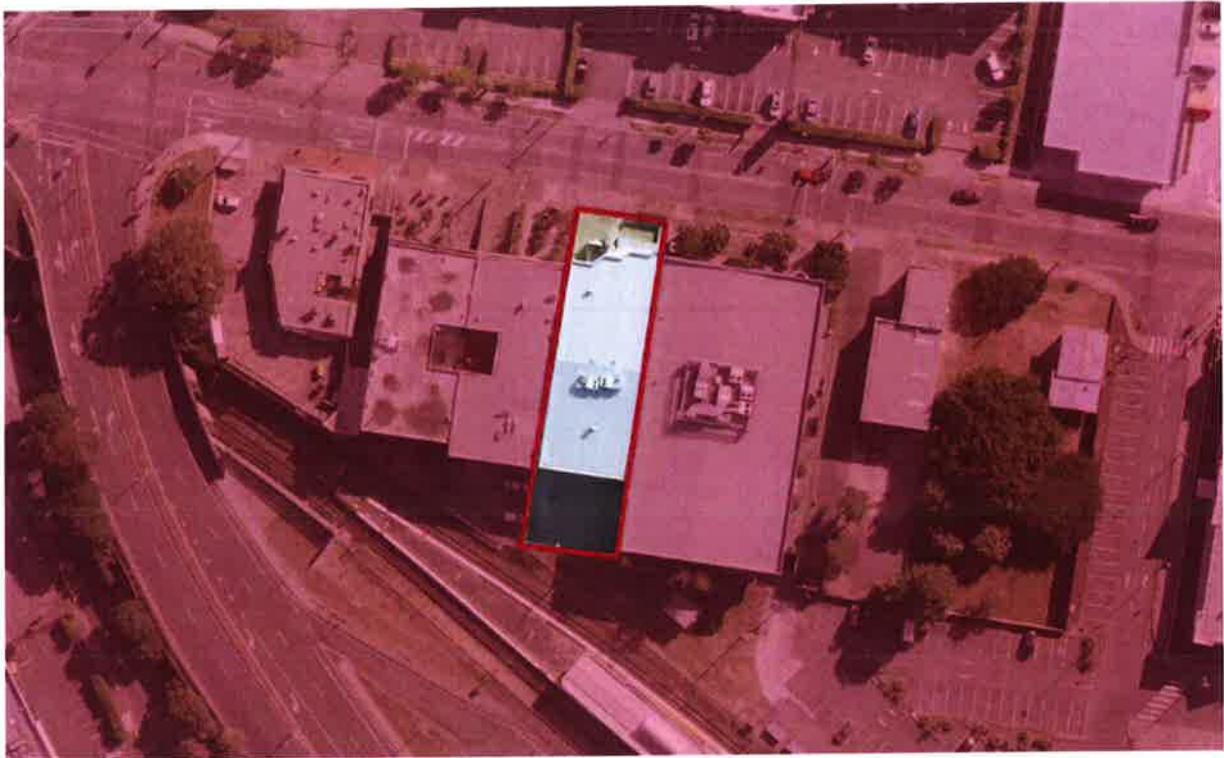


# Valuation Report

96 George Street, Beenleigh, Qld

Date of Valuation: 25 January 2021

**M3**property



Aerial Photograph of 96 George Street, Beenleigh



External photograph of 96 George Street, Beenleigh

# Executive Summary



## Instructions

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<b>Prepared for</b>	Brett Gorman. MPG Funds Management.
<b>Reliant Party</b>	An intending mortgagee subject to written assignment by m3property Australia Pty Ltd. Any first mortgage lender(s) wishing to rely upon this valuation must first seek an expressed written authorisation from m3property for such reliance. We do not accept any responsibility or liability for reliance upon this valuation without such authority.
<b>Purpose</b>	For first mortgage security purposes.
<b>Interest Valued</b>	Fee simple subject to the existing lease.



