

Ref: LO:C113029  
19 June 2018

ABN: 43 152 831 126

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## Valuation Report

**41 Park Road, Milton Qld 4064**

**Instructed By**

**Himanshu Pandey, Westpac Banking Corporation**

**Prepared For**

**Westpac Banking Corporation**

**Date of Valuation**

**7 June 2018**

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

## Executive Summary (to be read in conjunction with the body of this report)

### Valuation Details

<b>Address</b>	41 Park Road, Milton Qld 4064
<b>Instructing Party</b>	Himananshu Pandey, Westpac Banking Corporation
<b>Prepared For</b>	Westpac Banking Corporation
<b>Purpose</b>	Mortgage Security
<b>Interest Valued</b>	Unencumbered Fee Simple
<b>Registered Owner</b>	Chris Hall Family Super Properties Pty Ltd as Trustee
<b>Date of Valuation</b>	7 June 2018
<b>Date of Inspection</b>	7 June 2018



### Property Details

<b>Land Area</b>	671m <sup>2</sup>
<b>Zoning</b>	District Centre (Corridor) Zone
<b>Net Lettable Area</b>	1,136m <sup>2</sup>
<b>Brief Description</b>	The property comprises a regular shaped parcel of land positioned to the corner of Park Road and Douglas Street, centrally located within the Milton commercial / retail precinct. The land is improved with a freestanding three level commercial building originally an office / warehouse building which has been converted to retail, commercial service and commercial office accommodation. There are no onsite car parks and access to the second level is via stairs only. Due to the natural topography of the land, the ground level tenancies front Douglas Street, and the first floor front tenancy fronts Park Road with direct access to the first floor tenancies from Park Road. The building presents to a good standard and most of the tenancies are internally lined with plasterboard and have suspended grid ceilings with ducted air conditioning and recessed lighting. Some of the tenancies have their own amenities however most share the common amenities.

### Tenancy Details

<b>No. of Tenancies</b>	<b>11</b>	<b>Current Vacancy</b>	<b>2 (owner occupied spaces)</b>
<b>WALE (by area)</b>	<b>2.5 years</b>	<b>WALE (by income)</b>	<b>2.8 years</b>

With the exception of Chris Hall Photography (60m<sup>2</sup>) and Y.E.M. (45m<sup>2</sup>) which are owner occupied and therefore treated as vacant, the building is fully leased. All of the leases have been negotiated on a gross basis with annual fixed increases of between 0% and 5%. The passing gross rents range from \$359/m<sup>2</sup> and \$555/m<sup>2</sup> depending on size, position and frontage. With the exception of Chiropractix and Ella Moda, we believe the current rentals being paid are within market parameters and we have adopted these rentals within our Calculations. The current rent for Chiropractix appears to be above market while the rent for Ella Moda appears to be slightly below market. We have adopted gross rental rates of \$400/m<sup>2</sup> and \$320/m<sup>2</sup> for the two owner occupied spaces.

### Financial Details

	<b>Passing</b>	<b>Market</b>
<b>Gross Annual Income</b>	440,147	471,874
<b>Estimated Annual Outgoings</b>	121,682	121,682
<b>Vacancy Allowance (1.54%)</b>		9,437
<b>Total Net Income</b>	318,465	340,755
<b>Overall Net Income \$/m<sup>2</sup></b>		\$300/m <sup>2</sup>

## Valuation Conclusions

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**Adopted Value**      **\$5,000,000 GST exclusive**  
                                 **(Five Million Dollars)**

<b>Initial Passing Yield</b>	6.37%
<b>Analysed Market Yield</b>	6.75%
<b>Reversionary Yield</b>	6.82%
<b>IRR (10 years)</b>	6.52%
<b>Direct Comparison</b>	\$4,401/m <sup>2</sup> NLA

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### Definitions:

**Initial yield** – passing income / adopted value

**Analysed market yield** – assessed net market income / adopted value less present value of adjustments

**Reversionary yield** – assessed net market income / adopted value

**Internal rate of return** – is the discount rate where the net present value equals zero

## Qualifications

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- While all reasonable endeavours have been made to clarify the accuracy of the information provided, it is assumed the information provided by Mr Chris Hall (owner) consists of a full and frank disclosure of all information that is relevant.
  - We have assumed the property is free of all easements, encumbrances and interests other than those listed and there are no encroachments outside the boundaries of the Plan.
  - We have assumed all necessary town planning and approvals for the existing building have been obtained and complied with.
  - We have assumed the improvements are structurally sound with no major service defects and comply with relevant Statutory Authority codes and standards.
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## **1. Instructions**

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### **1.1. Brief**

Written instructions, letter dated 1 June 2018, were received from Himanshu Pandey of Westpac Banking Corporation to assess the current market value of 41 Park Road, Milton.

The report has been prepared for the private and confidential use of Westpac Banking Corporation and it may not be reproduced in whole or in part or relied upon for any other purpose or by any party other than the above without our written authority.

A copy of the letter of instructions is included in the Appendices.

### **Qualification**

Unless otherwise stated, all financial information and valuation calculations in this report exclude GST.

Accordingly, the treatment of GST can be handled in a number of ways with respect to the subject property. Being a commercial property, it is most likely that the “going concern” method of handling GST will be adopted, and therefore the transaction can be GST exempt. Alternatively, a vendor may require a notional purchaser to pay GST in addition to the purchase price, with such purchaser able to claim back this payment as an input tax credit. As a third method, the vendor and purchaser may elect to adopt the margin scheme, with the purchaser paying GST on the margin or difference in value of the property between the current date and 1 July 2000.

Our valuation is expressed GST exclusive.

This valuation is based on the assumptions relating to GST set out above. If any of these assumptions are found to be incorrect, or if the party on whose instructions this valuation is provided wishes our valuation to be based on different assumptions, this valuation should be referred back to us for comment and, in appropriate cases, amendment.

### **1.2. Purpose of Valuation**

This valuation has been prepared to assess the market value of the property for mortgage security purposes. We consider the property suitable for first mortgage security purposes.

This report also complies with the Seventh Edition of the Australia and New Zealand Valuation and Property Standards (dated January 2012).

### **1.3. Date of Inspection**

7 June 2018

### **1.4. Date of Valuation**

7 June 2018

### **1.5. Basis of Valuation**

The valuation is based on the following definitions and is current as at the Date of Valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period, (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of 90 days from the Date of the Valuation, or such earlier date if an event occurs which has an impact on the valuation.

#### **Market Value**

The International Valuation Standards Committee defines market value as:

*“..... the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”*

The value assessed assumes a professional marketing campaign and reflects a selling period of no more than six months.

#### **Market Rent Definition**

The *Australian Property Institute* defines market rent as follows:

*" Market rent is the estimated amount for which a property, or space within a property, should lease on the Date of Assessment between a willing lessor and a willing lessee on appropriate lease terms in an arms’-length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."*

The rent is assessed on the assumption that the premises are vacant and are fit for immediate occupation and ignoring any lessee's improvements or goodwill attaching to the premises by reason of the lessee's business.

## **2. Risk Assessment**

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### **2.1. Cash Flow**

- The property is divided into 11 tenancies over three levels.
- With the exception of Chris Hall Photography (60m<sup>2</sup>) and Y.E.M. (45m<sup>2</sup>) which are owner occupied and therefore treated as vacant, the building is fully leased.
- All of the leases are on a gross basis with annual fixed increases of between 0% and 5%. The passing gross rents range from \$359/m<sup>2</sup> and \$555/m<sup>2</sup> depending on size, position and frontage.
- With the exception of Chiropractix and Ella Moda, we believe the current rentals being paid are within market parameters and we have adopted these rentals within our Calculations. The current rent for Chiropractix appears to be above market while the rent for Ella Moda appears to be slightly below market. We have adopted gross rental rates of \$400/m<sup>2</sup> and \$320/m<sup>2</sup> for the two owner occupied spaces.
- We have included an annual vacancy allowance of 2%.
- The outgoings are estimated at \$107/m<sup>2</sup> which is considered to be reasonable given the nature, size and location of the property.
- We consider the re-leasability of the building to be sound and would expect that new tenants could be found within 3 – 6 months.

### **2.2. Asset**

- The property occupies a prime corner position within Milton.
- The property offers a good standard of retail, commercial service and commercial office accommodation.
- There are no onsite car parks.
- The property is in close to major public transport including ferry, rail and bus.

