehouse	1,800	\$176	NL
				Yard	800	\$30	
				Carparks	28	\$25	
<i>180-202 Hutt Road</i>	Kaiwharawhara	Flectchers Distributions (T/A PlaceMakers)	Apr-20	Office - Gnd & Mezz	469	\$346	NL
				Drive Through	2,201	\$286	
				Trade Hall/Showroom	1,043	\$306	
				Yard - Concrete	3,223	\$50	
				Carparks	29	\$35	
<b>Grenada North / Newlands / Ngauranga</b>							
<i>14 Jamaica Drive</i>	Grenada North	General Distributors Limited	Nov-20	Office	310	\$205	NL
				Warehouse (Converted Office)	350	\$205	
				Warehouse (11.4m to 12.4m stud)	2,533	\$158	
				Canopy	270	\$90	
				Yard & Parking	2,828	\$25	
<i>6 Hurring Place</i>	Newlands	New Zealand Defence Force (NZDF)	May-20	Office - Gnd & Lvl 1	1,008	\$230	NL
				Warehouse	1,383	\$196	
				Yard	260	\$40	
				Carparks (Open)	10	\$35	
<i>21 Jamaica Drive</i>	Grenada North	Excel Digital	Apr-19	Office	486	\$180	NL
				Warehouse (7m stud)	1,826	\$155	
				Carparks (Covered)	4	\$30	
				Carparks (Uncovered)	19	\$25	
				Carparks (Rear)	12	\$20	
<i>12 Hurring Place</i>	Newlands	City Fitness	Apr-19	Offices	485	\$230	NL
				Warehouse	3,432	\$168	
				Warehouse (Internal Carparks)	530	\$168	
				Carparks (Open)	75	\$26	

410 Eastern Hutt Road, Silverstream, Upper Hutt - 26 November 2020

The transactions shown above are briefly discussed as follows:

Our initial focus is on the subject property and others within the **Silverstream Business Park**.

**Northpower Ltd** have leased a newbuild facility for ten years with the lease providing two five-year renewal options thereafter. The base rental is stepped over years 1 and 2, increasing to \$673,122 p.a. net from year three. Thereafter, 2.00% annual increases are to occur from year four onwards with market reviews at renewal if exercised. The outgoing for the initial year are capped at \$50/sqm and annual rates at \$70,000 p.a. for years one to five.

Further north within the Business Park, **Fliways** relocated from Hurring Place to a new-build facility in 2018. The structure is setback on the site and provides a central large warehouse with front and rear canopies, a 230 square metre office component and extensive sealed and fenced yards. The 'L' shaped warehouse has a split stud height (approx. 6.0 and 10.0 metres) of roughly equal proportion. Office quality was tidy and modest featuring some A/C, carpet tiles, Plasterboard and Ply panel wall linings and recessed lights.

Leased for 12 years from August 2018, the rental is CPI adjusted annually with a mid-term market review and again at renewal. Two five-year renewal options are provided. The Lease contains a first right to purchase and an early termination clause in favour of the Lessee. If the termination clause is exercised, the Lessee is required to pay a significant break penalty payment.

Analysing the transaction factoring in moderate CPI growth indicates gross effective rents of \$230/sqm and \$150/sqm for the office and warehouse accommodation respectively. These rents reflect the initial 12-year term whereby the Lessee does not exercise their break option clause. The market reviews are subject to cap and collar provisions (90%/110%). This deal was concluded well before lease commencement and market rents have continued to firm as evidenced by comparable new lease data alongside.

Another timely letting involves **General Distributors Limited** entering an Agreement to Lease over **14 Jamaica Drive, Grenada North**. The property comprises a high stud warehouse building plus an adjoining office component situated on a level sealed site offering shared drive on truck access and secured surrounding yards. The 2,533 sqm warehouse has a stud height of circa 10.0 metres and the Lessor has installed two rapid close roller doors as per the tenant's requirements. The Lessee has funded and converted part of the former offices to a chiller (350 sqm), leaving approximately 310 sqm of offices for traditional use. Secured yards extend 2,828 sqm with controlled entry points. The Lessor commissioned minor works to the offices involving some repainting and new LED lighting.

General Distributors Ltd (Countdown) leased the premises for six (6) years from 1 November 2020 and have six (6) further three (3) year renewal options thereafter. The commencement rent is \$516,000 p.a. plus GST and the rent is subject to pre-set increases of 2.0% p.a. other than when a market rent review applies at each renewal date. Market rent reviews are subject to cap and collar provisions (90% collar, 110% cap) based on the rent payable immediately prior.

The net lease requires the Lessee to cover all outgoing. Actual outgoing are not available; however, we have sourced publicly available information where possible and included additional costs based on comparable evidence and industry levels to extrapolate a market aligned level of outgoing. Standard tenant and Landlord obligations prevail; the noted exception is that the Lessee shall reinstate that part of the building back to a carpeted lined office area including a suspended ceiling consistent with the balance of the office component at lease end.

Analysed on a total occupancy cost basis and factoring in the pre-set review mechanism indicates a gross rental of \$205/sqm for the office component and \$158/sqm for the warehouse accommodation before adjustments.

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

**Excel Digital** agreed to a nine-year sale and leaseback of their premises at 21 Jamaica Drive. The large industrial warehouse building was erected circa 2000 and features temperature and humidity control to part, with the warehouse providing a 7-metre stud. The Lease includes fixed 1.50% annual increases and three six-year renewal options.

**Crown Worldwide NZ Ltd** have committed to a nine-year net lease involving all the land and buildings at **65 Seaview Road** comprising warehouse, office and twenty carparks. Commencing from November 2020, the rental is subject to three-yearly market reviews and includes one four-year renewal option. The agreed annual rent is \$319,200 p.a. net plus \$20,800 p.a. for the carparks. The advised outgoings payable equate to circa \$53,000 p.a. and after factoring in a two-month rent free period, the analysed gross rents for the office and warehouse components equate to \$240/sqm and \$150/sqm respectively. Prior to commencement, the Lessor is required to install a security gate - we have not treated this as an inducement due to its ongoing utility and benefit to the property.

