



COPY

Royal Commission of Inquiry into Building Failure Caused by the Canterbury Earthquakes

Komihana a te Karauna hei Tiro tiro i ngā Whare i Horo i ngā Rūwhenua o Waitaha

1 September 2011

Mr Boi Fong Yan

Dear Sir

382 Colombo Street

The Royal Commission of Inquiry into Building Failure caused by the Canterbury Earthquakes is currently investigating a number of building failures in the City. One of those building failures is the collapse of a gable wall of the building that was at 382 Colombo Street onto the roof of the adjacent building at 380A Colombo Street. We understand that you were the owner of the building at 382 Colombo St (the building).

Would you please provide the following information, by **9 September 2010**:

1. Following the 4 September 2010 earthquake:
 - a. Please advise what damage occurred to the building.
 - b. Who were the tenants of the building at that time and what are their contact details?
 - c. Did the tenants remain occupying the building following 4 September 2010? If not, when was the building vacated?
 - d. What assessments were carried out by the Christchurch City Council or Civil Defence following the 4 September 2010 earthquakes or the aftershocks which followed it?
2. We understand that the building received a yellow sticker some time after the 4 September 2010 earthquake.
 - a. Were you aware of that? If so, please advise your understanding of what the reasons were for the building being yellow stickered.
 - b. Did you take any steps to have any remedial work carried out on the building? If so, please provide details. If not, please explain why not.

3. On 29 October 2010 a letter was sent to you from the Council enclosing a Building Act Notice requiring remedial work to be done on the building.
 - a. Did you arrange for any remedial work to be carried out on the building as a result of that notice? If so, please provide details. If not, please explain why not.
 - b. Did you at any stage following the 4 September 2010 earthquake or any of the subsequent after shocks obtain an engineers report on the building? If so, please provide a copy of any reports. If not, please explain why not.

The above information is requested pursuant to the Royal Commission's powers of investigation set out in s.4C of the Commissions of Inquiry Act 1908.

Yours faithfully



Mark Zarifeh
Counsel Assisting
Canterbury Earthquakes Royal Commission

29 SEP 2011

September 20 2011

Canterbury Earthquake Royal Commission
 PO Box 14053
 Christchurch Mail Centre 8544

Attention: Mark Zarifeh

Dear Mark,

Re: **382 Colombo Street**

I am writing on behalf of my mother, Mrs. Boi Fong Yan, to response to your letter dated September 1st 2011 regarding 382 Colombo Street. My mother can not read or write English, I was the person acting on her behalf in the recovery of the building following the September 4th 2010 earthquake. Please find below my answers to your questions below.

	Question 1
a	<p>I inspected the building a couple of days after the September 4th earthquake. I did not see any damage to the exterior of the building; there was no sign of any fallen bricks or chimneys and the building looked weather tight. The building looked safe to approach and enter. On inspection of the interior of the building, I noticed cracking in the plaster on the walls and ceilings and also some broken plaster throughout the building.</p> <p>About 10 days after the September 4th earthquake, I call Robert Ling of Ling Design Consultants Ltd to inspect the building with me so as to get his assessment of the damage before lodging a claim with the insurance company. His assessment was the damage to the building was superficial and was repairable.</p>
b	<p>The building had not been leased for business activity since the end of 2007 because, at the time, my mother wanted to make improvements to the building.</p> <p>After the building became vacant, the building was vandalized and some swatter used the building; some damage caused. My mother allowed an acquaintance, John, to use the flat at the back of the shop to provide some activity around the back of the building to deter the swatters and vandals from attacking and using the building. This arrangement was casual and informal.</p> <p>We do not know John's last name. We do not have any contact information for finding him and do not know where he his living now.</p>
c	<p>John continued to stay in the building after the September 4th earthquake and did not leave the premises until after the February 22nd 2011 earthquake. Sometime around December 2010, I noticed a caravan was setup on the vacant lot behind the building and he told me he was staying in the caravan.</p> <p>I had told John several times that he should not be living in the building and that he</p>

	should be looking for somewhere else to live because the building was yellow stickered.
d	We are not aware of what assessments the Christchurch City Council or Civil Defence had carried out following the September earthquake other than the building being yellow stickered.
	Question 2
a	<p>I remember seeing the building being yellow stickered during my second or third visit to the building after the September 4th earthquake. I remember the sticker stated the reason for being yellow stickered was due to fallen bricks and chimneys on the building north of my mother's building. I also noted that a wire fence was erect along the footpath around the adjacent Beverly Building because the second storey wall had collapsed from the Ascot TV shop on the corner of Colombo Street and Wordsworth Street. Since I had not seen any noticeable exterior damage on my mother's building and with the assurance from my engineer, Robert Ling of Ling Design Consultants Ltd, that the damage to my mother's building was superficial, I believed the yellow sticker was a warning for people not to approach or access the building from the front because any further collapse of brick walls in front of the Beverly Building could damage the veranda in the front of my mother's building.</p>
b	<p>No remedial work was carried out on the building. I remembered seeing, at some stage, either the Council or Civil Defence had installed some steel props were installed under the veranda and the wire fence extended from the adjacent building to include the front of my mother's building which reduces much of the risks that I had assumed in my answer to question 2a.</p> <p>Also since the building had been vacant since 2007 and having been told by an engineer that the damage was superficial and repairable, the immediate repair of the building was not critical. We proceeded to work with my mother's insurance company to get the repairs done through the insurance claims process.</p> <p>In December 2010, an assessor from Cunningham Lindsey, lost assessors for State Insurance, inspected the building in the presence of my engineer, Robert Ling of Ling Design Consultants Ltd, and me.</p> <p>In January 2011, a real estate evaluator from Ford Baker inspected the building for State Insurance.</p> <p>On the afternoon of February 22nd 2011, I was due to meet with someone from Hawkins Construction, project manager for State Insurance, to estimate the cost of repair for State Insurance. Meeting was scheduled for 2:00 PM, meeting did not take place due to the earthquake of 12:51 PM that afternoon.</p> <p>We did not expect that we could start doing the repair work ourselves without the assessor advising us on the claim. We expected the insurer would arrange their own contractors to do the repair work. The yellow sticker did not specify what it was considered dangerous about our building as opposed to the Beverley Building. We had about 3 or 4 discussions with Katy Smith of the Council who was working with</p>

