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## **VALUATION REPORT**

**32 SPRING STREET**

**BONDI JUNCTION NSW 2022**

*Liability limited by a scheme approved under  
Professional Standards Legislation*

*Egan Australasia Pty Ltd ABN 17 102 907 906*



32 Spring Street, Bondi Junction, NSW, 2022

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### Appendices

- Letter of Instruction
- Location Map
- Folio Identifiers
- Strata Plan
- Lease
- Photographs

## **EXECUTIVE SUMMARY**

<b>PROPERTY ADDRESS:</b>	32 Spring Street, Bondi Junction, New South Wales, 2022.
<b>VALUATION INSTRUCTION FROM:</b>	Elia Leis Mercury 21 Pty Ltd Email: eleis@bigpond.com
<b>LIABILITY EXTENDED TO:</b>	Mercury 21 Pty Ltd
<b>DESCRIPTION OF PROPERTY:</b>	The subject property comprises a single allotment in a rectangular formation, providing a total area of approximately 114 metres. Currently erected the allotment is a two level strata titled commercial property providing ground floor retail and first floor office accommodation. The ground floor is subject to a lease while the first floor is owner occupied.
<b>PURPOSE OF VALUATION:</b>	To assess the market value of the freehold interest in the abovementioned property for current market assessment purposes
<b>DATE OF VALUATION:</b>	Inspection Date: 1 November 2016 Valuation Date: 1 November 2016
<b>INTEREST VALUED:</b>	Freehold subject to existing tenancies.
<b>NET MARKET INCOME:</b>	\$99,000 per annum (Fully Leased)
<b>CAPITALISATION RATE:</b>	5.00%
<b>REVERSIONARY YIELD:</b>	5.01%
<b>DIRECT COMPARISON:</b>	\$10,158 per square metre of strata area (excluding stairs)
<b>MARKET VALUE:</b>	<b>\$1,930,000</b> <b>(ONE MILLION NINE HUNDRED AND THIRTY DOLLARS)</b> Exclusive of GST

**ASSUMPTIONS, CONDITIONS AND LIMITATIONS:**

1. The subject property has been valued subject to the existing tenancies.
2. The valuation takes into consideration all registered Easements and Restrictive Covenants.
3. 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 and factors specific to the particular property). We do not accept responsibility or liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume responsibility or accept liability where the valuation is relied upon after the expiration of 90 days from the date of the valuation or such earlier date if you become aware of any factors that have an effect on the valuation.
4. This valuation has been prepared on specific instructions from the instructing party detailed within this report for the specific purpose detailed within this report. The report is not to be relied upon by any other party or for any other purpose. We accept no liability to third parties nor do we contemplate that this report will be relied upon by third parties. Neither the whole of the report or any part of reference thereto, may be published in any document, statement or circular nor in any communication with third parties without prior written approval of the form and context in which it will appear. We reserve the right to withhold consent or to review the contents of this report in the event that our consent is sought. Egan National Valuers (NSW) and the individual valuers involved in the preparation of this valuation do not have pecuniary interests in the subject property that would conflict with the valuation of the property.
5. We have relied upon the financial information that has been provided to us by those parties instructing and have used this information in the preparation of this report. To the best of our knowledge and investigations all information provided to us regarding the financial history, licence requirements and compliance with regulations under the various acts affecting this property and business is accurate and a true record of the current situation.
6. This valuation is undertaken on the basis of sale within a marketing period of 4 months and the rental value assessed on the basis of a 3 month let-up period.
7. The assessed value is GST exclusive and assumes that GST would be payable over and above the assessed market value.
8. We advise that Egan National Valuers (NSW) are not holders of an Australian Financial Services Licence and the valuation should not be construed as specific financial product advice.
9. Egan National Valuers (NSW) grants the client a royalty fee, non exclusive, irrevocable licence to use, copy and reproduce the valuation for the purposes of, or in connection with, the purpose for which the valuation was provided.

**EGAN NATIONAL VALUERS (NSW)**

*Tony Lenord.*

**Tony Lenord AAPI  
API Member No 67997  
Certified Practising Valuer**

**DATE OF SIGNING:** *4/11/2016.*

**IMPORTANT:** All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in the attached report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation.

**Authorised By:** *A.S. Lenord.*

The counter signatory, who has read and signed this report, verifies that the report is genuine and is endorsed by Egan National Valuers (NSW). The opinion of value expressed has been arrived at by the prime signatory alone.



