

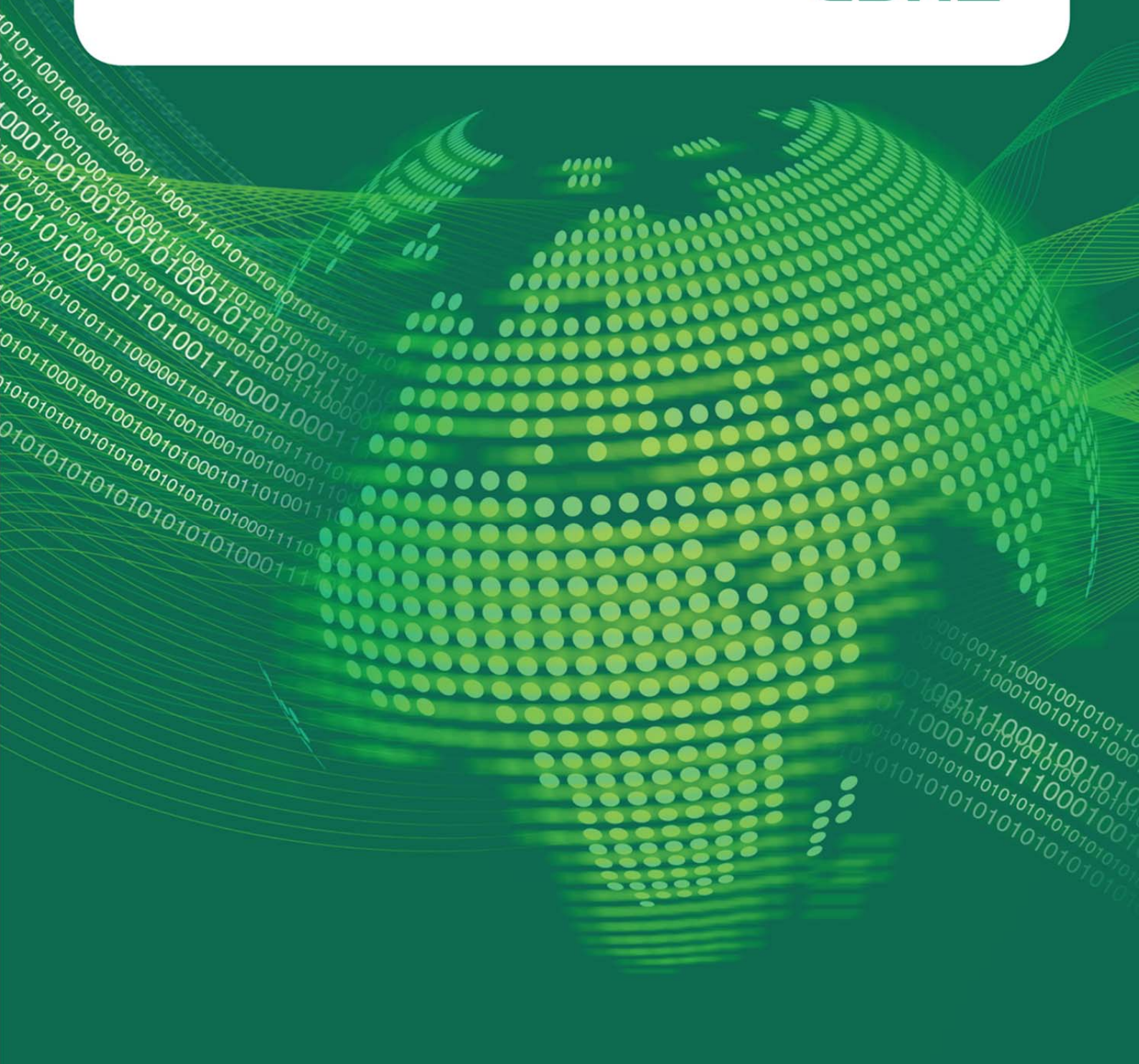
# VALUATION REPORT

MOE Building & RD1 Building  
19 Home Straight  
Te Rapa

Prepared For: *Oyster Property Group Limited*

Date of Valuation: 11 September 2015

**CBRE**





*Ministry of Education Building*



*RD1 Building*

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# 1 VALUATION SYNOPSIS

## 1.1 Instructions

<b>Instructions:</b>	<ul style="list-style-type: none"> <li>■ Written instructions received from:           <ul style="list-style-type: none"> <li>– Steven Harris on behalf of Oyster Property Group Limited, dated 8 September 2015.</li> </ul> </li> </ul>
<b>Valuation Request:</b>	<ul style="list-style-type: none"> <li>■ Current market valuations of:           <ul style="list-style-type: none"> <li>– MOE Building &amp; RD1 Building, 19 Home Straight, Te Rapa</li> </ul> </li> <li>■ More specifically:           <ul style="list-style-type: none"> <li>– Market Value - As If Subdivided - Subject to existing occupancy arrangements</li> </ul> </li> </ul>
<b>Reliance:</b>	<ul style="list-style-type: none"> <li>■ Oyster Property Group Limited for internal reliance only.</li> </ul>
<b>CBRE Reference:</b>	<ul style="list-style-type: none"> <li>■ K:\Valuations\OFFICE\Home Straight Office Park Te Rapa\CMV 0915\Report and Spreadsheet\Home Straight Office Park, MOE &amp; RD1 Buildings CMV 0915.docx</li> </ul>

## 1.2 Executive Summary

<b>Property Address:</b>	<ul style="list-style-type: none"> <li>■ MOE Building &amp; RD1 Building MOE Building &amp; RD1 Building            19 Home Straight            Te Rapa</li> </ul>
<b>Certificate of Title:</b>	<ul style="list-style-type: none"> <li>■ 548422 (existing parcel)</li> </ul>
<b>Registered Owner:</b>	<ul style="list-style-type: none"> <li>■ Hamilton Homezone Limited.</li> </ul>
<b>Town Planning:</b>	<ul style="list-style-type: none"> <li>■ Industrial Zone under the Operative Hamilton District Plan 2012.</li> <li>■ Business 1 Zone – Commercial Fringe under the Proposed Hamilton District Plan.</li> </ul>
<b>Land Area:</b>	<ul style="list-style-type: none"> <li>■ Existing Title - 29,253 sqm</li> <li>■ Proposed RD1 Building Title (Lot 1) - 4,703 sqm (subject to final survey)</li> <li>■ Proposed MOE Building Title (Lot 2) - 6,021 sqm (subject to final survey)</li> </ul>
<b>Description of Property:</b>	<ul style="list-style-type: none"> <li>■ The MOE Building is situated to the northern corner of the subject site and comprises a single level, modern office building completed in 2012. This building accommodates a lettable area of 3,024.0 sqm. Car parking is provided on grade for 100 bays.</li> <li>■ The RD1 Building is situated to the south-west of the MOE Building and provides a 2 level commercial building completed in 2012, with RD1 leasing the first floor, a gym leasing the ground floor and a café leasing a small retail tenancy to the south-east of the building. This building accommodates a lettable area of 4,366.0 sqm. Car parking is provided on grade for 155 bays.</li> </ul>
<b>Interest Valued:</b>	<ul style="list-style-type: none"> <li>■ Freehold.</li> </ul>

## 1.3 Assessments

<b>Approaches:</b>	Capitalisation, Discounted Cash Flow
<b>Date of Inspection:</b>	11 September 2015
<b>Date of Valuation:</b>	11 September 2015
<b>MOE Building Valuation:</b> (100% Interest)	<u>Market Value - As If Subdivided - Subject to existing occupancy arrangements</u> <b>\$9,750,000</b> (Nine Million, Seven Hundred and Fifty Thousand Dollars) This valuation is on a plus GST (if any) basis.
<b>RD1 Building Valuation:</b> (100% Interest)	<u>Market Value - As If Subdivided - Subject to existing occupancy arrangements</u> <b>\$13,300,000</b> (Thirteen Million, Three Hundred Thousand Dollars) This valuation is on a plus GST (if any) basis.
<b>Summary of Conditional Terms:</b>	The valuation stated is subject to all content, issues, assumptions, disclaimers, qualifications and recommendations throughout the report (including but not limited to the Qualifications section). The report is prepared for the use of and reliance by the Reliant Party only and limited only to the Purpose specifically stated. No responsibility is accepted or assumed to any third party for the whole or any part of the report.
<b>Prepared By:</b>	CBRE Limited
	 
	<p><b>Principal Valuer</b> Jamahl Williams BBS (VPM), ANZIV, SPINZ Registered Valuer Director - Valuation &amp; Advisory Services</p> <p>Campbell Stewart SPINZ, ANZIV, MRICS Registered Valuer National Director - Valuation &amp; Advisory Services No Co-Signatory in capacity of Quality Assurance</p>
<i>Property Inspection:</i>	Yes
<i>Job Involvement:</i>	Principal Valuer

## 1.4 Critical Assumptions

Our valuation specifically assumes:

<b>Subdivision:</b>	<ul style="list-style-type: none"> <li>Our valuation has been undertaken on an 'as if subdivided' basis in accordance with the Draft Subdivision Plan provided dated 7 August 2015 prepared by CKL Surveyors and attached to the Sale and Purchase Agreement.</li> </ul>
<b>Ministry of Education Rent Review:</b>	<ul style="list-style-type: none"> <li>As at the date of valuation, the Ministry of Education rent review due 10 April 2015 remains outstanding. The Sale and Purchase Contract states that the rental is to be guaranteed by the vendor at no less than \$785,043 gross per annum plus GST. The passing gross rental is \$725,827 per annum plus GST and the landlord's notified rental is \$814,234.</li> <li>We consider the vendor guaranteed rental of \$785,043 per annum gross to be broadly within market parameters and have therefore adopted this figure within our valuation. In any event, we are advised that the vendor (Hamilton Homezone Limited) is to pay the difference (if any) between the guaranteed rental of \$785,043 per annum and the result of the outstanding rent review.</li> </ul>

## 1.5 Mortgage Recommendation

### First Mortgage Security:

- The subject property is suitable for First Mortgage Security only, having regard to all issues, assumptions, and recommendations contained within this valuation report in its entirety.

## 1.6 SWOT Analysis

### Market Instability:

- Despite any other comment/forecast in this advice, should a major local or global financial event or natural disaster occur, we recommend CBRE be instructed to review the potential impact on the assessed value.

### Strengths & Opportunities:

- Positive attributes the envisaged purchaser would consider:
  - Both buildings comprise modern and functional commercial properties situated within Te Rapa's commercial / industrial precinct.
  - Fully leased investment properties. The RD1 and MOE Buildings feature long WALTs of 8.1 years and 6.6 years respectively, which would appeal to passive investors.
  - Both MOE and RD1 (owned by Fonterra) provide very strong tenant covenants.
  - Both the CityFitness and café tenants in the RD1 Building are subject to structured rental growth mechanisms, providing an element of cashflow predictability and security.
  - The properties benefit from commercial based zoning changes under the Hamilton Proposed District Plan, making future competitive supply of substantial office accommodation within the immediate locality unlikely.
  - Strong investor demand at present for well leased investment properties of all classes.
  - Seismic rating of 100% NBS.

### Weaknesses & Threats:

- Negative attributes the envisaged purchaser would consider:
  - Both assets at an investment quantum of circa \$10 million would be considered high in the local context, potentially reducing the pool of investors. Notwithstanding this, the nature of the tenant covenants (particularly the relatively long remaining leases to MOE and RD1) would likely attract regional interest.
  - Approximately 44% of the rental income of the RD1 Building is underpinned by a very large gym premises, which could be viewed as a riskier cashflow proposition / weaker tenant covenant by potential purchasers.
  - The RD1 lease includes a rental structure that does not allow the rental to be fully indexed to market until expiry in 2020. The current passing rental is considered to be below market levels.
  - The MOE lease contains market based reviews only, with no structured growth.

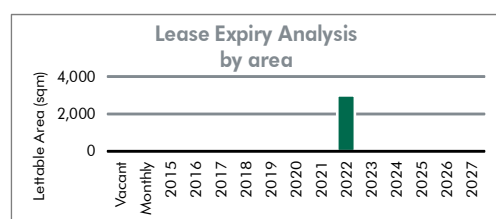
## 1.7 Executive Summaries

### MOE BUILDING - VALUATION SUMMARY (100% Freehold)

Valuation Approaches	Capitalisation & DCF	
Net Lettable Area (sqm)	3,024.0	
Site Area (sqm)	6,021	(proposed Title area)
<b>Date of Valuation</b>	<b>11 September 2015</b>	
<b>Market Value</b>	<b>\$9,750,000</b>	
Net Passing Income	\$723,837	\$239 psm
Net Market Income	\$704,605	\$233 psm
Gross Market Rent	\$237	psm
Weighted Average Lease Term (by Income)	6.6 years	
incl. cars, sundry and vacancies		
Outgoings (Adopted)	\$21	psm
Capitalisation Rate	7.25%	
Terminal Yield	7.75%	
Target IRR (Discount Rate)	8.75%	
Ten Year IRR (Indicated)	8.68%	
Passing Initial Yield	7.46%	
Equivalent Yield	7.25%	
Reversionary (Market) Yield	7.26%	
Value psm of NLA	\$3,208	psm
Percentage Over Rented (On Occupied)	2.73%	
Current Vacancy Rate	Nil	

VALUATION ASSUMPTIONS		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
CPI (NZIER)	2.00% (10 yr avg)	2.10%	1.90%	2.20%	2.30%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Office Market Rent Growth (gross)	2.50% (10 yr avg)	2.60%	2.40%	2.70%	2.80%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Car Parking Growth	4.10% (10 yr avg)		6.38%		10.00%		9.09%		8.33%		7.69%
Outgoing Escalation	2.00% (10 yr avg)	2.10%	1.90%	2.20%	2.30%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Renewal Probability	50%										
Leasing Up Period Yr 1	9 mths										
Assumed New Lease Term	6 years										
Assumed New Lease Reviews	MKT										
Assumed Leasing Commissions (new/renewal)	16%										
Lessors Works/Make Good (\$psm)	\$100 psm										
Refurbishment Allowance (Yr 7)	\$75 psm										
Total Capital Expenditure (Yrs 1 to 11) *	\$521,954										\$173 psm

\* Includes Refurbishment and Lessors Make Good allowances.



TENANT PROFILE	Area (sqm)	Passing Gross Rent	Market Gross Rent	Expiry
Ministry of Education	3,024.0	\$736,163	\$716,931	Apr-22
Car Parking		\$48,880	\$48,880	
<b>Total (Gross Passing Fully leased)</b>	<b>3,024.0</b>	<b>\$785,043</b>	<b>\$765,811</b>	

Note: Gross rents include outgoings recovery (where applicable). Market rent shown for vacancies.



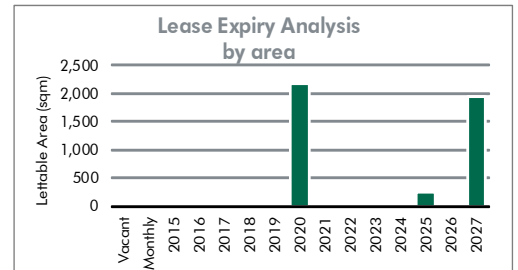
**RD1 BUILDING - VALUATION SUMMARY (100% Freehold)**

Valuation Approaches	Capitalisation & DCF	
Net Lettable Area (sqm)	4,366.0	
Site Area (sqm)	4,703 (proposed Title area)	
<b>Date of Valuation</b>	<b>11 September 2015</b>	
<b>Market Value</b>	<b>\$13,300,000</b>	
Net Passing Income	\$924,743	\$212 psm
Net Market Income	\$1,034,129	\$237 psm
Average Gross Market Rent (Office)	\$240	psm
Average Gross Market Rent (Retail)	\$242	psm
Weighted Average Lease Term (by Income) incl. cars, sundry and vacancies	8.1 years	
Outgoings (Adopted)	\$20 psm	
PV of Outstanding Tenant Incentives	\$0	
Capitalisation Rate	7.50%	
Terminal Yield	8.00%	
Target IRR (Discount Rate)	9.00%	
Ten Year IRR (Indicated)	9.03%	
Passing Initial Yield	6.95%	
Equivalent Yield	7.46%	
Reversionary (Market) Yield	7.78%	
Value psm of NLA	\$3,046 psm	
Percentage Under Rented (On Occupied)	-10.58%	
Current Vacancy Rate	Nil	

**VALUATION ASSUMPTIONS**

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
CPI (NZIER)	2.00% (10 yr avg)	2.10%	1.90%	2.20%	2.30%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Office Market Rent Growth (gross)	2.50% (10 yr avg)	2.60%	2.40%	2.70%	2.80%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Retail Market Rent Growth (gross)	2.50% (10 yr avg)	2.60%	2.40%	2.70%	2.80%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Car Parking Growth	4.10% (10 yr avg)			6.38%	10.00%		9.09%		8.33%		7.69%
Sundry Growth	2.00% (10 yr avg)	2.10%	1.90%	2.20%	2.30%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Outgoing Escalation	2.00% (10 yr avg)	2.10%	1.90%	2.20%	2.30%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Renewal Probability (Office/Retail)	50%	50%									
Leasing Up Period Yr 1 (Office/Retail)	9 mths	6 mths									
Assumed New Lease Term (Office/Retail)	6 years	6 years									
Assumed New Lease Reviews (Office/Retail)	MKT	MKT									
Assumed Leasing Commissions (new/renewal)	16%										
Lessors Works/Make Good (\$psm) (Office/Retail)	\$100 psm	\$50 psm									
Refurbishment Allowance (Yr 5)	\$75 psm										
Total Capital Expenditure (Yrs 1 to 11) *	\$749,523	\$172 psm									

\* Includes Refurbishment and Lessors Make Good allowances.



TENANT PROFILE	Area (sqm)	Passing Gross Rent	Market Gross Rent	Expiry
No data yet				#N/A
No data yet				#N/A
No data yet				#N/A
Car Parking		\$16,380	\$68,744	
Sundry		\$5,492		
<b>Total (Gross Passing)</b>	<b>4,366.0</b>	<b>\$1,010,528</b>	<b>\$1,119,915</b>	

Note: Gross rents include outgoings recovery (where applicable). Market rent shown for vacancies.

## 2 RELIANCE & REPORTING

### 2.1 Reliance & Liability

<b>Reliance:</b>	■ This valuation is strictly and only for the use of the Reliant Party and for the Purpose specifically stated in the Synopsis/Instructions.
<b>Confidentiality:</b>	■ This valuation is strictly confidential between CBRE and the Reliant Party.
<b>Transmission:</b>	■ Only an original valuation report received by the Reliant Party directly from CBRE without any third party intervention can be relied upon.
<b>Restricted:</b>	■ No responsibility is accepted or assumed to any third party who may use or rely on the whole or any part of the content of this valuation.
<b>Copyright:</b>	■ Neither the whole nor any part of the content of this valuation may be published in any document, statement, circular or otherwise by any party other than CBRE, nor in any communication with any third party, without the prior written approval from CBRE, and subject to any conditions determined by CBRE, including the form and context in which it is to appear.

### 2.2 Reporting

<b>Market Movement:</b>	■ This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movement or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above, we do not assume any responsibility or accept any liability in circumstances where this valuation is relied upon after the expiration of 90 days from the date of valuation, or such earlier date if the Reliant Party becomes aware of any factors that have any effect on the valuation.
<b>Valuer's Interest:</b>	■ We hereby certify that the Principal Valuer is suitably qualified and authorised to practise as a valuer; does not have a pecuniary interest, financial or otherwise, that could conflict with the proper valuation of the property (including the parties with whom our client is dealing, including the lender or selling agent, if any); accepts instructions to value the property only from the instructing party.
<b>Industry Practice:</b>	■ Our report is issued in accordance with the Property Institute of New Zealand Valuation and Property Standards (ISBN 0-9975414-0-1) and International Valuation Standards (ISBN 978-0-9569313-0-6), subject to the assumptions detailed within this report. Where these are at variance, International Valuation Standards apply.