	building owners in Sydenham to resume normal traffic operation through Sydenham along Colombo Street. We think that these conversations were in November and December 2010, and January 2011.
	Question 3
a	<p>No remedial work was carried out on the building because the letter was mislaid.</p> <p>When I first saw reference to a letter from the Council dated October 29th 2010, I was at a lost to answer this question because I could not remember ever receiving or seeing this letter. It is only now, after asking other members of family and some searching, that I know of the existence of this letter. I would like to explain to you the situation and sequence of events that lead the mislaying of the Council letter dated October 29th 2010.</p> <p>My mother lives alone at 17 Nelson Street. Since she is 82 years old, and can not read or write any English, my sister had redirected all of my mother's regular mail to her home at 133 Memorial Ave for her to screen and take action of my mother's day to day affairs. The Council letter of October 29th 2010 was sent to my sister's home.</p> <p>During the weekend of Labor Day, my brother who lives Auckland, came to Christchurch to visit my mother and lived at her home at 17 Nelson Street for about two weeks. My brother was visiting my sister, at 133 Memorial Ave, on the day my sister received several letters from the Council. My sister remembers opening one of the letters and seeing it was earthquake related for one of the buildings my mother owns on Colombo Street and thinking the remaining letters were for my mother's other buildings, she gave all letters to my brother to forward to me when he saw me later that day. He remembers placing the letters into a bag on top of a pile of things that my sister gave him to take back to Auckland. He forgot to give me the letters before returning to Auckland and had forgotten about the matter. He took the bag of things my sister had given him (which included the Council letters) back with him to Auckland and put them into a cupboard in his home in Auckland. The mistake was not discovered until after receiving your letter of September 1st 2011 when I started asking them if they knew of the letter. My brother found the letters in with the things he had taken to Auckland in November 2010.</p>
b	Robert Ling of Ling Design Consultants Ltd inspected the building with me several times for the purpose of reporting to the insurance company. His report is still pending.

Yours faithfully,

David Yan



COPY

Canterbury Earthquakes Royal Commission

Komihana a te Karauna hei Tiro tiro i ngā Whare i Horo i ngā Rūwhenua o Waitaha

30 September 2011

Mr D Yan

Dear Sir

7 Riccarton Road, Christchurch

Thank you for your letter of 20 September 2011.

Could you now please provide the following additional information, by return mail or email to mark.zarifeh@royalcommission.govt.nz:

1. Please provide copies of the report, covering letter from Aurecon Engineering and the email dialogue between Mr North and Phillip Hector from the Council to which you referred in answer to question 1.
2. In answer to question 6 you state that you instructed Robert Ling following the Boxing Day earthquake.
 - (a) Please provide details as to the verbal instructions you gave Mr Ling and a copy of any written instructions.
 - (b) Please advise details of any verbal advice you have received from Mr Ling in relation to the building and a copy of anything in writing you have received from him.

382 Colombo Street, Christchurch

Thank you for your letter of 20 September 2011.

Could you now please provide the following additional information, also by return mail or by email to the writer:

1. You referred to an assessment by Mr Ling about 10 days after the 4 September 2010 earthquake.
 - (a) Please provide details as to exactly what instructions were given by you to Mr Ling.
 - (b) Please provide a copy of any report/assessment given by Mr Ling.

- (c) If Mr Ling's report/assessment was verbal, please provide details of what you were told.
2. In relation to the assessment by Cunningham Lindsey in December 2010:
- (a) Please advise the name of the assessor.
 - (b) Please provide a copy of any report/assessment you received from that person.
 - (c) If that report/assessment was verbal, please give details of what you were told.
 - (d) Please advise details of any verbal or written assessment made by Mr Ling on that occasion.
3. In relation to the real estate evaluator from Ford Baker inspecting the building in January 2011:
- (a) Please provide a copy of any report received in relation to the building.
 - (b) If you received any verbal report please advise details of the same.
4. In relation to Mr Ling inspecting the building several times for the purpose of reporting to the insurance company:
- (a) Please provide a copy of any report/assessment you have received from Mr Ling.
 - (b) Please provide details of any verbal report/assessment you have received from Mr Ling.
5. Please provide details of your insurance cover with State Insurance including policy number and person with whom you have had contact with in relation to the building.

The above information is requested pursuant to the Royal Commission's powers of investigation under s 4C Commissions of Inquiry Act 1908.

Yours faithfully


Mark Zarifeh
Counsel Assisting
Canterbury Earthquakes Royal Commission

November 13th 2011

Canterbury Earthquake Royal Commission
PO Box 14053
Christchurch Mail Centre 8544

Attention: Mark Zarifeh

Dear Mark,

Re: **7 Riccarton Road, Christchurch & 382 Colombo Street, Christchurch**

I am writing to answer the questions in your letter dated 30 September 2011 regarding 7 Riccarton Road, Christchurch & 382 Colombo Street, Christchurch. Please find below my answers below.

382 Colombo Street, Christchurch

	Question 1
a	I had asked Robert Ling to go through the building with me to get his opinion of what damage the building had sustained during the September 4 th 2010 earthquake before lodging claim with our insurance company.
b	There was no written report.
c	<p>His assessment was the damage to the building was superficial and was repairable. He did not see any damage on the exterior of the building. Damage was inside the building:</p> <ul style="list-style-type: none"> • cracking and broken plaster in the walls and ceilings throughout the building. • a zig-zag diagonal crack in the party wall between 382 and 382A building <p>He said the damage was consistent with what you would get from an earthquake.</p>
	Question 2
	<p>I wish to change the date that I had earlier stated which Cunningham Lindsey assessed the building. Peter Avnell of Cunningham Lindsey phoned me in November 2010 to arrange to assess the damage to the building. I had wanted Robert Ling to be present at this meeting also. On phoning Robert Ling, he told me he was in Malaysia and would not be returning to Christchurch until the end of November 2010. I tried to arrange this meeting with Peter Avnell to be in December 2010, but because Peter Avnell was from Australia and was returning to Australia at the end of the month, we agreed to meet during his next trip to Christchurch.</p> <p>I have located an email between Peter Avnell and I that puts the inspection by Peter Avnell around January 7th 2011. I have included a copy of this email for your reference (total 1 page).</p>
a	Peter Avnell is the assessor from Cunningham Lindsey that assessed the building in

