Developing the future

Precinct Properties New Zealand Annual Results

August 2017

Precinct PROPERTIES NEW ZEALAND

Agenda

Precinct Properties New Zealand Limited
Scott Pritchard, CEO
George Crawford, COO
Richard Hilder, CFO

Note: All $ are in NZD

Highlights

- **100% occupancy**
- **Completion of Wynyard Quarter - Stage One**
  - Ahead of feasibility – 18% profit
- **Advancing on strategy**
  - $900 million in committed developments
  - Total office pre-commitment increased to 80%
- **Commercial Bay returns enhanced**
  - Forecast profit on completion lifted to 31%
  - Retail space 46% committed
- **Advancing Bowen Campus**
  - Office 100% committed
  - Works remain on budget and programme
- **Growing profitability**
  - 2.7% increase in net operating earnings
  - $162.1 million in net profit after tax (NPAT)
- **Considering a subordinated convertible note issue**
  - offer of up to $150 m

100%
Occupancy

8.7 years
Portfolio weighted average lease term

7.5%
Blended yield on cost on current developments

$77.5 million
Portfolio revaluation uplift

$213 million
Expected Commercial Bay profit

Section 1

Strategy

Strategy Overview

Precinct is a specialist city centre real estate investment company. It invests in high quality strategically located city centre real estate.

- Most recently reviewed in 2012, the strategy has been continually refined since 1997 when the company was first established
- Current strategy provides clear direction for the Precinct team and shareholders
- May invest in other city centre real estate including land, hotels and value add properties where profitability can be enhanced
- Ambition to control or own strategic city centre precincts enabling us to create vibrant environments

Principles of success

1. Concentrated ownership in strategic locations
2. Great client relationships
3. Investing in quality
4. A long-term view

Strategy focus

Empowering people

Operational excellence

Developing the future

Achieving strategy

Operational excellence

	2012	▶	2017
Asset age	21 years		11 years
Quality	A-grade		Premium
WALT	5.9 years		8.7 years
Occupancy	94%		100%
NBS Score	85%		94%

Empowering people

	2012	▶	2017
Dedicated staff	14		55
Property functions	Out-sourced		In-house
Client satisfaction	64%		72%
Staff engagement	75%		78%

Developing the future

	2012	▶	2017
Acquisitions	Bowen Campus Downtown Shopping centre HSBC House Queen Elizabeth Square		
Regeneration Precincts	Wynyard Quarter Bowen Campus Commercial Bay		
Development pipeline	$0		$1.2 billion
% of retail	4.5%		18%[1]
AKL Weighting	50%		72%
Mixed use projects	Commercial Bay Wynyard Quarter		
Partnerships	Panuku Development Auckland Generator		

[1]includes Commercial Bay retail

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Auckland drivers

93,000

Net migration over the past 3 years into Auckland

416,000

Working age population expected growth to 2043

$60 billion

Council identified infrastructure projects over next 30 years

- The Auckland economy continues to outperform other regions
- Annual net migration figures remain at record levels with Auckland accounting for half of New Zealand net migration numbers
- Tourism sector remains strong and has surpassed dairy as New Zealand's number 1 export sector
- $15 billion of expected infrastructure spend on public transport and public open space
- 2017 election has attracted further commitments from major political parties for continued Auckland infrastructure spend

Auckland CBD

Continues to benefit from the trend of Auckland CBD centralisation

- The CBD's increasing market share of regional office employment reflects the recent trend to greater centralisation
  - Currently makes up 22% of the Auckland region
- The number of residents in the city centre continues to increase and the city is forecast to be home to more than 40,000 people by 2018.
- $113 million of Council planned CBD waterfront public spaces and projects
- Record hotel occupancy levels reached in Auckland in the year on the back of the continued strong tourism sector
  - Daily rates have increased 13.3% year on year
  - Remains a critical shortage of hotel rooms
- Online retail trends have not impacted CBD retail with demand remaining elevated due to high levels of foot count traffic in the CBD
- Cruise industry season is expected to grow with 280,000 cruise ship passengers anticipated for the 2017/2018 summer period

40,000+

Inner city residents by 2018

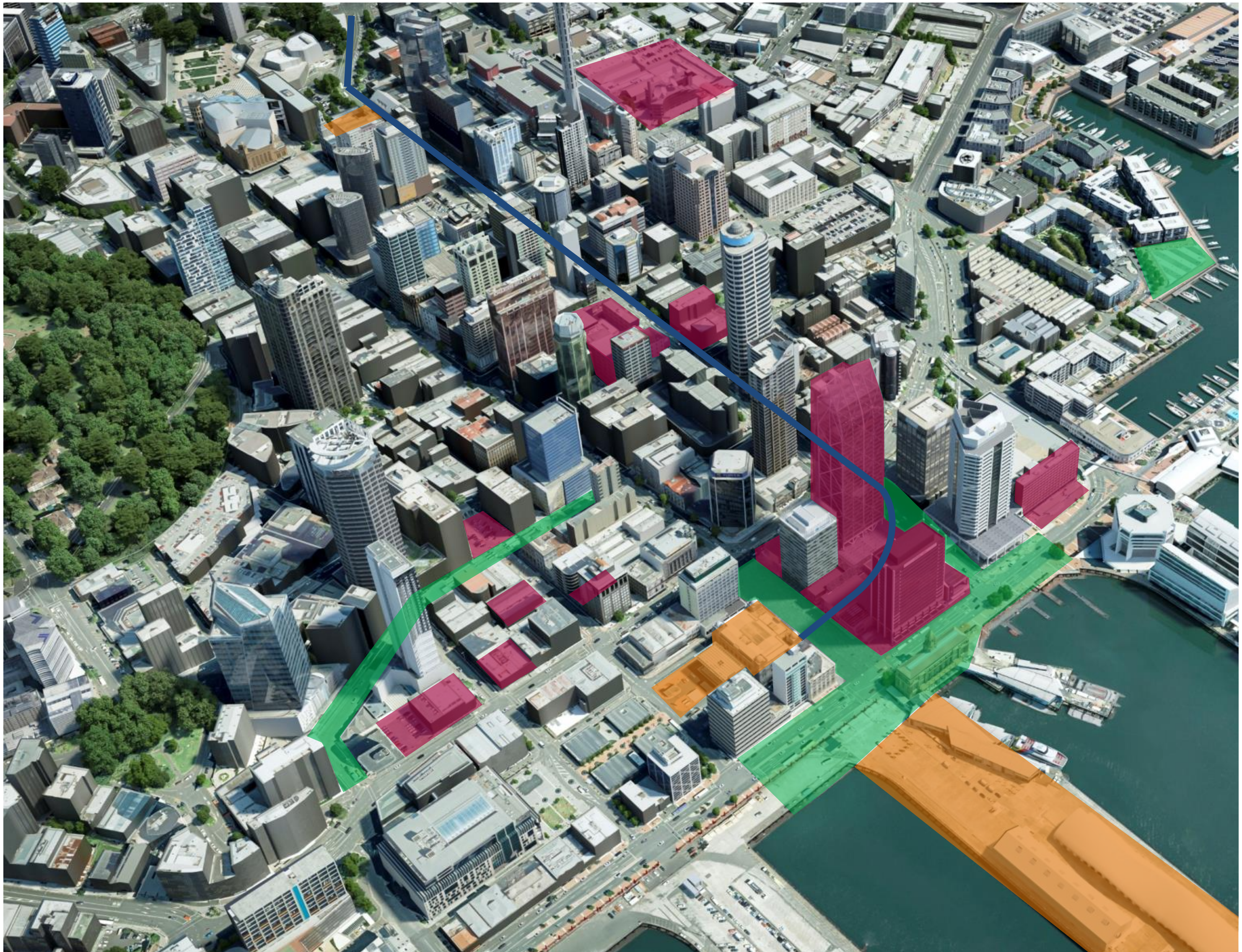
+24%

Increase in retail space since 2002

+17%

Increase patronage adjacent to Commercial Bay

Private and Public investment



Map key:

- Private investment
- Public investment
- City Rail Link
- Public regeneration

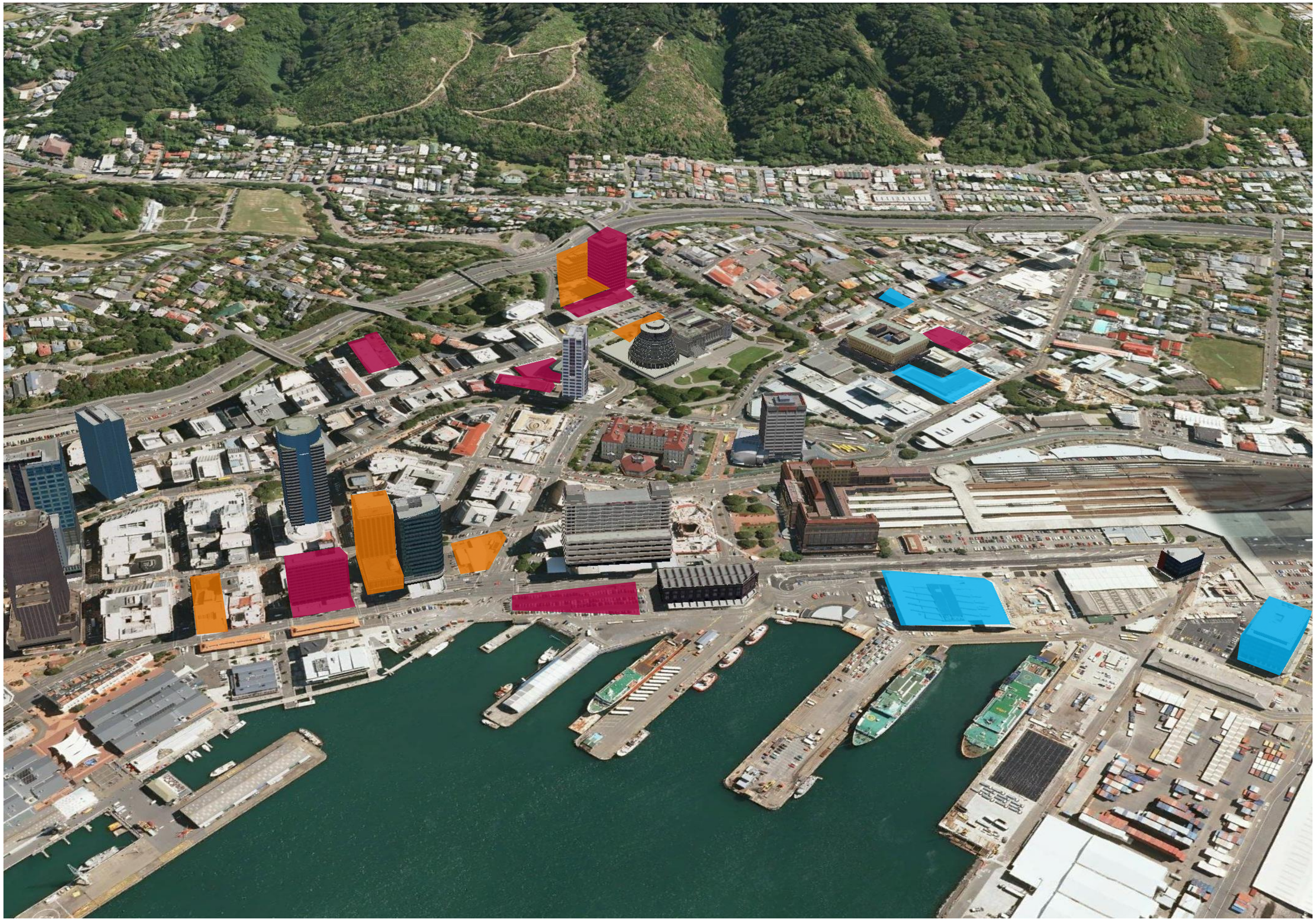
Not shown:

- Wynyard Quarter
- Americas cup
- Park Hyatt Hotel
- Fanshawe Street
- UOA Engineering
- Albert Street

Wellington CBD

- Capital city of New Zealand supporting:
  - Central government offices
  - Corporate enterprise
  - Growing tech sector
- Strategy centralised, compact city
  - Topography constraints
  - Vibrant City centre with retail concentration and strong resident population
  - Public transport infrastructure in place
- Supply withdrawal of office stock following Kaikoura Earthquake
  - The amount of prime vacant space reduced by 11,200sqm to just 1,300 sqm over the year to June 2017 (CBRE)
  - Minimal supply response to date
- Retail in central city remains robust with YoY growth 3.7% (CBRE)

Wellington



Map key:

- Current Projects
- Development sites
- Potential stock withdrawals

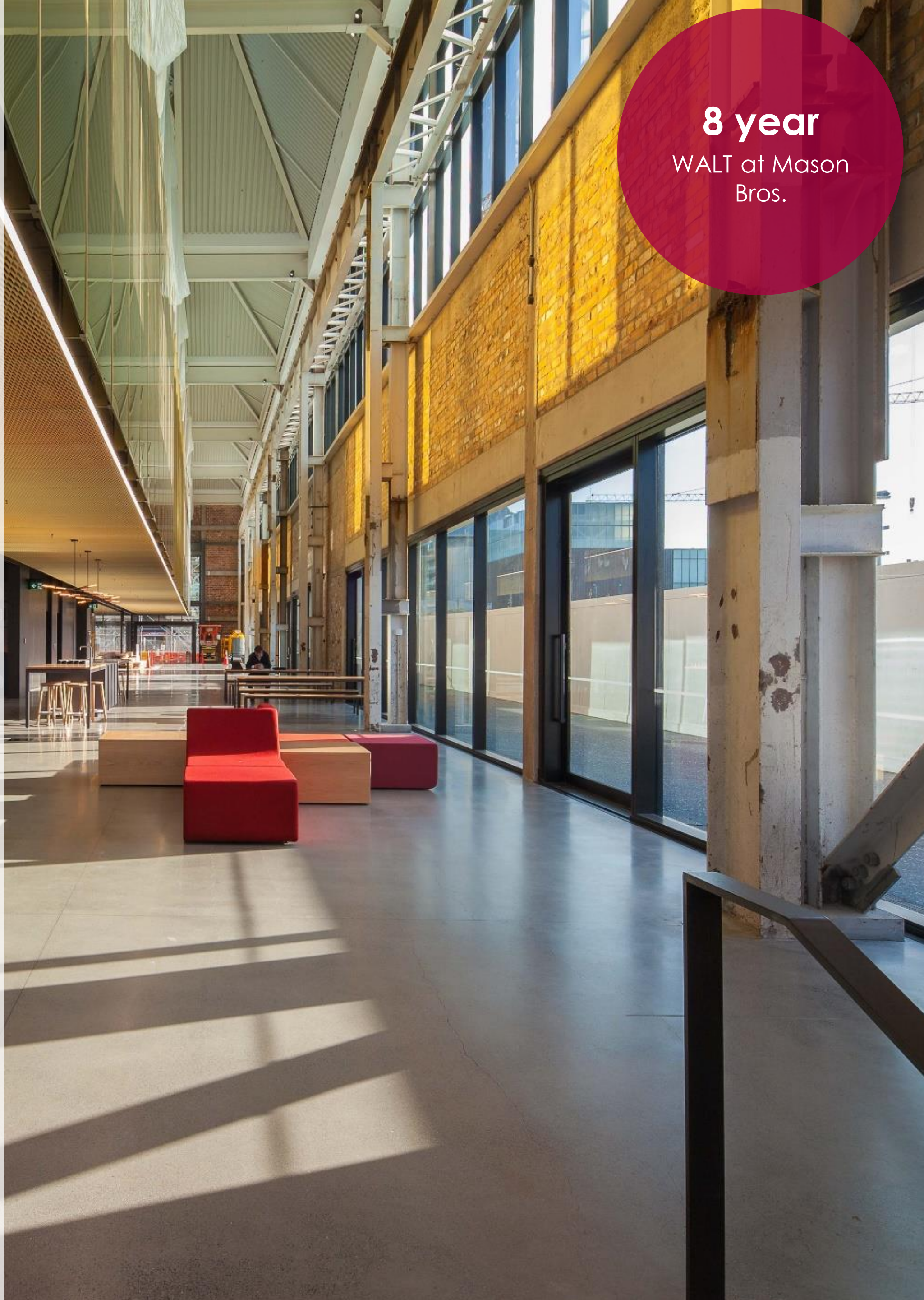
Section 2

Major initiatives

Wynyard Quarter Stage One

Successfully completed this year

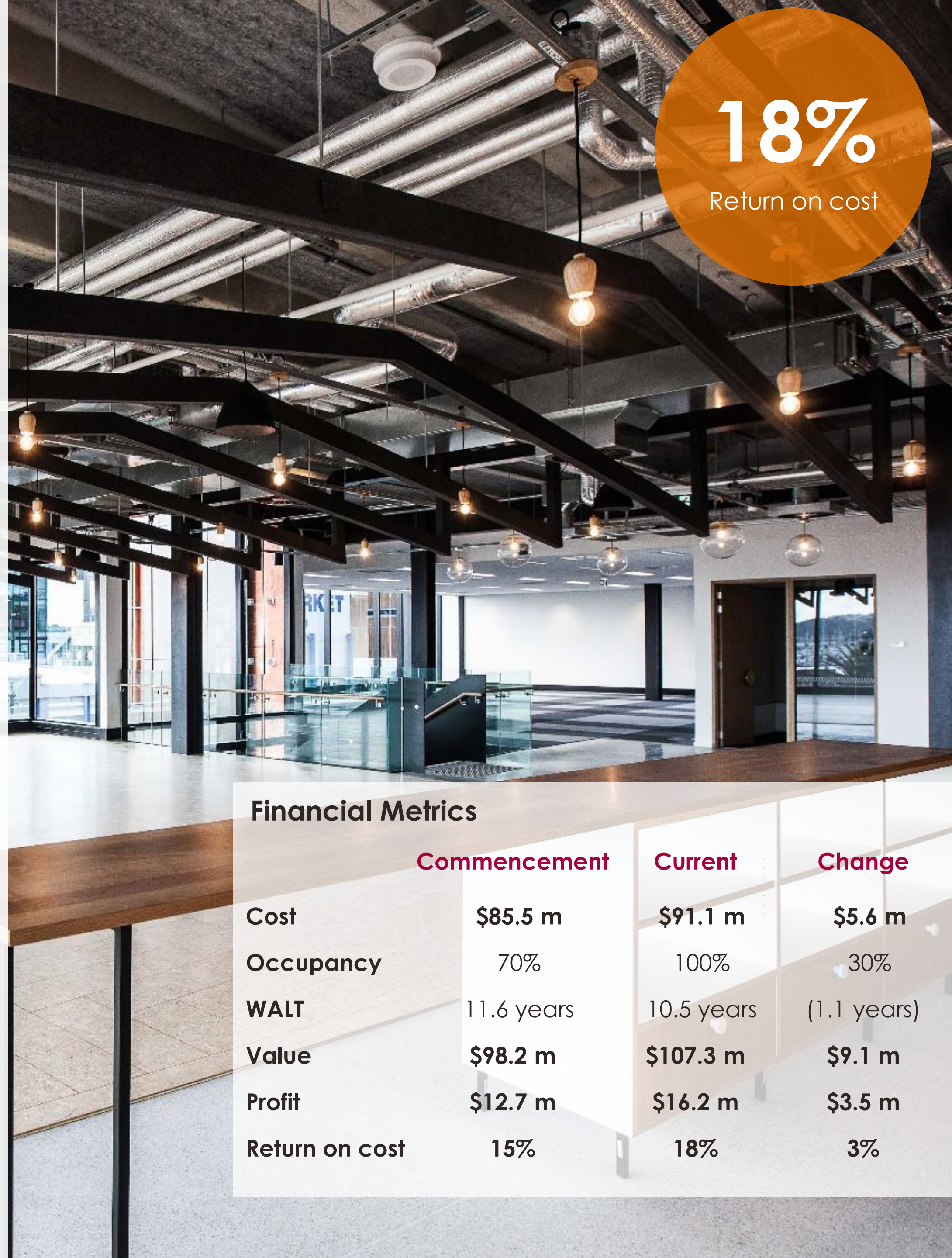
- The Innovation Precinct includes:
  - **Mason Bros.** redevelopment across 4,900sqm
  - **5A Innovation Building** across 8,100sqm
- Designed and developed with a focus on sustainability and innovation, Stage One forms the first completed buildings within the Innovation Precinct
- Development agreement signed in 2014
- Stage 1 works commenced end of 2015
- Construction completed 30 June 2017
- ATEED appointed Generator to manage GRID AKL in May 2017



8 year
WALT at Mason Bros.

Wynyard Quarter Stage One

- Commencement value of **$98 million** increasing to **$107 million** on completion due to:
  - Additional NPI
  - Cap rate compression
  - 100% leased on completion
- Increase in project cost to $91 million includes:
  - $4.3 m additional payment to PDA following 50% super profit payment
  - $0.7 m balance fee payable to AHML due to significant outperformance
- Increase in return on cost to **18%**
  - Profit increasing from $12.7m to **$16.2m**
- **100%** occupied on completion of construction



18%
Return on cost

Financial Metrics

	Commencement	Current	Change
Cost	**$85.5 m**	**$91.1 m**	**$5.6 m**
Occupancy	70%	100%	30%
WALT	11.6 years	10.5 years	(1.1 years)
Value	**$98.2 m**	**$107.3 m**	**$9.1 m**
Profit	**$12.7 m**	**$16.2 m**	**$3.5 m**
Return on cost	**15%**	**18%**	**3%**

Artist render of Bowen State Building ground floor lobby

Commercial Bay

$88 million increase in value on completion to **$941 million**

$213m expected profit on completion

- **46%** of retail space committed
- **66%** of office space committed
- Retail launch phased with two stage opening
  - c. 20% opening mid 2018
  - Remainder opening in Q1 2019

Financial Metrics

	Commencement	Current	Change
Retail Pre-committed	**0%**	**46%**	**46%**
Office Pre-committed	52%	66%	14%
Total project cost	$681 m	$685 m	$4 m
Value on Completion	$853 m	$941 m	$88 m
Return on cost	**19.4%**	**31.0%**	**11.6%**

	To date	FY18	FY19
Indicative and actual spend	$255 m	$239 m	$191 m

Commercial Bay retail

- Significant leasing progress achieved through the year
  - 20 additional pre-commits including 2 food and beverage anchors and 2 flagship retail stores

- Leasing secured to date is **3%** above budgeted rents on a WALT of **9.4 years**

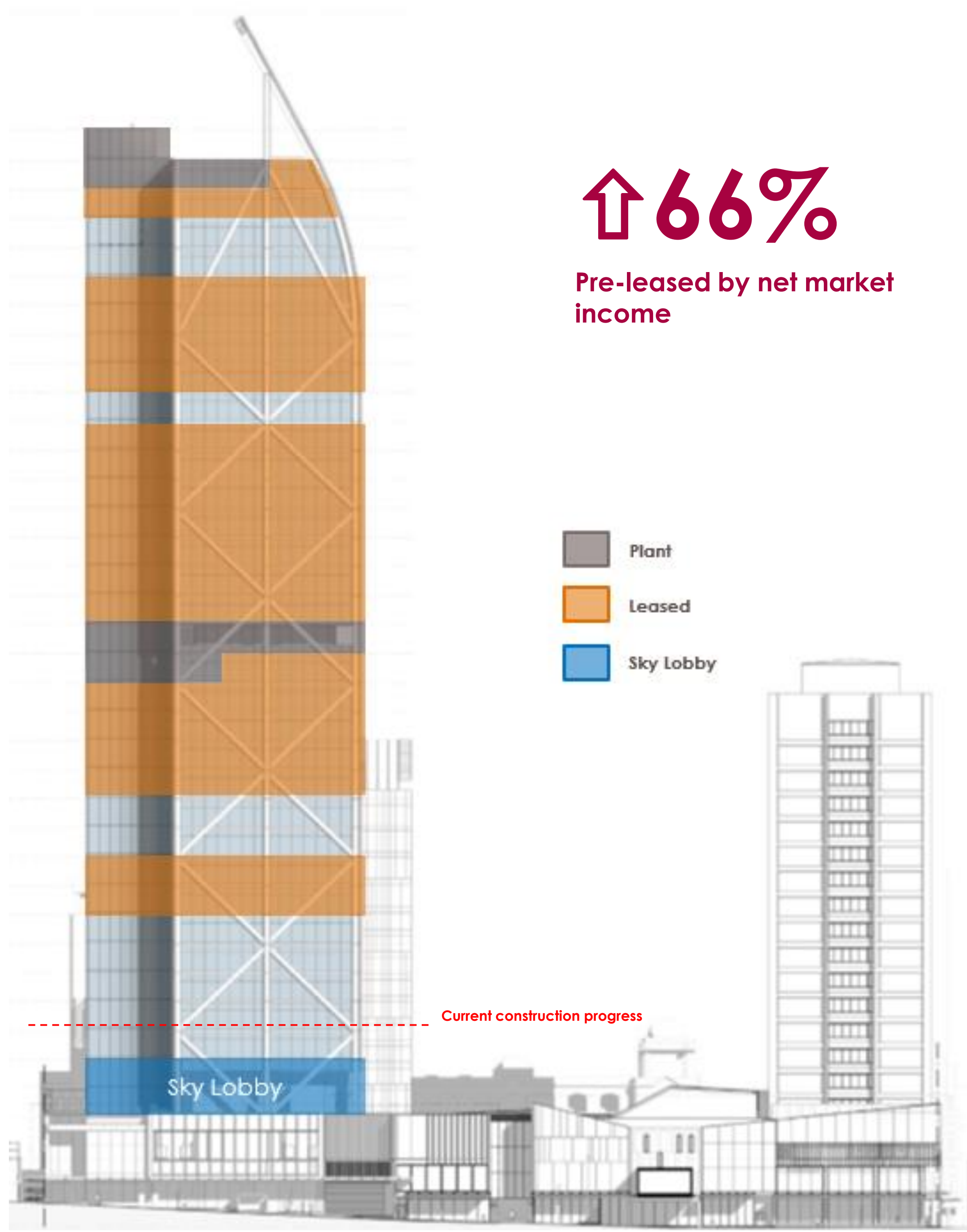
- Opening of retail now split into two phases
  - First phase comprising around 20% of the retail expected to open mid 2018
  - Remaining balance expected to open late Q1 2019

- CBD retail benefits from high levels of foot traffic, tourism and large catchments. Insulated from online retailing trends with focus on experiential retail, F&B.

Commercial Bay office

66% pre-committed

- Net leasing in period of 6% or 2,500sqm
  - 1,500sqm of option space not required by pre-commitment clients
  - Minimal option space remains in 66% commitment
- Expected WALT of **12 years** on completion
- Leasing to date secured **3%** above budget rents
- Additional 4 floors currently under negotiation
- Still two years until practical completion
- Programme remains on time and on budget



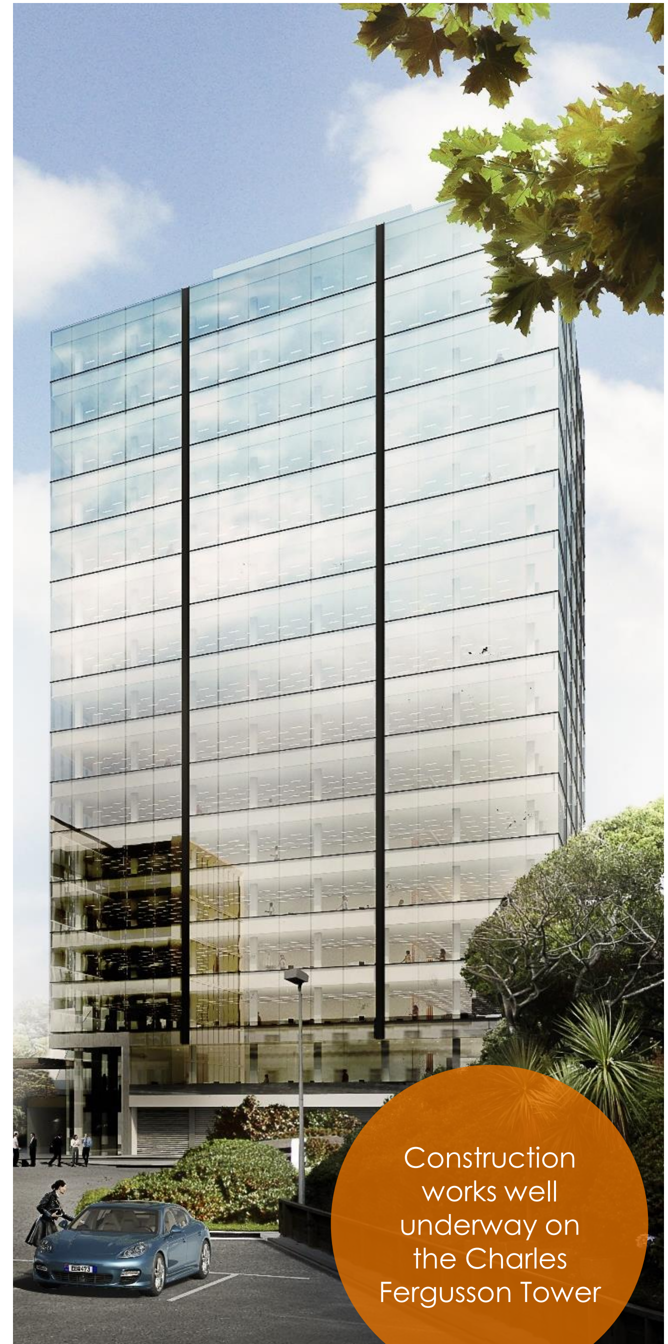
Bowen Campus

100% pre-committed

- Crown has advised its intention to lease the remaining 4 floors of Bowen State building
- A new lead agency is approved to occupy the Bowen State building
- Construction works are progressing well
- Kaikoura Earthquake impacted Crown agencies occupier arrangements for Bowen Campus and balance assets