## Property Details

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<b>Address</b>	96 George Street, Beenleigh, Qld.
<b>Registered Proprietor</b>	Garner Qld Development No 5 Pty Ltd (1/2) and Stone River Pty Ltd (1/2).
<b>Site Area</b>	1,012 square metres.
<b>Planning</b>	Identified by Logan City Council as being within a 'Centre' zone and subject to the Beenleigh Local plan within the Retail and Commercial local plan precinct under the Logan Planning Scheme 2015 V8.0.
<b>Description</b>	<p>The property is located within the established suburban location of Beenleigh, approximately 34.9 kilometres south-east of the Brisbane Central Business District and approximately 50 radial metres north of Beenleigh Train Station.</p> <p>The site comprises a regular shaped, inside allotment of 1,012 square metres with frontage to George Street. The site has a level natural surface contour and is situated within level surrounds.</p> <p>The site is improved with a circa-1990, semi-modern, two-storey office building comprising 1,098 square metres of modern office accommodation, one level of basement car parking for 20 bays providing a car parking ratio of 1:55. The building underwent significant refurbishment in 2020 which comprised new office fitout, a new solar electricity system and end of trip facilities.</p>
<b>Net Lettable Area</b>	1,098 square metres.
<b>Car Spaces</b>	20 car parking bays providing a car parking ratio of 1:55.
<b>Vacancy</b>	Nil.
<b>Remaining lease term:</b>	8.26 years.



## Valuation

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<b>Valuation Approaches</b>	Discounted Cash Flow, Capitalisation of Net Income and Direct Comparison.
<b>Date of Inspection</b>	25 January 2021.
<b>Date of Valuation</b>	25 January 2021.
<b>Market Value</b>	\$7,000,000 exclusive of GST.



## Valuation Comments

### Comments

- The Coronavirus pandemic has impacted the commercial property market in 2020 and is property sector dependant. Although the effect is yet to translate into verifiable evidence of a market movement, agents, funds and operators are seeing caution flow through by investors, buyers and prospective tenants. Any party relying on this report should have regard to the current economic uncertainty and the potential for high volatility in property values over the short to medium term.
- We have been provided a Heads of Agreement (HOA) dated 10 December 2020 for a purchase price of \$7,000,000 excluding GST from the purchaser in MPG Funds Management Ltd. The HOA is subject to a Clawback Arrangement, in the favour of the purchaser due to the vendor being uncertain of the outgoings for the property, with the purchase price to be adjusted accordingly based on the difference between the actual and budgeted outgoings over the adjustment period. The property was professionally marketed by CBRE, with the marketing campaign commencing in December 2020 and we have been advised by the agent that the property received strong interest multiple offers near and at the \$7,000,000 price point.

### Bank Clauses

- All investigations have been conducted independently and without influence from a third party in any way.
- This valuation has been prepared in accordance with standard mortgage security instructions and can be relied upon for first mortgage security purposes.
- The Valuer/Firm (in addition to the principal valuer) has no Potential Conflict of Interest or Pecuniary Interest (real or perceived) relating to the subject property.



## Prepared By

### Valuer

Michael Coverdale AAPI  
 Certified Practising Valuer  
 Registration No. 3651  
 Director  
 Primary Valuer

*Australian and global economies and financial markets are currently experiencing the effects of the spread of COVID-19 (Coronavirus). The spread of the virus and associated impacts are expected to restrain growth and adversely impact economies. The disease outbreak is still unfolding and the impact on Australian property markets is yet to be determined. We recommend that this issue be closely monitored and that as economic conditions change, a review of this valuation should be undertaken at intervals that may be relevant to your specific circumstances and/or requirements.*

*This valuation report is prepared subject to the [Critical Assumptions and Qualifications](#) and [Definitions and Disclaimers](#) detailed within this report*

*This is a summary only and is not to be relied upon for any purpose. The valuation assessment for this property is subject to the assumptions, conditions and limitations as set out in the accompanying full valuation report.*

