

Annual Meeting CEO Presentation

Argosy Property Limited | 26 August 2014



CONTINUED

MOMENTUM

Argosy

Highlights



Highlights of FY14

Argosy

- ▶ Valuation gain of \$33.5 million, up 2.8% on book values
- ▶ Distributable income increased to \$50.0 million (increase of 18.4%)
- ▶ Net property income increased to \$82.2 million (increase of 17.7%)
- ▶ Net profit after tax increased to \$85.6 million (increase of 118%)
- ▶ Occupancy (by rental) increased to 98.7%, up from 96.2% in prior year
- ▶ Weighted average lease term ("WALT") increased to 5.68 years.
- ▶ Acquisition of four high quality buildings & divestment of vacant land and under yielding properties
- ▶ Bank facility restructured and extended on favourable terms
- ▶ Debt-to-total-assets within policy at 36.5%

NET PROPERTY INCOME ▲

\$82.2_m

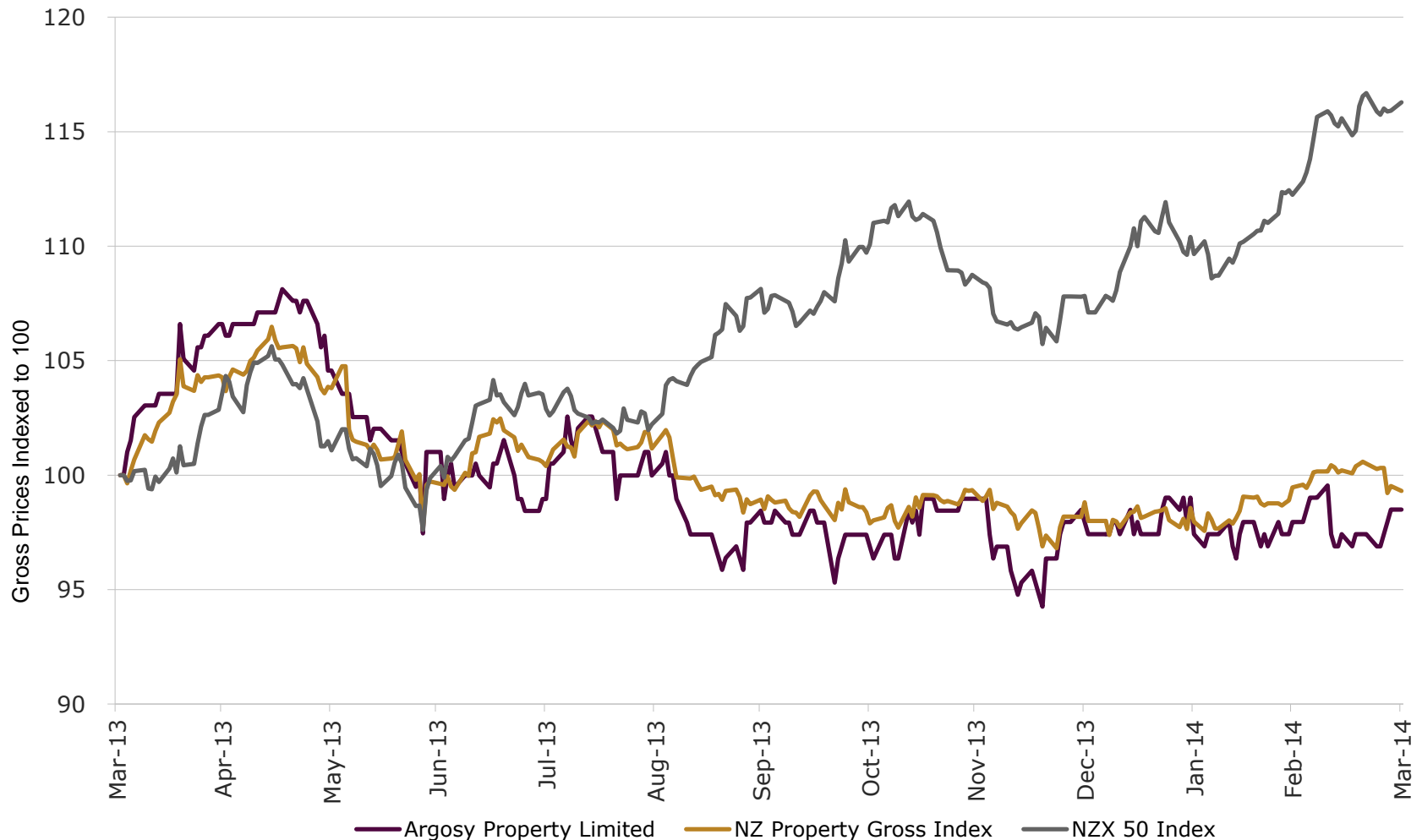
OCCUPANCY ▲

98.7%

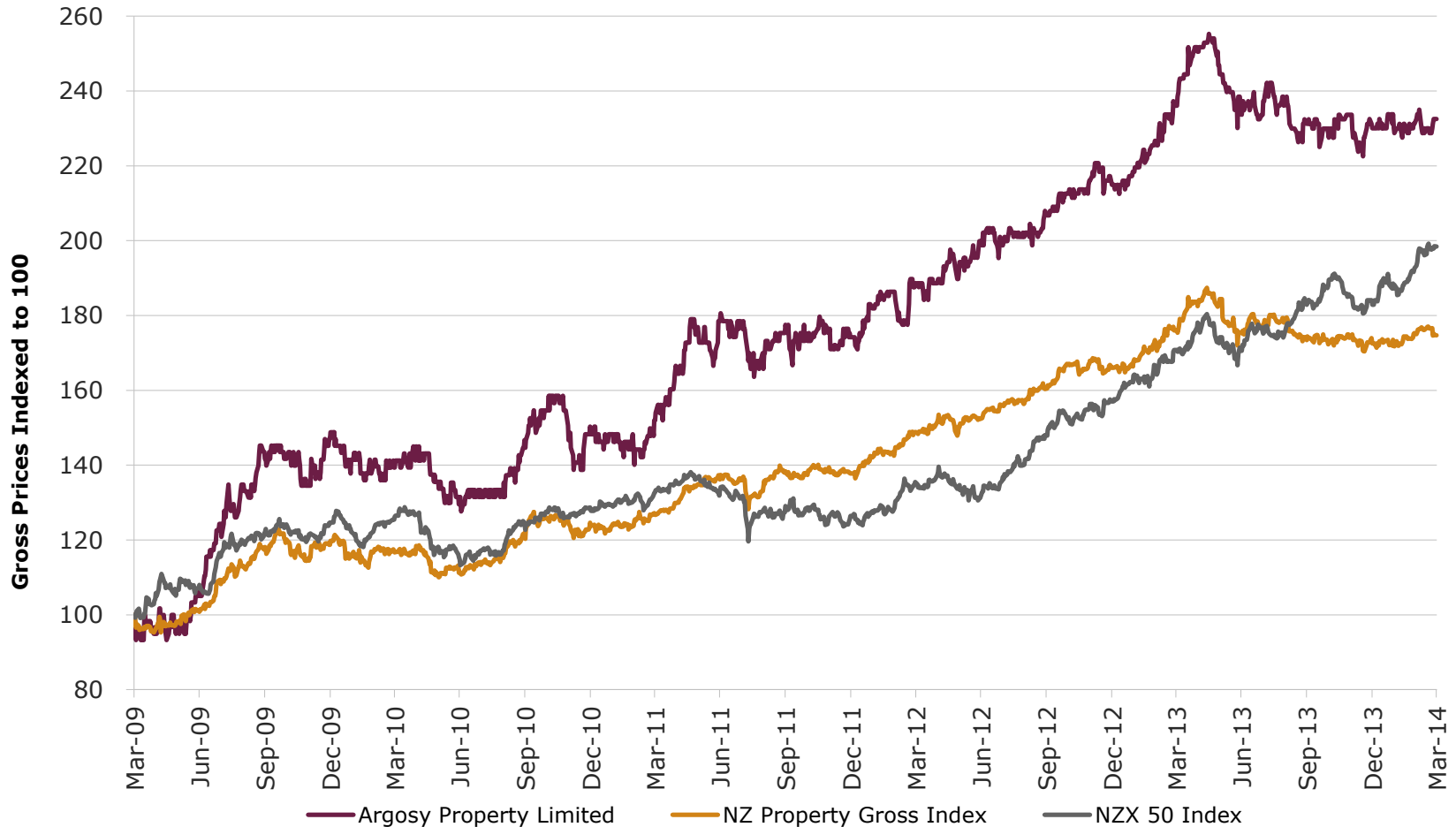
REVALUATION GAIN ▲

\$33.5_m

Total Shareholder Return – 1 Year



Total Shareholder return – 5 Years



Argosy

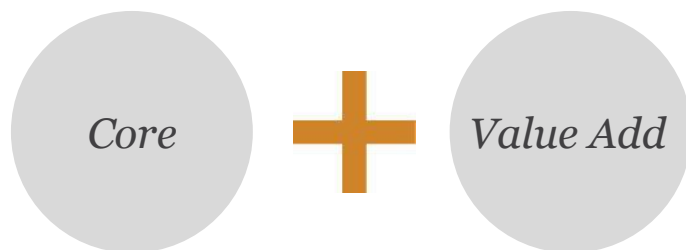
Strategy



We have a clear investment strategy marked by a diversified portfolio of desirable properties that attract high-quality, long-term tenants.

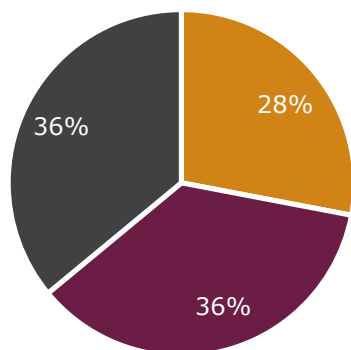
Argosy is and will remain invested in a portfolio that is diversified by sector, grade, location and tenant mix. The portfolio will be in the Auckland and Wellington markets with modest tenant-driven exposure to provincial markets.