### **2.3. Market**

- Enquiry and activity levels in the industrial property market have improved from 2014 to date.
- Demand is considered reasonable so long as the sale price is realistic.
- The estimated selling period is 3 – 6 months with a professional marketing campaign.
- Key positives – position / location, surrounding transport networks, standard of accommodation, street frontages and access.
- Due to the size and presentation of the property, its position and location, it is expected that the property would attract a good level of interest from investors.

### **2.4. Lending Cautions**

- The property has a WALE of 2.5 years (by area).
- There are no car parks which could have a detrimental impact on the leasability and saleability of the tenancies / property.

### 3. Title Details

#### 3.1. Title Search

#### CURRENT TITLE SEARCH

NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND

Request No: 28806360

Search Date: 07/06/2018 13:16

Title Reference: 18155117

Date Created: 12/06/1991

Previous Title: 15615161

#### REGISTERED OWNER

Dealing No: 712717999 09/09/2009

CHRIS HALL FAMILY SUPER PROPERTIES PTY LTD

A.C.N. 136 636 416 TRUSTEE

UNDER INSTRUMENT 712717999

#### ESTATE AND LAND

Estate in Fee Simple

LOT 1 REGISTERED PLAN 154522

Local Government: BRISBANE CITY

#### EASEMENTS, ENCUMBRANCES AND INTERESTS

1. Rights and interests reserved to the Crown by  
Deed of Grant No. 19551084 (WSA 14)
2. LEASE No 707495223 20/02/2004 at 11:20  
DANIEL KELLY  
AMANDA KELLY JOINT TENANTS  
OF PART OF THE GROUND FLOOR
3. TRANSFER No 710300449 31/01/2007 at 16:07  
LEASE: 707495223  
VICTOR REGINALD COLLINS  
NOELA ANN COLLINS TRUSTEE  
UNDER INSTRUMENT 710300449
4. LEASE No 711585421 17/04/2008 at 12:48  
RESHAPE PTY LTD A.C.N. 128 801 669  
OF PART OF THE GROUND FLOOR (LEASE C)  
TERM: 25/01/2008 TO 24/01/2011 OPTION NIL
5. MORTGAGE No 712718000 09/09/2009 at 12:54  
WESTPAC BANKING CORPORATION A.B.N. 33 007 457 141
6. LEASE No 713187534 20/04/2010 at 11:51  
MARK RABONE  
OF PART OF THE GROUND FLOOR (LEASE B1)  
TERM: 01/03/2010 TO 28/02/2015 OPTION NIL
7. LEASE No 713606124 03/12/2010 at 12:26  
PETER GREGORY BAKKER  
OF PART OF THE FIRST LEVEL (LEASE 1B)  
TERM: 01/09/2010 TO 31/08/2012 OPTION 3 YEARS



## CURRENT TITLE SEARCH

NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND

Request No: 28806360

Search Date: 07/06/2018 13:16

Title Reference: 18155117

Date Created: 12/06/1991

### EASEMENTS, ENCUMBRANCES AND INTERESTS

8. LEASE No 713777338 25/03/2011 at 11:49  
JOHNGAY PTY LTD A.B.N. 48 145 827 532  
OF PART OF THE GROUND FLOOR (LEASE D1)  
TERM: 01/03/2011 TO 29/02/2016 OPTION 3 YEARS

9. LEASE No 717650265 16/11/2016 at 12:06  
DEAN PROPERTY TEAM PTY LTD A.C.N. 165 282 440  
OF PART OF THE GROUND FLOOR (LEASE G6)  
TERM: 22/08/2016 TO 21/08/2019 OPTION 3 YEARS

ADMINISTRATIVE ADVICES - NIL

UNREGISTERED DEALINGS - NIL

CERTIFICATE OF TITLE ISSUED - No

Caution - Charges do not necessarily appear in order of priority

\*\* End of Current Title Search \*\*

## Summary

Real Property Description	Lot 1 on Registered Plan 154522
Local Government	Brisbane City
Title Reference	18155117
Registered Owner	Chris Hall Family Super Properties Pty Ltd A.C.N. 136 636 416 as Trustee under Instrument No. 712717999

## 3.2. Easements, Encumbrances and Interests


- Rights and interests reserved to the Crown by Deed of Grant No. 19551084 (WSA 14)
- Lease No. 707495223 dated 20 February 2004 to Daniel and Amanda Kelly as joint tenants of part of the ground floor
- Transfer No. 7010300449 dated 31 January 2007 of Lease: 707495223 to Victor Reginald and Noela Ann Collins as Trustee under Instrument 710300449
- Lease No. 711585421 dated 17 April 2008 to Reshape Pty Ltd A.C.N. 128 801 669 of part of the ground floor (Lease C); Term: 25/01/2008 to 24/01/2011 Option Nil
- Mortgage No. 712718000 dated 9 September 2009 to Westpac Banking Corporation A.B.N. 33 007 457 141
- Lease No. 713187534 dated 20 April 2010 to Mark Rabone of part of the ground floor (Lease B1); Term: 01/03/2010 to 28/02/2015 Option Nil
- Lease No. 713606124 dated 3 December 2010 to Peter Gregory Bakker of part of the first level (Lease 1B); Term: 01/09/2010 to 31/08/2012 Option 3 Years
- Lease No. 713777338 dated 25 March 2011 to Johngay Pty Ltd A.B.N. 48 145 827 532 of part of the ground floor (Lease D1); Term: 01/03/2011 to 29/02/2016 Option 3 Years
- Lease No. 717650265 dated 16 November 2016 to Dean Property Team Pty Ltd A.C.N. 165 282 440 of part of the ground floor (Lease G6); Term: 22/08/2016 to 21/08/2019 Option 3 Years

Our valuation takes into account the effect, if any, on the value of the interest valued of any easements, encumbrances and interests registered on the included copy of the Current Title Search and Registered Plan obtained from the *Department of Natural Resources and Mines*. It assumes that there are no other easements, encumbrances and interests other than those recorded on Title.

As no identification survey has been sighted, the valuation is made on the basis that there are no encroachments or restrictions by or upon the property and this should be confirmed by a survey report and/or advice from a Registered Surveyor. If any encroachments are noted on the survey report we should be consulted to reassess if there is any impact on the value stated in this report.

## 4. Planning and Development Controls

### 4.1. Planning Overview

Local Authority	Brisbane City Council
Planning Scheme	Brisbane City Plan 2014
Zoning	District Centre (Corridor) Zone
	 <p>Brisbane City Plan 2014 Zoning Map Extract</p>
Zoning Purpose	<p>District zone precinct overall outcomes are:</p> <ul style="list-style-type: none"> <li>(a) Development ensures an intensity and form that maintains a human scale, respects existing heritage, character and grain and is of a height that complements surrounding residential areas.</li> <li>(b) Development creates a centre which provides localised access to goods and services.</li> <li>(c) Development provides for a medium rise built form of a height similar to surrounding residential areas.</li> </ul> <p>Corridor zone precinct overall outcomes are:</p> <ul style="list-style-type: none"> <li>(a) Development provides for a greater intensity of economic activity at highly accessible Growth Nodes on Selected Transport Corridors that are associated with high-frequency public transport stations or interchanges, to serve a growing population.</li> <li>(b) Development creates a mixed use centre of commercial, retail and residential activities and local services capitalising on its location at a key public transport node.</li> <li>(c) Development provides for a more intense built form than in the District zone precinct, with the bulk and scale of the building reflecting the purpose of the centre, its level of accessibility, position within the city, distinctive identity, desired built form and local character and values.</li> </ul>
Use Assessment	The current use of the land for office purposes is a conforming land use within this Zoning.
Constraints	<p>Streetscape Hierarchy Overlay</p> <p>Critical Infrastructure And Movement Network Overlay</p> <p>Airport Environs Overlay</p> <p>Potential and Actual Acid Sulfate Soils Overlay</p> <p>Milton Station Neighbourhood Plan – Mixed Use Centre Precinct</p> <p>Road Hierarchy Overlay</p> <p>Bicycle Network Overlay</p> <p>Industrial Amenity Overlay</p> <p>Traffic, Parking Control or Residential Parking Permit Area</p> <p>Flood Overlay – Brisbane River Flood Planning Area Sub 5 Sub-Category</p>
Qualifications	We have not obtained a Certificate of Classification, however for the purpose of this valuation we have assumed that all necessary town planning and building approvals and consents for the existing development have been obtained and complied with.