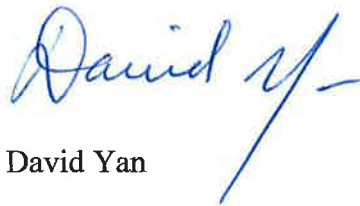
	January 2011. Peter Avnell's contact information can be found in the Pre-earthquake Market Indemnity Valuation Of Commercial Buiding Report (enclosed) by Ford Baker.
b	We have never received any written report from Peter Avnell, Cunningham Lindsay or State Insurance resulting from Peter Avnell's assessment of the building in January 2011.
c	<p>At the conclusion of his assessment, Peter Avnell told me that he would report back to State Insurance to pay the policy in full.</p> <p>His explanation for this was the insurance policy was for indemnity coverage. The interior of the building was finished in lathe and plaster that was basically not repairable. Since there was plaster damage throughout the building, any repair work would require the removal of all the old plaster from the interior walls and relining and finishing with new plaster board. On top of this, the insurance company would require the contractor doing the work to provide a seven year warrantee for the work which would include the electrical wiring and plumbing in the building. Given these circumstances, he did not believe the insurance company was able to complete the repairs for less than the indemnity coverage of the insurance policy.</p>
d	I don't remember if Peter Avnell had requested any written report from Robert Ling during this inspection. I have never received any written report for the inspection on this occasion.
	Question 3
a	<p>Please find included total 30 pages being:</p> <ul style="list-style-type: none"> • Pre-earthquake Market Indemnity Valuation Of Commercial Buiding Report for 382-382A Colombo Street dd: January 28th 2011 by Ford Baker Valuation Ltd
b	The evaluator from Ford Baker did not give me any verbal report. He only told me that his role was to determine the pre-earthquake market value of the building, as at September 3 rd 2010, and report this to State Insurance. After measuring the floor area, he would calculate this value using historic data of comparable buildings at his office.
	Question 4
a	I have never received any written reports from Robert Ling.
b	<p>About 10 days after the September 4th 2010, see answer to question 1a for details.</p> <p>On January 5th 2011, Robert Ling and I went to meet with Peter Avnell as per time in my email. Peter Avnell did not show up for meeting because he had not arrived in Christchurch yet. He called me after arriving in Christchurch and the meeting was rescheduled for around January 7th 2011. Robert Ling did not give me any advice regarding the building on this meeting.</p>

	<p>Around January 7th 2011, Robert Ling and I met with Peter Avnell. After being told by Peter Avnell that he would be reporting back to the insurance company to pay the policy in full.</p> <p>In early February 2011, Robert Ling called me to arrange access to the building for the purpose of estimating the cost to restore the building to pre-earthquake condition for the insurance company. Robert Ling tells me this report is still pending.</p>
	<p>Question 5</p>
	<p>Insurance Company: State Insurance Policy Type: Business Pack Policy #: 81043BPK 1 Coverage: \$309,500 (covers both 382 & 382A) Coverage Period: Dec 15th 2009 to Dec 15th 2010 Earthquake Contact Name: Julie Gapper</p>

Answer the question in your letter dated 1st November 2011 regarding 7 Riccarton Road, Christchurch. Please find below my answers below.

	<p>As stated in my answer to question 2b of your letter of September 30 2011, I had remove only the lathe and plaster lining from the walls and ceiling from the upstairs of the from shop area. This included the lathe and plaster lining on the internal partition walls and the lining on the interior of the brick walls. The plaster removal work started around the beginning of February 2011 and was completed on February 21st 2011.</p>

Yours faithfully,



David Yan



David Yan <davidyankm@gmail.com>

Insured: BS Yan, Our Ref: 426803

David Yan [REDACTED]

Fri, Dec 31, 2010 at 4:06 PM

To: Peter Avnell NZ <PAvnellNZ@cl-nz.com>

Peter,

I have contacted engineer, he is available 9:00am on Weds 5th of Jan. Please let me know if this time is suitable to you. We can meet at 490 Colombo St first.

david

On Thu, Dec 30, 2010 at 11:23 AM, Peter Avnell NZ <PAvnellNZ@cl-nz.com> wrote:

Hi David

Re: Three properties on Columbo St

I'm returning to NZ on the 5th January and departing on the 15th.
Please advise if you and your engineer are available to inspect the properties.

If your Engineer cannot make it, let me know and I'll see if I can bring one with me.
If neither of you can make it, let me know and I'll re-schedule for my next trip.

Please select a time & date that is convenient for you, let me know and I'll make sure I'm there.

Regards

Claim Service

Christchurch Earthquake

Cunningham Lindsey

Phone: 0800 439 277 | email: egclaims@cl-nz.com | web: www.cunninghamlindsey.com

 *Please consider the environment before printing this e-mail*

Property Valuers and Advisors

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28 January 2011

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 Parramatta Branch
 PO Box 1438
 Parramata
 NSW 2124
 AUSTRALIA

Errol Saunders
 Richard Chapman
 John Rodolovich
 Simon Newberry
 Terry Taylor

ATTENTION: PETER AVNELL

**PRE-EARTHQUAKE MARKET INDEMNITY VALUATION OF COMMERCIAL BUILDING
 382-382A COLOMBO STREET, SYDENHAM, CHRISTCHURCH
 INSURED – BOI FONG YAN
 CUNNINGHAM LINDSEY REF NO. 426893 (B F YAN)**

Dear Sir

This report has been prepared by Richard Oliver Chapman, B Com (VPM), SPINZ, ANZIV, AREINZ, MIPMV, who has been in private practice as a Registered Public Valuer since 1984. Richard is also a Registered Plant and Machinery Valuer and a senior member of the Property Institute.

Further to your instruction to provide valuation advice in connection with the property at the above address, we confirm that we have inspected the property, concluded our investigations and we now report our findings. Please find enclosed our brief report, together with a note of our fee.

As specifically requested, this report follows an abbreviated format, which may not necessarily comply with PINZ reporting standards. Please contact us should a more comprehensive report be required.

If we can be of any further assistance in this matter, please do not hesitate to contact the writer.

