



Precinct Properties New Zealand Annual Results

June 2016

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Precinct Properties New Zealand Limited

Scott Pritchard, CEO

George Crawford, COO

Note: All \$ are in NZD

Highlights

- **Growing our capability**
 - Team enhanced with key appointments
- **Advancing on strategy**
 - \$1 billion in committed developments
- **Launching Commercial Bay**
 - Following pre-commitment by anchor clients
- **Committing to Bowen Campus**
 - Providing 15 year lease to the NZ Government
- **Growing profitability**
 - 6.6% Increase in operating earnings
- **Increasing quality**
 - Average age of assets reduced to 11 years

135,000sqm

Office space leased by the team

6.3 years

Portfolio weighted average lease term

7.5%

Blended yield on cost on \$1billion developments



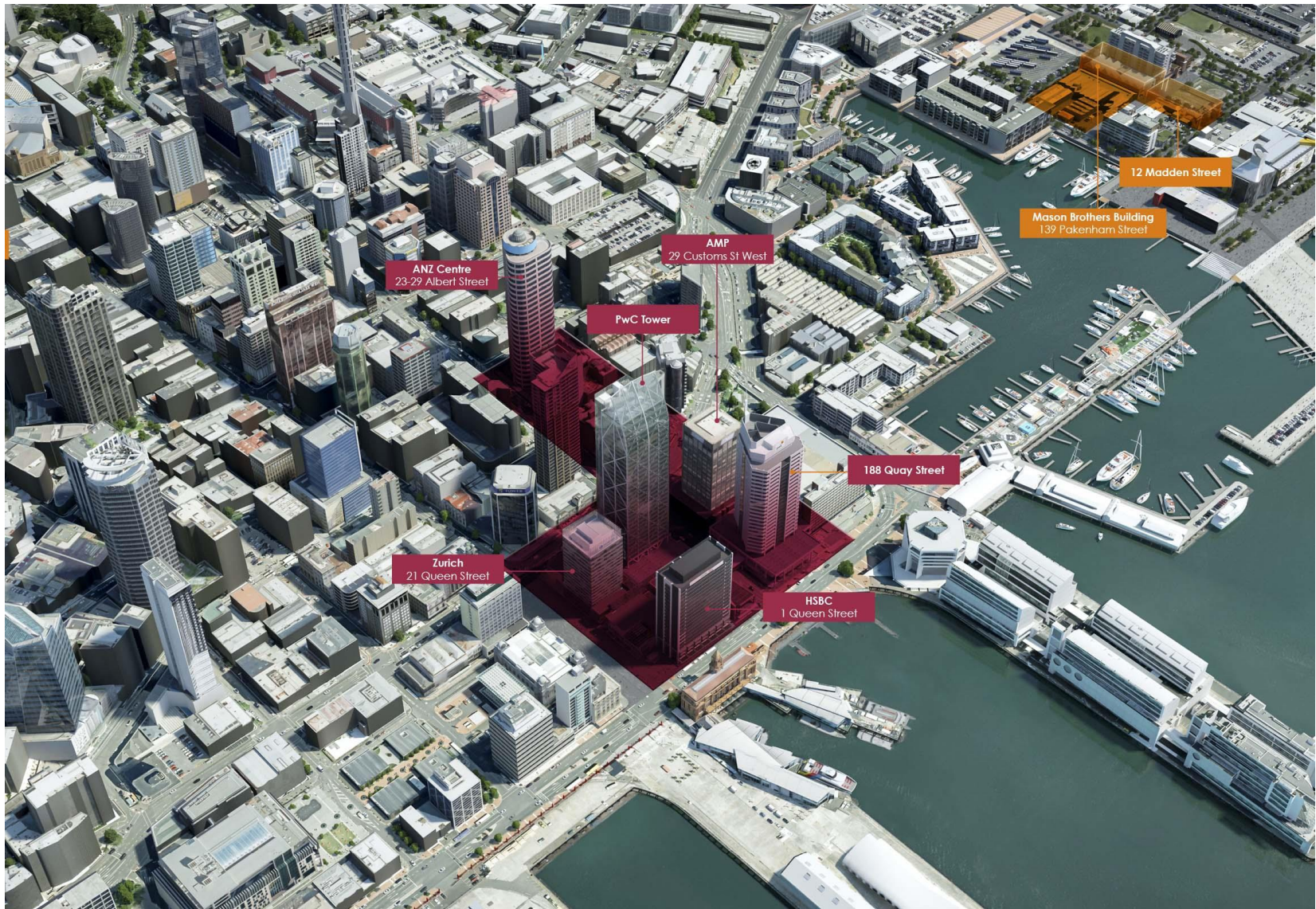
Section 1

Strategy

Strategy Overview

- Strategy formed in 2012
- Provides clear direction for the Precinct team and shareholders
- Strategy focused on:
 - Concentrated ownership in strategic city centre locations
 - Increasing quality of real estate to:
 - Enhance growth in revenues
 - Reduce Maintenance CAPEX costs
 - Reduce volatility of earnings
 - Increased bias to Auckland (grown from 45% to 69% since 2010)
- Strategy communicated to market for 3 years consisting of:
 - 5 year earnings pathway
 - Gearing pathway
 - Potential NTA gain
 - Portfolio transformation

Strategy Overview



Strategic direction

11%

Weighting to Wellington corporate assets, on completion of developments

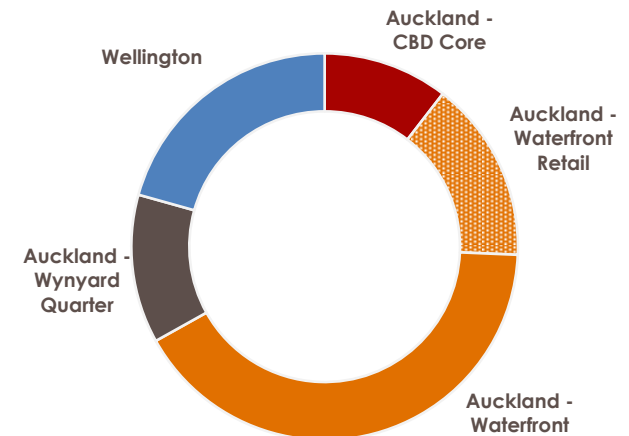
76%

Weighting to Premium assets, on completion of developments

\$396 million

Expected value on completion of Commercial Bay Retail

Anticipated geographic mix



Portfolio potential

	2016	Built out potential
Stable assets	\$1,514 m	\$1,614 m
Committed development	\$180 m	\$1,140 m
Future potential developments	\$10 m	\$300 m
Total value	\$1,704 m	\$3,054 m
% of value		
Committed development	11%	37%
Future potential developments	0.6%	13%

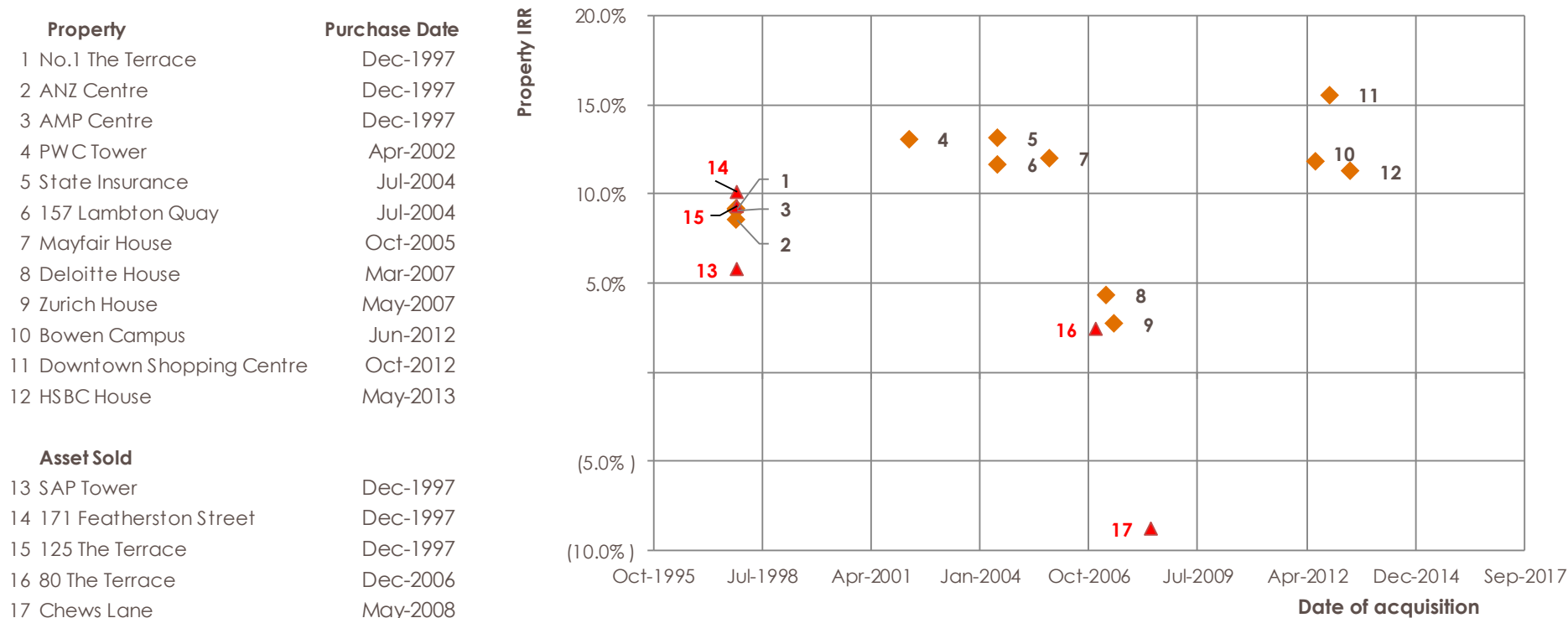
Targeted portfolio transformation

	2015	2022+
Age	27 years	11 years
Quality	A-Grade	Premium
Maintenance Capex Allowance	0.60%-0.80% p.a.	0.40% p.a.
% to Government (by value)	21%	15%
% CBD retail (by value)	10%	17%
Assets at Wynyard Quarter		16%
WALT	5.0 years	+6.0 years

Market timing

- Long term strategic focus matches long term nature of assets
- Requirement to make long term decisions looking through the cycle
- Returns optimised through being conscious of cycle in execution

Historical asset performance since acquisition



An aerial photograph of a city featuring a mix of modern and traditional architecture. In the foreground, a large, circular, tiered building with a glass and metal facade is prominent. To its left is a tall, curved building with a grid of windows. Behind these are several modern glass-walled buildings. The background shows a residential area with houses and a highway. A large orange circle is overlaid on the right side of the image, containing the text 'Section 2' and 'Major initiatives'.

