



Precinct Properties

Annual Results
August 2019



Agenda

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Precinct Properties New Zealand Limited

Scott Pritchard, CEO

George Crawford, COO

Richard Hilder, CFO

Note: All \$ are in NZD

Highlights

Financial Performance

- **Operating earnings up 3.7% y-o-y**
- **6.62 cps** EPS (pre performance fee) (+4.7%)
- **\$1.49** NAV (+6.4%)
- **\$162 million** revaluation gain

Note 1: Net operating income is an alternative performance measure which adjusts net profit after tax for a number of non-cash items.

Capital Management

- Successful **\$152 million** equity raising
- **US\$110 million** secured via USPP
 - US\$80 m 10 year note
 - US\$30 m 12 year note
- Conditional sale of Pastoral House for **\$77 million**

Operational Performance

- Strong performance with **99%** occupancy and a **9 year** WALT and like for like NPI growth of 3.9%
- Secured 100% ownership of Generator
- Commercial Bay progress
 - Retail 95% / Office 82%
- Bowen Campus complete
- Wynyard Stage 2 underway





Major Themes

City centres will outperform

- Auckland is NZ's gateway city
- Wellington benefits from strong Crown demand
- Higher growth in GDP contribution from city centres
- Growth in resident population

Occupier demand remains robust driven by elevated activity levels

- Continued growth in the number of city centre workers
 - AKL – Growth in professional services
 - WLG – Government employees increased
- Occupiers becoming more aware and value flexibility

Construction market remains at capacity, leading to replacement costs exceeding market value

- Underpins market values
- Limits potential supply

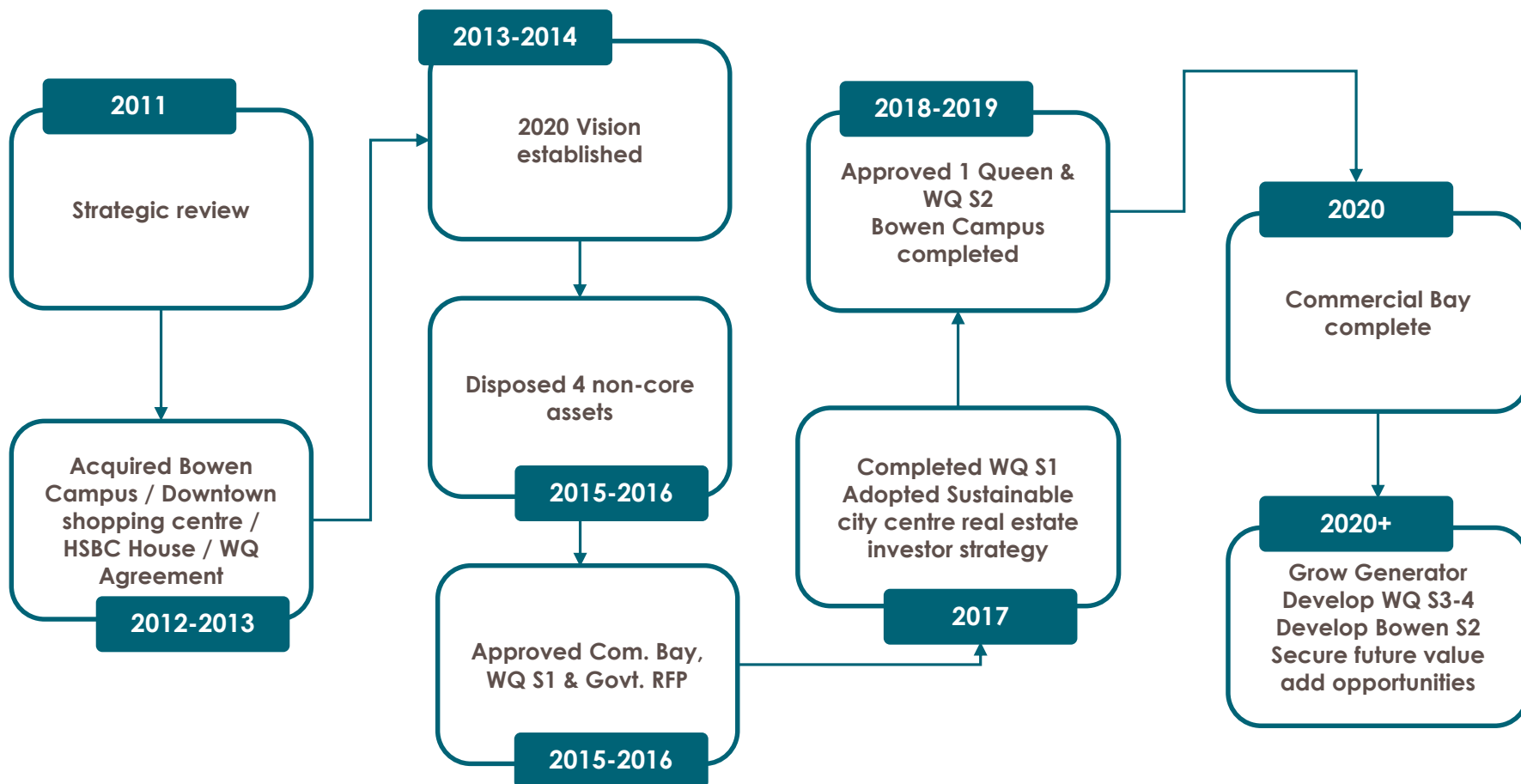
Auckland activity levels remain elevated

- Infrastructure investment - \$28 billion next 10 years
- Population growth – 30,000 increase in CBD residents over next 10 years
- Strong demand for Auckland assets

Our strategy

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

Our strategy is focused on concentrated ownership of real estate in Auckland and Wellington creating spaces to thrive and offering our occupiers high quality service and amenity.



Achieving our strategy



Empowering people

	2012	2019
Dedicated staff	14	100+ ¹
Property functions	Out-sourced	In-house
Client satisfaction	64%	72%
Staff engagement	75%	80%

¹includes Generator staff

- Robust Training and Development programme
- ~20% Precinct staff roles experienced significant role enrichment or promotion during FY19
- Reputable employer brand in market resulting in enhanced talent attraction
- Engagement driven through high performance culture, world class assets/projects and clear strategy
- Diversity & Inclusion: continued focus and improvement



Operational excellence

	2012	2019
Asset age	21 years	12 years
Quality	A-grade	Premium
WALT	5.9 years	9.0 years
Occupancy	94%	99%
NBS Score	85%	94%



Developing the future

	2012	2019
Acquisitions	Bowen Campus Downtown Shopping centre HSBC House Queen Elizabeth Square	
Regeneration Precincts	Wynyard Quarter Bowen Campus Commercial Bay	
Development pipeline	\$0	\$1.1 billion
% of retail	4.5%	17% ¹
AKL weighting	50%	75%

¹includes Commercial Bay retail

Auckland city centre economy

**Auckland city centre leads growth
in key economic drivers**

**Growing 2 times faster than
New Zealand**

**Strong relationship between GDP
and office employment
~110,000m² forecast demand**



Source: Ecoprofile

Demand drivers remain elevated



+7,800

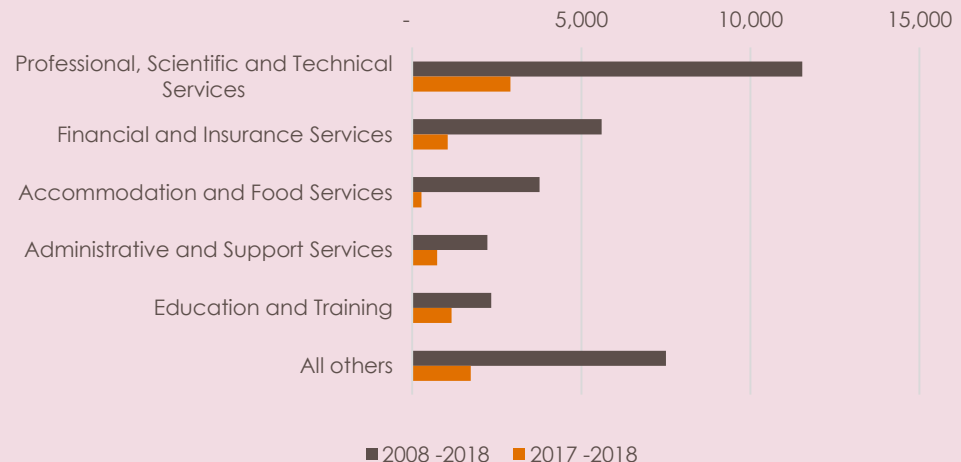
Increase in CBD workers over last
12 months (2017-2018)



+4,700

Increase in office based
workers (2017-2018)

CBD employment change - Top 5 industries

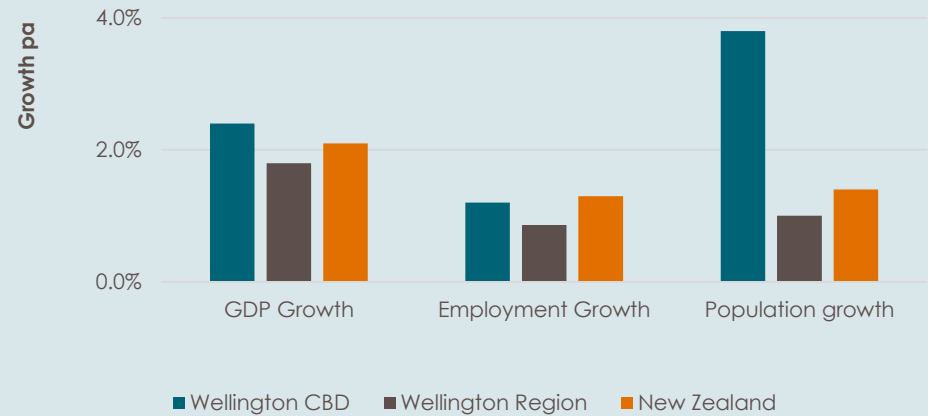


Wellington city centre economy

**Outlook remains positive
with positive economic
drivers**

**Labour force
underpinned by growth
in Crown employment**

Key economic measures (2008-2018)



Source: Ecoprofile



+7.2%

Increase in Wellington public
service FTEs (2017 to 2018)

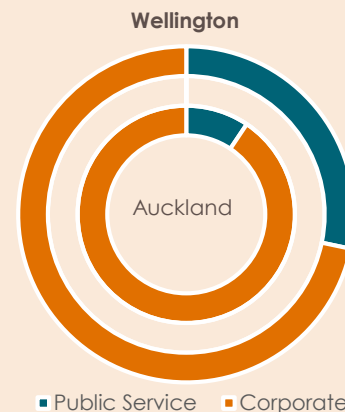


21,500m²

Implied increase in
demand from change in
Govt. FTEs (15.2m² per FTE)

