

Ref: LO:C113030
15 June 2018

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Valuation Report

26 Jeays Street, Bowen Hills Qld 4006

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

Address	26 Jeays Street, Bowen Hills Qld 4006
Instructing Party	Himanshu Pandey, Westpac Banking Corporation
Prepared For	Westpac Banking Corporation
Purpose	Mortgage Security
Interest Valued	Unencumbered Fee Simple
Registered Owner	Chris Hall Family Super Properties Pty Ltd as Trustee
Date of Valuation	7 June 2018
Date of Inspection	7 June 2018



Property Details

Land Area	673m ²
Zoning	Emerging Community Zone
Net Lettable Area	620m ²
Brief Description	The property comprises an irregular shaped parcel of land fronting both Jeays Street (52.7 metres) and Hurworth Street (54.2 metres). The property has extensive frontages and exposure. The land is improved with is a freestanding commercial building comprising of a 340m ² warehouse (internal clearance of 6.3 metres); 135m ² ground floor showroom and amenities; and 145m ² first floor office space and amenities. There are 10 open car parks, six singles and two in tandem format. The building is able to be separately occupied by two tenancies (warehouse / showroom and first floor office). The building presents to a very good standard with the amenities and first floor office space recently renovated. The ground floor kitchen is yet to be fully installed and finished and our valuation is based on the critical condition this is completed. Amenities comprise of male and female toilets and kitchens. Access to the first floor is via a separate entry foyer and stairwell.

Tenancy Details

The building is currently vacant and being advertised for lease. The space can be occupied as a whole or as warehouse / showroom as one tenancy and the first floor office as another tenancy. There is a lease to Optus for a tower on the roof expiring on the 17 May 2019. The gross annual rent for the Optus tower is \$28,554.84. We have been advised Optus wish to enter a 10 year lease however the building owner is holding off until the first floor is leased in case the tenant does not want the tower there. Given the interest by Optus for a new 10 year lease, we have also included an annual rent for Optus at \$28,500 per annum. We have included a letting up allowance for this component as well as the building rent as the current lease to Optus expires in 2019. We have adopted a total gross rent for the building of \$186,250 per annum which equates to \$300/m² overall and can be analysed as \$270/m² over the showroom and warehouse and \$400/m² gross over the first floor office space. The resulting net rental rate overall is \$225/m².

Financial Details

	Market
Gross Annual Income (includes Optus at \$28,500 pa)	214,750
Estimated Annual Outgoings	46,445
Total Net Income	168,305
Net Income \$/m² building	\$225/m ²

Valuation Conclusions

Adopted Value **\$2,300,000 GST exclusive**
(Two Million Three Hundred Thousand Dollars)

Initial Passing Yield	1.24% (Optus rent)
Analysed Market Yield	6.75%
Reversionary Yield	7.32%
Direct Comparison	\$3,710/m ² Building Area
	\$3,418/m ² Improved Land Area

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

Qualifications

- 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.
-

Table of Contents

1.	Instructions	5
1.1.	Brief	5
1.2.	Purpose of Valuation	5
1.3.	Date of Inspection	5
1.4.	Date of Valuation	5
1.5.	Basis of Valuation	6
2.	Risk Assessment	7
2.1.	Cash Flow	7
2.2.	Asset	7
2.3.	Market	7
2.4.	Lending Cautions	7
3.	Title Details	8
3.1.	Title Search	8
3.2.	Easements, Encumbrances and Interests	9
4.	Planning and Development Controls	10
4.1.	Planning Overview	10
4.2.	Department of Natural Resources and Mines Site Value	11
5.	Land	12
5.1.	Land Details	12
5.2.	Location & Surrounding Development	13
5.3.	Roads, Access and Exposure	14
6.	Improvements	15
6.1.	Accommodation	15
6.2.	Net Lettable Area	16
6.3.	Construction and Building Services	17
6.4.	Condition and Utility of Improvements	17
7.	Environmental Issues	18
7.1.	Building Materials	18
7.2.	Contamination	18
8.	Occupancy	19
8.1.	Tenancy	19
8.2.	Estimated Annual Outgoings	19
9.	Market Analysis	20
9.1.	Sales History	20
9.2.	Market Commentary	20
9.3.	Comparable Evidence	21
9.4.	Leasing Evidence	22
9.5.	Sales Evidence	23
9.6.	Sales Reconciliation	26
10.	Methodology	27
10.1.	Highest and Best Use	27
10.2.	Capitalisation Approach	27
10.3.	Direct Comparison Approach	27
10.4.	Valuation Conclusions	28
10.5.	Insurance Replacement Value	28
11.	Valuation	29

1. Instructions

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 26 Jeays Street, Bowen Hills.

