

Valuation Report

302 Church Street
Parramatta NSW

Date of Valuation: 25 July 2017



Executive Summary

PROPERTY DETAILS		
Address	302 Church Street, Parramatta, New South Wales	
Prepared for & Purpose	JHJ Group Pty Limited for market advice purposes	
Registered Proprietor	Rafu Pty Limited	
Land Area	803 square metres	
Planning	B4 Mixed Use pursuant to Parramatta Local Environmental Plan 2011	
Interest Valued	Fee simple subject to existing leases	
Description	<p>The subject property consists of a two level, eight tenancy retail property benefitting from a prominent corner position within the Parramatta CBD. The older style building has been partially updated and reconfigured over the years and presents reasonably well to the street frontages.</p> <p>The property is fully leased and provides a range of tenancy sizes well suited to the hair/beauty and food/beverage occupants. The property is positioned to the eastern side of Church Street and southern side of Phillip Street, forming part of an established strip retail precinct known as "eat street".</p> <p>The site benefits from rear access to Erby Place which provides access to a multi level car park within close proximity to the subject.</p> <p>We have been instructed to provide an estimate of market value based upon an external inspection of the site, the lease information provided, lettable areas outlined in one lease plan and estimated outgoings provided. Our valuation is based upon the fundamental assumption that the internal areas of the property are in a good condition commensurate with the external areas and nature of the occupants businesses in general and should this prove not to be the case, then we reserve the right to review our valuation accordingly. We have also adopted the lease, lettable area and outgoings information provided and should there be any variation, we reserve the right to review our valuation accordingly.</p>	
Gross Lettable Area	1,007.7 square metres (approximately)	
Lease Expiry	3.99 years – area weighted	
	3.73 years – income weighted	
Vacancy	0.00%	
Valuation Approaches	Capitalisation of net income and direct comparison	
Date of Inspection	25 July 2017	
Date of Valuation	25 July 2017	
Market Value	\$10,500,000 exclusive of GST	
Valuer(s)	James Farrugia	Joel Ducey
	B.Bus (Prop) AAPI	
	Certified Practising Valuer	Director
	Director	

INCOME		
Gross Income		
Passing	\$705,132 p.a.	
Market	\$705,132 p.a.	
Outgoings		
Adopted	\$150,000 p.a.	or \$149/m²
Net Income		
Passing	\$555,132 p.a.	
Market	\$555,132 p.a.	
Average Market Income Rates		
Retail	\$700/m²	

CAPITALISATION APPROACH	
Capitalisation Rate	5.25%
Adjustments	-\$161,556
Indicated Value	\$10,412,382

DIRECT COMPARISON APPROACH	
Direct Comparison Rate	\$10,500/m ²
Direct Comparison Value	\$10,580,850

VALUATION ANALYSIS	
Adopted Valuation	\$10,500,000
Initial Yield	5.29%
Equated Yield	5.21%
Value per square metre of GLAR	\$10,420/m ²

Risk Profile

RISK ASSESSMENT	
Market	
Investment	<ul style="list-style-type: none"> The subject consists of a fully leased, two level building positioned on a prominent corner site within the Parramatta CBD. Forms part of "eat street". We envisage a selling period of four (4) to six (6) months. The likely buyer profile is private investors and perhaps to a lesser degree, developers.
Tenant	<ul style="list-style-type: none"> Fully leased to eight tenants. The property incorporates a moderate WALE of 3.73 years (by income).
Asset	<ul style="list-style-type: none"> An older style two level mixed use building that provides functional accommodation. The property is currently zoned B4 Mixed Use pursuant to Parramatta Local Environmental Plan 2011. The site is underdeveloped, in light of existing planning controls. The building benefits from a third street frontage and rear access to Erby Place.
Cash Flow Profile	
	<ul style="list-style-type: none"> Fully leased to multiple tenants with a moderate WALE. The property has had some recent leasing success. We consider the passing rent to be generally in line with market. The majority of leases benefit from a fixed 4.00% annual review structure, while three leases have more moderate CPI reviews. Under the leases, only increases in outgoings above the base year are recoverable. Given that actual outgoings information has not been provided and given that all but one lease was struck in the last 2 years, we consider nominal outgoings increases would be recoverable so that a material variation to the provided estimated outgoings would occur. Should this prove not to be the case, we reserve the right to review our valuation accordingly. In light of this, we have assumed typical Gross leases for the passing and market income.
Asset Management	
	<ul style="list-style-type: none"> The subject property consists of a multi tenancy building that is arranged over two levels, which we consider would require moderate management requirements.

SWOT ANALYSIS**Strengths**

- The subject is fully leased.
- Incorporates a moderate WALE of 3.73 years (by income).
- Situated within an established strip retail/restaurant locality.
- Located within the Parramatta CBD.
- The property benefits from a prominent corner position with multiple street frontages/access.
- The planning controls are relatively flexible.
- The multi tenancy nature of the subject property reduces leasing risk.
- Recent leasing success within the subject.

Weaknesses

- Moderate CPI review structure for three tenancies.

Opportunities

- Further development (subject to Council approval), given the existing planning controls.

Threats

- General potential impact upon demand due to continued economic uncertainty.

Key Data

VALUATION SUMMARY

Valuation Summary		
302 Church Street, Parramatta, New South Wales		
Capitalisation Approach		
Net Income	\$555,132	
Capitalisation Rate	5.25%	
Capitalised Value	\$10,573,938	
Adjustments	-\$161,556	
Indicated Value	\$10,412,382	
Sensitivity Table - Capitalisation Approach		
Cap Rate	Value	\$/m² GLAR
5.00%	\$10,941,079	\$10,857
5.25%	\$10,412,382	\$10,333
5.50%	\$9,931,748	\$9,856
Direct Comparison Approach		
Direct Comparison		
1,008 m² @	\$10,000/m²	\$10,077,000
1,008 m² @	\$10,500/m²	\$10,580,850
1,008 m² @	\$11,000/m²	\$11,084,700
Adopt		\$10,580,850
		\$10,500/m²
Valuation	\$10,500,000	
Rate per m²	\$10,420	
Initial Yield	5.29%	
Fully Leased Initial Yield	5.29%	
Equated Market Yield	5.21%	

INCOME SUMMARY

Income Summary					
	Passing Income		Market Income		Relativity
	(\$ p.a.)	(\$/m²)	(\$ p.a.)	(\$/m²)	
Retail	\$705,132	\$700	\$705,132	\$700	0%
Sub total	\$705,132	\$700	\$705,132	\$700	0%
Outgoings Recoveries	\$0	\$0	\$0	\$0	
Gross Income	\$705,132	\$700	\$705,132	\$700	0%
Outgoings	\$150,000	\$149	\$150,000	\$149	0%
Net Income	\$555,132	\$551	\$555,132	\$551	0%
Gross Market Rent on Vacant Areas	\$0				
Total Potential Fully Leased Net Income	\$555,132				

SALES EVIDENCE

Address	Sale Price	Sale Date	GLAR	WALE	Initial Yield	Market Yield	\$/m²
292-298 Church Street, Parramatta	\$9,750,000	Oct-16	1,850	5.5	2.62%	5.68%	\$5,270
63 Majors Bay Road, Concord	\$6,610,000	Dec-16	394	-	4.80%	-	\$16,777
260 Church Street, Parramatta	\$2,900,000	Dec-16	180	3	3.47%	3.47%	\$16,111
23-27 South Street, Granville	\$4,400,000	Aug-16	1,100*	-	3.60%	-	\$4,000
264 Kingsgrove Road, Kingsgrove	\$3,541,000	Jul-16	710	-	3.14%	-	\$4,987
232-240 Cleveland Street, Surry Hills	\$11,400,000	Jul-16	1,144	3.84	4.09%	5.50%	\$9,965
Address	Valuation	Val. Date	GLAR	WALE	Initial Yield	Cap. Rate	\$/m²
Subject Property	\$10,500,000	Jul-17	1,008	4.0	5.29%	5.25%	\$10,420

*approx.

Critical Assumptions

CRITICAL ASSUMPTIONS

- The encumbrances that are detailed within this report have been considered in our assessment of Market Value. If there are any encumbrances, encroachments, restrictions, leases or covenants which are not noted in this report, they may affect our assessment. If any such matters are known or discovered, we should be advised and asked as to whether they affect our assessment.
- The valuation is based on the critical condition that the government holds no requirements of the land.
- The flood level information obtained from Parramatta City Council has been relied upon in our assessment of value and no responsibility is accepted for the accuracy of the information provided. Should it prove incorrect in any material respect, the matter should be referred to us for review of the valuation as deemed appropriate.
- We have physically identified the boundaries of the property on inspection and there do not appear to be any encroachments. We are not qualified surveyors and no warranty can be given without the benefit of an identification survey. If there is any doubt in respect of these issues, we recommend that a check survey be undertaken by a qualified surveyor and that the survey be sent to us for advice as to whether our assessment of value is affected.
- The planning information set out in this report has been obtained via the New South Wales Legislation Internet site. We have relied upon this information in assessing the value of the property. No responsibility is accepted for the accuracy of that information and if it is wrong in any significant respect, our assessment of value may be different. Should you have concerns regarding the validity of this information we would recommend that a formal enquiry be made with the appropriate authority.
- No soil tests, environmental studies, or reports have been made available to us. Accordingly, our valuation is made on the assumption that there are no environmental problems in any way affecting the property, including surface or below ground conditions, toxic or hazardous wastes or building material hazards. Any such matters may adversely affect the property or its use and our assessment of value. Should any such matters be known or discovered no reliance should be placed on our assessment of value unless we have been advised of these matters and we have confirmed that our assessment is not affected.
- We have relied upon the lettable areas indicated on plans within one of the leases provided. Should any subsequent surveys indicate a variation to the areas adopted within, the matter should be referred to us for review of the valuation as deemed appropriate.
- This valuation report does not purport to be a site or structural survey of the improvements, nor was any such survey undertaken. Overall, we have assumed that detailed reports with respect to the structure and service installations of the improvements would not reveal any defects or inadequacies requiring significant capital expenditure. Should there be deficiencies associated with the building structure or its services the valuation should be referred back to us for comment.
- In undertaking our valuation we have relied upon various financial and other information submitted by the instructing party. Where possible, within the scope of our retainer and limited to our expertise as valuers, we have reviewed this information including by analysis against industry standards. However, our enquiries are necessarily limited by the nature of our role and we do not warrant that we have identified or verified all of the matters which a full audit, extensive examination or "due diligence" investigation might disclose. For the purpose of our valuation assessment, we have assumed that this information is correct.
- With respect to lease details, we note that all leases have been sighted and referenced to passing income details provided by the instructing party and are registered on title. Should there be any variation, we reserve the right to review our valuation. Our valuation assumes that the right to any rental guarantee, security deposit, bank guarantee or any other form of guarantee provided in respect to any leases to which the property is subject will pass to a purchaser of the property.
- It should be noted that in the case of advice provided in this report which is of a projected nature, we must emphasise that specific assumptions have been made which appear reasonable based upon current market sentiment and forecasts. It follows that any one of the associated assumptions may change over time and no responsibility can be accepted in this event. Accordingly, the indicated figures should not be viewed as absolute certainty.

Contents

1.0	INTRODUCTION	1
1.1	INSTRUCTIONS	1
1.2	DEFINITION OF MARKET VALUE	1
1.3	BASIS OF VALUATION	1
1.4	PECUNIARY INTEREST	1
1.5	DATE OF INSPECTION	2
1.6	DATE OF VALUATION	2
1.7	INFORMATION SOURCES	2
1.8	QUALIFYING COMMENTS	3
1.9	GST	3
2.0	LAND PARTICULARS	4
2.1	TITLE DETAILS	4
2.2	LAND DESCRIPTION	4
2.3	LAND IDENTIFICATION	5
2.4	PLANNING	5
2.5	ENVIRONMENTAL ISSUES	7
2.6	LOCALITY AND SURROUNDING DEVELOPMENT	8
2.7	ROAD SYSTEM, ACCESS AND EXPOSURE	9
2.8	SERVICES	9
3.0	IMPROVEMENTS	10
3.1	BUILDING AREAS	11
3.2	IMAGES	12
3.3	PRESENTATION, CONDITION AND UTILITY	13
3.4	ASBESTOS	13
3.5	PEST AFFECTATION	13
3.6	CHATELS PLANT AND EQUIPMENT	13
4.0	MARKET COMMENT	14
4.1	ECONOMIC UPDATE	14
4.2	LOCAL MARKET COMMENT	15
5.0	TENANCY DETAILS	16
5.1	OCCUPANCY AND LEASE EXPIRY	16
5.2	LEASE SUMMARIES	17
5.3	TENANCY PROFILE	21
5.4	OUTSTANDING INCENTIVES	21
6.0	INCOME ANALYSIS	22
6.1	GROSS PASSING INCOME	22
6.2	RENTAL EVIDENCE AND ASSESSMENT OF MARKET RENT	22
6.3	MARKET RENT ASSESSMENT	26
6.4	RECOVERIES	27
6.5	OUTGOINGS	27
6.6	SUMMARY	27

7.0	RATIONALE.....	28
7.1	VALUATION APPROACHES	28
7.2	SUMMARY/POSITION OF SUBJECT PROPERTY IN THE MARKET	28
7.3	MARKETABILITY AND SELLING PERIOD.....	28
8.0	SALES EVIDENCE	29
8.1	CONCLUSION	35
9.0	CAPITALISATION APPROACH	36
10.0	DIRECT COMPARISON.....	37
11.0	CONCLUSION AND OTHER REQUESTS	38
11.1	SUMMARY.....	38
11.2	SALES HISTORY	38
11.3	ADDITIONAL REQUESTS – REDEVELOPMENT SCENARIO	38
12.0	VALUATION.....	50

ANNEXURES

- 1 Copy of Instructions
- 2 Copy of Title Details
- 3 Ethos Urban Letter

1.0 Introduction

1.1 INSTRUCTIONS

We have been instructed by Joseph Ghosn, JHJ Group Pty Limited to assess the Market Value of 302 Church Street, Parramatta, New South Wales, to be relied upon by Cordon Group for market advice purposes.

