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Update on 8-14 Willis Street development

P. 2 CEO Comment
Peter Mence gives a brief business update

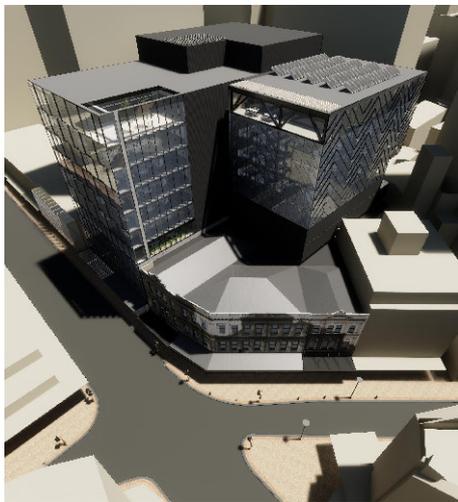
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Supporting good causes and more Green Bonds

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Key stats as at 29 Feb 2020

Investor Update



8-14 Willis Street - reaching for the (6) Stars



The development will target 6 Green Star and 5 Star NABERSNZ ratings

Prior to commencement, Argosy secured a new 15 year lease with the Crown (Statistics New Zealand or 'Statistics') to occupy the entire building. Statistics are focused on sustainability and agile working environments to create flexible, adaptable and productive work spaces for employees.

The development will incorporate innovative and sustainable features including; rainwater harvesting, chilled beams to deliver heating and cooling, a new HVAC system to comply with Green Star requirements and modern end of trip services. During construction the building will be strengthened to 130% of National Building Standard.

Willis Street is forecast to have an independent valuation of \$94m on completion in April 2021. The development is projected to deliver an internal rate of return of 8.1% and a 7.3% initial yield.

This project is one of Argosy's current green developments and the largest in the company's history.

The development will create a substantially new 11 level, 12,300m² building and is targeting a 6 Green Star Built rating and 5 Star NABERSNZ energy efficiency rating.



We are pleased to be able to deliver modern, functional green buildings to our key Crown partners.”

—
Peter Mence, CEO

Total expected value on completion

\$94.0m

Net lettable area on completion

12,300m²

Lease term to Statistics New Zealand

15 years

Green Star rating targeted

6 Star

Snapshot

People



Stephen Freundlich Head of Investor Relations
(Back row, three in from left)

Head of Investor Relations Stephen Freundlich recently competed at the New Zealand Touch Nationals held in Rotorua on 5-7 March. Competing in the Auckland Mens over 45's touch team, they again played Bay of Plenty (BOP) in the final – having beaten BOP last year in a dramatic drop off. In the final, Auckland started very strongly and were up 4-nil mid-way through the first half, but BOP came back making it 4-2 at half time. However, the second half was all BOP with costly goal line errors and mistakes on transition by Auckland giving away too much possession. Stephen said "The BOP were full of great players and New Zealand representatives. They showed great character to win and were worthy 2020 Champions. Bring on 2021!"

New staff

As the business grows, the Argosy team has had a few more changes since September. Donavin Wick has joined the Argosy team as a Development Manager focused on Argosy's Value Add properties at 101 and 105 Carlton Gore Rd. He has Bachelor degrees in both Architecture and in Construction Management from the University of Washington (Seattle) and is a NZ Green Building Council Practitioner. Originally from Portland Oregon in the US, Donavin met his wife of 3 years (a senior landscape architect at Boffa Miskell), while working in Auckland and eventually married in the Bay of Islands. They are currently working on their home renovation and landscaping conversion project. Good luck and welcome aboard Donavin!

Business update

Argosy has started the 2020 calendar year very well with plenty of activity across the business. We have maintained our focus and positive momentum across key areas particularly vacancy and leasing and we have achieved some very positive results. Performance aside, the emergence of Covid-19 and its subsequent impact on the global economy and financial markets is having an impact. However, Argosy has plans and procedures in place to help navigate through these challenging times and continues to monitor the situation closely.