Section 2

Major initiatives

- New hires over past 18 months have strengthened the development team.
 - Retail leasing managers/development managers
 - 11 strong dedicated team supported by wider business
- Development team led by;
 - Andrew Buckingham – GM of Development. Andrew was responsible for the development and delivery of Sylvia Park and ASB North Wharf
 - David Johnson – Commercial Bay Project Director
- Team supported by world class consulting team;
 - Warren Mahoney, Architects
 - RCP and Beca, Project Managers
 - RLB, Quantity Surveyors
- Contractors;
 - Fletcher Construction, Commercial Bay
 - Hawkins and NZ Strong, Wynyard Quarter Stage One
 - LT McGuinness, Bowen Campus

Major Initiatives

Commercial Bay

Construction Start	May 2016
Completion	June 2019
Total project cost	\$681m
Value on completion¹	\$813m
Return on cost	19%
Yield on cost	7.5%

¹adjusted for non-cash items



Bowen Campus

Construction Start	November 2016
Completion	April 2019
Total project cost	\$203m
Value on completion¹	\$229m
Return on cost	13%
Yield on cost	7.5%



Wynyard Quarter

Construction Start	October 2015
Completion	June 2017
Total project cost	\$84m
Value on completion¹	\$98m
Return on cost	15%
Yield on cost	8%



Future opportunities

	Wynyard Quarter 2-4	Bowen Campus	1 Queen Street
Timing	2017+	2019+	2020+
Value on completion	\$200m	\$100m	\$200m
Use	Office	Office/Mixed	Office/Mixed

- Focus beyond 2020 for future opportunities
- Retain City Centre focus
- Supplementary uses considered to compliment office development



Bowen Campus

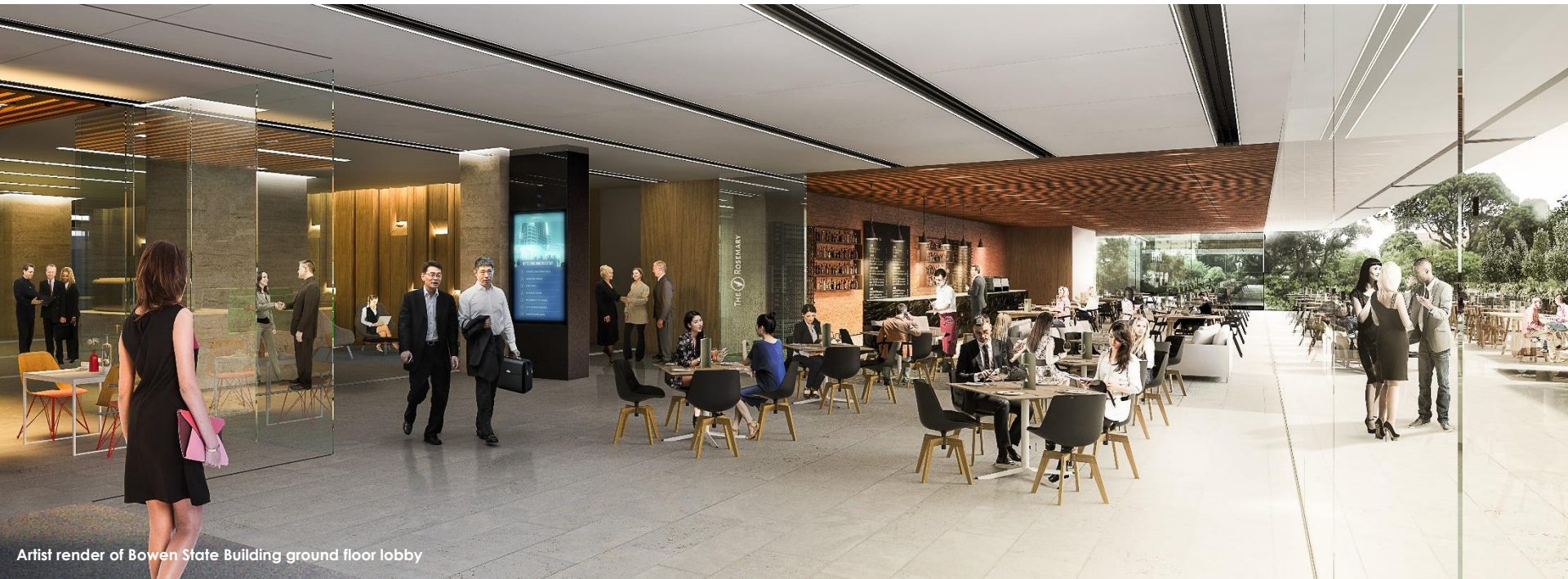
- Purchased in 2012 for \$50.4 million and has generated \$27 million in income (12% p.a.)
- The building will undergo significant redevelopment increasing the existing area, excluding the annex building, from 26,100sqm to 38,400sqm
 - Primarily due to the floor plate expansion of the Bowen State building from 14,100sqm to 23,000sqm

87%

Office space committed by
the Crown

2,800sqm

Level 1-6 floor plate size at
Bowen State Building



Artist render of Bowen State Building ground floor lobby

Bowen Campus

Scope of works

- Demolition of existing façade, removal of all plant/equipment and demolition of existing fit out
- Increase seismic strength to 100%
- Extension of floor plates over levels 1-6 at Bowen State
- Installation of new curtain wall façade
- Installation of:
 - new mechanical services including chilled beam and fan coil unit systems
 - new lifting systems through each building
 - new 'on floor' base building fit out



Artist render of Charles Ferguson Building lobby



Artist render of Bowen State Building top floor

Project:

- Construction will start November 2016 on expiry of the existing lease to the Ministry of Social Development
- Project is expected to reach practical completion in early 2019
- A construction contract has been signed with LT McGuiness
 - Fixed price lump sum contract providing suitable certainty regarding cost for the project

Lease details:

- 15 year lease from 2019
- Fixed annual increases of 1.5%, with market review at 6 yearly intervals with cap and collar of 10%
- Commencing rental levels 5% below market (bulk offer agreement) reflected in yields

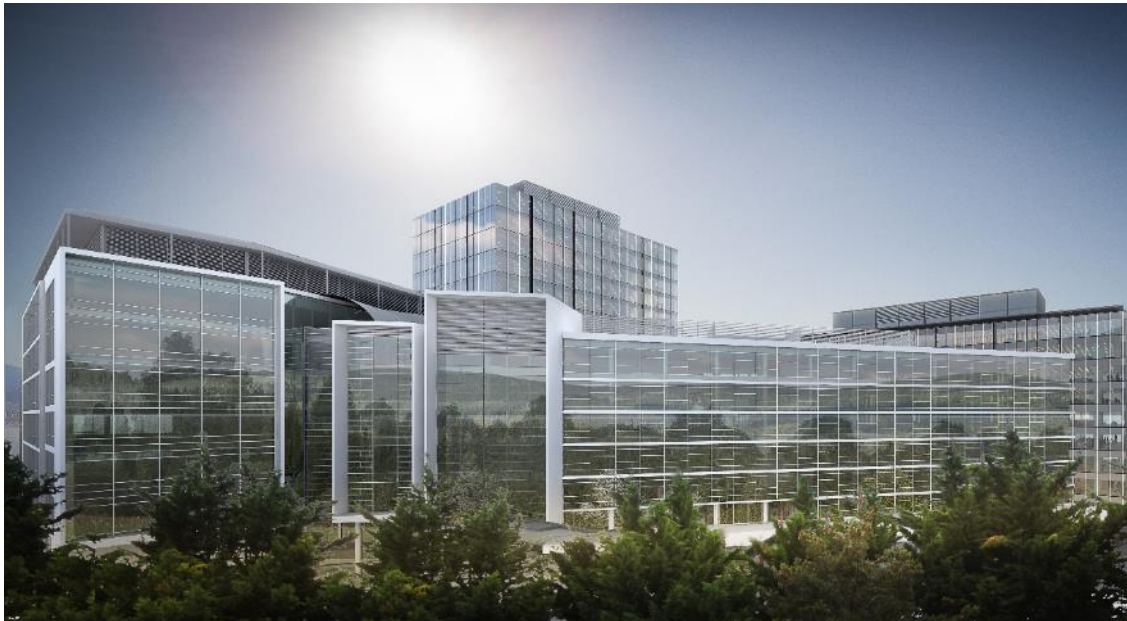
Key project metrics:

- Project is expected to have a total cost of \$203 million
- Will generate a yield on cost of 7.5% when fully leased
- Value on completion of c. \$230 million

Bowen Campus – Future Potential

- Future development potential is retained over the balance of the Bowen Campus site with 4,000sqm of land remaining available for future development
- Land provides opportunity for two additional buildings
- Land retained at \$2,500/m²

Artist impression showing the Bowen Campus balance land development potential



Bowen Campus - Balance land



Commercial Bay

Progress to date

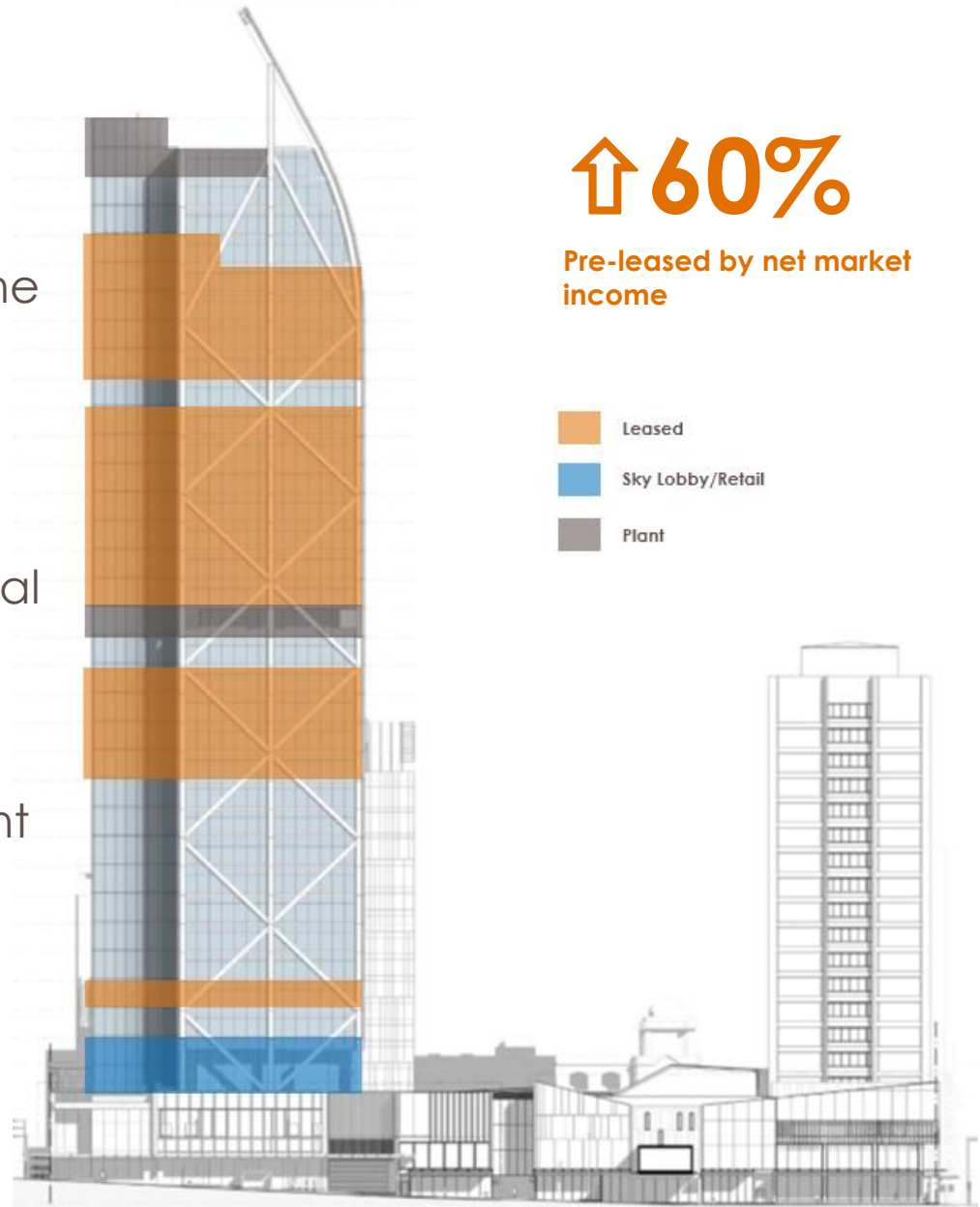
- Project launched in December 2015
- \$681m development including:
 - New 39 level office tower
 - World class retail centre
- Office Tower was 52% pre-committed by anchor clients:
 - PwC
 - Chapman Tripp
- Downtown Shopping Centre closed May 2016 after its 40th birthday
- Enabling works and demolition commenced with good progress to date



Office Leasing

Significant leasing success through the year

- Secured 6,000sqm from outside the portfolio
 - MinterEllisonRuddWatts committing to 4,000sqm at Commercial Bay
 - Re-located Colliers International across 1½ floors to 188 Quay Street
- Occupier demand remains elevated for the remaining vacant space
- Expecting to lease an additional 10-15% during FY17



Retail Leasing

- Secured major international fashion retailer H&M for a flagship store
 - One of the fastest growing international retailers
 - A major anchor for the centre
- Specialty retail leasing campaign yet to commence
- Significant unsolicited interested following the announcement of H&M
- F&B negotiations underway