The interest being valued is the fee simple subject to the existing leases.

Our valuation has been prepared in accordance with the relevant provisions of the Australian Property Institute's Australian and New Zealand Valuation and Property Standards (7th Edition). A copy of the instructions in respect of this request is contained in Annexure 1.

1.2 DEFINITION OF MARKET VALUE

This valuation has been prepared in accordance with the definition of Market Value adopted by the International Valuation Standards Committee (IVSC) and endorsed by the Australian Property Institute (API) as set out below.

"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."

Included in the amount of this valuation are items of building fixtures, fittings, together with all building plant and equipment. Our assessment of "Market Value" is relevant as at the date of valuation. Our assessment should not be construed as a prediction of value into the future.

1.3 BASIS OF VALUATION

We confirm that the valuation has been prepared by a valuer that:

- (i) Is suitably qualified to carry out such valuations and has had at least five years appropriate experience.
- (ii) Is authorised under the Law of the State of New South Wales to practise as a valuer.
- (iii) Has no pecuniary interest that could reasonably be regarded as capable of affecting a person's ability to give an unbiased opinion of the value or that could conflict with a proper valuation of the property.

1.4 PECUNIARY INTEREST

Neither the valuer nor m3property Pty Ltd has any pecuniary interest giving rise to a conflict of interest in valuing the property.

1.5 DATE OF INSPECTION

25 July 2017

1.6 DATE OF VALUATION

25 July 2017

Due to possible changes in market conditions and other circumstances this report can only be regarded as relevant at the date of valuation.

1.7 INFORMATION SOURCES

The information provided by the instructing party and relied upon for the purpose of this valuation is as follows.

- Lease documents;
- Passing rental details;
- Outgoings estimate; and
- Plans contained within one of the lease documents.

1.8 QUALIFYING COMMENTS

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 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 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 valuation, or such earlier date if you become aware of any factors that have an effect on the valuation.

Please also note that our valuation does not assume a forced sale.

1.9 GST

In relation to any potential GST liability, we advise that we are not taxation or legal experts and we recommend competent and qualified advice be obtained. We are also of the view that any interested party relying on this valuation of the subject property should obtain their own legal advice on the GST position. Should this advice vary from our interpretation of the legislation and Australian Taxation Office rulings current as at the date of this valuation, we reserve the right to review and amend our valuation accordingly.

2.0 Land Particulars

2.1 TITLE DETAILS

Folio	Description	Registered Proprietor
1/211499	Lot 1 in Deposited Plan 211499	Rafu Pty Limited

2.1.1 Encumbrances/Notifications

We have reviewed the title and note it refers to reservations and conditions in the Crown Grant(s).

The title also refers to the eight leases and the interests of the Council of the City of Parramatta in the additions to existing roads shown on DP513885. These interests relate to small amounts of land to the splay corners to Phillip Street and are considered to have nominal impact on market value.

The abovementioned encumbrances/notifications have been considered in our assessment.

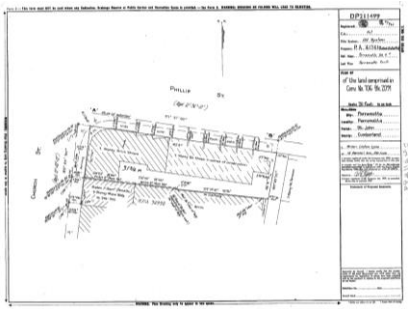
If there are any encumbrances, encroachments, restrictions, leases or covenants which are not noted in this report, they may affect our assessment. If any such matters are known or discovered, we should be advised and asked as to whether they affect our assessment.

A copy of the Title Search and Deposited Plan is attached as Annexure 2.

2.2 LAND DESCRIPTION

2.2.1 Dimensions

The land is generally regular in shape and has the following dimensions:

Dimensions		
Frontage to Church Street	15.373 metres	
Frontage to Phillip Street	55.677 metres	
Frontage to Erby Place	13.614 metres	
Southern boundary	54.768 metres	
Total Site Area	803 square metres	

2.2.2 Topography

The land is relatively even in surface contour and at the date of inspection, there were no drainage problems evident.

2.3 LAND IDENTIFICATION

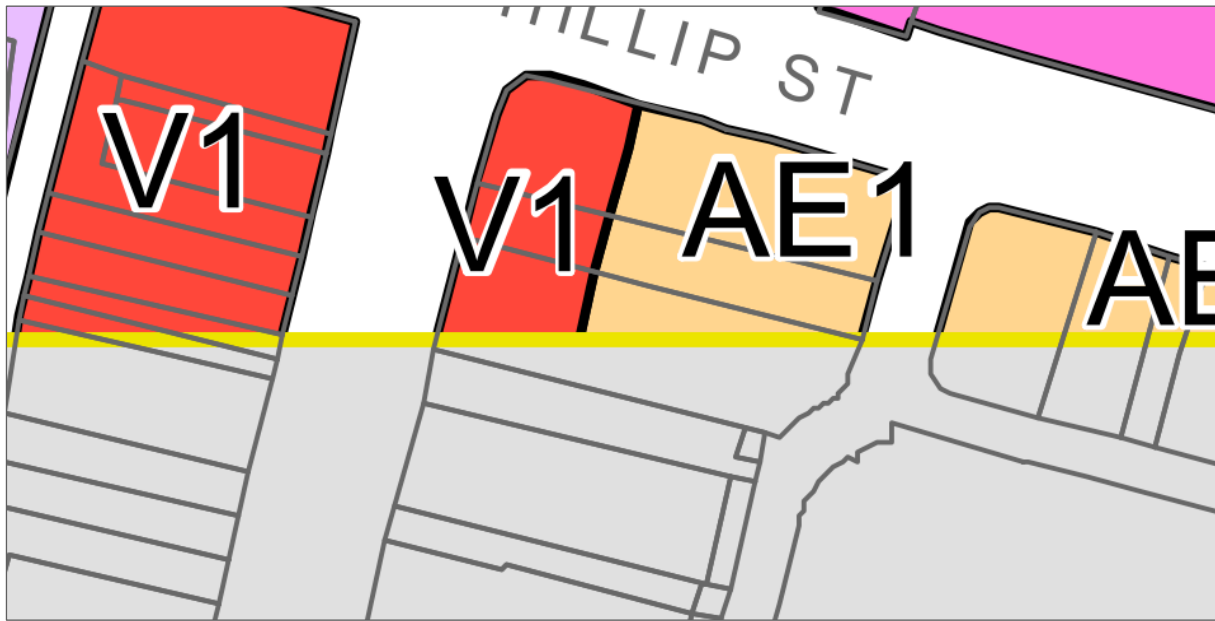
We have physically identified the boundaries of the property on inspection and there do not appear to be any encroachments. We are not qualified surveyors and no warranty can be given without the benefit of an identification survey.

If there is any doubt in respect of these issues, we recommend that a check survey be undertaken by a qualified surveyor and that the survey be sent to us for advice as to whether our assessment of value is affected.

2.4 PLANNING

Planning Scheme	Parramatta Local Environmental Plan 2011
Zoning	"B4 Mixed Use"
Purpose	<p>The purposes of this zone are:</p> <ul style="list-style-type: none"> • 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 development that contributes to an active, vibrant and sustainable neighbourhood. • To create opportunities to improve the public domain and pedestrian links. • To support the higher order Zone B3 Commercial Core while providing for the daily commercial needs of the locality. • To protect and enhance the unique qualities and character of special areas within the Parramatta City Centre.
Floor Space Ratios	Part 3:1 to the front approximate one third of the site and part 10:1 to the remainder
Height Controls	Part 12 metres and part 120 metres
Heritage Issues	None noted in the LEP

For clarity, we provide an excerpt of the Floor Space Ratio map, which identifies the relevant maximum permissible Floor Space Ratio for the site, as follows.



Having regard to the planning controls, we consider that the site may incorporate future development potential, however given the unknowns in relation to how/if the size/dimensions of the site can accommodate further development, Local/State Government minimum site area requirements for further development, lack of DA consent and leases in place, we have carried out our assessment of the subject property on an investment basis only for our headline valuation figure. We have carried out an estimate of value in a redevelopment context toward the end of this report under “Additional Requests”.

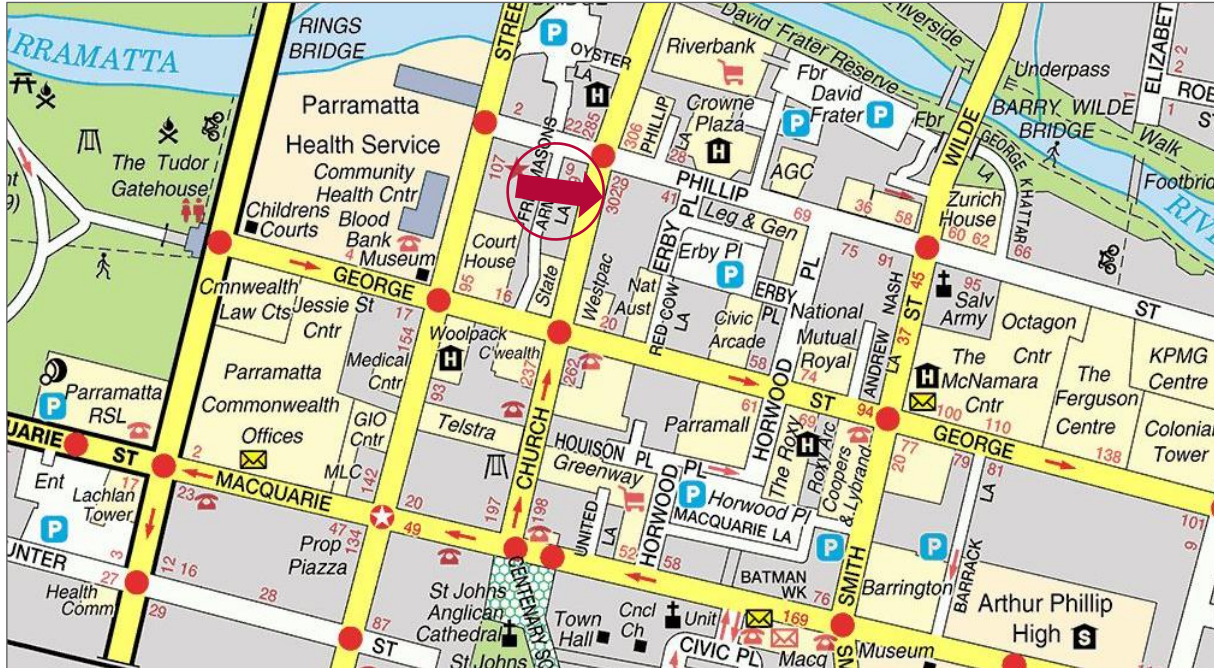
The existing use of the property for retail purposes is a legal and permissible use.

The planning information set out in this report has been obtained via the New South Wales Legislation Internet site. We have relied upon this information in assessing the value of the property. No responsibility is accepted for the accuracy of that information and if it is wrong in any significant respect, our assessment of value may be different. Proper searches and enquiries should be made before reliance is placed on our valuation.

2.5 ENVIRONMENTAL ISSUES

We are unaware of the full history of the site, however, no obvious environmental problems were apparent on inspection and we note that no soil tests nor environmental studies or reports have been made available to us. Accordingly, our valuation is made on the assumption that there are no environmental problems in any way affecting the property, including surface or below ground conditions, toxic or hazardous wastes or building material hazards. Any such matters may adversely affect the property or its use and our assessment of value. Should any such matters be known or discovered no reliance should be placed on our assessment of value unless we have been advised of these matters and we have confirmed that our assessment is not affected.