**Fire & Emergency** leased **6 Hurring Place** for a seven-year term commencing in late 2018, with the lease providing a further seven-year renewal option. The net lease requires the tenant to pay all outgoings which are capped at \$25/sqm for the initial year. The rent is pre-set over the initial three years, increasing from \$190,000 in Year 1 to \$220,000 in Year 2 and \$235,000 for Year 3. Thereafter, the net rent is subject to annual 1% increases.

**City Fitness** occupy the former Fliway and Mana Bus tenancies at **12 Hurring Place**. As part of the negotiation, City Fitness funded the demolition of the side lean-to building and convert the front portion of the existing warehouse component into a large gym. The rear part of the warehouse was retained and is utilised for internal carparking. The lease states that the rear warehouse component shall be treated as warehouse space in relation to future reviews. A large side sealed area will provide additional on-site parking.

**United Steel Ltd** occupy purpose-built facilities offering tidy air-conditioned office accommodation with a medium stud drive-through warehouse alongside. The warehouse is of concrete tilt slab construction and features gantry running rails affixed to the side walls allowing gantry hoist access over the entire warehouse component.

The former Turners Car Auction premises on Hutt Park Road has been partitioned and leased to Globus Industries and 880 Production. Both tenancies provide good quality office and high stud warehouse accommodation, including a latter addition to the rear that has a stud height of circa 11 metres plus.

## 8.2 Sundries Rental

The subject property has an additional sundry rental income stream derived from signage fronting Eastern Hutt Road. The vendor has underwritten this cashflow for a two-year six-month term from settlement at \$25,000 p.a. plus GST. We have adopted the underwritten rental as market but acknowledge that entities that lease billboards typically do so on a shared income basis, whereby the billboard entity secures parties wishing to advertise, but income voids are not uncommon are borne by both parties.

To account for this sporadic income stream, we have separated the signage cashflow and have treated this cashflow on a present value basis for the duration of the lease term certain.

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

### 8.3 Market Rental Conclusion

Having regard to the above evidence along with the individual characteristics of the subject property, we detail below our assessment of market rents, along with contract rents for comparison.

Northpower, 410 Eastern Hutt Road, Silverstream, Upper Hutt								
Component	Tenant	GLA (excl. yard)	Gross Passing Rent			Gross Market Rent		
			\$ p.a.	\$/sqm	prop.	\$ p.a.	\$/sqm	prop.
<b>Industrial Components</b>								
Offices	Northpower Limited	764 sqm	\$241,133	\$316	30.62%	\$213,920	<b>\$280</b>	27.57%
Warehouse	Northpower Limited	1,498 sqm	\$278,057	\$186	35.30%	\$299,600	<b>\$200</b>	38.62%
Yard 1	Northpower Limited	5,818 sqm*	\$209,448	\$36	26.59%	\$203,630	<b>\$35</b>	26.25%
Yard 2	Northpower Limited	1,676 sqm*	\$58,984	\$35	7.49%	\$58,660	<b>\$35</b>	7.56%
Subtotal - Industrial Components		2,262 sqm	\$787,622	\$348	100.00%	\$775,810	\$343	100.00%
<b>Sundry Components</b>								
Signage	IPOH New Zealand Limited Leaseback	N/A	\$25,000	N/A	100.00%	\$25,000	N/A	100.00%
Subtotal - Sundry Components		N/A	\$25,000	N/A	100.00%	\$25,000	N/A	100.00%
Combined Total Gross Income		2,262.00 sqm	\$812,622			\$800,810		

Adopted market rents are closely aligned to passing rents considering the timely nature of the Northpower agreement. Evidence outside of Silverstream Business Park reflects slightly lower rents due to the non new build type nature of these lettings.

# 9. Sales Evidence

## 9.1 Sales Evidence

In determining the market value of the subject property, we have considered a cross section of comparable investment sales that have occurred throughout the wider Wellington area.

A summary of these transactions is detailed below:

410 Eastern Hutt Road, Silverstream, Upper Hutt									
Address	Sale Date	Sale Price	NLA	WALT (yrs)	Initial Yield	Equivalent Yield	IRR	Net Rate	Land Area
<b>Northpower Ltd (Subject)</b> 410 Eastern Hutt Road, Silverstream, Upper Hutt	Under Contract	\$14,500,000	2,262 sqm	10.00 yrs	4.60%	4.60%	-	\$6,410 /sqm	9,648 sqm
<b>CDC Pharmaceuticals</b> 410 Eastern Hutt Road, Silverstream, Upper Hutt	Under Contract	Confidential	-	-	-	-	-	-	TBC
<b>General Distributors Ltd (T/A Countdown)</b> 14 Jamaica Drive, Grenada North, Wellington	Nov-20	\$10,850,000	3,193 sqm	6.00 yrs	4.76%	4.76%	5.84%	\$3,398 /sqm	9,180 sqm
<b>Downer New Zealand Ltd</b> 14-16 Makaro Street, Porirua	Oct-20	\$35,600,000	5,324 sqm	11.08 yrs	4.99%	4.74%	6.03%	\$6,687 /sqm	25,026 sqm
<b>Ultibend Industries Ltd</b> 15 Raiha Street, Porirua	Aug-20	\$5,200,000	3,730 sqm	5.66 yrs	6.12%	-	-	\$1,394 /sqm	7,564 sqm
<b>Fletcher Distribution Ltd (T/A PlaceMakers)</b> 180-202 Hutt Road, Kaiwharawhara, Wellington	Jun-20	\$23,500,000	3,713 sqm	8.81 yrs	4.63%	4.91%	5.85%	\$5,521 /sqm	10,660 sqm
<b>Geeves Scaffolding Ltd</b> 92-102 Hutt Road, Kaiwharawhara, Wellington	Apr-20	\$6,400,000	2,200 sqm	9.00 yrs	5.00%	6.17%	7.75%	\$2,909 /sqm	3,876 sqm
<b>City Fitness &amp; Office Max</b> 12 Newlands Road, Newlands, Wellington	May-19	\$13,220,000	4,927 sqm	13.26 yrs	6.25%	6.21%	-	\$2,683 /sqm	10,705 sqm
<b>NZ Defence Force, NZ Bus, Office Max et al.</b> 6 Hurring Place, Newlands, Wellington	Apr-19	\$12,809,370	5,191 sqm	3.98 yrs	6.93%	6.59%	-	\$2,468 /sqm	12,784 sqm
<b>Coca Cola, Rentokil and Desktop Imaging et al.</b> 32 Jamaica Drive, Grenada North, Wellington	Feb-19	\$13,400,000	2,670 sqm	1.85 yrs	6.06%	6.71%	-	\$5,019 /sqm	10,867 sqm
<b>Fliway Transport Ltd</b> 410 Eastern Hutt Road, Silverstream, Upper Hutt	Aug-18	\$10,750,000	2,435 sqm	12.00 yrs	4.42%	4.48%	5.74%	\$4,415 /sqm	7,097 sqm