Yours faithfully

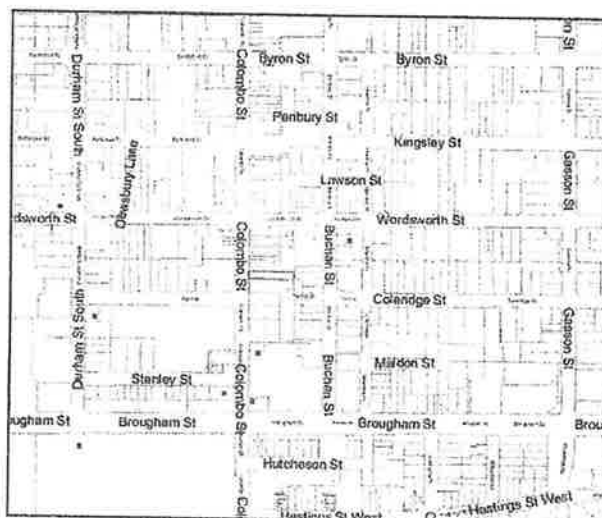
FORDBAKER VALUATION


**R O CHAPMAN - B COM (VPM) SPINZ (ANZIV) AREINZ MIPMV
 REGISTERED VALUER
 DIRECTOR**

EXECUTIVE SUMMARY

Report Prepared For:	LAG New Zealand Limited
Instructing Party:	Peter Anvell of Cunningham Lindsey, Parramatta Branch, NSW, Australia
Subject Property:	382-382A Colombo Street, Sydenham, Christchurch
Title Details:	<i>Identifier:</i> CB334/193 <i>Legal Description:</i> Lot 2 on Deposited Plan 3942
Effective Date of Valuation:	3 September 2010
Date of Inspection	24 January 2011
Purpose of Valuation:	Pre-earthquake market indemnity valuation of the buildings located on the above property.
Interest Valued:	Freehold – Buildings vacant at date of inspection
Brief Property Description:	The property comprises an early character two storey retail and first floor residential building structure with a gross floor area of 318.30 m ² . The property comprises a front business zoned site of 769 m ² with party walls rights with the adjoining property.

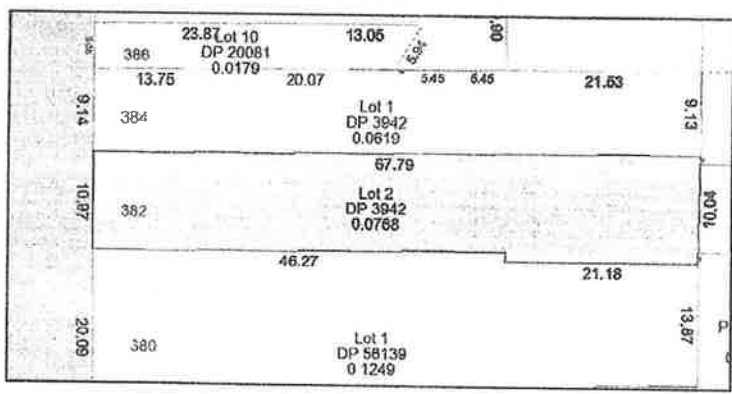
The property is located on the eastern side of Colombo Street just south of the Colombo Street and Wordsworth Street intersection, having reasonably narrow front site. The location of the property is highlighted in the following diagram:-



Zone: 'Business 2' – Christchurch City Council

382 Colombo Street - Retail & Residential
 382A Colombo Street - Retail & Residential

Land Area: 769 m² (See site dimensions on plan below)



Lettable Area: We summarise the lettable floor area of the building premises as follows:-

Tenancy	Lettable Floor Area
382 Colombo Street - Retail & Residential Tenant	140.00 m ²
382A Colombo Street - Retail & Residential Tenant	149.90 m ²
Total Lettable Floor Area	289.90 m²

Occupied Floor Area: Building vacant at the date of inspection. Valuation assumes normal lease terms and conditions and leasing/vacancy periods.

Lease Details: There are no formal lease details over the property at the date of our inspection and as at the effective date of this report. For the purpose of this valuation we have assumed standard lease terms and conditions with a vacancy/leasing void period and summarise the occupancy details assumed as follows:-

382 Colombo Street	Lessor	Boi Fong Yan
	Lessee	Retail & Residential Tenant
	Commencement Date - Initial Term	25 June 2011
	Commencement Date - Current Term	25 June 2011
	Current Lease Term	2 Years
	Expiry Date	24 June 2013
	Further Terms	2 +2 +2 Years
	Final Expiry Date	24 June 2019
	Rent Review	Indexed to CPI - Subject To Partial Ratchet Clause
	Review Timing	2 yearly & At Renewal
	Lease Type	Net
	Non Recoverable Opex	N/A
	Current Rental	\$22,947 Per Annum Plus GST
	382A Colombo Street	Lessor
Lessee		Retail & Residential Tenant
Commencement Date - Initial Term		25 June 2011
Commencement Date - Current Term		25 June 2011
Current Lease Term		2 Years
Expiry Date		24 June 2013
Further Terms		2 +2 +2 Years
Final Expiry Date		24 June 2019
Rent Review		Indexed to CPI - Subject To Partial Ratchet Clause
Review Timing		2 yearly & At Renewal
Lease Type		Net
Non Recoverable Opex		N/A
Current Rental		\$23,482 Per Annum Plus GST
Summary:		Total Lettable Floor Area
	Total Occupied Floor Area	289.9 m ²
	Total Contract Rental	\$46,429
	Total Non Recoverable Opex	\$0
	W.A.L.T	2.0 Years

Weighted Lease Term to Run: 2.0 years

Market Rent: \$46,429 per annum plus GST and outgoings

Key Characteristics: The property comprises an early structure constructed with concrete ground floors and timber first floor areas, double/triple exterior walls with brick party walls and corrugated iron roofing with lath and plaster internal linings and timber joinery. There is a front shop canopy adjoining Colombo Street. The buildings are located on a relatively narrow front section of 769 m² with limited redevelopment potential as a vacant site due to its narrow dimensions. Prior to the earthquake in our opinion the building provided reasonably good "added value" to the site considering that redevelopment potential for the property was not of prime significance due to market conditions.

The building comprises two separate lettable units and detached shed which we have valued separately. Potential for the building is to fully occupy both units at market rental levels and provide a constant rental income stream for the property.

Valuation:

Subject to the contents of this report we assess the pre-loss market indemnity valuations of the buildings as follows:-

(a) Main Building

SUMMARY OF VALUATION APPROACHES	
Investment Valuation	
- Market Rental Capitalisation Approach	\$255,000
- Vacant Rental Capitalisation Approach	\$260,000
- Discounted Cashflow Approach	\$260,000
Depreciated Replacement Cost Valuation	\$270,000
Adopted Market Indemnity Value (Main Building)	\$265,000
Indicating:	
Effective Yield:	8.34%
Internal Rate of Return:	10.60%
Value per m ² LFA:	\$1,854

Adopt Market Indemnity Value at **\$265,000 (TWO HUNDRED AND SIXTY FIVE THOUSAND DOLLARS)**, plus GST (if any).

(b) Detached Garage **\$2,000 (TWO THOUSAND DOLLARS)**, plus GST (if any).

NB: Please refer to attached valuation worksheets, title and photographs of property.

COMPLIANCE STATEMENT

This valuation report does not comply with International Valuation Standards and API/PINZ Valuation Standards. It has been prepared on an executive summary basis, as requested, and is intended for the sole use of the client.

