LandMark White

Independent
Valuation
Research
Property Advice

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79805.40988 AP:
31 August, 2007

Reed Funds Management Limited
PO Box 1176
MAROOCHYDORE QLD 4558

Attention: Donald Ritchie

Dear Donald

RE: 41 QUANDA ROAD, COOLUM BEACH, QUEENSLAND, 4573.

1. Instructions

We refer to your recent instructions requesting a summary for the purposes of inclusion in a Product Disclosure Statement (PDS). This letter provides a summary of the full valuation report, detailing the principal factors that have been considered to reach our opinion of market value. For further detailed information, reference should be made to the full valuation report dated 9 July 2007 which has a file reference number 78663/40988.

2. Brief Description

The subject property is located in the recently developed industrial estate known as "Centra Park" at Coolum Beach, approximately 15 kilometres north of the Maroochydore Central Business District (CBD) and approximately four kilometres west of the Coolum Beach tourist strip. The subject property comprises two contiguous allotments with improvements comprising a modern high clearance industrial shed with an attached office component. Ancillary improvements comprise an attached skillion as well as extensive concrete hardstand.

3. Tenancy Details

The property is fully leased to a single tenant under the terms and conditions noted below. I have sighted a copy of the lease.

lease structure	
lessor	Coolum Industrial Projects Pty Ltd.
lessee	Bluescope Steel Limited.
demised premises	The whole of the land being Lots 88 and 89 on SP 176419.
commencement date	21 October 2006.
expiry date	20 October 2016.
term	10 years.
options	2 x 5 years.
commencing rental	$370,000.
rental review dates/frequency	Fixed annual 3% increases with review to market at the beginning of each option period.
current rental	$370,000.
outgoings paid by lessee	Nil.
incentive provided to lessee	The lessor provided an eight month rent free period for the current tenant. The rent free period expired on 22 June 2007.
permitted use	Warehousing, manufacturing, storage, finishing, packaging, distribution and the sale of products, retail and ancillary office accommodation or such other uses as may be permitted by law.
other matters	The gantry cranes are the property of the lessor. The lessee is responsible for the maintenance of the cranes.

4. Market Commentary

South East Queensland's industrial property market has been fundamentally re-priced and continues to be viewed very favourably by market participants. Record low yields have been paid by investors for both prime and secondary stock, and capital rates paid by owner occupiers have reached record highs on the back of surging demand and limited supply. Land prices have been the most significant factor, appreciating at unprecedented rates in all areas of South East Queensland. In some instances land prices have more than doubled, on the back of surging demand from owner occupiers.

Investment yields remain low and are under continued downward pressure both for prime and secondary investments. The characteristics of this market remain unchanged and are typified by a weight of money seeking investment, limited supply of investment properties, continuing low interest rates and a buoyant economy. The current property cycle has re-priced secondary investment stock in Brisbane, with yields for this type of investment being generally between 8.00% and 9.00% with the 8.00% barrier now being heavily pressured and in one off cases breached. The gap between prime and secondary investment property has narrowed considerably and the definition of prime and secondary now appears to be only lease term and not a combination of factors including asset quality and market position. Purchasers seem to be having less regard to issues such as market rental, building obsolescence and tenant quality when analysing a potential investment. This is typical of a bullish property cycle.

Interest rates and the economy appear to be the only variables in the foreseeable future and it is difficult to quantify the impact of the residential property market slowdown on other market sectors. Generally upward movements in interest rates may lead to a softening in property yields, however the most recent interest rate rise did not dampen the market's appetite for industrial property and the elasticity of this equation will be tested given the level of equity in the market. Economic conditions remain buoyant in Australia, although it is generally recognised there are external factors and cyclical factors that will have an impact at some point in time.

Owner occupiers have been a driving force of the industrial property market over the past 12 months. They are responsible for the majority of stock absorption in all precincts, particularly secondary buildings in the south west and vacant land in all industrial areas of South East Queensland. They have also been responsible for rapid growth in emerging industrial precincts and service industry precincts across the greater Brisbane area. Continued strong economic growth should see this group continue as a force in the market, however some analysts are questioning long term demand from this buyer group.

Sustained growth in industrial land prices, increasing construction costs, limited supply of buildings available for lease and strong tenant demand, has put pressure on rentals both for new and secondary buildings. For new buildings the biggest pressures arise from land and construction costs, while for secondary buildings pressure emanates from limited supply (owner occupiers have absorbed the stock) and flow through pressure from tenants considering new premises. Combined, these factors are leading to some long overdue rental growth across the board. There is no doubt that the rental growth potential is a factor in firming secondary yields.

An interesting pattern to emerge in the current cycle has been the recent low volume of design and construction activity. Momentum in this market had been building steadily, with several proposals in the market place, however the momentum appears to have stalled somewhat given the recent large rise in land prices and the increase in construction costs. The market for land and secondary buildings has now moved to the point where tenants assessing a greenfield opportunity, will need to become accustomed to rentals well above historic norms. This is one of the greatest challenges facing the industrial market at present.

