

Valuation Report

'Palmerston Youth Skills Centre',
Lot 8673 (41) McCourt Road,
Yarrowonga, NT

Under instructions from
MPG Funds Management

1 December 2021

Ref: V2142122

Third Party Disclaimer: This Valuation Report is prepared for the Lender named 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 the Report and any annexures thereto, including the Lender's Customer Disclaimer.

Valuation Details

Instructing Party	Reliant Party	MPG Funds Management & Commonwealth Bank of Australia (Bank) and Bank Group Members
Brett Gorman		
Director	Registered Proprietor(s)	Tenants in Common: Delpag Holdings Pty Ltd (ACN 117 016 289) as trustee for the Delpag Contractors Trust (ABN 27 326 927 885) 1/2 Share and L. Antonio & Co. Nominees Pty Ltd (ACN 009 601 549) as trustee for Genus Family Trust (ABN 18 194 415 938) 1/2 share
MPG Funds Management		
PO Box 1307	Purpose of Report	First Mortgage Security purposes
Camberwell VIC 3124	Interests Valued	Market Value subject to existing lease
	Date of Valuation	1 December 2021
	Date of Inspection	1 December 2021

Property Overview

Brief Description

The subject property is known as the 'Palmerston Youth Skills Centre' and comprises an irregular shaped allotment being zoned 'SC – Service Commercial' and with an area on the title of 5,350 square metres. The property is located within the suburb of Yarrowonga, an established light industrial suburb located approximately 20 kilometres east of the Darwin CBD. Yarrowonga also adjoins Palmerston City along Roystonea Avenue. The property has a frontage to McCourt Road and a rear boundary to Temple Terrace.

The property has been improved with a modern training facility comprising two large buildings and end of trip facilities. The Eastern Building comprises an automotive workshop, an engineering workshop, a construction workshop and three classrooms. The Western Building comprises the reception, office, hospitality dining area and commercial kitchen, electro-tech workshop and classrooms. The end of trip facilities comprises male/female/disabled toilets and showers, vehicle wash down bay and bike enclosure. Additional site improvements comprise a concrete sealed yard, two concrete crossover driveways with sliding gates, 46 line marked carparking bays including one disabled carpark, minivan parking, a loading zone, landscaping, hospitality herb garden, perimeter fencing, pylon signage, outdoor seating and bin enclosure. The improvements were completed in early 2021.

The property is subject to a 10 year lease to the Northern Territory of Australia commencing 1 April 2021 at a commencement rental of \$440,000 per annum GST exclusive, expiring 31 March 2031. The rent is reviewed annually to CPI with a market review in the fifth year of the lease. The lease does not include any renewal options. A rent free period of three months from the commencement date was also given to the Lessee as a rental incentive.

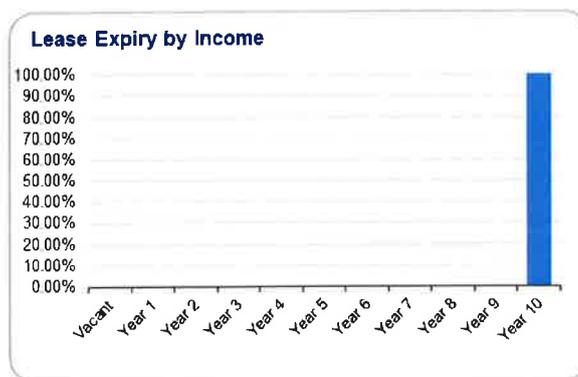
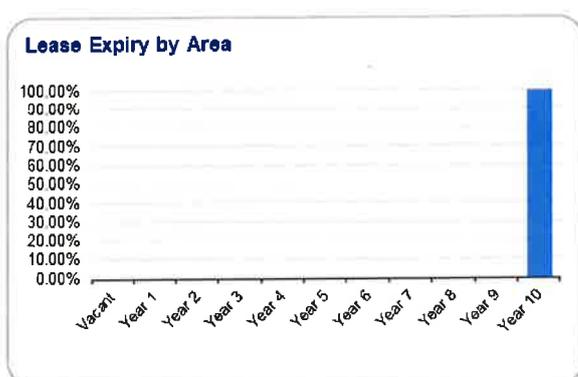
We have sighted a copy of the signed Letter of Offer which states a purchase price of \$6,500,000. The property is to be purchased as a going concern with settlement scheduled for early 2022.