Source: State Services Commission 2018 PSWD
Government Property Group Crown Office estate report 2017

Proportion of city centre employment





Section 1

Financial results
and capital
management

Financial performance

\$79.4 m

Operating profit after tax
(+3.7% y-o-y)

6.62 cps

EPS – pre performance fee
(+4.8% y-o-y)

\$190.1 m

Total comprehensive income after tax
(2018: \$254.9 m)

For the 12 months ended

(\$m)	30 June 2019 Audited	30 June 2018 Audited	Change %
Operating income before indirect expenses	\$97.0 m	\$95.3 m	1.8%
Indirect expenses including management fees	(\$15.8 m)	(\$10.2 m)	
Net interest expense	(\$1.8 m)	(\$2.2 m)	
Current tax expense	-	(\$6.3 m)	
Operating profit after tax	\$79.4 m	\$76.6 m	3.7%
Net operating income after tax - post performance fees	6.37 cps	6.32 cps	0.7%
Amortisations of incentives and leasing costs	\$7.1 m	\$7.2 m	
Straight-line rents	(\$0.3 m)	(\$0.4 m)	
Funds from Operations (FFO)	\$86.2 m	\$83.4 m	3.4%
Maintenance capex	(\$7.2 m)	(\$4.9 m)	
Incentives and leasing fees paid in period	(\$3.9 m)	(\$8.3 m)	
Adjusted Funds From Operations (AFFO)	\$75.1 m	\$70.2 m	7.1%
AFFO per weighted security	6.02 cps	5.80 cps	3.9%
Distribution payout (% AFFO)	99.6%	100.1%	
Dividend attributed to financial year	6.00 cps	5.80 cps	3.4%

- Total comprehensive income after tax of \$190.1 m
- Operating income after tax of \$79.4m or 6.37cps
- Higher indirect expenses primarily due to \$4.4 million performance fee
- Low tax expense due to development and leasing activity
- Generator consolidated into Precinct accounts
 - Return on invested capital continues to improve

Net property income (NPI)

\$97.5 m

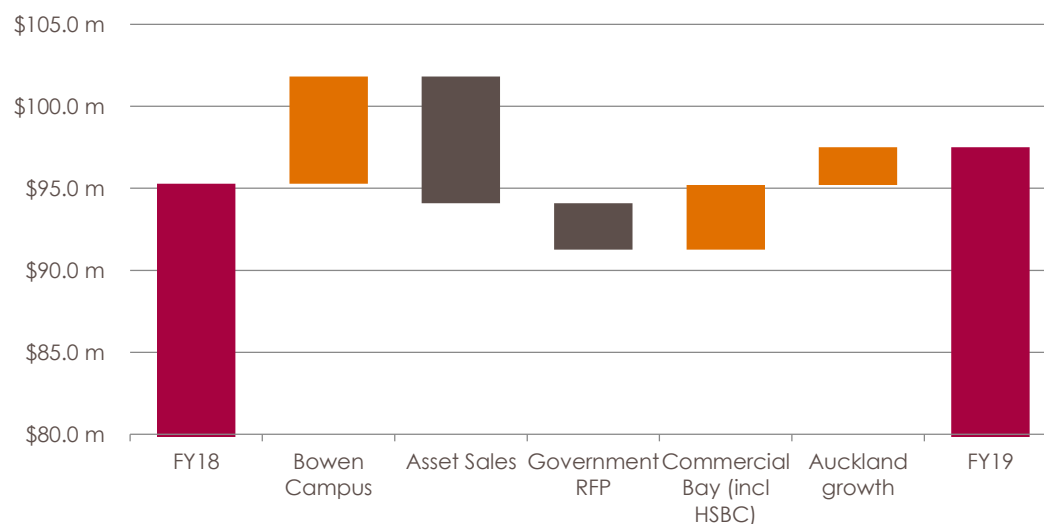
12 months ended 30 June 2019

NPI growth achieved during significantly active year:

- Sale of 50% interest in ANZ and 10 Brandon settled
- Completed H&M and Bowen Campus Stage 1
- Pastoral House and No.1 The Terrace commenced development works

Amounts in \$ millions	30 June 2019	30 June 2018	Δ
Auckland	\$40.9	\$38.5	+ \$2.4
Wellington	\$20.1	\$20.1	(\$0.0)
Investment portfolio	\$61.0	\$58.7	+ \$2.3
Transactions and Developments	\$36.5	\$36.6	(\$0.1)
Total	\$97.5	\$95.3	+ \$2.2

Reconciliation of movement in net property income



Revaluation gain

- Strong revaluation gain of \$162 m or 6.1%
 - +6.5% uplift in Auckland
 - +3.2% uplift in Wellington
- Gains attributable to further growth in market rentals, capitalisation rate compression and positive leasing activity
- Development portfolio continues to achieve value accretion as at 30 June 2019
- NAV per share increased to \$1.49 (June 18: \$1.40)

\$77 m

Development profit recognised

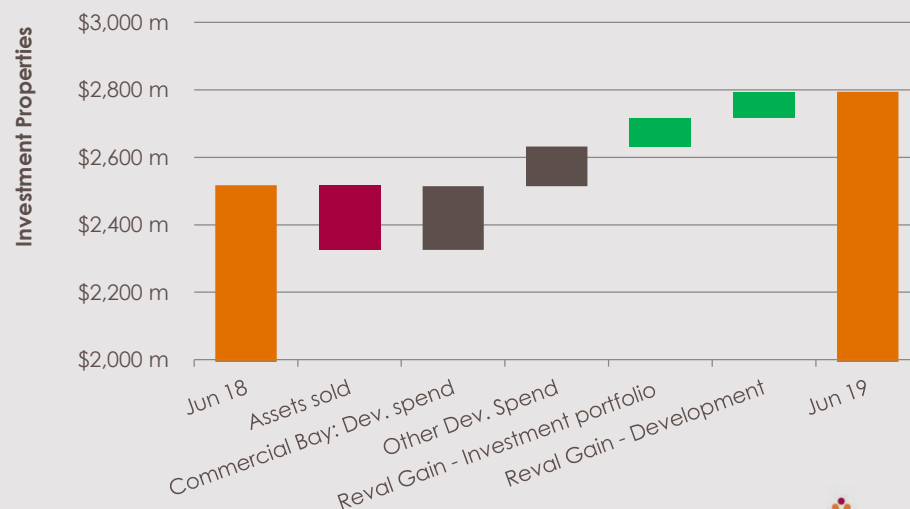
50%

Of market value uplift attributable to market rental growth

Portfolio valuation

	Cap rate	Valuation	Revaluation ▲	▲ %
Total Investment Properties				
Wellington	6.4%	\$490.3 m	\$15.0 m	3.2%
Auckland	5.3%	\$1,140.6 m	\$69.8 m	6.5%
Subtotal	5.7%	\$1,630.9 m	\$84.8 m	5.5%
Total Development Properties				
10 Madden Street	5.6%	\$17.7 m	\$1.1 m	6.6%
Bowen Campus	5.5%	\$255.1 m	\$22.6 m	9.7%
Commercial Bay	4.9%	\$890.0 m	\$53.2 m	6.4%
Subtotal	5.0%	\$1,162.8 m	\$76.9 m	7.1%
Total properties	5.4%	\$2,793.7 m	\$161.7 m	6.1%

Change in asset valuations



Capital management

~80%

Average FY20 hedging

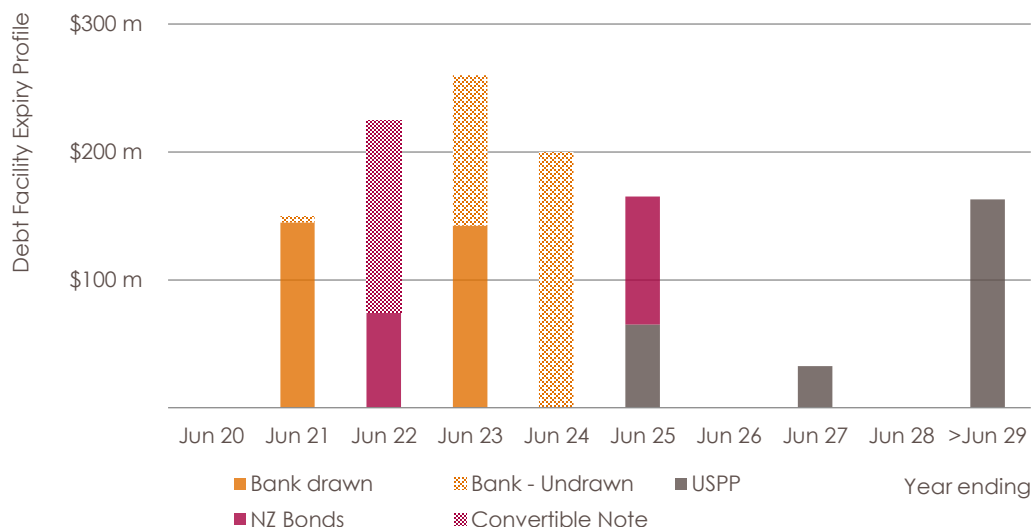
Capital initiatives supporting strategy

- Successful \$152 million equity issue
- Secured second USPP issue totalling NZD\$162 million across 10 and 12 year tenors
- Increased tenor and funding diversity
- Gearing as measured under banking covenants is 22.4%
- Weighted average interest rate of 5.7%

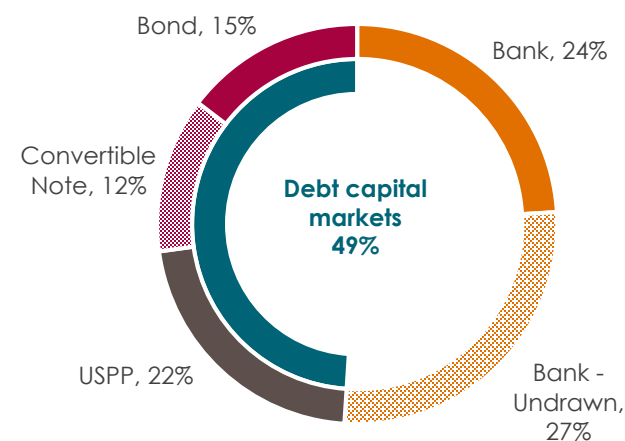
Key metrics	June 2019	June 2018
Debt drawn (\$ millions) ¹	710.4	751.4
Gearing - banking covenant (%)	22.4	25.0
Weighted average term to expiry (years)	4.4 yrs	3.3 yrs
Weighted average debt cost (incl fees)	5.7%	5.3%
% of debt hedged (%)	101.4	84.5
Interest coverage ratio (previous 12 months)	2.0 x	2.4 x
Total debt facilities (\$ millions)	1,196	1,183

¹ Excludes the USPP note fair value adjustment of \$28 m (June 2018: \$15.0 m). Interest bearing liabilities are detailed in Note 20 of the Financial Statements.

