

BAYLEYS

IN ASSOCIATION WITH



Market Valuation Report

**ASB Bank Limited
102 Langley Road, Wiri, Auckland**

Prepared by
Bayleys Valuations Limited
31 March 2021



Valuation Summary

Property Address	102 Langley Road, Wiri, Auckland
Client	ASB Bank Limited
Additional Parties	Kiwibank Limited Industrial and Commercial Bank of China Limited Bank of China Limited Pacific Property Fund Limited
Instructing Party	Lloyd Clark
Purpose of Valuation	To assess the Market Value for financial reporting and mortgage security purposes
Basis of Valuation	Fair Value, by applying Market Value
Valuation Approach	Income Approach
Legal Description	Freehold Record of Title: Identifier NA94B/209 ; Lot 3 Deposited Plan 156858.
Interest Valued	Freehold
Zoning	Business – Heavy Industry
Date of Inspection	11 February 2021
Date of Valuation	31 March 2021

Property Summary

The property comprises a medium scale manufacturing warehouse located at the intersection of Langley and Mayo Road. The land encompasses a total area of approximately 8,530 sqm with two access points off Langley Road and a single access point off Mayo Road.

Improvements to the land were completed in the early 2000's offering medium stud warehousing with a single level of associated offices attached to the buildings frontage. The site has a density ratio of approximately 32% with balance areas utilised for parking, circulation and yard storage purposes.

At the date of inspection, the subject property was occupied by Pilehire Limited on a ten year net lease that commenced in October 2020 for \$538,000 plus GST per annum. The lease includes two further five-year rights of renewal with rent reviews being one yearly fixed at 1.50% increases and four yearly market reviews. The tenant has a remaining WALT of 9.56 years.

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:

**Twelve Million Dollars
(NZ\$12,000,000)
plus GST (if any)**

102 Langley Road, Wiri, Auckland – 31 March 2021

Valuation Summary

Property Details

Lettable Floor Area	2,706 sqm		
Total Land Area	8,530 sqm	Zoning	Heavy Industry

Financial Analysis

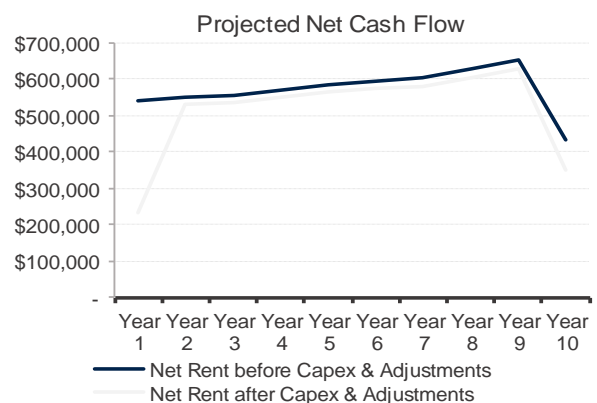
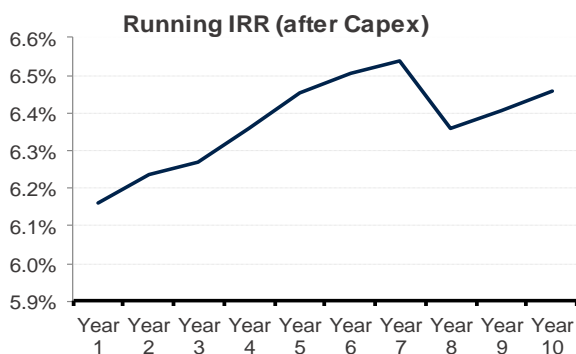
Net Passing Income	\$538,000	Adopted Outgoings	\$40,597
Net Market Income	\$539,650	Adopted Gross Passing Income	\$578,597
NPI + Mkt on Vacancies	\$538,000	Adopted Gross Market Income	\$580,247
Vacancy	0%		

Valuation Approaches

Market Capitalisation Method	\$12,100,000		
Discounted Cash Flow Method	\$11,960,000	Adopted Value	\$12,000,000

Valuation Analysis

Market Capitalisation Rate	4.35%	Capex (PV over 10 years)	\$482,534
Initial Yield	4.48%	Lease Renewal Prob	50.00%
Equivalent Market Yield	4.39%	Mkt Growth (10 yr avg)	2.55%
Discount Rate	6.50%	CPI Growth (10 yr avg)	1.80%
Ten Year IRR	6.46%	Vacancy Allowance	6 months
Terminal Yield	4.47%	WALT (Income)	9.56 years
Net Rate (\$ per sqm)	\$4,434	WALT (Area)	9.56 years



Valuer Involvement

Valuer	Position	Inspection	Calculations	Reporting
Carl Waalkens	Director - Registered Valuer	Yes	Yes	Yes
Samuel Cameron	Valuer	Yes	Yes	Yes

102 Langley Road, Wiri, Auckland – 31 March 2021

Contents

1. Introduction	5	- 5.2 Occupancy and Vacancy	21
- 1.1 Instructions	5	6. Financial Summary	22
- 1.2 Basis of Valuation	5	- 6.1 Lease Expiry Analysis	22
- 1.3 Liability and Confidentiality	6	- 6.2 Operating Expenditure	22
- 1.4 Information Sources	6	- 6.3 Capital Expenditure	23
- 1.5 Compliance Statement	6	7. Market Overview	24
- 1.6 Previous Sale	7	- 7.1 Economic Outlook	24
- 1.7 Previous Valuation	7	- 7.2 Market Commentary	27
2. Property Details	8	8. Rental Evidence	31
- 2.1 Legal Description	8	- 8.1 Rental Evidence	31
- 2.2 Site Description	9	- 8.2 Yard Rental Evidence	34
- 2.3 Locality	10	- 8.3 Market Rental Conclusion	35
- 2.4 Zoning	11	9. Sales Evidence	37
- 2.5 Highest and Best Use	12	- 9.1 Sales Evidence	37
3. Environmental and Statutory	13	- 9.2 Sales Summary	39
- 3.1 Earthquake Compliance	13	10. SWOT Analysis	40
- 3.2 Contamination	14	11. Valuation Approach	41
- 3.3 Asbestos	14	- 11.1 Capitalisation of Income Method	41
- 3.4 Building Warrant of Fitness	14	- 11.2 Discounted Cash Flow Method	43
- 3.5 Statutory Valuation	15	- 11.3 Summary of Valuation Approaches	45
- 3.6 Hydrology	16	12. Valuation Conclusion	46
4. Improvements	17	- 12.1 Valuation Analysis	46
- 4.1 Property Description	17	- 12.2 Value Apportionment	46
- 4.2 Construction	18	- 12.3 Mortgage Recommendation	46
- 4.3 Internal Finishes	18	- 12.4 Signatory	47
- 4.4 Building Services	18	13. General Principles	48
- 4.5 Floor Areas	19	Appendix	50
5. Lease Details	20	Appendix	51
- 5.1 Lease Documentation	20		

102 Langley Road, Wiri, Auckland – 31 March 2021

1. Introduction

1.1 Instructions

In accordance with instructions received from Lloyd Clark on behalf of ASB Bank Limited, we have assessed the Market Value of the property at **102 Langley Road, Wiri, Auckland**, for financial reporting and mortgage security purposes.

We can confirm that this report and our valuation can be relied upon for finance purposes and 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 11 February 2021. Our valuation is for financial reporting purposes and is effective as at 31 March 2021. Our valuation assumes that there are no significant physical or market changes between the date of inspection and our effective date of valuation.

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 11 - 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.”

We have adopted the IFRS 13 definition of “Fair Value” as follows:

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

This definition of “Fair Value” is generally synonymous with the term “Market Value” as defined in the International Valuation Standards – IVS (effective 31 January 2020) as:

“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.

102 Langley Road, Wiri, Auckland – 31 March 2021

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:

- ASB Bank Limited
- Kiwibank Limited
- Industrial and Commercial Bank of China Limited
- Bank of China Limited

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
District Planning Controls	Local Territorial Authority
Lease Documents	PMG Property Funds Management Limited – Prissillia Woe

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.

102 Langley Road, Wiri, Auckland – 31 March 2021

1.6 Previous Sale

We are not aware of any sale of this property in the last three years. Although we understand that the property was under contract subject to vacant possession in July 2020. Although we have requested a copy of the executed S&P agreement this has not been provided to us nor has the purchase price been disclosed to us.

1.7 Previous Valuation

We have previously valued this property, most recently in July 2020 at **\$10,700,000** plus GST (if any).

2. Property Details

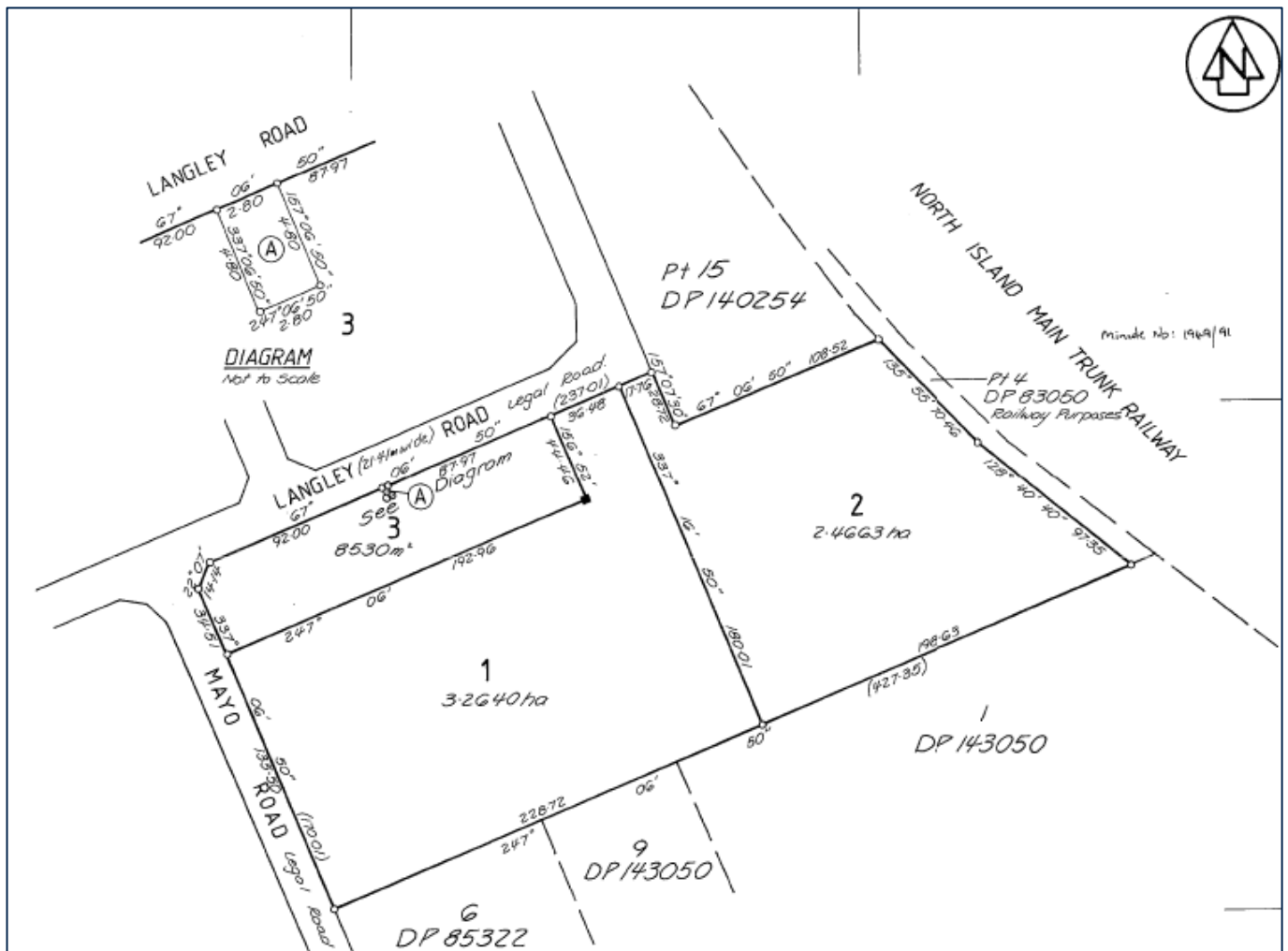
2.1 Legal Description

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

Identifier	NA94B/209.
Estate	Fee Simple.
Legal Description	Lot 3 Deposited Plan 156858.
Land Area	8530 square metres (more or less).
Registered Owners	Mikro Holdings Limited
Interests	<ul style="list-style-type: none"> • Appurtenant hereto is a right of way created by Deed 64203 (28M.513) • Subject to an electricity right (in gross) over part marked A on DP 156858 in favour of The Auckland Electric Power Board created by Transfer C419984.2

We have noted all the above easements and encumbrances and have taken them into account in our valuation assessment. We refer you to the Record of Title in the Appendices of this report.

The Title Plan is shown below:



102 Langley Road, Wiri, Auckland - 31 March 2021

2.2 Site Description

We summarise the site details as below:

Shape and Site Area	A regular shaped corner site of approximately 8,530 square metres.
Approximate Frontages	Langley Road - 190 metres more or less. Mayo Road - 45 metres more or less.
Site Ratio	32% coverage ratio.
Topography	Site contour is essentially level across the site.
Services	All standard utility services, telecommunications, drainage and water connections are connected or available in the nearby streets.
Access	Pedestrian and vehicular access is gained from both frontages.
Subsoil	The site is assumed to be on firm natural ground for the purposes of our valuation.

