

# Valuation Report

**8 Sturt Road  
CARDIFF NSW 2285**

29 March 2017

Under instruction from  
**Sidcor Chartered Accountants**

On behalf of  
**Kelvin Whittaker and Sue Whittaker**



Reference: MR/11478

Knight Frank Newcastle  
Suite 1, Ground Floor  
168 Parry Street, Newcastle NSW 2300  
D +61 (0)2 4920 5721  
O +61 (0)2 4920 5700  
F +61 (0)2 4927 1755

[www.knightfrank.com.au](http://www.knightfrank.com.au)

# Executive Summary



8 Sturt Road CARDIFF NSW 2285		
Instructing Party	Sidcor Chartered Accountants On behalf of Kelvin Whittaker & Sue Whittaker	
Interest Valued	Unencumbered Freehold	
Basis of Valuation	Fair Value “As Is” subject to a notional three (3) year lease at market rent	
Relying Party/Parties and Purpose of Valuation	Kelvin Whittaker & Sue Whittaker for Superannuation purposes.	
Land Area	2,943m²	
Zoning	B4 Mixed Use	
Description	The Property comprises an older industrial workshop which has been extended over time offering front office component and low clearance workshop with access via 7 roller doors from front and side. The improvements are situated on a 2,943m² site of predominately gravel hardstand. The Property has a B4 Mixed Use zoning and is located on the fringe of Cardiff CBD and backing onto Cardiff Industrial Estate.	
GBA (current configuration)	600m²	
Vacancy	The Property is owner occupied by Kel Wittaker Smash Repairs. For Fair Value purposes we have adopted a notional three (3) year lease at an adopted market rent.	
Valuation Methodology	Capitalisation and Direct Comparison approaches.	
Date of Inspection	29 March 2017	
Valuation Date	29 March 2017	
Income Particulars	At Passing Rents	At Market Rents
Gross Income (p.a.)	-	\$90,700 excluding GST
Adopted Outgoings	-	\$15,000
Estimated Net Income (p.a.)	-	\$75,700 excluding GST
Adopted Value	\$1,075,000 (exclusive of GST)	
Reversionary Yield	7.04%	
Core Market Yield	7.04%	
Rate/m² of GBA	\$1,792/m²	
Rate/m² of Site Area	\$365/m²	
Valuers’ Details	Mark Radosavljev, MProDev AAPI Certified Practising Valuer	John Harrington, AAPI Director

## Key Points

- For Fair Value purposes we have adopted a notional 3 year lease at an adopted market rent.

## Critical Conditions

- This valuation report is for Superannuation Purposes Only and is not suitable for Mortgage Purposes.
- The valuation is also conditional on the important notices, disclaimers and qualifications contained in the body of this report.

*This Executive Summary forms a part of and should not be used or read independently from the complete report. Particular attention is drawn to the Qualifications, Important Notices and Disclaimers included in this report. Liability limited by a scheme approved under Professional Standards Legislation.*

<b>Executive Summary</b>	<b>i</b>
<b>Qualifications</b>	<b>1</b>
<b>1 Introduction</b>	<b>3</b>
1.1 Instructions	3
1.2 Pecuniary Interest Declaration	3
1.3 Owner Occupied Property - AASB 116 & AASB 13 - Fair Value Statement	3
<b>2 Land Particulars</b>	<b>5</b>
2.1 Location	5
2.2 Title Details & Site Description	6
2.3 Easements and Encumbrances	7
2.4 Town Planning Details	7
2.5 Environmental Considerations	9
2.6 Bushfire Prone Land	10
2.7 Flood Planning	10
2.8 Mine Subsidence	11
2.9 Native Title Claims	11
<b>3 Improvements</b>	<b>12</b>
3.1 General Description	12
3.2 Gross Building Areas	13
3.3 Hardstand Areas	13
3.4 Building Construction & Services	14
3.5 Accommodation	14
3.6 External Improvements	14
3.7 Building Age and Condition	14
<b>4 Market Overview</b>	<b>15</b>
4.1 Hunter Economic Overview	15
<b>5 Financial Summary</b>	<b>18</b>
5.1 Tenancy Status	18
5.2 Statutory Valuation Assessments	18
5.3 Outgoings	18
5.4 Leasing Evidence	19
5.5 Sales Evidence	23
<b>6 Valuation Rationale</b>	<b>28</b>
6.1 Valuation Methodology and Considerations	28
6.2 Capitalisation Approach	28
6.3 Direct Comparison Approach	30
6.4 Valuation Reconciliation	31
<b>7 Valuation Certification</b>	<b>32</b>

## Appendices

- Letter of Instruction
- Title Documents

## Qualifications

1. This report is prepared for the private and confidential use of the reliance party/parties named in Section 1.1 of this report, and only for the purpose outlined in Section 1.1. It should not be relied on by the nominated party/parties for any other purpose and should not be reproduced in whole or part for any other purpose without the express written consent of Knight Frank Newcastle. Any party that is not named as a reliance party/parties may not rely on this report for any purpose and should obtain their own valuation before acting in any way in respect of the subject property.
2. This valuation may not be relied upon for mortgage security purposes by any party not nominated within without the express written approval/assignment by Knight Frank Newcastle.
3. The valuation specifically may not be relied upon by any party in connection with any Managed Investment Scheme (within the meaning of the Corporations Law) which:
  - a) Has as its prime or as a substantial purpose, the provision of tax benefits to investors; or
  - b) Is involved in any form of direct or indirect investment in primary production including "property used for primary production".
4. This valuation is prepared on the assumption that the lender who relies on this valuation report (and no other) may rely on the valuation for first mortgage finance purposes, and the lender has complied with its own, as well as prudent finance industry lending practices, and has considered all prudent aspects of credit risk for any potential borrower, including the borrower's ability to service and repay any mortgage loan. Further, the valuation is prepared on the assumption that the lender is providing mortgage financing at a conservative and prudent loan to value ratio. This clause (Prudent Lenders Clause) only applies if the lender is not a lender regulated by the Banking Act of 1959.
5. Unless otherwise stated, all valuation figures stated herein are net of GST, are on a before tax basis, are before acquisition or selling expenses, and do not reflect any withholding amounts or impact upon sale proceeds that may apply under foreign investor transaction legislation (including under mortgagee sale conditions).
6. Reliance on this report should only be taken upon sighting an original document received by the Reliant Party directly from Knight Frank or through a Panel Management System authorised by the client and countersigned by a senior executive of Knight Frank Newcastle. The counter-signatory verifies that this report is genuine and issued and endorsed by Knight Frank Newcastle. The opinion of value expressed in this report, however, has been arrived at by the prime signatory acting as the valuer. Please note that John Harrington, has not inspected the subject property, and counter-signs this report only in his capacity of Director, Knight Frank Newcastle, Knight Frank Newcastle.
7. This valuation is current at the date of valuation only. The timing and extent of market movements is impossible to accurately predict and we do not attempt to do so. The value assessed herein may change significantly and unexpectedly over a relatively short period as a result of general market movements, or factors specific to the particular property as identified in this report. Losses resulting from such movement in value subsequent to the date of valuation are not foreseeable and we do not accept any duty to protect your financial interests against such movements in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this value is relied upon after the expiration of 3 months from the date of the valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

8. In accordance with industry guidelines and requirements, Knight Frank Newcastle cannot assign or confirm the original or initial valuation after the expiration of 3 months from the date of valuation. Any written assignment of the valuation by Knight Frank Newcastle within this 3 month period is required to contain a statement that the valuer has not re-inspected the property nor undertaken further investigations or analysis since the original/initial valuation and accepts no responsibility for reliance upon the original/initial valuation other than as a valuation of the property at the original/initial date of valuation.
9. This valuation is conditional on there being no material change (including as a result of general market movements, or factors specific to the particular property) between the date of inspection, date of issue, and the date of valuation (should they differ) that would impact on the value of the subject property. Should such an event occur, the valuer should be contacted for comment prior to reliance upon the valuation.
10. This valuation is not intended to be used to provide financial advice, express or implied, and we confirm that the valuer and Knight Frank Newcastle is not licensed to provide financial product advice under the Corporations Act 2001.
11. This valuation report is to be read in its entirety and in particular we draw your attention to the Important Notices set out in the body of the report and the Critical Conditions section of the Executive Summary.
12. Any forecasts, including but not limited to, financial cash flow projections or terminal value calculations noted within this report are a valuation tool only undertaken for the purpose of assisting to determine the market value. No party may rely upon any financial projections or forecasts within this report on the understanding that they are undertaken for the specific purpose of determining the market value only and therefore should not be represented in any way as providing an indication of likely future profit or realisable cash flow.
13. Any objective information, data or calculations set out in the Valuation will be accurate so far as is reasonably expected from a qualified valuer, reflecting due skill, care and diligence.
14. The law of the Australian state in which a property is located will apply in every respect in relation to the valuation and the agreement with the client which shall be deemed to have been made in that state of Australia. In the event of a dispute arising in connection with a valuation, unless expressly agreed otherwise in writing by Knight Frank, the client, and any third party using the valuation, all will submit to the jurisdiction of the Australian Courts only. This will apply wherever the property or the client is located or the advice is provided.
15. In accordance with standard industry practice for an asset of this nature, we have not reviewed leases relating to specialty, telecommunication and non major tenants. We have relied upon lease details in the tenancy schedule provided by the client and provide no warranty as to the accuracy of this information. Incorrect information within the tenancy could have a material impact on our valuation assessment and we reserve the right to amend our assessment should this occur and a material inaccuracy become evident.

# 1 Introduction

## 1.1 Instructions

<b>Instructing Party</b>	Sidcor Chartered Accountants On behalf of Kelvin Whittaker & Sue Whittaker
<b>Relying Party/Parties &amp; Purpose of Valuation</b>	Kelvin Whittaker & Sue Whittaker for Superannuation purposes.
<b>Interest Valued</b>	Unencumbered Freehold
<b>Basis of Valuation as instructed</b>	Fair Value "As Is" subject to a notional three (3) lease at market rent
<b>Date of Inspection</b>	29 March 2017
<b>Date of Valuation</b>	29 March 2017

A copy of the Letter of Instruction is appended.

