

A VALUATION REPORT PREPARED FOR:
JOHN SMITH

SUBJECT PROPERTY:
1 HIGH STREET, HASTINGS

EFFECTIVE DATE OF VALUATION:
17 SEPTEMBER 2014



Valuation prepared by Added Valuation Limited:
Rob Douglas
Registered Valuer, BBS (V&PM), ANZIV, SPINZ
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VALUATION SUMMARY

| | | | | | | | |
|--|--|---------------------------|--|--|--|-----------|--|
| Property: | 1 High Street, Hastings | | | | | | |
| Legal Description: | Title identifier: | HB148/109 | | | | | |
| | Appellation: | Lot 2 Deposited Plan 8877 | | | | | |
| Client/Addressee: | John Smith | Your Bank Ltd | | | | | |
| | 15 Makebelieve Street | PO Box 98765 | | | | | |
| | Hastings 4120 | Napier 4110 | | | | | |
| | | Attn: Joe Bloggs | | | | | |
| Instructed by: | John Smith | | | | | | |
| Reporting date: | 23 September 2014 | | | | | | |
| Valuation date: | 17 September 2014 | | | | | | |
| Inspection date: | 17 September 2014 | | | | | | |
| Purpose of valuation: | For mortgage lending | | | | | | |
| Basis of valuation: | Market value | | | | | | |
| Interest being valued: | An estate in fee simple (freehold) | | | | | | |
| Nature of property: | Commercial retail | | | | | | |
| Property summary: | 1 High Street comprises an attached single storey retail shop estimated to date from the early to mid 1930s. The shop is generally presented in tidy condition. The shop is internally partitioned to provide open plan retail shop, kitchenette, toilet and mezzanine storage. | | | | | | |
| | Other improvements comprise a single carpark to the rear. The section is designed to be easy care. | | | | | | |
| | The property is located in Central Napier, in the pedestrian friendly Upper High Street block. Surrounding properties are presented in tidy condition and tend to achieve values in the upper-middle to high price range for retail properties in Hawke's Bay. | | | | | | |
| | | | | | | | |
| Market value: | <table><tr><td colspan="2">Six Hundred and Twenty Five Thousand Dollars</td></tr><tr><td colspan="2">\$625,000</td></tr></table> | | | Six Hundred and Twenty Five Thousand Dollars | | \$625,000 | |
| Six Hundred and Twenty Five Thousand Dollars | | | | | | | |
| \$625,000 | | | | | | | |
| | Apportioned as follows: | | | | | | |
| | Improvements Value | \$385,000 | | | | | |
| | Land Value | \$240,000 | | | | | |
| | <hr/> | | | | | | |
| | Market Value | \$625,000 | | | | | |
| | <hr/> | | | | | | |
| | This valuation assessment is exclusive of GST (if any). | | | | | | |
| Mortgage security comment: | No areas of deferred maintenance were noted which are considered likely to have a degenerative impact on the value of the property. The property is presented in average order, and is considered to have normal saleability, however until the findings of the seismic risk assessment are available the market will be reluctant to acquire the property. Overall we consider the property provides normal security for mortgage lending purposes (subject to our assumption that the building strength is at least 67% of new build code standard). | | | | | | |



Floor area:

| Buildings | Area (m ²) |
|-------------------|------------------------|
| Retail | 194 |
| Mezzanine Storage | 64 |
| Retail Canopy | 19 |

Land area:

241 m²

Zoning:

The property is zoned Central Commercial under the Hastings District Council's Operative District Plan.

Critical assumptions:

We understand that the client has commissioned a seismic risk assessment on the building, however the assessment has not yet been undertaken. This valuation assumes that the building strength is at least 67% of new build code standard. Should this assumption subsequently be found to be incorrect, Added Valuation Ltd should be consulted to reassess the value(s) stated in this report. This valuation assessment is on the basis of and subject to the 'Valuation Explanation' (see appendix).

Disclosure

The valuer has no interest, financial or otherwise, in the property or with any party in relationship to the subject property.
Added Valuation Ltd holds professional indemnity insurance cover of \$1,000,000.
Our valuation has been completed in compliance with the Property Institute of New Zealand Valuation Standards and International Valuation Standards.

Disclaimers, limitations and qualifications:

The above valuation is subject to all the terms and conditions outlined in this report. This report comprises 22 pages inclusive of the Appendix, Title Page and Table Of Contents, and should be read in full. This valuation may only be relied upon by John Smith and Your Bank Ltd for mortgage lending purposes only. No other person should rely upon this report, nor can the report be relied upon for any other purpose, without reference to the valuer undersigned. Should some other person do so without the written permission of Added Valuation Limited then that person does so at their own risk and Added Valuation Limited accept no responsibility for any reliance placed upon the report. Added Valuation Limited prohibit the publication of this report in whole or in part, or any reference thereto, or to the valuation figures contained therein, or to the names and professional affiliations of the valuer, without the written approval of the valuer as to the form and context in which it is to appear.