Argosy's portfolio consists of "Core" and "Value Add" properties. Core properties are well constructed, well located assets which are intended to be long-term investments (>10years). Core properties will make up 75-85% of the portfolio by value.



Portfolio Mix as at 31 July 2014

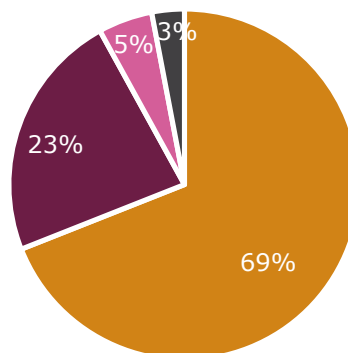
TOTAL PORTFOLIO VALUE BY SECTOR



Target

■ Retail	15 – 25%
■ Office	35 – 45%
■ Industrial	35 – 45%

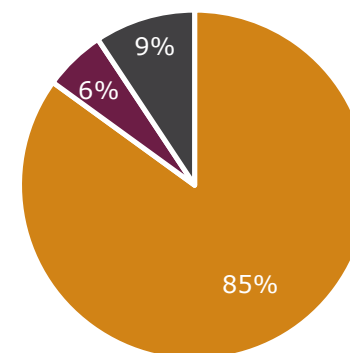
TOTAL PORTFOLIO VALUE BY REGION



Target

■ Auckland	65 – 75%
■ Wellington	20 – 30%
■ Palmerston North	
■ Other regional	

PORTFOLIO MIX



Target

■ Core	75 – 85%
■ Value Add properties	
■ Properties and land to divest	

Portfolio Overview



Office

Argosy

NUMBER OF BUILDINGS

18

BOOK VALUE OF ASSETS (\$M)