Gross Building Area	1,818 m ²	Planning Scheme	Northern Territory Planning Scheme
Eastern Building	827 m ²	Municipality	Palmerston Municipality
Western Building	934 m ²	Zoning	SC – Service Commercial
End of Trip Building	57 m ²	Site Area	5,350 m ²

Tenancy Details

No. of Tenants	1	Average Lease Duration	9.33 years	
Major Tenants		Weighted Lease Duration (by Area)	9.33 years	
Northern Territory of Australia	1,818.00 m ²	Current Vacancy	Office	-
Vacant	-		Warehouse	-
			Naming	-
Total GLA	1,818.00 m²	Total	-	-



Financial Details

	Passing Income	Market Income
Total Gross Income	\$440,000	\$440,000
Less Adopted Outgoings (\$36.56 per m²)	\$66,460	\$66,460
Potential Fully Leased Net Income	\$373,540	\$373,540
Current Net Passing Income	\$373,540	
Adopted Outgoings	Amount	Rate / m²
Statutory Charges	\$19,898	\$10.94
Operating Expenses	\$46,562	\$25.61
Total	\$66,460	\$36.56

Key Assumptions

In the preparation of this valuation report we have made a variety of key assumptions and important comments. In this regard we advise that this entire report, including appendices, must be read and understood by the nominated parties to whom reliance is extended in order that the various assumptions and comments are understood in the context of the adopted valuation. Should the parties to this report have any concerns or queries regarding the contents or key assumptions made in the preparation of this valuation, those issues should be promptly directed to the nominated Valuer for comment and review. A selection of the Key Assumptions and Important Comments are as follows:-

- We have been instructed to prepare this valuation for mortgage security purposes and only the proposed lender (Commonwealth Bank of Australia) is entitled to rely on this valuation. We make no representations to any other party, including, specifically, the borrower and assume no responsibility to any other party in any way.
- No other party must rely in any way on this valuation report, as its sole purpose is for use by the instructing lender in assessing the value of the subject property for mortgage security purposes.
- Specifically, no other party should rely upon the report for the purpose of deciding whether or not to enter into a transaction or to alter their financial position, or for the purpose of seeking finance from another party, as the report has not been prepared for any other party's benefit or for any purpose other than the instructing lender assessing the subject property for mortgage security purposes.
- We do not authorise the disclosure of the valuation report by the instructing lender to any third party and our duty of care at law is owed only to the instructing lender and no other party should anticipate having any legal recourse against us.
- Investigations have been conducted independently and without influence from a third party in any way.
- **We have been advised by the Instructing Party noted above that this report will be provided to and relied upon by Commonwealth Bank of Australia for First Mortgage Security purposes. In the valuation of the subject property we have made particular assumptions which are commented upon throughout this report. We note that Commonwealth Bank of Australia has their own standing instructions, and also from time to time require valuations be undertaken having regard to a specific set of assumptions which are generally property specific and in addition to their standard instructions. We confirm that this valuation has been prepared in accordance with Commonwealth Bank of Australia's standard instructions. However, we highlight that we have not been instructed by Commonwealth Bank of Australia to value the subject property and any property specific assumptions may not have been incorporated into this valuation. Should Commonwealth Bank of Australia require the valuation to be undertaken using additional or separate assumptions to those adopted herein, these assumptions should be communicated back to the Valuer for comment and if appropriate revision of the valuation may be necessary, which may produce a different result to our opinion of value herein. We strongly recommend that Commonwealth Bank of Australia issue the Valuer with specific instructions to value the subject property including any appropriate and/or property specific assumptions that may be required in addition to their standing instructions**
- *The market that the property is transacted and valued in is being impacted by the uncertainty that the COVID-19 outbreak has caused. Market conditions are changing daily at present. As at the date of valuation we consider that there is considerable market uncertainty resulting in significant valuation uncertainty.*
- *The 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. Given the valuation uncertainty noted, we recommend that the user(s) of this report review this valuation periodically.*
- The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets and travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global Standards and the API Valuation Protocol – Significant Valuation Uncertainty. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Colliers International (Australia) recognises that the global risk outlook, particularly with regard to COVID-19, is extremely fluid. For that reason, we recommend the situation be closely monitored and regular valuation updates initiated by the reliant party.
- It must be noted that the effect of the COVID-19 pandemic, to date, does not appear to have had a definitive negative impact on the Darwin market to date, if anything there appears to be more confidence in the market as at late 2020 and through 2021.
- We assume all information provided by the Instructing Party and the owner is correct and current.
- We assume there are no other encumbrances or notations except those shown on Title or noted within this valuation report.

