114 ADELAIDE ROAD, NEWTOWN

WELLINGTON CITY 6021

FEASIBILITY REPORT

PREPARED BY:
IPG
Level 3, 185 Hobson street, Auckland CBD 1010. P.O Box 90535, Victoria Street West, Auckland 1142

IPG Corporation Limited:

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<u>Document History:</u>

Revision	Date	Revision Details	Typist	Approver
A	22.04.21	Resource Consent	IPG Corporation	IPG Corporation

<u>Table of Contents:</u>

1.0 Introduction:

1.1 General Information:

This report has been prepared for 114 Adelaide Road to provide financial evidence regarding the economic position that correlates with the design proposal included in this resource consent application.

The site is located in the Wellington suburb of Newtown, and is subject to a height restriction of 18 meters as per the current Wellington District Plan. The site is 455m2 in total and consists of the existing Tramway Hotel building (constructed in 1899) and a garage unit along the southern boundary.

The two existing facades facing out towards Adelaide Road and Drummond Street are heritage listed with Wellington City Council. A structural assessment completed by Silvester Clark Consulting Engineers in 2017 notes the existing building façades are in an acceptable condition, but new construction on site is recommended to safely secure the facades and reduce the risk of significant damage in an earthquake event.

Wellington City Council expressed their interest in reviewing a design that was supported by a recognised heritage professional, along with other required documentation. IPG Corporation has proceeded with this request and have developed the design included in this application with Dave Pearson Architects for WCC to consider.

In order to prepare an accurate feasibility report for this proposal, it is important to recognize that retention of the existing facades will require specific structural engineering, supplementary coordination with heritage specialists, subcontractors and architectural team. Temporary engineering design and application will also be required to support the facades while construction is underway.

Prior to exploring design options, IPG Corporation sought financial guidance from the following parties to contribute realistic figures to this feasibility report:

- Maltbys Concrete Restrengthening Estimate
- Colliers International Market Valuation

The financial advice prepared by Maltbys and Colliers have been included in section 2 and 3 of this report. This information has been based on the completed project not exceeding the existing heritage building height.

IPG Corporation has reviewed these reports and completed the financial analysis included in section 4. This analysis is split into the following four sections:

- **<u>Value of existing building after strengthening works are carried out:</u>**
  This section includes the overall value of the 1-storey heritage building at 114 Adelaide Road (as per Colliers assessment) once seismic strengthening and refurbished works have been completed.

  This section also includes the concrete restrengthening estimate from Maltbys, which is also based on the final building only being 1-storey (i.e. not including the additional levels above the heritage).

  The difference between these two figures indicates the financial loss for IPG if the building was only refurbished to its current building height.

- **Feasibility analysis of minimum required additional GFA to allow for a viable project:**
  This section displays the predicted value of a square meter based on the current proposal once the project is completed.

  Consultant/council/construction/legal fees are negative figures that need to be subtracted from the square meter value in order to obtain the profit per square meter value.

  This figure is then used lower down in Table B/Table C to establish how much square meterage of hotel rooms is necessary in order to cover the construction costs and obtain a financial gain one the site has reached practical completion.

- **Matrix of additional GFA scenarios based on boundary to boundary development:**
  Using the NET profit per square meter figure from table B, this section demonstrates that approximately 2,300 square meterage overall above the heritage facades is required before a financial gain is achieved once the project is completed.

- **Feasibility of proposed development based on satisfying the requirement of having significant set backs:**
  This section shows that, with the current height and setbacks from the heritage facades and height, IPG would face a financial loss of over $1,140,000.00. The square meter numbers have been gathered from the area plans included in this resource application.

2.0 Maltbys Concrete Restrengthening Estimate

MALTBYS

CELEBRATING 90 YEARS

DEFINING COSTS · MANAGING RISK · DELIVERING RESULTS

114 Adelaide Road

CONCEPT RESTRENGTHENING ESTIMATE

for IPG Corporation Ltd

4 March 2020

DEFINING COSTS, MANAGING RISK AND DELIVERING RESULTS THAT ADD VALUE FOR OUR CLIENTS

WELLINGTON Maltbys House, Level 1, 3 Swan Lane, PO Box 1034, Wellington 6140. Ph: 04 499 1468 www.maltbys.co.nz

Table of Contents

Introduction

Maltbys Limited (Maltbys) have been commissioned by IPG Corporation Ltd (the Client) to prepare this estimate for Tramways Hotel, 114 Adelaide Road, Wellington.

This report is subject to a range of clarifications and exclusions that must be considered in conjunction with the estimate. Specific exclusions noted herein should be considered separately if required.

This report has been prepared for the sole use of the Client only for the purpose set out in our Letter of Appointment. We neither acknowledge nor accept any other duty of care in respect of the report or the contents thereof, and any person other than the Client who rely upon the report or any part thereof without direct reference to a written authorisation by a Director of Maltbys Ltd does so in all respects at that person's risk.

Executive Summary

Concept Retrengthening Estimate

Total Construction Cost	$ 4,162,000.00
Professional / Heritage Fees	$ 994,718.00
Building / Resource Consent	$ 50,000.00
Escalation	$ 150,274.00
Project Contingency	$ 781,008.00
GST	Excluded
Project Total	**$ 6,138,000.00**

This estimate has been costed at current rates and prices as set out below, with no allowance made for escalation through to construction start.

A definitive list of clarifications and exclusions is contained within the Methodology section of this report. Where appropriate, allowances for these exclusions should be made in the overall development budget.

Full details of the cost estimate are included within the appendix attached.

Methodology

Basis of Estimate

Maltbys have prepared this mixed elemental and square metre rate estimate from the following information provided by Email on 14 February 2020 from IPG, email on 5 February 2020 from Silvester Clark :

- 21614 SK 2020-2-2-SK1 to SK4_ 114 Adelaid Rd- concept seismic strengthening
- initial report from engineer
- geotech report

Preliminary and General allowances are based on a defined duration (refer estimate) for a Tier 2 Contractor, being a Lower North Island region size commercial contractor.

This estimate has been prepared on a mixed Elemental / GFA basis. Rates and prices are current as at March 2020.

The following design documentation has not been sighted in the preparation of this estimate:

- Architectural Drawings / Specifications
- Structural Specifications
- Building Services Drawings / Specifications
- Civil Services Drawings / Specifications
- Asbestos Report
- Acoustic Report

The following allowances / assumptions are included in this estimate:

• Preliminary & General Costs based on	Refer estimate
• Contractors Margin	6%
• Unmeasured Sundries	10%
• Professional Fees	18%
• Heritage Fees	5%
• Escalation to Construction Start	5%
• Project Contingency	15%

Note that the Unmeasured Sundries sum is integral to the overall estimate total and is a general allowance for sundry unmeasured items and assumptions made for construction details not shown.

