Commercial Valuation Report

(reproduced for academic purposes)

Strata Commercial/Industrial

Instructed By: Bank…..

Date of Valuation:

Our Reference:

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1.0 Instructions

1.1 Instructed By

Employee of the Bank for Bank Name

Email:

1.2 Your Client

The borrower

1.3 Executive Summary

The subject is a good type of two (2) level Strata commercial/industrial unit within a modern bulky goods retail/commercial/industrial complex in Sydney's western suburbs. The complex extends to the major thoroughfare of Parramatta Road although the subject unit does not have exposure to that main road. This subject provides functional carpeted and air conditioned office accommodation with a small warehouse component. Nine (9) carspaces (five (5) being basement secure) are provided on Title.

We note that the subject property was originally constructed as a single level Industrial unit (as per attached Strata Plan) but a Council approved mezzanine office area has been constructed over the majority of the factory/warehouse area and with the majority of the ground floor fitted out for office use. The aforementioned Council approved plans have been appended for your perusal.

The subject property is occupied under lease (utilised as a courier/transport office) at what we consider to be an above market rental. The property has primary investor market appeal but given the over market rental scenario, the valuation has been approached upon a capitalisation of market based rental plus an allowance for the Present Value of the over market rental for the unexpired lease term --- and with a direct comparison check methodology.

We have ascribed a valuation of **$900,000 (Nine Hundred Thousand Dollars)**, Goods and Services Tax (GST) free, as at Date , being upon the basis of a fee simple in possession interest, subject to tenancy, there being no significant Outstanding Orders upon the Owners' Corporation relative to the maintenance or repair of the common property --- and to those general provisions and disclaimers indicated in this report.

The following are assumptions and conditional comments provided within this report:

- This assessment presumes that all relevant Authority approvals are in place and verifiable by Council Certification.
- That all pertinent matters have been fully disclosed by your Client.
- We have relied upon leasing information as provided by your Client which we have adopted in our valuation and assumed to be accurate. Should this information be incorrect, we reserve the right to review our assessment.

1.4 Purpose of Valuation

This valuation has been prepared on specific instructions from The Bank for the purposes of First Mortgage arrangements only. The report is not to be relied upon by any other party or for any other purpose. We accept no liability to other parties nor do we contemplate that this report will be relied upon by other parties. We invite other parties who may come into possession of this report to seek our written consent to them relying on this report. We reserve our right to withhold consent or to review the contents of this report in the event that our consent is sought. In summary, this valuation report is for the use of and may be relied upon only by the parties to whom it is addressed. No other party is entitled to use or rely upon it without our specific written consent and the valuer shall have no liability to any party who does so.

This valuation is current as at the date it was prepared only. The value assessed herein may change significantly and unexpectedly over a short period and note that we do not accept responsibility for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of three months from the date of valuation.

1.5 Statement by the Valuer

Neither the individual Valuer Name , the countersigning Director Name , nor the firm Name has any direct or indirect interest in the subject property, the owner or borrower or any other person or entity involved in the property or proposal.

1.6 Definition of Market Value

This valuation has been prepared on the basis of market value as defined by the Australian Property Institute --- “Market value is the estimated amount for which a property should exchange at the date of valuation between a willing buyer and willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

2.0 Land Description

2.1 Title Details

Title Search records indicate that the subject may be described as Lot in Strata Plan , being a subdivision of Lot in Deposited Plan , Parramatta Road, Local Government Area of Auburn, Parish of St John, County of Cumberland, New South Wales.

The property is contained within Folio:

Notifications on Title are as follows:

1. Interests recorded on Register Folio CP/SP
2. AC873 Mortgage to other Bank name
   AH749152 Transfer of mortgage AC873 Mortgagee now Custodians Limited.
3. AG90060 Lease to Pty Limited Expires: . Option of Renewal: 5 years --- current lease arrangement.

We have conducted a brief Title Search only. We have therefore not perused the original Crown Grant documentation and have assumed that there are no further easements or encumbrances not disclosed by this brief title search which may affect market value. However, in the event that a comprehensive Title Search is undertaken which reveals further easements or encumbrances, we reserve the right to review our assessment.

Note that we have identified the subject property by reference to the Title Search material and in particular, the Strata Plan and our field inspection.