Financial Metrics

	Commencement	Current	Change
Construction Start		November 2016	
Expected Completion		Early 2019	
Total project cost	$203 m	$203 m	-
Value on Completion	$229 m	$233 m	$4 m
Return on cost	13%	15%	2%
	To date	**FY18**	**FY19**
Indicative and actual spend	$96 m	$44 m	$63 m



Construction works well underway on the Charles Fergusson Tower

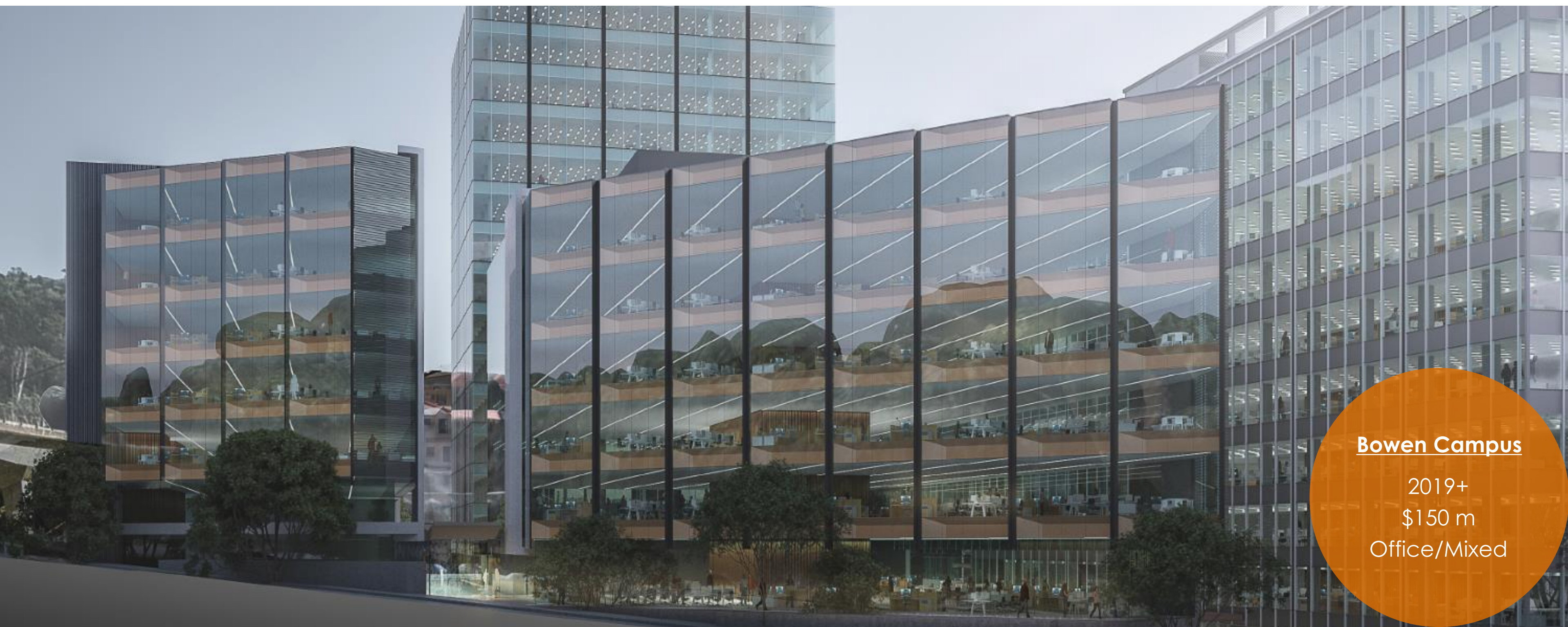
Future Opportunities

1 Queen Street

2019+
$150 m
Office/Mixed

Wynyard Quarter

2017+
$200 m
Office



Bowen Campus

2019+
$150 m
Office/Mixed

Development Summary

7.5%
Blended yield on cost

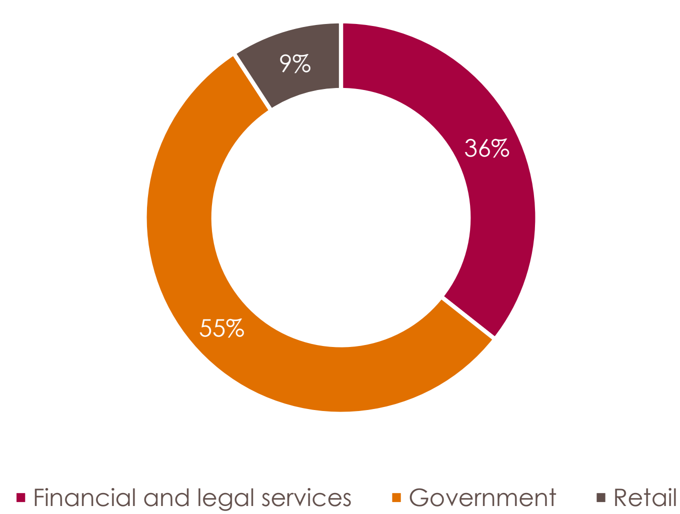
70%
Pre-leased by NLA on office and retail

27%
Blended return on cost

$160m
Un-recognised development profit

Key development metrics	2017	2016
Development Pipeline	$0.9 b	$1.0 b
Total development NLA	96,825 sqm	109,827 sqm
Total office NLA	76,397 sqm	89,542 sqm
Office leased to date	61,279 sqm	66,131 sqm
% of office leased	80%	74%
% of total NLA leased	70%	64%
WALT committed to date	13.2 years	13.1 years
Value on Completion	$1,183 m	$1,140 m
Weighting to Auckland	80%	80%

Strong occupier covenant (of leased space)



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Section 3

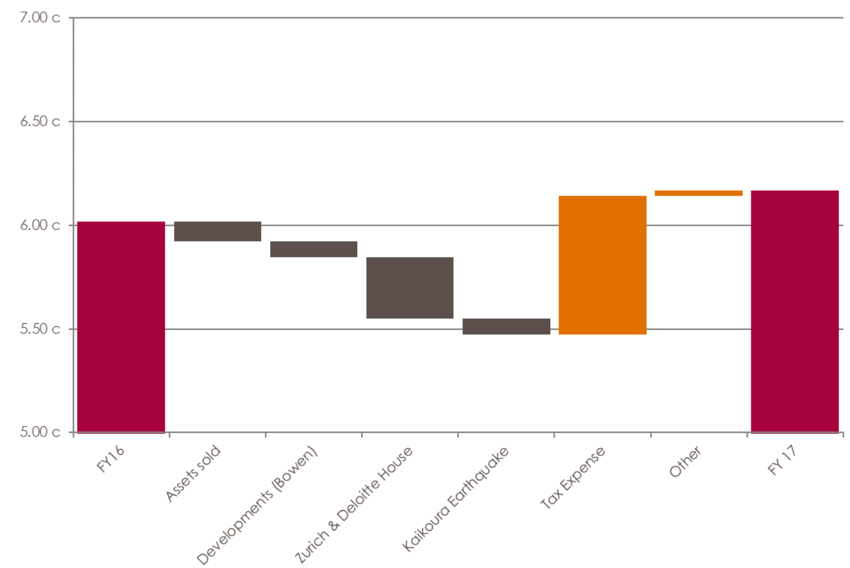
Financial results and capital management

Financial performance

For the 12 months ended ($m)	30 June 2017 Audited	30 June 2016 Audited	Movement
Operating income before indirect expenses	**$90.4 m**	**$104.5 m**	**($14.1 m)**
Indirect expenses	($2.1 m)	($2.0 m)	($0.1 m)
Manager's performance fees			
Manager's base fees	($7.7 m)	($8.1 m)	+ $0.4 m
EBIT	**$80.6 m**	**$94.4 m**	**($13.8 m)**
Net interest expense	($3.4 m)	($11.0 m)	+ $7.6 m
Operating profit before tax	**$77.2 m**	**$83.4 m**	**($6.2 m)**
Current tax expense	($2.5 m)	($10.6 m)	+ $8.1 m
Operating profit after tax	**$74.7 m**	**$72.8 m**	**+ $1.9 m**
Deferred tax (expense) / benefit	($1.9 m)	$13.3 m	($15.2 m)
Unrealised net gain / (loss) in value of investment properties	$77.5 m	$81.2 m	($3.7 m)
Depreciation recovered on sale		($10.0 m)	+ $10.0 m
Net realised gain / (loss) on sale of investment properties		($2.7 m)	+ $2.7 m
Unrealised net gain / (loss) on financial instruments	$11.8 m	($16.4 m)	+ $28.2 m
Net profit after tax and unrealised gains	**$162.1 m**	**$138.2 m**	**+ $23.9 m**
Net operating income before tax - gross	6.37 cps	6.89 cps	($0.51 cps)
Net operating income after tax - post performance fees	6.17 cps	6.01 cps	+ $0.16 cps
Net operating income after tax - pre performance fees	6.17 cps	6.01 cps	+ $0.16 cps
Dividend	5.60 cps	5.40 cps	+ $0.20 cps
Payout ratio	90.8%	89.9%	0.9%

- Result in line with forecast despite lost income and costs from Kaikoura earthquake
- Revenue and interest reduced due to income producing assets (Downtown & Bowen) becoming development assets
- Earnings supported by lower effective tax rate

Net EPS Reconciliation

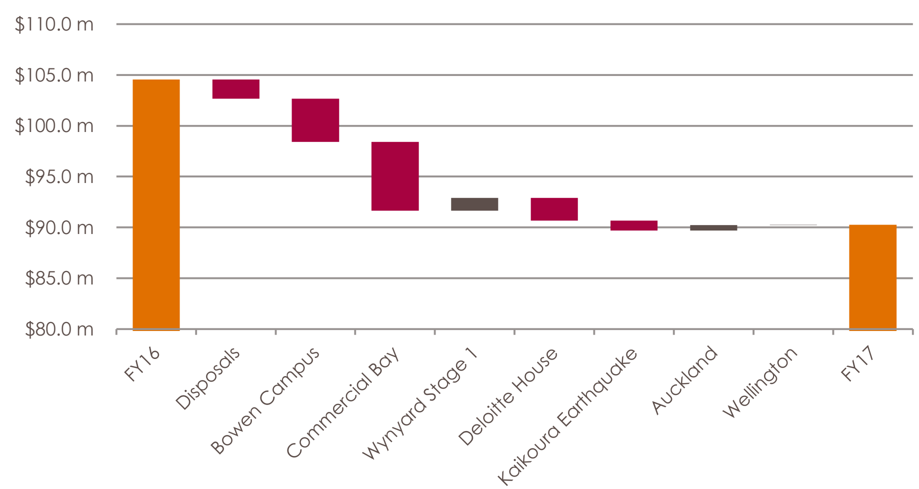


Net property income

For the 12 months ended $m	30 June 2017	30 June 2016	Δ
AMP Centre	$9.2	$9.1	+ $0.1
PwC Tower	$16.7	$16.5	+ $0.2
ANZ Centre	$17.9	$17.7	+ $0.2
HSBC House	$8.1	$8.1	
Mason Brothers	$1.3		+ $1.3
Zurich House	$4.6	$4.6	
Auckland total	**$57.7**	**$55.9**	**+ $1.8**
Pastoral House	$4.3	$4.4	($0.1)
157 Lambton Quay	$6.5	$6.2	+ $0.3
State Insurance Tower	$9.3	$9.7	($0.4)
Mayfair House	$3.2	$3.0	+ $0.2
No 1 The Terrace	$6.1	$7.0	($0.9)
Wellington total	**$29.5**	**$30.4**	**($0.9)**
Sub Total	**$87.3**	**$86.4**	**+ $0.9**
Transactions and Developments			
125 The Terrace	($0.0)	$1.2	($1.3)
Commercial Bay	($0.1)	$5.4	($5.5)
Bowen Campus	$2.0	$6.2	($4.2)
Zurich House lower levels		$1.3	($1.3)
Deloitte House	$1.1	$3.4	($2.3)
171 Featherston Street	($0.0)	$0.4	($0.4)
80 The Terrace		$0.3	($0.3)
Sub Total	**$3.0**	**$18.2**	**($15.2)**
Total	**$90.4**	**$104.5**	**($14.3)**

- Transactions & developments impacts lowered NPI by $15.2 million
- Auckland up $1.8m mainly due to Mason Bros completion
- Wellington down $0.9m mainly due to seismic repair costs

Reconciliation of movement in net property income



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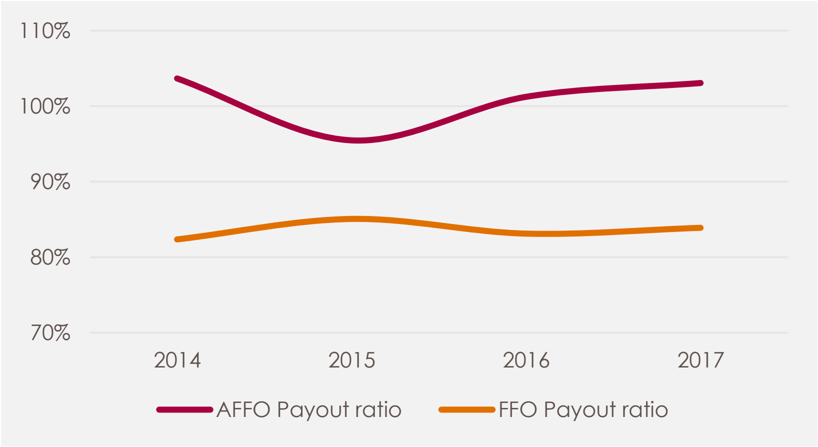
Adjusted funds from operations

