



Annual Meeting CEO Presentation

Argosy Property Limited | 18 August 2015



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

August 2015

EXECUTING **STRATEGY**

Highlights



Highlights of FY15

Argosy

- ▶ Gross distributable income increased to 7.07 cents per share (increase of 6.5%)
- ▶ Net distributable income of 6.02 cents per share
- ▶ Net property income increased to \$90.9 million (increase of 10.5%)
- ▶ Occupancy (by rental) increased to 99.2%
- ▶ Weighted average lease term at 5.54 years
- ▶ Acquisition of 5 quality industrial buildings in Wellington
- ▶ Divestment of non Core properties, including the Waitakere Mega Centre in Auckland
- ▶ Revaluation gain of \$38.6 million, up 3.0% on book values

NET PROPERTY INCOME ▲

\$90.9_m

OCCUPANCY ▲

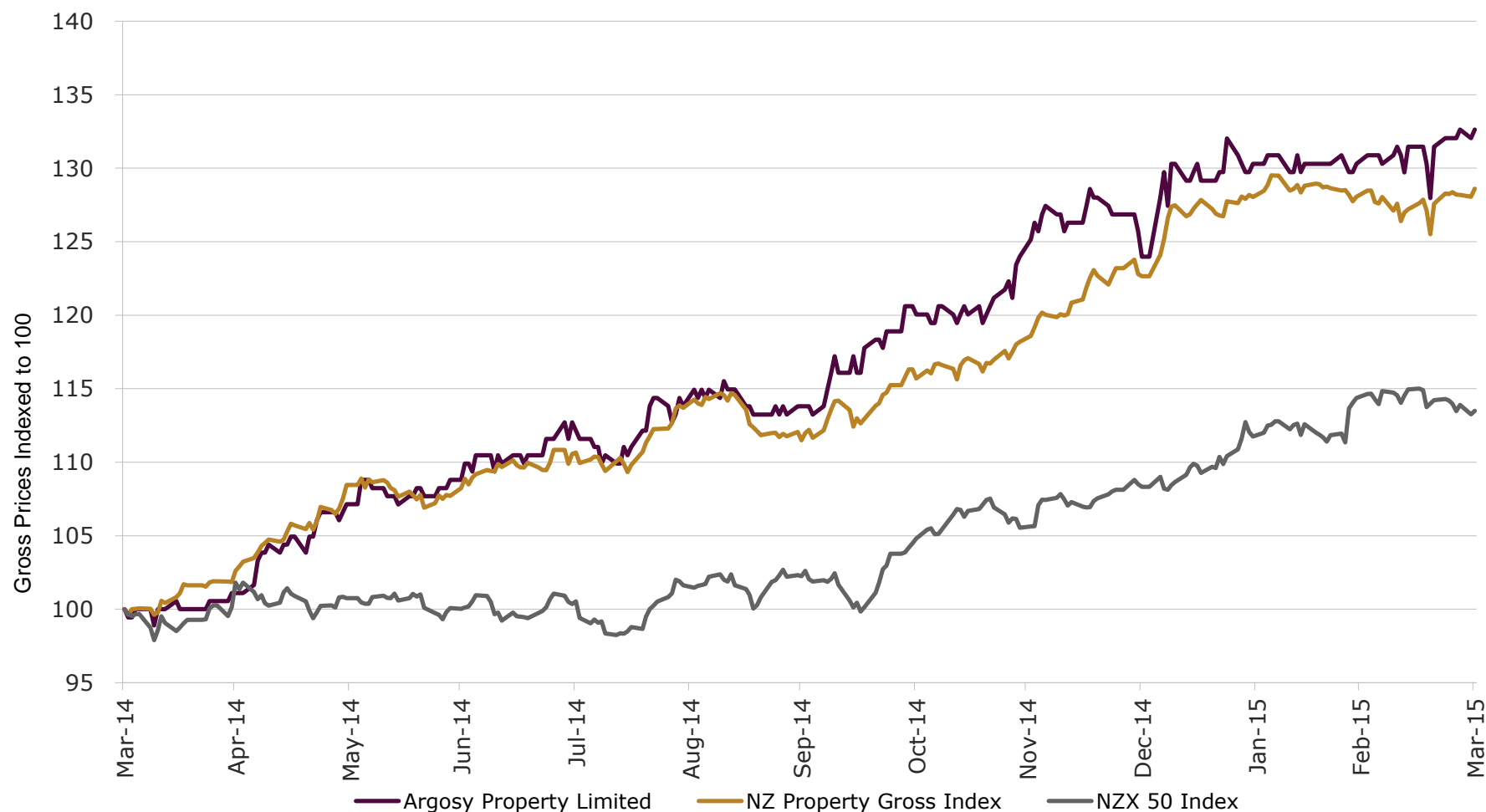
99.2%

REVALUATION GAIN ▲

\$38.6_m

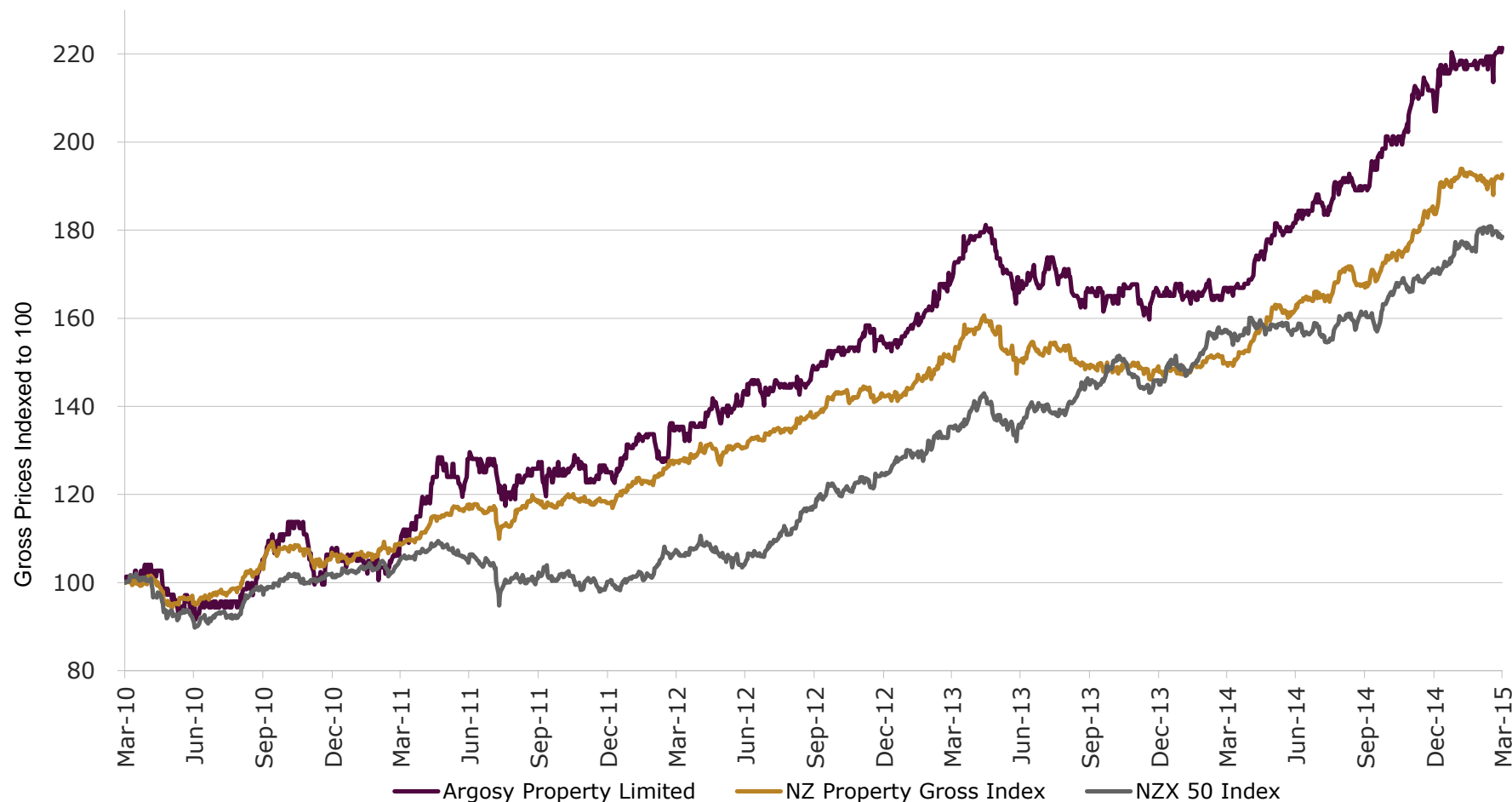
Total Shareholder Return – 1 Year

Argosy



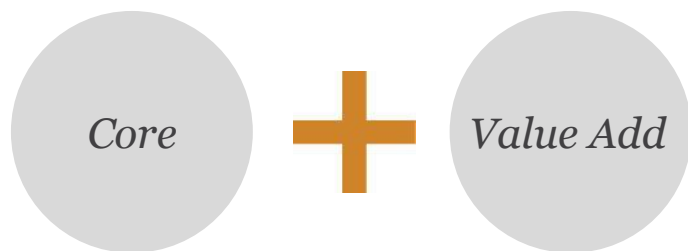
Total Shareholder return – 5 Years

Argosy



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.

