

De Roza Investment Group

TRADING AS:

**PROFESSIONAL VALUATION PRACTICE & LEASE MANAGEMENT SERVICES.**

Mr. Levi Ishmael Tarosa, BA(Land Mngmt & Val), Int Cert (Val)

REGISTERED VALUER  
Registration No: VG 04-08

Ref: BBR/08

2<sup>nd</sup> August 2008

## **VALUATION REPORT**

1. **INSTRUCTION & PURPOSE OF VALUATION:**

This firm was instructed to undertake a valuation of Strata Property designated as Strata Number 10/SP 0011 on Strata Plan 0011 (LOT 20) located at Breakas Beach Resort, Pango for *Mortgage Purposes*.

2. **EFFECTIVE DATE OF VALUATION:**

2<sup>nd</sup> August 2008.

3. **BASIS OF VALUATION:**

The basis of this valuation shall be the Open Market Value as defined under the Vanuatu Code of Professional Practice:

*Open Market Definition:*

*“Market Value is a representation of value in exchange, or the amount a property would bring if offered for sale in the open market at the date of valuation...”*

4. **LEGAL DESCRIPTION:**

- Title Number: **10/SP 0011 – LOT 20.**
- Lessee: Breakas Beach Resort
- Class: Strata Lease
- Present Use: Bungalow
- Location: Pango, South Efate
- Building Floor Area: 159 square meters gross area.
- Lease Term: 75 years commencing 2006
- Unexpired Term: 74 years

**5. PHYSICAL DESCRIPTION:**

*One open plan fare with own bathroom/toilet at the rear of the hut, fully tiled well ventilated, small terrace out front. Fare 20 located in the gardens adjacent to the beachfront.*



*Lot 3 – similar to Lot 20:*

**6. MARKET EVIDENCE:**

*(Some of the Strata sales recorded at Brekas Resort).*

Fare N#	Strata N#	Floor Area	Status
4	04/SP 0011	105 sqm	SOLD
6	06/SP 0011	129 sqm	SOLD
7	07/SO 0011	129 sqm	SOLD

*(Data Source: Brekas Beach Resort website).*



## 7. VALUATION CALCULATION:

### 8.1 BUILDING VALUATION:

*(8.2.1 Valuation Methodology – Depreciated Replacement Cost Approach).*

ESTIMATED REPRODUCTION COST - NEW - OF IMPROVEMENTS:						
Dwelling. 115 sqm approx						Vt 16,770,000
Total Estimated Cost New: _____	=					Vt 16,770,000
Less:						
Building Depreciation		Physical 3.75%	Functional 0%	External 0%		3.75%
		Age, 1.5/Life, 40 x 100				
<b>INDICATED VALUE BY COST APPROACH</b>						<b>Vt 16,141,125</b> (say Vt 16,100,000)

### *(8.2.2 Valuation Methodology – Income Capitalization/Investment Approach).*

Rental Per Night \$ 149. (est Vt 14,000 per night)

Gross Monthly Rental Income: Vt 392,000

Gross Annual Rental Value: Vt 4,704,000

Less:

\* Operating expenses/management fees..57% (Vt 2,681,280)

Net Operating Income: Vt 2,022,720

Capitalize Net Income to derive value. Choice of appropriate cap rate is accessed in the preceding table by adopting the “summation” method.

SUMMATION METHOD USED IN DETERMINING CAPITALIZATION RATES FOR RESIDENTIAL/ INVESTMENT PROPERTIES: <b>De Roza Investment Group</b>							Title 10/SP 0011
	<i>Lot 20 Breakas Resort - Pango.</i>						
	Rates for 5 Grades of properties ranging from 'poor' to 'excellent' risk.						Rating for Subject Property
RISK FEATURES	1	2	3	4	5	6	

Safety of principal	5.00	4.75	4.50	4.25	3.50	3.25	4.25
Certainty of return	3.50	3.25	3.00	2.75	2.15	2.00	2.75
Regularity of return	3.25	3.00	2.75	2.50	2.00	1.75	2.50
Liquidity	3.00	2.75	2.50	2.25	1.75	1.50	1.75
Burden of management	2.75	2.50	2.25	2.00	1.50	1.00	2.00
<b>Total Capitalization Rate</b> .....							<b>13.25</b>

**Accessed Capitalization Rate: 13.25%**

The developers of Breakas Resort are promising a guaranteed return of 7.5% on investment.

**Indicative Investment Value**

= Capitalize Net Income of Vt 2,022,720 @ 7.5%

= Vt 26,969,600

**8.2.3 BUILDING AVERAGE VALUE:**

= (Depreciated Replacement Value + Investment Value) / 2

= (Vt 16,100,000 + Vt 26,969,600) / 2

= Vt 21,534,800

*Market Adjustments:*

\* Aspect/adjacent water frontage (+)10%

**Building Value is estimated at Vt 23,688,280 (say Vt 23,700,000)  
or AUD\$ 255,000.**

### 8.3 **DECLARATION OF VALUE:**

*In view of the aforementioned valuation, I am of the opinion that the Market Value of the subject property is:-*

***TWO HUNDRED & FIFTY FIVE  
THOUSAND DOLLARS  
(AUD\$ 255,000)***

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#### **LIMITATION:**

*The opinion of value expressed in this report shall be used for the purpose of this report only. This firm is not responsible for any consequences arising from the valuation being quoted out of context.*

**Mr. Levi Tarosa**, BA (Land Mngmt & Val), Int Cert (Val),.  
**REGISTERED VALUER**