Debt facility expiry profile



Funding diversity

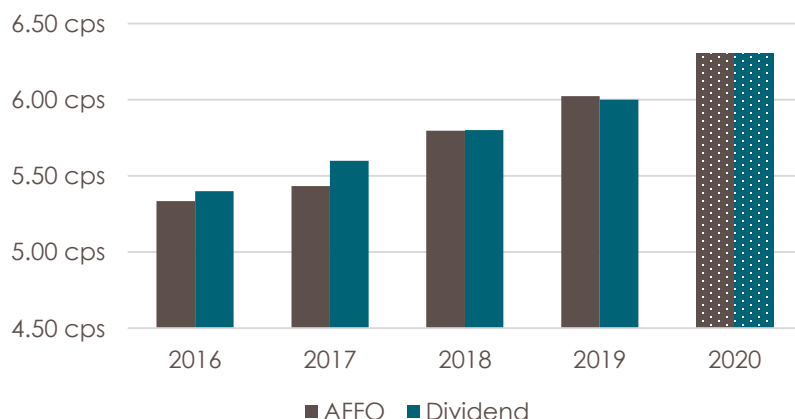


Adjusted funds
from
operations

Execution of strategy has materially enhanced cash earnings

- Since 2016 AFFO has increased by 13% and the AFFO pay out ratio has averaged 101%
- **Revised dividend policy**
 - Pay out around 100% AFFO providing sustainable long term dividend
 - Adopted the PCA guidelines
- Reduced maintenance and incentives forecast through improved quality, reduced age and increased WALT
- Expectation of higher growth in annual dividends to match growth in AFFO

Historical AFFO and Dividend



FY20 Earnings and dividend guidance

6.80 cps

FY20 net operating
income after tax, before
performance fees

6.30 cps

FY20 dividend
guidance

+5.0%

Increase in dividend

Composition of the portfolio continues to lift confidence in earnings profile

- High quality premium portfolio reducing capex requirement
- 99% occupied on 9.0 year WALT reducing incentives
- Under renting of 5.2% underpinning growth
- Improving investment portfolio quality
 - Completion of Charles Fergusson Building and Bowen State Building (post balance date)
 - Commercial Bay nearing completion, 86% pre-committed
- Future development opportunities advancing
- Low interest rate environment continues

Sustainability at Precinct

- Improved our key performance measures
 - GRESB score above global average
 - MSCI ESG rating of A
- Mason Bros. achieved 6 Star Green Star rating
- Improved environmental performance
 - 80% of investment portfolio NABERSNZ rated
 - 22% reduction in emissions since 2016
- Supporting social initiatives
 - City Missions and 'HomeGround' project
- Focus in FY20
 - Verify carbon emissions and improve reporting
 - Renewable projects: PV installation at 188 Quay Street & Wynyard
 - Improve energy efficiency and explore carbon offsetting

22%

reduction in carbon
intensity emissions
since 2016



ESG Progress

	2018	2019
GRESB	47	69
MSCI ESG rating	BBB	A
Environmental performance (number of buildings)		
NABERSNZ rating greater than 3	3	7
Green Star (built) greater than 4	3	5
Intensity measures (by total sqm)		
Carbon emissions	19.3	17.0





Section 2

Market

Our city centre markets



Prime office

- Occupier demand persists for well located high quality stock in both Auckland and Wellington due to city centre based employment growth. **Occupiers continue to seek to move up the grade spectrum** to attract talent and due to seismic concerns in Wellington
- New supply over the medium term forecast to be relatively limited due to high development costs and well-publicised construction sector challenges
- Prevailing **low vacancy rates** expected to **drive continued prime rental growth**



Flexible space

- Sector remains in nascent stage however **corporate occupiers** are **increasingly interested in adding flex space to CRE strategy**
- Significant growth in demand for both serviced and un-serviced private office offerings
- Further supply is likely in Auckland from new entrants and existing operators



Retail

- **Prime space continues to be highly sought after** by offshore retailers
- **Minimal supply forecast for the Auckland CBD** with new supply limited to ground floor tenancies in new/refurbished office buildings
- Notwithstanding current positive demand/supply dynamics, rental growth remains subdued due to rising labour costs and continued pressure from e-commerce



Hotel

- Demand remains solid however new supply has arrived ahead of the delayed NZICC which is impacting RevPAR in the short term
- Supply pipeline forecast to remain constrained due to high development costs
- **Well-located assets expected to outperform.** However overall the market is expected to perform over medium term following completion of demand drivers (AC36, APEC, NZICC)

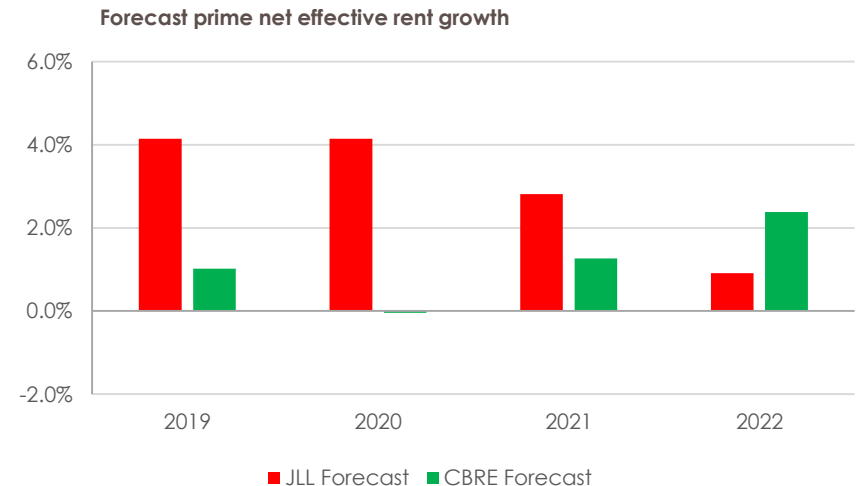
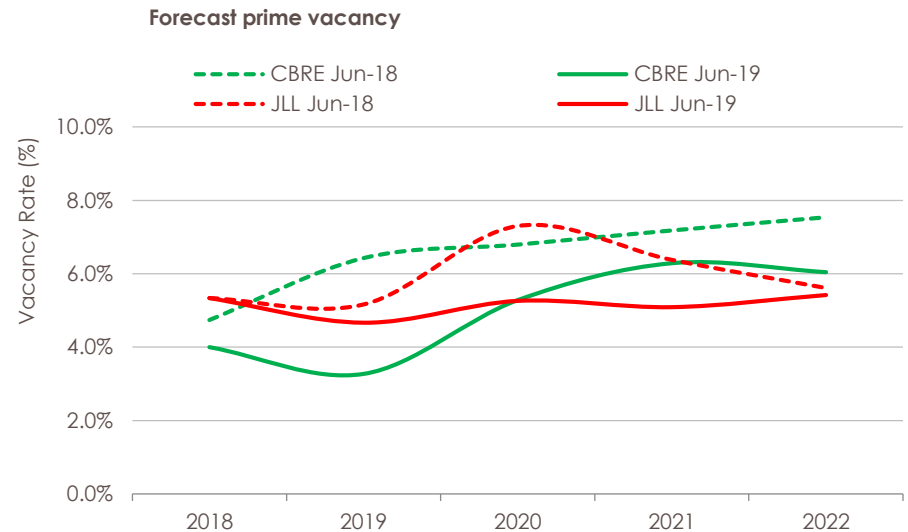
Auckland CBD occupier market

Vacancy forecasts continue to reduce

- Prime vacancy 4.7% as at Jun-19 (Jun-18: 5.3%)
- Approx. 27,000m² vacant prime space (Jun-18: 31,000m²)
- Vacancy expected to remain at or below **long-term average of 6.1%** despite committed supply

Further rental growth observed with JLL reporting prime net face rents increasing 1.3% y-o-y to c. \$496/m²

- Supported by PCT portfolio generating 11.6% increase in contract rents from leasing transactions



Source: CBRE, JLL

Wellington CBD occupier market

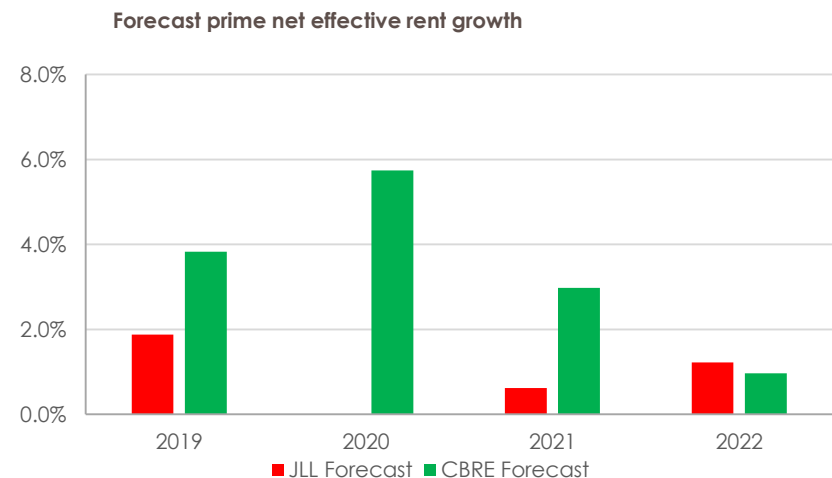
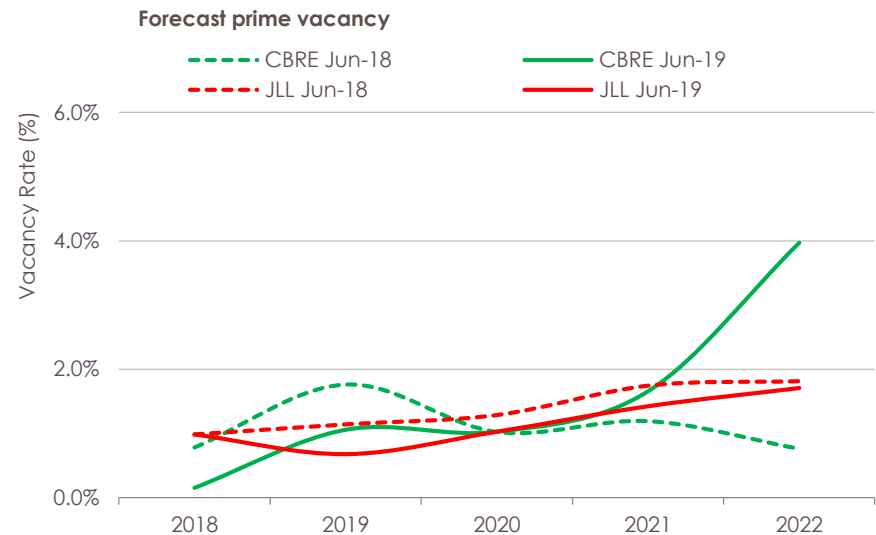
Prime grade market remains virtually fully occupied