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

2.1. Cash Flow

- The building is currently vacant and being advertised for lease. The space can be occupied as a whole or as warehouse / showroom as one tenancy and the first floor office as a second tenancy.
- There is a lease to Optus for a tower on the roof expiring on the 17 May 2019. The gross annual rent for the Optus tower is \$28,554.84. We have been advised Optus wish to enter a 10 year lease however the building owner is holding off until the first floor is leased in case the tenant does not want the tower there. Given the interest by Optus for a new 10 year lease, we have also included an annual rent for Optus at \$28,500 per annum. We have included a letting up allowance for this component as well as the building rent as the current lease to Optus expires in 2019.
- We have adopted a total gross rent for the building of \$186,250 per annum which equates to \$300/m² overall and can be analysed as \$270/m² over the showroom and warehouse and \$400/m² gross over the first floor office space. The resulting net rental rate overall is \$225/m².

2.2. Asset

- The property comprises an irregular shaped parcel of land fronting both Jeays Street (52.7 metres) and Hurworth Street (54.2 metres). The property has extensive frontages and exposure.
- The land is improved with is a freestanding commercial building comprising of a 340m² warehouse (internal clearance of 6.3 metres); 135m² ground floor showroom and amenities; and 145m² first floor office space and amenities. There are 10 open car parks, six clear and two in tandem format.
- The building is able to be separately occupied by two tenancies (warehouse / showroom and first floor office).
- The building presents to a very good standard with the amenities and first floor office space recently renovated. The ground floor kitchen is yet to be fully installed and finished and our valuation is based on the critical condition this is completed. Amenities comprise of male and female toilets and kitchens. Access to the first floor is via a separate entry foyer and stairwell.
- The property is located within Bowen Hills and surrounded by similar commercial buildings and is in close to major public transport including 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, off street car parking 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 owner occupiers and investors.

2.4. Lending Cautions

- The property is currently vacant except for an Optus tower.
- The property is of a size and nature that would be suited to both owner occupiers, part owner occupiers and tenants / investors.

3. Title Details

3.1. Title Search

CURRENT TITLE SEARCH	
NATURAL RESOURCES, MINES AND ENERGY, QUEENSLAND	
Request No: 28806260	Title Reference: 11339225
Search Date: 07/06/2018 13:11	Date Created: 31/03/1916
Previous Title: 10201029	
REGISTERED OWNER	
Dealing No: 715383710 23/10/2013	
CHRIS HALL FAMILY SUPER PROPERTIES PTY LTD A.C.N. 136 636 416 TRUSTEE UNDER INSTRUMENT 715383710	
ESTATE AND LAND	
Estate in Fee Simple	
LOT 44	REGISTERED PLAN 9986 Local Government: BRISBANE CITY
LOT 45	REGISTERED PLAN 9986 Local Government: BRISBANE CITY
EASEMENTS, ENCUMBRANCES AND INTERESTS	
1. Rights and interests reserved to the Crown by Deed of Grant No. 19561194 (SUBN POR 113)	
2. LEASE No 703598434 28/09/1999 at 10:47 OPTUS MOBILE PTY LIMITED A.C.N. 054 365 696 OVER LEASE A ON SP120663	
3. AMENDMENT OF LEASE No 709805147 27/07/2006 at 10:10 LEASE: 703598434 LEASE: 703598438 LEASE 703598434 - TERM: 18/05/1999 TO 17/05/2009 OPTION: NIL LEASE 703598438 - TERM: 18/05/2009 TO 17/05/2019 OPTION: NIL	
4. LEASE No 703598438 28/09/1999 at 10:48 OPTUS MOBILE PTY LIMITED A.C.N. 054 365 696 OVER LEASE A ON SP120663	
5. MORTGAGE No 715383711 23/10/2013 at 14:18 WESTPAC BANKING CORPORATION A.B.N. 33 007 457 141	
ADMINISTRATIVE ADVICES - NIL	
UNREGISTERED DEALINGS - NIL	

