

Kaputone Wool Scour

May 2011

20 Station Road, Christchurch:

The property is used as a Wool Scour and associated storage and amenities which categories it as a Heavy Industry. It is located on a 2.3076 hectare site and the building floor area is recorded at 11,740 m² in the rating value information. The floor area suggests a site coverage of 50.8%.

The adjoining land to the west, which is separated by a railway line, is occupied by residential dwellings. It is our understanding that land to the north, which is currently undeveloped, has been rezoned for residential use as well.

An onsite inspection of the property has not been conducted due to the circumstances surrounding the property. The following description of the property is based on information sourced from third parties.

The Main Scour Hall has a stud height of 5 metres and a clear span with a hard floor suitable for forklifts. There is a gantry crane that would be capable of moving containers. A Secondary Scour Hall has a stud height of between 4 metres and 7 metres and also offers a clear span with a hard floor suitable for forklifts. There is a small area of offices. The exterior yard area has a hard surface which is currently facilitating upwards of 20 truck movements per day and is used for container storage. It is understood that the roof is in a good condition.

The rental and yield estimates are based on the physical features of the property outlined above and these estimates can be confirmed should direct access and inspection of the property be provided.

The value of the property has been considered on a sale and leaseback basis offering normal lease conditions and a term of 9 years. The net rental range would be between \$60 and \$65 per m² reflecting the physical features of the property described above. On this basis the rental income would be as follows:

\$60 per m²: Total rental = \$704,400 pa

\$65 per m²: Total rental = \$763,100 pa

Yield expectations would be in the 11% to 13% range based on providing an investor with a relatively long term lease and normal market lease conditions. It may be necessary to provide CPI type adjustments to the rents to establish income growth.

11%	12%	13%
\$6,403,636	\$5,870,000	\$5,418,462
\$6,937,273	\$6,359,167	\$5,870,000

This would indicate the value under a sale and leaseback would be in the range of \$5.4m to \$6.9m.

A lower yield could be achieved by offering an extended lease term and protection for the investor against the costs associated with an aging property. Offering a 15 year triple net lease could achieve a yield as low as 9% reflecting a value range closer to \$7.8m to \$8.5m.

Should the property be offered with vacant possession, an investor would require a higher yield to reflect the possible difficulty in securing an alternative tenant. The warehouse space, which provides 4 metre plus clear spans with hard floors, offers alternative uses such as a large storage facility where the user does not require storage racking. Sale by vacant possession would suggest a yield close to 14% (\$5.0m to \$5.4m)

A block of land of this size would attract a value of approximately \$160 per m² and the cost of demolition and land remediation would be estimated in the vicinity of \$500,000. This would place the land value at \$3.2 million (\$3.7m land value less demolition and remediation of \$500,000). The future rezoning of adjacent land may impact on the subject land value.

Smaller sites in the area can attract values closer to \$210 per m².

Summary

Sale and Leaseback

9 Years = \$5.4m to \$6.9m

15 Years = \$7.8m to \$8.5m

Vacant Possession

\$5.0m to \$5.4m