2.6 LOCALITY AND SURROUNDING DEVELOPMENT



Source: UBD

The subject property is positioned to the south eastern corner of Church Street and Phillip Street within the “Mid-City” precinct in the Parramatta CBD, forming part of the established strip retail/restaurant locality known as “eat street”. We note that the subject benefits from rear frontages and access to Erby Place.

The immediate surrounding locality is generally characterised by older style, two to three level strip retail/restaurant accommodation incorporating upper levels of commercial accommodation, varying in size, scale and amenity.

The wider locality is generally characterised by commercial accommodation, however there are various multi level car parks situated within close proximity to the subject, noting Erby Place car park positioned behind the subject.

The locality is well serviced by public transport with Parramatta Railway Station situated approximately 500 radial metres to the south, Parramatta Wharf is positioned approximately 600 radial metres to the east and a range of public and private buses service the area.

The Parramatta CBD is Sydney’s third largest metropolitan office market behind North Sydney and North Ryde and has a particularly strong Federal and State Government presence in its occupier profile. Parramatta provides extensive retail facilities highlighted by Westfield Parramatta and is located approximately 20 radial kilometres west of the Sydney CBD.

2.7 ROAD SYSTEM, ACCESS AND EXPOSURE

At the subject, Church Street consists of a bitumen sealed, dual directional carriageway, with concrete kerb, guttering and paved footpaths that provides moderate to high levels of passing vehicular and pedestrian traffic. Time restricted on street car parking is provided to both sides of Church Street. Phillip Street consists of a similar roadway.

The rear of the subject fronts Erby Place, which consists of a dual directional carriageway that provides reasonable levels of passing vehicular traffic considering the rear lane nature, having regard to the nearby multi level Erby Place car park.

The property is located within the well regard “eat street” precinct of Church Street, however we do note that it is located to the southern portion of this precinct.

We also note that a pedestrian crossing is situated within close proximity to the subject on Church Street and the intersection between Church and Phillip Streets is one of the main intersections in the locality with traffic controlled lights making for easy pedestrian access from all directions. In fact, the pedestrian movement associated with this intersection is directed into the Coco Cubano tenancy, hence the rental premium associated with this lease.

2.8 SERVICES

Services	
Electricity	Connected
Reticulated Water	Connected
Sewerage	Connected
Gas	Connected
Telephone	Connected

3.0 Improvements

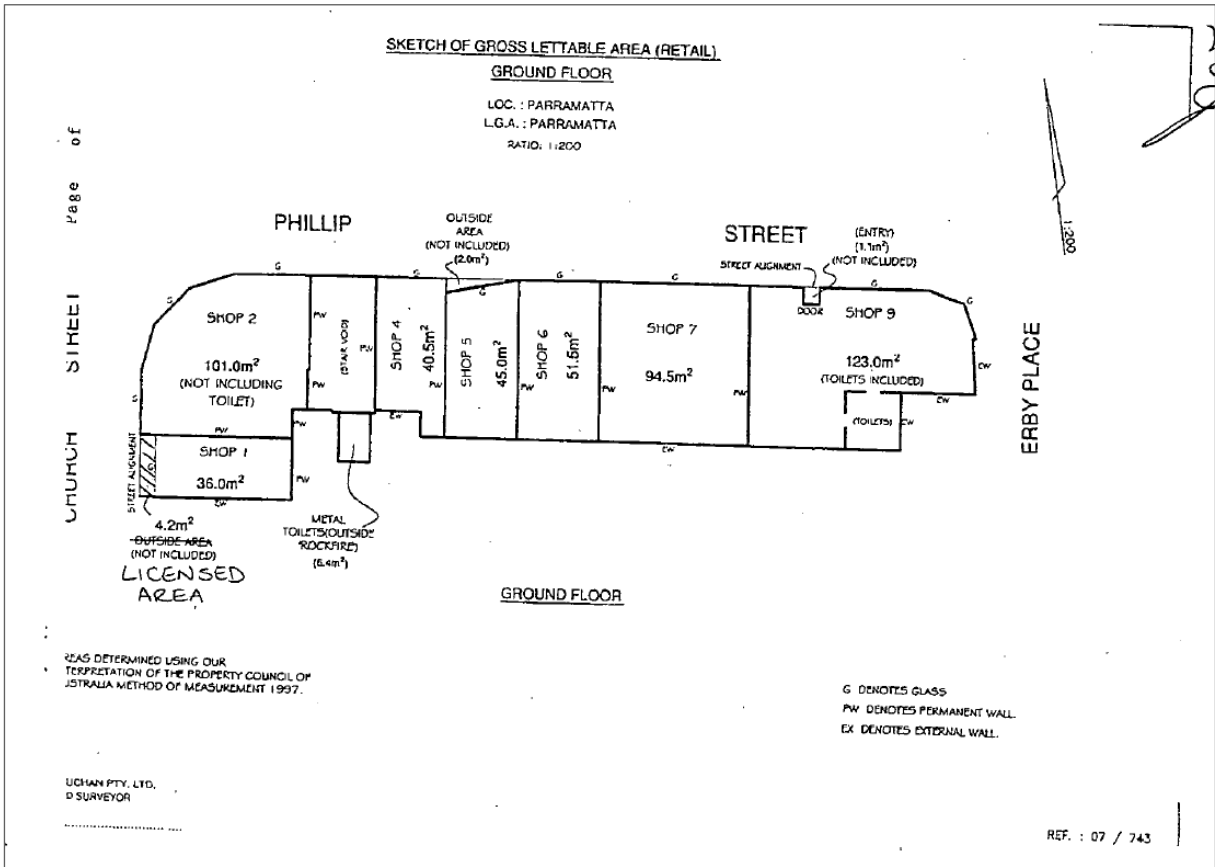
As you are familiar with the property and given our instructions to undertake an external inspection of the improvements, we provide only a brief description of the subject property.

The subject property consists of a two level, eight tenancy retail property benefitting from a prominent corner position within the Parramatta CBD. The older style building has been partially updated and reconfigured over the years and presents reasonably well to the street frontages.

The property is fully leased and provides a range of tenancy sizes well suited to the hair/beauty and food/beverage occupants. The property is positioned to the eastern side of Church Street and southern side of Phillip Street, forming part of an established strip retail precinct known as “eat street”.

On site car parking is not included, instead the southern portion of the site is utilised for deliveries and temporary access, however we note the proximity of the large Erby Place car park.

The plan attached to the lease for Shop 1 outlines the following layout of the ground floor:



3.1 BUILDING AREAS

From a “Sketch of Gross Lettable Area (Retail) Ground Floor” attached to the lease for Shop 1, together with our estimate of lettable area for Level 1 (using this plan, percentages applied for outgoings recovery for the tenancies in all the leases and aerial mapping tools), we have adopted the following areas:

Lettable Area Summary	
Building Component	GLAR
Shop 1	40.2 m ²
Shop 2 and 3	101.0 m ²
Shop 4	40.5 m ²
Shop 5	47.0 m ²
Shop 6	51.5 m ²
Shop 7 and 8	94.5 m ²
Shop 9 and 10	123.0 m ²
Level 1	510.0 m ²
GLAR	1,007.7 m²

In the event that a formal Survey determined lettable areas that differ from those adopted above our valuation may be affected and we reserve the right to amend our valuation if this were to be the case.

3.2 IMAGES

We provide the following photographs of the subject property:



Phillip Street/Erby Place elevations



Phillip Street/Church Street elevations



Church Street pedestrian movement area



Phillip Street pedestrian movement area



Erby Place frontage and rear loading area



Erby Place and multi-level car park entry

3.3 PRESENTATION, CONDITION AND UTILITY

The building was constructed approximately 40-50 years ago and appears to have been adequately maintained, however we specifically highlight that in accordance with our specific instructions, we have carried out an external inspection of the property only. In particular, our valuation is based upon the fundamental assumption that the internal areas of the property are in a good condition commensurate with the external areas and nature of the occupants businesses in general and should this prove not to be the case, then we reserve the right to review our valuation accordingly.

From our observations the building appears in sound structural condition with all services operating satisfactorily. We do however point out that we are not experts in regards to these matters and should there be deficiencies associated with the building structure or its services the valuation should be referred back to us for comment.

No site, structural survey or pest infestation inspection was undertaken for the purposes of this valuation and this report should not be relied upon for those purposes.

In our opinion the property appears to have been adequately maintained having regard to its age and the purpose for which it is used.

3.4 ASBESTOS

Inspection of the improvements did not show the use or possible use of asbestos products in the building. Whilst no sign of asbestos was evident during inspection, the building is of an age where the use of asbestos is possible. We are not experts in this area and therefore in the absence of any expert report as to the presence of any asbestos products within the subject property, our valuation is made on the assumption that there is no asbestos related health risk.

3.5 PEST AFFECTATION

Inspection of the subject improvements did not reveal any apparent termite infestation. This should, however, be confirmed by a certified pest control firm. If the expert report establishes that there is infestation, the report should be referred to us for advice as to whether it affects our assessment of value.

3.6 CHATTELS PLANT AND EQUIPMENT

This valuation includes all chattels, plant and equipment located at the building including air conditioning services and fire protection equipment that would normally pass with the building in the event of a sale. The plant and equipment which is specifically used in the operation of the existing business has been excluded from our assessment.

4.0 Market Comment

4.1 ECONOMIC UPDATE

4.1.1 World Economy

- Conditions in the global economy have improved during 2017. Labour markets have tightened in many countries and forecasts for global growth have improved. Growth in China is being supported by greater spending on infrastructure and property construction. Headline inflation rates, having moved higher over the past year in most countries, have declined recently in response to lower oil prices. Interest rates have increased in the United States and there is no longer an expectation of additional monetary easing in other major economies.

4.1.2 Australian Economy

- Growth in the Australian economy was weak at 0.3% over the March quarter 2017. Labour market indicators continue to be mixed and inflation picked up to above 2.0% during the March quarter 2017. Conditions in the housing market continue to vary by State and Territory.

Factor	Comment	3-month outlook
GDP	The Australian economy grew by 0.3% over the March quarter 2017 to bring annual growth to 1.7% (ABS, June 2017).	↑
Cash rate	The RBA has held the official cash rate steady since dropping it to 1.50% at its August 2016 meeting. The RBA's aim in holding rates is to achieve sustainable growth in the economy while being mindful of risks in the housing market.	→
Inflation	The Consumer Price Index (CPI) rose by 0.5% in the March quarter (from the previous quarter) and 2.1% over the year to March 2017.	↑
Employment	Over the year to May 2017, employment rose by 2.0%, the unemployment rate declined to 5.5% and the participation rate increased marginally to 64.9%. In May, the unemployment rate increased in NSW (to 4.8%) and Tasmania (to 6.1%); and decreased in Victoria (to 6.0%), Queensland (to 6.1%), SA (to 6.9%), WA (to 5.5%), the NT (to 3.2%) and the ACT (to 3.5% on a trend basis).	→
Retail Turnover	National retail turnover increased by 0.6% (current prices) in May 2017. Turnover increased in NSW (1.3%), Victoria (1.2%), SA (0.8%), WA (0.3%), Tasmania (1.2%) and the ACT (1.0%); and decreased in Queensland (-1.1%) and the NT (-0.5%).	↑
Business confidence	NAB Business confidence decreased to a net balance of 7.0 in April 2017. Confidence has been positive since mid-2013.	→
Consumer Sentiment	The Westpac-Melbourne Institute Index of Consumer Sentiment decreased to 96.2 in June, indicating that pessimists continue to outweigh optimists.	→
Dwelling Units Approved	Estimated dwelling units approved decreased by 1.9% from April to May 2017 on a trend basis. Approvals increased in Queensland (2.2%), the NT (2.1%), SA (1.6%) and Tasmania (1.5%); and decreased in the ACT (-8.2%), Victoria (-3.9%), WA (-3.7%) and NSW (-2.6%).	→
Population	Australia's resident population was estimated by the ABS to be 24,583,250 as at 10 July 2017. Population growth was 1.6% during 2016.	↑

Source: ABS, RBA, NAB, Westpac - Melbourne Institute and m3property Research. Seasonally adjusted, except where stated.

4.2 LOCAL MARKET COMMENT

4.2.1 Overview

The main Church Street “eat street” retail strip within Parramatta generally consists of small to medium sized tenancy retail shops and restaurants with upper level commercial tenancy areas. The subject property is located toward the southern periphery of the “eat street” strip, however still benefits from good exposure to passing vehicular and pedestrian traffic, particularly given its prominent corner position.

4.2.2 Rental Market

Our market research indicates that average gross retail market rents within the precinct generally range from \$500 per square metre to \$800 per square metre with an emphasis on size and position. Average gross commercial market rents within the precinct generally range from \$200 to \$400 per square metre. Annual quantum of dollars or weekly rental rates are sometimes more of a focus compared to rates per square metre of lettable area, particularly for smaller tenancy areas, such as that contained within the subject property.