## 2.3 Value Definitions

### Market Value Definition:

- In accordance with the International Valuation Standards, the definition of market value is:

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

## 2.4 Further Purpose & Scope of Report

### Compliance Statement:

- This valuation has been performed in accordance with the International Valuation Standards (ISBN 978-0-9569313-0-6) and we confirm that:
  - The Principal Valuer has prepared the valuation report on behalf of CBRE.
  - The valuer has concluded an objective and unbiased opinion of value.
  - The valuer has no material connection or pecuniary interest in the property or the party commissioning the valuation.
  - The valuer is competent to undertake a valuation of an asset in this class and location. No one, except those specified herein has provided professional assistance in preparing this report.

## 3 SITE DETAILS

### 3.1 Location

#### Precinct:

- Te Rapa, Hamilton.

#### Situation:

- More particularly the subject properties are located within the 'Home Straight Business Park', at the end of the Home Straight cul-de-sac extending from the eastern side of Te Rapa Road. The Hamilton CBD is approximately 5 kilometres to the south.
- Te Rapa Road currently forms part of the principal north/south highway in the North Island (State Highway 1) and carries a high volume of traffic. The Te Rapa Section of the Bypass opened in December 2012 forming part of the important ring road system bypassing Hamilton Central.

#### Location and Surrounds:

- Surrounding land uses at the southern end of Te Rapa are of a more commercial nature, with heavier industrial uses located further north of the subject. A modern purpose built Bunnings bulk hardware store is located on the opposite side of Home Straight, providing a strong drawcard from a retailing perspective. A high quality Mercedes and Hyundai automotive dealership is situated at the corner of Home Straight and Te Rapa Road.
- Significant commercial development has been undertaken further north of the subject particularly in the vicinity of The Base retail precinct, which includes both externally trading larger format retail stores together with a high quality enclosed mall known as Te Awa Shopping Centre. Opposite The Base is a recently completed Countdown Supermarket and adjoining K Mart department store.
- Further growth is anticipated to the north-western periphery of the Hamilton metropolitan area within the area known as the Rotokauri Structure Plan. This will provide for the growth of the Rotokauri area over the next 20 to 30 years and includes provisions for infrastructure and community facilities to support a population of up to 20,000 people, 3,000 being in the next 10 years based over 4 residential areas. Land is to be used for residential, employment and industrial purposes, along with the provision of a neighbourhood centre to an area at the southern part of the structure plan.

**Local Map:**  
 Source: Property Guru



### 3.2 Site & Services

<b>Shape:</b>	<ul style="list-style-type: none"> <li>■ The existing site is of an irregular shape.</li> <li>■ The proposed lots for the subject buildings are comparatively regular, rectangular lots.</li> </ul>
<b>Topography:</b>	<ul style="list-style-type: none"> <li>■ Overall contour is generally level for building purposes.</li> </ul>
<b>Land Area:</b>	<ul style="list-style-type: none"> <li>■ Existing Title - 29,253 sqm</li> <li>■ Proposed MOE Building Title - 6,021 sqm (subject to survey)</li> <li>■ Proposed RD1 Building Title - 4,703 sqm (subject to survey)</li> </ul>
<b>Street Frontage:</b>	<ul style="list-style-type: none"> <li>■ Home Straight cul-de-sac: 52.3 metres (existing Title)</li> <li>■ Right of Way: 83.6 metres (proposed MOE Building Title)</li> <li>■ Right of Way: 73.4 metres (proposed RD1 Building Title)</li> </ul>
<b>Access:</b>	<ul style="list-style-type: none"> <li>■ Current access is available from Home Straight, a side street off the main Te Rapa Road.</li> </ul>
<b>Services:</b>	<ul style="list-style-type: none"> <li>■ Typical services appear to be connected.</li> </ul>
<b>Flooding:</b>	<ul style="list-style-type: none"> <li>■ According to Hamilton City Councils GIS service, the existing subject property is above known flood levels. Formal searches have not been undertaken.</li> </ul>

**Flooding Caution:**

We have relied upon flood information obtained from Hamilton City Council.

The quality, completeness and accuracy of flood mapping varies widely between localities and



Councils. We have not verified and make no representation as to the appropriateness, accuracy, reliability or currency of the flood mapping reviewed and relied upon.

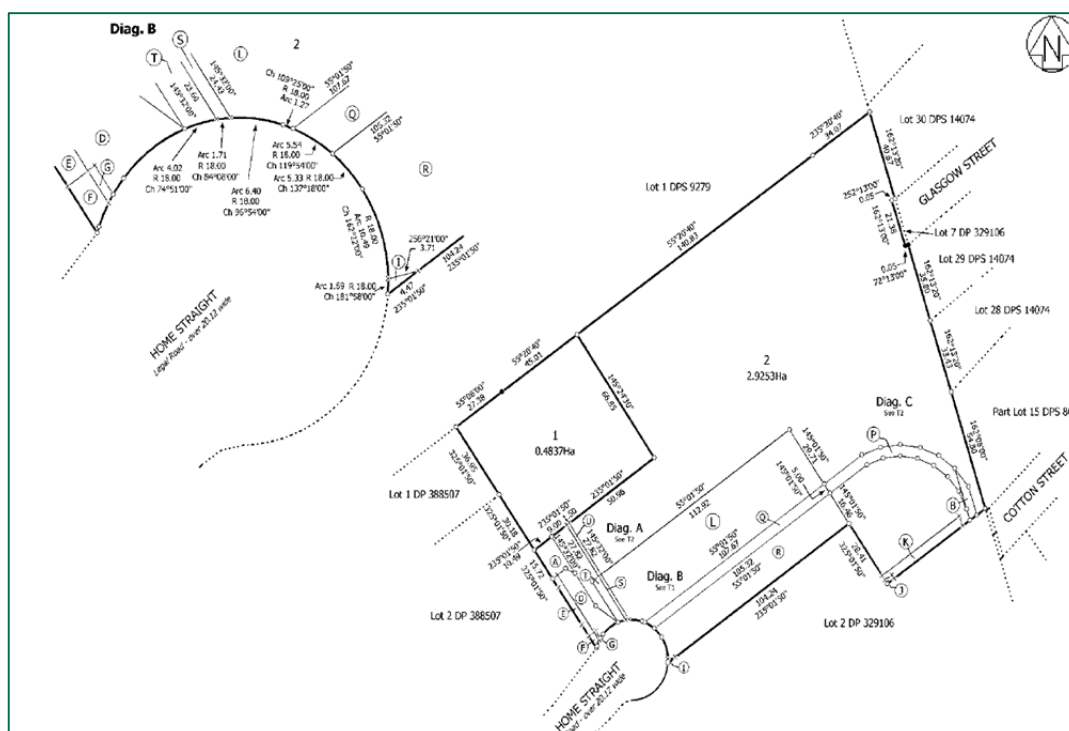
The Reliant Party may wish to confirm the flood mapping information by obtaining an expert hydrologist's report. If further flooding data is obtained, we reserve the right to review and if necessary amend the valuation.

**Site Survey Not Provided:**

We do not commission site surveys and a site survey has not been provided to us. We have assumed there are no encroachments by or on the property, and the Reliant Party should confirm this status by obtaining a current survey report and/or advice from a registered surveyor. If any encroachments are noted by the survey report, this valuation must not be relied upon before first consulting CBRE to reassess any effect on the valuation.

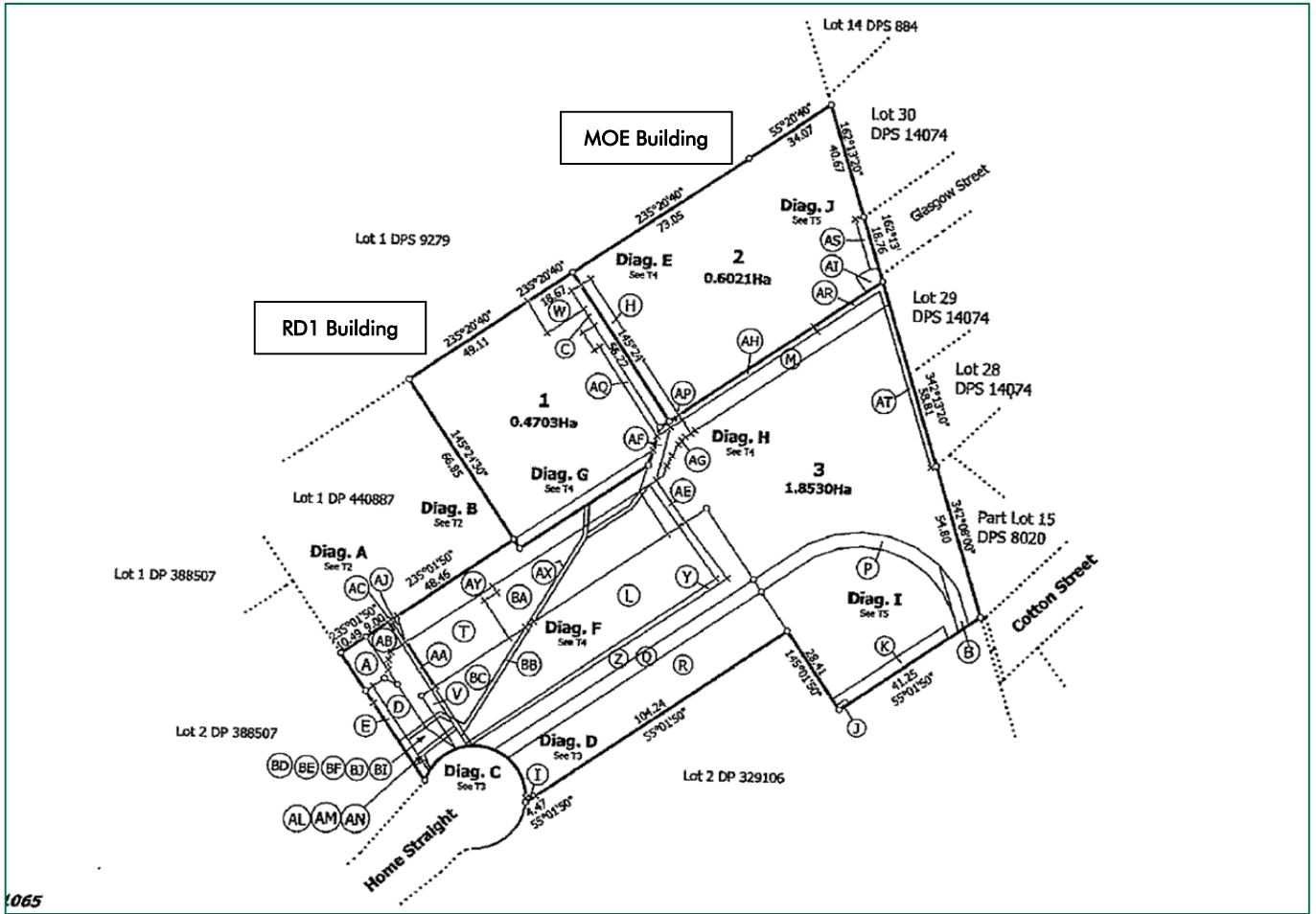
**Existing Deposited Plan:**

- The property is illustrated on the existing Computer Freehold Register as follows:



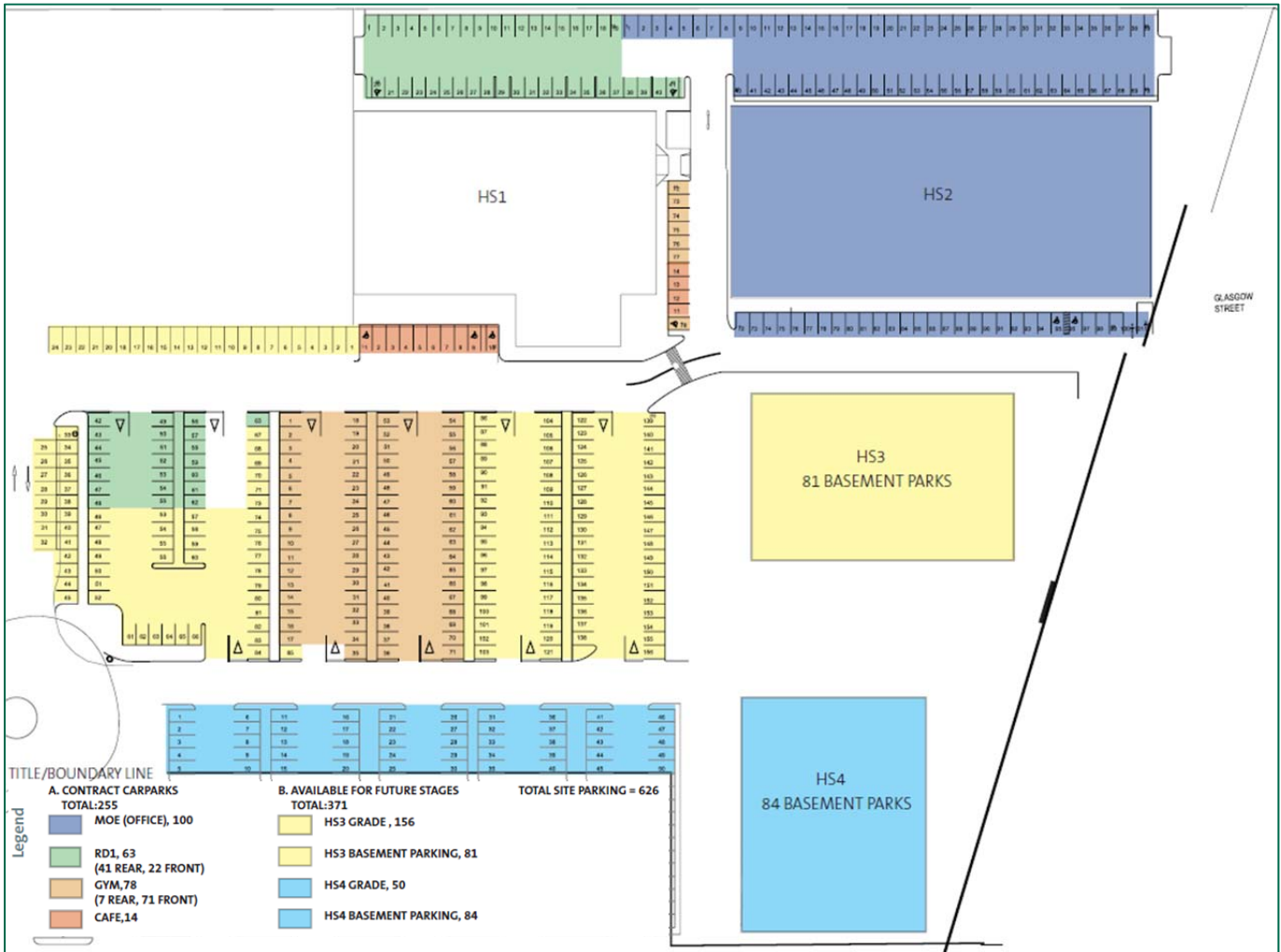
**Proposed Subdivision Plan**

As requested, our valuation has been undertaken on an "as if subdivided" basis. We have been provided with a Draft Subdivision Plan dated 7 August 2015 prepared by CKL Surveyors, which is shown overleaf:



**Car Parking Plan:**

- We have been provided with a master car parking plan for the Home Straight Business Park prepared by Boffa Miskell dated 8 May 2015 (Revision 2). This plan shows the total amount of car parks available to proposed Lots 1, 2 and 3 and the apportionment of the car parks between the various tenants, including those to be attributed to the proposed building on the future development land.



**3.3 Site Contamination Risk**

**Contamination Comment:**

- We have been provided with a Site Validation Report for the subject land (formerly known as 446 Te Rapa Road) dated 8 September 2003 stating that all potentially contaminated material resulting from the former timber treatment operation was successfully removed in accordance with a Rehabilitation Action Plan.

**We Are Not Contamination Experts:**

We have assumed that the site is free of elevated levels of contaminants. We have made no allowance in our valuation for site remediation works. Our visual inspection is an inconclusive indicator of the actual condition of the site. We make no representation as to the actual environmental status of the subject property. If a test is undertaken at some time in the future to assess the degree, if any, of contamination of the site and this is found to be positive, this valuation must not be relied upon before first consulting CBRE to reassess any effect on the valuation.