The pertinent transactions shown above are briefly discussed as follows:

**14-16 Makaro Street Porirua** is a recent major industrial transaction, selling via Private Treaty in November 2020 for \$35,600,000 to Oyster Property Management. The property was purpose built for Downer New Zealand and completed in 2011 as their main Wellington office and depot servicing the Lower North Island. Situated on a 2.5026 ha site, the building offers circa 5,324 sqm of high-quality office and warehouse accommodation in approximate equal proportions, 44 basement carparks, 112 open carparks and some 16,510sqm of sealed fence yard.

The property is located at the eastern end of Makaro Street, in what is regarded as one of the newest industrial subdivisions in Porirua. Other national businesses occupy nearby premises, the Porirua Mega Centre and Shopping Centre are some 600 metres to the east, with SH 1 a further 300 metres away in a similar direction.

Downer's lease commenced in late 2010 and is for a term of just under 21 years; the current passing net income is \$1,757,786 p.a. and the rental is subject to structured two yearly reviews. The income stream is protected by a hard ratchet in relation to the market review scheduled for November 2021. The lessee bears all property outgoings including a pre-set management fee linked to the annual rent payable.

The property was widely marketed and generated strong buyer interest as a function of the 11.08-year WALT and pre-set rental growth. Purchased for syndication purposes, this transaction supports the emerging trend of sub 5.00% yields, analysed to indicate a market equivalent yield of 4.74%, a passing yield of 4.99% and an IRR of 6.04%.

**14 Jamaica Drive, Grenada North** has recently sold off-market to a local investor for \$10,850,000, indicating an initial yield of 4.76%. The property was leased to General Distributors Limited (T/A Countdown) for a six-year term at \$516,000 p.a. net and provides tidy warehouse and office accommodation occupying an elevated position above

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

Takapu Road. The lease provides six further terms of three years each and is subject to pre-set review mechanisms of 2% p.a. with market reviews upon renewal. As part of the Agreement to Lease, the Vendor has reconfigured the former northern office component to provide part cool store/chiller warehouse accommodation and refurbished office and amenities to the balance. Overall, this transaction is considered useful in reinforcing the shift in yields post COVID-19 involving good quality stock with solid WALTs (by income).

**15 Raiha Street** is a large industrial property leased to Ultibend Industries Ltd under a 10-year lease agreement commencing April 2016. The 3,370 square metre industrial asset is positioned on a 7,564 square metre regularly shaped allotment and provides modern warehousing accessed via a generous yard area at the rear of the property. Office and amenities are located at the front of the premises over the ground and first floors and are presented to a tidy standard. The property sold for \$5,200,000 to a Taranaki based investor at an initial yield of 6.12%, this transaction exemplifies the depth of buyer demand for quality commercial/industrial assets that are subject to strong lease covenants.

**PlaceMakers Kaiwharawhara** comprises two buildings, the northern structure is a newly constructed high specification trade merchant warehouse occupied by Fletcher Distribution Limited with associated customer carpark, a staff drive through/goods lane to the rear and an open trade yard alongside the southern entrance. The ex-PlaceMakers building is located to the city end of the site and provides a short-term holding income of \$25,000 + GST per month for a term of eight months. The structure is earthquake prone and has a NBS% Rating of 15%. Discussions with involved agents advise the purchaser is intending to demolish existing improvements and redevelop to provide modern equivalent bulk-retail type accommodation.

PlaceMakers entered into a new nine-year lease commencing 1 April 2020 at a net rental of \$950,000 p.a. The Lease is subject to fixed 2.5% yearly increments and market reviews upon renewal. The net lease requires the Lessee to cover all standard property outgoings and includes three six-year renewal options beyond the initial term.

The property sold for \$23,500,000 by Deadline Private Treaty to a private investor and received 15 total offers, 6 of which were unconditional. Deducting a \$3,000,000 allowance for the rear ex-PlaceMakers portion of the site indicates an initial yield of 4.63%, equivalent yield of 4.91% and an IRR of 5.85% when applying market rents. The property provides a WALT (by income) of 8.81 years.

Overall, the property is a quality asset with value upside, leased to a national tenant and is centrally located. Despite market uncertainty relating to COVID-19, the transaction demonstrates strong appetite for new-build premises which offer both investment fundamentals and potential for future add-value opportunities.

**15 Raiha St, Porirua** comprises a 3,730 square metre industrial property situated on a large 7,564 square metre site with 66 carparks alongside. Sold to a Taranaki based investor for \$5,200,000, the property had a solid WALT of 5.7 years in place to Ultibend Industries Limited at \$318,000 p.a. net, deriving an initial yield of 6.12%. The net lease ensures near-full recovery of property related outgoings and the lease offers two further terms of five years each with a final expiry to occur in April 2036.

Oyster Property purchased **12 Newlands Road**, signing the S&P agreement in May 2019 with settlement occurring in late October 2019. The building comprises what was originally high stud modern warehouse space that is currently being re-purposed as a gym facility leased to City Fitness as the anchor tenant. The 6.5 metre stud warehouse is of standard tilt slab and iron construction with a low pitched long run iron roof. Extending along the front is a two level, north facing office amenities block featuring a suspended ceiling, internal stairs, partially partitioned and amenities.

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

City Fitness have leased the majority of the property (3,932 square metres plus carparks) under a 15 year net lease, subject to fixed 2% p.a. rental increases and an initial net start rent of \$730,580 p.a. The lease offers two six-year renewal options, outgoings are capped and the tenant received nine months base rent free from the April 2019 commencement date.