PCA Definition		30 June 2017
	Net profit after tax and unrealised gains	**$162.1 m**
A	**Investment Property and Inventory**	
A2	Net realised gain / (loss) on sale of investment properties	
A3	Unrealised net gain / (loss) in value of investment properties	($77.5 m)
	Financial instruments	
C2	Unrealised net gain / (loss) on financial instruments	($11.8 m)
E	**Deferred Tax**	
E1	Deferred tax (expense) / benefit	$1.9 m
	Depreciation recovered on sale	
	Net operating income after tax	**$74.7 m**
	Dividend paid in financial year	**5.60 cps**
D	**Incentives and Rent Straight lining**	
D2&4	Amortisations of incentives and leasing costs	$6.4 m
D5	Straight-line rents	($0.2 m)
	Funds from Operations (FFO)	**$80.9 m**
	FFO per weighted security	**6.68 cps**
	Dividend payout ratio to FFO	84%
	Adjusted Funds From Operations	
G2	Maintenance capex	($5.8 m)
G3	Incentives and leasing fees paid for the period	($9.3 m)
	Adjusted Funds From Operations (AFFO)	**$65.8 m**
	AFFO per weighted security	**5.43 cps**
	Dividend payout ratio to AFFO	103%

- Dividend of 5.60 cps
- FFO per security was 6.68 cps, 84% payout
- AFFO per security was 5.43 cps closely matching dividend, 103% payout
- Incentives and fees ($9.3m) influenced by the large amount of leasing executed



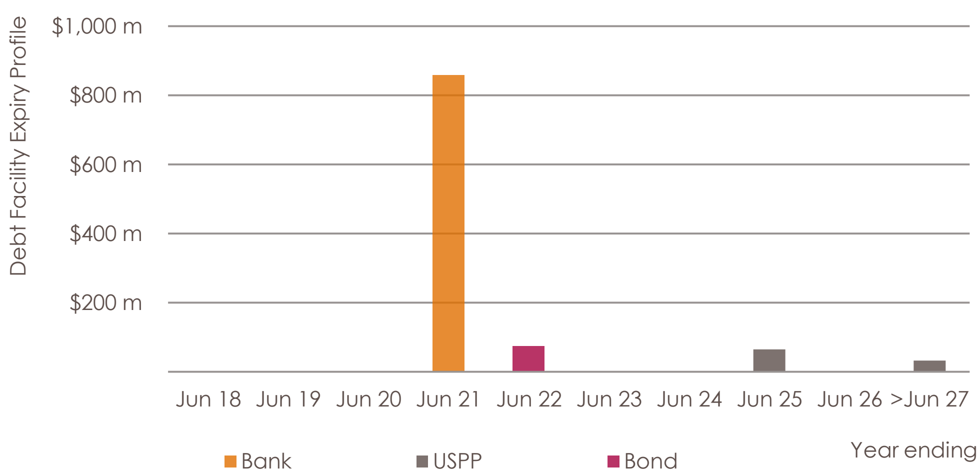
FFO and Adjusted Funds From Operations (AFFO) have been calculated based on the Property Council of Australia's white paper 'Voluntary best practice guidelines for disclosing FFO and AFFO".

Capital management

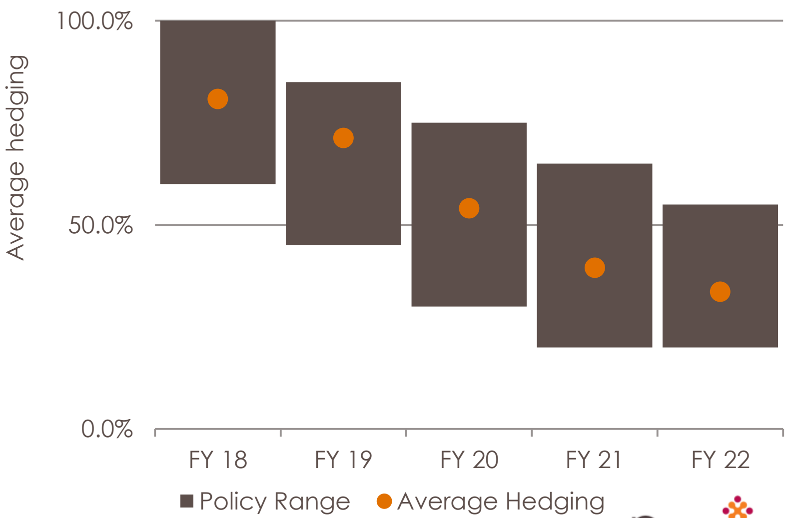
- $581 million of undrawn facilities to fund development pipeline
- No debt expiries during development phase with first expiry in November 2020
- 38% of drawn debt currently from non-bank sources
- Potential subordinated convertible note would offer the following benefits:
  - Reduction in committed gearing of between 5-6%
  - Allows matching of capital to completion of developments, avoiding short term earnings dilution compared to other capital sources
  - Flexibility to repay, enabling balance sheet optimisation

Key metrics	June 2017	June 2016
Debt drawn ($m) [1]	**452**	221
Gearing - Banking Covenant	**25.1%**	14.4%
Weighted facility expiry (years)	**4.0**	5.1
Weighted average debt cost (incl fees)	**5.6%**	5.4%
Hedged	**65%**	90%
ICR (previous 12 months)	**3.9 times**	6.9 times
Weighted average hedging (years)	**2.7**	4.4
Total debt facilities ($m)	**1,033**	1,033

Debt maturity profile



Hedging profile



Precinct considering a convertible note offer

- Precinct is considering making an offer of up to $150m of four year, fixed rate subordinated convertible notes
  - The offer is expected to consist of a Priority Offer to New Zealand resident Precinct retail shareholders, as well as a General Offer
  - In addition to interest, noteholders will benefit from any appreciation of Precinct's share price above a fixed price to be set at a premium to the current market price
  - The notes are expected to be quoted on the NZX Main Board

Up to $150m
Subordinated convertible notes

4 years
Fixed rate

- Joint Lead Arrangers (and Managers)

FNZC   FORSYTH BARR

- Joint Lead Managers

ANZ   DeutscheCRAIGS

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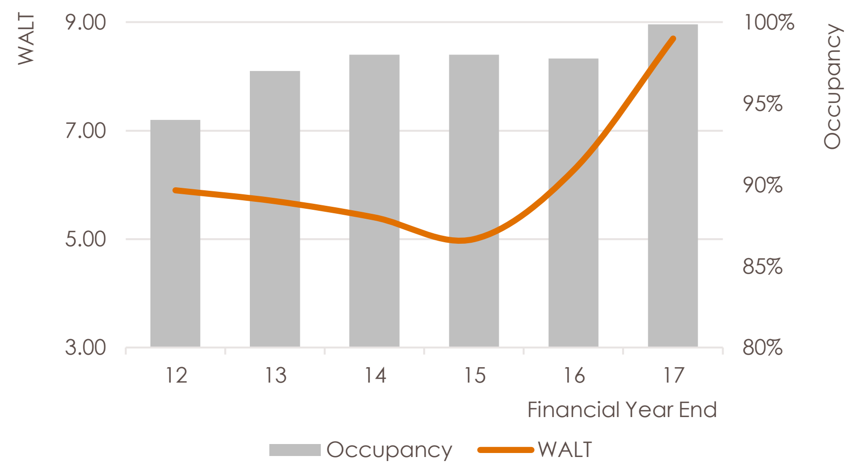
Conversion mechanism and cash election

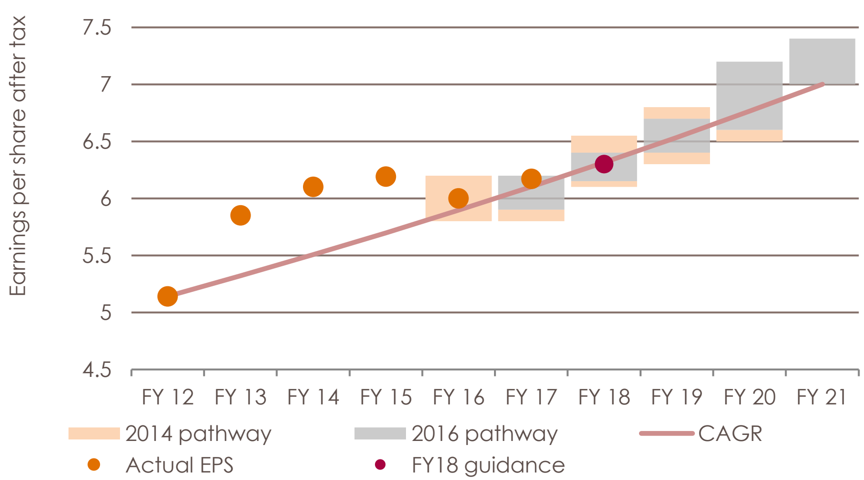
- The conversion price for conversion of notes into shares will be set at the lesser of:
  - Fixed price per share (“Conversion Price Cap”); and
  - a 2% discount to the 20-day volume weighted average price (“Market Price”)
- Cash election at Precinct’s option:
  - Rather than converting notes into shares, Precinct may elect to instead pay a cash amount to noteholders at the end of the term
  - In this case, noteholders would be paid an amount equal to the Market Price (calculated as set out above) of all the shares that would have otherwise been issued to them on conversion of their notes, so that they receive an equivalent value to those shares and will similarly benefit from any appreciation of the share price above the Conversion Price Cap prior to the conversion date
  - No money is currently being sought and applications for the notes cannot currently be made. If Precinct offers the notes, the offer will be made in accordance with the Financial Markets Conduct Act 2013

Earnings pathway and quality shift

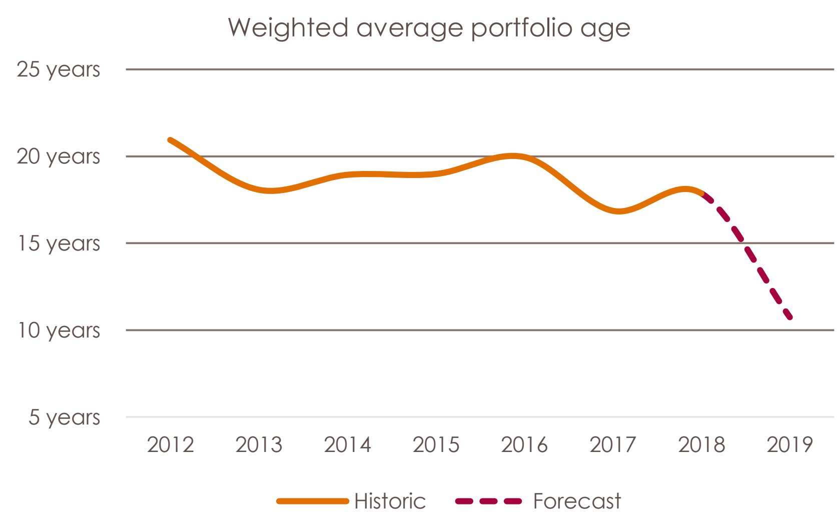
- Earnings pathway maintained to 2021
- Forecast earnings growth expected to provide CAGR of 3.5% between 2012 and 2021
- Significant quality shift occurring contemporaneously
- Committed WALT now close to 9 years



Earnings per share – Actual and pathway



Note: The graph presented above represents a hypothetical scenario only and should not be considered a budget, plan or forecast. There is no certainty that earnings will eventuate as illustrated.



FY18 Earnings and dividend guidance

6.30cps

FY18 net operating income after tax, before performance fees

5.80cps

FY18 dividend guidance

+3.6%

Increase in dividend

- Lift in dividend based on confidence in earnings growth
- Execution of strategy
  - 80% pre-commitment - Commercial Bay Tower and Bowen Campus
  - Strong interest in Commercial Bay retail
  - 100% Occupancy of the Investment Portfolio
- Continued low interest rates
- Very low effective tax rate due to development related deductions

Section 4

Operations and market

Investment portfolio overview

Key metrics

	Investment Portfolio	Auckland	Wellington
WALT [1]	**8.7 years**	7.7 years	10.6 years
Occupancy	**100%**	100%	100%
Investment Portfolio Value ($m)	**$1,535 m**	$1,111 m	$424.5 m
Weighted average market cap rate	**6.2%**	6.0%	6.9%
NLA (m²)	**224,376 m²**	134,719 m²	89,657 m²
Under Renting position	**4.7%**	5.7%	2.5%

[1] Includes development leasing

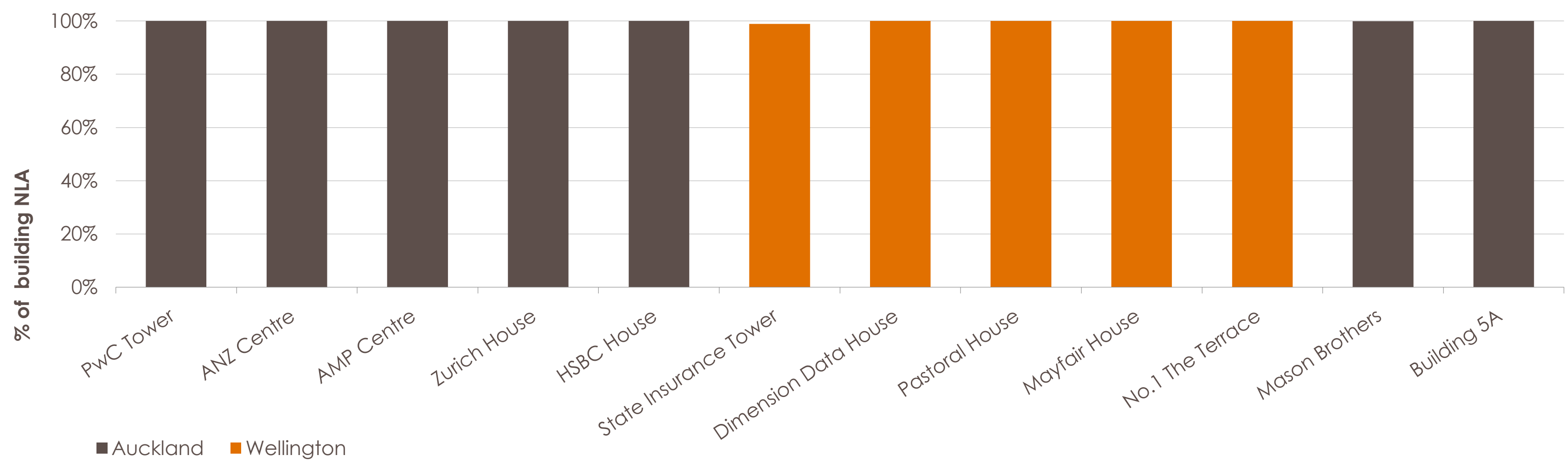
Portfolio metrics

72%

weighting (by value) to Auckland

100%

portfolio occupancy



Portfolio activity

- Major portfolio leasing has underpinned portfolio performance and driven 100% occupancy
  - AMP Services new 10 year lease over 4,400 sqm
  - Buddle Findlay new 12 year leases over 6,700 sqm across Auckland and Wellington
  - CBRE relocated to ANZ Centre facilitating their growth and NZ Super's growth into the vacated space
  - State Insurance Tower and Dimension Data House significant office leasing to achieve 100% occupancy
- 56 leasing transactions totalling 37,500 sqm or $14.5 million in contract rent
  - Secured on a 6.9 year WALT
- Compared with previous contract rent
  - Auckland leasing showed growth of 9.6%
  - Wellington declines due to major leasing at State Insurance Tower and Dimension Data House leading to 100% occupancy