2.2 Registered Proprietor

Title Search records indicate that the subject property is held in the ownership of Name on title

2.3 Site Description and Access

A parcel of good building land which stands above road height at its Parramatta Road frontage and at road height at its Skarratt Street and Adderley Street frontages and features a gentle crossfall from its eastern to western boundaries. Easy vehicular access is available off both Skarratt Street and Adderley Street. As above, the subject development extends to Parramatta Road but with no vehicular access provided from this frontage.

2.4 Situation and Services

The subject property is located upon the northern side of Parramatta Road, upon the eastern side of the intersection with Skarratt Street and extending through to Adderley Street at the rear at Auburn. This is a satisfactory type of mixed use locality within Sydney's mid-western suburbs, being nearby to Silverwater and generally some 21 kilometres (by road) from the Sydney Central Business District.

The surrounding development is comprised of a mixture of older type factories, motor vehicle sales yards and industrial showroom/bulky goods retail facilities. The construction here ranges from basic older type through to quite modern brick and precast concrete panel buildings. Intermingled nearby are groups of industrial units. Generally, the surrounding development is satisfactorily maintained.

The location is well positioned with regard to the arterial road system, with Parramatta Road being a significant trunk thoroughfare. Access to the M4 Western Motorway is also in the convenient proximity and is readily accessible off nearby Silverwater Road.

The surrounding residential areas features a mixture of older type fibro and weatherboard clad cottages with more modern single and two storey brick and brick veneer homes intermingled. A significant quantity of medium density development (predominantly basic home units) is noted in this area. These buildings date from the early 1960's through to quite modern. Generally, the surrounding development is satisfactorily maintained.

A bus service runs from a point nearby and the nearest shopping centre (and railway station) is at Auburn ---- a short driving distance away. Regional type retail facilities are provided at Parramatta within reasonable driving distance.

As previously mentioned, Parramatta Road (at this point) is a significant trunk thoroughfare of four (4) lane configuration which has a full width concrete sealed carriageway, with a concrete median strip, concrete kerb and gutter and concrete footpath areas. Skarratt Street and Adderley Street are average thoroughfares of bitumen sealed construction, with concrete kerb and gutter and concrete footpath areas. Above the ground electricity reticulation together with town water, sewer and telephone are available and connected to the subject property.

Aerial View of Subject Property (RP Data)

3.0 Planning

3.1 Town Planning

Auburn Council advised the following:

Zoning:	B6 Enterprise Corridor.
Planning Instrument:	Auburn Local Environmental Plan 2010 (as amended).
Permitted Use:	A wide variety of retail/commercial/light industrial uses are permitted, with Council Consent. The current office use is compliant.
Road Widening:	The land is not affected by any county expressway or local road widening proposals.
Heritage:	N/A.
Flooding:	N/A.

The above zoning information was accessed from Council records and should be verified by the Lender by way of a Certificate issued under Section 149 of the Environmental Planning & Assessment Act, 1979. Should a Certificate indicate zoning information to the contrary, we reserve the right to review our assessment.

3.2 Site Contamination

Our visual inspection of the subject property and immediately surrounding properties revealed no obvious signs of site contamination. While the subject property appears suitable for the existing uses, no soil tests or environmental studies have been made available to us. Furthermore, we have not undertaken any formal searches, other than the online search of the relevant Authority register for contaminated land. The search revealed no listing of the subject property. However, we note that not being on the register does not preclude the property from being contaminated.

There are no obvious signs of contamination and it is therefore presumed that there are no surface or sub-surface soil problems, toxic or hazardous wastes or building material hazards in or on the property that would adversely affect its existing or potential use or reduce its marketability --- although we cannot and do not warrant that this site is contamination free. We assume that the site is free from elevated levels of contaminants and have therefore made no allowance in our valuation for site remediation works.

3.3 Asbestos

None noted on-site (but we are not experts in this area). We have not conducted formal searches. If asbestos materials are found to be present on-site, this valuation should be referred back to us for further consideration and possible re-assessment.

3.4 Approvals

This assessment presumes that all relevant Authority approvals are in place in respect of this property.