FordBaker Valuation Limited confirm that:

- The statements of fact presented in this report are correct to the best of the Valuers knowledge;
- The analyses and conclusions are limited only by the reported assumptions and conditions;
- The Valuer has no interest in the subject property;
- The Valuers fee is not contingent upon any aspect of the report;
- The valuation was performed in accordance with the PINZ Code of Ethics and the API/PINZ Valuation Standards 2009;
- The Valuer has satisfied professional education requirements and holds a current Annual Practicing Certificate;
- The Valuer has experience in the location and category of the property being valued;
- The Valuer has made a personal inspection of the property; and
- No one, except those specified in the report, has provided professional assistance in preparing the report.

This report has been prepared by Richard Oliver Chapman, B Com (VPM), SPINZ, ANZIV, AREINZ, MIPMV, who has been in private practice as a Registered Public Valuer since 1984. Richard is also a Registered Plant and Machinery Valuer and a senior member of the Property Institute.

If there is any further information you require, please do not hesitate to communicate with the writer.



R O CHAPMAN - B COM (VPM) SPINZ (ANZIV) AREINZ MIPMV
REGISTERED VALUER
DIRECTOR

Appendix to Valuation: 1. Statement of General Valuation Policies

APPENDIX 1 - STATEMENT OF GENERAL VALUATION POLICIES

This valuation, and all valuation services provided by FordBaker Valuation Limited, are provided solely for the use of the client. FordBaker Valuation Limited does not and shall not assume any responsibility to any person other than the client for any reason whatsoever, including breach of contract, negligence (including negligent misstatement) or wilful act or default of itself or others by reason of or arising out of the provision of this valuation or valuation services. Any person, other than the client, who uses or relies on this valuation does so at their own risk.

This valuation has been completed for the specific purpose stated in this report. No responsibility is accepted in the event that this report is used for any other purpose.

This report is relevant as at the date of preparation and to circumstances prevailing at that time. However, within a changing economic environment, returns on investment and values can be susceptible to variation - sometimes over a relatively short time scale. We therefore strongly recommend that before any action is taken involving acquisition, disposal or borrowing, restructuring or any other transaction that you consult us.

FordBaker Valuation Limited has a policy of not contracting out of the provisions of the Consumer Guarantees Act. Accordingly, where there is any conflict between any statement in this report and the Consumer Guarantees Act 1993, the latter shall prevail.

Neither the whole nor any part of any valuation report, or any reference to the same, may be included in any published document, circular or statement without our written approval as to the form and context in which it may appear.

Substances such as asbestos, other chemicals, toxic wastes or other potentially hazardous materials could, if present, adversely affect the value of the property. The stated value estimate is on the assumption that there is no material on or in the property that would cause loss in value. No responsibility is assumed for any such conditions and the recipient of this report is advised that the Valuer is not qualified to detect such substances, quantify the impact on values or estimate the remedial cost.

This report complies with the International Valuation Standards and API/PINZ Valuation Standards.

We confirm that FordBaker Valuation holds and maintains a current professional indemnity insurance policy.

This valuation may not be used for Contributory Mortgage Lending purposes. However, this policy does not apply to Solicitor Nominee Company Lending.

We confirm that the Valuer has no financial interest or otherwise in the property and has no relationship with the vendor, purchasers or agents.

In analysing the sales and/or leasing evidence referred to herein, it is noted that we have attempted to ascertain whether or not the sale price/rental is exclusive of Goods and Services Tax (GST). In relation to sales evidence, it is emphasised that the Land Registry Offices in New Zealand do not currently differentiate between or record whether or not the sale price is inclusive or exclusive of GST. Where we have not been able to verify whether or not GST is included in the sale price or rental, we have assumed that the record of sales price or the rental is exclusive of GST. Should this not be the case for any particular sale or letting used as evidence, we reserve the right to reconsider our valuation.

APPENDIX 2 - TITLE CERTIFICATION



**COMPUTER FREEHOLD REGISTER
UNDER LAND TRANSFER ACT 1952**



R. W. Muir
Registrar-General
of Land

Search Copy

Identifier CB334/193
Land Registration District Canterbury
Date Issued 02 June 1921

Prior References
CB291/92

Estate	Fee Simple
Area	769 square metres more or less
Legal Description	Lot 2 Deposited Plan 3942

Proprietors
Boi Fong Yan

Interests

Appurtenant hereto are Party wall rights over part of created by Transfer 164757 - 8.5.1925 at 2.55 pm
Subject to a Party wall rights appurtenant to the above described land created by Transfer 164757 - 8.5.1925 at 2.55 pm



**COMPUTER FREEHOLD REGISTER
UNDER LAND TRANSFER ACT 1952**

Historical Search Copy



R. W. Muir
Registrar-General
of Land

Identifier CB334/193
Land Registration District Canterbury
Date Issued 02 June 1921

Prior References
CB291/92

Estate Fee Simple
Area 769 square metres more or less
Legal Description Lot 2 Deposited Plan 3942

Original Proprietors
Boi Fong Yan

Interests

Appurtenant hereto are Party wall rights over part of created by Transfer 164757 - 8.5.1925 at 2.55 pm
Subject to a Party wall rights appurtenant to the above described land created by Transfer 164757 - 8.5.1925 at 2.55 pm

334/193

Form and Deeds-4

(Form B)

NEW ZEALAND.



Vol. 231, Folio 22
Transfer No. 760008
Application No.
Order for NJO No.

Register-book,
Vol. 334 No. 193.

CERTIFICATE OF TITLE UNDER LAND TRANSFER ACT.

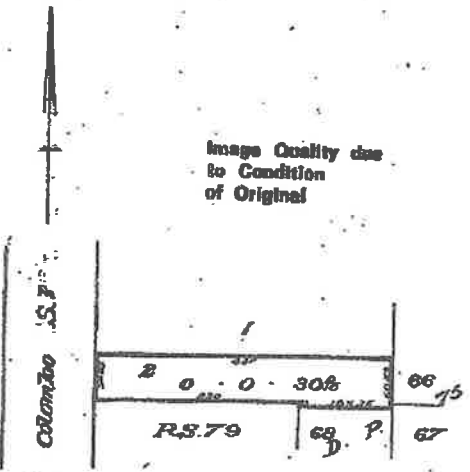
This Certificate, dated the Second day of June, one thousand nine hundred and Twenty one
under the hand and seal of the District Land Registrar of the Land Registration District of Canterbury that
William Stewart Robinson of Blenheim, Book
Inspector

In witness whereof I have signed this Certificate and caused the seal of the District Land Registrar to be hereunto affixed, at the District Land Registrar's Office at Blenheim, on the Second day of June, one thousand nine hundred and Twenty one.
This more or less, that is to say: All that parcel of land containing Two and one half acres more or less bounded as shown on the plan deposited in the Land Registrar's Office at Blenheim on the 29th day of June 1921

