

NZX and media announcement - 11 December 2015

Precinct Properties launches Commercial Bay

Precinct Properties New Zealand Limited (Precinct) (NZX: PCT) announced today that it will proceed with a \$681 million development including a new 39 level commercial office tower and a world class retail centre at its Downtown Shopping Centre site on Auckland's waterfront.

The development will be the centre of a new precinct that will encompass Precinct's surrounding buildings and reinvigorate Auckland's central city. The area will be known as Commercial Bay, as it was first called when established as Auckland's trading hub in the 1800s.

"We are very excited about this development. We believe Commercial Bay is the most transformational project Auckland's CBD has ever seen." Scott Pritchard, Chief Executive Officer of Precinct, said. "It completely reshapes the waterfront area bounded by Britomart, the Viaduct and the CBD. The retail at Commercial Bay will be a laneway environment with around 100 shops including international and domestic fashion outlets plus a number of restaurants, cafes and bars making the most of the unique waterfront location. The office tower will transform the city skyline, but most importantly has been designed from the inside out to create a world-class working environment for its occupiers."

He said Precinct was proud to partner with PwC as the anchor client for the new tower, to be named the PwC Tower. The two businesses have been working together to create an exceptional workplace environment that will benefit all businesses based there.

"Our people are at the core of everything we do. We know that providing the best environment helps us attract and retain the best talent in the market and ensures our team of professionals can focus on delivering value for our clients" Bruce Hassall, Chief Executive Officer and Senior Partner of PwC, said. "Having been located on the waterfront since 2002, we look forward to working with Precinct to consolidate Commercial Bay as Auckland's business centre, and to what this whole precinct will do to revitalise the CBD".

A construction contract for the development has been entered into with Fletcher Construction. Reflecting Precinct's development agreement with Auckland Council,

construction will also include works to complete tunnels under Commercial Bay for the City Rail Link.

Commercial Bay will integrate the adjoining Precinct owned towers' PwC Tower, AMP Centre, HSBC House and Zurich House, to create a new central business, entertainment and retail destination. On completion, Precinct estimate 10,000 workers will occupy space within these five towers, each of which will have direct access to the retail centre.

Mr Pritchard said the Commercial Bay project is consistent with the company's long term strategy of maximising value through concentrated ownership of prime assets in strategic locations.

The decision to proceed had been taken as the tower had achieved 52% pre-commitment, with Precinct delighted to welcome another four businesses as foundation clients. The retail leasing has recently commenced and negotiations are advancing with a range of mini major retailers for the flagship stores.

The asset will be funded through newly established five year bank facilities. Precinct's gearing is currently 12.5% which has been positioned to enable this project to be fully funded on commitment. Following the commitments to Wynyard Quarter Stage 1 and to Commercial Bay today, Precinct's committed gearing is around 35%.

The Downtown site was acquired for \$91.3 million and Precinct has subsequently spent around \$16.3 million in design and consultancy fees. It is forecast that Precinct will spend a further \$573.4 million to complete the development and will generate a yield on cost of 7.5% once fully leased.

On completion of the development, Precinct's total investment in Commercial Bay is expected to be worth a total of around \$1.5 billion, representing 63% of the value of Precinct's portfolio on completion.

Work is expected to begin with the demolition of the existing Downtown Shopping Centre in June 2016. The Commercial Bay retail centre is expected to open by October 2018, with the office tower completed in mid-2019.

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About Precinct (PCT)

Precinct is New Zealand's only specialist listed investor in premium and A-grade commercial office property. Listed on the NZX Main Board, PCT currently owns 13 New Zealand buildings – Auckland's PwC Tower, AMP Centre, ANZ Centre, Zurich House, HSBC House and Downtown Shopping Centre; and Wellington's State Insurance Building, 157 Lambton Quay, No. 1 and No. 3 The Terrace, Pastoral House, Mayfair House, Deloitte House and Bowen Campus.