The broader Church Street “eat street” retail strip remains relatively tightly held, with the limited vacancy noted at the date of inspection. Enquiries with leasing agents active in the locality indicate that the majority of retail leasing transactions occur “off market”, especially for smaller tenancies.

4.2.3 Investment Market

The investment market for suburban small scale retail and commercial properties (such as the subject) remains active, in particular for assets that are fully tenanted or incorporate reasonable WALEs. The typical buyer consists of private local investors and Self Managed Super Funds, being supported by the historically low cost of debt, low inflationary outlook and perception of the economy. The perceived longer term rental and capital growth from retail assets within established inner metropolitan locations, along with perceived income security are key drivers of demand. Investors in this market are generally comfortable accepting initial yields below those that may be achieved from larger scale retail and commercial assets such as CBD office buildings and neighbourhood and sub regional shopping centres.

We also note that some developers are active within the locality, particularly having regard for sites that are zoned B4 Mixed Use and have significant development potential, with relatively short remaining lease terms.

5.0 Tenancy Details

We have examined copies of lease documentation for each of the existing tenancies, together with advice on passing rental and outgoings supplied to us by the instructing party.

The tenancy position as at the date of valuation is summarised in the Tenancy Schedule shown below:

Tenancy Schedule As of 25 July 2017															
Tenant	Level/ Desc.	GLAR (m ²)	Lease Begin	Term		Lease End	Passing Rent		Lease Type	Recoveries		Total Gross Rental		Next Review	Review Type
				Y	M		(\$pa)	(\$/m ²)		(\$pa)	(\$/m ²)	(\$pa)	(\$/m ²)		
Tomika and Mansour (f&b)	Shop 1	40.2	01-Jun-15	5	0	31-May-20	\$57,000	\$1,418	Gross	\$0	\$0	\$57,000	\$1,418	Jun-18	CPI
Coco Cubano (f&b)	Shop 2/3	101.0	01-Feb-11	7	0	31-Jan-18	\$144,246	\$1,428	Gross	\$0	\$0	\$144,246	\$1,428	Feb-18	4.00% p.a.
Tony Abi-Khattar (hairdresser)	Shop 4	40.5	01-Jul-16	4	0	30-Jun-20	\$50,000	\$1,235	Gross	\$0	\$0	\$50,000	\$1,235	Jul-18	CPI
Kong and Zhang (f&b)	Shop 5	47.0	12-Nov-15	5	0	11-Nov-20	\$51,480	\$1,095	Gross	\$0	\$0	\$51,480	\$1,095	Nov-17	4.00% p.a.
Ji Soon Im (f&b)	Shop 6	51.5	01-Feb-17	5	0	31-Jan-22	\$61,800	\$1,200	Gross	\$0	\$0	\$61,800	\$1,200	Feb-18	4.00% p.a.
Ehden Nominees (hair/beauty)	Shop 7/8	94.5	01-Apr-15	10	0	31-Mar-25	\$94,354	\$998	Gross	\$0	\$0	\$94,354	\$998	Apr-18	CPI
Hoc Qui Ly (f&b)	Shop 9/10	123.0	01-Apr-17	5	0	31-Mar-22	\$130,000	\$1,057	Gross	\$0	\$0	\$130,000	\$1,057	Apr-18	4.00% p.a.
St Marys Reliance Group (f&b)	Level 1	510.0	27-Jul-16	5	0	26-Jul-21	\$116,251	\$228	Gross	\$0	\$0	\$116,251	\$228	Jul-18	4.00% p.a.
Total/Averages		1,007.7					\$705,132	\$700		\$0	\$0	\$705,132	\$700		

5.1 OCCUPANCY AND LEASE EXPIRY

A summary of the lease expiry profile of the property is shown below:

302 Church Street, Parramatta, New South Wales Expiration Report				
Year End	GLAR		GLAR	
	Annual	Cumulative	Annual	Cumulative
Vacant	0 m ²	0 m ²	0%	0%
30-Jun-18	101 m ²	101 m ²	10%	10%
30-Jun-19	0 m ²	101 m ²	0%	10%
30-Jun-20	40 m ²	141 m ²	4%	14%
30-Jun-21	88 m ²	229 m ²	9%	23%
30-Jun-22	685 m ²	913 m ²	68%	91%
30-Jun-23	0 m ²	913 m ²	0%	91%
30-Jun-24	0 m ²	913 m ²	0%	91%
30-Jun-25	95 m ²	1,008 m ²	9%	100%
30-Jun-26	0 m ²	1,008 m ²	0%	100%
30-Jun-27	0 m ²	1,008 m ²	0%	100%
Total	1,008 m²		100%	
Average weighted lease expiry (by area)			3.99 years	
Average weighted lease expiry (by income)			3.73 years	

5.2 LEASE SUMMARIES

A synopsis of the leases is shown below:

William Nikoloudis transferred to Tony Tomika and Anna Mansour 28 September 2016	
Demised Premises	Shop 1
Lettable Area	40.2 square metres (including small enclosed licensed area)
Permitted Use	Italian café, including ice-creams, cakes, coffee and drinks
Lease Commencement	1 June 2015
Term	5 years
Lease Expiry	31 May 2020
Options	Nil
Commencing Rental	\$54,000.00 per annum \$1,343.28 per square metre
Current Rental	\$57,000 per annum (as advised) \$1,417.91 per square metre
Incentive	Early access for fitout
Rental Reviews	Annual reviews to CPI
Outgoings	Payable by the Lessor. Gross lease (only 3.6% of increases are recoverable)
Bank Guarantee	6 months' rent
Additional Clauses	The 4.2 square metre enclosed licensed area is included at a peppercorn rental.

Coco Cubano Leasing Pty Limited	
Demised Premises	Shop 2 and 3
Lettable Area	101.0 square metres
Permitted Use	Café/bar
Lease Commencement	1 February 2011
Term	7 years
Lease Expiry	31 January 2018
Options	5 years
Commencing Rental	\$114,000.00 per annum \$1,128.71 per square metre
Current Rental	\$144,246.40 per annum (as advised) \$1,428.18 per square metre
Incentive	2 month rent free period
Rental Reviews	Annual reviews to 4.00%
Outgoings	Payable by the Lessor. Gross lease (only 10.09% of increases are recoverable)
Bank Guarantee	6 months' rent

Tony Abi-Khattar

Demised Premises	Shop 4
Lettable Area	40.5 square metres
Permitted Use	The operation of a hairdressing salon
Lease Commencement	1 July 2016
Term	4 years
Lease Expiry	30 June 2020
Options	Nil
Commencing Rental	\$48,600.00 per annum \$1,200 per square metre
Current Rental	\$50,000.00 per annum (as advised) \$1,234.57 per square metre
Incentive	None noted in lease
Rental Reviews	Annual reviews to CPI
Outgoings	Payable by the Lessor. Gross lease (only 4.05% of increases are recoverable)
Bank Guarantee	4 months' rent

Tin Lok Kong and Ada Jiechun Zhang

Demised Premises	Shop 5
Lettable Area	47.0 square metres (including small enclosed licensed area)
Permitted Use	Coffee café
Lease Commencement	12 November 2015
Term	5 years
Lease Expiry	11 November 2020
Options	Nil
Commencing Rental	\$49,500.00 per annum \$1,053.19 per square metre
Current Rental	\$51,480.00 per annum (as advised) \$1,095.32 per square metre
Incentive	None noted in lease
Rental Reviews	Annual reviews to 4.00%
Outgoings	Payable by the Lessor. Gross lease (only 4.49% of increases are recoverable)
Bank Guarantee	6 months' rent
Additional Clauses	The 2.0 square metre enclosed licensed area is included at a peppercorn rental.

Ji Soon Im

Demised Premises	Shop 6
Lettable Area	51.5 square metres
Permitted Use	The operation of a Japanese restaurant
Lease Commencement	1 February 2017
Term	5 years
Lease Expiry	31 January 2022
Options	Nil
Commencing Rental	\$61,800.00 per annum \$1,200.00 per square metre
Current Rental	\$61,800.00 per annum (as advised) \$1,200.00 per square metre
Incentive	None noted in lease
Rental Reviews	Annual reviews to 4.00%
Outgoings	Payable by the Lessor. Gross lease (only 5.14% of increases are recoverable)
Bank Guarantee	6 months' rent

Ehden Nominees Pty Limited

Demised Premises	Shop 7 and 8
Lettable Area	94.5 square metres
Permitted Use	Hairdressing salon for men and women and beautician
Lease Commencement	1 April 2015
Term	10 years
Lease Expiry	31 March 2025
Options	Nil
Commencing Rental	\$88,938.24 per annum \$941.15 per square metre
Current Rental	\$94,354.00 per annum (as advised) \$998.46 per square metre
Incentive	None noted in lease
Rental Reviews	Annual reviews to CPI
Outgoings	Payable by the Lessor. Gross lease (only 9.44% of increases are recoverable)
Bank Guarantee	4 months' rent
Additional Clauses	The Lessor may terminate the lease with 12 months notice no earlier than 31 March 2023.

Hoc Qui Ly

Demised Premises	Shop 9 and 10
Lettable Area	123.0 square metres
Permitted Use	The operation of a Vietnamese restaurant, trading as "Nang Vietnamese Cuisine"
Lease Commencement	1 April 2017
Term	5 years
Lease Expiry	31 March 2022
Options	Nil
Commencing Rental	\$130,000.00 per annum \$1,056.91 per square metre
Current Rental	\$130,000.00 per annum (as advised) \$1,056.91 per square metre
Incentive	Early access for fitout
Rental Reviews	Annual reviews to 4.00%
Outgoings	Payable by the Lessor. Gross lease (only 12.29% of increases are recoverable)
Bank Guarantee	6 months' rent

Saint Marys Reliance Group Pty Limited

Demised Premises	Level 1 (and Ground Floor foyer and stairs)
Lettable Area	510.0 square metres (approximately)
Permitted Use	The operation of a restaurant/café
Lease Commencement	27 July 2016
Term	5 years
Lease Expiry	26 July 2021
Options	Nil
Commencing Rental	\$111,780.14 per annum \$219.18 per square metre
Current Rental	\$116,251.34 per annum (as advised) \$227.94 per square metre
Incentive	None noted in lease
Rental Reviews	Annual reviews to 4.00%
Outgoings	Payable by the Lessor. Gross lease (only 50.90% of increases are recoverable)
Bank Guarantee	6 months' rent

5.3 TENANCY PROFILE

The subject is fully leased to multiple tenants, the majority of which are local style operators. The tenancy profile is considered to be of low to medium calibre.

5.4 OUTSTANDING INCENTIVES

Based upon the information provided, we are unaware of any outstanding incentives. Should this prove not to be the case, we reserve the right to review our valuation accordingly.

6.0 Income Analysis

6.1 GROSS PASSING INCOME

The gross rental income derived from the property is summarised as follows:

Gross Passing Income Summary					
	GLAR		Passing Income		
	(m ²)	(%)	(\$ p.a.)	(%)	(\$/m ²)
Retail	1,007.7	100%	\$705,132	100%	\$700
Total Rental Income	1,007.7	100%	\$705,132	100%	\$700
Outgoings Recoveries			\$0		\$0
Gross Income			\$705,132		\$700

6.2 RENTAL EVIDENCE AND ASSESSMENT OF MARKET RENT

The subject consists of multiple ground floor retail shops and a large upper level of commercial/retail accommodation currently utilised as a Brazilian steakhouse. Accordingly, in assessing the market rent for the property we have had regard to ground floor retail/restaurant and upper level commercial evidence from within the general locality. The evidence we have had regard to is as follows.

Ground Level Retail/Restaurant Evidence

314 Church Street, Parramatta, NSW			
Lease Details			
Tenant	Undisclosed	Lettable Area	140m ²
Comm. Date	November 2016	Rent	\$736/m ² gross
Term	5 years	Incentive	3.33%
Option	5 years	Reviews	4.00% p.a.
Comments			
The tenancy consists of a ground floor retail shop positioned to the eastern side of Church Street within the Parramatta CBD. The tenancy is centrally located within the "Eat Street" portion of Church Street.			
Verbal enquiries with the leasing agent indicate that the incentive was taken as a 2 month rent free period.			

312 Church Street, Parramatta, NSW**Lease Details**

Tenant	Asian Restaurant	Lettable Area	230m ²
Comm. Date	June 2016	Rent	\$498/m ² gross
Term	5 years	Incentive	Nil
Option	5 years	Reviews	4.00% p.a.

Comments

The tenancy consists of a retail food outlet incorporating ground and first floor accommodation, positioned to the eastern side of Church Street within the Parramatta CBD. The tenancy is centrally located within the "Eat Street" portion of Church Street.

Verbal enquiries with the leasing agent indicate that the lettable area also incorporates some first floor accommodation.