## **1 INTRODUCTION**

### **1.1 Client Details & Instructions**

We have been instructed by Elia Leis of Mercury 21 Pty Ltd to assess the market value of the freehold interest in the property situated at 32 Spring Street, Bondi Junction, New South Wales, 2022, for current market assessment purposes.

We also confirm the report has been prepared in accordance with the Supporting Memorandum of the API Practice Standards.

We attach a copy of the Letter of Instruction, refer Appendices.

### **1.2 Certification**

We hereby certify that the valuer:

- has no interest, financial or otherwise, in the property subject to appraisal or with the parties with whom the instructing party is dealing including the selling agent if any;
- is independent to any transaction involved; and
- confirms the valuation has been prepared for current market assessment purposes.

### **1.3 Date of Valuation**

The date of valuation is 1 November 2016, based on our inspection of the subject property as at that date.

### **1.4 Interest Valued**

Freehold Interest subject to the existing tenancies.

### **1.5 Basis of Valuation**

This valuation has been prepared on the following basis:

#### **Market Value**

In accordance with the definition adopted by the Australian Property Institute, market value is defined as follows:

*"Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."*

#### **Market Rental Value**

In accordance with the definition adopted by the Australian Property Institute, market rental value is defined as follows:

*"Market Rental Value is the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."*



## 2 LEGAL DESCRIPTION

### 2.1 Title Details

The subject property is described as being Lot 1 and Lot 2 in Strata Plan 32186 in the Local Government Area of Waverley, Parish of Alexandria, County of Cumberland, being the whole of the land contained and described within **Folio Identifiers 1/SP32186 & 2/SP32186**

### 2.2 Registered Proprietor

As at the date of Title Searches (1 November 2016), the registered proprietor of the land is noted as being:

**Folio Identifier 1/SP32186**  
**NEPUBA PTY LTD**

**Folio Identifier 2/SP32186**  
**NESF CUSTODIANS PTY LTD**

### 2.3 Second Schedule Notations

As at the date of Title Searches (1 November 2016), the registered proprietor's interests were noted in the Second Schedules as follows:

#### ***Folio Identifier 1/SP32186***

##### SECOND SCHEDULE (4 NOTIFICATIONS)

-----  
1. INTERESTS RORCORDED ON REGISTER FOLIO CP/SP32186

##### NOTATIONS

-----  
UNREGISTERED DEALINGS: NIL

#### ***Folio Identifier 2/SP32186***

##### SECOND SCHEDULE (2 NOTIFICATIONS)

- 
1. INTERESTS RORCORDED ON REGISTER FOLIO CP/SP32186
  2. AI521713 LEASE TO ELISE LI OF SHOP 2/32 SPRING STREET, BONDI JUNCTION. EXPIRES: 14/4/2019
  3. AI888130 TRANSFER OF LEASE AI521713 LESSEE NOW HUILAN LU  
AJ293095 TRANSFER OF LEASE AI521713 LESSEE NOW LING WANG
  4. AJ878737 MORTGAGE TO NATIONAL AUSTRALIA BANK LIMITED

##### NOTATIONS

-----  
UNREGISTERED DEALINGS: NIL

### 2.4 Easements & Encumbrances

As at the date of search (1 November 2016), there were no encumbrances and easements were noted on the Title Searches for lots 1 and 2. However, the Common Property notes an easement/Right of Way down the western elevation and across the rear of the site to allow access to the rear of the properties adjoining the subject property to the east.

The valuation assumes that the property is not affected by any additional easements, encumbrances or covenants that have not been disclosed by a search of the Title that may otherwise detrimentally affect the value of the property.

## **2.5 Identification**

The subject property has been identified by reference to the Strata Plan, Folio Identifiers and street address. The subject property has also been satisfactorily identified from visual observations taken on the site at the time of kerbside inspection and appears to conform substantially to the identifying features shown on the Title provided. Building structures appear to stand on or within said Title boundaries.

We attach a copy of the Computer Folio Search and Deposited Plan, refer Appendices.

## **3 SITE DETAILS**

### **3.1 Location**

The subject property is located within the suburb of Bondi Junction, situated approximately 5.8 kilometres east of the Sydney GPO by road. More particularly, the subject is located on the northern side of Spring Street some 50 metres west of its intersection with Newland Street.

The majority of the surrounding development comprises of freehold and strata title mixed use terraces providing residential, retail and office space. The immediate buildings are predominately attached two storey commercial buildings to the east (earmarked for redevelopment) and a modern multi level building to the west. Other development surrounding the subject property includes medium and high rise residential unit development, low and medium rise commercial complexes and Westfield shopping centre and other shopping complexes are located within close proximity of the subject property as well as Bondi Junction bus and retail interchange.