Wynyard Quarter Stage 1

- Development agreement secured in May 2014
- Onsite works commenced end of 2015
- 86% pre-leased, by market income
- Total project cost of \$84 million
- Value on completion of \$98 million

13,400sqm

Net lettable area

8%

Expected yield on cost



Wynyard Quarter Stage 1

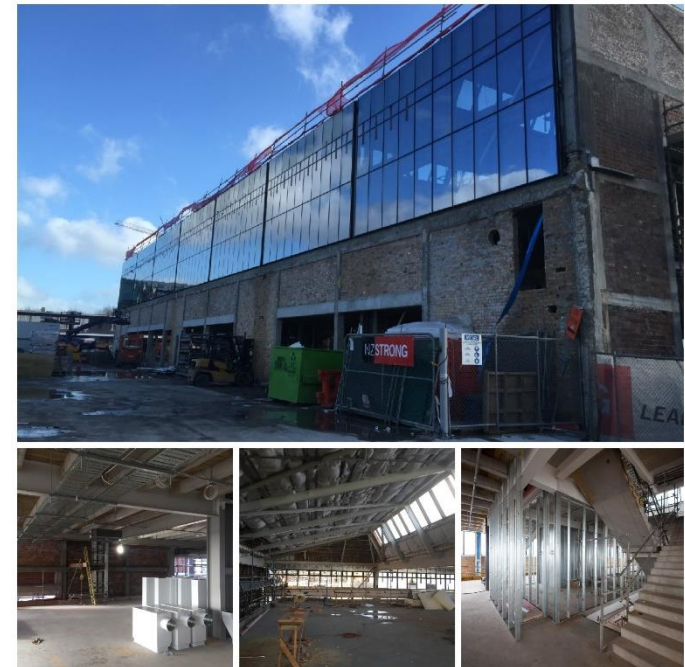
Innovation Building

- Basement works complete with concrete structure and ground beams in place
- Steel framing is now underway
- Practical completion on target for July 2017



Mason Brothers

- Cladding and roofing complete
- Fit out works have commenced
- Remaining space is under offer which will see the building 100% leased
- Practical completion on target for December 2016



Wynyard Quarter

Future Stages

- 3 remaining sites
- c.30,000sqm of GFA to be developed
- In discussion with occupiers for stage 2 (site 5b)
- Timing determined by:
 - Strength of occupier market (supply)
 - Growth of Innovation Precinct (future stages)
- Future land payments determined by residual land value calculations



Development Summary

7.5%

Blended yield on cost

\$396m

Of Retail development by value

18%

Blended return on cost

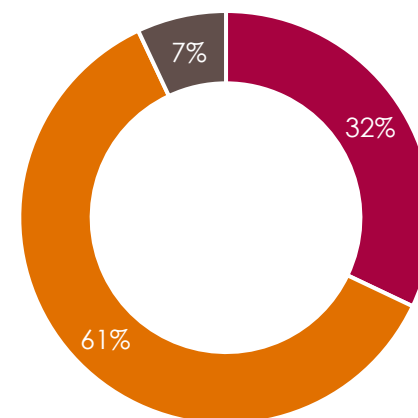
\$744m

Of Office development by value

Key development metrics

Total Development NLA	109,827 m ²
Total Office NLA	89,542 m ²
Office leased to date	66,131 m ²
% of office leased	74%
WALT committed to date	13.1 years
Value on Completion	\$1,140 m
Weighting to Auckland	80%

Strong occupier covenant (of leased space)



■ Financial and legal services ■ Government ■ Other



Section 3

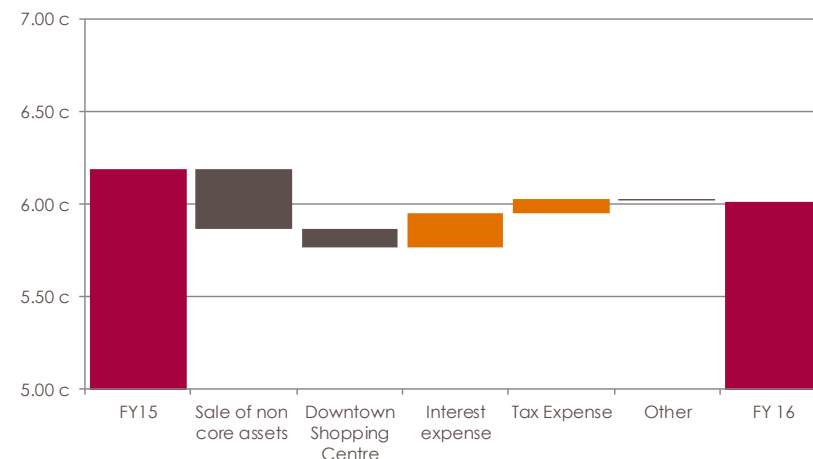
Financial Results
and Capital
Management

Financial performance

For the 12 months ended	Jun-2016	Jun-2015	
(\$m)	Audited	Audited	Δ
Net property income	\$104.5 m	\$121.6 m	(\$17.1 m)
Indirect expenses	(\$2.0 m)	(\$1.9 m)	+ \$0.1 m
Performance fee	-	-	-
Base fees	(\$8.1 m)	(\$8.5 m)	(\$0.4 m)
EBIT	\$94.4 m	\$111.2 m	(\$16.8 m)
Net interest expense	(\$11.0 m)	(\$31.4 m)	+ \$20.4 m
Operating profit before tax	\$83.4 m	\$79.8 m	+ \$3.6 m
Current tax expense	(\$10.6 m)	(\$11.5 m)	+ \$0.9 m
Operating profit after tax	\$72.8 m	\$68.3 m	+ \$4.5 m
Deferred tax (expense) / benefit	\$13.3 m	\$6.6 m	+ \$6.7 m
Unrealised net gain in value of investment properties	\$81.2 m	\$64.8 m	+ \$16.4 m
Depreciation recovered on sale (losses)	(\$10.0 m)	(\$3.8 m)	(\$6.2 m)
Realised loss on sale of investment properties	(\$2.7 m)	(\$1.6 m)	(\$1.1 m)
Unrealised derivative financial instrument gain/(loss)	(\$16.4 m)	(\$11.9 m)	(\$4.5 m)
Net profit after tax and unrealised gains	\$138.2 m	\$122.4 m	+ \$15.8 m
Net operating income before tax - gross	6.89 cps	7.23 cps	(\$0.34 cps)
Net operating income after tax	6.01 cps	6.19 cps	(\$0.18 cps)
Dividend	5.40 cps	5.40 cps	
Payout ratio to net operating profit after tax	89.9%	87.2%	2.6%

- Strong result in line with forecast
- Record low gearing following asset sales resulted in lower EPS of 6.01 cps
- Earnings supported by lower effective tax rate

Net EPS Reconciliation

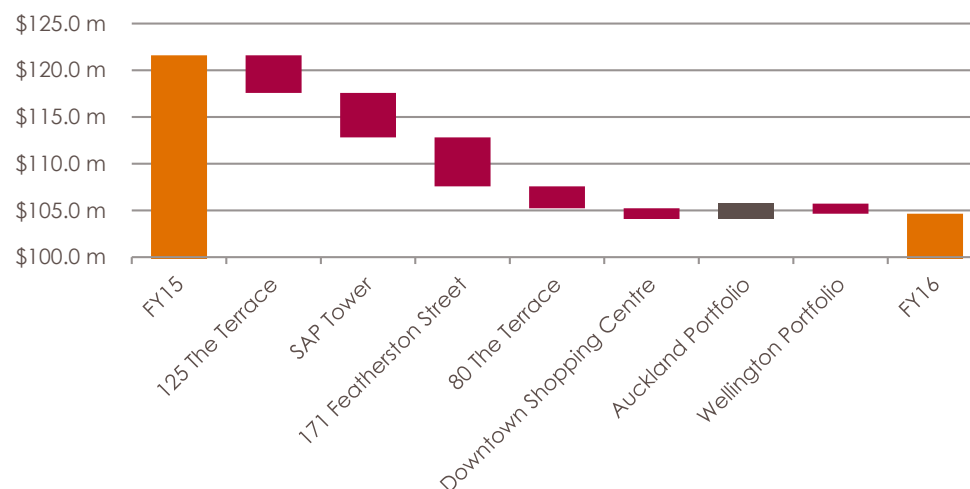


Net property income

\$m	FY16	FY15	Δ
AMP Centre	\$9.1	\$8.7	+ \$0.3
PwC Tower	\$16.5	\$16.0	+ \$0.6
ANZ Centre	\$17.7	\$17.0	+ \$0.6
HSBC House	\$8.1	\$8.0	+ \$0.1
Zurich House	\$5.9	\$5.8	+ \$0.0
Auckland total	\$57.2	\$55.6	+ \$1.7
Pastoral House	\$4.4	\$4.3	+ \$0.2
157 Lambton Quay	\$6.2	\$7.1	(\$0.8)
State Insurance Tower	\$9.7	\$9.9	(\$0.2)
Mayfair House	\$3.0	\$2.9	+ \$0.1
Deloitte House	\$3.4	\$4.0	(\$0.6)
Bowen Campus	\$6.2	\$6.5	(\$0.2)
No 1 The Terrace	\$7.0	\$6.6	+ \$0.5
Wellington total	\$40.0	\$41.1	(\$1.1)
Sub Total	\$97.3	\$96.7	+ \$0.6
Transactions and Developments			
125 The Terrace	\$1.2	\$5.3	(\$4.0)
Downtown Shopping Centre	\$5.4	\$6.6	(\$1.2)
SAP Tower	\$0.0	\$4.8	(\$4.8)
171 Featherston Street	\$0.4	\$5.6	(\$5.2)
80 The Terrace	\$0.3	\$2.6	(\$2.3)
Total	\$104.6	\$121.5	(\$17.1)

- Overall net property income (NPI) was 14% down or \$17.1 million lower due to
 - Sale of non-core assets
 - Downtown Shopping Centre moving from an investment property to a development property
- Excluding transactions and developments NPI was up \$0.6 million or 0.6%
 - Auckland up \$1.7 m (3.1%)
 - Wellington down \$1.1 m (2.7%)

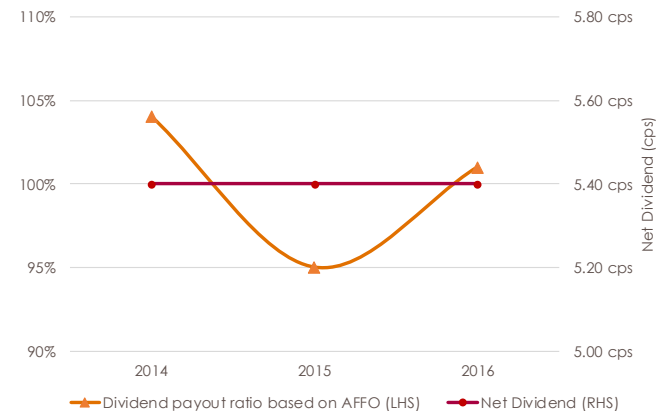
Reconciliation of movement in net property income



Adjusted funds from operations

PCA Definition	FY16
Net profit after tax	\$138.2m
A Investment Property and Inventory	
A2 Losses from Sales of investment property	\$2.7m
A3 Fair Value Gain on investment property	(\$81.2m)
Financial instruments	
C2 Fair value loss on the mark to market of derivatives	\$16.4m
E Deferred Tax	
E1 Non-FFO deferred tax benefits	(\$13.3m)
Depreciation recovered on sale	\$10.0m
Net operating income after tax	\$72.8m
Dividend paid in financial year	5.40c
D Incentives and Rent Straight lining	
D2&4 Amortisations of incentives and leasing costs	\$6.4m
D5 Straight-line rents	(\$0.5m)
Funds from Operations (FFO)	\$78.7m
FFO per weighted security	6.50c
Dividend payout ratio to FFO	83%
Adjusted Funds From Operations	
G2 Maintenance capex	(\$6.4m)
G2 Tenant Improvement	(\$4.7m)
G3 Incentives and leasing fees given for the period	(\$3.0m)
Adjusted Funds From Operations (AFFO)	\$64.6m
AFFO per weighted security	5.33c
Dividend payout ratio to AFFO	101%