Summary

Real Property Description	Lots 44 and 45 on Registered Plan 9986
Local Government	Brisbane City
Title Reference	11339225
Registered Owner	Chris Hall Family Super Properties Pty Ltd A.C.N. 136 636 416 as Trustee under Instrument No. 715383710

3.2. Easements, Encumbrances and Interests

- Rights and interests reserved to the Crown by Deed of Grant No. 19561194 (SUBN POR 113)
- Lease No. 703598434 dated 28 September 1999 to Optus Mobile Pty Limited A.C.N. 054 365 696 over Lease A on SP120663
- Amendment of Lease No. 709805147 dated 27 July 2006 of Lease: 703598434; Lease: 703598438. Lease 703598434 – Term: 18/05/1999 to 17/05/2009 Option: Nil
Lease 703598438 – Term: 18/05/2009 to 17/05/2019 Option: Nil
- Lease No. 703598438 dated 28 September 1999 to Optus Mobile Pty Limited A.C.N. 054 365 696 over Lease A on SP120663
- Mortgage No. 715383711 dated 23 October 2013 to Westpac Banking Corporation A.B.N. 33 007 457 141

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	Emerging Community Zone Bowen Hills Priority Development Area



Brisbane City Plan 2014 Zoning Map Extract

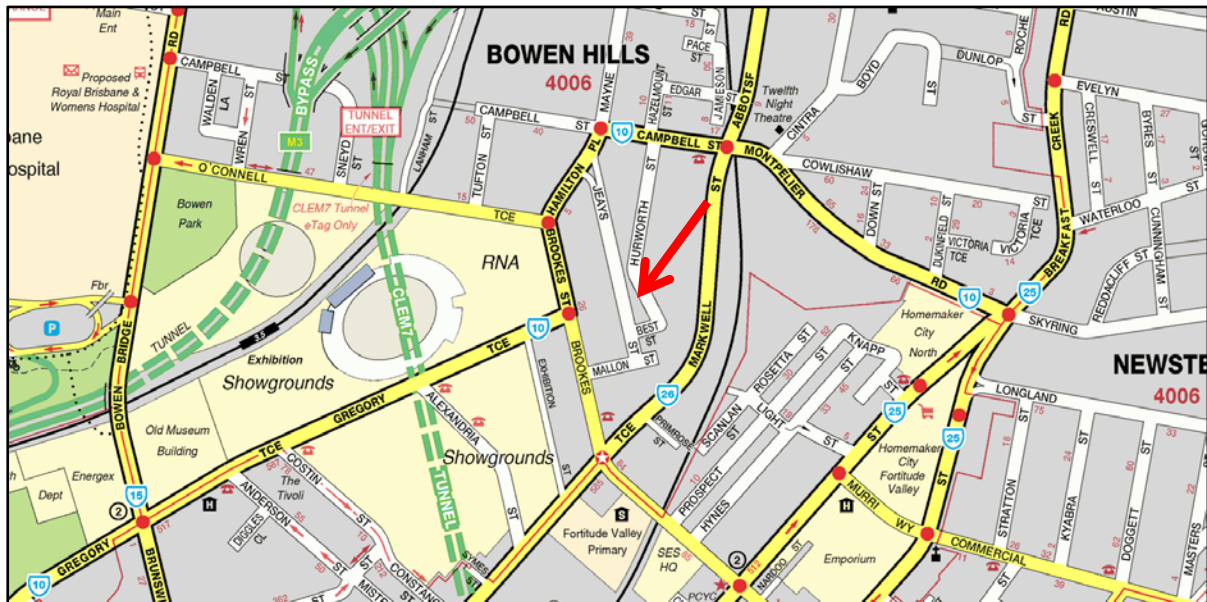
Zoning Purpose	<p>The purpose of the Emerging community zone code is to:</p> <ul style="list-style-type: none"> (a) Identify land that is suitable for urban purposes and conserve land that may be suitable for urban development in the future. (b) Manage the timely conversion of non-urban land to urban purposes. (c) Prevent or discourage development that is likely to compromise appropriate longer term land use.
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>Transport Noise Corridor Overlay</p> <p>Bowen Hills Neighbourhood Plan</p> <p>Road Hierarchy Overlay</p> <p>Traffic, Parking Control or Residential Parking Permit Area</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.