W. S. Robinson
District Land Registrar

Transfer 164727 Grant of party
with rights over part of and
appurtenant to the above described
land produced 8 May 1925 at 255 p.
subject to Mortgage 90512
75th - 1st 2nd
lease 7842 produced 6 June 1926 at 2:30 p.
William Stewart Robinson to Alfred
Arman & itcheff of lots 2, 5, 6, 10 and 11
Plan 7446 for 7 years from and
inclusion of 3 June 1926 together with
rights of way
75th - 1st 2nd
lease 7950 produced 16 December 1925
at 2:30 p.m. William Stewart Robinson
to Arthur Blatten & Co. Wharfedale of
lot 1 80' 7m together with right of
way for 7 years from and inclusion
of 6 April 1926 with right of
renewal.
75th - 1st 2nd
Withdrawn.
X Board 18/3/1920 dated 20 August 1920 at
3 p.m.
X Board 18/3/1920 dated 12 May 1930 at
3 p.m.
Over

Image Quality due
to Condition
of Original



METRIC AREA = 769 m²

Scale 1 Chain to an Inch

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Transfer 215 250 produced 12 August 1966 at
w.g.m. William Stewart Robinson to
Stanford Berkeley Joss of Christchurch
Doctor of Science

Mortgage 19 2475 **DISCHARGED** 12 August 1966 at
12.50 w.g.m. Stanford Berkeley Joss to William
Stewart Robinson

Seamanian 2105 Pt. St. New Zealand
Insurance Company Limited Limited
27 September 1965 at 2.40 p.m.

THIS REPRODUCTION (ON A REDUCED SCALE)
CERTIFIED TO BE A TRUE COPY OF THE
ORIGINAL REGISTERED FOR THE PURPOSES OF
SECTION 215A LAND TRANSFER ACT 1952.
A.L.R.

Transfer 870920 to Boi Fong Yan
of Christchurch, Widow -
19/6/1972 at 12.7 p.m.

A.L.R.

Mortgage 870921 to The New Zealand
Insurance Company Limited -
19/6/1972 at 12.7 p.m.

A.L.R.

Mortgage 941586 to The New Zealand
Insurance Company Limited -
20.12.1973 at 1.10 p.m.

A.L.R.

334/193





**COMPUTER FREEHOLD REGISTER
UNDER LAND TRANSFER ACT 1952**

Search Copy



R.W. Muir
Registrar-General
of Land

Identifier CB334/193
Land Registration District Canterbury
Date Issued 02 June 1921

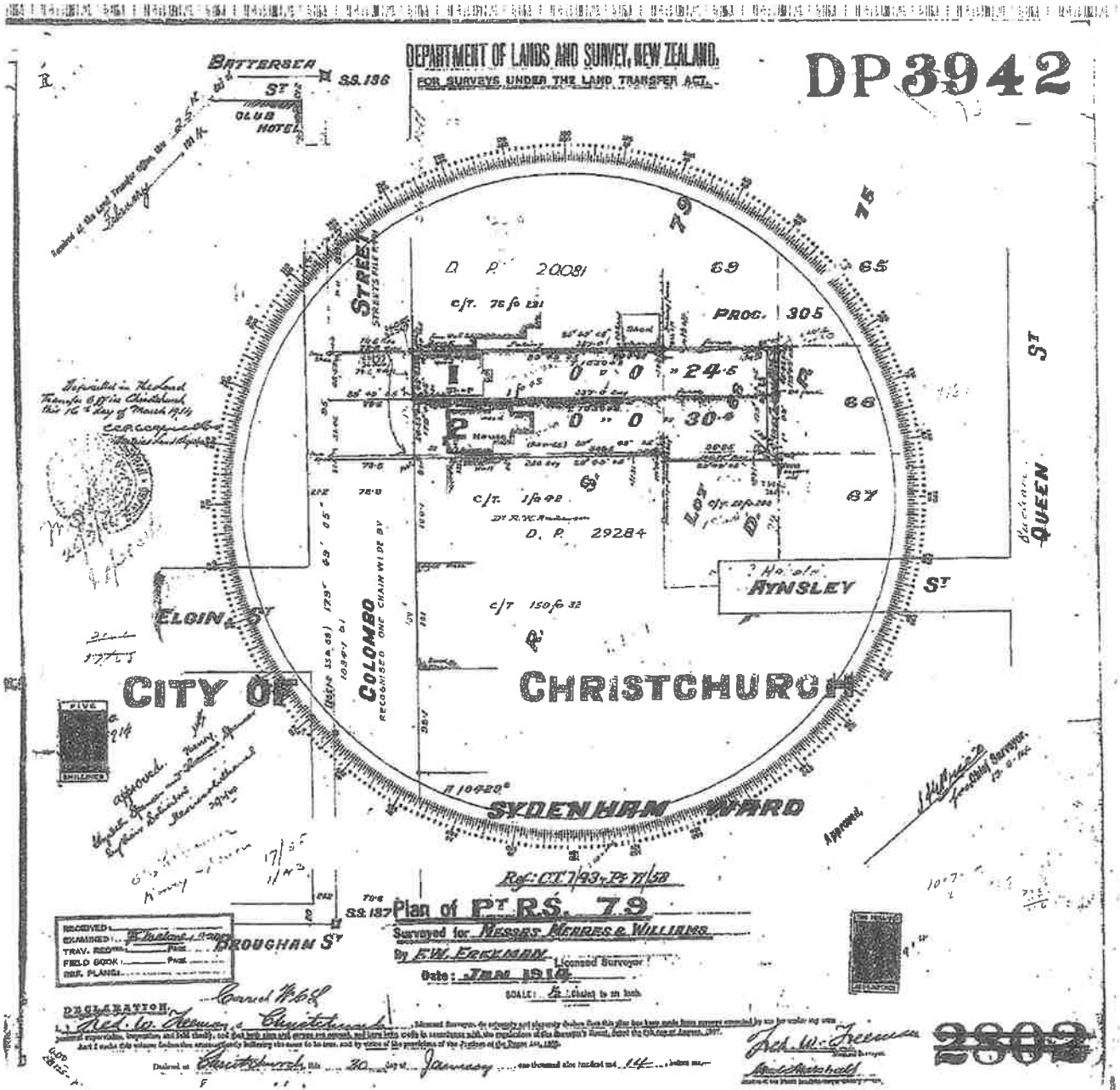
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APPENDIX 3 - WORKSHEETS