Ground Level, 218 Church Street, Parramatta, NSW**Lease Details**

Tenant	Undisclosed	Lettable Area	251m ²
Comm. Date	April 2016	Rent	\$498/m ² gross
Term	5 years	Incentive	5.00%
Option	5 years	Reviews	CPI p.a.

Comments

The tenancy consists of a ground floor retail shop positioned to the eastern side of Church Street within the Parramatta CBD.

Verbal enquiries with the leasing agent indicate that the incentive was taken as a 3 month rent free period. Further, we note that the lease provides for the recovery of increases in outgoings over the base year.

Ground, 144 Marsden Street, Parramatta, NSW**Lease Details**

Tenant	Doctors & Dental	Lettable Area	230m ²
Comm. Date	December 2015	Rent	\$600/m ² Gross
Term	10 years	Incentive	3.00%
Option	10 years	Reviews	Undisclosed

Comments

The property consists of a ground floor tenancy positioned to the north western corner of Marsden Street and Macquarie Street within the Parramatta CBD. The tenancy forms part of an older style four level building.

Ground and Part Level 1, 215-217 Church Street, Parramatta, NSW**Lease Details**

Tenant	Educational Provider	Lettable Area	900m ²
Comm. Date	October 2015	Rent	\$694/m ² – refer comments
Term	10 years	Incentive	2.50%
Option	10 years	Reviews	Varies – refer comments

Comments

The property consists of a two level mixed use building positioned to the western side of Church Street within the Parramatta CBD. The tenancy is arranged over two levels, with the ground floor extending to approximately 710 square metres, whilst the first floor component of the tenancy extends to approximately 190 square metres.

Verbal enquiries with the leasing agent indicate that the lease incorporates a break clause in year 5. We also note that our enquiries indicate the lease incorporates fixed 5.00% annual reviews until year 6, when the reviews become annual increases to CPI. The lease also incorporates a CPI increase on exercise of option. Further enquiries with the leasing agent indicate that the tenant is responsible for 80% of the outgoings associated with the building.

Ground, 260 Church Street, Parramatta, NSW**Lease Details**

Tenant	Cash Stop Financial Services	Lettable Area	89m ²
Comm. Date	February 2015	Rent	\$1,247/m ² Gross (as at Feb 2017)
Term	5 years	Incentive	Undisclosed
Option	Undisclosed	Reviews	CPI p.a.

Comments

The property consists of a ground floor tenancy positioned to the eastern side of Church Street within the Sydney CBD. The tenancy forms part of an older style two level building positioned within the established Parramatta CBD.

In addition to the abovementioned rental evidence, we note that 284 Church Street, Parramatta is currently being marketed for rent. This property consists of a ground floor strip retail shop that extends to approximately 220 square metres and incorporates two car parking spaces. The shop has dual street access to Church Street and Erby Place to the rear. We understand that the gross asking rent for this shop is \$123,735 per annum (reflecting \$562 per square metre).

We also note a first floor tenancy at 306 Church Street, Parramatta that extends to approximately 226 square metres, which has recently been marketed for rent. The tenancy benefits from DA consent for a restaurant. We understand that the property was being marketed for rent with a net asking rental rate of \$575 per square metre. Verbal enquiries with the leasing agent indicate that a deposit has been taken, however due to confidentiality reasons, the leasing agent was unable to confirm any lease terms.

Upper Level Commercial Evidence

Part Level 1, 426 Church Street, Parramatta, NSW**Lease Details**

Tenant	Host International	Lettable Area	221m ²
Comm. Date	February 2017	Rent	\$275/m ² Gross
Term	2 years	Incentive	4.17%
Option	Nil	Reviews	4.00% p.a.
Car Parking	-	\$pbpm	-

Comments

The property consists of a part Level 1 tenancy positioned to the south eastern corner of Church Street and Grose Street. The building consists of an older style two level building positioned to the north of the established Parramatta CBD.

We understand that the incentive was taken as a one month rent free period.

Part Level 7, 79 George Street, Parramatta, NSW**Lease Details**

Tenant	Byblos Finance	Lettable Area	444m ²
Comm. Date	July 2016	Rent	\$340/m ² Net
Term	5 years	Incentive	-
Option	Nil	Reviews	Undisclosed
Car Parking	5	\$pbpm	\$300pbpm

Comments

The tenancy consists of a commercial suite, occupying Part Level 7. The building is positioned to the southern side of George Street within the Parramatta CBD.

9 George Street, Parramatta, NSW**Lease Details**

Tenant	Central West Group	Lettable Area	250m ²
Comm. Date	April 2016	Rent	\$400/m ² Net
Term	5 years	Incentive	Unknown
Option	Nil	Reviews	4.00% p.a.

Comments

A commercial tenancy within a seven storey office building providing secondary office accommodation. The property occupies a prominent position on the southern alignment of George Street to the western periphery of the Parramatta CBD, near Parramatta Park.

Outgoings are \$115 per square metre.

Level 1, 260 Church Street, Parramatta, NSW**Lease Details**

Tenant	Payless World Travel	Lettable Area	91m ²
Comm. Date	January 2016	Rent	\$337/m ² Gross
Term	3 years	Incentive	Undisclosed
Option	Undisclosed	Reviews	4.00% p.a.

Comments

The property consists of a Level 1 tenancy positioned to the eastern side of Church Street within the Sydney CBD. The tenancy forms part of an older style two level building positioned within the established Parramatta CBD.

In addition to the aforementioned rental evidence, we note two upper level commercial tenancies within close proximity to the subject being marketed for rent. A fitted out, upper level office (extending to 56 square metres) at 38-40 George Street, Parramatta currently has a gross asking rental rate of \$350 per square metre.

We also note a part level tenancy on Level 2, 239 Church Street, Parramatta, which is currently being marketed for lease. The tenancy extends to 147 square metres and we note the asking gross rental rate is in the order of \$420 per square metre.

6.3 MARKET RENT ASSESSMENT

Our assessment of market rent is as follows:

Market Rent Assessment as at 25 July 2017								
Level/ Desc	GLAR (m²)	Market Rental (\$ pa) (\$/m²)		Market Lease Type	Market Recoveries (\$ pa) (\$/m²)		Gross Market Rent (\$ pa) (\$/m²)	
Shop 1	40	\$57,000	\$1,418	Gross	\$0	\$0	\$57,000	\$1,418
Shop 2/3	101	\$144,246	\$1,428	Gross	\$0	\$0	\$144,246	\$1,428
Shop 4	41	\$50,000	\$1,235	Gross	\$0	\$0	\$50,000	\$1,235
Shop 5	47	\$51,480	\$1,095	Gross	\$0	\$0	\$51,480	\$1,095
Shop 6	52	\$61,800	\$1,200	Gross	\$0	\$0	\$61,800	\$1,200
Shop 7/8	95	\$94,354	\$998	Gross	\$0	\$0	\$94,354	\$998
Shop 9/10	123	\$130,000	\$1,057	Gross	\$0	\$0	\$130,000	\$1,057
Level 1	510	\$116,251	\$228	Gross	\$0	\$0	\$116,251	\$228
		\$705,132	\$700		\$0	\$0	\$705,132	

We consider the recent leasing activity within the subject to be the best indication of suitable market rents. The numerous transactions with the subject property demonstrate consistency and are considered to be within reasonable parameters and therefore we have adopted the passing rentals as market within our assessment.

6.4 RECOVERIES

Under the leases provided, only increases in outgoings above the base year are recoverable. Given that actual outgoings information has not been provided and given that all but one lease was struck in the last 2 years, we consider nominal outgoings increases would be recoverable so that a material variation to the provided estimated outgoings would occur. Should this prove not to be the case, we reserve the right to review our valuation accordingly. In light of this, we have assumed typical Gross leases for the passing and market income.

6.5 OUTGOINGS

We have been provided with an outgoings figure of **\$150,000** by the instructing party which we have adopted for the purposes of our assessment. Should there be any material variation to the actual outgoings, then we reserve the right to review our valuation accordingly.

6.6 SUMMARY

A summary of the gross and net income derived from the property is shown below.

Income Summary					
	Passing Income		Market Income		Relativity
	(\$ p.a.)	(\$/m ²)	(\$ p.a.)	(\$/m ²)	
Retail	\$705,132	\$700	\$705,132	\$700	0%
Sub total	\$705,132	\$700	\$705,132	\$700	0%
Outgoings Recoveries	\$0	\$0	\$0	\$0	
Gross Income	\$705,132	\$700	\$705,132	\$700	0%
Outgoings	\$150,000	\$149	\$150,000	\$149	0%
Net Income	\$555,132	\$551	\$555,132	\$551	0%
Gross Market Rent on Vacant Areas	\$0				
Total Potential Fully Leased Net Income	\$555,132				

7.0 Rationale

7.1 VALUATION APPROACHES

In arriving at our valuation we have examined the available market evidence and applied this analysis to the Capitalisation of Net Income approach and the Direct Comparison approach.

The Capitalisation approach involves estimating the potential sustainable Gross Market Income of a property from which annual outgoings are deducted to derive the Net Market Income. This Net Market Income is then capitalised at an appropriate rate derived from analysis of comparable sales evidence.

Adjustments to the Capitalised Value are then made for items including profit rent/shortfall derived from passing rents which are above or below market, letting up allowance over vacant areas including foregone rental and outgoings over the assumed letting up period together with marketing expenses and leasing commissions, short term capital expenditure, outstanding lease incentives including rent free periods and committed Lessor contributions.

The Direct Comparison approach involves applying a Value Rate to the selected unit of comparison which in this case is the value per square metre of lettable area, with the adopted Value Rate derived from analysis of comparable sales evidence.

7.2 SUMMARY/POSITION OF SUBJECT PROPERTY IN THE MARKET

The subject property consists of an older style, fully leased, two level retail building situated within the Parramatta CBD. The property is leased to multiple tenants, incorporating a moderate WALE in the order of 3.73 years (by income).


The subject is situated within an established strip retail/restaurant precinct in the Parramatta CBD known as "eat street".

7.3 MARKETABILITY AND SELLING PERIOD

In our view if the subject property were offered to the market at the current time it would meet with good demand. The buyer profile is likely to include private investors and to a lesser degree possibly developers, with an appropriate selling period in the order of four to six months in the current environment.

8.0 Sales Evidence

The comparable sales evidence that we have considered in our valuation is shown below.

292-298 Church Street, Parramatta, NSW	
Sale Details	
Sale Price	\$9,750,000
Sale Date	October 2016
Site Area	788.8 m ²
Lettable Area	1,850 m ²
WALE	5.50 years (by Income)
	
Analysis & Assumptions	
Initial Yield	2.62%
Market Yield	5.68%
Rate per m² of Lettable Area	\$5,270/m ²
Rate per m² of Site Area	\$12,361/m ²
Comments	
<p>The property consists of an older style, fully leased, three level mixed use building incorporating ground floor restaurant (that is a licensed venue and also benefits from DA consent to occupy the footpath area for outdoor dining) and two upper levels of basic, open plan commercial accommodation. The upper levels are not being fully utilised, require capital expenditure and the property is significantly under rented.</p> <p>The property has dual street frontages to Church Street and Erby Place to the rear. The site is positioned to the eastern side of Church Street within the Parramatta CBD, forming part of an established strip retail precinct known as “eat street”. We also note the presence of a multi level car park within close proximity.</p> <p>The dual frontage/access configuration of the building allows for separate leasing of the commercial tenancies from the restaurant tenancy upon expiry of the current lease. The property is fully leased to a single tenant, subject to a recent variation extending the lease term to 10 years (or expiring March 2022).</p> <p>The property features a part 3:1 FSR and part 10:1 FSR suggesting further development potential, however we highlight that reduced FSR may apply due to the site being less than 1,000 square metres in size. We also highlight the medium term residual lease.</p> <p><i>The property consists of a substantially larger yet inferior quality, under rented investment that is positioned in close proximity to the south of the subject property.</i></p>	

63 Majors Bay Road, Concord, NSW**Sale Details**

Sale Price	\$6,610,000
Sale Date	December 2016
Site Area	310 m ²
Lettable Area	394 m ²

**Analysis & Assumptions**

Initial Yield	4.80%
Rate per m² of Lettable Area	\$16,777/m ²
Rate per m² of Site Area	\$21,323/m ²

Comments

The property consists of a two level mixed use building positioned to the south eastern corner of Majors Bay Road and Wellbank Street within an established strip retail locality in Concord, approximately 10 radial kilometres west of the Sydney CBD. In addition to the ground floor retail and first floor commercial accommodation, the property provides three on site, covered, car parking spaces. The building is relatively narrow, however benefits from significant frontage to Wellbank Street.

The site is zoned B4 Mixed Use pursuant to Canada Bay Local Environmental Plan 2013, with a maximum permissible FSR of 1.8:1 and a maximum building height of 11 metres. The property is fully leased, incorporating a pharmacy to the ground floor (lease expiring 2025, with a further five year option) and a physiotherapist to the first floor (lease expiring 2021, with a further five year option).