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

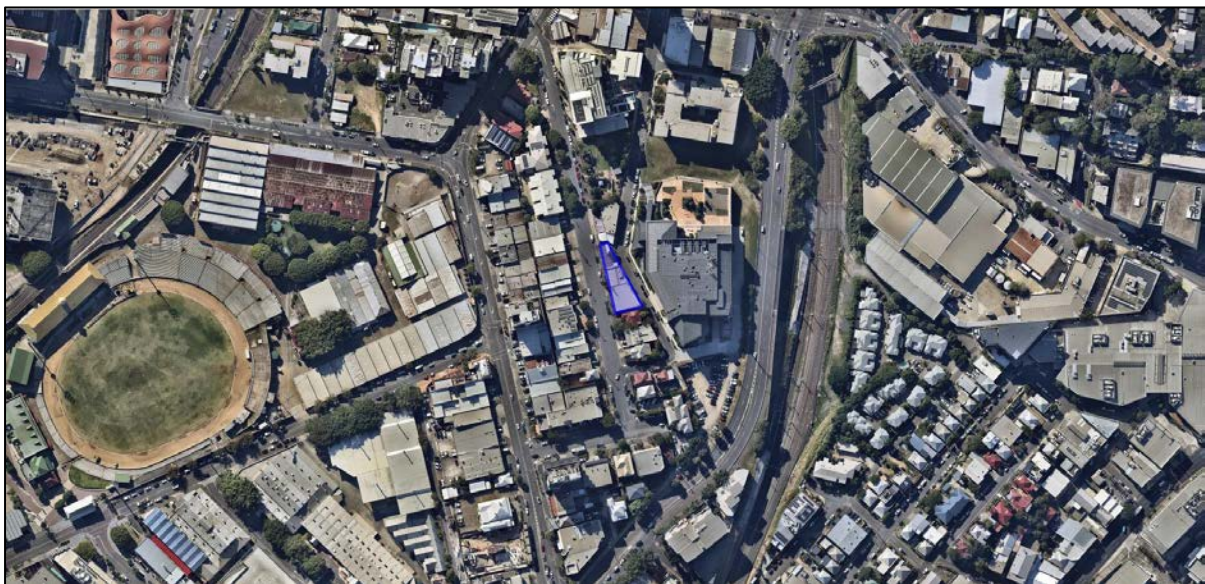
5.2. Location & Surrounding Development

The property is positioned to the eastern side of Jeays Street and the western side of Hurworth Street, approximately 40 metres north of its intersection with Best Street and 200 metres south of its intersection with Hamilton Place, and is approximately 2 kilometres radially north-east of the Brisbane GPO.



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The surrounding development comprises similar low rise commercial office buildings as well as some light industrial buildings. The property is in close proximity to the RNA Showgrounds as well as being in close proximity to the new Sullivan Nicolaides laboratories which have recently been constructed in Hurworth Street.



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

5.3. Roads, Access and Exposure

At the front of the property, Jeays Street is a two lane bitumen sealed connector road with concrete kerb and channelling and formed footpaths to both sides. Jeays Street carries low levels of traffic and it links Hamilton Place in the north with Mallon Street and Brookes Street to the south. Hurworth Street is a narrow two lane bitumen sealed local road with concrete kerb and channelling.

Vehicle access / egress is easy and direct via concrete crossovers from both Jeays and Hurworth Streets. Vehicle access from Hurworth Street is directly into the warehouse with access on Jeays Street to both the car parking and into the warehouse.



Jeays Street



Hurworth Street

6. Improvements

6.1. Accommodation

The property comprises a freestanding commercial building comprising of a 340m² warehouse (internal clearance of 6.3 metres); 135m² ground floor showroom and amenities; and 145m² first floor office space and amenities. There are 10 open car parks, six single spaces and two in tandem format.



Front Elevation of the Building



Car Parking



Warehouse



Showroom



First Floor Office



First Floor Office



First Floor Kitchenette



First Floor toilet (mens)

The building is able to be separately occupied by two tenancies (warehouse / showroom and first floor office).