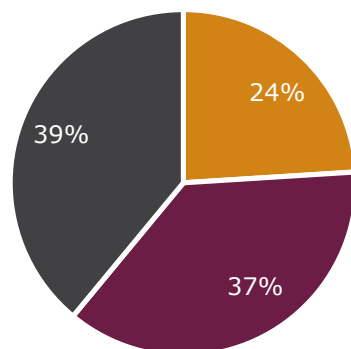
Argosy's portfolio consists of "Core" and "Value Add" properties. Core properties are well constructed, well located assets which are intended to be long-term investments (>10years). Core properties will make up 75-85% of the portfolio by value.



Portfolio Mix

Argosy

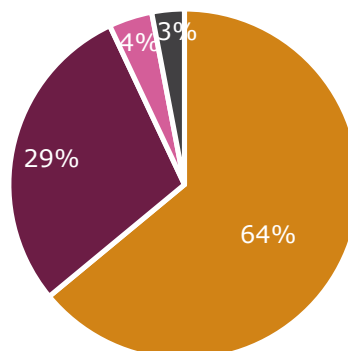
TOTAL PORTFOLIO VALUE BY SECTOR



Target

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

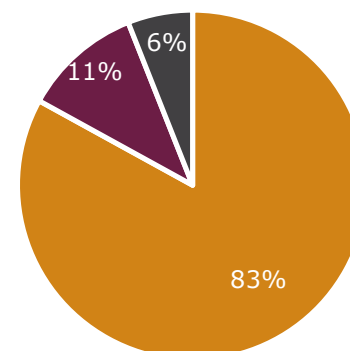
TOTAL PORTFOLIO VALUE BY REGION



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

Industrial

Argosy

NUMBER OF BUILDINGS

40

MARKET VALUE OF ASSETS (\$M)

\$510.42

VACANCY FACTOR (BY RENT)

0.3%

WALT (YEARS)

5.72

PASSING YIELD

7.59%



Office

Argosy

NUMBER OF BUILDINGS

17

MARKET VALUE OF ASSETS (\$M)

\$483.56

VACANCY FACTOR (BY RENT)

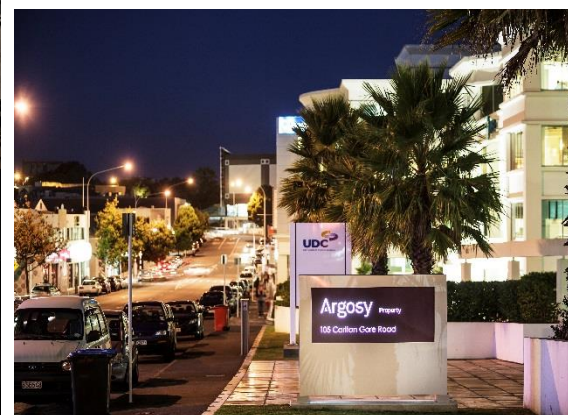
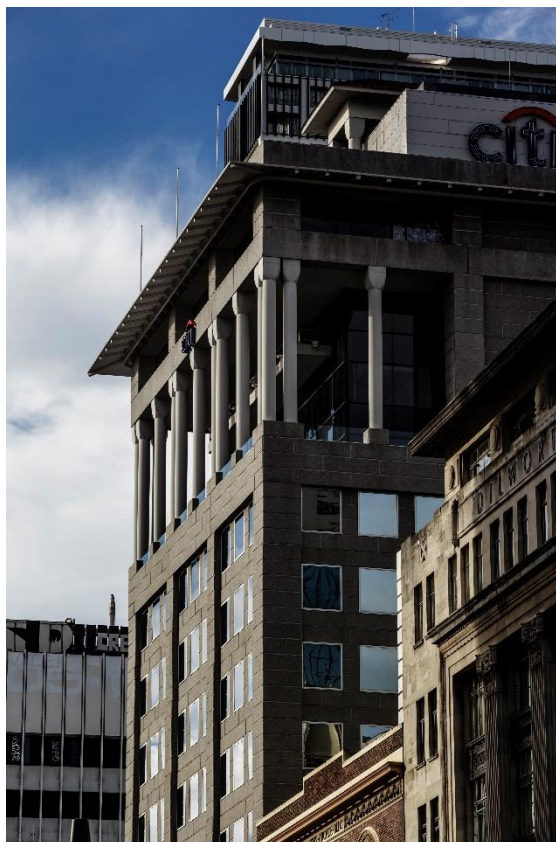
1.2%