- Dividend of 5.40 cps
- FFO per security was 6.50 cps, 83% payout
- AFFO per security was 5.33 cps closely matching dividend, 101% payout
- The PCT AFFO payout ratio of **101%** compares to the sector average of 115%

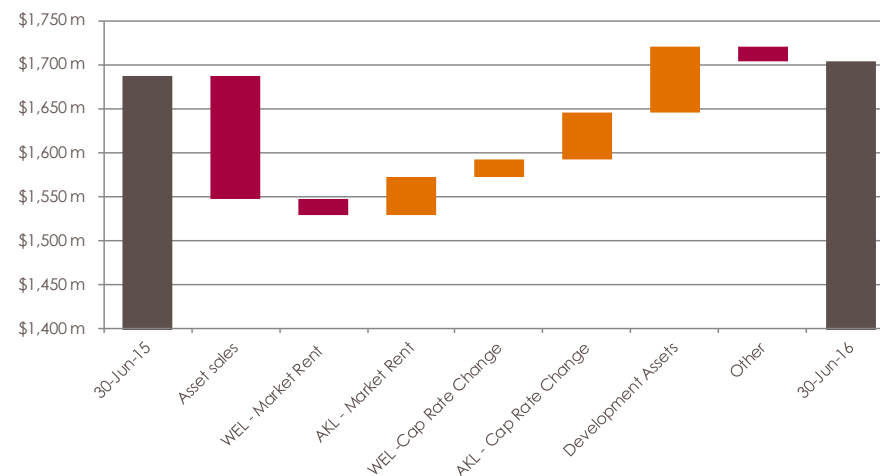


FFO and Adjusted Funds From Operations (AFFO) have been calculated based on the Property Council of Australia's white paper 'Voluntary best practice guidelines for disclosing FFO and AFFO'.

Valuation outcome

- Revaluation of \$81.2 million or 5.0%
- Valuation increases attributable to cap rate compression, progress to development assets and increases in net market rentals
- Underlying portfolio cap rate compressed from 7.1% to 6.5%
- Development properties contributed 25% of the revaluation gain

Change in property assets



Portfolio valuation movement

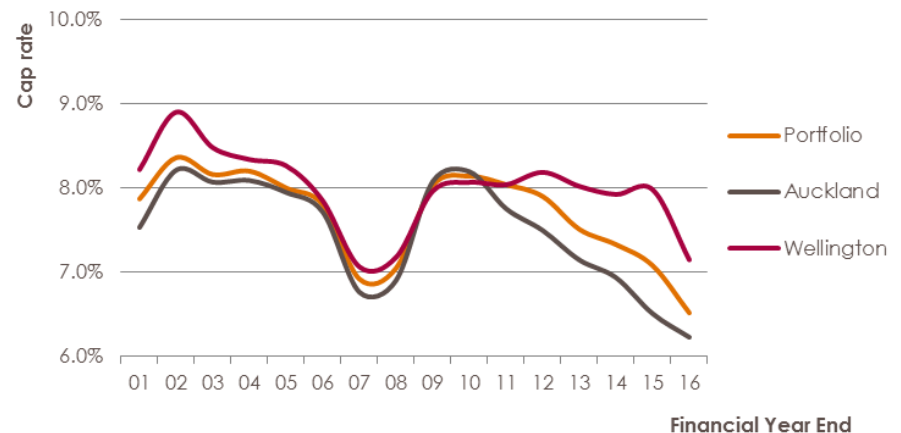
	Valuation	2015 Additions	Book Value	2016 Valuation	▲ \$m	▲ %	Capitalisation Rate		▲ bps
							2015	2016	
Investment Properties									
Wellington	\$506.2 m	\$21.8 m	\$528.0 m	\$515.7 m	(\$12.3 m)	(2.3%)	7.9%	7.1% ¹	(80 bps)
Auckland	\$920.7 m	\$4.4 m	\$925.1 m	\$998.0 m	\$72.9 m	7.9%	6.6%	6.2%	(40 bps)
Sub total	\$1,426.9 m	\$26.1 m	\$1,453.0 m	\$1,513.7 m	\$60.6 m	4.2%	7.1%	6.5%	(60 bps)
Development Properties									
Wynyard Quarter Stage One	-	\$31.5 m	\$31.5 m	\$43.4 m	\$11.9 m	37.9%	-	-	-
Downtown Shopping Centre	\$120.0 m	\$18.3 m	\$138.3 m	\$147.0 m	\$8.7 m	6.3%	-	-	-
Sub total	\$120.0 m	\$49.8 m	\$169.8 m	\$190.4 m	\$20.6 m	12.1%	-	-	-
Total Properties	\$1,546.9 m	\$75.9 m	\$1,622.8 m	\$1,704.1 m	\$81.2 m	5.0%	7.1%	6.5%	(60 bps)
Assets sold in period									
125 The Terrace	\$64.9 m	(\$64.9 m)	-	-	-	-	7.9%	-	-
171 Featherston Street	\$76.0 m	(\$76.0 m)	-	-	-	-	7.4%	-	-

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

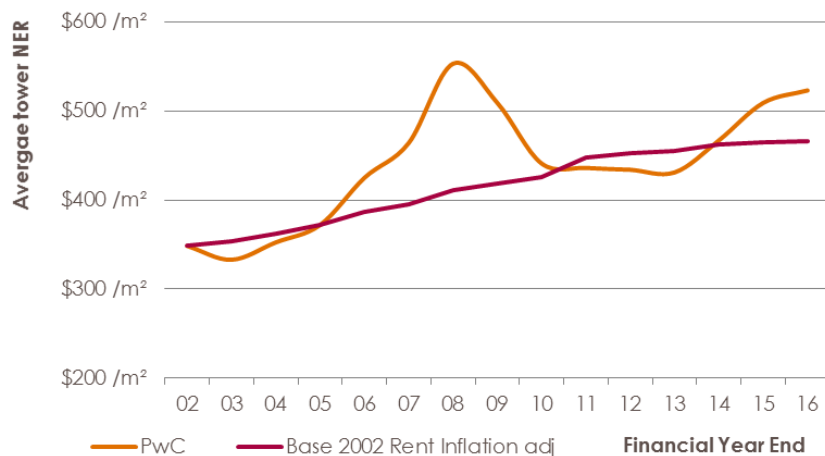
Valuation outlook

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

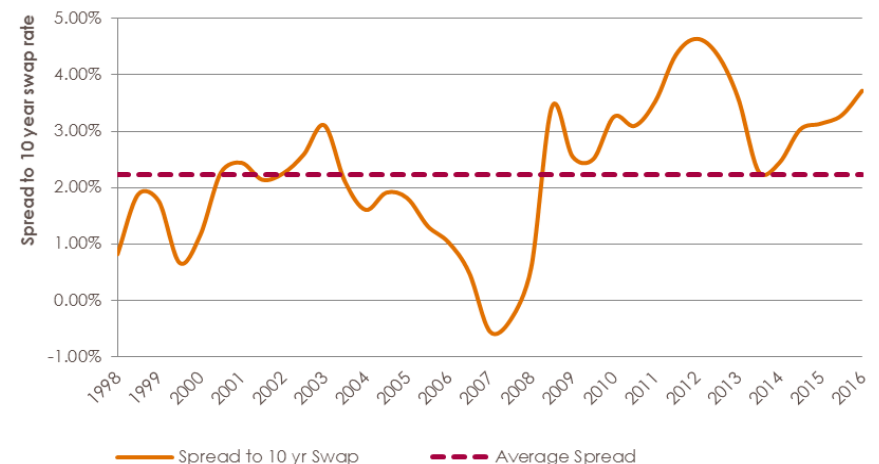
Historic cap rates



PWC average tower rent



Historic Auckland Prime cap rates to 10 year swap rate

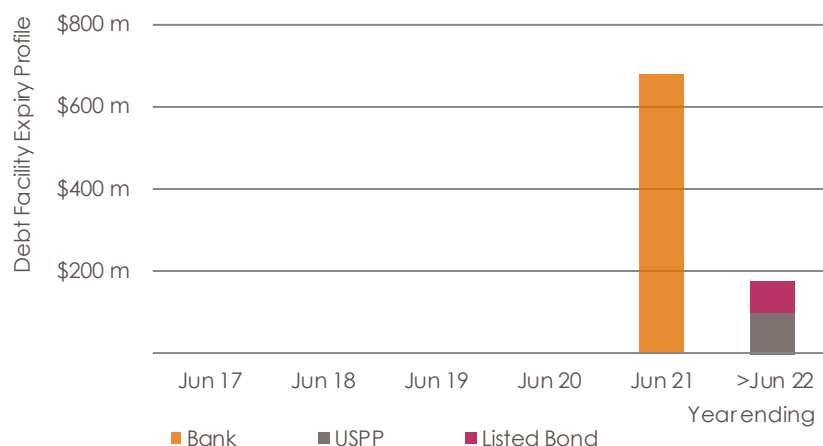


Capital management

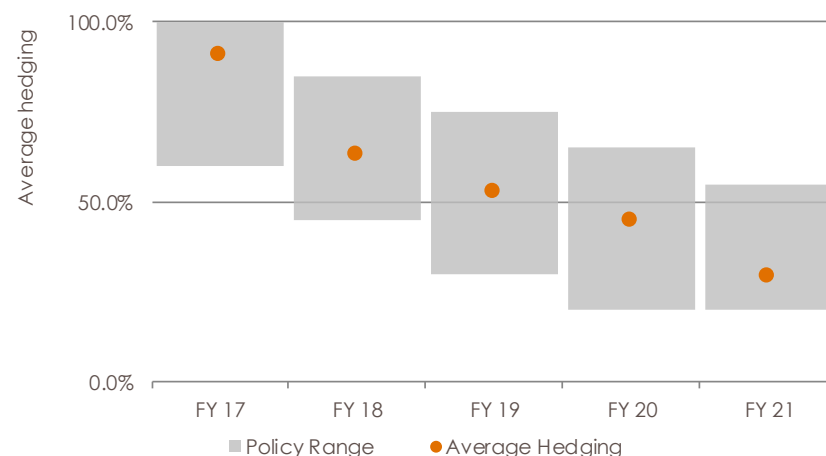
- \$812 million of undrawn facilities to fund development pipeline
- No debt expiries during development phase with first expiry in November 2020
- New five year \$860 million bank facility secured in December
- Committed gearing of 39% allowing for committed developments and assuming no future asset sales

Key metrics	June 2016	June 2015
Debt drawn (\$m) ¹	221	326
Gearing - Banking Covenant	14.4%	20.1%
Weighted facility expiry (years)	5.1	4.6
Weighted average debt cost (incl fees)	5.4%	5.4%
Hedged	90%	62%
ICR (previous 12 months)	6.9 times	3.5 times
Weighted average hedging (years)	2.7	2.9
Total debt facilities (\$m)	1,033	423