The site is indicated below (we note the grassed area to the north-western portion of the site has since been converted to metalled yard area):



102 Langley Road, Wiri, Auckland – 31 March 2021

2.3 Locality

We summarise the locality details as below:

Location	Established South Auckland suburb of Wiri, characterised by light and heavy industry activities.
Situation	The subject is situated in a corner profile position to the southern side of Langley Road and eastern side of Mayo Road. Main access to the site is via dual points along Langley Road with additional access achieved from Mayo Road.
Surrounds	<p>The predominating use of the area is industrial with a mixture of light and heavy industrial activities. To the east and most significantly east of the main trunk railway line is existing industrial development having been constructed through the 1990's to 2000's. More modern industrial development has continued to be constructed along Roscommon Road and to the western side of Roscommon Road.</p> <p>Significant greenfield industrial development is occurring in close proximity to the north-west and west of the subject continuing to push north-west towards Auckland Airport over the industrial and future urban zoned land. We note that Wiri has become the focus of modern development over recent times, with land located within the Roscommon Road and McLaughlins Road precinct having been rapidly developed by way of medium scale industrial facilities, largely as a result of the scarcity of industrial land supply within Auckland.</p> <p>The area has good access to a large workforce from the surrounding suburbs with both skilled and unskilled labour.</p>
Motorway / Public Transport	The subject is located along Roscommon Road, a main arterial route which has direct access to the South-Western motorway approximately 1.4 kilometres north of the subject.
Summary	Well-located in an established and growing industrial precinct of south-Auckland.

The locality is indicated below:



102 Langley Road, Wiri, Auckland – 31 March 2021

2.4 Zoning

The Auckland Council came into effect 1 November 2010 and covers the wider Auckland area, previously controlled by seven Territorial Authorities. The Auckland Unitary Plan is a new planning framework which has been developed, containing policies and controls for future development. First developed in draft format, Council subsequently notified the Proposed Unitary Plan. Following a hearings process, recommendations were made to Council by the Independent Hearings Panel (IHP). The Council reviewed these recommendations, and publicly notified its decisions on 19 August 2016, releasing the 'decision version' of the Unitary Plan. A small appeal period was available for issues excluding designations, closing on 16 September 2016. Extended appeal periods were given for council and non-council designations. Council has since released a 'Operative in part' version of the Unitary Plan on 15 November 2016, which has subsequently been updated with the latest version of the operative in part plan.

Territorial Authority	Auckland Council
District Plan	Auckland Unitary Plan – Operative in Part
Zoning	Heavy Industry Zone
Zone Description	<p>Heavy Industry Zone provides for industrial activities that may produce objectionable odour, dust and noise emissions. Air quality emissions standards that are different to the rest of Auckland will often apply. A low level of air quality amenity applies in the Heavy Industry Zone. A key attribute of the zone is that it contains sites large enough to accommodate large-scale industrial activities.</p> <p>Activities sensitive to air discharges and activities sensitive to noise are not appropriate in the zone and buildings are expected to have a mainly functional standard of amenity. The zone is typically located close to key freight routes.</p>
Permitted Activities	<p>Permitted activities categorised by activity include, but not limited to;</p> <ul style="list-style-type: none"> • Accommodation - Workers Accommodation • Commerce - Dairies (up to 100sqm gross floor area), Food and Beverage (up to 120 sqm gross floor area), Offices (accessory to the primary activity), Retail (accessory to the primary activity), Service Stations • Community – Tertiary Education (accessory to an industrial activity on site) • Industry - Industrial Activities.
Zone Development Controls	<p>Height Limit – Must not exceed 20 metres</p> <p>Height to Boundary Limit – Buildings must not project beyond a 35 degree recession plane measured from a point 6m vertically above ground level along the boundary of the residential zones, open space zones, Māori Purpose Zone or School Zone.</p> <p>Front Yard Setback – 2 metres</p>
Additional Controls	Controls: Macroinvertebrate Community Index - Urban
Overlays	<p>Natural Resources: High-Use Stream Management Areas Overlay [rp]</p> <p>Natural Resources: High-Use Aquifer Management Areas Overlay [rp] - Manukau Waitemata Aquifer</p> <p>Natural Resources: Quality-Sensitive Aquifer Management Areas Overlay [rp] - Wiri Volcanic Aquifer</p>

Designations	Designations: Airspace Restriction Designations - ID 1102, Protection of aeronautical functions - obstacle limitation surfaces, Auckland International Airport Ltd
Modifications	<i>Nil</i>
Property Specific Appeals	<i>Nil</i>

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

The current use which is industrial is considered to be the highest and best use of the site.

We note that the site may be more intensively developed in the future given the low site coverage ratio and expansion areas (subject to consent approval).

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

Auckland is located in a low Seismic Risk Area. Time frames for owners to do seismic work on earthquake-prone buildings are shown above. We note priority buildings don't 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.

102 Langley Road, Wiri, Auckland – 31 March 2021

The seismic rating of a building is an important factor, affecting its leasing potential, saleability and value. A rating of at least 66% NBS is desirable, although some tenants will only occupy a building if the IEP is 70% or higher.

The property's seismic rating has not yet been assessed and we have therefore undertaken our valuation on the assumption that it does indeed sit above 66% NBS. If this assumption is proved incorrect at a later date we reserve the right to amend our valuation accordingly.

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.

The valuation stated within this report assumes there are no potentially hazardous materials on site (such as hazardous chemicals, toxic waste or asbestos) that could, if present, adversely impact upon property values. We can accept no responsibility should such substances be located on the property, as a registered Valuer is not adequately qualified to detect substances of this type.

3.3 Asbestos

During the course of our inspection, no asbestos was evident on site (but we are not experts in this area). 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.

3.4 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 not been provided with a copy of the Building Warrant of Fitness. Therefore our valuation continues on the basis that the property is fully compliant with statutory requirement and does in fact benefit from a current BWOF, if one is required at all.

3.5 Statutory Valuation

The latest Rating Valuation which was undertaken as at 1 July 2017 is as follows:

Land Value	\$3,500,000
Improvements Value	\$1,250,000
Capital Value	\$4,750,000
Rates 2020/2021 (excl. GST)	\$24,357.84 per annum

These assessments represent part of a mass appraisal, normally without any form of inspection. The Rating Valuation is reviewed on a three yearly basis. The next review was due on 1 July 2020 however the Valuer-General has agreed to Auckland Council's request to defer its 2020 general revaluation for one year because of difficulties caused by COVID-19.

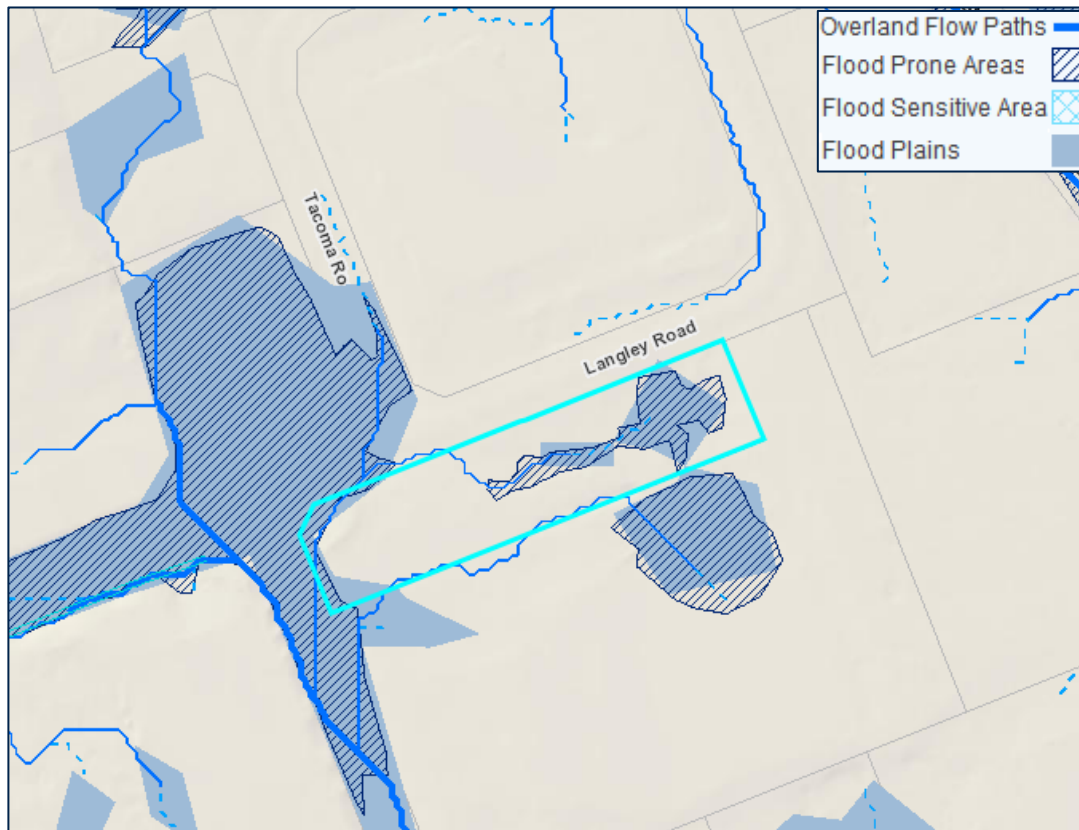
3.6 Hydrology

Auckland Council provide property mapping of potential flood risk during major rain events, created by the Stormwater Hydraulic Modelling Team last updated September 2013. Auckland Council further provide the below definitions of these various risk areas:

Overland Flow Path	Indicates the predicted path stormwater takes in a rain event, as it flows downhill over the land.
Flood Plain	Indicates areas predicted to be covered by flood water as a result of a rainstorm event of a scale that occurs on average once every hundred years. These areas have been produced from hydraulic modelling.
Flood Prone	Flood prone areas are topographical depressions. The areas occur naturally, or are created by dammed gullies created by man-made features such as roads and railway embankments. The flood prone extent is the area water will pond up to in a 1% Annual Exceedance Probability (AEP) extreme rainfall event assuming the outlet to the topographical depression is blocked.
Flood Sensitive	Areas adjacent to the 100 year ARI (Average Return Interval) floodplain that are within 0.5 metres of the predicted 100 year ARI flood level. These mapped areas are to ensure the appropriate planning rules are considered for properties developing adjacent to the floodplain.

We note the site is situated within a flood prone and flood plan area with two overland flow paths travelling through the site.

The site is indicated below:



102 Langley Road, Wiri, Auckland – 31 March 2021

4. Improvements

4.1 Property Description



External



Rear Yard



Front Yard

The property comprises a circa 2000's built industrial premises that offers clear-span accommodation utilised as manufacturing space. The warehouse provides medium to high stud accommodation. We note that three gantry cranes run the full length of the warehouse with a stud height to the underside of approximately five metres.

Construction comprises reinforced concrete flooring with full height tilt-slab walls. Steel RSJ portal frames support a single gable roof line with long-run profile metal spaced with translucent panel inserts. Lighting throughout is provided via high-output hanging bulbs from the roof supplemented by good levels of natural light.

Access to the warehouse is via two automatic roller doors fronting Langley Road and a third roller door leading to Mayor Road.



Internal - Warehouse



Internal - Warehouse



External Roller Door

A small office is located at the front of the warehouse providing a single level. Access is provided directly from the front carpark leading to a small reception and sign-in area. Two offices are located off the front lobby beyond which is a kitchenette and ablution facilities. The office is presented on a suspended ceiling and painted plaster basis with flooring being a combination of carpets and vinyl.

Lighting throughout the offices is by way of recessed fluorescent tubes, supplemented by good levels of natural lighting from exterior glazing.

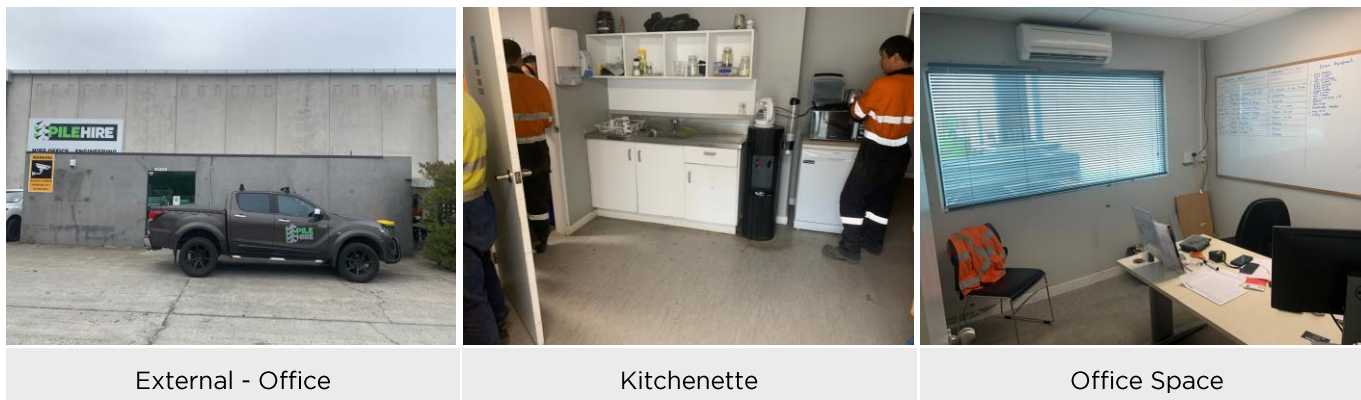
A small courtyard, adjacent to the cafeteria provides outdoor seating area.

Balance areas not improved by the building are predominantly loose metal sealed to provide yard storage, circulation and some carparking. Additionally the site is fully secured with interlaced wire mesh fencing and security

102 Langley Road, Wiri, Auckland – 31 March 2021

gates. We are aware that the tenant intends to construct an electrified fence around the perimeter as well as adding an additional roller door, we have excluded these improvements from our valuation as being tenant works.

A grassed area at the intersection of Langley and Mayo Roads is to be converted into additional yard at the landlords expense. Our valuation continues on the basis that all landlord works have been completed as at the date of valuation.



External - Office

Kitchenette

Office Space

4.2 Construction

Foundations	Reinforced concrete pad foundation.
Floors	Concrete with carpet and vinyl overlay to offices.
Structural Frames	Steel RSJ portal frames.
External Cladding	Alucabond panels (or similar) to offices plus full height tilt-slab to warehouse.
Joinery	Powder coated aluminium joinery.
Roof	Long run profile metal supported by Steel RSJ portal framing.

4.3 Internal Finishes

Flooring	Vinyl flooring to office and amenities, exposed concrete to warehouse.
Walls	Plasterboard lined in office.
Ceilings	Plasterboard lined in office.
Lighting	Combination of suspended incandescent bulbs and suspended LED lights to warehouse.

4.4 Building Services

Amenities	Lunchroom and kitchenette with separate male & female wc's.
Power	Three phase.
Fire Protection	Hand-held fire extinguishers, fire hose reels and smoke / heat detectors.
Air Conditioning	Hi-wall mounted air-conditioning unit in offices.