*This valuation report is prepared for the Lender named above for mortgage purposes and is not to be used or relied upon by any other party for any other purpose. It is subject to the terms and conditions, disclaimers, qualifications and limitations contained in this Valuation Report and any annexures thereto, including the Third Party Disclaimer and Lender's Customer Disclaimer.*

# Valuation Summary

## Valuation Details

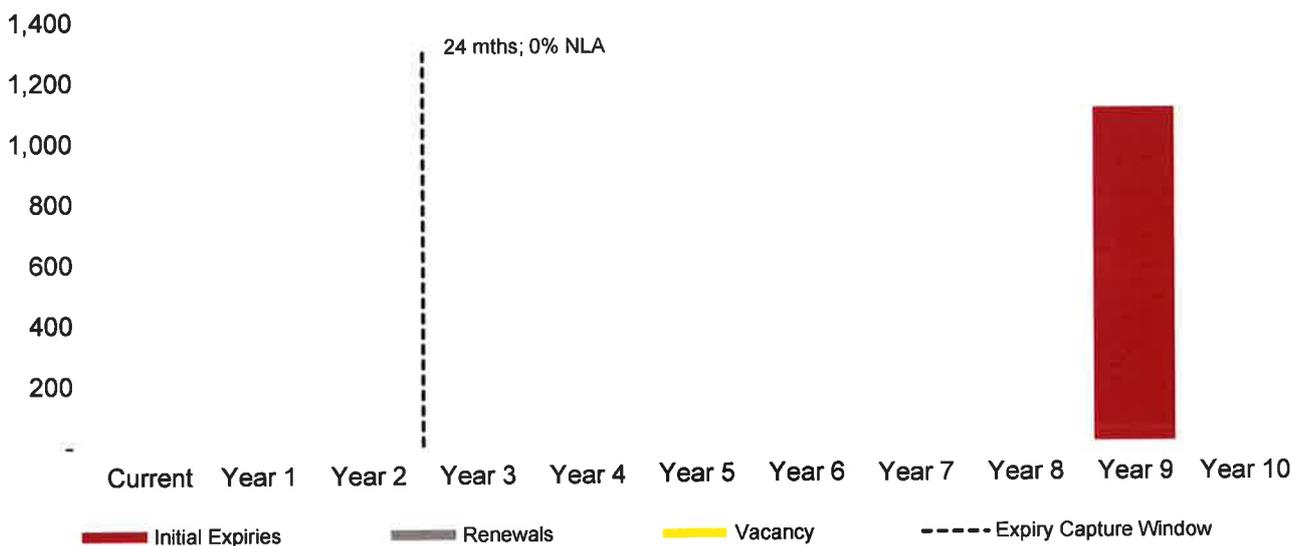
Date of Valuation	25 January 2021
Interest Valued	100% Freehold

Income Assessment	Net	\$/m <sup>2</sup>	Gross	\$/m <sup>2</sup>
Passing Income	415,627	379	479,670	437
Market Income	415,627	379	479,670	437
Outgoings \$ pa.	(64,043)	(58)	(64,043)	(58)

## Area & Occupancy Details

Total NLA	1,098.00
Occupied NLA	100.0% 1,098.00
Vacant NLA	-
Weighted Lease Duration By Area	8.26 Years
Weighted Lease Duration By Gross Passing Income	8.26 Years

## Lease Expiry by Area



## Valuation Conclusion and Metrics

Capitalisation Approach	6,900,000
DCF Approach	7,000,000
<b>Adopted Market Value</b>	<b>7,000,000</b>
Initial Yield	5.94%
Reversionary Yield	5.94%
IRR	6.98%
Equated Market Yield	5.93%
Capital Value \$/m <sup>2</sup> - NLA	6,375