Debt maturity profile



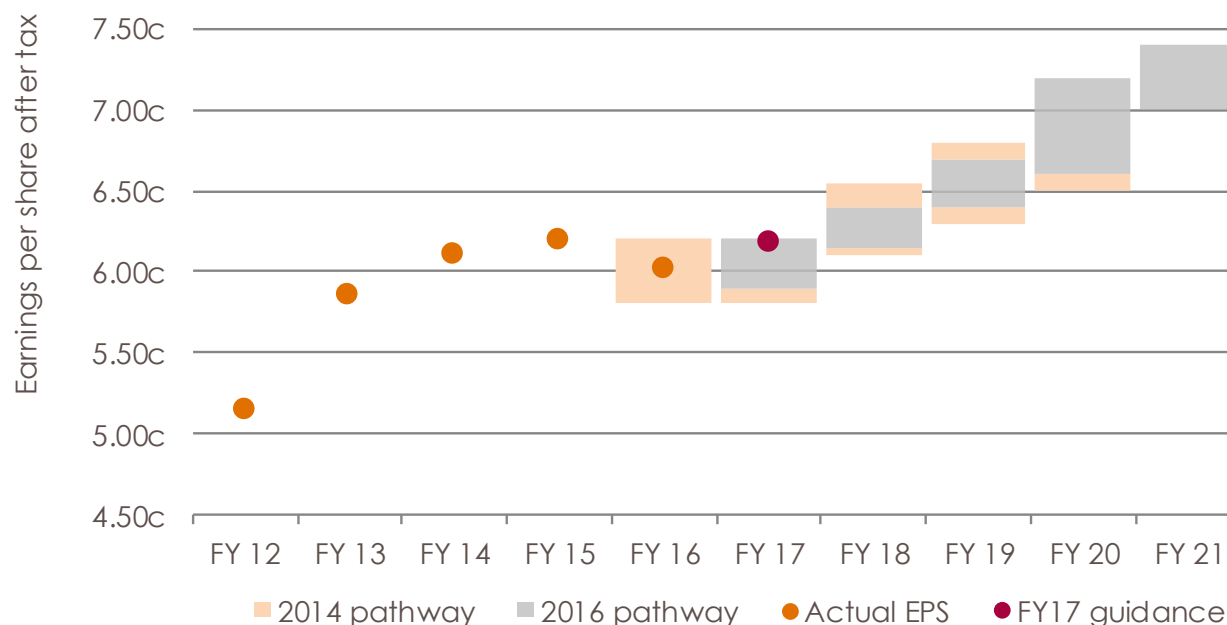
Hedging profile



Earnings pathway

- Earnings pathway updated and ranges narrowed from previous guidance
- Leasing certainty with 74% of office pre-leased providing pathway confidence
- FY17 and FY18 supported by low interest costs and tax expense, switching to NPI growth from FY19

Earnings per share – Actual and pathway



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

FY17 Earnings guidance

6.2cps

FY17 net operating
income after tax,
before performance
fees

5.6cps

FY17 dividend
guidance

+3.7%

Increase in dividend

- Lift in dividend based on confidence in earnings growth
- Execution of strategy
 - 60% pre-commitment - Commercial Bay Tower
 - Strong interest in Commercial Bay retail
 - Securing Crown for 68,000 sqm in Wellington
- Lower forward interest rates
- Lower effective tax rate due to development related deductions
 - Expected effective tax rate of around 6% for FY17



Section 4

Operations and
market

Investment portfolio overview

Key metrics

	Investment Portfolio	Auckland	Wellington
WALT ¹	6.3 years	5.4 years	7.6 years
Occupancy	98%	99%	96%
Portfolio Value (\$m)	\$1,456 m	\$998 m	\$458 m
Weighted average market cap rate	6.5%	6.2%	7.2%
NLA (m ²)	224,425 m ²	122,725 m ²	101,700 m ²

¹ Excludes Wynyard Quarter Stage 1, Commercial Bay and Bowen Campus

Portfolio metrics

87%

proportion of office revenue

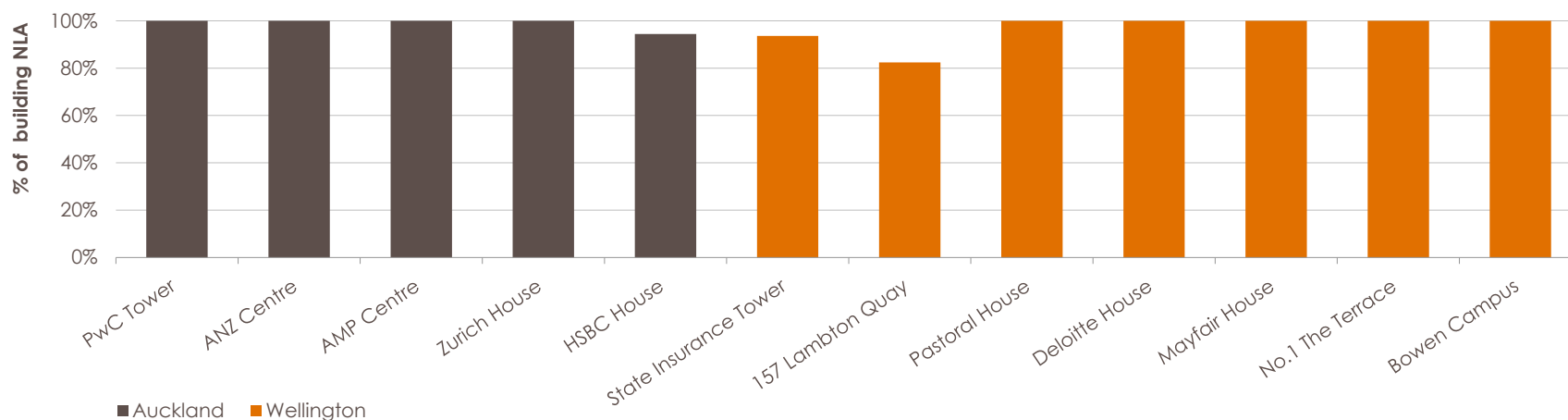
69%

weighting (by value) to Auckland

98%

Auckland portfolio occupancy

Occupancy



Portfolio activity

Auckland	Number	NLA	Uplift on Contract	WALT
Leasing Transactions	14	11,558 m ²	11.6%	5.2 years
Market Reviews	12	20,848 m ²		
Wellington				
Leasing Transactions	19	10,912 m ²	-1.4%	4.9 years
Market Reviews	19	24,749 m ²		
Portfolio				
Leasing Transactions	33	22,471 m ²	4.1%	5.1 years
Market Reviews	31	45,597 m ²		

- 33 leasing transactions totalling 22,000m² or \$5.9 million in contract rent
 - Secured on a 5.1 year WALT
- Compared with previous contract rent
 - **RoR and extensions were 5.9% higher than passing**
 - An increase of 4.1% on settled market rent reviews
 - **An increase of 11.6% on settled market rent reviews in Auckland**

2,900m²

Leased at Deloitte House to IRD, resulting in 100% occupancy for the building

+1.2%

Total lease events secured at a 1.2% premium to 2015 valuations

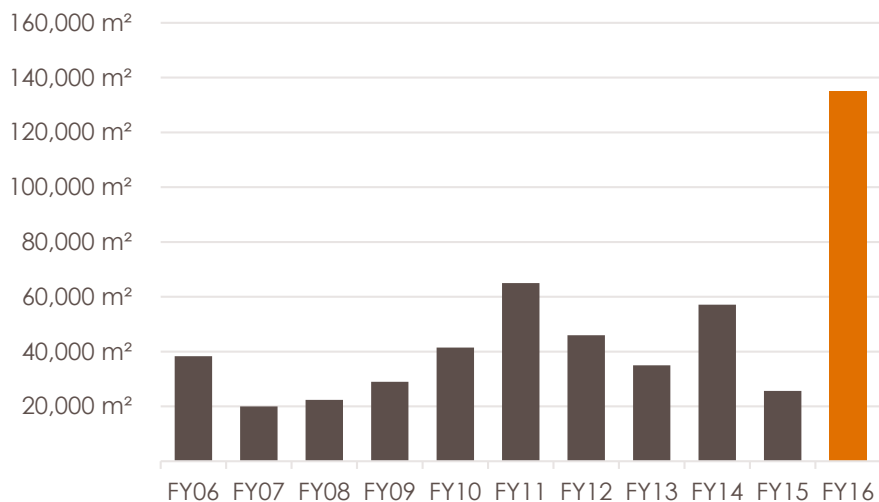
Lease events

- 40% of portfolio subject to review event in FY17. Of this 21% subject to market review.
- 5% or 12,000m² expiring in 2017
- 135,000 sqm of leasing transactions

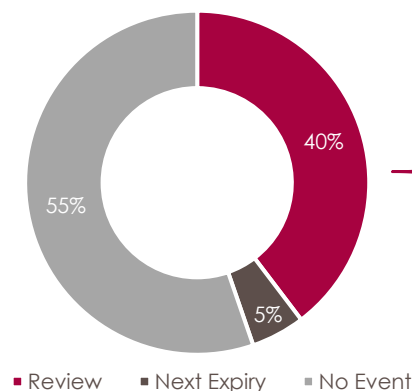
Major expiries FY17

Property	Client	Area
ANZ Centre	Mighty River Power	1,947m ²
157 Lambton Quay	Servcorp Wellington Limited	999m ²
PwC Tower	Jones Lang Lasalle Limited	1,019m ²
Zurich House	WSP PB New Zealand Limited	914m ²
AMP Centre	AMP Services Limited	1,564m ²
Total		6,443m²

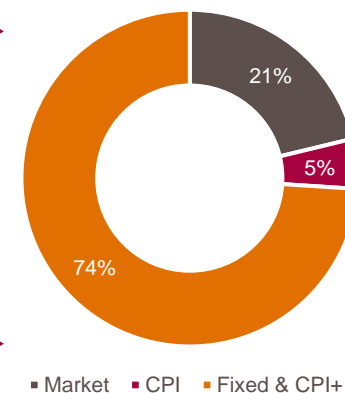
Total Leasing Transactions



FY17 event profile



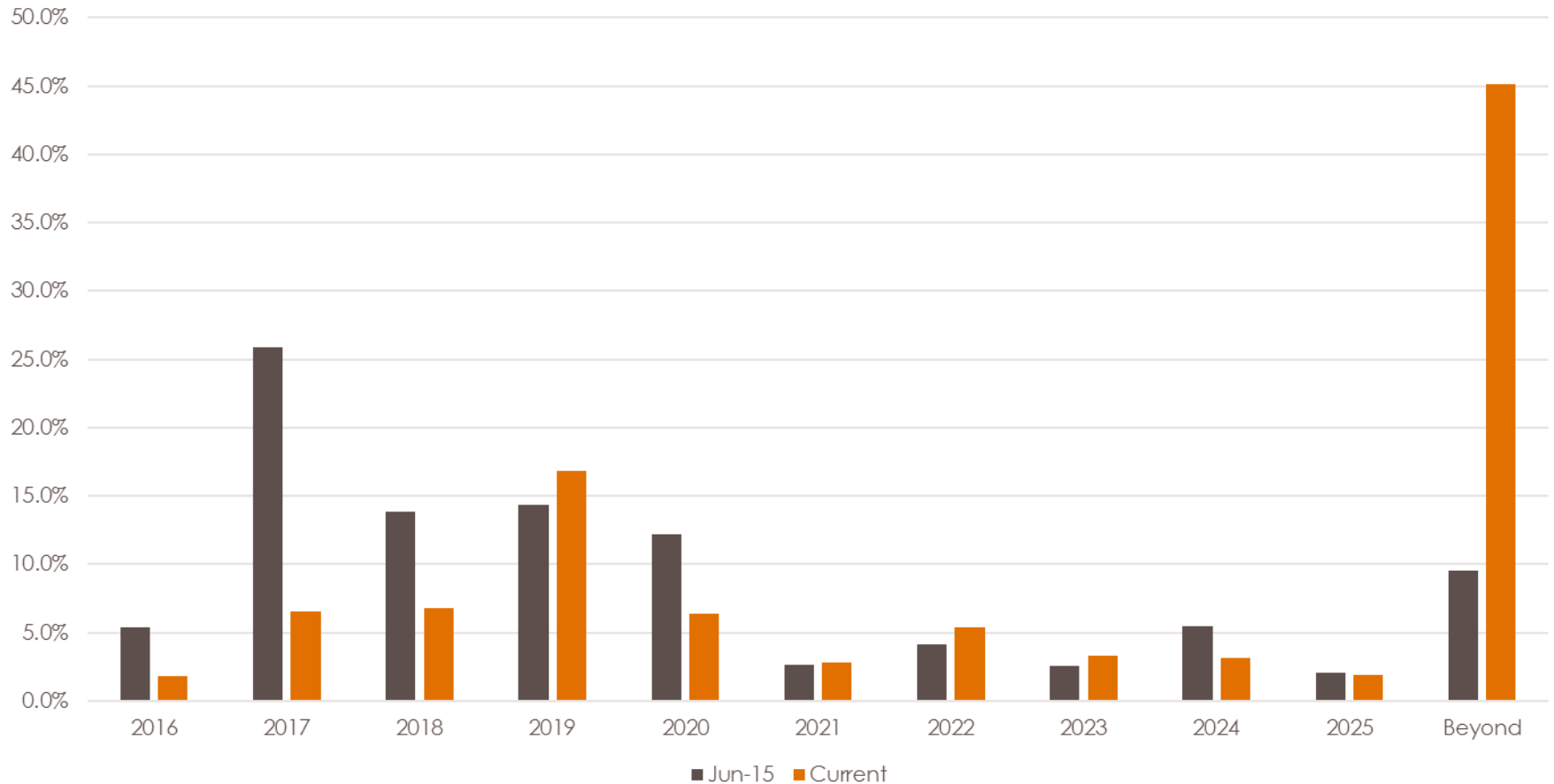
Event composition



Lease expiry

8.2 years

Weighted average lease term (including developments)