Items Specifically Excluded

The following items have been specifically excluded from this estimate:

- Goods & Services Tax (GST)
- Local Authority Charges, Fees and Contributions (e.g. Building Consent)
- Insurance Costs
- Internal Costs
- Legal Fees
- Finance Costs
- Site Surveying Fees
- Asbestos or other hazardous materials beyond that specifically identified in the estimate
- Unforeseen ground conditions
- Moving and decanting costs
- Furniture, fittings & equipment
- Upgrading of existing infrastructure
- Work to façade beyond that specifically identified in the estimate. No allowance has been made for restoration of the façade.
- Blinds and curtains
- Please refer to estimate for additional specific exclusions

Appendices

W5427 114 ADELAIDE ROAD

CONCEPT RESTRENGTHENING ESTIMATE

ESTIMATE SUMMARY

	Unit	Qty	Rate	Cost
Clarifications				
Demolition				
Site Preparation				
Substructure				647,100
Frame				385,500
Structural Walls				110,805
Upper Floors				58,000
Roof				123,900
External Walls and Finish				50,775
External Windows and Doors				43,100
Stairs and Balustrades				9,920
Internal Walls				84,400
Internal Doors and Windows				10,800
Floor Finishes				207,450
Wall Finishes				250,290
Ceiling Finishes				263,340
Fittings and Fixtures				10,800
Sanitary Plumbing				15,600
Heating and Ventilation Services				46,200
Fire Services				25,410
Electrical Services				92,400
Vertical and Horizontal Transportation				
Special Services				
Drainage				
Site Works				
Site Infrastructure				150,000
Sundries				250,000
Scaffold				57,240
Preliminaries and General				676,400
Contractors Margin (6%)				214,166
Unmeasured Sundries (10%)				378,404
Professional Fees - 18%				749,160
Heritage Fees - 5%				245,558
Consents				50,000
Construction Contingency - 15%				781,008
Allowance for Escalation to Construction Start - 5% for 6 months				150,274
TOTAL CONCEPT RESTRENGTHENING ESTIMATE $				**6,138,000**

	Description	Unit	Qty	Rate	Cost
	Clarifications				
1	This estimate is based on the following documentation send via email on 18 February 2020: - initial report from engineer.pdf - geotech report.pdf - 21614 SK 2020-2-2-SK1 to SK4_ 114 Adelaide Rd- concept seismic strengthening.pdf	Note			
2	Where no specific remedial action is advised, the estimates are based on least impact remedial option.	Note			
	This estimate is based on the following Gross Floor Areas (GFA);				
3	- Ground Floor (excluding stair)	m2	461		
4	- Level 1 (excluding stair)	m2	231		
5	Total GFA	GFA	692		
6	Pricing Notes: - No allowance for Working outside normal working hours. - Based on Building being completely empty. - No allowance for upgrading or modifying existing infrastructure, mains services, or the like.	Note			
		TOTAL CLARIFICATIONS $			0.00
	Demolition				
7	Demolition is integral to the works, and demolition allowances are included in the each work item rate	Note			
		TOTAL DEMOLITION $			0.00

		Unit	Qty	Rate	Cost
	Substructure				
8	Remove and replace floor structure including replacing of existing timber piles	m2	461	500.00	230,500.00
9	600mm wide by 1m deep reinforced concrete foundation beams, including reinforcing connections to existing ground beam	m	101	1,200.00	121,200.00
10	Piles that found in weathered rock material at least 3m below ground (based on average depth of 5m)	No	18	5,300.00	95,400.00
11	Provisional Allowance for dewatering	PSum	1	100,000.00	100,000.00
12	Provisional Allowance for contaminated Soil	PSum	1	100,000.00	100,000.00
				TOTAL SUBSTRUCTURE $	**647,100.00**
	Frame				
13	Diagonal steel bracing	kg	25,700	15.00	385,500.00
				TOTAL FRAME $	**385,500.00**
	Structural Walls				
14	150mm thick sprayed concrete walls	m2	249	445.00	110,805.00
				TOTAL STRUCTURAL WALLS $	**110,805.00**
	Upper Floors				
15	Remove and replace decayed floor (Assumed as 50% of floor area)	m2	116	500.00	58,000.00
				TOTAL UPPER FLOORS $	**58,000.00**
	Roof				
16	Remove and replace lower level roofing, including roof structure	m2	354	350.00	123,900.00
				TOTAL ROOF $	**123,900.00**
	External Walls and Finish				
17	Crack repair of exterior	Note	Excl		
18	Clean, Repoint and Repaint exterior	m2	677	75.00	50,775.00
19	No allowance has refurbishment of facade	Note	Excl		
				TOTAL EXTERNAL WALLS AND FINISH $	**50,775.00**

		Unit	Qty	Rate	Cost
	External Windows and Doors				
20	Modify existing timber window reveals to match new wall thickness created by steel bracing and sprayed concrete.	Item	1	43,100.00	43,100.00
	TOTAL EXTERNAL WINDOWS AND DOORS $				**43,100.00**
	Stairs and Balustrades				
21	Allowance to salvage stair, and reinstate on completion	Item	1	9,920.00	9,920.00
	TOTAL STAIRS AND BALUSTRADES $				**9,920.00**
	Internal Walls				
22	Allowance to make good interior walls affected by restrengthening	Item	1	10,000.00	10,000.00
23	Allowance to remove and replace all ground floor interior walls	m2	248	300.00	74,400.00
	TOTAL INTERNAL WALLS $				**84,400.00**
	Internal Doors and Windows				
24	Allowance to carefully remove, store, and reinstate interior doors	Item	1	10,800.00	10,800.00
	TOTAL INTERNAL DOORS AND WINDOWS $				**10,800.00**
	Floor Finishes				
25	Remove, salvage and reinstall timber flooring to allow for installation of ground beams	m2	461	450.00	207,450.00
	TOTAL FLOOR FINISHES $				**207,450.00**
	Wall Finishes				
26	Remove, salvage and reinstall wall linings to allow for installation of steel bracing, sprayed walls, including cutting and notching timber for steelwork	m2	405	618.00	250,290.00
	TOTAL WALL FINISHES $				**250,290.00**
	Ceiling Finishes				
27	Remove and restate ceiling linings to allow for installation of steel bracing, including cutting and notching timber for steelwork	m2	462	570.00	263,340.00
	TOTAL CEILING FINISHES $				**263,340.00**

	Description	Unit	Qty	Rate	Cost
	Fittings and Fixtures				
28	Allowance to carefully remove, store, and reinstate Joinery fittings and fixtures	Item	1	10,800.00	10,800.00
	TOTAL FITTINGS AND FIXTURES $				**10,800.00**
	Sanitary Plumbing				
29	Allowance to carefully remove, store, and reinstate plumbing fixings	Item	1	15,600.00	15,600.00
	TOTAL SANITARY PLUMBING $				**15,600.00**
	Heating and Ventilation Services				
30	Disconnect, alter, reconnect existing HVAC services based on $/GFA	GFA	462	100.00	46,200.00
	TOTAL HEATING AND VENTILATION SERVICES $				**46,200.00**
	Fire Services				
31	Allowance for type 4 fire alarm system $/GFA	GFA	462	55.00	25,410.00
32	No allowance for Sprinklers	Note	Excl		
	TOTAL FIRE SERVICES $				**25,410.00**
	Electrical Services				
33	Allowance for electrical Services work $/GFA	GFA	462	200.00	92,400.00
	TOTAL ELECTRICAL SERVICES $				**92,400.00**
	Site Infrastructure				
34	Allowance for addressing existing infrastructure in order to carry out remedial/restrengthening works	Psum	1	150,000.00	150,000.00
	TOTAL SITE INFRASTRUCTURE $				**150,000.00**
	Sundries				
35	Allowance for replacement material not able to be salvaged or reused, replacement of decayed material	PSum	1	150,000.00	150,000.00
36	Engineered temporary propping of existing walls, facade, floors, etc to allow for the restrengthening works to occur	PSum	1	100,000.00	100,000.00
	TOTAL SUNDRIES $				**250,000.00**