Valuation prepared by Added Valuation Limited:

Rob Douglas
Registered Valuer, BBS (V&PM), ANZIV, SPINZ
Annual Practising Certificate 2014
E: rob@addedvaluation.co.nz M: 022 4444 005
Our File Ref: 1193 - Example Commercial Market Report



STATUTORY DETAILS

LEGAL DESCRIPTION

Title identifier: HB148/109
Appellation: Lot 2 Deposited Plan 8877
Tenure: An estate in fee simple (freehold)
Area: 241m²
Registered proprietor: John Marcus Smith
Title interests: Appurtenant hereto is a right of way created by Transfer 120309 - 2.2.1956
8798172.6 Mortgage to ANZ National Bank Limited - 28.6.2011 at 4:52 pm
Refer to Appendix 'Valuation Explanation' Computer Freehold Register

ZONING

The property is zoned Central Commercial under the Hastings District Council's Operative District Plan.

The Central Commercial Zone provides significant flexibility for a wide range of retail, office and residential activities to establish and operate in the centres of Hastings and Havelock North.

The main objectives of the Central Commercial Zone are to: manage the adverse effects of the concentration of different commercial activities within the zone; to provide for functional, vibrant, attractive and convenient commercial areas in the centre of Hastings City and Havelock North, so they will be desirable places for commercial activities to locate and for people to visit; to maximise pedestrian comfort and safety and provide convenient access and parking; to encourage more people to live within the zone; and promoting the aesthetic development of the centre of Hastings City and Havelock North to enhance 'sense of space'.

Permitted activities within the zone include commercial and residential activities and any ancillary activity to commercial and residential. Permitted activities need to meet the zones performance standards (unless resource consent is obtained to deviate from those standards).

The property is also within the Central Character Precinct. This overlay identifies an area of the commercial centre, which has a distinct building character in terms of heritage and streetscape values, due to the unique development styles and patterns within the area and on route ways through the city. In addition to the Central Commercial Zone provisions, the plan requires individual assessment of any building development or re-development to maintain and enhance the heritage fabric and streetscape values of the Precinct.

The existing commercial use is a permitted activity within this zone.

RATING VALUATION

As at 1 August 2013
Valuation role number: 10250/28605
Improvements value: \$385,000
Land value: \$235,000
Capital value: \$620,000

This assessment is produced for rating purposes using mass appraisal techniques. In most cases an inspection of the property was not undertaken. The Rating Value is not necessarily indicative of the market value.



RATES

For the 2014/2015 year (GST inclusive)

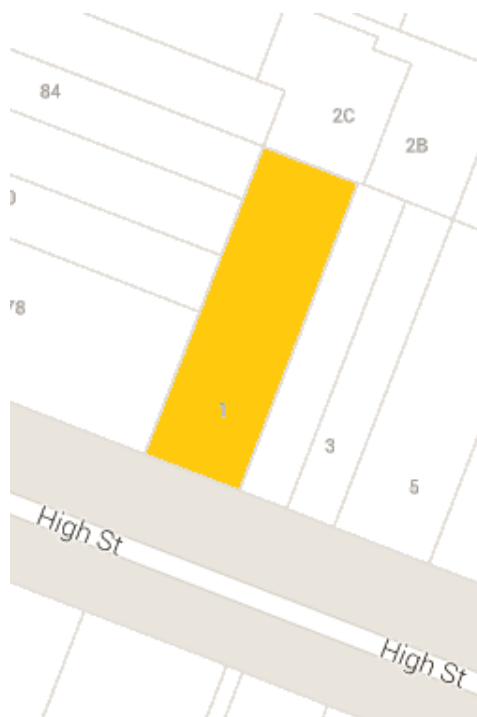
Valuation role number: 10250/28605

Local Council Rates: \$3,210.35

Regional Council Rates: \$358.25



LAND



The subject property is identified on the above plan. The section is of rectangular shape.

The land is of level contour.

All normal utilities are available to the site.

Refer to Appendix: 'Valuation Explanation': 'Site survey' and 'Environmental or geotechnical issues' for details of the nature of our investigations.