Rent reviews and leasing

For the 11 months to 29 February 2020 we completed 93 rent reviews achieving annualised rental growth of approximately 2.7%. These reviews were achieved on rents totalling \$40.9m. On rents subject to review by sector, we achieved annualised rental growth of approximately 2.9% on industrial rent reviews, 2.5% for office rent reviews and 2.6% for retail rent reviews. We also concluded some key rent reviews with some of our bigger tenants including: Bunnings Limited, The Warehouse, Eclix Fleet Holding, Wood & Partners, Polarcold and Visy PET (NZ).

Leasing over the second half has been strong, and for the 11 months we completed 33 leases across 101,407m² of NLA. Leases were mixed between extensions (4), renewals (15) and new leases (14) achieving a 6.7 year WALT as a result. The big leases achieved over the period were those at 7 Waterloo Quay including:

- Department of Internal Affairs; 4,130m² of space on levels 2 & 10 on a new 9 year lease;
- Ministry of Housing and Urban Development; 3,674m² of space on levels 6-8 on a new 9 year & 3 month lease;
- Kāinga Ora; 7,000m² of space on levels 3-5 on a new 9 year & 3 month lease.

7 Waterloo Quay is currently 82% leased and we have strong inquiry for the remaining three floors. At the start of FY20, by income we had 8.5% of income expiring across 19 leases. We continue to work hard on the remaining small expiries. As at 29 February, we only had 0.4% remaining across 2 leases.

Peter Mence Chief Executive Officer



Divestments and acquisitions

The second half of the financial year saw portfolio activity including:

- Sale of 223 Kioreroa Road, Whangarei for \$12.3m and settled 13 December 2019;
- Acquisition of 224 Neilson Street, Onehunga for \$32.0m and settled 31 January 2020;
- Sale of Lifestyle Centre Albany. To settle on 27 March 2020.

Argosy retains some regional assets and we continue to review the long term strategic ownership of all our properties.

Development update

180-202 Hutt Road, Placemakers. Stage 2 (of 3) was completed on 23 December. Stage 3 has commenced including pouring of the balance of the yard area. The 3,700m² development is expected to be completed by April 2020.

107 Carlton Gore Road, Housing New Zealand Corporation. The project was completed in December 2019. It has a new 12 year lease with Kāinga Ora commencing 1 March 2020 for the entire 6,100m². The project is targeting minimum 4 Green Star and NABERSNZ ratings for this A Grade building.

8-14 Willis Street, Statistics New Zealand (Stats). Refer main cover for more details. The project is due for completion in April 2021.

360 Lambton Quay (previously Stewart Dawson Corner). Occupation is planned to coincide with the 8 Willis St development (including a retail component). Forecast for completion in the second quarter of 2021.

54-56 Jamaica Drive. Argosy is progressing well with its \$5.6m development for Big Chill at 56 Jamaica Drive. The development supports Big Chill's growing business with targeted practical completion on track for June 2020.

I look forward to updating investors further at our full year results to be announced in May.

Environmental and Social Update

Through FY20 Argosy has continued to engage on its social responsibility commitment and to actively support local community organisations.



Spirit of Adventure Trust and Star Jam

Argosy has a community partnership with The Spirit of Adventure Trust (SOAT). In September 2019 Argosy, in conjunction with SOAT organised a Pirates and Pizza day for Star Jam – an organisation that some Argosy staff are involved with. Star Jam helps to inspire young people with disabilities (the 'Jammers') to express themselves through music, dance, singing and performance. The Pirates and Pizza day saw SOAT provide the Spirit of Adventure boat for the morning to take Jammers and their families on a morning voyage around the harbour.



The Jammers were given pirate hats, swords and water pistols to have an authentic pirate experience! Back on shore, the Jammers were treated to pizzas and refreshments to really round out a great day! Big thanks to Stefan Barton and the Spirit of Adventure Trust team for supporting this cross-collaboration opportunity.