Auckland	**Number**	**NLA**	**Uplift on Contract**	**WALT**
Leasing Transactions	34	24,377 m²	9.6%	6.8 years
Market Reviews	2	1,824 m²	2.7%	
Wellington				
Leasing Transactions	22	13,207 m²	-4.9%	7.0 years
Market Reviews	9	7,054 m²	0.0%	
Portfolio				
Leasing Transactions	56	37,584 m²	4.0%	6.9 years
Market Reviews	11	8,878 m²	0.6%	

12,500m²

Leased at State Insurance Tower & Dimension Data House, resulting in 100% occupancy for the buildings

+9.6%

Lift in contract rents from Auckland portfolio leasing

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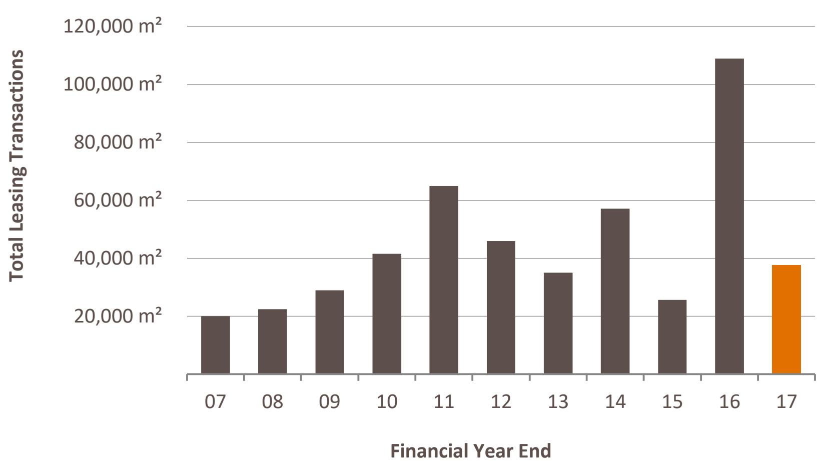
Lease events

- 49% of portfolio subject to review event in FY18. Of this 9% subject to market review.
- 9% or 19,500m^2 expiring in 2018
- 120,000 sqm of leasing events including rent reviews

Major expiries FY18

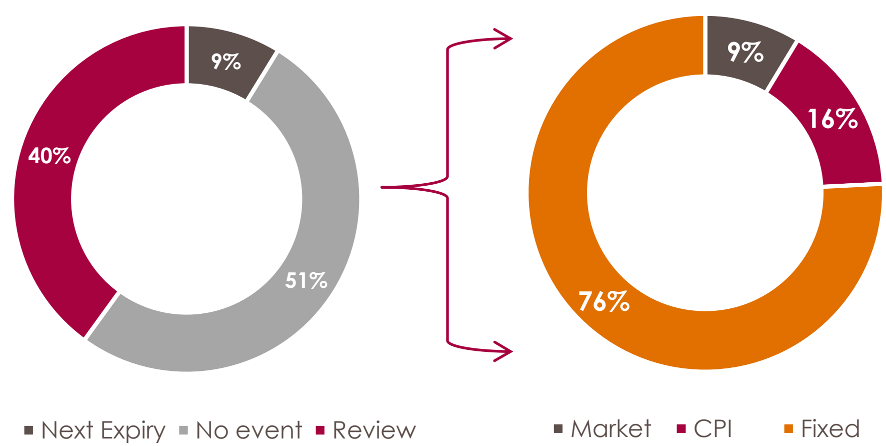
Property	Client	Area
Zurich House	Zurich Financial Services	1,144,m^2
State Insurance Tower	IAG New Zealand Limited	4,292m^2
AMP Centre	AMP Services Limited	1,564m^2
Total		**7,000m^2**

Total Leasing Transactions



FY18 event profile

Event composition

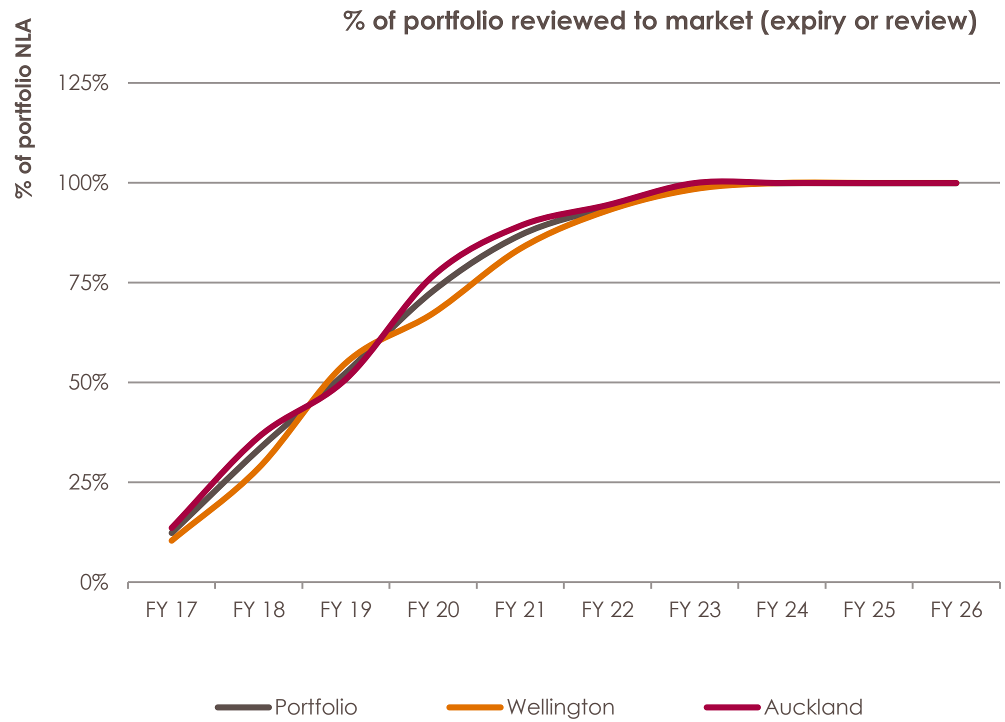


Market reversion

Over/under rented position

	Equivalent market on occupied	Under/Over renting
No.1 The Terrace	$6.2 m	-3.8%
157 Lambton Quay	$8.1 m	-0.7%
State Insurance	$10.3 m	-0.8%
Pastoral House	$5.2 m	-6.0%
Mayfair House	$4.7 m	-3.6%
PWC Tower	$19.8 m	-8.5%
ANZ Centre	$19.4 m	-4.8%
AMP Centre	$10.7 m	-8.7%
Zurich House	$6.1 m	-11.2%
HSBC House	$6.5 m	-5.6%
Wynyard Quarter Stage 1	$6.3 m	10.1%
Total:	**$103.4 m**	**-4.7%**

Portfolio reversion - cumulative



Government RFP

Property	Initial Timing	
	Works Commence	Completion
Pastoral House	**May 2017**	**April 2018**
No. 3 The Terrace	**May 2018**	**March 2019**
Mayfair House	**August 2018**	**August 2019**

- Government decant plans disrupted by loss of buildings due to Kaikoura earthquake
- Requirement for immediate capex and rental voids have been delayed
- Extends the effective lease terms
- Provides flexibility to the Crown following the Kaikoura earthquake
- Any cost impact borne by the Crown
- Timings expected to be resolved shortly

Auckland CBD office market

Occupier Demand ▲

Prime CBD office vacancy remains at historic lows driven by occupiers continuing to upgrade or expand within existing prime space. Strong employment growth forecast to continue.

Supply ▶

Fringe supply increasing however is largely subject to pre-commitment. CBD supply is yet to emerge and remains highly dependent on securing an anchor occupier or occupiers.

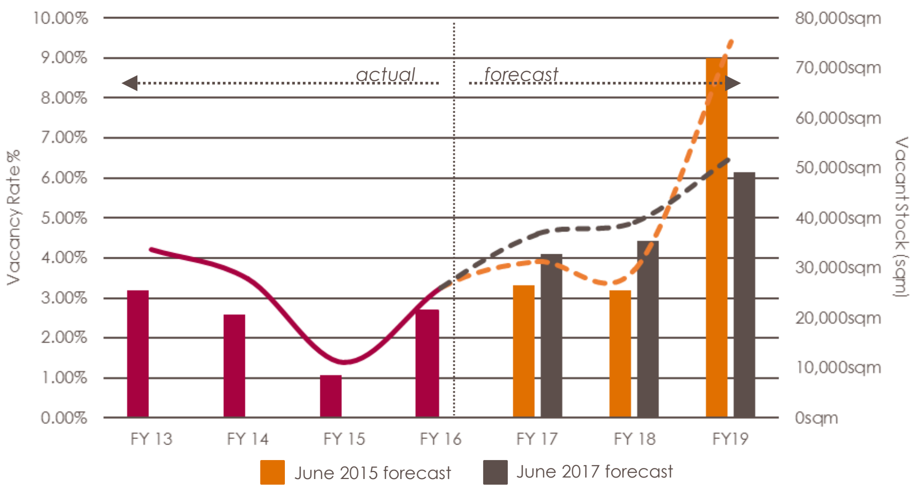
Rental Growth ▲

Limited available prime accommodation driving rental growth through increasing face rentals and decreasing incentives.

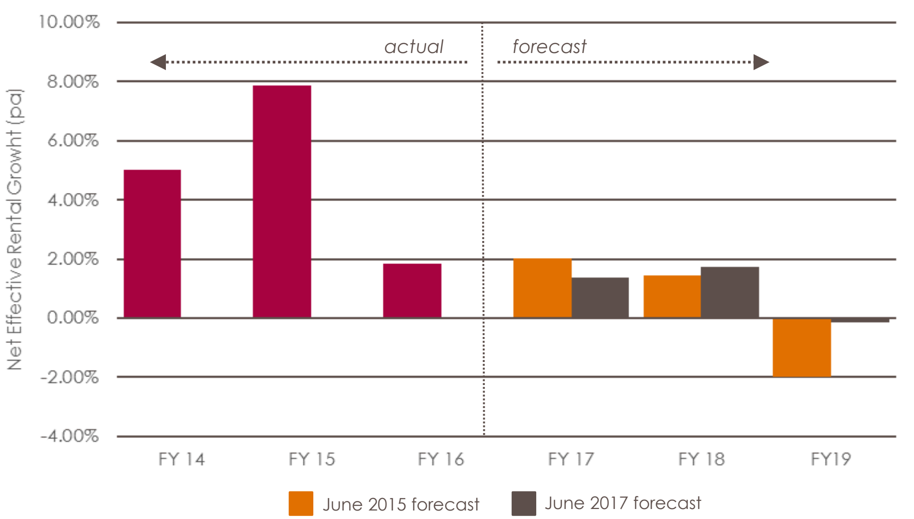
Cap Rates ▼

Investment activity remains strong, with the weight of capital particularly from offshore at notably high levels.

Forecast vacancy (CBRE, June 2017)



Forecast net effective rent growth (CBRE, June 2017)



Auckland CBD retail market

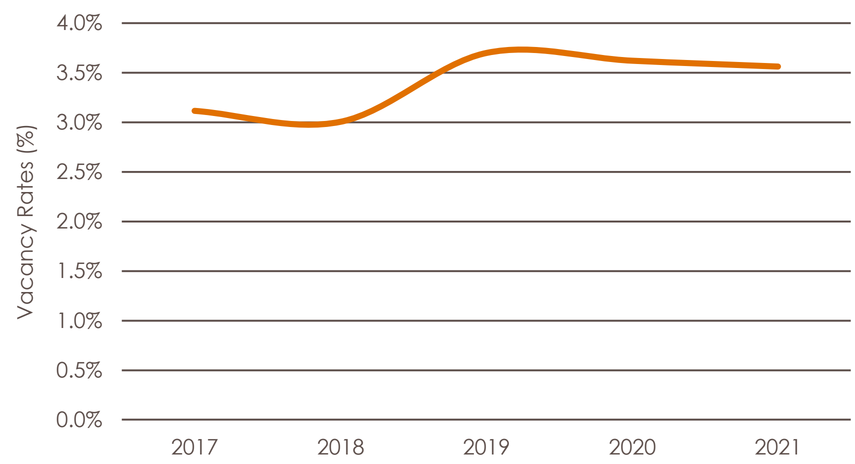
Occupier Demand ▲
Historically low vacancy with continued demand from local and international retailers.

Supply ▼
Limited new CBD development outside of Commercial Bay.

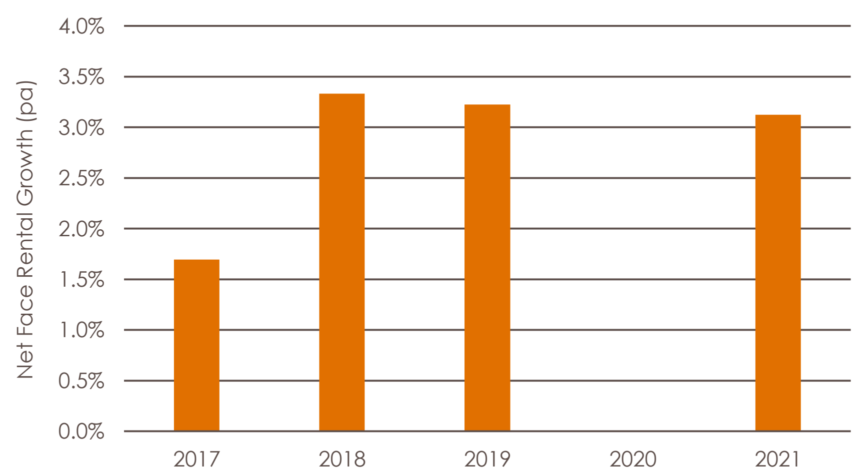
Rental Growth ▲
A scarcity of options and continued demand is driving rental growth. Key drivers remain location, size and adjacencies.

