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Update on 107 Carlton Gore Rd development

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Supporting good causes and new 5 Green Star accreditation

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Key stats as at 31 July 2019



Investor Update



More portfolio greening @ 107 Carlton Gore Road Newmarket



Argosy announced in March that Housing New Zealand Corporation will enter into a new 12 year lease at 107 Carlton Gore Road, commencing 1 March 2020. Since then, works on this development are on track for practical completion by December 2019. The upgrade is targeting Green Star and a NABERSNZ Base Building Rating of 4 Stars with a seismic rating of 100% of New Building Standard (NBS).



Development will target Green Star and NABERSNZ ratings

The scope of works is similar to the 82 Wyndham Street (5 Green Star Rating) building upgrade completed in 2018, and includes new lighting, air conditioning systems, seismic restraints, foyer refurbishment, end of trip facilities (showers, changing facilities and bike parks), new bathrooms and lift replacement.

On completion the A Grade building with 6,100m² of net lettable area is expected to have a value of \$44.6m.

Argosy CEO Peter Mence said “This development is consistent with our strategy of creating value through the execution of value add opportunities. The transaction will see Housing New Zealand employees benefit from a refurbished building delivering a modern, functional and appealing workspace environment.”

Total expected value on completion

\$44.6m

Net lettable area on completion

6,100m²

Building Grade quality on completion

A Grade

Minimum Green Star and NABERSNZ ratings targeted

4 Star

Snapshot

People



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

Argosy's Head of Investor Relations Stephen Freundlich attended the FIT Touch World Cup held in Kuala Lumpur from 28 April to 4 May this year. Playing in the New Zealand +45 Mens team (NZ45's) he played 7 tests scoring 7 tries. The team made the final and faced Australia. The NZ45's were quick out of the blocks securing a 2-nil lead early on and were the front-runners until the 36th minute where Australia snatched the lead. If you wanted drama and controversy at a World Cup it all seemed to happen in this final. With two minutes remaining the hooter sounded and the game was suspended due to thunderstorms hitting the park. After an hour long break, the teams headed back out to complete the job. With one last opportunity to hit back, Darran 'Daz' Robson cut his way through the line for a 35m touchdown which was declined due to him being dummy half. Australia were victors, 5-4. Philosophical as always, Stephen said "Its not gold but a World Cup silver medal isn't too bad". Well done!

New staff

The Argosy team has undergone a few changes since year end. One of our team is on pending maternity leave and we have also taken on some additional resource. One of our new staff is Haley Jones (Manager Property Services). Haley is a former employee and joins after having had stints at the ANZ as Leasing Manager and at Darroch providing property lease services. The other newcomer is Bruce Morrin who will be interim Financial Controller and supporting the finance team as maternity cover. Bruce is a Kiwi and recently returned after working in the UK for a number of years across a range of finance roles including UK REIT's. Welcome to the team Haley and Bruce!

Business update

As you'd expect, there has been a lot of activity across the business since 2019 year end. The team have been working hard over the first half of the FY20 financial year to deliver on our strategy. Its pleasing to be able to report some solid results to date.

Rent reviews and leasing

For the 4-month period to 31 July we completed 33 rent reviews achieving annualised rental growth of 2.6%. These reviews were achieved on rental income totalling \$14.2m. By sector, we achieved annualised rental growth of 2.6% on industrial rent reviews, 2.2% for office rent reviews and 2.7% for retail rent reviews. Auckland accounted for 92% of all reviews where Argosy achieved a 2.6% annualised increase.

We completed 10 leasing transactions including 5 renewals and 5 new leases. Argosy has achieved some excellent leasing outcomes over the first 4 months including;

- US Embassy; 1,309m² of space renewed for a further 10 years;
- Oregon Group Limited; 692m² of space on a new 10 year lease;
- North Beach Limited; 1,085m² of space on a new 8 year lease;
- Oxford Finance Limited; 501m² of space on a new 6 year lease;
- Kathmandu Limited; 899m² of space renewed for a further 6 years;
- Hallenstein Bro's Limited; 525m² of space renewed for a further 5 years;

As you'd expect, we continue to focus on our remaining expiries. At the start of FY20, by income we had 8.5% of leases expiring. As at 31 July we currently only have 5.3% of income expiring in FY20 and we're working hard to resolve these before year end.

7 Waterloo Quay

We remain in the final stages of negotiations with Crown tenants for space in this building and expect to be able to announce an update on this before the end of September.

Divestments and acquisitions

There have been no divestments since year end. In April Argosy settled its \$3.5m 54 Jamaica Drive acquisition (part of the Big Chill development) in Wellington.

Peter Mence Chief Executive Officer



Following the sale of a small parcel of vacant land at 246 Puhinui Road to our tenant Cardinal Logistics, Argosy is contracted to purchase the site back, complete with a new building in November 2019. The purchase price will be \$12.3m with a new 15 year lease to Cardinal. As part of the transaction, Cardinal's two other leases on adjacent sites will be reset to the same commencement date.

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

The unconditional sale of Albany Lifestyle Centre for \$89.0m remains on track with the expected settlement date of 27 March 2020.

Development update

180-202 Hutt Road, Placemakers. The Stage 1 showroom is now complete and PlaceMakers have relocated into the new space. Stage 2 works comprising the drive through warehouse and hardstand area, remains on track to be completed by December 2019.

