



**Precinct Properties**  
Annual Results  
2020

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# Agenda

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FY20 Highlights / Strategy / Major themes	Pages 3
Section 1 – Financial results & capital management	Page 11
Section 2 – Our markets	Page 19
Section 3 – Operations	Page 23
Section 4 – Developments	Page 37
Section 5 – Outlook	Page 42

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## **Precinct Properties New Zealand Limited**

Scott Pritchard, CEO

George Crawford, COO

Richard Hilder, CFO

Note: All \$ are in NZD

# FY20 Highlights

## Financial Performance

- 6.89cps or \$90.5m FFO (+1.0% cps)
- 6.29cps or \$82.7m AFFO (+5.9% cps)
- 6.30cps dividend
  - 100% pay-out ratio to AFFO
  - **+5.0% uplift y-o-y**

## Capital Management

- Sale of Pastoral House for \$77m
- Successfully refinanced \$150m bank debt facility
- Strong balance sheet, gearing of 28.8%

## Operational performance

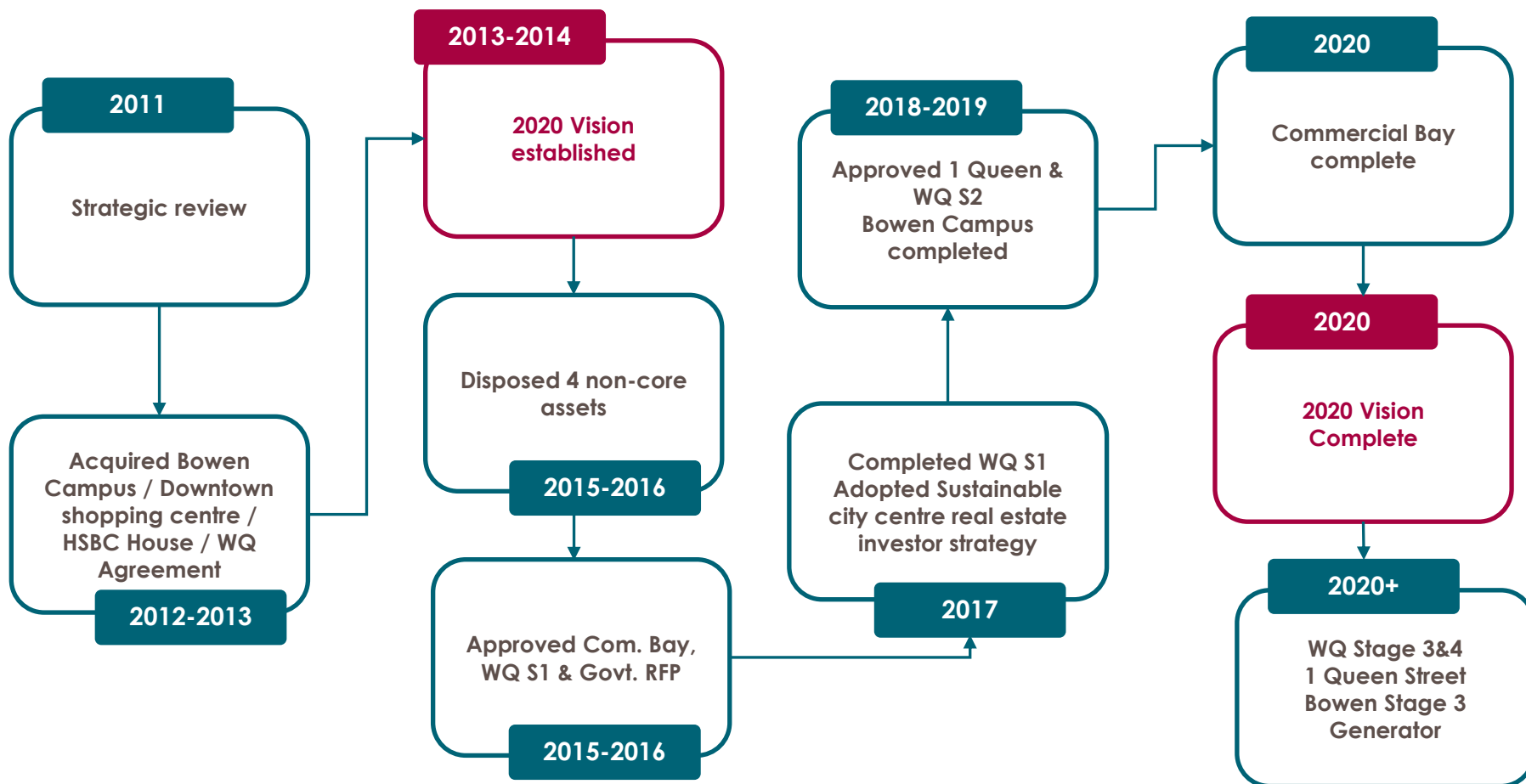
- Resilient portfolio with **98%** occupancy and a **8 year** WALT
- Commercial Bay complete
  - Retail 100% / Office 97%
- Wynyard Stage 2 nearing completion
  - Office 100%
- Bowen Stage 2 commenced
  - Office 72%



# 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.



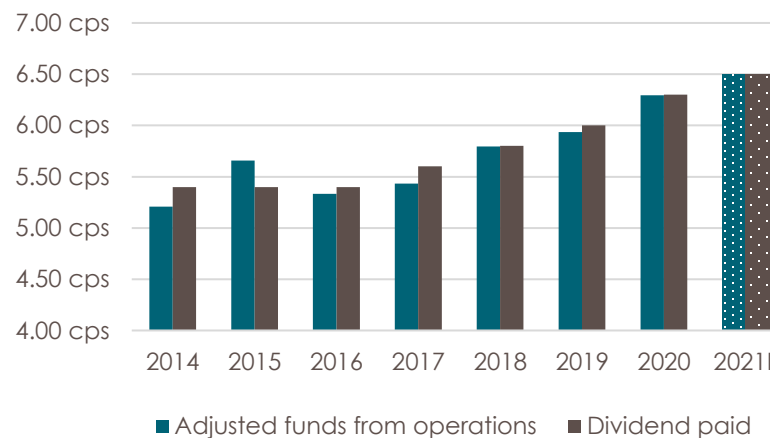


# 2020 Vision Complete

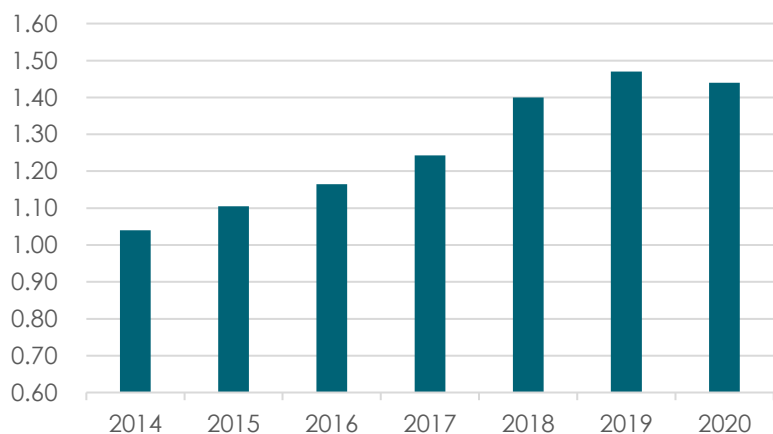
## Portfolio transformation

	2014	2020
<b>Size</b>	\$1.75 b	\$3.0 b
<b>Age</b>	26 yrs	12 yrs
<b>Maint. Capex</b>	0.60-0.80% p.a	0.20% p.a
<b>AKL Weighting</b>	60%	73%
<b>Quality</b>	A-grade	Premium

## AFFO and Dividend per share growth



## NTA growth



*\$600m of B grade assets sold to fund \$1.4 b of premium grade developments*

# Our Strategy

**Precinct's strategy incorporates the following:**

**Principles of success:**

- Focusing on concentrated ownership in strategic locations
- Maintain and grow great client relationships
- Investing in quality, both in assets and environments
- Maintaining a long-term view

**Essential sustainability elements:**



**Empowering people**



**Operational excellence**



**Developing the future**

**Opportunities to outperform:**

1. Stock selection
2. Development activity
3. Operating activity
  - a) Commercial Bay Retail
  - b) Generator



# Major Themes

## Work from home

- Agile workforce increased from c.10% to c.20%
- Importance of workplace for collaboration, creativity and culture
- WFH effective for processing roles/functions

## Occupier market

- Remains resilient
  - AKL fully leased with minimal supply
  - WLG remains strong underpinned by the growth in public sector workforce
- Prime grade expected to outperform and supports agile/collaborative workplace

## Construction market

- Several projects suspended
- Supply to reduce supporting occupier markets
- Construction cost expected to reduce

## City Centre

- Long term drivers for city centre remain intact
- City centre impacted by short term lockdown and ongoing loss of tourist market

# Working from home (WFH)

- **Workplace strategies have evolved significantly over the past 20 years**
  - Density ratios increased from 1:20m<sup>2</sup> to around 1:10m<sup>2</sup>
  - Adaption of open plan and agile workplaces
  - Emergence of flex space and co-working
  - Highly tech enabled functions supporting agile work practices
- **Noting the evolution, workplace trends have been further impacted by Covid as all office workers globally have been forced to WFH**
  - Sudden migration provided an alternative workplace strategy
- **While WFH has been an effective continuity strategy, most office-based businesses have returned to the office due to:**
  - Higher productivity and creativity / Increased collaboration
  - Enhanced culture / training, development and mentoring of staff
- **Structural change is expected to result in a more agile workforce enabled through technology, however:**
  - Businesses will continue to require a base for meetings, collaboration and value add initiatives.
  - The workplace has become more important for businesses as they compete for talent and attract the most highly valuable workforce



# Working from home (WFH) – Precinct Portfolio

- Precinct has 161 clients occupying office space ranging from 200sqm to 22,000sqm
- Most believe that they will offer a more agile work environment but that they will largely retain their current premises footprint