- Prime vacancy 0.7% as at Jun-19 (Jun-18: 1.0%)
- Approx. 2,300m² vacant (Jun-18: 3,000m²)
- Vacancy rates forecast to rise in response to expected new supply and resultant backfill but expected to remain relatively modest
- **Long-term average of 2.8%**

Significant rental growth observed

with JLL reporting 10.0% increase in net face rent y-o-y to c. \$413/m²

- Consensus view indicates further growth likely, albeit at more moderate levels, due to both the constrained nature of the market and rental benchmarks set by new developments



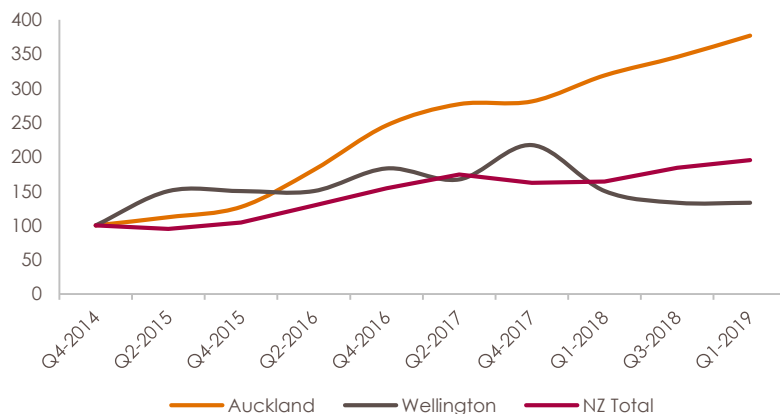
Source: CBRE, JLL

Supply outlook

- High level of construction activity observed, particularly in Auckland
- **Sector capacity continues to be constrained**
- Construction **costs unlikely to ease due to volume of activity** (current and pipeline)
 - Record consent issuance in Auckland with c. 14,000 new homes consented in 12 months to Jun-19
 - \$28 billion infrastructure spend over next 10 years

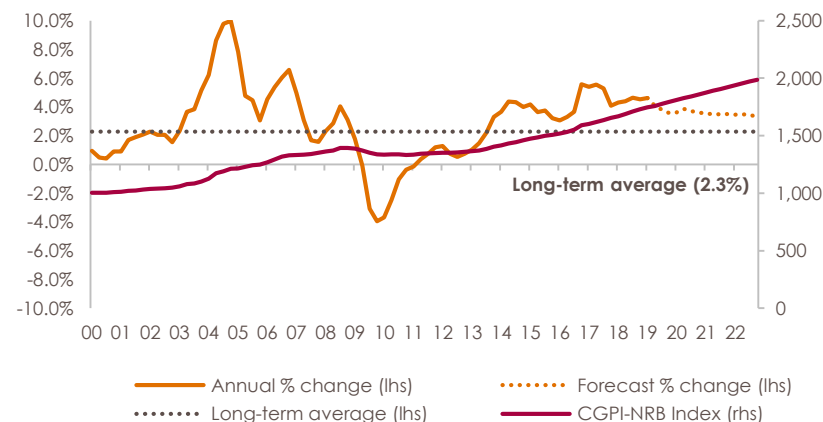
	2018	2019
Build costs (Auckland)	Elevated	Elevated
Land values (Auckland)	Elevated	Stable
Build costs (Wellington)	Elevated	Elevated
Land values (Wellington)	Stable	Stable
Funding availability	Stable	Constrained
Funding costs	Stable	Decreasing
Supply outlook (Auckland)	Limited	Limited
Supply outlook (Wellington)	Limited	Limited

RLB Crane Index (Base: Q4-2014 = 100)



Source: Rider Levett Bucknall

CGPI-NRB Index values and annual % change

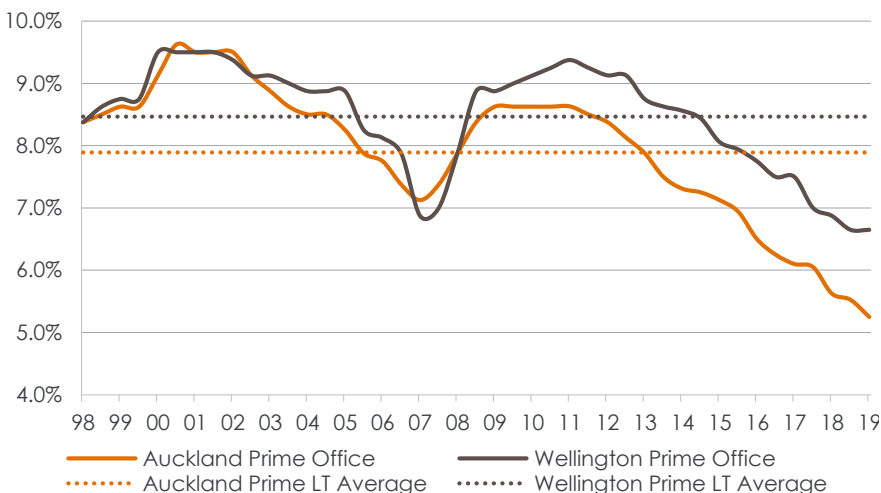


Source: Statistics New Zealand, NZIER, Infometrics

Investment market

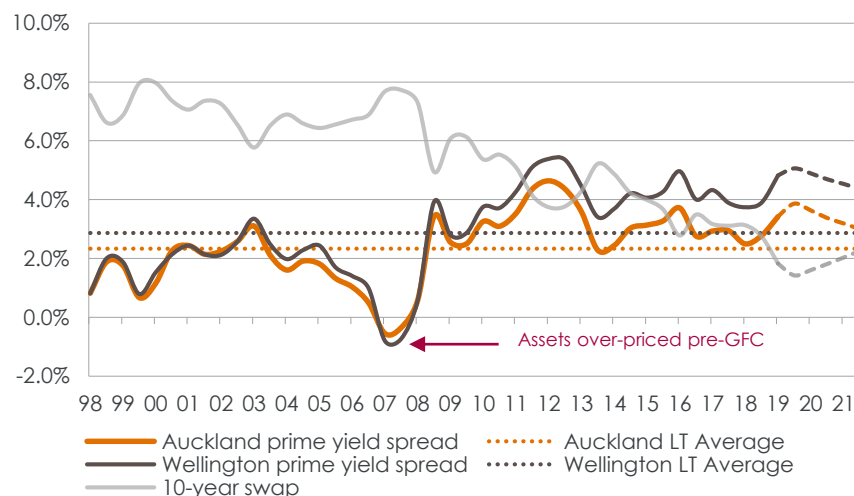
- Prime yields continue to firm in line with decreasing interest rates
- Whilst prime yields have reached new lows and are well below the long-term average, the **implied yield spreads vs. forecast 10-year swaps have widened** over recent months
 - Auckland prime yield spread: +342 bps (Jun-18: +250 bps)
 - Wellington prime yield spread: +482 bps (Jun-18: +375 bps)
- **Yield spread expected to further widen following recent OCR cut**

Prime office yields (historic)



Source: CBRE, JLL

Prime office yield spread vs. 10-year swap rates

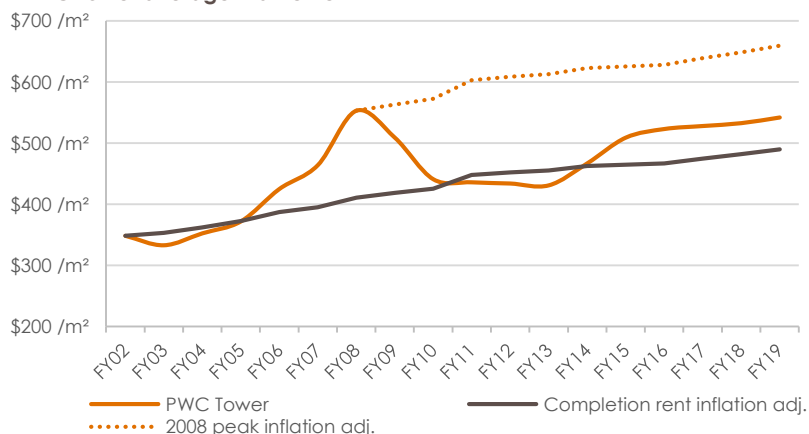


Source: RBNZ, CBRE, JLL

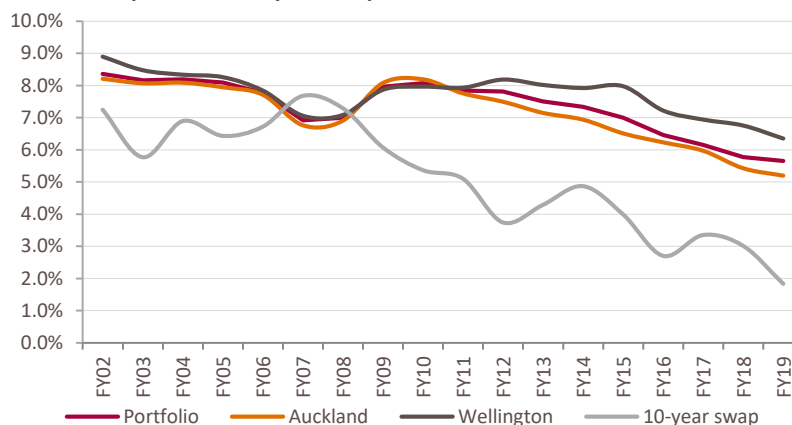
Valuation outlook

- Robust investment fundamentals observed
 - **Prime yield spread remains materially above historic average** despite cap rates reaching new historic lows
 - Reinstatement values above pre-GFC peak and at premium vs. market values
- Strong upside potential
 - **Rentals still below pre-GFC peak** despite sustained growth
 - Current and forecast prime vacancy rates, and continued densification, supportive of further rental gains
 - **Extent of recent interest rate cuts not reflected in 30 June 2019 independent valuations**