Office Max Limited occupy a 375 square metre office component plus five carparks under a three year net lease expiring November 2019. The lease includes a further three year renewal option and the passing net rent is \$95,625 p.a. The building has a NBS% score of 80%.

The property sold for \$13.22 million, indicating an initial yield of 6.25% and a market yield of circa 6.21% factoring in inducements and applying market rents across all components.

**6 Hurring Place** is situated at the top of Ngauranga Gorge and was originally constructed in the late 1980s, comprising four adjoining mixed use buildings offering tidy office accommodation along the frontage with high stud warehouse to the rear. Refurbished and strengthened in recent years, existing tenants include the NZ Defence Force, NZ Bus, Office Max, NZ Fire Service and Magritek. Lease terms are staggered and extend out to 2029, all contain renewal options and the NZ Defence Force lease includes a tenant initiated break option.

Based on the current passing rent, the sale indicates an initial yield of circa 6.9% and a market yield of 6.59% applying market rents across all components. This property is well presented and offers scope to be further subdivided. The property overall provides tidy office and warehouse accommodation with good connections to major arterial roading and the city.

**32 Jamaica Drive, Grenada North** comprises three sites that were developed between 2010 and 2013. Each site contains a standalone building leased to national tenants including Coca Cola, Rentokil and Desktop Imaging and NZ Micrographic Services. The buildings offer a combination of workshop/warehouse and office accommodation, lease terms are staggered, and the indicated WALT (by income) at the date of sale equates to 1.85 years. All leases are reviewed to market at their respective renewal dates, two leases include structured annual reviews thereafter and two leases are net ensuring full recovery of outgoings.

The property sold to an Auckland party for \$13,400,000, indicating an initial yield of 6.06% and a potential market yield of 6.71% based on market applied rents.

## 9.2 Sales Reconciliation

We are also cognisant of other major investment transactions that have been brokered within the Wellington region in recent times. Whilst these deals relate to high dollar quantum assets, we're witnessing a yield compression across all property classes which offer attractive investment fundamentals despite the current economic backdrop.

Notably, NZX listed Stride Property Group have secured an unconditional agreement over A-Grade office tower, Grant Thornton House on Lambton Quay for \$84.5M representing an initial yield of 5.92%. Furthermore, the same party is understood to be paying \$228M for the new Deloitte building on Wellington's waterfront, signifying an initial yield of 4.47% - a record price for an office building within Wellington.

In finalising our adopted market capitalisation rate, we are privy to confidential details regarding the impending sale of CDC Pharmaceuticals located to the north of Fliway's within the subject business park. Leased for fifteen years and subject to annual rental increases, the property is under contract at a record yield and further solidifies the strength within the industrial market seeking quality assets.

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

# 10. SWOT Analysis

We have considered and summarised the key positive and negative features associated with the subject property. This process assists in determining the appropriate yield and adopted rates for valuation.

Strengths	Opportunities
<ul style="list-style-type: none"> <li>• Modern new-build asset with solid NBS% Rating.</li> <li>• Strong 10-year lease covenant with pre-set 2% annual increases commencing from the 4<sup>th</sup> anniversary.</li> <li>• Vendor guarantee ensures continuity of cashflow during initial two-year period.</li> <li>• General scarcity of quality industrial stock available within market.</li> <li>• Prevailing low interest rate environment has driven heightened demand for industrial investment assets, further fuelled by investor FOMO (fear of missing out).</li> <li>• Shortage of vacant/developable industrial land confines speculative new-build development leading to further upward pressure on net effective rents.</li> <li>• Good connectivity to secondary roading (i.e. SH2 and The Haywards interchange).</li> <li>• Located within up-and-coming business park/industrial precinct with well established national and international tenants.</li> <li>• Developed by reputable property developer with proven track record.</li> </ul>	<ul style="list-style-type: none"> <li>• Underutilised land components offering scope for development and further value upside.</li> <li>• Capitalise on frontage to Eastern Hutt Road through implementation of digital billboards.</li> <li>• New Zealand's response to COVID-19 has enhanced its international reputation as an investment 'safe haven', likely to spur greater international interest in local assets.</li> </ul>
Weaknesses	Threats
<ul style="list-style-type: none"> <li>• High office-to-warehouse ratio relative to other industrial assets of this scale.</li> <li>• Signage cashflow is perceived as a 'riskier' income stream and may be unsustainable over the long-term.</li> <li>• Purpose-built nature of accommodation may preclude some operators.</li> <li>• Location not ideal for some occupiers due to connectivity to major roading (i.e. SH1).</li> </ul>	<ul style="list-style-type: none"> <li>• Uplift in rates and insurance costs may erode net effective rental growth.</li> <li>• Market correction may lead to a rebound in yields diminishing capital value/equity.</li> <li>• Offshore and local factors having a negative impact on the domestic economy and property values.</li> <li>• Unknown impact of economic fallout from COVID-19 Pandemic and volatile financial markets.</li> </ul>

## 10.1 Conclusion of Valuation Metrics

We consider that using the Income Approach, a market capitalisation rate of **4.60%** and discount rate of **6.00%** would be appropriate.

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

# 11. Valuation Approach

In arriving at our concluded value, we have considered relevant general and economic factors and have in particular investigated a summary of sales of comparable properties.

There are two key approaches to valuation of commercial and industrial property, these being the Market Approach and Income Approach.

The appropriate method of valuation under the Market Approach is the Sales Comparison Method. The appropriate methods of valuation under the Income Approach include the Capitalisation of Income Method and Discounted Cash Flow Method.

In some instances, a third approach known as the Cost Approach is applicable, the appropriate method under this approach is the Depreciated Replacement Cost (DRC) method.

In this case we consider the following approaches and applicable methods most appropriate.

## 11.1 Capitalisation of Income Method

For property that is income producing, the primary method of valuation is the Capitalisation of Income Method. This method is market-derived and considers both sales and leasing evidence in order to determine the current market value. This method involves capitalising the actual contract and/or potential net income at an appropriate market derived rate of return. In situations where the contract rental varies from our assessed market rent the rental surplus or shortfall is calculated on a present value basis and adjusted against the capitalised value. The capitalised value may also be adjusted for costs associated with vacancy/part vacancy if this exists or is pending.