### 3.4 Asbestos Risk

<b>Likelihood of Asbestos:</b>	<ul style="list-style-type: none"> <li>The principal improvements on the site are estimated to have been completed post 1982, and therefore the material presence of Asbestos Containing Materials is unlikely.</li> </ul>
<b>Our Enquiries:</b>	<ul style="list-style-type: none"> <li>Our enquiries are limited to our inspection.</li> </ul>
<b>We Are Not Hazardous Material Experts:</b>	<p>Unless otherwise noted, we have assumed that the improvements are free of Asbestos and Hazardous Materials, or should these materials be present then they do not pose significant risk to human health, nor require immediate removal. We have made no allowance in our valuation for remediation works.</p> <p>We assume the site is free of subsoil asbestos and have made no allowances in our valuation for site remediation works.</p> <p>Our visual inspection is an inconclusive indicator of the actual condition/presence of asbestos/hazardous materials within the property. We make no representation as to the actual status of the subject property. If a test is undertaken at some time in the future to assess the degree, if any, of the presence of any asbestos/hazardous materials onsite and this is found to be positive, this valuation must not be relied upon before first consulting CBRE to reassess any effect on the valuation.</p>

### 3.5 Real Property Description (Freehold) – Existing Title

Lot	Plan	Title Reference	Area (sqm)	Registered Owner	Ownership Interest
2	DP 440887	548422	29,253	Hamilton Homezone Limited	100%

### 3.6 Title & Interests – Existing Title

<b>Our Search:</b>	<ul style="list-style-type: none"> <li>We have conducted a Title search – refer to Appendices.</li> </ul>
<b>Registered Interests:</b>	<ul style="list-style-type: none"> <li>Registered Interests listed on Title are summarised as follows: <ul style="list-style-type: none"> <li>6029833.4 Consent Notice pursuant to Section 221 Resource Management Act 1991 <i>This relates to the right of way to the south of the subject site, running from the tip of the Home Straight cul-de-sac to the south eastern boundary. The Consent Notice originally restricted the construction of any buildings on the subject until the forming and sealing of this right of way.</i></li> <li>Appurtenant hereto are right of way, carparking, convey electricity and signage easements created by Easement Instrument 6029833.7</li> <li>Subject to a right of way marked B, P and Q and carparking marked I, J, K, L, R, S and T on DP 440887 created by Easement Instrument 6029833.7</li> <li>Some of the easements created by Easement Instrument 6029833.7 are subject to Section 243 (a) Resource Management Act 1991</li> <li>Land Covenant in Easement Instrument 6029833.8 <i>The registered proprietors of Lots 1 and 2 DP 329106 shall not permit any structure greater than 1.2 metres, nor allow any plant to exceed 1.0 metre, on those parts marked "E", "F", "G" &amp; "O". The purpose of this arrangement is to provide a clear line of sight of the rear buildings from Te Rapa Road.</i></li> </ul> </li> </ul>

- Subject to a right (in gross) to convey electricity over parts marked F and G on DP 440887 in favour of WEL Networks Limited created by Easement Instrument 6029833.9
- 6029833.10 Encumbrance to Bunnings Limited  
*Bunnings Limited has encumbered the land to the effect that while they operate a 'bulk retail general hardware store' on Lot 2 DP 329106, the encumbered land may not be used for any timber, paint, garden supplies or general hardware retailing or wholesaling purposes. This is not intended to limit the retailing of the aforementioned products where they only constitute a minor or ancillary item at a store.*
- 7134908.4 Mortgage to ASB Bank Limited
- Subject to a right to convey electricity over parts marked E and F and a right of way over parts marked D, E, F and G all on DP 440887 created by Easement Instrument 8087558.4
- The easements created by Easement Instrument 8087558.4 are subject to Section 243 (a) Resource Management Act 1991
- Land Covenant in Easement Instrument 8087558.5  
*A number of land covenants have been agreed in favour of Hamilton Homezone Limited restricting the development of the servient tenement (Lot 2 DP 329106, Bunnings Land). The covenants are extensive and primarily relate to the development of the servient land, we summarise some of these below:*
  - *Maximum site coverage: 30%*
  - *Maximum height: 8.8 metres (excluding structural parapets)*
  - *Maximum plant height: 1.5 metres*
  - *Permitted use: Motor vehicle dealership for a term of 10 years from 22 September 2006.*
  - *Permitted building envelope: Must be in accordance with the plans attached to the easement document.*
  - *Subdivision: No further subdivision of the servient tenement is permitted without written consent.*
- 8964795.1 Consent Notice pursuant to Section 221 Resource Management Act 1991  
*This Consent Notice relates to the original subdivision that created the subject lot. The Notice highlights the existence of public stormwater and wastewater pipelines passing through the subject property. No building is permitted within 2 metres of a manhole or connective to the pipeline. The Consent Notice additionally adds the potential for contamination regarding existing timber treatment operations on the site, in the event any contamination was discovered, it is to be remediated in accordance with Ministry for Environment Contaminated Land Management Guidelines.*
- Subject to a right of way over parts marked A, D, E, F and G and right to convey gas, water, electricity, telecommunications and computer media over parts marked U and S all on DP 440887 created by Easement Instrument 8964795.3
- Some of the easements created by Easement Instrument 8964795.3 are subject to Section 243 (a) Resource Management Act 1991
- Subject to a right (in gross) to drain water over parts marked A, D, E, F and G on DP 440887 in favour of Hamilton City Council created by Easement Instrument



	<p>8964795.4</p> <ul style="list-style-type: none"> <li>– The easements created by Easement Instrument 8964795.4 are subject to Section 243 (a) Resource Management Act 1991</li> <li>– Land Covenant in Easement Instrument 8964795.5  <i>This Covenant is in favour of the subject lot and effectively restricts the development on the adjoining Lot 1 to the western corner of the subject. Specifically the development on Lot 1 cannot be of a lesser quality than Australian Mercedes Autobody stipulated within the Covenant. Any development must first receive the written approval of the owner of the subject land.</i></li> </ul> <ul style="list-style-type: none"> <li>■ The above interests are reflected in our concluded value.</li> </ul>
<p><b>Unregistered Interests:</b></p>	<p>We have assumed that there are no unregistered interests which may affect market value. In the event that the Reliant Party becomes aware of any further or pending easements, encumbrances or unregistered interests, this valuation must not be relied upon before first consulting CBRE to reassess any effect on the valuation.</p>

### 3.7 Resource Management

<p><b>Local Authority:</b></p>	<ul style="list-style-type: none"> <li>■ Hamilton City.</li> </ul>
<p><b>Local Plan:</b></p>	<ul style="list-style-type: none"> <li>■ Operative Hamilton District Plan 2012.</li> </ul>
<p><b>Zoning:</b></p>	<ul style="list-style-type: none"> <li>■ Industrial Zone.</li> </ul>
<p><b>Zoning Objectives:</b></p>	<ul style="list-style-type: none"> <li>■ The Industrial Zone provides for a wide range of industrial activity and associated uses subject to performance standards designed to manage adverse environmental effects. These include effects of “reverse sensitivity” where non-industrial activities in the zone require higher standards of amenity than what is normally found in industrial areas. In such cases responsibility for the mitigation of adverse effects arising from industrial activities should be borne by those non-industrial activities desiring higher standards.</li> <li>■ Within the Industrial Zone lower standards of amenity are accepted. However where industrial activities are close to the interface with Residentially zoned areas higher levels of on-site amenity are achieved through the Amenity Protection Area to protect the amenity of adjacent sites. Performance Standards are also used to enhance the visual appearance of city entrance routes where they pass through industrial areas.</li> <li>■ Recognising that adequate roading capacity to serve the Rotokauri area is dependent on the completion of major new roading projects, the Plan needs to retain a measure of control over development within Rotokauri to ensure that the roading network continues to service the City’s transport needs and that effective use is made of the industrial land supply.</li> </ul>
<p><b>Overlays:</b></p>	<ul style="list-style-type: none"> <li>■ Industrial Amenity Protection</li> </ul>
<p><b>Permitted Use:</b></p>	<p>To use the premises only for one or more of the following purposes:</p> <ul style="list-style-type: none"> <li>■ Any Industrial Activity.</li> <li>■ Offices.</li> <li>■ Transport Depots.</li> <li>■ Parking Lots in Parking Buildings.</li> </ul>

	<ul style="list-style-type: none"> <li>■ Any Retail Activity (subject to Rule 4.5.3 b).</li> <li>■ Licensed Premises.</li> <li>■ Health Care Services.</li> <li>■ Community Centres.</li> <li>■ Places of Assembly.</li> <li>■ Marae.</li> <li>■ Education and training Facilities.</li> <li>■ Informational Recreation and Ancillary Buildings.</li> <li>■ General Recreation.</li> <li>■ Accessory Buildings.</li> <li>■ Relocated buildings.</li> <li>■ Fire Stations.</li> </ul>
<b>Floor Area Ratio (FAR):</b>	<ul style="list-style-type: none"> <li>■ 1:1</li> </ul>
<b>Height Limit:</b>	<ul style="list-style-type: none"> <li>■ 20 metres</li> </ul>
<b>Maximum Site Coverage:</b>	<ul style="list-style-type: none"> <li>■ 100%</li> </ul>
<b>Height Control Plane:</b>	<ul style="list-style-type: none"> <li>■ No part of the building may penetrate a Height Control Plane rising at an angle of 45 degrees commencing at the elevation of 3 metres above the boundary of any adjacent Residential Zone.</li> </ul>
<b>Minimum set back from front boundary:</b>	<ul style="list-style-type: none"> <li>■ 5.0 metres when fronting an arterial road or in an Amenity Protection Area</li> </ul>
<b>Minimum set back for any other boundary:</b>	<ul style="list-style-type: none"> <li>■ 8 metres in an Amenity Protection Area where adjoining a residential zone, any non-industrial activity, any noxious or offensive activity. Nil for any other industrial activity except in the Amenity Protection Area.</li> </ul>
<b>Service and Outdoor Storage:</b>	<ul style="list-style-type: none"> <li>■ Any building shall be provided with a service area as follows:           <ul style="list-style-type: none"> <li>– The service area not be less than 10 sqm or 1% of the gross floor area of the building, whichever is the greater with a minimum dimension of 2.5 metres.</li> <li>– Any service area shall be maintained within an all-weather dust free surface.</li> </ul> </li> <li>■ Where any area is used for the outdoor storage of goods it shall comply with the following:           <ul style="list-style-type: none"> <li>– All activities shall accommodate the storage of goods, materials, and waste products in a manner that does not conflict with vehicle access, manoeuvring, and parking.</li> <li>– Any materials stored outdoors shall be done in a manner that avoids adverse effects beyond the boundaries of the site, or impacts on the receiving environment.</li> <li>– Any outdoors storage area shall be maintained with an all-weather dust free surface.</li> <li>– No outdoor storage area shall encroach on to required parking, loading or</li> </ul> </li> </ul>

<b>Additional Controls:</b>	<p>planting area.</p> <ul style="list-style-type: none"> <li>■ Noise activities shall comply with Rule 5.1.</li> <li>■ Parking, loading, and access activities shall comply with Rule 5.2.</li> <li>■ Planting and screening activities shall comply with Rule 5.3.</li> <li>■ Lighting and glare activity shall comply with Rule 5.4.</li> <li>■ Smoke, fumes, dust and odour activities shall comply with Rule 5.5.</li> <li>■ Building restrictions along roads activities shall comply with Rule 5.6.</li> </ul>
<b>Planning Information:</b>	<p>It is assumed that information provided to us by the relevant Local Authority Town Planning Department is accurate. In the event that a Land Information Memorandum (LIM) is obtained and the information is found to be different to the town planning information in this report, this valuation must not be relied upon before first consulting CBRE to reassess any effect on the valuation</p>

### 3.8 Proposed Planning Controls

<b>Overview:</b>	<ul style="list-style-type: none"> <li>■ The Proposed District Plan was notified in December 2012. The Proposed Plan is currently in the Appeal Process phase.</li> <li>■ Although the Proposed District Plan does not have any legal standing under the Resource Management Act 1991, it provides an insight into the future planning framework for Hamilton and the likely future controls which may apply to the subject property.</li> <li>■ The subject site is identified as being zoned Business 1 Zone – Commercial Fringe under the proposed planning regime.</li> <li>■ Within this zone, Permitted Activities include service industry, ancillary offices or offices less than 250 sqm of GFA per site, ancillary retail, banks less than 200 sqm of GFA, parking lots, healthcare, childcare, and community centres.</li> <li>■ The maximum height under this zone is reduced to 15 metres from the current 20 metres. The floor area ratio is increased to 2:1 from the current 1:1 ratio.</li> <li>■ Until such time as the Proposed Plan becomes operative and some of the controls within the plan are tested by Resource Consent applications, there remains an element of uncertainty.</li> <li>■ In terms of our valuation, we consider that most prudent purchasers will continue to price development opportunities based upon the current planning regime.</li> </ul>
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### 3.9 Rating Valuation – Existing Title

<b>Rating Valuation:</b>	As at 1 September 2012:						
<i>Source: Hamilton City Council</i>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">■ Land Value:</td> <td style="text-align: right;">\$3,825,000 (\$131 psm)</td> </tr> <tr> <td>■ Improvements Value:</td> <td style="text-align: right;">\$11,775,000</td> </tr> <tr> <td>■ Capital Value:</td> <td style="text-align: right;">\$15,600,000</td> </tr> </table>	■ Land Value:	\$3,825,000 (\$131 psm)	■ Improvements Value:	\$11,775,000	■ Capital Value:	\$15,600,000
■ Land Value:	\$3,825,000 (\$131 psm)						
■ Improvements Value:	\$11,775,000						
■ Capital Value:	\$15,600,000						
<p>The above assessment is typically undertaken on an indexation basis, and is for rating purposes only.</p>							

## 4 IMPROVEMENTS

### 4.1 Property Descriptions

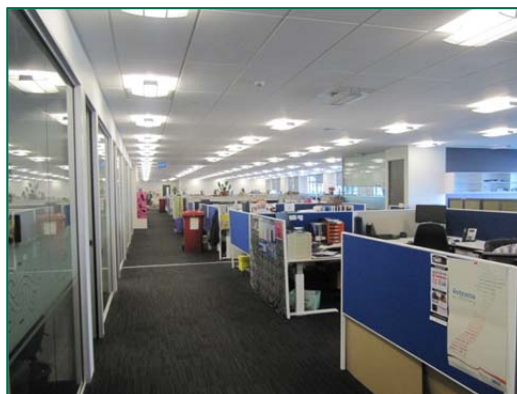
#### Site Layout:

- The existing layout of the subject buildings is depicted on the plan below. The approximate existing subject title boundary is outlined in red.



#### Ministry of Education Building:

- The Ministry of Education building is to be situated to the north eastern corner of the subject site and comprises a single level rectangular building totalling 3,024.0 sqm, together with visitor carparking to the front and secured staff carparking to the rear.
- Construction comprises concrete slab on-grade with the structural frame being a steel portal design having one row of internal columns in the centre. The external walls are precast concrete panels with interspaced aluminium joinery while the lean-to style roof comprises long run sheet metal.
- The interior of the building is largely open plan office space with a central core of partitioned offices and amenities. The office space includes a combination of carpet and tile floor coverings, painted plasterboard wall linings, a suspended ceiling incorporating recessed office lighting, an HVAC air-conditioning system and fire protection services. The interior of these premises has been internally partitioned by MOE.
- Visitor car parking is provided to the front of the building for 30 spaces. Staff are provided with secure carparking for 70 vehicles to the rear where a dedicated staff entrance is located.



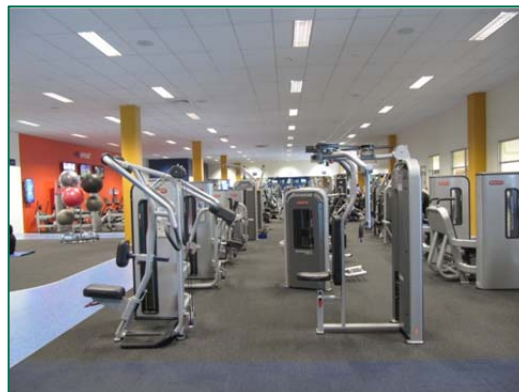
#### RD1 Building:

- This building is situated along the northern boundary of the subject property. Improvements comprise a two level rectangular building totalling 4,366.0 sqm together with visitor carparking to the front and eastern side as well as secured staff carparking to the rear. CityFitness occupy the entire ground floor, while RD1 occupy the first floor level, a separate lean-to structure on the southern side of the ground floor accommodates a café.
- Construction comprises concrete slab on-grade with a concrete pier and beam structure to the ground floor supporting a concrete slab floor on level one. At the first floor there are exposed steel beams around the perimeter together with one row of internal steel columns supporting a lean-to style roof comprising long run sheet metal. The external walls comprise a mixture of fluted concrete panels and precast concrete panels. Aluminium joinery provides glazing for both floors along the building's north, south and eastern sides with full height two-level glazing provided to the front where RD1's dedicated entrance is located. Roller doors are provided on the eastern and western sides of the ground floor for CityFitness. The ground floor tenancy features a higher 4.0 metre stud which assists in future proofing the building.
- The first floor RD1 premises are provided with a separate ground floor high stud entrance, stairwell and 5 person lift to the first floor offices, while a second stairwell entrance is provided to the rear of the building next to the staff room which leads to the staff carpark. A large deck runs along half the length of the northern side of the building and partially covers the carparks below. Separate male/female amenities are provided to the western side of the office.
- Internally the premises are fitted out with a combination of exposed concrete floor coverings, carpet and vinyl, with painted plasterboard lined walls, and a suspended ceiling with a 3.0 metre stud height incorporating recessed office lighting and fire



protection services.

- Visitors to the building are provided 10 carpark spaces to the front of the building and a further 16 along its eastern side. Staff are provided with secure carparking for 41 vehicles to the rear where a dedicated staff entrance is located.



## 4.2 Building Act 2004

### Compliance:

- Buildings which have certain systems installed relating to health, safety, and fire must be issued with a Compliance Schedule. The Compliance Schedule sets out the minimum requirements for servicing, maintenance, and inspection of those systems, and forms the basis of the Building Warrant of Fitness.

### Building Warrant of Fitness:

- The MOE Building has a current BWOF expiring on 3 July 2016 and the RD1 Building has a current BWOF expiring 5 May 2016.

Source: Hamilton City Council

## 4.3 Lettable Areas

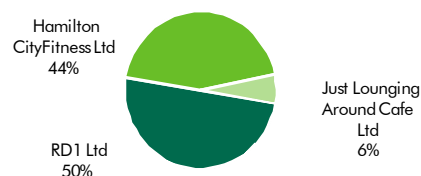
### MOE Building

LETTABLE AREA ANALYSIS	Office/ Retail	Lettable Area (sqm)	% of Total
Ministry of Education	Office	3,024.0	100.00%
<b>Total (1)</b>		<b>3,024.0</b>	<b>100.00%</b>
Total Office Tenants (1)		3,024.0	100.00%
Total Retail Tenants (0)			
Vacant (0)			
<b>Total</b>		<b>3,024.0</b>	<b>100.00%</b>

### RD1 Building

LETTABLE AREA ANALYSIS	Office/ Retail	Lettable Area (sqm)	% of Total
RD1 Ltd	Office	2,175.0	49.82%
Hamilton CityFitness Ltd	Retail	1,936.0	44.34%
Just Lounging Around Cafe Ltd	Retail	255.0	5.84%
<b>Total (3)</b>		<b>4,366.0</b>	<b>100.00%</b>
Total Office Tenants (1)		2,175.0	49.82%
Total Retail Tenants (2)		2,191.0	50.18%
Vacant (0)			
<b>Total</b>		<b>4,366.0</b>	<b>100.00%</b>

Lettable Area Analysis



#### Measurement of Lettable Areas:

##### MOE Building

- We have relied on the area contained within an unsigned and undated surveyed floor plan.

##### RD1 Building

- For the RD1 premises we have relied on the area contained within the Deed of Lease dated 4 March 2013.
- For the CityFitness and Café premises we have relied upon the surveyed floor plan dated 4 April 2012 prepared by CKL.

We have assumed that the floor areas provided have been calculated in accordance with Property Council of New Zealand (PCNZ) Guide to Measurement of Rentable Areas or as specifically instructed by the Reliant Party. Should the Reliant Party obtain a survey to determine whether the areas provided differ from these guidelines and the survey reveals a variance in areas, then this valuation must not be relied upon before first consulting CBRE to reassess any effect on the valuation.

## 4.4 Condition & Repair

#### Overall Condition:

- The property appears to be in excellent condition having regard to its age and use.

#### External/Internal Condition:

- The external elevations appear to be in sound repair, and the internal areas are clean and well maintained.

## 4.5 Seismic Strength

### Overview:

- We have been provided with a letter from Gray Consulting Engineers dated 9 September 2015 stating both the subject buildings have an earthquake capacity rating of 100% NBS.

## 4.6 Capital Expenditure

### Future Capital Expenditure Adopted:

- Major assets require continual expenditure to maintain the aesthetic appeal, structural integrity, and hence their capital value. We have incorporated a specific capital expenditure allowance throughout the term of our cash flow analysis in recognition of the requirement for an ongoing refurbishment program.
- For the MOE Building we have allowed:
  - A minimum capital expenditure allowance equivalent to 1.0% of gross income per annum.
  - An allowance of \$100 psm on lease expiry as a general lessor make good allowance, weighted by the adopted probability of renewal in that year.
  - A refurbishment allowance of \$75 psm of total lettable area, inflated by forecast CPI, at the Reporting on Year 7.
  - These forecast capital expenditure items total \$521,954 over the cash flow horizon, equating to \$173 psm of lettable area.
- For the RD1 Building we have allowed:
  - A minimum capital expenditure allowance equivalent to 1.0% of gross income per annum.
  - An allowance of \$100 psm on the office lease expiry as a general lessor make good allowance, weighted by the adopted probability of renewal in that year.
  - An allowance of \$50 psm on the retail lease expiries as a general lessor make good allowance, weighted by the adopted probability of renewal in that year.
  - A refurbishment allowance of \$75 psm of total lettable area, inflated by forecast CPI, at the Reporting on Year 5.
  - These forecast capital expenditure items total \$750,299 over the cash flow horizon, equating to \$172 psm of lettable area.