The property consists of a mixed use, two level, strip retail facility situated within an established strip retail locality. The property is fully leased, with leases extending to 2025 and 2021. Having regard to the size and leased nature of the property, the remaining lease terms and exposure to passing traffic, we consider a lower rate per square metre of lettable area to be appropriate for the subject.

260 Church Street, Parramatta, NSW**Sale Details**

Sale Price	\$2,900,000
Sale Date	December 2016
Site Area	108 m ²
Lettable Area	180 m ²

**Analysis & Assumptions**

Initial Yield	3.47%
Market Yield	3.47%
Rate per m² of Lettable Area	\$16,111/m ²
Rate per m² of Site Area	\$26,852/m ²

Comments

The property consists of a two level strip retail mixed use building positioned to the eastern side of Church Street within the Parramatta CBD. The building incorporates ground floor retail accommodation and first floor commercial accommodation.

The site is zoned B4 Mixed Use pursuant to Parramatta Local Environmental Plan 2011, incorporating an FSR of 3:1 and a maximum building height of 12 metres. Enquiries with the selling agent indicate that the property was leased to two tenants at the date of sale.

A significantly smaller asset situated within close proximity to the subject. The property sold fully leased, incorporating a shorter WALE. We consider a significantly lower lettable area direct comparison rate to be appropriate for the subject.

23-27 South Street, Granville, NSW**Sale Details**

Sale Price	\$4,400,000
Sale Date	August 2016
Site Area	670 m ²
Lettable Area	1,100 m ² (approx.)

**Analysis & Assumptions**

Initial Yield	3.60%
Rate per m² of Lettable Area	\$4,000/m ² (approx.)
Rate per m² of Site Area	\$6,567/m ²

Comments

The property consists of three adjoining properties positioned to the eastern side of South Street within the established Granville strip retail precinct, approximately two radial kilometres south east of the Parramatta CBD and approximately 18 radial kilometres west of the Sydney CBD. The subject is situated within close proximity to Granville train station and also bus services. The buildings provide ground floor retail accommodation, with first floor providing commercial accommodation.

The site is zoned B2 Local Centre pursuant to Parramatta Local Environmental Plan 2011 and incorporates an FSR of 2:1, with a maximum building height of 15 metres. Enquiries with the agent indicate that the buildings are arranged over two levels and are fully leased to four tenants, including Westpac Bank. We understand that the property was acquired by a local investor.

A comparable size, yet inferior quality property within an inferior locality. Average tenancy size is approximately twice as big, reducing rental rates per square metre further. We consider a higher rate per square metre of lettable area to be appropriate for the subject.

264 Kingsgrove Road, Kingsgrove, NSW**Sale Details**

Sale Price	\$3,541,000
Sale Date	July 2016
Site Area	531 m ²
Lettable Area	710 m ²

**Analysis & Assumptions**

Initial Yield	3.14%
Rate per m² of Lettable Area	\$4,987/m ²
Rate per m² of Site Area	\$6,669/m ²

Comments

The property consists of a three level retail/commercial building, incorporating basement level storage, ground floor retail and upper level office/storage accommodation situated on the eastern side of Kingsgrove Road within an established strip retail locality within Kingsgrove, approximately 13 radial kilometres south west of the Sydney CBD. This property is located approximately 150 radial metres south of the Kingsgrove train station. The building benefits from significant frontage to Kingsgrove Road, extending to approximately 12 metres. We also note that the property has secondary frontage and access to Brocklehurst Lane at the rear. The rear of the building incorporates a loading dock.

The site is zoned B4 Mixed Use pursuant to Rockdale Local Environmental Plan 2011, incorporating an FSR of 2:1 and a maximum building height of 19 metres. Enquiries with the selling agent indicate that the property sold as a going concern. We understand that the property sold subject to a short term lease, incorporating a WALE in the order of 0.38 years (by area and by income).

A smaller asset that is located within close proximity to the local train station. Situated within an established strip retail locality.

232-240 Cleveland Street, Surry Hills, NSW**Sale Details**

Sale Price	\$11,400,000
Sale Date	July 2016
Lettable Area	1,144 m ²
Land Area	1,151 m ²
Net Passing Income	\$466,599 (\$408/m ²)
Net Market Income	\$478,062 (\$418/m ²)
WALE	3.84 years (by Income)

**Analysis & Assumptions**

Initial Yield	4.09%
Market Yield	5.50%
Rate per m² of Lettable Area	\$9,965/m ²

Comments

The property consists of a circa 2000 constructed, two level mixed use retail/commercial building which provides off street parking for 13 vehicles and is configured on a prominent corner site with direct exposure to Cleveland Street at Surry Hills. The property benefits from dual street frontages and is within close proximity to Central railway station and the Sydney CBD.

The ground level is fully leased to Dulux and operates as a paint trade centre, whilst the first floor is fully leased to "For Dogs Sake" and operates as a dog grooming business. The property sold fully leased with a WALE of 3.84 years (by Income).

Zoned B4 Mixed Use, pursuant to the Sydney Local Environmental Plan 2012, with a maximum FSR of 1.5:1 and a 9.9 metre height limit.

The property is under utilised in its current configuration and provides additional potential GFA of approximately 600 square metres which has been reflected in our analysis.

The property was sold at Auction to a private investor.

A larger, more modern mixed use asset that sold fully leased to two tenants, incorporating a generally comparable WALE of 3.84 years. Given the multi tenant nature of the subject property, its location and the perceived lower leasing risk, we would consider a slightly lower capitalisation rate to be applicable to the subject property.

8.1 CONCLUSION

The above sales evidence and the value metrics applied to the subject property are summarised in the table as follows.

Address	Sale Price	Sale Date	GLAR	WALE	Initial Yield	Market Yield	\$/m ²
292-298 Church Street, Parramatta	\$9,750,000	Oct-16	1,850	5.5	2.62%	5.68%	\$5,270
63 Majors Bay Road, Concord	\$6,610,000	Dec-16	394	-	4.80%	-	\$16,777
260 Church Street, Parramatta	\$2,900,000	Dec-16	180	3	3.47%	3.47%	\$16,111
23-27 South Street, Granville	\$4,400,000	Aug-16	1,100*	-	3.60%	-	\$4,000
264 Kingsgrove Road, Kingsgrove	\$3,541,000	Jul-16	710	-	3.14%	-	\$4,987
232-240 Cleveland Street, Surry Hills	\$11,400,000	Jul-16	1,144	3.84	4.09%	5.50%	\$9,965
Address	Valuation	Val. Date	GLAR	WALE	Initial Yield	Cap. Rate	\$/m ²
Subject Property	\$10,500,000	Jul-17	1,008	4.0	5.29%	5.25%	\$10,420

*approx.

9.0 Capitalisation Approach

Our capitalisation approach calculations are as follows:

Capitalisation Approach			
Annual Market Income			
Retail			\$705,132
Total Market Income			\$705,132
Add: Market Recoveries			
			\$0
Total Gross Income			\$705,132
Less: Assessed Outgoings			
			\$150,000
Net Annual Market Income			\$555,132
Capitalised @	5.25%		\$10,573,938
	Period	Discount	
	(months)	Rate	
Adjustments			
Reversion Adjustments (Overage/Underage)		6.00%	\$0
Outstanding Incentives			\$0
Immediate Capital Expenditure Requirements			\$0
Current Vacancy Adjustments			
Rental shortfall on current vacancies	6 months		\$0
Incentive allowance on current vacancies	6 months	(10.0%)	\$0
Leasing fees on current vacancies	12.0%		\$0
Refurbishment Allowance on current vacancies			\$0
Impending Vacancy Adjustments			
Rental Shortfall on impending vacancies within the next 12 months	6 months		-\$72,123
Incentive on impending vacancies within the next 12 months	6 months	(10.0%)	-\$72,123
Leasing fees on impending vacancies	12.0%		-\$17,310
Capital expenditure on impending vacancies			\$0
Total Adjustments			(\$161,556)
Market Value			
			\$10,412,382
Sensitivity Analysis			
	Cap Rate	Value	\$/m²
	5.00%	\$10,941,079	\$10,857
	5.25%	\$10,412,382	\$10,333
	5.50%	\$9,931,748	\$9,856

10.0 Direct Comparison

Under this approach we have applied an improved rate per square metre derived from comparable sales evidence to the lettable area summarised as follows.

Direct Comparison Approach			
GLAR	1,008m ²	@ \$10,500/m ²	\$10,580,850
<i>Market Value, adopt</i>			\$10,580,850

Sensitivity Analysis

GLAR	Value Rate	Total Value
1,008m ²	\$10,000/m ²	\$10,077,000
1,008m²	\$10,500/m²	\$10,580,850
1,008m ²	\$11,000/m ²	\$11,084,700

11.0 Conclusion and Other Requests

11.1 SUMMARY

Having regard to each of the valuation approaches outlined in this report, we summarise below our assessment of Market Value.

Summary	
Valuation Date	25 July 2017
Capitalisation Approach	\$10,412,382
Direct Comparison Approach	\$10,580,850
Market Value	\$10,500,000
Passing Initial Yield	5.29%
Fully Leased Initial Yield	5.29%
Equated Market Yield	5.21%
Value Per Square Metre (GLAR)	\$10,420

11.2 SALES HISTORY

Our research indicates that the subject property has not sold in the last five years.

11.3 ADDITIONAL REQUESTS – REDEVELOPMENT SCENARIO

In accordance with our specific instructions, in addition to the headline investment valuation, despite the unknowns surrounding the development potential of the subject site in isolation (and the relatively long term residual lease profile preventing redevelopment), we have carried out an assessment of the subject property assuming a redevelopment scenario whereby the maximum permissible floor area is able to be extracted from the site in accordance with the current planning guidelines.

As outlined earlier in this report, under the Parramatta LEP 2011, the front approximate one third of the site has a maximum permissible FSR of 3:1 whilst the remainder of the site benefits from a maximum permissible FSR of 10:1.

However, we have been provided advice dated 3 August 2017 prepared by Ethos Urban which outlines that:

“The maximum FSR shown on the FSR Map for the rear portion of the site is 10:1. However, Clause 7.2 of the PLEP 2011 states that as the site area for development is less than or equal to 1,000m², it is afforded an FSR of 6:1.”

A copy of the Ethos Urban letter is contained attached as Annexure 3.

Furthermore, as opposed to the site area outlined on the Deposited Plan, the Ethos Urban letter outlines a surveyed area of 776.5 square metres for the subject site, apportioned as approximately 315 square metres to the 3:1 FSR restriction and 461.5 square metres apportioned to the 6:1 FSR restriction.

Based on the site area of 776.5 square metres this results in a maximum permissible GFA for the site of 3,714 square metres which for the purposes of this hypothetical assessment we have rounded to **3,700 square metres**.

Further to the above, we specifically note the following comments outlined in the Ethos Urban letter which are very important in providing context to the hypothetical “best case” nature of this redevelopment scenario assessment which is unlikely able to be fully achieved:

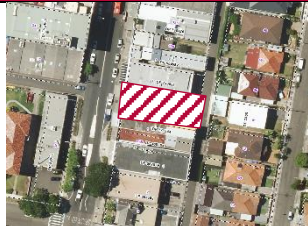
“The calculation shows an approximate maximum GFA of 3,714m². However, please note that it may not be possible to achieve this maximum GFA as the site would be subject to a variety of other planning controls, including setback controls under the Parramatta Development Control Plan 2011 (PDCP 2011).

The building alignment and front setbacks for the site are 0m for all frontages (both Church Street and Phillip Street). Facing Church Street (including the corner to Phillip Street), there is an 18m setback that applies to sections of the building above 3 storeys, or 12m (refer to Figure 1). Facing Phillip Street, there is a 6m setback that applies to sections of the building above 4 storeys, or 14m (refer to Figure 2).”

In arriving at our adopted core value prior to adjustments for residual lease income, growth and demolition, we have had regard to similarly zoned development sites in the Sydney Metropolitan Area and have applied the direct comparison valuation approach on a rate per square metre of Gross Floor Area (GFA) basis.