In determining an appropriate market yield for the subject, we have regard to market demand for the type of asset stock, commercial/industrial rental levels, along with general allowances for the scope of future rental growth, competition and location.

It is important to realise that the basis of any value is very much derived from a number of factors such as the quality and security of income, the degree of risk associated with the prospect of both an increase in rental and/or capital gain and the attractiveness of the investment as compared to other forms of investment available in the market place.

We summarise our calculations under this method as follows:

### Market Capitalisation Method

Gross Market Income		\$775,810
Less Adopted Outgoings		(\$114,500)
<b>Net Income</b>		<b>\$661,310</b>
Capitalised @	4.60%	<b>\$14,376,304</b>
<b>Capital Value Adjustments</b>		
<b>Rent Adjustments</b>		
	Present Value of Rental Reversions	95,250
	Capital Value of Special Income	53,465
<b>Deferred Commencement Tenancies</b>		
	Letting Up Allowances	(10,644)
<b>Capital Expenditure</b>		
	Capital Sinking Fund Allowance <i>24 months</i>	(6,289)
<b>Total Capital Value Adjustments</b>		<b>\$131,782</b>
<b>Indicated Market Value</b>		<b>\$14,508,086</b>
<b>Adopt</b>		<b>\$14,510,000</b>

### Sensitivity Analysis

Capitalisation Rate	Market Value
4.85%	\$13,770,000
<b>4.60%</b>	<b>\$14,510,000</b>
4.35%	\$15,340,000

## 11.2 Discounted Cash Flow Method

This form of analysis allows an investor or owner to make an assessment of the long term return that is likely to be derived from a property with a combination of both rental and capital growth over an assumed investment horizon.

In undertaking this analysis, a wide range of assumptions are made including a target or pre-selected internal rate of return, rental growth, refurbishment costs, vacancies, costs associated with the initial purchase of the property and also its disposal at the end of the investment period.

Whereas the Investment Method capitalises income at a specific point in time, the DCF permits us to make allowances and forecasts over a predetermined investment period. The estimated cash flows including the reversionary value estimate at the end of the investment period are then discounted to provide the property's net present value.

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

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10 year investment horizon.

Our critical DCF assumptions are:

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

Market Rental	We have adopted market rents as outlined the preceding section of this report.
Rental Growth	<p>In adopting our rental growth forecasts we have had regard to several key factors, namely:</p> <ul style="list-style-type: none"> <li>• Market and prevailing business confidence;</li> <li>• New business growth;</li> <li>• Market trends and occupier preferences, and</li> <li>• Prevailing and forecasted vacancy levels.</li> </ul> <p>As noted above, we have applied a growth rate to rental at an average of <b>2.67%</b> per annum.</p>
Terminal Yield	We have adopted a terminal capitalisation rate of <b>5.10%</b> which sits <b>50 basis points</b> above our market capitalisation rate of <b>4.60%</b> , reflecting the property will be 10 years older upon terminal sale.
Discount Rate	<p>In this instance we have applied a Discount Rate of <b>6.00%</b> which includes a reasonable risk premium inherent with direct property investment and its illiquidity compared with other forms of investment.</p> <p>Additionally, in determining a suitable Discount Rate to apply we have been mindful of analysed IRR of comparable sales.</p>
Capital Expenditure	<p>We have made an annual allowance reflecting <b>0.50%</b> of the gross annual income of the property in order to account for general capital expenditure requirements which are not recovered under the current lease document.</p> <p>Generally, a refurbishment works allowance would be factored into our calculations coinciding with lease expiry allowing for light levels of refurbishment. Given the subject property is a new-build asset, we have made nil allowance for this component and have relied upon the aforementioned percentage of gross annual income allowance to cover such work.</p>
Vacancy / Letting Up	In terms of letting up periods for future lease expiries, a term of <b>4 months</b> has been allowed although we have also assumed a current lease renewal probability of <b>75%</b> . In addition, leasing fees have been applied.

We summarise our calculations under this method as follows:

Discount Cash Flow Method Summary										
Year Commencing	1	2	3	4	5	6	7	8	9	10
Period Beginning	Nov-20	Nov-21	Nov-22	Nov-23	Nov-24	Nov-25	Nov-26	Nov-27	Nov-28	Nov-29
Period Ending	Nov-21	Nov-22	Nov-23	Nov-24	Nov-25	Nov-26	Nov-27	Nov-28	Nov-29	Nov-30
Industrial	\$663,773	\$673,122	\$673,122	\$673,122	\$686,397	\$700,125	\$714,128	\$728,410	\$742,979	\$757,838
<b>Base Passing Rent</b>	<b>\$663,773</b>	<b>\$673,122</b>	<b>\$673,122</b>	<b>\$673,122</b>	<b>\$686,397</b>	<b>\$700,125</b>	<b>\$714,128</b>	<b>\$728,410</b>	<b>\$742,979</b>	<b>\$757,838</b>
<b>Recoveries</b>										
Secured recoveries	\$113,509	\$116,456	\$117,502	\$118,645	\$120,380	\$122,671	\$125,470	\$128,430	\$131,489	\$134,642
<b>Recoveries</b>	<b>\$113,509</b>	<b>\$116,456</b>	<b>\$117,502</b>	<b>\$118,645</b>	<b>\$120,380</b>	<b>\$122,671</b>	<b>\$125,470</b>	<b>\$128,430</b>	<b>\$131,489</b>	<b>\$134,642</b>
<b>Other Income</b>										
Special Income	\$25,000	\$25,000	\$12,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Income</b>	<b>\$802,282</b>	<b>\$814,578</b>	<b>\$803,124</b>	<b>\$791,767</b>	<b>\$806,777</b>	<b>\$822,797</b>	<b>\$839,598</b>	<b>\$856,841</b>	<b>\$874,468</b>	<b>\$892,480</b>
<b>Outgoings</b>										
Statutory expenses	\$72,377	\$73,230	\$73,888	\$74,606	\$75,697	\$77,138	\$78,898	\$80,760	\$82,683	\$84,666
Operating expenses	\$42,723	\$43,226	\$43,614	\$44,039	\$44,683	\$45,533	\$46,572	\$47,671	\$48,806	\$49,976
<b>Outgoings</b>	<b>\$115,100</b>	<b>\$116,456</b>	<b>\$117,502</b>	<b>\$118,645</b>	<b>\$120,380</b>	<b>\$122,671</b>	<b>\$125,470</b>	<b>\$128,430</b>	<b>\$131,489</b>	<b>\$134,642</b>
<b>Net Income before Capital Expenditure</b>	<b>\$687,183</b>	<b>\$698,122</b>	<b>\$685,622</b>	<b>\$673,122</b>	<b>\$686,397</b>	<b>\$700,125</b>	<b>\$714,128</b>	<b>\$728,410</b>	<b>\$742,979</b>	<b>\$757,838</b>
<b>Capital Expenditure</b>										
Sinking Fund	\$3,886	\$3,948	\$3,953	\$3,959	\$4,034	\$4,114	\$4,198	\$4,284	\$4,372	\$4,462
<b>Capital Expenditure</b>	<b>\$3,886</b>	<b>\$3,948</b>	<b>\$3,953</b>	<b>\$3,959</b>	<b>\$4,034</b>	<b>\$4,114</b>	<b>\$4,198</b>	<b>\$4,284</b>	<b>\$4,372</b>	<b>\$4,462</b>
<b>Net Income after Capital Expenditure</b>	<b>\$683,296</b>	<b>\$694,174</b>	<b>\$681,669</b>	<b>\$669,163</b>	<b>\$682,364</b>	<b>\$696,011</b>	<b>\$709,930</b>	<b>\$724,126</b>	<b>\$738,606</b>	<b>\$753,376</b>