102 Langley Road, Wiri, Auckland – 31 March 2021

Carparks

Located on a concrete pad at the front of the offices

Condition & Repair

The property presents to a good standard commensurate with age and use. Upon inspection we noted no obvious maintenance concerns or capital expenditure requirements.

4.5 Floor Areas

We have previously completed an onsite measure of the subject improvements in July 2020 which we measure in accordance with the PCNZ and PINZ Guide for the Measurement of Rentable Areas, June 2013 revision, Method 4: Industrial Type Premise. We summarise our adopted rentable areas as follows:

Component	Floor Area	Proportion
Office	61.35 sq m	2.27%
Warehouse	2,645.09 sq m	97.73%
Yard	3,850.00 sq m	-
Total Area (Excl. Yard)	2,706.44 sq m	100%

5. Lease Details

5.1 Lease Documentation

Pilehire Limited

We have been provided with a copy of the following lease documents;

- Deed of Lease (2020)

The above have been perused and are held on file. The salient details are summarised as follows:

Form of Lease	ADLS Deed of Lease Sixth Edition 2012 (5).
Tenant / Lessee	Pilehire Limited.
Premises	102 Langley Road, Wiri, Auckland.
Carparks	N/A.
Term	Ten (10) years.
Commencement Date	21 October 2020.
Initial Expiry Date	20 October 2030.
Rights of Renewal	Two (2) further rights of renewal of five (5) years each.
Renewal Dates	21 October 2030 and 21 October 2035.
Final Expiry Date	20 October 2040.
Commencement Rental	\$538,000 plus GST and outgoings per annum.
Current Passing Rental	\$538,000 plus GST and outgoings per annum.
Rent Review Provision	Annually - Fixed 1.50% increases (excluding market rent review dates). Four (4) yearly - Market.
Ratchet Clause	Hard.
Proportion of Outgoings	Net lease.
Business / Permitted Use	Warehousing, manufacturing and office and yard.
Additional Clauses	Clause 49 - Bank Guarantee - The tenant shall provide a trading bank guarantee in the form of a guarantee utilised by the trading bank, such form to be reasonably approved by the Landlord, for a total sum in aggregate equal to \$269,000 plus GST being six (6) months occupancy costs under the Lease excluding GST. The Bank Guarantee must be provided to the Landlord prior to the Commencement Date.
Landlord's Works	<ul style="list-style-type: none">• Flatten out the grass area of the property and cover it with gravel.• All rubbish and steel scrapings removed from the yard area and the yard area levelled and covered with gravel.• The wash pits emptied and cleaned.
Tenant's Works	<ul style="list-style-type: none">• Install one roller door and one gantry.• Place containers on the sited.• Install lights and electric fencing in the yard.
Fixtures and Fittings	Lessor's fixtures and fittings include: <ul style="list-style-type: none">• Gantrys and 2 x 7.5 tonne gantry cranes

102 Langley Road, Wiri, Auckland - 31 March 2021

The remaining fitout is assumed to be the lessee's improvements, which have been excluded in our assessment.

5.2 Occupancy and Vacancy

Vacancies

At the time of our inspection, the subject building was 100% occupied.

Outstanding Reviews/Incentives

We have not been advised of any outstanding rent-free periods or incentive payments due as at our date of valuation.

Monthly Tenancies

There are currently no monthly tenants within the subject property.

Arrears

We have not been advised of any significant rental arrears within the subject property.

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

The property is currently occupied by a single tenant returning \$538,000 per annum plus GST and outgoings with a remaining term of 9.56 years on an income basis. We detail below the associated operating expenses and capital expenditure.

6.1 Lease Expiry Analysis

We have undertaken a detailed lease expiry analysis of the subject building relating to occupied areas only. The indicated WALT and lease profile by income and area is summarised below:

	Income Basis	Area Basis
WALT	9.56 years	9.56 years

Long WALT is attractive to potential investors.

6.2 Operating Expenditure

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

We have not been provided with a schedule of detailed operating expenses for the subject property. Therefore we have made OPEX allowances based on our understanding of comparable properties in the surrounding and wider area and or based on industry benchmarks.

Where possible we have searched Council databases to establish current rates that apply to the subject property.

Our adopted Operating Expenses are summarised in the table below:

Outgoings Schedule	Budget	Adopted (Budgeted)		
	\$ pa.	\$/m ² pa.	\$ pa.	\$/m ² pa.
Statutory Expenses				
Municipal/Council Rates	24,358	9.00	24,358	9.00
Total Statutory Charges	24,358	9.00	24,358	9.00
Operating Expenses				
Miscellaneous	16,239	6	16,239	6
Total Operating Expenses	16,239	6.00	16,239	6.00
Total Recoverable Outgoings	40,597	15.00	40,597	15.00
Total Outgoings	40,597	15.00	40,597	15.00

The above OPEX allowances are considered to fall in line with normal expectations for this asset class. We note that our adopted budget has been forecasted over the 10 year Discounted Cashflow Period impacting on the net cashflow position of the property during times of vacancy.

6.3 Capital Expenditure

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

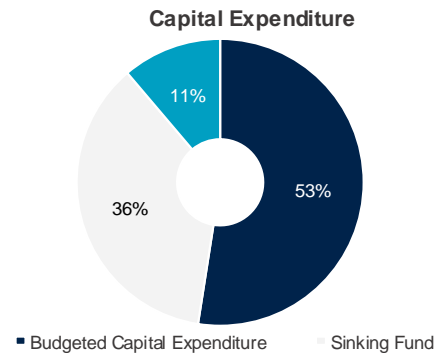
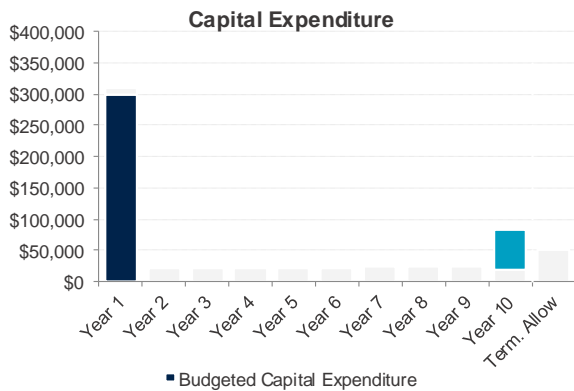
We have not been advised of any specific capital expenditure allowances for the property throughout the term of our cash flow analysis.

We note however, refurbishment works are necessary to maintain the quality of the building accommodation. Allowances for such works normally coincide with lease expiry and are summarised as follows:

- We foresee cosmetic refurbishment work would be required at lease expiry and have applied a refurbishment allowance of **\$20** per square metres (in today’s dollars), discounted by a renewal probability factor of 50%.
- We have incorporated a minimum capital expenditure allowance of **3.50%** of the total gross income per annum as a general contingency for building works to the exterior and services over the cash flow period. This sum is applied to those years where planned Capex does not exceed this threshold.

Our adopted capital expenditure forecast forms part of the Valuation in Detail in our appendices, and are summarised as below:

Capital Expenditure Summary										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	1-Apr-21	1-Apr-22	1-Apr-23	1-Apr-24	1-Apr-25	1-Apr-26	1-Apr-27	1-Apr-28	1-Apr-29	1-Apr-30
	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Capital Expenditure										
Budgeted Capital Expenditure	300,000	-	-	-	-	-	-	-	-	-
Sinking Fund	10,259	20,686	21,000	21,517	22,088	22,427	22,771	23,595	24,545	18,787
Refurbishment on Expiry	-	-	-	-	-	-	-	-	-	64,058
Total Capital Expenditure	310,259	20,686	21,000	21,517	22,088	22,427	22,771	23,595	24,545	82,845
Total 10 year capital expenditure										571,732
Total 10 year capital expenditure (\$/m ²)										211
Total 10 year capital expenditure (% of Adopted Value)										4.76%
Terminal Valuation (Start Year 11)										
Sinking Fund (24 mths)										49,622
Terminal Value Capital Expenditure Allowances										49,622
Total 10 year Capital Expenditure (Incl. terminal value Capital Expenditure Allowances)										621,354
Total 10 year Capital Expenditure (Incl. terminal value Capital Expenditure Allowances) - \$/m ²										230
Total 10 year Capital Expenditure (Incl. terminal value Capital Expenditure Allowances) - % of Adopted Value										5.18%



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 forecast 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 sit 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 annual drop 2.2% to the September 2020 year however it was a quarterly increase of 14.0% on Q2. Currently, the timeline for travel restrictions to ease is subject to considerable uncertainty. Tourism and international students directly account for approximately 5% 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	Q3 2020	-2.20%	↑
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 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

102 Langley Road, Wiri, Auckland - 31 March 2021

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 10th 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 (22 December 2020)

7.2 Market Commentary

Introduction

Auckland's industrial property sector regained operations with a reduction in Government Alert Levels moving into the Q3 2020 until community cases arose, restricting personal movement on 11 August 2020. The most affected area was Auckland which resulted in a mandatory Alert Level 3 whilst the rest of New Zealand were subject to Alert Level 2. At the end of Q3, Auckland moved to Alert Level 2 and the rest of the country to Alert Level 1. Since the end of Q3 Auckland has returned to normal Alert Level 1 and industrial operations have continued at similar levels that were being achieved prior to the pandemic with little change shown in key determinants of Auckland's Industrial Property Sector.

Whilst there seems to be no major changes in key variables since COVID-19 was announced as a worldwide pandemic on the 11th March 2020, the distinction between the prime and secondary sector has continued to increase. High demand for new built developments – and more specifically design-build projects – accompanied with scarcity of land, has created an increasing disparity between the two classes.

Vacancy rates throughout the year have been downward trending. They did however slightly increase leading into the 3Q from 1.4% to 2.1%, and 1.6% to 2.5% for prime and secondary, respectively. An increasing trend throughout Q4 2020 is unlikely due to increased demand and competition for industrial property.

Rent and incentives have remained relatively stable over the last few quarters. Impacts on operations and revenue for tenants has seen a shift in power to maintain occupancy. Yields are expected to continue to contract in the following quarters due to demand and competition driving prices up, whilst rental income remains constant.

Demand

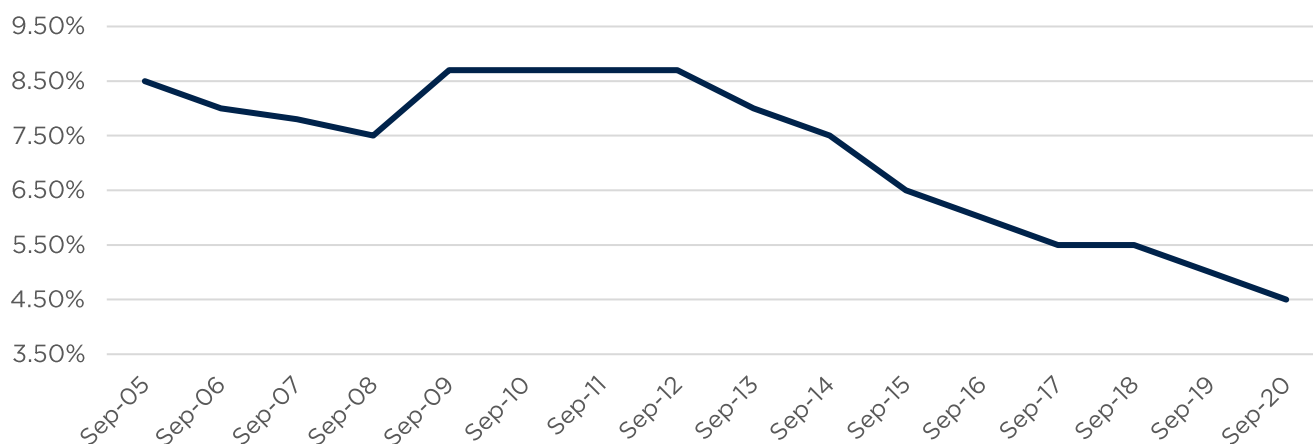
Economic restrictions due to COVID-19 periodically decreased demand as cash flows were severely impacted. The first half of the year was exposed to increases in vacancy which varied throughout different areas of Auckland. However, in the second half of 2020 vacancies declined as cash flows returned, with more capabilities to rent and purchase industrial property. Prime vacancy rates decreased from 2.1% to 1.2%, and secondary stock vacancy was 2.5% post Alert Level 2. This indicated an increase in demand as revenue streams for businesses re-emerged. Looking into the future, we believe vacancy rates will continue to hover around similar levels.

Demand from investors is still very much focussed on prime stock. Investors and owner-occupiers had a continued focus on location. Businesses are continuing to seek higher quality buildings with many showing pre-commitment to industrial developers and willing to pay a premium. The secondary market also continued to experience high demand from owner-occupiers as well as smaller private investors. Precincts such as East Tamaki and Wairau Valley continue to produce low vacancy rates and high rental income, reflective of demand trends.

Average yields for both prime and secondary stock have decreased and are expected to for the short term. Affected revenue for many businesses over 2020 has resulted in lower rental income for the short term. However, competition in the sales market has increased the market value of prime and secondary industrial property. As a result, the yield range for prime and secondary property is 4.4% – 5.3% and 5% - 6.2% respectively.

Further we outline the Auckland Regions prime industrial yield trends below:

Auckland Region Industrial Prime Yields Trend



Supply

There has been an influx of development activity in the past few years, however most are design-built by large developers and do not make it to the market. The increase in demand has caused speculative builds to increase, however lending ‘restrictions’ by banks has left some supply in limbo. This may result in a lag between supply meeting the current demand. Other concerns regarding supply are the increasing costs and availability of land, access to finance and construction cost inflation. Given this, it is likely that many smaller developers will pull back on development as well.

It could be perceived that high vacancy rates, such as rates we saw in the first half of 2020, could be beneficial for supply-demand disparity. Increased vacancy rates allowed more opportunity for prospective tenants to enter the rental market. However, as stated above, vacancy rates towards the end of the second half of 2020 have declined which subsequently widens the supply-demand imbalance.