4.0 Improvements

4.1 Description of Improvements

The subject is a good type of two (2) level commercial/industrial unit (formally a single level industrial unit) within a large, 2000 built, bulky goods retail/commercial/industrial unit complex which stands over a basement carparking level. Construction is over reinforced concrete footings, with concrete/timber flooring, external walls of painted precast concrete panels and roofing of ribbed steel deck type.

The compact warehouse accommodation is of clearspan type and provides a clearance range of between 6.0 – 7.5 metres. Vehicular access is via a steel framed/glazed shutter which is approximately 4.7 metres wide and 4.8 metres high. Pedestrian entry is via two (2) single entry doors from the front of the facility. In addition to the warehouse, the ground floor accommodation includes a foyer, five (5) partitioned offices, two (2) open plan office areas, a boardroom, a filing room, a male bathroom (ceramic tiled floor, shower provision, hand basin, low down suite), a lavatory (ceramic tiled floor, hand basin, low down suite) and a kitchenette (ceramic tiled floor, stainless steel sink inlaid into an adequate quantity of laminated floor and wall cupboards with laminated benchtop and tiled splashback). Internal finishes comprise carpet floor coverings, plasterboard/glazed walls, suspended grid type ceilings with fluorescent lighting and ducted air conditioning.

A Council approved mezzanine office area has been constructed within the majority of the former factory/warehouse area. It is of steel framed construction with timber flooring and is accessed via a carpeted timber staircase from the ground floor foyer. It provides an open plan office area, two (2) partitioned offices, male and female lavatories (ceramic tiled floor, hand basin and low down suite to each) and a kitchenette (ceramic tiled floor, stainless steel sink inlaid into an adequate quantity of laminated floor and wall cupboards with laminated benchtop and tiled splashback). Internal finishes comprise carpet floor coverings, plasterboard/glazed walls, suspended grid type ceilings with fluorescent lighting and ducted air conditioning.

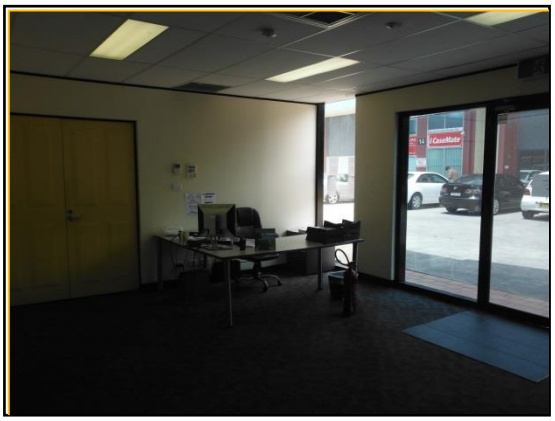
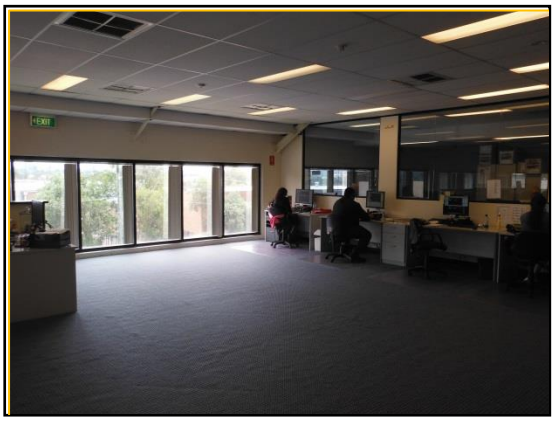
Per the appended Strata Plan and Council approved building plans, the subject provides the following usable areas:

Ground Floor:	274 square metres
First Floor:	220 square metres
Total:	**494 square metres**

Included on Title are four (4) open concrete sealed carspaces and five (5) basement secure carspaces --- with a total area of 126 square metres.

Common facilities include a concrete driveway and basic street alignment setback landscaping.

4.2 Photo Spread

4.3 Condition of Improvements

The improvements are in a satisfactory condition and there are no pressing maintenance requirements evident.

Based upon our inspection, the subject property would likely comply with Building Code of Australia requirements as to fire safety. Notwithstanding this statement, we are not Building Inspectors and cannot comment with authority in this respect.

