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Key stats as at 31 August 2023

**Argosy**

# Investor Update

## Willis St world-leading certification



Atrium at 8-14 Willis Street, Wellington

In July 2023, Argosy's 8-14 Willis Street received a 6 Green Star Certification. 6 Stars is defined as "world-leading" in environmentally sustainable building practice and epitomises the highest standard of quality both in design and what is actually built. It became Wellington's first 6 Green Star rated building which is quite an achievement.

The development featured innovative design with a focus on creating resilient and sustainable workspaces for the future. Argosy implemented a number of optimisation measures to balance cost and the requirement for large open plan floor plates.

The design team in collaboration with Argosy, the contractor and tenant Stats NZ, implemented a number of solutions and technologies to position the building as a modern, comfortable and sustainable workplace.

In addition to these sustainability features, the Stats NZ fitout was integrated into the project to minimise construction waste and inefficiency; while supporting the tenant's aspiration to inform the building design to best reflect the culture and values of the organisation and to create a meaningful workplace identity.



“

It's so great to be able to deliver a fantastic outcome not just for our tenant and their people, but for all our stakeholders.”

Saatyesh Bhana  
HEAD OF SUSTAINABILITY

## Business update



Peter Mence, Chief Executive Officer

We approach the halfway point of the 2024 financial year with a solid foundation built on the prior period. From a macro perspective, the economy is still seeing headwinds across a range of factors like the current account deficit and persistently high inflation.

Homeowners with fixed mortgages rolling off continue to experience sharp increases to their cost of living. Inflation pressures on family budgets remain evident across the domestic economy. Annual food inflation in New Zealand has slowed to 8.9% in August 2023 from 9.6% in the prior month, after touching the 1987 record high of 12.5% in June.

Obviously campaigning for the 2023 election has kicked off. It was disappointing to see that both major parties have now confirmed policies removing building depreciation deductions for commercial property. This has been a headwind for the sector's pricing in recent weeks and will have a longer term impact on earnings.

Arrears are at historically low levels, tenant retention is in excess of 90% and tenant satisfaction rates are over 80%. Effective management has meant that at an operational level we have started the first five months very well with solid portfolio metrics and delivery of some key strategic objectives, including progressing green rating certifications for completed projects 105 Carlton Gore Road, 5 Allens Road and 1-3 Unity Drive in Auckland. We have addressed many of our forward expiries.

Argosy's balance sheet remains sound and we continue to progress our green developments and master plan for our industrial Value Add opportunities. The leasing market is proving challenging but we continue to see good successes, despite longer conversion times.

### Strong rent reviews and leasing

For the first five months of FY24 to 31 August we completed 53 rent reviews achieving annualised rental growth of 3.4%.

These reviews were achieved on rental income totalling \$37.0 million. On rents subject to review by sector, we achieved annualised rental growth of 3.5% on office reviews, 3.4% on industrial reviews and 3.0% for large format retail. Auckland accounted for 77% of all reviews and achieved a 3.0% annualised increase and Wellington a 4.8% increase.

During the same period we completed seven leasing transactions covering 11,900m<sup>2</sup>. Leasing transactions completed included two new leases, one extension and four renewals.

Key leasing outcomes over the first five months include:

- Mainfreight Limited, 32 Bell Avenue, 8,138m<sup>2</sup> on a 13 month extension;
- The Fitness Portal Limited, 8 Nugent Street, 1,348m<sup>2</sup> on a new eight year lease; and
- Steel & Tube Holdings Limited, 39 Randwick Road, 2,097m<sup>2</sup> renewed for three years.



### 82 Wyndham Street

We are very pleased to announce that NIWA has entered into a conditional agreement for a 12-year lease for approximately 2,650m<sup>2</sup> on the ground floor and Level 1 of 82 Wyndham Street. The lease will commence 1 January 2024 and includes 80 car parks. The rent review mechanism is fixed at 2.75% per annum with market reviews through the lease. The net effective annual rental is \$1.45 million. Argosy Management has maintained a strong working relationship with NIWA who currently occupy a similar amount of space at 39 Market Place and will relocate to 82 Wyndham Street from January 2024. This will be the 3rd Argosy owned building they have occupied. The lease agreement with NIWA was contingent on a surrender by Eke Panuku (Auckland Council) for their space in the building.