We attach a copy of the Location Map, refer Appendices.

### **3.2 Dimensions and Area**

The allotment is rectangular in shape and features a frontage to Spring Street of 4.97 metres, a rear boundary of 5.03 metre and side boundaries of 23.355 metres each.

The total site area in accordance with the Strata Plan is approximately 114 square metres.

### **3.3 Topography**

The site appears to be of level contour.

### **3.4 Roads and Access**

Spring Street is a dual carriageway carrying average levels of vehicular traffic. It is bitumen sealed with concrete kerbing, gutters and paved pedestrian footpaths.

Access to the greater metropolitan area is considered to be readily accessible with public transport located within close proximity. Time delays travelling to and from Sydney CBD during peak travel times may incur delays.

### 3.5 **Services**

The following services are assumed to be available and connected to the property:

- Mains water supply
- Reticulated sewerage
- Gas
- Telephone
- Electricity

### 3.6 **Environmental Issues**

#### **Soil Contamination**

There are no visible signs of contamination to the subject property however, the only way that it could be certified that there is no contamination is by an independent environmental survey by an appropriate expert. We understand the property has been used for mixed use retail purposes for many years and to the best of our knowledge we are not aware of any environmental issues affecting the subject land. This valuation assumes that the subject property is unaffected by current or previous land uses.

No soil analysis, geological studies or contamination report were ordered or made in conjunction with this report and, as such, it is assumed that there are no environmentally hazardous materials on, in, or near the property that would cause loss in value. As far as we are aware, there is no evidence to suggest that the property may have been contaminated by any such materials in its present or previous use and this valuation makes no such allowance. Should an environmental audit report prove otherwise, then the valuation should be returned to the Valuer for re-appraisal.

#### **Flooding**

The site is not prone to flooding under normal climatic conditions.

## 4 **PLANNING GUIDELINES**

### 4.1 **Zoning**

By virtue of the Waverley Local Environmental Plan (LEP) of Waverley (as amended), in the Local Government Area of Waverley, the subject property is designated as lying within a **B4 – Mixed Use** zone.

The zoning can be verified by obtaining a s.149 Certificate from Waverley Council.

### 4.2 **Summary of Planning Provisions**

#### **Zone B4 – Mixed Use**

##### **1 Objectives of zone**

- To provide a mixture of compatible land uses.
- To integrate suitable business, office, residential, retail and other development in accessible locations so as to maximise public transport patronage and encourage walking and cycling.
- To encourage commercial uses within existing heritage buildings and within other existing buildings surrounding the land zoned B3 Commercial Core.

## **2 Permitted without consent**

Home occupations

## **3 Permitted with consent**

Boarding houses; Building identification signs; Business identification signs; Child care centres; Commercial premises; Community facilities; Educational establishments; Entertainment facilities; Function centres; Hostels; Hotel or motel accommodation; Information and education facilities; Light industries; Medical centres; Passenger transport facilities; Recreation facilities (indoor); Registered clubs; Respite day care centres; Restricted premises; Roads; Self-storage units; Seniors housing; Shop top housing; Any other development not specified in item 2 or 4

## **4 Prohibited**

Agriculture; Air transport facilities; Airstrips; Amusement centres; Boat building and repair facilities; Boat launching ramps; Boat sheds; Camping grounds; Caravan parks; Cemeteries; Charter and tourism boating facilities; Crematoria; Depots; Eco-tourist facilities; Electricity generating works; Exhibition homes; Exhibition villages; Extractive industries; Farm buildings; Forestry; Freight transport facilities; Heavy industrial storage establishments; Helipads; Highway service centres; Home occupations (sex services); Industrial retail outlets; Industrial training facilities; Industries; Jetties; Marinas; Mooring pens; Moorings; Open cut mining; Recreation facilities (major); Research stations; Residential accommodation; Resource recovery facilities; Rural industries; Sex services premises; Signage; Storage premises; Transport depots; Truck depots; Warehouse or distribution centres; Waste disposal facilities; Water recreation structures; Water supply systems; Wharf or boating facilities

We have made planning enquiries via the website of Waverley Council which allows access to most of the relevant information pertaining to zoning, planning and development. We are unaware of any proposed amendments to the zoning which may affect the subject property. This valuation is predicated on the basis that there are no proposed amendments. If this assumption proves to be incorrect this valuation will require revision and/or amendment. We recommend that it be re-submitted to us for this purpose.