Key Assumptions (continued)

- We assume the property is not flood liable or within a landslip designated area.
- We assume the property is not contaminated and the use of the property complies with all relevant environmental law.
- We have relied upon building measurements from plans provided to us for building areas.
- We assume all fire and electrical services meet the Building Code of Australia requirements.
- We assume there are no GST or arrears liabilities over the subject property unless identified.
- We have sighted a signed copy of the Letter of Offer which states a purchase price of \$6,500,000 subject to the the Net Operating Income being at least \$371,600 (including an allowance for a property management fee of \$17,600) capitalised at the Purchase Price Yield of 5.72%. The property is to be purchased as a going concern.
- **Investment return based real estate such as the subject property is a dynamic investment medium to which point in time capital value pricing has the ability to vary widely over time, being highly dependent on the prevailing and future net cash flow certainty and strength in light of the corresponding market conditions. Accordingly, and of paramount importance for first mortgage security purposes, due consideration must be given to the dynamic nature of this style of investment. On the basis of the aforementioned comments, it is our strong recommendation that valuation updates for this property be initiated and formally instructed by the reliant parties at appropriate regular intervals.**
- In accordance with the Australian Property Institute Valuers Limited (APIV), this valuation is current as 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 general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value.**

Without limiting the generality of the above, we do not assume any responsibility or accept any liability in circumstances where this valuation is relied upon after the expiration of 90 days from the date of valuation, or such earlier date if you become aware of any factors that have any effect on valuation.

However, in the context of the above the APIV reiterates that it should be recognised that the 90 day reliance period does not guarantee the value for that period; it always remains a valuation at the date of valuation only.

We draw your attention to the fact that the market value adopted herein is subject to the issues outlined above, and should be closely monitored in light of future events. Furthermore, it is our strong recommendation that regular valuation updates be initiated and instructed by the party wishing to rely upon this valuation.



Asset Performance / Risk Profile

Performance / Risk	Comments of Asset Performance &/or Risk Profile	Overall Risk Rating
Market		Low - Medium
- Sentiment	Market sentiment for well leased property has improved with transaction numbers increasing in an improving market.	
- Liquidity	Sound demand for properties with strong lease terms and improving liquidity for assets priced at market levels.	
- Appetite	Property is well leased having a WALE of 9.33 years. Good demand due to WALE and gilt edge tenant in the Northern Territory of Australia. Interest is most likely to come from a local or interstate investor.	
- Selling Period	Selling period of 3 to 6 months.	
Asset		Low - Medium
- Location	Well regarded light industrial location with close proximity to Palmerston CBD.	
- Yield risk	Yields have been and are expected to remain stable in the short to mid-term, however may soften if interest rates rise.	
- Income Volatility	The rent is increased annually to CPI with a market review in the fifth year. The lease does not include any renewal options.	
- Cashflow impacts	Potential long term letting up period due to specialised nature of the improvements.	
- Building Condition	Modern purpose built facility completed in early 2021. Building improvements are somewhat specialised in nature.	
Cashflow		Medium
- Re-letting Risk	Well located with modern building improvements.	
- Volatility	Limited - long term lease with annual rent reviews to CPI and a market review in the fifth year.	
- Robustness	10 year lease to the Northern Territory of Australia. The rental is considered within a market range albeit towards the upper end.	
Management		Low
- Experience	Capably owner managed.	
- External / In-House	Managed internally by owners.	
- Reporting Standards	Uncertain.	
Ownership		Low
- Interest	Freehold.	
- Class of Ownership	Fee Simple.	
- Encumbrances, Caveats	Normal as described in report – no impact on values.	
- Security of Title	Secure.	
Legal		Low - Medium
- Town Planning	Current use of the property as an Education Establishment is an Impact Assessable use in this zone.	
- Re-zoning	None apparent.	
- Current/H&B Use	Existing use is in line with planning guidelines.	
- Conditions of Use	In accordance with zoning guidelines.	
- Road Widening	None expected / noted on Title.	
- Compulsory Acquisition	None expected / noted on Title.	
- Native Title	No.	

