Precinct Properties New Zealand Limited Annual General Meeting

10:00am (New Zealand time), Friday 18 November 2015

Stamford Plaza Hotel, 22-26 Albert Street, Auckland

Chairman's Opening address

Good morning everyone. I'm Craig Stobo, and as Precinct's Chairman it's my pleasure to welcome you all to our 2015 AGM.

I am also pleased to say that it has been another busy, and good, year for your company. We ended the year well-funded, with some great opportunities ahead and a strong platform for earnings growth.

Board and Executive

Before reviewing the year, let me introduce you to the members of the board and executive team here with us today.

We are also happy to have with us representatives from our auditors, Ernst & Young, tax advisors, KPMG, our legal advisors, Russell McVeagh, along with several Precinct staff.

As the company grows and changes we are also seeing change in the board. As previously announced, Graeme Horsley has advised us he wishes to step down from the board and accordingly he is not standing for re-election following his retirement by rotation today. Graeme has made a significant contribution to the company since he joined us as an independent director in 2005. We wish him well.

We have been very pleased to welcome Launa Inman to the board. Launa is an experienced director and former CEO. She brings valuable experience managing operational businesses and strong experience in governance and retail. Launa is standing for election by the shareholders today to ratify this board appointment.

Results

We were pleased to see net profit after tax increase again this year - by 4.5% to $122.4 million.

Operating profit rose 7% to $68.3 million. This was the third consecutive year our operating profits rose, and it came in a year when we also significantly reduced the company's debt levels.

We had a $64.8 million gain in our portfolio valuation, which reflected both yield compression and market rental growth, and it increased net tangible assets per share up from $1.04 to $1.11.

Financial Position

We are focused on balancing risk and return and it is this focus that led to several capital management initiatives being undertaken in the year. These initiatives reduced gearing significantly from 33.8% to a low of 11.3% and have put Precinct in a strong financial position.

During the year we secured $173 million of long term borrowings through a successful United States Private Placement – this was the first-ever USPP for the New Zealand property sector – and a New Zealand bond issue.

Importantly these two issues provide greater comfort around Precinct's financing through a period when it is contemplating undertaking significant development activity. Both transactions have diversified Precinct's funding sources and added valuable tenor in a laddered approach.

As we progressed key developments, we also raised $174 million of equity from shareholders though an entitlement offer in March which was well supported by institutional and retail investors.

Last year we also completed sales of our non-core assets, and we are on track to meet our vision for a portfolio of younger buildings. Our portfolio is now all located in prime locations. And indeed our Downtown development site is in the prime location in New Zealand.

Executing on strategy

As well as strengthening our balance sheet we also advanced key developments and put the company in a good position to progress new opportunities. We continued with a long term strategy that matches the long term nature of our assets.

Everyone always agrees that "location" is the most important factor in property. I agree and think that in every sense we are well positioned for the future: both in the physical locations we occupy in Auckland and Wellington, and the strong position we are in as a business to cement a platform for increased earnings.

We have followed a strategy for transforming the company and growing value, while continuing close management of risk and reward.

We have remained experts in CBD real estate and continued to build strong business partnerships. We have focused our resources on key opportunities in key precincts and shifted the balance of our portfolio towards Auckland.

Outlook and Dividend

We expect to maintain a dividend of 5.4 cents per share and dividends to rise as we execute our development programme and reduce associated risk.

Payment of the first quarter dividend will be on the 10th of December.

I'd like to thank you for your continued support as shareholders. And I'll close by saying what I said in the Annual Report: it's been a busy year and a very good one – we look forward to more of the same between now and our next AGM.

Thank you.

Scott Pritchard, our Chief Executive, will now take you through a more detailed account of the year and how we executed the company's strategy.

Scott Pritchard, Chief Executive

Driving Value

Thank you Craig.

I agree with what the Chairman has said about our strategy, which I believe is what sets us apart from our peers.

The company's gains this year reflect the hard work of a great team. The bolstered senior team of George Crawford, Richard Hilder, Davida Dunphy, Andrew Buckingham, Kym Bunting and Nicola McArthur have assisted me greatly in positioning the business and our team into a very strong position.

It's the existence of such a clear and defined strategy that enables us as management to be able to move forward with certainty.

To remind you, our Strategy is built upon an ideal of having concentrated ownership of assets in truly strategic locations. This strategy has seen us acquire Bowen Campus in Wellington, HSBC House and Downtown Shopping Centre, on Auckland's CBD waterfront, and secure a unique development opportunity at Wynyard Quarter.

The key feature of the strategy is having ownership of a number of buildings in one party's hands in the best locations, and for Precinct to then be able to influence the tenancy mix, the associated amenity, and importantly the quality of the real estate.

Key Metrics

It *has* been an active year, property markets have performed well and are in a growth phase. We have taken advantage of the market cycle. We purchased $244 m of real estate in 2012 when the market was soft and have sold $274m of assets in the last 12 months when the market has been very strong. The assets we acquired are now worth $45m more than what we paid. Similarly, the assets we have sold were sold for $42m more than what they were worth 3-4 years ago. This represents a $87m creation of value. Following these sales and the capital management initiatives identified by the Chairman we are very pleased to both reduce gearing and advance new developments while also maintaining dividends.

