

CRANE & COMPANY VALUERS PTY LTD

VALUATION REPORT OF LOT 1 68-72 REDLAND BAY ROAD CAPALABA QLD



DATE: 30 July 2020

CLIENT: Heisig Arber Superannuation Fund

VALUER: Chris Beattie, AAPI
Certified Practising Valuer QRV 2179
AAPI Certified Practising Valuer

**CRANE AND COMPANY VALUERS PTY LTD
PO BOX 60 CLEVELAND, QLD 4163
PHONE: 0411-476-327
www.cranevaluers.com.au**

Liability limited by a scheme approved under Professional Standards Legislation

VALUATION REPORT

CLIENT:

Heisig Arber Superannuation Fund

DATE OF VALUATION:

30 June 2020

PREPARED BY:

Chris Beattie, AAPI, QRV 2179

PURPOSE:

I refer to written instructions received from Dell Hubbard, on behalf of the Heisig Arber Superannuation Fund, as owner, to assess the Current Fair Market Value as at 30 June 2020, of the industrial use property situated at **Lot 1, 68-72 Redland Bay Road, Capalaba, Qld** for asset purposes.

MARKET VALUE DEFINITION:

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

VALUATION SUMMARY:

Address	Lot 1, 68-72 Redland Bay Road, Capalaba, Qld
Building area	102 square metres
Current Market Value	\$390,000

The property has been inspected and I submit the following valuation report as follows:-

LEGAL DETAILS:

Registered Proprietors:

The property is in the ownership of Marcus Laith Arber, Cheri Jean and Steven Walter and Jennifer Tracey Heisig according to RP Data property ownership searches.

Title Details:

The property is described as being Lot 1 Building Units Plan 106222, County of Stanley, Parish of Capalaba.

Property identification:

I was unable to locate all of the survey pegs of this property, but have further identified this property by reference to the BUP, aerial photographs and local council maps.

Tenure:

Freehold.

Encumbrances/Restrictions:

None evident, however more formal searches were not undertaken.

Local Government Area:

Redland City Council.

Unimproved Capital Value:

The freehold property at 68 Redland Bay Road has an unimproved land valuation of \$1,700,000 effective 30 June 2019 for rating and land tax purposes.

Individual assessments are not provided.

Check Survey:

None evident, however more formal searches were not undertaken.

LAND:

Dimensions and Area:

The freehold property comprises of a generally wedge-shaped rear allotment of 5,440 square metres positioned on the eastern side of Redland Bay Road, just south of the intersection with Moreton Bay Road.

It forms part of the local Capalaba industrial area that is centred along Redland Bay Road, with more retail-showroom orientated uses on the front sites and other industrial type uses on the rear or less prominent sites.

The overall position is less than 500m south of the local Capalaba business and commercial centre with two regional shopping centres and a wide range of support businesses.

The site has been developed with twelve (12) industrial units of varying sizes that are located in two buildings, with driveway access formed from both Redland Bay Road and Moreton Bay Road.

Lot 1 is located to the north western part of the complex and occupies an end position and has good exposure to passing traffic along Moreton Bay Road in particular.

Topography:

The freehold land is of near level contour with no visible slope.

There has been no recorded evidence of flooding to this property that I am aware of and the elevation of the site is well above local waterways.

Zoning and Planning:

Under the current Redland City Plan that became operative in October 2018, the land is zoned 'Mixed Use'.

Purpose:

The purpose of the mixed-use zone is to provide for large format sales activities and a range of service and low impact industrial activities.

The purpose of the code will be achieved through the following overall outcomes:

- (a) the zone accommodates a mix of showrooms, outdoor sales and low intensity industry activities, including low impact industry, research and technology industry, service industry and warehouse uses;
- (b) other large format or supporting activities, such as caretaker's accommodation, food and drink outlets, convenience stores, service stations, trade supplies and wholesale activities, agricultural supplies stores, indoor sport and recreation and certain community activities, may also be established;
- (c) development does not compromise the intended role or successful functioning of centres, and does not include supermarkets, discount department stores, department stores, shopping centres or large-scale offices;
- (d) medium impact industries and other uses that are not compatible with high levels of public activity, or would detract from the amenity of the locality are not established;
- (e) development makes a positive contribution to the Redland city image by incorporating a high quality of built form and landscape design, particularly along major roads; and
- (f) development is located, designed and managed to maintain public health and safety, and minimise adverse impacts on the natural environment, non-industrial land and sensitive land uses.

