



## MARKET RELEASE

### \$100 million equity raise funds property portfolio expansion

Argosy Property Limited intends to raise up to \$100 million by way of the issue of new equity to partly fund two separate acquisitions with different vendors, both involving landmark office buildings in the government precinct in Wellington.

The conditional acquisitions are at 15 Stout Street (formerly the Ministry of Defence building) and the NZ Post Headquarters in Waterloo Quay. Both purchases will be backed by long-term government tenancies and are consistent with Argosy's acquisition strategy, as outlined to shareholders earlier this year, to make acquisitions that are well located, meet the needs of tenants and are accretive to shareholders.

The acquisitions will:

- Be EPS accretive post upgrade completion
- Increase the portfolio WALT from 5.4 years to 6.1 years
- Significantly improve the portfolio lease profile
- Improve quality of earnings

Equity will be raised in two tranches: a placement involving institutional and other qualified investors to raise up to \$80 million and an offer to Argosy's existing shareholders to raise up to \$20 million through a Share Purchase Plan ("SPP"). Eligible shareholders (i.e. with registered addresses in New Zealand) will be invited to subscribe for new shares in parcels of \$1,000 to a maximum of \$15,000 each. Argosy expects to announce details on or before 3 January 2013 with SPP documentation to be provided to shareholders in mid-January. The SPP will close in early February 2013.

Argosy Chairman Mike Smith says "the acquisitions will enhance Argosy's portfolio and add significant value over time. Both of the Wellington properties have long term lease agreements in place with government agencies which improve the portfolio's weighted average lease term from 5.4 years to 6.1 years, along with improving our lease expiry profile.

"Pro-forma gearing as a result of this equity raise goes from 40.7% to 36.5%. The capital raise together with existing debt facilities and our programme of non-core property sales, will support the upgrade of these properties and potential further near term accretive acquisitions. Argosy has a leverage target of less than 40% debt-to-total-assets in the medium term."

After completing the transactions and subsequent upgrade capital expenditure, Argosy's total property portfolio will be 65 properties with a total value of approximately \$1.1 billion."

The initial acquisition cost will be \$33.2 million for Stout St and \$60 million for NZ Post, with upgrade expenditures of \$46.6 million<sup>1</sup> and \$40 million respectively. The Stout St upgrade expenditure will occur over January 2013 to June 2014, with the NZ Post upgrade expenditure

<sup>1</sup> Includes capitalised interest of \$2.9 million

occurring following contractual completion to December 2014. The Stout St acquisition is expected to be unconditional prior to Christmas and the NZ Post acquisition is expected to be unconditional by no later than early March 2013.

Chief Executive Peter Mence says "both buildings are compliant with Wellington City Council's earthquake code and involve an upgrade component which we have carefully evaluated through our property due diligence. The upgrade aspects of each acquisition will add significant value for shareholders, while delivering on our goal of adding value to assets by focusing on providing quality working environments that fulfil tenant aspirations."

"Both acquisitions have been purchased as long term assets. The Stout Street building adjoins two other Argosy properties offering future upgrade potential to further enhance earnings."

The institutional placement is to be managed by First NZ Capital and is expected to be completed during Tuesday. Application for a trading halt has been made to the NZX.

### **Transaction Timetable**

Placement expected to close	<b>5.00pm, 18 December 2012 (or earlier)</b>
Trading halt lifted	<b>5.00pm, 18 December 2012 (or earlier)</b>
Settlement of Placement	<b>7 January 2012</b>
Expected Settlement of 15 Stout Street	<b>Late January 2013</b>
Expected Share Purchase Plan offer period	<b>Mid January to early February 2013</b>
Expected Settlement of NZ Post Acquisition	<b>Late March 2013</b>

## Building Descriptions

	<b>15 Stout Street</b>	<b>NZ Post House</b>	
	<b>Location:</b> 15 Stout Street, Wellington <b>Price:</b> \$33.2m <b>Upgrade cost:</b> \$46.6m <sup>1</sup> <b>End cost:</b> \$79.8m <b>Passing yield<sup>2</sup>:</b> 8.11% <b>WALT:</b> 12.00yrs <b>Occupancy:</b> 100.00% <b>Net lettable area:</b> 20,940 <b>Upgrade period:</b> 18 months <b>Major tenant:</b> Government Dept	<b>Location:</b> Waterloo Quay <b>Price:</b> \$60.0m <b>Upgrade cost:</b> \$40.0m <b>End cost:</b> \$100.0m <b>Passing yield<sup>2</sup>:</b> 8.50% <b>WALT:</b> 7.33yrs <b>Occupancy:</b> 100.00% <b>Net lettable area:</b> 24,977 <b>Upgrade period:</b> 24 months <b>Major tenant:</b> NZ Post, Kiwibank	

1. Includes capitalised interest of \$2.9 million
2. On end cost

A conference call for institutions and qualified investors that are interested in participating in the placement will be held at 10.30am, 18 December 2012. Dial-in details as follows:

Dial in number: 021 711800

Meeting room ID: 533761#

Meeting room password: 7680

– ENDS –

### Press enquiries

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### Argosy Property Limited

Argosy Property Limited is the most diversified property fund listed on the New Zealand Stock Exchange. It has a \$906 million portfolio of 63 properties across the retail, commercial and industrial sectors. The Company has a focus on quality properties where value can be added and properties modernised to extend their effective utilisation.