## Across our portfolio

- Four occupiers have indicated an intent to sublease c.6,100sqm of space
  - One party is keen to exit city centre office entirely (half of total sublease area)
  - Two are in sectors hard hit by Covid-19 border restrictions
  - One reducing space due to increases in WFH
- Low intent to sublease in Precinct portfolio likely reflects the higher value placed on the office by premium city centre based occupiers

### ***StatsNZ 2018 survey of 44,000 local businesses found:***

- ***50% of total office occupiers provided the option to WFH***
- ***20% had increased the option to WFH over the past 2 years***

***Colliers latest occupier survey indicated 75% of occupiers would like to retain the same or similar office footprint over the next 12 months. Survey consisted of 4,000 respondents.***

# City Centres

## Auckland – Return to the city



**83%**

AKL waterfront ped counts risen to on comparable prior period

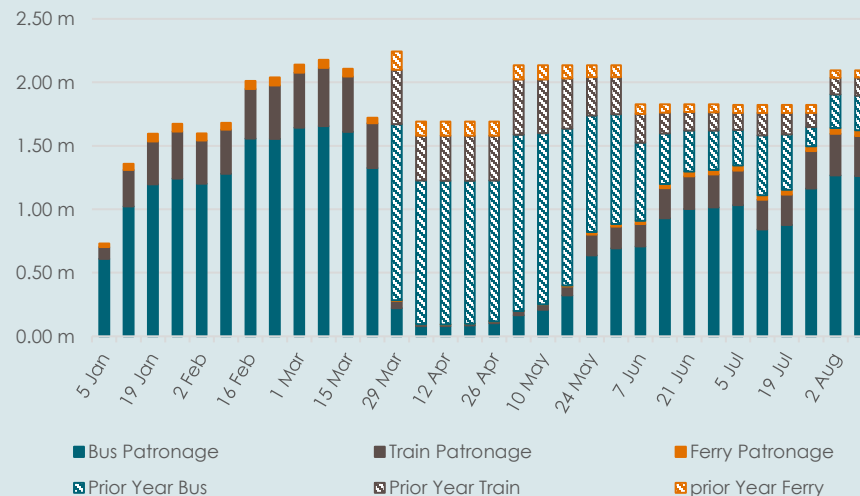


**80%**

AKL Metro weekly patronage increased to on comparable prior period

Notably, these charts exclude: International tourists and tertiary students – returned to campus on 27 July

Auckland Metro Weekly Patronage



## Wellington - Labour force underpinned by growth in Crown employment



**+16%**

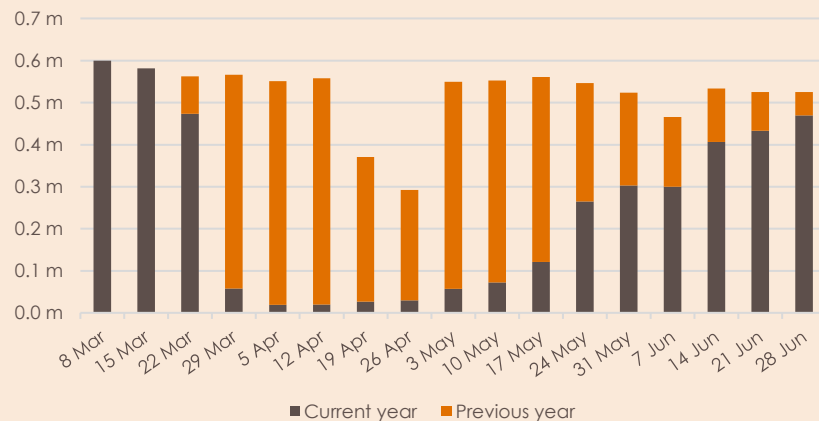
Increase in Wellington public service FTEs (2017 to 2019)



**+50,000m<sup>2</sup>**

Implied increase in demand from change in Govt. FTEs (15.2m<sup>2</sup> per FTE)

### Bus patronage – up to 90% on prior period



The background of the slide is a photograph of a modern building's exterior. On the left, there are vertical, golden-colored slats that create a rhythmic pattern of light and shadow. To the right, the building's facade is composed of large, rectangular, light-colored stone or concrete panels arranged in a grid. The overall lighting is bright, suggesting a sunny day.

## **Section 1**

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Financial results  
& capital  
management

# Financial performance

For the 12 months ended	30 June 2020	30 June 2019	
(\$m)	Audited	Audited	Movement
<b>Operating income before indirect expenses</b>	<b>\$105.8 m</b>	<b>\$95.3 m</b>	<b>+ \$10.5 m</b>
Indirect expenses including management fees	(\$13.3 m)	(\$15.8 m)	+ \$2.5 m
Net interest expense	(\$5.0 m)	(\$1.7 m)	(\$3.3 m)
<b>Operating income before income tax</b>	<b>\$87.5 m</b>	<b>\$77.8 m</b>	<b>+ \$9.7 m</b>
Unrealised net gain / (loss) in value of investment and development properties	(\$66.3 m)	\$161.7 m	(\$228.0 m)
Other revenue	\$26.7 m	\$2.0 m	+ \$24.7 m
Other non-operating income / (expenses)	(\$14.7 m)	(\$39.7 m)	+ \$25.0 m
<b>Net profit before taxation</b>	<b>\$33.2 m</b>	<b>\$201.8 m</b>	<b>(\$168.6 m)</b>
Current tax expense	(\$5.0 m)	(\$0.1 m)	(\$4.9 m)
Depreciation recovered on sale	(\$1.4 m)	(\$10.7 m)	+ \$9.3 m
Deferred tax (expense) / benefit	\$3.4 m	\$0.3 m	+ \$3.1 m
Share of profit or (loss) of joint ventures		(\$1.1 m)	+ \$1.1 m
<b>Net profit after income tax attributable to equity holders</b>	<b>\$30.2 m</b>	<b>\$190.2 m</b>	<b>(\$160.0 m)</b>
Other comprehensive income / (expenses)	\$4.9 m	\$0.2 m	+ \$4.7 m
<b>Total comprehensive income after tax attributable to equity holders</b>	<b>\$35.1 m</b>	<b>\$190.4 m</b>	<b>(\$155.3 m)</b>

**\$87.5 m**

Operating income before tax  
(+12.5% y-o-y)

**\$35.1 m**

Total comprehensive income  
after tax

**6.30 cps**

Distributions paid +5.0% y-o-y

# Operating Income

## +3.2%

Like-for-like NPI growth y-o-y

- Continued growth in the investment portfolio
- Uplift from completed developments, offset by prior period asset sales and RFP works
- Support provided through pandemic

For the 12 months ended \$m	30 June 2020	30 June 2019	Δ
AMP Centre	\$11.4	\$10.0	\$1.4
PwC Tower	\$17.8	\$18.5	(\$0.7)
Zurich House	\$5.6	\$5.2	\$0.4
Mason Brothers	\$2.3	\$2.3	(\$0.1)
12 Madden Street	\$4.5	\$4.5	\$0.0
<b>Auckland total</b>	<b>\$41.6</b>	<b>\$40.6</b>	<b>\$1.0</b>
NTT Tower	\$7.1	\$7.4	(\$0.3)
AON Centre	\$10.5	\$9.4	\$1.1
<b>Wellington total</b>	<b>\$17.6</b>	<b>\$16.8</b>	<b>\$0.8</b>
<b>Investment portfolio</b>	<b>\$59.2</b>	<b>\$57.4</b>	<b>\$1.8</b>
<b>Transactions and Developments</b>			
HSBC House	\$3.6	\$5.8	(\$2.2)
Mayfair House	\$2.2	\$3.3	(\$1.1)
Bowen Campus	\$13.3	\$6.9	\$6.4
10 Brandon Street	-	\$0.3	(\$0.3)
No 1 The Terrace	\$5.2	\$3.9	\$1.4
Pastoral House	\$2.4	\$3.1	(\$0.7)
ANZ Centre	\$9.2	\$12.2	(\$3.0)
Commercial Bay	\$3.7	\$2.4	\$1.4
<b>Subtotal</b>	<b>\$98.9</b>	<b>\$95.3</b>	<b>\$3.7</b>
COVID-19 Impact	(\$1.7)	-	(\$1.7)
<b>Net Property Income</b>	<b>\$97.2</b>	<b>\$95.3</b>	<b>\$1.9</b>
Generator operating income <sup>1</sup>	\$8.6	-	\$8.6
<b>Operating Income before indirect expenses</b>	<b>\$105.8</b>	<b>\$95.3</b>	<b>\$10.5</b>

1 – Generator operating income of \$8.6m excludes IFRS16 rent expense adjustment. Contribution to Precinct after allowing for this is \$1.8m EBITDA



**6.29 cps**  
**+5.9% y-o-y**

- 100% pay-out ratio of AFFO
- Reduced maintenance and incentives reflecting development completions and portfolio quality
- Earnings stability and growth supported by ongoing development pipeline

## Adjusted funds from operations

	30 June 2020	30 June 2019
<b>Total comprehensive income after tax attributable to equity holders</b>	<b>\$35.1 m</b>	<b>\$190.4 m</b>
Unrealised net (gain) / loss in value of investment and development properties	\$66.3 m	(\$161.7 m)
Net realised (gain) / loss on sale of investment properties	\$2.5 m	\$1.7 m
Unrealised net (gain) / loss on financial instruments	(\$4.9 m)	\$44.0 m
Deferred tax expense / (benefit)	(\$1.5 m)	(\$0.2 m)
IFRS16 adjustment	\$2.3 m	
Other adjustments	\$2.5 m	\$5.5 m
Liquidated damages (net of tax impact)	(\$19.2 m)	(\$1.4 m)
Amortisations of incentives and leasing costs	\$7.9 m	\$7.1 m
Straight-line rents	(\$0.5 m)	(\$0.3 m)
<b>Funds from Operations (FFO)</b>	<b>\$90.5 m</b>	<b>\$85.1 m</b>
<b>FFO per weighted security</b>	<b>6.89 cps</b>	<b>6.82 cps</b>
Dividend payout ratio to FFO	91%	88%
<b>Adjusted Funds From Operations</b>		
Maintenance capex	(\$5.0 m)	(\$7.2 m)
Investment portfolio - Incentives and leasing fees	(\$2.8 m)	(\$3.9 m)
<b>Adjusted Funds From Operations (AFFO)</b>	<b>\$82.7 m</b>	<b>\$74.0 m</b>
<b>AFFO per weighted security</b>	<b>6.29 cps</b>	<b>5.94 cps</b>
Dividend payout ratio to AFFO	100%	101%