The effect of the Coronavirus pandemic has halted all construction for several months in the first half and leading into the second half of 2020. Currently in the second half of 2020, 360,942 square metres of industrial property is under construction and a further 175,214 square metres has been consented. It is evident that supply is in progress to match demand, however limitations out of developers control further widens the shortfall between supply and demand of industrial property in Auckland.

South Auckland

There has been strong development preference towards the South Auckland area including the Airport Corridor, East Tamaki, Highbrook and Wiri. South Auckland has seen a significant increase in occupier demand as new developments are deemed prime stock. Overall vacancy increased incrementally during the first half of 2020 reflecting the impacts of COVID-19. The Airport Corridor and Mangere precincts vacancy has risen from 1.2 – 2.9%

102 Langley Road, Wiri, Auckland – 31 March 2021

in the first half of 2020. However, business confidence is regaining which has resulted in a decrease in vacancy rates towards Q3 2020 and leading into Q4 2020.

Current construction of prime stock within the South Auckland precinct is expected to be completed, regardless of delays from government intervention. Completion of construction is projected to surpass initial timelines due to COVID-19 Alert Levels. Pre-commitments to development and increasing industrial demand could be key determinants to why supply will continue. Both prime and secondary industrial yields have continued to compress throughout 2020.

Auckland City

Auckland City Industrial vacancy specifically within Penrose/Onehunga has increased in response to Alert Level restrictions through the first half of 2020. Although vacancy has increased to 2.1%, it is still below the Auckland Industrial ten-year average of 3.7%. This indicates a positive trend for owners, and negative trend for occupiers. Demand for prime stock is an industry wide trend where tenants seek to move into higher quality premises. Auckland City may experience an increase in vacancy as the precinct comprises several secondary stock. However, as demand for industrial property has increased through Q3 and Q4 2020 with growing business confidence, we expect demand to remain prominent.

West Auckland

Greenfield development opportunity in North-West Auckland suburbs such as Westgate and Hobsonville provide new prime stock for prospective tenants. High demand is being met in these suburbs with low vacancy rates and increased development. It may be evident that a lag between short term demand and supply due to Alert Level restrictions and its impacts on construction. Current construction is assumed to be set back but will be completed. Demand for Industrial property has resulted in tenants showing pre-commitments, allowing the developer to fund losses through inactivity.

North Shore

The North Shore region including Wairau Valley and Rosedale has produced prime stock and strong competition which has propelled it to one of the best Industrial precincts in Auckland. Prominent issues on the North Shore include a limited supply of industrial land, restrictive zoning and a difficult development market with high land values and increasing construction costs. New industrial supply will remain extremely low in the coming future with new construction taken up quickly. The amount of greenfield land in the southern portion of the North Shore remains low, forcing developers to look further north to areas such as Silverdale and Warkworth. This pressure has seen land values in Wairau Valley and Albany increase substantially over the past few years and Brownfield redevelopment becoming more prevalent.

Summary

Overall, the Auckland Industrial market has performed well in the second half of 2020 despite COVID -19 restrictions during Q1 and Q2 2020. Vacancy rates Auckland-wide have been seen to be decreasing towards the end of the year and are performing better than the Auckland Industrial ten-year average of 3.7%. Demand for industrial property is continuing in the same strong trend seen before the pandemic occurred in March.

The low vacancy and strong demand has seen good rental growth across most precincts. Strong occupier demand had been supported by increased net absorption fuelled by greenfield development opportunities and improving

infrastructure. New industrial supply is likely to remain low in the near future if relatively high land values persist whilst rising construction costs, and limited supply of funding inhibits developers.

With the positive market features outlined above along with the positive interest rate environment and potential for further decreases in the OCR we expected further growth in the industrial sector with yields expected to continue to compress in the short to medium term through the beginning of 2021.

We consider the Auckland industrial market to be in the most insulated asset sector from the effects of COVID-19 and is currently well placed for the short to medium term.

102 Langley Road, Wiri, Auckland – 31 March 2021

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 properties within the South Auckland locality. A summary of these transactions is detailed below:

Address	Type / Rental	Date / Term	Component	Area	Rate
17 Ha Crescent	Renewal	Dec 2020	Office	597 sqm	\$245.00 psm
Wiri	\$ 715,252	6 years	Warehouse	4,005 sqm	\$135.00 psm
YHI New Zealand Limited			Canopy	515 sqm	\$55.00 psm
			Total (Excl. Canopy)	4,602 sqm	\$149 psm
Confidential	New Lease	Oct 2020	Ground floor office	300 sqm	\$224 psm
Wiri	\$1,354,000	7 years	Logistics office	27 sqm	\$224 psm
Confidential			Warehouse	8,060 sqm	\$125 psm
			Breezeway	2,004 sqm	\$66 psm
			Canopy	51 sqm	\$66 psm
			Carparks	58 parks	-
			Total (Excl. Breezeway & Canopy)	8,387 sqm	\$145 psm
Confidential	New Lease	Sep 2020	Warehouse	6,860 sqm	\$109 psm
Wiri	\$1,217,255	Conf	Low stud storage/ amenities	440 sqm	\$57 psm
Confidential			Offices	694 sqm	\$224 psm
			Canopy	780 sqm	\$57 psm
			Breezeway	635 sqm	\$66 psm
			Yard	2,435 sqm	\$27 psm
			Carparks	88 parks	-
			Total (Excl. Yard & Canopy)	8,629 sqm	\$112 psm
86 Plunket Avenue	New Lease	Sep 2020	Office	241 sqm	\$230.00 psm
Manuaku	\$ 1,275,300	1.58 year	Warehouse	10,475 sqm	\$103.98 psm
NZ Post Limited			Canopy	689 sqm	\$65.00 psm
			Yard	3,067 sqm	\$28.00 psm
			Total (Excl. Yard & Canopy)	10,716 sqm	\$107 psm
Confidential	New Lease	Aug 2020	Showroom / Office	737 sqm	conf.
Mangere	conf.	12 years	Warehouse	10,413 sqm	conf.
Confidential			Breezeway	2,638 sqm	conf.
			Total (Excl. Breezeway)	11,150 sqm	\$146 psm
21 Oak Road	New Lease	Jun 2020	Office	358 sqm	\$215.00 psm
Wiri	\$ 687,620	9 years	Warehouse	3,996 sqm	\$138.14 psm
Auckland Council			Canopy	553 sqm	\$65.00 psm
			Yard	649 sqm	\$35.00 psm
			Carparks	48 parks	incl.
			Total (Excl. Yard & Canopy)	4,354 sqm	\$144 psm

102 Langley Road, Wiri, Auckland – 31 March 2021

Address	Type / Rental	Date / Term	Component	Area	Rate
76 Lady Ruby Drive East Tamaki Bevpac (NZ) Limited	NLST \$ 624,268	Jun 2020 12 years	Offices	347 sqm	\$220.00 psm
			Warehouse Office	29 sqm	\$135.00 psm
			Warehouse	3,134 sqm	\$114.00 psm
			Area below Mezz Production	543 sqm	\$80.00 psm
			Mezz Production Area	543 sqm	\$70.00 psm
			Engineering Workshop	46 sqm	\$120.00 psm
			Mezzanine Storage	43 sqm	\$55.00 psm
			Canopies	112 sqm	\$55.00 psm
			Concrete Paved Yard	1,300 sqm	\$30.00 psm
			Future Development Land	2,068 sqm	\$25.00 psm
			Total (Excl. Canopy, Yard & Land)	4,685 sqm	\$112 psm
41 Pavilion Drive Airport Oaks The Moving Company (NZ) Limited	NLST \$885,820	Apr 2020 9 years	GF Office	296 sqm	\$260 psm
			FF Office	295 sqm	\$260 psm
			Warehouse	3,963 sqm	\$135 psm
			Canopy	554 sqm	\$65 psm
			Warehouse - Extension	1,143 sqm	\$130 psm
			Canopy - Extension	200 sqm	\$65 psm
			Total (Excl. Canopy)	5,697 sqm	\$147 psm
9 Stonehill Drive Wiri Nick Scali	New Lease \$789,000	Apr 2020	Office & Amenities	200 sqm	\$240.00 psm
			Warehouse	5,200 sqm	\$135.00 psm
			Canopy	800 sqm	\$60.00 psm
			Total (Excl. Canopy)	5,400 sqm	\$139 psm
Unit C, 25 Lorien Place East Tamaki Classic Popcorn	New Lease \$ 130,000	Apr 2020 3 years	Premises	1,123 sqm	\$115.76 psm
			Total	1,123 sqm	\$116 psm
66A Allens Road East Tamaki University of Auckland	Rent Review \$ 401,000	Feb 2020	Office	262 sqm	\$210.00 psm
			Amenities	28 sqm	\$180.00 psm
			Warehouse	2,544 sqm	\$132.07 psm
			Canopy	98 sqm	\$50.00 psm
			Total (Excl. Canopy)	2,834 sqm	\$141 psm
Unit A, 178 Savill Drive Otahuhu Macsim Fastenings (NZ) Pty Limited	New Lease* \$323,215	Jan 2020 6 years	Warehouse	1,469 sqm	\$129.01 psm
			Office	301 sqm	\$238.91 psm
			Canopy	250 sqm	\$62.12 psm
			Yard	780 sqm	\$28.67 psm
			Carparks	20 cpts	
			Total (Excl. Yard & Canopy)	1,770 sqm	\$148 psm
261 Church Street Penrose Ecly Limited	New Lease \$638,399	Jan 2020 8 years	Warehouse	3,018 sqm	\$110.00 psm
			Distribution Extension	1,090 sqm	\$110.00 psm
			Canopy	1,012 sqm	\$50.00 psm
			Low Stud Warehouse	249 sqm	\$80.00 psm
			Level 2 Office (shell)	248 sqm	\$135.81 psm
			Level 2 Office	241 sqm	\$180.00 psm
			Level 1 Office	245 sqm	\$160.00 psm
			Total (Excl. Canopy)	5,092 sqm	\$116 psm
17 Allens Road East Tamaki VISY Board New Zealand Ltd	New Lease* \$ 114,280	Dec 2019 3 years	Office	66 sqm	\$206.23 psm
			Mezzanine	74 sqm	\$70.00 psm
			Warehouse	683 sqm	\$126.55 psm
			Canopy	41 sqm	\$56.24 psm
			Total (excl. Canopy)	823 sqm	\$131 psm
1 Ross Reid Place East Tamaki Fisher & Pykal Limited	Rent Review \$ 754,456	Nov 2019	Workshop / Factory	3,306 sqm	\$121.00 psm
			Office & Amenities	1,487 sqm	\$198.00 psm
			Mezz Office	77 sqm	\$116.00 psm
			Ablutions	172 sqm	\$174.00 psm
			Canopies	29 sqm	\$63.00 psm
			Compressor Room	21 sqm	\$97.00 psm
			Warehouse Mezzanine	189 sqm	\$68.00 psm
			Garage	54 sqm	\$82.00 psm
			Total (excl. Canopy)	5,306 sqm	\$142 psm

(*Indicates incentive was offered - net effective rental shown)

102 Langley Road, Wiri, Auckland – 31 March 2021

The transactions shown above are briefly discussed as follows:

17 Ha Crescent, Wiri – YHI New Zealand Limited

The premises comprises a modern circa 2012 architecturally designed industrial building on a Heavy Industry zoned site with dual frontage along Ha Crescent and Roscommon Road. The property provides ground floor offices, high nine metre stud warehouse with three roller doors, 44 car parks, yard space and drive through access.

The premises became subject to a new six-year lease renewal and rent review to YHI New Zealand Limited commencing that is to commence in July 2021 however agreed in December 2020 for \$715,252 per annum. The rental reflects \$135 psm over the warehouse, \$245 psm over the offices and \$55 per square metre over the canopies. The lease has one further four year right of renewal. Rent reviews are two yearly to CPI except to market on renewal.

21 Oak Road, Wiri – Auckland Council

The premises comprises a brand new standalone industrial building situated on a rear site in Wiri. The site has shared access with the adjoining property but also includes a large yard area. The improvements provide a high 10.8 metre stud warehouse with a large canopy and four roller doors. Modern office accommodation is situated to the front of the warehouse. The building is fully sprinklered. Construction comprises steel frames, steel roof, concrete floors and walls.

The premises became subject to a new nine-year net lease to Auckland Council that commenced in June 2020 for \$687,620 per annum. The rental reflects \$215 psm over the offices, \$138 psm over the warehouse and \$65 psm over the canopies. Rent reviews are yearly fixed at 2.75% and on renewal to market capped at 3.75% and collared at 2.75%.

76 Lady Ruby Drive, East Tamaki – Bevpac (NZ) Limited

The premises comprises a design build industrial facility constructed in circa 2001 and positioned with a wide frontage to Lady Ruby Drive in East Tamaki. The site had dual access with secondary access via Barmac Place at the southern portion of the site. The improvements provide two levels of offices fronting Lady Ruby Drive with a large warehouse to the rear that includes manufacturing areas. The front of the site provides sealed and demarcated carparking with the rear being sealed yard and truck access with drive-around capabilities.

The premises became subject to a new lease to the sitting tenant that commenced in June 2020 on a 12 year term for \$624,268 per annum. The lease reflects and overall rate of \$112 per square metre with the warehouse reflecting a rate of \$114 psm, the office reflecting \$220 psm and canopies reflecting \$55 psm.

41 Pavilion Drive, Airport Oaks – The Moving Company (NZ) Limited

The premises comprises an industrial distribution centre which was purpose built circa 2011, and further extended in 2020. The site comprises a rectangular shaped lot with an access way towards the northern elevation of the site comprising a total land area of 10,756 square metres. The road front positioned office/amenities span over two levels providing a mix of open plan and partitioned space. The offices are air-conditioned and present to a tidy condition, typical for that of its age. Adjoining the two-level office/amenities at the rear is the original circa 2011 warehouse providing clear span and high stud accommodation with a stud height of 10 to 12.6 metres. The warehouse is accessible via three automatic roller doors along the eastern elevation with a loading canopy providing all-weather protection. Construction comprises reinforced concrete slab foundation, steel portal framing with concrete precast tilt slab walls, and a long-run metal roof with natural lighting provided via intermittent translucent panels. The warehouse extension adjoins the original warehouse towards the northern elevation and will present to

102 Langley Road, Wiri, Auckland – 31 March 2021

a near identical standard being clear span and high stud. The warehouse comprises full height precast concrete panels rising from 10.9 to 13 metres.