Terminal Valuation Summary	
Gross Market Income	\$997,036
Less Adopted Outgoings	(\$136,435)
Net Market Income	\$860,601
Less Vacancy Factor	0.00%
Net Income	\$860,601
Discount Rate	6.00%
Terminal Capitalisation Rate	5.10%
Core Capital Value (fully leased)	\$16,874,529
Capital Value Adjustments	(\$125,920)
Capitalised Value	\$16,748,608
Disposal Costs	(\$188,422)
Net Sale Proceeds	\$16,560,187

Adopted DCF Value	
Rounded NPV	\$14,530,000
10 Year IRR	6.00%

Discounted Cash Flow Summary	
Sum of Cash Flows (after Capex & Adj.)	\$7,032,716
Sum of Discounted Cash Flows	\$5,315,098
Present Value of Terminal Value	\$9,247,122
NPV (before acquisition costs)	\$14,562,220
Less Acquisition Costs	(\$36,315)
<b>NPV (after acquisition costs)</b>	<b>\$14,525,905</b>

10 Year Sensitivity Matrix					
	6.50%	6.25%	6.00%	5.75%	5.50%
5.60%	\$ 13,198,172	\$ 13,444,172	\$ 13,696,139	\$ 13,954,237	\$ 14,218,636
5.35%	\$ 13,575,487	\$ 13,830,460	\$ 14,091,635	\$ 14,359,183	\$ 14,633,280
<b>5.10%</b>	\$ 13,989,794	\$ 14,254,619	<b>\$ 14,525,905</b>	\$ 14,803,829	\$ 15,088,576
4.85%	\$ 14,446,813	\$ 14,722,506	\$ 15,004,945	\$ 15,294,315	\$ 15,590,810
4.60%	\$ 14,953,509	\$ 15,241,251	\$ 15,536,055	\$ 15,838,115	\$ 16,147,635

Adopted Growth Rates										
10 Year Avg.	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>CPI Growth</b>										
<b>1.77%</b>	1.30%	1.00%	0.75%	1.30%	1.70%	2.20%	2.40%	2.30%	2.50%	2.25%
<b>2.67%</b>	1.88%	2.29%	2.35%	2.83%	3.04%	2.90%	2.84%	2.87%	2.82%	2.88%

### 11.3 Summary of Valuation Approaches

We summarise the above valuation approaches and methods as follows:

Valuation Method	
Capitalisation of Income	\$14,510,000
Discounted Cash Flow	\$14,530,000
<b>Market Value</b>	<b>\$14,525,000</b>

# 12. Valuation Conclusion

Bayleys Valuations Limited confirms that we undertook an inspection of the property at **410 Eastern Hutt Road, Silverstream, Upper Hutt**, on 26 November 2020, in order to assess the Market Value for Mortgage Security, Capital Raising and Financial Reporting Purposes.

Subject to the critical assumptions and comments noted within this report, we hereby assess the Market Value of the abovementioned property to be:

**Fourteen Million, Five Hundred and Twenty-Five Thousand Dollars  
(NZ\$14,525,000)  
plus GST (if any)**

We confirm that the above valuation has been expressed on a plus GST (if any) basis. Further, our valuation excludes all selling costs and is not reliant upon any outstanding lease incentives.

## 12.1 Valuation Analysis

Net Rate	\$6,421 per sqm
Initial Yield	4.63%
Equivalent Yield	4.59%
IRR	6.00%

## 12.2 Signatory

We thank you for your instructions in this matter and if you require any further assistance, please contact the undersigned.

Prepared By  
Bayleys Valuations Limited



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410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