The valuation has been prepared in accordance with the Australian Property Institute's Practice Standards.

## 1.2 Pecuniary Interest Declaration

The valuer has no pecuniary interest in the said Property, past, present or prospective, and the opinion expressed is free of any bias in this regard.

## 1.3 Owner Occupied Property - AASB 116 & AASB 13 - Fair Value Statement

**AASB 116** prescribes the accounting treatment for owner occupied property by the entity however AASB 116 does not provide direction to valuers. We are instructed that the subject is an operational asset of a going concern, and that a valuation is required under the Fair Value model. "Fair Value" is defined within AASB 116 as:

*"The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."*

API Guidance Note AUSNZ 6.3.1 directs valuers that, when the income approach to value is used for financial reporting purposes in relation to owner occupied property, a deduction is not made for vacancy or letting-up factors if the going concern presumption applies to the entirety of the property.

We are instructed to complete the valuation on the basis of a notional **three (3)** year lease to the registered proprietor as the notional lessee. We confirm the valuation has been completed in accordance with our instructions and in accordance with the definition of Fair Value outlined above. This approach does not reflect the value of the Property on a vacant possession basis.

**AASB 13** (which aligns with IFRS 13) prescribes the accounting treatment for non-financial assets. “Fair Value” is defined within AASB 13 as:

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

AASB 13 provides the guidance on the measurement of fair value (for non-financial assets), as follows:

- An entity takes into account the characteristics of the asset or liability being measured that a market participant would take into account when pricing the asset or liability at measurement date (e.g. the condition and location of the asset and any restrictions on the sale and use of the asset).
- Fair value measurement assumes an orderly transaction between market participants at the measurement date under current market conditions.
- Fair value measurement assumes a transaction taking place in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability.
- A fair value measurement of a non-financial asset takes into account its highest and best use.

We confirm the valuation has been completed in accordance with the API definition of market value, and in accordance with our understanding of the requirements of AASB 140 & AASB 13 standards as set out above.



## 2 Land Particulars

### 2.1 Location

#### Position

- Cardiff is located at the northern end of Lake Macquarie Local Government Area about 15 kilometres west of Newcastle CBD.
- The Property has a B4 Mixed Use zoning and is located on the fringe of Cardiff CBD and backing onto Cardiff Industrial Estate.
- Winding Creek / storm water easement is located directly behind the subject Property.
- Elevated rail line located approximately 100 metres to the North West of the Property.

#### Surrounding and Adjoining Development

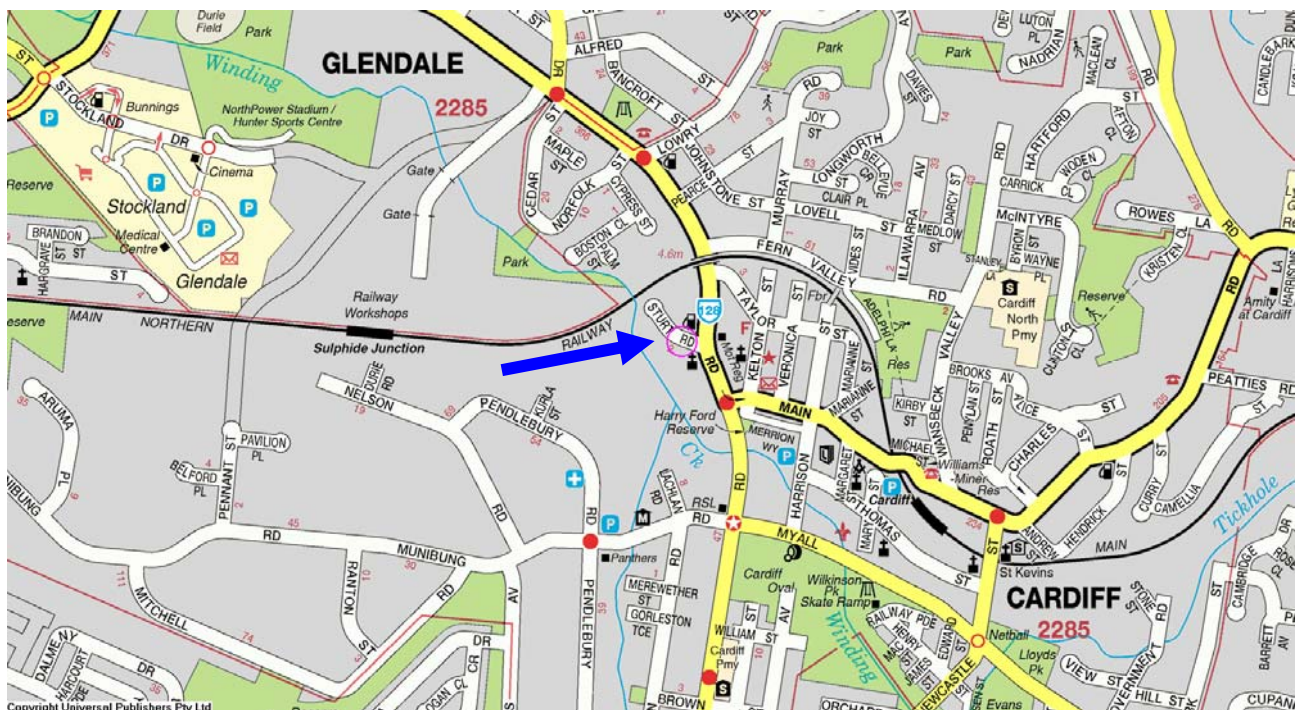
- Surrounding development includes existing residential dwellings, car dealerships/showrooms and light industrial users
- Adjoining the Property are a mix of existing residential dwellings, car dealerships and a light industrial shed.

#### Road System & Access

- Sturt Road is a cul-de-sac street services predominately light industrial users and residential dwellings.
- Sturt Road is located off Main Road being a main dual carriageway in each direction via traffic light intersection.
- Legal access to the site is via Sturt Road.

#### Services and Amenities

- All of the usual services of electricity, water, sewerage and drainage are available to the Property.
- The Property is located on the fringe of Cardiff CBD and backing onto Cardiff Industrial Estate.





## 2.2 Title Details & Site Description

### Current Registered Proprietor

Kelvin Martin Whittaker and Denise Maree Whittaker as Joint Tenants

### Title Description

Lot 14 in DP600474

### Identification

The Property has been identified by reference to the Deposited Plan and physical inspection of the Property.

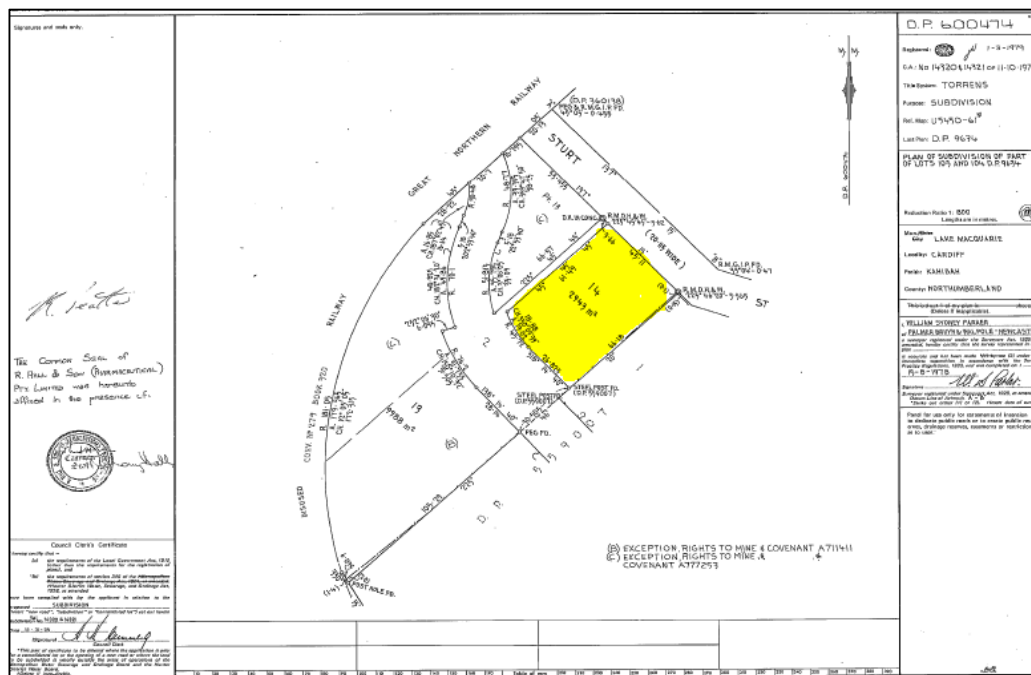
### Site Area & Physical Description

The land comprises a regular shape with frontage to Sturt Road. Whilst the land has been excavated to accommodate the existing improvements, the natural landform is generally level. We note that Winding Creek/storm water easement is located directly behind the subject Property. Elevated rail line located approximately 100 metres to the North West of the Property.

### Total Site Area

2,943 square metres

An extract of the Deposited Plan is as follows.



### Important Notice

From our inspection and a comparison with the Title Plan, the improvements appear to be constructed within the title boundaries, however we are not qualified surveyors, and have not been provided with a site survey and therefore we cannot state conclusively that all buildings are within the title boundaries. Our valuation is conditional on there being no encroachments by the subject's improvements, or onto the subject land by adjoining properties. In the event there is an encroachment which proves material, our valuation would change as would our recommendation as to its suitability for mortgage purposes (if made).

A copy of the Certificate of Title is appended.

## 2.3 Easements and Encumbrances

Reference should be made to the Folio Identifier attached, which details encumbrances and interests noted on title. Other than Reservations and Conditions in the Crown Grant(s), notations of significance include:

- A711411 Land excludes Minerals and is subject to Rights to Mine
- A711411 Covenant

\* We have Not searched the Covenant. We consider that there is no detrimental impact on the Property regarding the Covenant given the age and use of the industrial facility on the site. We recommend professional legal/planning advice to confirm the same.