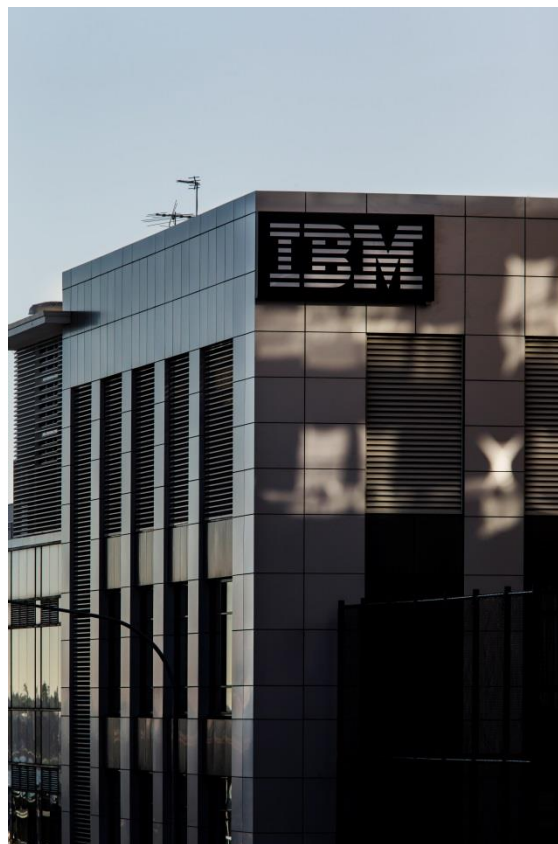
\$437.34

VACANCY FACTOR (BY RENT)

1.65%

WALT (YEARS)

5.33



Industrial

Argosy

NUMBER OF BUILDINGS

35

BOOK VALUE OF ASSETS (\$M)

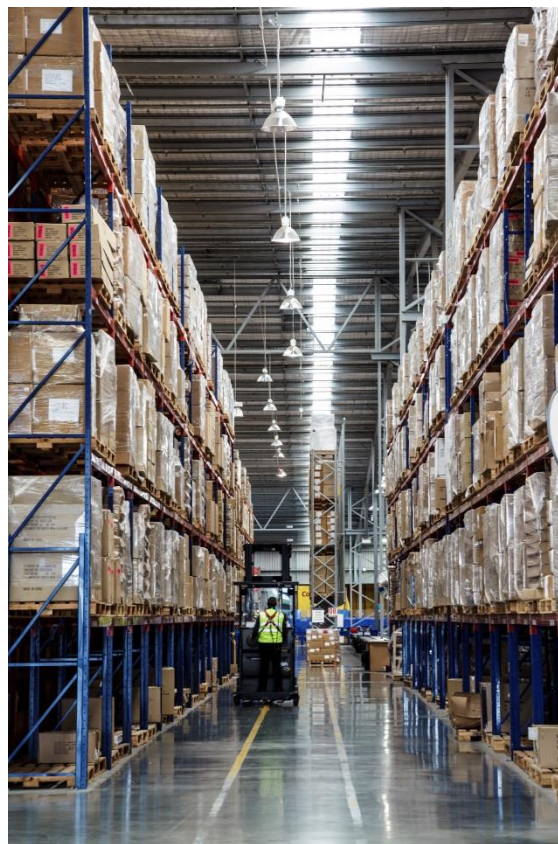
\$441.78

VACANCY FACTOR (BY RENT)

0.63%

WALT (YEARS)

6.48



Retail

Argosy

NUMBER OF BUILDINGS

13

BOOK VALUE OF ASSETS (\$M)

\$347.15

VACANCY FACTOR (BY RENT)

1.57%

WALT (YEARS)