WALT (YEARS)

5.60

PASSING YIELD

7.63%



Retail

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NUMBER OF BUILDINGS

11

MARKET VALUE OF ASSETS (\$M)

\$312.42

VACANCY FACTOR (BY RENT)

1.1%

WALT (YEARS)

5.15

PASSING YIELD

7.49%

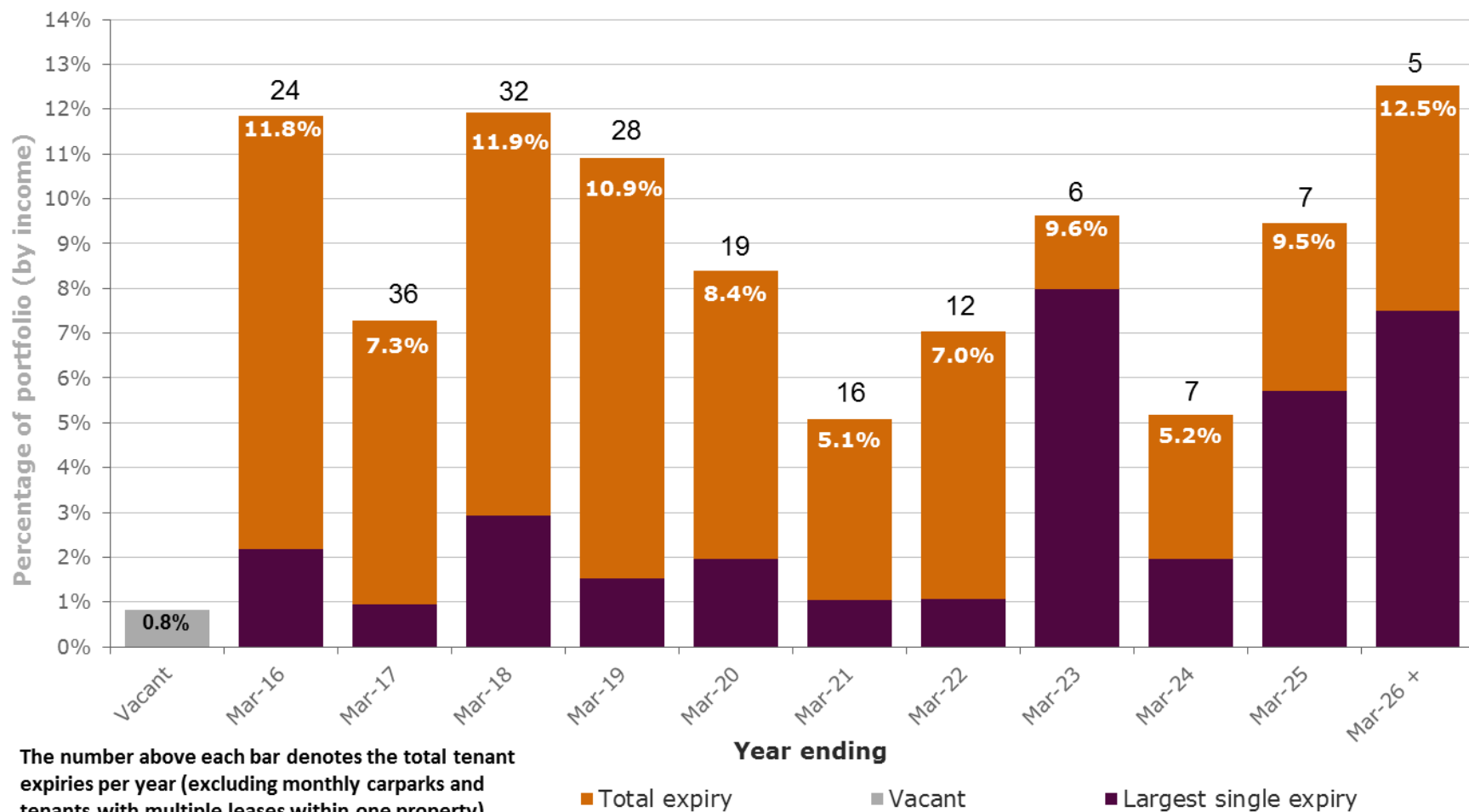


- ▶ The New Zealand economy is facing headwinds, especially with falling global dairy prices.
- ▶ The outlook for the property market remains positive with good levels of enquiry for quality space.
- ▶ Interest rates are expected to remain lower for longer.
- ▶ Vacancy rates remain low and modest rental growth is set to continue.
- ▶ Forecasts for employment and business growth creating demand in the industrial sector.
- ▶ Development activity is increasing and available space is limited.
- ▶ Risk of oversupply in the Auckland CBD office market.
- ▶ The Wellington office market continues to show activity. Consolidation of Government departments, earthquake strengthening and higher quality expectations are big drivers of the leasing market in Wellington.
- ▶ Continued growth of online shopping.

