

Valuation Report

71 Bridge Street
Bendigo Vic 3550

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Valuation Executive Summary

71 Bridge Street, Bendigo



Property Description.

Property Type	Circa 2015 built, two level commercial office building, with on-site car parking, leased to The State of Victoria (Centre Against Sexual Assault)
Highest and Best Use	Continued commercial office use. Refer to Assumptions / Qualifications - Definition of Highest and Best Use
Building Area - NLA	1,316 sq.m.
Car Parking	30 spaces (2.28 cars per 100 sq.m. of NLA)
Site Area	1,951 sq.m.
Zoning	Commercial 1 Zone (C1Z)
Overlays	Various – Refer to <i>Planning Details</i> section herein
Title Details	Volume 11583 Folio 797
Registered Proprietors	Joint Proprietors: Sandhurst Trustees Ltd, Leslie Rogers Tomlinson and John Brendon Moore (Vendors to the current sale)
NABERs Rating	4.5 Star NABERs Energy Rating

Occupancy Summary.

Lessee	The State of Victoria (Centre Against Sexual Assault)
Term	10 + 5 + 5 years
Commencement Date	22 May 2015
Remaining Lease Term	Approximately 47 months
Passing Rental	\$427,004 p.a. (inclusive of car parking)
Reviews	3.5% p.a., with a market review at the take up of any option.
Outgoings	Lessee responsibility

Transaction History.

Sale Date	8 June 2021
Sale Price	\$7,550,000

Instructions.

Instructing Party	MPG Funds Management
Ordered By	Brett Gorman
Interest Valued	Freehold interest subject to the existing lease
Date of Instruction	18 June 2021

Valuation Methodology.

Primary Method	Income Capitalisation Refer to Assumptions / Qualifications - Definitions of Valuation Approaches
Secondary Method	Direct Sales Comparison

Valuation Summary.

Date of Inspection & Valuation	23 June 2021 Refer to Assumptions / Qualifications - Date of Valuation
Passing Net Rental	\$427,004 p.a. (inclusive of car parking)
Assessed Net Rental	\$427,004 p.a. (before adjustment for estimated non-recoverable Land Tax)
Yield Adopted	5.50%
NLA Value Rate	\$5,750 p.s.m.
Valuation	\$7,550,000 (Exclusive of GST) Seven Million Five Hundred and Fifty Thousand Dollars <i>Adopt Recent Purchase Price</i>

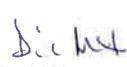
Mortgage Recommendation.

Purpose	First mortgage security purposes. Refer to Valuation & Valuation Compliance Statement - Mortgage Recommendation
Suitability	At the assessed value, \$7,550,000 (exclusive of GST), and subject to the qualifications and recommendations made within this report, the property is considered a suitable security for first mortgage purposes. Furthermore, we particularly refer you to the <i>Significant Valuation Uncertainty - COVID-19</i> section within the <i>Risk Profile</i> of our report.

Prepared By.

Charter Keck Cramer Pty Ltd


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Director


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National Executive Director

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NOTE - This Valuation Executive Summary should be read in conjunction with the Risk Profile;
Valuation Report and Assumptions / Qualifications.
J153110:SL:NK

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Risk Profile

71 Bridge Street, Bendigo

Further to recommendations, qualifications and rationale within this report, a mortgagee should have particular regard to the following Risk Profile, which forms part of our Executive Summary:

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- No responsibility is accepted by the Valuer and/or Valuation Firm to any other parties who rely, use, distribute, publish and/or otherwise represent anything contained in the Report for any purpose.

Asset.

LOW

LOW - MEDIUM

MEDIUM

MEDIUM - HIGH

HIGH

- A modern two level commercial office building which was constructed in 2015, together with on-site car parking for 30 vehicles. As at the date of inspection, the improvements presented in very good condition overall with no immediate requirement for capital expenditure.
- The improvements are erected upon a *Commercial 1* zoned allotment of 1,951 sq.m., with two street frontages, on the western side of Bridge Street, within the regional city of Bendigo. The surrounding development comprises a mix of office buildings, residential dwellings and showrooms, with the locality being somewhat removed from the primary commercial precinct approximately one to two kilometres to the south-east. The Bendigo Hospital precinct is a short distance to the west.
- Bendigo is a large regional city, situated approximately 150 kilometres north-west of Melbourne, in central Victoria. The population is approximately 100,000 people, making it the fourth most populous city in Victoria.
- The building presents in above average condition and has been designed to offer a good level of flexibility to accommodate a range of tenancies.
- We note that the property could be leased and occupied by a range of alternative commercial users given the location and nature of improvements noting its current use as a commercial office.
- The building is flexible as to design and can be occupied as a whole, on a floor by floor basis, or alternatively, and without significant loss of NLA, the floors could be split to provide multiple occupancies per level.
- The building incorporates a lift service, which services each level, and appropriate disabled facilities.
- The subject building has a 4.5 Star NABERS Energy Rating, current until November 2021.

Cash Flow.

LOW

LOW - MEDIUM

MEDIUM

MEDIUM - HIGH

HIGH

- The property is occupied by a government tenant, The State of Victoria (Centre Against Sexual Assault) pursuant to 10 year term which commenced 22 May 2015, together with two further terms of five years. The known remaining lease term at the date of valuation is therefore approximately 47 months.
- The passing rental of \$427,004 p.a., reflecting \$324 p.s.m.p.a. (inclusive of car parks), is considered to reflect market rates and has been adopted for assessment purposes.
- The rental is subject to annual increases of 3% p.a., with a market review at the take up of any further option period.
- The current level of outgoings are considered to be fair and reasonable.
- Our enquiries indicate no rental or outgoing arrears in relation to the existing Lease.
-

- The property appears to have been well managed. We are unsure of the management of the building going forward, however, it likely to be undertaken by interests associated with the mortgage applicant.
- There are no outstanding incentives.