### Structure & Facilities:

We do not commission Structural Surveys and a Structural Survey has not been provided to us. We have not tested any of the services or facilities, nor inspected unexposed or inaccessible portions of the building, and are therefore unable to state that these are free from defect, rot or infestation. We assume the property complies with all relevant statutory requirements in respect to health, buildings, and fire safety regulations. If the Reliant Party becomes aware of any information contrary to these assumptions, this valuation must not be relied upon before first consulting CBRE to reassess any effect on the valuation.

### Inclusions & Exclusions:

Our valuation includes those items that form/will form part of the building service installations such as heating and cooling equipment, lifts, sprinklers, lighting, etc., that would normally pass with the sale of the property, but excludes all items of plant, machinery, equipment, partitions, furniture and other such items which may have been installed (by the occupant/operator) or are used in connection with the enterprise carried on within the property.

## 5 OCCUPANCY DETAILS

### 5.1 Overview

<b>Our Enquiries:</b>	<ul style="list-style-type: none"><li>■ All occupancy details (such as leases, outgoings, income, etc.) have been supplied to us by the owner of the property.</li><li>■ We have relied upon the data provided to us, as outlined below.</li></ul>
<b>Leases Viewed:</b>	<ul style="list-style-type: none"><li>■ We have perused all tenant leases and associated tenancy related correspondence for both of the subject buildings. We have been provided with the following documentation: <b>MOE Building</b><ul style="list-style-type: none"><li>– Her Majesty The Queen Deed of Lease signed and dated 27 November 2013.</li><li>– Clause 19.8 of the Agreement for Sale and Purchase which guarantees the contract gross rental for the MOE premises will not be less than \$785,043 per annum plus GST.</li></ul><b>RD1 Building</b><ul style="list-style-type: none"><li>– RD1 Deed of Lease signed and dated 4 March 2013.</li><li>– CityFitness Deed of Lease signed and dated 24 July 2012.</li><li>– Café Deed of Lease signed and dated 4 April 2013.</li><li>– Café Deed of Variation of Lease signed and dated 17 November 2014.</li><li>– Café Deed of Rent Review signed and dated 26 February 2015.</li></ul></li></ul>
<b>Information Supplied by Others:</b>	<ul style="list-style-type: none"><li>■ We have relied upon the information supplied to us as being realistic, relating to matters such as lease provisions, rental income, outgoings, and other associated expenditure.</li></ul> <hr/> <p>We have reviewed this information to the extent that such a review would be reasonably expected from a professional and experienced valuer having regard to normal industry practice.</p> <hr/>
<b>Side Agreements:</b>	<p>We have requested information in respect of any side agreements relating to the existing tenancies, and have been advised that there are no such side agreements in existence which would alter the terms of the various lease agreements. In the event that a full due diligence report reveals the existence of such agreements, this valuation must not be relied upon before first consulting CBRE to reassess any effect on the valuation.</p> <hr/>
<b>Covenant Strength:</b>	<p>We do not make detailed enquiries into the covenant strength of occupational tenants but rely on our judgement of the market's perception of them. Any comments on covenant strength should therefore be read in this context. We assume that tenants are capable of meeting their financial obligation and there are no undisclosed rental arrears or breaches of covenant.</p> <hr/>

## 5.2 Tenancy Summaries

**Tenancies:** ■ The tenant leases are summarised in the following pages.

### 5.2.1 MOE Building

LEASE SUMMARY		Rental Income (incl. Vendor Guarantee)	
Lease Details		\$pa	\$psm
Lessee:	Ministry of Education	Gross Rental	\$736,163 \$243
Tenancy Area (sqm):	3,024 sqm	Outgoings Recoveries	
Premises:	Ground	Total Rent	\$736,163 \$243
Lease Term (yrs):	10.0	<i>Note: our adopted contract rent is based on our forecast outcome of the April 2015 rent review.</i>	
Option Period/s (yrs):	12.0	<b>Other Income</b>	
Commencement Date:	10 April 2012	No. of Car Parks*	100
Expiry Date:	9 April 2022	Car Park Income	\$48,880
Next Review:	10 April 2018	(* Ratio of 3.31 bays per 100 sqm of Lettable Area.)	
<b>Outgoings Contribution:</b>	A gross lease with the landlord to pay all building operating expenses and the tenant only liable to pay for utility consumables attributable to the premises.		
<b>Rent Reviews:</b>	The rent is reviewed to market on each third anniversary with a soft ratchet for the first two rent reviews preventing the rent falling below the commencement rental of \$725,827.62 per annum plus GST including outgoings. On the third rent review the ratchet clause is omitted, allowing the rent to fall below the commencement rental. Until the rent review due 2018, the rent over the deck area is \$7,500 per annum. At the 2018 market review this component is reviewed to market inline with the balance of the premises.		
<b>Maintenance Obligations:</b>	The tenant shall keep and clean the interior of the premises including the Landlord's fixtures and fittings in the same clean order, repair and condition as they were in at the commencement of the lease and will at the end or earlier determination of the term yield up the same in the like clean order, repair and condition. This extends to the repair of breakages of glass, doors, windows, light fittings and power points, and keeping floor coverings clean and replacing worn or damaged floor coverings other than by fair wear. The Landlord's obligations extend to keeping and maintaining the premises watertight, maintaining the building structure, and the maintenance of the building's services. Additionally, the Landlord is to wash the external windows every 4 months and the exterior of the building every 12 months, replace any damaged floor coverings as a result of wear and tear, maintain the ground including waster water systems and fences.		
<b>Make Good:</b>	The Tenant may at any time before or earlier termination of the term remove all the Tenant's fixtures and fittings and make good at the Tenant's own expense. If the Tenant choses to leave the fixtures and fittings then no compensation is payable by the Tenant.		
<b>Permitted Use:</b>	Commercial offices and facilitating education purposes, and car parking, and any other use permitted as of right pursuant to the District Plan of the Territorial Authority having jurisdiction in respect of the premises.		
<b>Information Source:</b>	Lease:	Lease sighted and signed.	
	Rent:	Tenancy information provided by owner.	
	GST:	Lease provides for recovery of GST on rent and outgoings.	



## 5.2.2 RD1 Building

### LEASE SUMMARY

<b>Lease Details</b>		<b>Rental Income</b>		
			<u>\$pa</u>	<u>\$psm</u>
Lessee:	RD1 Ltd	Contract Rent	\$416,100	\$191
Tenancy Area (sqm):	2,175 sqm	Outgoings Recoveries	\$42,736	\$20
Premises:	Level 1	Total Rent	\$458,836	\$211
Lease Term (yrs):	8.0			
Option Period/s (yrs):	9.0	<b>Other Income</b>		
Commencement Date:	10 May 2012	No. of Car Parks*		63
Expiry Date:	9 May 2020	Car Park Income		\$16,380
Next Review:	10 May 2016			

(\* Ratio of 2.9 bays per 100 sqm of Lettable Area.)

**Outgoings Contribution:** A net lease with the Tenant liable to pay for a fair share of outgoings pertaining to the building.

**Rent Reviews:** The rent is subject to a stepped structure during Years 1 to 4. At the commencement of Year 5 the rent for the 2,000 sqm of office accommodation is reviewed to the lesser of market (ratcheted to \$208 psm), or the change in CPI from the rent review date and the commencement date. At this review the 175 sqm deck area is to be \$100 psm and the 63 car parks are to be at \$5 per park per week. At the commencement of Year 7 the rent for the 2,000 sqm of office accommodation and 175 sqm deck area is reviewed to market capped at an increase of 10.5% with a hard ratchet. At this review the car park rent cannot exceed \$10 per park per week.

**Maintenance Obligations:** The Tenant shall keep and clean the interior of the premises including the Landlord's fixtures and fittings in the same clean order, repair and condition as they were in at the commencement of the lease and will at the end or earlier determination of the term yield up the same in the like clean order, repair and condition. This extends to the repair of breakages of glass, doors, windows, light fittings and power points, painting and decorating the interior, and keeping floor coverings clean and replacing worn or damaged floor coverings other than by fair wear. The Landlord's obligations extend to keeping and maintaining the building including the exterior and roof in waterproof clean and good condition and the maintenance of the building's services.

**Make Good:** The Tenant may at any time before and if required by the Landlord at the end or earlier termination of the term remove all the Tenant's fixtures and fittings and make good at the Tenant's own expense. If not removed within 5 working days from the expiry of the term, the ownership of the fixtures and fittings passes to the Landlord at the Landlord's election. Provided however the Tenant is not required to remove any fixture or fitting that has installed with the Landlord's consent.

**Permitted Use:** Commercial offices.

**Information Source:**

Lease:	Lease sighted and signed.
Rent:	Tenancy information provided by owner.
GST:	Lease provides for recovery of GST on rent and outgoings.

## LEASE SUMMARY

<b>Lease Details</b>		<b>Rental Income</b>	
		<u>\$pa</u>	<u>\$psm</u>
Lessee:	Hamilton CityFitness Ltd	Contract Rent	\$406,560 \$210
Tenancy Area (sqm):	1,936 sqm	Outgoings Recoveries	\$38,040 \$20
Premises:	Ground	<b>Total Rent</b>	<b>\$444,600 \$230</b>
Lease Term (yrs):	15.0		
Option Period/s (yrs):	10.0	<b>Other Income</b>	
Commencement Date:	11 April 2012	No. of Car Parks*	78
Expiry Date:	10 April 2027		
Next Review:	11 April 2016		

(\* Ratio of 4.03 bays per 100 sqm of Lettable Area.)

**Outgoings Contribution:** A net lease with the Tenant liable to pay for a fair share of outgoings pertaining to the building.

**Rent Reviews:** On 11 April 2016 the rent is reviewed to the change in CPI since the commencement of the lease plus 1%, compounded annually. On 11 April 2018 and 2020, the rent is increased in the same manner over the preceding 2 year period. During these first 3 CPI reviews any rental increase is capped at 8%. On 11 April 2021 the rent is reviewed to market, with a cap preventing the increase being greater than 12%, and a collar preventing the rent decreasing more than 9%. On 11 April 2023 and 2025 the rent is reviewed to the change in CPI plus 1% over the 2 year period with an 8% cap and 1 year period with a 4% cap respectively.

**Incentive:** This Tenant was originally provided a 3 month rent free incentive, together with a 50% abatement for the following 4 months.

**Maintenance Obligations:** The Tenant shall keep and clean the interior of the premises including the Landlord's fixtures and fittings in the same clean order, repair and condition as they were in at the commencement of the lease and will at the end or earlier determination of the term yield up the same in the like clean order, repair and condition. This extends to the repair of breakages of glass, doors, windows, light fittings and power points, painting and decorating the interior, and keeping floor coverings clean and replacing worn or damaged floor coverings other than by fair wear. The Landlord's obligations extend to keeping and maintaining the building and the maintenance of the building's services.

**Make Good:** At least one month before the end or earlier determination of the term the Tenant must notify the Landlord that they will either remove all of the Tenant's fixtures and fittings, or leave all of the fixtures and fittings for the benefit of the Landlord. If the Tenant opts to remove all fixtures and fittings the premises must be made good at the Tenant's own expense.

**Permitted Use:** A gymnasium and fitness centre and activities associated with that and trading as CityFitness and Abundance.

**Information Source:**

Lease:	<i>Lease sighted and signed.</i>
Rent:	<i>Tenancy information provided by owner.</i>
GST:	<i>Lease provides for recovery of GST on rent and outgoings.</i>

## LEASE SUMMARY

Lease Details		Rental Income	\$pa	\$psm
Lessee:	Just Lounging Around Cafe Ltd	Contract Rent*	\$80,211	\$315
Tenancy Area (sqm):	255 sqm	Outgoings Recoveries	\$5,010	\$20
Premises:	Cafe	Total Rent	\$85,221	\$334
Lease Term (yrs):	12.0	* Note - excludes fitout rent		
Option Period/s (yrs):	12.0	<b>Other Income</b>		
Commencement Date:	4 March 2013	No. of Car Parks*		14
Expiry Date:	3 March 2025			
Next Review:	4 March 2017			

(\* Ratio of 5.49 bays per 100 sqm of Lettable Area.)

**Outgoings Contribution:** A net lease with the Tenant liable to pay for a fair share of outgoings pertaining to the building.

**Rent Reviews:** During the first 2 years of the lease the rent was subject to a stepped structure, being \$67,200 per annum plus GST and outgoings in Year 1 and \$75,200 per annum plus GST and outgoings in Year 2. On each second anniversary of the commencement date, the rent is increased to the change in CPI over the period plus 1.5%, with a hard ratchet preventing the rent falling below that payable during the 12 months prior. For the first rent review this ratchet is to be \$77,200 per annum plus GST. On renewal the rent is reviewed to the greater of market or CPI plus 1.5%.

**Maintenance Obligations:** The Tenant shall keep and clean the interior of the premises including the Landlord's fixtures and fittings in the same clean order, repair and condition as they were in at the commencement of the lease and will at the end or earlier determination of the term yield up the same in the like clean order, repair and condition. This extends to the repair of breakages of glass, doors, windows, light fittings and power points, painting and decorating the interior, and keeping floor coverings clean and replacing worn or damaged floor coverings other than by fair wear. The Landlord's obligations extend to keeping and maintaining the building and the maintenance of the building's services.

**Make Good:** The Tenant may at any time before and if required by the Landlord at the end or earlier termination of the term remove all the Tenant's fixtures and fittings and make good at the Tenant's own expense. If not removed within 5 working days from the expiry of the term, the ownership of the fixtures and fittings passes to the Landlord at the

**Permitted Use:** Licensed cafe and associated activities trading as "District Espresso and Eatery".

<b>Information Source:</b>	Lease:	Lease sighted and signed.
	Rent:	Tenancy information provided by owner.
	GST:	Lease provides for recovery of GST on rent and outgoings.

## 5.3 Tenancy Issues

<b>Vacant Tenancies:</b>	■ There are no vacancies.
<b>Monthly Tenancies:</b>	■ There are no monthly tenancies.
<b>Rental Abatements/ Outstanding Incentives:</b>	■ There are no rental abatements or outstanding incentives due.
<b>Rental Arrears:</b>	■ We have specifically requested and the managing agent has advised that there are no rental arrears.

## 5.4 Tenancy Schedules

Our understanding of the tenancy status is summarised overleaf.

## Tenancy Schedules

### MOE Building

Floor/ No.	Tenant Name	Area (sqm)	Base Rent		Recoveries		Comm Date	Expiry Date	Term (yrs)	Opt. (yrs)	Next Review	Review Type
			\$pa	\$psm	\$pa	\$psm						
<b>Office Tenancies</b>												
Ground	Ministry of Education	2,881.0	728,663	253			10-Apr-12	09-Apr-22	10.0	12.0	10-Apr-18	3 yrly MKT
Deck	Ministry of Education	143.0	7,500	52			10-Apr-12	09-Apr-22	10.0	12.0	10-Apr-18	3 yrly MKT
		<b>3,024.0</b>	<b>736,163</b>	<b>243</b>	-	-						
<b>Car Parking</b>												
CP	Ministry of Education	100 bays	48,880	9			10-Apr-12	09-Apr-22	10.0	12.0	10-Apr-18	3 yrly MKT
<b>Car Parking Total</b>		<b>100 bays</b>	<b>48,880</b>	<b>9</b>	-							
<b>TOTAL</b>			<b>785,043</b>									

### RD1 Building

Floor/ No.	Tenant Name	Area (sqm)	Base Rent		Recoveries		Comm Date	Expiry Date	Term (yrs)	Opt. (yrs)	Next Review	Review Type
			\$pa	\$psm	\$pa	\$psm						
<b>Office Tenancies</b>												
Level 1	RD1 Ltd	2,175.0	416,100	191	42,736	20	10-May-12	09-May-20	8.0	9.0	10-May-16	Yr 1-4 Stepped, Yr 5-7 <Mkt/CPI
<b>Retail Tenancies</b>												
Ground	Hamilton CityFitness Ltd	1,936.0	406,560	210	38,040	20	11-Apr-12	10-Apr-27	15.0	10.0	11-Apr-16	CPI + 1% (Cap of 8%)
Cafe	Just Lounging Around Cafe Ltd	255.0	80,211	315	5,010	20	04-Mar-13	03-Mar-25	12.0	12.0	04-Mar-17	CPI + 1.5%
		<b>4,366.0</b>	<b>902,871</b>	<b>207</b>	<b>85,786</b>	<b>20</b>						
<b>Car Parking</b>												
CP	RD1 Ltd	63 bays	16,380	5			10-May-12	09-May-20	8.0	9.0	10-May-16	Yr 1-4 Stepped, Yr 5-7 <Mkt/CPI
CP	Hamilton CityFitness Ltd	78 bays	-	-			11-Apr-12	10-Apr-27	15.0	10.0	11-Apr-16	CPI + 1% (Cap of 8%)
CP	Just Lounging Around Cafe Ltd	14 bays	-	-			04-Mar-13	03-Mar-25	12.0	12.0	04-Mar-17	CPI + 1.5%
<b>Car Parking Total</b>		<b>155 bays</b>	<b>16,380</b>	<b>2</b>	-							
<b>Sundry Income</b>												
	Just Lounging Around Cafe Ltd - Fitout Rent	1.0	5,492	5,492			04-Mar-13	03-Mar-25	12.0		03-Mar-25	
<b>Sundry Total</b>		<b>1</b>	<b>5,492</b>		-							
<b>TOTAL</b>			<b>924,743</b>		<b>85,786</b>	<b>20</b>						

## 5.5 Outgoings

### Outgoings:

- We have been provided with estimated outgoings for 2015 for each building which show overall operating expenses of circa \$20 psm, being within broad parameters for office space within the Te Rapa location. These are tabulated below.

#### MOE Building

Item	Estimated 2015		Adopted \$psm
	\$pa	\$pa	
<b>Recoverable Outgoings</b>			
Municipal Rates	32,959	32,959	11.44
Water & Sewerage Rates	1,247	1,247	0.43
Other Statutory Charges	1,140	1,140	0.40
Insurance	13,470	13,470	4.68
Air Conditioning & Ventilation	4,755	4,755	1.65
Common Area Cleaning	1,739	1,739	0.60
Electricity (Common Area)	269	269	0.09
Fire Protection/Public Address	2,232	2,232	0.77
Repairs & Maintenance	440	440	0.15
Security/Access Control	590	590	0.20
Gardening/Landscaping	2,365	2,365	0.82
Statutory Expenses:	32,959	32,959	11.44
Operating Expenses:	28,247	28,247	9.80
<b>Total Outgoings</b>	<b>61,206</b>	<b>61,206</b>	<b>21.24</b>

#### RD1 Building

Item	Estimated 2015		Adopted \$psm
	\$pa	\$pa	
<b>Recoverable Outgoings</b>			
Municipal Rates	35,644	35,644	8.16
Water & Sewerage Rates	3,922	3,922	0.90
Other Statutory Charges	1,350	1,350	0.31
Insurance	16,742	16,742	3.83
Air Conditioning & Ventilation	4,525	4,525	1.04
Common Area Cleaning	2,861	2,861	0.66
Electricity (Common Area)	3,320	3,320	0.76
Fire Protection/Public Address	5,919	5,919	1.36
Lifts & Escalators	2,718	2,718	0.62
Repairs & Maintenance	1,100	1,100	0.25
Security/Access Control	590	590	0.14
Gardening/Landscaping	7,095	7,095	1.63
Statutory Expenses:	40,916	40,916	9.37
Operating Expenses:	44,870	44,870	10.28
<b>Total Outgoings</b>	<b>85,786</b>	<b>85,786</b>	<b>19.65</b>

## 5.6 Passing Net Income Summary

### Passing Net Income Summary:

- Based on our interpretation of the current tenancy arrangements, the fully leased income of the properties are outlined below.