Building Area	Gross Floor Area
Gross External Ground Floor Area	183.40 m ²
Canopy to Shop Front	34.00 m ²
Gross External First Floor Area	134.90 m ²
Total Gross Floor Area	352.30 m²

Tenancy	Lettable Floor Area
382 Colombo Street - Retail & Residential Tenant	140.00 m ²
382A Colombo Street - Retail & Residential Tenant	149.90 m ²
Total Lettable Floor Area	289.90 m²

382 Colombo Street	Lessor	Boi Fong Yan
	Lessee	Retail & Residential Tenant
	Commencement Date - Initial Term	25 June 2011
	Commencement Date - Current Term	25 June 2011
	Current Lease Term	2 Years
	Expiry Date	24 June 2013
	Further Terms	2 +2 +2 Years
	Final Expiry Date	24 June 2019
	Rent Review	Indexed to CPI - Subject To Partial Ratchet Clause
	Review Timing	2 yearly & At Renewal
	Lease Type	Net
	Non Recoverable Opex	N/A
	Current Rental	\$22,947 Per Annum Plus GST
	382A Colombo Street	Lessor
Lessee		Retail & Residential Tenant
Commencement Date - Initial Term		25 June 2011
Commencement Date - Current Term		25 June 2011
Current Lease Term		2 Years
Expiry Date		24 June 2013
Further Terms		2 +2 +2 Years
Final Expiry Date		24 June 2019
Rent Review		Indexed to CPI - Subject To Partial Ratchet Clause
Review Timing		2 yearly & At Renewal
Lease Type		Net
Non Recoverable Opex		N/A
Current Rental		\$23,482 Per Annum Plus GST
Summary:		Total Lettable Floor Area
	Total Occupied Floor Area	289.9 m ²
	Total Contract Rental	\$46,429
	Total Non Recoverable Opex	\$0
	W.A.L.T	2.0 Years

Market Rental Assessment**382 Colombo Street - Retail & Residential Tenant**

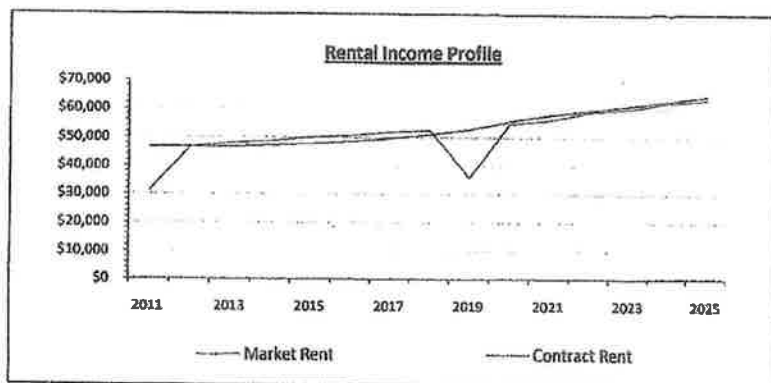
Building Rental	Ground Floor Front Retail Area	54.00 m ²	@	\$165.00 per m ²	=	\$8,910		
	Ground Floor Service Area (Balance)	23.00 m ²	@	\$165.00 per m ²	@ 60.00%	=	\$2,277	
	First Floor Residential (Gross Area)	63.00 m ²	@	\$100.00 per m ²	=	\$6,300		
		140.00 m ²	@	\$124.91 per m ²	=		\$17,487	
Car Park Rental	Garge Car park	1 space	@	\$20.00 per week	=	\$1,040		
	Open Car Park	1 space	@	\$10.00 per week	=	\$520	\$1,560	
Additional Land	Rear Excess land	200 m ²	@	\$300.00 per m ²	@ 6.50%	=	\$3,900	\$3,900
Current Net Market Rental - Retail & Residential Tenant							\$22,947	

382A Colombo Street - Retail & Residential Tenant

Building Rental	Ground Floor Front Retail Area	55.00 m ²	@	\$165.00 per m ²	=	\$9,075		
	Ground Floor Service Area (Balance)	23.00 m ²	@	\$165.00 per m ²	@ 60.00%	=	\$2,277	
	First Floor Residential (Gross Area)	71.90 m ²	@	\$100.00 per m ²	=	\$7,190		
		149.90 m ²	@	\$123.70 per m ²	=		\$18,542	
Car Park Rental	Open Car Parks	2 spaces	@	\$10.00 per week	=	\$1,040	\$1,040	
Additional Land	Rear Excess land	200 m ²	@	\$300.00 per m ²	@ 6.50%	=	\$3,900	\$3,900
Current Net Market Rental - Retail & Residential Tenant							\$23,482	

Total Market Rental Assessment**Adopt: \$46,429**

Tenant	Contract Rental	Market Rental	Annual Surplus / Shortfall	Market Rental Reversion	Initial Vacancy Period
Retail & Residential Tenant	\$22,947	\$22,947	-	-	5.0 Months
Retail & Residential Tenant	\$23,482	\$23,482	-	-	5.0 Months
Subtotal	\$46,429	\$46,429	-		
Less Non Recoverable Opex	-	-			
Net Rental Income	\$46,429	\$46,429			



Market Rental Capitalisation Valuation

Potential Net Rental Income		\$46,429
	8.30%	\$559,386
	8.40%	\$552,726
Capitalised in Perpetuity at:	8.50%	\$546,224
	8.60%	\$539,872
	8.70%	\$533,667
Capitalised Market Value - Fully Leased at Market Rental	Adopt:	\$546,000

Capitalised Cashflow Adjustments

Occupancy:	PV Rental Surplus / Shortfall	PV Initial Vacancy Void	PV Unexpired Lease Incentives	PV Opex During Initial Vacancy	Leasing Costs @ 15%
Retail & Residential Tenant	-	-\$9,369	-	-	-
Retail & Residential Tenant	-	-\$9,587	-	-	-
Subtotal	-	-\$18,956	-	-	-
Total Capitalised Cashflow Adjustments					-\$18,956
Less - Land Value					-\$270,000
Less - Other Improvements Value					-\$2,500
Subtotal					\$254,544
Indicated Market Indemnity Value (This Approach)				Adopt:	\$255,000

Vacant Rental Capitalisation Valuation			
Potential Net Rental Income			\$46,429
	8.55%		\$543,029
	8.65%		\$536,751
Capitalised in Perpetuity at:	8.75%		\$530,617
	8.85%		\$524,621
	8.95%		\$518,760
Vacant Market Value		Adopt:	\$531,000
Less - Land Value		-\$270,000	
Less - Other Improvements Value		-\$2,500	
Subtotal			\$258,500
Indicated Market Indemnity Value (This Approach):		Adopt:	\$260,000

