

CBRE VALUATION & ADVISORY SERVICES

VALUATION REPORT

Centrelink Hervey Bay

6-10 Hunter Street, Pialba QLD 4655

23 March 2021

Reliant Party: Commonwealth Bank of Australia (Bank) and Bank Group Members

This Valuation Report is prepared for the Lender named above for First Mortgage Security purposes only, 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.

CBRE



1 Executive Summary

INSTRUCTIONS/RELIANCE

Instructing Party	Brett Gorman of MPG Funds Management.
Instruction Date	10 March 2021
Reliant Party/Purpose	Commonwealth Bank of Australia (Bank) and Bank Group Members for First Mortgage Security purposes only.
Reliance Period	Reliance on our Valuation Report is extended to the Reliant Party for a maximum period of 90 days from the date of valuation (refer to the Valuation Synopsis for further qualifications).
Interest Valued	Freehold (100%)
Basis of Valuation	Market Value - As Is - Subject to existing occupancy arrangements

PROPERTY PARTICULARS

Brief Description	A 3,089 square metre allotment situated on the eastern side of Hunter Street, Pialba. The property is improved with a single level freestanding building providing 1,097 square metres of lettable area. As at the date of valuation the property was fully leased to Centrelink/Medicare. On site car parking is provided for approximately 29 vehicles.
Tenancy Details	The property is fully leased to Centrelink/Medicare under a 3 year lease which is due to expire 30 June 2023. The property has a remaining lease term of 2.27 years by income at the date of valuation.
Title Details	Lot 2 on SP127587 (Title Reference 50312338).
Registered Owner	Trust Company Ltd.
Site Area	3,089 sqm
Lettable Area	1,097 sqm
Car Spaces Ratio	29 bays, reflecting a rate of 2.64 bays per 100 sqm of lettable area.
Zoning	The property is classified 'Principle Centre' zone under the Fraser Coast Planning Scheme 2014 and is further contained within the 'Mixed Use Core Precinct' under the Pialba Principal Activity Centre Local Plan.

ASSESSMENT

This valuation is exclusive of GST.

Valuation Approach	Capitalisation, Discounted Cash Flow, Direct Comparison
Date of Inspection	23 March 2021
Date of Valuation	23 March 2021

MARKET VALUE

(100% Interest) **Market Value - As Is - Subject to existing occupancy arrangements**
\$4,300,000
(Four Million, Three Hundred Thousand Dollars)

Principal Valuer



Jared Armstrong | AAPI
Registered Valuer No. 3305 | Certified Practising Valuer
Director | Valuation & Advisory Services
Property Inspection - Yes

Co-Signatory **



Andrew Sutton
Director | Valuation & Advisory Services
Property Inspection - No | Job Involvement - Co-Signatory in capacity of Peer Reviewer**

** The Peer Reviewer confirms having reviewed the valuation methodology and calculations, however the opinion of the value expressed has been arrived at by the Principal Valuer alone.

Conditional Terms

This summary must not be read independently of the valuation report in its entirety. This valuation is subject to all content, assumptions, disclaimers, qualifications and recommendations throughout the report. The report is prepared for the use of and reliance by the Reliant Party only and limited only to the Purpose specifically stated. No responsibility is accepted or assumed to any third party for the whole or any part of the report.

Liability limited by a scheme approved under Professional Standards Legislation.