#### MOE Building

INCOME SUMMARY		Area (sqm)	Passing Rent	
			\$pa	\$/sqm
<b>Rental Income</b>				
Ministry of Education		3,024.0	736,163	243
Total Rental Income		3,024.0	736,163	243
<b>Other Income</b>				
Car Park Income:			48,880	
Total Other Income			48,880	
<b>GROSS INCOME</b>		<b>3,024.0</b>	<b>785,043</b>	<b>260</b>
<u>Less</u>				
Statutory Expenses:			(32,959)	
Operating Expenses:			(28,247)	
Total Outgoings Expenses:			(61,206)	
<b>NET INCOME</b>		<b>3,024.0</b>	<b>723,837</b>	<b>239</b>

#### RD1 Building

INCOME SUMMARY		Area (sqm)	Passing Rent	
			\$pa	\$/sqm
<b>Rental Income</b>				
RD1 Ltd		2,175.0	458,836	211
Hamilton CityFitness Ltd		1,936.0	444,600	230
Just Lounging Around Cafe Ltd		255.0	85,221	334
Total Rental Income		4,366.0	988,656	226
<b>Other Income</b>				
Car Park Income:			16,380	
Sundry Income:			5,492	
Total Other Income			21,872	
<b>GROSS INCOME</b>		<b>4,366.0</b>	<b>1,010,528</b>	<b>231</b>
<u>Less</u>				
Statutory Expenses:			(40,916)	
Operating Expenses:			(44,870)	
Total Outgoings Expenses:			(85,786)	
<b>NET INCOME</b>		<b>4,366.0</b>	<b>924,743</b>	<b>212</b>

Note: Gross rents include Outgoings Recovery (where applicable).



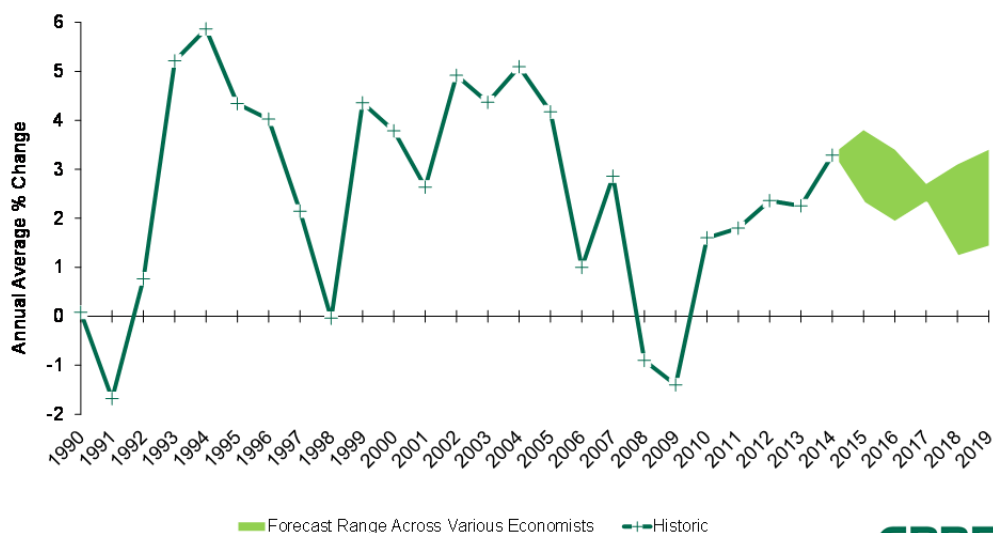
## 6 MARKET COMMENTARY

### 6.1 Economic and Monetary Trends

#### Overview:

- The impact of economic and monetary trends on the property market is evident. They influence the occupational and investment demand for property, as well as the returns investors require from property investments.
- Opinion has widened significantly around New Zealand's short term economic outlook. While consensus forecasts indicate that the current economic growth cycle is past its peak, some economists believe that the peak is yet to come driven by strong domestic drivers. At the more pessimistic end are those who believe that we will experience a significant slowdown both this year and next. This view places less emphasis on the strength of the domestic growth drivers and more on the adverse environment for the dairy sector and the international environment.
- This is reflected in the range of GDP growth forecasts across the seven economic forecasters we monitor. The range of their forecasts is 3.8% to 2.3% percent for 2015, and 3.4% to 1.9% for 2016.
- The divergence of views indicates a significant amount of risk and uncertainty. While the risks are undeniable, our view is at the more optimistic end of the spectrum. We agree that the drought and lower dairy prices will take the shine off overall GDP in the first half of 2015. But at the same time several strong pillars focused on the domestic sector will support growth in 2015 and into 2016. These pillars include:
  - Favourable interest rates
  - Historic peaks in net migration
  - Government growth initiatives around housing and infrastructure
  - Strengthening labour market
  - Sustained business and consumer confidence
  - An increasing tendency to translate confidence to consumption and business investment
- However, the cyclical nature of economic activity is undeniable and sooner or later conditions will soften from current levels. The extent and timing of this is open to wide speculation which is well represented by the shape of the light green shaded area in our chart showing the range of economist predictions from those espousing falling short term growth to those that see stronger growth in the short term but a more significant softening in the medium term.
- The chart overleaf illustrates the range of economic forecasts from various economists in the shaded area. This includes forecasts from the major banks, independent economic consultancies and government.

### GDP Forecast Range



**CBRE**

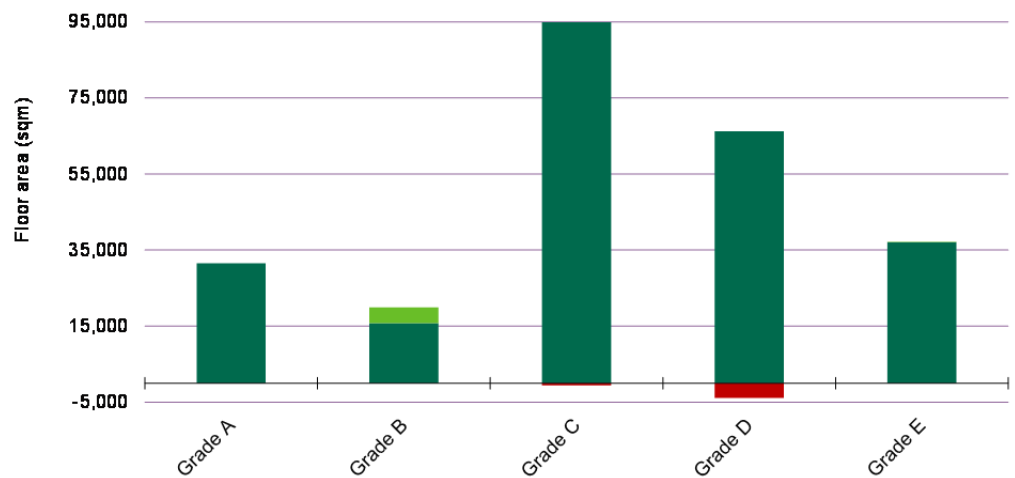
## 6.2 Hamilton Office Market Commentary

### CBD Office Stock:

- Total office accommodation in the Hamilton CBD decreased by 218 sqm net to a total of 245,383 sqm in the six months to December 2014. This was partly due to the permanent removal of multiple buildings from stock. Removals for conversion to apartments or other accommodation types include 557 sqm at 14 Garden Place, 415 sqm at Marlborough Place, and 646 sqm at 12 Knox Street. 181 sqm at 192 Collingwood Street has been removed from stock following a fire in November 2014.
- The office sector experienced stock additions and removals between grades due to refurbishment. Works which have completed in the second half of 2014 include 346 sqm at 610 Victoria Street, 495 sqm at 286 Victoria Street, 360sqm at 129 Tristram Street and 710 sqm of space on the corner of Tristram and Collingwood Street. A couple of shorter refurbishments in the six months to December have seen two buildings move up in grade. They were 554 Victoria Street and Vero House at 127 Alexandra Street.

**CBRE**

### Office Stock Breakdown by Grade



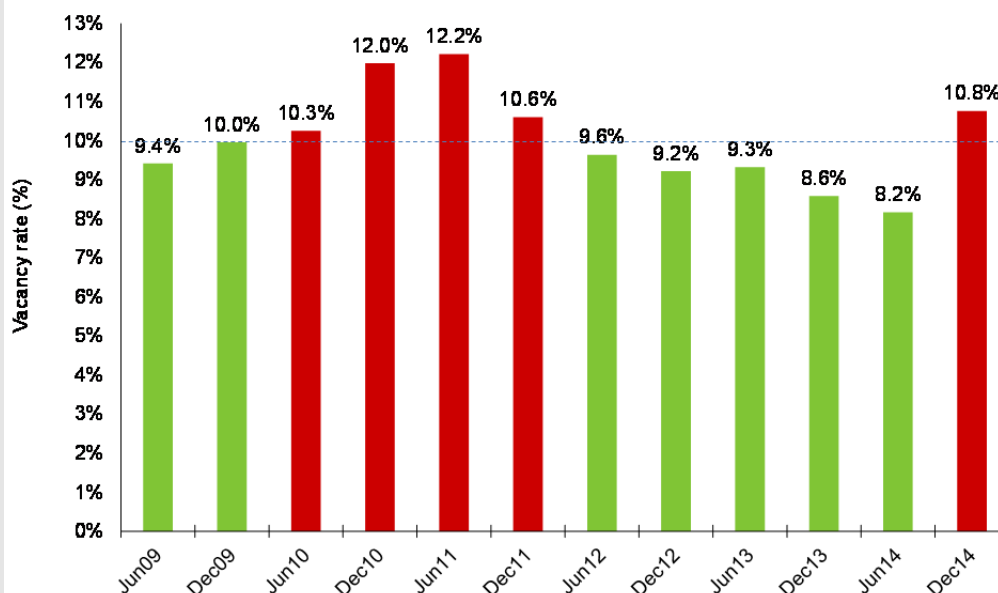
Note: Our classification of office buildings is in accordance with a CBRE standard. Factors reflected in the classification include building age and design, together with extent, quality, age, efficiency and technology of services (such as lifts and HVAC).

- The Hamilton CBD office market continues to be characterised by average to lower quality grade space which forms the bulk of stock, although its composition is slowly changing to meet demand for higher grade space. Grade C makes up around 38% of the total office capacity in the market, while lower quality Grade D and Grade E office space accounts for 41% of stock. Higher quality Grade A and B office space makes up 21% of the total stock, but is up from 15% in the first half 2013 with the recent additions of the PwC Centre (H2 2013), the upgrade of the AMI Insurance building (H2 2013), Riverside at 21 Grantham Street (H1 2014), and the recent upgrading of 554 Victoria Street, 129 Tristram Street (H2 2014) and the corner of Collingwood & Tristram Streets (H2 2014).
- In regards to new developments there is potential for more than 5,000 sqm of office and retail space to be developed in “The Cooperative”, situated at 611 Victoria Street with access directly through to the Barton Street retail precinct. Designs have been completed for floor plates of 1,500sqm, with both secure and customer car parking available on site. This project is awaiting occupier pre-commitment.

## Vacancy:

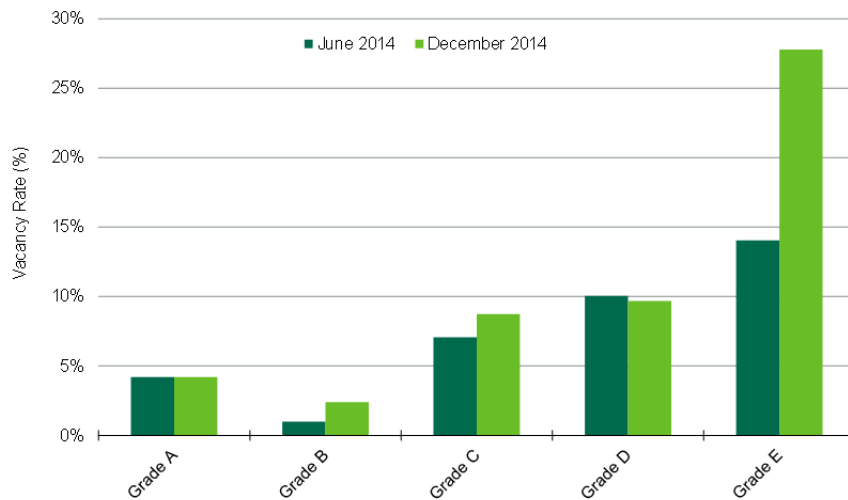
- The overall vacancy rate increased from 8.2% in June 2014 to 10.8% in December 2014. This result marks a reversal in the trend of decreasing vacancy, and is the highest rate in more than three years. This is mainly due to the Electoral Commission vacating post election.

### Hamilton CBD Office Historical Vacancy



- Three out of the five grades showed an overall increase in vacancy. In Grade B, this was entirely attributable to the addition of vacant stock at 554 Victoria Street (220 sqm), 129 Tristram Street (360 sqm) and Corner Collingwood & Tristram Streets (710sqm) which has been upgraded from Grades C and D following completion of refurbishment.
- The increase in vacancy for Grade C was 1.7%. Buildings with newly vacant spaces include the former PWC Building (438 sqm), 20 Rostrevor Street (224 sqm), 410 Victoria Street (180 sqm) and Sentinel House (192 sqm).
- Grade E experienced the largest change in vacancy during the six months to December 2014, increasing from 14.0% to 27.8%, more than 5,000 sqm. Of the eighteen new vacancies, the largest was as a result of the Electoral Office moving out after the election in the second half of last year.
- Grade D was the only grade to experience a decrease in vacancy, moving from 10.0% to 9.7% with take ups in 475 Grey Street, Federated Farmers and various other buildings.
- Grade A vacancy remained unchanged at 4.2%.

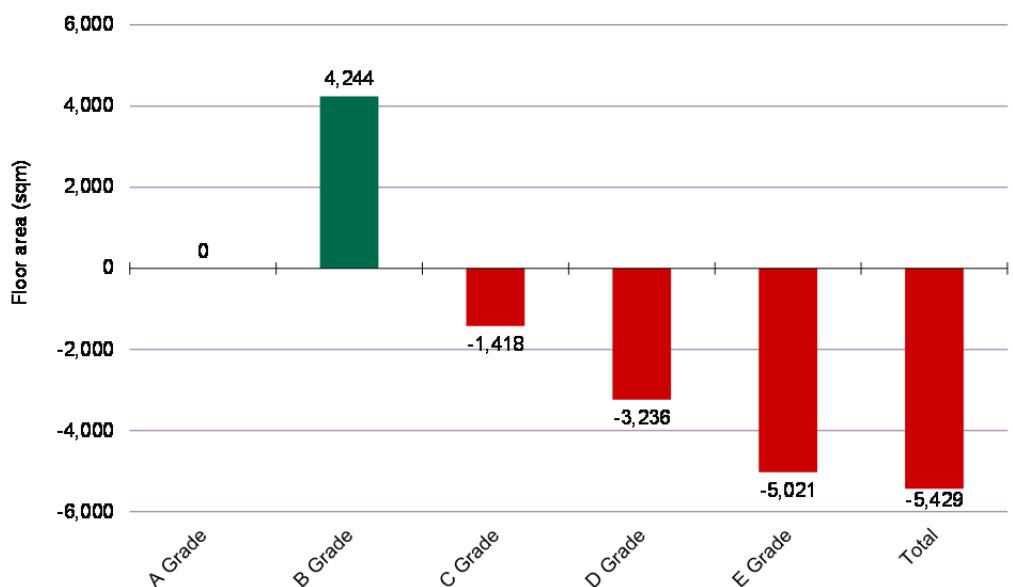
CBD Office Vacancy by Grade



**Absorption:**

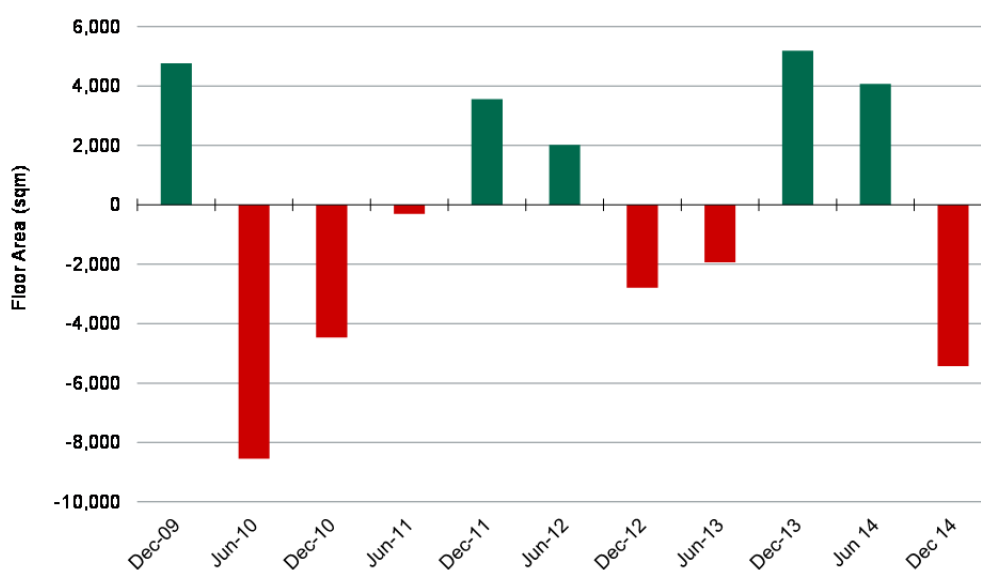
- The overall net change in occupied stock over the six months to December 2014 was negative 5,429 sqm, with considerably less occupied office space compared to June 2014. The level of vacant stock increased by 6,358 sqm. These changes resulted from the addition and removal of occupied /unoccupied stock, and tenants vacating average or low quality spaces, especially in Grade E.
- Grade A experienced no changes over the six months to December 2014, with three occupancies still available for lease.
- Grade B saw the largest uptake of office space totalling 4,244 sqm mostly due to occupiers taking space in newly refurbished and upgraded buildings. 408 Anglesea Street had the largest positive net absorption, with Health 2000, Wintec and ESITO taking up a total of 1,165 sqm of former Grade E space earlier in 2014.

CBD Net Uptake of Office Space



- Grade C net absorption was negative 1,418 sqm, with several law firms and the Education Review Office vacating space in this grade. Grade D net absorption was similarly negative, at 3,236 sqm. While new vacancies did play a part in this, the removal of Vero House to a higher grade had a large effect, with 1,886 sqm of occupied space in this building at June 2014. Grade E net absorption was the largest, at negative 5,021 sqm. Aside from the sheer volume of new vacancies including some particularly large ones at 48 Ward Street, most new occupiers in this grade typically take up less than 100 sqm of space which is not enough to offset what is being vacated.

Hamilton CBD Historical Net Absorption



**Conclusion:**

- On the surface, the large increase in vacancy during the second half of 2014 raises concerns, however multiple factors point toward continued improvement of the overall quality of Hamilton CBD office stock. Vacant stock in Grade A remains limited with only three tenancies (4.2%) available. Grade B net absorption has been strongly positive since June 2014 and like Grade A, there are only three occupancies available, totalling 2.4%.
- A & B Grade combined only accounts for 21% of the market, up from 15% due to recent new builds and refurbishment. Net absorption has been negative for the remaining grades, reflective of demand for modern office space in the CBD and the relative lack of demand for older and poorer quality grade spaces. It is anticipated that there will be a future decrease in Grade D and E office space as developers, owner occupiers and investors look to reposition buildings to take advantage of the growing demand for Grade A and B office space. In addition, the newly emerging Hamilton apartment market may remove occupancies from office stock entirely as they get converted to meet growing demand for residential space in the CBD.