### **4.3 Existing Use**

The present use of the land being commercial/retail accommodation conforms to the provisions of the Planning Scheme.

### **4.4 Heritage Listing**

The subject property is not noted as being an item of Heritage significance by Waverley Council, as well as Federal or State Heritage Registers.

If this assumption proves to be incorrect, we reserve the right to review and possibly amend our report. If the site is subject to more onerous heritage restrictions on development, there may be a negative impact on value.

## 5 IMPROVEMENTS

### 5.1 General Description

Currently erected on 32 Oxford Street is a two storey commercial building terrace with ground floor retail and first floor commercial accommodation.

Access was not provided to the property, but a kerbside inspection was completed.

The improvements are more particularly depicted in the photographs contained within the Appendices.

### 5.2 Building Areas

Based on the strata plan, the improvements have an approximate building area, detailed as follows:

Lot	Area sq.m.
Lot 2 (ground floor)	92
Lot 1 (first floor)	98
Lot 1 (stairs)	9
<b>Total</b>	<b>199</b>

It must however be noted that a detailed survey of areas has not been commissioned in this regard. Accordingly, we recommend that you obtain a Building Survey from a qualified surveyor. If such further investigations reveal any inaccuracies in the above area calculations, this valuation will require revision. In such event we invite you to resubmit the valuation to us together with a Building Survey for this purpose.

### 5.3 Accommodation

The subject property comprises a semi detached two level strata titled commercial building of masonry construction and a floor to ceiling glass façade (both levels) to Spring Street.

The ground floor is currently utilised as a massage parlour while the first floor is utilised and fitted out as a dental surgery.

### 5.4 Repair and Condition

#### Building Structure

Based on our inspection of the subject property, the improvements appear to be in a sound structural condition and we have assumed overall that the property has an average standard of presentation.

We have only carried out an inspection of the exposed and readily accessible areas of the improvements. However, the valuer is not a building construction or structural expert and is therefore unable to certify the structural soundness of the improvements.

This document is a valuation report and not a structural survey, therefore, we must advise that we have not carried out a detailed structural survey, tested any of the services or unexposed or inaccessible portions of the premises and we have, for the purpose of this valuation, assumed

that there are no such defects which would impact upon our valuation and in this respect no one has brought to our attention any such defects.

#### ***Asbestos***

Our inspection of the property did not reveal any obvious asbestos materials which are likely to have a negative impact on value, however, we are not qualified to comment as to the presence of any such asbestos materials within the property.

Asbestos materials are generally regarded as being injurious to health and may be the subject of demands by various bodies or authorities for its removal. The valuation is predicated on the assumption that the level of asbestos contained within the subject property does not have a material impact on the value determined herein. Should this assumption not be correct, we recommend that the valuer be consulted to assess any effect on the value stated in this report.

#### ***Pests and Vermin***

Although our visual inspection of the property did not disclose any obvious indications of vermin infestation, we are not pest inspection experts. This valuation is made on the assumption that the property is not affected by pest infestation. We recommend that you obtain a comprehensive pest inspection report from a qualified expert. Should this report disclose any pest infestation, we recommend that the valuer should be consulted to reassess any effect on the value stated in this report.

#### ***Occupational Health and Safety***

There are no obvious matters affecting Occupational Health and Safety.

### **6 TENANCY / LEASE DETAILS**

We have been advised that the ground floor is currently utilised by a massage parlour while the first floor is an owner occupied dental surgery.

The ground floor lease expires 14 April 2019 and has a passing rent of \$46,892 per annum gross.

Even where a lease appears to address the issue of GST, the Valuer expresses no view as to whether the provisions of the lease entitle the landlord to pass on the GST to the tenant as to do so would require the Valuer to express a legal expert opinion. The Valuer has assumed that there is no ability to change the consideration to account for GST. The Valuer recommends that before relying on the valuation the parties should undertake a legal audit of all contracts affecting the property including the lease documentation and to check the results against the assumptions made within the valuation report.

We have included a full copy of the Lease within the Appendices.

## 7 MARKET COMMENTARY

### 7.1 Economic Overview

The tenth meeting for 2016 witnessed the Reserve Bank leave the cash rate at a historical low of 1.50% after previously reducing the rate in August 2016. Economic conditions in Australia's major trading partners generally appear to have eased a little of late. The Australian economy grew by 3 per cent over 2015, which is a little above central estimates of the economy's potential growth rate and was stronger than had been anticipated. There has been no material change to the forecast for GDP growth or the unemployment rate. GDP growth is expected to strengthen gradually to an above-trend rate, reflecting the effects of low interest rates and the depreciation of the exchange rate.