The building presents to a very good standard with the amenities and first floor office space recently renovated. The ground floor kitchen is yet to be fully installed and finished and our valuation is based on the critical condition this is completed. Amenities comprise of male and female toilets and kitchens. Access to the first floor is via a separate entry foyer and stairwell.

The building is set on a reinforced concrete slab to the ground level with a timber floor to the first floor. The building has rendered and / or painted masonry block and brick external walls and a corrugated sheet metal roof. The first floor office is internally lined with plasterboard and has suspended grid acoustic ceilings with ducted air conditioning and recessed lighting. The warehouse and showroom space has mercury vapour lamps.

6.2. Net Lettable Area

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

Component	%	Area (m ²)
Warehouse	54.8	340
Showroom	21.8	135
First floor office	23.4	145
Total	100%	620

6.3. Construction and Building Services

General construction details are summarised as follows:

Foundations	Reinforced concrete.
Floors	Concrete.
External Walls	Rendered and painted masonry black; exposed brick to southern side.
Internal Walls	Plasterboard in office.
Ceilings	Suspended grid acoustic ceiling tiles in office. Warehouse clearance of 6.3 metres approximately.
Windows / Doors	Aluminium framed glazed external windows and entry doors.
Roof	Sheet metal.
Floor coverings	Concrete, polished timber, carpet and ceramic tile.
Condition	Good.

The improvements are serviced by the following:

Amenities	Male and female toilets and kitchenette to each level.
Air Conditioning	Ducted to first floor office space.
Lighting	Recessed fluorescent lighting and mercury vapour lamps.
Car Parking	10 open car parks, 6 single spaces and 2 in tandem format.
Other	Roller door access into the warehouse from both Jeays and Hurworth Streets.

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

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

The building is currently vacant and being advertised for lease. The space can be occupied as a whole or as warehouse / showroom or the first floor office.

There is a lease to Optus for a tower on the roof expiring on the 17 May 2019. The gross annual rent for the Optus tower is \$28,554.84. We have been advised Optus wish to enter a 10 year lease however the building owner is holding off until the first floor is leased in case the tenant does not want the tower there. Given the interest by Optus for a new 10 year lease, we have also included an annual rent for Optus at \$28,500 per annum. We have included a letting up allowance for this component as well as the building rent as the current lease to Optus expires in 2019.

8.2. 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 ²
Council Rates	14,400	23.22
Water and Sewerage Charges	2,480	4.00
Insurance	3,165	5.10
Land Tax *	19,300	31.13
Cleaning and Pest Control	1,100	1.77
Air Conditioning	500	0.81
Security	500	0.81
Repairs & Maintenance	5,000	8.06
Total Estimated Annual Outgoings	46,445	74.90

* Land Tax payable for Trustee or Company based on the Rateable Land Value of \$1,400,000

The electricity amount of \$1,500 per annum is recovered. Total Estimated Annual Outgoings of approximately \$75/m² is considered realistic given the size, condition and location of the property.

9. Market Analysis

9.1. Sales History

According to our inspection of Government records, the property was acquired by the current owners for \$1,800,000 on 6 August 2013.

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/m² for A-grade space and \$420/m² 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/m² for A Grade buildings, and between \$3,100 and \$4,500/m² for secondary grade buildings. Average A Grade capital values are currently \$6,255/m², 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.

The Brisbane industrial market also improved over 2017. The Queensland economy is benefiting from improved employment and net interstate migration along with a strengthening service and residential construction sector which overall are having a positive effect on business sentiment and industrial demand.