Effect:

The freehold property was developed to the current use in about 1997 and it appears to conform to building and current town planning regulations.

**Services:**

Mains electricity, water, and telephone services are connected to the property.

Road access is via a typical suburban road to both frontages, comprising of a standard width road that has a sealed surface with kerb and gutters on both sides.

Access to and from the subject property is considered to be good overall.

Property Searches:

I have not undertaken searches of the Environmental Management Register or the Contaminated Land Register.

My valuation assumes such searches would not identify any issues which may affect the value and/or liquidity of the property.

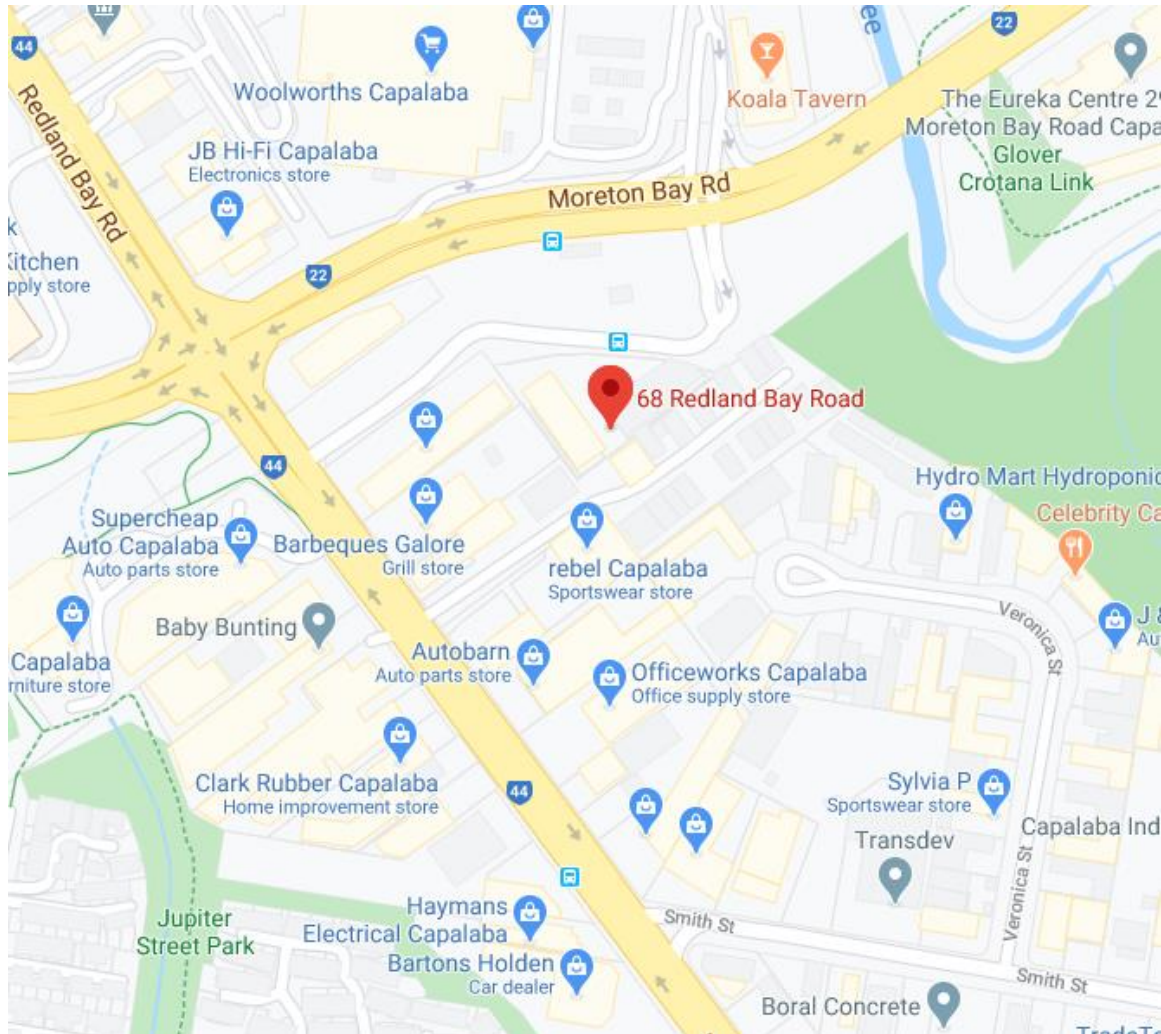
Should the owner through its own enquiries and/or searches become aware of an issue which may affect value and/or liquidity then this valuation should be referred back to the valuer for comment and reconsideration.