5.16

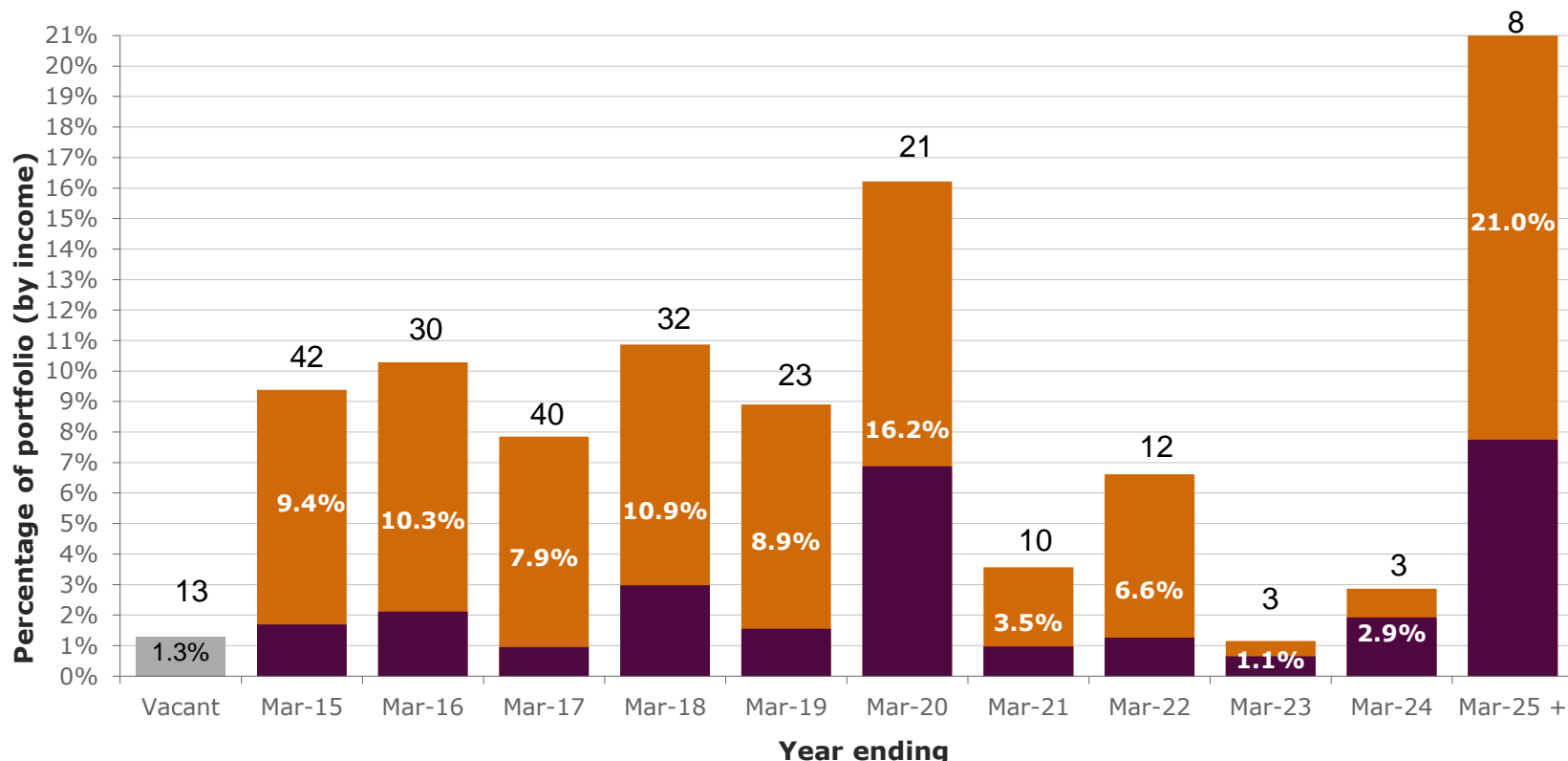


- ▶ The New Zealand economy is in an expansion phase with relatively strong growth expected for 2014.
- ▶ Increased expectation of growth in net effective rentals.
- ▶ Positive net absorption in industrial and office sectors in Auckland.
- ▶ Elevated levels of confidence, with activity expectations, employment and investment intentions above historical averages.
- ▶ We expect this to lead to a corresponding improvement in underlying property market performance.
- ▶ The Auckland office market is very positive, the industrial market is solid but the retail market is facing the challenge of an increase in available space along with the threat of internet sales.
- ▶ Rental rates have eased in Wellington as Government tenders for space has put pressure on. Modest growth expected over next 3 years as tenants seek buildings with high seismic ratings.
- ▶ Tenant enquiry levels remain very high and incentive levels have reduced.

- ▶ The core operational areas of occupancy, tenant retention and upcoming lease expiry remain the key focus for the asset management team.
- ▶ Occupancy (by rental) improved to 98.7% at March 2014, up from 96.2% at March 2013. *Occupancy has since improved to 98.9% as at 31 July 2014.*
- ▶ As at 31 March 2014, outstanding lease expiries for the period to 31 March 2015 were 9.4%. *Outstanding lease expiries to 31 March 2015 have since reduced to 5.8% as at 31 July 2014.*
- ▶ During the 2014 financial year, 59 lease transactions were completed, including 39 new leases and 20 lease renewals and extensions.
- ▶ The weighted average lease term improved to 5.68 years, an eleven year high, up from 5.24 years at 31 March 2013.

Lease Maturity

Lease maturity profile is in good shape



The number above each bar denotes the total tenant expiries per year (excluding monthly car parks and tenants with multiple leases within one property).