The Moving Company (NZ) Limited have signed a new nine-year lease agreement for the entirety of the site effective as at April 2020 for \$885,820 per annum. Analysis of the rental reflects \$260 per square metre over the offices \$130 - \$135 per square metre over the warehouse and \$65 per square metre over the canopies. The lease has no further rights of renewal. Rent reviews are subject to fixed increases of 2% annually.

66A Allens Road, East Tamaki

A modern high stud industrial facility that includes a single level of office to the frontage with high stud warehousing at the rear. The building is set back from the road frontage with access provided via multiple roller doors. Overall presentation is to a high standard reflective of the age of construction and generic design.

The property was the subject of market review in February 2020 in accordance with the Deed of Lease. Both parties sought independent advice with the rent negotiated at \$401,000 per annum which shows an increase of circa 16%. Analysed rates over the warehouse reflects \$132 psm with offices at \$210 psm.

8.2 Yard Rental Evidence

Additionally, we have had consideration to a number of yard rentals that have occurred throughout Auckland. We detail these transactions as follows:

Address	Suburb	Tenant	Date	Rental Type	Surface	Yard Area	Rental Rate
Industrial Yard							
Confidential	East Tamaki	Confidential	Feb-21	NL	Metalled	3,000 sqm	\$35.00 psm
1744 Dairy Flat Highway	Dairy Flat	Arise Projects Limited	Nov-20	NL	Metalled	2,000 sqm	\$25.00 psm
K/4 Morrin Road	Saint Johns	Scaff 2 U Limited	Nov-20	NL	Sealed	1,736 sqm	\$43.50 psm
35 Rangitikei Road	Takanini	Unconfirmed	Oct-20	NL	Metalled	4,400 sqm	\$30.00 psm
40-43 Fremlin Place	Avondale	Unconfirmed	Jun-20	NL	Unsealed	2,035 sqm	\$40.00 psm
38 Neilson Street	Onehunga	Parkinson & Bouskill	Jun-20	NL	Sealed	540 sqm	\$48.65 psm
Yard A, 53 Carbine Road	Mt Wellington	Produce Express Limited	Jun-20	NL	Unsealed	2,900 sqm	\$38.00 psm
2 Maurice Road	Penrose	Visa Global Logistics Limited	May-20	NL	Sealed	4,000 sqm	\$37.00 psm
2 Beasley Avenue	Penrose	Cardinal Logistics Limited	May-20	NL	Sealed	2,000 sqm	\$37.00 psm
33A Alfred Street	Onehunga	Eric D'Souza	Apr-20	NLST	Sealed	2,035 sqm	\$40.00 psm
104 Montgomerie Road	Mangere	The Moving Company Ltd	Apr-20	NL	Metalled	5,573 sqm	\$35.00 psm
172 Roscommon Road	Wiri	Total Civil Limited	Feb-20	NL	Metalled	3,000 sqm	\$35.00 psm
360 Neilson Street	Penrose	Peljay Investments Ltd	Feb-20	RR	Sealed	3,380 sqm	\$35.01 psm
831 Great South Road	Mt Wellington	Unconfirmed	Dec-19	NL	Metalled	2,500 sqm	\$40.00 psm
141 Hugo Johnston Drive	Penrose	Goldex Limited	Nov-19	RR	Metalled	10,300 sqm	\$38.00 psm
Yard A, 7-23 Cain Road	Penrose	Custom Scaffolding Limited	Nov-19	NL	Metalled	1,300 sqm	\$38.50 psm
11 Springs Road	East Tamaki	Waste Management NZ	Jul-19	NL	Concrete	8,000 sqm	\$50.00 psm
141 Hugo Johnston Drive	Penrose	Pamir	Jul-19	NL	Sealed	3,000 sqm	\$38.00 psm
9 Bolderwood Place	Wiri	Unconfirmed	Jun-19	NL	Metalled	2,000 sqm	\$40.00 psm
69 Captain Springs Road	Onehunga	Union Demolition	Jun-19	NL	Sealed	2,780 sqm [^]	\$40.00 psm
19-23 Hill Street	Onehunga	0800 Best Car Dealers Limitec	Sep-18	NL	Metalled	2,470 sqm	\$45.00 psm

NL - New Lease; RR - Rent Review; NLST - New Lease to Sitting Tenant
[^] = Estimated area * = Net Effective Rental

102 Langley Road, Wiri, Auckland – 31 March 2021

The rental rates above for yards reflect a range from between **\$25** per square metre to **\$50** per square metre. Typically, yards that benefit from being sealed and fenced with a level contour often achieve a rental rate towards the upper end of the range whilst lower yard rental rates are associated with unsealed/metalled yard areas and are often positioned in lower profile locations and are often contoured. Additionally, there appears to be a direct correlation between size and achievable rate per sqm. That is to say the larger the yard the lower the rate per sqm metre and vice versa.

In assessing a yard rental to apply against the subject land we have been mindful of its desirable position in Wiri, level contour, road front and corner position along Langley Road and Mayo Road, and full security fencing balanced with the metalled nature of the space. Additionally, we have taken into consideration yard size and associated rental quantum.

We highlight the transactions at 172 Roscommon Road and 9 Bolderwood Place each being 3,000 and 2,000 square metres respectively providing metalled yard area and reflecting rates per square metre of \$35 and \$40 respectively. With adjustments made for time, the high profile position of the subject and secured nature we expect the subject property to achieve a similar rate on a per square metre basis.

8.3 Market Rental Conclusion

Having regard to the above evidence along with the individual characteristics of the subject property. In assessing an appropriate market rent for the subject, we have considered the following points:

- Quality of subject buildings in comparison to the above evidence
- The nature, size and location of the property
- The design layout and quality of the improvements
- The current supply and demand prevailing in the market
- The date, structure, terms and conditions of the tenancy arrangements over comparable properties
- Modern high stud warehouses and office accommodation
- On-site parking, access and circulation
- Profile of location being at the intersection of Langley Road and Mayo Road.
- Stud height, proportion of office to warehouse, relative yard area, ease of access, exposure.

Having considered the rental evidence presented the most comparable range sits between **\$125** to **\$150** per square metre (excluding outliers) over the warehouse components, predominantly **\$200** to **\$250** per square metre over the office components.

Additionally, we note the premises under consideration became subject to a new lease that was signed in September 2020 reflecting an office rate of **\$250.00** per square metre, a warehouse rate of **\$139.38** per square metre and a yard rate of **\$40** per square metre. We would consider this analysis to be at the upper end of the range and as such when assessing a current market rental for the subject we would expect it to achieve similar rates per square metre.

The industrial rental market over the course of 2020 has seen upwards pressure on rents post the government enforced Covid-19 lockdown driven by low vacancy rates and a strong performing sector with limited new supply being outweighed by demand. Accordingly, anecdotal evidence across the wider Auckland industrial market has shown significant gains in a number of market rent reviews.

The subject development provides modern manufacturing warehouse with ample stud height, good access and a modern layout. Additionally, the warehouse benefits from the use of multiple gantry cranes which are owned in part by the landlord.

102 Langley Road, Wiri, Auckland – 31 March 2021

Offices are completed to a basic but tidy standard providing partitioned accommodation and a staff cafeteria and large outdoor, covered courtyard.

Taking into consideration the locality, building size, stud height and construction we believe the market rental falls towards the upper end of the abovementioned range. We detail below our assessment of market rents.

Component	Tenant	Floor Area	Passing Rent \$pa.	Passing Rent \$/sqm	Market Rent \$pa.	Net Market Rent \$/sqm
Office	Pilehire Limited	61.35 sq m	\$15,337.50	\$250.00	\$15,337.50	\$250.00
Warehouse	Pilehire Limited	2,645.09 sq m	\$368,662.50	\$139.38	\$370,312.60	\$140.00
Yard	Pilehire Limited	3,850.00 sq m	\$154,000.00	\$40.00	\$154,000.00	\$40.00
Total		6,556.44 sq m	\$538,000.00	\$82.06	\$539,650.10	\$82.31

9. Sales Evidence

9.1 Sales Evidence

In determining the market value of the subject property, we have considered a cross-section of comparable sales that have occurred in the South Auckland area and wider locality.

A summary of these transactions is detailed below:

Address	Suburb	Tenant	Date	Sale Price	Bldg Size (sqm)	WALT	Initial Yield	Equivalent Market Yield	IRR	Net Rate (\$/sqm)
13 William Pickering Drive	North Harbour	Rapid Labels	Jan-21	\$17,300,000	4,898	11.50	4.34%	4.31%	6.10%	\$3,532
17 Ha Crescent	Wiri	YHI New Zealand Limited	Dec-20	\$18,510,990	4,602	6.56	3.14%	3.83%	5.69%	\$4,022
89 Station Road	Penrose	Vision Auto Sales Ltd & Freight Direct NZ Limited	Dec-20	\$8,552,633	3,196	2.10	4.56%	4.59%	5.33%	\$2,676
30 Apollo Drive	Rosedale	Sato NZ Ltd	Nov-20	\$12,942,000	3,150	4.67	3.91%	3.89%	5.50%	\$4,109
20-22 Poland Road	Wairau Valley	Dodson Autospares Limited	Nov-20	\$8,650,000	4,483	3.00	5.49%	5.44%	5.95%	\$1,930
48-60 Wilkinson Road	Ellerslie	NZME Publishing Limited	Oct-20	\$54,000,000	26,660	6.26	5.30%	5.38%	7.27%	\$2,026
Lot 9, 72 Tidal Road	Mangere	Hancocks Wine, Spirit & Beer Merchants Ltd	Sep-20	\$48,834,674	14,985	10.86	4.82%	4.88%	6.64%	\$3,259
528-558 Rosebank Road	Avondale	Multiple Tenants	Sep-20	\$65,550,000	27,000	6.17	5.19%	4.95%	6.40%	\$2,428
4-14 Patiki Road	Avondale	Valspar Paints (NZ) Limited	Aug-20	\$21,750,000	8,541	2.25	5.95%	5.91%	6.37%	\$2,547
171 Pilkington Road	Pt England	Vacant Possession	Jul-20	\$55,000,000	39,457	VP	VP	7.05%	8.07%	\$1,394
1 Ross Reid Place	East Tamaki	Fisher Paykal	Jun-20	\$15,522,500	5,145	2.42	4.86%	5.70%	5.72%	\$3,017
80 Springs Road	East Tamaki	Vacant Possession	Jun-20	\$16,500,000	9,092	VP	VP	5.64%	6.77%	\$1,815
34 Apollo Drive	Rosedale	RPM & Mitre 10	Jun-20	\$10,977,800	3,368	8.36	4.48%	4.97%	6.19%	\$3,259
Lot 2, 72 Tidal Road	Mangere	Cardinal Logistics	Jun-20	\$21,418,000	5,690	15.00	4.95%	4.83%	6.56%	\$3,764
176-178 Station Road	Penrose	Ideal Electrical	May-20	\$5,300,000	950	10.00	5.03%	4.78%	5.41%	\$5,579
5 Reliable Way	Mt Wellington	Delmaine Foods	May-20	\$25,500,000	10,528	7.20	5.52%	5.85%	6.96%	\$2,422
59 Mahunga Drive	Mangere Bridge	Vacant Possession	May-20	\$10,300,000	5,640	VP	VP	6.64%	7.17%	\$1,826
259 James Fletcher Drive	Otahuhu	Toll	Jan-20	\$183,000,000	33,759	15.00	3.50%	3.55%	5.39%	\$5,421
Unit 5-8, 113 Pavilion Drive	Wiri	Multiple Tenants	Jan-20	\$13,900,000	5,767	3.16	5.25%	5.25%	6.83%	\$2,410
22 Harbour Ridge Drive	Wiri	Vendor Underwrite	Dec-19	\$16,975,000	6,103	-	-	4.52%	6.65%	\$2,781
25 Langley Road	Wiri	Sale & Leaseback	Dec-19	\$35,990,283	15,300	12.11	5.65%	5.61%	7.53%	\$2,352

As demonstrated by the above evidence, comparable properties have sold in recent times for equivalent market yields of between 3.83% and 6.64% with IRR's between 5.33% and 8.07%. The pertinent transactions shown above are briefly discussed as follows:

13 William Pickering Drive, North Harbour - Rapid Labels

The property comprises a large industrial building completed in two stages between 1995 and 1996 situated on a 6,813 sqm corner site zoned Light Industry with profile to William Pickering Drive and Armstrong Road. The improvements comprise two separate areas of two-level office accommodation, a central main warehouse and two production areas. The site includes a good level of car parking and access to the main warehouse through two steel roller doors.

The premises are occupied by Rapid Labels on a recently renewed 12-year lease at a net rental of \$750,000 per annum with three yearly market rent reviews. The property sold in January 2021 for \$17.3 million reflecting an initial yield of 4.34% and net rate of \$3,532 per sqm over land and buildings. We have further analysed an equivalent market yield of 4.31% and IRR of 6.10%. Additionally, we note the property last sold in September 2018 for \$11.4 million at an initial yield of 5.21% with 1.8-year WALT, reflecting a significant capital increase in this period.

17 Ha Crescent, Wiri - YHI New Zealand Limited

The property comprises a large scale industrial facility that includes associated office accommodation situated on a 7,786 square metre Heavy Industry zoned site in Wiri. The site benefits from drive through access and dual exposure from both Ha Crescent and Roscommon Road. The improvements present a high stud warehouse of nine metres at the portal knee that has three roller doors and a north-facing canopy. A single level of office accommodation is situated to the buildings frontage. The buildings have an 'A' grade seismic rating and is strategically positioned.

102 Langley Road, Wiri, Auckland - 31 March 2021

The property sold in December 2020 for \$18,510,990 reflecting an initial yield of 3.14% and a net rate of \$4,022 per square metre. Further analysis of the sale reflects an equivalent market yield of 3.83% and an IRR of 5.69% with a remaining WALT of 6.56 years. At the date of sale, the property was leased to YHI New Zealand Limited returning \$581,083 per annum with a renewal to occur in July 2021 at \$715,252 per annum. The lessee has executed their early right of renewal for six years and the lease includes one further four year right of renewal.