### **Important Notice**

*Although our title search (attached) does not show any unregistered dealings, it is noted that not all encumbrances may be recorded on the title documents provided to us. Our valuation is made on the basis that the property is free from mortgages, charges and other financial liens and is conditional on there being no encumbrances or interests other than those reported on our title search which materially affect the value, marketability and continued utility of the property. Should any encumbrances, encroachments, restrictions, leases or covenants which are not noted in this report be discovered which are material, our valuation would change, as would our recommendation as to its suitability for mortgage security purposes (if made).*

## 2.4 Town Planning Details

### **Municipality and Planning Scheme**

Lake Macquarie Local Environmental Plan 2014

### **Zoning**

#### **B4 Mixed Use**

##### **1. Objectives of Zone**

- To provide a mixture of compatible land uses.
- To integrate suitable business, office, residential, retail and other development in accessible locations so as to maximise public transport patronage and encourage walking and cycling.
- To enable development that complements and enhances the core retail function and trading performance of Zone B2 Local Centre and Zone B3 Commercial Core.

##### **2. Permitted without Consent**

Nil

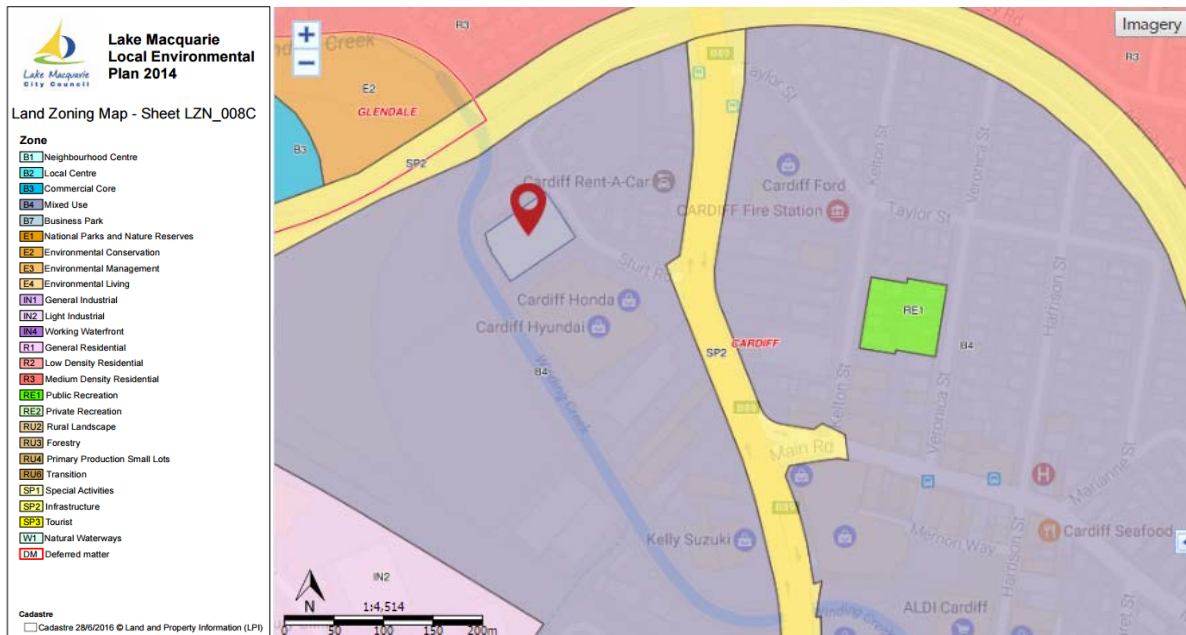
##### **3. Permitted with Consent**

Boarding houses; Child care centres; Commercial premises; Community facilities; Educational establishments; Entertainment facilities; Function centres; Home industries; Hostels; Hotel or motel accommodation; Information and education facilities; Medical centres; Multi dwelling housing; Passenger transport facilities; Recreation facilities (indoor); Registered clubs; Residential flat buildings; Respite day care centres; Restricted premises; Roads; Seniors housing; Shop top housing; Any other development not specified in item 2 or 4

##### **4. Prohibited**

Advertising structures; Agriculture; Air transport facilities; Airstrips; Bed and breakfast accommodation; Biosolids treatment facilities; Boat building and repair facilities; Boat launching ramps; Camping grounds; Caravan parks; Cemeteries; Charter and tourism boating facilities; Correctional centres; Crematoria; Depots; Eco-tourist facilities;

Electricity generating works; Exhibition villages; Extractive industries; Farm buildings; Farm stay accommodation; Forestry; Freight transport facilities; Heavy industrial storage establishments; Helipads; Highway service centres; Home occupations (sex services); Industrial retail outlets; Industries; Jetties; Marinas; Mooring pens; Moorings; Open cut mining; Recreation facilities (major); Recreation facilities (outdoor); Research stations; Residential accommodation; Rural industries; Sex services premises; Storage premises; Transport depots; Truck depots; Vehicle body repair workshops; Warehouse or distribution centres; Waste or resource management facilities; Water recreation structures; Wholesale supplies



## Environmental Controls

Bush Fire Prone, Mine Subsidence, Flood Control Lot – High Hazard

## Comments

We have not sighted any planning permits or building permits in relation to construction of the improvements on the subject site. Due to the age and design of the building, it is considered that the industrial workshop is an approved use by council.

**We note that given the zoning and location of the Property a mixed use development project may be permitted subject to council approval.**

## Important Notice

*The above information was obtained from the public records of Council's Town Planning Department and should verification be required, an application to Council may be obtained for a Certificate issued under the provisions of Section 149 of the Environmental Planning & Assessment Act, 1979. Should such Certificate not confirm the abovementioned zoning and development guidelines, the matter should be referred immediately to the valuer for consideration and review of the valuation, if appropriate.*

## 2.5 Environmental Considerations

### Site Contamination

<b>Historical Uses</b>	The subject Property was constructed circa 1975. We would not anticipate that the current use would provide a major environmental risk, however we are not aware of the complete history of the site. We reserve the right to review our valuation should a contamination report arise to the contrary to our assumption made herein in relation to contamination. Furthermore, the surrounding uses from our distant inspection would not appear to represent an environmental threat.
<b>Registered on the EPA List/Statement of Environmental Audit</b>	No
<b>Perceived Environmental Risk</b>	We confirm that there are no perceived environmental risks or problems associated with the subject property in relation to its present and known historical uses, and we further confirm that we have found no information in our enquiries to necessitate the instigation of a detailed environmental audit, <b>subject to important notice below.</b>

### Important Notice

*No soil tests or environmental studies have been made available for our perusal and we do not have any expertise as environmental consultants nor are we qualified to provide an assessment of the contamination of land. We have undertaken the following steps to assess whether there are any obvious signs of contamination:*

- *Site inspection.*
- *Review existing site use and historical site use (so far as it is identifiable from the current site owners).*
- *Review of EPA list (see above).*
- *Planning controls over the subject property.*

*As a result of the above investigation we have been unable to identify any obvious signs of contamination. However we are unable to assess whether there are any latent signs of contamination or other indicators beyond the investigations referred to above. The assessed value could well decrease if material contaminants are present and our assessment of the suitability of this property for mortgage security purposes would be adversely impacted. This valuation is conditional on the site being free of contamination and any party relying on this valuation does so on the basis that Knight Frank Newcastle accepts no liability for any loss relating to contamination.*

## Asbestos Materials

<b>Hazardous Materials Audit Provided</b>	No
<b>Identified Asbestos at Inspection</b>	Unable to determine
<b>Potential for unsighted Asbestos</b>	Given the age of the improvements, and the indication of progressive refurbishment and alterations to the site, there is potential for asbestos to be present in such items as insulative materials around ductwork, or concealed within wall and ceiling cavities.

### Important Notice

*No asbestos reports have been made available for our perusal and we do not have any expertise in asbestos identification or assessment. We have undertaken the following steps to assess whether there are any obvious signs of asbestos:*

- *Internal and external visual inspection.*
- *We have not inspected the building beyond the surface of the internal and external building fabric.*

*As a result of the above investigation we have been unable to identify any obvious signs of asbestos however as discussed above, this does not mean the building is free of asbestos. We are unable to assess whether there are any latent signs of asbestos or other indicators beyond the investigations referred to above. The assessed value could well decrease if asbestos which is material to the valuation is present and our assessment of the suitability of this property for mortgage security purposes would be adversely impacted. This valuation is conditional on the site being free of asbestos and any party relying on this valuation does so on the basis that Knight Frank Newcastle accepts no liability for any loss relating to asbestos.*

## 2.6 Bushfire Prone Land

The Property has been identified as being within a Bush Fire Prone area as per Lake Macquarie City Council online mapping service.

## 2.7 Flood Planning

The Property has been identified as being a Flood Planning Area per Lake Macquarie City Council online mapping service.

## 2.8 Mine Subsidence

The land lies within the Lake Macquarie Mines Subsidence District proclaimed under Section 15 of the Mines Subsidence Compensation Act 1961.

## 2.9 Native Title Claims

We are not aware of any Native Title Claims impacting on the Property.

### ***Important Notice***

*In undertaking this valuation assessment, we have not commissioned a search of the Register of Native Title Claims which is administered by the National Native Title Tribunal. The assessed value could well decrease if a native title claim exists, or eventuates, over the subject land. It would also adversely impact on our assessment of the suitability of this property for mortgage security purposes. Knight Frank Newcastle is not a specialist in native title law and this valuation is conditional on the site being free of any native title claim. Any party relying on this valuation does so on the basis that Knight Frank Newcastle accepts no liability for any loss relating to native title claims. Should a native title claim be identified upon the subject site, the valuation should be referred back to the valuer for reassessment.*



## 3 Improvements

### 3.1 General Description

The Property comprises an older industrial workshop which has been extended over time offering front office component and low clearance workshop with access via 7 roller doors from front and side. The improvements are situated on a 2,943m<sup>2</sup> site of predominately gravel hardstand. The Property has a B4 Mixed Use zoning and is located on the fringe of Cardiff CBD and backing onto Cardiff Industrial Estate.