## 7 RENTAL EVIDENCE

### 7.1 Rental Analysis

- Overview:** ■ We have had regard to recent leasing transactions and market reviews in comparable buildings within Hamilton.
- Rental Evidence:** ■ The most relevant rental evidence is detailed below.

Property	Tenant	Accomm	Area (sqm)	NER Rate \$psm	Date Set
5 Parkinson Place Te Rapa Hamilton	ACC	Office	4,557.0	\$170	Mar 15
		Non-Rec OGs	4,628.2	\$21	RR
		Deck	71.2	\$60	No change
		Car Parks	154	\$8	
13-19 Ken Browne Drive Te Rapa Hamilton	Ultrafast Fibre Ltd	Office	1,113.8	\$183	Feb 15
		Non-Rec OGs	1,113.8	\$17	NL
		Car Parks	50	\$5	
4 Daniel Place Te Rapa Hamilton	Alcatel	Office	475.0	\$215	Jan 15
		Non-Rec OGs	475.0	\$20	NL
		Car Parks	7	\$8	
Deloitte House 24 Bridge Street Hamilton East	NZTA	Level 1	1,129.0	\$262	Jun 14
		Pt Level 2	473.7	\$262	RR
		Deck	36.1	-	
		Share of Amenity	5.9	\$262	
		Ground Level Recycling	23.5	\$50	
		Car Parks - Covered	17.0	\$35	
		Car Parks - Open	4.0	\$20	
ANZ Centre 21 Grantham Street Hamilton CBD	ANZ Bank	Office	1,425.9	\$319	Apr 14
		Naming Rights	1.0	\$16,401	NL
		Car Parks - Basement	20.0	\$42	
		Car Parks - Open	4.0	\$25	
101 Garnett Avenue Te Rapa Hamilton	Inland Revenue	Office	4,897.0	\$182	Nov 13
		Car Parks	175	\$8	RR
PwC Centre 103 Ward Street Hamilton CBD	PwC	Office - Lvl 3 & 4	2,060.9	Conf. ~\$270 - \$290 psm	Aug 13
	Southern Cross Medical Care	Office - Pt Lvl 1 & 2	1,823.5		NL
	Craigs Investment Partners	Pt Lvl 4	524.6		
67 Bryce Street Hamilton CBD	Genesis Power Ltd	Level 3 & 4	1,391.3	\$185	Mar 13
		Car Parks	50.0	\$35	

#### Indicative Rates:

- The evidence demonstrates a relatively broad net effective rental range of \$170 to \$320 psm, depending upon the size, location and quality of the premises plus car parks.
- We are aware of a proposal by the current owners to develop the land adjoining the subject buildings with a substantial new design-built office premises which was expected to attract a net rental in the vicinity of \$250 - \$300 psm. As at the date of valuation this arrangement has been put on hold and we have therefore had limited consideration for market rental assessment purposes.

#### Most Comparable:

- A large circa 4,600 sqm office premises at 5 Parkinson Place was let to ACC in March 2013. The property recently underwent a contested market review which was eventually settled at nil increase on passing rental. Compared to the subject, this property is situated to the northern periphery of Te Rapa on an inferior secondary street off the main Te Rapa Road.
- The new lease to Ultrafast Fibre Limited concerns lower profile premises on Ken Browne Drive, a side street off the main Te Rapa Road, in relatively close proximity to the subject buildings. The quality and location of this building would be considered inferior to the subjects.
- We have considered the new lease of part of 4 Daniel Place to Alcatel in January 2015 at a rental equating to approximately \$215 psm net plus open carparks at \$8 pwk. Smaller premises although of a broadly comparable quality.
- Deloitte House at 24 Bridge Street occupies to the south-east of Hamilton's CBD, with views of the Waikato River to the west. The 2014 rent review of the NZTA concerns premises of a superior quality and within a superior location.
- The new 12 year lease to ANZ Bank at the new ANZ Centre premises within Hamilton's CBD is of use. On a face basis this rent was struck at \$340 psm, with the included incentive bringing the net effective rent to \$319 psm over the office accommodation. Superior to the subject with regard to the location and quality.
- The Inland Revenue premises on Garnett Avenue provides rental evidence of larger office premises within the subject's location. This is a corner site, albeit within a secondary Te Rapa location. The quality of the improvements is inferior to the subject.
- The new rental evidence within the PwC Centre provides a relevant basis of comparison, although noting this is a new, high spec office building within Hamilton's CBD, we would expect the rates at the subject buildings to be lower than these.
- We have also had regard to the lease to Genesis Energy within 67 Bryce Street, a relatively high profile office building within Hamilton's CBD. The rent analyses to \$185 psm plus carparks. This tenancy was refurbished prior to letting. This is a superior building with regard to location. On a car parks inclusive basis at circa \$250 psm, we consider this would set an upper limit for the subject.

## 7.2 Rental Assessment

### Market Rental Conclusions:

- The subject buildings feature tidy, relatively modern commercial accommodation completed in 2012.
- Limited vacancy within the locality.
- Recent evidence pertaining to large scale office premises within Te Rapa typically relates to older style 1990s era development of an inferior quality to the subject.
- The subject buildings are considered of lesser quality by comparison to modern corporate head office buildings such as the new PwC Tower, the Mighty River Power building and Deloitte House.
- The majority of rentals associated with open carparking elsewhere within Te Rapa are circa \$5 to \$8 per week per carpark, although we understand that carparking rentals for casual users within Home Straight Business Park are closer to \$12 per week. We have therefore adopted rates based on \$8 per week for the open carparks and \$10 per week for the secure (gated) carparks.

### Rental Assessment:

- Our rental assessment for each individual tenancy is provided overleaf.

## Reversion Schedule

### MOE Building

No.	Tenant	Area (sqm)	Passing Net Rent		Net Market Rent		Passing Gross Rent		Gross Market Rent		Rent Variance	Reversion Date	Capital Value of Reversion	PV of Variance	
			\$pa	\$psm	\$pa	\$psm	\$pa	\$psm	\$pa	\$psm	Mkt-Contract			Passing-Mkt	
<b>Office Tenancies</b>															
Ground	Ministry of Education	2,881.0	667,457	231.7	648,225	225.0	728,663	252.9	709,431	246.2	(19,232)	10-Apr-18	(221,461)	43,812	
Deck	Ministry of Education	143.0	7,500	52.4	7,500	52.4	7,500	52.4	7,500	52.4	-	9-Apr-22	-	-	
		3,024.0	674,957	223.2	655,725	216.8	736,163	243.4	716,931	237.1			(221,461)	43,812	
<b>Car Parking</b>															
CP	Ministry of Education	100 bays	48,880	9.4	48,880	9.4	48,880	9.4	48,880	9.4	-	9-Apr-22	-	-	
		100 bays	48,880	9.4	48,880	9.4	48,880	9.4	48,880	9.4			-	-	
<b>TOTAL</b>		<b>3,024.0</b>	<b>723,837</b>	<b>239.4</b>	<b>704,605</b>	<b>233.0</b>	<b>785,043</b>	<b>259.6</b>	<b>765,811</b>	<b>253.2</b>	<b>(19,232)</b>		<b>(221,461)</b>	<b>43,812</b>	

### RD1 Building

No.	Tenant	Area (sqm)	Passing Net Rent		Net Market Rent		Passing Gross Rent		Gross Market Rent		Rent Variance	Reversion Date	Capital Value of Reversion	PV of Variance	
			\$pa	\$psm	\$pa	\$psm	\$pa	\$psm	\$pa	\$psm	Mkt-Contract			Passing-Mkt	
<b>Office Tenancies</b>															
Level 1	RD1 Ltd	2,175.0	416,100	191.3	478,500	220.0	458,836	211.0	521,236	239.6	62,400	9-May-20	593,971	(238,029)	
<b>Retail Tenancies</b>															
Ground	Hamilton CityFitness Ltd	1,936.0	406,560	210.0	406,560	210.0	444,600	229.6	444,600	229.6	-	10-Apr-27	-	-	
Cafe	Just Lounging Around Cafe Ltd	255.0	80,211	314.6	80,325	315.0	85,221	334.2	85,335	334.6	114	3-Mar-25	767	(755)	
		4,366.0	902,871	206.8	965,385	221.1	988,656	226.4	1,051,171	240.8			594,739	(238,784)	
<b>Car Parking</b>															
CP	RD1 Ltd	63 bays	16,380	5.00	30,472	9.3	16,380	5.0	30,472	9.3	14,092	9-May-20	134,139	(53,755)	
CP	Hamilton CityFitness Ltd	78 bays	-	-	32,448	8.0	-	-	32,448	8.0	32,448	10-Apr-27	187,270	(245,370)	
CP	Just Lounging Around Cafe Ltd	14 bays	-	-	5,824	8.0	-	-	5,824	8.0	5,824	3-Mar-25	39,133	(38,520)	
		155 bays	16,380.0	2.03	68,744	8.5	16,380	2.0	68,744	8.5			360,541	(337,645)	
<b>Sundry Income</b>															
	Just Lounging Around Cafe Ltd - Fitout Rent	1.0	5,492	5,492	-	-	5,492	5,491.8	-	-	(5,492)	3-Mar-25	(36,902)	36,324	
<b>TOTAL</b>		<b>4,366.0</b>	<b>924,743</b>	<b>211.8</b>	<b>1,034,129</b>	<b>236.86</b>	<b>1,010,528</b>	<b>231.5</b>	<b>1,119,915</b>	<b>256.5</b>	<b>109,386</b>		<b>918,378</b>	<b>(540,105)</b>	

## 7.3 Net Income Estimate

### Net Income Estimate:

- Based on our interpretation of the tenancy arrangements, the subject property's estimated income (passing and market) is:

#### MOE Building

INCOME SUMMARY	Area (sqm)	Passing Rent		Market Rent	
		\$pa	\$/sqm	\$pa	\$/sqm
<b>Rental Income</b>					
Ministry of Education	3,024.0	736,163	243	716,931	237
Total Rental Income	3,024.0	736,163	243	716,931	237
<b>Other Income</b>					
Car Park Income:		48,880		48,880	
Total Other Income		48,880		48,880	
<b>GROSS INCOME</b>	<b>3,024.0</b>	<b>785,043</b>	<b>260</b>	<b>765,811</b>	<b>253</b>
<b>Less</b>					
Statutory Expenses:		(32,959)		(32,959)	
Operating Expenses:		(28,247)		(28,247)	
Total Outgoings Expenses:		(61,206)		(61,206)	
<b>NET INCOME</b>	<b>3,024.0</b>	<b>723,837</b>	<b>239</b>	<b>704,605</b>	<b>233</b>

Note: Gross rents include Outgoings Recovery (where applicable).

#### RD1 Building

INCOME SUMMARY	Area (sqm)	Passing Rent		Market Rent		Effect
		\$pa	\$/sqm	\$pa	\$/sqm	\$pa
<b>Rental Income</b>						
RD1 Ltd	2,175.0	458,836	211	521,236	240	521,236
Hamilton CityFitness Ltd	1,936.0	444,600	230	444,600	230	444,600
Just Lounging Around Cafe Ltd	255.0	85,221	334	85,335	335	85,335
Total Rental Income	4,366.0	988,656	226	1,051,171	241	1,051,171
<b>Other Income</b>						
Car Park Income:		16,380		68,744		68,744
Sundry Income:		5,492		-		-
Total Other Income		21,872		68,744		68,744
<b>GROSS INCOME</b>	<b>4,366.0</b>	<b>1,010,528</b>	<b>231</b>	<b>1,119,915</b>	<b>257</b>	<b>1,119,915</b>
<b>Less</b>						
Statutory Expenses:		(40,916)		(40,916)		(40,916)
Operating Expenses:		(44,870)		(44,870)		(44,870)
Total Outgoings Expenses:		(85,786)		(85,786)		(85,786)
<b>NET INCOME</b>	<b>4,366.0</b>	<b>924,743</b>	<b>212</b>	<b>1,034,129</b>	<b>237</b>	<b>1,034,129</b>

### Comments:

- Note the actual contract rental for the MOE premises is \$725,827 gross per annum with the April 2015 rent review remaining unresolved as at the date of valuation. The vendor has guaranteed the rental at \$785,043 per annum gross. We consider this guaranteed rental to be broadly within market parameters and have therefore adopted this rental for valuation purposes.

## 8 SALES EVIDENCE

### 8.1 Sales Evidence

#### Overview:

- In determining appropriate investment parameters for the subject property we have considered a range of larger quantum commercial assets within Hamilton.
- Due to the paucity of recent sales of Hamilton property with similar investment characteristics, we have also had regard to recent properties within Auckland for benchmarking purposes. The most relevant sales are detailed below.

Property	Sale Price	Sale Date	NLA (sqm)	Initial Yield	Equiv Yield	IRR	WALT	Rate \$psm NLA
<b>Hamilton Sales Evidence</b>								
Animates 7 Bridge Street Hamilton	\$3,750,000	Jul 2015	900	7.45%	6.5%		6.0	\$4,167
BNZ 354 Victoria Street Hamilton	\$16,700,000	Sep 2014	6,023	Conf. >8.0%	Conf. >8.5%	Conf. >10.0%	Conf. <5	\$2,773
Timpak 54 Vickery Street Hamilton	\$11,775,014	Aug 2014	10,519	8.00% excl fitout rent	8.6%	10.1%	8.0	\$1,119
Knox Clinic Corner Anglesea & Knox Streets Hamilton	\$11,025,000	Dec 2014	5,974	6.53%	8.0%	-	9.0	\$1,845
Ministry of Social Development Dinsdale Shopping Centre Hamilton	\$1,500,000	Nov 2014	645	7.87%	7.9%	-	3.0	\$2,325
Fire Security Services 163 Maui Street Hamilton	\$4,125,000	Jul 2014	1,096	8.00%	7.7%	9.2%	12.0	\$3,764
PwC Centre 109 Ward Street Hamilton Central	\$19,885,675	Mar 2014	4,769	Conf. >7.00%	Conf. >7.5%	Conf. >9.5%	Conf. <9	\$4,170
WEL Networks 110 Maui Street Te Rapa	\$11,300,000	Aug 2012	4,883	7.43%	7.6%	9.3%	8.0	\$2,314
<b>Auckland Sales Evidence</b>								
Heartland House 35 Teed Street Newmarket, Auckland	\$17,000,000	Jun 2015	2,874	7.06%	6.9%	8.5%	5.3	\$5,915
Westpac Building 51 Corinthian Drive Albany, Auckland	\$15,150,000	Jun 2015	3,424	7.20%	7.1%	8.9%	5.4	\$4,425
Jasmx Building 9 Augustus Terrace Parnell	\$15,650,000	Jun 2015	3,762	6.99%	7.0%	8.5%	4.7	\$4,160



**Indicative Rates:**

- The sales analysis indicates:
  - Equivalent yields of 6.5% to 8.6%, and initial yields of 6.53% to 8.00%.
  - Internal Rate of Return (on a 10 year cash flow basis) of 8.5% to 10.1%.

**Key Hamilton Evidence:**

- The Animates building at 7 Bridge Street, to the southern periphery of the Hamilton CBD sold in June 2015 for \$3,750,000 subject to a 6 year sale and leaseback at a rental that was considered by local experts to be at above market levels. The initial yield was 7.45% however taking into account the above market rental, the equivalent yield is deemed to be closer to 6.5%. A more affordable value quantum.
- We are aware of the recent sale of the BNZ Centre in the Hamilton CBD however have been requested to keep the exact analysis confidential. This is one of the largest commercial transactions within Hamilton in recent times and comprises a modern high quality 5 level commercial building leased to quality tenants including BNZ, Public Trust, Lumley Insurance and Staples Rodway. The BNZ Centre occupies a superior location fronting Victoria Street. On balance, this property is considered inferior due to the larger investment quantum relative to the subject buildings.
- The Knox Clinic sold for \$11,025,000 excluding agency fees. The property comprises a multi-level commercial building on a corner site, with a vacant parcel of development land to the north east. The ground floor was subject to a new 10 year lease that commenced 1 April 2014 at a rental of \$720,108 per annum plus GST and outgoings. The property had been earthquake strengthened to 80% of NBS. The upper levels were dated by modern day standards and required redevelopment. Our equivalent yield analysis accounts for the residual value of the upper levels and balance land. This is a similar quantum investment that the subject buildings, with a comparable WALT. The improvements would also be considered inferior.
- We have regard to the sale of 54 Vickery Street in late 2014 despite the asset being industrial in nature. The property comprises a substantial, average quality office and warehouse complex which was sold subject to a new 8 year lease to Timpak Industries at a rental considered within market parameters. The property was purchased by a well-known Auckland based syndicator. A sale of relevance due to the Te Rapa location, higher value quantum and long lease term, albeit considered significantly inferior in terms of building quality and tenant covenant.
- We have considered the sale of the Ministry of Social Development building within Dinsdale Shopping Centre. While this is a significantly smaller investment quantum than the subject buildings, we consider a premium is shown for a government tenant, albeit with a shorter WALT of 3 years and in an inferior location.
- The Fire Security Services transaction relates to a modern 2 level office building with a very low site coverage built in 2005 within a mixed industrial and commercial location, subject to a long term 12 year lease. The building also has good prominence to Te Rapa Road. The investment offers a more affordable value quantum and longer term lease, although the subject tenant covenant is considered superior.
- We are aware of the sale pertaining to the PwC Centre at 109 Ward Street but have been requested to keep the exact analysis confidential. We can confirm the property sold effectively 'off plans' during 2012 with settlement during 2014. This is a premium 5 level energy efficient office building within the central Hamilton CBD, primarily leased to PwC together with other quality professional services tenants. We understand the original sale price was struck on the basis of an 8% return assuming the building was fully leased. A superior building to the subject properties however we are mindful of the dated nature of the transaction.
- The WEL Networks building at 110 Maui Street was purchased by the tenant in mid-

2012 for \$11,300,000. It comprises a circa 1.4 hectare industrial zoned site, which incorporates a modern two level office building together with a large industrial warehouse building. The property was leased by WEL for a 12 year term commencing September 2008, and included 3 yearly rent reviews to market. There was significant tenant contribution to the construction cost at inception in 2008. The first rent review wasn't concluded, and the sale price reflects an initial yield of 7.43% and internal rate of return of 8.60%. This is a useful comparison to the subject situated to the northern periphery of the Te Rapa commercial precinct and featuring a long 8 year WALT.

#### Key Auckland Evidence:

- Heartland House in Newmarket comprises a modern 4 level office building integrated with a more dated 1960's building to the rear. Its configuration provides for ground floor retail accommodation with modern office accommodation above together with onsite car parking for 103 vehicles and a total net lettable area of 2,838 sqm. The property has 3 street frontages, and is relatively high profile in a Newmarket context. The new building has a seismic rating of 100% NBS, while the older building's rating is 63% NBS.

Heartland Bank occupy approximately 70% of the building and have been in occupation since 2003, however recently took a new 8 year lease to commence in December 2015, with fixed 2.0% pa rent reviews. As part of the deal the vendor is required to undertake both premises and common area upgrade works. The remainder of the accommodation is leased to various retail tenants including Hurdleys Office furniture, Backhouse Interiors and Bang & Olusfen.

There is a vendor rental underwrite for 12 months from settlement on 2 ground level spaces and 15 car parks currently occupied by Heartland which it will vacate at the commencement of its new lease in December 2015.