LOCATION

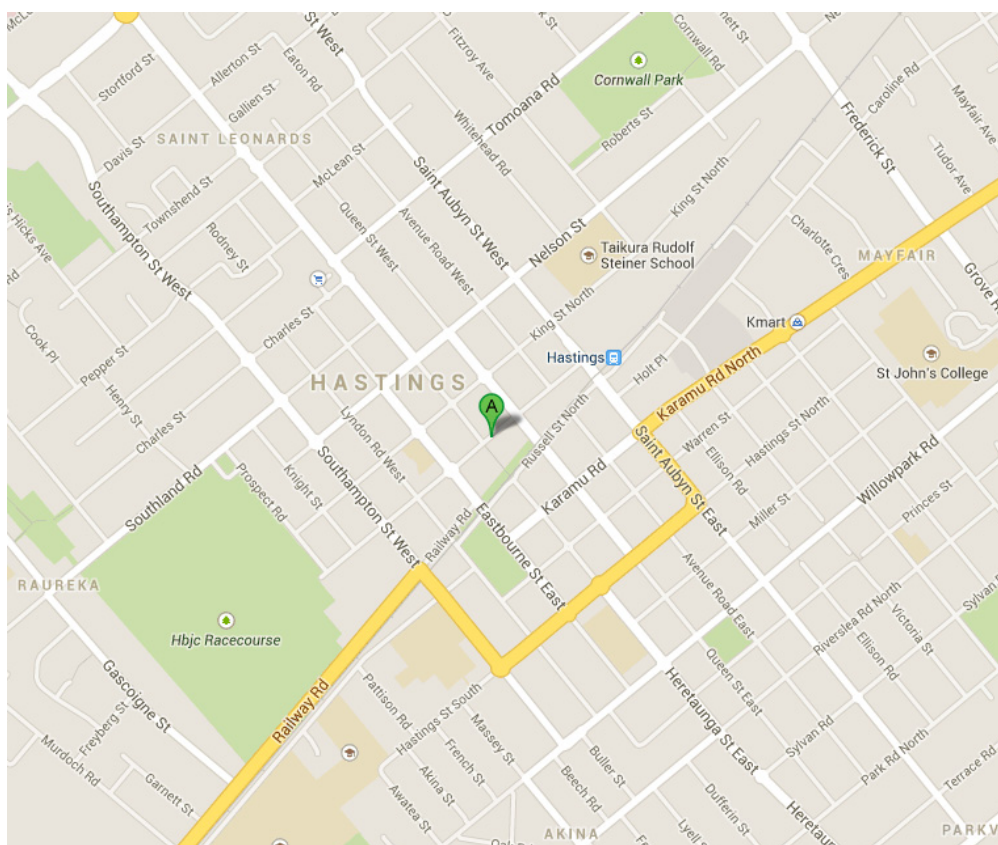
The property is located in Central Napier, in the pedestrian friendly Upper High Street block. The property is positioned on the northern side of High Street.

This location is a popular retail location for Napier and comprising predominantly national and international retail chains, plus a scattering of local retailers. The blocks in the immediate locality dominated the top rankings for strip retail in the 2013 Hawke's Bay branch of the Property Institute of New Zealand pedestrian count (large format retail locations excluded). Properties in this area of High Street normally have good occupancy however some frictional vacancy is normally present.

The Statistics New Zealand 2013 census data indicates that the population of Napier has increased by 3.4% in the seven years since 2006 and 6.7% in the twelve years since 2001.

Surrounding properties are presented in tidy condition and tend to achieve values in the upper-middle to high price range for retail properties in Hawke's Bay.

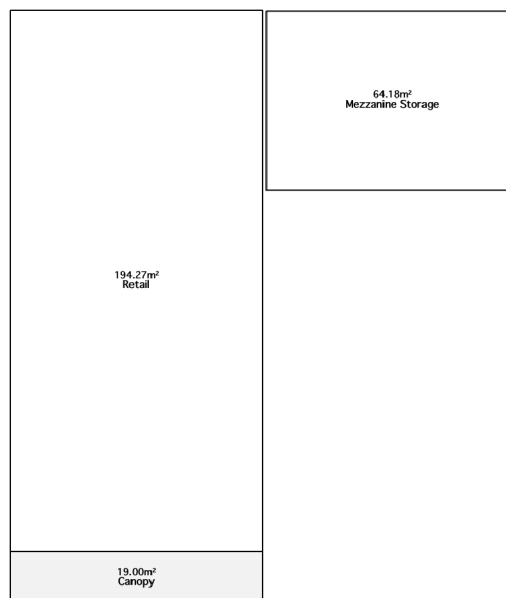
The approximate position of the property is identified on the plan below.