Lot 9, 72 Tidal Road, Mangere – Hancocks Wine, Spirit & Beer Merchants Ltd

The property comprises a large 4.9885-hectare land parcel situated to the western side of Tidal Road in Mangere situated within a new industrial development. The improvements are currently under-construction and upon completion are to provide generic industrial building with warehouse, associated office and a 5,100 square metre yard area that is to be split into two separate units being A and B.

The property sold in September 2020 for \$48,834,674 reflecting an initial yield of 4.82% and a rate per square metre of \$3,259. Further analysis of the sale reflects an equivalent market yield of 4.88% and an IRR of 6.64%. At the time of sale, we note Hancocks Wine, Spirit and Beer Merchants Ltd are to occupy Unit A on a 12-year net lease returning \$2,017,952 per annum plus GST. The lease includes 2.5% fixed increases annually with market reviews four yearly. We note a five-month rent free period was provided by the landlord. Unit B is to be underwritten by the vendor on a four-year net lease returning \$338,321 per annum plus GST. The lease includes 2.5% fixed increases annually.

1 Ross Reid Road, East Tamaki – Fisher & Paykel

The property comprises a circa 1987 industrial building on a Heavy Industry zoned site positioned to the corner of Allens Road and Ross Reid Place. The building provides high stud and clear span warehousing with two 10 tonne gantry cranes and offices which were further extended in 1997. The building is sprinklered. The site has a surveyed area of surplus land comprising 2,977 sqm along the south-western boundary.

The property sold in July 2020 for \$15,522,000 reflecting an initial yield of 4.86%, a net rate of \$3,017 psm with a 2.42 year remaining WALT. Further analysis reflects an equivalent market yield of 5.70% and an IRR of 5.72%. The tenant Fisher & Paykel Production Machinery Limited agreed a new rental of \$754,200 per annum in November 2019. Rent reviews are annually to the greater of CPI or Market.

80 Spring Road, East Tamaki – Vacant Possession

The property comprises a large circa 1970s industrial manufacturing facility on a Heavy Industry site along the western side of Springs Road in East Tamaki. The building floor area is split between a 8,577sqm warehouse, 365sqm office, 150sqm canopy and a 733sqm breezeway. The warehouse has a stud height of 7.2 metres at the knee and is column interrupted.

The property was sold by Argosy Property with vacant possession in July 2020 for \$16.5 million reflecting a net rate of \$1,681 per square metre. The property will be leased by national online retailer TSB Living. Further analysis of the sale reflects an equivalent market yield of 5.64% and an IRR of 6.77%.

9.2 Sales Summary

Adjustment to the above sales is required for the following factors:

Location	Located within the highly regarded Wiri industrial locality with ease of access to major arterials including the south-western and southern motorway. The subject also benefits from close proximity to Manukau CBD and Auckland Airport.
Size	The property is of an attractive investment quantum.
Zoning	Heavy Industry zoning allowing a range of industrial activity. Furthermore, we note a lack of Heavy Industry sites in Auckland resulting in a scarcity of available land.
Quality	Presentable, modern, industrial accommodation that suits a range of uses particularly in the manufacturing industry.
Lease Term	WALT of 9.56 years by income would appeal to investors.
Rental Cashflow & Growth	Combination of review provisions providing favourable growth over the investment horizon.

The subject property offers a prominent industrial facility that provides a mixture of manufacturing warehouse, office and amenities with a substantial usable yard area. The yard presents metalled however is secured with fencing and security gates. The property is occupied under a long-term lease with annual fixed reviews being an attractive offering to potential investors.

We note the above evidence reflects an equivalent market yield range of between **3.83%** and **6.64%** with IRR's between **5.33%** and **8.07%**. We note those transactions toward the lower end of the yield range represent modern generic industrial premises with good WALT's and subject to strong lease agreements or are of a value quantum that appeals to a large segment of the market. At the opposite end of the range are dated industrial facilities of low to medium stud heights requiring significant capital expenditure or subject to soft lease agreements and/or of a larger floor plate.

Taking into consideration the modern construction, corner positioned site in an established industrial locality and attractive lease agreement with a long WALT of 9.56 years we consider that using the Income Approach, a market capitalisation rate of **4.35%** and discount rate of **6.50%** would be appropriate.

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"> Industrial zoning permits a range of predominantly industrial based activities. Corner position with profile to Langley and Mayo Road. Proximity to north-western motorway and public transport networks. Tightly held location with opportunities for purchase infrequently presenting to the market. WALT of 9.69 years on an income basis would be attractive to investors. Low site coverage ratio offers expansion potential. Use of gantry cranes would justify a higher rental return. Fixed rental growth incorporated into the lease. 	<ul style="list-style-type: none"> Further development / extension of the site Potential subdivision of the building into two units / lots. Divide building into multiple tenantable areas. Offer the property to market.
Weaknesses	Threats
<ul style="list-style-type: none"> Tenant covenant may be considered weak. Undeveloped site may hinder rental profile. 	<ul style="list-style-type: none"> Competition within the immediately surrounding locality may impact on rental levels. Offshore and local factors having a negative impact on the domestic economy and property values. Unknown impact of economic fallout from Covid-19 Pandemic and volatile financial markets. Prolonged vacancy may be experienced if vacant

102 Langley Road, Wiri, Auckland – 31 March 2021

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 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		\$580,247
Less Adopted Outgoings		(\$40,597)
Net Market Income		\$539,650
Net Income		\$539,650

Capitalised @ 4.35% \$12,405,749

Capital Value Adjustments

Rent Adjustments

Present Value of Rental Reversions		(5,455)
Capital Value of Special Income		-
Capital Value of Stabilisation Allowance		-
Capital Value of Other Adjustments		-
Outstanding Incentives		-
Capital Value of Additional Land		-

Capital Expenditure

Budgeted Capital Expenditure	24 months	(300,000)
Capital Sinking Fund Allowance	24 months	-

Total Capital Value Adjustments (\$305,455)

Indicated Market Value \$12,100,294

Adopt \$12,100,000

Sensitivity Analysis

Capitalisation Rate	Market Value
4.60%	\$11,430,000
4.35%	\$12,100,000
4.10%	\$12,860,000

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:

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">• Market and prevailing business confidence;• New business growth;• Market trends and occupier preferences, and• Prevailing and forecasted vacancy levels. <p>As noted above, we have applied a growth rate to rental at an average of 2.55% per annum.</p>
Terminal Yield	We have adopted a terminal capitalisation rate of 4.48% which sits 12.5 points above our market capitalisation rate of 4.35%, reflecting the property will be 10 years older upon terminal sale.
Discount Rate	<p>In this instance we have applied a Discount Rate of 6.50% which includes a reasonable premium over the prevailing 10 year bond rate, which currently sits around 1.40%. The margin reflects the 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 3.50% 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>In addition, refurbishment works are necessary to maintain the quality of the building accommodation. Allowances for such works normally coincide with</p>

lease expiry and we have therefore adopted \$20 psm for general light refurbishment works over the premises.

Vacancy / Letting Up

In terms of letting up periods, a term of six months has been allowed although we have also assumed a current lease renewal probability of 50% resulting in a three month vacancy period being adopted on future expiries. In addition, leasing fees have been applied.

We summarise our calculations under this method as follows:

Adopted Growth Rates

Market Rent Growth - Net

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	10 Year Avg
2.00%	2.25%	2.25%	2.50%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.55%

Discount Cash Flow Method Summary

Year Commencing	1	2	3	4	5	6	7	8	9	10
Period Beginning	1-Apr-21	1-Apr-22	1-Apr-23	1-Apr-24	1-Apr-25	1-Apr-26	1-Apr-27	1-Apr-28	1-Apr-29	1-Apr-30
	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Industrial	\$541,601	\$549,725	\$557,971	\$571,886	\$587,346	\$596,157	\$605,099	\$627,727	\$653,960	\$500,629
	\$541,601	\$549,725	\$557,971	\$571,886	\$587,346	\$596,157	\$605,099	\$627,727	\$653,960	\$500,629
Base Passing Rent										
Secured rent	\$541,601	\$549,725	\$557,971	\$571,886	\$587,346	\$596,157	\$605,099	\$627,727	\$653,960	\$365,127
Renewal rent	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$135,501
Base Passing Rent	\$541,601	\$549,725	\$557,971	\$571,886	\$587,346	\$596,157	\$605,099	\$627,727	\$653,960	\$500,629
Recoveries										
Secured recoveries	\$40,901	\$41,310	\$42,034	\$42,874	\$43,732	\$44,607	\$45,499	\$46,409	\$47,337	\$26,632
Renewal recoveries	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9,522
Recoveries	\$40,901	\$41,310	\$42,034	\$42,874	\$43,732	\$44,607	\$45,499	\$46,409	\$47,337	\$36,153
Total Income	\$582,502	\$591,035	\$600,005	\$614,761	\$631,078	\$640,763	\$650,598	\$674,136	\$701,297	\$536,782
Outgoings										
Statutory expenses	\$24,541	\$24,786	\$25,220	\$25,725	\$26,239	\$26,764	\$27,299	\$27,845	\$28,402	\$28,970
Operating expenses	\$16,361	\$16,524	\$16,814	\$17,150	\$17,493	\$17,843	\$18,200	\$18,564	\$18,935	\$19,314
Outgoings	\$40,901	\$41,310	\$42,034	\$42,874	\$43,732	\$44,607	\$45,499	\$46,409	\$47,337	\$48,284
Net Operating Income (before Vacancy Factor)	\$541,601	\$549,725	\$557,971	\$571,886	\$587,346	\$596,157	\$605,099	\$627,727	\$653,960	\$488,498
Net Income	\$541,601	\$549,725	\$557,971	\$571,886	\$587,346	\$596,157	\$605,099	\$627,727	\$653,960	\$488,498
Allowances										
Leasing Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$55,427
Allowances	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$55,427
Net Income before Capital Expenditure	\$541,601	\$549,725	\$557,971	\$571,886	\$587,346	\$596,157	\$605,099	\$627,727	\$653,960	\$433,072
Capital Expenditure										
Sinking Fund	\$10,259	\$20,686	\$21,000	\$21,517	\$22,088	\$22,427	\$22,771	\$23,595	\$24,545	\$18,787
Refurbishment on Expiry	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$64,058
Capital Expenditure	\$310,259	\$20,686	\$21,000	\$21,517	\$22,088	\$22,427	\$22,771	\$23,595	\$24,545	\$82,845
Net Income after Capital Expenditure	\$231,343	\$529,039	\$536,971	\$550,370	\$565,259	\$573,730	\$582,328	\$604,132	\$629,415	\$350,226

Terminal Valuation Summary

Gross Market Income	\$742,672
Less Adopted Outgoings	(\$48,521)
Net Market Income	\$694,151
Less Vacancy Factor	0.00%
Net Income	\$694,151
Discount Rate	6.50%
Terminal Capitalisation Rate	4.47%
Core Capital Value (fully leased)	\$15,511,753
Capital Value Adjustments	(\$49,622)
Capitalised Value	\$15,462,131
Disposal Costs 0.50%	(\$77,311)
Net Sale Proceeds	\$15,384,820

Adopted DCF Value

Rounded NPV	\$11,960,000
10 Year IRR	6.46%

Discounted Cash Flow Summary

Sum of Cash Flows (after Capex & Adj.)	\$5,152,812
Sum of Discounted Cash Flows	\$3,767,947
Present Value of Terminal Value	\$8,195,894
NPV (before acquisition costs)	\$11,963,842
Less Acquisition Costs 0.00%	\$0
NPV (after acquisition costs)	\$11,963,842

10 Year Sensitivity Matrix

	7.00%	6.75%	6.50%	6.25%	6.00%
4.98%	\$ 10,717,641	\$ 10,925,106	\$ 11,137,608	\$ 11,355,287	\$ 11,578,285
4.73%	\$ 11,090,993	\$ 11,307,295	\$ 11,528,864	\$ 11,755,847	\$ 11,988,393
4.48%	\$ 11,506,067	\$ 11,732,192	\$ 11,963,842	\$ 12,201,168	\$ 12,444,329
4.23%	\$ 11,970,268	\$ 12,207,380	\$ 12,450,303	\$ 12,699,197	\$ 12,954,230
3.98%	\$ 12,492,867	\$ 12,742,347	\$ 12,997,961	\$ 13,259,879	\$ 13,528,276

102 Langley Road, Wiri, Auckland – 31 March 2021

11.3 Summary of Valuation Approaches

We summarise the above valuation approaches and methods as follows:

Valuation Method	
Capitalisation of Income	\$12,100,000
Discounted Cashflow	\$11,960,000
Market Value	\$12,000,000

12. Valuation Conclusion

Bayleys Valuations Limited confirms that we undertook an inspection of the property at **102 Langley Road, Wiri, Auckland**, on 11 February 2021, in order to assess the Market Value for financial reporting and mortgage security purposes as at 31 March 2021.

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

**Twelve Million Dollars
(NZ\$12,000,000)**

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	\$4,434 per sqm
Initial Yield	4.48%
Equivalent Yield	4.39%
IRR	6.46%

12.2 Value Apportionment

In accordance with NZIAS 40 we hypothetically apportion our assessed value accordingly:

Land Value	\$7,000,000
Improvements Value	\$5,000,000
Adopted Market Value	\$12,000,000

12.3 Mortgage Recommendation

On the basis of our assessed Market Value we recommend that the subject property provides adequate and suitable security for a first mortgage advance.

102 Langley Road, Wiri, Auckland – 31 March 2021

12.4 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



Carl Waalkens

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Director - Registered Valuer
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Samuel Cameron

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Valuer
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102 Langley Road, Wiri, Auckland - 31 March 2021

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 tenants 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.

102 Langley Road, Wiri, Auckland – 31 March 2021

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"> • Non Residential - Market and rental valuations are (unless otherwise stated) carried out on the basis that valuation is plus GST (if any). • Residential - Market and rental valuations are (unless otherwise stated) carried out on the basis that the valuation includes GST (if any).
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.