		Unit	Qty	Rate	Cost
	Scaffold				
37	Internal Scaffolding	GFA	462	20.00	9,240.00
38	Erect exterior scaffolding that complies with current Health and Safety legislation.	Sum	1	48,000.00	48,000.00
				TOTAL SCAFFOLD $	**57,240.00**
	Preliminaries and General				
39	Lump Sum & Cost related P&G	Sum	1	104,400.00	104,400.00
40	Time Related P&G (period to be confirmed)	Month	6	87,000.00	522,000.00
41	Traffic management	Psum	1	50,000.00	50,000.00
				TOTAL PRELIMINARIES AND GENERAL $	**676,400.00**

Ref		Initials	Date
1	QA Procedures Completed	[signature]	4/3/20
2	Document Production Check	[signature]	4/3/20
3	Signed Off – Author	[signature]	4/3/20
4	Signed Off – Director	[signature]	4/3/20

3.0 Colliers International Market Valuation

Level 10, 36 Customhouse Quay
PO Box 2747, Wellington 6140
New Zealand
www.colliers.co.nz

MAIN +64 4 473 4413

26745/MH

28 April 2020

Lakhi Maa Limited
c/- Dennis@cpcnz.com

Attention: Dennis Parbhu

Dear Dennis

MARKET VALUATION – AS IF COMPLETE
114 ADELAIDE ROAD, MOUNT COOK, WELLINGTON

In accordance with instructions received from Dennis Parbhu on behalf of Lakhi Maa Limited, we provide our opinion of the "as if complete" market value for the subject property as at 28 April 2020.

We note this letter should be read in conjunction with our previous market valuation dated 6 August 2019, though we note the 2019 valuation was of the underlying land value.

As instructed, we have based this valuation on the following assumptions:

- Retention and conversion of existing building carcass into open plan character commercial offices with contemporary bathrooms and staff amenities.
- Seismic upgrading to not less than 70% NBS
- Ground floor 433m² net lettable floor area
- Level 1 net lettable floor area 231m²
- Property outgoings estimated at $85psm

We note your advice that you only require a short form letter confirming our concluded value at this time.

Please note this letter does not comply with the valuation report writing standards set down by the International Valuation Standards Committee and the Property Institute of New Zealand. All other aspects of the Standards have been complied with including an external inspection of the property, a review and analysis of occupancy arrangements, research and analysis of relevant market evidence, and consideration of legal, physical, locational and zoning aspects, together with current market and economic conditions.

Covid-19 – Material Uncertainty

The outbreak of the Coronavirus (COVID-19) was declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020. Since that time there has been increased adverse impact on global financial markets. There have been travel restrictions implemented by most countries and economic stimulus packages announced by most governments. Market activity is being impacted in almost every sector and there is a major reduction in liquidity across all investment markets. In terms of the property markets it is difficult at the current time to determine if this is a short term liquidity issue or a longer term concern. The illiquidity in property markets means there will be a time delay in establishing transactional evidence to demonstrate actual pricing and what the adjustment from pre-pandemic values is with certainty.

As at the valuation date, in the absence of sufficient post virus transactions, we have also had regard to wider market trends emerging as discussed in our various market commentaries to inform opinions of value. The current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation(s) is/are therefore reported on the basis of 'material valuation uncertainty'. Consequently, less certainty (and a higher degree of caution) should be attached to our valuation than would normally be the case. Furthermore, this valuation is current at the date of valuation only. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of all property under frequent review as valuation advice will be outdated significantly more quickly than is normally the case (including as a result of factors that the Valuer could not reasonably have been aware of as at the date of valuation). We do not accept responsibility or liability for any losses arising from such subsequent changes in value.

Current Improvements

The improvements currently comprise a circa 1900 two storey historic hotel which is noted as the former Tramway Hotel, and listed on the Wellington City Council's Heritage Buildings List (Reference 397). The Tramway Hotel is historically significant for its 100 years as a licensed hotel. The building is earthquake prone and in our opinion has reached the end of both its physical and economic life. We note the demolition or relocation of any listed heritage building or object is a discretionary activity (unrestricted).

We refer you to **Appendix 1** and **Appendix 2** for supporting Sales Evidence, and our Valuation Calculations.

Having regard to available market evidence and factors outlined in the body of this report and appendices, we confirm our assessed "as if complete" market value of the property as at 28 April 2020 as follows:

Market Income Approach	
Capitalised at 6.50%	$2,560,000
Discounted Cashflow Approach	
Discounted at 8.00%	$2,530,000

Having regard to available market evidence and factors outlined in the body of this report, we confirm our assessed market value of the property as at the valuation date as follows:

NZD$2,550,000 plus GST, (if any)
(TWO MILLION FIVE HUNDRED AND FIFTY THOUSAND DOLLARS)

The above assessment of market value is analysed as follows:

Equivalent Market Yield	6.52%
Terminal Yield	6.75%

Indicated IRR on Value	7.88%
Direct Comparison Rate (Value per sqm NLA)	$3,840

We trust this brief letter satisfies your requirements. If you have any questions please contact the undersigned.

Yours sincerely

COLLIERS INTERNATIONAL (WELLINGTON VALUATION) LIMITED

Michael Horsley Prof Val (Urb) FNZIV FPINZ
Registered Valuer
Director - Valuation

Nicholas Simon BBS (VPM)
Valuer

This letter has been checked by …MAH…..The purpose of the letter check is for the correction of grammatical and basic arithmetic errors only. The person who has checked this letter does not necessarily carry any responsibility in relation to the method of valuation adopted, analysis of sales/rental evidence or final value adopted within this letter.

J:\Valuation\CMV 2020\Wellington\Adelaide Road 114 CMV (AIC) - Apr 2020.docx

APPENDIX 1

Leasing/Sales Evidence and Valuation Conclusions

RENTAL EVIDENCE

Firstly we provide by way of table office leasing evidence on which our market rentals are based:

Office Leasings

Premises	Tenant	Transaction Type	Effective Date	Premises Component	Floor Area sqm/ No Parks	Effective Gross Rental Rate per sqm
			TE ARO			
1 Marion Street	Hello Cup Company	NL	Apr-20	Office - L1	124.00	$317.97
8 Cambridge Terrace	Cannabis Science Institute of NZ	NL	Nov-19	Office - G	392.34	$300.20
				Office - L1	251.74	$295.00
				Office - L1 Balcony	51.91	$135.00
				Office - L1 Deck	26.43	$95.00
				Office - L2	255.49	$290.00
				Office - L2 Deck	19.66	$95.00
161 Cuba Street	Thames Pacific	NL	Oct-19	Office - Pt L2	190.00	$387.92
2-12 Allen Street	Arts Council of NZ	NL	Aug-19	Office - L2	655.00	$337.85
	Stephen Florentine Property	NL	Jun-18	Office - Pt L1	325.00	$350.00
60 Cuba Street	Dnation T/A Storybox	NL	Apr-19	Office - L2	337.42	$370.00
163-165 Tory Street	Havana Coffee Works/Lion Brewe	NL	Jan-19	Café	63.90	$500.00
				Workshop	193.80	$300.00
				Office - Mezz	140.60	$275.00
				Office - Francis Pl	62.30	$250.00
				Wkshp - Francis Pl	105.10	$220.00
				Carparks	15.00	$48.14
139 Tory Street	Powershop NZ	NLE	Nov-18	Office- L3	763.00	$309.00
				Deck	80.00	$100.00
15 Courtenay Place	Simmond Stewart	RR	Oct-18	Office - L6	167.30	$307.50
	Publons	NL	Aug-18	Office - L4	167.70	$300.00
15-20 Cambridge Terrace	FH 2018 t/a Full House Propert	NL	Jul-18	Office - Pt L2	150.00	$320.00
15-20 Cambridge Terrace	Century 21	NL	Mar-18	Office - Pt L1	164.00	$320.00

NL = New Lease, NLE = New lease to existing tenant, R = Renewal, RR = Rent Review

1 Marion Street new lease to Hello Cup Company Limited comprises walk-up character office with polished wooden floors, brick walls and exposed timber ceilings. Landlords fixtures and fittings include flooring, panel heaters, partitioning and storage, bathroom and kitchen facilities and lighting. On completion we consider the subject will present to a superior level.

