Argosy

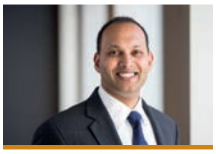
Investor Update

MARCH 2015

WELLINGTON INDUSTRIAL ACQUISITION

Argosy has added to its industrial weighting and further strengthened its Wellington presence with the acquisition of five industrial properties for $59 million in February 2015.

▲ ARGOSY'S RECENTLY ACQUIRED PROPERTY AT 39 RANDWICK ROAD, MOERA, LOWER HUTT.



SAATYESH BHANA
ASSET MANAGER

ACQUISITION COST
$59m

NET LETTABLE AREA SQM
42,600

WALT
5.19yrs

INITIAL YIELD
8.18%

Four of the buildings are situated in the Seaview/Gracefield precinct of Lower Hutt and the other property is in the industrial precinct of Grenada North. The Seaview/Gracefield area is essentially the Wellington region's distribution hub and significant roading improvements are either underway or proposed in the area.

The properties are well leased with high quality tenants. These include a high stud, purpose built storage facility that is tenanted to Recall NZ limited, a purpose built distribution warehouse that is home to Linfox Logistics (NZ) Limited and New Zealand Van Lines' purpose built head office and high stud industrial warehouse. Other tenants include Wesfarmers Industrial and Safety, Steel and Tube Holdings and CSR Viridian NZ Limited.

CEO Peter Mence said "it is good to be able to acquire these five quality properties that nicely fit within the Company's strategy and existing property portfolio. Opportunities to find such properties at these yields in the current property market are rare and we are happy to be able add these to the Argosy portfolio."

Argosy's strategy is to have a portfolio that is primarily in the Auckland and Wellington regions with a target of 35-45% of the portfolio in the industrial sector. The acquisition lifts Argosy's industrial weighting to approximately 40% and its Wellington weighting to about 28%; both within Argosy's targeted ranges. It also helps to reduce Argosy's retail weighting to approximately 23% which is also now within the target range of 15-25% of the portfolio. ●

People

SCOTT LUNNY

In this Investor Update, we profile Argosy's Investor Relations Manager, Scott Lunny.

Scott has been with Argosy since 2006 and is responsible for all communications with Argosy's shareholders. Scott is a Chartered Accountant and was the Company's Financial Controller prior to taking on his current role.

The best part about working in Investor Relations for Scott is meeting Argosy's wide range of shareholders from around the country. "We are always looking at new and better ways of communicating with our shareholders so look out for some new initiatives that we will be rolling out during the year" he says.

Scott is a father of three and enjoys time with the family and attempting to keep fit.

Please contact Scott if you have any queries about Argosy's portfolio.

Roadshow

CEO Peter Mence, CFO Dave Fraser and Investor Relations Manager Scott Lunny recently completed the annual retail investor roadshow across the country. Covering the country from Whangarei to Invercargill, the Argosy team reviewed the financial performance of the Company and the current economic and leasing environments and discussed recent acquisitions and current developments.

The roadshow was a great way to get around the country and meet with some of Argosy's retail shareholders. If you missed out on attending in 2015, be sure to look out for the dates of the 2016 roadshow which will be announced in December. A copy of the roadshow presentation is available on Argosy's website **www.argosy.co.nz**

Property Sector Returns Strong in 2014

The listed property sector had a very strong 2014 with a return of 25.4%, outperforming the NZX50 which was up 19.2%. Low long term interest rates, increased investment activity and solid operating results are all major factors driving the growth of the listed property sector at present.

Argosy's total shareholder return (TSR), which combines the change in share price and cash dividends, assuming dividends are reinvested, for the 12 months ending 31 December 2014 outperformed both indices with a return of 26.7%.

DEAR SHAREHOLDER

The property horizon looks pretty bright. Low interest rates keep values up but rising interest rates herald inflation and this also gives rental growth.

In fact to a degree lower interest rates form an initial hurdle to rental growth. Remember it is the rental growth that gives dividend growth, not the firming of the cap rate or yield.

In real terms we need to adjust out the inflation rate from the rental growth so we are looking for stability and a return growth level that at least meets the inflation rate.

There is often talk about the property cycle and a peaking of the cycle is sometimes predicated on cost and value compared with historic levels.

