NZX and media announcement – 16 February 2017

PCT delivers solid profit of $39.1 million and progresses developments

Performance summary for the six months ended 31 December 2016

12.4% rise in net profit after tax and 3.7% lift in dividend

- Net profit after tax increased by 12.4% to $39.1 million (2016: $34.8 million)
- Net operating income[1] increased by 8.7% to $38.8 million (2016: $35.7 million)
- Half year dividend of 2.80 cps (2016: 2.70 cps), representing a 3.7% YoY increase
- Earnings and dividend guidance for FY17 unchanged at 6.2 cps and 5.6 cps respectively
- Strong financial position with loan to value ratio of 20.1% (June 2016: 14.4%)

Development progress

Wynyard Quarter

- Wynyard Quarter Stage One 100% leased, 8 months ahead of completion. The $35.9 million Mason Brothers Building was the first project to be completed in December and represents a major milestone for the business.

Commercial Bay

- Major new office leasing announced today with global law firm DLA Piper committing to the new PwC Tower at Commercial Bay taking pre-leasing, by income, at the new tower to 64% (Dec 15: 52%).
- Pre-leasing across all of Precinct's office developments is now 77%.
- In December the agreement to acquire Queen Elizabeth Square from Auckland Council became unconditional and all resource consents were obtained.

99% portfolio occupancy and strong weighted lease term

- Leasing over the period has been strong, particularly in Wellington with overall occupancy rising to 99% (30 June 2016: 98%)
- Weighted average lease term (WALT) across the portfolio is 5.9 years (June 2016: 6.3 years), increasing further out to 8.1 years after including developments.
- Following the Kaikoura earthquake a $12 million devaluation has been booked at Deloitte House, based on provisional repair estimates.

Enhancing the strategy

- We are excited to announce today the conditional acquisition of a 50% interest in co-working space operator Generator.
- Generator is well aligned with Precinct's strategy of being a city centre specialist. It has a strong management team and offers the opportunity to expand the market in which Precinct operates and to enhance the amenity and service levels that Precinct can offer its clients.

Note: Further information can be found within the 2017 Interim Report and results presentation. You can find these at www.precinct.co.nz/interim-report-2017

[1] Net operating income is an alternative performance measure which adjusts net profit after tax for a number of non-cash items as detailed in the reconciliation provided at the end of this announcement. Precinct's dividend policy is based upon net operating income. This alternative performance measure is provided to assist investors in assessing Precinct's performance for the year.

Precinct Properties New Zealand Limited (**Precinct) (NZX: PCT)** reported its six-month results to 31 December 2016 today, with a net profit after tax (NPAT) of $39.1 million. This compared with $34.8 million for the same period last year, with the increase mainly attributable to lower interest and tax expense, and a fair value gain in financial instruments. Net operating income, which adjusts for a number of non-cash items, increased $3.1 million to $38.8 million (31 December 2015: $35.7 million) or 3.20 cents per share.

Scott Pritchard, Precinct's CEO, said we achieved a number of milestones across our business and have significantly advanced our long term strategy.

"We committed to and commenced works at Bowen Campus in Wellington, progressed works at Commercial Bay including the demolition of the old shopping centre, enjoyed leasing success at Commercial Bay and completed the Mason Brothers building at Wynyard Quarter Stage One."

"The completion of the Mason Brothers Building is a major milestone for the business as it is the first project to be completed and sees Precinct begin to transform its portfolio," he said.

Leasing momentum at Commercial Bay continues. Global law firm DLA Piper committed to 2,700 square metres within the new tower taking office pre-leasing, by income, to 64%. "Importantly this commitment comes from outside the portfolio and illustrates the attraction of this CBD waterfront precinct." Scott Pritchard, Precinct's CEO, said.

In December the agreement to acquire Queen Elizabeth Square from Auckland Council became unconditional. The land is now formally incorporated into the Commercial Bay retail development due to open in late 2018. This provides certainty to allow the retail leasing programme to advance responding to significant interest from retailers.

In addition to these milestones, Precinct can today announce the conditional acquisition of a 50% interest in Generator. Generator, established in 2011, operates 3,000 square metres of co-working space over three sites within the Britomart precinct in Auckland's CBD.

"Generator is well aligned with Precinct's values and its strategy of being a city centre specialist. It has a strong management team and offers the opportunity to enhance the amenity and service levels that Precinct can offer its clients. It will also enable Precinct to expand its traditional client base with smaller businesses, helping to grow occupancy and demand," he said.

INTERIM RESULTS

Net property income (NPI) reduced to $45.9 million (31 December 2015: $53.7 million). After adjusting for recent asset sales and foregone income associated with our development projects, like for like income was $0.7 million lower than the comparative period. This reduction was a result of the 14 November Kaikoura earthquake. After allowing for the rental abatement at Deloitte House and earthquake related costs like for like income was slightly higher than the comparative period.

Precinct's Wellington portfolio performed very well during the earthquake with all but Deloitte House being assessed by engineers and reopened within 48 hours.

Precinct's structural engineer, Holmes Consulting, were instructed to undertake a detailed structural investigation of Deloitte House which concluded relatively minor structural damage had occurred. Notwithstanding this, further detailed assessments have identified that the seismic strength of the building is lower than previous assessments.