# Revaluations

- Revaluation loss of \$66 m or -2.2%
  - +2.2% investment portfolio increase
  - -8.0% development portfolio decrease
- Movement attributable primarily to COVID-19 impact on Commercial Bay (\$80.6m) and HSBC House (\$28.4m), offset by gains recorded for investment portfolio backed by strong covenants
  - \$26.7m of liquidated damages recognised as other revenue
- NAV per share of \$1.45 (Jun-19: \$1.49)

**+5.8%**

Increase in Wellington

**-0.3%**

Decrease in Auckland

**50%**

Of uplift attributable to market rental growth

**13bps**

Cap rate compression

## Portfolio valuation

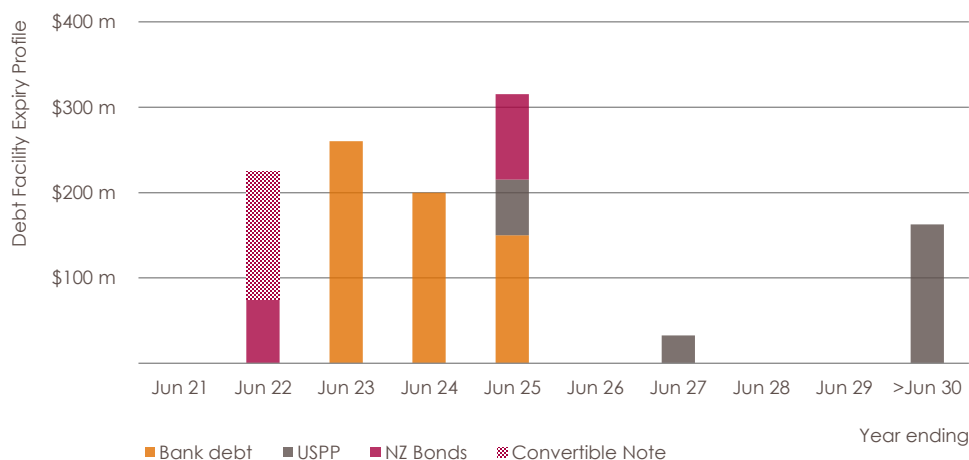
	2019	2020					Capitalisation Rate		
	Valuation	Additions	Book Value	Valuation	▲ \$m	▲ %	2019	2020	▲ bps
<b>Total Investment Properties</b>									
Wellington	\$729.8 m	(\$24.1 m)	\$705.7 m	\$746.7 m	\$41.0 m	5.8%	6.4%	6.1%	(29 bps)
Auckland	\$1,034.6 m	\$16.9 m	\$1,051.5 m	\$1,048.4 m	(\$3.1 m)	-0.3%	5.2%	5.1%	(6 bps)
<b>Sub total</b>	<b>\$1,764.4 m</b>	<b>(\$7.2 m)</b>	<b>\$1,757.2 m</b>	<b>\$1,795.1 m</b>	<b>\$37.9 m</b>	<b>2.2%</b>	<b>5.7%</b>	<b>5.5%</b>	<b>(15 bps)</b>
<b>Total Development Properties</b>									
Commercial Bay	\$890.0 m	\$195.6 m	\$1,085.6 m	\$1,005.0 m	(\$80.6 m)	-7.4%	4.9%	4.9%	
Bowen Campus Stage Two	\$15.5 m	\$10.2 m	\$25.7 m	\$28.6 m	\$2.9 m	11.3%	N/A	N/A	
10 Madden Street	\$17.7 m	\$32.6 m	\$50.3 m	\$53.1 m	\$2.8 m	5.6%	5.6%	5.6%	
HSBC House	\$106.0 m	\$24.4 m	\$130.4 m	\$102.0 m	(\$28.4 m)	-21.8%	5.8%	5.1%	(63 bps)
30 Waring Taylor Street		\$7.8 m	\$7.8 m	\$6.9 m	(\$0.9 m)	-11.5%	N/A	N/A	
<b>Sub total</b>	<b>\$1,029.2 m</b>	<b>\$270.6 m</b>	<b>\$1,299.8 m</b>	<b>\$1,195.6 m</b>	<b>(\$104.2 m)</b>	<b>-8.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>(5 bps)</b>
<b>Total properties</b>	<b>\$2,793.7 m</b>	<b>\$263.4 m</b>	<b>\$3,057.0 m</b>	<b>\$2,990.7 m</b>	<b>(\$66.3 m)</b>	<b>-2.2%</b>	<b>5.4%</b>	<b>5.3%</b>	<b>(13 bps)</b>

# Capital management

## Capital management position remains strong supporting our long term strategy

- Settled sale of Pastoral House (\$77m) on completion of works
- Successfully refinanced \$150m bank facility due to expire November 2020 for a further 5 years
- Gearing as measured under banking covenants is 28.8%
- ANZ Centre capital recycling for remaining 50% underway

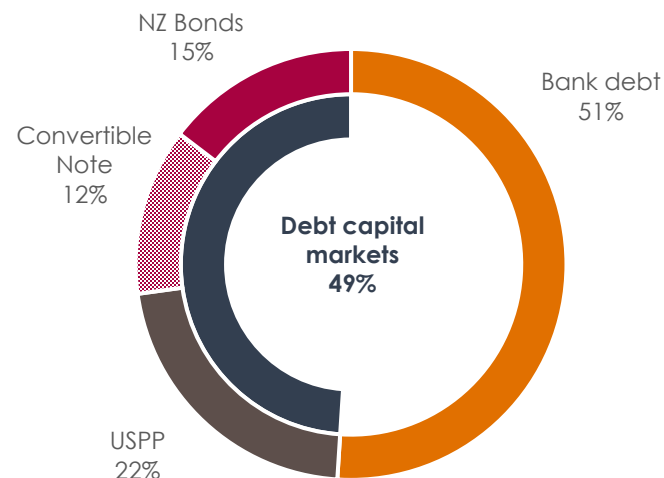
### Debt facility expiry profile



Key metrics	June 2020	June 2019
Debt drawn (\$ millions) <sup>1</sup>	951.7	710.4
Gearing - banking covenant (%)	28.8	22.4
Weighted average term to expiry (years)	3.9 yrs	4.4 yrs
Weighted average debt cost (incl fees)	3.9%	5.7%
% of debt hedged (%)	56.0	101.4
Interest coverage ratio (previous 12 months)	2.4 x	2.0 x
Total debt facilities (\$ millions)	1,196	1,196

<sup>1</sup> Excludes the USPP note fair value adjustment of \$69.3 m (June 2019: \$28.0 m). Interest bearing liabilities are detailed in Note 21 of the Financial Statements.

### Funding diversity



# Sustainability at Precinct

- Improved our key performance measures
  - GRESB score above global average
  - MSCI ESG rating of A
- 2020 GRESB & CDP submissions underway
- Verified emissions and obtained carbon zero certification
- Improved environmental performance
  - 23% reduction in emissions since FY17**
- Supporting social initiatives
  - City Missions and 'HomeGround' project
- Focus in FY21
  - Improve reporting through TCFD framework



## ESG Progress

	2019	2020
<b>GRESB</b>	69	77
<b>MSCI ESG rating</b>	A	A
<b>CDP</b>	N/A	TBC
<b>Environmental performance (number of buildings)</b>		
NABERSNZ rating greater than 3	7	4
Green Star greater than 4	5	5
<b>Intensity measures (by total sqm)</b>		
Carbon emissions	14.1	13.8



# FY21 Earnings and dividend guidance

**6.50 cps**

FY21 Adjusted funds  
from operations

**6.50 cps**

FY21 dividend guidance

**+3.2%**

Increase in dividend

## Execution of long term strategic objectives continue to strengthen the earnings profile of the business

- Enhanced AFFO profile and strengthened balance sheet through completion of developments
- High quality premium portfolio and significantly reduced average asset age reducing capex requirement
- Portfolio to benefit from the re-introduction of building depreciation
- 98% occupied on 8.0 year WALT providing earnings certainty
- AFFO and dividend guidance remains subject to prevailing economic conditions, particularly the length of lockdown periods in either Auckland and Wellington





## Section 2

### Our Markets



# Our markets



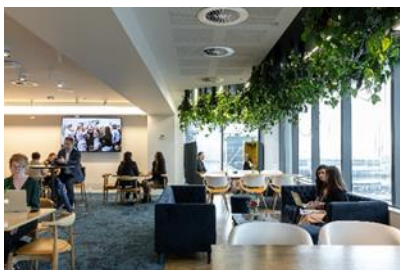
## Prime CBD office (Auckland)

- Market conditions remain resilient albeit potential sublease space emerging in secondary and fringe locations
- Prime vacancy rates remain largely unchanged despite increase in stock following completion of new PwC Tower at Commercial Bay
- Occupiers continue to seek out high quality, well-located space albeit prime rentals will likely remain static in the short term due to increase in available options



## Prime CBD office (Wellington)

- Market conditions remain buoyant with CBD vacancy rates near historic lows despite prime stock increasing by approximately 22,400m<sup>2</sup> over the period
- Continued Government expansion, flight to quality and a relatively tight supply pipeline are expected to underpin low vacancy rates over the short to medium term
- Upward pressure on prime rentals with occupiers becoming increasingly accepting of the rentals required to secure their desired space



## Flexible space

- Occupancy rates have remained static over recent months, however the market requirement for more flexible leasing options in the medium-term is anticipated to increase as occupiers derive greater value from flexible office accommodation