107 Carlton Gore Road, Housing New Zealand Corporation. Refer to the front cover of this investor update.

8-14 Willis Street, Statistics New Zealand (Stats). Argosy announced in its FY19 result it is undertaking a \$64m development at its 8-14 Willis Street property in Wellington's CBD. The development will create a substantially new 11 level, 11,800m² building that will target a 6 Green Star Built rating and 5 Star NABERSNZ energy efficiency rating. In addition, Argosy has entered into a new 15 year lease with Stats to occupy the entire building. Construction is expected to take 24 months and be completed by April 2021. On completion 8-14 Willis Street is expected to have an independent valuation of \$94m and a 7.2% initial yield.

I look forward to updating investors further at our half year results to be announced in November.

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

Investors will know of Argosy's commitment to the Auckland based Spirit of Adventure Trust. Argosy sponsors teenagers aged 16-18 to participate in the 10-day development voyage on the Spirit of New Zealand. For the FY20 financial year Argosy has again sponsored two students.



For the September and October voyages, the students (one girl and one boy) will come from the Inzone Education Foundation. The philosophy behind Inzone has been to identify and partner with top academic performing state schools, building the necessary support and pastoral care for Māori and Pacific Island students to attend these schools and succeed academically, at extra-curricular activities and as leaders.

These students come from families that wouldn't be able afford to join the Spirit of Adventure Youth Programme so this is a great opportunity to develop these young people further and set them up for success. We look forward to reporting back to you in our March update.

Environmental update - another 5 Green Stars for Argosy at Highgate, Silverdale

Argosy recently announced that its industrial property at Highgate, Silverdale tenanted by Mighty Ape, has been awarded a 5 Green Star Industrial Built v3 rating by the New Zealand Green Building Council.

This is only the third Green Star industrial built rating in New Zealand. The rating represents New Zealand Excellence. Peter Mence, Chief Executive Officer said "The rating continues to endorse the quality of our properties and our focus on greening the portfolio."



2019 Retail Roadshow

Argosy's 2019 annual Retail Roadshow was held across 13 cities through June and attendee numbers were again really positive. We saw a 15% overall increase in total attendees which was a solid uplift on the prior year. As usual, Argosy investors remained very well engaged asking a lot of questions of CEO Peter Mence with a particular interest in the successful Green Bond issue and sustainability. We again had directors present in 7 of 13 locations to support Peter and provide additional access to the Board for investors. The benefit of catching up with retail investors across the country is that it also provides opportunities to present to the local broker community in the regions. Argosy held meetings with the following brokers;

- First NZ Capital Wellington, Christchurch and Nelson;
- Forsyth Barr in New Plymouth, Tauranga and Napier; and
- Craigs Investment Partners in Invercargill.

The broker meetings were very well attended with good questions covering topics such as value add activities, the Green Bond issue, ESG and strategy.

The retail roadshow presentation can be found on our website www.argosy.co.nz.

AGM and Governance update

This year Argosy held its AGM in August at the Stamford Plaza in Auckland's CBD. Argosy's Chairman Mike Smith and Chief Executive Officer Peter Mence, both gave addresses on Argosy's performance during the 2019 financial year. It was a busy AGM with plenty of resolutions. At the meeting, Mike Smith and Peter Brook were re-elected as independent directors onto the Argosy Board. Stuart McLauchlan, Chris Gudgeon and Mike Pohio were all elected to the Board.

Following the meeting, Rachel Winder was appointed as a director. Rachel has been involved in the property sector for over 20 years across a variety of roles including strategy, portfolio management, facilities management and development.

Rachel is currently Head of Property Services for Westpac New Zealand and holds an MBA from the University of Otago.

Properties

61

Tenants

168

WALT

6.0yrs

Weighted average lease term

Portfolio

\$1.7b

Total portfolio value

Occupancy

97.7%

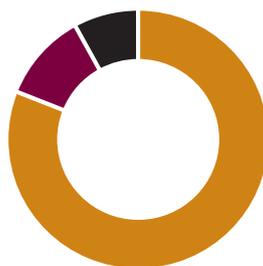
Occupancy (by rent)

Total portfolio update By sector



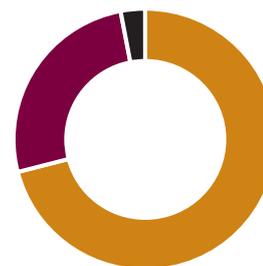
- 44% Industrial
- 38% Office
- 18% Retail

Portfolio mix by asset type



- 81% Core
- 11% Value Add properties
- 8% Properties and land to divest

Total portfolio value by region



- 71% Auckland
- 26% Wellington
- 3% Nth Island regional & Sth Island

Dividend

The **FIRST QUARTER DIVIDEND** for the 2020 financial year of 1.56875 cents per share, with imputation credits of 0.29766 cents per share attached, will be paid on 25 September 2019.

Important dates

FY20 Q1 DIVIDEND PAYMENT

25 Sep 2019

FY20 INTERIM RESULTS ANNOUNCEMENT

20 Nov 2019

FY20 Q2 DIVIDEND PAYMENT

Dec 2019

FY20 Q3 DIVIDEND PAYMENT

March 2020

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