- ▶ Incentive levels have reduced, especially in the office market.
- ▶ Occupancy, tenant retention and lease expiries remain the key focus areas for the asset management team.
- ▶ Occupancy (by rental) has improved to 99.2%, from 98.7% at March 2014.
- ▶ Outstanding lease expiries for the period to 31 March 2016 were 11.8% at 31 March 2015. *(This has since reduced to approximately 9.0% as at 31 July 2015).*
- ▶ During the 2015 financial year, 41 lease transactions were completed, including 19 new leases and 22 lease renewals and extensions.
- ▶ The weighted average lease term was at 5.54 years at 31 March 2015 compared to 5.68 years at 31 March 2014.

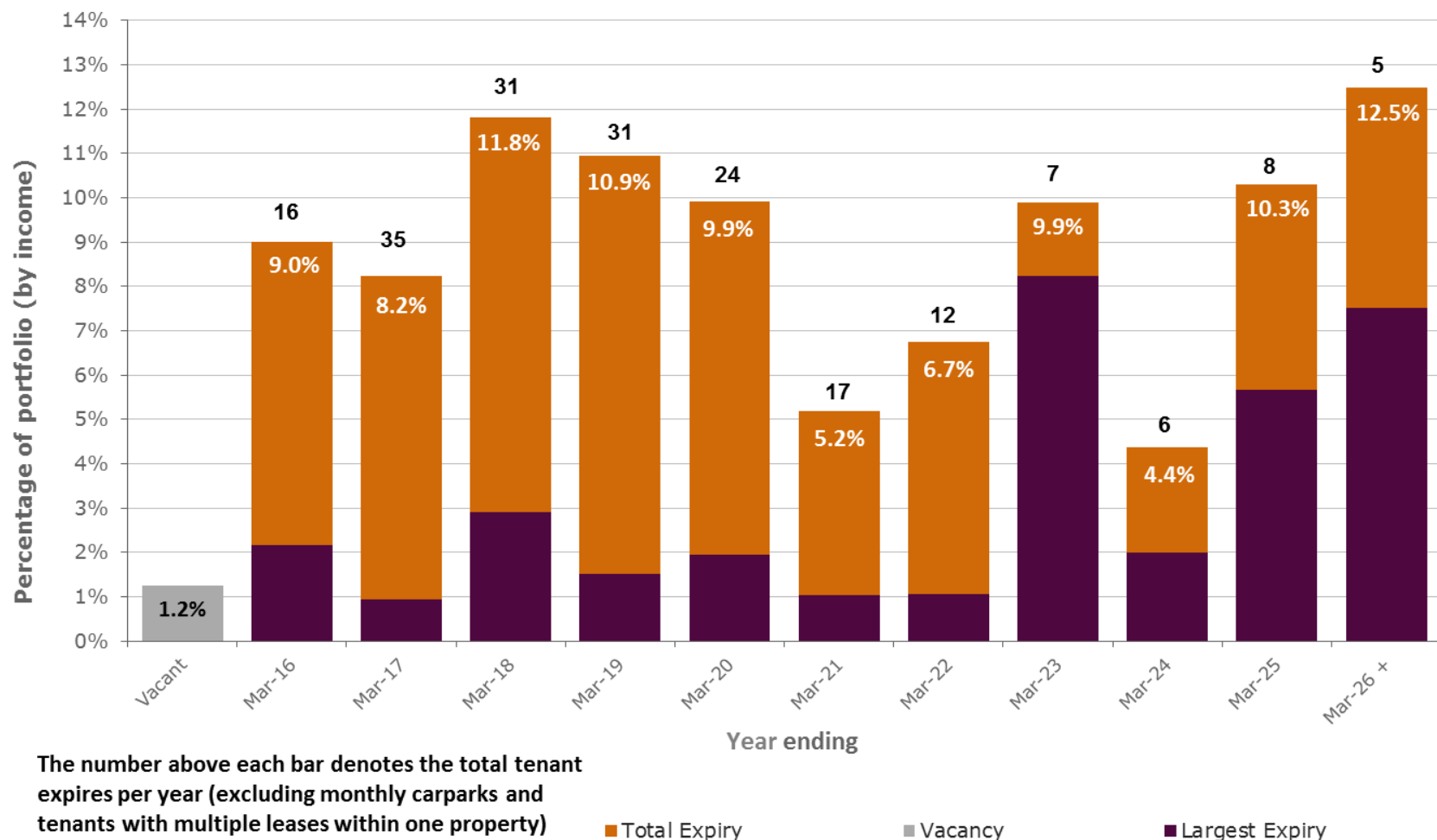
Lease Maturity as at 31 March 2015

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Lease Maturity as at 31 July 2015

