Argosy
Property Trust

30 May 2011

MARKET RELEASE

Argosy Property Trust announces $26.3m profit and valuation increase

Argosy Property Trust (the Trust) today announced the annual results for the year to 31 March 2011. The Trust has achieved an audited profit after tax attributable to unitholders of $26.3 million (2010: $59.0 million loss) for the year including an increase in property valuations of $2.1 million (2010: $82.7 million decrease).

Peter Mence, General Manager of Argosy Property Management Limited (the Manager), said "It is particularly pleasing to be able to announce an increase in property valuations for the first time since the effects of the Global Financial Crisis began to have an impact on property values in New Zealand."

The core operating profit before interest of the Trust was $63.8 million which is 6.6% lower than the $68.2 million reported in 2010 and primarily due to the reduction in rental income as a result of the sale of properties.

As at 31 March 2011 the Trust's total assets were $975.2 million and the Trust's debt was $412.4 million giving a debt-to-total asset ratio of 42.3% which remains below the Trust deed limit of 50%.

Michael Smith, the Chairman of the Board of the Manager said, "The Trust has been able to demonstrate to investors the strengths of a well-diversified and lower average value portfolio during a period of financial and economic uncertainty. The Trust has managed debt levels throughout this time without the need to instigate expensive capital raising initiatives that would have been heavily dilutive to unitholders unable to participate. While we expect that there will continue to be challenges ahead, it appears likely that the worst of the effects of the global financial crisis are behind us."

Distribution policy and internalisation

The Board confirms the distribution for the full year to 31 March 2011 of 7.0 cents per unit, in line with guidance levels. The final quarter distribution of 1.75 cents per unit will be paid on 28 June 2011 with a record date of 14 June 2011 and a 2.5% discount being applied to the unit price for participants in the Distribution Reinvestment Plan.

Unitholders are aware of the Independent Directors' proposal to internalise the management of the Trust. Based on information available to date, the Board unanimously supports the recommendation of the Independent Directors to proceed with internalisation, prior to any detailed consideration of opportunities involving any other investment vehicles.

If the successful internalisation of the management is completed, the Board expect to be able to announce a normalised annual dividend following internalisation of at least 6.0 cents per unit. This reflects a revised distribution policy, based on operating earnings.

Key points

- Successful rebranding to Argosy Property Trust, a new brand and identity that is independent from that of the owner of the Manager
- Distribution of 7.0 cents per unit for the 12 months to 31 March 2011
- Total portfolio value of $961 million
- Portfolio occupancy at 31 March 2011 at 97%
- Weighted average lease term at year end 4.9 years
- Average property value $12.8 million
- Net property income $72.3 million

Operating environment
During the year we have seen the domestic environment begin a path to a modest recovery, and operationally we have noticed a greater level of optimism from our tenants. The Trust's portfolio is well positioned to meet the challenges of the market and to benefit from any improvement in the economy.

The current key market factors include:

- The market for property under $20 million in value is solid.
- Some of the pending over-supply in the commercial office market in Auckland has been alleviated by the cancellation of new development projects, and this is a positive sign for that sector of the market.
- The industrial sector has shown solid demand and reduced vacancy levels. At this point there is little evidence of any corresponding growth in market rentals however this is now possible in the months ahead.
- The retail sector has remained stable and towards the end of the period, improved enquiry levels have become evident.

The Trust's portfolio remains appropriate for the current economic environment through:

- The Trust's diversified portfolio of lower average value assets continues to afford flexibility as the market for property in this price rage remains liquid.
- The portfolio enjoys strong occupancy levels, good tenant retention rates and a solid weighted average lease term.
- The Trust has taken full ownership of the Manawatu Business Park project and is in the final stages of subdivision completion. The Trust has sold investment properties in the park to a value of $8.6 million with settlement achieved post balance date.
- Vacant land sales to a value of $25.9 million subject only to issue of titles, with settlements progressively over the next three years and 29% settling in August 2012.

Portfolio Management
The active management of the property portfolio continues to be a primary focus of the Trust's property management team. The economy remains challenging and occupancy issues are key to maintaining property values. The management team has drawn on an extensive experience base to ensure that the appropriate decisions are made in the management of the portfolio.
There is a constant need to reassess the appropriate measurements of risk as the market evolves and moves form one phase to another. Importantly, different sectors and locations rarely move in parallel and as a result there is no one answer that can be applied across the market.

The portfolio continues to maintain a high capacity utilisation level with the occupancy level at year end of 97% and a weighted average lease term of 4.9 years. Over the coming year 11.1% of leases expire with negotiations on many of these already well advanced.

During the year 84 lease transactions were completed including 25 lease renewals or extensions, and 59 new leases. A total of 92 rental reviews have been completed accounting for an increased annual rental of $619,000. The Trust achieved a tenant retention rate of 80% equating to 35 tenants occupying 29,800sqm of space in the portfolio.

Valuations
It is pleasing to report an overall positive valuation result after a period of declining property values. In general the Trust has benefited from properties with longer lease terms where property values have shown some modest growth and has seen declines with property carrying shorter lease terms. By sector, the industrial sector has shown some growth offsetting marginal declines in both retail and commercial offices. The Trust's portfolio following the revaluation, including vacant land not

subject to sale agreements, shows a passing yield on values of 8.28% and a yield on the assessed market rentals of 8.18%. A summary of the valuation changes by sector is included below.

	Book value 31/3/11, pre revaluation ($)	Valuation 31/3/11 ($)	Difference ($)	Revaluation %
Industrial	344,815,137	353,136,765	8,321,628	2.41
Commercial	265,760,429	262,640,000	-3,120,429	-1.17
Retail	347,905,525	344,830,000	-3,075,525	-0.88
Total *	**958,481,091**	**960,606,765**	**2,125,674**	**0.22**

*Total inclusive of Investment Properties and Held for Sale

	Yield on contract (%)	Yield on market (%)
Industrial	7.83	7.56
Commercial	9.23	9.36
Retail	8.00	7.90
Total	**8.28**	**8.18**

Looking Ahead

While the domestic economy appears in a more positive light than evident at the time of last year's report, it is clear that a recovery will be gradual and it is probable that there will continue to be challenges ahead.

We expect the market to be relatively stable in the coming year with a modest level of rental growth evident by year end in the industrial and retail sectors.

The Trust's portfolio remains well placed with a diversified portfolio of good quality, lower average value properties in strong locations. The income streams are diversified by use and by tenant with the largest tenant in the portfolio contributing less than 3.7% of the total income. The portfolio weighting is centred on Auckland at 74% and does not include significant exposure in provincial centres (currently 11%).

The Manager is confident that property fundamentals will remain sound over the year ahead as the gradual recovery in the domestic economy progresses.

– ENDS –

Enquiries
Peter Mence
General Manager
Argosy Property Management Ltd
Telephone: 09 357 1811
Email: pmence@argosy.co.nz

Argosy Property Trust

Argosy Property Trust is the most diversified property trust listed on the New Zealand Stock Exchange. It has a $949 million portfolio of 74 properties, with 294 tenants across the retail, commercial and industrial sectors. The Trust has a low risk focus on quality properties where value can be added and properties modernised to extend their effective utilisation.