Cap Rates ▶
Prime CBD retail yields have firmed to cyclical lows. As monetary conditions tighten retail yields are forecast to stabilise.

Forecast vacancy (Colliers, June 2017)



Forecast net face rent growth (Colliers, June 2017)



Wellington CBD office market

Occupier Demand ▲

Virtually no prime grade space available with prime vacancy at just 0.4%. Demand to continue for high quality seismically resilient space as occupiers finalise their medium to long term requirements.

Supply ▼

New stock in pipeline now largely leased. Significant withdrawals from market apparent. Greater supply certainty following WAP2 conclusion.

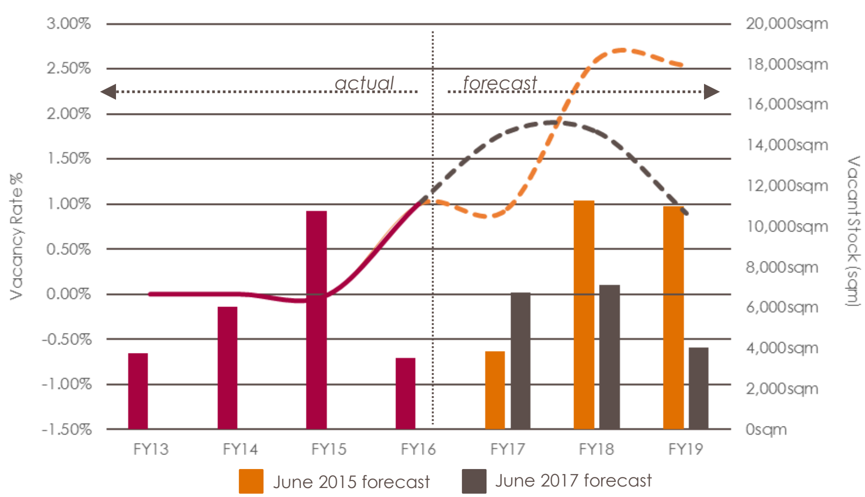
Rental Growth ▲

Two tier market likely to emerge with demand focused on seismically acceptable accommodation of which there is currently limited available supply.

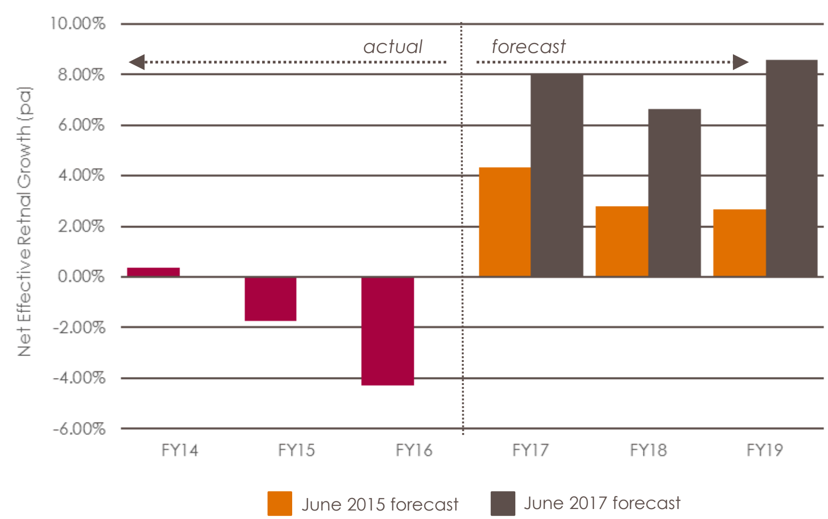
Cap Rates ▶

Investment activity put on hold following the earthquake with the full extent of the effect on the capital market not yet apparent. A likely repricing of risk for earthquake prone assets.

Forecast vacancy (CBRE, June 2017)



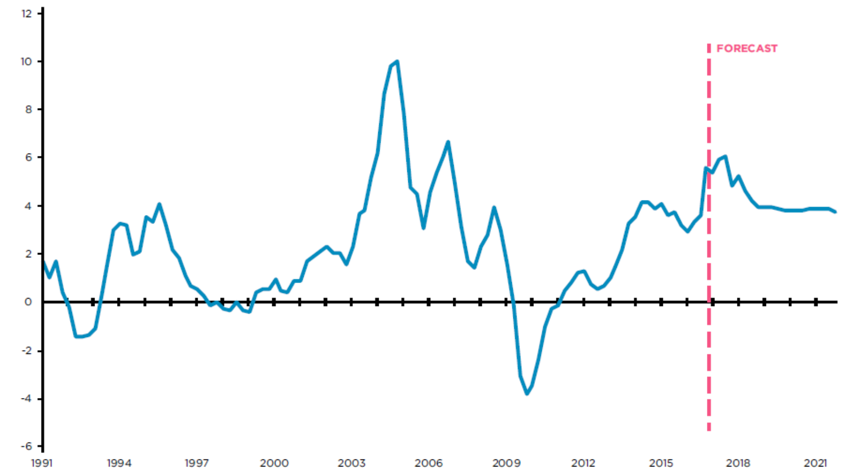
Forecast net effective rent growth (CBRE, June 2017)



Auckland construction market

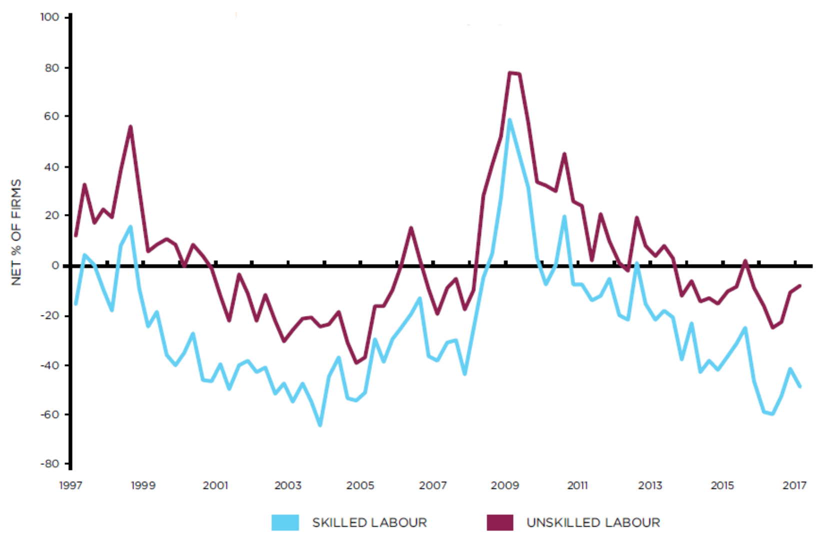
- Construction cost inflation is forecast to average 4.4% p.a. through to 2021.
- Non-residential building and infrastructure activity is forecast to grow materially over the medium term.
- Auckland CBD office prime rental growth is forecast to increase by 0.6% p.a. through to 2021.
- Building sector firms are finding it difficult to source both skilled and unskilled labour.

Non-residential building cost escalation (Stats NZ/NZIER)



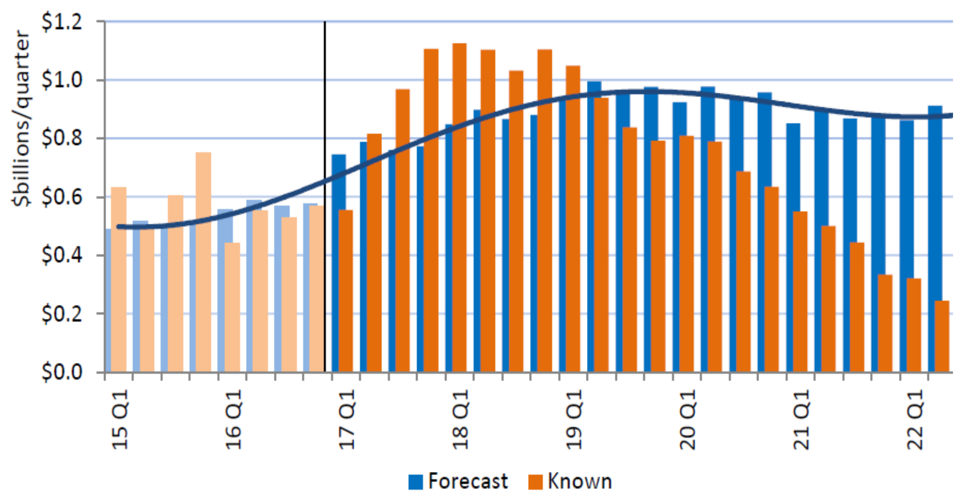
Source: Statistics NZ, NZIER forecasts

Building Industry: Ease of Finding Labour (Stats NZ/NZIER)



:e: Statistics NZ, NZIER

Auckland Non-residential building activity (BRANZ/Pacifecon)



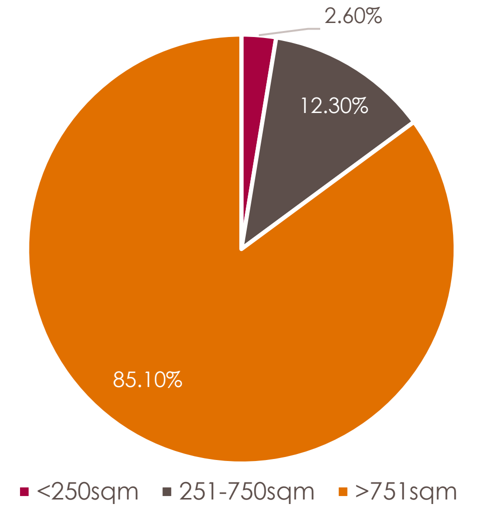
Auckland supply outlook

	2016	2017	Supply Risk Change
Construction Costs	Elevated	**Elevated**	Decrease
Land Values	Elevated	**Stabilised**	Slight increase
Funding availability	Good	**Constrained**	Decrease
Funding costs	Low	**Increasing**	Decrease
Outlook for supply	Moderate	**Limited**	Decreased

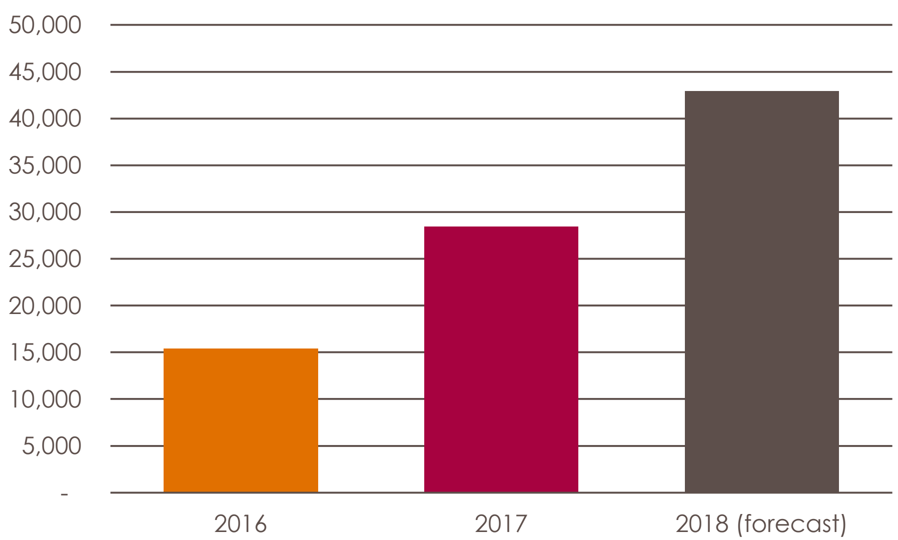
Generator investment

- Generator now manages 10,000sqm of co-working and shared office space following GRID AKL appointment at Wynyard
- Consistent with strategic focus on building client relationships and increasing service levels
- Future opportunities driven by trends to managed workplaces
- Provides pipeline of growth occupiers as well as attractive financial returns

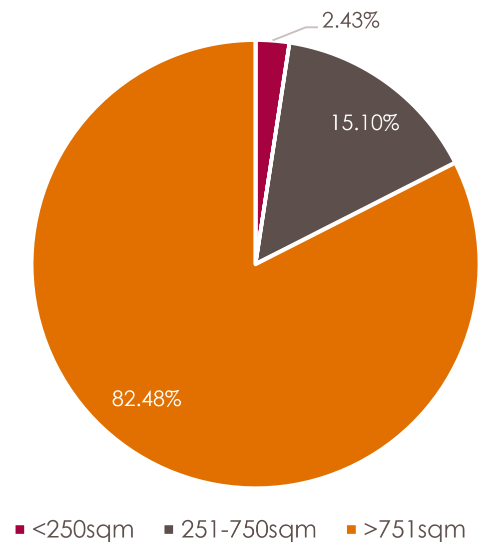
Auckland Prime CBD Office Tenancy by Size (CBRE)



Size of Auckland Co-working market (sqm) (Bayleys Research)



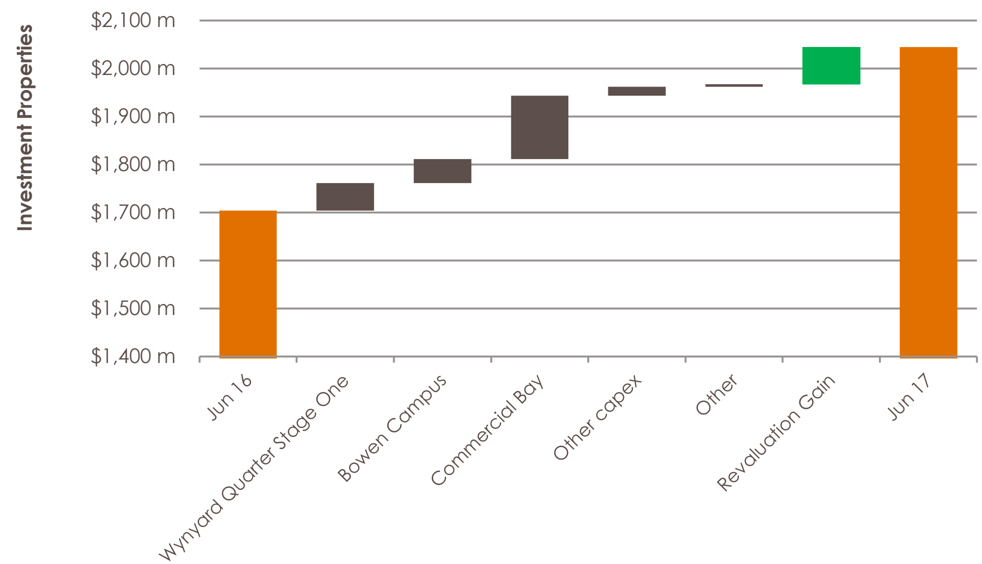
Precinct Office Tenancy by Size (PCT)