Discounted Cashflow Valuation**Assumptions**

Investment Cashflow Period:	10 years
Nominal Cashflow Calculation:	Annually in Advance
Adjusted Cashflow Calculation:	Monthly in Advance
Receipt of Initial Rental Payments:	February 2013
Leasing Commission:	15.00%
Disposal Cost Estimate:	3.50%
Weighted Average Term To Run - Effective Date:	2.00 years
Weighted Average Term To Run - Year 10:	0.75 years
Adopted Discount Rate:	10.75%
Adopted Terminal Capitalization Rate:	8.00%
Vacancy Allowance on Equity - Fringe Retail:	4 months

Forecast Growth - Year Ending	Jan-12	Jan-13	Jan-14	Jan-15	Jan-16	Jan-17	Jan-18	Jan-19	Jan-20	Jan-21
Fringe Retail Rental Growth	0.00%	0.00%	1.50%	1.50%	1.50%	2.50%	3.00%	3.50%	5.00%	4.00%
CPI (All Groups) Inflation (Treasury)	2.55%	2.85%	2.37%	2.05%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Opex Inflation	4.05%	4.35%	3.87%	3.55%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%

Valuation

Year Ending	Jan-12	Jan-13	Jan-14	Jan-15	Jan-16	Jan-17	Jan-18	Jan-19	Jan-20	Jan-21
Net Cashflow	\$25,498	\$49,090	\$50,780	\$81,550	\$52,918	\$53,632	\$85,077	\$55,799	\$29,264	\$57,946
Terminal Value										\$701,810
Present Value Cash Flows	\$532,285									
Capital Items	-\$222,500									
Subtotal	\$259,785									
Sensitivity Analysis:	Discount Rate:		10.00%	10.25%	10.50%	10.75%	11.00%	11.25%	11.50%	
	Indicated Value:		\$285,000	\$180,000	\$270,000	\$260,000	\$250,000	\$245,000	\$235,000	

Indicated Market Indemnity Value: \$260,000

Discounted Cash Flow Valuation											
Year Ending	Jan-12	Jan-13	Jan-14	Jan-15	Jan-16	Jan-17	Jan-18	Jan-19	Jan-20	Jan-21	Jan-22
Rental Income											
382 Colombo Street - Retail & Residential Tenant	\$15,298	\$22,947	\$23,713	\$24,097	\$24,746	\$25,070	\$25,745	\$26,083	\$17,723	\$27,086	\$27,776
382A Colombo Street - Retail & Residential Tenant	\$15,855	\$23,482	\$24,266	\$24,658	\$25,325	\$25,655	\$26,346	\$26,691	\$18,196	\$27,718	\$28,423
Rental Income Subtotal	\$30,953	\$46,429	\$47,980	\$48,755	\$50,068	\$50,725	\$52,091	\$52,774	\$35,859	\$54,804	\$56,199
Operating Expenses											
Less Non Recoverable Opex											
Less Opex during vacancies											
Net Annual Income	\$30,953	\$46,429	\$47,980	\$48,755	\$50,068	\$50,725	\$52,091	\$52,774	\$35,859	\$54,804	\$56,199
Other Expenses											
Commissions	-96,964								-8,221		
Net Periodic Cash Flow (Calculated Annually In Arrears)	\$23,988	\$46,429	\$47,980	\$48,755	\$50,068	\$50,725	\$52,091	\$52,774	\$27,639	\$54,804	
Payment Timing Adjustment Factor	1.059	1.057	1.057	1.057	1.057	1.057	1.057	1.057	1.059	1.057	
Net Periodic Cash Flow (Calculated Monthly In Advance)	\$25,398	\$49,090	\$50,730	\$51,530	\$52,938	\$53,632	\$55,077	\$55,799	\$29,264	\$57,948	
Reversionary Value											
Net Market Rent At Reversion Date:											\$57,742
Capitalised At Terminal Yield of: 8%											\$721,775
Less PV Rent Shortfall To Market Rental Reversion											-\$2,176
Less Disposal Costs of: 2.5%											-\$17,990
Net Reversionary Value											\$701,610
Summary Cash Flow	\$25,398	\$49,090	\$50,730	\$51,550	\$52,938	\$53,632	\$55,077	\$55,799	\$29,264	\$759,555	
Discount factor (@ 10.75%)	0.9029345	0.8152908	0.7361542	0.6646991	0.6001797	0.5419280	0.4893210	0.4418248	0.3989389	0.3602157	
Present Values of Summary Cash Flows	\$22,933	\$40,023	\$37,345	\$34,265	\$31,772	\$29,065	\$26,950	\$24,663	\$11,674	\$273,604	
Subtotal	\$532,285										
Capital Items											
Less - Land Value	-\$270,000										
Less - Other Improvements Value	-\$2,500										
Final Value	\$260,785										

Depreciated Replacement Cost Valuation

Structural Replacement Cost	Area (m²)	Modal Rate	Multiplier	Rate / m²	Replacement Cost
Gross External Ground Floor Area	183.4	\$1,450	1.45	\$2,100	\$385,140
Canopy to Shop Front	34.0	\$1,450	0.55	\$800	\$27,200
Gross External First Floor Area	134.9	\$1,450	1.35	\$1,960	\$264,404
Total :	352.3				\$676,744
Professional Fees:				9.50%	\$64,291
Building Holding Costs:	10 Months	@ Annual Interest Rate of:		8.25%	\$25,473
Replacement Cost					\$766,508
Less Depreciation & Obsolescence Factor:				65.00%	-\$498,230
Estimated Depreciated Replacement Cost - Structural Items:					\$268,278
Other Improvements Net Value					Net Value
Detached Garage / Store Shed				Adopt:	\$2,000
Total Net Value - Other Improvements :					\$2,000
Total Net Improvements Value:				Adopt:	\$270,000
Land Value					Land Value
Total Land Value:				Adopt:	\$0
Indicated Market Indemnity Value (This Approach)					\$270,000

SUMMARY OF VALUATION APPROACHES	
Investment Valuation	
- Market Rental Capitalisation Approach	\$255,000
- Vacant Rental Capitalisation Approach	\$260,000
- Discounted Cashflow Approach	\$260,000
Depreciated Replacement Cost Valuation	\$270,000
Adopted Market Indemnity Value (Main Building)	\$265,000
Indicating:	
Effective Yield:	8.34%
Internal Rate of Return:	10.60%
Value per m ² LFA:	\$1,854

APPENDIX 4 - PHOTOGRAPHS