#### **4.2. Department of Natural Resources and Mines Site Value**

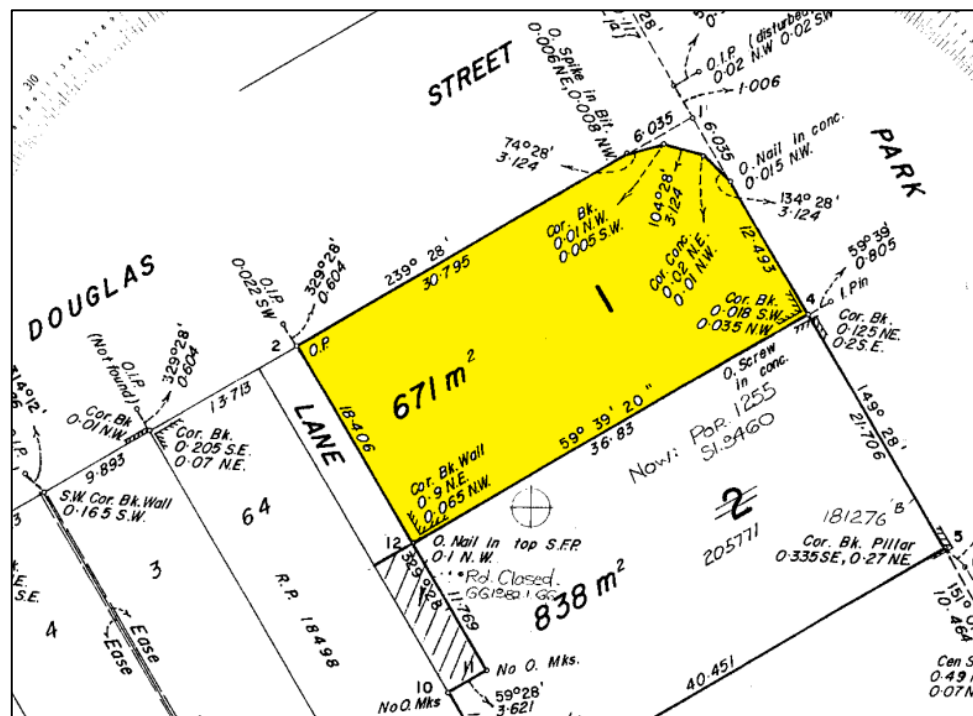
For rating and taxing purposes the site values have been assessed at \$1,850,000 (\$2,757/m<sup>2</sup>)

Date of Valuation 31 October 2016 | Date of Effect 30 June 2017

This Site Value results in a Land Tax liability of \$26,950 based on a single entity company/trustee ownership basis.

## 5. Land

### 5.1. Land Details



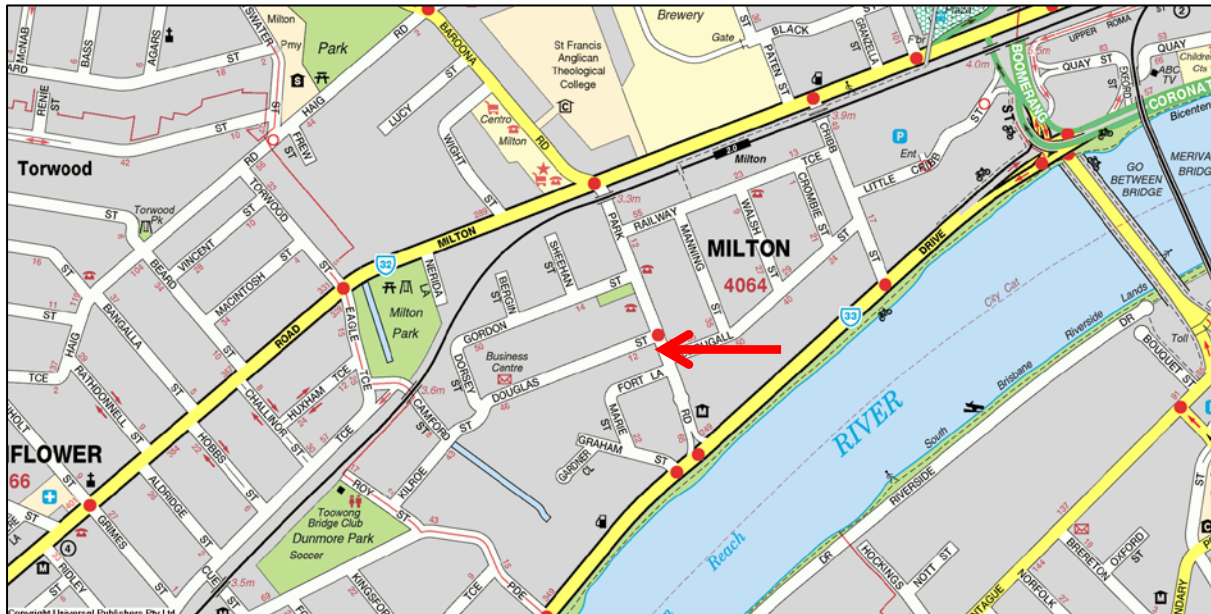
Registered Plan Extract

Land Size	671m <sup>2</sup>
Street Frontages	The site comprises a regular shaped corner lot. Park Road frontage – 18.058 metres Douglas Street frontage – 36.83 metres
Topography	In its natural form, the land slopes from the Park Road frontage to the rear alignment. Due to the natural topography of the land, the ground level tenancies front Douglas Street and the first floor front tenancy fronts Park Road with direct access to the first floor tenancies from Park Road.
Flooding	Our search of the Brisbane City Council, FloodWise Property Report indicates the minimum ground level is 7.9 metres Australian Height Datum (AHD) and the maximum ground level is metres 13.1 AHD. Based on the most recent Council information the Residential Flood Level (RFL) 5.4 metres AHD from the Brisbane River.
Services	Services available include electricity, town water, sewerage and telephone.
Other Comments	We are unaware of any planned changes in the area, such as amended road patterns, population and demographic movements, Council requests or plans, which may result in an adverse effect to the market value of the property.



## 5.2. Location & Surrounding Development

The property is positioned to the south-western corner of Park Road and Douglas Street approximately 200 metres north of the intersection of Park Road and Coronation Drive and 2 kilometres radially west of the Brisbane GPO.



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The surrounding development includes commercial, retail, and medium density residential uses.



Aerial photograph (19 May 2018) showing the subject and surrounding development

### 5.3. Roads, Access and Exposure

At the front of the property, Park Road is a four lane bitumen sealed connector road with concrete kerb and channelling and formed footpaths to both sides. Park Road carries moderate to high level volumes of traffic and it connects with Milton Road in the north and Coronation Drive to the south.

Douglas Street is a two lane bitumen sealed connector road with concrete kerb and channelling and formed footpaths to both sides. Douglas Street carries low to moderate level levels of traffic.

There is no vehicle access / egress onto the property however there pedestrian access / egress along both street frontages.



Park Road



Douglas Street



## 6. Improvements

### 6.1. Accommodation

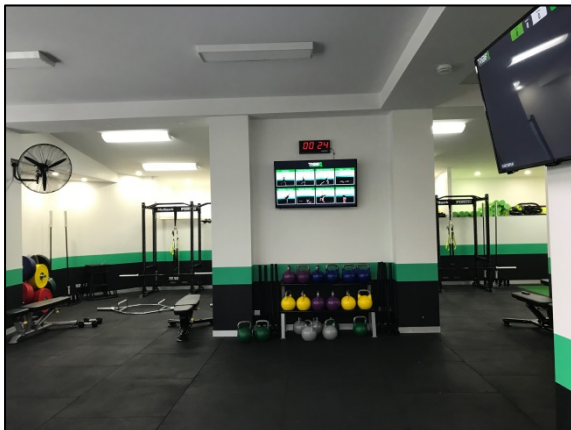
The property comprises a freestanding three level commercial building originally an office / warehouse building which has been converted to retail, commercial service and commercial office accommodation. Due to the natural topography of the land, the ground level tenancies front Douglas Street and the first floor front tenancy fronts Park Road with direct access to the first floor tenancies from Park Road.



