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Mighty Ape going Green



A key part of Argosy’s strategy is working with existing tenants to develop properties and provide strategic value.

In March 2016, Argosy announced it had partnered with one of our existing tenants, Mighty Ape, to build a brand new 10,500 square metre warehouse at the Highgate Business Park on Auckland’s North Shore.

After acquiring 22,575 square metres of land at the park, work commenced on the \$24.7 million development (including land) which will be completed by December 2017. The development will consist of 9,000 square metres of warehouse with 1,500 square metres of office space over two levels, as well as 116 onsite carparks.

During the last few months Argosy has developed an environmentally sustainable design package or ‘green building’ with Mighty Ape which has now been included within the proposed development. The building will incorporate the following energy savings systems:

- Electricity and water metering system to record consumption;
- Variable Refrigerant Flow (VRF) air conditioning cooling systems utilising heat recovery with occupancy sensors;
- The LED lighting system utilises occupancy and daylight sensors;
- All water fittings are low flow to reduce water usage;
- Rain water harvesting, water from the roof is used for gardens and the toilets.

The building specification is targeting a 4 Green Star Built Rating from the New Zealand Green Building Council. Auckland Asset Manager Mariyln Storey said “This development provides the opportunity for us to add some significant value not just to the tenant but to Argosy investors. A growing focus on being environmentally responsible delivers long term benefits for everyone.”



Marilyn Storey Asset Manager

Development cost including land

\$24.7m

Net lettable area (m2)

10,500

WALT

10yrs

Green Star rating

4

Snapshot

People



Ian Kilpatrick Asset Manager

Ian Kilpatrick is Argosy's Property Manager in Wellington. Ian joined Argosy 4 years ago after a long career in Public Service, including roles in broadcasting, health and central government.

By value, Ian looks after a quarter of Argosy's portfolio with six CBD commercial properties and six industrial properties in Hutt City. The property portfolio covers 27 tenants, five of which are Crown departments.

"It's been an interesting ride, having moved from the public to private sector and the focus is very different" said Ian.

Ian's had to deal with the damage caused by the 2013 quake in his first few months with Argosy and again just last year with the Kaikoura quake. "These were very disruptive events for both our tenants and ourselves, but we have a great team in Auckland who have been able to provide additional help and support to our Wellington operation."

Ian is currently based in the Argosy-owned Stewart Dawson Building, but he and Asset Manager Rob Smith will have to find a new home soon with the up-coming seismic restraint works that are scheduled for the Stewart Dawson site.

The Wellington market continues to be very active, so Ian and Rob now have the assistance of Property Manager Shamus O'Halloran from the Auckland Office.



Stout Street Wellington

Business update

Its been a very busy few months since our 31 March 2017 year end.

The team have undertaken a lot of activity and its pleasing to report that we have achieved some great results early in the 2018 financial year.

Rent reviews and leasing

We've completed 27 rent reviews for the 2018 financial year and achieved an annualised rental increase of approximately 2.8%. These reviews were on rents totalling \$10.0m per annum. We are focused on ensuring we continue to achieve solid results from the remainder of our reviews to be undertaken this financial year.

We've also achieved some positive leasing results. By income, we had 9.8% of our leases expiring during FY18 totalling around \$11.0m across 32 leases. As at 31 July, we have reduced this to 6.1% through the resolution of 11 leases over the period including renewing our largest single lease expiry in FY18 with Amcor Flexibles (New Zealand) Limited. The team continue to work on our remaining expiries.

Divesting non-core assets

One of Argosy's key focuses has been around divesting lower quality non-core assets and reinvesting these proceeds into value add opportunities across the portfolio. In July Argosy announced the disposal of 1 Pandora Road in Napier. This asset did not meet either of Argosy's Core or Value Add investment requirements. As a result, Argosy took the opportunity to sell the property in what is considered to be quite a strong market achieving a sale above book value.

Development update

Key projects forecast for completion in 2017 include:



Peter Mence Chief Executive Officer

82 Wyndham Street – Once finished, the building will have a 4 Green Star built rating and 4 Star NABERSNZ energy efficiency rating. Panuku Development Auckland (an Auckland Council organisation) has signed a 9-year lease on the back of the Green Star rating and energy efficiency benefits. Ground and Level 1 have been completed to program and Panuku has moved in.

Level 2 is almost complete, however current tenants Boffa Miskell will temporarily relocate from Level 3 to allow us to complete the works for that floor. We are well on track with the target of 4 Star and have started compiling the submission for the built rating. Level 2 will be available to lease by mid November 2017.

Mighty Ape – this development remains on track but has now been enhanced through the inclusion of an environmentally sustainable design package which we detailed earlier in this investor update.

Placemakers – this 3,700 square metre development is on track and due for completion by Mid 2018. The remaining 1,100 square metres of the site is to be redeveloped by Argosy into retail where we have strong interest from prospective tenants.

