

Valuation Report

96 - 98 Pall Mall
Bendigo Vic 3550

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Valuation Executive Summary

96 - 98 Pall Mall, Bendigo



Property Description.

Property Type	Multi tenanted, mixed use commercial building, which was fully refurbished in 2016.
Highest and Best Use	Continued commercial / retail use. Refer to Assumptions / Qualifications - Definition of Highest and Best Use
Building Area - NLA / GLAR	1,520 sq.m.
Car Parking	14 spaces (0.92 cars per 100 sq.m. of NLA)
Site Area	1,499 sq.m.
Zoning	Commercial 1 Zone (C1Z)
Overlays	Design and Development Overlay - Schedule 5 (DD05) Heritage Overlay (HO3) Parking Overlay - Precinct 1 (PO1) Areas of Aboriginal Cultural Heritage Sensitivity
Title Details	Volume 10591 Folio 082
Registered Proprietor	The Trust Company Ltd
NABERS Rating	Does not have a current rating

Occupancy Summary.

No. of Occupancies	3
Formal Leases	3
Owner Occupied Areas	Nil
Vacant / Monthly Tenancies	Nil
Terms	5 - 7 years (each with options)
WALE (By Income)	60 months / 5 years

Instructions.

Instructing Party	MPG Funds Management
Ordered By	Mr Brett Gorman
Interest Valued	Freehold interest subject to the existing leases
Date of Instruction	25 January 2021
Borrower / Applicant	The Trust Company Ltd

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	10 February 2021 Refer to Assumptions / Qualifications - Date of Valuation
Passing Net Rental	\$464,304 p.a. (including car parking)
Assessed Net Rental	\$464,304 p.a. (before adjustment for estimated non-recoverable Land Tax)
Yield Adopted	6.25%
Building Value Rate	\$4,750 - \$5,000 p.s.m.
Valuation	\$7,300,000 (Exclusive of GST) Seven Million Three Hundred Thousand Dollars

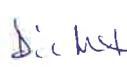
Mortgage Recommendation.

Purpose	First mortgage security purposes. Refer to Valuation & Valuation Compliance Statement - Mortgage Recommendation
Suitability	At the assessed value, \$7,300,000 (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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NOTE - This Valuation Executive Summary should be read in conjunction with the Risk Profile;
Valuation Report and Assumptions / Qualifications.
J149472:SL:NK

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Risk Profile

96 - 98 Pall Mall, 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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Asset.

LOW

LOW - MEDIUM

MEDIUM

MEDIUM - HIGH

HIGH

- A part three level commercial / retail building, fully refurbished in 2016 and which incorporates on-site car parking for 14 vehicles.
- The improvements are erected upon a *Commercial 1* zoned allotment of 1,499 sq.m. on the southern side of Pall Mall, within the regional city of Bendigo, opposite the prominent Rosalind Park and Conservatory Gardens, forming part of the main commercial precinct of Bendigo.
- 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.
- No evidence of major capital expenditure requirements in the short to medium term.
- 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, retail shop and restaurant.
- A search of the Building Energy Efficiency Register and Register of Recognised Ratings on the NABERS website indicates the subject building does not have a current valid NABERS Energy Rating (refer *Critical Matters* for further commentary).

Cash Flow.

LOW

LOW - MEDIUM

MEDIUM

MEDIUM - HIGH

HIGH

- The property is fully leased to three separate entities. At the ground level is Zambrero Property Group Pty Ltd and Honeyeater Hair Pty Ltd and at the rear of the ground and upper levels is the Centre for Non Violence (CNV) Inc.
- Lease terms range from 5 to 7 years in length, with each containing option periods. Lease expiries are well spread out to April 2027. There is only one lease expiry over the next three year period, being ground level, Tenancy 2 (Zambrero Restaurant) in March 2023 (approximately 26 months).
- The major tenant is Centre for Non-Violence (CNV) Inc, occupying approximately 70% of the total area, subject to a recently varied / renewed 6 year, 6 month and 5 day lease term, which commenced October 2020.
- Based on the current leases, the building provides a Weighted Average Lease Expiry (WALE) of approximately 60 months / 5 years (by income).
- The passing rentals for all tenancies are considered to be at fair market levels, noting that the higher rates are generally reflective of the smaller tenancy areas or because of their ground floor retail nature. These rentals have been adopted within our assessment.
- 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 Leases.
- The property is being adequately self-managed by interests associated with the mortgage applicant.
- There are no outstanding incentives.
- Our enquiries of the mortgage applicant have confirmed that the tenants are currently not receiving rent relief pursuant to the COVID-19 Mandatory Code of Conduct. Accordingly, we have not made any allowances for rent relief within our valuation assessment.

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.
- Over the past 18 months, yield rates for regional commercial investments have demonstrated a wide range of say 5.75% - 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 - \$5,000 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.

Critical Matters.

- We highlight the subject property does not have a current NABERS rating. Pursuant to the *Building Energy Efficiency Act 2010* a Building Energy Efficiency Certificate (BEEC) would be required in order to sell the property. Accordingly our assessment has been undertaken on the basis a NABERS rating is obtained. With reference to the Commercial Buildings Disclosure website as at February 2021, indicatively this can take up to eight weeks and cost \$4,000 - \$13,000 depending on the size and complexity of the property.

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.