Park Road elevation of the building



Douglas Street elevation of the building



Tribal 41 Tenancy (Ground)



Dean Property Tenancy (Ground)



Will Valour Tenancy (Ground)



Essential Experiences (Ground)





Choice Aged Care Tenancy (First & Second)



Choice Aged Care (First & Second)



Chiropractix Tenancy kitchen (First)



Ella Moda Tenancy (Second)



Chris Hall Photography Tenancy (Second)



Royal Ink Tattoo Tenancy (Second)



Y.E.M. Tenancy (Second)



Rear common area amenities to ground floor



First floor communal walkway



Ground floor communal walkway

The building is set on a reinforced concrete slab to the ground level with a suspended concrete slab to the upper levels. The building has concrete masonry and brick external walls and a corrugated sheet metal roof. The building presents to a good standard and most of the tenancies are internally lined with plasterboard and have suspended grid ceilings with ducted air conditioning and recessed lighting.

Some of the tenancies have their own amenities however most share the common amenities. With the exception of Y.E.M. (owner occupied) which is an internal office tenancy, all of the tenancies have glass shop fronts to a paved and covered walkway.

There are no onsite car parks and access to the second level is via stairs only.

## 6.2. Net Lettable Area

Based on the information provided (leases) and our searches, the net lettable area is as outlined in the table overleaf. The areas are subject to confirmation by survey.

Level	Tenant	%	Area (m <sup>2</sup> )
G	Tribal 41 (Gym)	22.3	254
G	Dean Property	7.7	87
G	Essential Experiences	2.4	27
G	Will Valour	6.4	73
1 & 2	Choice Aged Care	20.4	232
1	Chiropractix	6.6	75
1	Paris Texas (Salon)	11.3	128
2	Ella Moda (Bridal)	6.0	68
2	Royal Ink (Tattoo)	7.7	87
2	Chris Hall Photography (owner occupied)	5.3	60
2	Y.E.M. (owner occupied)	3.9	45
	<b>Total</b>	<b>100%</b>	<b>1,136</b>

## 6.3. Construction and Building Services

General construction details are summarised as follows:

Foundations	Reinforced concrete.
Floors	Concrete.
External Walls	Combination of painted / rendered masonry block and brick.
Internal Walls	Plasterboard.
Ceilings	Suspended grid acoustic ceiling tiles and painted underside of concrete above.
Windows / Doors	Aluminium framed glazed external windows and entry doors.
Roof	Sheet metal.
Floor coverings	Carpet and ceramic tile.
Condition	Good.

The improvements are serviced by the following:

Amenities	Kitchens or kitchenettes to each tenancy. Some have their own toilet amenities however most access shared toilets on each level.
Air Conditioning	Ducted.
Lighting	Recessed and surface mounted fluorescent tube lighting.
Car Parking	None onsite.

#### **6.4. Condition and Utility of Improvements**

An inspection of all readily accessible parts of the improvements on the land has been carried out. The property presented in a generally good condition having regard to its age and use. Although we have not sighted a qualified engineer's structural survey of the improvements or its plant and equipment, no obvious structural defects were visible.

## **7. Environmental Issues**

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### **7.1. Building Materials**

As we are not building construction and/or structural experts we are unable to certify as to structural soundness of the improvements. Greater certainty as to structural condition and presence of any form of infestation can only be obtained by commissioning further reports from relevant experts.

We have assumed for the purpose of this assessment that no major defects exist and that the improvements comply with relevant Statutory Authority codes and standards.

The Workplace Health & Safety Regulation 2008 came into effect on 1 September 2008, providing a framework for managing health and safety risks in Queensland workplaces. The Asbestos Management Code applies to buildings or part of a building that is a workplace and was built or given building approval before 1 January 1990.

To comply with the legislation, the building owner or property manager must obtain an Asbestos Materials Report by an “appropriately qualified person” stating:

- whether any asbestos materials are present;
- a description of the type of asbestos material;
- the form of the material;
- any potential health risks to occupants.

If asbestos materials are present, the building owner/property manager must establish an Asbestos Materials Register.

We have not been provided with an Asbestos Report for the property. The valuation is made on the assumption there are no potential health risks within the property.

### **7.2. Contamination**

A visual site inspection has not revealed any obvious contamination. We are not aware of any environmental issues affecting the property. We are not experts in the detection or quantification of environmental problems and, have not carried out a detailed environmental investigation. This valuation is made on the assumption that there are no actual or potential contamination issues affecting the value or marketability of the property.

If verification is required that the property is free from contamination and has not been affected by contaminants of any kind, this could be obtained from a suitably qualified environmental professional. Should subsequent investigation show that the site is contaminated this valuation may require revision.

## 8. Occupancy

### 8.1. Tenancy

Based on information supplied to us by Mr Chris Hall (owner) and the copies of leases / lease documents provided, we have prepared a current Tenancy Schedule as follows:

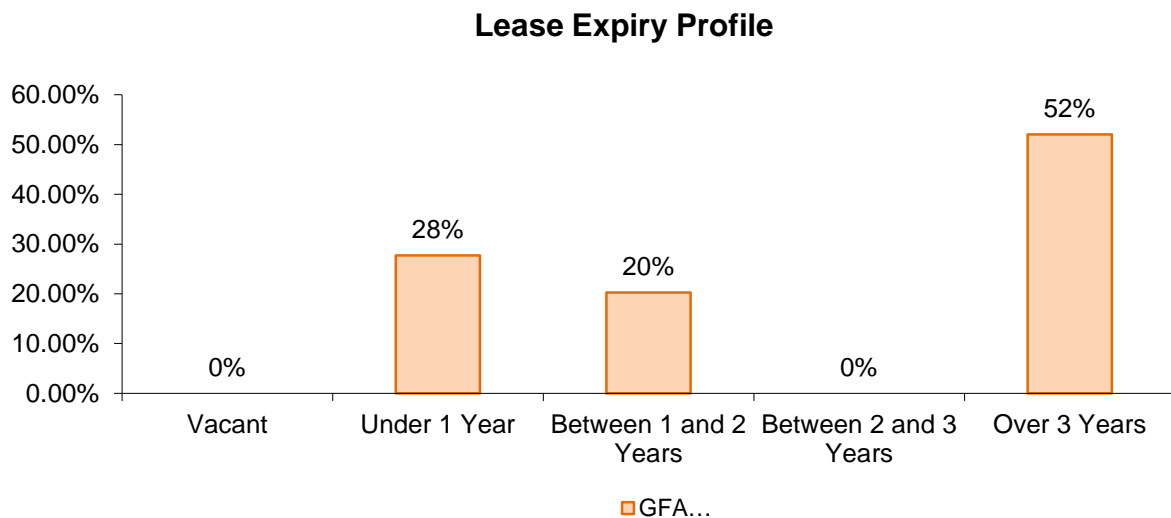
No. & level	Tenant	Area* (m <sup>2</sup> )	Rental				Term (Expiry)	Reviews
			Net Rent (\$)	Outgoings (\$)	Gross Rent (\$)	Rate (\$/m <sup>2</sup> )		
1(G)	Tribal 41	254	-	-	\$96,000	\$377.953	5+5+5 yrs (Apr-23)	3.8%
2(G)	Dean Property	87	-	-	\$34,036	\$391.223	3+3 yrs (Aug-19)	4.0%
3(G)	Essential Experiences	27	-	-	\$14,974	\$554.591	3 yrs (Nov-18)	5.0%
4(G)	Wil Valour	73	-	-	\$33,075	\$453.082	3 yrs (Nov-18)	5.0%
5(1&2)	Choice Aged Care	232	-	-	\$118,000	\$508.621	5+5 yrs (Apr-23)	3.0%
6(1)	Paris Texas	128	-	-	\$45,946	\$358.954	3 yrs (Feb-19)	5.0%
7(1)	Chiropractix	75	-	-	\$39,441	\$525.877	2 + 2 yrs (Oct-19)	4.0%
8(2)	Ella Moda	68	-	-	\$24,432	\$359.291	4 yrs (Mar-20)	5.0%
9(2)	Royal Ink	87	-	-	\$34,243	\$393.593	1 + 1 yr (Sep-18)	4.0%
10(2)	CHP (owner occupied)	60	-	-	\$0	-		
11(2)	Y.E.M. (owner occupied)	45	-	-	\$0	-		
		<b>1,136</b>			<b>334,200</b>			

All of the above leases are on a gross basis. Chris Hall Photography and Y.E.M. are owner occupied tenancies and have therefore been valued on the basis of vacant possession.