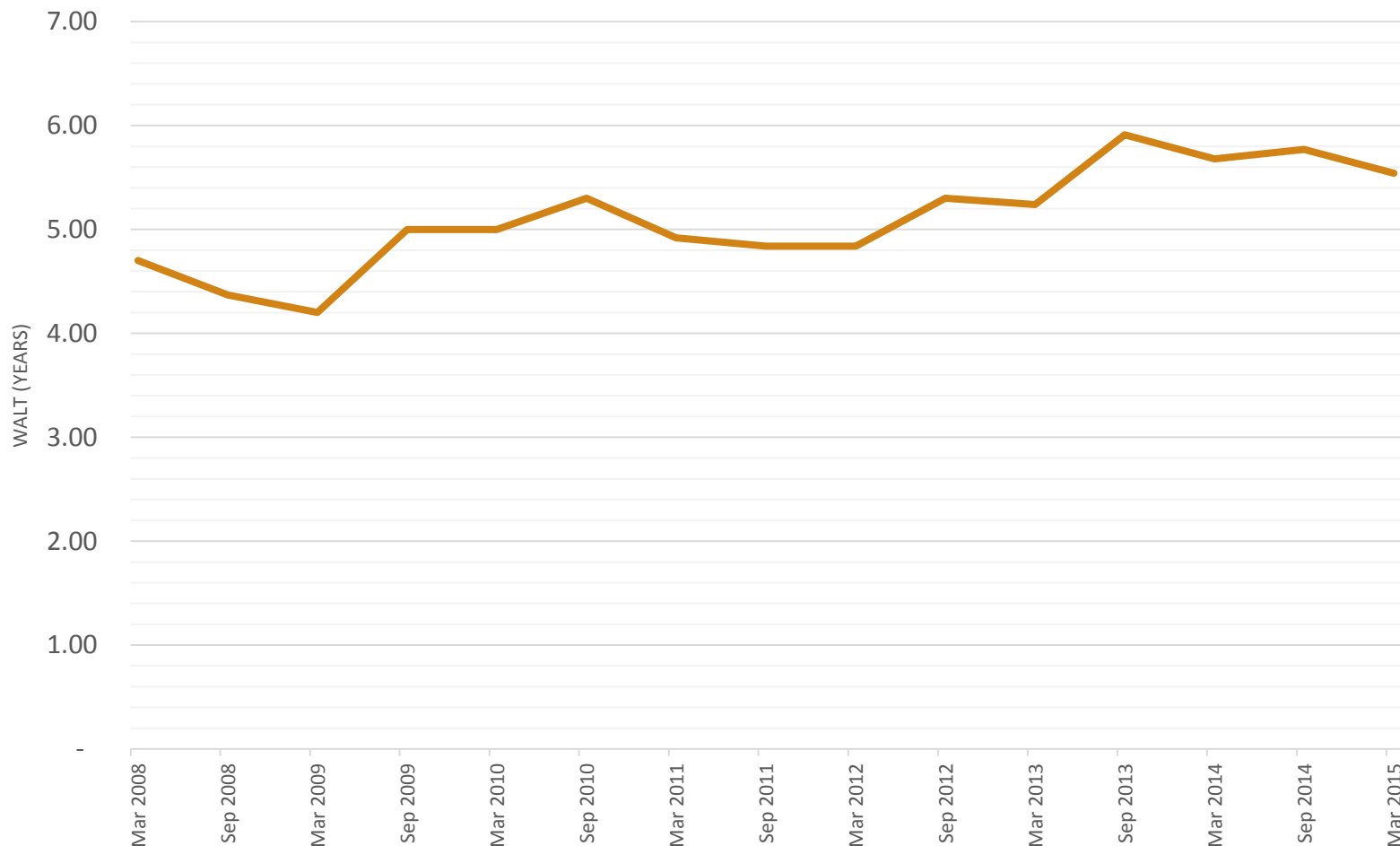
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Weighted Average Lease Term