IMPROVEMENTS

| Buildings | Area (m ²) |
|-------------------|------------------------|
| Retail | 194 |
| Mezzanine storage | 64 |
| Retail canopy | 19 |



Front of the building



Front of the building



Retail



Retail



SHOP

| | |
|-----------------|---------------------------------------|
| Type | An attached single storey retail shop |
| Approximate age | Early to mid 1930s |

| Construction | Materials | Condition |
|--------------------------|------------------------------------|-----------|
| Foundation | concrete slab | tidy |
| External walls | concrete | average |
| Roof | galvanised steel | average |
| Joinery | aluminium | tidy |
| Floor | concrete | tidy |
| Internal wall linings | concrete | tidy |
| Internal ceiling linings | metal tray fitted soft board tiles | good |

| Rooms | Fixtures and fittings |
|-------------------|--|
| Kitchenette | stainless steel bench, minimal cupboard space, |
| Retail | automatic doors, air conditioning unit, |
| Mezzanine storage | |
| Toilet | toilet, handbasin, |

Adjoining the front of the building is a standard retail canopy.

The interior is generally presented in tidy condition. The exterior of the dwelling is generally presented in average condition.

LIMITATION

This valuation report is not a structural survey. Any comments relating to the condition of improvements relate only to the superficial condition, and not structural condition. Refer to Appendix: 'Valuation Explanation' 'This report is not a structural survey' and 'Building Services'.

SITE DEVELOPMENT

The section is designed to be easy care. Vehicle access is via a shared right of way and there is one concrete parking space to the rear of the building.



LEASE DETAILS

The property is subject to the following lease terms. Our valuation assumes these terms are enforceable and have not been superseded:

| | |
|--------------------------------|--|
| Tenant | High Art Studios |
| Landlord | John Smith |
| Premises | 1 High Street, Hastings - Retail |
| Form of lease | Auckland District Law Society (ADLS) Fifth Edition Deed of Lease. The ADLS lease is the common form of lease in Hawke's Bay. |
| Lease commencement date | 1 September 2012 |
| Current Term Expiry Date | 1 September 2012 |
| Current lease term | Six years |
| Current Lease Term Remaining | 4 years |
| Current term commencement date | 1 September 2012 |
| Rights of Renewal | One further term of three years |
| Final Expiry Date | 1 September 2012 |
| Commencement Rental | \$51,000 |
| Current Annual Rental | \$51,000 |
| Rent Reviews | Three yearly |
| Permitted Use | Any use permitted by the district plan |
| Operating Expenses | The tenant is responsible for 100% rates and insurance costs associated with the property. |
| Basis of Rent Reviews | Current market rent |
| Ratchet Clause | A soft ratchet clause preventing the rental falling below the rental at the commencement of the then current lease term |
| Maintenance | The Tenant is responsible for interior maintenance. The Landlord is responsible for structural repairs and maintenance. |



BASIS OF VALUE

This assessment has been undertaken in accord with the Property Institute of New Zealand Professional Practice Standards October 2009 and the International Valuation Standards 2013 which provides the following definition of market value;

“Market value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

In assessing the value of the subject property we have principally considered the Sales Comparison Approach, Income Capitalisation Approach and Depreciated Replacement Cost Approach.

SALES COMPARISON APPROACH

This method directly compares the subject property with recently traded comparable properties. Adjustments are made to the comparable properties to reflect the differences between them and the subject property.

The following transactions are considered to be the most relevant to the subject property.

225 Heretaunga Street West, Hastings

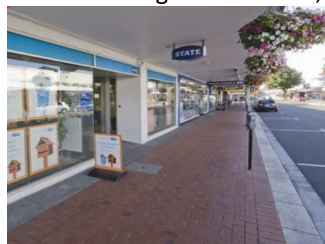


| | |
|------------------------------|------------|
| Sale Price | \$240,000 |
| Rating Valuation | \$380,000 |
| Sale Date | 1 May 2014 |
| Land area (m ²) | 255 |
| Floor area (m ²) | 120 |
| Approximate age | 1930-39 |
| Yield | 12.42% |

The property comprises an average condition single storey retail shop. The property sold fully leased to Michael Hill with a term of 1.25 years remaining. This is a basic narrow shop, but is well positioned in the main central Hastings retail strip within the highest pedestrian flow block. Michael Hill has leased this premise for an extended period.

This property is considered to have the following characteristics relative to the subject: superior tenant covenant and comparable but more desirable location.

325 Heretaunga Street West, Hastings



| | |
|------------------------------|---------------|
| Sale Price | \$560,000 |
| Rating Valuation | \$640,000 |
| Sale Date | 10 April 2014 |
| Land area (m ²) | 291 |
| Floor area (m ²) | 260 |
| Approximate age | 1930-39 |
| Yield | 8.43% |

The property comprises a tidy condition two storey retail shop. The property sold fully leased to State Insurance with a term of 1.56 years remaining. Recently fully re-strengthened to 100% NBS and fitted out by the tenant to a very good standard. The building area comprises 189.5m² at ground level and 54.5m² at first floor level.

This property is considered to have the following characteristics relative to the subject: superior tenant covenant, comparable condition, comparable quality and comparable location.