Appendix

1. Record of Title



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




R.W. Muir
Registrar-General
of Land

Identifier **NA94B/209**
Land Registration District **North Auckland**
Date Issued 15 September 1993

Prior References
NA69D/206

Estate Fee Simple
Area 8530 square metres more or less
Legal Description Lot 3 Deposited Plan 156858

Registered Owners

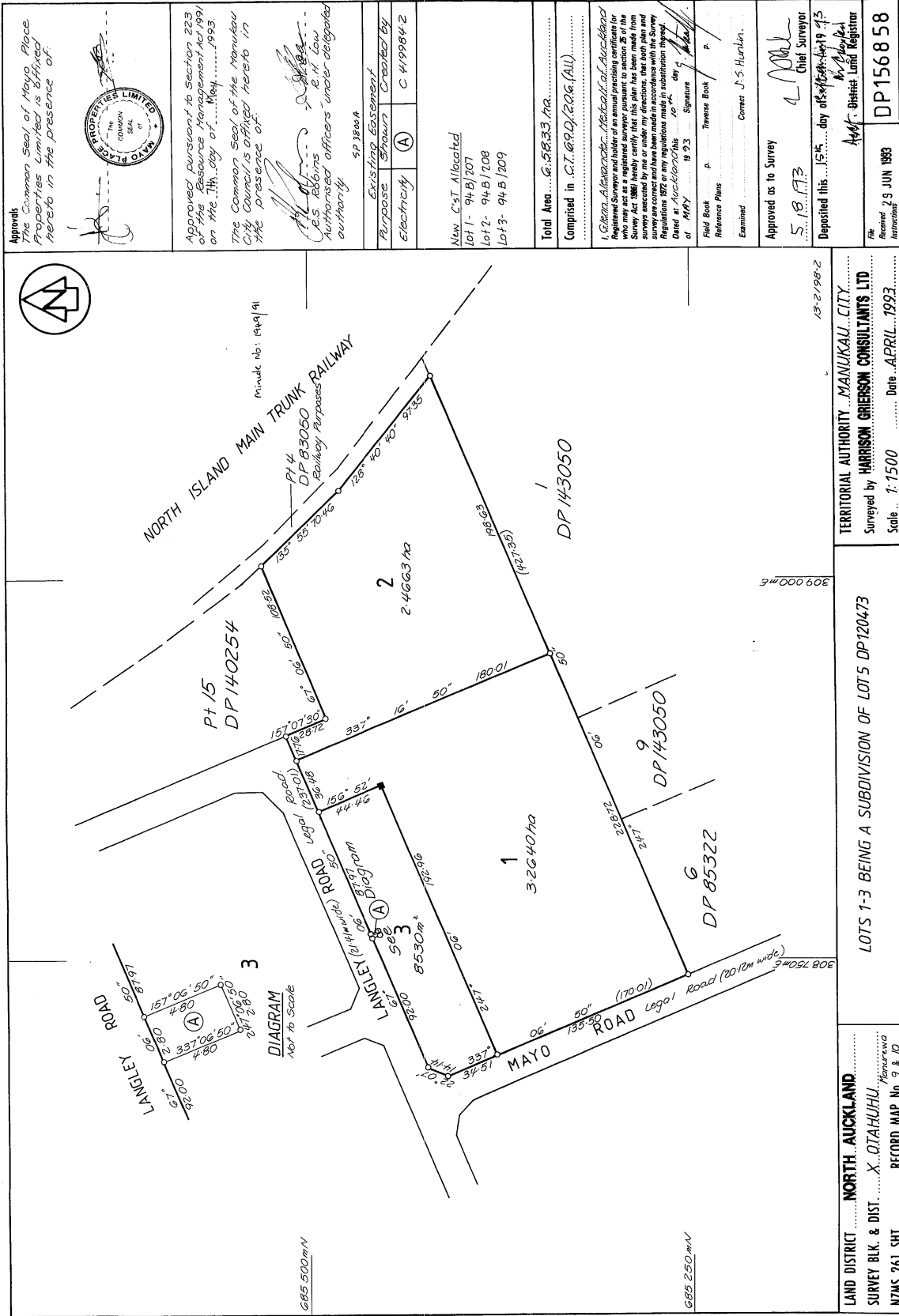
Langley Road Limited as to a 1/2 share
PMG Capital Fund Limited as to a 1/2 share

Interests

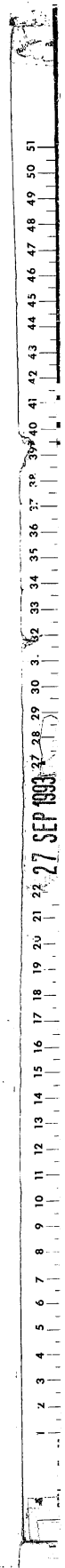
Subject to an electricity right (in gross) over part marked A on DP 156858 in favour of The Auckland Electric Power Board created by Transfer C419984.2

Appurtenant hereto is a right of way created by Deed 64203 (28M/513) - 8.4.1880

11889090.2 Mortgage to ASB Bank Limited - 20.10.2020 at 4:19 pm



W.A. ROBERTSON, SURVEYOR GENERAL, DEPARTMENT OF SURVEY AND LAND INFORMATION, NEW ZEALAND



Appendix

2. Valuation in Detail

KEY VALUATION OUTPUTS

102 Langley Road, Wiri, Auckland 2104

Valuation Date: 31 March 2021



Valuation Details

Date of Valuation	31 March 2021
Date of Cash Flow Model	1 April 2021
Purpose of Valuation	Financial Reporting & First Mortgage Security
Interest Valued	100% Freehold

Area & Occupancy Details

Total		GLA	Car Bays
Occupied	100.0%	2,706.44	-
Vacant	-	2,706.44	-
Weighted Average Lease Expiry By Area			9.56 years
Weighted Average Lease Expiry By Net Income			9.56 years

Income Assessment

	Net	\$/m ²	Gross	\$/m ²
Passing Income	538,000	199	578,597	214
Passing Income (fully leased)	538,000	199	578,597	214
Market Income	539,650	199	580,247	214
Outgoings \$ pa.	(40,597)	(15)	(40,597)	(15)
Vacancy Factor	-	-	-	-
Over/Under Rated	(0.3%)		(0.3%)	
Industrial Passing Income	538,000	199	578,597	214
Industrial Market Income	539,650	199	580,247	214

Valuation Reconciliation

Market Capitalisation Approach	12,100,000
DCF Approach	11,960,000
Adopted Market Value	12,000,000
Initial Passing Yield	4.48%
Initial Passing Yield (After Abatements)	4.48%
Initial Passing Yield (Fully Leased)	4.48%
Equivalent Initial Yield	4.37%
Reversionary Yield	4.50%
Equivalent Market Yield	4.39%
Capital Value \$/m ² - GLA	4,434
10 Year IRR	6.46%
7 Year IRR	6.54%
5 Year IRR	6.45%
3 Year IRR	6.27%
10 Year Average Cash on Cash (on Gross Investment Capital)	4.29%

Capital Expenditure

	\$	\$/m ²	% of Value
Capital Expenditure adopted In Cap Val (24 months)	300,000	111	2.5%
Capital Expenditure (10 years, inflated)	571,732	211	4.8%
Capital Expenditure (10 years, PV)	482,534	178	4.0%
Capex (10 yrs incl. terminal value allowances, inflated)	621,354	230	5.2%
Capex (10 yrs incl. terminal value allowances, PV)	598,167	221	5.0%

Capitalisation Approach

Expiry Allowances for Tenancies expiring before	31-Mar-23	24 months capturing 0% of GLA
Market Capitalisation rate	4.60%	4.35%
Market Capitalisation Value	11,426,091	12,100,294
Rounded Market Capitalisation Value	11,430,000	12,860,000

Discounted Cash Flow Approach

Cash Flow period	10 years
Discount Rate	6.50%
Terminal Capitalisation Rate	4.47%
Terminal Allowance for Tenancies expiring before	1-Apr-33 + 12.5 bp spread 24 months capturing 0% of GLA
Assumed WALE By Area (as at 1-Apr-31)	5.81 years
Assumed WALE By Net Passing Income (as at 1-Apr-31)	5.81 years

Sum of Discounted Cash Flows	3,767,947	31.5%
Present Value of Terminal Value	8,195,894	-
NPV (before acquisition costs)	11,963,842	
Acquisition Costs	-	
NPV (after acquisition costs)	11,963,842	
Rounded NPV	11,960,000	

10 Year DCF Sensitivity Matrix

Terminal Yield	Discount rate				
	7.00%	6.75%	6.50%	6.25%	6.00%
4.98%	10,717,641	10,925,106	11,137,608	11,355,287	11,578,285
4.73%	11,090,993	11,307,295	11,528,864	11,755,847	11,988,393
4.48%	11,506,067	11,732,192	11,963,842	12,201,168	12,444,329
4.23%	11,970,268	12,207,380	12,450,303	12,699,197	12,954,230
3.98%	12,492,867	12,742,347	12,997,961	13,259,879	13,528,276

10 Year IRR Sensitivity Matrix

Terminal Yield	Adopted Value				
	12,240,000	12,120,000	12,000,000	11,880,000	11,760,000
4.98%	5.29%	5.41%	5.54%	5.67%	5.80%
4.73%	5.73%	5.86%	5.98%	6.11%	6.24%
4.48%	6.21%	6.33%	6.46%	6.59%	6.72%
4.23%	6.71%	6.84%	6.97%	7.09%	7.22%
3.98%	7.26%	7.38%	7.51%	7.64%	7.77%

MARKET CAPITALISATION APPROACH

102 Langley Road, Wiri, Auckland 2104

Valuation Date: 31 March 2021

BAYLEYS

Market Capitalisation Approach

Market Income

	Base Rent	Recoveries	Total
Industrial	539,650	40,597	580,247
Sundry Income			-
Gross Market Income	539,650	40,597	580,247
Less Adopted Outgoings			(40,597)
Less Ground Rent			-
Net Market Income			539,650
Less Vacancy Factor			-
Net Income			539,650

Market Capitalisation Rate	4.60%	4.35%	4.10%
Core Capital Value (fully leased)	11,731,524	12,405,749	13,162,198
Core Capital Value (\$/m ²)	4,335	4,584	4,863

Capital Value Adjustments

Present Value of Rental Reversions	(5,433)	(5,455)	(5,477)
Capital Value of Special Income	-	-	-
Capital Value of Stabilisation Allowance	-	-	-
Capital Value of Other Adjustments	-	-	-
Outstanding Incentives	-	-	-
Capital Value of Additional Land	-	-	-
Deferred Commencement Tenancies			
Letting Up Allowances	-	-	-
Incentive Allowances	-	-	-
Leasing Costs Allowances	-	-	-
Existing Vacancy Allowances			
Letting Up Allowances	-	-	-
Incentive Allowances	-	-	-
Leasing Costs Allowances	-	-	-
-	-	-	-
Imminent Expiry Allowances			
Letting Up Allowances	24 months	-	-
Incentive Allowances	24 months	-	-
Leasing Costs Allowances	24 months	-	-
Refurbishment Allowances	24 months	-	-
Capital Expenditure			
Budgeted Capital Expenditure	24 months	(300,000)	(300,000)
Capital Sinking Fund Allowance	24 months	-	-
Total Capital Value Adjustments	(305,433)	(305,455)	(305,477)
Capitalised Value	11,426,091	12,100,294	12,856,720
Capitalised Value (\$/m ²)	4,222	4,471	4,750
Rounded Value	11,430,000	12,100,000	12,860,000
Capitalised Rounded Value (\$/m ²)	4,223	4,471	4,752

Adopted Value

Initial Passing Yield	12,000,000
Initial Passing Yield excl. Vacancy Factor	4.48%
Initial Passing Yield (Fully Leased)	4.48%
Initial Passing Yield (Fully Leased) excl. Vacancy Factor	4.48%
Equivalent Initial Yield	4.37%
Equivalent Market Yield	4.39%
Capital Value (\$/m ²)	4,434