Major Crown leasing

- Announced successful conclusion of the Wellington Accommodation Project (WAP)
- Comprehensive and rigorous 3 year process
- Crown committed to long term leases at:
 - Bowen Campus
 - Pastoral House
 - Mayfair House
 - No 3 The Terrace
- Secured extension on the existing lease at 1 The Terrace
- Total additional investment of \$213 million
- Improved Wellington portfolio WALT by 6 years to **9.5 years**

68,000sqm

Office space leased by the Crown

14.6years

Weighted average lease term

7.0%

Blended yield on cost on completion

“The largest leasing transaction ever undertaken by Precinct and potentially largest in the NZ Market”

>> Scott Pritchard, CEO

Pastoral House, Mayfair House & 3 The Terrace

Pastoral House

- Building will vacate in March 2017 with works taking place over the following 12 months
- Scope of works include:
 - Complete refurbishment of all base build plant and equipment
 - Major upgrades of all interior aspects
 - Seismic strengthening to 80%NBS

Mayfair and 3 The Terrace

- Each asset will undergo works in 2018 upon decant of the existing occupiers
- Scope of work is consistent with Pastoral noting that neither require seismic strengthening
- Anticipated works will be completed mid 2019

\$55 million

Forecast spend for Pastoral House, Mayfair House and 3 The Terrace

100%

Occupied by the Crown on completion of works

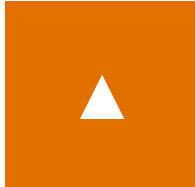


Render showing entrance to Pastoral House

- The Auckland economy will continue to outperform due to strong working age population growth, positive tourism outlook, construction and infrastructure investment and continued centralization.
- Auckland Council has identified around \$60 billion of capital expenditure activities over the next 30 years.
- Growth in public transport patronage increased by 5.2% year on year to May 2016.
 - Public transport patronage (NEX, rail, ferry) adjacent to Commercial Bay increased by 20.4%.
- The number of residents in the city centre continues to increase, and the city is now home to more than 26,000 people. This is expected to rise to more than 45,000 by 2032.
 - Auckland inner-city resident population is currently 1.8% of total population
 - By comparison, Sydney is 4.3% and Melbourne is 3% of total population

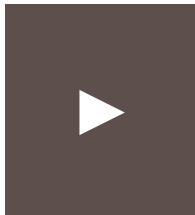
Auckland CBD office market

Occupier Demand



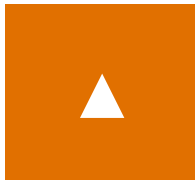
Historically low vacancy for prime stock with strong forecasted CBD employment growth.

Supply



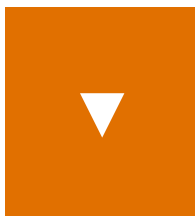
Fringe supply increasing. CBD supply is yet to emerge and remains highly dependent on pre-commitment levels.

Rental Growth



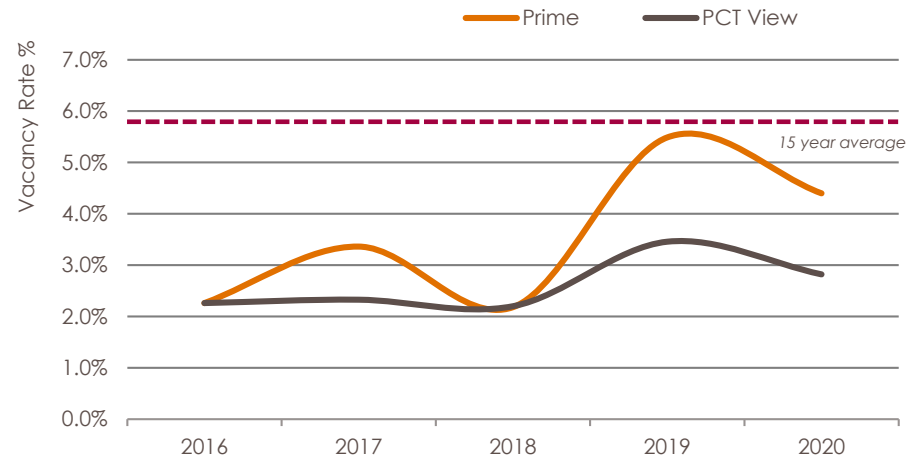
Incentive levels decreasing due to lower vacancy. Increasing face rentals.

Cap Rates

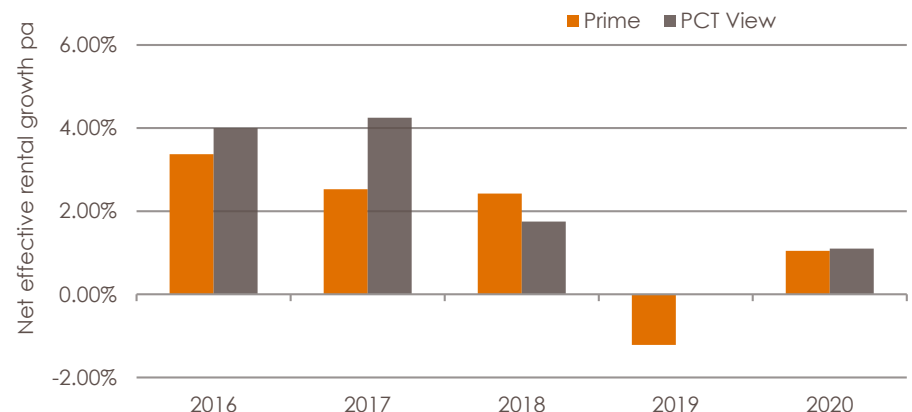


Improving investment market fundamentals and lower interest rates supports continued firming in cap rates.

Forecast vacancy (CBRE, June 2016)

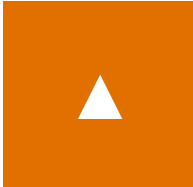


Forecast net effective rent growth (CBRE, June 2016)



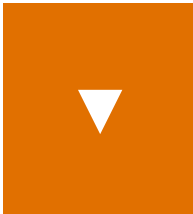
Auckland CBD retail market

Occupier Demand



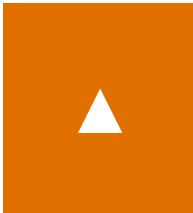
Historically low vacancy with strong demand from local and international retailers.

Supply



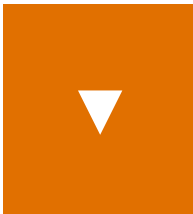
Decreased through the closure of Downtown Shopping Centre. Limited new CBD development outside of Commercial Bay.

Rental Growth



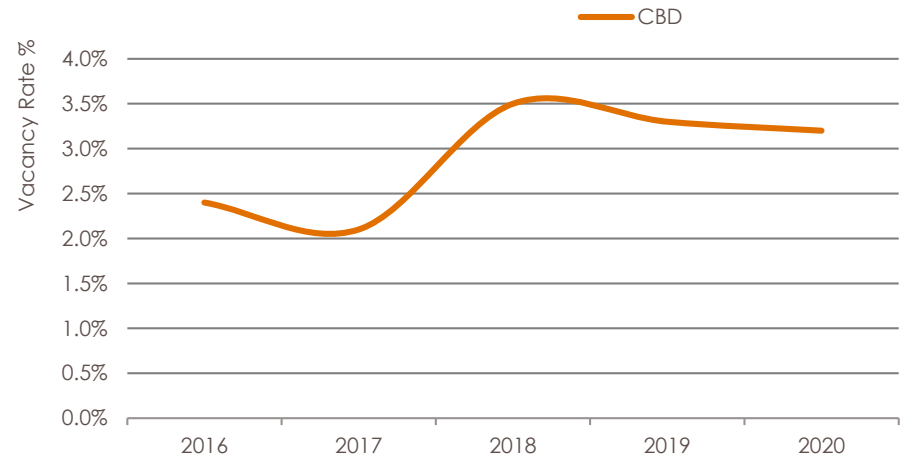
Scarcity of options and continued demand driving rental growth. Key drivers remain location, size and adjacencies.

Cap Rates

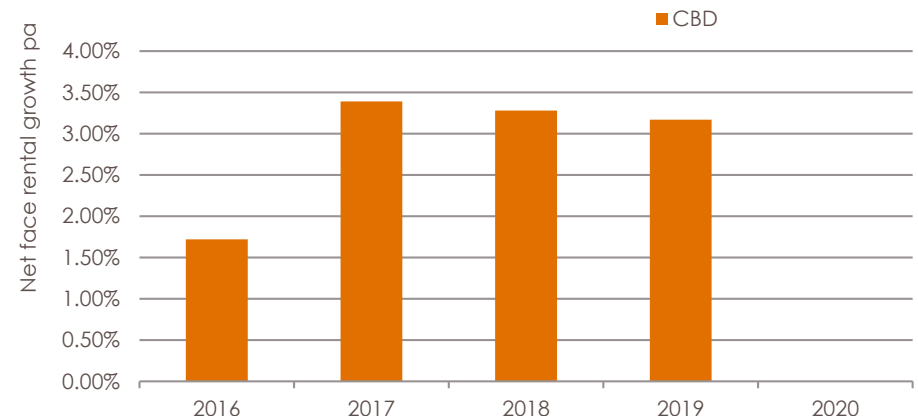


Low interest rate environment and desirable price point supports continued firming in cap rates.

Forecast vacancy (Colliers, June 2016)

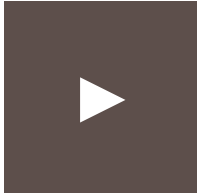


Forecast net face rent growth (Colliers, June 2016)



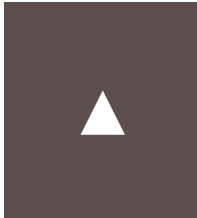
Wellington CBD office market

Occupier Demand



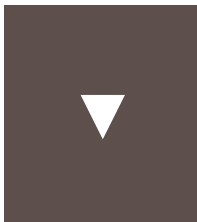
CBD based employment remains static. Quality buildings expected to attract occupiers.

Supply



New supply emerging in the CBD. Impact likely for corporate market. Economic rents 17% above market rents.

Rental Growth



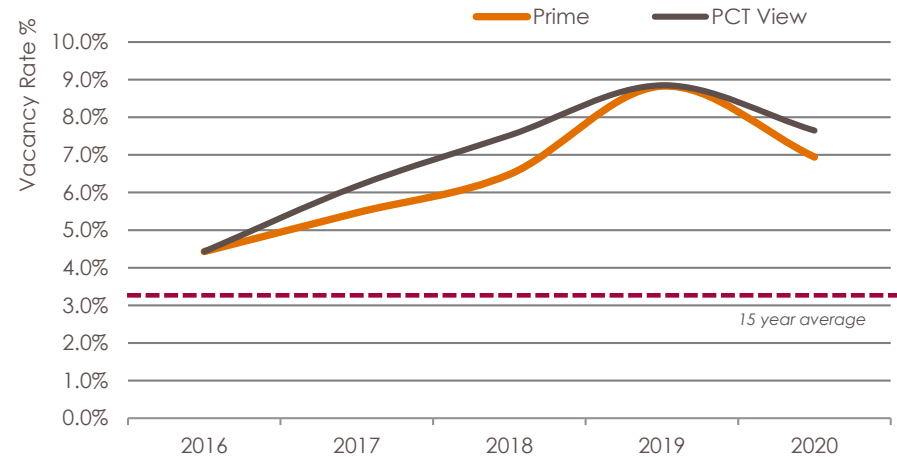
Gross face rents have remained relatively static however some easing is being forecast over the short to medium term.