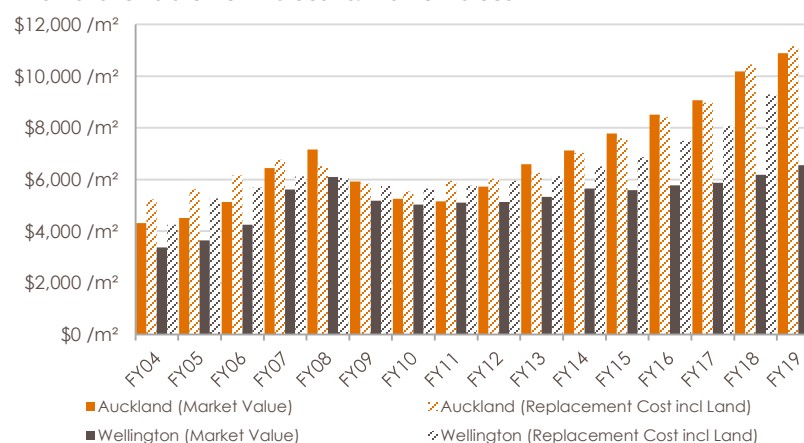
PWC Tower average market rent



Portfolio cap rates vs. 10-year swap rates



Portfolio reinstatement values vs. market values



A woman with her hair in a bun, wearing a light-colored sweater, is seated at a dark wooden table, working on a laptop. She is positioned in front of a large window that offers a view of a city and a body of water. To her right, there are several indoor plants, including a large one with broad green leaves in a yellow pot. The scene is brightly lit by natural light from the window.

Section 3

Operations

Portfolio activity

Our investment portfolio continues to benefit from the significant leasing activity and high occupancy achieved in both Auckland and Wellington

Key portfolio leasing deals in the period

- **7,900m²** leased to The Ministry of Education at No.1 The Terrace on a 9-year lease
- **2,924m²** leased at AON Centre to Medical Council and MBIE.
- New **10-year** lease to Jarden at Zurich House

9.0 years

Weighted average lease term
Including developments

99%

Portfolio occupancy

4%

Annualised uplift achieved
on previous contract rents

11.6%

Auckland leasing growth

7.7%

Wellington leasing growth

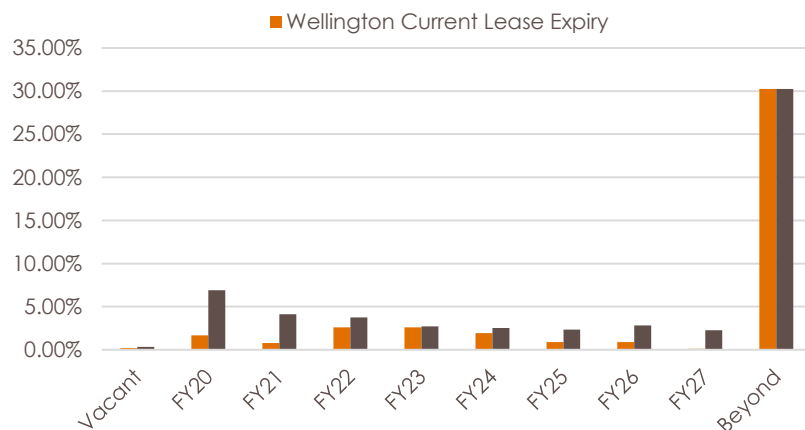
Lease events

- 68% of portfolio subject to review event in FY20. Of this 14% subject to market review.
- 6.7% or 15,400 sqm expiring in FY20
- 89,979 sqm of leasing events including rent reviews

Major expiries FY20

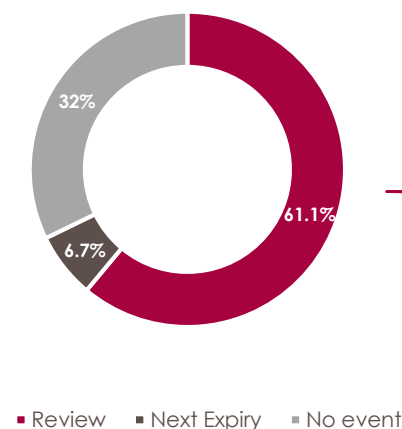
Property	Area
Dimension Data House	2,000 m ²
PwC Tower	2,800 m ²
Zurich House	2,700 m ²
ANZ Centre (50%)	2,900 m ²
Total	10,400 m²

Lease expiry

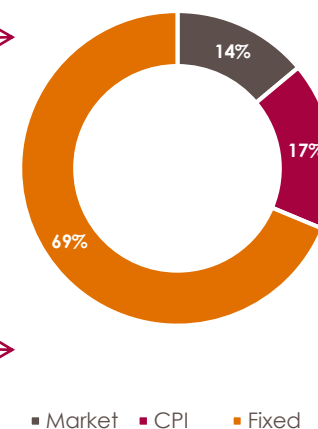


Note: Includes committed development leasing, and excludes Commercial Bay retail

FY20 event profile



Event composition



Asset sales



ANZ Centre

- 50% sale to a fund managed by Invesco
- **\$181 million** sale price
- Settled October 2018



10 Brandon Street

- 100% sale
- **\$10.2 million** sale price
- Settled August 2018



Pastoral House

- 100% sale
- **\$77 million** sale price
- Sale and purchase agreement has been executed subject to few conditions. Expected to be unconditional in **Nov 2019** with settlement targeted for post works in **Feb 2020**

Section 4

Generator



Supporting our strategy

- Adapting offering to cater for evolving occupier demands
 - Occupiers working differently and valuing flexibility and innovation
- Wider range of offering and optionality now available

Office space spectrum

	Long term lease	Turnkey	Office suites	Flexi space	Co-working
Number of employees	30+	15-30	5-10	Expansion space for large corps.	1-5
Length of lease term	3+	3+	1-3 years	<1 year	Monthly
Previous offering	✓				
Current strategy	✓	✓	✓	✓	✓

- Corporate real estate strategies increasingly span the office space spectrum
- Precinct response has been to broaden our offering
- Acquisition of Generator has accelerated the broadening of Precinct's offering
- Strategy is supported by ongoing favourable key city centre drivers

Generator's role in Precinct's strategy:

■ Winning new business across diverse sectors



- **Measurement:** Portfolio occupancy, cross-sell achieved, market penetration
- **Examples:** Major global technology companies using Generator for beachhead premises, Generator clients growing into Precinct space

■ Enhanced amenity and service, providing a greater ability for Precinct to adapt to clients needs and requirements



- **Measurement:** Client retention, client satisfaction, occupancy, cross-sell achieved
- **Example:** The provision of event spaces and training rooms to Precinct clients at Generator spaces, Generator managing meeting suites at Commercial Bay, the establishment of relationships with occupiers outside Precinct's portfolio through the use of Generator space

■ Access to pipeline of growing businesses, providing the opportunity of vertical integration throughout the two businesses



- **Measurement:** Portfolio occupancy
- **Example:** Businesses out growing their Generator space and expanding into the Precinct portfolio.

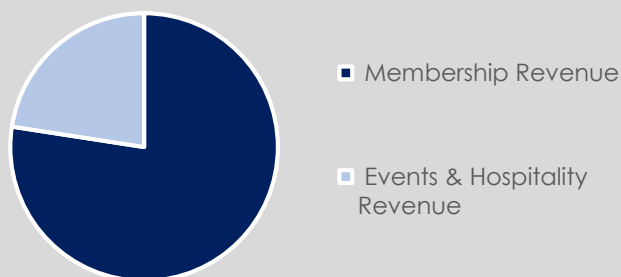
Generator performance

	FY19	FY18
Revenue¹	\$16.4m	\$7.6m
EBITDA	(\$1.2m)	(\$3.4m)
NPAT	(\$1.4m)	(\$4.7m)

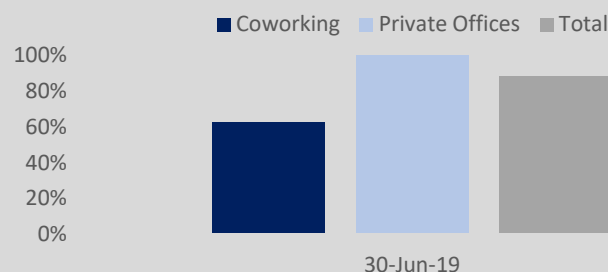
¹Note: Generator performance shown at 100% before consolidation adjustments and excluding interest on intercompany loans

- Business performing well against acquisition assumptions:
 - Year-end occupancy 88% across all sites
 - Profitability has improved steadily through the year
 - 116% year-on-year revenue growth
- Targeting stable returns in FY20
 - Capital employed c. \$22 million
 - Target EBITDA of at least \$2 million

Revenue sources



Occupancy



Generator opportunities

■ Improve site performance

- Convert coworking to private office
- Improve meeting and events utilisation
- Achieve desk rate uplifts on renewal

■ Provide Precinct amenity

- Generator to operate Commercial Bay meeting suites
- Promote Generator events offer to Precinct clients
- Provide opportunity for Precinct to offer clients a more diversified offering

■ Wellington expansion

- Exploring Wellington sites
- Strong market opportunity with coworking currently making up only 0.8% of the total Wellington office supply



Section 5

Developments



Development summary

Current commitments (incl. One Queen Street)

- Committed developments remain on track to deliver **blended ROC of +30%** and **blended YOC of +7.0%**
- Since June 2018:
 - Committed:**
 - Wynyard Quarter Stage 2 – TPC \$72m
 - One Queen Street – TPC \$298m
 - Completed:**
 - Bowen Campus Stage 1 – TPC \$209m

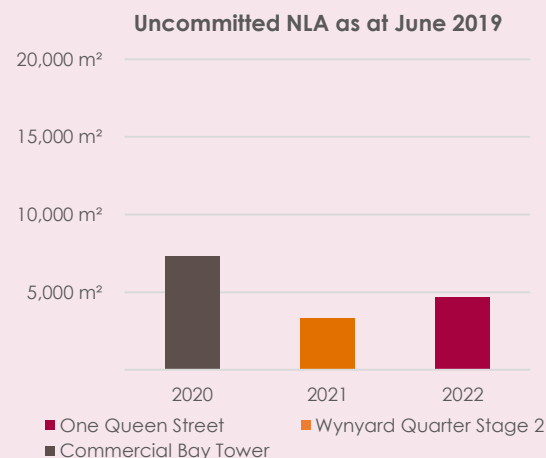
Current committed developments*

Total NLA	74,068 m ²
Total Office NLA	55,857 m ²
Office NLA leased to date	41,133 m ²
% of office NLA leased	74%
WALT secured to date	11.8 yrs
Value on completion	\$1.5 b
Weighting to Auckland	100%