Asset Performance / Risk Profile

Performance / Risk	Comments of Asset Performance &/or Risk Profile	Overall Risk Rating
Environmental		Low – Medium
- Site Contamination	None apparent.	
- Off Site Migration	Unknown.	
- Adjoining Uses	Adjoining uses comprise vacant land and light industrial development of various scales, unlikely to pose an environmental risk.	
- Pollutants (air/noise/dust)	None apparent.	
- Asbestos	Nil.	
- Archaeological Significance	None apparent.	

SWOT Analysis

Strengths	<ul style="list-style-type: none"> Property is well located within Yarrowonga and within close proximity to Palmerston. Purpose built facility for secondary school aged children within the Palmerston Region, with 21.6% of the Palmerston population aged between 5-19 years old. Building is in 'As New' condition being completed in early 2021. Given the recent construction, there would be substantial depreciation and building allowance benefits available, considered desirable to most investors. Northern Territory of Australia is considered a blue chip tenant. WALE of 9.33 years (by Area & Income).
Weaknesses	<ul style="list-style-type: none"> Improvements are somewhat specialised in nature being well suited for the current use as a training centre however, may have limited appeal to the broader market. The lease does not include any renewal options. Restricted room for further development. Potentially extended leasing period should the property become vacant on lease expiry.
Opportunities	<ul style="list-style-type: none"> Improved market conditions. Annual rental review to CPI with a market review in the fifth year of the lease. Good depreciation benefits would apply. Improvements could be reconfigured to a more market acceptable layout, at expiry of lease term. A lease extension could be negotiated at lease expiry.
Threats	<ul style="list-style-type: none"> Ongoing market uncertainty relating to COVID-19. A downturn in the local economy. An increase in interest rates may dampen investor activity (unlikely in the short to medium term). Extended letting up and selling periods.



Valuation Criteria

Initial Yield		Reversionary Yield	
Capitalisation Rate	5.750%	Capitalisation Rate	5.750%
Rounded Value	\$6,500,000	Rounded Value	\$6,500,000
Direct Comparison - Improvements		Direct Comparison - Summation	
Adopted Rate/m ² Range	\$3,400 to \$3,600	Adopted Land Rate/m ² Range	\$250
Rounded Value	\$6,400,000	Adopted Improvement Rate/m ²	\$2,778
Reflective Rate /m ² GLA	\$3,520/m ² GLA	Rounded Value	\$6,400,000
		Reflective Rate/ lettable m ²	\$3,520

Valuation Conclusions

Adopted Value	\$6,500,000
Passing Initial Yield	5.75%
Equivalent Initial Yield	5.75%
Equivalent Reversionary Yield	5.75%
Direct Comparison	\$3,575 per m ²



Valuation

Market Value – GST Exclusive

\$6,500,000

(SIX MILLION FIVE HUNDRED THOUSAND DOLLARS)

Apportioned As:

Land - \$1,350,000

Improvements - \$5,150,000

Colliers International (NT) Pty Ltd



Anthony J West FAPI

Certified Practising Valuer

B Bus (Prop)

Valuation Director

22 December 2021 (Date of Signing Report)



Poasa Raqiyawa FAPI

Certified Practising Valuer

M Bus (Prop) Val

Director

22 December 2021 (Date of Signing Report)

NOTE: This Executive Summary must be read in conjunction with the attached report and the details contained therein.

*This valuation report is countersigned by a Director in accordance with the requirements of the **Commonwealth Bank of Australia**. The countersigning Director has not undertaken the valuation nor has he inspected either the subject property or the market evidence. The countersignature merely confirms that the Director acknowledges that the valuation has been prepared in accordance with **Commonwealth Bank of Australia** requirements and the internal procedures of Colliers International (NT) Pty Ltd.*