*Front Elevation*



*Rear Elevation*



*Inside Workshop*



*Office Area*



*Hardstand/Yard*



*Streetscape*

### 3.2 Gross Building Areas

The adopted building areas, as taken from onsite measurements at the valuation inspection, are outlined below:

	Approximate Area
Workshop	560 m <sup>2</sup>
Office	40 m <sup>2</sup>
<b>Total</b>	<b>600 m<sup>2</sup></b>

*The above areas should be confirmed by a Registered Surveyor under Property Council of Australia measurement guidelines*

### 3.3 Hardstand Areas

The adopted Hardstand Area has been taken from onsite inspection and checked by satellite imagery. Hardstand area considered to be the surplus gravel area to the rear and side site of the workshop and is unaffected by the driveway/parking/curtilage utilised by the improvement.

	Approximate Area
Gravel Hardstand	1,750 m <sup>2</sup>
<b>Total</b>	<b>1,750 m<sup>2</sup></b>

### 3.4 Building Construction & Services

<b>External Walls &amp; Façade</b>	Metal clad and iron clad
<b>Floors</b>	Reinforced concrete to workshop vinyl to office, tile floors to amenities
<b>Internal Walls</b>	Exposed metal/iron cladding to workshop, plasterboard to office and amenities
<b>Windows</b>	Aluminium framed
<b>Ceilings</b>	Plasterboard to office & amenities
<b>Roof</b>	Metal clad with translucent sheeting at intervals
<b>Lighting</b>	Exposed fluorescent lighting to shed with translucent roof sheets and fluorescent lighting to office
<b>Air-conditioning</b>	Split system air conditioning system to the office
<b>Security</b>	Alarm system noted
<b>Fire Services</b>	Fire extinguishers, blankets, escapes and emergency lighting noted

### 3.5 Accommodation

- 3 x roller doors to front elevation with 4 x roller doors to side elevation
- Low clearance workshop
- Maximum clearance of 5.0 metres with a minimum clearance of 3.0 metres
- Male and female amenities plus kitchenette
- Entry
- Open plan office
- Separate office area

### 3.6 External Improvements

- Small concrete driveway
- Gravel hardstand / yard area
- Secure boundary fencing

### 3.7 Building Age and Condition

The building was built circa 1975. The improvements are in fair condition and provide fair workshop accommodation. There were no essential repairs noted at the inspection.

#### **Important Notice**

*We have not been provided with a structural survey, nor an expert report on the plant and equipment. Our valuation is conditional on the structure and service installations of the improvements being free from any defects requiring material capital expenditure, other than that stated herein. If this is incorrect, or should there be a material revision to the capital expenditure information noted within, our valuation would change, as would our recommendation as to its suitability for mortgage security purposes (if made).*

*Our valuation is conditional upon the property complying with all statutory and local government regulations and building codes. We are not, however, experts in this area and should you wish to confirm compliance verification may be sought from an appropriately qualified consultant.*

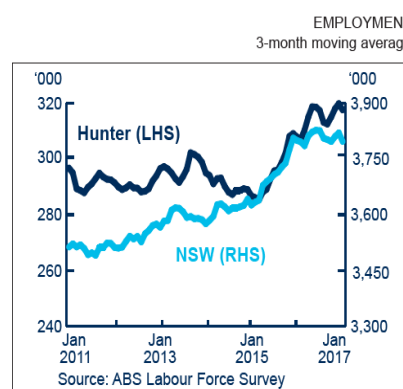
## 4 Market Overview

### 4.1 Hunter Economic Overview

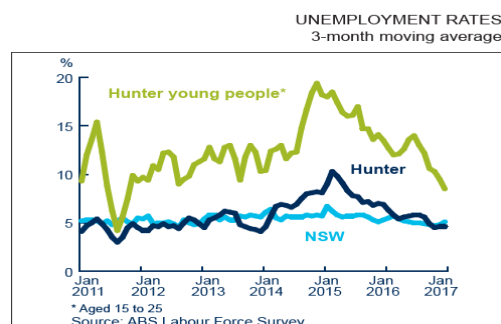
The Hunter Research Foundation's (HRF) December Quarter 2016, Hunter Region Economic Indicators reveals:-

- Hunter job growth outpaced the state with full-time jobs replacing part-time jobs, Hunter unemployment rate now below state
- Strong house price growth continued. New residential construction also grew strongly, above NSW rate
- Business confidence recorded its best value for the year with indications of a pick-up in business activity in 2017
- Consumer confidence improved in the December quarter from recent lows
- Renewed regional confidence, with business and household confidence in the Hunter economy rising in December quarter

Employment growth in the Hunter was positive in the four months to January, reversing a fall in employment in the September quarter. Employment (3-month moving average) grew by 4,900 in the Hunter or 2 per cent, while NSW employment relatively was flat. Full-time employment shrank through the first half of 2016, as part-time work replaced full-time jobs, particularly for males in the Hunter. This trend has reversed since September with full-time employment growing by 4.9 per cent and part-time employment falling by 3.7 per cent.



Across the Hunter the strongest job growth in the year to November occurred in education and training, financial and insurance services, administrative services and public administration. Nationally full-time employment also began to grow in late 2016 and Hunter business indicators of hiring intentions suggest further job growth in 2017.



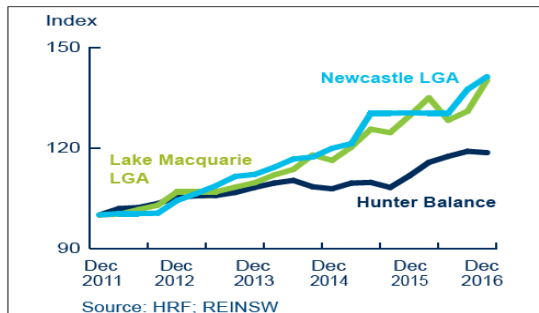
The Hunter region's unemployment rate fell to 4.6 per cent (3-month moving average) in January 2017, below the NSW-wide rate of 5.1 per cent for the first time in three years. The fall is owing partly to increased job numbers but also to a recent fall in the labour force participation rate to 61.8 per cent, equivalent to the withdrawal of 2,100 labour market participants over the four months to January (3-month moving average).

Between September and January significant job losses occurred in male part-time employment, although these were largely off-set by rises in male full-time employment. Youth unemployment rate has fallen to 8.5 per cent (3-month moving average), 10.9 percentage points below the November 2014



peak, and the lowest reading since late 2011. The Hunter youth unemployment rate is below the state rate of 12.6 per cent.

**MEDIAN HOUSE PRICES**  
Prices indexed to equal 100 at December 2011



Hunter median house prices have capped off 2016 with continued growth, increasing by 6.6 per cent over 2016. Prices rose by 8.3 per cent in the Newcastle LGA and Lake Macquarie in the year to December, and 6.2 per cent in the 'Hunter Balance' driven by Port Stephens and Cessnock LGAs. The buoyancy in the residential market owes much to the region's affordability factor, particularly in Newcastle CBD, and strong rental returns attracting investor interest, especially from baby-boomers and first-home buyers.

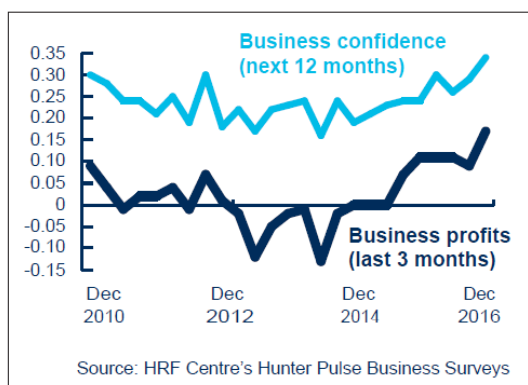
These factors and planned infrastructure investment, including the light rail realignment, and significant rezoning across the city may underpin further property price growth. In Sydney and Melbourne, strong economic conditions, including jobs growth and high migration rates, have sustained price growth in the December quarter.

Growth in Hunter new housing approvals, summed over the year to date, dramatically out-paced NSW (11.5% compared to 2.6%) in 2016. The value of new housing approvals also grew more strongly than NSW (19% compared to 7%). In the year to December non-residential investment grew by 12 per cent, slowing from the very high rate of growth of previous quarters. The four-quarter rolling value of non-residential and residential investment totalled \$2.3 billion in the December quarter, well above the region's annual average for the last five years (\$1.8 billion p.a.), much of it in Newcastle LGA.

**NOMINAL VALUE OF HUNTER RESIDENTIAL AND NON-RESIDENTIAL INVESTMENT**



**BUSINESS PERFORMANCE AND CONFIDENCE**  
<0 = worsening and >0 = improving



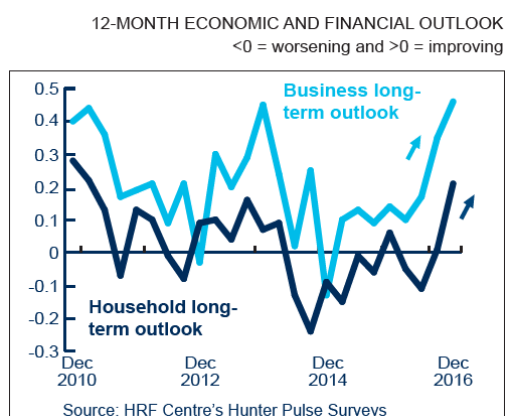
Further investment in the CBD is predicted given changes in zoning to promote mixed-use, and the new transport interchange to be completed in 2019. City change needs to be supported by data and cultural infrastructure, in addition to transport and other public infrastructure, and by integrated planning to encourage social and economic mix.