4.4 Inspection Limitation

We have carried out an inspection of the exposed and readily accessible areas of the improvements. However, the Valuer is not a building construction or structural expert and is therefore unable to certify the structural soundness or compliance of the improvements. Readers of this report should make their own enquiries. Furthermore, we have not been provided with any reports in respect of the plant and machinery or service facilities within the property. Our approach to valuation by necessity assumes that no significant capital expenditure is required in respect of the building or facilities contained therein at the present time.

4.5 Pest Report

There are no obvious signs of white ant or borer etc, infestation at this property in respect of those sections which could reasonably be inspected by us. This valuation report presumes that this property is free of any pest infestation and that this situation would be confirmed by a reputable pest control expert.

4.6 Encroachments

We are not in possession of a current Survey Report in respect of the subject property and we have proceeded upon the basis that there are no encroachments upon adjoining sites by any improvements upon the subject land, nor encroachments by improvements upon adjoining sites upon the subject land --- and when we reserve the right to review our assessment should such encroachment(s) be indicated in a Survey Report.

5.0 General Comments

5.1 Property Summary

Our valuation brief relates to the consideration of a good type of two (2) level Strata commercial/industrial unit within a modern bulky goods retail/commercial/industrial complex on a busy thoroughfare at Auburn. It provides functional carpeted and air conditioned office accommodation with a small warehouse component. Nine (9) carspaces (five (5) being basement secure) are provided on Title.

We note that the subject property was originally constructed as a single level Industrial unit (as per attached Strata Plan) but a Council approved mezzanine office area has been constructed over the majority of the factory/warehouse area and with the majority of the ground floor fitted out for office use. The aforementioned Council approved plans have been appended for your perusal.

The subject facility is held under lease (copy appended) and utilised as a courier/transport office. The terms and conditions of the lease have been summarised as follows:

Lessee:	
Term:	Five (5) years from .
Option:	Five (5) years.
Current Rental:	$101,238 per annum.
Reviews:	Annual Consumer Price Index (CPI) based increases.
Outgoings:	100% payable by Lessee.
Permitted Use:	Warehouse and office administration.
GST:	Payable by Lessee.

The above rental breaks down to a rate of approximately $205 per square metre per annum net which is considered to be in excess of market as evidence by the following rental indicators:

Address	**Lease Details**
13/191 Parramatta Road, Auburn	A similar type unit within the subject development but with a larger warehouse proportion. Strata area of 247 square metres. Five (5) carspaces. Leased for two (2) years from May, at a commencing rental of $35,000 per annum gross --- estimated at $30,000 per annum net. Indicated a rental rate of $121 per square metre per annum net for a smaller facility. Key rental indicator.
17 Silverwater Road, Silverwater	A satisfactory type of modern precast concrete panel and steel deck factory/warehouse and office facility. Good factory/warehouse clearance but somewhat restricted access. Large mezzanine office component. Excellent busy road exposure. Reported GLA of 495 square metres. Leased for six (6) years from October, at a rental of $76,000 per annum gross --- estimated at $65,000 per annum net. Indicated a rental rate of $131 per square metre per annum net.
19/8 Millennium Court, Silverwater	A good type of modern precast concrete panel and steel deck industrial unit. Good factory/warehouse clearance. Mezzanine office component. Reported Strata area of 434 square metres. Leased for three (3) years from November, at a rental of $69,440 per annum net. Indicated a rental rate of $160 per square metre per annum net.

Based upon the abovementioned data, we are of the opinion that the current rental is likely unsustainable and have adopted a market rental rate of $125 per square metre per annum net in the valuation calculation.

5.2 Market Conditions

The general commercial/industrial market is quite subdued at this time in line with the general Sydneywide trend. The continued global economic instability and low market confidence have influenced buyers to be reluctant to commit at this time and they are factoring higher levels of risk into their purchaser considerations. Furthermore, the perception of risk within the industrial market place has dampened demand and values have retreated. The market here has shown some signs of improvement recently, albeit from a reasonably low base.

Notwithstanding this negativity, the subject property is of modern type and is situated within a good commercial/industrial area. It is considered saleable within the private investor market at the provided assessment within reasonable time constraints.