Our analysis of the \$17,000,000 sale price indicates an initial yield of 7.06%, an equivalent yield of 6.87% and an internal rate of return of 8.53%. At the time of sale, the property had a relatively strong WALT of 5.3 years.

- 51 Corinthian Drive sold for \$15,150,000, which equates to an initial yield of 7.20%, an equivalent yield of 7.08% and an internal rate of return of 8.85%. Settlement is set down for September 2015.

The property comprises a modern 4 level office building, completed in 2008, incorporating a single basement level of car parking, 4 ground level tenancies and 2 upper office levels. The building occupies a high profile position within Albany and obtains localised views across nearby commercial development. The building is fully leased to four tenants, with approximately 75% (by floor area) occupied by Westpac (NZ) Investments Ltd. The weighted remaining lease term is relatively strong at 5.4 years.

- 9 Augustus Terrace sold in June 2015 for \$15,650,000, reflecting an initial yield of 6.99%, equivalent yield of 7.01% and internal rate of return of 8.45%.

The property occupies an elevated 2,013 sqm island site within Parnell, a popular fringe CBD commercial and residential location. The improvements comprise 3 levels of office accommodation plus basement car parking, originally constructed circa 1966 and extensively refurbished and extended in 2008. The property has a seismic rating of 67% of NBS based on a DEE. At the time of sale, the property was fully leased to Jasmox and Gameloft with a WALT of 4.7 years.

Given the zoning provisions and the nature and scale of the existing improvements, the property may offer future redevelopment potential, however we note that the current leases have rights of renewal which could significantly differ a potential redevelopment.

## 8.2 Concluded Investment Parameters

### Rates Adopted:

- In concluding the adopted investment parameters we have particularly taken note of the following value drivers for the subject property:
  - Both properties feature relatively long WALTs of 6.6 years (MOE Building) and 8.1 years (RD1 Building) with very strong tenant covenants from the MOE and RD1.
  - Sound Te Rapa location.
  - Strong demand for prime commercial property investment assets at present, partly fuelled by historically low interest rates.
  - The MOE Building is fully leased to a single government tenant, offering a good level of income security.
  - The RD1 Building includes leases that incorporate fixed rental growth mechanisms.
  - 44% of the RD1 Building’s income is underpinned by the substantial CityFitness gym, which would likely be viewed as a weaker tenant covenant by comparison to RD1 and Fonterra.

- Having regard to the property’s location, legal, physical, and cash flow attributes relative to the evidence above, we have adopted the following investment parameters:

#### MOE Building

- Capitalisation Rate: 7.25%
- Target Internal Rate of Return: 8.75%

#### RD1 Building

- Capitalisation Rate: 7.50%
- Target Internal Rate of Return: 9.00%

## 9 VALUATION RATIONALE

### 9.1 Introduction

<b>Overview:</b>	<ul style="list-style-type: none"><li>■ In arriving at our opinion of value, we have considered relevant general and economic factors and in particular have investigated recent sales and leasing transactions of comparable properties (as previously detailed).</li></ul>
<b>Valuation Approaches:</b>	<ul style="list-style-type: none"><li>■ Capitalisation Analysis</li><li>■ Discounted Cash Flow Analysis</li></ul>
<b>Valuation Analyses:</b>	<p>CBRE employs industry recognised valuation methodologies in estimating the value of a property, having regard to the definition of market value and market based evidence. The result is the best estimate of value CBRE can produce, but it is an estimate and not a guarantee, and it is fully dependent upon the accuracy of the assumptions as to income, expenses, and market conditions. These valuation methodologies use market derived assumptions (including rents, yields and discount rates) obtained from analysed transactions.</p> <p>We have not independently verified market information, nor adopted it as our own, nor can we comment on or accept its reliability. The Reliant Party accepts the risk that if any of the unverified information/advice provided by others and referred to in our valuation is incorrect, then this may have an effect on the valuation. (Refer to Information Supplied by Others.)</p>

### 9.2 Capitalisation Analysis

<b>Methodology:</b>	<ul style="list-style-type: none"><li>■ The estimated total income (on both a passing rental and net effective market rental basis) has been adjusted to reflect anticipated operating costs to produce a net income on a fully leased basis.</li><li>■ The adopted fully leased net income has been capitalised in perpetuity from the valuation date at a capitalisation rate of 7.25% for the MOE Building and 7.50% for the RD1 Building, which we feel reflects the nature, location and tenancy profile of the properties when compared with current market investment criteria.</li><li>■ Our firmer cap rate on the MOE building reflects the single, high quality tenant covenant by comparison to the RD1 building which is considered to offer an overall lesser quality tenant covenant due to the substantial gym tenancy.</li><li>■ We have then made various capital adjustments to the calculated core value, including:<ul style="list-style-type: none"><li>– Allowances for existing vacancies.</li><li>– Allowances for outstanding incentives, including where applicable fitout contributions, cash incentives, and rent free.</li><li>– Calculation of reversions to market rent.</li><li>– Capital expenditure allowances.</li></ul></li><li>■ Our capitalisation calculations are detailed overleaf.</li></ul>
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MOE Building

**CAPITALISATION ANALYSIS**

		<u>Area</u>	<u>Passing Rent</u>	<u>Market Rent</u>
<b>Gross Rental Income</b>	Ministry of Education	3,024.0	736,163	716,931
		<b>3,024.0</b>	<b>736,163</b>	<b>716,931</b>
<b>Other Income</b>	Car Park Income:		48,880	48,880
	Total Other Income (excl. elec profit & a/hrs air):		48,880	48,880
<b>GROSS INCOME</b>			<b>785,043</b>	<b>765,811</b>
<b>Outgoings</b>	Statutory Expenses:		(32,959)	(32,959)
	Operating Expenses:		(28,247)	(28,247)
	Total Outgoings:		(61,206)	(61,206)
<b>NET INCOME</b>			<b>723,837</b>	<b>704,605</b>
<b>CAPITALISED VALUE</b>	Capitalise In Perpetuity @		7.25%	7.25%
			<b>9,983,963</b>	<b>9,718,690</b>
<b>Capital Adjustments</b>				
<b>Vacancies</b>	Letting Up Allowance:		-	-
	Agents Commissions:		-	-
	Incentive Allowance:		-	-
<b>Existing Commitments</b>	Fitout Contributions & Cash Incentives:		-	-
	Rent Shortfalls - New Tenants:		-	-
	PV of Remaining Rent Free:		-	-
<b>Rent Adjustments</b>	PV of Capitalised Rent Reversions:		(221,461)	-
	PV of Rent Variation (passing vs market rentals):		-	43,812
	PV of Remaining Fitout Rentals:		-	-
	Electricity Profit & After Hours Air capped @ 20%:		-	-
<b>Impending Expiries</b>	PV of Future Letting Up Allowances:	2 years	-	-
	PV of Future Leasing Commissions:	2 years	-	-
	PV of Future Incentive Allowances:	2 years	-	-
<b>Capital Works</b>	PV of Make Good & Refurb Allowance:	2 years	-	-
<b>Rent Adjustments</b>	PV of General Capital Expenditure:	2 years	(14,450)	(14,450)
	Total Capital Adjustments:		(235,912)	29,362

<u>Sensitivity Analysis</u>	<u>Passing</u>	<u>Market</u>			
-0.25%	10,100,000	10,100,000			
Adopted Cap Rate	9,750,000	9,750,000	<b>Adopt</b>	<b>9,750,000</b>	<b>9,750,000</b>
0.25%	9,400,000	9,400,000			

RD1 Building

<b>CAPITALISATION ANALYSIS</b>				
		<u>Area</u>	<u>Passing Rent</u>	<u>Market Rent</u>
<b>Gross Rental Income</b>	RD1 Ltd	2,175.0	458,836	521,236
	Hamilton CityFitness Ltd	1,936.0	444,600	444,600
	Just Lounging Around Cafe Ltd	255.0	85,221	85,335
		<b>4,366.0</b>	<b>988,656</b>	<b>1,051,171</b>
<b>Other Income</b>	Car Park Income:		16,380	68,744
	Fitout Rental:		5,492	-
	Total Other Income (excl. elec profit & a/hrs air):		21,872	68,744
<b>GROSS INCOME</b>			<b>1,010,528</b>	<b>1,119,915</b>
<b>Outgoings</b>	Statutory Expenses:		(40,916)	(40,916)
	Operating Expenses:		(44,870)	(44,870)
	Total Outgoings:		(85,786)	(85,786)
<b>NET INCOME</b>			<b>924,743</b>	<b>1,034,129</b>
<b>CAPITALISED VALUE</b>	Capitalise In Perpetuity @		7.50%	7.50%
			<b>12,329,901</b>	<b>13,788,387</b>
<b>Capital Adjustments</b>				
<b>Vacancies</b>	Letting Up Allowance:		-	-
	Agents Commissions:		-	-
	Incentive Allowance:		-	-
<b>Existing Commitments</b>	Fitout Contributions & Cash Incentives:		-	-
	Rent Shortfalls - New Tenants:		-	-
	PV of Remaining Rent Free:		-	-
<b>Rent Adjustments</b>	PV of Capitalised Rent Reversions:		918,378	-
	PV of Rent Variation (passing vs market rentals):		-	(540,105)
	Electricity Profit & After Hours Air capped @ 20%:		-	-
<b>Impending Expiries</b>	PV of Future Letting Up Allowances:	2 years	-	-
	PV of Future Leasing Commissions:	2 years	-	-
	PV of Future Incentive Allowances:	2 years	-	-
<b>Capital Works</b>	PV of Make Good & Refurb Allowance:	2 years	-	-
	PV of General Capital Expenditure:	2 years	(19,106)	(19,106)
	Total Capital Adjustments:		899,272	(559,211)
<b>Sensitivity Analysis</b>			13,229,173	13,229,176
-0.25%		13,650,000		13,700,000
Adopted Cap Rate		13,250,000	<b>Adopt</b>	<b>13,250,000</b>
0.25%		12,850,000		12,800,000



## 9.3 Discounted Cash Flow Analysis

### Methodology:

- The Discounted Cash Flow 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.
- A wide range of assumptions are made including a target or pre-selected internal rate of return, rental growth, occupancy, sale price of the property at the end of the investment horizon, potential capital expenditure, costs associated with the initial purchase of the property, and also its disposal at the end of the investment period.
- Having regard to these factors, we have carried out a discounted cash flow analysis over a 10 year investment horizon in which we have assumed that the property is sold at the commencement of the 11<sup>th</sup> year. The cash flow analysis comprises annual income streams and we have discounted the income of each year of the cash flow on a midpoint basis, which assumes an income of 6 months in arrears and 6 months in advance. The analysis proceeds on a before tax basis, and while we have not qualified any potential taxation benefits associated with the property, we are of the view that these are an issue which a prospective purchaser would reflect in its consideration.
- The analysis is predicated on the assumption of a cash purchase. No allowance for interest and other funding costs have been made.

### Key Allowances/ Assumptions:

- Rental Growth:
  - Forecast market rental growth ranging from 2.40% to 2.80%, with average growth of 2.50% over the 10 year cash flow horizon.
  - These ranges reflect short to medium term supply/demand characteristics, along with historic trends.
- Renewal Probability:
  - We have typically adopted a renewal probability of 50% for the office and retail tenancies throughout our 10 year cash flow horizon.
- Lease Up Period:
  - Future lease-up periods of 9 months for the office and 6 months for the retail tenancies.
- Capital Expenditure:
  - Refer to Capital Expenditure section for specific comments.
- Terminal Yield:
  - We have adopted 7.75% for the MOE Building and 8.00% for the RD1 Building, being 50 basis points softer than our adopted capitalisation rates, reflecting that at the end of the cash flow period the buildings will be 10 years older. The adoption of this range is supported by the estimated terminal occupancy profile and the capital expenditure allowed throughout the cash flow, and at the end of the projection, which reflects efficient asset management practices in ensuring the properties maintain their competitive position with their peer group.
- Internal Rate of Return (IRR):
  - Based upon our analysis of recent transactions, and the allowances and projections in our cash flow, we have adopted a discount rate (IRR) of 8.75% for the MOE Building and 9.00% for the RD1 Building.
- Our discounted cash flow analysis is provided overleaf.

MOE Building

Valuation Period Year Ending	1 Sep-16	2 Sep-17	3 Sep-18	4 Sep-19	5 Sep-20	6 Sep-21	7 Sep-22	8 Sep-23	9 Sep-24	10 Sep-25	11 Sep-26	
<b>Growth Forecast</b>												
CPI (NZIER Forecasts)	2.10%	1.90%	2.20%	2.30%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	
Average compound CPI					5yrs	2.10%					10yrs	2.00%
Gross Effective Rent Growth (Office)	2.60%	2.40%	2.70%	2.80%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	
Average compound market rental growth					5yrs	2.60%					10yrs	2.50%
Car Parking Rent Growth	0.00%	6.38%	0.00%	10.00%	0.00%	9.09%	0.00%	8.33%	0.00%	7.69%	0.00%	
Average compound market rental growth					5yrs	3.20%					10yrs	4.10%
<b>Purchase Considerations</b>												
			<b>Target Internal Rate of Return</b>						<b>Sensitivity Analysis</b>			
Purchase Price	9,650,000			<b>IRR</b>		<b>PRICE</b>						
Stamp Duty				8.75%		9,652,405						
Legal Fees	12,063	0.13%			<b>ADOPT:</b>		<b>\$9,650,000</b>		<b>Internal</b>		<b>Terminal Yield</b>	
	9,662,063							<b>Rate of</b>	8.50%	9,982	9,815	9,659
								<b>Return</b>	8.75%	9,815	9,652	9,500
									9.00%	9,652	9,493	9,344
<b>Selling Considerations</b>												
Terminal Yield	7.75%			Year 1 Cash Flow Yield		7.42%						
Commission	1.50%			Income %		48.04%						
Legal Fees	0.13%			Terminal Value %		51.96%						
<b>Cash Flow Criteria</b>												
Assumed New Lease Term (yrs) (Office)	6	New Lease Reviews		MKT	Review Frequency		Bi-Annual	Leasing Commissions:		New	16.0%	
Standard New Lease Recoveries	Continue Prior											
Renewal Probability (Office)	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	
Expiry/Renewal for year (sqm) (Office)							3,024					
Letting Up - Office (mths)	9	9	9	9	9	9	9	9	9	9	9	
Capital Expenditure (% of Gross Income)	1.0%											
Lessors Works/Make Good Allowance (Office)	100 psm											
Future Building Refurbishment Allowance	Year 7		75 psm									
<b>CASH FLOW FORECAST (All figures shown as \$1,000's)</b>												
<b>Income</b>												
Base Rental	736	736	743	753	753	779	824	835	853	878	896	
Recoverable Outgoings												
Car Parking Income	49	49	50	52	52	54	59	62	65	68	70	
Other Income												
<b>Total Income</b>	<b>785</b>	<b>785</b>	<b>794</b>	<b>805</b>	<b>805</b>	<b>833</b>	<b>883</b>	<b>898</b>	<b>918</b>	<b>945</b>	<b>966</b>	
<b>Less</b>												
Statutory Expenses:	33	34	34	35	36	37	37	38	39	40	40	
Operating Expenses:	28	29	29	30	31	31	32	33	33	34	35	
<b>NET INCOME</b>	<b>2.30%</b>	<b>724</b>	<b>723</b>	<b>730</b>	<b>740</b>	<b>739</b>	<b>766</b>	<b>814</b>	<b>827</b>	<b>846</b>	<b>872</b>	<b>891</b>
<b>Capital Adjustments</b>												
Current Unexpended Incentives												
Rent Shortfall - New Tenancies												
Letting Up Allowances												
Leasing Commissions												
Capital Expenditure	8	8	8	8	8	8	8	9	9	9	10	
Lessors Works/Make Good (Office)												
Lessors Works/Make Good (Retail)												
Refurbishment Allowance												
<b>CAPITAL ADJUSTMENTS (-\$1,000's)</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>10</b>	
<b>Selling Considerations</b>												
										Net Market Rent End Yr 10		917
										Sale Price		11,809
										Agent's Commission		-177
										Legal Fees		-15
<b>NET CASH FLOW</b>	<b>716</b>	<b>715</b>	<b>722</b>	<b>732</b>	<b>731</b>	<b>757</b>	<b>-31</b>	<b>818</b>	<b>837</b>	<b>862</b>	<b>11,618</b>	
Running Yield (Cash Flow)	7.42%	7.41%	7.48%	7.59%	7.57%	7.85%	-0.32%	8.48%	8.67%	8.94%		

## RD1 Building

Valuation Period Year Ending	1 Sep-16	2 Sep-17	3 Sep-18	4 Sep-19	5 Sep-20	6 Sep-21	7 Sep-22	8 Sep-23	9 Sep-24	10 Sep-25	11 Sep-26	
<b>Growth Forecast</b>												
CPI (NZIER Forecasts)	2.10%	1.90%	2.20%	2.30%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	
Average compound CPI					5yrs	<u>2.10%</u>				10yrs	<u>2.00%</u>	
Gross Effective Rent Growth (Office)	2.60%	2.40%	2.70%	2.80%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	
Average compound market rental growth					5yrs	<u>2.60%</u>				10yrs	<u>2.50%</u>	
Gross Effective Rent Growth (Retail)	2.60%	2.40%	2.70%	2.80%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	
Average compound market rental growth					5yrs	<u>2.60%</u>				10yrs	<u>2.50%</u>	
Car Parking Rent Growth	0.00%	6.38%	0.00%	10.00%	0.00%	9.09%	0.00%	8.33%	0.00%	7.69%	0.00%	
Average compound market rental growth					5yrs	<u>3.20%</u>				10yrs	<u>4.10%</u>	
<b>Purchase Considerations</b>			<b>Target Internal Rate of Return</b>				<b>Sensitivity Analysis</b>					
Purchase Price	13,350,000		IRR		PRICE							
Stamp Duty			9.00%		13,326,136							
Legal Fees	16,688		0.13%		ADOPT: \$13,350,000		<b>Terminal Yield</b>					
	13,366,688						<b>Internal Rate of Return</b>					
<b>Selling Considerations</b>			Year 1 Cash Flow Yield				8.75%					
Terminal Yield	8.00%		6.95%				13,787					
Commission	1.50%		49.29%				13,553					
Legal Fees	0.13%		50.71%				13,328					
<b>Cash Flow Criteria</b>												
Assumed New Lease Term (yrs) (Office)	6	New Lease Reviews		MKT	Review Frequency	Bi-Annual	Leasing Commissions:		New	16.0%		
Assumed New Lease Term (yrs) (Retail)	6	New Lease Reviews		MKT	Review Frequency	Bi-Annual			Renewal			
Standard New Lease Recoveries	Continue Prior											
Renewal Probability (Office)	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	
Expiry/Renewal for year (sqm) (Office)					2,175						2,175	
Letting Up - Office (mths)	9	9	9	9	9	9	9	9	9	9	9	
Renewal Probability (Retail)	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	
Expiry/Renewal for year (sqm) (Retail)											255	
Letting Up - Retail (mths)	6	6	6	6	6	6	6	6	6	6	6	
Capital Expenditure (% of Gross Income)			1.0%									
Lessors Works/Make Good Allowance (Office)			100 psm									
Lessors Works/Make Good Allowance (Retail)			50 psm									
Future Building Refurbishment Allowance			Year 5		75 psm							
<b>CASH FLOW FORECAST (All figures shown as \$1,000's)</b>												
<b>Income</b>												
Base Rental	916	950	967	987	1,032	1,106	1,133	1,174	1,203	1,224	1,317	
Recoverable Outgoings	86	86	88	90	92	94	96	98	100	102	104	
Car Parking Income	16	16	16	16	27	32	33	36	36	41	51	
Fitout Rental	5	5	5	5	5	5	5	5	5	3		
<b>Total Income</b>	<b>1,024</b>	<b>1,058</b>	<b>1,077</b>	<b>1,098</b>	<b>1,157</b>	<b>1,237</b>	<b>1,268</b>	<b>1,313</b>	<b>1,345</b>	<b>1,369</b>	<b>1,471</b>	
<b>Less</b>												
Statutory Expenses:	41	42	43	44	45	45	46	47	48	49	50	
Operating Expenses:	45	46	47	48	49	50	51	52	53	54	55	
<b>NET INCOME</b>	<b>3.83%</b>	<b>938</b>	<b>970</b>	<b>988</b>	<b>1,007</b>	<b>1,064</b>	<b>1,142</b>	<b>1,171</b>	<b>1,214</b>	<b>1,266</b>	<b>1,366</b>	
<b>Capital Adjustments</b>												
Letting Up Allowances					230						30	268
Leasing Commissions					49						9	57
Capital Expenditure	10	11	11	11	12	12	13	13	13	14	15	
Lessors Works/Make Good (Office)					118							133
Lessors Works/Make Good (Retail)											8	
Refurbishment Allowance					356							
<b>CAPITAL ADJUSTMENTS (-\$1,000's)</b>	<b>10</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>765</b>	<b>12</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>60</b>	<b>474</b>
<b>Selling Considerations</b>												
Net Market Rent End Yr 10											1,298	
Sale Price											16,283	
Agent's Commission											-244	
Legal Fees											-20	
<b>NET CASH FLOW</b>	<b>928</b>	<b>960</b>	<b>977</b>	<b>996</b>	<b>298</b>	<b>1,130</b>	<b>1,158</b>	<b>1,201</b>	<b>1,230</b>	<b>1,206</b>	<b>16,019</b>	
Running Yield (Cash Flow)	6.95%	7.19%	7.32%	7.46%	2.23%	8.46%	8.68%	8.99%	9.22%	9.03%		