A new lease to Cannabis Science Institute of NZ at **8 Cambridge Terrace**, comprising a three level 'turn of last century' character building constructed circa early 1900s originally as a private hotel. The space now comprises a mix of partitioned and open plan offices former bar/restaurant/office areas and amenities across the three levels with a large full height atrium/void area at the rear of the property. A lift (1,000 kg or 13 person capacity) and two stairwells access the upper floors. Level 1 features a large balcony overlooking Kent Terrace, and both upper levels comprise "internal" timber decks. There is various air-conditioning within the building. Landlords fixtures and fittings include lighting, air conditioning and fixed floor coverings. We consider a 'bulk discount' was applied here with these premises having been vacant for an extended period.

The Thames Pacific leasing at **161 Cuba Street** very much sets the upper level being of superior quality and location with lift access.

2-12 Allen Street comprises good quality character space with lift access. Superior location.

The Dnation leasing **at 60 Cuba Street** on completion of works is to comprise as new character office space with exposed brick walls and timber floorboards. Walk up access only. Landlord owned fitout including meeting rooms, kitchen, lighting, bathrooms with shower, air-conditioning etc. Superior location.

The Powershop tenancy (level 1) **139 Tory Street** is a mixture of open plan and offices and is fully air-conditioned with lift access. Inferior quality space.

The leasings at **15 Courtenay Place** comprise New York industrial style office floors with refurbished kitchenette and toilets. Open plan, single lift access. Localised outlook.

The leasings at **15-20 Cambridge Terrace** both have good natural light and localised views. Landlord fitout includes floor coverings, air conditioning units and data caballing. The building is 100% NBS. Walk-up access only.

In considering the above evidence, we have adopted an overall "gross" rental of $350psm over the ground floor and level one.

SALES EVIDENCE

In mid-March 2020 the novel coronavirus (Covid-19) was officially characterised as a pandemic because of increased concern surrounding the inability to contain the spread of the virus. The impact of Covid-19 is yet to be known during these initial and uncertain times and it is hard to predict how each sector will respond. What we do know is the negative impact on the New Zealand economy is and will continue to be significant.

For this reason historical sales data requires deeper consideration and adjustment where necessary.

We have had regard to a range of pre covid-19 commercial sales which we describe below:

Property	Sale Price	Sale Date	WALT	Analysed Market Yield	Initial Yield	Internal Rate of Return	Value $psm NLA
22 Courtenay Place cnr Blair Stre, Te Aro (Hummingbird, Bettys, vacant)	$3,000,000	Dec-19	5.52	7.73%	4.68%	9.79%	$3,265
13-15 Garrett Street, Te Aro (Fabric Store, Pour & Twist, Residential)*	$2,610,000	Dec-19	1.01	7.02%	5.50%	9.74%	$3,462
161 Cuba Street, Te Aro (Floriditas, Best Ugly Bagels, Resi)*	$9,000,000	Nov-19	3.53	4.70%	3.33%	6.66%	$7,070
113-121 Adelaide Road, Mt Cook (CCDHB, Royal NZ Blind Foundation, P3 Res)	$10,100,000	Nov-19	8.93	5.79%	6.93%	7.61%	$3,063
191-195 Cuba Street, Te Aro (Various)	$5,000,000	Oct-19	2.53	7.80%	5.01%	9.16%	$3,644
141 Cuba Street, Te Aro (Scopa, Residential Apartments)*	$3,800,000	Oct-19	0.93	6.78%	6.26%	8.33%	$6,529
38 Courtenay Place, Courtenay (BNZ)	$7,000,000	Aug-19	4.31	6.64%	6.65%	8.04%	$5,151
32 Cuba Street, Te Aro (Kate Slyvester, Jerram Tocker Barron Arc)	$2,557,000	May-19	1.69	5.08%	5.21%	6.18%	$12,696
6 Edward Street, Te Aro (Little Beer Quarter & Residential)*	$2,490,000	Feb-19	1.80	6.83%	7.44%	8.83%	$4,774
117 Riddiford Street, Newtown (Vacant (former Westpac Branch))	$1,062,000	Apr-18	0.00	5.47%	0.00%	5.90%	$2,854
26-28 Constable Street, Newtown (Vacant)	$1,710,000	Mar-18	0.00	5.82%	0.00%	6.57%	$2,553

*= residential component

22 Courtenay Place comprises an earthquake prone three storey originally unreinforced masonry building originally constructed 1907 and in 1919. The building was strengthened in 1984 and in 1988 the lightweight third storey was added. The ground floor is currently divided into two bar/restaurant tenancies and there is basement space associated with one of the tenancies. The ground floor tenants are long term occupiers Hummingbird and Betty's. Our analysis is based on a new ten years lease over both ground floor tenancies (as advised). The upper levels have walk-up access and both floors have good natural light and a localized outlook. Level two has a high stud with a feature curved ceiling to the front. Both floors have various partitioning though we understand this is to be removed. The space is currently very dated by contemporary standards. Our analysis assumes these to be vacant with an upfront six month vacancy to allow for refurbishment works (to high quality character office). We have been provided with strengthening costs and office refurbishment costs. We have allowed total up front capital expenditure of $1,834,400 (incl contingency) for these works.

13-15 Garett Street comprises a circa 1930s building originally built as a printer workshop and associated offices. It now comprises a ground floor coffee shop plus showroom/workroom with level one a large six bedroom apartment and level two a seven bedroom apartment. A coffee shop occupies the small retail tenancy on an eight year term from 2017 though there is a three month termination clause in favour of the landlord. The Fabric Store occupies the showroom on a month to month arrangement. The upper floor apartments are subject to formal residential tenancy agreements due to expire in April and February 2020. The two residential apartments are very basic/dated by contemporary standards. Currently earthquake prone though analysis allows for $267,530 up front for strengthening to 100% as per costings (Steve's Welding Services Limited 2019).

The Floriditas building on the corner of **Cuba Street and Swan Lane** sold in November 2019 for $9m equating to an effective market yield of 4.70% . A four storey character building (heritage listed) comprising two ground floor retail tenants (Floriditas and Best Ugly Bagels), two floors of character office (two tenants per floor), and two as new apartments on the third floor. We note the apartments at time of sale were occupied by Airbnb though we have considered it prudent to treat them as vacant. Lift access to the upper floors. The building was recently strengthened to 80% NBS and has had a fire upgrade. This sale provides an indication of yields achievable for well finished, well leased mix use properties in Te Aro, though we note needs to be adjusted for the residential component and location.