5.3 Goods and Services Tax (GST)

Given that the subject property is a leased investment and under the GST 2002/5 taxation ruling, it is considered to represent a 'Going Concern' and a notional transfer of this property would be a GST free supply. Therefore, we have provided a valuation which is free of GST.

Acknowledging the above comments, we are not taxation experts and the advice provided is based upon our interpretation of the current taxation legislation with regards to GST. We acknowledge that further changes to this legislation may occur and we recommend the reader to seek appropriate taxation and legal advice with regard to the liability of GST payable.

6.0 Approach to Valuation

6.1 Sales Schedule

We have considered a cross-section of recent sales transactions. A summary of this evidence is provided hereunder:

Address	Contract Date	Price	Description
4/191 Parramatta Rd, Auburn		$505,000	A similar type commercial/industrial unit within the subject complex. GLA of 236 square metres. Carpeted and air conditioned office component. Five (5) carspaces. Indicated an Improved Rate of $2,140 per square metre. Dated sale but considered a key sale indicator.
10/10 Boden Road, Seven Hills		$620,000	A good type of modern concrete panel and steel deck industrial unit. Includes carpeted/air conditioned mezzanine office. Strata area of 457 square metres. Sold subject to lease to GTK Pty Ltd until September, plus option at $43,000 per annum net. Indicated a 6.94% net yield.
Lot 46/117 Old Pittwater Rd, Brookvale		$530,000	An excellent type of ground floor office suite within a modern low rise commercial building. Carpeted and air conditioned accommodation. Balcony. NLA of 81 square metres. Two (2) basement carspaces. Sold subject to lease at a reported passing rental of $40,886 per annum net. Indicated a 7.71% net yield.
1/1A Brompton Street, Marrickville		$700,000	A modern precast concrete panel and steel deck factory/warehouse unit with mezzanine office component. Strata area of 289 square metres. Good internal clearance. Three (3) carspaces. Sold subject to a lease at a current passing rental of $44,727 per annum net. Indicated a 6.39% net yield.
7/64-66 Whiting Street, Artarmon		$640,000	A good type of modern precast concrete and steel deck Strata unit within an industrial/commercial complex. Clearspan factory clearance of some 5.7 metres. Mezzanine level (carpeted and air conditioned) office accommodation. Strata area of 222 square metres. Three (3) basement secure carspaces on Title. Leased at $50,923 per annum gross under a three (3) year lease (with a three (3) year option) from February, 2010 --- estimated at $43,000 per annum net. Indicated a 6.72% net yield.
4/7 Percy Street, Auburn		$475,000	A good type of 2005 built precast concrete panel and steel deck factory/warehouse unit with a mezzanine office component. Good internal clearance. Strata area of 213 square metres. Two (2) carspaces. Indicated an Improved Rate of $2,230 per square metre.
4/7 Percy Street, Auburn		$475,000	A similar type unit within the above development. Good internal clearance. Strata area of 233 square metres. Two (2) carspaces. Indicated an Improved Rate of $2,082 per square metre.

Address	Contract Date	Price	Description
10/24 Vore Street, Silverwater		$390,000	A satisfactory type of 1997 built precast concrete panel and steel deck factory/warehouse unit with a mezzanine office component. Good internal clearance. Additional

			mezzanine office/storage area. Strata area of 213 square metres. Two (2) carspaces. Indicated an Improved Rate of $2,230 per square metre.
15/11 Underwood Road, Homebush		$800,000	A good type of modern high-tech industrial unit of precast concrete and steel deck construction. Strata area of 304 square metres. Low clearance warehouse and a high proportion of carpeted and air conditioned office accommodation. Four (4) carspaces. Indicated an Improved Rate of $2,920 per square metre. Superior accommodation and location.
33/8 Avenue of the Americas, Newington		$535,000	A good type of modern two (2) level precast concrete panel and steel deck commercial unit. Strata area of 171 square metres. Carpeted and air conditioned accommodation. Four (4) carspaces. Indicated an Improved Rate of $3,129 per square metre for a substantially smaller facility. Superior accommodation and location.

The above evidence indicates an investment yield range of 6.39% - 7.71% per annum net and an Improved Rate range of $2,082 - $3,129 per square metre of usable accommodation. Based upon the abovementioned data, we have adopted an investment yield of 7.25% per annum net and an Improved Rate of $1,800 per square metre.