Market.

LOW

LOW - MEDIUM

MEDIUM

MEDIUM - HIGH

HIGH

- There were minimal sales transactions within this market segment during 2020 due to the COVID-19 pandemic. The market came to a virtual standstill for several months, although following the conclusion of the second lockdown in late 2020, a small number of regional Victorian office buildings were offered to the market, which were met with a good level of interest, indicating a resilience for this asset class. The regional office market is being viewed by some as a more attractive investment proposition, as more tenants look to decentralise operations away from a city environment. Throughout regional Victoria, the strongest demand has been for recently built facilities, occupied by "blue chip" tenants, which are subject to secure and long term leases. So far in 2021, regional office buildings (most leased by government tenants) which have been made available for sale, have been met with a good level of demand, particularly in the sub \$10,000,000 price bracket.
- Over the past 18 months, yield rates for regional commercial investments have demonstrated a wide range of say 5.0% - 8.75% for the majority of sales, acknowledging that yields at the lower end of the range are generally associated with more recently constructed, high quality buildings or properties which exhibit "value add" opportunities or strong redevelopment potential. The value rates generally demonstrate a range of say \$2,750 - \$6,000 p.s.m.
- More generally, COVID-19 continues to have a disruptive impact on the economy, and with market and regulatory interruption to business cashflows and the undermining of sentiment, may still have some negative impact on real estate values.
- We note that whilst the building was purpose built for the current government tenant, it could be leased and occupied by a range of alternative commercial users given the location and nature of improvements.
- Demand for Government occupied investments is good / strong as investors look for greater security of income offered by government tenancies.

Critical Matters.

- We have been provided with a copy of an executed Contract of Sale, dated 8 February 2021, which confirms a purchase price of \$7,550,000. The property was sold following an Expressions of Interest (EOI) campaign, conducted by commercial agent, Colliers International. Discussion with the selling agent indicate that the property was reasonably well received by the market, with 3 to 4 bidding parties participating in the final round of the EOI. Offers were between approximately \$6,800,000 up to the purchase price. The eventual purchase price was in the middle of the Vendor's anticipated price range. Interested parties were mainly Victorian based investors and syndicators. The property was sold with a \$50,000 deposit payable on the date of sale, with the balance payable at settlement which is scheduled 7 days after an exclusive 14 day due diligence period. After analysis of the sales evidence discussed within the body of this report, we consider the recent purchase price to be reflective of current market levels, and has been adopted for assessment purposes.
- We note that the Lease does not fall under the provision of the *Retail Leases Act 2003*, therefore, Land Tax is currently being recovered from then tenant. Notwithstanding, noting that a typical tenant for this occupancy would probably not be required to pay Land Tax under the *Retail Leases Act 2003*, we have made appropriate allowances for non-recoverable Land Tax, which we have estimated at \$7,535. Accordingly, to reflect the benefit of the Land Tax recovery we have added by way of a present value (PV) calculation an amount to our capitalised value.

Significant Valuation Uncertainty - COVID-19.

- The market is being impacted by the uncertainty caused by the COVID-19 pandemic. As at the date of valuation we consider that there is market uncertainty resulting in significant valuation uncertainty.
- This valuation is therefore reported on the basis of 'significant valuation uncertainty'. As a result, less certainty exists than normal and a higher degree of caution should be attached to our valuation than normally would be the case.

- Given the uncertainty around the ongoing impact that COVID-19 might have on markets, we recommend that the user(s) of this report review this valuation periodically.
- This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer could not reasonably have been aware of as at the date of valuation). We do not accept responsibility or liability for any losses arising from such subsequent changes in value.

Key Data.

We provide a summary of the key valuation data below:

Assessed Value	\$7,550,000																								
Passing Net Rental	\$427,004 p.a.																								
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Initial Yield	5.56%																								
Market Yield	5.50%																								
Building Value Rate	\$5,750 p.s.m. (\$5,737 p.s.m. – actual)																								
Leasing Period	6 to 9 Months																								
WALE (By Income) / Remaining Lease Term	Approximately 47 months / 3.9 years																								
Major / Whole Building Tenant	The State of Victoria (Centre Against Sexual Assault) – 100% of the total NLA.																								
Lease Expiry Profile	<table border="1"> <caption>Lease Expiry Profile Data</caption> <thead> <tr> <th>Period</th> <th>% of Total NLA</th> <th>% of Total Income</th> <th>No. of Occupancies</th> </tr> </thead> <tbody> <tr> <td>2020-2021</td> <td>0%</td> <td>0%</td> <td>0</td> </tr> <tr> <td>2021-2022</td> <td>0%</td> <td>0%</td> <td>0</td> </tr> <tr> <td>2022-2023</td> <td>0%</td> <td>0%</td> <td>0</td> </tr> <tr> <td>2023-2024</td> <td>0%</td> <td>0%</td> <td>0</td> </tr> <tr> <td>2024-2025</td> <td>100%</td> <td>100%</td> <td>8</td> </tr> </tbody> </table>	Period	% of Total NLA	% of Total Income	No. of Occupancies	2020-2021	0%	0%	0	2021-2022	0%	0%	0	2022-2023	0%	0%	0	2023-2024	0%	0%	0	2024-2025	100%	100%	8
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