Hunter businesses remain upbeat, on balance, in the December quarter. Businesses reported improved levels of profitability on par with pre-GFC levels. Business trading over the last three months has improved, as have forward orders. Hunter businesses'

predictions over the next 12 months for capital expenditure, employment intentions, and profitability are

also all trending upward. Improved expectations for the regional economy may have reinforced business confidence based on their own performance.

Nationally in 2016 business confidence was better than during 2012-13, and in December confidence and business conditions were above the long-term averages. The lower Australian dollar appears to have helped exports in 2016. The question remains whether improved business confidence will translate into a sustained increase in capital expenditure and hiring plans.



HRF Centre survey data reflected a new wave of confidence in the region with both business and household indices for the Hunter economy rising in the December quarter. Residents' expectations for the regional economy in the next three months were positive on balance, and longer-term expectations were strongest since early 2011, close to the height of the mining investment boom.

Likewise the region's business owners reported a strong sense that the Hunter economy is improving in both the short and long term. Businesses reported a reversal, in the

last two quarters, of low or negative short-term readings since mid-2014 and the strongest 12-month outlook of the regional economy in the last three years. This is despite a number of ongoing challenges in the Hunter's regional transition, and global and domestic uncertainty. It is likely that the region's strong housing and labour market performance and the recent uptick in commodity prices are supporting renewed optimism.



## 5 Financial Summary

### 5.1 Tenancy Status

The Property is owner occupied by Kel Wittaker Smash Repairs. For Fair Value purposes we have adopted a notional three (3) year lease at an adopted market rent.

A synopsis of the adopted notional lease is noted below.

<b>Term</b>	3 Years
<b>Option</b>	3 Years
<b>Rental Review</b>	Annually at CPI
<b>Passing Rental</b>	At Market Rent. \$75,700 per annum Net + GST (\$126/m <sup>2</sup> Net)
<b>Outgoings</b>	100% payable by the lessee. Net Rent

#### **Important Notice**

*We have requested full executed copies of all lease documentation, except as otherwise noted herein, and have relied upon the accuracy and completeness of this documentation. In the event that the lease documentation is not accurate or is incomplete (such as missing variations, side agreements etc) and the change to lease terms or conditions is material, then our valuation of the property would change, as would our view on its suitability for mortgage security purposes (if made).*

### 5.2 Statutory Valuation Assessments

<b>Relevant Date</b>	1 July 2016	1 July 2015
<b>Site Value</b>	\$623,000	\$566,000

\* Land Tax Payable

### 5.3 Outgoings

Estimated outgoings have not been provided to us however based on similar style industrial premises; we would expect a reasonable range to be between \$20/m<sup>2</sup> and \$30/m<sup>2</sup> of building area. We have therefore adopted \$25/m<sup>2</sup> of the building area for the purpose of this assessment being a total of \$15,000 per annum.

Our adopted outgoings are noted below.

8 Sturt Road, Cardiff

#### **Outgoings Assumptions**

<b>Estimated Outgoings</b>	<b>KFV Assessment</b>	
<b>Industrial</b>	<b>per annum</b>	<b>per annum</b>
<b>Adopted Outgoings</b>	<b>\$15,000</b>	<b>\$25.00/m<sup>2</sup></b>

## 5.4 Leasing Evidence

### 8 Laurio Place, Mayfield West



<b>Initial Rental</b>	\$100,000 pa net + GST	
<b>Lease Commencement</b>	August 2015	
<b>Lease Term</b>	3 Years + 3 Year Option	
<b>Tenant</b>	TS Global	
<b>GBA (\$Rate/m<sup>2</sup>)</b>	1,280m <sup>2</sup>	(\$78/m <sup>2</sup> overall)
	Warehouse	(\$65/m <sup>2</sup> )
	Office	(\$100/m <sup>2</sup> )
	Hardstand	(\$7/m <sup>2</sup> )

**Comments:** A modern high clearance, freestanding warehouse facility having 1 x roller door, good warehouse space and 2 levels of average office accommodation. Accommodation comprises office and amenities of 280m<sup>2</sup>, warehouse of 1,000m<sup>2</sup> with 10 tonne crane and approximately 1,000m<sup>2</sup> of concrete hardstand.

**Comparison:** Larger facility in a superior location. A higher rental rate warranted for the subject's warehouse. A slightly higher rental rate is warranted overall to the subject with far smaller office component. A higher rental rate is warranted for the subject's hardstand. Overall a higher rental rate is warranted.

### 5 Archibald Place, Heatherbrae



<b>Initial Rental</b>	\$75,000 pa net + GST	
<b>Lease Commencement</b>	July 2015	
<b>Lease Term</b>	2 + 3 years	
<b>Tenant</b>	Tractor World	
<b>GBA (\$Rate/m<sup>2</sup>)</b>	871m <sup>2</sup>	(\$86m <sup>2</sup> overall)
<b>(analysed)</b>	Office	(\$150/m <sup>2</sup> )
	Mezzanine	(\$55/m <sup>2</sup> )
	Warehouse	(\$85/m <sup>2</sup> )

**Comments:** A modern high clearance, freestanding warehouse facility having 3 x roller door, good warehouse space, mezzanine storage and ground floor average office accommodation. Accommodation comprises office and amenities of 80m<sup>2</sup>, warehouse of 622m<sup>2</sup> including 2 x 1 tonne cranes and mezzanine storage 169m<sup>2</sup>.

**Comparison:** Larger sized facility in an inferior location. A similar rental rate warranted for the subject's warehouse. A lower rental rate is warranted overall to the subject office component. Overall a slightly higher rental rate is warranted.

### 7 Aminya Place, Cardiff



<b>Initial Rental</b>	\$80,000 per annum Net + GST
<b>Lease Commencement</b>	May 2015
<b>Lease Term</b>	3 Years + 3 Year Option
<b>Tenant</b>	Magnet Kitchens
<b>GBA (\$Rate/m<sup>2</sup>)</b>	840m <sup>2</sup> (\$95/m <sup>2</sup> overall)
	Showroom: \$110/m <sup>2</sup>
	Mezzanine Office: \$95/m <sup>2</sup>
	Warehouse: \$90/m <sup>2</sup>

**Comments:** Older style metal clad and roofed steel framed warehouse with on-site parking. 2 x high clearance roller shutter doors to the side elevation. Accommodation comprises ground floor showroom and amenities of 169m<sup>2</sup>, first floor office of 169m<sup>2</sup> and warehouse of 502m<sup>2</sup>. Forms part of a sale/leaseback deal struck on a brand new 3 year lease plus 3 year option with an initial rent of \$80,000 pa net plus GST.

**Comparison:** Larger size facility in a similar location. A similar rental rate warranted for the subject's warehouse. A higher rental rate is warranted overall to the subject with ground floor office component. Overall a similar rental rate is warranted.

### 3 Yilen Close, Beresfield



<b>Initial Rental</b>	\$100,000 pa net + GST
<b>Lease Commencement</b>	April 2015
<b>Lease Term</b>	3 + 3 years
<b>Tenant</b>	Arbour Green Landscape Products
<b>GBA (\$Rate/m<sup>2</sup>)</b>	856m <sup>2</sup> (\$117m <sup>2</sup> overall)
<b>(analysed)</b>	Office say \$150/m <sup>2</sup>
	Warehouse \$111/m <sup>2</sup>

**Comments:** Located in the Freeway Business Park (South Precinct) which is located at the northern end of the M1 Motorway. Large warehouse with the capacity to accommodate a 10 tonne overhead crane, if required. Full pre-cast concrete panel construction with an 8 metre eave clearance and two roller shutter doors with awning. Open plan office with male and female amenities and shower. The office comprises 136m<sup>2</sup> and warehouse is 720m<sup>2</sup>.

**Comparison:** Larger sized facility in a superior location. A lower rental rate warranted for the subject's warehouse. A lower rental rate is warranted overall to the subject office component. Overall a lower rental rate is warranted.

#### Giggins Road Frontage, Part 329 Pacific Highway, Heatherbrae



<b>Initial Rental</b>	\$55,000 pa net + GST
<b>Lease Commencement</b>	March 2015
<b>Lease Term</b>	3 + 3 years
<b>Tenant</b>	Unknown
<b>GBA (\$Rate/m<sup>2</sup>) (analysed)</b>	515m <sup>2</sup> (\$107m <sup>2</sup> overall)
	Office (\$140/m <sup>2</sup> )
	Warehouse (\$75/m <sup>2</sup> )
	Hardstand (\$10/m <sup>2</sup> )

**Comments:** A basic high clearance, freestanding warehouse facility having 1 x roller door and side awnings, clear span warehouse space, ground floor average office accommodation and approximately 1,250m<sup>2</sup> of gravel hardstand with circle driveway from Giggins Road. Accommodation comprises office and amenities of 40m<sup>2</sup>, warehouse of 474m<sup>2</sup> and hardstand 1,250m<sup>2</sup>.

**Comparison:** Similar sized facility in an inferior location. A higher rental rate warranted for the subject's warehouse. A lower rental rate is warranted overall to the subject office component. A similar higher rental rate is warranted for the subject's hardstand. Overall a lower rental rate is warranted.

#### 25 Waterloo Avenue, Thornton



<b>Initial Rental</b>	\$44,160 per annum Net + GST
<b>Lease Commencement</b>	May 2014
<b>Lease Term</b>	3 Years + 3 Year Option
<b>Tenant</b>	Earthmoving Equipment Aus
<b>GBA (\$Rate/m<sup>2</sup>)</b>	320m <sup>2</sup> (\$138/m <sup>2</sup> overall)
	Warehouse (\$130/m <sup>2</sup> )
	Office (\$180/m <sup>2</sup> )

**Comments:** Older style metal clad and roofed steel framed shed located on a 1,703m<sup>2</sup> site. 3 x high clearance roller shutter doors to the rear elevation. Accommodation ground floor office and amenities of 50m<sup>2</sup> and warehouse of 270m<sup>2</sup>. Located within the Thornton industrial estate.

**Comparison:** Smaller facility in a superior location. A lower rental rate warranted for the subject's warehouse. A lower rental rate is warranted overall to the subject with larger office component. Overall a far lower rental rate is warranted.