A copy of the leases and lease information provided is held on file.



## 8.2. Lease Expiry Profile



From the above graph, it is evident that 48% of the building income will expire within the next two years and 52% of the income is secure for more than 3 years.

The property has a Weighted Average Lease Expiry Profile (WALE) of 2.5 years by area and 2.8 years by income.

## 8.3. Estimated Annual Outgoings

We have been provided with a copy of the current outgoings for the property. Based on this as well as our own experience of valuing this type of property, we have estimated the annual outgoings for the property as follows:

Item	\$/yr	\$/m <sup>2</sup>
Council Rates & Water Charges	29,600	26.06
Insurance	7,890	6.95
Land Tax *	26,950	23.72
Cleaning and Pest Control	12,162	10.71
Air Conditioning	4,080	3.59
Security	1,500	1.32
Repairs & Maintenance	25,000	22.01
Management (approx. 3% of Gross Income)	14,500	12.76
<b>Total Estimated Annual Outgoings</b>	<b>121,682</b>	<b>107.12</b>

\* Land Tax payable for Trustee or Company based on the Rateable Land Value of \$1,850,000

The electricity amount of \$31,800 per annum is recovered. Total Estimated Annual Outgoings of approximately \$107/m<sup>2</sup> is considered realistic given the size, condition and location of the property.

## 9. Market Analysis

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### 9.1. Sales History

According to our inspection of Government records, the property was acquired by the current owners for \$3,200,000 on 26 May 2009.

### 9.2. Market Commentary

The Brisbane fringe office market comprises the five precincts - Urban Renewal (Fortitude Valley, Newstead, Bowen Hills and Herston), Inner South (South Brisbane, West End, Woolloongabba, Kangaroo Point, East Brisbane and Greenslopes), Milton, Spring Hill and Toowong and contains approximately 1.2 million square metres of lettable office space.

With limited availability of quality office accommodation, and improving occupancy levels, developers are likely to once again be considering commercial development. With the surge in residential apartment projects reaching its peak, commercial projects may again become a viable option, albeit requiring pre-commitments prior to construction commencing.

Ongoing competitive rents and incentives, continues to attract tenants from the suburbs into the Fringe and CBD office markets. Value for money and quality of stock is also a draw card for a number of tenants looking to the Fringe. Lend Lease's K1 building in Bowen Hills is now fully leased, having secured SMEC and Medtronic during the last quarter of 2016.

Sales within the '\$2 - \$25 million' price range with a total \$132 million worth of transactions accounted for the majority of deals with 21 sales reported for the year ending December. This is down on the previous year of 31 sales totalling \$194 million.

In the Fringe market, gross face rents currently average \$560/m<sup>2</sup> for A-grade space and \$420/m<sup>2</sup> for B-grade space. Incentives average 37% for A-grade space and 40% for B-grade space. Newly developed space in the Fringe typically receives a rental premium compared with the existing prime Fringe market.

Offshore investment is being driven by a number of factors. Overall, Australia is seen as providing a stable investment environment with a combination of relatively high yields and strong rental growth prospects. Adding to this is the conducive value of the Australian dollar as well as more desirable lease terms in Australia than across the remainder of the Asia Pacific. Looking specifically at Brisbane, the yield arbitrage between Brisbane and Sydney and Melbourne, as well as other global cities, is another growing driver of offshore demand.

The spread between Brisbane office yields and those being achieved in Sydney and Melbourne is also encouraging domestic investment in the Brisbane office market. Adding to this is the growing recognition that Brisbane's leasing market has bottomed and that prospects for rental growth have strengthened. Demand has also increased due to some major players increasing their allocation for property investment. Due to investment demand being stronger than supply, commercial property yields have been on a firming trend for a number of years now.

Inner Brisbane office yields continued to tighten during 2017. Fringe yields typically range between 6.00% and 7.00% for A-grade buildings and 7.00% and 8.00% for B-grade buildings.



Capital values in the Brisbane Fringe as at December 2017 typically range between \$5,650 to \$6,950/m<sup>2</sup> for A Grade buildings, and between \$3,100 and \$4,500/m<sup>2</sup> for secondary grade buildings. Average A Grade capital values are currently \$6,255/m<sup>2</sup>, a 9.5% rise over the year.

In line with the CBD, the Fringe office market looks to have turned a corner with improved leasing activity over the 2017 calendar year. Looking forward it is expected that this level of tenant demand will slowly gather momentum with flight to quality remaining the predominant trend. This may encourage developers to begin to consider office development projects as the residential market reaches its peak. With little new stock due for completion in the next two years, occupancy levels are expected to continue to improve. We believe that the current level of incentives has reached their peak and gross face rents will continue to slowly trend upwards. The gap between gross face and net effective rents has broadened due to high incentives and there is reluctance for lessors to reduce face rents.

The positive outlook for the Queensland economy is encouraging more businesses to reconsider their office space needs, whether it be to consolidate into one premises or find more efficient accommodation, which will likely contribute to continued positive net absorption across the Fringe office markets. Increased tenant activity around the Fringe is also expected to continue with a number of large leases expiring over the next two years. Given the amount of office space still available across metropolitan Brisbane, smaller tenants in particular are likely to continue to take advantage of the competitive rental environment in the CBD with quality fitout a key consideration. Larger tenants on the other hand will typically continue to source quality product with preference for the Fringe. Tenants from suburban areas are also likely to continue to consider relocating to the Fringe or CBD for this same reason.

Investor interest in the Brisbane office market is set to continue, particularly for assets which have repositioned themselves through improved office amenity and occupancy levels. As a result firming of yields is expected, with assets with long term WALE's and quality tenants highly sought after.

### 9.3. Comparable Evidence

To assist us in arriving at the market value of the property, we have obtained, inspected and analysed leasing and sales evidence of comparable properties within the Brisbane fringe area.

In compiling the following market evidence we have relied on a range of external sources including publicly available information, subscription to information databases and information generally provided verbally by others such as real estate agents, property managers, property valuers and consultants. In many instances we have not had access to the original source material. Although we have endeavoured to the best of our ability to confirm the accuracy of the information provided, we have had to rely on some of this information in good faith. We are unable to state with absolute certainty that the information upon which we have relied is consistent with the contractual arrangements between the relevant parties.

All of the properties have been inspected externally, but we have not been able to inspect every property internally. Our comments are based on the external inspections as well as our conversations with parties associated with the transaction.

The Department of Natural Resources and Mines does not currently differentiate between or record whether or not a transaction is inclusive or exclusive of GST. Where we have not been able to verify the status of a transaction, we have assumed the recorded information is inclusive of GST and have made appropriate adjustments to establish a GST exclusive figure.

The following schedules detail those most comparable transactions which we have relied on in making our assessment:

### 9.4. Leasing Evidence

<i>No.</i>	<i>Address</i>	<i>Tenant</i>	<i>Area (m<sup>2</sup>)</i>	<i>Annual Gross Rental (\$/m<sup>2</sup>)</i>	<i>Term (Comm Date)</i>	<i>Annual Reviews</i>
1	15 Mallon Street Bowen Hills	Meltdale (Level 1)	301	302	10 yrs (Oct-17)	n/a
Part of the first floor within a two level plus ground floor car parking commercial building positioned at the end of Jeays Street and within close proximity to Brookes Street. The building is dated and the space leased provides for reasonable quality office space.						
2	68 Commercial Road Newstead	Pixevely	80	350	1 yr (Nov-17)	n/a
Office space within an iconic landmark building on the corner of Commercial Road, Wyandra Street and Masters Street. The space presents to a good standard with vinyl timber flooring and good levels of natural light. The tenancy comes with one car park. There are communal male and female amenities.						
3	8 Gardner Close Milton	HSB	736	435	10 yrs (May-16)	n/a
The property is positioned to the end of the Gardner Close cul-de-sac road and it is improved with a semi-modern 3 level commercial building (plus basement car parking) which was constructed circa 2001. The subject tenancy is positioned to the ground level and includes plasterboard lined internal walls, suspended grid acoustic ceiling with recessed lighting and ducted air conditioning. There are communal male and female amenities to each level and there are 2 passenger lifts which service each level.						