## Prime CBD retail (Auckland)

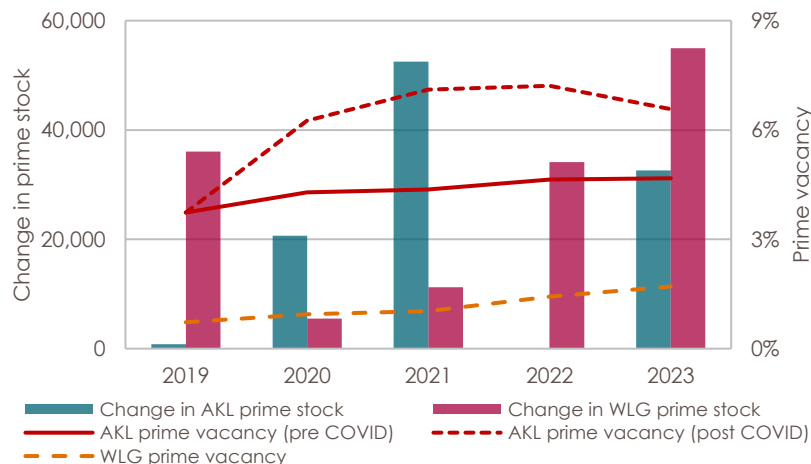
- Traditional retail continues to be impacted by e-commerce with vacancy rates, particularly in secondary locations, starting to rise
- Market rentals remain under pressure due to increased stock and economic headwinds for discretionary spend
- Food and beverage and retail service spend remains robust and expected to remain relatively resilient

# CBD office markets

## Auckland

- Prime vacancy remains materially unchanged at 4.8% as at Jun-20 (Jun-19: 4.7%), compared to the rolling 15-year average of 5.4%
- Market commentators are currently forecasting potential increase in sublease space to lead to elevated prime vacancies in the short term
- Management expect well-located prime stock to remain resilient with increase in vacancies limited to lower grade buildings in secondary locations
- Notwithstanding this, recent increases in sublease space have resulted in a -0.1% y.o.y decline in prime net effective rentals as at Jun-20 (Jun-19: 1.3)

Forecast prime vacancy versus change in prime stock

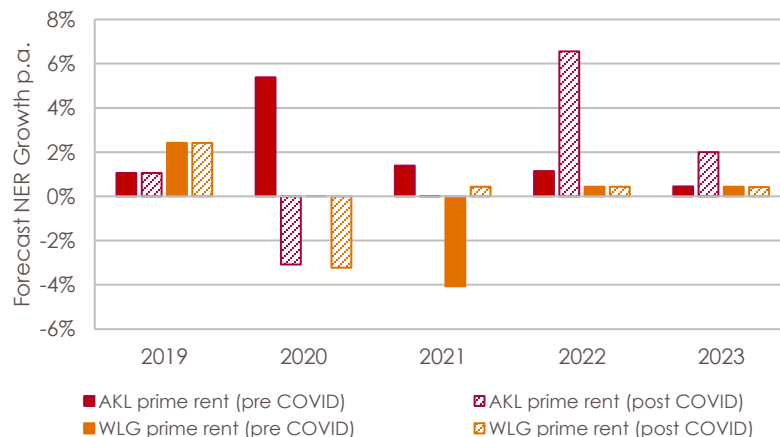


Source: JLL Real Estate Intelligence Service

## Wellington

- Government expansion and flight to quality continue to underpin historically low prime vacancy rates, which further declined to 0.6% as at Jun-20 (Jun-19: 0.7%) despite addition of circa 22,400m<sup>2</sup> during the period
- These themes are evident in the high levels of development pre-commitment achieved to date
- Demand/supply imbalances have also contributed to continued rental growth, with prime gross effective rentals rising 1.4% y.o.y as at Jun-20, following an 11.4% increase recorded during the prior comparable period

Forecast prime effective rents (AKL – net; WLG – gross)



# Investment market

## Investment sentiments have materially rebounded since the on-set of COVID-19

- Liquidity crisis averted by monetary response
- While uncertainty remains, impact of COVID-19 now better understood
- Increased preference for defensive assets backed by strong covenants driving firming in prime yields

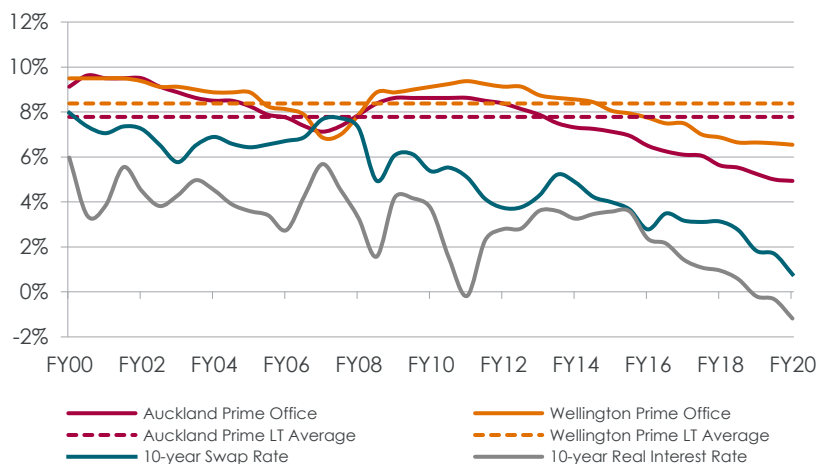
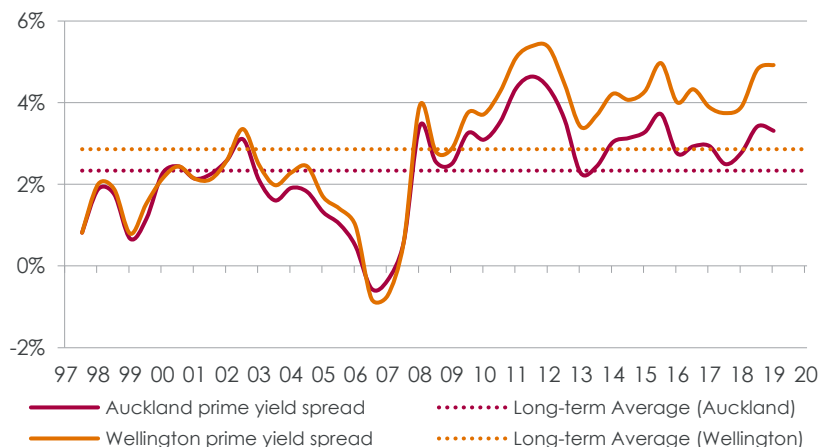
## Recent tax changes will provide further tailwinds for asset prices

- 2% p.a. structural depreciation has same value effect as a circa 25 bps firming in cap rate through increasing post-tax equity returns
- Tax change does not appear to have been fully reflected in the FY20 valuations

## Price discovery remains impacted by cross-border travel restrictions, resulting in investment yields lagging interest rate cuts

- Auckland prime yield spread: +416 bps (Jun-19: +342 bps)
- Wellington prime yield spread: +577 bps (Jun-19: +482 bps)

## Secular trend of declining / negative real interest rates expected to drive further capital flows into commercial real estate



## Section 3

### Operations





# Value drivers

## Investment Portfolio

- Highly secure cashflow
- Defensive characteristics
- Structural growth
  - CPI
  - Fixed increases
- Minimal expiry risk
- High quality occupiers
  - Government
  - Investment grade quality

## Operating activity

- Commercial Bay retail
  - Base rent highly secure
  - Turnover provisions
  - Participation upside
- Generator
  - Flexible workspace offer
  - Growth pipeline for investment portfolio and development activity
- Delivers premium over market rentals
- Adds amenity, community and therefore value to investment portfolio

## Development activity

- Improves quality
- Reduces age of portfolio
- Drives development profits
- Increases NTA
- Attracts new and existing high quality occupiers

# 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 continue to broaden our offering
- Acquisition of Generator has allowed for expansion of Precinct's offering
- Strategy is supported by ongoing favourable key city centre drivers

# Portfolio activity

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

- Office leasing activity continued through and post the April/May lockdown

## Key transactions concluded:

- 32 leasing transactions secured across 21,300m<sup>2</sup> including:
  - 12-year lease with EY for 1,700m<sup>2</sup> at 40 Bowen St
  - 9-year lease with Fujitsu for 2,400sm<sup>2</sup> at 40 Bowen St
  - 5-year lease over 2,000m<sup>2</sup> at Commercial Bay with confidential party
  - 5-year lease over 2,600m<sup>2</sup> at 10 Madden St with confidential party
  - 28 leasing transactions in the investment portfolio completed across 12,600m<sup>2</sup>
- Solid enquiry levels continue on current and future vacancies

## 8.0%

Growth achieved on previous contract rentals across investment portfolio

### 12%

Auckland leasing growth

### 1%

Wellington leasing growth

## 7,800m<sup>2</sup>

Market rent reviews settled 11% above contract rentals

### 9.0%


Auckland leasing growth

### 12.3%

Wellington leasing growth



# COVID-19

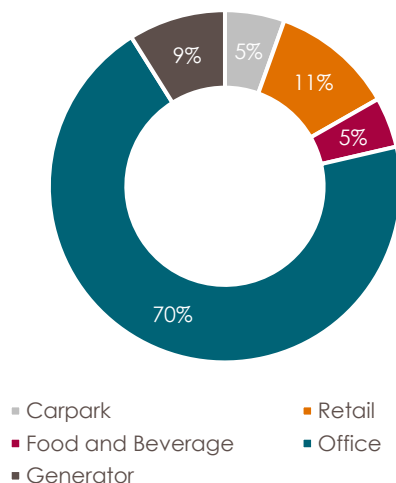
- Portfolio demonstrated significant resilience
    - Strong client relationships and high levels of communication
    - Support provided
      - Retail abatement
      - Cashflow support through deferral
    - Earnings security
  - Proactive management engaged all clients throughout lockdown
  - Deferrals of \$1.3 m
  - Abatements of \$1.7 m (c. 50% contractual)
  - All claims for relief for April/May lockdown period now settled with one exception
  - Impacts from August lockdown not known, however, similar approach to client relationships and communications being adopted
- 

# Earnings Quality

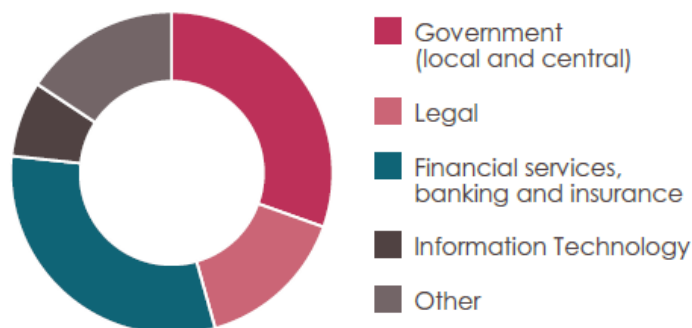
*Precinct's well located buildings, high occupancy, and long WALT gives confidence that our strategy will continue to deliver in more challenging times.*

- Precinct has a high quality client base, including corporate **investment** grade occupiers, leading **legal** and **professional services** firms, and **Government** entities.