Valuation outcome

- Revaluation of $77.5 million or 3.9%
- Valuation increases attributable to cap rate compression, progress of development assets and increases in net market rentals
- Underlying portfolio cap rate compressed from 6.4% to 6.2%
- Active development properties "on completion" values increased by around $94 million

Change in property assets



Portfolio valuation movement

	2016 Valuation	Additions	Book Value	2017 Valuation	▲ $m	▲ %	Capitalisation Rate 2016	Capitalisation Rate 2017	▲ bps
Investment Properties									
Wellington	$412.7 m	$15.4 m	$428.1 m	$424.7 m	($3.4 m)	(0.8%)	7.1%[1]	6.9%[1]	(18 bps)
Auckland	$998.0 m	$107.9 m	$1,105.9 m	$1,110.7 m	$4.8 m	0.4%	6.2%	6.0%	(26 bps)
Sub total	**$1,410.7 m**	**$123.3 m**	**$1,534.0 m**	**$1,535.4 m**	**$1.4 m**	**0.1%**	**6.5%**	**6.2%**	**(25 bps)**
Development Properties									
Commercial Bay Development Site	$147.0 m	$131.8 m	$278.8 m	$370.0 m	$91.2 m	32.7%	-	-	-
Bowen Campus Stage One	$47.5 m	$49.4 m	$96.9 m	$108.5 m	$11.6 m	12.0%	-	-	-
Bowen Campus Stage Two	$10.5 m	$0.6 m	$11.1 m	$10.5 m	($0.6 m)	(5.4%)	-	-	-
Deloitte House	$45.0 m	$1.3 m	$46.3 m	$20.2 m	($26.1 m)	(56.4%)	-	-	-
Wynyard Quarter Stage 1	$43.4 m	($43.4 m)	-	-	-	-	-	-	-
Sub total	**$293.4 m**	**$139.7 m**	**$433.1 m**	**$509.2 m**	**$76.1 m**	**17.6%**	-	-	-
Total Properties	**$1,704.1 m**	**$263.0 m**	**$1,967.1 m**	**$2,044.6 m**	**$77.5 m**	**3.9%**	**6.5%**	**6.2%**	**(25 bps)**

Note 1: Adopted capitalisation rates for Government RFP Assets reflect new long term leases to Crown

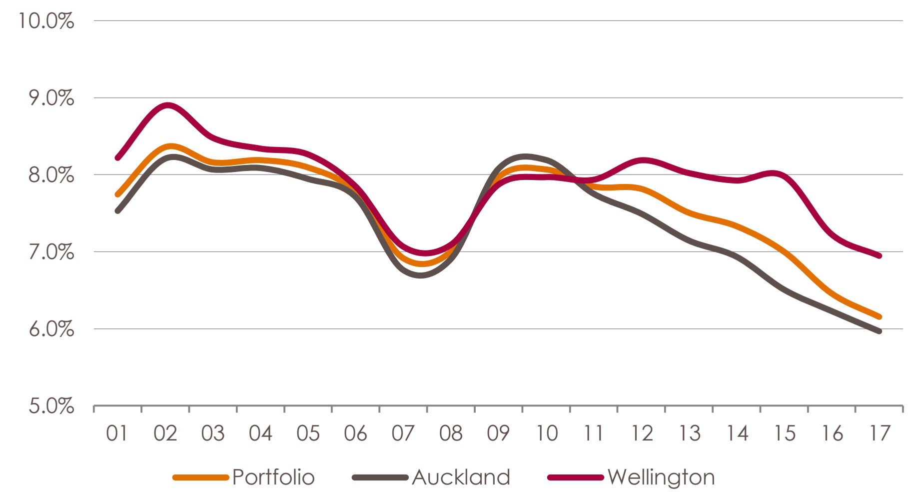
Note 2: The table may not add due to rounding

Precinct PROPERTIES NEW ZEALAND

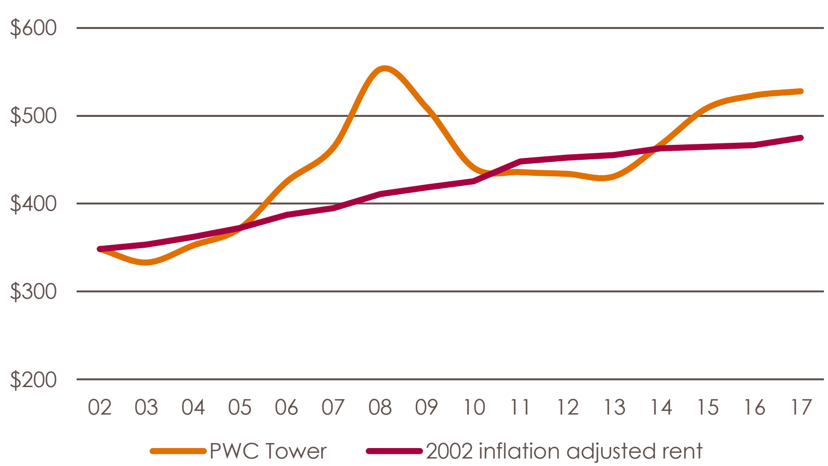
Valuation outlook

- Cap rates in Auckland are now below peak levels reached in 2007
- Spread to 10 year swap rate remains above historic average
- Auckland land and building rates above peak
- Rental levels remain below peak
- Strong investment market
  - Continued strength in Auckland
  - Strengthening in Wellington taking advantage of yield spread

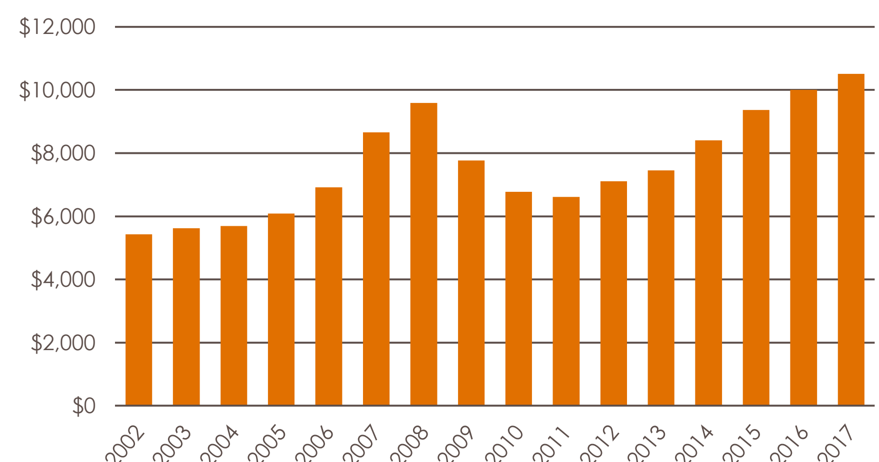
Historic cap rates



PWC average tower rent (psm)



PWC land and building rates (psm)



Precinct PROPERTIES NEW ZEALAND

Deloitte House

- Detailed and intrusive investigations following the 2016 Kaikoura earthquake identified significantly lower structural scores for some elements in the existing buildings structure
- Findings are not consistent with as built plans or building design
- The building is not classified as earthquake prone
- To date, office occupiers have chosen not to re-occupy their premises
- All options are being considered for the future of the asset:
  - Strengthen
  - Demolish and develop
- Precinct is not entitled to any insurance proceeds due to minimal damage
- Asset value now $20m

Section 5

Conclusions and Outlook

Conclusion

- NZ economy remaining positive due to:
  - Population growth
  - Construction and infrastructure investment in Auckland
  - Tourism sector growing
- Continued global uncertainty
- Property markets remain strong:
  - Auckland occupier and investment markets have strong fundamentals with expectation of further growth
  - Wellington occupier market repositioned following stock withdrawals and investment market activity increasing
- Strategy of concentrated ownership supported through:
  - Population growth leading to increased CBD employees/residents
  - Centralisation trend
  - Public investment in infrastructure and transport

Outlook

- Precinct well positioned through:
  - Capable team – in-house and external
- Strong balance sheet
  - Considering subordinated convertible note to diversify funding and reduce committed gearing
  - Committed opportunities in premium locations
  - Supportive markets
- Five years of preparation and execution
- Strategy designed to reposition portfolio during a period of market strength
- Portfolio quality and EPS growth expected to drive significant growth in shareholder value

Appendices

Balance sheet

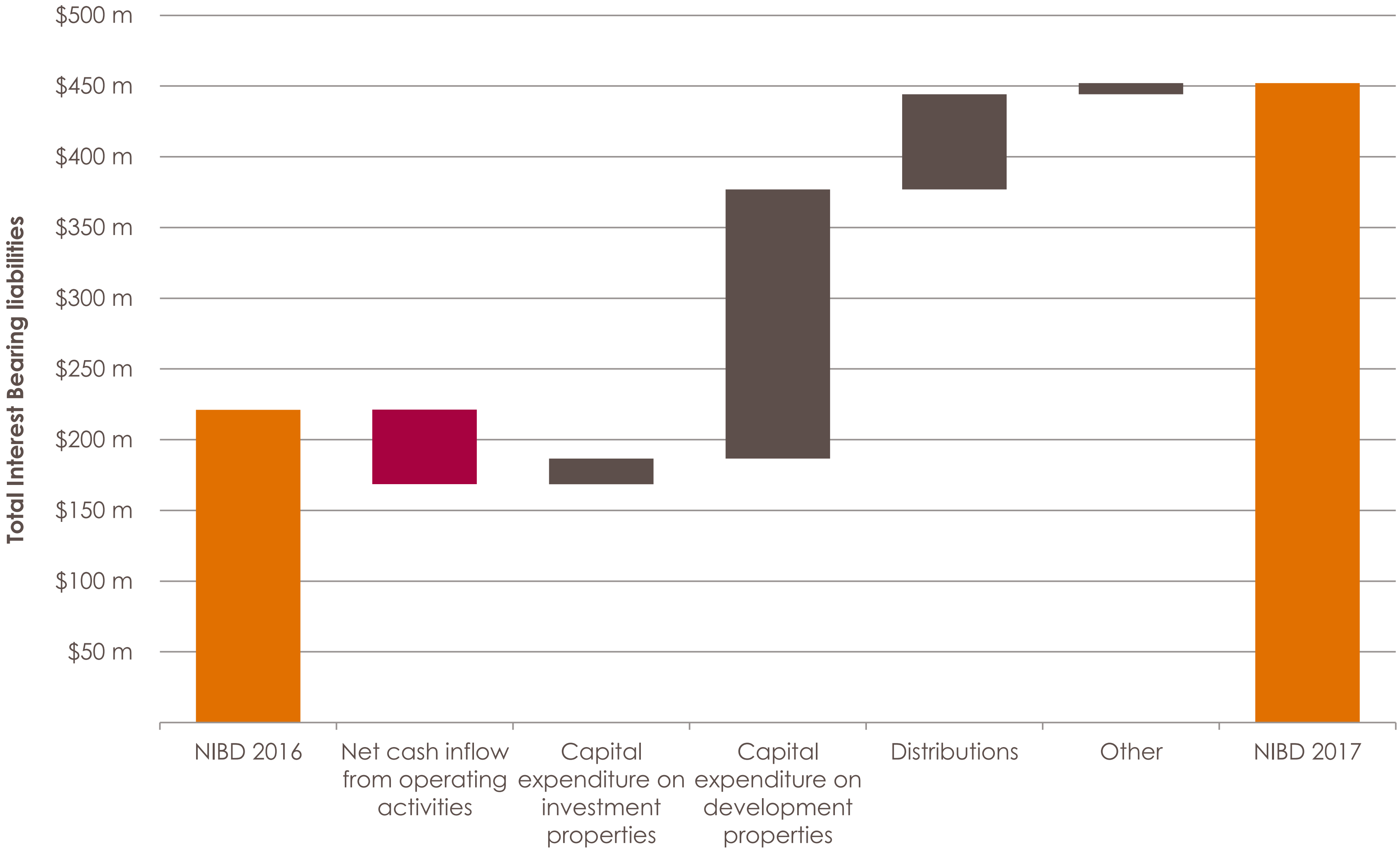
Financial Position as at	30 June 2017	30 June 2016	
($m)	Audited	Audited	Movement
Assets			
Development properties	$509.2	$190.4	+ $318.8
Investment properties	$1,535.4	$1,513.7	+ $21.7
Fair value of derivative financial instruments	$12.8	$24.5	($11.7)
Other	$21.8	$10.0	+ $11.8
Total Assets	**$2,079.2**	**$1,738.6**	**+ $340.6**
Liabilities			
Interest bearing liabilities	$456.9	$234.1	+ $222.8
Deferred tax liability	$23.3	$21.4	+ $1.9
Fair value of derivative financial instruments	$23.8	$39.0	
Other	$69.6	$33.2	+ $36.4
Total Liabilities	**$573.6**	**$327.7**	**+ $245.9**
Equity	**$1,505.6**	**$1,410.9**	**+ $94.7**
NIBD to Total Assets	21.7%	12.7%	9.0%
Liabilities to Total Assets - Loan Covenants	25.1%	14.4%	10.7%
Shares on Issue (m)	1,211.1 m	1,211.1 m	
Net tangible assets per security	$1.24	$1.17	0.08

Reconciliation of NTA movement (cps)

Reconciliation of NTA movement	cps
30 June 2016	**116.5**
Revaluation	6.4
Deferred tax (including Depreciation recovered)	-0.2
Loss on Sale	0.0
Interest rate swap movement	1.0
Retained Earnings	0.6
Other (rounding)	0.0
30 June 2017	**124.3**

Precinct PROPERTIES NEW ZEALAND

Borrowings movement



Taxation reconciliation

- FY17 effective tax rate of 3.3%
- Higher pre-tax profit offset by;
  - Disposal of fixtures and fittings at Bowen
  - Higher leasing costs and other deductibles
- FY18 expected effective tax rate to be very low
- Future tax profile will be impacted by deductible costs associated with developments
  - Capitalised interest
  - Leasing costs
  - Rates