No.	Address	Tenant	Area (m <sup>2</sup> )	Annual Gross Rental (\$/m <sup>2</sup> )	Term (Comm Date)	Annual Reviews
4	12 Cribb Street Milton	R Hannan & Co	736	500	7 yrs (Oct-16)	n/a
The property is located to the southern side of Cribb Street, approximately 40 metres north of its intersection with Coronation Drive. The property is improved with a semi-modern commercial building which provides for 5 levels of commercial accommodation plus a secure basement car park (51 vehicles). The tenancy offers a good standard of accommodation including plasterboard lined walls, suspended grid acoustic ceiling and ducted air conditioning.						
5	16 Marie Street Milton	Atira Student Living	310	516	3 yrs (Feb-18)	CPI
A semi-modern commercial office building over five levels plus secure basement car parking. The tenancy is located on Level 2 of the building and provided a good standard of accommodation. The premises were leased fitted out including a reception area, boardroom, meeting room, 2 partitioned offices and an open plan office area providing for 37 workstations. The tenancy included 6 car parking spaces.						
6	27 Jeays Street Bowen Hills	Agena Bioscience	304	550	5 yrs (Mar-18)	4.0%
		Redcliffe Tax	146	521	5 yrs (Apr-18)	3.5%
The property comprises a regular shaped parcel of land positioned to the western side of Jeays Street. The land is improved with is a freestanding two level commercial office building which was constructed circa 1998 and includes a basement level car park which provides for 15 undercover car parking spaces plus an additional 5 outdoor spaces. The building presents to a modern standard and each tenancy is internally lined with plasterboard and has a suspended grid ceiling with ducted air conditioning and recessed lighting. Each tenancy also has its own kitchenette and male and female amenities. The building has been divided into three tenancies and, as at the Date of Valuation, the building was wholly occupied. The building has been configured to comprise 1 ground floor commercial tenancy and two first level commercial tenancies. The leases to Agena Bioscience and Redcliffe Tax are for 5 year terms, and the lease to PA Corporation is for a 3 year term. None of the leases have options for a further term. All leases have been negotiated on a gross basis and the negotiated rental in each of the leases includes any car parking within the building.						
7	143 Coronation Drive Milton	BGC Contracting	652	525	6 yrs (Feb-17)	3.0%
		Construction Skills Qld	776	531	8 yrs (Aug-16)	n/a
		APP Corporation	333	525	2 yrs (May-16)	n/a
The property known as ‘143 Coronation Drive’ forms part of the Coronation Drive Office Park in Milton. The building was constructed circa 1995 and is set over 6 levels with 2 levels of basement car parking (162 vehicles). The building generally offers a good standard of accommodation including plasterboard lined internal walls, suspended grid ceiling with recessed lighting and ducted air conditioning. The building has a NABERS rating of 2.5 stars and car parking of 1:50m <sup>2</sup> .						
8	21 McLachlan Street Fortitude Valley	ARRB Group	635	550*	7+5 yrs (Aug-17)	3.0%
The property comprises a rectangular shaped site (364m <sup>2</sup> ) positioned to the eastern side of McLachlan Street, approximately 50 metres north of its intersection with Brunswick Street. The property is improved with a two level office building with a total net lettable area of 635m <sup>2</sup> . Recently completed high quality building refurbishment with capital intensive tenant fitout. * Leased based on a net rent of \$446.90/m <sup>2</sup> and we have added estimated outgoings of \$106/m <sup>2</sup> to get to a gross rent.						

The leasing transactions for commercial accommodation outlined above indicates gross rents ranging from \$302/m<sup>2</sup> to \$550/m<sup>2</sup> depending on their location, size of tenancy and immediate amenity such as car parking and access to public transport.

Based on the above evidence and discussions with agents' active in the market, with the exception of Chiropractix and Ella Moda, we believe the current rentals being paid are within market parameters and we have adopted these rentals within our Calculations. The current rent for Chiropractix appears to be above market while the rent for Ella Moda appears to be slightly below market. We have adopted gross rental rates of \$400/m<sup>2</sup> and \$320/m<sup>2</sup> for the two owner occupied spaces.

We have therefore adopted the following schedule to calculate the total net market rent for the property.

Lease No.	Tenant	Area (m <sup>2</sup> )	Rental		
			Passing Gross Rent (\$/m <sup>2</sup> )	Market Gross Rent \$/m <sup>2</sup>	\$ pa
1	Tribal 41	254	378	378	96,000
2	Dean Property	87	391	391	34,036
3	Essential Experiences	27	555	555	14,974
4	Wil Valour	73	453	453	33,075
5	Choice Aged Care	232	509	509	118,000
6	Paris Texas	128	359	359	45,946
7	Chiropractix	75	526	400	30,000
8	Ella Moda	68	359	400	27,200
9	Royal Ink	87	393	393	34,243
10	CHP (owner occupied)	60		400	24,000
11	Y.E.M. (owner occupied)	45		320	14,400
					<b>\$471,874</b>

## 9.5. Sales Evidence

1		<b>Address:</b>	107 Quay Street Brisbane
		<b>Purchase Price:</b>	\$3,088,000
		<b>Date:</b>	Oct-17
		<b>Land Area:</b>	742m <sup>2</sup>
		<b>NLA:</b>	1,106m <sup>2</sup> (149%)
		<b>NLA Analysis:</b>	\$2,792/m <sup>2</sup>
		<b>Yield:</b>	Equiv – 6.75%

The property comprises a near regular shaped lot positioned to the northern side of Quay Street, approximately halfway between its intersections with Exford Street and Upper Roma Street. The property is improved with a semi-modern two level commercial building which was constructed in 1996 and this is elevated on concrete posts and this provides for basement car parking for 22 vehicles. The building has suspended concrete slab floors to each level with concrete tilt panel external walls and a corrugated sheet metal roof. At the time of sale, the building was mostly vacant, and the tenant that was in occupation is a related entity to the purchasing entity which now owns the building. We have assessed the market rent for the property at \$250/m<sup>2</sup> gross and then deducted off outgoings of \$61/m<sup>2</sup> to arrive at our assessed equivalent yield.

**Comparison:** *The property comprises a larger size land but similar building area. The improvements generally offer an inferior standard of accommodation and composition/use, however, there is car parking for 22 vehicles. Overall based on location / position and use, considered to reflect a lower analysed NLA sales rate but broadly comparable yield.*

2		<b>Address:</b>	163 Wharf Street Spring Hill
		<b>Purchase Price:</b>	\$3,100,000
		<b>Date:</b>	May-17
		<b>Land Area:</b>	316m <sup>2</sup>
		<b>NLA:</b>	499m <sup>2</sup> (158%)
		<b>NLA Analysis:</b>	\$6,212/m <sup>2</sup>
		<b>Yield:</b>	Equiv – 6.43%
<p>The property comprises a regular shaped lot positioned to the north-eastern side of Wharf Street, approximately 100 metres north-west of its intersection with Wharf Street. In its natural state, the land slopes gently below the Wharf Street frontage down to the property's second street frontage to Carrol Lane. The property is improved with a semi-modern two storey office building with a basement car park providing accommodation for 12 vehicles. The building has a fully glazed façade and was previously occupied by Evocca College as an educational facility. The building has kitchen, male and female amenities to both levels and a passenger lift servicing all levels. We have adopted a market rental of \$400/m<sup>2</sup> net over the whole building area to arrive at the equivalent yield.</p> <p><b>Comparison: This property comprises a smaller land and building area within a superior Brisbane CBD fringe location. Overall considered to reflect a higher analysed NLA sales rate and firmer yield.</b></p>			
3		<b>Address:</b>	22 Wyandra Street Newstead
		<b>Purchase Price:</b>	\$3,100,000
		<b>Date:</b>	Oct-17
		<b>Land Area:</b>	460m <sup>2</sup>
		<b>NLA:</b>	387m <sup>2</sup> (84%)
		<b>NLA Analysis:</b>	\$8,010/m <sup>2</sup>
		<b>Yield:</b>	Initial – 6.82%
<p>The property is positioned to the western side of Wyandra Street and has a second street frontage to the rear fronting Wyatt Street. The property is improved with a recently refurbished office/warehouse building which has been transformed to a commercial building and now comprising 7 tenancies in total over two levels and including off street undercover car parking for 10 vehicles. All the leases within the building have commenced within the last 12 months and were all negotiated on a gross basis. A search of the Brisbane City Council flood maps indicates this property suffered inundation during the 2011 Brisbane floods.</p> <p><b>Comparison: The property comprises a smaller size land and building area. The building has been recently refurbished and is now divided into 7 tenancies. The location of the property in Newstead and the diverse income stream has resulted in a much higher analysed NLA sale rate.</b></p>			