* Excludes Bowen Campus Stage 1 due to project reaching practical completion

Current pipeline

- Approx. 39,400m² of additional office NLA
 - Bowen Campus Stage 2 (21,700m²)
 - Wynyard Quarter Stages 3 & 4 (17,700m²)
- Target pipeline returns**
 - Return on cost – 15.0%**
 - Yield on cost – 6.5% to 7.0%**



Bowen Campus Stage 1

- Redevelopment commenced October 2016 and became fully income producing in April 2019
- Further uplift in value on completion to **\$250m**
 - Increase in gross rent
 - Cap rate compression
 - 100% office NLA leased
- Increase in return on cost to **20%**
 - Increasing from \$26 m to **\$41 m**

Forecast financials (subject to final accounts)

	Commencement	Current	Change
Total project cost	\$203 m	\$209 m	\$6 m
Value on PC	\$229 m	\$250 m	\$21 m
Return on cost	13%	20%	7%
% leased by office	87%	100%	13%
WALT	14.6 yrs	16.9 yrs	2.3 years



Commercial Bay

Forecast financials

- Approx. **\$197 m uplift in estimated value** on completion since commencement
- Forecast total project costs expected to remain in line with recent guidance between \$690 m to \$700 m
- Forecast ROC maintained at **+40%** with YOC largely unchanged at c. **7.4% to 7.5%**

Programme

- Current independent programme review indicates construction on track to achieve revised target dates announced to the NZX on 29 May 2019. Opening expected to be:
 - **Retail – March 2020**
 - **Office – April 2020**
- Delays well-communicated to all pre-commit retailers and office occupiers
- Management remain comfortable with construction contract provisions which protect Precinct from delays caused by the construction contractor

\$1.0 b

Value on completion

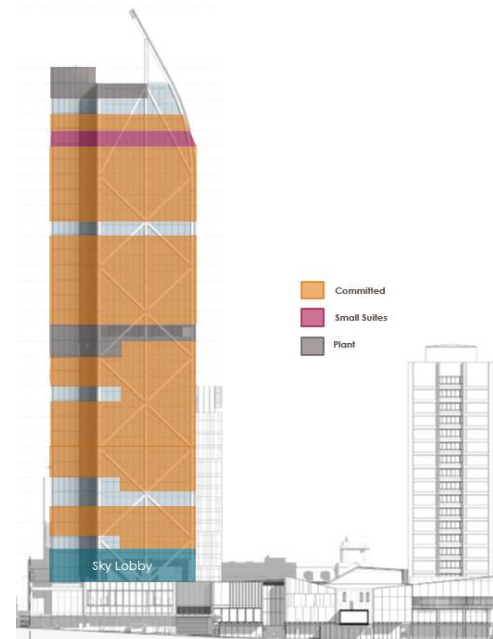
Commercial Bay

Retail

- Pleasing progress with **commitment now at 95%** (Jun-18: 76%)
- 'Mid-upper end' retail mix achieved in line with target at project commencement
- Retail Stage 1 (H&M) awarded '**Best in Category**' (PCNZ Property Industry Award 2019)

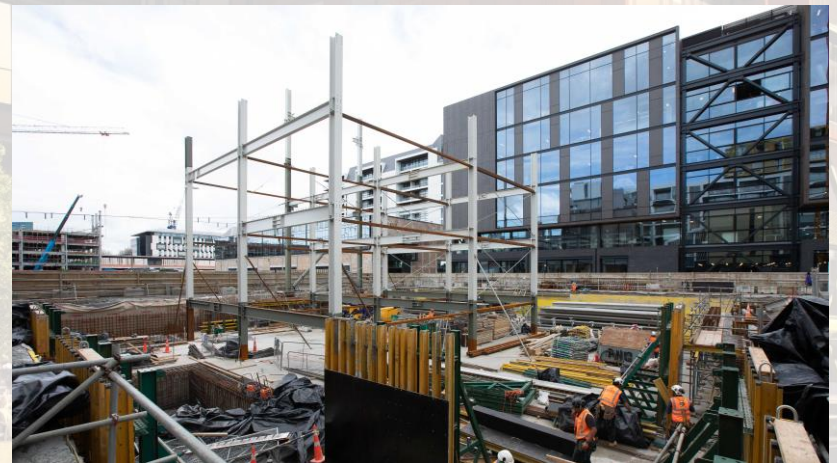
Office

- Leasing advanced to **82% pre-committed** (Jun-18: 78%)
 - Total leasing of 8% secured in the period
 - Agreement to lease over 1,380 sqm cancelled post financial year end due to failure to perform (level 38/39)
 - Overall, approx. 6,200m² remaining across 3 full floors and 3 part floors (excluding Private Offices offering)
- 'Private Offices by Precinct' offering on Level 36 well-received - only 4 suites remaining



Wynyard Quarter Stage 2

- Construction advancing well – on programme for completion in Oct-20
- **Office NLA effectively 100% pre-committed**
 - Development Agreement executed with Media Design School over c. 4,934m² or 62% of office NLA
 - Key terms agreed for remaining office NLA with two confidential parties (documentation under negotiation) – both transactions will require provision of Generator space within the building
- Leasing of ground floor F&B tenancies to formally commence in late-2019



One Queen Street

- Detailed Design well-advanced
 - Base build design completed
 - Interior design to complete end of Q3-19
- Redevelopment will commence in mid-2020 following material vacant possession
- **Office NLA approx. 50% pre-committed** with anchor client Bell Gully exercising option over an additional half floor during the year
 - 3.5 floors remaining with healthy occupier interest
 - **Total pre-commitment c. 78% including hotel**
- As noted, slight softening in hotel market conditions due to increase in supply ahead of NZICC completion
 - Management remain confident that One Queen Street's prime location within the CBD hotel market will underpin its performance
 - Expect supply to be constrained, due to high development costs





Future Developments



Bowen Campus Stage 2

Detailed Design completed

- **40 Bowen (c. 10,700m²)**
- **44 Bowen (c. 11,750m²)**

Positive engagement to date

- Occupiers increasingly focused on high quality, seismically resilient premises with adjacent flex-space

Enabling works currently underway

Intend to commit to a construction start within next 12 months

Est. incremental spend c. \$170m



Wynyard Quarter Stages 3 & 4

Preliminary design in progress for an estimated 19,000 m²

- 117 Pakenham (c. 8,400m²)
- 124 Halsey (c. 9,400m²)
- Flowers Building (c. 1,500m²)

Includes 1,600 m² of ground level retail and F&B opportunities

Design programme allows for mid-2020 works commencement

Intend to commit to a construction start within next 12 months

- Est. incremental spend c. \$180m across both stages

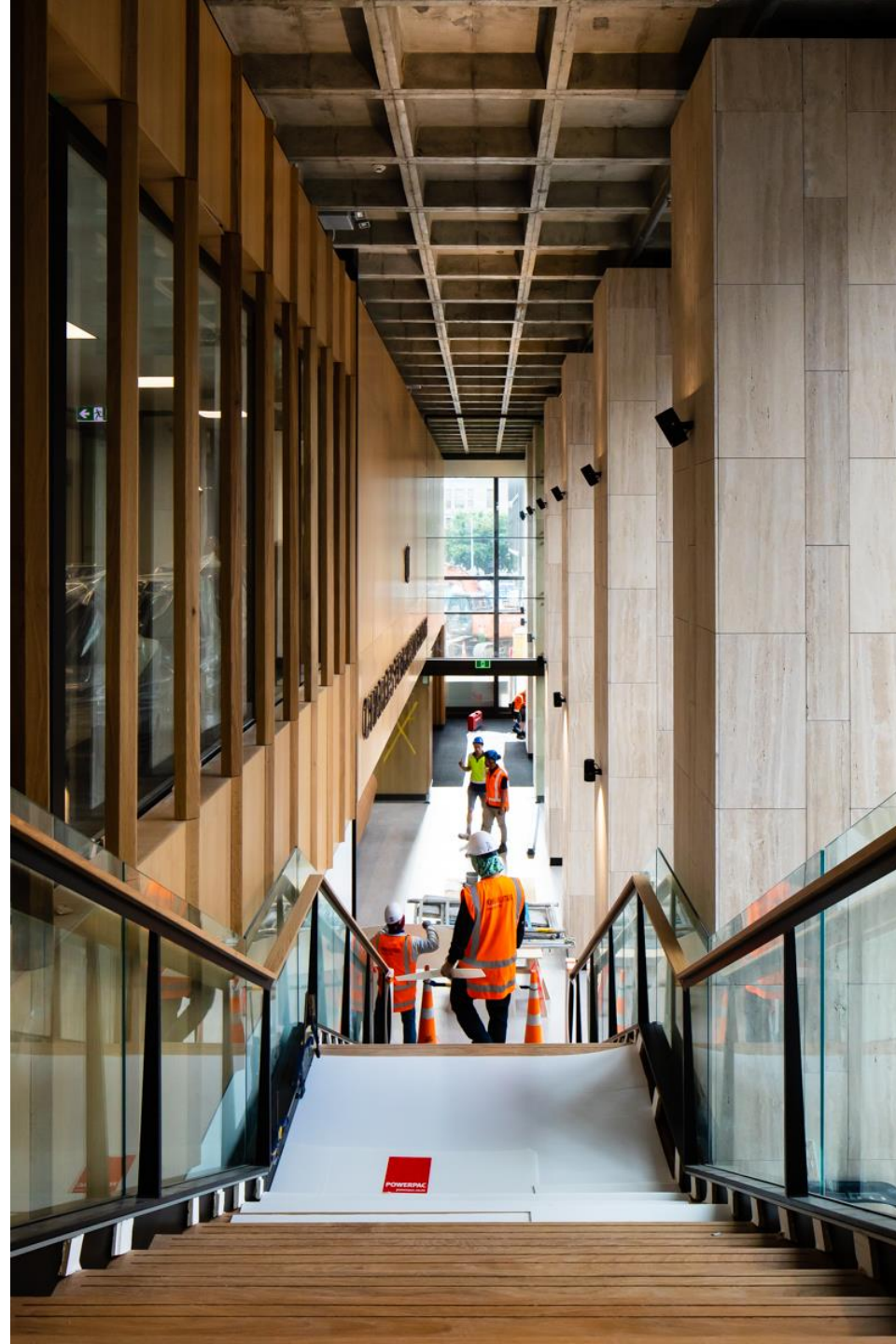


Section 6

Conclusions and outlook

Conclusion

- Precinct has a clear strategy which is supported by its markets
- Strategy of active management is proving successful as newly developed real estate is of highest quality
- New portfolio of assets driving strong growth in AFFO and dividends
- Strategy of being a city centre specialist enhancing returns as city centres outperform globally (higher GDP contribution)
- Occupier demand remains strong driven by activity levels in Auckland