Braille House located at **113-121 Adelaide Road** (opposite the subject) comprises a three story structure with a balcony on level two and basement parking built circa 1987. Essentially the building comprises two interconnected units while an adjoining site also forms part of the property and comprises a bitumen sealed yard/carpark. The primary tenant is the Capital & Coast District Health Board who occupies 1,756.24m² on part Level one and the entire Level two. Remaining tenants are Royal NZ Foundation of Blind and P3 Research Limited. We note the property sold with a weighted average lease term remaining of 8.93 years. This is a different asset class but helpful background for sales in the immediate area.

191 Cuba Street comprises a three storey, mixed use commercial building providing ground floor retail and upper floor office accommodation together with a generous roof top balcony and office suites, occupying a prominent position on the north of Cuba Street and Vivian Street (SH1). The building is heritage listed and was strengthened circa 2014 to achieve a seismic rating of 60% NBS. The ground floor provides three retail tenancies leased to Burger Fuel, Beer Factory Limited (trading as Chooky's Pub & Pantry) and Babylon Kebab with the commercial offices on the upper floors vacant since completion of strengthening works (958m²). Analysed on an investment basis (retaining the office accommodation), the sale indicated a passing yield of 5.01% and an effective market of 7.80%.

Potential remains for residential conversion although further strengthening works would also be required.

141 Cuba Street comprises a three storey, mixed use heritage commercial building originally built circa 1913 with an additional floor added circa 2001 and additional strengthening works also incorporated to the ground floor in 2004 and assessed to be 35-40% NBS (2018 DSA report). The property occupies a prominent position on the south eastern corner of Cuba Street and Ghuznee Street, opposite the southern end of the pedestrianised Cuba Mall. The ground floor provides two retail tenancies, Scopa restaurant occupies the majority of the ground floor, with a smaller tenancy (Steve's Fishing Shop) at the Ghuznee Street frontage. The upper floors are configured as one 'apartment' per floor with rooms rented individually with 7 bedrooms on Level 1 and 8 bedrooms on Level 2. Each level is standalone with generously proportioned common kitchen, living and bathrooms. This recent sale indicated a passing yield of 6.26% and an effective market yield of 6.78%, with approximately 50% of the income from the residential accommodation.

38 Courtenay Place comprises a four level commercial building situated on a prominent corner site within the Courtenay Place entertainment precinct. It provides 324 sqm retail accommodation with frontage to Courtenay Place and Allen Street, fully occupied by BNZ Bank. There are three levels of office accommodation (largely dental business) above totaling 1,045 sqm. The building has an NBS rating of 75% and a WALT of 4.31 years.

32 Cuba Street comprises ground floor retail premises and mezzanine floor office accommodation built circa 2005. Construction is of concrete foundations and structure with a structural steel and timber first floor, lightweight steel roof with aluminum joinery and fiber cement board cladding. Overhang from the mezzanine level plus canopies provides shop front shelter. Located at the lower end of Cuba Street a popular retailing precinct in close proximity to the Core CBD. The property is fully leased to Kate Sylvester, Jerram Tocker Barron Architects and Shout Advertising with a Weighted Average Lease Term remaining of 1.69 years. The sales shows an effective market yield of 5.08%. 70% NBS.

6 Edward Street comprises a three storey character building located in a short cul-de-sac on the CBD Fringe. The building is currently in mixed use with retail (bar) on the ground floor with two levels of residential apartments above, though it was originally utilised as a factory/warehouse. It was constructed circa 1905, however there have been a number of seismic strengthening works throughout the life of the building. The first and second floors of the building were refurbished to offer more modern residential accommodation with the first floor being converted from a character office/living space to a five bedroom apartment (level 2 a six bedroom apartment). The exterior has also recently been painted. NBS 43%.

117 Riddiford Street comprises a single storey commercial building with mezzanine level to the front previously occupied by Westpac as their Newtown branch and sold with vacant possession. The property is situated on the northern fringe of the Newtown commercial precinct close by Wellington Hospital. We understand this is to be converted to residential apartments.

26-28 Constable Street comprises a circa 1979 two level mixed use light industrial/office building with a ground floor showroom to Constable Street. Construction is of concrete foundations, concrete and concrete block walls with steel frame and long run steel roof. There are approximately 12 carparks to the rear. The space is currently vacant though was previously occupied by a plumbing firm. We note the office space is very dated by contemporary standards and we have allowed $150psm for refurbishment of this. Purchased by way of tender by an owner occupier who paid a premium in order to out price developers.

We have referred to transactions of investment properties on the CBD fringe that offer the best guide to the value of the subject property. There are of course physical, location and financial differences that make immediate comparison inappropriate. Accordingly adjustment to evidence is required for such factors. We note the majority of the above sales are in the superior Te Aro locality.

In considering the above, we have adopted a market capitalisation rate of 6.50% (6.25% pre covid-19) and have allowed an up-front vacancy/let up period of six months.

VALUATION CONCLUSIONS

We refer you to **Appendix 2** that contains our updated valuation calculations and cash flow in detail. We summarise our conclusions hereunder:

Market Income Approach	
Capitalised at 6.50%	$2,560,000
Discounted Cashflow Approach	
Discounted at 8.00%	$2,530,000

Having regard to available market evidence and factors outlined in the body of this report, we confirm our assessed market value of the property as at the valuation date as follows:

NZD$2,550,000 plus GST, (if any)
(TWO MILLION FIVE HUNDRED AND FIFTY THOUSAND DOLLARS)

The above assessment of market value is analysed as follows:

Equivalent Market Yield	6.52%
Terminal Yield	6.75%
Indicated IRR on Value	7.88%
Direct Comparison Rate (Value per sqm NLA)	$3,840

Equivalent Market Yield: The assessed annual market rent as a proportion of the assessed market value, the market value having been adjusted downwards/upwards to allow for the rental shortfall/overage.

IRR (Internal Rate of Return): The rate of return on the assessed market value, based on forecast cash inflows and outflows over the next 10 years, based on our assumptions relating to market rentals, rental growth, escalation in outgoings and capital expenditure.

APPENDIX 2

Valuation in Detail

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

Valuation Calculations Summary

114 Adelaide Road AIC, Mount Cook Wellington

VALUATION DETAILS

Valuation Date	28 April 2020	**Cash Flow Model Date**	1 May 2020
Interest Valued	Freehold Interest	**Purpose of Valuation**	Establish AIC Market Value

CORE VALUATION ASSUMPTIONS

Financial Details

Adopted Gross Market Income	$232,400
Outgoings (pa)	$56,355
Adopted Net Market Income	$176,045

Total Vacancy		664.00 m² (100.00%)
Office NLA		231.00 m²
Proportion of Occupied Office Area		0.00%
	Net	**Gross**
Average Passing Office Rental*	$0/m²	$0/m²
Average Market Office Rental	$762/m²	$1,006/m²

Global Assumptions

Agents Leasing Fees (Gross)	15.00%	**Refurb Allowance - Initial Expiries**	-
Renewal Leasing Fee (Gross)	0.00%	**Refurb Allowance - Secondary Expiries**	$150/m²

Office

Lease Term	6 years whole floors / 6 years suites
Letting Up - Market	12 months whole floors / 12 months suites
Retention Probability (Letting Up & Leasing Fees)	50.0%
Letting Up - Applied	6 months whole floors / 6 months suites
Renewal Probability (Incentives)	0.0%
Reviews	2 yearly rent reviews to market rent

Office

Lease Term	6 years
Letting Up - Market	12 months
Retention Probability (Letting Up & Leasing Fees)	50.0%
Letting Up - Applied	6 months
Renewal Probability (Incentives)	0.0%
Reviews	3 yearly rent reviews to market rent