The slowing in industrial activity during the past year has been accompanied by a decline in industrial profits, which has been most pronounced for the mining and metals manufacturing industries. The unemployment rate had remained steady at around 5.75%. Employment growth had been relatively strong in the household services sector since the beginning of 2016 and construction employment has been rising.

Growth with Australia's major trading partners throughout the Asian region is expected to be slightly below the decade average over the next two years. China's economic growth has moderated further in 2016, as excess capacity in the industrial sector has continued to weigh on growth in investment. Chinese GDP increased by 1.1% in the March quarter, to be 6.7% higher over the year. This is in line with the growth target for 2016 of 6.5%–7% down from around 7% in 2015. Longer-term structural factors, including an easing in growth in productivity and the urban workforce, may also be contributing to slower growth in China.

Growth in global industrial production had remained weak in year-ended terms, while growth in merchandise trade had picked up slightly. Inflation had generally remained below most central banks' targets. Political outcomes are also likely to come to the fore and pressure will remain on central banks (particularly the Bank of England, European Central Bank (ECB), and Bank of Japan) to provide further stimulus measures. The impact will also be felt far wider than the Euro zone and the US Federal Reserve is now even less likely to raise interest rates.

We note that the recent decision by Britain to exit the European Union has caused fluctuations in the share market that may have a wide range of impacts to global financial markets, however the outcome of this event is unprecedented and the true impact of the UK exit on the global economy is likely to remain highly uncertain in the near term.

Across Australia the first half of 2016 has seen established housing markets maintaining with some increases in Sydney and Melbourne in the first six months, and, to a lesser extent, in a number of other capital cities. Housing prices in June had risen moderately in Sydney but had declined in some other capital cities. Other indicators of housing market activity had been mixed over recent months. Auction clearance rates and sales volumes had been lower than a year earlier, although both remained a little above average.

Recent indicators suggested that dwelling investment had continued to grow strongly, particularly for higher-density dwellings. Available data indicates that building approvals were a little lower than a year earlier but remained elevated. Towards the end of 2015, the introduction of differential pricing for owner occupied and investor loans did see a decrease in the investor market. Now some State Governments had increased or were preparing to increase taxes on foreign investors in housing that could dampen foreign investors' demand for new dwellings, while the major banks had increased restrictions on housing loan approvals for applicants relying on foreign income. Nationally, growth in rents had declined over the past year to low levels and the vacancy rate had increased to around its long-term average.



Overall there is considerable uncertainty about the extent to which wage growth and domestic inflationary pressures will pick up over the next few years in Australia. The immediate outcomes for economic activity and unemployment have not altered, but that the inflation outlook was lower than earlier anticipated with the turn of 2016. (Source RBA)

## 7.2 Localised Market Overview

Bondi Junction is a popular coastal suburb located along the east coast of Sydney and is renowned for its iconic shopping precinct of branded boutique outlets on the retail strip heading to Bondi Beach. The beach is listed on the Australian National Heritage Register and features several important heritage listed buildings such as "The Hotel Bondi" and "Bondi Pavilion" providing Federation & Free Classical elements of architecture to the promenade.

The suburb has a retail precinct known as "Bondi Junction" and a trendy promenade along "Campbell Parade", fronting the beach and lining the streetscape with boutique fashion, restaurants, cafes, art galleries, bars & pubs, entertainment venues, backpackers accommodation and souvenir shops.

The area is a sought after location, popular for its beach culture and lifestyle with its close proximity to Sydney CBD.

## 7.3 Rental Evidence

Based on research undertaken, a sample of rental evidence is summarised as follows:

GF / 68 Bondi Road, BONDI JUNCTION NSW 2022	
Date Set - Term	June 2016 - 3 Years
Rental (\$/pa)	\$93,500 (gross)
Floor Area (sqm)	100
Overall Rate (psm)	\$935 (gross)
This property comprises the ground floor of a mixed use attached two storey terrace with the internal layout being an open plan rectangular design with window display frontage and covered walkway, located at the start of a busy retail strip. There is onsite parking at the rear courtyard. The property is located within close proximity to Bondi Junction and the iconic Bondi Beach. Net rental of \$86,000 per annum with adopted outgoings of \$75 per square metre, reflecting a gross rental of \$93,500 per annum.	
UNIT 4 / 251 Oxford Street, BONDI JUNCTION NSW 2022	
Date Set - Term	May 2016 - 5 Years
Rental (\$/pa)	\$89,000 (gross)
Floor Area (sqm)	70
Overall Rate (psm)	\$1,271 (gross)
This property comprises a ground floor retail unit situated within an attached mixed use building that is located on a busy retail strip, receiving good exposure. The unit has a window display frontage with an open plan layout and 1 allocated parking space. The property is located within close proximity to public transport, trendy cafes and boutique fashion.	