LOCATION:

Capalaba is one of the north western suburbs within the Redlands and is located about 18km south east of the Brisbane CBD.

The suburb is locally regarded as the business centre of the Redlands, with Cleveland to the east being the administrative centre.

This property lies on the north eastern side of Redland Bay Road, one of the main roads in the local area and the overall position is less than 0.5km south east of the local commercial and business centre.

**Surrounding Development:**

The location forms part of the local commercial and industrial centre that is grouped along both sides of Redland Bay Road, and a number of side roads to the north and north east.

Opposite on the southern side of Redland Bay Road are some long established residential properties.

There are two regional shopping centres to the north west.

Along Redland Bay Road there are numerous commercial-showroom use properties that have some excellent exposure to passing traffic.

In the side roads are mostly smaller industrial use properties that do not require high exposure.

IMPROVEMENTS:**Style and Age of Buildings:**

Developed on the site are 12 varying size industrial units, positioned along the western and southern side boundaries of the parent parcel.

Approximate Areas:

Lot 1 has a building coverage area of 102 square metres occupies an end position.

The property is adjoined by Lot 2 to the western side, and both units have been owned by related parties for some time and there is an approved 'fire' door that connects the two via the common dividing wall.

If required either unit could be sold independently from the other and both are self-contained.

Lot 1

Was originally built as a warehouse with internal offices.

Further improvements internally have now created office accommodation on two floors and there is a gross floor area of about 190 square metres.

There remains a small warehouse area of about 32 square metres with roller door access.

Balance of the ground floor and all of the first floor consists of partitioned offices.

Offices are partitioned and fitted with suspended ceilings and wall mounted A/C units, there are bathrooms on each level and a kitchenette to the lower floor.

The office areas are plasterboard lined to internal walls and ceilings, with a mix of either carpet or epoxy floors, plus there are tiles in the bathroom-toilets.

Downstairs are two main office areas, storage room, toilet and basin, with internal access to the warehouse.

Upstairs the floor space is partitioned into four offices plus bathroom-toilet, and a second separate toilet.

Foundations:

Concrete slab.

Exterior Walls:

Tilt up concrete panels.

Main Roof:

Metal sheeting.

Doors:

There is a full height metal roller door, plus standard pedestrian access door.

Condition and Presentation:

The unit is presented in average to good overall condition inside and out, with no outstanding items of maintenance evident.

Other Improvements:

There are no defined areas of the common property allocated to any of the units in this development and car parking is available to all users and visitors with no allocated spaces.

The driveway and parking areas are bitumen sealed, some garden-planted areas are formed, and boundary fencing is limited to the western and southern sides only.

MARKET UNCERTAINTY:

The outbreak of the Novel Coronavirus (COVID-19) was declared as a 'Global Pandemic' by the World Health Organisation on 11 March 2020.

We have seen global financial markets and travel restrictions and recommendations being implemented by many countries, including Australia.

The real estate market is being impacted by the uncertainty that the COVID-19 outbreak has caused.

Market conditions are changing daily at present.

As at the date of valuation it is considered that there is a significant market uncertainty.

This valuation is current at the date of valuation only.

The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer could not reasonably have been aware of as at the date of valuation).