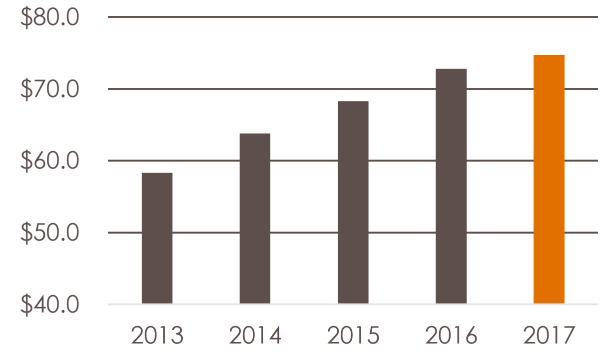
Tax expense reconciliation

	30 June 2017	30 June 2016
Net profit after tax and unrealised gains	**$162.1 m**	**$138.2 m**
Depreciation recovered on sale		$10.0 m
Deferred tax benefit	$1.9 m	($13.3 m)
Current tax expense	$2.5 m	$10.6 m
Net profit before taxation	**$166.5 m**	**$145.5 m**
Less non assessable income		
Unrealised net (gain) in value of investment properties	($77.5 m)	($81.2 m)
Net realised loss on sale of investment properties		$2.7 m
Unrealised net (gain) /loss on financial instruments	($11.8 m)	$16.4 m
Operating profit before Tax	**$77.2 m**	**$83.4 m**
Other deductible expenses		
Depreciation	($18.4 m)	($20.4 m)
Leasing fees and incentives in the period	($12.4 m)	($2.5 m)
Capitalised interest on development properties	($17.5 m)	($2.7 m)
Disposal of depreciable assets	($18.4 m)	($15.0 m)
Other deductibles	($1.4 m)	($2.5 m)
Taxable income	**$9.1 m**	**$40.3 m**
Tax at 28%	$2.5 m	$11.3 m
Prior period washup		($0.7 m)
Current tax expense	**$2.5 m**	**$10.6 m**
Effective tax rate	3.3%	12.7%
Tax	28.0%	28.0%

5 year income summary

($ millions unless otherwise stated)	2013	2014	2015	2016	2017
Financial performance					
Gross rental revenue	$147.7	$165.4	$170.5	$146.0	$126.2
Less direct operating expenses	($43.7)	($47.1)	($48.9)	($41.5)	($35.8)
Operating profit before indirect expenses	**$104.0**	**$118.3**	**$121.6**	**$104.5**	**$90.4**
Net interest expense	($28.0)	($33.2)	($31.4)	($11.0)	($3.4)
Other expenses	($12.8)	($12.6)	($10.4)	($10.1)	($9.8)
Operating income before income tax	**$63.2**	**$72.5**	**$79.8**	**$83.4**	**$77.2**
Non operating income / (expense)					
Unrealised net gain in value of investment properties	$46.3	$47.5	$64.8	$81.2	$77.5
Other non operating income	$13.2	$10.9	($13.5)	($19.1)	$11.8
Net profit before taxation	**$122.7**	**$130.9**	**$131.1**	**$145.5**	**$166.5**
Current tax expense	($4.9)	($8.7)	($11.5)	($10.6)	($2.5)
Depreciation recovered on sale expense			($3.8)	($10.0)	
Deferred tax benefit / (expense)	$39.7	($5.0)	$6.6	$13.3	($1.9)
Net profit after taxation	**$157.5**	**$117.2**	**$122.4**	**$138.2**	**$162.1**
Dividends					
Net dividend (cents)	**5.12**	**5.40**	**5.40**	**5.40**	**5.60**
Net operating income					
Operating income before income tax	$63.2	$72.5	$79.8	$83.4	$77.2
Less: Current tax expense	($4.9)	($8.7)	($11.5)	($10.6)	($2.5)
Net operating income after tax	**$58.3**	**$63.8**	**$68.3**	**$72.8**	**$74.7**
Net operating income after tax per share (cents)	5.85	6.10	6.19	6.01	6.17

Net operating income



5 year dividend payout

($ millions unless otherwise stated)	2013	2014	2015	2016	2017
Dividends					
Net dividend (cents)	**5.12**	**5.40**	**5.40**	**5.40**	**5.60**
Net operating income					
Operating income before income tax	$63.2	$72.5	$79.8	$83.4	$77.2
Less: Current tax expense	($4.9)	($8.7)	($11.5)	($10.6)	($2.5)
Net operating income after tax	**$58.3**	**$63.8**	**$68.3**	**$72.8**	**$74.7**
Net operating income after tax per share (cents)	5.85	6.10	6.19	6.01	6.17
Dividend payout ratio to net operating income after tax	87.5%	88.5%	87.2%	89.9%	90.8%
Funds from operations (FFO)					
Net operating income after tax	$58.3	$63.8	$68.3	$72.8	$74.7
Adjusted for:					
Amortisations	$3.1	$6.2	$7.3	$6.4	$6.4
Straightline rents	($1.5)	($0.5)	($1.1)	($0.5)	($0.2)
Funds from operations	**$59.9**	**$69.5**	**$74.5**	**$78.7**	**$80.9**
Funds from operations (cents)	6.00	6.64	6.75	6.50	6.68
Dividend payout ratio based on FFO	85.3%	81.3%	80.0%	83.1%	83.8%
Adjusted funds from operations (AFFO)					
Less: Maintenance capex	-	($6.3)	($6.6)	($11.1)	($5.8)
Less: Incentives and leasing costs	-	($8.7)	($7.1)	($3.0)	($9.3)
Swap Close outs	-		1.6		
Adjusted funds from operations	**-**	**$54.5**	**$62.4**	**$64.6**	**$65.8**
Adjusted funds from operations (cents)	-	5.21	5.66	5.33	5.43
Dividend payout ratio based on AFFO	-	104%	95%	101%	103%

Precinct
PROPERTIES NEW ZEALAND

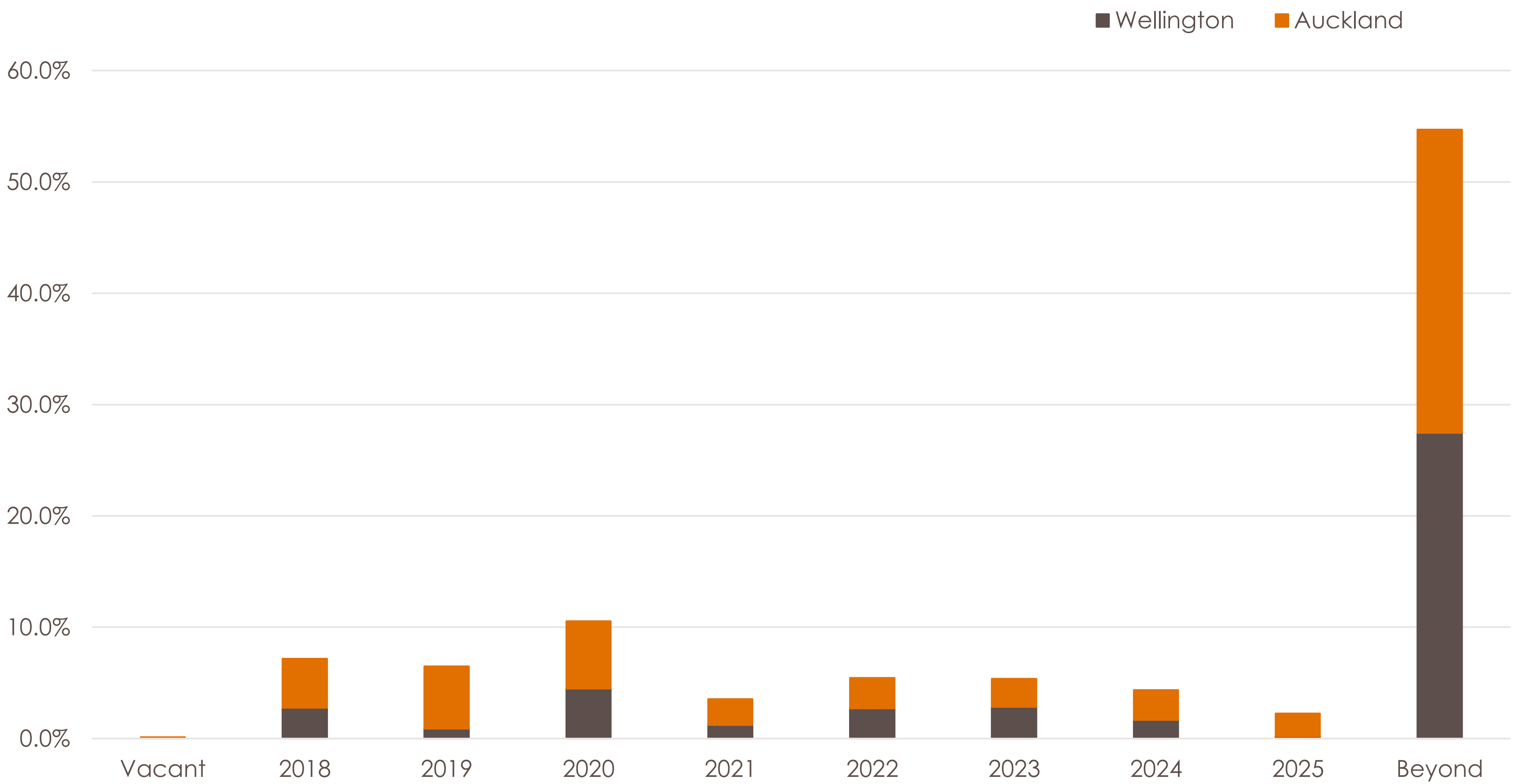
5 year balance sheet

($ millions unless otherwise stated)	2013	2014	2015	2016	2017
Financial position					
Total investment assets	$1,640.4	$1,728.1	$1,687.8	$1,513.7	$1,535.4
Total development assets				$190.4	$509.2
Other assets	$18.1	$19.4	$65.4	$34.5	$34.6
Total assets	**$1,658.5**	**$1,747.5**	**$1,753.2**	**$1,738.6**	**$2,079.2**
Interest bearing liabilities	$603.0	$572.0	$340.0	$234.1	$456.9
Other liabilities	$71.7	$68.7	$74.9	$93.6	$116.7
Total liabilities	**$674.7**	**$640.7**	**$414.9**	**$327.7**	**$573.6**
Total equity	$983.8	$1,106.8	$1,338.3	$1,410.9	$1,505.6
Number of shares (m)	997.1	1059.7	1211.1	1211.1	1211.1
Weighted average number of shares (m)	997.1	1046.6	1103.1	1211.1	1211.1
Net tangible assets per share	**0.99**	**1.04**	**1.11**	**1.17**	**1.24**
Share price at 30 June	1.02	1.07	1.14	1.25	1.24
Covenants					
Loan to value ratio	37.3%	33.8%	20.1%	14.4%	25.1%
Interest coverage ratio	3.0 x	3.2 x	3.5 x	6.9 x	3.7 x
Key portfolio metrics					
Average portfolio cap rate	7.5%	7.3%	7.0%	6.5%	6.2%
Weighted average lease term (years)	5.7	5.4	5.0	6.3	8.7
Occupancy (by NLA)	97%	98%	98%	98%	100%
Net lettable area	322,115	322,115	304,485	225,613	224,430
Number of investment properties	17.0	17.0	15.0	13.0	12.0

Lease expiry

8.7 years

Weighted average lease term of portfolio



Asset level valuations

	Cap Rates %			Valuations			Value Movement	
	FY17	FY16		FY17	FY16	Additions/ Disposals	Revaluation	%
Investment Properties								
Dimension Data House	6.9%	7.0%	(13bps)	$114.3 m	$109.0 m	$5.2 m	$0.1 m	0.1%
Mayfair House	6.6%	6.8%	(13bps)	$40.8 m	$38.5 m	$1.4 m	$0.9 m	2.3%
No.1 and 3 The Terrace	7.0%	7.4%	(37bps)	$70.5 m	$72.3 m	$1.4 m	($3.2 m)	(4.3%)
No.3 The Terrace	n/a	n/a	-	$11.7 m	$10.9 m	-	$0.8 m	7.3%
Pastoral House	6.6%	6.8%	(13bps)	$42.9 m	$41.0 m	$3.1 m	($1.2 m)	(2.7%)
State Insurance Tower	7.0%	7.2%	(15bps)	$144.5 m	$141.0 m	$4.3 m	($0.8 m)	(0.6%)
Wellington	**6.9%**	**7.1%**	**(18bps)**	**$424.7 m**	**$412.7 m**	**$15.4**	**($3.4 m)**	**(0.8%)**
AMP Centre	6.3%	6.5%	(25bps)	$163.4 m	$148.0 m	$4.2 m	$11.2 m	7.4%
ANZ Centre	5.9%	6.0%	(13bps)	$324.0 m	$305.0 m	$0.7 m	$18.3 m	6.0%
HSBC House	6.4%	6.6%	(25bps)	$93.8 m	$121.5 m	$1.4 m	($29.1 m)	(23.7%)
PricewaterhouseCoopers Tower	5.8%	6.1%	(38bps)	$329.0 m	$313.0 m	$1.4 m	$14.6 m	4.6%
Zurich House	6.1%	6.4%	(25bps)	$95.5 m	$110.5 m	($0.6 m)	($14.4 m)	(13.1%)
12 Madden Street	6.0%	n/a	-	$67.8 m	-	-	$3.0 m	4.6%
Mason Brothers Building	6.0%	n/a	-	$37.2 m	-	-	$1.2 m	3.3%
Auckland	**6.0%**	**6.2%**	**(26bps)**	**$1,110.7 m**	**$998.0 m**	**$107.9 m**	**$4.8 m**	**0.4%**
Sub Total Investment Properties	**6.2%**	**6.5%**	**(25bps)**	**$1,535.4 m**	**$1,410.7 m**	**$123.3 m**	**$1.4 m**	**0.1%**
Development Properties								
Commercial Bay Development Site	5.4%	-	-	$370.0 m	$147.0 m	$131.8 m	$91.2 m	32.7%
Bowen Campus Stage One	6.5%	6.6%	(13bps)	$108.5 m	-	$96.9 m	$11.6 m	12.0%
Bowen Campus Stage Two	n/a	n/a	-	$10.5 m	-	$11.1 m	($0.6 m)	(5.4%)
Deloitte House	8.3%	8.0%	25 bps	$20.2 m	$45.0 m	$1.3 m	($26.1 m)	(56.4%)
Bowen Campus	n/a	6.6%	-	-	$58.0 m	($58.0 m)	-	-
Wynyard Quarter Stage 1	n/a	6.3%	-	-	$43.4 m	($43.4 m)	-	-
Total Properties	**6.2%**	**6.5%**	**(25bps)**	**$2,044.6 m**	**$1,704.1 m**	**$263.0 m**	**$77.5 m**	**3.9%**

Note 1: Adopted capitalisation rates for Government RFP Assets reflect new long term leases to Crown
Note 2: The table may not add due to rounding

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