## Rental Analysis

Office accommodation rentals within similarly located industrial areas indicate a range of between \$95/m<sup>2</sup> (ex GST) for first floor office space in Cardiff to \$180/m<sup>2</sup> (ex GST) for small ground floor accommodation at Thornton.

Warehouse rentals within similarly located industrial areas indicate a range of between \$65/m<sup>2</sup> (ex GST) for warehouse space in Mayfield West to \$130/m<sup>2</sup> (ex GST) for warehouse space at Thornton.

Hardstand rentals range from \$7/m<sup>2</sup> at Mayfield West to \$10/m<sup>2</sup> at Heatherbrae.

Overall rental rates range from \$78/m<sup>2</sup> net for an industrial Property at Mayfield West to \$138/m<sup>2</sup> net for an industrial Property at Thornton.

Having regard to the market evidence, our adopted market rental profile is as follows:

Market Rental Assumptions				Gross Face Assumptions (before semi-gross recoveries)			Net Face Assumptions		
Tenant	Income Type	Component	GLA (m <sup>2</sup> )	Passing (\$/m <sup>2</sup> pa)	Market (\$/m <sup>2</sup> pa)	Differential (%)	Passing (\$/m <sup>2</sup> pa)	Market (\$/m <sup>2</sup> pa)	Differential (%)
Kel Wittaker Smash	Industrial	Workshop	560.0	\$120	\$120	-	\$95	<b>\$95</b>	-
Kel Wittaker Smash	Office	Office	40.0	\$150	\$150	-	\$125	<b>\$125</b>	-
Kel Wittaker Smash	Hardstand	Hardstand	1,750.0	#VALUE!	\$35	#VALUE!	#VALUE!	<b>\$10</b>	#VALUE!

Use	Market Income	\$/m <sup>2</sup> pa
Industrial	\$53,200	\$95
Office	\$5,000	\$125
Hardstand	\$17,500	\$10
<b>Total Rental</b>	<b>\$75,700</b>	<b>\$126</b>
Plus: Outgoings Recoveries	\$15,000	\$25
Gross Income	\$90,700	\$151
Less: Outgoings	\$15,000	\$25
<b>Net Income</b>	<b>\$75,700</b>	<b>\$126</b>
<b>Net Income - excluding hardstand</b>	<b>\$58,200</b>	<b>\$97</b>

## 5.5 Sales Evidence

### Industrial Evidence

#### 58 Mitchell Drive, Cardiff



<b>Sale Price</b>	\$1,100,000 excluding GST
<b>Sale Date</b>	December 2016
<b>GBA (\$Rate/m<sup>2</sup>)</b>	1,062m <sup>2</sup> (\$1,036/m <sup>2</sup> )
<b>Initial Yield</b>	8.82%
<b>Tenancy Details</b>	Leased to 2 separate tenants Tenant 1: Expiring 22/8/18 Tenant 2: Expiring 31/7/19

**Comments:** Metal clad building divided into two tenancies with each tenancy having its own office and amenities. Each workshop is serviced by a two tonne gantry crane and both offer truck access. Tenancy 1 - two years + two years lease term (current expiry 22/08/2018). Tenancy 2 - three years + three years lease term (current expiry 31/07/2019). Building area 1,062m<sup>2</sup> with site area of 2,892m<sup>2</sup>. Leased to two tenants with a Net income of \$97,000 net per annum.

**Comparison:** Similar location. Larger improvements. Superior presentation. Smaller site area. Overall a higher rate per square metre is warranted for the subject having lower site coverage and underlying commercial zoning. A lower yield is warranted over the subject Property subject to a notional 3 year lease and having underlying commercial zoning.

#### 16 Aruma Place, Cardiff



<b>Sale Price</b>	\$1,000,000 excluding GST
<b>Sale Date</b>	June 2016 - exchanged
<b>Site Area</b>	3,366m <sup>2</sup>
<b>GBA (\$Rate/m<sup>2</sup>)</b>	760m <sup>2</sup> (\$1,316/m <sup>2</sup> )
<b>Site Coverage</b>	0.23:1
<b>Tenancy Details</b>	Vacant Possession

**Comments:** An industrial facility comprising a clear span factory of 300m<sup>2</sup> with 3 x high clearance roller doors and 460m<sup>2</sup> of air condition office space. The Property is located on a 3,366m<sup>2</sup> site with concrete hardstand. Metal clad shed with average appeal.

**Comparison:** Similar location. Similar sized improvements. Inferior presentation. Similar site area. Overall a higher rate per square metre is warranted for the subject having lower site coverage and underlying commercial zoning. A



#### 27 Waterloo Avenue, Thornton



<b>Sale Price</b>	\$950,000
<b>Sale Date</b>	July 2016
<b>Site Area</b>	2,164m <sup>2</sup>
<b>GBA (\$Rate/m<sup>2</sup>)</b>	684m <sup>2</sup> (\$1,389/m <sup>2</sup> )
<b>Site Coverage</b>	0.32:1
<b>Initial Yield</b>	Vacant Possession
<b>Tenancy Details</b>	Vacant Possession

**Comments:** Freestanding metal clad shed with ground floor office accommodation. Workshop is Clearspan having 1 x 5 tonne overhead crane and 2 x roller doors. Office accommodation is in good condition and provides reception, 4 x offices and amenities. There are 8 x marked car spaces and concrete driveway/yard. Located within modern industrial estate.

**Comparison:** Similar location. Similar sized improvements. Superior presentation. Smaller site area. Overall a higher rate per square metre is warranted for the subject having lower site coverage and underlying commercial zoning.

#### 10 Paddock Place, Rutherford



<b>Sale Price</b>	\$800,000
<b>Sale Date</b>	June 2016
<b>Site Area</b>	1,309m <sup>2</sup>
<b>GBA (\$Rate/m<sup>2</sup>)</b>	651/m <sup>2</sup> (\$1,229/m <sup>2</sup> ) ex mezzanine or 920m <sup>2</sup> including mezzanine (\$870/m <sup>2</sup> )
<b>Initial Yield</b>	7.53%
<b>Tenancy Details</b>	Leased to MEI Group Pty Ltd and Waxcon Pty Ltd. Expires 5 years from settlement

**Comments:** Industrial warehouse and office facility, constructed with full concrete panel external walls, together with on-site car parking and associated yard storage areas. Agent has advised sale is subject to a New 5 Year Lease on settlement to MEI Group Pty Ltd and Waxcon Pty Ltd.

**Comparison:** Inferior location. Smaller improvements (excluding mezzanine). Superior presentation. Smaller site area. Overall a higher rate per square metre is warranted for the subject having lower site coverage and underlying commercial zoning. A lower yield is warranted over the subject Property subject to a notional 3 year lease and having underlying commercial zoning.

#### 12 Nelson Road, Cardiff



<b>Sale Price</b>	\$900,000 GST Unknown
<b>Sale Date</b>	January 2016
<b>Site Area</b>	2,142m <sup>2</sup>
<b>GBA (\$Rate/m<sup>2</sup>)</b>	877m <sup>2</sup> (\$1,026/m <sup>2</sup> )
<b>Site Coverage</b>	0.41:1
<b>Tenancy Details</b>	Vacant Possession

**Comments:** Older style metal clad and roofed steel framed workshop with a 5 tonne overhead crane and 5 x roller doors. The workshop has 7.5m clearance to the eaves being 645m<sup>2</sup>.

**Comparison:** Similar location. Larger sized improvements. Inferior presentation. Smaller site area. Overall a higher rate per square metre is warranted for the subject having lower site coverage and underlying commercial zoning.

#### 15 Bradmill Avenue, Rutherford



<b>Sale Price</b>	\$1,430,000 ex GST
<b>Sale Date</b>	June 2015
<b>Site Area</b>	3,746m <sup>2</sup>
<b>GBA (\$Rate/m<sup>2</sup>)</b>	1,030m <sup>2</sup> (\$1,388/m <sup>2</sup> )
<b>Site Coverage</b>	0.27:1
<b>Initial Yield</b>	8.39%
<b>Tenancy Details</b>	5+5 years to Austin Engineering

**Comments:** Metal clad and roofed steel framed warehouse with front office building plus on-site parking and leased to an engineering company Austin Engineering on a 5 year lease commencing 1 June 2015 with a passing rent of \$120,000 per annum net + GST.

**Comparison:** Inferior location. Larger improvements. Superior presentation. Overall a higher rate per square metre is warranted for the subject having lower site coverage and underlying commercial zoning. A lower yield is warranted over the subject Property subject to a notional 3 year lease and having underlying commercial zoning.

## **B4 Mixed Use Zoning Evidence**

### **45 Pendlebury Road, Cardiff**

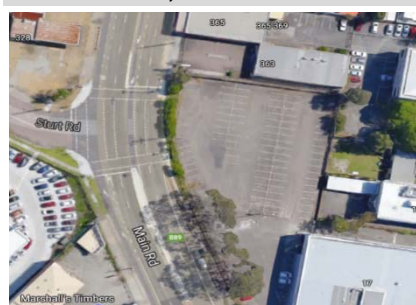


<b>Sale Price</b>	\$2,250,000 excluding GST
<b>Sale Date</b>	April 2016
<b>Site Area</b>	11,689m <sup>2</sup>
<b>\$Rate/m<sup>2</sup></b>	\$192/m <sup>2</sup>
<b>Zoning</b>	B4 Mixed Use

**Comments:** Prime corner site opposite West Leagues Club. Predominantly asphalt hardstand previously utilised as open car park.

**Comparison:** Similar location. Similar zoning. Far larger sized allotment. A higher rate per square metre is warranted for the subject.

### **3A Sturt Road, Cardiff**



<b>Sale Price</b>	\$500,000 excluding GST
<b>Sale Date</b>	November 2015
<b>Site Area</b>	784m <sup>2</sup>
<b>\$Rate/m<sup>2</sup></b>	\$638/m <sup>2</sup>
<b>Zoning</b>	B4 Mixed Use

**Comments:** Located opposite subject comprising an existing residential dwelling built circa 1975 in average condition.