# 13. General Principles

Valuation Standards	This valuation has been performed in accordance with International Valuation Standards - IVS (effective 31 January 2020), and the relevant Australia and New Zealand Valuation and Property Standards as approved by the New Zealand Institute of Valuers (NZIV) Council. The definition of Market Value as defined by the International Valuation Standards (IVS) effective 31 January 2020 is “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.
Valuation Basis	No allowances are made in our valuations for any expenses of realisation or to reflect the balance of any outstanding mortgages either in respect of capital or interest accrued thereon.
Information Supplied	The valuation assumes as being complete and correct information provided to us by the sources detailed in our report on any relevant matters including, without limitation, items such as rents, operating expenses, tenure, tenancies and tenant’s improvements. We accept no responsibility, however, for the completeness and accuracy of information provided to us.
Documentation	Our inspection has included searching of the Certificate(s) of Title and if appropriate and where available, the ground and/or building lease(s) and other relevant tenancy schedules and documents. We recommend that reliance should not be placed on our interpretation thereof without prior verification by your lawyers.
Title	Unless specifically stated in the report, we assume that each property has a good and marketable title and is free from any pending litigation. We further assume that all documentation is satisfactorily drawn and that there were no unusual or onerous restrictions, easements, covenants or other outgoing which would adversely affect the value or negotiability of the relevant interest(s).
Title Boundaries	We have not carried out a detailed site survey and we have of necessity assumed for the purposes of the valuation that all structural improvements have been erected within the Title Boundaries. We do not undertake a measurement of the site or survey but calculate the site areas by reference to identified boundaries of the property and the appropriate Record of Title.
Resource Management Act 1991	Our valuation is on the basis of uses indicated on our copies of the Transitional District Plan, Proposed District Plan and District Plan (as the case may be) and our enquiries of the Territorial Authority as to any Resource Consents for the land.
LIM & PIM	Unless otherwise stated, we have not obtained a Land Information Memorandum (LIM) or Project Information Memoranda (PIM) from the Territorial Authority.  It is considered an obligation of the recipient of the report to request a Land Information Memorandum from the appropriate local authority and search legal registrations on the relevant Record of Title, in order to satisfy themselves as to the suitability of the property for their specific purpose.
Valuation	The valuation provided is our opinion of the market value. This value may change in the future due to market conditions and changes to the state of the property.  For the purposes of our valuation we have assumed there will be no adverse market changes in the short to medium term.
Validity	Should a period of greater than three months elapse from the date of preparation of the report, it is recommended that the person to whom it is addressed seek confirmation from the Valuer concerned that the valuation can still be relied upon in context of relevant current market situation. Failing to do so will nullify the validity of the report as well strict reliance upon a copy of the same unless previously agreed to in writing between us and the recipient and/or end user.  If a copy of the report is relied upon, we cannot guarantee the accuracy of the same which could be at variance with the original document. Furthermore, the reference to the 3 month time period does not imply that the value will remain static during this time.  From the perspective of Bayleys Valuations Ltd, this valuation is valid by valuer signature only.

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

Practising Certificate	This valuation has been carried out by a Registered Valuer carrying a current practising certificate.
Insurance	BVL hold Professional Indemnity cover that is at a level accepted by our large corporate clients and banks and it is at/or above industry standards. A copy of our certificate is available upon request.
Acceptance of Reports	The use of this report by the client/instructing party for market value/mortgage purposes in its current format is deemed an acceptance by the same of all value, terms, conditions and specification contained herein unless advised to the contrary immediately.
Inspections	We undertake such inspections and conduct investigations as are, in our opinion, correct in our personal judgement, appropriate and possible in the particular circumstance.
Legislation	Building Act 2004, Health and Safety at Work Act 2015, Fire Safety and Evacuation of Buildings Regulations 2006, Disabled Persons Community Welfare Act 1975. Unless otherwise stated in our report, our valuation is on the basis that the property complies with this legislation or it has no significant impact on the value of the property.
Structural Surveys	The valuation report does not purport to be a structural survey and we accept no responsibility for the omission of building or other defects which may not be apparent without such a survey.
Deleterious Materials	Unless stated in our report, we do not carry out investigations to ascertain whether any building has been constructed or altered using deleterious materials or methods. Unless notified, our valuations assume that no such materials or methods have been used (e.g. asbestos, PCBs).
Site Conditions	We do not carry out investigations on site in order to determine the suitability of ground conditions and services, nor do we undertake environmental or geotechnical surveys. Unless notified to the contrary, our valuations are on the basis that these aspects are satisfactory and also that the site is clear of underground mineral or other workings, methane gas or other noxious substances. In the case of properties which may have redevelopment potential, we assume that the site has load bearing capacity suitable for the anticipated form of redevelopment without the need for additional and expensive foundations or drainage systems.
Environmental Contamination	Our valuations assume that no contaminative or potentially contaminative use is, or ever has been, carried out at the property. Unless specifically instructed, we do not undertake any investigation into the past or present uses of either the property or any adjoining or nearby land, to establish whether there is any potential for contamination from these uses and assume that none exists.
Plant & Machinery	Our valuations include items usually regarded as forming part of the building and comprising fixtures, such as lifts, boilers, heating, ventilation, air conditioning, water, drainage, electrical, lighting, fire detection and sprinkler systems. We have assumed the fixtures are in proper working order and functioning for the purpose for which they were designed.
Taxation, 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.  In respect to Goods and Services Tax we specifically draw your attention to the fact that our valuation is on the following basis: <ul style="list-style-type: none"> <li>• Non Residential - Market and rental valuations are (unless otherwise stated) carried out on the basis that valuation is plus GST (if any).</li> <li>• Residential - Market and rental valuations are (unless otherwise stated) carried out on the basis that the valuation includes GST (if any).</li> </ul>
Publication	Neither the whole nor any part of our reports, nor any reference thereto, may be included in any published document, circular or statement, nor published in any way without any written approval of the form and context of such publication or disclosure. Such approval is required whether or not Bayleys Valuations Ltd referred to by name and whether or not the reports are combined with others.

410 Eastern Hutt Road, Silverstream, Upper Hutt - **26 November 2020**

# Appendix

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1. Record of Title



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



  
R.W. Muir  
Registrar-General  
of Land

**Identifier** 350250  
**Land Registration District** Wellington  
**Date Issued** 06 November 2007

**Prior References**  
WN56A/386

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**Estate** Fee Simple  
**Area** 8.9630 hectares more or less  
**Legal Description** Lot 2 Deposited Plan 387512  
**Registered Owners**  
Nautilus Properties Limited