Argosy Chief Executive Officer Peter Mence said, "We are very pleased to have retained NIWA in the portfolio. The market demand for green buildings remains strong, and NIWA's desire to relocate to 82 Wyndham Street, which is a 5 Green Star Built building, is reflected in the lease term of twelve years.

"The benefits of green buildings around staff retention, productivity and reduced absenteeism are well known. The Council's well publicised desire to reduce their commercial property exposure has allowed us to provide a modern green building solution to a highly valued existing tenant."

### 105 Carlton Gore Road - 80% leased

This \$35 million development was completed on 1 June and is targeting a 6 Green Star rating. Completion followed the interior finishes including integrated tenancy fitout on the ground floor, part Level 3 and all of Level 4. Argosy has secured additional commitments for further tenancies at 105 Carlton Gore Road.

Colgate Palmolive Limited has committed to a new six year lease for approximately 560m<sup>2</sup> on part of Level 3. The annual rental is \$360,000 and includes 22 car parks.

Instant Offices NZ Limited has committed to an eight year lease for 1,097m<sup>2</sup> on Level 2. The annual rental is \$678,000 and includes 40 car parks. The rent reviews are fixed at 3.0% per annum.

CEO Peter Mence said, "We are pleased to have finalised these commitments taking the building to almost 80% leased. This now only leaves Level 1 remaining available for lease and there is some current interest in that floor."

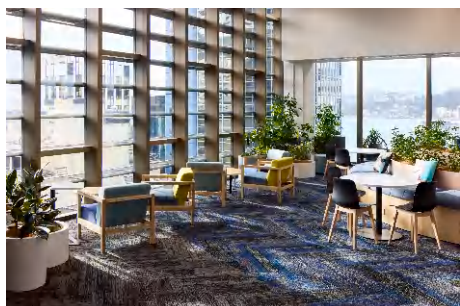




Argosy staff: Stephen Freundlich, Andrew Houghton, Saatyesh Bhana, Simon Sheldon (Alaska), Sophie Stone, Shamus O'Halloran.

## Green Star Certification

As noted earlier in this update, Argosy recently received 6 Green Star Office Built certification from the New Zealand Green Building Council (NZGBC) for its building at 8-14 Willis Street in Wellington. The accreditation means the building represents world leadership in terms of its quality. CEO Peter Mence said, "We are extremely proud to have delivered Wellington's first 6 Green Star Built office building. This certification goes to the very heart of our sustainability philosophy, and we will continue our strategy to redevelop our portfolio in sustainable manner to provide high quality healthy buildings, reduce our impact on the environment and support the delivery of sustainable cashflows and dividends to shareholders."



## Capital management

We continue to manage our balance sheet sensibly and our debt to total assets ratio as at 31 August was 35.0%.

## Looking ahead

Looking ahead to the near term, the 2023 elections will be front of mind for most. This could see consumer and businesses put things on hold until the country receives clarity about the government make up.

While recognising headwinds domestically and internationally, we are well placed to deliver as we have done in prior downturns. Our diversified portfolio means income risk and rental returns remain solid.

I look forward to updating you fully at our interim result webcast which will be released on 29 November 2023.

*Peter Mence*

# Carlton Gore Road wins at PCNZ Awards

Argosy's property at 107 Carlton Gore Road was a double winner at the Property Council New Zealand awards held in June. The building was awarded Excellence in the Resene Green Building Property Award category and a Merit in the RCP Commercial Office Property Award category.

This was a completely revamped six-level office block, with great energy-efficiency, sustainability, comfort, earthquake-proofing and style.

It's a great example of how to adapt an existing building using a low-carbon blueprint. The refurbishment also illustrates Argosy's philosophy to do the right thing by tenants, investors and the environment.

The vision was always about reusing and revitalising rather than demolishing. It was also about achieving a 5 Star NabersNZ rating for energy efficiency, a 5 Green Star Office Built v3 rating from the New Zealand Green Building Council and 100 per cent New Building Standard (NBS) earthquake-proofing. In other words, a premium working environment similar to a brand new building. Mission accomplished on all counts.