**Comparison:** Similar location. Similar zoning. Smaller sized allotment. A lower rate per square metre is warranted for the subject.

### **357 Main Road, Cardiff**



<b>Sale Price</b>	\$1,300,000 excluding GST
<b>Sale Date</b>	September 2015
<b>Site Area</b>	2,225m <sup>2</sup>
<b>\$Rate/m<sup>2</sup></b>	\$584/m <sup>2</sup>
<b>Zoning</b>	B4 Mixed Use

**Comments:** Prime site with high exposure to Main Road. Predominantly asphalt hardstand previously utilised as open car park.

**Comparison:** Similar location. Similar zoning. Smaller sized allotment. A lower rate per square metre is warranted for the subject.

### **Sales Analysis**

Investment yields range from 7.53% for a modern industrial facility with a new 5 year lease from settlement at Paddock Close, Rutherford to 8.82% for a two industrial unit facility with 1-2 years remaining on the lease at Mitchell Drive, Cardiff. **We have adopted a core capitalisation rate range of 6.75% - 7.25% for the purposes of our valuation assessment subject to a notional 3 year lease and having underlying commercial/development zoning.**

Sales rates per square metre of gross building area range from \$1,026/m<sup>2</sup> for an older style industrial building at Cardiff with site coverage of 0.41:1 to \$1,389/m<sup>2</sup> for a similar sizes industrial building at Thornton with site coverage of 0.32:1. **We believe a range of \$1,700/m<sup>2</sup> - \$1,800/m<sup>2</sup> is appropriate in this instance given the low site coverage and having underlying commercial/development zoning.**

Analysed B4 Mixed Use Zoning sales evidence within the immediate area provide a dollar rate per square metre range of \$192/m<sup>2</sup> for a far larger size of 11,689m<sup>2</sup> to \$638/m<sup>2</sup> for a smaller site of 784m<sup>2</sup>. **We have adopted a rate of \$300/m<sup>2</sup> to \$400/m<sup>2</sup> for the purpose of this assessment due to the location, land size and zoning of the Property.**

## 6 Valuation Rationale

### 6.1 Valuation Methodology and Considerations

In assessing the Fair Value, the appropriate method of assessment is considered to be via reconciliation between the capitalisation and direct comparison methods, with rents and yields assessed on a consistent net face basis unless otherwise stated.

### 6.2 Capitalisation Approach

Under this approach, the assessed net face market income as at the date of valuation is capitalised at an appropriate market yield to establish the Property's Fair Value fully leased. Appropriate capital adjustments are then made where necessary to reflect the specific cash flow profile and the general characteristics of the Property.

We have adopted a core capitalisation rate range of 6.75% - 7.25% for the purposes of our valuation assessment subject to a notional 3 year lease and having underlying commercial/development zoning.

**Our calculations under this basis of valuation are as follows:-**

8 Sturt Road, Cardiff  
**Capitalisation Approach**

Valuation Date: 29/03/2017

**Core Market Yield Basis**

**Market Income**

Industrial		\$53,200	
Office		\$5,000	
Hardstand		\$17,500	
		<b>\$75,700</b>	
Plus: Outgoings Recoveries		\$15,000	
<b>Gross Annual Income</b>		<b>\$90,700</b>	
Less: Outgoings		\$15,000	
<b>Net Annual Income</b>		<b>\$75,700</b>	
Capitalised at	<b>6.75%</b>	<b>7.00%</b>	<b>7.25%</b>
Core Value Range (assuming fully leased)	<b>\$1,121,481</b>	<b>\$1,081,429</b>	<b>\$1,044,138</b>
Rate per m <sup>2</sup> of Lettable Area	\$1,869	\$1,802	\$1,740

**Adjustments**

Net Present Value of Rental Reversions (Note 1)	\$0	\$0	\$0
<u>Current Vacancy Allowances (Note 2)</u>			
Leasing Downtime	\$0	\$0	\$0
Leasing Incentives	\$0	\$0	\$0
Agents Fees & Leasing Costs (Note 4)	\$0	\$0	\$0
<u>Imminent Expiry Allowances (Note 3)</u>			
Leasing Downtime over next 12 mths	\$0	\$0	\$0
Leasing Incentives for New Leases next 12 mths	\$0	\$0	\$0
Agents Fees & Leasing Costs (Note 4) 12 mths	\$0	\$0	\$0
<u>Outstanding Leasing Incentives (Note 5)</u>			
PV of Rebates	\$0	\$0	\$0
PV of Capital Incentives	\$0	\$0	\$0
PV of Rent Free Incentives	\$0	\$0	\$0
<u>Capital Expenditure (Note 6)</u>			
Make good at Expiries over next 12 mths	\$0	\$0	\$0
Other/Budgeted Capital Expenditure over next 36 mths	\$0	\$0	\$0
<b>Total Adjustments</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Resultant Capitalisation Value Range</b>	<b>\$1,121,481</b>	<b>\$1,081,429</b>	<b>\$1,044,138</b>
Rate per m <sup>2</sup> of Lettable Area	\$1,869	\$1,802	\$1,740

**Capitalisation Approach - Explanatory Notes:**

**Note 1 - Net Present Value of Rental Reversions**

Rental reversions are nil. \$0

**Note 2 - Current Vacancy Allowances**

Nil allowances as there are no vacancies  
Industrial: 6.0 mths leasing downtime

**Note 3 - Imminent Expiry Allowances**

Imminent Expiry allowances are nil.

The incentive probability is considered to reflect a balance between the full incentive granted to incoming tenants and the reduced incentives typically provided to sitting tenants.

**Note 4 - Agents Fees & Leasing Costs**

Agents Fees & Leasing Costs are nil.

**Note 5 - Outstanding Leasing Incentives**

Outstanding Lease Incentives are nil.

**Note 6 - Capital Expenditure**

Immediate Capital Expenditure is nil.

Beyond the first 12 months, the commencing make good allowances are inflated annually by CPI at tenant retention rates detailed within our DCF inputs summary.

**We have arrived at a rounded Fair Value Range based on the capitalisation method of \$1,044,000 excluding GST to \$1,121,000 excluding GST subject to notional 3 year lease and underlying commercial/development zoning.**



## 6.3 Direct Comparison Approach

### *Industrial*

This approach identifies comparable sales on a dollar rate per square metre of gross building area and compares the equivalent rates to the subject to establish the Property's Fair Value. This approach is somewhat subjective given the fact that specific items of income and expenditure are difficult to directly reflect and compare when adopting a rate per metre.

We have adopted a range of \$1,700/m<sup>2</sup> to \$1,800/m<sup>2</sup> for the building area due to the location and nature of the improvements which produces the following calculations:

Building Area	600m <sup>2</sup>	@ \$1,700/m <sup>2</sup>	\$1,020,000
Building Area	600m <sup>2</sup>	@ \$1,800/m <sup>2</sup>	\$1,080,000

**We have arrived at a rounded Fair Value Range of \$1,020,000 excluding GST to \$1,080,000 excluding GST on a rate per square metre basis, subject to notional 3 year lease and underlying commercial/development zoning.**

### *B4 Mixed Use Zoning*

This approach identifies comparable sales on a dollar rate per square metre of site area and compares the equivalent rates to the subject to establish the Property's Fair Value.

We have adopted a range of \$300/m<sup>2</sup> to \$400/m<sup>2</sup> for the site area due to the location, land size and zoning of the Property which produces the following calculations:

Site Area	2,943m <sup>2</sup>	@ \$300/m <sup>2</sup>	\$882,900 SAY \$883,000
Site Area	2,943m <sup>2</sup>	@ \$400/m <sup>2</sup>	\$1,177,200 SAY \$1,177,000

**We have arrived at a rounded Fair Value Range of \$883,000 excluding GST to \$1,177,000 excluding GST on a rate per square metre basis of the site area given the underlying commercial/development zoning.**

## 6.4 Valuation Reconciliation

The resultant values under the primary bases of valuation are noted below.

Valuation Approach			
Capitalisation Approach	\$1,044,000	to	\$1,121,000
Direct Comparison Approach – Building Area	\$1,020,000	to	\$1,080,000
Direct Comparison Approach – Site Area	\$883,000	to	\$1,177,000

**Based upon the analysis, we have adopted \$1,075,000 excluding GST as the Fair Value of the Property subject to notional 3 year lease and underlying commercial/development zoning for Superannuation Purposes.**

The adopted value reflects the following investment and value parameters:

### Results Summary

Reversionary Yield	7.04%
Core Market Yield	<b>7.04%</b>
Rate per square metre of GBA	\$1,792/m <sup>2</sup>
Rate per square metre of Site Area	\$365/m <sup>2</sup>

### Yield Definitions

**\*Core Market Yield** = the percentage return/yield analysed when the assessed fully leased net market income is divided by the adopted value/price plus adjustments to account for property specific issues (i.e. rental reversions, rental downtime for imminent expiries, capital expenditure, current vacancies, incentives, etc). In essence, this yield is risk adjusted.

**\* Passing Initial Yield** = the percentage return/yield based upon the current passing net income divided by the adopted value/price. No other adjustments are made. Can also be referred to as the passing yield.

**\*Reversionary Yield** = the percentage return/yield based upon the fully leased net market income divided by the adopted value/price. No other adjustments are made.

## 7 Valuation Certification

Acting under instructions from Sidcor Chartered Accountants on behalf of Kelvin Whittaker and Sue Whittaker, Knight Frank Newcastle has undertaken a valuation of 8 Sturt Road, Cardiff NSW 2285. We confirm that we have inspected the Property as described herein and have prepared this report.

Subject to the overriding stipulations contained within the body of this report, we are of the opinion that the Fair Value of the subject Property assuming a sale of the unencumbered freehold interest, subject to a notional 3 year lease at market rent, as at 29 March 2017 for Superannuation purposes is:

**\$1,075,000 (excluding GST)**

*(One Million and Seventy Five Thousand Dollars (excluding GST))*

This certificate of valuation forms part of, and should not be used or read independently from, the complete report.