I do not accept responsibility or liability for any losses arising from such subsequent changes in value.

Given the valuation uncertainty noted, I recommend that the user(s) of this report review this valuation periodically.

RECENT MARKET DIRECTION:

Until mid-March 2020 market sentiment was generally positive with steady and stable buyer and tenant demand giving rise to slowly increasing prices in the main.

However, in recent weeks the outbreak of the Coronavirus (COVID-19) has caused massive disruption to local and global financial markets.

In an effort to offset the impact of Coronavirus (COVID-19) on the Australian economy the Federal Government has introduced a number of economic stimulus packages to underpin business and individuals affected by closures or shut down of operations.

In addition, the RBA has met twice in one month to reduce interest rates by 0.5% to 0.25%.

It is yet to be seen if these stimulus moves will hold off any significant negative change in the local industrial property market.

Uncertainty and the potential of increased market volatility in the commercial, industrial and residential markets appears obvious in the short to medium term following new Federal Government regulations to enforce social distancing.

LOCAL ECONOMY COMMENTS:

The Coronavirus (COVID-19) is yet to have any significant impact on the local industrial property market at this point in time, however the National and local economy is now operating significantly below capacity than in previous weeks.

The full impact to the market will largely depend on both the scale and longevity of the pandemic.

At this stage employment in the Tourism, Food and Beverage, Retail and Entertainment sectors have been the first impacted.

A prolonged pandemic may have a significant (and yet unknown or quantifiable) impact on other employment sectors including small business.

Increased unemployment or restricted household incomes because of underemployment will impact the housing market in particular.

With regard to the local industrial property market, there has been no evidence to date that indicates any significant movement in either rental levels and overall values.

Some sitting or existing tenants have approached their landlords and commenced discussions regarding rental relief due to the impact on their business.

For those landlords that own a building that is currently vacant and available for lease, it is possible at this early stage that potential tenants may try and negotiate for a lesser rental amount, or some form of incentive, such as rent-free periods, for them to sign a lease.

Similarly, where a building is currently being offered for sale with vacant possession, it is possible that potential buyers may also negotiate for a lesser price in this 'Post Coronavirus' environment.

My valuation assessment has been based on the information available to me at the date of valuation.

Given the heightened uncertainty, a degree of caution should be exercised when relying upon this valuation.

Potential Market Rental:

The property is owner-occupied and is not subject to a formal lease agreement.

On the assumption that the property was subject to a more formal lease agreement between non-related parties, I have considered the fair market rental as follows.

Rental has been based on a notional term of 3 years with an option to renew for another 3 years.

Lot 1

Estimated Gross Annual Rental (inclusive of outgoings, but exclusive of GST)

Warehouse	32 sqm	@ \$150/sqm	\$ 4,800
Office	158 sqm	@ \$175/sqm	<u>\$27,650</u>
Gross rental			\$32,450
(\$2,704 per month)			

Outgoings:

The following details relating to outgoings of Lot 1 have been provided by the property owner.

Rates	\$673/quarter	\$2,692
Body Corporate	\$619/quarter	\$2,476
I have also allowed for a management fee of		<u>\$1,000</u>
Total Outgoings		\$6,168

These represent \$32.46sqm overall based on the gross floor area of 190 square metres.

RATIONALE:

1) As the property is income producing, an appropriate method of assessing the market value of the property is considered to be by capitalisation of market indicated net annual income at an appropriate capitalisation rate.

In selecting an appropriate capitalisation rate, I have taken into account:

the age and condition of the improvements,

likely rental levels and growth,

yields demonstrated by sales,

position and strength of the locality,

and perceived market demand.

Having regard to these factors I have selected a capitalisation rate of **6.50 %**.

As the property is owner-occupied, I have also allowed for the following costs:

Leasing up Allowance of 3 month's, based on the estimated monthly gross rental

Leasing Incentive of 2 months rent free, based on the estimated monthly gross rental

Agents Leasing fee equivalent to 1 month's rental

2) This method is reconciled by the direct comparison approach on the basis of an average dollar rate per square metre of gross lettable area.