Traditional Valuation Approach

Core Market Capitalisation Rate	**6.500%**
Pending Vacancies Allowances within	12 months
Capital Expenditure Allowances for	12 months
Rental Reversions (PV)	Current tenants at expiry/market review with subsequent leases at 12 months

Discounted Cash Flow Approach

Cash Flow Term		10 years
Terminal Capitalisation Rate	***+25.00 bps***	**6.750%**
Terminal Allowances & Reversions within		12 months
Discount Rate		**8.000%**
10 Yr Rental Growth	*Office (Net Face)*	2.11%
(compounded)	*Office (Net Effective)*	2.11%

VALUATION CONCLUSIONS

Traditional Valuation Approach

Market Yield Approach	**$2,560,000**

Discounted Cash Flow Approach

Discounted Terminal Value	*59%*	$1,486,165
NPV of Cash Flows	*41%*	$1,042,135
Sum of Discounted Cash Flows		$2,528,300
Less Acquisition Costs		-
Net Present Value		$2,528,300
Rounded DCF Value		**$2,530,000**

ADOPTED VALUE

$2,550,000 - GST Exclusive

(TWO MILLION FIVE HUNDRED FIFTY THOUSAND DOLLARS)

RESULTANT YIELDS AND IRR'S ON ADOPTED VALUE

Direct Comparison	$3,840 per m² NLA
Equivalent Market Yield	6.52%
Total Capital Expenditure (Nominal)	$39,207
% of Adopted Value (Nominal)	1.54%

Terminal Initial Yield	6.53%
Terminal Market Yield	6.75%
Terminal Capital Value	$4,834 per m² NLA
Rate of Increase in Capital Value	2.41%
IRR (Incl. Capex)	7.88%
IRR (Excl. Capex)	8.01%
3 Year IRR (incl. Capex)	8.00%
5 Year IRR (incl. Capex)	8.16%
7 Year IRR (incl. Capex)	7.59%

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

Tenancy Schedule

114 Adelaide Road AIC, Mount Cook Wellington — **Valuation Date: 28 April 2020**

	Level/Suite	Tenant	Use	Lettable Area NLA	Lease Commence	Lease Term	Lease Expiry	Type	% NLA	Lease Option	Next Review Date	Base Passing Rent	Base Passing Rent $/m²	Adopted Market Rent	Adopted Market Rent $/m²	PV of Rental Reversion	Gross Rent $/m²
1	Ground	Vacant	Retail	433.00	-	-	-	Gross	65.21%	-		-	-	151,550	350.00	-	350.00
2	Level 1	Vacant	Office	231.00	-	-	-	Gross	34.79%	-		-	-	80,850	350.00	-	350.00
4	**TOTALS**			**664.00**					**100.00%**			**-**		**232,400**		**-**	

Capitalisation Approach

114 Adelaide Road AIC, Mount Cook Wellington

Valuation Date: 28 April 2020

Market Yield Calculations

Office		80,850
Retail		151,550
Industrial		-
Naming		-
Parking		-
Other		-
Telecoms		-
Storage		-
Warehouse		-
Market Income		232,400
Add Recoverable Outgoings		-
Total Gross Market Income		232,400
Less Outgoings	$84.87/m²	56,355
Net Market Income		176,045

Net Income		**176,045**	
Capitalised at	**6.375%**	**6.500%**	**6.625%**
Capitalised Value	**$2,761,490**	**$2,708,385**	**$2,657,283**

Capital Value Adjustments

Existing Vacant Tenancy Allowances			
Downtime	(116,200)	(116,200)	(116,200)
Downtime for Deferred Tenancy Commencement	-	-	-
Agents Leasing Fees	(34,860)	(34,860)	(34,860)
Incentives	-	-	-
Refurbishment Allowance	-	-	-
Pending Vacancy Allowances (expiries within 12 months)			
Downtime	-	-	-
Agents Leasing Fees	-	-	-
Incentives	-	-	-
Refurbishment Allowance	-	-	-
PV Outstanding Current Incentives	-	-	-
PV Rental (Shortfall) / Overage	-	-	-
General Capital Expenditure Allowance (12 months)	-	-	-
Budgeted Capital Expenditure (12 months)	-	-	-
Other Adjustments	-	-	-
Total Adjustments	***(151,060)***	***(151,060)***	***(151,060)***
Assessed Capital Value as at 28 April 2020	**$2,610,430**	**$2,557,325**	**$2,506,223**
Value $/m²	*$3,931*	*$3,851*	*$3,774*
Rounded Market Capitalisation Value		$2,560,000	
Adopted Value as at 28 April 2020		**$2,550,000**	

Capital Value Analysis

Equivalent Market Yield	6.52%
Rate per metre of NLA	$3,840/m²

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

Discounted Cash Flow Assumptions

114 Adelaide Road AIC, Mount Cook Wellington

Growth Assumptions

Calendar Year	Code	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	*10 Yr CAGR*
Inflation (CPI)	*1*	1.50%	2.20%	1.80%	2.10%	2.10%	2.00%	2.20%	2.40%	2.50%	2.50%	2.50%	2.50%	***2.24%***
Office (Net Face)	*4*		0.00%	1.80%	2.10%	2.10%	2.00%	2.20%	2.40%	2.50%	2.50%	2.50%	2.50%	***2.11%***
Office (Net Effective)	*5*		0.00%	1.80%	2.10%	2.10%	2.00%	2.20%	2.40%	2.50%	2.50%	2.50%	2.50%	***2.11%***
Statutories	*11*		2.20%	1.80%	2.10%	2.10%	2.00%	2.20%	2.40%	2.50%	2.50%	2.50%	2.50%	***2.24%***
Operational	*12*		2.20%	1.80%	2.10%	2.10%	2.00%	2.20%	2.40%	2.50%	2.50%	2.50%	2.50%	***2.24%***
Capital expenditure	*13*		2.20%	1.80%	2.10%	2.10%	2.00%	2.20%	2.40%	2.50%	2.50%	2.50%	2.50%	***2.24%***

Discounted Cash Flow Assumptions

Valuation Date	28 April 2020
Commencement of Cash Flow	1 May 2020
Term of Cash Flow	10 years
Discount Rate	8.000%
Terminal Yield	6.750%
Terminal Yield Variance over Market Cap Rate	+25.00 bps
Acquisition Costs	0.00%
Disposal Costs	0.00%
Total Budgeted Capital Expenditure	$0 (Real)
	$0 (Nominal)
General Capital Expenditure Allowance applied from 1-May-2020	-
	$0 (Real)
	$0 (Nominal)
Refurbishment Allowance on Initial Expiries	-
Refurbishment Allowance on Secondary Expiries	$150.0/m²
Total Capital Expenditure (Real)	$34,650
% of Adopted Value (Real)	1.36%
Total Capital Expenditure (Nominal)	$39,207
% of Adopted Value (Nominal)	1.54%
1 Yr Summary	$0 (Nominal)

Lease Renewal Assumptions

Agents Fees - New Tenant (Year 1 Gross Rent)	15.0%
Agents Fees - Renewal (Year 1 Gross Rent)	0.0%
Office	
Renewal Lease Term	6.0 years
Letting Up Period - Market	12 months
Retention Probability (Letting Up, Leasing Fees)	50%
Letting Up Period - Applied	6 months
Incentive Probability	0%
Review Structure	2 yearly rent reviews to market rent