■ Total expiry
 ■ Vacant
 ■ Largest single expiry

As at 31 July 2014, current year expiries have fallen to 5.8% of the portfolio (by income), reduced from 9.4% at 31 March 2014.

80 Favona Rd, Mangere, Auckland

The property comprises a large integrated distribution centre and head office complex on a large level industrial lot in the Auckland suburb of Mangere.

Property type	Industrial
Net lettable area	59,448 sqm
Settlement date	June 2013
Lease term at acquisition	11.2 years
Purchase price	\$74.0 million
Initial passing yield	8.2%
Valuation @ 31/3/14	\$74.5 million
Yield on contract	8.2%
Major tenant	General Distributors Limited



101 Carlton Gore Rd, Newmarket, Auckland

A single tenanted, modern office building located in Newmarket, surrounded by quality commercial office blocks with great views of the Auckland Domain.

The property has five levels of office space with carparking over two levels.

Property type	Office
Net lettable area	4,714 sqm
Settlement date	September 2013
Lease term at acquisition	7.5 Years
Purchase price	\$22.25 million
Initial passing yield	8.0%
Valuation @ 31/3/14	\$22.25 million
Yield on contract	8.0%
Major tenant	Vector Limited



19 Nesdale Ave, Wiri, Auckland

The property is a modern, purpose-built warehouse storage facility located approximately 3 kilometres west of Manukau CBD and has good access to the South Western motorway, allowing direct connection to Auckland International Airport.

Property type	Industrial
Net lettable area	20,677 sqm
Settlement date	December 2013
Lease term at acquisition	15 Years
Purchase price	\$38.0 million
Initial passing yield	7.5%
Valuation @ 31/3/14	\$38.1 million
Yield on contract	7.5%
Major tenant	Cardinal Logistics



15-21 Stout Street

The redevelopment was completed on time and on budget with MBIE occupying in July 2014.

Property type	Office
Net lettable area	19,629 sqm
Lease commencement	July 2014
Lease term	12 years
Passing yield on end cost	8.11%
Purchase price	\$33.2 million
Upgrade cost	\$46.6 million
End cost	\$79.8 million



NZ Post House

The contract to complete the upgrade has been awarded to Hawkins Construction. Work has commenced and is expected to be complete by mid 2016.

Property type	Office
Net lettable area	24,977 sqm
Lease commencement	March 2013
Lease term	7 years
Passing yield on end cost	8.50%
Purchase price	\$60.0 million
Upgrade cost	\$40.0 million
End cost	\$100.0 million



Divestments

- ▶ 10% of the portfolio marked for divestment as at 31 March 2014.
- ▶ Subsequent to year end, 8 Pacific Rise and vacant property in Palmerston North have both settled.
- ▶ Waitakere Mega Centre sale unconditional with settlement due in March 2015.
- ▶ Following this, 6% remains on the divestment list.
- ▶ Focus remains on the divestment of vacant land in Palmerston North.



Financial Overview



Financial Performance

	FY14	FY13
Net property income	\$82.2m	\$69.9m
Revaluation gains	\$33.5m	\$9.3m
Profit before tax	\$98.8m	\$38.7m

Distributable Income

	FY14	FY13
Profit before income tax	\$98.8m	\$38.7m
Adjustments	\$(48.8m)	\$3.5m
Gross distributable income	\$50.0m	\$42.2m
Tax paid	\$0.0m	\$0.0m
Net distributable income	\$50.0m	\$42.2m
Weighted average number of ordinary shares	747.0m	585.1m
Gross distributable income per share (cents)	6.69	7.22
Net distributable income per share (cents)	6.69	7.22

Concluding Comments



Key Focus Areas For This Year

Argosy

- ▶ Leasing remains a key focus as values are fundamentally affected by weighted average lease term and projected incentive levels.
- ▶ Ensuring that Argosy is well positioned to gain rental increases when these become available.
- ▶ Investment strategy – ensuring consistency with strategy and application of acquisition criteria.
- ▶ Growth potential - investigation and securing of tenant driven growth potential with existing assets.
- ▶ Sale of vacant land and lesser quality stock.
- ▶ Acquisition of accretive assets consistent with strategy and investment criteria.

Argosy

Thank you



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All values are expressed in New Zealand currency unless otherwise stated.

August 2014