VALUATION OVERVIEW

Valuation Summary				Rental Analysis								
Gross Lettable Area	1,097.0 sqm			Passing Rent		Market Rent						
Valuation Approach	Capitalisation, DCF, DC			Item	\$pa	\$psm	\$pa	\$psm				
Date of Valuation	23-Mar-2021			Tenant/Component								
Market Value	4,300,000			Centrelink/Medicare	382,135	348	382,135	348				
Net Passing Income	314,469			Mini Majors	-	-	-	-				
Net Income, Fully Leased	314,469			Specialties (incl Non-Retail)	-	-	-	-				
Net Market Income, Fully Leased	314,469			Office	-	-	-	-				
Outstanding Tenant Incentives	Nil			Pad Sites	-	-	-	-				
Passing Initial Yield	7.31%			Gross Rent (as occupied)	382,135	348	382,135	348				
Reversionary Yield	7.31%			Other Income	-	-	-	-				
Capitalisation Rate	7.25%			Electricity Profit	-	-	-	-				
Equivalent (Market) Yield	7.30%			Gross Income	382,135	348	382,135	348				
Terminal Yield	7.50%			Statutory Expenses	(30,678)	(28)	(30,678)	(28)				
10 Year IRR (Target / Indicated)	8.50%	8.67%		Operating Expenses	(36,988)	(34)	(36,988)	(34)				
DCF Apportionment (Cash Flow / Terminal Value)	45.59%	54.41%		Non Recoverable Expenses	-	-	-	-				
Capital Value \$psm	\$3,920			Net Income	314,469	287	314,469	287				
	<u>By Area</u>			<u>By Income</u>								
Vacancy Allowance - Specialties	Nil			Future Income from Vacancies	-	-	-	-				
Current Vacancy - Specialties	0.00%			Net Income (Fully Leased)	314,469	287	314,469	287				
Current Vacancy - Whole Centre	Nil			Vacancy/Bad Debts Allowance	-	-	-	-				
Note: Net income figures above are before deduction of vacancy/bad debts allow.				NET INCOME								
					314,469	287	314,469	287				
Tenancy Profile				Moving Annual Turnover								
Tenant/Category	Area (sqm)	Gross Rent	Expiry / % G.Rent	Tenant/Category	Last Year	This Year	% Var	Current % GOC	Rev % GOC			
Centrelink/Medicare	1,097.0	382,135	Jun-23	Centrelink/Medicare	-	-	0.0%	0.0%	0.0%			
Major (1)	1,097.0	382,135	100.0%	Total Majors	-	-	0.0%					
TOTAL (Fully Leased)	1,097.0	382,135	100.0%	TOTAL	0	0	-					
VALUATION PERIOD	1	2	3	4	5	6	7	8	9	10	Terminal	10 Yr
YEAR ENDING	Mar-22	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27	Mar-28	Mar-29	Mar-30	Mar-31	Yr 11	Avg
CPI (Deloitte Access Economics)	0.91%	1.75%	2.28%	2.23%	2.19%	2.18%	2.37%	2.49%	2.22%	2.17%		2.08%
<u>Forecast Rental Growth</u>												
Centrelink/Medicare	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%		3.00%
Sundry/Other Income (avg)	-	-	-	-	-	-	-	-	-	-		-
Vacancy Allowance	-	-	-	-	-	-	-	-	-	-		-
Statutory Escalation	1.53%	2.14%	2.24%	2.20%	2.18%	2.32%	2.46%	2.29%	2.18%	2.10%		2.16%
Operating Escalation	1.53%	2.14%	2.24%	2.20%	2.18%	2.32%	2.46%	2.29%	2.18%	2.10%		2.16%
<u>Adopted Capital Expenditure</u>												<u>11 Yr Avg</u>
(Min. 2.5% of Gross Income)	10	10	10	11	11	11	12	12	12	13	13	11
Refurbishment Allowance	-	-	-	-	-	-	-	-	-	-	135	-
<u>Letting Up Allowances</u>												
- Renewal Probability	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%		75%
- Letting Up	9 mths	9 mths	9 mths	9 mths	9 mths	9 mths	9 mths	9 mths	9 mths	9 mths		9 mths
- Incentive - New Leases	6 mths	6 mths	6 mths	6 mths	6 mths	6 mths	6 mths	6 mths	6 mths	6 mths		6 mths
- Incentive - Renewals	3 mths	3 mths	3 mths	3 mths	3 mths	3 mths	3 mths	3 mths	3 mths	3 mths		3 mths
PV of Adjustments ('000)			Year 3	Year 5	Year 7	Year 10						
Letting Up			62	62	62	110						
Leasing Commissions			16	16	16	29						
Future Incentives			103	103	103	183						
Capital/Refurbishments			27	43	57	75						
Weighted Average Lease Expiry			By Area	By Income (incl. vacancies)	By Income (occupied areas)	Sundry & Other Income						
Total Centre			2.27	2.27	2.27	\$	As % of Total Income					
IRR Analysis												
Target Internal Rate of Return	8.50%			<u>Indicated IRR</u>								
Current 10 year Bond Rate	1.32%			3 Year	7.35%		Terminal Yield	7.50%				
Indicated Margin	7.18%			5 Year	8.44%		Acquisition Cost	5.68%				
Net Income Growth (10 yrs)	3.17%			10 Year	8.67%		Disposal Cost	1.20%				