In this case, it is considered to produce a reliable result as many sales are to owner-occupiers and often vacant at the time of purchase.

There have been a limited number of recently recorded sales of similar type industrial use properties from the surrounding locality that have formed the basis of this assessment.

Most of the properties purchased were sold to owner occupiers and were often sold on the basis of affordability, as opposed to the return on investment approach.

Sales of fringe and/or in secondary street locations are considered to be generally comparable to the subject property, as opposed to those in higher profile positions of having greater exposure to Redland Bay Road.

SALES EVIDENCE:

In assessing the value of the property, I have had regard to the following sales evidence of industrial properties from the immediate local area of Capalaba and Cleveland.

ADDRESS	DATE	SALE PRICE	LOT AREA (SQM)
2/9 Natasha Street, Capalaba	3/12/19	\$290,000	98
<p>This property comprises of a semi-detached industrial unit, located in a quiet side street of Capalaba. Ground floor contains 98 sqm of warehouse with 20 square metres of mezzanine floor office and 34 square metres of storage. Gross floor area is 152 square metres. Sale was with vacant possession.</p> <p>Sale represents \$1,907/sqm over the gross floor area.</p>			
5/25 Tombo Street, Capalaba	4/3/20	\$382,582	147
<p>This property comprises of a semi-detached industrial unit, located in a quiet side street. Ground floor contains 147 square metres of warehouse with about 40 square metres of office to the mezzanine floor. Gross floor area is 187 square metres. Sale was with vacant possession.</p> <p>Sale represents \$2,045/sqm over the gross floor area.</p>			
4/172 Redland Bay Road	10/9/19	\$485,000	184
<p>This property comprises of a semi-detached industrial unit, located on an adjoining site to the west of the subject property along Redland Bay Road. Ground floor contains 140 square metres of warehouse and 40 square metres of office, with another 180 square metres of office to the mezzanine floor. Property use is heavily aligned to office space, being air conditioned and carpeted throughout. Gross floor area is 360 square metres. Sale was with vacant possession.</p> <p>Sale represents \$1,305/sqm over the gross floor area.</p>			
3/7-9 Grant Street, Cleveland	9/10/19	\$545,000	156
<p>This property is located within a quiet side street of Cleveland, and represents a conventional warehouse that has been extensively fitted out into ground and first floor office accommodation and was well partitioned and had A/C throughout.</p> <p>Gross floor area is about 191 square metres. Sale was with vacant possession.</p> <p>Sale represents \$2,853/sqm over the gross floor area.</p>			
18/7-9 Grant Street, Cleveland	30/1/19	\$625,000	196
<p>This property is similar to the above sale and also comprises of an end position warehouse, close to the road, that has been extensively fitted out into ground floor warehouse of 115 square metres, ground floor office of 33 square metres, first floor office of 81 square metres plus mezzanine storage of 40 square metres. Office space was well partitioned and had A/C throughout.</p> <p>Gross floor area is 269 square metres. Sale was with vacant possession.</p> <p>Sale represents \$2,323/sqm over the gross floor area.</p>			

The variance in analysed sales rates can be attributed to a combination of factors including, but not limited to size, proportion of office space, quality of building, design capabilities, and location with particular regard to the more retail orientated occupancies that require higher profile positions.

Generally, the smaller size and better quality buildings attract a much higher sale rate compared to the older and larger size buildings.

Also, these rates are influenced by the size of the building, owner-occupier interest as opposed to investor sales, and the overall position and exposure of each individual unit.

In consideration of all the evidence available I have adopted an average improved rate per square metre at between:

\$2,000 to \$2,100 per square metre over the gross floor area of 190 square metres for Lot 1.

The local market has been performing at levels considered to be at, or near the top of the cycle.

The likelihood of market conditions remaining at these levels in the short term are unlikely, particularly in respect of the recent pandemic affecting the economy.

VALUE BY CAPITALISATION:

This is an approach that most if not all potential investors adopt when purchasing properties such as this.