6.2 Capitalisation Basis --- subject to existing tenancy

Given that the subject property is held under lease but at well over market rental, we have approached the valuation initially upon the basis of a capitalisation of market based rental income at an appropriate investment yield rate as evidenced by market indicators and with the overage rental equivalent added for the unexpired term of the lease per a Present Value calculation. The investment calculation is provided as follows:

Capitalisation Basis		
Income		
Potential market rental		
GLA of 494 sqm's @ $125/sqm	Net p.a	$61,750
	Capitalise @ 7.25%	$851,724
Plus, Present Value of Rental Overage		
$39,488 p.a. for 18 months @ 7.25%		$56,303
		$908,027
	Adopt:	**$900,000**

6.3 Vacant Possession Basis

As a secondary check valuation methodology, we have approached the valuation upon a direct comparison basis and have analysed sales to an Improved Rate per square metre of usable accommodation. Based upon the abovementioned data, we have adopted an Improved Rate of $1,800 per square metre. The calculation is provided as follows:

Improved Rate Basis		
GLA of 494 sqm's @ $1,800/sqm		$889,200
	Adopt:	**$890,000**

6.4 Reconciliation of Valuation Approaches

The assessed values under each of the valuation approaches are noted as follows:

Capitalisation Basis	$900,000

Vacant Possession Basis	$890,000

Based upon the abovementioned approaches and in the subject matter, we have adopted a current market value at **$900,000** (GST free) given the leased scenario.

7.0 Certificate of Valuation

7.1 Suitability of Property for Mortgage Security Purposes

The subject property is considered saleable at the provided valuation and to constitute a satisfactory basis for mortgage security purposes, subject to tenancy and to those general provisions and disclaimers in our report.

7.2 Selling Period

Under current market conditions, we would anticipate a selling period of at least six (6) months at the assessed valuation, assuming a professional sales campaign by experienced commercial marketing agents.

7.3 Insurance Assessment

Not applicable in this case, as building insurance etc will form part of the Owners' Corporation Levy (note that our assessment presumes that all relevant and appropriate insurance policies are in place).