FY21 Gross revenue by asset class



Office revenue by industry



## 8.0 years

Weighted average lease term

## 98%

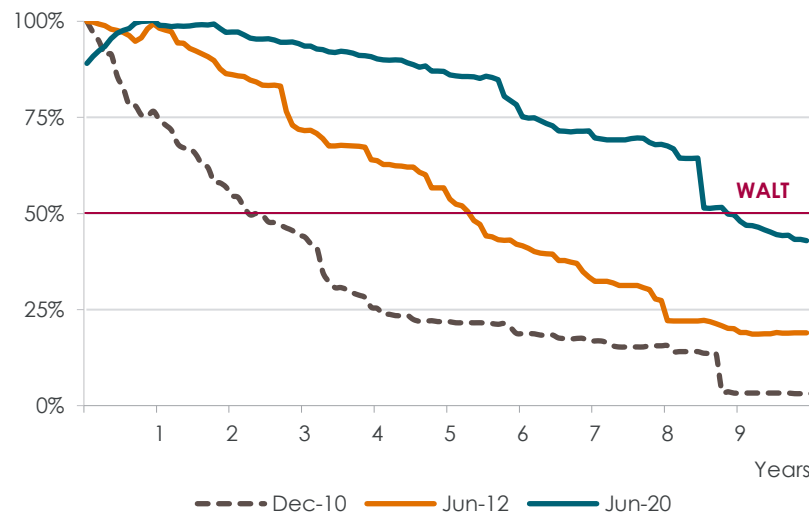
occupancy



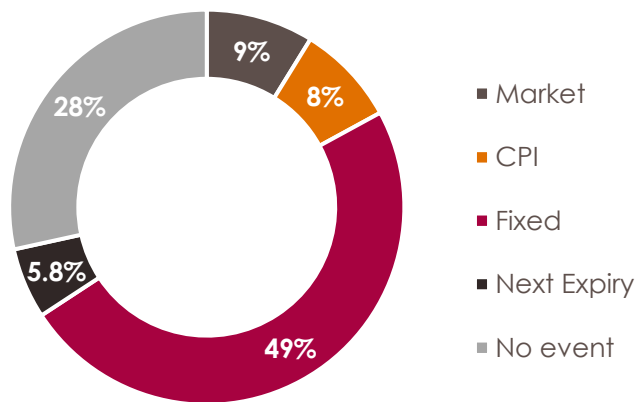
# Secured cashflow

- Improved earnings certainty through extended WALT from development activity
- Exposure to structured review profile providing secured cashflow
  - 72%** of portfolio subject to review event in FY21. Of this **13%** subject to market rent review

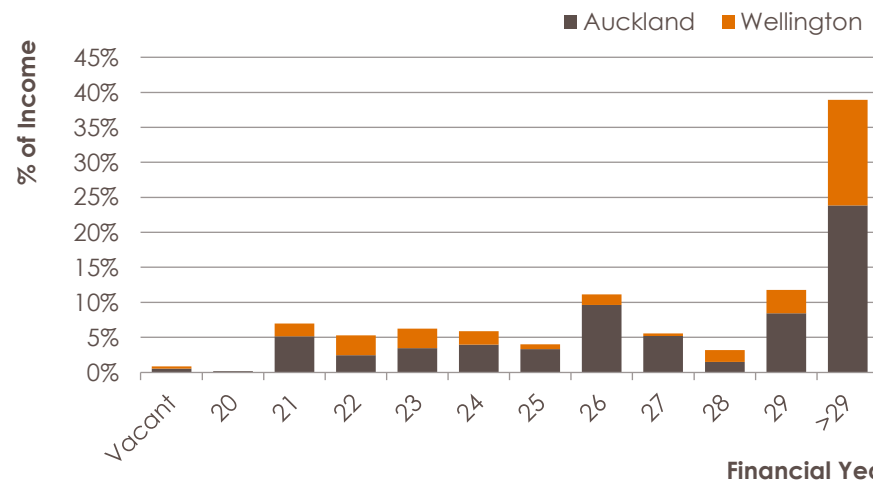
## Earnings certainty



## FY21 event profile



## Lease expiry profile



# Commercial Bay

- Retail opened on 11 June
  - 100% leased
- Tower opened on 30 June
  - 97% leased
- Tower now has around 1,500 occupants with PwC, Jarden, MinterEllisonRuddWatts and Chapman Tripp moved in
- In discussion to agree the Covid related costs and final account with Fletcher Construction
- Rentals secured across the project remain consistent with the valuation and feasibility assumptions



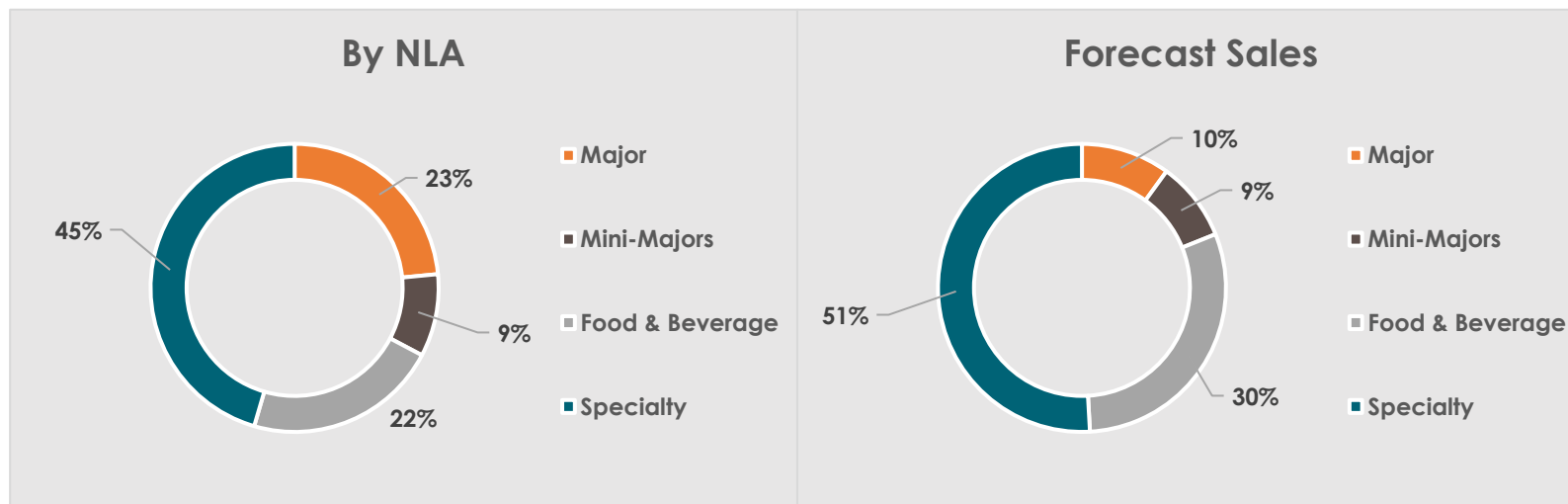
# Commercial Bay - Retail

## Catchment

- **Office Workers:** Auckland CBD worker population is estimated to be nearly 120,000 workers
- **Residential:** Over 1.57 million residents within the total trade area catchment, forecast to reach around 2 million by 2033
- **Visitors:** Domestic visitors estimated to be around 5.2 million



## Centre Composition





# Commercial Bay - Retail

- Pedestrian count exceeded expectation with 2 million visitors over the past two months
- Sales performance ahead of valuation assumptions
  - Hospitality – very strong sales
  - Food & Beverage – sales ahead of forecasts with visitors attracted to variety and price point
  - Fashion – performing well and consistent with forecasts
- Additional planned openings expected to continue momentum
  - Tommy Hilfiger, Calvin Klein & Furla
  - Ahi & Saxon & Parole
  - Spark & BNZ
- Following the move to Alert level 3 on 12 August, the Commercial Bay retail precinct was closed in accordance with Covid guidelines