This demonstrates an insular view of the property market that is unjustified in practice.

Let us consider what the property market is and what purpose it serves – or is supposed to.

The property market is nothing further than an accommodation provider. Properly planned and resourced it should be a business enabler.

Of course property is a long term asset and a change in physical property can sometimes take a long time to bring to reality.

It is therefore important to plan occupancy requirements with care.

The landlord/tenant relationship could be one of the most influential service contracts that a business can enter into.

PETER MENCE
CHIEF EXECUTIVE OFFICER

It follows therefore that there must be a level of trust and honesty that allows the business to change and to grow to its potential.

The current trend pedalled by many "tenant representative agents" to simply seek the cheapest and easiest fit for the moderate requirement can risk throwing the baby out with the bath water.

This method of space fulfilment is often favoured by today's international tenants. Properly fulfilled the tenant rep role is a very important one and should add considerable value to the occupation decision.

The role should not be paid for by the landlord. It is (or should be) working for the tenant rather than the landlord and should be remunerated accordingly. If the fee is to be paid for out of the transaction then correctly the landlord should pay the tenant who in turn should pay the agent. This means that the money follows the contract arrangement. It also means that the tenant is aware of all the remuneration arrangements of their agent. The duty of care is to the tenant. ●

Electronic Communications

At Argosy, we are constantly looking at ways to improve the way in which we can communicate with our shareholders. One such way is to send all of our communications to you electronically.

If you provide us with your email address, we will send you our latest news and other relevant communication to your inbox.

The benefits are that you receive important shareholder and company information faster, you can access all documents conveniently and securely, you reduce your impact on the environment and help reduce the company's printing and mailing costs.

Look out for the form which is included with your dividend statement. Simply fill in your name and e-mail address and return to Computershare by post or email at **ecomms@computershare.co.nz** and we'll take care of the rest.

Leasing Environment Update

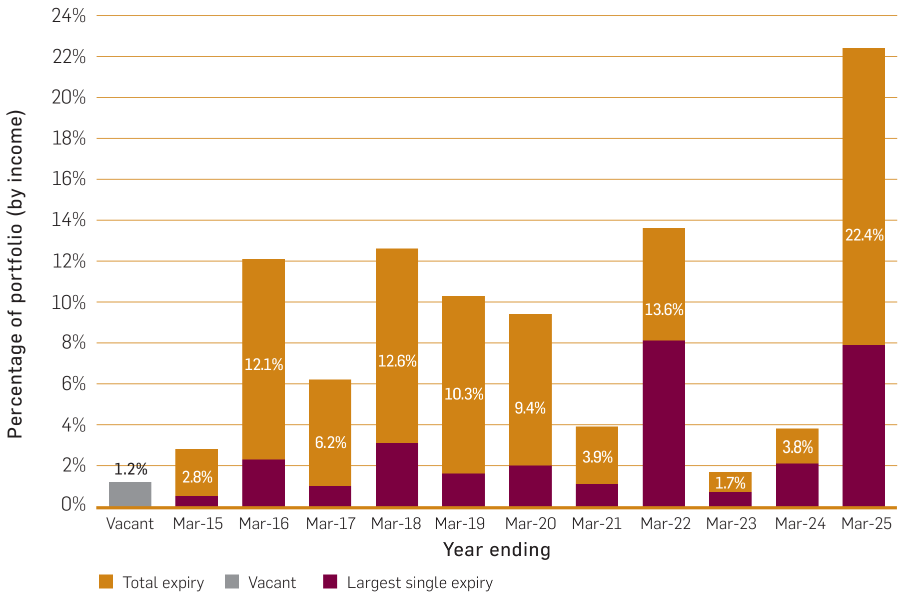
The impact of economic and monetary trends on the property market are evident. Prospects of continued and perhaps strengthening rental growth in 2015 is underpinned by strong leasing activity and low vacancy levels leading to perceptions of shortages of space available for lease.

Argosy has maintained its high occupancy level which is sitting at 98.8% at 31 January 2015, with enquiry levels for vacant space remaining at a solid level. Current year expiries have further reduced to 2.8% of the portfolio at 31 January 2015, from 4.7% at 30 September 2014.