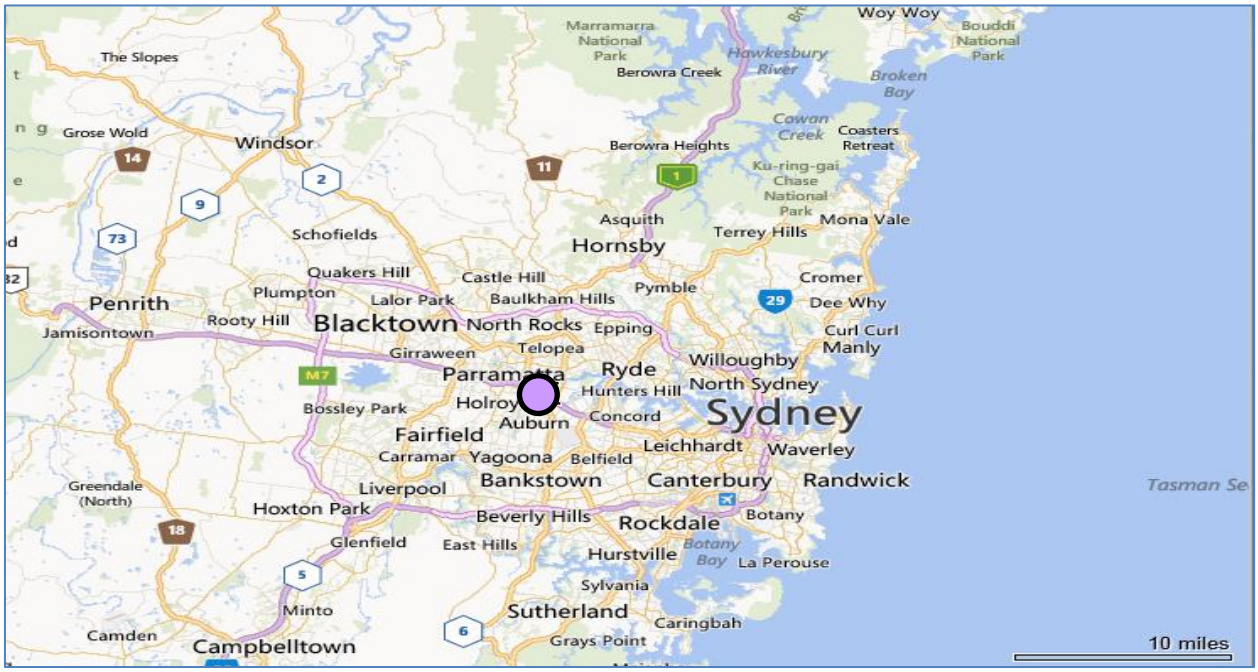
7.4 Valuation Assessment

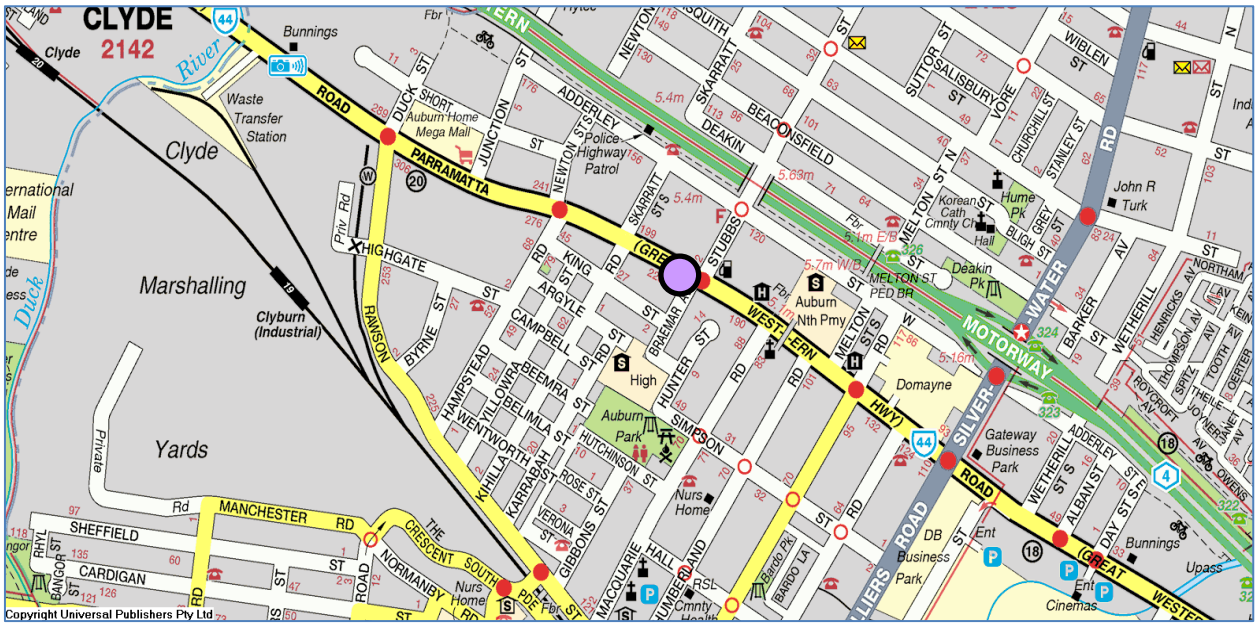
We are of the opinion that a fair and reasonable valuation of Strata Commercial/Industrial Unit No., is in the sum of **$900,000 (Nine Hundred Thousand Dollars)**, GST free, as at , being upon the basis of a fee simple in possession interest, subject to tenancy, there being no significant Outstanding Orders upon the Owners' Corporation relative to the maintenance or repair of the common property --- and to those general provisions and disclaimers indicated in this report.

VALUER -	MANAGING DIRECTOR -
A.A.P.I.	A.A.P.I.
Certified Practising Valuer	Certified Practising Valuer

The countersigning Director has reviewed the report and valuation rationale as part of a quality assurance program. The countersigning Director has not inspected the property and has not participated in the preparation of the report.

8.0 Location Map





Subject Property

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9.0 Annexures

Letter of Instruction

Title Search Material

Approved Building Plans

Lease Material