<b>60 Spring Street, BONDI JUNCTION NSW 2022</b>	
<b>Date Set - Term</b>	January 2016 - 3 Years
<b>Rental (\$/pa)</b>	\$68,000 (gross)
<b>Floor Area (sqm)</b>	60
<b>Overall Rate (psm)</b>	\$1,133 (gross)
This property comprises retail space situated on a prominent retail strip, receiving good exposure with a window display frontage and covered walkway. The property has a rectangular layout in an open plan formation fitted out for a hair and beauty salon. Three months rent free, 4% increases, 3 x 3 year option agreements.	

<b>79 Bondi Road, BONDI NSW 2026</b>	
<b>Date Set - Term</b>	March 2016 - 4 Years
<b>Rental (\$/pa)</b>	\$92,000 (gross)
<b>Floor Area (sqm)</b>	150
<b>Overall Rate (psm)</b>	\$613 (gross)
The property comprises an older style, two storey mixed-use building on Bondi Road with high passing traffic. The building comprises a two bedroom residential unit in dilapidated condition on the first floor, a basic retail shell on the ground floor of approximately 80 square metres with no grease trap or exhaust and a rear courtyard and garage also in poor condition. Leased to a coffee and clothes business which will do its own fit out. Rent free period of three and a half months. Leased on a 4 year term with 4 year option.	

<b>69 Ebley Street, BONDI JUNCTION NSW 2022</b>	
<b>Date Set - Term</b>	March 2016 - 2 Years
<b>Rental (\$/pa)</b>	\$68,400 (gross)
<b>Floor Area (sqm)</b>	105
<b>Overall Rate (psm)</b>	\$651 (gross)
This property comprises an attached single storey retail outlet with a window display frontage, receiving good exposure. The property has a rectangular layout in an open plan formation, leased to Work Gear on a 2 year term with 2 year option. Six week rent free lease incentive, 4% increases.	

The abovementioned rental evidence reflects a range of \$613 to \$1,271 per square metre per annum gross with variations attributed to location and aspect, size, age and characteristics and overall condition.

The current passing rental for the ground floor (Lot 2) of \$46,892 per annum gross reflects \$478.50 per square metre, which we consider to be below current market rental levels. For the purposes of this valuation, we have adopted \$750 per square metre gross which equates to \$69,000 per annum which we consider to be at market rental levels.

For the purposes of this valuation we have adopted a market rental rate of \$500 per square metre gross reflecting \$49,000 per annum for the owner occupied first floor (Lot ). The total gross market rental for the whole property is \$118,000 per annum gross.

#### 7.4 Commercial Sales Evidence

Based on research undertaken, a sample of sales evidence is summarised as follows:

80 Bronte Street, BONDI JUNCTION NSW 2022		
Sale Date	April 2016	
Sale Price	\$1,750,000	
Area (sqm)	Building	Land
	166	170
Rate (\$/sqm)	Building	Land
	\$10,542	\$10,294
Yield	Passing	Market
	n/a	n/a
This property comprises an attached mixed use two storey terrace situated on a busy retail strip receiving good exposure. The property has a window display frontage, covered walkway with light box display and open plan layout for the ground floor, whilst the first floor comprises 75 square metres of commercial office space and rear lane way access with a double lock up garage. The property is located within close proximity to public transport, trendy eateries and shopping venues. Similar exposure.		

71 Oxford Street, BONDI JUNCTION NSW 2022		
Sale Date	April 2016	
Sale Price	\$1,050,000	
Area (sqm)	Building	Land
	73	0
Rate (\$/sqm)	Building	Land
	\$14,384	\$0
Yield	Passing	Market
	5.30%	5.30%
This property comprises a strata titled two storey commercial site providing a ground floor retail space in a rectangular formation with a window display frontage and covered walkway, currently leased to an Asian grocery until September 2016. The first floor is leased to a therapeutic massage business until April 2018. Both spaces are open plan in layout with own amenities. Located within a busy retail precinct, receiving good exposure. The property is leased for an annual net rental of \$55,650 (\$762/sqm). Superior exposure.		