Occupying the remaining vacant space in the portfolio as well as concentrating on current year and future lease expiries remains the key focus for the asset management and leasing teams.

The chart opposite shows Argosy lease expiry profile (by rent) as at 31 January 2015.

AS AT 31 JANUARY 2015



TONY FROST
ASSET MANAGER

NET LETTABLE AREA SQM

1,090

Studio Italia

One of Argosy's biggest leasing success stories of the current financial year has been the long-term lease of 1,090 sq m of high stud and mezzanine showroom space at 25 Nugent St in central Auckland to Studio Italia Limited.

Argosy undertook a significant amount of work on 25 Nugent Street before Studio Italia's lease began. Works comprised a full refurbishment of the showroom space, including polished floors and installing a feature stairway connecting the showroom floor and the mezzanine floor. A comprehensive upgrade of the exterior of the building and grounds was also undertaken.

The building comprises a mixture of office, showroom and warehouse space as well as basement car parking.

The Studio Italia showroom offers a boutique shopping experience, featuring the best in quality Italian designer furniture, wardrobes and kitchens available.

PORTFOLIO UPDATE AS AT 31 JANUARY 2015

PROPERTIES

63

TENANTS

190

NOTE:

THESE STATISTICS EXCLUDE THE ACQUISITION OF THE FIVE INDUSTRIAL PROPERTIES IN LOWER HUTT IN FEBRUARY 2015.

WALT

5.43yrs

Weighted average lease term of 5.43 years

PORTFOLIO

$1.23b

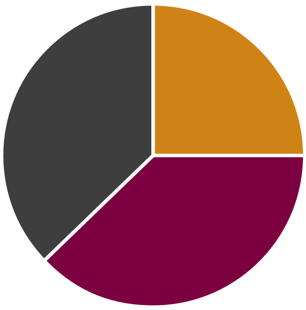
Total portfolio value of $1.23 billion

OCCUPANCY

98.8%

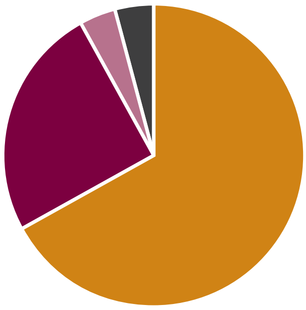
Occupancy (by rent) of 98.8%

TOTAL PORTFOLIO VALUE BY SECTOR



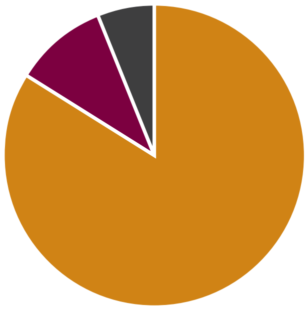
- 25% Retail
- 38% Office
- 37% Industrial

TOTAL PORTFOLIO VALUE BY REGION



- 67% Auckland
- 25% Wellington
- 4% Palmerston North
- 4% Other regional

PORTFOLIO MIX



- 84% Core
- 10% Value Add properties
- 6% Properties and land to divest

Dividend

The **THIRD QUARTER DIVIDEND** for the 2015 financial year of 1.50 cents per share, with imputation credits of 0.3986 cents per share attached, will be paid on 25 March 2015, with the record date being 11 March 2015.

As indicated by the Board last year, a dividend of 6 cents per share is expected to continue for the year to 31 March 2015.

IMPORTANT DATES

QUARTER 3 DIVIDEND PAYMENT
25 March 2015

ANNUAL RESULTS ANNOUNCEMENT
28 May 2015

QUARTER 4 DIVIDEND PAYMENT
June 2015

ANNUAL MEETING
August 2015

QUARTER 1 (FY16) DIVIDEND PAYMENT
September 2015

CONTACT

t/ 0800 653 653 t/ +64 9 304 3400
f/ +64 9 302 0996
39 Market Place, Auckland 1010,
PO Box 90214, Victoria Street West,
Auckland 1142, New Zealand
www.argosy.co.nz

REGISTRAR

To find out about more about your investment, please contact Computershare:
t/ +64 9 488 8777 f/ +64 9 488 8787
enquiry@computershare.co.nz
www.computershare.com/InvestorCentre