COMMERCIAL
v 12.6.14.0

DCF VALUATION SUMMARY

102 Langley Road, Wiri, Auckland 2104

Valuation Date: 31 March 2021

BAYLEYS

Summary of Annual Cash Flows	Year 1 1-Apr-21 31-Mar-22	Year 2 1-Apr-22 31-Mar-23	Year 3 1-Apr-23 31-Mar-24	Year 4 1-Apr-24 31-Mar-25	Year 5 1-Apr-25 31-Mar-26	Year 6 1-Apr-26 31-Mar-27	Year 7 1-Apr-27 31-Mar-28	Year 8 1-Apr-28 31-Mar-29	Year 9 1-Apr-29 31-Mar-30	Year 10 1-Apr-30 31-Mar-31	
Base Passing Rent by Renewal Type											
Industrial	541,601	549,725	557,971	571,886	587,346	596,157	605,099	627,727	653,960	500,629	
Base Passing Rent	541,601	549,725	557,971	571,886	587,346	596,157	605,099	627,727	653,960	500,629	
Base Passing Rent											
Secured rent	541,601	549,725	557,971	571,886	587,346	596,157	605,099	627,727	653,960	365,127	
Renewal rent	-	-	-	-	-	-	-	-	-	135,501	
Base Passing Rent	541,601	549,725	557,971	571,886	587,346	596,157	605,099	627,727	653,960	500,629	
Recoveries											
Secured recoveries	40,901	41,310	42,034	42,874	43,732	44,607	45,499	46,409	47,337	26,632	
Renewal recoveries	-	-	-	-	-	-	-	-	-	9,522	
Recoveries	40,901	41,310	42,034	42,874	43,732	44,607	45,499	46,409	47,337	36,153	
Total Income	582,502	591,035	600,005	614,761	631,078	640,763	650,598	674,136	701,297	536,782	
Outgoings											
Statutory expenses	24,541	24,786	25,220	25,725	26,239	26,764	27,299	27,845	28,402	28,970	
Operating expenses	16,361	16,524	16,814	17,150	17,493	17,843	18,200	18,564	18,935	19,314	
Ground Rent	-	-	-	-	-	-	-	-	-	-	
Non-recoverable expenses	-	-	-	-	-	-	-	-	-	-	
Outgoings	40,901	41,310	42,034	42,874	43,732	44,607	45,499	46,409	47,337	48,284	
Net Operating Income (before Vacancy Factor)	541,601	549,725	557,971	571,886	587,346	596,157	605,099	627,727	653,960	488,498	
Vacancy Factor	-	-	-	-	-	-	-	-	-	-	
Net Income	541,601	549,725	557,971	571,886	587,346	596,157	605,099	627,727	653,960	488,498	
Allowances											
Leasing Costs	-	-	-	-	-	-	-	-	-	55,427	
Allowances	-	-	-	-	-	-	-	-	-	55,427	
Net Income before Capital Expenditure	541,601	549,725	557,971	571,886	587,346	596,157	605,099	627,727	653,960	433,072	
Capital Expenditure											
Budgeted Capex	300,000	-	-	-	-	-	-	-	-	-	
Sinking Fund	10,259	20,686	21,000	21,517	22,088	22,427	22,771	23,595	24,545	18,787	
Refurbishment on Expiry	-	-	-	-	-	-	-	-	-	64,058	
Capital Expenditure	310,259	20,686	21,000	21,517	22,088	22,427	22,771	23,595	24,545	82,845	
Net Income after Capital Expenditure	231,343	529,039	536,971	550,370	565,259	573,730	582,328	604,132	629,415	350,226	
Terminal Valuation (Start Year 11)											
Gross Rental Income										742,672	
Sundry Income										-	
Gross Market Income										742,672	
Less Adopted Outgoings										(48,521)	
Net Market Income										694,151	
Less Vacancy Factor										-	
Net Income										694,151	
Discount Rate										6.50%	
Terminal Capitalisation Rate										4.47%	
Core Capital Value (fully leased)										15,511,753	
Present Value of Rental Reversions										-	
Capital Value of Special Income										-	
Capital Value of Stabilisation Allowance										-	
Capital Value of Other Adjustments										-	
Outstanding Incentives										-	
Capital Value of Additional Land										-	
Deferred Commencement Tenancies											
Letting Up Allowances										-	
Incentive Allowances										-	
Leasing Costs Allowances										-	
Existing Vacancy Allowances											
Letting Up Allowances										-	
Incentive Allowances										-	
Leasing Costs Allowances										-	
-										-	
Imminent Expiry Allowances											
Letting Up Allowances		24 months								-	
Incentive Allowances		24 months								-	
Leasing Costs Allowances		24 months								-	
Refurbishment Allowances		24 months								-	
Capital Expenditure											
Budgeted Capital Expenditure		24 months								-	
Capital Sinking Fund Allowance		24 months								(49,622)	
Capital Value Adjustments										(49,622)	
Capitalised Value										15,462,131	
Disposal Costs 0.50%										(77,311)	
Net Sale Proceeds										15,384,820	
Sum of Discounted Cash Flows										3,767,947	
Present Value of Terminal Value										8,195,894	
NPV (before acquisition costs)										11,963,842	
Less Acquisition Costs 0.00%										-	
NPV (after acquisition costs)										11,963,842	
Rounded NPV										11,960,000	
Running Yield *	10 yr avg 3.82%	1.92%	4.23%	4.21%	4.23%	4.25%	4.21%	4.17%	4.22%	4.38%	2.38%
Running Yield (before Capex & Adjustments)	10 yr avg 4.31%	4.50%	4.40%	4.38%	4.40%	4.42%	4.38%	4.33%	4.39%	4.55%	3.32%
Running Yield (after Capex & Adj, over Gross Inves)	10 yr avg 4.29%	1.93%	4.41%	4.47%	4.59%	4.71%	4.78%	4.85%	5.03%	5.25%	2.92%
Running IRR		6.16%	6.24%	6.27%	6.36%	6.45%	6.51%	6.54%	6.36%	6.41%	6.46%

* Running Yield is calculated using the current value in that year as the denominator

TENANCY SCHEDULE
102 Langley Road, Wiri, Auckland 2104
Valuation Date: 31 March 2021

Tenancy Details					Lease Terms and Review Information								Passing Rentals						Market Rentals						Re-Letting Assumptions						
Tenant	Level / Suite	Renewal Type	Lettable Area m ²	Car Bays	Lease Term	Comm. Date	Expiry Date	Options	Next Rent Review	Next Review Type	Remaining Term (yrs)	Net / Gross	Base Rent \$ pa	\$/m ²	Outgoings \$ pa	Recovered \$/m ²	Gross Passing Rent \$ pa	\$/m ²	Net Market Rent \$ pa	\$/m ²	Gross Market Rent \$ pa	\$/m ²	Reversion Date Applied	PV of Rental Reversion	Renewal Probability	Applied Refurb \$/m ²	Applied Downtime Months	Applied Incentives % (Net)	Applied Leasing Costs %	Renewal Lease Term - Years	Renewal Lease Structure
Pilehire Limited	Office	Industrial	61.4	-	10.0	21-Oct-20	20-Oct-30	2*5	21-Oct-21	1.50%	9.6	Net	15,338	250	920	15	16,258	265	15,338	250	16,258	265	21-Oct-24	-	50.0%	20.00	3.0	-	7.5%	6.0	ME
Pilehire Limited	Warehouse	Industrial	2,645.1	-	10.0	21-Oct-20	20-Oct-30	2*5	21-Oct-21	1.50%	9.6	Net	368,863	139	39,676	15	408,539	154	370,313	140	409,989	155	21-Oct-24	(5,455)	50.0%	20.00	3.0	-	7.5%	6.0	ME
Pilehire Limited	Yard	Industrial	3850.0*	-	10.0	21-Oct-20	20-Oct-30	2*5	21-Oct-21	1.50%	9.6	Net	154,000	40	-	-	154,000	40	154,000	40	154,000	40	21-Oct-24	-	50.0%	-	3.0	-	7.5%	6.0	ME
Total			2,706.4	-									538,000	199	40,597	15	578,597	214	539,650	199	580,247	214		(5,455)							

(*) Bold indicates tenancies which are holding over expired lease terms; refer Holdovers table for details

(†) Italicised indicates tenancies with Heads of Agreement

(*) Other areas excluded from Total Lettable Area

By Renewal Type																																				
Industrial		2,706.4	-									9.6							538,000	199	40,597	15	578,597	214	539,650	199	580,247	214	(5,455)							
Total		2,706.4	-										538,000	199	40,597	15	578,597	214	539,650	199	580,247	214		(5,455)												

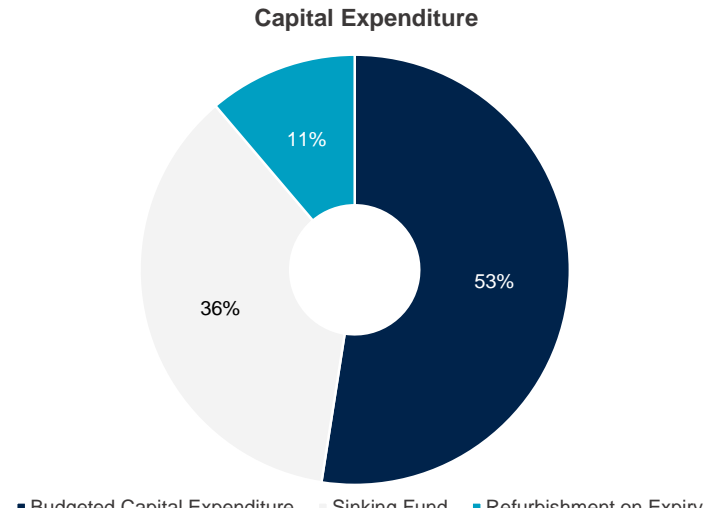
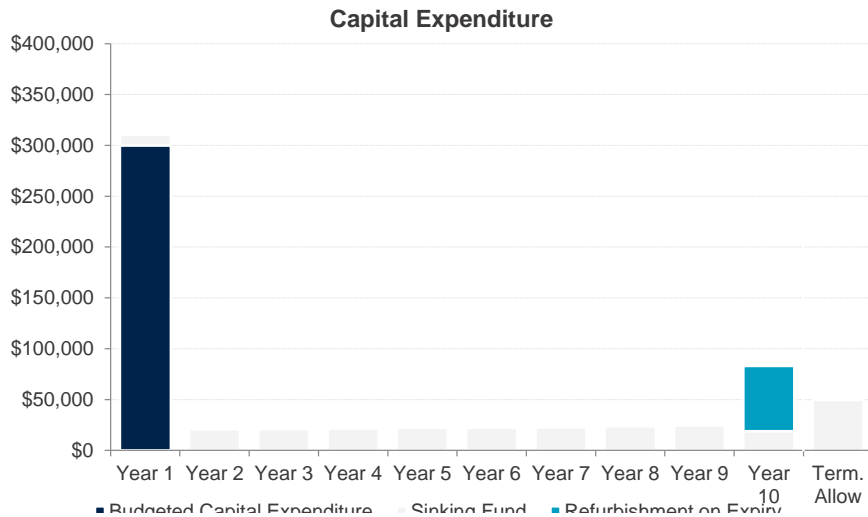
CAPITAL EXPENDITURE SUMMARY

102 Langley Road, Wiri, Auckland 2104

Valuation Date: 31 March 2021



Capital Expenditure	Year 1 1-Apr-21 31-Mar-22	Year 2 1-Apr-22 31-Mar-23	Year 3 1-Apr-23 31-Mar-24	Year 4 1-Apr-24 31-Mar-25	Year 5 1-Apr-25 31-Mar-26	Year 6 1-Apr-26 31-Mar-27	Year 7 1-Apr-27 31-Mar-28	Year 8 1-Apr-28 31-Mar-29	Year 9 1-Apr-29 31-Mar-30	Year 10 1-Apr-30 31-Mar-31
Budgeted Capital Expenditure	300,000	-	-	-	-	-	-	-	-	-
Sinking Fund	10,259	20,686	21,000	21,517	22,088	22,427	22,771	23,595	24,545	18,787
Refurbishment on Expiry	-	-	-	-	-	-	-	-	-	64,058
Total Capital Expenditure	310,259	20,686	21,000	21,517	22,088	22,427	22,771	23,595	24,545	82,845
Total 10 year capital expenditure										571,732
Total 10 year capital expenditure (\$/m ²)										211
Total 10 year capital expenditure (% of Adopted Value)										4.8%
Terminal Valuation (Start Year 11)										-
Budgeted Capital Expenditure										-
Sinking Fund (24 mths)										49,622
Refurbishment on Expiry (24 mths)										-
Terminal Value Capital Expenditure Allowances										49,622
Total 10 year Capital Expenditure (Incl. terminal value)										621,354
Total 10 year Capital Expenditure (Incl. terminal value) - \$/m ²										230
Total 10 year Capital Expenditure (Incl. terminal value) - % of Adopted \										5.2%



KEY VALUATION INPUTS
102 Langley Road, Wiri, Auckland 2104
 Valuation Date: 31 March 2021



Capital Expenditure Summary		10 Year Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
			1-Apr-21	1-Apr-22	1-Apr-23	1-Apr-24	1-Apr-25	1-Apr-26	1-Apr-27	1-Apr-28	1-Apr-29	1-Apr-30
			31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Total Budgeted Capex		300,000	300,000	-	-	-	-	-	-	-	-	-
Total Sinking Fund		207,674	10,259	20,686	21,000	21,517	22,088	22,427	22,771	23,595	24,545	18,787
Total Refurbishment Allowances		64,058	-	-	-	-	-	-	-	-	-	64,058
Total Capital Expenditure		571,732	310,259	20,686	21,000	21,517	22,088	22,427	22,771	23,595	24,545	82,845
Terminal Capital Expenditure Allowance		49,622	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure (Incl. Allowances)		621,354	310,259	20,686	21,000	21,517	22,088	22,427	22,771	23,595	24,545	132,467

Leasing Allowances		10 Year Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
			1-Apr-21	1-Apr-22	1-Apr-23	1-Apr-24	1-Apr-25	1-Apr-26	1-Apr-27	1-Apr-28	1-Apr-29	1-Apr-30
			31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Downtime		183,588	-	-	-	-	-	-	-	-	-	183,588
Incentives		-	-	-	-	-	-	-	-	-	-	-
Leasing Costs		55,427	-	-	-	-	-	-	-	-	-	55,427
Total Leasing Allowances		239,015	-	-	-	-	-	-	-	-	-	239,015

Expense Growth		10 Year CAGR	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
			1-Apr-21	1-Apr-22	1-Apr-23	1-Apr-24	1-Apr-25	1-Apr-26	1-Apr-27	1-Apr-28	1-Apr-29	1-Apr-30
			31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
CPI		1.80%	1.00%	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Statutory Expenses		1.80%	1.00%	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Operating Expenses		1.80%	1.00%	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Building Capex		1.80%	1.00%	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Adopted Outgoings		1.80%	1.00%	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

Income Growth		10 Year CAGR	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
			1-Apr-21	1-Apr-22	1-Apr-23	1-Apr-24	1-Apr-25	1-Apr-26	1-Apr-27	1-Apr-28	1-Apr-29	1-Apr-30
			31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Industrial Market Rent Growth - Net		2.55%	2.00%	2.25%	2.25%	2.50%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Industrial Market Rent Growth - Gross		2.48%	1.90%	2.13%	2.23%	2.45%	2.68%	2.68%	2.68%	2.68%	2.68%	2.68%

Industrial		Vacancies	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
			1-Apr-21	1-Apr-22	1-Apr-23	1-Apr-24	1-Apr-25	1-Apr-26	1-Apr-27	1-Apr-28	1-Apr-29	1-Apr-30
			31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Expiry Profile	m ²	-	-	-	-	-	-	-	-	-	-	6,556
Renewal Probability	%	-	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Downtime	months	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Applied Downtime	months	6.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Lease term	years	6	6	6	6	6	6	6	6	6	6	6
Net Incentives	%	-	-	-	-	-	-	-	-	-	-	-
Incentive Probability	%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Applied Net Incentives	%	-	-	-	-	-	-	-	-	-	-	-
Applied Incentives	months	-	-	-	-	-	-	-	-	-	-	-
Applied Leasing Costs	%	15.0%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Applied Refurbishment Expiry Allowance	\$/m ²	20.00	20.20	20.40	20.81	21.23	21.65	22.08	22.53	22.98	23.44	23.44
Net Market Rent (start of period)	\$/m ²	199	203	208	213	218	224	230	236	243	250	250
Gross Market Rent (start of period)	\$/m ²	214	218	223	228	234	240	246	253	260	267	267
Occupancy Rate (Weighted by Area)	%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	74.8%

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