Lot 1

Potential Gross Income		\$32,450
Less for outgoings		<u>\$ 6,168</u>
Net Rental		\$26,282
Capitalised at 6.50 %		
Value before adjustments		\$404,338
Less for		
Lease up allowance 3 months	\$ 8,112	
Agents leasing fee	\$ 2,704	
Rental incentive	<u>\$ 5,408</u>	
Total Adjustments	\$16,224	<u>\$ 16,224</u>
Calculated Value		\$388,114

VALUE BY DIRECT COMPARISON:

Gross floor area	190 sqm	@ \$2,000/sqm	\$380,000
		@ \$2,050/sqm	\$389,500
		@ \$2,100/sqm	\$399,000

SUMMARY:

The subject property comprises of a typical warehouse-office type industrial unit, being one of many in the local Capalaba area.

Most of the comparable sales are of similar type properties, the majority being of a very comparable semi-detached nature, and these are located in the subject and adjacent side streets.

Many were sold to owner-occupiers and were sold with vacant possession.

The capitalisation of income approach indicates a market value of **\$388,114**.

The direct comparison approach to value indicates a market value in the range from **\$380,000 to \$399,000**.

I have found however that in the local market there are few sales that appear to have been made by investors, and the majority of sales activity has been undertaken by owner occupiers.

VALUATION:

For practical purposes, I assess the current fair market value, as at 30 June 2020, of the improved industrial property, situated at **Lot 1, 68-72 Redland Bay Road, Capalaba, Qld** as follows:

Lot 1	Current Market Value	\$390,000
--------------	-----------------------------	------------------

Exclusive of GST



**CHRIS BEATTIE QRV 2179
AAPI Certified Practising Valuer
CRANE & COMPANY VALUERS PTY LTD**

PHOTOGRAPH



VALUATION ASSUMPTIONS-LIMITATIONS

Assumptions, Disclaimers, Limitations & Qualifications

Important Warning Regarding Purpose Of Valuation:

This ‘Valuation Assessment’ has been prepared for the instructing party for the stated purpose and HAS NOT been prepared for mortgage security purposes.

This confidential document is for the sole use of persons directly provided with it by Crane and Company Valuers Pty Ltd. Use by, or reliance upon this document by anyone other than our instructing party for the stated purpose is not authorised by Crane and Company Valuers Pty Ltd. and Crane and Company Valuers Pty Ltd. is not liable for any loss arising from such unauthorised use or reliance.

This document should not be reproduced without my prior written authority.

Valuation Subject to change

Real estate values vary from time to time in response to changing market circumstances and it should, therefore, be noted that this 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. It is, therefore, recommended that the valuation be reviewed periodically.

My Investigations

The valuation is conducted on the basis that I am not engaged to carry out all possible investigations in relation to the property.

Where in my report I identify certain limitations to my investigations, this is to enable you to instruct further investigations if you consider this appropriate or I recommend as necessary to allow me to complete the valuation.

Crane and Company Valuers Pty Ltd is not liable for any loss occasioned by a decision not to conduct further investigations.

Assumptions

Assumptions are a necessary part of undertaking valuations/the valuation.

Crane and Company Valuers Pty Ltd. adopts assumptions for the purpose of providing its valuation advice because some matters are not capable of accurate calculation or fall outside the scope of our expertise, or our instructions.

The person or entity to whom the report is addressed acknowledges and accepts that the valuation contains certain specific assumptions and as such the person or entity to whom this report is addressed 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.

Information Supplied by others

The valuation contains information which is derived from other sources. Unless otherwise specifically instructed by you and/or stated in the valuation, I have not independently verified that information, nor adopted it as my own, or accepted its reliability.

The person or entity to whom the report is addressed acknowledges and 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.

GST

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 Crane and Company Valuers Pty Ltd at the date of this document.

Crane and Company Valuers Pty Ltd. does not warrant that such statements are accurate or correct. Issues concerning GST continue to arise which impact on market values.

Where relevant, the valuation is based on the assumptions relating to GST set out in the Valuation Rationale section of this document.

If any of the assumptions are found to be incorrect, or if the party on whose instructions this valuation is provided wishes my valuation to be based on different assumptions, this valuation should be referred back to Crane and Company Valuers Pty Ltd for comment and, in appropriate cases, amendment.