314 Market Street North, Hastings



| | |
|------------------------------|-------------|
| Sale Price | \$700,000 |
| Rating Valuation | \$780,000 |
| Sale Date | 28 May 2014 |
| Land area (m ²) | 1,009 |
| Floor area (m ²) | 560 |
| Approximate age | 1990-99 |
| Yield | 15.61% |

The property comprises a tidy condition single storey large format retail with mezzanine storage. The property sold vacant (physically), but with a lease continuing to Warehouse Stationary with a term of 1 years remaining. The property occupies a corner site. Warehouse Stationary has relocated however continue to hold the lease until June 2015 at a net rental of \$109,286.

This property is considered to have the following characteristics relative to the subject: inferior tenant covenant, inferior quality building and less desirable location.



305 Alexandra Street, Hastings



| | |
|------------------------------|------------------|
| Sale Price | \$725,000 |
| Rating Valuation | \$470,000 |
| Sale Date | 20 December 2013 |
| Land area (m ²) | 1,517 |
| Floor area (m ²) | 421 |
| Approximate age | Mixed age |
| Yield | 8.40% |

The property comprises an average to tidy condition single storey workshop with office and amenities. The property sold fully leased to Kinetic Electric with a term of 6 years remaining.

This property is considered to have the following characteristics relative to the subject: superior lease terms, comparable tenant quality and less desirable location.

200 Southland Road, Hastings



| | |
|------------------------------|------------|
| Sale Price | \$950,000 |
| Rating Valuation | \$830,000 |
| Sale Date | 1 May 2013 |
| Land area (m ²) | 810 |
| Floor area (m ²) | 490 |
| Approximate age | 2000-09 |
| Yield | 8.13% |

The property comprises a good condition single storey retail shop. The property sold leased to Pet Essentials. The property occupies a corner site.

This property is considered to have the following characteristics relative to the subject: superior lease terms, larger building size, larger land area and less desirable location.

611 Heretaunga Street West, Hastings



| | |
|------------------------------|-------------|
| Sale Price | \$985,000 |
| Rating Valuation | \$870,000 |
| Sale Date | 22 May 2013 |
| Land area (m ²) | 1,123 |
| Floor area (m ²) | 460 |
| Approximate age | 1980-89 |
| Yield | 10.39% |

The property comprises an average condition two storey multi-tenanted commercial premise with carparking. The property sold leased.

This property is considered to have the following characteristics relative to the subject: larger building size, significantly larger land area and less desirable location.

INCOME CAPITALISATION APPROACH

The Income Capitalisation Approach determines value by applying a capitalisation process to the revenue generating capacity of the property. The capitalisation rate is derived from analysis of market transactions with appropriate adjustments to reflect the relative investment risk factors. The application of this capitalisation rate converts the net income into value.

Rental Assessment

The market rental is determined by comparison to agreements reached for similar rental accommodation. The best evidence is new leaseings to new tenants for the premise. Other evidence of value in declining order includes new lettings to sitting tenants, lease renewals with rent reviews, midterm rent reviews and arbitrated settlements. Subjective adjustments are made for the relative characteristics of the properties such as for location, quality, overall and part mental size of the property, condition and lease terms.

The following rental evidence is considered the most comparable available;

223 Heretaunga Street West, Hastings - Envy Shoes



| | |
|-----------|------------|
| Rent set: | 1 May 2014 |
| Set by: | New lease |

Comment: This property comprises an average condition single storey retail shop with two carparks. The property fronts the main central Hastings retail strip within the highest pedestrian flow block.

Analysis:

retail: 189m² at \$165/m²

carparks: 2 carparks at \$15/week



118 Heretaunga Street East, Hastings - Halo Lunchbar



Rent set: 8 May 2014
Set by: New lease

Comment: This property comprises an average condition single storey retail shop with a carpark. The property fronts the main central Hastings retail strip, with the subject area being pedestrian only.

Analysis:

retail: 74m² at \$201/m²

carparks: 1 carparks at \$15/week

209 Heretaunga Street West, Central - Shampoo Plus



Rent set: 11 September 2013
Set by: New lease

Comment: This property comprises an average condition single storey retail shop. The property fronts the main central Hastings retail strip within the highest pedestrian flow block.

Analysis:

retail: 65m² at \$308/m²

344 Heretaunga Street West, Hastings - Indian Sweet and Snack House



Rent set: 1 June 2014
Set by: New lease

Comment: This property comprises an average condition restaurant with kitchen. The property occupies a front site. Charged additional rent for the kitchen fitout of \$3,000 per annum.

Analysis:

Restaurant (whole building): 150m² at \$144/m²

Kitchen fitout: 50m² at \$60/m²

108 Market Street North, Hastings - The Co-operative Bank



Rent set: 1 September 2013
Set by: New lease

Comment: This property comprises an average condition single storey retail premise. The property occupies a prominent corner site (Market Street North and Queen Street West).