# Commercial Bay - Retail

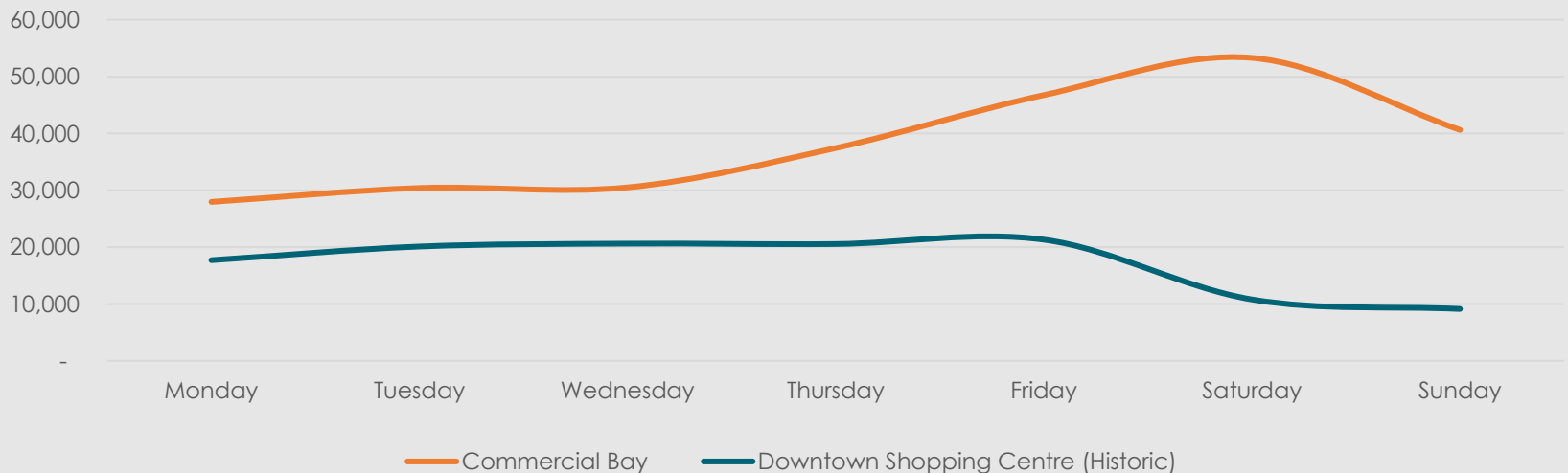
## Foot Traffic

- In June Commercial Bay Retail experienced around 800,000 entries.
- Peak periods for the month of June were from 10am until 3pm.
- Daily visitors are visibly different, with more visitors attending the centre from Friday through Sunday in comparison to the old mid week peak.

**3.7x**

More visitors in the weekend than Downtown Shopping Centre

**Average Daily Foot Traffic for June 2020**



# Generator strategy delivering portfolio benefit

- Total leasing across investment and development portfolio to Generator members or with Generator component of 7,000sqm
  - EY leasing of 1,700sqm at 40 Bowen St includes requirement for 50 desks in Generator space
  - Three portfolio leasing deals totaling 4,500sqm to growing businesses previously based at Generator
  - Two managed leases concluded where Precinct portfolio premises are leased by Generator on a fully managed basis for a global corporate on a back to back basis
- Value of Generator flexibility being recognised and utilised by Precinct clients:
  - 68 desks sold to Precinct clients for short term growth requirements



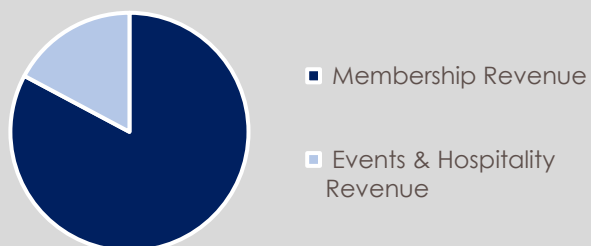
# Generator performance

	FY20	FY19
<b>Revenue<sup>1</sup></b>	\$18.6m	\$16.4m
<b>EBITDA</b>	\$1.8m	(\$1.2m)

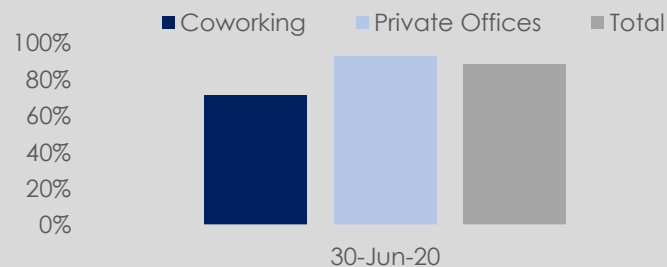
<sup>1</sup>Note: Generator performance shown at 100% before consolidation adjustments and excluding interest on intercompany loans

- Business performing well despite Q4 impact from Covid-19 lockdown
  - Year-end occupancy 89% across all sites
  - Profitability has improved steadily through the year
  - 13% year-on-year revenue growth
  - Events business impacted significantly by Covid-19
  - Medium term outlook remains strong with businesses increasingly valuing flexibility

Revenue sources



Occupancy





# Generator pipeline

- Improve offering diversity
  - Opening Meeting Suites at:
    - Commercial Bay  
September 2020
    - 188 Quay Street  
February 2021
  - Improve virtual meeting capability
- Wellington expansion
  - Generator expansion into 2,300 sqm of character flexible workspace at 30 Waring Taylor Street in mid 2021
  - Bowen Campus stage 2 to provide an additional 3,100 sqm of premium flexible workspace in late 2022





## Section 4

### Developments





## Development progress



Above: 40 and 44 Bowen Street



Left: Wynyard Quarter Stage 2

- Developments currently underway:
  - 40 Bowen Street
  - 10 Madden Street
- Consists of around 17,700 m<sup>2</sup> of office NLA
  - 83% of office pre-committed to-date
- Committed developments forecast to deliver **blended ROC of 18%** and **blended YOC of 6.7%**

# Wynyard Quarter Stage 2 – 10 Madden Street

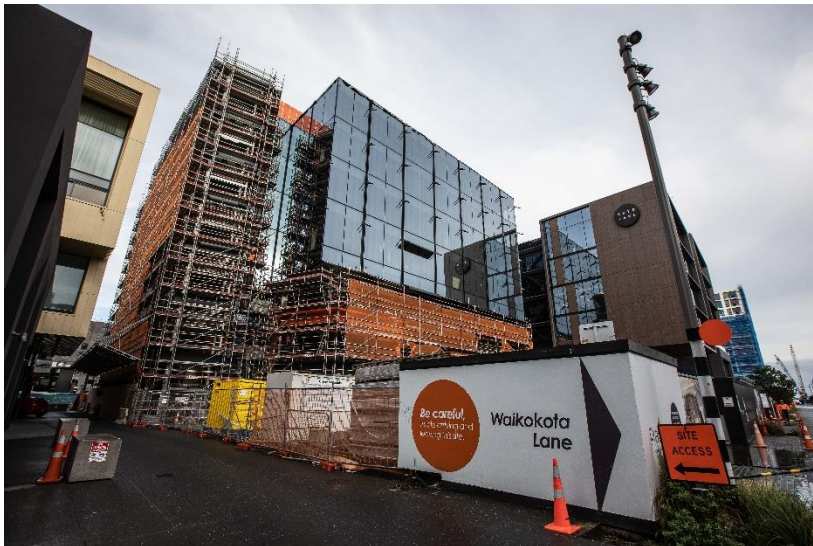
- Construction remains on programme to achieve practical completion (base build) in Oct-20
- **Office floors fully pre-committed** between Media Design School (4,760m<sup>2</sup> or 65%) and a global tech company (2,590m<sup>2</sup> or 35%)
- Ground floor retail leasing underway

**+15%**

Targeted return on cost

**~7.0%**

Targeted yield on cost





# Bowen Campus Stage 2 – 40 Bowen Street

- Committed to 40 Bowen Street during the period and commenced construction Jun-20
- Currently **72% pre-committed** (by area) by EY, Fujitsu and Generator
- Practical Completion programmed for Sep-22
- Advance works for 44 Bowen Street underway and being carried out under 40 Bowen Street construction works

**+20%**

Targeted return on cost

**6.6%**

Targeted yield on cost





# Future pipeline

Project	Location	Est. Incremental spend	Lettable Area	Status
44 Bowen Street	WLG	\$78 m	11,695 m <sup>2</sup>	Actively marketing in preparation for commitment in FY21
Wynyard Quarter	AKL	\$200 m	20,466 m <sup>2</sup>	Developed Design completed and priced
1 Queen Street	AKL	\$200 m	22,000 m <sup>2</sup>	Evaluating optimal use post COVID-19
<b>Total</b>		<b>\$478 m</b>	<b>54,161 m<sup>2</sup></b>	

\* Subject to confirmation of optimal use



44 Bowen Street (view from SH1)



124 Halsey Street & Flowers Building



1 Queen Street



An aerial photograph of a city, likely Auckland, New Zealand, showing a dense urban area with numerous high-rise buildings. The city is situated on a peninsula, with a large harbor to the north and east. The harbor water is a deep blue-green color. In the background, there are rolling hills and mountains under a sky with scattered white clouds. A large ship is visible in the harbor. The text "Section 5" is overlaid on the image in a white, sans-serif font, with a horizontal line underneath it.

## Section 5

### Outlook



# Outlook

- Significant uncertainty remains:
  - Health crisis (COVID)
  - Economic crisis
  - Introduction of Alert level 3 for Auckland and Alert level 2 for remainder of NZ increases uncertainty
- Precinct well positioned being:
  - Fully leased
  - Long WALT
  - Structured growth
  - High quality occupiers
- Precinct to grow dividend by 3.2% representing strength and quality of portfolio subject to no material sustained changes
- Look for opportunities to grow value
  - Replenish development pipeline
  - Acquire under valued assets