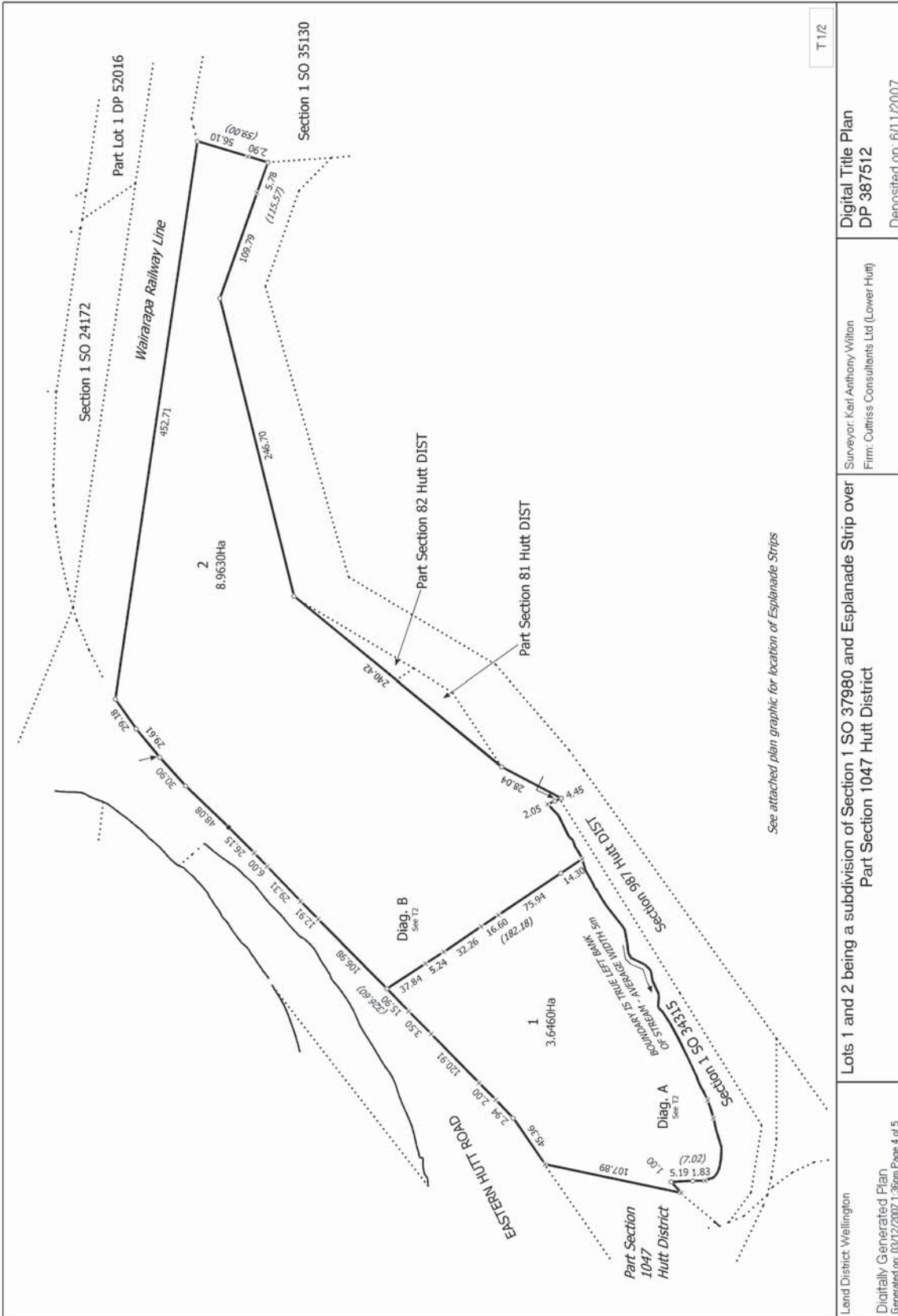
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**Interests**

Subject to Part IV A Conservation Act 1987  
Subject to Section 11 Crown Minerals Act 1991  
7603937.1 Consent Notice pursuant to Section 221 Resource Management Act 1991 - 6.11.2007 at 9:00 am  
Subject to a right (in gross) to convey electricity over part marked H on DP 387512 in favour of Vector Wellington Electricity Network Limited created by Easement Instrument 7603937.6 - 6.11.2007 at 9:00 am  
The easements created by Easement Instrument 7603937.6 are subject to Section 243 (a) Resource Management Act 1991  
Subject to a right (in gross) to convey gas over part marked J on DP 387512 in favour of Powerco Limited created by Easement Instrument 7603937.7 - 6.11.2007 at 9:00 am  
The easements created by Easement Instrument 7603937.7 are subject to Section 243 (a) Resource Management Act 1991  
7603937.8 Esplanade Strip Instrument pursuant to Section 232 Resource Management Act 1991 - 6.11.2007 at 9:00 am  
Fencing Covenant in Transfer 7643278.1 - 12.12.2007 at 9:30 am  
7643278.2 Mortgage to Westpac New Zealand Limited - 12.12.2007 at 9:30 am  
10960850.2 Variation of Mortgage 7643278.2 - 20.11.2017 at 3:20 pm  
11126650.1 Variation of Mortgage 7643278.2 - 14.6.2018 at 3:46 pm  
11180302.1 Notification that a building consent issued pursuant to Section 72 Building Act 2004 identifies Inundation as natural hazard - - 23.7.2018 at 7:00 am  
11642126.1 Notification that a building consent issued pursuant to Section 72 Building Act 2004 identifies inundation as a natural hazard - 16.12.2019 at 7:00 am  
11642126.2 Notification that a building consent issued pursuant to Section 72 Building Act 2004 identifies inundation as a natural hazard - 16.12.2019 at 7:00 am  
Land Covenant (in gross) in favour of Upper Hutt City Council created by Covenant Instrument 11743067.1 affecting part marked A on DP 543834 - 4.5.2020 at 11:32 am  
11855647.1 Notification that a building consent issued pursuant to Section 72 Building Act 2004 identifies inundation as a natural hazard - 9.9.2020 at 7:00 am

11912649.1 Notification that a building consent issued pursuant to Section 72 Building Act 2004 identifies inundation as a natural hazard - 3.11.2020 at 7:00 am

11912677.1 Notification that a building consent issued pursuant to Section 72 Building Act 2004 identifies inundation as a natural hazard - 3.11.2020 at 7:00 am



T 1/2

Digital Title Plan  
DP 387512

Surveyor: Karl Anthony Wilton  
Firm: Cuttriss Consultants Ltd (Lower Hutt)

Lots 1 and 2 being a subdivision of Section 1 SO 37980 and Esplanade Strip over  
Part Section 1047 Hutt District

Lend District: Wellington  
Digitally Generated Plan  
Generated on: 03/12/2007 1:35pm Page 4 of 5

Deposited on: 6/11/2007



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IN ASSOCIATION WITH  **Knight  
Frank**

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