Analysis:

retail: 158m² at \$326/m²

toilets: 14m² at \$150/m²

100 Heretaunga Street West, Central - Caroline Eve



Rent set: 23 November 2012
Set by: New lease

Comment: This property comprises a tidy condition single storey retail shop. The property fronts the main central Hastings retail strip, with the subject area being pedestrian only.

Analysis:

retail: 240m² at \$348/m²

100 Heretaunga Street West, Central - Paper Plus



Rent set: 23 November 2012
Set by: New lease

Comment: This property comprises an average condition single storey retail shop. The property fronts the main central Hastings retail strip, with the subject area being pedestrian only.

Analysis:

retail: 678m² at \$276/m²



100 Heretaunga Street West, Central - Cotton On



Rent set: 23 November 2012

Set by: New lease

Comment: This property comprises a tidy condition single storey retail shop. The property fronts the main central Hastings retail strip, with the subject area being pedestrian only.

Analysis:

retail: 1,000m² at \$235/m²

Rental calculation

| Area | Size (m ²) | Rent (\$/m ²) | Market Rent | Contract Rent |
|---------------------------------|------------------------|---------------------------|-----------------|-----------------|
| Retail shop | 194.3 | \$270 | \$52,453 | |
| Mezzanine storage | 64.2 | \$80 | \$5,134 | |
| Gross Rent | | | \$57,587 | |
| Operating Expenses | | | | |
| Local Rates | | | \$2,792 | |
| HBRC Rates | | | \$312 | |
| Insurance | | | \$2,200 | |
| Total Operating Expenses | | | \$5,303 | |
| Net Rent | | | \$52,284 | \$51,000 |

The following table provides a comparison between contract and market rent;

| Market Rent | Contract Rent | Rental Shortfall |
|-------------|---------------|------------------|
| \$52,284 | \$51,000 | \$1,284 |

Rental Capitalisation

Next we apply an appropriate capitalisation rate to the property income after reference to analysed market sales evidence. The adopted capitalisation rate reflects the relative investment characteristics of the properties, including; the quality of the property, location, prospect for capital gain/loss, quality of tenant(s), lease terms and marketability. The rental surplus has been discounted at 10%, which is higher than the adopted capitalisation rate and reflects the added risk associated with default on a rental surplus.

The following is a summary of our valuation on this basis:

| | Market Rent | Contract Rent |
|---------------------------------|------------------|------------------|
| Net Rent | \$52,284 | \$51,000 |
| Cap Rate | 8.3% | 8.2% |
| Indicative Value | \$630,000 | \$622,000 |
| Adjustment for rental shortfall | | |
| shortfall | \$1,284 | |
| WALT (Years) | 4.00 | |
| Discount rate | 10.0% | |
| Rental shortfall | -\$4,000 | |
| Value by Income Approach | \$626,000 | \$622,000 |



DEPRECIATED REPLACEMENT COST APPROACH

The Depreciated Replacement Cost Approach uses a summation process to determine value. The value of the land is determined by comparison to available market evidence. The following land sales have been considered in assessing the land value:

| Address | Sale Date | Sale Price | Land area |
|--------------------------------------|------------------|-------------|-----------|
| 105 Warren Street South, Hastings | 1 December 2010 | \$100,000 | 393 |
| 706 Warren Street North, Hastings | 1 August 2010 | \$150,000 | 536 |
| 806A Karamu Road North, Hastings | 17 August 2012 | \$220,000 | 1,133 |
| 107 Stortford Street, Hastings | 19 July 2013 | \$350,000 | 1,181 |
| 504 Eastbourne Street West, Hastings | 1 April 2011 | \$800,000 | 2,188 |
| 304 St Aubyn Street West, Hastings | 28 January 2011 | \$1,900,000 | 6,004 |
| 302 Queen Street East, Hastings | 27 November 2012 | \$243,000 | 1,011 |
| 805 Karamu Road North, Hastings | 1 November 2011 | \$310,000 | 570 |

Next the value of improvements is determined by estimating the cost to replace existing improvements, then deducting an allowance for physical depreciation, functional depreciation and market obsolescence. The value of the land plus the value of improvements are added to provide an indication of value.

The following is a summary of our valuation on this basis:

| Buildings | Area (m ²) | Added Value |
|---------------------------------|------------------------|------------------|
| Retail shop | 194.3 | \$362,800 |
| Mezzanine storage | 64.2 | \$21,400 |
| Canopy | 19.0 | \$8,900 |
| Total Improvements Value | | \$393,100 |
| Land Value | | \$240,000 |
| Value by DRC | | \$633,000 |

NET RATE APPROACH

This method analyses comparable sales evidence to a dollar value per square metre (net rate). These net rates are then adjusted to reflect the different characteristics between the comparable sales and the subject property. After adjustment weighted consideration is given to the evidence available to determine an appropriate net rate to apply to the subject property. This method can be applied to bare land and/or improvements.