The sales we have considered include the following:

48 Burwood Road, Burwood, NSW

	Sale Price	\$6,000,000 - GST Exclusive	Sale Date	Oct-16
	Vendor	Onemark Holdings Group Pty Limited		
	Purchaser	Bondi Coast Pty Ltd & Min Hu		
	Land Area	409 m²	Land Area Analysis	\$14,670/m²
	GFA	1,104 m²	GFA Analysis	\$5,435/m²
	No. of Equivalent Units	21	Unit Analysis	\$285,714/unit
	Zoning	B4 Mixed Use		
Comments				
<p>Comprises a regular shaped mixed-use development site extending to an area of approximately 409 square metres, located on the eastern alignment of Burwood Road with a secondary frontage to Webbs Lane, within Burwood.</p> <p>The site at the time of sale benefited from Development Consent (DA-118/2014) for the construction of an eight (8) storey mixed-use use building comprising an approximately seventy-eight (78) square metre ground floor commercial tenancy and twenty (20) residential apartments over basement car parking for twenty (20) vehicles.</p> <p>The residential component of the proposed development under the existing Development Consent (DA-118/2014) is detailed below:</p>				
Apartment Type		No. of Apartments	% of Total	
Studio		6	30%	
2 Bed		14	70%	
Total		20	100%	
<p>The property is zoned B4 Mixed Use in accordance with the Burwood Local Environmental Plan 2012 with a permissible floor space ratio (FSR) of 2.7:1 and height limit of thirty (30) metres.</p> <p>We note that the property sold on-market via an expressions of interest (EOI) campaign to a private developer.</p> <p>For the purpose of our analysis we have adopted twenty-one (21) equivalent units.</p>				

23 Croydon Street, Petersham, NSW

Sale Price	\$7,000,000 - GST Exclusive	Sale Date	Oct-16
Vendor	Silvestro		
Purchaser	Ciderstorm Pty Ltd		
Land Area	1,896 m ²	Land Area Analysis	\$3,692/m ²
GFA	1,579 m ²	GFA Analysis	\$4,433/m ²
No. of Units	22	Unit Analysis	\$318,182/unit
Zoning	R1 General Residential		

Comments

Comprises an irregular shaped residential development site, extending to an area of approximately 1,896 square metres, located on the southern alignment of Croydon Street, within Petersham.

The site at the time of sale benefited from a Development Consent (2015/0065) for the conversion of the existing residential flat building fronting Croydon Street into four (4) apartments and construction of a three (3) storey residential flat building to the rear of the site, comprising eighteen (18) apartments with basement parking for twenty two (22) vehicles.

The residential component of the proposed development under the existing Development Consent (2015/0065) is detailed below:

Apartment Type	No. of Apartments	% of Total
1 Bed	7	32%
2 Bed	15	68%
Total	22	100%

The property is currently zoned R1 General Residential in accordance with the Marrickville Local Environmental Plan 2011.

We note that the property sold on-market via an expressions of interest (EOI) campaign to a private developer.

17 Deane Street, Burwood, NSW

Sale Price	\$15,500,000 – GST Exclusive	Sale Date	Dec-15
Vendor	NSW Police Boys Citizens Ltd		
Purchaser	Citypark Properties Pty Ltd		
Land Area	1,084 m ²	Land Area Analysis	\$14,299/m ²
GFA	6,504 m ²	GFA Analysis	\$2,383/m ²
No. of Equivalent Units	78	Unit Analysis	\$198,718/unit
Zoning	B4 Mixed Use		


Comments

Comprises a regular shaped mixed use development site extending to an area of approximately 1,084 square metres, occupying a corner position with frontages to Deane Street, Mary Street and George Street, within Burwood.

The site is zoned B4 Mixed Use in accordance with the Burwood Local Environmental Plan 2012. The site sold without development consent however the zoning allows for an FSR of 6:1 (2:1 maximum residential accommodation and 4:1 non-residential accommodation) with a seventy (70) metre height limit. Based on this ratio we have estimated the total allowable floor space for the site to be approximately 6,504 square metres. After allowing for a building efficiency of 90% and an average unit size of seventy-five (75) square metres a total site yield of seventy-eight (78) equivalent units' including a mix of non-residential and residential accommodation.

We note that the property sold on-market via an expressions of interest (EOI) campaign with four (4) months delayed settlement.

180-186 Burwood Road, Burwood, NSW

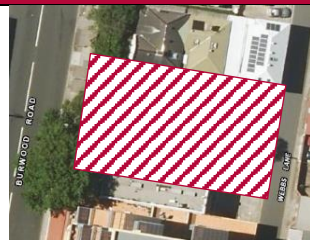
	Sale Price	\$16,800,000 – GST Exclusive	Sale Date	Sep-15
	Vendor	Advance Prosperity Australia Pty Limited		
	Purchaser	Giant Project Group Pty Ltd		
	Land Area	1,234 m ²	Land Area Analysis	\$13,614/m ²
	GFA	7,404 m ²	GFA Analysis	\$2,269/m ²
	No. of Equivalent Units	91	Unit Analysis	\$184,615/unit
	Zoning	B4 Mixed Use		

Comments

Comprises a slightly irregular shaped mixed use development site extending to an area of approximately 1,234 square metres, located on the eastern alignment of Burwood Road with a secondary frontage to Burleigh Street, within Burwood.

The site is zoned B4 Mixed Use in accordance with the Burwood Local Environmental Plan 2012. The site sold without development consent however the zoning allows for an FSR of 6:1 (2:1 maximum residential accommodation and 4:1 non-residential accommodation) with a seventy (70) metre height limit. Based on this ratio we have estimated the total allowable floor space for the site to be approximately 7,404 square metres. Furthermore, we have estimated a total site yield of approximately ninety-one (91) equivalent units' (fifty-nine (59) non-residential units and thirty-two (32) residential apartments).

We note that the site sold on-market post auction to a private developer with delayed settlement to occur 24 March 2016.

10-12 Burwood Road, Burwood, NSW

Sale Price	\$8,050,000 - GST Exclusive	Sale Date	Jul-15
Vendor	Peter Sleiman Properties		
Purchaser	S and A Holdings Group Pty Limited		
Land Area	644.6 m ²	Land Area Analysis	\$12,488/m ²
GFA	1,926.2 m ²	GFA Analysis	\$4,179/m ²
No. of Equivalent Units	29	Unit Analysis	\$277,586/unit
Zoning	B4 Mixed Use		

Comments

Comprises a regular shaped mixed use development site extending to an area of approximately 644.6 square metres, located on the eastern alignment of Burwood Road with a secondary frontage to Webbs Lane, within Burwood.

The site at the time of sale benefited from Development Consent (DA-121/2014) for the construction of a nine (9) storey mixed-use commercial and residential development comprising four (4) ground level commercial premises and twenty-six (26) residential apartments over four (4) basement car parking levels with thirty-six (36) car parking spaces and internal alterations and retention of a heritage item at No. 10 and 12 Burwood Road, Burwood.

The residential component of the proposed development under the existing Development Consent (DA-121/2014) is detailed below:

Apartment Type	No. of Apartments	% of Total
Studio	5	19%
1 Bed	7	27%
1 Bed + Study	1	4%
2 Bed	12	46%
3 Bed	1	4%
Total	26	100%

The property is zoned B4 Mixed Use in accordance with the Burwood Local Environmental Plan 2012 with a permissible floor space ratio (FSR) of 2.7:1 and height limit of thirty (30) metres.

The property sold on-market after auction to a private developer with three (3) month delayed settlement.

For the purpose of our analysis we have adopted twenty nine (29) equivalent units.

26-28 & 30 Parkes Street, Harris Park, NSW

Sale Price	\$21,680,000 ¹ - GST Exclusive	Sale Date	Jul-15 & Oct-15
Vendor	Guang Tian International Group Pty Ltd and G. L. Finance Co Pty Limited		
Purchaser	JC Parkes Pty Ltd		
Land Area	1,494 m ²	Land Area Analysis	\$14,511/m ²
GFA	5,976 m ²	GFA Analysis	\$3,628/m ²
No. of Equivalent Units	72	Unit Analysis	\$301,111/unit
Zoning	B4 Mixed Use		

Comments

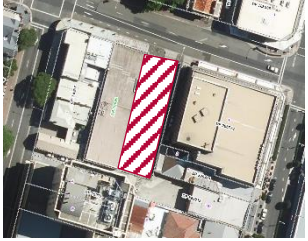
Comprises a regular shaped mixed use development site extending to an area of approximately 1,494 square metres, occupying a corner position with frontages to both Parkes Street and Harris Street, within Harris Park.

The site is zoned B4 Mixed Use in accordance with the Parramatta Local Environmental Plan 2011. The site sold without development consent, zoning allows for an FSR of 4:1 with a fifty-four (54) metre height limit. Based on this ratio we have estimated the total allowable floor space for the site to be 5,976 square metres. After allowing for a building efficiency of 90% and an average unit size of seventy-five (75) square metres a total site yield of seventy-two (72) equivalent units'.

We note that the property sold off-market with ten (10) and nine (9) months delayed settlement respectively.

¹ Agents advice. We note that this property has exchanged with settlement pending.

21A-23 George Street, Parramatta, NSW

	Sale Price	\$6,100,000 – GST Exclusive	Sale Date	Jun-15
	Vendor	Telstra Corp Ltd		
	Purchaser	Undisclosed		
	Land Area	717 m ²	Land Area Analysis	\$8,508/m ²
	GFA	2,868 m ²	GFA Analysis	\$2,127/m ²
	No. of Equivalent Units	34	Unit Analysis	\$179,412/unit
	Zoning	B4 Mixed Use		

Comments

Comprises a regular shaped mixed use development site extending to an area of approximately 717 square metres, located on the southern alignment of George Street, within Parramatta.

The site is zoned B4 Mixed Use in accordance with the Parramatta City Centre Local Environmental Plan 2007. The site sold without development consent however the zoning allows for an FSR of 4:1 with a thirty six (36) metre height limit. Based on this ratio we have estimated the total allowable floor space for the site to be 2,868 square metres. After allowing for a building efficiency of 90% and an average unit size of seventy five (75) square metres a total site yield of thirty four (34) equivalent units' (incorporating a mix of non-residential and residential space) results.

At the time of sale the site is void of improvements and was being used for the purpose of car parking.

We note that the property sold on-market at auction.

44-56 Phillip Street, Parramatta, NSW

Sale Price	\$13,500,000 – GST Exclusive	Sale Date	Apr-15
Vendor	Various		
Purchaser	Parramatta City Council		
Land Area	965 m ²	Land Area Analysis	\$13,990/m ²
GFA	3,860 m ²	GFA Analysis	\$3,497/m ²
No. of Equivalent Units	46	Unit Analysis	\$293,478/unit
Zoning	B4 Mixed Use		

Comments

Comprises a regular shaped mixed use development site extending to an area of approximately 965 square metres, located on the northern alignment of Phillip Street with a secondary frontage to Wilde Avenue, within Parramatta.

The site is zoned B4 Mixed Use in accordance with the Parramatta City Centre Local Environmental Plan 2007. The site sold without development consent however the zoning allows for an FSR of 4:1 with an eighty (80) metre height limit. Based on this ratio we have estimated the total allowable floor space for the site to be 3,860 square metres. After allowing for a building efficiency of 90% and an average unit size of seventy five (75) square metres a total site yield of forty six (46) equivalent units' (incorporating a mix of non-residential and residential space) results.

At the time of sale existing improvements to the site comprises a set of two (2) storey brick strip retail terraces producing a gross income of approximately \$155,187 per annum with demolition clauses in place for full vacant possession in December 2015.

We note that the property sold on-market via an expressions of interest (EOI) campaign with Parramatta City Council being the purchaser and also an adjoining owner.

55 Aird Street, Parramatta, NSW

Sale Price	\$5,460,000 – GST Exclusive	Sale Date	Apr-15
Vendor	Geng's Investment Pty Ltd		
Purchaser	Undisclosed		
Land Area	646 m ²	Land Area Analysis	\$8,452/m ²
GFA	2,713.2 m ²	GFA Analysis	\$2,012/m ²
No. of Equivalent Units	33	Unit Analysis	\$165,455/unit
Zoning	B4 Mixed Use		

Comments

Comprises a regular shaped mixed use development site extending to an area of approximately 646 square metres, located on the southern alignment of Aird Street, within Parramatta.

The site is zoned B4 Mixed Use in accordance with the Parramatta City Centre Local Environmental Plan 2007. The site sold without development consent however the zoning allows for an FSR of 4.2:1 with a thirty six (36) metre height limit. Based on this ratio we have estimated the total allowable floor space for the site to be 2,713.2 square metres. After allowing for a building efficiency of 90% and an average unit size of seventy five (75) square metres a total site yield of thirty three (33) equivalent units' (incorporating a mix of non-residential and residential space) results.

At the time of sale existing improvements to the site comprise an older style commercial building.

We note that the property sold on-market via an expressions of interest (EOI) campaign.

Based on the above transactions, shifts in market conditions since and the particular characteristics of the subject property, we have adopted a rate per square metre of GFA between \$3,500 and \$4,000 within our hypothetical assessment to arrive at the core land value.