Cap Rates

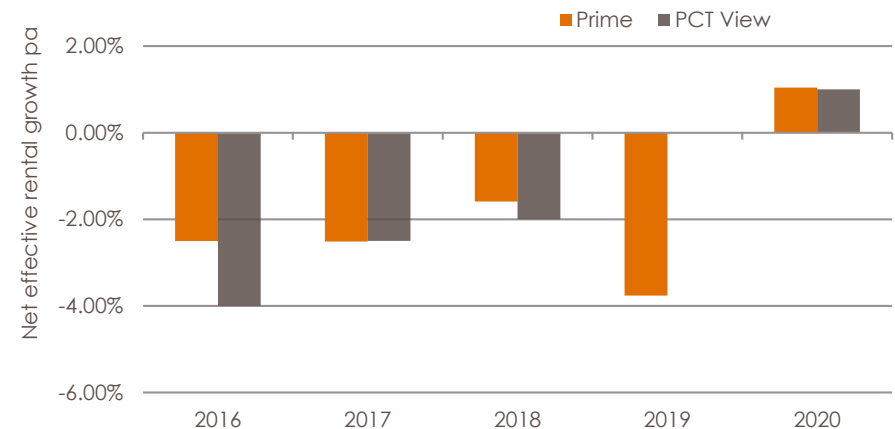


Expected to firm for high quality buildings. Greater activity in Wellington market as interest rates reduce.

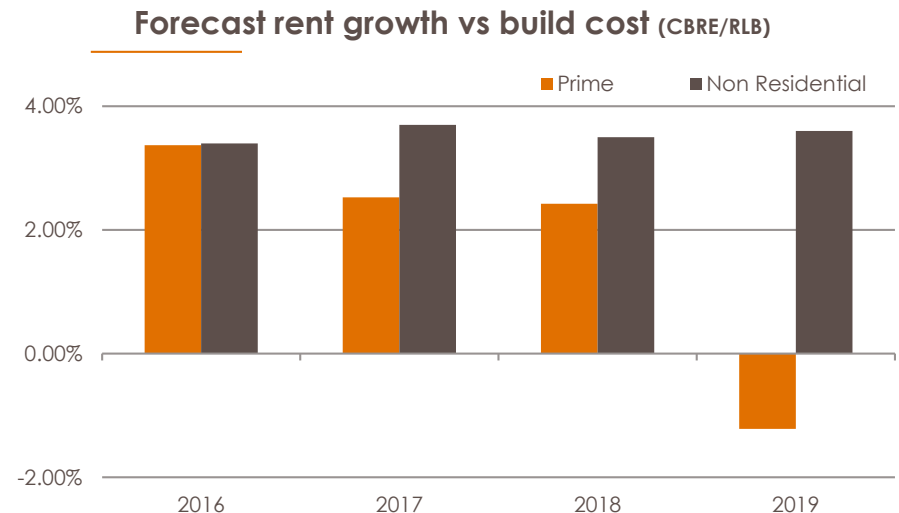
Forecast vacancy (CBRE, June 2016)



Forecast net effective rent growth (CBRE, June 2016)



- High barriers to entry through increasing land and construction costs
- Construction cost escalation outstripping office rental growth
- 77,300sqm of projects under construction in Auckland
 - c.50,000sqm pre-leased
- A further 65,000sqm of total potential projects identified
- 91,000sqm of projects under construction in Wellington (incl. Bowen)
 - c.71,500sqm pre-leased
- A further 59,000sqm of total potential projects identified





Section 5

Conclusions and Outlook

Conclusion

- New Zealand economy remaining positive due to:
 - Population growth
 - Construction activity in Auckland and Christchurch
 - Historically low interest rates
- Continued global uncertainty
- Property market divergent between cities:
 - Auckland vacancy at historic lows with rental growth continuing
 - Wellington office occupier market remains challenged
 - Investment market in Auckland and Wellington continuing to strengthen as investors seek yielding assets
- Strategy of concentrated ownership supported through:
 - Auckland population growth leading to increased CBD employees/residents
 - Centralisation trend
 - Public investment in infrastructure and transport

- Precinct well positioned through:
 - Capable team – in-house and external
 - Strong balance sheet
 - Committed opportunities in premium locations
 - Supportive markets
- Four years of planning to prepare
- Strategy designed to reposition portfolio during a period of market strength
- Portfolio quality and EPS growth expected to drive significant growth in shareholder value

An aerial photograph of a city featuring a mix of architectural styles. In the foreground, a large, circular, tiered building with a glass and metal facade is prominent. To its left is a tall, modern glass skyscraper. Further back, a multi-story building with a grid-like facade of windows is visible. The city is surrounded by greenery and residential areas with smaller houses. A large orange circle is overlaid on the top right corner of the image.

Appendices

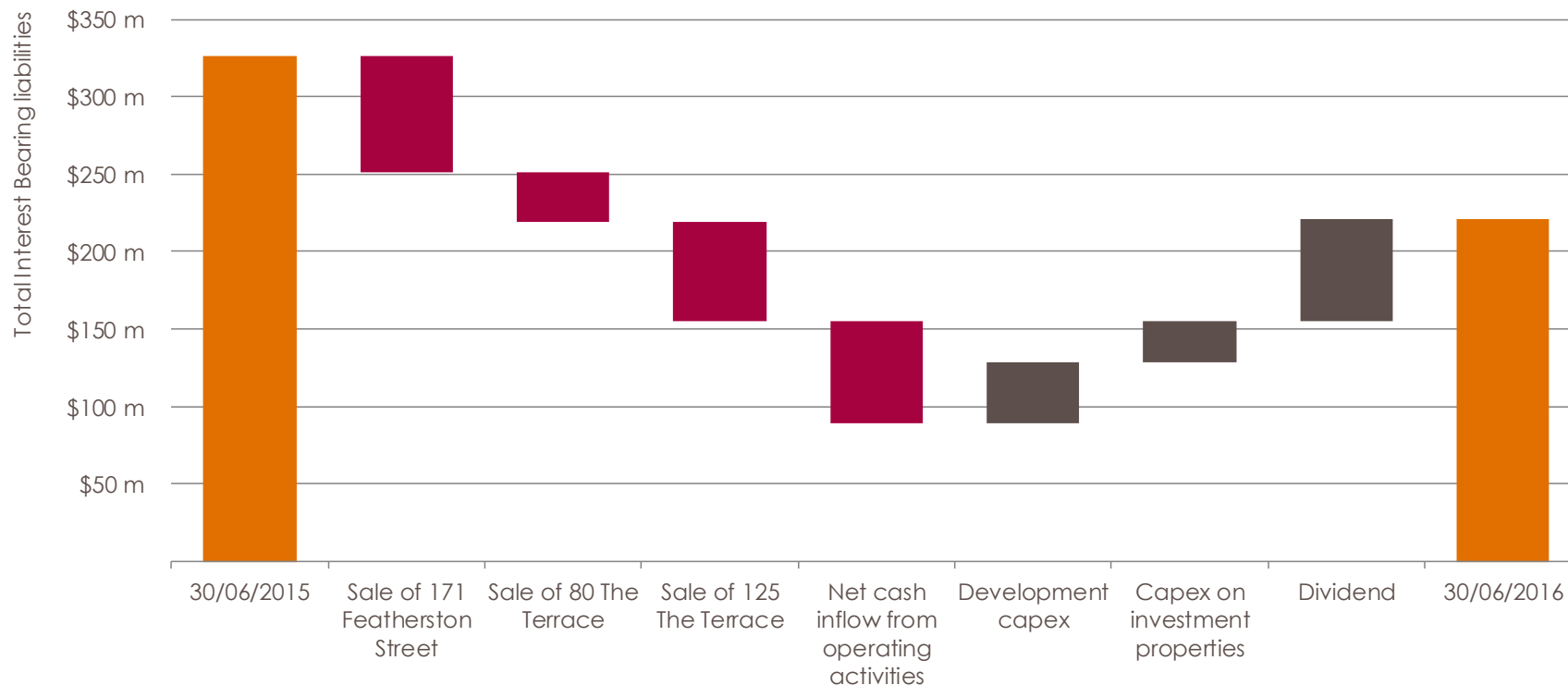
Balance sheet

Financial Position as at (\$m)	Jun-2016 Audited	Jun-2015 Audited	Movement
Assets			
Property Assets	\$1,513.7	\$1,611.8	(\$98.1)
CCIRS Credit Adjustment	(\$2.8)	(\$2.9)	+ \$0.1
Assets held for sale		\$76.0	(\$76.0)
Property sale proceeds to be settled		\$32.5	(\$32.5)
Other	\$227.7	\$31.5	+ \$196.2
Total Assets	\$1,738.6	\$1,748.9	(\$10.3)
Liabilities			
Total Borrowings	\$234.1	\$340.0	(\$105.9)
Deferred Tax depreciation	\$21.4	\$34.7	(\$13.2)
Fair value of swaps	\$39.0	\$13.9	+ \$25.1
Other	\$33.3	\$22.0	+ \$11.3
Total Liabilities	\$327.7	\$410.6	(\$82.9)
Equity	\$1,410.9	\$1,338.3	+ \$72.5
Liabilities to Total Assets - Loan Covenants	14.4%	20.1%	-5.7%
Shares on Issue (m)	1,211.1	1,211.1	
Net tangible assets per security	\$1.17	\$1.11	0.06

Reconciliation of NTA movement (cps)

Reconciliation of NTA movement	cps
NTA 30 June 2015	110.5
Equity issue	1
Revaluation	5
Interest rate swap movement	-1
Other	1
NTA 30 June 2016	116.5

Borrowings movement



Taxation reconciliation

- FY16 effective tax rate of 12.6%
- Higher pre-tax profit offset by;
 - Disposal of fixtures and fittings at Downtown Shopping Centre
 - Higher leasing costs and other deductibles
- FY17 expected effective tax rate of around 6-7%
- Future tax profile will be impacted by deductible costs associated with developments
 - Capitalised interest
 - Leasing costs
 - Rates

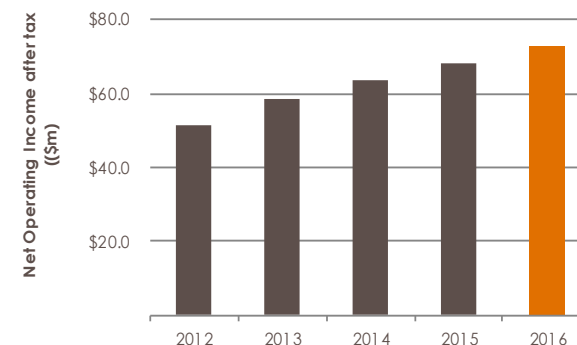
Tax expense reconciliation

	FY16	FY15
Net profit before taxation	\$135.5 m	\$127.3 m
Less non assessable income		
Unrealised net gain in value of investment properties	(\$81.2)	(\$64.8)
Depreciation recovered on sale losses	\$10.0	\$3.8
Realised loss on sale of investment properties	\$2.7	\$1.6
Unrealised derivative financial instrument gain/(loss)	\$16.4	\$11.9
Operating profit before Tax	\$83.3 m	\$79.8 m
Other deductible expenses		
Depreciation	(\$20.4)	(\$24.9)
Leasing fees and incentives in the period	(\$2.5)	(\$0.2)
Disposal of depreciable assets	(\$15.0)	
Other deductibles	(\$5.2)	(\$8.9)
Taxable income	\$40.2 m	\$45.7 m
Current tax expense	\$11.3 m	\$12.8 m
Prior period washup	(\$0.7)	(\$1.3)
Tax at 28%	\$10.6 m	\$11.5 m