The design and construct market is truly in a transitional stage and until developers start securing tenants on rentals, reflective of the current land value surge, real rental growth will remain only a theory and the price paid for the land will reflect only bullish market sentiment on behalf of owner occupiers and developers. Such a situation has wide implications, upward pressure on rentals in secondary properties, tenants going further a field to secure cost effective industrial accommodation, a collapse of the land market, are all possibilities if the tenants fail to agree to the large rental increases required to support the current land cost/construction cost equation.

The current strength of the industrial investment market, and to a lesser degree the leasing market, has driven property yields and land rates to record high levels in a relative short period. Market participants are factoring in continued growth when assessing development opportunities, particularly in land and rental growth in investment grade stock, and an enormous weight of funds continue to drive prime yields to record lows. At some point the signals cannot continue to be all upside and some objective assessments must be made. Fundamental strategies such as historic feasibility levels and on-going cash flow requirements are being overlooked and yield differentials between prime new and established secondary industrial facilities have all but disappeared. There is a deal of speculation in the market at present, particularly in land, and some investors, including funds and institutions appear to be buying for the sake of buying. There are some ominous signs in the long term outlook as it generally accepted that the current market conditions cannot continue indefinitely.

5. Valuation Rationale

In assessing the current market value subject to the existing tenancy, I consider the appropriate method of assessment to be reconciliation between the Capitalisation and Direct Comparison methods of valuation.

The property has been valued utilising the Capitalisation and Direct Comparison approaches. The resultant value has been subsequently reconciled with the sales evidence through comparison on the basis of its value per square metre of lettable area.

The *Capitalisation Approach* in this instance has been effected by capitalising the assessed maintainable net market rental at a yield obtained through the analysis of sales evidence.

The *Direct Comparison Approach* analyses the sales evidence on the basis of price per square metre of lettable area, which are directly compared to the subject property.

6. Capitalisation Approach

Under this approach, the net market income generated by the property is capitalised at an appropriate market yield to establish the property's current market value fully leased. Appropriate capital adjustments are then made to reflect the specific cash flow profile and general characteristics of the property.

Having regard to the sales evidence and general characteristics of the property. I consider a fully leased market yield of between 6.75% and 7.25% to be appropriate.

Assessed net market income		$340,800	
Adopted capitalisation range	6.75%	to	7.25%
Value range as calculated	$5,048,889		$4,700,690

7. Direct Comparison Approach

This approach identifies comparable sales on a dollar rate per square metre of net lettable area and per square metre of site area basis and compares the equivalent rates to the subject to establish the property's current market value. This approach is somewhat subjective given the fact that specific items of income, expenditure together with remaining lease terms are difficult to directly reflect and compare when adopting a rate per metre.

In summary the sales evidence has been analysed to display the following ranges:

yield:	6.65%	to	8.04%
$/ square metre of lettable area:	$981	to	$2,285
$/ square metre of site area:	$299		$1,088
quantum of dollar range:	$1,220,000	to	$7,763,205

After analysis of the sales evidence and taking into account the various attributes of the subject property, I have adopted a pro rata range per square metre of lettable area for the subject property as follows:

Net lettable area (m^2)		2,850	
$/ square metre of lettable area:	$1,600	to	$1,800
Core value range:	$4,560,000		$5,130,000

8. Reconciliation of Approaches and Adopted Value

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

capitalisation approach	direct comparison approach
$4,700,690 - $5,048,889	$4,560,000 - $5,130,000

Based upon the analysis, I have adopted a current market value of $5,000,000. An analysis of the adopted value is noted below.

- Rate /m² of Lettable Area $1,754.
- Market Yield 6.82%.

9. Valuation Summary

Subject to the qualifications and assumptions contained within the body of the full valuation report dated 9 July 2007 with reference number 78663/40988, I assess the Market Value of the fee simple interest in possession of the property, ***subject to the existing tenancy***, as at 9 July 2007, to be:

$5,000,000 (Exclusive of GST)
Five million dollars

10. Disclaimer

LandMark White Brisbane Pty Ltd has prepared this summary for inclusion in the PDS. LandMark White Brisbane Pty Ltd was involved only in the preparation of this summary and the valuation reports referred to herein and specifically disclaim liability to any person in the event of any omission from, or false or misleading statement included in the PDS, other than in respect of the valuations and this summary.

In preparing our valuation we have relied upon various financial and other information submitted by Reeds Funds Management Limited. 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. Based upon that review, LandMark White has no reason to believe that the information is not fair and reasonable or that material facts have been withheld. However, LandMark White's enquiries are necessarily limited by the nature of its role and LandMark White does not warrant that its enquiries 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.

This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period including as a result of general market movements or factors specific to the particular properties. 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 any responsibility or accept any liability where the valuation is relied upon as providing a valuation of the property as at a date later than the date of valuation.

LandMark White Brisbane Pty Ltd confirms that it does not have a pecuniary interest that could conflict with its valuation of the properties.

The opinion of value expressed in this summary is that of the valuer who is the prime signatory to the summary. The counter-signatory verifies that the summary and associated full report is genuine and authorised by LandMark White Brisbane Pty Ltd.

Neither LandMark White Brisbane Pty Ltd, nor the valuers signing below have acted under an Australian Financial Services licence in providing the valuation or this summary.

Yours faithfully

Adam Purvis AAPI
Certified Practising Valuer
Registered Valuer No. 3040 Qld.

Russell Madden
DIRECTOR

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