Our adjustments to the core value and calculations to account for the residual leases (the longest expiry being 31 March 2023 for Shop 7 and 8) and existing improvements are outlined in the table below:

	2017	2018	2019	2020	2021	2022	2023
Residual Rent	\$231,648	\$572,521	\$594,108	\$544,945	\$408,296	\$158,926	(\$735)
Commencement Date	25-Jul-17						
Expiry Date	31-Mar-23 as per early termination clause for Shop 7 and 8 lease.						
Remaining Lease Term	5.68 years						
Discount Rate	6.00%						
NPV	\$2,075,200						
Less							
Demolition of Improvements	1,007.7 m ²						
Rate	\$175						
Present Cost	\$176,348						
Grown Cost	\$197,361						
Present Grown Cost	\$141,709						
Add							
Land Value/GFA	3,700 m ²						
Rate	\$3,750						
Present Value	\$13,875,000						
Grown Value	\$15,966,048						
Present Grown Value	\$11,463,977						
Growth Rate for Demolition	2.00%						
Growth Rate for Land Value	2.50%						
Discount Rate	6.00%						
Value	\$13,397,468						
Say	\$13,400,000						

With the exception of the assumption that Coco Cubano will exercise their option over Shop 2 and 3, we note that within our calculations we have not assumed monthly holdover, or any income for tenancies other than Shop 7 and 8, until the longest expiry. There is significant uncertainty for a tenant in relation to continued occupation which may force them to seek alternative accommodation at the earliest possible time. Income from short term tenancies or “pop-up” retailing can also be uncertain and would not have a material impact on the hypothetical value under this scenario.

We have applied the respective annual review structures to the residual leases in determining our future cash flow whilst applying an average CPI of 2.00%. We have also grown outgoings at a rate of 2.00% per annum.

Based on the above, we consider the hypothetical value of the subject property (assuming that the maximum FSR/GFA is able to be achieved in isolation) to be in the order of **\$13,400,000**. However, without amalgamation to achieve mass, we do not consider this scenario likely, particularly in light of the comments contained with the Ethos Urban letter, the shallow 13-15 metre depth of the site, basement parking/access requirements and the ability to design a functional layout/floor plan around a service core and within required setbacks.

12.0 Valuation

Subject to the qualifications and assumptions contained within the body of this report and the existing leases, we assess the market value of 302 Church Street, Parramatta, New South Wales exclusive of GST, as at 25 July 2017, to be:

\$10,500,000

(TEN MILLION FIVE HUNDRED THOUSAND DOLLARS)

This valuation is for the private and confidential use only of JHJ Group Pty Limited and for the specific purpose for which it has been requested. No third party is entitled to use or rely upon this report in any way and neither the valuer nor m3property Pty Ltd shall have any liability to any third party who does.

Only a signed original of this valuation, either in electronic or in hard copy form, should be relied upon and no responsibility will be accepted for photocopies of the report. No part of this valuation or any reference to it may be included in any other document or reproduced or published in any way without written approval of the form and context in which it is to appear.

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.

m3property



James Farrugia B.Bus (Prop) AAPI
Certified Practising Valuer
Director
Primary Valuer



Joel Ducey
Director
Counter Signatory

The opinion of value expressed in this report is that of the valuer who is the primary signatory to the report. The counter-signatory verifies that the report has been reviewed in accordance with our Quality Assurance Policy, is genuine and authorised by m3property Pty Ltd.

Annexures

- 1 Copy of Instructions
- 2 Copy of Title Details
- 3 Ethos Urban Letter

ANNEXURE 1

Copy of Instructions

Joie Duong

Subject: FW: Your reference 300 Church Street Parramatta returned NSW LPI - Copy of Dealing - Dealing AK7383

From: Joseph Ghosn [<mailto:JGhosn@cordon.com.au>]

Sent: Tuesday, 25 July 2017 12:14 PM

To: Jarrod Morgan <Jarrod.Morgan@m3property.com.au>; James Farrugia <James.Farrugia@m3property.com.au>

Cc: Habib Ghosn <hghosn@cordon.com.au>

Subject: RE: Your reference 300 Church Street Parramatta returned NSW LPI - Copy of Dealing - Dealing AK7383

Hi Jarrod/James

Your fee proposal below has been accepted.

Please proceed.

Regards,

Joseph Ghosn

Cordon Group

PO BOX 253

HURSTVILLE BC NSW 1481

P 02 9580 5666

F 02 9580 5099

M 0419 263 225

E jghosn@cordon.com.au

ANNEXURE 2

Copy of Title Details

LAND AND PROPERTY INFORMATION NEW SOUTH WALES - TITLE SEARCH

FOLIO: 1/211499

SEARCH DATE -----	TIME -----	EDITION NO -----	DATE -----
10/7/2017	4:53 PM	59	12/4/2017

LAND

LOT 1 IN DEPOSITED PLAN 211499
LOCAL GOVERNMENT AREA CITY OF PARRAMATTA
PARISH OF ST JOHN COUNTY OF CUMBERLAND
TITLE DIAGRAM DP211499

FIRST SCHEDULE

RAFU PTY. LIMITED (T Q234513)

SECOND SCHEDULE (10 NOTIFICATIONS)

- 1 RESERVATIONS AND CONDITIONS IN THE CROWN GRANT(S)
- 2 THE INTEREST(S) OF THE COUNCIL OF THE CITY OF PARRAMATTA IN THE ADDITIONS TO EXISTING ROADS SHOWN ON DP513885
- 3 AH492773 LEASE TO COCO CUBANO LEASING PTY LIMITED OF SHOPS 2 & 3, 302 CHURCH STREET PARRAMATTA. EXPIRES: 31/1/2018. OPTION OF RENEWAL: 5 YEARS.
- 4 AJ428541 LEASE TO EHDEN NOMINEES PTY LIMITED OF SHOPS 7 & 8, 302 CHURCH STREET, PARRAMATTA. EXPIRES: 31/3/2025.
- 5 AK7383 LEASE TO WILLIAM NIKOLOUDIS OF SHOP 1, 302 CHURCH STREET, PARRAMATTA. EXPIRES: 31/5/2020.
AM15233 TRANSFER OF LEASE AK7383 LESSEE NOW TONY TOMIKA & ANNA MANSOUR
- 6 AK13694 LEASE TO TIN IOK KONG & ADA JIECHUN ZHANG OF SHOP 5, 302 CHURCH STREET, PARRAMATTA. EXPIRES: 11/11/2020.
AK288847 VARIATION OF LEASE AK13694
- 7 AK639756 LEASE TO TONY ABI-KHATTAR OF SHOP 4, 302 CHURCH ST, PARRAMATTA. EXPIRES: 30/6/2020.
- 8 AK639757 LEASE TO SAINT MARYS RELIANCE GROUP PTY LTD OF THE GROUND FLOOR FOYER, LEVEL 1 AND THE STAIRS FROM PHILLIP STREET LEADING TO LEVEL 1 AT 302 CHURCH STREET, PARRAMATTA. EXPIRES: 26/7/2021.
- 9 AM167807 LEASE TO JI SOON IM OF SHOP 6, 302 CHURCH ST, PARRAMATTA. EXPIRES: 31/1/2022.
- 10 AM305967 LEASE TO HOC QUI LY OF SHOPS 9 & 10, 302 CHURCH STREET, PARRAMATTA. EXPIRES: 31/3/2022.

NOTATIONS

UNREGISTERED DEALINGS: NIL

*** END OF SEARCH ***

PRINTED ON 10/7/2017

* Any entries preceded by an asterisk do not appear on the current edition of the Certificate of Title. Warning: the information appearing under notations has not been formally recorded in the Register.

© State of New South Wales through Land and Property Information (2017)

SAI Global Property Division an approved NSW Information Broker hereby certifies that the information contained in this document has been provided electronically by the Registrar General in accordance with section 96B(2) of the Real Property Act 1900.

ANNEXURE 3

Ethos Urban Letter

3 August 2017

17053

Joseph Ghosn
JHU Group Pty Ltd
PO Box 253
Hurstville BC NSW 1481

Dear Joseph,

This advice has been prepared by Ethos Urban on behalf of JHU Group Pty Ltd in relation to the controls applying at 302 Church Street Parramatta (Lot 1 DP211499) (the site) under the *Parramatta Local Environmental Plan 2011 (PLEP 2011)*.

The site is located at the corner of Church Street and Phillip Street in the Parramatta CBD. It has an area of 776.5m² and is currently occupied by a 2 storey brick retail building. The site is generally rectangular in shape, however has rounded corners on its Phillip Street interface and the rear of the site to Church Street is narrower than the front portion of the site.

Under the PLEP 2011, the site is subject to two Floor Space Ratio (FSR) controls:

- 3:1 applying to the front portion of the site to Church Street (18m deep); and
- 6:1 across the rear portion of the site to Church Street.

The maximum FSR shown on the FSR Map for the rear portion of the site is 10:1. However, Clause 7.2 of the PLEP 2011 states that as the site area for development is less than or equal to 1,000m², it is afforded an FSR of 6:1

Therefore, approximate maximum gross floor area (GFA) is calculated in **Table 1** below.

Table 1- Approximate Maximum GFA of 302 Church Street, Parramatta

Portion of site (to Church St)	Approximate Area	FSR Control	Approximate GFA
Front	315m ²	3:1	945m ²
Rear	461.5m ²	6:1	2,769m ²
TOTAL	776.5m ²	-	3,714m ²

The calculation shows an approximate maximum GFA of 3,714m². However, please note that it may not be possible to achieve this maximum GFA as the site would be subject to a variety of other planning controls, including setback controls under the *Parramatta Development Control Plan 2011 (PDCP 2011)*.

The building alignment and front setbacks for the site are 0m for all frontages (both Church Street and Phillip Street). Facing Church Street (including the corner to

Phillip Street), there is an 18m setback that applies to sections of the building above 3 storeys, or 12m (refer to **Figure 1**). Facing Phillip Street, there is a 6m setback that applies to sections of the building above 4 storeys, or 14m (refer to **Figure 2**).

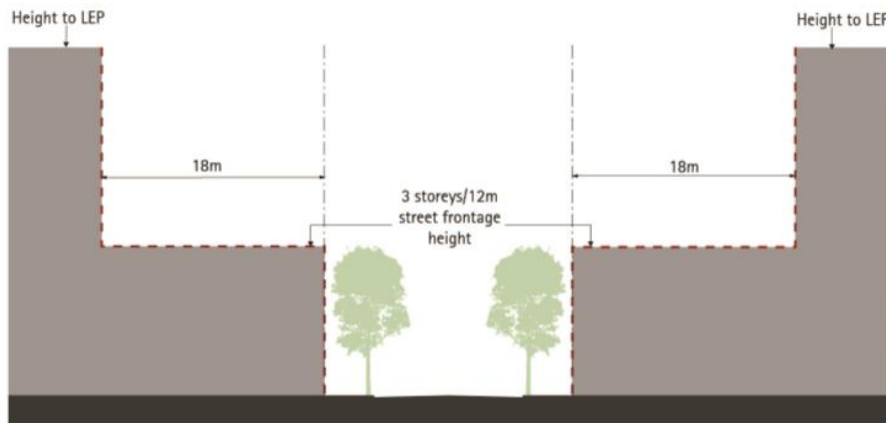


Figure 1- Setback controls applying to the Church Street frontage, PDCP 2011

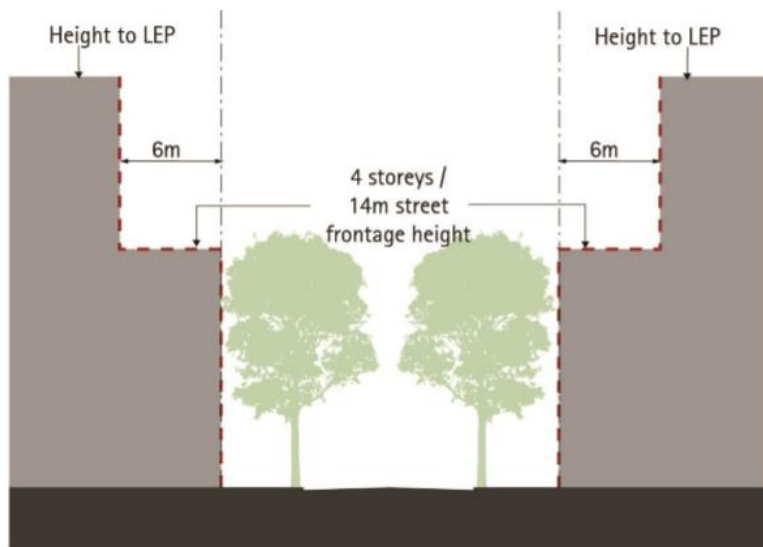


Figure 2- Setback controls applying to the Phillip Street frontage, PDCP 2011

Should you have any questions regarding this advice, please do not hesitate to contact me at the number or email below.

Yours sincerely,

Ben Craig

Associate Director

9956 6962

BCraig@ethosurban.com

Adelaide

Level 3, 44 Waymouth Street
Adelaide SA 5000
Telephone 08 7099 1800

Brisbane

Level 2, 15 James Street
Fortitude Valley QLD 4006
Telephone 07 3620 7900

Melbourne

Level 29, 600 Bourke Street
Melbourne VIC 3000
Telephone 03 9605 1000

Sydney

Level 23, MLC Centre, 19 Martin Place
Sydney NSW 2000
Telephone 02 8234 8100

info@m3property.com.au

m3property.com.au



m3property
STRATEGISTS