68 Bondi Road, BONDI JUNCTION NSW 2022		
Sale Date	February 2016	
Sale Price	\$2,250,000	
Area (sqm)	Building	Land
	212	255
Rate (\$/sqm)	Building	Land
	\$10,613	\$8,824
Yield	Passing	Market

	n/a	3.82%
<p>This property comprises an attached two storey mixed use building providing ground floor retail space and two x three bedroom residences located on the first floor. The ground floor is an open plan rectangular shop with window display frontage and covered walkway, located at the start of a retail strip, neighbouring residential terraces. The first floor residences have open plan design and are in good condition with modern kitchen and bathrooms. There is onsite parking at the rear courtyard. The property is located within close proximity to Bondi Junction and the iconic Bondi Beach. Adopted annual net rental of \$86,000 (\$406/sqm net). Superior exposure</p>		

92 Queen Street, WOOLLAHRA NSW 2025		
Sale Date	May 2016	
Sale Price	\$5,200,000	
Area (sqm)	Building	Land
	382	308
Rate (\$/sqm)	Building	Land
	\$13,613	\$16,883
Yield	Passing	Market
	3.53%	3.53%
<p>This property comprises an attached two storey mixed use building providing retail on the ground floor and office accommodation on the first floor. The ground floor provides 2 stores sharing a 9 metre frontage with window displays, covered walkway, light box display, open plan layouts, service counters, storage component, amenities, kitchenette and rear access. The first floor provides renovated modern office space in an open plan layout, partitioned offices, kitchenette and amenities. The office space has an additional loft storage area and light well into a terrace area. There is onsite parking at the rear of the site for three vehicles. The property is located within close proximity to public transport, trendy eateries and boutique shopping. The property is leased for an annual net rental of \$183,350 (\$480/sqm). Superior exposure</p>		

UNIT 1 / 78 Bronte Road, BONDI JUNCTION NSW 2022		
Sale Date	June 2016	
Sale Price	\$1,740,000	
Area (sqm)	Building	Land
	171	0
Rate (\$/sqm)	Building	Land
	\$10,175	\$0
Yield	Passing	Market
	5.24%	5.24%
<p>This property comprises a strata titled unit situated within a mixed use terrace, located on a high traffic flow retail strip with good exposure, light box display, covered walkway and opening frontage. The unit is fitted out for a food venue that is split over two levels with an open plan eating area, commercial kitchen, amenities, storage area, whilst on the lower ground floor provides a cool room, storage area, plant room and garage component with rear laneway access. The property is located within close proximity to public transport, shopping and the beach. The property is currently leased on a 10 year term with 10 year option. Gross rental of \$104,000 p.a. The property is leased for an annual rental of \$91,175 (\$533/sqm).</p>		

The current commercial market sales evidence reflects a range of \$10,175 to \$14,384 per square metre of building area and yield range of 3.53% to 5.30% with variations attributed to location and aspect, size, age and characteristics, lease covenant and tenant mix, development potential and overall condition.

Based on the aforementioned sales evidence, we have adopted a capitalisation rate of 5.00% and a rate per square metre of building area of \$10,000 which is considered reasonable in the current market conditions and having regard to the current lease profile.

The above information has been obtained from a number of sources including published sales information provided by CPM Research, RP Data and real estate agents. Whilst we understand the information to be reliable, we are unable to guarantee the accuracy. Where the information has been available to us, we have made appropriate adjustments for GST but the recorded sale prices may include all, a part of, or no GST depending on the circumstances and tax liability of the parties to each transaction.

## 8 FINANCIAL SUMMARY

### 8.1 Income

We would expect the subject property to achieve the rental income of \$120,492 per annum gross, made up as follows:

<i><b>Tenancy</b></i>	<i><b>Area sq.m.</b></i>	<i><b>Market Rent \$ p.a.</b></i>	<i><b>Passing Rent \$ p.a.</b></i>
Ground Floor (Lot 1)	92	\$69,000	\$46,892
First Floor (Lot 2)	98	\$49,000	\$0
<b>Total</b>	<b>190</b>	<b>\$118,000</b>	<b>\$46,892</b>

### 8.2 Outgoings

#### ***Outgoings Expenditure***

We have not been provided with a full breakdown of the current outgoings. Based on our experience with properties in this locality, we have adopted outgoings adopted outgoing of \$19,000 per annum which equates to \$100 per square metre of lettable area. This rate is considered reasonable for a mixed use building in this locality.