Outlook

- Precinct well positioned through:
 - Clear strategy with market share
 - Capable team – in-house and external
 - Strong balance sheet with capacity
- Precinct establishing an enviable track record of creating world class developments with world class returns
- Premium quality portfolio with 9 year WALT expected to drive strong growth in AFFO and dividend for foreseeable future



Appendices

Financial summary

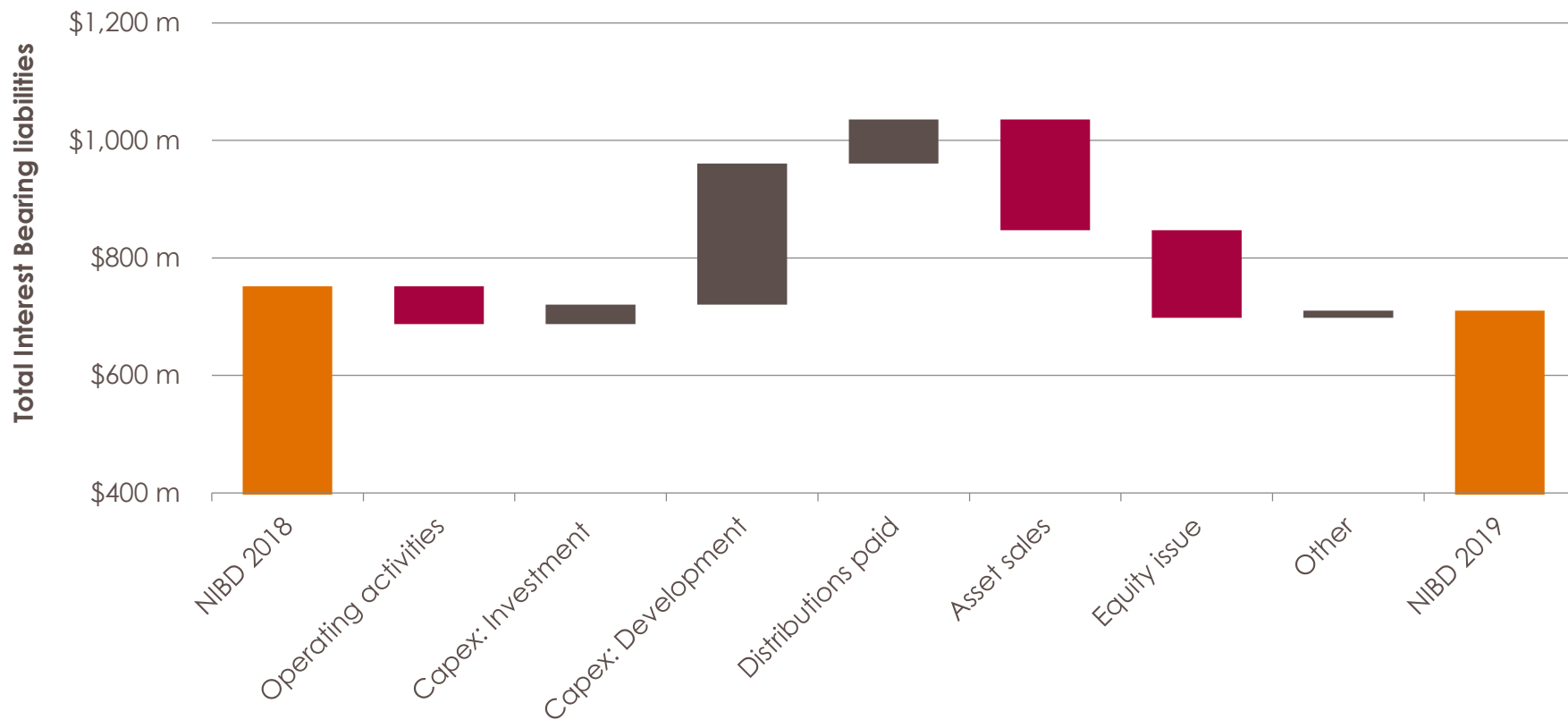
(\$ millions unless otherwise stated)

	2019	2018	Change
Operating income before indirect expenses	97.0	95.3	1.8%
Operating profit after tax	79.4	76.6	3.7%
Operating profit after tax pre performance fees	6.62 cps	6.32 cps	4.7%
Net profit after income tax	190.1	254.9	-25.4%
Net distribution	6.00 cps	5.80 cps	3.4%
Funds from operations (FFO)	6.92 cps	6.89 cps	0.4%
FFO Payout ratio	86.8%	84.2%	3.1%
Adjusted funds from operations (AFFO)	6.02 cps	5.80 cps	3.8%
AFFO Payout ratio	99.7%	100.0%	-0.3%
Weighted average cost of debt	5.7%	5.3%	7.5%
Total assets	2,893.4	2,561.7	12.9%
Total liabilities	938.5	871.0	7.7%
Total equity	1,954.9	1,690.7	15.6%
Shares on issue (million shares)	1,313.8	1,211.1	8.5%
NAV (cents per share)	149	140	6.4%
Gearing ratio at balance date (%)	22.4%	25.0%	-10.4%
Total borrowings	710.4	751.4	-5.5%
Year end hedging	101.4%	84.5%	20.0%
Interest coverage ratio (previous 12 months)	2.0	2.4	-19.7%

Balance sheet

Financial Position as at	30 June 2019	30 June 2018	
(\$m)	Audited	Audited	Movement
Assets			
Development properties	\$923.2	\$838.1	+ \$85.1
Investment properties	\$1,870.5	\$1,487.6	+ \$382.9
Investment properties held for sale		\$191.2	(\$191.2)
Other	\$36.5	\$26.6	+ \$9.9
Total Assets	\$2,893.4	\$2,561.7	+ \$331.7
Liabilities			
Interest bearing liabilities	\$758.4	\$761.7	(\$3.3)
Deferred tax liability	\$38.3	\$40.3	(\$2.0)
Fair value of derivative financial instruments	\$65.3	\$33.8	+ \$31.5
Liquidated damages	\$36.35		+ \$36.4
Other	\$40.1	\$35.2	+ \$4.9
Total Liabilities	\$938.5	\$871.0	+ \$67.5
Equity	\$1,954.9	\$1,690.7	+ \$264.2
NIBD to Total Assets	24.6%	29.3%	-4.8%
Liabilities to Total Assets - Loan Covenants	22.4%	25.0%	-2.6%
Shares on Issue (m)	1,313.8 m	1,211.1 m	102.6 m
Net tangible assets per security	\$1.47	\$1.40	0.08
Net asset value per security	\$1.49	\$1.40	0.09

Borrowing movement



Tax reconciliation

Lower effective tax rate for FY19

- Higher level of deductible capex and leasing incentives

FY20 expected tax rate to range between 0-2%

Future tax profile expected to increase as development exposure reduces

	30 June 2019	30 June 2018
Net profit after tax and unrealised gains	\$190.1 m	\$254.9 m
Depreciation recovered on sale	\$10.7 m	
Deferred tax benefit	(\$0.2 m)	\$17.0 m
Current tax expense		\$6.3 m
Net profit before taxation	\$200.6 m	\$278.2 m
Less non assessable income		
Unrealised net (gain) / loss in value of investment and development properties	(\$161.7 m)	(\$208.7 m)
Net realised loss on sale of investment properties	\$1.7 m	
Share of (profit) or loss of joint ventures	\$1.1 m	\$2.3 m
Net realised (gain) / loss on disposal of investment in joint venture	(\$6.6 m)	
Unrealised net gain / (loss) on financial instruments	\$44.0 m	\$11.1 m
Other deductible expenses		
Depreciation	(\$16.6 m)	(\$19.9 m)
Leasing fees and incentives in the period	(\$8.5 m)	(\$1.6 m)
Capitalised interest	(\$37.4 m)	(\$31.2 m)
Disposal of depreciable assets	(\$5.9 m)	(\$3.6 m)
Other deductibles	(\$10.7 m)	(\$4.1 m)
Taxable income	\$0.0 m	\$22.6 m
Tax at 28%	\$0.0 m	\$6.3 m
Current tax expense	\$0.0 m	\$6.3 m

Funds from operations and dividends

(Amounts in \$ millions unless otherwise stated)	2015	2016	2017	2018	2019
Dividends					
Net dividend (cents)	5.40	5.40	5.60	5.80	6.00
Net operating income					
Operating income before income tax	79.8	83.4	77.2	82.9	79.4
Less: Current tax expense	(11.5)	(10.6)	(2.5)	(6.3)	
Net operating income after tax	68.3	72.8	74.7	76.6	79.4
Net operating income after tax per share (cents)	6.19	6.01	6.17	6.32	6.37
Dividend payout ratio to net operating income after tax (%)	87.2	89.9	90.8	91.8	94.2
Funds from operations (FFO)					
Net operating income after tax	68.3	72.8	74.7	76.6	79.4
Adjusted for:					
Amortisations	7.3	6.4	6.4	7.2	7.1
Straightline rents	(1.1)	(0.5)	(0.2)	(0.4)	(0.3)
Funds from operations	74.5	78.7	80.9	83.4	86.2
Funds from operations (cents)	6.75	6.50	6.68	6.89	6.92
Dividend payout ratio based on FFO (%)	80.0	83.1	83.8	84.2	86.7
Adjusted funds from operations (AFFO)					
Less: Maintenance capex	(6.6)	(11.1)	(5.8)	(4.9)	(7.2)
Less: Incentives and leasing costs	(7.1)	(3.0)	(9.3)	(8.3)	(3.9)
Swap close outs	1.6	-	-	-	-
Adjusted funds from operations	62.4	64.6	65.8	70.2	75.1
Adjusted funds from operations (cents)	5.66	5.33	5.43	5.80	6.02
Dividend payout ratio based on AFFO (%)	95.4	101.3	103.1	100.0	100.0