An internal review of the 30 June 2016 property valuations indicated no material value movement in the period for all the assets apart from Deloitte House in Wellington.

The provisional estimated cost associated with remediating the damage and making seismic improvements resulted in the independent valuation of Deloitte House falling by $12.1 million to $33.4 million (June 2016: $45 million).

The value of net tangible assets per share at interim balance date was $1.17 (June 2016: $1.17). Further financial information can be found within the 2017 Interim Report. You can find these at www.precinct.co.nz/interim-report-2017

DEVELOPMENT PROGRESS

Wynyard Quarter Stage One

The Mason Brothers building reached practical completion fully leased in December. Mason Brothers, valued at $35.9 million, is leased to Warren and Mahoney, ATEED and Mott McDonald on a WALT of 8.4 years.

The Innovation Building (Building 5A) is expected to be completed in July 2017. Overall Stage One is now 100% leased on an average lease term of 10.5 years and is expected to deliver a return on cost of at least 15%.

Commercial Bay

Following the commitment by DLA Piper, the new PwC Tower is now 64% leased by income (Dec 15: 52%) on a WALT of 13.3 years. This commitment takes the amount of space secured outside the portfolio to 8,000 square metres or around a third of committed leases. Interest in the retail centre remains strong and we look forward to sharing more leasing success during 2017 following the unconditional acquisition of Queen Elizabeth Square.

Construction is progressing well. Demolition of the old Downtown Shopping Centre is now complete. Excavation, retaining and piling have all commenced and are expected to be largely complete by the middle of 2017.

Bowen Campus

Works at Bowen Campus commenced in November. The first phase of construction will include the demolition of fixtures and fittings and the removal of the original facade.

PORTFOLIO PERFORMANCE

Leasing over the period has been strong with overall occupancy rising to 99% (30 June 2016: 98%). This was mainly the result of new leases in 157 Lambton Quay and HSBC House. The Auckland portfolio continues to perform well with occupancy maintained at 100%.

Over the 6 months to 31 December 2016, Precinct secured 18 new leases covering 7,354 square metres. This included securing Dimension Data in 157 Lambton Quay, maintaining a strong portfolio WALT of 5.9 years. Vacant space over the 6 months has been significantly reduced, with around 1,000 square metres of office space remaining.

Precinct settled 41 rent reviews during the period, covering an area of 50,855 square metres. These resulted in a 3.8% uplift on passing rent, and 2.6 % increase on valuation rents at 30 June 2016.

At 31 December Precinct's WALT across the investment portfolio was 5.9 years, increasing to 8.1 years when the development pre-leasing is included (June 2016: 6.3 & 8.2 years). This strong investment portfolio WALT includes the recently opened Mason Brothers Building.

OFFICE MARKET UPDATE

The overall Auckland CBD office vacancy rate remains at historically low levels. The Auckland prime CBD office vacancy rate decreased during the six months to December 2016, down to 2.6% (June 2016: 3.3%).

The Wellington prime CBD office vacancy rate has also decreased significantly as a result of earthquake and non-earthquake related leasing and confirmation of Government leasing. According to the latest survey, prime vacancy decreased to 1.0% (June 2016: 3.4%).

DIVIDEND PAYMENT

Precinct shareholders will receive a second-quarter dividend of 1.40 cents per share plus imputation credits of 0.1855 cents per share. Offshore investors will receive an additional supplementary dividend of 0.08419 cents per share to offset non-resident withholding tax. The record date is 2 March 2017. Payment will be made on 16 March 2017.

OUTLOOK

Full-year operating earnings after tax are expected to be around 6.2 cents per share (before performance fees). While earnings are expected to be impacted by rental abatement at Deloitte House, this is currently expected to be largely offset by stronger occupancy elsewhere in the Wellington portfolio. Dividend guidance for the 2017 financial year remains unchanged at 5.6 cents per share.

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Note 1 – Net Operating income reconciliation

Net operating income is an alternative performance measure which adjusts net profit after tax for a number of non-cash items as detailed in the reconciliation below. Precinct's Dividend Policy is based upon net operating income. This alternative performance measure is provided to assist investors in assessing Precinct's performance for the year.

$M	31-Dec-16	31-Dec-15
Net profit after taxation	**39.1**	**34.8**
Unrealised net (gain) / loss in value of investment and development properties	12.1	
Realised loss / (gain) on sale of investment properties	-	2.7
Unrealised interest rate swap (gain) / loss	-15.3	-4.3
Depreciation recovered on sale	-	10
Deferred tax (benefit) / expense	2.9	-7.5
Net operating income	**38.8**	**35.7**

About Precinct (PCT)

Precinct is New Zealand's only listed city centre specialist investing predominately in premium and A-grade commercial office property. Listed on the NZX Main Board, PCT currently owns 14 New Zealand buildings – Auckland's PwC Tower, AMP Centre, ANZ Centre, Zurich House, HSBC House, Mason Brothers Building and Commercial Bay; and Wellington's State Insurance Building, 157 Lambton Quay, No. 1 and No. 3 The Terrace, Pastoral House, Mayfair House, Deloitte House and Bowen Campus.