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

No.	Address	Tenant	Area (m ²)	Annual Gross Rental (\$/m ²)	Term	Comm. Date
1	8 Ferry Road West End	4 Sporty Schus	418	254*	5 yrs	Dec-17
The property is located to the southern side of Ferry Road, approximately 50 metres west of its intersection with Montague Road. The property is improved with an office and showroom / warehouse building. The accommodation comprises of a 308m ² ground floor office and warehouse and a 110m ² mezzanine office. The two levels of office space are air conditioned and the warehouse space is column free. The space presents to an average standard with dated amenities. There are a total of six car parks in front of the building. The land area is 443m ² . * Leased on a net basis at \$179/m ² . We have added outgoings of \$75/m ² to estimate the gross rent.						
2	2B, 15 Anthony Street West End	JB Weir	190	292*	1 yr	Jul-17
The property is located to the southern side of Anthony Street, approximately 70 metres west of its intersection with Montague Road. The property is improved with a semi-modern two level office/warehouse complex which was constructed circa 1980's. The subject tenancy noted above forms part of the building area and is configured to provide showroom and office accommodation. The tenancy includes 2 car parking spaces in a tandem configuration. * Leased on a net basis at \$217/m ² . We have added outgoings of \$75/m ² to estimate the gross rent.						
3	130 Arthur Street Fortitude Valley	Cosh Living Furniture Store	755	325	5 yrs	Oct-17
A freestanding warehouse, retail showroom / office building located just off Brunswick Street and walking distance to James Street retail precinct. The accommodation comprises of 595m ² high clear span warehouse with roller door access and 160m ² of air conditioned, good quality office space. The warehouse space is all on one level.						
4	47 McLachlan Street Fortitude Valley	Café Culture	500	395*	5 yrs	Jul-17
A freestanding warehouse / showroom and office building on a 530m ² located within walking distance to James Street retail precinct. The accommodation comprises of 300m ² of warehouse / showroom space and 200m ² of air conditioned, good quality office space. There is side vehicle access, a rear roller door and on site car parking. The property was recently refurbished and includes a grease trap and toilets and showers. The property has good exposure and is opposite new residential developments. * Leased on a net basis at \$320/m ² . We have added outgoings of \$75/m ² to estimate the gross rent.						
5	18 Chester Street Newstead	Domestic Textile Corporation	220	400	3 yrs	Aug-17
A freestanding fully air conditioned showroom / office building on a 306m ² regular shaped lot centrally located in Newstead. The building has very good exposure and features a double height glass frontage. Open plan layout over two levels. There are three open car parks in front of the building.						

The leasing transactions for similar accommodation outlined above indicates gross rents ranging from \$254/m² to \$400/m² depending on their location / position, size of tenancy and spaces (office, showroom and / or warehouse) and immediate amenity such as car parking and access to public transport.

Also of note are two recent office leases for the property across the road (27 Jeays Street), which are summarised in the table below. This office space presents to a higher standard and is within a modern office building.

Lease No.	Tenant	Area* (m ²)	Rental				Term (Comm)	Reviews
			Net Rent (\$)	Outgoings (\$)	Gross Rent (\$)	Rate (\$/m ²)		
1&2	Agena Bioscience	304	-	-	167,200	550	5 yrs (Mar-18)	4.0%
3	Redcliffe Tax	146	-	-	76,000	521	5 yrs (Apr-18)	3.5%

Based on the above evidence and discussions with agents' active in the market, we have adopted a total gross rent for the building of \$186,250 per annum which equates to \$300/m² overall and can be analysed as \$270/m² over the showroom and warehouse and \$400/m² gross over the first floor office space. The resulting net rental rate overall is \$225/m². Our valuation calculations are based on a hypothetical gross lease for 5 years with CPI reviews and a 10% (six months' rent free) incentive.

Given the interest by Optus for a new 10 year lease, we have also included an annual rent for Optus at \$28,500 per annum. We have included a letting up allowance for this component as well as the building rent as the current lease to Optus expires in 2019.

9.5. Sales Evidence

1		Address:	131 Wellington Road East Brisbane
		Purchase Price:	\$1,400,000
		Date:	May-17
		Land Area:	405m ²
		Land Area Analysis:	\$3,457/m ²
		Building Area:	450m ²
		Building Analysis:	\$3,111/m ²
		Yield:	Vacant Possession Equivalent 7.2%

The property comprises a regular shaped inside parcel of land being positioned to the eastern side of Wellington Road, located approximately 50 metres north of its intersection with Mowbray Terrace. The property is improved with a semi-modern office/warehouse building which was constructed circa 1990's. The building is set on a reinforced concrete slab to the ground level and has a suspended timber floor to the first level. The building comprises mostly office accommodation with a ground level warehouse area accessed via a roll steel shutter door. The property includes 3-4 off street car parking spaces top the front of the property and it was sold with vacant possession to an intending owner occupier. We have assessed a market rental of \$250/m² net for the building and we have made an allowance for a lease incentive equating to 10.0% when assessed the equivalent yield for the property.