### 8.3 Summary

The net income is estimated to be approximately \$99,000 per annum, detailed below:

<i><b>Market Rental Income</b></i>	
Gross Market Income	\$118,000
Less: Non-Recoverable Outgoings	<u>(\$19,000)</u>
<b>Net Market Income</b>	<b>\$99,000</b>

Unless otherwise stated, the above financial information excludes GST.

**9 VALUATION CONSIDERATIONS****9.1 General Comments**

The subject property comprises a two level strata titled semi detached commercial building providing first floor accommodation utilised by the owner as a dental practice while the ground floor is occupied as a massage parlour.

**10 VALUATION APPROACH****10.1 Methodology**

In arriving at our opinion of value we have considered relevant general and economic factors and in particular have investigated recent sales and leasing transactions of comparable properties that have occurred in the Bondi Junction commercial real estate market.

In this case we have adopted the "Capitalisation" approach to valuation as it is on this basis that investment property is invariably sold. Such method takes into account not only the initial return from the property but also rental growth and risk to income and capital value.

A check has also been made on the resultant value by "Direct Comparison" with reference to the rate per square metre of strata area.

**10.2 Capitalisation Approach**

The "Capitalisation" approach has regard to the rental value of the property and requires that three essential factors be established, namely estimated market rental income, landlord's outgoings, an appropriate rate of capitalisation and any capital adjustments that might be required in order to account for any shortfall in rental income, premium income or capital expenditure required.

It is necessary to make an allowance for the rental shortfall between the passing rental and the imputed rental adopted for the ground floor and utilised in the capitalisation process.

In this regard we have calculated the rental shortfall until the expiration of the lease term, being 29 months, discounted at 9% per annum on a monthly basis. The present value of the allowance has been calculated at \$47,856.

**Analysis**

Applying the various estimates in respect to income, landlord's outgoings capitalisation rate and capital adjustments indicates a value (rounded) of **\$1,930,000 (One Million Nine Hundred and Thirty Thousand Dollars)**.

We set out below, our valuation calculations as follows:

Net Annual Rental Value:	\$99,000
Capitalised @ 5.00%	\$1,980,000
Less: PV of Rental Shortfall	(\$47,856)
	\$1,932,144
<b>Adopt Say</b>	<b>\$1,930,000</b>



### 10.3 *Direct Comparison Approach*

The analysed sales indicate that the value of the property on a dollar rate per square metre of lettable/strata area generally lies within the range of \$10,542 to \$14,384 per square metre. In the case of the subject we have taken into account the location, exposure and physical attributes of the site compared with available sales evidence and suggest the subject lies at the lower end of the aforementioned range. Consequently we have adopted a rate of \$10,000 per square metre equates to the 190 square metres (stairs not included) to a value in the order of \$1,900,000.

### 10.4 *Valuation Summary*

Our valuation approach is summarised as follows:

Capitalisation of Imputed Income	\$1,930,000
Direct Comparison	\$1,900,000

In this case and after consideration of the above analyses, we have adopted a value within the broad range indicated by both approaches.

We have adopted a market value for the property of **\$1,930,000 (One Million Nine Hundred and Thirty Thousand Dollars)**.

Our adopted value reflects a reversionary yield of 5.0% and \$10,158 per square metre of strata area.



## 11 VALUATION

We are of the opinion that the current market value of the property situated at 32 Spring Street, Bondi Junction, New South Wales, 2022 on the basis set out herein and on the assumption that the property has clear and marketable Title, free from any onerous easements or encumbrances and subject to the comments contained within this report, as at 1 November 2016, for first mortgage security purposes, is as follows:

**\$1,930,000**  
**(ONE MILLION NINE HUNDRED AND THIRTY THOUSAND DOLLARS)**  
**Exclusive of GST**

These values are subject to the details contained within this Valuation Report. The values are provided Exclusive of GST and subject to the statement of assumptions, conditions and limitations detailed within the Executive Summary of this report.

### EGAN NATIONAL VALUERS (NSW)



Tony Lenord AAPI  
API Member No 67997  
Certified Practising Valuer

DATE OF SIGNING: 

Authorised By: 

The counter signatory, who has read and signed this report, verifies that the report is genuine and is endorsed by Egan National Valuers (NSW). The opinion of value expressed has been arrived at by the prime signatory alone