

NZX announcement – 29 May 2019

Commercial Bay Programme Update

Precinct Properties New Zealand Limited (Precinct) (NZX: PCT) announces today that following a detailed independent review of the construction programme for Commercial Bay, the previously disclosed targeted opening dates have now been revised to March 2020 for the retail centre and April 2020 for the new PwC Tower. The revised targeted opening dates are due to observed delays in construction progress by the main contractor, Fletcher Construction, across both the Tower and retail centre components.

Due to this revision the forecasted total project cost is now expected to be between \$690 million and \$700 million with the potential increase of up to \$10 million reflecting the cost of delays to opening. The yield on cost is expected to remain largely unchanged in a range of 7.4% to 7.5%, ensuring that the development remains on track to deliver the expected benefits to Precinct's long-term earnings.

Pleasingly, retail leasing commitment has increased to above 92%, and office leasing continues to advance, with further leasing beyond the currently committed 80% progressing well.

Scott Pritchard, Precinct's CEO, said: "As previously stated, the last two months have been critical in progressing the project, and it is unfortunate to have to confirm that we have observed further slippage beyond what we observed earlier this year".

"We will continue to work closely with all retailers and office occupiers at Commercial Bay to manage risks and minimise any potential disruptions that the revised opening dates may cause. Our key priority is ensuring that all retailers can plan their opening at Commercial Bay with confidence, and that our office occupiers can effectively transition to their new premises".

"While we are very disappointed that the opening of Commercial Bay has been further delayed, we remain steadfastly focused on the successful delivery of the overall project to the highest quality standards. We are committed to what we set out to deliver - creating a world-class waterfront destination on par with other gateway cities".

The revised opening date for the retail centre takes account of expert advice that the base building works are unlikely to be complete before December 2019. In addition, Precinct has decided to provide additional time for completion of retail fitout works after these base building works have been completed. This decision has been made to ensure retailers have the best

possible opportunity to open successfully as well as ensuring that the quality of the finished centre meets our aspirations. Consequently, the retail opening date will be in March 2020, approximately three months after estimated completion of base build works.

The main contractor has brought a number of claims against Precinct under the construction contract seeking extensions of time and/or additional cost and further claims are anticipated. To date these claims have not resulted in material additional costs or extensions of time being awarded and Precinct remains confident that the provisions of the construction contract appropriately protect Precinct from losses due to contractor delay and/or breach of contractor obligations. Liquidated damages are expected to largely mitigate the impact on Precinct from losses of income and other prolongation costs over the delayed period, however liquidated damages will cease to apply following completion of base build works.

Precinct notes that the programme review was completed by its project manager, RCP, and has been completed independently of the main contractor. The review has been undertaken to inform Precinct of the likely completion date for the project, making appropriate risk allowances based on RCP's observance of contractor delays to date. This review was commissioned because the main contractor has not kept Precinct informed of their programme for completion of the base build works reflecting the construction methodology being employed.

Earnings guidance for the 2019 financial year remains unchanged at approximately 6.60 cents per share (before performance fees). Precinct will provide a full, detailed update on the Commercial Bay project in our full year results in August 2019.

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About Precinct (PCT)

Precinct is New Zealand's only listed city centre specialist investing predominately in premium and A-grade commercial office property. Listed on the NZX Main Board, PCT currently owns Auckland's PwC Tower, AMP Centre, ANZ Centre (50%), Zurich House, HSBC House, Mason Bros. Building, 12 Madden Street, 10 Madden Street and Commercial Bay; and Wellington's AON Centre, Dimension Data House, No. 1 and No. 3 The Terrace, Pastoral House, Mayfair House and Bowen Campus.