5 year income summary

(\$ millions unless otherwise stated)	2012	2013	2014	2015	2016
Financial performance					
Gross rental revenue	\$127.3	\$147.7	\$165.4	\$170.5	\$146.0
Less direct operating expenses	(\$36.4)	(\$43.7)	(\$47.1)	(\$48.9)	(\$41.5)
Operating profit before indirect expenses	\$90.9	\$104.0	\$118.3	\$121.6	\$104.5
Net interest expense	(\$20.8)	(\$28.0)	(\$33.2)	(\$31.4)	(\$11.0)
Other expenses	(\$11.6)	(\$12.8)	(\$12.6)	(\$10.4)	(\$10.1)
Operating income before income tax	\$58.5	\$63.2	\$72.5	\$79.8	\$83.4
Non operating income / (expense)					
Unrealised net gain in value of investment properties	\$5.5	\$46.3	\$47.5	\$64.8	\$81.2
Other non operating income	(\$5.4)	\$13.2	\$10.9	(\$13.5)	(\$19.1)
Net profit before taxation	\$58.6	\$122.7	\$130.9	\$131.1	\$145.5
Current tax expense	(\$7.2)	(\$4.9)	(\$8.7)	(\$11.5)	(\$10.6)
Depreciation recovered on sale expense				(\$3.8)	(\$10.0)
Deferred tax benefit / (expense)	(\$6.3)	\$39.7	(\$5.0)	\$6.6	\$13.3
Net profit after taxation	\$45.1	\$157.5	\$117.2	\$122.4	\$138.2
Net operating income					
Operating income before income tax	\$58.5	\$63.2	\$72.5	\$79.8	\$83.4
Less: Current tax expense	(\$7.2)	(\$4.9)	(\$8.7)	(\$11.5)	(\$10.6)
Net operating income after tax	\$51.3	\$58.3	\$63.8	\$68.3	\$72.8
Net operating income after tax per share (cents)	5.14	5.85	6.10	6.19	6.01

Net operating income



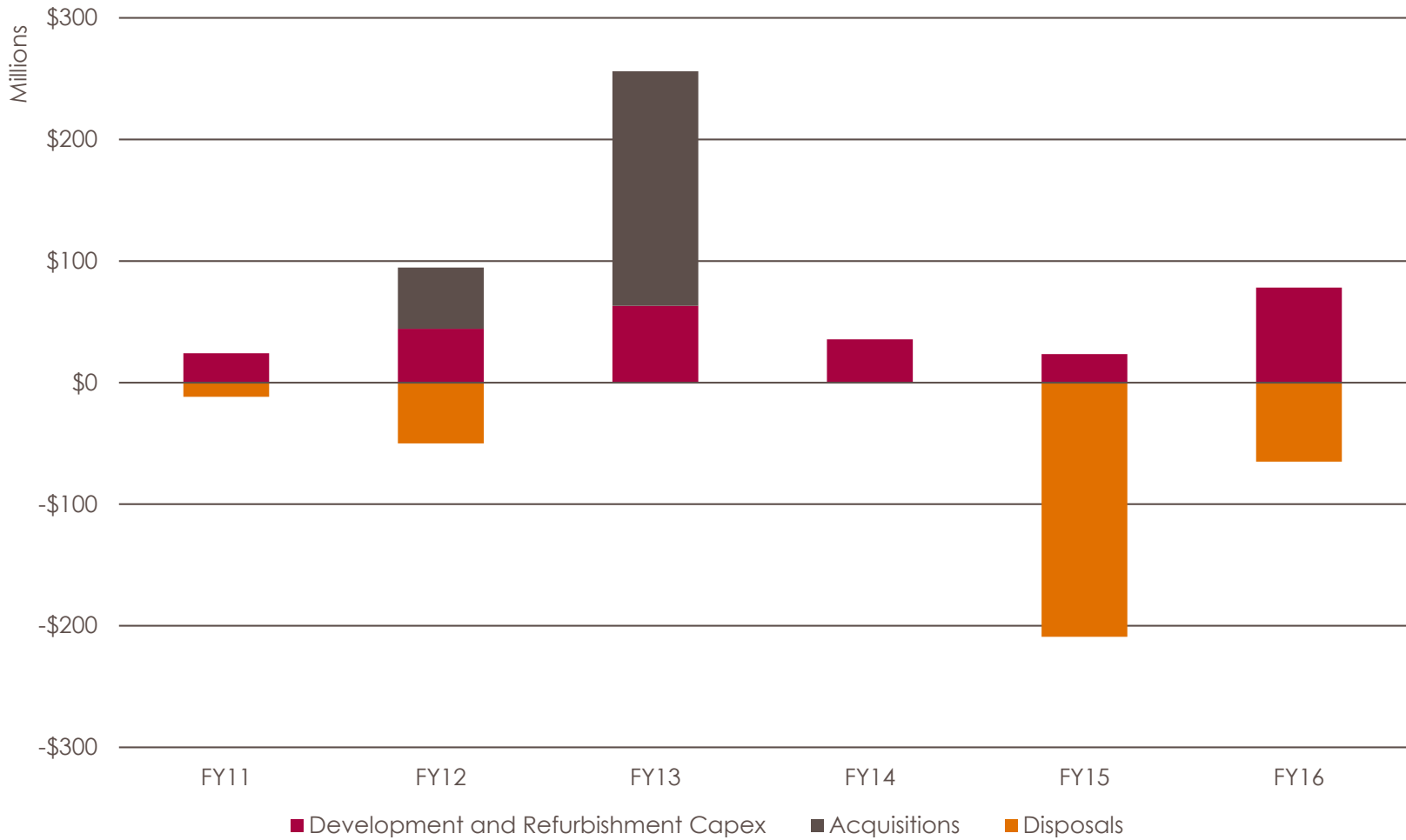
5 year dividend payout

(\$ millions unless otherwise stated)	2012	2013	2014	2015	2016
Dividends					
Net dividend (cents)	5.04	5.12	5.40	5.40	5.40
Net operating income					
Operating income before income tax	\$58.5	\$63.2	\$72.5	\$79.8	\$83.4
Less: Current tax expense	(\$7.2)	(\$4.9)	(\$8.7)	(\$11.5)	(\$10.6)
Net operating income after tax	\$51.3	\$58.3	\$63.8	\$68.3	\$72.8
Net operating income after tax per share (cents)	5.14	5.85	6.10	6.19	6.01
Dividend payout ratio to net operating income after tax	98.1%	87.5%	88.5%	87.2%	89.9%
Funds from operations (FFO)					
Net operating income after tax	\$51.3	\$58.3	\$63.8	\$68.3	\$72.8
Adjusted for:					
Amortisations	\$4.1	\$3.1	\$6.2	\$7.3	\$6.4
Straightline rents	(\$1.2)	(\$1.5)	(\$0.5)	(\$1.1)	(\$0.5)
Funds from operations	\$54.3	\$59.9	\$69.5	\$74.5	\$78.7
Funds from operations (cents)	5.44	6.00	6.64	6.75	6.50
Dividend payout ratio based on FFO	92.6%	85.3%	81.3%	80.0%	83.1%
Adjusted funds from operations (AFFO)					
Less: Maintenance capex	-	-	(\$3.3)	(\$2.6)	(\$6.4)
Less: Incentives and leasing costs	-	-	(\$8.7)	(\$7.1)	(\$3.0)
Less: Tenant Improvements	-	-	(\$3.1)	(\$4.0)	(\$4.7)
Swap Close outs	-	-	-	1.6	-
Adjusted funds from operations	-	-	\$54.5	\$62.4	\$64.6
Adjusted funds from operations (cents)	-	-	5.21	5.66	5.33
Dividend payout ratio based on AFFO	-	-	104%	95%	101%

5 year balance sheet

(\$ millions unless otherwise stated)	2012	2013	2014	2015	2016
Financial position					
Total investment assets	\$1,332.1	\$1,640.4	\$1,728.1	\$1,687.8	\$1,513.7
Total development assets					\$190.4
Other assets	\$18.3	\$18.1	\$19.4	\$65.4	\$34.5
Total assets	\$1,350.4	\$1,658.5	\$1,747.5	\$1,753.2	\$1,738.6
Interest bearing liabilities	\$346.5	\$603.0	\$572.0	\$340.0	\$234.1
Other liabilities	\$126.7	\$71.7	\$68.7	\$74.9	\$93.6
Total liabilities	\$473.2	\$674.7	\$640.7	\$414.9	\$327.7
Total equity	\$877.2	\$983.8	\$1,106.8	\$1,338.3	\$1,410.9
Number of shares (m)	997.1	997.1	1059.7	1211.1	1211.1
Weighted average number of shares (m)	997.1	997.1	1046.6	1103.1	1211.1
Net tangible assets per share	0.88	0.99	1.04	1.11	1.17
Share price at 30 June	0.93	1.02	1.07	1.14	1.25
Covenants					
Bank covenant loan to value	27.0%	37.3%	33.8%	20.1%	14.4%
Interest coverage ratio	3.5 x	3.0 x	3.2 x	3.5 x	6.9 x
Key portfolio metrics					
Average portfolio cap rate	7.9%	7.5%	7.3%	7.0%	6.5%
Weighted average lease term (years)	5.9	5.7	5.4	5.0	6.3
Occupancy (by NLA)	94%	97%	98%	98%	98%
Net lettable area	289,934	322,115	322,115	304,485	225,613
Number of properties	16.0	17.0	17.0	15.0	13.0

Capital recycling



Asset level valuations

	Cap Rates %			Valuations			Value Movement	
	FY16	FY15		FY16	FY15	Additions/ Disposals	Revaluation	%
Investment Properties								
157 Lambton Quay	7.0%	7.5%	(50bps)	\$109.0 m	\$106.0 m	\$5.2 m	(\$2.2 m)	-2.0%
Bowen Campus	6.6%	9.6%	(300bps)	\$58.0 m	\$49.0 m	\$6.9 m	\$2.1 m	3.7%
Deloitte House	8.0%	8.3%	(25bps)	\$45.0 m	\$49.3 m	\$1.2 m	(\$5.5 m)	-10.9%
Mayfair House	6.8%	8.8%	(200bps)	\$38.5 m	\$38.1 m	\$0.5 m	(\$0.1 m)	-0.2%
No.1 and 3 The Terrace	7.4%	7.6%	(25bps)	\$72.3 m	\$70.0 m	\$0.9 m	\$1.4 m	2.0%
No.3 The Terrace	n/a	n/a		\$10.9 m	\$10.6 m		\$0.4 m	3.3%
Pastoral House	6.8%	8.8%	(200bps)	\$41.0 m	\$47.0 m	\$0.7 m	(\$6.7 m)	-14.1%
State Insurance Tower	7.2%	7.6%	(48bps)	\$141.0 m	\$136.3 m	\$6.3 m	(\$1.6 m)	-1.1%
Wellington	7.1%	7.9%	(80bps)	\$515.7 m	\$506.2 m	\$21.8 m	(\$12.3 m)	-2.3%
AMP Centre	6.5%	7.0%	(50bps)	\$148.0 m	\$136.0 m	\$1.7 m	\$10.3 m	7.5%
ANZ Centre	6.0%	6.4%	(38bps)	\$305.0 m	\$271.1 m	\$1.3 m	\$32.5 m	11.9%
HSBC House	6.6%	6.9%	(25bps)	\$121.5 m	\$120.0 m	\$1.3 m	\$0.2 m	0.2%
PricewaterhouseCoopers Tower	6.1%	6.4%	(25bps)	\$313.0 m	\$293.0 m	(\$0.1 m)	\$20.1 m	6.8%
Zurich House	6.4%	6.6%	(25bps)	\$110.5 m	\$100.5 m	\$0.2 m	\$9.8 m	9.7%
Auckland	6.2%	6.6%	(40bps)	\$998.0 m	\$920.7 m	\$4.4 m	\$72.9 m	7.9%
Sub Total Investment Properties	6.5%	7.1%	(60bps)	\$1,513.7 m	\$1,426.9 m	\$26.1 m	\$60.6 m	4.2%
Development Properties								
Wynyard Quarter Stage One	n/a	n/a		\$43.4 m		\$31.5 m	\$11.9 m	37.9%
Downtown Shopping Centre	n/a	n/a		\$147.0 m	\$120.0 m	\$18.3 m	\$8.7 m	6.3%
Total Properties	6.5%	7.1%	(60bps)	\$1,704.1 m	\$1,546.9 m	\$75.9 m	\$81.2 m	5.0%

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

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