## 9.4 Valuation Summary

### MOE Valuation Summary:

- We have reconciled the values as follows:

#### SUMMARY OF VALUES

Capitalisation Analysis - Passing Rentals	\$9,750,000
Capitalisation Analysis - Market Rentals	\$9,750,000
Discounted Cash Flow Analysis	\$9,650,000

#### Adopted for Valuation Purposes **\$9,750,000**

Initial Yield	7.42%
Indicated Equivalent Yield	7.25%
Reversionary (Market) Yield	7.23%
Indicated IRR	8.68%
Value Rate \$psm of Lettable Area	\$3,224
Value Rate \$psm of Lettable Area (excl. Car Parks)	\$3,001

- Given the demonstrated market parameters and after taking into consideration all relevant factors, we have assessed the Market Value 'As If Complete' of the subject property as at 11 September 2015 to be:

**\$9,750,000**

**(Nine Million, Seven Hundred and Fifty Thousand Dollars)**

This valuation is plus GST, if any.

### RD1 Valuation Summary:

- We have reconciled the values as follows:

#### SUMMARY OF VALUES

Capitalisation Analysis - Passing Rentals	\$13,250,000
Capitalisation Analysis - Market Rentals	\$13,250,000
Discounted Cash Flow Analysis	\$13,350,000

#### Adopted for Valuation Purposes **\$13,300,000**

Initial Yield	6.95%
Indicated Equivalent Yield	7.46%
Reversionary (Market) Yield	7.78%
Indicated IRR	9.03%
Value Rate \$psm of Lettable Area	\$3,046
Value Rate \$psm of Lettable Area (excl. Car Parks)	\$2,914

- Given the demonstrated market parameters and after taking into consideration all relevant factors, we have assessed the Market Value 'As If Complete' of the subject property as at 11 September 2015 to be:

**\$13,300,000**

**(Thirteen Million, Three Hundred Thousand Dollars)**

This valuation is plus GST, if any.

## 9.5 Mortgage Recommendation

### Mortgage Recommendation:

- Our report is undertaken for mortgage security purposes and may be relied upon by ASB Bank Limited for the advance of first mortgage funds.
- In undertaking our valuation we have observed the requirements of International Valuation Standards 2013 – Valuation Applications – IVS 310 Valuations of Real Property Interests for Secured Lending and PINZ Valuation and Property Standards January 2012 Edition – ANZVGN 2 Valuations for Mortgage and Loan Security Purposes.
- We confirm that the property is satisfactory for the advance of first mortgage funds.
- Our recommendation is made on the level of security the subject property offers only. We make no recommendation on the personal covenant of the mortgagor or their ability or willingness to meet their commitment under the proposed loan.
- Our valuation has been undertaken on a plus GST (if any) basis.

## 9.6 Taxation & GST

### Taxation & GST:

- We have not allowed 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.
- Our valuation has been undertaken on a plus GST (if any) basis.

## 9.7 Sale & Purchase Agreement

:

- We have been provided with a copy of the Agreement for Sale & Purchase dated 2 September 2015 between Hamilton Homezone Limited (vendor) and Oyster Property Group Limited (purchaser) recording a purchase price of \$23,025,000 plus GST (if any). There is no apportionment between the MOE and RD1 buildings.
- The Agreement is subject to various conditions, the most salient of which we note below:
  - Due diligence – 25 working days.
  - The vendor has guaranteed the outcome of the Ministry of Education rent review at not less than \$785,043 per annum gross and is liable to pay any shortfall until such time as the rental equals or exceeds that sum (likely to be the next review in April 2018).
  - Subject to subdivision in accordance with the draft subdivision plan attached to the agreement.
  - Settlement is to be the earlier of 5 working days following the purchaser raising sufficient funds in its subscription so that is able to complete the purchase, or 45 working days after the satisfaction of due diligence.
  - If the purchaser does not receive subscriptions sufficient to meet the purchase price and the insufficiency is greater than \$2,500,000 (but less than \$5,000,000) then the Vendor must subscribe for interests up to a maximum value of \$2,500,000 in the proportionate ownership scheme.
- Our valuation has been undertaken on a plus GST (if any) basis.

## 10 QUALIFICATIONS

The report must be read in conjunction with and is subject to the following qualifications:

<b>Valuation Subject to Change:</b>	<ul style="list-style-type: none"><li>■ Values vary from time to time in response to changing market conditions. The valuation is based on available information as at the date of valuation. No warranty can be given as to the maintenance of this value into the future. Therefore, it should be reviewed periodically.</li></ul>
<b>Extent of Investigations:</b>	<ul style="list-style-type: none"><li>■ We are not engaged to carry out all possible investigations in relation to the property. Where in our report we identify certain limitations to our investigations, this is to enable the Reliant Party to instruct further investigations where considered appropriate or where we recommend as necessary prior to Reliance. CBRE is not liable for any loss occasioned by a decision not to conduct further investigations.</li></ul>
<b>Assumptions:</b>	<ul style="list-style-type: none"><li>■ Assumptions are a necessary part of undertaking valuations. CBRE adopts assumptions for the purpose of providing valuation advice because some matters are not capable of accurate calculation or fall outside the scope of our expertise, or our instructions. The Reliant Party accepts that the valuation contains certain specific assumptions, and acknowledges and accepts the risk that if any of the assumptions adopted in the valuation are incorrect, then this may have an effect on the valuation.</li></ul>
<b>Information Supplied by Others:</b>	<ul style="list-style-type: none"><li>■ The valuation contains information which is derived from other sources. Unless otherwise specifically instructed by you and/or stated in the valuation, we have not independently verified that information, nor adopted it as our own, or accepted its reliability. The Reliant Party accepts the risk that if any of the unverified information/advice provided by others and referred to in the valuation is incorrect, then this may have an effect on the valuation.</li></ul>
<b>Future Matters:</b>	<ul style="list-style-type: none"><li>■ To the extent that the valuation includes any statement as to a future matter, that statement is provided as an estimate and/or opinion based on the information known to CBRE at the date of this document. CBRE does not warrant that such statements are accurate or correct.</li></ul>



## 11 CONTACT DETAILS

### Valuer:

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## **A UNDERLYING COMPUTER FREEHOLD REGISTER**



# COMPUTER FREEHOLD REGISTER UNDER LAND TRANSFER ACT 1952



R. W. Muir  
Registrar-General  
of Land

## Search Copy

**Identifier** 548422  
**Land Registration District** South Auckland  
**Date Issued** 07 February 2012

### Prior References

118849

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**Estate** Fee Simple  
**Area** 2.9253 hectares more or less  
**Legal Description** Lot 2 Deposited Plan 440887

### Proprietors

Hamilton Homezone Limited

### Interests

6029833.4 Consent Notice pursuant to Section 221 Resource Management Act 1991 - produced 4.6.2004 at 9:00 am and entered 1.7.2004 at 9.00 am

Appurtenant hereto are right of way, carparking, convey electricity and signage easements created by Easement Instrument 6029833.7 - produced 4.6.2004 at 9:00 am and entered 1.7.2004 at 9.00 am

Subject to a right of way marked B, P and Q and carparking marked I, J, K, L, R, S and T on DP 440887 created by Easement Instrument 6029833.7 - produced 4.6.2004 at 9:00 am and entered 1.7.2004 at 9.00 am

Some of the easements created by Easement Instrument 6029833.7 are subject to Section 243 (a) Resource Management Act 1991

Land Covenant in Easement Instrument 6029833.8 - produced 4.6.2004 at 9:00 am and entered 1.7.2004 at 9.00 am

Subject to a right (in gross) to convey electricity over parts marked F and G on DP 440887 in favour of WEL Networks Limited created by Easement Instrument 6029833.9 - 4.6.2004 at 9:00 am

6029833.10 Encumbrance to Bunnings Limited - produced 4.6.2004 at 9:00 am and entered 1.7.2004 at 9.00 am

7134908.4 Mortgage to ASB Bank Limited - 28.11.2006 at 9:00 am

Subject to a right to convey electricity over parts marked E and F and a right of way over parts marked D, E, F and G all on DP 440887 created by Easement Instrument 8087558.4 - 27.2.2009 at 9:00 am

The easements created by Easement Instrument 8087558.4 are subject to Section 243 (a) Resource Management Act 1991

Land Covenant in Easement Instrument 8087558.5 - 27.2.2009 at 9:00 am

8964795.1 Consent Notice pursuant to Section 221 Resource Management Act 1991 - 7.2.2012 at 3:33 pm

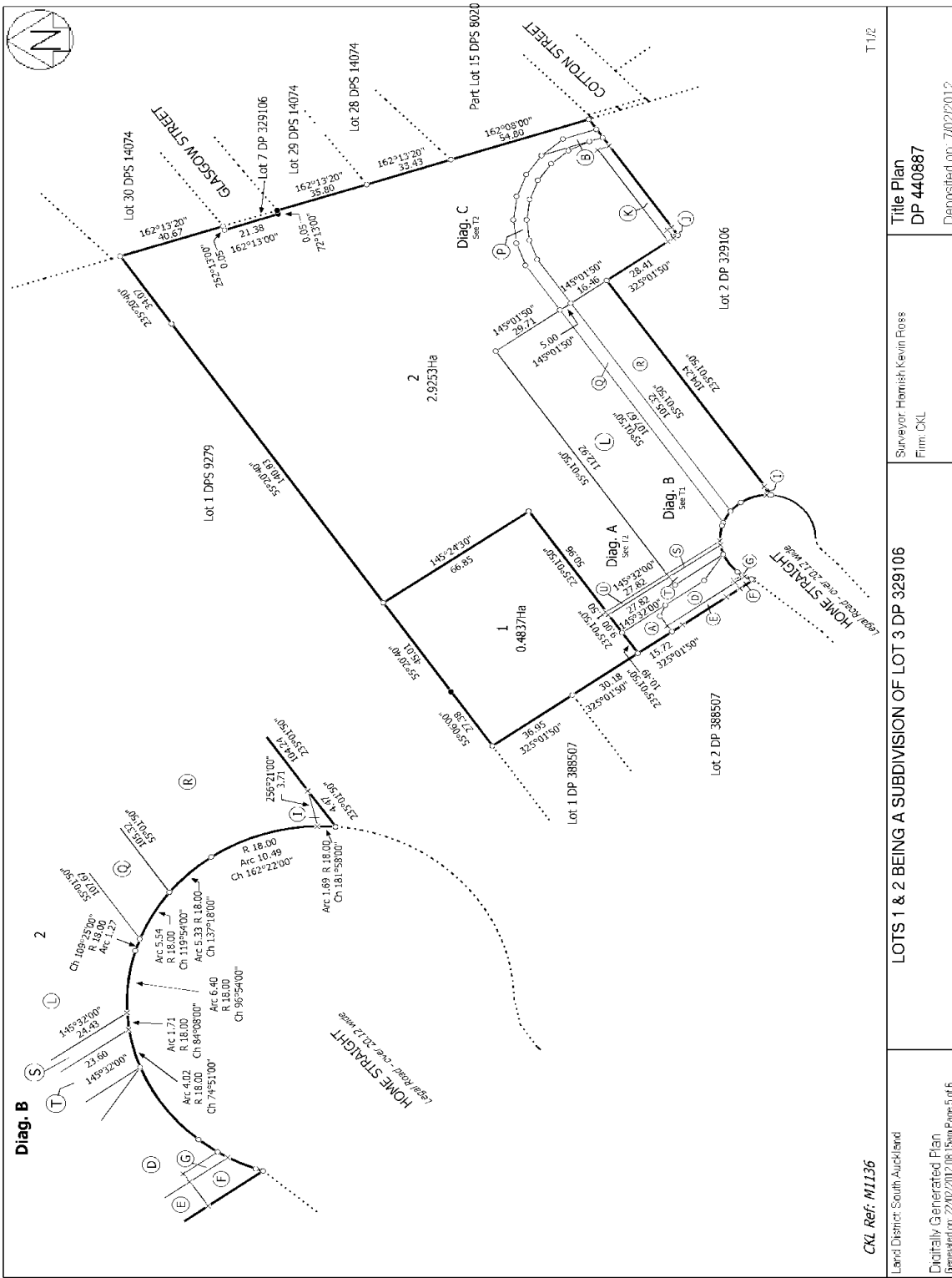
Subject to a right of way over parts marked A, D, E, F and G and right to convey gas, water, electricity, telecommunications and computer media over parts marked U and S all on DP 440887 created by Easement Instrument 8964795.3 - 7.2.2012 at 3:33 pm

Some of the easements created by Easement Instrument 8964795.3 are subject to Section 243 (a) Resource Management Act 1991

Subject to a right (in gross) to drain water over parts marked A, D, E, F and G on DP 440887 in favour of Hamilton City Council created by Easement Instrument 8964795.4 - 7.2.2012 at 3:33 pm

The easements created by Easement Instrument 8964795.4 are subject to Section 243 (a) Resource Management Act 1991

Land Covenant in Easement Instrument 8964795.5 - 7.2.2012 at 3:33 pm

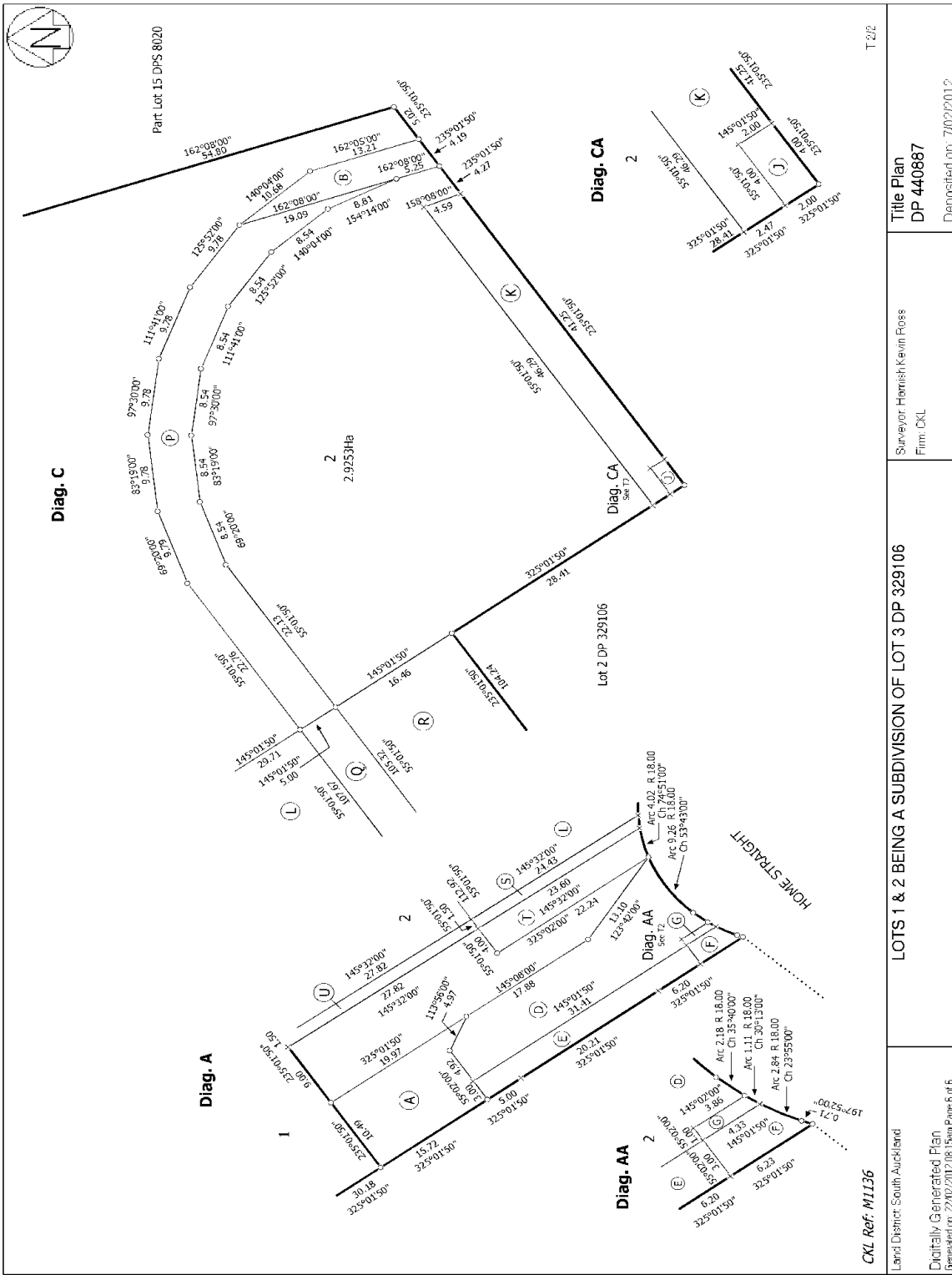


CKL Ref: M1136  
 Land District: South Auckland  
 Digitally Generated Plan  
 Generated on: 22/02/2012 08:15am Page 5 of 6

LOTS 1 & 2 BEING A SUBDIVISION OF LOT 3 DP 329106

Surveyor: Hamish Kevin Fross  
 Firm: CKL  
 Title Plan DP 440887  
 Deposited on: 7/02/2012

T 1/2



T 2/2

**Title Plan**  
DP 440887

Surveyor: Hamish Kevin Fross  
Firm: CKL

**LOTS 1 & 2 BEING A SUBDIVISION OF LOT 3 DP 329106**

Land District: South Auckland