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

Development	Location	Total Cost	Spend to date	Forecast Completion
Foundry Drive	Christchurch	\$7.5m	\$7.3m	Substantially complete
Snickel Lane	Auckland	\$7.5m	\$5.8m	Mid 2017
82 Wyndham St	Auckland	\$9.0m	\$4.5m	Aug 2017
Mighty Ape	Auckland	\$24.7m	\$13.6m	Dec 2017
Placemakers	Wellington	\$9.4m	\$0.3m	Mid 2018
Total		\$58.1m	\$31.5m	



Future Directors - Amanda Smith

In June, Amanda Smith joined Argosy as a participant in the Institute of Directors' Future Directors programme. The programme is designed to develop the next generation of directors for New Zealand ensuring the pool of quality candidates is large enough to support economic growth. The programme allows candidates to gain valuable experience by observing and participating in Board discussions on companies for a 12 month period. Amanda has over 26 years of experience in financial markets and is currently an independent director with Castle Point Funds Management, a boutique investment management firm. Prior to joining Castle Point,

Ms Smith was Principal Advisor, Governance & Performance at The Treasury, following a long career in investment management. She was Head of Equities at ANZ Investments in Auckland from 2006-2011, responsible for managing \$1.5bn of NZ and Australian shares. Amanda says "Joining Argosy is a fantastic opportunity for me to further develop my governance skills and I'm really looking forward to learning from the experienced directors on the Board. For my part, I bring an understanding of how professional investors think about governance issues, and the importance of managing all stakeholders' interests well."

Other Green developments - Citibank Centre

Argosy has been committed to an ongoing programme of upgrades to core assets in recent years. Our Citibank Centre building on 23 Customs Street East is one of these core properties. The key element to this makeover involves the refurbishment of each of the 14 office floors as they become vacant, the upgrade/replacement of aged building services, redecoration of common areas and most recently the ground floor revitalisation project that is Snickel Lane. Currently, five floors have already been upgraded (Levels 5, 8, 9, 10 & 12),

with new air conditioning, energy efficient "smart" lighting, ceilings and floorcoverings. All bathrooms have now been re-furbished and new lift motors and a chiller installed. Importantly, the upgrades are being designed and implemented in accordance with the Green Star framework and NABERSNZ requirements. We are targeting a NABERSNZ rating of 4 Stars, along with investigating the recently introduced Green Star 'Performance Rating Tool'. Upon completion, the buildings quality classification will have moved from 'B' grade to 'A'.

Community engagement

Taylors Mistake SLSC

Argosy has maintained its social responsibility commitment to actively support local communities. In our 2017 Annual Report we announced Taylors Mistake was one of three new surf lifesaving clubs Argosy is supporting over the next two years.

Argosy is pleased to announce it recently approved funding to support expenditure for the clubs 2017/2018 Life Guard Provisions and First Aid Training and Supplies.



Club training at Taylors Mistake

The First Aid training and supplies greatly assists the club with membership retention. The majority of members qualified in the last 14 months and fit the Junior category. We need to remember that NZ continues to record very high drowning rates during summer. Argosy recognises the invaluable contribution that surf lifesaving members make to their local communities every year and looks forward to seeing the benefits of this support through the upcoming 2017/18 summer season.

Annual Meeting

Argosy's Annual Meeting was held on 25 July 2017 at the Royal New Zealand Yacht Squadron in Auckland's Westhaven Marina. Chairman Mike Smith and CEO Peter Mence both gave addresses on the Company's performance during the 2017 financial year. At the meeting; Andrew Evans and Mark Cross were both re-elected as independent directors onto the Argosy board and the resolution to increase directors fees was approved. The Annual Meeting presentation can be accessed on Argosy's website at www.argosy.co.nz.

Properties

63

Tenants

182

WALT

5.5yrs

Weighted average lease term

Portfolio

\$1.45b

Total portfolio value

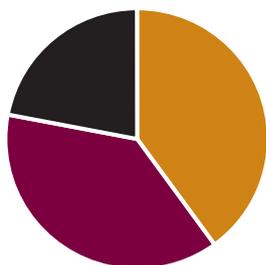
Occupancy

97.6%

Occupancy (by rent)

Total portfolio update

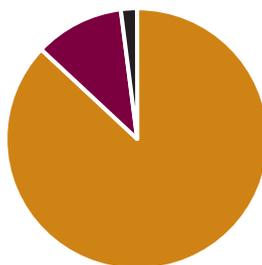
BY SECTOR



- 40% Industrial
- 38% Office
- 22% Retail

Portfolio mix

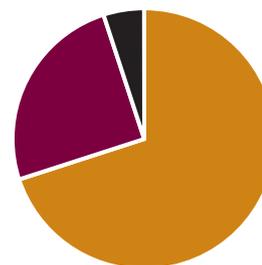
BY ASSET TYPE



- 87% Core
- 11% Value Add properties
- 2% Properties and land to divest

Total portfolio value

BY REGION



- 70% Auckland
- 25% Wellington
- 5% Nth Island regional & Sth Island

Dividend

The **FIRST QUARTER DIVIDEND** for the 2018 financial year of 1.550 cents per share, with imputation credits of 0.366 cents per share attached, will be paid on 28 September 2017.

Important dates

QUARTER 1 (FY18) DIVIDEND PAYMENT
28 September 2017

INTERIM RESULTS ANNOUNCEMENT
21 November 2017

QUARTER 2 DIVIDEND PAYMENT
December 2017

QUARTER 3 DIVIDEND PAYMENT
March 2018

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