Site Details

A current survey has been provided. The valuation is made on the basis that there are no encroachments by or upon the property and the person or entity relying upon the valuation should confirm this by obtaining a current survey report and/or advice from a registered surveyor.

If any encroachments are noted by the survey report, that person or entity must not rely upon the valuation, before first consulting Crane and Company Valuers Pty Ltd to reassess any effect on the value stated in the valuation.

Property and Title

I caution that I have not conducted a title search and may not have perused the original Crown Grant documentation.

I have assumed that there are no restrictions, easements or onerous encumbrances not disclosed which may affect market value.

However, in the event that a comprehensive title search is undertaken by the person or entity relying upon the valuation, which reveals further easements or encumbrances, that person or entity must not rely upon the valuation, before first consulting Crane and Company Valuers Pty Ltd to reassess any effect on the valuation.

Valuation Methodology

The primary valuation methodology used by Crane and Company Valuers Pty Ltd in valuing the subject property is the direct comparison approach with sales.

The result is the best estimate of value Crane and Company Valuers Pty Ltd can produce, but it is an estimate and not a guarantee of value.

My valuation is fully dependent upon the accuracy of information provided to me and to market derived assumptions obtained from analysed transactions.

The most relevant transactions are detailed in this report.

Where reliance has been placed upon external sources of information in applying the direct comparison methodology, Crane and Company Valuers Pty Ltd has not independently verified that information and Crane and Company Valuers Pty Ltd does not adopt that information and/or advice nor accept it as reliable.

The person or entity to whom the report is addressed acknowledges and accepts the risk that if any of the unverified information in the valuation is incorrect, then this may have an effect on the valuation.

Town Planning

The zoning/instrument stated in this report is based on information sourced from the relevant Town Plan (for the subject locality) or RP Data. I advise that I have not undertaken a formal Town Planning Search for the subject property.

Should a formal Town Planning Search reveal that the actual zoning/instrument for the subject property differ in intent from that which is contained within this report, then I reserve the right to amend my assessment.

Environmental Conditions

In the absence of an environmental site assessment relating to the subject property, I have assumed that the site is free of elevated levels of contaminants.

My visual inspections of the subject property and immediately surrounding properties revealed no obvious signs of site contamination.

Furthermore, I have made no allowance in my valuation for site remediation works.

However, it is important to point out that my visual inspection is an inconclusive indicator of the actual condition of the site. I 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, I reserve the right to review my valuation assessed herein, should I deem it to be necessary.

Floor Areas

I have calculated the floor areas in accordance with the standard survey practice and they are a little more or less.

In the event that there is a material variance in areas, I reserve the right to review my valuation as assessed herein.

Condition & Repair

I have inspected the building, however I have not carried out a structural survey nor tested any of the services or facilities and are therefore unable to state that the building is free from defect.

I advise that I have not inspected unexposed or inaccessible portions of the building and are therefore unable to state that these are free from rot, infestation, asbestos or other hazardous and/or contaminated material.

Unless otherwise stated in the valuation report, my valuation is based upon the assumption that the building does not have any defects requiring any significant expenditure.

Also, unless otherwise stated in the valuation report, the valuation assumes that the building complies with all relevant statutory requirements in respect of matters such as health, building and fire safety regulations.

If the person or entity relying on the report becomes aware of any information contrary to these assumptions, then they must not rely upon the valuation and that information should be referred to Crane and Company Valuers Pty Ltd for consideration and possible review of the valuation, and no reliance should be placed on this valuation until such time as that review has been completed and provided to the person or entity to whom responsibility is accepted for this advice.

Inclusions & Exclusions

My valuation includes those items that form (or will form) part of the building service installations such as heating and cooling equipment, lighting, etc., that would normally pass with the sale of the property, but excludes all items of furniture and other such items which are removable.

Side Agreement

My valuation assumes that there are no side agreements that would have an adverse effect on the market value of the property.

Not a Structural Survey

I state that this is a valuation report, and not a Structural Survey.