### Capitalisation Approach

Gross Market Income		479,670	
Outgoings		64,043	
Net Market Income		415,627	
<b>Capitalisation rate</b>	6.25%	6.00%	5.75%
Core Capital Value (fully leased)	6,650,029	6,927,114	7,228,293
Adjustments	(10,367)	(10,390)	(10,413)
Capitalisation Value	6,639,663	6,916,724	7,217,880
<b>Capitalisation Value, Rounded</b>	<b>6,600,000</b>	<b>6,900,000</b>	<b>7,200,000</b>
Expiry Allowances for Tenancies expiring before	25-Jan-23		24 capturing 0% of NLA

Capital Expenditure	\$	\$/m <sup>2</sup>	% of Value
Capital Expenditure adopted In Cap Val (24 months)	10,390	9	0.15%
Capital Expenditure (10 years, inflated)	114,851	105	1.64%
Capital Expenditure (10 years, PV)	74,611	68	1.07%
Capex (10 yrs incl. terminal value allowances, inflated)	127,928	117	1.83%
Capex (10 yrs incl. terminal value allowances, PV)	121,499	111	1.74%

### Discounted Cash Flow Approach

Cash Flow period	10		
<b>Discount Rate</b>	<b>7.00%</b>		
<b>Terminal Capitalisation Rate</b>	<b>6.25%</b>	+ 25.0 bp spread	
Terminal Allowance for Tenancies expiring before	25-Jan-33		24 capturing 0% of NLA
Assumed WALE By Area (as at 25-Jan-31)	3.51 Years		
Assumed WALE By Gross Passing Income (as at 25-Jan-31)	3.51 Years		
Sum of Discounted Cash Flows	3,030,353	40.88%	
Present Value of Terminal Value	4,382,813	59.12%	
NPV (before acquisition costs)	7,413,166		
Acquisition Costs	(419,613)		
NPV (after acquisition costs)	6,993,553		
<b>Rounded NPV</b>	<b>7,000,000</b>		

### 10 Year DCF Sensitivity Matrix

		Discount rate				
		7.50%	7.25%	7.00%	6.75%	6.50%
<b>Terminal Yield</b>	6.75%	6,457,683	6,570,926	6,686,845	6,805,512	6,927,002
	6.50%	6,598,421	6,714,980	6,834,300	6,956,457	7,081,528
	<b>6.25%</b>	6,750,420	6,870,559	<b>6,993,553</b>	7,119,479	7,248,417
	6.00%	6,915,086	7,039,104	7,166,078	7,296,087	7,429,215
	5.75%	7,094,072	7,222,307	7,353,606	7,488,053	7,625,736

### 10 Year IRR Sensitivity Matrix

		Adopted Value				
		7,200,000	7,100,000	7,000,000	6,900,000	6,800,000
<b>Terminal Yield</b>	6.75%	5.96%	6.15%	6.35%	6.55%	6.76%
	6.50%	6.27%	6.46%	6.66%	6.86%	7.07%
	<b>6.25%</b>	6.59%	6.79%	<b>6.98%</b>	7.19%	7.39%
	6.00%	6.93%	7.13%	7.32%	7.53%	7.73%
	5.75%	7.29%	7.48%	7.68%	7.89%	8.09%