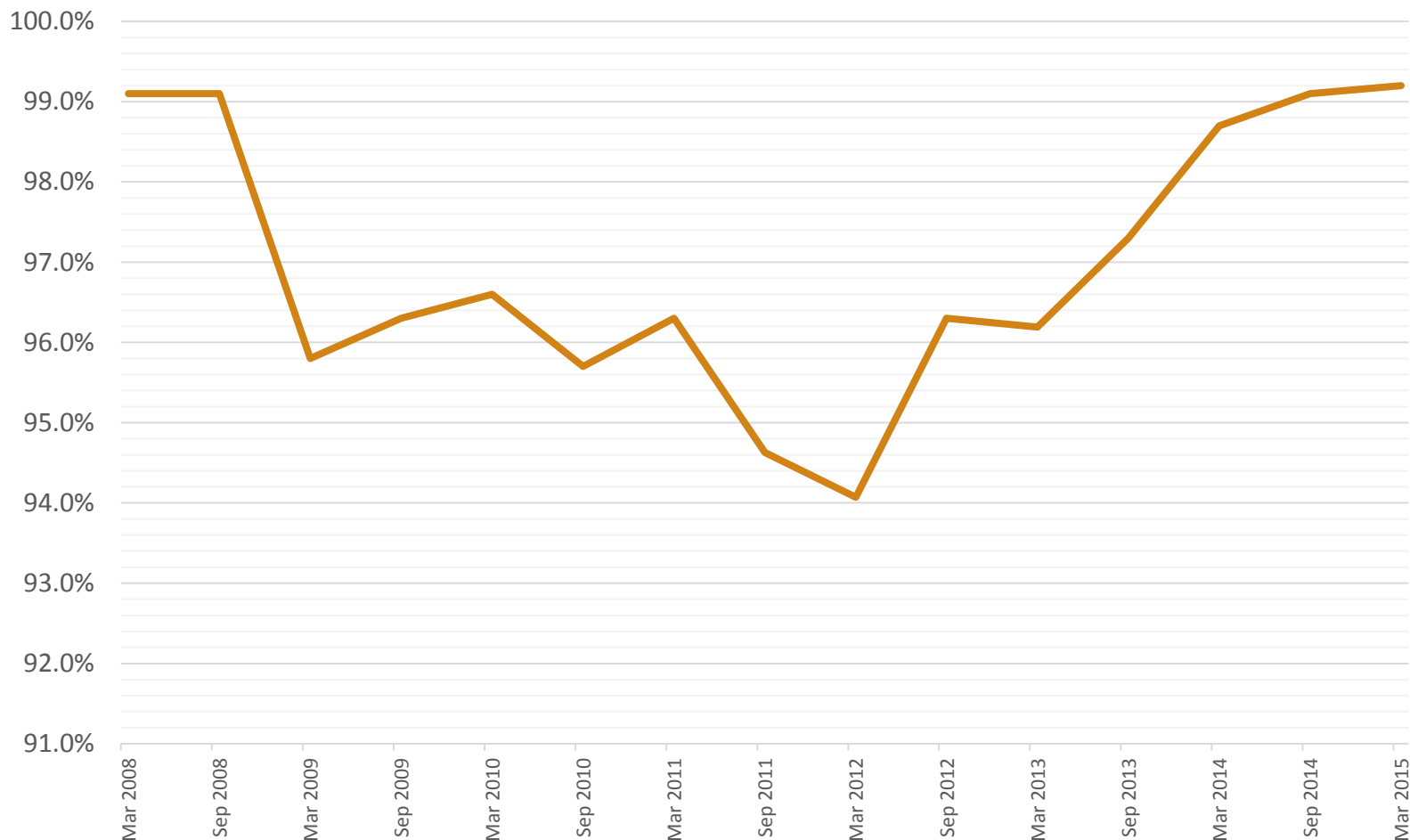
WALT remains in a strong position at 5.54 years



Occupancy (by rental)

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Occupancy at 99.2%, highest since 2008



Industrial Portfolio in Wellington

In February 2015, Argosy acquired an industrial portfolio in Wellington for \$59 million. The portfolio comprises 5 properties located in the Seaview and Grenada North areas of Lower Hutt.