4		<b>Address:</b>	47 Brookes Street Bowen Hills
		<b>Purchase Price:</b>	\$3,250,000
		<b>Date:</b>	Apr-17
		<b>Land Area:</b>	1,011m <sup>2</sup>
		<b>NLA:</b>	804m <sup>2</sup> (80%)
		<b>NLA Analysis:</b>	\$4,042/m <sup>2</sup>
		<b>Yield:</b>	Initial – 4.17% Equiv – 6.99%

The property comprises a regular shaped parcel of land positioned to the western side of Brookes Street, directly opposite its intersection with Mallon Street. The property also has a second street access to Exhibition Street to the western alignment of the property. The land is improved with is a freestanding part two level commercial office and warehouse building which was constructed circa 1980's. The building is set on a reinforced concrete slab with a suspended reinforced concrete slab to the first floor office areas. The building has brick external walls and a corrugated sheet metal roof. The two level office area has plasterboard lined internal walls and a suspended grid ceiling with recessed lighting and ducted air conditioning. The warehouse area is clear span and this is accessed via a full height roll steel shutter door to the Exhibition Street frontage. The warehouse area has a number of sound studios which has been constructed using a timber frame with glass and plasterboard cladding. There is a concrete sealed car parking area to the front and rear of the property with a total of 20 open air car parking spaces. Each tenancy also has its own kitchenette and male and female amenities. At the time of sale, all tenancies were on lease agreement ranging between 3 & 5 year terms with all leases including options. The passing rentals at the time of sale were slightly below market parameters.

**Comparison: Smaller building on a larger site area (lower site coverage). The property offers an inferior standard of accommodation including a warehouse area. However the property does include car parking. Overall considered to reflect a slightly lower area analysed NLA sales rate and slightly weaker equivalent yield.**

5		<b>Address:</b>	13-15 Bowen Bridge Road Bowen Hills
		<b>Purchase Price:</b>	\$3,518,000
		<b>Date:</b>	Sep-17
		<b>Land Area:</b>	854m <sup>2</sup>
		<b>NLA:</b>	977m <sup>2</sup> (114%)
		<b>NLA Analysis:</b>	\$3,601/m <sup>2</sup>
		<b>Yield:</b>	Equiv – 7.99%

The property comprises a regular shaped lot positioned to the eastern side of Bowen Bridge Road, approximately halfway between its intersections with O'Connell Street and Campbell Street. The property is located directly opposite the Royal Brisbane & Women's Hospital and has a second street frontage/access to Walden Lane at the rear. The property is improved with a two level (plus basement car park) semi-modern commercial building which was sold with vacant possession. The building is set on a reinforced concrete slab to each level with rendered masonry block external walls and a corrugated sheet metal roof. The ground floor comprises an area of 460m<sup>2</sup> and the first floor has an area of 517m<sup>2</sup>. Each level includes ducted air conditioning and has its own male and female amenities as well as a kitchenette. The basement car park provides for 25 vehicles and this is accessed via Walden Lane. There is a passenger lift which services all levels. The building was sold with vacant possession. We have assessed a market rental of \$400/m<sup>2</sup> gross and then we have deducted outgoings of \$80/m<sup>2</sup> and then deducted a leasing incentive of 10.0% to arrive at the equivalent yield of 7.99%.

**Comparison: Smaller building on a larger site area (lower site coverage). The property offers an inferior standard and use of accommodation. However the property does include car parking. Overall considered to reflect a lower area analysed NLA sales rate and weaker equivalent yield.**



6



Address:	21 McLachlan Street Fortitude Valley
Purchase Price:	\$4,500,000
Date:	May-18
Land Area:	364m <sup>2</sup>
NLA:	635m <sup>2</sup> (174%)
NLA Analysis:	\$7,087/m <sup>2</sup>
Yield:	Equiv / Initial – 6.26%

The property comprises a rectangular shaped site positioned to the eastern side of McLachlan Street, approximately 50 metres north of its intersection with Brunswick Street. The property is improved with a two level office building with a total net lettable area of 635m<sup>2</sup>. The building was sold with a 7 year lease in place, expiring in 2024 plus a further 5 year option, to ARRB Group Ltd. Recently completed high quality building refurbishment with capital intensive tenant fitout.

**Comparison:** *This property comprises a smaller land and building area within a superior Brisbane CBD fringe location. Overall considered to reflect a higher analysed NLA sales rate and firmer yield.*

7



Address:	83 Castlemaine Street Milton
Purchase Price:	\$8,900,000
Date:	May-16
Land Area:	1,303m <sup>2</sup>
NLA:	1,631m <sup>2</sup> (125.2%)
NLA Analysis:	\$5,457/m <sup>2</sup>
Yield:	Initial – 7.08%

The property comprises a generally regular shaped corner lot being positioned to the north-western corner of the intersection of Castlemaine Street and Cordova Street as well as having a third street access/frontage to Parkview Street at the rear. The property is improved with a semi-modern two level commercial building which also includes a basement level car parking area providing 5 basement car parking spaces. The building is set on a reinforced concrete slab to each level and painted masonry block external walls and a sheet metal roof. The property is located directly opposite Suncorp Stadium and the building was sold wholly leased to the Australian Rugby League Commission who were paying a gross rental rate of \$415/m<sup>2</sup>. A search of the Brisbane City Council flood maps indicates this property suffered inundation during the 2011 Brisbane floods.

**Comparison:** *Dated sale of a much larger property in Milton. The property sold wholly leased. The property suffered high inundation during the Brisbane 2011 floods. The property offered a slightly superior standard of accommodation and included some car parking. Overall considered to reflect a higher analysed NLA sales rate.*

## 9.6. Sales Reconciliation

We have derived from the above sales evidence that analysed rates based on NLA ranged from \$2,792/m<sup>2</sup> for the sale of a similar sized building on an slightly larger land area in Bowen Hills which offered an inferior standard and use of accommodation however did include car parking up to \$7,087/m<sup>2</sup> for the recent sale of a smaller property which has recently been extensively refurbished within Fortitude Valley and which sold with a lease in place until 2024.

We further note that the above sales derived investment yields ranging between 6.26% and 7.99% depending on the overall lease covenant on the property, in particular the WALE.

In assessing an appropriate analysed net lettable area rate range and yield for the property, we have had regard to the following factors that influence the value of the property. These include but are not limited to the:

- overall design, condition and functionality of building
- land and building size
- configuration of the building
- lease expiry profile of the property
- no onsite car parks
- quality of accommodation and standard of presentation of the existing improvements
- general market demand from tenants and owner occupiers
- location and position within Milton
- quantum of dollar bracket into which the subject property lies (circa \$5m)

Based on our sales analysis and taking the above factors into consideration, we have assessed a Net Lettable Area rate range of between \$4,250/m<sup>2</sup> and \$4,500/m<sup>2</sup> and a yield rate of 6.75% to be appropriate in this instance.



## 10. Methodology

### 10.1. Highest and Best Use

Real property is valued in terms of its “highest and best use” which may be defined as the most Real property is valued in terms of its “highest and best use” which may be defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible and which results in the highest value for the property being valued. In this instance we consider the current use as an investment grade commercial property to be its highest and best, and it is on this basis we have assessed its market value.

### 10.2. Capitalisation Approach

Under the Capitalisation approach, we have assessed the Sustainable Net Annual Income for the property, based on the market gross income (less estimated annual outgoings). This amount is capitalised at a market derived rate (yield) that adequately reflects the security of income, its growth potential and lease terms and conditions.

As detailed in Section 9.6, we have adopted a capitalisation rate of 6.75%.