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

Annual Summary by Tenant - Rental Summary

114 Adelaide Road AIC, Mount Cook Wellington

Valuation Date: 28 April 2020

Level/Suite	Tenant	Year 1 1-May-20	Year 2 1-May-21	Year 3 1-May-22	Year 4 1-May-23	Year 5 1-May-24	Year 6 1-May-25	Year 7 1-May-26	Year 8 1-May-27	Year 9 1-May-28	Year 10 1-May-29
Ground	Vacant	75,775	151,550	154,398	157,245	160,508	163,772	81,886	173,450	173,450	182,231
Level 1	Vacant	40,425	80,850	82,369	83,888	85,629	87,370	43,685	92,533	92,533	97,218
	Total Passing Income	116,200	232,400	236,767	241,133	246,138	251,142	125,571	265,983	265,983	279,449
Total Gross Passing Income		116,200	232,400	236,767	241,133	246,138	251,142	125,571	265,983	265,983	279,449
Outgoings		56,623	57,508	58,610	59,840	61,076	62,349	63,771	65,327	66,960	68,634
Vacancy Allowance		-	-	-	-	-	-	-	-	-	-
-		-	-	-	-	-	-	-	-	-	-
Net Income before Capital Expenditure		59,577	174,892	178,156	181,294	185,062	188,793	61,799	200,656	199,023	210,815
Capital Expenditure		-	-	-	-	-	-	-	-	-	-
Refurbishment Allowance		-	-	-	-	-	-	39,207	-	-	-
Agents Fees		34,860	-	-	-	-	-	-	19,949	-	-
Incentives		-	-	-	-	-	-	-	-	-	-
Ground Rent		-	-	-	-	-	-	-	-	-	-
Other Adjustments		-	-	-	-	-	-	-	-	-	-
Net Income after Capital Expenditure		24,717	174,892	178,156	181,294	185,062	188,793	22,593	180,708	199,023	210,815

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

Terminal Value Calculations

114 Adelaide Road AIC, Mount Cook Wellington

Level/Suite	Tenant	NLA	Terminal Rent Market	Terminal Rent Passing	Shortfall/ Overage	Next Review or Expiry	Number of Months	PV (within 12mths) Reversions
Ground	Vacant	433.00	186,787	182,231	4,556	30-Apr-33	36.0	-
Level 1	Vacant	231.00	99,648	97,218	2,430	30-Apr-33	36.0	-
Total		**664.00**	**286,435**	**279,449**				**-**

Terminal Value Calculations - Market Approach

Office		99,648
Retail		186,787
Industrial		-
Naming		-
Parking		-
Other		-
Telecoms		-
Storage		-
Warehouse		-
Market Income		286,435
Add Recoverable Outgoings		-
Total Gross Market Income		286,435
Less Outgoings	$105.07/m²	69,769
Net Market Income		216,666
Vacancy Allowance	0.00%	-
Net Income		216,666
Capitalised at		**6.75%**
Capitalised Value		**3,209,872**

Terminal Value Adjustments

-	-
-	-
Existing Vacant Tenancy Allowances	
Downtime	-
Agents Leasing Fees	-
Incentives	-
Refurbishment Allowance	-
Pending Vacancy Allowances (expiries within 12 months)	
Downtime	-
Agents Leasing Fees	-
Incentives	-
Refurbishment Allowance	-
NPV Outstanding Current Incentives	-
PV Rental Shortfall / (Overage)	-
General Capital Expenditure Allowance (12 months)	-
Budgeted Capital Expenditure (12 months)	-
Other Adjustments	-
Total Adjustments	**-**
Assessed Terminal Value as at 28 April 2030	**3,209,872**
Value $/m²	***4,834***

Terminal Value Analysis

Terminal Initial Yield	6.53%
Equivalent Market Yield With Vacancy Factor	6.75%
Equivalent Market Yield Without Vacancy Factor	6.75%
Rate per metre of NLA	$4,834/m²

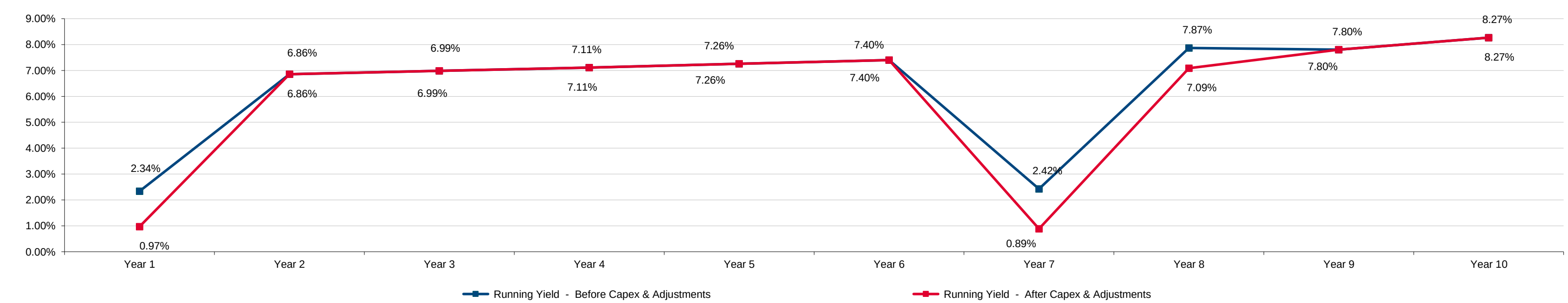
COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

Cash Flow Summary

114 Adelaide Road AIC, Mount Cook Wellington

For Year Commencing		Year 1 1-May-20	Year 2 1-May-21	Year 3 1-May-22	Year 4 1-May-23	Year 5 1-May-24	Year 6 1-May-25	Year 7 1-May-26	Year 8 1-May-27	Year 9 1-May-28	Year 10 1-May-29
Office		40,425	80,850	82,369	83,888	85,629	87,370	43,685	92,533	92,533	97,218
Retail		75,775	151,550	154,398	157,245	160,508	163,772	81,886	173,450	173,450	182,231
Industrial		-	-	-	-	-	-	-	-	-	-
Naming		-	-	-	-	-	-	-	-	-	-
Parking		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
Telecoms		-	-	-	-	-	-	-	-	-	-
Storage		-	-	-	-	-	-	-	-	-	-
Warehouse		-	-	-	-	-	-	-	-	-	-
Outgoings Recoveries		-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Total Income		116,200	232,400	236,767	241,133	246,138	251,142	125,571	265,983	265,983	279,449
Outgoings		56,623	57,508	58,610	59,840	61,076	62,349	63,771	65,327	66,960	68,634
Vacancy Allowance		-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Net Income Before Capital Expenditure		59,577	174,892	178,156	181,294	185,062	188,793	61,799	200,656	199,023	210,815
Capital Expenditure (Budgeted & General)		-	-	-	-	-	-	-	-	-	-
Refurbishment Allowance		-	-	-	-	-	-	39,207	-	-	-
Agents Fees		34,860	-	-	-	-	-	-	19,949	-	-
Incentives		-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
Other Adjustments		-	-	-	-	-	-	-	-	-	-
Net Income After Capital Expenditure		24,717	174,892	178,156	181,294	185,062	188,793	22,593	180,708	199,023	210,815
Terminal Value											3,209,872
Disposal Costs											-
Net Cash Flow		24,717	174,892	178,156	181,294	185,062	188,793	22,593	180,708	199,023	3,420,687
Adopted Value @ 8.000%	$ 2,550,000										
Acquisition Costs	$ -										
Adopted Value before Acquisition Costs	$ 2,550,000										
Running Yield - Before Capex & Adjustments		2.34%	6.86%	6.99%	7.11%	7.26%	7.40%	2.42%	7.87%	7.80%	8.27%
Running Yield - After Capex & Adjustments		0.97%	6.86%	6.99%	7.11%	7.26%	7.40%	0.89%	7.09%	7.80%	8.27%
Running Yield - Before Capex & incl. Adjustments		0.97%	6.86%	6.99%	7.11%	7.26%	7.40%	2.42%	7.09%	7.80%	8.27%
Running Yield - After Capex, Adjustments & incl. Acquisition Costs		0.97%	6.86%	6.99%	7.11%	7.26%	7.40%	0.89%	7.09%	7.80%	8.27%

Projected Running Yield Analysis



Note: This running yield analysis is based upon the projected net income and includes potential downtime and associated re-letting costs, as per our specific assumptions.