Comparison: Smaller property in a slightly inferior location. Overall considered to reflect a broadly comparable analysed improve land sales rate; slightly lower analysed building sales rate and slightly weaker yield.

2		Address:	38 Thompson Street Bowen Hills
		Purchase Price:	\$1,465,000
		Date:	Nov-17
		Land Area:	524m ²
		Land Area Analysis:	\$2,796/m ²
		Building Area:	469m ²
		Building Analysis:	\$3,124/m ²
		Yield:	5.8%

The property comprises a regular shaped parcel of land positioned to the western side of Thompson Street and backing onto Abbotsford Road (no access). The property has a frontage of 13 metres to Thompson Street and is improved with a part two level office/warehouse building. The building is set on a reinforced concrete slab and has painted masonry block external walls and a corrugated sheet metal roof. The office space is over two levels and comprises of reception, partitioned offices, meeting rooms and amenities. The building internally and externally presents to a good standard although some of the fittings are dated. There is a concrete sealed driveway and car parking area to the front of the property and this provides off street car parking for 3 vehicles. The property was sold with vacant possession. The property has reportedly since leased to Chapman and Bailey Art Supplier at \$85,000 per annum. Zoned Mixed Use (inner City) Zone.

Comparison: The property comprises a slightly smaller land and building area and the building offers an inferior standard of accommodation which has resulted in lower analysed sale rates.

3		Address:	1 Thompson Street Bowen Hills
		Purchase Price:	\$1,700,000
		Date:	Jul-17
		Land Area:	405m ²
		Land Area Analysis:	\$4,198/m ²
		Building Area:	380m ²
		Building Analysis:	\$4,474/m ²
		Yield:	Vacant Possession Equivalent 6.5%


The property comprises a regular shaped parcel of land having a frontage to Thompson Street of 10.3 metres and a depth of 40.2 metres. The property is one block north of Edmonstone Road. The property is improved with a part two level office/warehouse building. The accommodation comprises of medium and low clearance warehouse (space under offices) plus first floor offices. There are amenities on both levels. The building internally and externally presents to a very good standard, particularly the first floor office space. There is a concrete sealed driveway and car parking area to the front of the property and this provides off street car parking for 5 vehicles (most under cover). The property was sold with vacant possession to an intending owner occupier. We have assessed a market rental of \$325/m² net for the building and we have made an allowance for a lease incentive equating to 10.0% when assessed the equivalent yield for the property. Zoned Mixed Use (inner City) Zone.

Comparison: The property comprises a smaller land and building area and the building offers a superior standard of accommodation which has resulted in higher analysed sale rates and a slightly firmer yield.

4		Address:	2-6 Prospect Street Fortitude Valley
		Purchase Price:	\$2,200,000
		Date:	Feb-18
		Land Area:	690m ²
		Land Area Analysis:	\$3,188/m ²
		Building Area:	559m ²
		Building Analysis:	\$3,936/m ²
		Yield:	7.3%

The property comprises a roughly regular shaped parcel of land having a frontage to Prospect Street of 29.6 metres and an average depth of 23.2 metres. The property backs onto the railway line and is approximately 30 metres north of Brookes Street. There is second street access from Scanlan Street to the rear eastern corner. The property is improved with an office / showroom / warehouse building. The building has been divided into three tenancies and has recently been refurbished. There is reasonable onsite car parking to the rear of the building. The property falls under the Fortitude Valley Neighbourhood Plan. The property is leased until October 2018 at a net rental rate of \$288.75/m².

Comparison: *The property comprises a similar land area but slightly smaller building within a comparable location / position. Overall considered to reflect broadly comparable sales rates but slightly weaker yield.*

5		Address:	379 Montague Road West End
		Purchase Price:	\$3,500,000
		Date:	Jul-17
		Land Area:	860m ²
		Land Analysis:	\$4,070/m ²
		Building Area:	734m ²
		Building Analysis:	\$4,768/m ²
		Yield:	Vacant Possession

The property comprises a regular shaped lot with frontages to Montague Road and Tondara Lane in West End. The property is improved with an industrial warehouse building plus 8-10 onsite car parks. The air conditioned office space is over two levels and the warehouse is column free. Zoned mixed use inner city zone.