SUMMARY OF METHODS

The following is a list of the indicative values under each valuation method:

| | |
|---|-----------|
| Sales Comparison Approach | \$630,000 |
| Income Capitalisation Approach - Contract Rental | \$622,000 |
| Income Capitalisation Approach - Market Rental Plus Discounted Surplus Rental | \$626,000 |
| Depreciated Replacement Cost Approach | \$633,000 |

The Income Capitalisation Approach is considered the most relevant valuation method for the subject property and best reflects the application of the market. This method has been given the most weighting in our valuation assessment.



MARKET COMMENT

The commercial property market has seen relatively stable value levels over the past few years following a rapid period of downward revaluation early in the global economic crisis. Sales volumes remain relatively light however properties with sound investment fundamentals, strong tenant covenant, quality improvements (including sound structural integrity) and longer weighted average lease terms, remain in demand, and value levels have withstood much of the downward pressure. Whereas inferior properties, with issues such as economic and physical obsolescence and poor occupancy arrangements, experience reduced demand and have been discounted by the market. As a result the demand for vacant commercial property is dominated by owner occupiers.

Rental levels gradually reduced from early to mid 2008 through to early 2013, with rental levels near flat but slightly positive since, with office and industrial space showing the most positive movement. Retail tenants are finding the business environment tough, however demand for prime situations remains, as such rental levels in the CBD and popular satellite centres have held up okay. The immediate High Street locality has experienced considerable redevelopment of late, which has attracted a number of national tenants and improved the appeal of the location which anecdotal evidence suggests is improving pedestrian flow and has had a positive impact on market rents (and consequentially market values) in the immediate locality.

Concerns surrounding earthquake strengthening requirements have seen a dramatic change in investment criteria for some properties. The market is looking beyond current legislation requirements. Many buyers avoid potentially weaker buildings, whilst others are seeking significant discounts to undertake remedial works, either to satisfy higher tenant expectations or in anticipation of changes to future building code requirements.

Increasing insurance premiums being demanded to cover earthquake and other natural hazard risks, is putting upward pressure on total occupancy cost, but downward pressure on net rental contracts.

Purchases remain the main driver of value levels. They are generally confident negotiation conditions are in their favour and remain firm and conservative with their offers.

Demand for commercial and industrial land remains weak. Developers margins are tight, risks have increased and many are experiencing financing constraints. Owner occupation development is also reduced due to tough business conditions. Land speculation is inactive.

Overall, we anticipate relatively stable but strengthening market conditions for the remainder of 2014 and beyond.



VALUATION CONCLUSIONS

MARKET VALUE

As at 17 September 2014 we assess the market value of 1 High Street, Hastings to be:

| Six Hundred and Twenty Five Thousand Dollars \$625,000 | |
|---|-----------|
| Apportioned as follows: | |
| Improvements Value | \$385,000 |
| Land Value | \$240,000 |
| <hr/> | |
| Market Value | \$625,000 |
| <hr/> | |

This valuation assessment is exclusive of GST (if any).