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

DCF Summary

114 Adelaide Road AIC, Mount Cook Wellington

Present Value of Cash Flows	$2,528,300	
Discount Rate	8.000%	
Terminal Value	$3,209,872	
Less Disposal Costs	-	
Net Terminal Value	$3,209,872	
Discounted Terminal Value	$1,486,165	*58.78%*
Discounted Cash Flow	$1,042,135	*41.22%*
Sum of Discounted Cash Flows	$2,528,300	
Less Acquisition Costs	-	
Present Value	$2,528,300	
Rounded Present Value	**$2,530,000**	
Rate $/m²	$3,810	
Rate of Increase in Capital Value	2.41%	
IRR (incl. Capex)	7.88%	
IRR (excl. Capex)	8.01%	
3 Year IRR (incl. Capex)	8.00%	
5 Year IRR (incl. Capex)	8.16%	
7 Year IRR (incl. Capex)	7.59%	

Net Present Value Matrix

		Terminal Yield		
		6.500%	**6.750%**	7.000%
	7.500%	2,682,574	2,622,698	2,567,098
	7.750%	2,633,448	2,574,947	2,520,624
Discount Rate	**8.000%**	2,585,460	**2,528,300**	2,475,222
	8.250%	2,538,580	2,482,727	2,430,864
	8.500%	2,492,781	2,438,202	2,387,522

IRR Matrix

		Terminal Yield		
		6.500%	**6.750%**	7.000%
	2,301,375	9.61%	9.31%	9.01%
	2,422,500	8.90%	8.59%	8.30%
Adopted Value	**2,550,000**	8.19%	**7.88%**	7.59%
	2,677,500	7.53%	7.22%	6.93%
	2,811,375	6.87%	6.57%	6.27%

4.0 IPG Corporation Limited Financial Assessment

114 Adelaide Road- Assessment and Evidence of the minimum additional GFA which is required to allow for a feasible redevelopment opportunity

Table A

Value of Existing building after strengthening work carried out.

Total Value of Strengthened existing building as per Colliers assessment (ie: current two story heritage façade building)				$2,550,000
Less Cost of Project works				
Land at Valuation as per colliers report			$0	
Maltby's Strengthening Estimate			$6,140,000.00	
Total				$6,140,000
Net Deficit in value after completed strenthening work				**-$3,590,000**

Table B

Feasibility analysis of minimum required additional GFA required to allow for a viable project

Square meter value of completed works net of G.S.T for an apartment development with average size of each apartment being 40-50 sqm			$6,956.00
Less development costs			
Construction cost per net GFA		$3,800	
Construction cost per additional common areas at	12%	$471	
total		$4,271	
Council contributions		0	
Council Fees		0	
Legal Costs		$0	
Consultancy cost	15%	$641	
Developer margin	25%	$0	
Funding Cost	15%	$641	
Total			**$5,553**
Net profit per SQM of completed construction			**$1,403.44**
Percentage margin			20.1759632

Matrix of additional GFA scenarios based on boundary to boundary development

Net Additional Sqm	**Additional sqm for common areas**	**Total Gross additional sqm**	**Profit per sqm of constructior**	**Total Profit**	**Loss per table A**	**Project net Financial**	**Building**
	12%	includes new area on level 1 -127 sqm				**gain/ loss**	**height**
1038.46		$1,477.00	$1,403.44	$1,457,416.30	-$3,590,000	-$2,132,583.70	**13.7**
1502.94	186.36	1683.3	$1,403.44	$2,109,286.11	-$3,590,000	-$1,480,713.89	18.8
1957.32	242.70768	2192.2	$1,403.44	$2,746,981.18	-$3,590,000	-$843,018.82	21.5
2304.71	285.78404	2581.28	$1,403.44	$3,622,671.60	-$3,590,000	$32,671.60	24.2

Table C

Feasibility of actual proposed development based on satisfying the requirement of having significant set backs.

	Gross additional sqm		**profit per sqm of constructior**	**Total profit**	**loss per table A**	**Project net Financial**	**Building**
						gain/ loss	**height**
level 1	114						
Levels 2-6	1410						
level 7	216						
Total	**1740**		**$1,403.44**	**$2,441,985.60**	**-$3,590,000**	**-$1,148,014.40**	26

notes;
It is assumed that all council related fees will be exempt
It is assumed that the cost of strengthening the existing building has not increased from the Maltby's estimate
It is assumed that the value of the finished development is some $6956.00 plus G.S.T
Land is adopted at $0 in the analysis.
The development is analysed as a Hotel Complex , as its highest opportunity for value.
There is $0 dollars margin for the Development company

5.0 Conclusion:

5.1 Current Proposal

As it became evident that additional floor area was necessary for this proposal to not produce a significant financial loss, IPG's design team proceeded with concept designs that included further levels above the existing heritage. A total of six concept designs were modelled and presented to Dave Pearson Architects for review and comment:

OPTION 1:

OPTION 2:

OPTION 3:

OPTION 4:

OPTION 5:

OPTION 6:

Options 1 and 4 were selected as viable designs as it was decided the façade setback and basic building form did not read as visually dominate over the heritage below. Further discussions on window/balcony configuration and materiality lead to the proposal included in this RC.

The final proposal includes a building height of 26 meters, but the necessary setbacks from the site boundaries substantially reduce the floor area available for hotel rooms. Hence, while the additional six levels provided a total of 1,740m2 additional floor area, this did not meet the minimum floor area required to reach a financial gain if this proposal was constructed.

5.2 Alternative Proposal Reviews:

5.2.1 Heritage Demolished:

As part of this feasibility assessment, we have also considered the economic position of the project if the heritage facades were not included on this site.

Given the site area is 455m2, if six floors were constructed to comply with the allocated building height as per the district plan, the overall floor area achieved would be 2,730m2. If we remove 12% for common areas (corridors/lift/services risers), we are left with a floor area of 2,400m2.

If the same NET profit per square meter was applied, the total profit of the project would be $3,360,000.00. Given that the construction/consultancy costs would be less as the seismic strengthening would no longer be required, it is believed this proposal would provide a financial gain once completed.

5.2.2 Increased Floor Area / Height:

If the floor area of the current proposal was increased, weather through the means of additional building height of reduced setbacks, then logically the floor area would increase.

IPG discussed increasing the building height past 26 meters with wind engineers from WSP, who confirmed this would require additional consultant work including wind tunnel testing. WSP estimated the cost for this work would be between $23,000-$25,000 dollars.

Therefore, the additional height of the building would need to be substantial enough to cover the additional consultant fees from WSP, as well as all other costs before a financial gain was achieved.