Environmental update - a second \$100 million Green Bond issuance

In October 2019 Argosy successfully completed its second issuance of \$100m senior secured fixed rate 7-year green bonds. The issue included \$25m of oversubscriptions and the interest rate was set at 2.90% p.a. at a margin of 1.75% above the 7 year swap rate at the time of issue. The proceeds will again be used to refinance existing bank debt that supports Green Assets that meet certain criteria established by Argosy in its Green Bond Framework. The bonds commenced trading on the NZX Debt Market on 30 October under the ticker code ARG020.



2020 Retail Roadshow

Due to the current Covid-19 situation, Argosy has decided to postpone its annual retail roadshow until October. Argosy has typically run its three week roadshow through the June/ July period covering 13 cities across the North and South Islands.

Chief Executive Officer (CEO) Peter Mence said, "The health and safety of our stakeholders is our priority. Whilst New Zealand has only just started to see its first cases of Covid-19, given the current situation we do not wish to place our investors at increased risk and believe that postponement is the most appropriate course of action.

We will keep the market updated with Argosy's response and preparation for the Covid-19 virus, particularly our staff, tenants and contractors."

Covid-19 - what is the financial impact?

We will all be focused in the impact of the Covid-19 virus and trying to limit opportunities for it to spread. Argosy's business is well placed to weather the Covid-19 storm with a diversified portfolio. In particular 1/3 of our rent roll is contributed by the New Zealand Government (including the new development for Statistics NZ). Following the settlement of The Lifestyle Centre on March 27th, retail tenants will contribute less than 15% of Argosy's total current income, with over 9% covered by substantial retailers like The Warehouse and Bunnings. As part of the assistance package offered by the New Zealand Government on 17 March, depreciation allowances have been re-introduced which is a most welcome development and of course the reduction in the Official Cash Rate by 75bps for at least 12 months has reduced the interest cost to the business. The Argosy business has, this week, successfully trialled a working from home resilience plan and we continue to assist our tenants with their own contingency plans.

Properties

60

Tenants

164

WALT

6.1yrs

Weighted average lease term

Portfolio

\$1.7b

Total portfolio value

Occupancy

98.4%

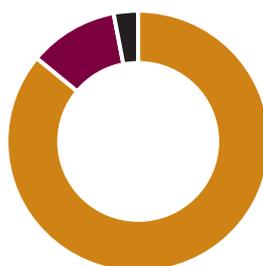
Occupancy (by rent)

Total portfolio update
By sector



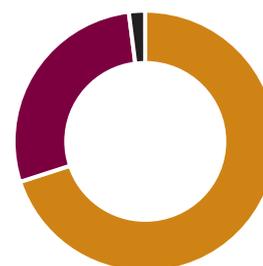
- 47% Industrial
- 40% Office
- 13% Retail

Portfolio mix
by asset type



- 86% Core
- 11% Value Add properties
- 3% Properties and land to divest

Total portfolio value
by region



- 70% Auckland
- 28% Wellington
- 2% Nth Island regional & Sth Island

Dividend

The **3RD QUARTER DIVIDEND** for the 2020 financial year of 1.625 cents per share, with imputation credits of 0.264161 cents per share attached, will be paid on 25 March 2020. **Mike Smith, Chairman of Argosy Property Limited** said “The Company remains absolutely focused on delivering sustainable dividends to shareholders. Based on current projections for the portfolio and stable market conditions, the Board is guiding to a full year 2020 cash dividend of 6.35 cents per share. This is an 1.2% increase on the prior year.

This dividend increase is consistent with our view that shareholders continue to share in the positive outlook we see for Argosy but also allows us to maintain our momentum towards changing to an AFFO based dividend policy.”

Important dates

- FY20 Q3 DIVIDEND PAYMENT**
25 Mar 2020
- FY20 ANNUAL RESULTS ANNOUNCEMENT**
20 May 2020
- FY20 Q4 DIVIDEND PAYMENT**
Jun 2020
- FY21 Q1 DIVIDEND PAYMENT**
Sep 2020