# Risk Assessment

## Market

### Investment

- The impact of the COVID-19 pandemic on property markets is slowly starting to materialise, however there is still a lack of clarity and a high degree of uncertainty as to market sentiment. It is evident that the impact is property and sector dependent.
- Prior to the COVID-19 pandemic demand for investment property was strong across all sectors, with the exception of some categories of retail. The factors which fuelled this demand included a low-interest rate environment, positive perception from overseas money towards Australian property, and the weight of money. All of these factors are still in play and will remain so as the economy returns to some degree of normalisation. This would suggest that some sectors of the property industry will encounter limited yield decompression post COVID-19. However, there is still some uncertainty as to the market sentiment outlook for the wider property market and some risk to wider global economic fallout that still may result in 2021.
- **Investment Risk** - Prior to the COVID-19 pandemic, the investment market was experiencing very strong demand which resulted in investment yields firming to record lows in many of the sectors, shown consistent growth and a sustained period of incremental yield decline. Investment property markets are not immune to fluctuations. Accordingly, the value of the subject property may change as a result of general market movement or unexpected changes in economic and investment conditions. We recommend regular valuation updates are undertaken.
- The attributes of the property which investors would find attractive include:
  - **Positive:** Established suburban location, modern accommodation with good presentation. Investment performance – fully leased to a single tenant with a long remaining lease term. Strong calibre of tenant in the Queensland State Government (Department of Corrective Services).
  - **Negative:** The potential negative impact on the investment and leasing markets emanating from COVID-19 and future economic conditions.
- Overall, the capital markets are expected to remain strong for properties with good investment characteristics (tenant calibre / WALE length). Consequently, if offered to market, the property would likely be met with good underlying demand (notwithstanding the impacts of COVID-19) and would likely require a standard selling period of six months to achieve the assessed value assuming professional marketing campaign. However, this could push out to nine months due to COVID-19.
- The most likely purchaser for the property would be a syndicate or private investor.

- Tenant and Cash Flow Profile**
- The property is fully leased to a single tenant in the Queensland State Government (Department of Corrective Services). The property has a total net lettable area of 1,098 square metres, providing a passing net income of \$415,627 per annum or \$379 per square metre of NLA.
  - Based on current economic climate we have forecasted zero rental growth over the 12-month period and minimal growth in year two. We have adopted a lease up period of 12 months trending to nine months and adopted an incentive level of 30% trending to 20% over the ten year investment horizon. A 67% retention factor has been applied.
  - The subject property has a remaining lease term of 8.26 years. The tenant provides a strong leasing covenant with low level of default risk.
  - The passing income for the office accommodation reflects a gross rental of \$415 per square metre per annum excluding parking. We have adopted the passing rental for the office accommodation as the market rental value. The passing income for the car parking accommodation reflects a rental of \$100 per bay per month. We have adopted the passing rental for the car parking accommodation.
  - The lease comprises a term of eight years and six months with annual reviews fixed to 3.00%.
  - The adopted outgoings rate of \$58.33 per square metre is considered to be consistent with market parameters and is reflective of the ongoing costs of ownership of the property.
  - There are no outstanding incentives.
  - Given the remaining lease term, no vacancy, limited capital expenditure requirements and no outstanding incentives, the overall cash flow volatility over the short to medium term is low.
- Asset**
- The title confers an estate in fee simple. A small burdening easement to the rear of the subject is associated to the train line and is not considered to negatively affect the existing utility of the land and improvements.
  - The property has good locational characteristics, situated within the established suburb of Beenleigh, approximately 34.9 kilometres by road south-east of the Brisbane Central Business District and approximately 50 radial metres north of the Beenleigh train station.
  - The site is a regular shaped, inside allotment with frontage to George street. The site has a level natural surface contour and is situated within level surrounds.
  - Access to the property is easy and direct via both public and private modes of transport, being within close proximity to Beenleigh train station.
  - The Logan City Council does not identify the property as being susceptible to flooding. As such, the flooding risk of the property is considered to be low. The property is not included on either the Environmental Management Register (EMR) and Contaminated Land Register (CLR).
  - Improvements upon the land comprise a refurbished semi-modern, two storey commercial building providing office accommodation. The property provides an average car park ratio of 1:55, which is consistent with suburban office buildings.
  - Overall the improvements appear to have been adequately maintained, providing good utility to current and prospective tenants, providing a near new standard of accommodation throughout after undergoing refurbishment.
  - The property has not been assessed for an environmental rating.
  - The highest and best use of the property is for purposes which are consistent with its current use.
- Asset Management**
- Professional property management is recommended; however the property could be self-managed or managed by a commercial real estate agent.