Comparison: *Larger property with two street frontages in West End, the main Montague Road. The accommodation is considered slightly inferior based on location and development potential, considered to reflect higher analysed sales rates.*

9.6. Sales Reconciliation

We have derived from the above sales evidence that analysed rates based on building area ranged from \$3,111/m² for the sale of a smaller property in East Brisbane up to \$4,768/m² for a slightly larger property on Montague Road in Newstead. Improved land sales rates ranged from \$2,796/m² up to \$4,198/m² depending on location / position, standard and type of improvements and development upside (if any).

We further note that the above sales derived investment yields ranging between 5.8% and 7.3%.

In assessing an appropriate analysed building area and improved land area rate ranges 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
- number of car parks
- quality of accommodation and standard of presentation of the existing improvements
- general market demand from tenants and owner occupiers
- quantum of dollar bracket into which the subject property lies (sub \$3m)

Based on our sales analysis and taking the above factors into consideration, as well as the existing site coverage for the property we have assessed a building area rate range of between \$3,500/m² and \$4,000/m²; an improved land area rate range of between \$3,200/m² and \$3,700/m²; 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 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 income (gross basis including Optus rent)		\$	214,750
Less Estimated Annual Outgoings		\$	46,445
Sustainable Net Annual Income		\$	168,305
Capitalised @	6.75%	\$	2,493,407
Less Letting up allowances ¹		\$	219,045
Adopt		\$	2,274,362

(1) Letting up allowances 12 months' rent total (six months to relet and six months incentive) plus agents commission.

10.3. Direct Comparison Approach

An appropriate method of valuing a property of this size, in this location, for its current use is the Direct Comparison Approach. Using this Approach, we have directly compared the property to the Sales Evidence, after first making appropriate adjustments for variations in:

- access to property and surrounding transport infrastructure
- surrounding development
- quality and standard of accommodation/improvements
- land and building areas
- site coverage
- car parking and access to transport networks
- current market conditions

We have then applied an assessed market value rate range based on both the building area and improved land area to arrive at the market value of the property.

Direct Comparison Approach			
Building Area		620m ²	
Improved Market Range	\$3,500/m ²	to	\$4,000/m ²
Calculated Value	\$2,170,000	to	\$2,480,000

Direct Comparison Approach			
Improved Land Area		673m ²	
Improved Market Range	\$3,200/m ²	to	\$3,700/m ²
Calculated Value	\$2,153,600	to	\$2,490,100

10.4. Valuation Conclusions

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

Capitalisation approach	Direct comparison approach
\$2,274,362	\$2,153,600 - \$2,490,100

Based upon the analysis, we have adopted a market value of **\$2,300,000 exclusive of GST**. An analysis of the adopted value is noted below:

Adopted Value, Returns and Yields	
Adopted value	\$2,300,000
Initial yield (Optus rent)	1.24%
Analysed market yield	6.75%
Reversionary yield	7.32%
Rate \$/m ² building	\$3,710
Rate \$/m ² improved land	\$3,418

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

10.5. Insurance Replacement Value

Replacement With New Value as at: 7 June 2018

Total Replacement Value: (Net of GST) \$1,500,000

Our insurance estimate is exclusive of GST.

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

11. Valuation

In accordance with my appointment and any qualifications detailed herein, I have assessed the market value of **26 Jeays Street, Bowen Hills Qld 4006** as at **7 June 2018** to be:

\$2,300,000 GST exclusive
(Two Million Three Hundred Thousand 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



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



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

Date: 15 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

Specialised Club Reference Number - VAL-604248-772 / 0652183

Dear Sir/Mdm,

Your company is instructed to undertake a Valuation of a property located at 26 Jeays St Bowen Hills 673 QLD 4006 under instructions from Westpac Banking Corporation on behalf of World Supply Services Pty Ltd of 26 Jeays St Bowen Hills 673 QLD 4006.

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:

Registered Proprietor:	World Supply Services Pty Ltd
Address:	26 Jeays St Bowen Hills 673 QLD 4006
Certificate of Title:	11339225
Land Area:	673
Brief Description:	Office and warehouse building comprising 655m2 letting area. Separate land lease to Optus.
Point of Contact for Inspection:	Chris Hall 0418556666
Timing required for the Valuation:	8/06/2018
Information supplied:	NA
Further information available from:	NA
General Comments:	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.

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