Capitalisation Approach			
Annual Market Income (gross basis)			\$ 471,874
Less Vacancy Allowance (2.00%)			\$ 9,437
Less Estimated Annual Outgoings			\$ 121,682
Sustainable Net Annual Income			\$ 340,755
Capitalised @	6.75%		\$ 5,048,218
Less PV Rental Shortfall / Surplus <sup>1</sup>			\$ 171,909
Less Outstanding incentives <sup>2</sup>			\$ 43,667
<b>Adopt</b>			<b>\$ 4,832,642</b>

(1) The Leasing costs figure taken from Estate Master Investment Appraisal and comprises of leasing up costs (based on an 50% retention, a six months letting up together with a 10% incentive and agents fees of 15%).

(2) Four months at 50% rent for Choice Aged Care and six months of 50% rent remaining for Tribal 41.

### 10.3. Discounted Cash Flow Analysis

A discounted cash flow (DCF) analysis has been carried out over an investment horizon of 10 years. The discounted cash flow technique focuses on the overall cost consequences of an investment, considering the amount and timing of inflows and outflows including capital expenditure where appropriate and the envisaged rate of return. The property's current market value is derived from discounting the net cash flow over the investment horizon to a present value at a discount rate reflecting the desired return, or overall yield, commensurate with the quality of the property and the nature of the lease covenants.

Summarised in the table below are the various inputs factored into the DCF analysis and the rationale for adopting these inputs.

Input	Rate Adopted	Rationale
Discount rate	7.25%	Takes into account the value of money and the investment characteristics of the property, in particular the lease covenant and WALE of 3.8 years.
Terminal yield	7.50%	We have assumed the property is sold at the beginning of the 11 <sup>th</sup> year at a market yield of 7.50%. This reflects at 0.75% margin over the current yield and has regard to the projected age and condition of the improvements as well as the initial lease expiry.
Vacancy Allowance	2.00%	Multi-tenanted property.
Acquisition cost	5.00%	
Disposal cost	1.75%	
Incentive allowance		We have assumed a 50% renewal probability with a rent free allowance of 6 months, incentive of 10.0% and leasing fees of 15%.
Rental growth and forecast CPI		Based on Access Economics forecasts and range between 2.3% and 2.8% over the cash flow period. We anticipate the rent to grow at an average of 3% per annum.
Net Present Value	\$5,234,868	Based on the variables noted and the Net Present Value assessed, this results in an internal rate of return of 7.25%.

A copy of the DCF analysis and the DCF versus Capitalisation calculations is included as an Appendix.

#### 10.4. Direct Comparison Approach

This approach identifies comparable sales on a dollar rate per square metre of lettable area basis and compares the equivalent rates to the property to establish the property's current market value. This approach is somewhat subjective given the fact specific items of income, expenditure together with remaining lease terms are difficult to directly reflect and compare when adopting a rate per square metre.

Direct Comparison Approach			
Net Lettable Area		1,136m <sup>2</sup>	
Improved Market Range	\$4,250/m <sup>2</sup>	to	\$4,500/m <sup>2</sup>
Calculated Value	\$4,828,000	to	\$5,112,000

### 10.5. Valuation Conclusions

The resultant values under each of the valuation approaches are as follows:

Capitalisation approach	Discounted cash flow approach	Direct comparison approach
\$4,832,642	\$5,234,838	\$4,828,000 - \$5,112,000

Based upon the analysis, we have adopted a market value of **\$5,000,000 exclusive of GST**. An analysis of the adopted value is noted below:

Adopted Value, Returns and Yields	
Adopted value	\$5,000,000
Initial yield	6.37%
Analysed market yield	6.75%
Reversionary yield	6.82%
IRR (10yrs)	6.52%
Rate \$/m <sup>2</sup>	\$4,401

**Definitions:**

**Initial yield** – passing income / adopted value

**Analysed market yield** – assessed net market income / adopted value less present value of adjustments

**Reversionary yield** – assessed net market income / adopted value

**Internal rate of return** – is the discount rate where the net present value equals zero

### 10.6. Insurance Replacement Value

Replacement With New Value as at: 7 June 2018

Total Replacement Value: (Net of GST) \$2,500,000

Our insurance estimate is exclusive of GST.

The insurance estimate should be taken as **indicative** only.

## 11. Valuation

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In accordance with my appointment and any qualifications detailed herein, I have assessed the market value of **41 Park Road, Milton Qld 4064** as at **7 June 2018** to be:

**\$5,000,000 GST exclusive**  
**(Five Million Dollars)**

This valuation is made subject to the assumptions, remarks and qualifications contained in this report and is for the use only of the party to whom it is addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of this report in isolation.

Neither the whole nor any part of this valuation report or any reference thereto may be included in any published documents, circular or statement, nor published in part or full, without written approval of the form and context in which it will appear.

Neither Crisp Valuation Services Pty Ltd nor the signatory to this report have any interest financial, pecuniary or otherwise in, or with parties associated with the subject of this Valuation.

### CRISP VALUATION SERVICES PTY LTD

A handwritten signature in black ink, appearing to read 'Linda Otten'.

LINDA OTTEN  
Senior Valuer  
Registered Valuer No. 3011  
Certified Practising Valuer  
Specialist Retail Valuer

A handwritten signature in black ink, appearing to read 'Stuart Cameron'.

STUART CAMERON\*  
Director  
Registered Valuer No. 2499  
Certified Practising Valuer  
Specialist Retail Valuer

Date: 19 June 2018

\* The Director, who has read and signed this report, verifies that the report is genuine and is endorsed by CRISP Valuation Services Pty Ltd. The opinion of value expressed has been arrived at by the prime signatory alone.

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

## **APPENDIX 1**

### **LETTER OF INSTRUCTIONS**



Westpac Banking Corporation ABN 33007 457 141  
Also trading as Challenge Bank and Bank of Melbourne ("the bank")



**Centralised Valuations**

01/06/2018

Crisp Valuation Services  
PO Box 7756

East Brisbane QLD 4169  
Work Phone: 07 3137 9360  
Fax Number: Stuart@crispval.com.au

Himanshu Pandey  
19-21 Bay Street, Southport, 4215, QLD, Australia  
Fax Number: caroline.viney@westpac.com.au  
Mailing BSB number: 032942

**Retail/Industry Property Reference Number - VAL-604250-647 / 0652183**

Dear Sir/Mdm,

Your company is instructed to undertake a Valuation of a property located at 41 Park Rd, Milton 671 QLD 4064 under instructions from Westpac Banking Corporation on behalf of World Supply Services Pty Ltd of 41 Park Rd, Milton 671 QLD 4064 .

The Valuation Report should be in accordance with the Westpac Banking Corporation Valuation Standard which you have agreed to comply with, and must be an achievable market value, given a reasonable time frame (up to 6 months) for Mortgage security purposes.

The interest of the property to be valued is freehold only.

The Valuation should specifically address the following issues:

- An analysis of the lease, and whether the rental is at market

Brief details are as follows:

<b>Registered Proprietor:</b>	World Supply Services Pty Ltd
<b>Address:</b>	41 Park Rd, Milton 671 QLD 4064
<b>Certificate of Title:</b>	Lot 1 on RP 154522
<b>Land Area:</b>	671
<b>Brief Description:</b>	Mixed use commercial and retail building
<b>Point of Contact for Inspection:</b>	Chris Hall 0418556666
<b>Timing required for the Valuation:</b>	8/06/2018
<b>Lease details:</b>	Chris Hall to provide all details
<b>Information supplied:</b>	NA
<b>Further information available from:</b>	NA
<b>General Comments:</b>	Chris Hall to provide all details

A copy of this instruction letter should be included in the Valuation Report.

Two copies of your report should be provided. These reports should be forwarded to the writer of this letter.

**Important**

Please forward the completed VALUATION REPORT to:  
19-21 Bay Street, Southport, 4215, QLD, Australia  
Fax Number: caroline.viney@westpac.com.au

**Important**

Please forward the account to [valuations@westpac.com.au](mailto:valuations@westpac.com.au) .

Fees are as negotiated, being GST inclusive \$2000 plus GST

If you need further clarification on these instructions, please do not hesitate to contact me on telephone: Caroline Viney (07 55370214)

Yours faithfully,  
Himanshu Pandey  
Manager Lending Support Team