**MARK RADOSAVLJEV** MProDev AAPI  
Certified Practising Valuer



**JOHN HARRINGTON**  
Director  
*(Counter-signatory only)*

### **Knight Frank Newcastle**

***Disclaimer – Important Notice to Third Parties***

*This report is prepared for the private and confidential use of the reliance party/parties named in Section 1.1 of this report, and only for the purpose outlined in Section 1.1. It should not be relied on by the nominated party/parties for any other purpose and should not be reproduced in whole or part for any other purpose without the express written consent of Knight Frank Newcastle. Any party that is not named as a reliance party/parties may not rely on this report for any purpose and should obtain their own valuation before acting in any way in respect of the subject property.*

**Liability limited by a scheme approved under Professional Standards Legislation.**



---

LETTER OF INSTRUCTION

---

## Frances Gray

---

**Subject:** FW: Matt Hunt and Cassi Carpenter to meet with Kelvin & Sue Whittaker

**From:** Matthew Hunt [<mailto:MatthewHunt@sidcor.com.au>]

**Sent:** Wednesday, 29 March 2017 10:40 AM

**To:** Mark Rados <[Mark.Rados@au.knightfrank.com](mailto:Mark.Rados@au.knightfrank.com)>

**Subject:** RE: Matt Hunt and Cassi Carpenter to meet with Kelvin & Sue Whittaker

Hi

Please proceed. Thanks

---

**From:** Mark Rados [<mailto:Mark.Rados@au.knightfrank.com>]

**Sent:** Monday, 27 March 2017 5:00 PM

**To:** Matthew Hunt <[MatthewHunt@sidcor.com.au](mailto:MatthewHunt@sidcor.com.au)>

**Subject:** RE: Matt Hunt and Cassi Carpenter to meet with Kelvin & Sue Whittaker

Hi Mate,

I will give them a call tomorrow and arrange a time. Will get sales guy to come out also to have a chat.

Valuation fee will be \$1,000 + GST. Can get this done for you in about 7-10 days but will inspect this week.

If this sounds ok give me the go ahead and we can invoice Sidcor on completion.

Cheers,

Mark.

---

**From:** Matthew Hunt [<mailto:MatthewHunt@sidcor.com.au>]

**Sent:** Monday, 27 March 2017 4:51 PM

**To:** 'Sue Whittaker' <[sueandkel5@gmail.com](mailto:sueandkel5@gmail.com)>

**Cc:** Mark Rados <[Mark.Rados@au.knightfrank.com](mailto:Mark.Rados@au.knightfrank.com)>; Todd Henderson <[ToddHenderson@sidcor.com.au](mailto:ToddHenderson@sidcor.com.au)>

**Subject:** RE: Matt Hunt and Cassi Carpenter to meet with Kelvin & Sue Whittaker

Hi Sue

Mark Rados from Knight Frank will give him a call

Mark – 10 Sturt Rd Cardiff

Cheers,

**Matthew Hunt**

*Client Director*

50 Hunter Street, Newcastle NSW 2300

PO Box 831, Newcastle NSW 2300

**T:** 02 4926 5299 | **F:** 02 4926 5399 | **W:** [www.sidcor.com.au](http://www.sidcor.com.au)

# SIDCOR

**Tax Experts.  
Strategic Advisors.  
Proactive Accountants.**

2015 **BRW** Top 100  
Accounting Firms

**GREAT PLACE TO WORK** Best Places to Work 2014  
Australia  
**BRW**

**GREAT PLACE TO WORK** Best Places to Work 2013  
Australia  
**BRW**

Confidentiality and Disclaimer:

The contents of this e-mail are confidential and are intended for the named recipient(s) only. If you are not the intended recipient you are hereby notified that any use, disclosure or distribution of the information contained in this e-mail is prohibited. If you have received this in error, please notify the sender immediately, and delete the e-mail and any attachments. SiDCOR has implemented anti-virus software and whilst all care is taken, it is the recipient's responsibility to ensure that the message and any attachments are scanned for viruses prior to use.

Liability is limited by the Accountant's Scheme approved under the Professional Standards Act 1994 (NSW)

---

**From:** Sue Whittaker [<mailto:sueandke15@gmail.com>]

**Sent:** Monday, 27 March 2017 4:44 PM

**To:** Matthew Hunt <[MatthewHunt@sidcor.com.au](mailto:MatthewHunt@sidcor.com.au)>

**Subject:** Re: Matt Hunt and Cassi Carpenter to meet with Kelvin & Sue Whittaker

Hi Matt

Can you arrange for the workshop to be valued. Just get them to ring Kel on 0411519188 to work out a appropriate time

Thank you

Sue Whittaker

On 15 Mar 2017, at 3:00 PM, Matthew Hunt <[MatthewHunt@sidcor.com.au](mailto:MatthewHunt@sidcor.com.au)> wrote:

<mime-attachment.ics>



**Mark Rados** MProDev, AAPI, CPV

Valuer

Valuation & Consultancy

Knight Frank Newcastle

Suite 1 Ground Floor

168 Parry Street

Newcastle NSW 2300

Australia

T: +61 2 4920 5721

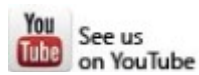
M: +61 401 492 277

[mark.rados@au.knightfrank.com](mailto:mark.rados@au.knightfrank.com)

[KnightFrank.com.au](http://KnightFrank.com.au)

Save a tree - we only print emails we need to.





LIABILITY LIMITED BY A SCHEME APPROVED UNDER PROFESSIONAL  
STANDARDS LEGISLATION

For the latest market trends, property listings and an integrated mix of property, financial, management and consulting services, see our website.

<http://www.knightfrank.com.au>

This email is intended solely for its addressee. The contents are confidential and may be legally privileged or subject to copyright. Any unauthorised access, disclosure, use or copying is strictly prohibited and may be unlawful. If you have received this email in error, please notify the sender by return email immediately and then delete it.

Any views expressed in the email are those of the individual sender, except where the sender specifically states them to be the views of Knight Frank.

Email is not secure and there is a risk messages may be corrupted in transmission.

---

**TITLE DOCUMENTS**

---

LAND AND PROPERTY INFORMATION NEW SOUTH WALES - TITLE SEARCH

FOLIO: 14/600474

-----

SEARCH DATE	TIME	EDITION NO	DATE
-----	----	-----	----
30/3/2017	11:18 AM	4	30/5/2013

LAND

----

LOT 14 IN DEPOSITED PLAN 600474

AT CARDIFF

LOCAL GOVERNMENT AREA LAKE MACQUARIE

PARISH OF KAHIBAH COUNTY OF NORTHUMBERLAND

TITLE DIAGRAM DP600474

FIRST SCHEDULE

-----

KELVIN MARTIN WHITTAKER

DENISE MAREE WHITTAKER

AS JOINT TENANTS

(T AH771622)

SECOND SCHEDULE (3 NOTIFICATIONS)

-----

1 RESERVATIONS AND CONDITIONS IN THE CROWN GRANT(S)

2 A711411 LAND EXCLUDES MINERALS AND IS SUBJECT TO RIGHTS TO  
MINE

3 A711411 COVENANT

NOTATIONS

-----

UNREGISTERED DEALINGS: NIL

\*\*\* END OF SEARCH \*\*\*

PLAN FORM 2

Plan Drawing only to appear in this space

OFFICE USE ONLY

Signatures and seals only.

THE COMMON SEAL OF  
R. HALL & SON (PHARMACEUTICAL)  
PTY. LIMITED was hereunto  
affixed in the presence of:



Council Clerk's Certificate

I hereby certify that -  
(a) the requirements of the Local Government Act, 1919  
(b) the requirements of the requirements for the registration of  
plans, and  
(c) the requirements of section 348 of the Metropolitan  
Water-Sewerage-and-Drainage-Act-1926, as amended,  
(Water District Water, Sewerage, and Drainage Act,  
1926, as amended)  
have been complied with by the applicant in relation to the  
proposed  
SUBDIVISION  
(Insert "new road", "subdivision" or "consolidated lot") set out herein  
Subdivision No. 16380/5.16380  
Done ...11.11.1978...  
(Signature) ...  
Council Clerk

\*This part of certificate to be deleted where the application is only  
for a consolidated lot or the opening of a new road or where the land  
to be subdivided is wholly outside the area of operation of the  
Metropolitan Water-Sewerage-and-Drainage Board and the Hunter  
District Water Board.  
(Delete if inapplicable).

M.P.D.

WARNING: CREASING OR FOLDING WILL LEAD TO REJECTION

I, Bruce Richard Davies, Registrar General for New South Wales, certify  
that this negative is a photograph made as a permanent record of a  
document in my custody this 30th day of March, 1977

D.P. 600474

Registered: 1-3-1979

CA: No 14320 & 14321 of 11-10-1978

Title System: TORRENS

Purpose: SUBDIVISION

Ref. Map: U5450-61

Last Plan: D.P. 9634

PLAN OF SUBDIVISION OF PART  
OF LOTS 103 AND 104 D.P.9634

Reduction Ratio 1: 600  
Lengths are in metres.

Mun./Shire  
LAKE MACQUARIE

Locality: CARDIFF

Parish: KAHIBAH

County: NORTHUMBERLAND

This is sheet 1 of my plan for sheets.

(Delete if inapplicable).

WILLIAM SYDNEY PARKER

or PALMER BRUNN & WALPOLE-NEWCASTLE

a surveyor registered under the Surveyors Act, 1926, as amended, hereby certify that the survey represented in this

plan is accurate and has been made in accordance with the Survey

Practise Regulations, 1923, and was completed on 1

15-9-1978

Signature

Surveyor registered under Surveyors Act, 1926, as amended.

Datum Line of Armagh, N.

(Strike out either (1) or (2)). Insert date of survey.

Panel for use only for statements of intention

to dedicate public roads or to create public res-

erves, drainage reserves, easements or restrictions

as to user.

SURVEYOR'S REFERENCE: S116M