Property type	Industrial
Net lettable area	42,588 sqm
Acquisition date	February 2015
WALT at acquisition	5.19 years
Initial passing yield	8.18%
Purchase price	\$59.0 million
Major tenants	Recall, Linfox, NZ Van Lines



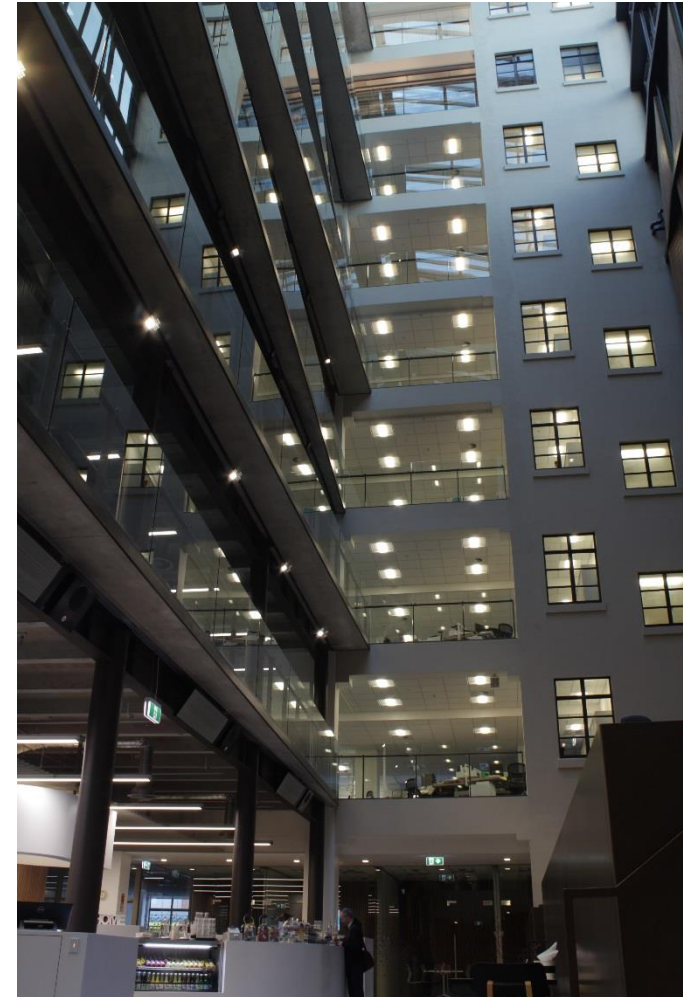
Developments



The redevelopment at 15-21 Stout Street, Wellington was successfully completed on time with MBIE occupying in July 2014.

The development of NZ Post House, Wellington is continuing and we are working with the tenant to meet their requirements.

The property at Foundry Dr, Christchurch, which was damaged during the earthquakes in 2010 & 2011, is being re-developed. The total spend is \$7.5 million with completion expected in late 2016



Portfolio Activity since Balance Date

There has been a lot of activity in the portfolio since year end, including:

- ▶ The settlement of the sale of 1 Allens Road, East Tamaki for \$3.3 million, 10.7% above book value.
- ▶ The settlement of the disposal of 5,733 sqm of vacant land at the Manawatu Business Park for \$563,000.
- ▶ Agreement for the disposal of (subject to title only) 5,000 sqm of vacant land at the Manawatu Business Park for \$552,000.
- ▶ Agreement for the disposal of 7 El Prado Drive, Palmerston North (subject to title only) for \$1.8 million.
- ▶ The disposal of the Porirua Mega Centre for \$11.5 million, with settlement to take place in October 2015.
- ▶ The strategic acquisition of bare land at 15 Unity Drive, Albany for \$3.1 million, with a four year holding return of 6.75% p.a.
- ▶ The disposal of 65 Upper Queen Street, Auckland for \$6.5 million, with settlement to take place in mid-December 2015.

Financial Overview



Financial Overview



Financial Performance

	FY15	FY14
Net property income	\$90.8m	\$82.2m
Revaluation gains	\$38.6m	\$33.5m
Profit before tax	\$68.6m	\$98.8m

Distributable Income

	FY15	FY14
Profit before income tax	\$68.6m	\$98.8m
Adjustments	\$(12.3m)	\$(48.8m)
Gross distributable income	\$56.3m	\$49.6m
Tax adjustments	\$3.3m	\$0.4m
Tax paid	\$(11.7m)	\$0.0m
Net distributable income	\$48.0m	\$50.0m
Weighted average number of ordinary shares	796.4m	747.0m
Gross distributable income per share (cents)	7.07	6.64
Net distributable income per share (cents)	6.02	6.69

Concluding Comments



Key Focus Areas For This Year



- ▶ The New Zealand economy is facing some headwinds. The outlook for the New Zealand property market remains positive.
- ▶ Our focus remains on the leasing fundamentals of maintaining the portfolio's high level of occupancy, improving the lease expiry profile and tenant retention rate.
- ▶ We are closely monitoring the property cycle so as to not be overexposed in the event of a downturn.
- ▶ We will also continue to look for opportunities to develop the portfolio in line with our strategy.

Argosy

Thank You