# Appendices



# Financial summary

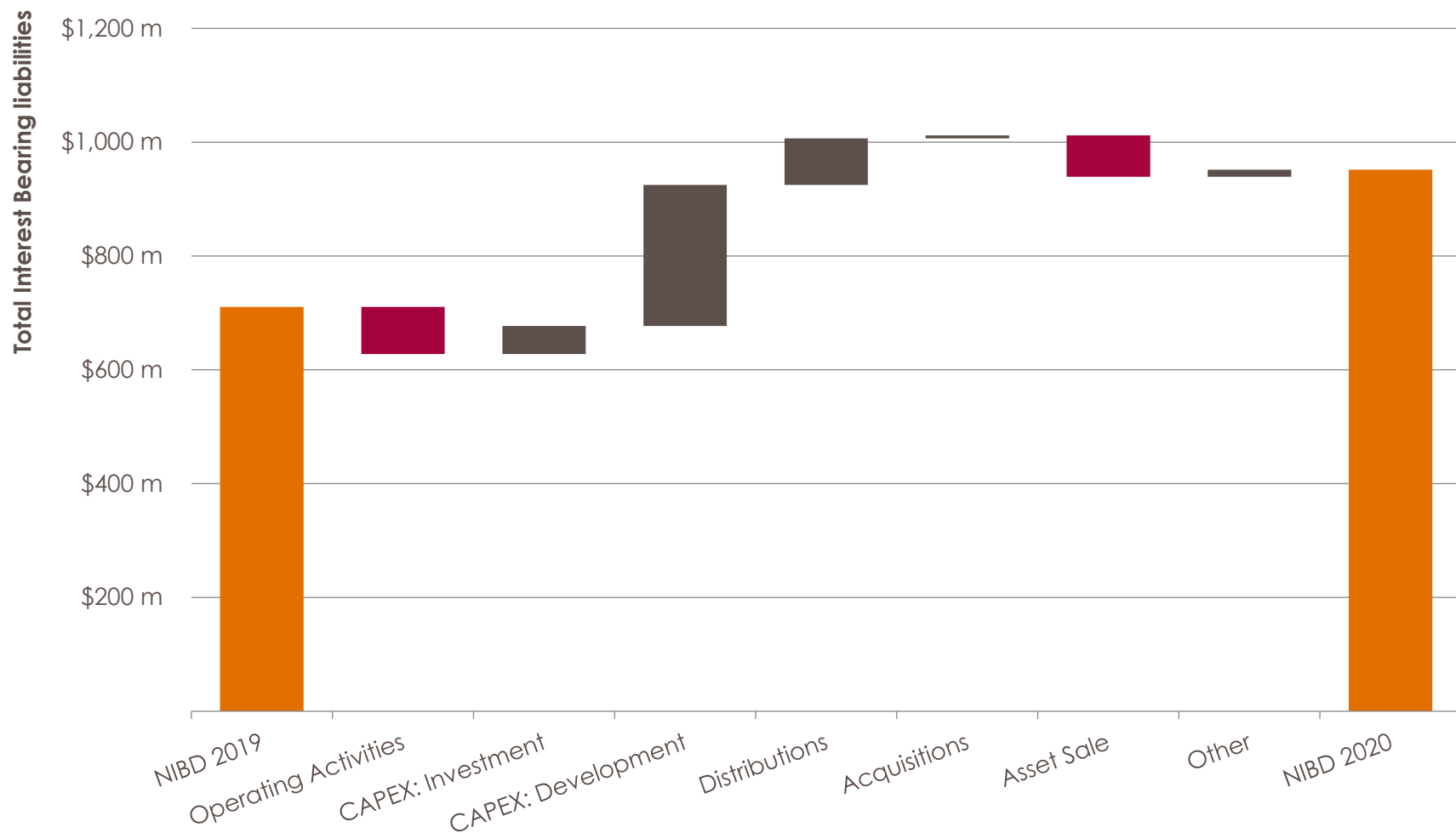
(Amounts in \$ millions unless otherwise stated)	2020	2019	Change (%)
Rental revenue	151.8	135.7	11.9
Funds from operations (FFO)	90.5	85.1	6.3
Adjusted funds from operations (AFFO)	82.7	74.0	11.8
Total comprehensive income after tax attributable to equity holders	35.1	190.4	(81.6 )
Funds from operations (FFO) (cents per share)	6.89	6.82	1.0
<b>Adjusted funds from operations (AFFO) (cents per share)</b>	<b>6.29</b>	<b>5.94</b>	<b>5.9</b>
Gross distribution (cents per share)	6.92	6.73	2.8
<b>Net distribution (cents per share)</b>	<b>6.30</b>	<b>6.00</b>	<b>5.0</b>
<b>AFFO Payout ratio (%)</b>	<b>100.1</b>	<b>101.1</b>	<b>(1.0 )</b>
Total assets	3,185.2	2,891.4	10.2
Total liabilities	1,276.8	936.2	36.4
Total equity	1,908.4	1,955.2	(2.4 )
Shares on issue (million shares)	1,313.8	1,313.8	
NTA (cents per share)	144	147	(2.0 )
NAV (cents per share)	145	149	(2.7 )
Gearing ratio at balance date (%)	28.8	22.4	28.6



# Balance sheet

Financial Position as at (\$m)	30 June 2020 Audited	30 June 2019 Audited	Movement
<b>Assets</b>			
Development properties	\$190.6	\$923.2	(\$732.6)
Investment properties	\$2,800.1	\$1,870.5	+ \$929.6
Intangible assets	\$18.9	\$19.2	(\$0.3)
Fair value of derivative financial instruments	\$95.2	\$42.1	+ \$53.1
Right-of-use assets	\$38.1		+ \$38.1
Other	\$42.3	\$36.4	+ \$5.9
<b>Total Assets</b>	<b>\$3,185.2</b>	<b>\$2,891.4</b>	<b>+ \$293.8</b>
<b>Liabilities</b>			
Interest bearing liabilities	\$1,028.9	\$758.4	+ \$270.5
Deferred tax liability	\$36.5	\$38.1	(\$1.6)
Lease liabilities	\$43.4		+ \$43.4
Fair value of derivative financial instruments	\$86.2	\$65.3	+ \$20.9
Other	\$81.8	\$74.4	+ \$7.4
<b>Total Liabilities</b>	<b>\$1,276.8</b>	<b>\$936.2</b>	<b>+ \$340.6</b>
<b>Equity</b>	<b>\$1,908.4</b>	<b>\$1,955.2</b>	<b>(\$46.8)</b>
NIBD to Total Assets	29.9%	24.6%	5.3%
Liabilities to Total Assets - Loan Covenants	28.8%	24.2%	4.5%
Shares on Issue (m)	1,313.8 m	1,313.8 m	
Net tangible assets per security	\$1.44	\$1.47	- 0.04
Net asset value per security	\$1.45	\$1.49	- 0.0

# Borrowing movement



# Tax reconciliation

## Higher effective tax rate for FY20

- Recognition of liquidated damages revenue

**Reintroduction of depreciation on ~\$800m of structure for commercial buildings to provide further tax deductions**

**FY21 expected tax rate to remain low**

	30 June 2020	30 June 2019
<b>Net profit before taxation</b>	<b>33.2</b>	201.8
<b>At the statutory income tax rate of 28.0%</b>	<b>9.3</b>	56.5
Unrealised (gain) on value of investment and development properties	<b>18.6</b>	(45.3)
Realised (gain) on disposal of investment in joint venture	<b>0.0</b>	(1.9)
Unrealised (gain) / loss on financial instruments	<b>1.9</b>	12.4
Disposal of depreciable assets	<b>(0.5)</b>	(1.5)
Capitalised interest	<b>(12.0)</b>	(11.0)
Prior period adjustments	<b>(2.9)</b>	0.0
Other adjustments	<b>(2.6)</b>	(3.3)
Depreciation	<b>(6.1)</b>	(4.7)
Deductible capital expenditure	<b>(0.7)</b>	(1.1)
<b>Current tax expense / (benefit)</b>	<b>5.0</b>	0.1

# Reconciliation from NPAT to Adjusted funds from operations

## Dividends

Net dividend (cents)	5.40	5.60	5.80	6.00	6.30
<b>Net profit after taxation (NPAT)</b>	<b>138.2</b>	<b>162.1</b>	<b>254.9</b>	<b>190.2</b>	<b>30.2</b>
Unrealised net (gain) / loss in value of investment and development properties	(81.2)	(77.5)	(208.7)	(161.7)	66.3
Unrealised net (gain) / loss on financial instruments	16.4	(11.8)	11.1	44.3	1.9
Net realised loss on sale of investment properties	2.7	-	-	1.7	2.5
Net realised (gain) on disposal of investment in joint venture	-	-	-	(6.6)	-
Depreciation - property, plant and equipment	-	-	-	0.3	1.1
Depreciation recovered on sale	10.0	-	-	10.7	1.4
Deferred tax (benefit) / expense	(13.3)	1.9	17.0	(0.3)	(3.4)
IFRS 16 lease adjustments	-	-	-	-	2.3
Generator (profit) / loss	-	-	2.3	1.1	-
<b>Funds from operations (FFO)</b>					
Less: Liquidated damages revenue (net of tax)	-	-	-	(1.4)	(19.2)
Addback: Amortisations	6.4	6.4	7.2	7.1	7.9
Straightline rents	(0.5)	(0.2)	(0.4)	(0.3)	(0.5)
<b>Funds from operations</b>	<b>78.7</b>	<b>80.9</b>	<b>83.4</b>	<b>85.1</b>	<b>90.5</b>
Funds from operations (cents)	6.50	6.68	6.89	6.82	6.89
Dividend payout ratio based on FFO (%)	83.1	83.8	84.2	88.0	91.4
<b>Adjusted funds from operations (AFFO)</b>					
Less: Maintenance capex	(11.1)	(5.8)	(4.9)	(7.2)	(5.0)
Less: Incentives and leasing costs	(3.0)	(9.3)	(8.3)	(3.9)	(2.8)
<b>Adjusted funds from operations</b>	<b>64.6</b>	<b>65.8</b>	<b>70.2</b>	<b>74.0</b>	<b>82.7</b>
Adjusted funds from operations (cents)	5.33	5.43	5.80	5.94	6.29
Dividend payout ratio based on AFFO (%)	101.3	103.1	100.0	101.7	100.0