5 year income summary

(Amounts in \$ millions unless otherwise stated)	2015	2016	2017	2018	2019
Financial performance					
Gross rental revenue	170.5	146.0	126.2	130.7	135.8
Less direct operating expenses	(48.9)	(41.5)	(35.8)	(35.4)	(40.8)
Operating profit before indirect expenses	121.6	104.5	90.4	95.3	95.0
Net interest expense	(31.4)	(11.0)	(3.4)	(2.2)	(1.8)
Other expenses	(10.4)	(10.1)	(9.8)	(10.2)	(15.8)
Operating income before income tax	79.8	83.4	77.2	82.9	77.4
Non operating income / (expense)					
Unrealised net gain in value of investment and development properties	64.8	81.2	77.5	208.7	161.7
Other revenue					2.0
Other non operating income	(13.5)	(19.1)	11.8	(11.1)	(39.7)
Net profit before taxation	131.1	145.5	166.5	280.5	201.4
Current tax expense	(11.5)	(10.6)	(2.5)	(6.3)	
Depreciation recovered on sale expense	(3.8)	(10.0)	0.0	0.0	(10.7)
Deferred tax benefit / (expense)	6.6	13.3	(1.9)	(17.0)	0.3
Total taxation (expense) / benefit	(8.7)	(7.3)	(4.4)	(23.3)	(10.4)
Share of profit or (loss) of joint ventures	0.0	0.0	0.0	-2.3	(1.1)
Net profit after taxation	122.4	138.2	162.1	254.9	189.9

5 year balance sheet

(Amounts in \$ millions unless otherwise stated)	2015	2016	2017	2018	2019
Financial position					
Total investment assets	1,687.8	1,513.7	1,535.4	1,678.8	1,870.5
Total development assets	-	190.4	509.2	838.1	923.2
Other assets	65.4	34.5	34.6	44.8	99.7
Total assets	1,753.2	1,738.6	2,079.2	2,561.7	2,893.4
Interest bearing liabilities	340.0	234.1	456.9	761.7	758.4
Other liabilities	74.9	93.6	116.7	109.3	180.1
Total liabilities	414.9	327.7	573.6	871.0	938.5
Total equity	1,338.3	1,410.9	1,505.6	1,690.7	1,954.9
Number of shares (m)	1211.1	1211.1	1211.1	1211.1	1313.8
Weighted average number of shares (m)	1103.1	1211.1	1211.1	1211.1	1246.7
Net tangible assets per share (cps)	1.11	1.17	1.24	1.40	1.47
Net asset value per security (cps)	1.11	1.17	1.24	1.40	1.49
Share price at 30 June (\$)	1.14	1.25	1.24	1.35	1.77
Covenants					
Loan to value ratio (%)	20.1	14.4	25.1	25.0	22.4
Interest coverage ratio	3.5 x	6.9 x	3.9 x	2.4 x	2.0 x
Key portfolio metrics					
Average portfolio cap rate (%)	7.0	6.5	6.2	5.8	5.7
Weighted average lease term (years)	5.0	6.3	8.7	8.7	9.0
Occupancy (% by NLA)	98	98	100	99	99

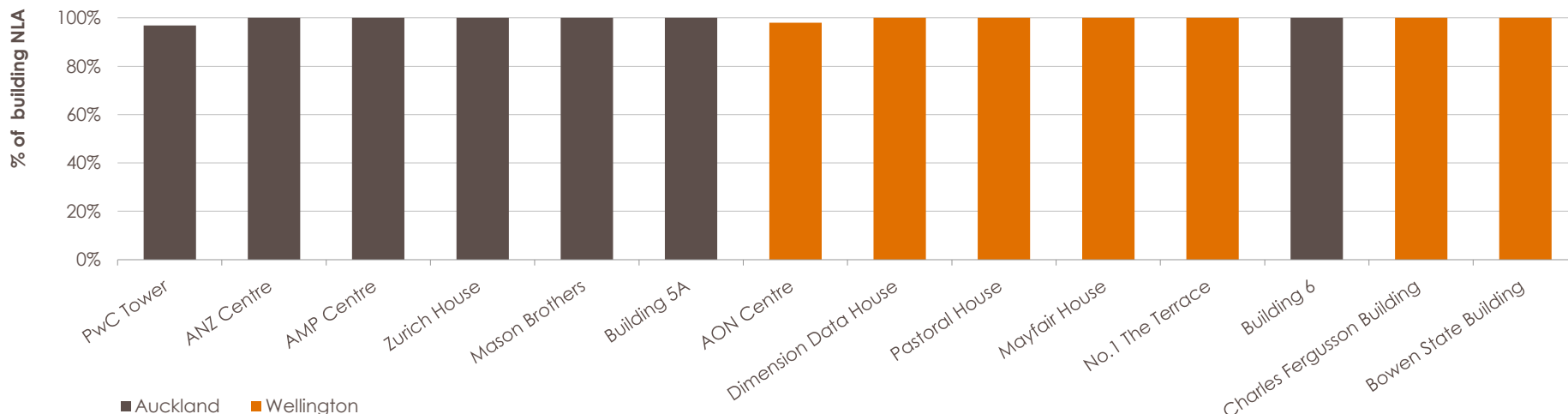
Investment portfolio overview

Key metrics

	Investment portfolio	Auckland	Wellington
WALT ¹	9.0 years	8.0 years	10.7 years
Occupancy	99%	100%	99%
Investment Portfolio Value (\$m)	\$1,813.3 m	\$1,088.8 m	\$724.5 m
Weighted average market cap rate	5.7%	5.2%	6.4%
NLA (m ²)	232,210 m ²	104,355 m ²	127,855 m ²
Under Renting position	5.2%	4.2%	6.7%

¹ Includes development leasing

Occupancy



Portfolio metrics

9.0 years

Weighted average lease term

99%

Portfolio occupancy

Net property income

For the 12 months ended \$m	30 June 2019	30 June 2018	Δ
AMP Centre	\$10.0	\$9.5	+ \$0.5
PwC Tower	\$18.5	\$17.4	+ \$1.1
Mason Brothers	\$2.7	\$2.3	+ \$0.4
12 Madden Street	\$4.5	\$4.5	(\$0.0)
Zurich House	\$5.2	\$4.8	+ \$0.4
Auckland total	\$40.9	\$38.5	+ \$2.4
157 Lambton Quay	\$7.4	\$7.6	(\$0.2)
AON Centre	\$9.4	\$9.1	+ \$0.3
Mayfair House	\$3.3	\$3.4	(\$0.1)
Wellington total	\$20.1	\$20.1	(\$0.0)
Investment portfolio	\$61.0	\$58.7	+ \$2.3
Transactions and Developments			
HSBC House	\$5.8	\$6.3	(\$0.5)
Commercial Bay	\$4.4	\$0.0	+ \$4.4
ANZ Centre	\$12.2	\$18.2	(\$6.0)
Pastoral House	\$3.1	\$4.5	(\$1.4)
Bowen Campus	\$6.8	\$0.3	+ \$6.5
10 Brandon Street	\$0.3	\$2.1	(\$1.8)
No 1 The Terrace	\$3.9	\$5.4	(\$1.5)
Total	\$97.5	\$95.3	+ \$2.2

Asset level valuations

	Cap Rates %			Valuations			Value Movement	
	30 June 2019	30 June 2018	Change	30 June 2019	30 June 2018	Additions / Disposals	Revaluation	%
Investment Properties								
Dimension Data House	6.6%	6.8%	(13 bps)	\$122.5 m	\$118.3 m	\$2.0 m	\$2.2 m	1.8%
Mayfair House	6.5%	6.5%		\$47.3 m	\$44.4 m	\$0.9 m	\$2.0 m	4.4%
No.1 and 3 The Terrace	6.3%	6.8%	(55 bps)	\$86.5 m	\$67.0 m	\$17.8 m	\$1.7 m	2.0%
No.3 The Terrace	N/A	N/A		\$12.7 m	\$11.6 m		\$1.1 m	9.5%
Pastoral House	6.4%	6.5%	(10 bps)	\$59.8 m	\$45.0 m	\$10.4 m	\$4.4 m	7.9%
Bowen Campus	5.9%	6.0%	(13 bps)	\$239.6 m	\$178.6 m	\$36.4 m	\$24.6 m	11.4%
Aon Centre	6.9%	6.9%	(3 bps)	\$161.5 m	\$149.5 m	\$8.4 m	\$3.6 m	2.3%
Wellington	6.4%	6.5%	(17 bps)	\$729.9 m	\$614.4 m	\$75.9 m	\$39.6 m	5.7%
AMP Centre	5.5%	5.9%	(38 bps)	\$205.0 m	\$179.0 m	\$5.0 m	\$21.0 m	11.4%
ANZ Centre	5.1%	5.3%	(13 bps)	\$187.5 m	\$181.0 m	\$0.2 m	\$6.3 m	3.5%
HSBC House	5.8%	6.1%	(38 bps)	\$106.0 m	\$91.0 m	\$13.9 m	\$1.1 m	1.0%
PwC Tower	5.0%	5.1%	(12 bps)	\$400.0 m	\$376.0 m	(\$0.3 m)	\$24.3 m	6.5%
Mason Bros.	5.3%	5.5%	(25 bps)	\$45.5 m	\$42.1 m	(\$0.2 m)	\$3.6 m	8.6%
12 Madden Street	5.4%	5.5%	(13 bps)	\$82.3 m	\$76.7 m	\$0.2 m	\$5.4 m	7.0%
Zurich House	5.4%	5.6%	(25 bps)	\$114.3 m	\$106.0 m	\$0.2 m	\$8.1 m	7.6%
Auckland	5.3%	5.5%	(20 bps)	\$1,140.6 m	\$1,051.8 m	\$19.0 m	\$69.8 m	6.5%
Total Investment Properties	5.7%	5.9%	(17 bps)	\$1,870.5 m	\$1,666.2 m	\$94.9 m	\$109.4 m	6.2%
Development Properties								
10 Madden Street	5.6%	0.0%	563 bps	\$17.7 m		\$16.6 m	\$1.1 m	6.6%
Bowen Campus Stage Two	N/A	N/A		\$15.5 m	\$11.5 m	\$6.0 m	(\$2.0 m)	-11.4%
Commercial Bay	4.9%	4.9%	(7 bps)	\$890.0 m	\$648.0 m	\$188.8 m	\$53.2 m	6.4%
Total Properties	5.4%	5.6%	(17 bps)	\$2,793.7 m	\$2,325.7 m	\$306.3 m	\$161.7 m	6.1%
Assets sold in period								
10 Brandon Street	N/A	N/A			\$10.2 m	(\$10.2 m)		
ANZ Centre (50%) - Sold	N/A	N/A			\$181.0 m	(\$181.0 m)		
Total Properties sold					\$191.2 m	(\$191.2 m)		

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