We enjoyed high occupier demand and hit 100% occupancy in Auckland for the first time. Pleasingly, we are seeing strong demand from current clients who want to expand or, in some cases, want more space because their businesses are growing and they are hiring more people.

We are also happy with Precinct's position in Wellington. Our asset sales helped right-size our portfolio in this market. Clients remain keen to get quality corporate space which remains at a premium.

Portfolio occupancy across both cities was 98%, with weighted average lease term of five years.

An evolving portfolio

Over time we see our portfolio evolving around three distinct precincts: the Downtown and Wynyard precincts in Auckland, and the Government precinct in Wellington, while retaining other core CBD assets in Auckland and Wellington markets.

In Auckland we are enjoying the benefits of strong population growth, leading to vacancy levels at all time lows ensuring that our portfolio is fully occupied. Global research also shows that employees and residents worldwide are moving back to the cities as urban areas are regenerated.

Recent research by CBRE confirms that in Auckland the large majority of occupiers have a preference for space near the waterfront.

Auckland's CBD will grow by around 1,750 new workers every year for the next six to seven years. An estimated 200,000 square metres of new space will be needed to meet this demand.

Wynyard Quarter: Key milestones

At Wynyard Quarter we finalised terms with ATEED and Warren and Mahoney who are the first occupiers of our development in this location.

We will invest around $84 million in stage one developing two buildings, which are already 70% leased. The 8,100 square metre Innovation building is entirely pre-leased to ATEED on a 12 year term, housing Grid AKL which is an exciting opportunity for Auckland City. The Mason Brothers building which is pictured here is 25% pre-leased to architects Warren and Mahoney on a 10-year term.

The expected annual rental, fully leased, is $6.7 million, representing an 8% yield on cost, with an expected valuation of $98 million on completion.

We expect to begin construction this month with the Mason Brothers building finished by December next year, and the Innovation Centre at the site completed in July 2017

Wynyard Quarter: next steps

We remain happy with the way this development has been structured so that additional leasing obligations are only triggered when we identify further investment opportunities. This allows us to match the pace of further investment according to identified market need.

It is worth noting that this site is not only a superb opportunity in itself, but represents the last new quality waterfront commercial development space left in Auckland.

Downtown: development update

Staying on Auckland's waterfront, we were really pleased to record several milestones at the Downtown shopping centre.

We further advanced the design work and secured resource consent. We signed an agreement with Auckland Transport for work on the City Rail Link and for our development to proceed at the same time. We conditionally acquired Queen Elizabeth Square and lodged plans for its rezoning. We completed the construction tendering process and have selected Fletcher Construction as our preferred contractor.

Downtown remains the country's best development opportunity, and one that I believe only comes along once in a generation.

Both this development and Wynyard are targeting the increasing interest in waterfront space as the city shifts to a new east-west axis along its shoreline. And for Precinct, of course, the opportunity is especially good, as we own the surrounding buildings. This gives us a unique contiguous footprint, and unique opportunities to create value.

Downtown: leasing and next steps

We were very pleased with the response we received for the first images we released during the year. We have always seen this as an opportunity that will put new life, and business activity, back into the heart of Auckland city and at the edge of the harbour which was its traditional home.

Pre-leasing for the office tower remains on track to receive around 50% commitment prior to proceeding with the development.

As per our commentary in August when we announced our annual results, we remain focused on achieving this outcome prior to Christmas 2015. This outcome will see us commit to the project this year and for construction to commence around mid 2016.

Bowen Campus update

In Auckland, we are focusing on the advantages of the waterfront; in Wellington we are positioned well having Bowen Campus right next to government.

During the year we were pleased to see Bowen Campus selected by the Crown as part of the Government's Wellington Accommodation Project process, which also approved Pastoral House, Mayfair House and 3 The Terrace for the process, while 1 The Terrace remains under consideration.

Good progress is being made on this, and we remain confident that these assets, once repositioned, will be high quality real estate providing good value to shareholders.

Outlook

The key theme emerging from both the year just gone and the outlook for the future is that the company is in a strong position to grow and continue to reshape its portfolio in a strong market.

We have a clear strategy which has been well articulated to the market and understood by our shareholders.

We think the economic environment remains positive. We have seen some risk from lower commodity prices and rising construction costs and we always need to allow for global financial shifts. But Precinct is in a good positon. We are well funded, well placed in strategic, central locations and have a quality portfolio. The occupier market is strong with demand expected to remain high for some time. The Auckland CBD retail market continues to go from strength to strength with pedestrian counts up, new entrants arriving and more established retailers returning.

I would like to add my thanks to you, our shareholders, for your support during the year, and acknowledge the board and a very strong, committed Precinct team. Thank you all for helping make this another good year. I will now hand you back to Craig.

Thank you.