# 5 year income summary

(Amounts in \$ millions unless otherwise stated)	2016	2017	2018	2019	2020
<b>Financial performance</b>					
Gross rental revenue	146.0	126.2	130.7	135.7	151.8
Less direct operating expenses	(41.5)	(35.8)	(35.4)	(40.4)	(46.0)
<b>Operating profit before indirect expenses</b>	<b>104.5</b>	<b>90.4</b>	<b>95.3</b>	<b>95.3</b>	<b>105.8</b>
Net interest expense	(11.0)	(3.4)	(2.2)	(1.7)	(5.0)
Other expenses	(10.1)	(9.8)	(10.2)	(15.8)	(13.3)
Unrealised net gain in value of investment and development properties	81.2	77.5	208.7	161.7	(66.3)
Other non operating income	(19.1)	11.8	(11.1)	(37.7)	12.0
<b>Net profit before taxation</b>	<b>145.5</b>	<b>166.5</b>	<b>280.5</b>	<b>201.8</b>	<b>33.2</b>
Current tax expense	(10.6)	(2.5)	(6.3)	(0.1)	(5.0)
Depreciation recovered on sale expense	(10.0)	-	-	(10.7)	(1.4)
Deferred tax benefit / (expense)	13.3	(1.9)	(17.0)	0.3	3.4
<b>Total taxation (expense) / benefit</b>	<b>(7.3)</b>	<b>(4.4)</b>	<b>(23.3)</b>	<b>(10.5)</b>	<b>(3.0)</b>
Share of profit or (loss) of joint ventures	-	-	(2.3)	(1.1)	-
<b>Net profit after taxation (NPAT)</b>	<b>138.2</b>	<b>162.1</b>	<b>254.9</b>	<b>190.2</b>	<b>30.2</b>
Total other comprehensive income / (expense)				0.2	4.9
<b>Total comprehensive income after tax attributable to equity holders</b>	<b>138.2</b>	<b>162.1</b>	<b>254.9</b>	<b>190.4</b>	<b>35.1</b>



# 5 year balance sheet

(Amounts in \$ millions unless otherwise stated)

	2016	2017	2018	2019	2020
<b>Financial position</b>					
Total investment assets	1,513.7	1,535.4	1,678.8	1,870.5	2,800.1
Total development assets	190.4	509.2	838.1	923.2	190.6
Other assets	34.5	34.6	44.8	97.7	194.5
<b>Total assets</b>	<b>1,738.6</b>	<b>2,079.2</b>	<b>2,561.7</b>	<b>2,891.4</b>	<b>3,185.2</b>
Interest bearing liabilities	234.1	456.9	761.7	758.4	1,028.9
Other liabilities	93.6	116.7	109.3	177.8	247.9
<b>Total liabilities</b>	<b>327.7</b>	<b>573.6</b>	<b>871.0</b>	<b>936.2</b>	<b>1,276.8</b>
Total equity	1,410.9	1,505.6	1,690.7	1,955.2	1,908.4
Number of shares (m)	1,211.1	1,211.1	1,211.1	1,313.8	1,313.8
Weighted average number of shares (m)	1,211.1	1,211.1	1,211.1	1,246.7	1,313.8
<b>Net tangible assets per share (cps)</b>	<b>1.17</b>	<b>1.24</b>	<b>1.40</b>	<b>1.47</b>	<b>1.44</b>
<b>Net asset value per security (cps)</b>	<b>1.17</b>	<b>1.24</b>	<b>1.40</b>	<b>1.49</b>	<b>1.45</b>
Share price at 30 June (\$)	1.25	1.24	1.35	1.77	1.57
<b>Covenants</b>					
Loan to value ratio (%)	14.4	25.1	25.0	22.4	28.8
Interest coverage ratio	6.9	3.9	2.4	2.0	2.4
<b>Key portfolio metrics</b>					
Average portfolio cap rate (%)	6.5	6.2	5.8	5.7	5.3
Weighted average lease term (years)	6.3	8.7	8.7	9.0	8.0
Occupancy (% by NLA)	98	100	99	99	98

# Investment portfolio overview

## Key metrics

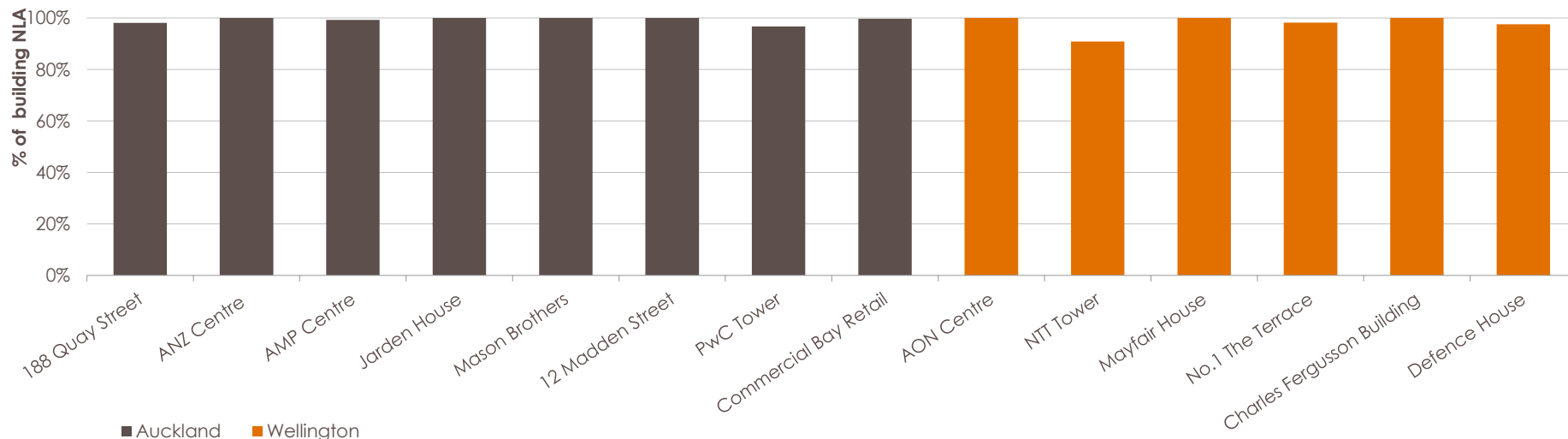
	Investment portfolio	Auckland	Wellington
WALT	8.0 years	8.0 years	10.7 years
Occupancy	98%	99%	98%
Investment Portfolio Value (\$m)	\$2,800.1 m	\$2053.4 m	\$746.7 m
Weighted average market cap rate	5.3%	5.0%	6.1%
NLA (m²)	269,901 m²	155,822 m²	114, 078 m²
Under/over renting position	-2.9%	0.6%	-9.3%

## Portfolio metrics

**8.0 years**  
Weighted average lease term

**98%**  
Portfolio occupancy

## Occupancy



# Asset level valuations

	Cap Rates %			Valuations		Value Movement		
	30 June 2020	30 June 2019	Change	30 June 2020	30 June 2019	Additions / Disposals	Revaluation	%
Investment Properties								
NTT Tower	6.4%	6.6%	(25 bps)	\$124.0 m	\$122.5 m	\$2.5 m	(\$1.0 m)	-0.8%
Mayfair House	6.1%	6.5%	(38 bps)	\$60.2 m	\$47.3 m	\$8.3 m	\$4.6 m	8.3%
No.1 and 3 The Terrace	5.9%	6.3%	(38 bps)	\$107.5 m	\$86.5 m	\$9.7 m	\$11.3 m	11.7%
No.3 The Terrace	N/A	N/A		\$14.0 m	\$12.7 m		\$1.3 m	10.2%
Pastoral House	N/A	6.4%	(640 bps)	(\$0.0 m)	\$59.8 m	(\$59.8 m)		
Aon Centre	6.6%	6.9%	(25 bps)	\$172.9 m	\$161.4 m	\$4.1 m	\$7.4 m	4.5%
Bowen Campus	5.6%	5.9%	(25 bps)	\$268.1 m	\$239.6 m	\$11.1 m	\$17.4 m	6.9%
Wellington	6.1%	6.4%	(29 bps)	\$746.7 m	\$729.8 m	(\$24.1 m)	\$41.0 m	5.8%
AMP Centre	5.5%	5.5%		\$205.0 m	\$205.0 m	\$5.6 m	(\$5.6 m)	-2.7%
ANZ Centre	5.3%	5.1%	13 bps	\$177.8 m	\$187.5 m	(\$0.2 m)	(\$9.5 m)	-5.1%
188 Quay Street	4.9%	5.0%	(13 bps)	\$409.0 m	\$400.0 m	\$11.4 m	(\$2.4 m)	-0.6%
Mason Bros.	5.1%	5.3%	(13 bps)	\$46.6 m	\$45.5 m	(\$0.2 m)	\$1.3 m	2.9%
12 Madden Street	5.3%	5.4%	(13 bps)	\$86.0 m	\$82.3 m	\$0.3 m	\$3.4 m	4.1%
Jarden House	5.3%	5.4%	(13 bps)	\$124.0 m	\$114.3 m		\$9.7 m	8.5%
Auckland	5.1%	5.2%	(6 bps)	\$1,048.4 m	\$1,034.6 m	\$16.9 m	(\$3.1 m)	-0.3%
Total Investment Properties	5.5%	5.7%	(15 bps)	\$1,795.1 m	\$1,764.4 m	(\$7.2 m)	\$37.9 m	2.2%
Development Properties								
Bowen Campus Stage Two	N/A	N/A		\$28.6 m	\$15.5 m	\$10.2 m	\$2.9 m	11.3%
10 Madden Street	5.6%	5.6%		\$53.1 m	\$17.7 m	\$32.6 m	\$2.8 m	5.6%
HSBC House	5.1%	5.8%	(63 bps)	\$102.0 m	\$106.0 m	\$24.4 m	(\$28.4 m)	-21.8%
30 Waring Taylor Street	N/A	N/A		\$6.9 m		\$7.8 m	(\$0.9 m)	-11.5%
Commercial Bay Retail	5.3%	5.0%	25 bps	\$425.0 m		\$496.4 m	(\$71.4 m)	-14.4%
PwC Tower (Commercial Bay)	4.6%	4.8%	(13 bps)	\$580.0 m		\$589.2 m	(\$9.2 m)	-1.6%
Commercial Bay – moving to investment	N/A	4.9%			\$890.0 m	(\$890.0 m)		
Total Properties	5.3%	5.4%	(13 bps)	\$2,990.7 m	\$2,793.7 m	\$263.4 m	(\$66.3 m)	-2.2%

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# Disclaimer

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