APPENDICES

VALUATION EXPLANATION

| | |
|--------------------------------------|---|
| Scope of valuation | We have undertaken a full valuation of the property, including an internal and external on site inspection of the subject property, analysis of market evidence, analysis of market value and provision of this valuation report. |
| Valuer qualifications | It is hereby declared that Robert (Rob) George Douglas is a Registered Valuer within the meaning of the Valuers Act 1948; and an Associate of the New Zealand Institute of Valuers (ANZIV) and a Senior Member of the Property Institute of New Zealand (SPINZ). |
| Date of valuation | Property values vary from time to time. This valuation is based on available information as at the date of valuation. No warranty can be given as to the maintenance of this value into the future. It may therefore be necessary to review this valuation periodically. |
| Report for addressee only | Our responsibility in connection with this valuation report is limited to John Smith and Your Bank Ltd. We disclaim all responsibility to any other party without reference to us. |
| Use of this report | This report has been prepared for mortgage lending purposes and may be relied upon for that purpose only. Assumptions made in the preparation of the report are as expressly stated in the report or set out herein. |
| Terms of engagement | This valuation has been undertaken in accordance with the scope of works set out in the Terms of Engagement, and is subject to all of the Terms of Engagement unless otherwise agreed in writing. |
| Information sources | Where it is stated in the report that information has been supplied to us by another party, or noted as confidential, unconfirmed or under contract, this information is believed to be reliable but we cannot accept responsibility if this should prove not to be so. Where information is given without being attributed directly to another party, this information has been obtained by our search of records and examination of documents or by enquiry from Government or other appropriate departments. |
| Computer Freehold Register | No guarantee is given that the land is not subject to statutory rights not recorded on the relevant Computer Freehold Register and not apparent from normal inspection of the property. We assume no responsibility in connection with such foregoing matters. |
| Site survey | This report is not a land survey and we have not sighted a current survey. The valuation is made on the basis that there are no encroachments by or upon the property and this should be confirmed by a current survey report and/or advice from a Registered Surveyor. If any encroachments are noted by the survey report, Added Valuation Limited should be consulted to reassess (if applicable) the value stated in this report. |
| Environmental or geotechnical issues | We are not experts in the detection or quantification of environmental problems and have not carried out investigations on site in order to determine the suitability of ground conditions and services, nor do we undertake environmental or geotechnical surveys. A visual site inspection has not revealed any obvious problems, except where detailed in the report (if applicable). Unless notified to the contrary, this valuation is made on the basis that these aspects are satisfactory and also that there are no actual or potential contamination or ground condition issues affecting the value or marketability of the property. Verification that the property is free from contamination and has not been affected by pollutants of any kind may be obtained from a suitably qualified environmental expert. Should subsequent investigation show that the site is contaminated, Added Valuation Limited should be consulted to reassess (if applicable) the value(s) stated in this report. |
| Detrimental registration(s) | Unless otherwise stated our report is subject to there being no detrimental registration(s) affecting the land other than those appearing on the Computer Freehold Register(s) valued in this report. Such registrations may include Wahi Tapu registrations and Historic Places Trust registrations. |
| Zoning | Zoning information was obtained from online records of the Hastings District Council. However, we recommend that this zoning should be verified by the Hastings District Council. |



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| Land Information Memorandum | We have not obtained from the territorial authority a Land Information Memorandum. Our valuation has been made on the basis that such Memorandum if obtained would not have disclosed information which would have affected adversely our opinion of the market value of the property. |
| This report is not a structural survey | While in the course of inspection due care is taken to note building defects, no structural survey has been made and no undertaking is given about the absence of rot, termite or pest infestation, deleterious substances such as asbestos or calcium chloride or other hidden defects. We can give no guarantee as to outstanding requisitions in respect to the subject building(s). This report is prepared on the assumption that: The building has been competently designed and built and is structurally sound and water tight. The building does not contain any latent or patent defects that could result in the building ceasing to be water tight or the gradual decay of the building structures. |
| Building Services | In preparing the valuation it has been assumed hot and cold water systems, electrical systems and other devices, fittings and conveniences, as are in the building, to be in proper working order and functioning for the purpose for which they were designed. |
| Compliance with statute | Unless otherwise stated in our report our valuation is on the basis that the property complies with the Building Act 1991, Health and Safety in Employment Act 1992, Evacuation of Buildings Regulations 1992 and Disabled Persons Community Welfare Act 1975 or that the legislation has no significant impact on the value of the property. |
| Currency | All figures quoted in this report are in New Zealand Currency unless otherwise stated in the report. |
| Compliance statement | <p>We confirm the following:</p> <ul style="list-style-type: none">- To the best of our knowledge the statements of fact presented in this report are correct.- The analysis and conclusions are limited only by the reported assumptions and conditions.- We have no interest in the subject property being valued.- Our fee is not contingent upon any aspect of the report.- The Valuer has satisfied professional educational requirements.- The Valuer has experience in the location and category of the property being valued.- No one, except those specified in the report, has provided professional assistance in preparing the report. <p>Unless stated otherwise earlier in this report, we confirm the following:</p> <ul style="list-style-type: none">- The valuation has been prepared in accordance with the PINZ/NZIV Code of Ethics, Rules of Conduct and Valuation Standards.- The Valuer has made a personal inspection of the property. |



COMPUTER REGISTER



COMPUTER FREEHOLD REGISTER UNDER LAND TRANSFER ACT 1952

Search Copy



Identifier **HB148/109**
Land Registration District **Hawkes Bay**
Date Issued 02 February 1955

Prior References
HB99/284

| | |
|-------------------|--------------------------------|
| Estate | Fee Simple |
| Area | 241 square metres more or less |
| Legal Description | Lot 2 Deposited Plan 8877 |

Proprietors
John Marcus Smith

Interests

Appurtenant hereto is a right of way created by Transfer 120309 - 2.2.1956
8798172.6 Mortgage to ANZ National Bank Limited - 28.6.2011 at 4:52 pm

Transaction Id 40562839
Client Reference rcoburn001

Search Copy Dated 4/07/14 11:46 am, Page 1 of 1
Register Only