The biggest challenge, says Argosy's Head of Sustainability Saatyesh Bhana, was working with the existing building facade to enable it to be reused and achieve a 5 Green Star rating, which indicates New Zealand Excellence. It helped that Argosy has accumulated a wealth of knowledge carrying out similar projects.



## ESG update

### Variety - the Children's Charity

Variety remains a remarkable organisation that helps support those families and children most in need. The organisation has been a valued member of Argosy's small group of community partners since 2020. Argosy is a regular supporter of Variety's 'kids in beds' winter appeal and last winters \$10,000 support went towards blankets, bedding packs and beds. It's also fantastic to note that Argosy staff once again supported the cause, topping up the company sponsorship by a further \$765 making a total sponsorship package of \$10,765.

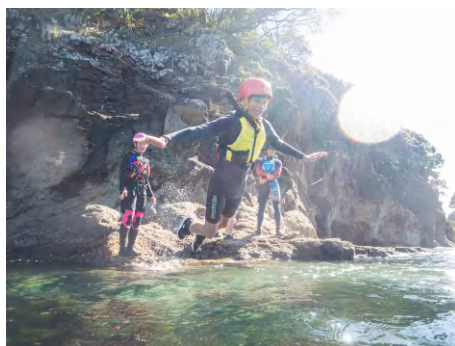


### Spirit of Adventure Trust

Argosy continues to value its longstanding partnership with the Trust. Nicola Garland, Head of Fundraising for the Trust said, "We are very grateful for the support given through the provision of sponsorships for two students each year. A big thank you for extending the use of this sponsorship towards young people in areas that have been impacted by weather this year, it's been fab to bless families in this area."

Following this commitment to help those young people, we got feedback like this: "I would like to say whoah! Did I have the time of my life! New friends, connections and confidence. The experience has changed how I feel about myself. I have changed in the best way possible and I would like to say thank you for that."

For further information on the 10-day youth development programme visit [www.spiritofadventure.org.nz](http://www.spiritofadventure.org.nz).



### The Graeme Dingle Foundation

Argosy has an existing pool of community partners who reflect our vision of building a better future.

CEO Peter Mence said, "We've been looking to make a significant social investment that supports young people build a better future for themselves. It's been quite an extensive process. The values and philosophy of the Graeme Dingle Foundation very much align with our own and they've got a fantastic track record of delivery. We're looking forward to supporting the Foundation with a \$50,000 commitment for an initial 12 month term, to support their delivery of great outcomes to young people across New Zealand."

Stephanie Brown, the Foundations National Business Development Manager & Partnership Manager said, "We're excited to have this initial 12 month partnership established at a time where we have such huge demand across all our programmes. It has been great to connect with Argosy where there is a clear understanding of the legacy for the next generation."

Graeme Dingle Chief Executive Officer, Jo Malcolm-Black said, "Our programmes like Kiwi Can, Career Navigator, Project K and Kiwi Tahī are incredible programmes that deliver real life changing outcomes using a combination of experiences, relationship building and skill development. This kind of social investment into young Kiwis makes a huge difference to their lives and is an investment in building our communities."

“

We are excited about the opportunities that we can create with Argosy.”

—  
Jo Malcolm-Black, CEO, Graeme Dingle Foundation







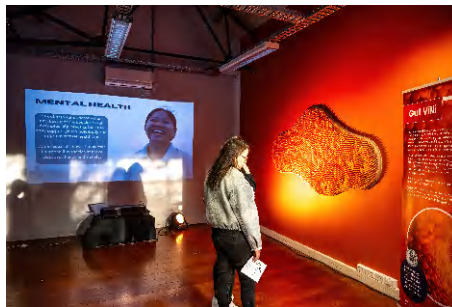
## The Gut Foundation

Argosy recently offered accommodation in some spare space at 39 Market Place to The Gut Foundation for their Auckland fundraising event. The not-for-profit Foundation aims to advance the education of New Zealanders about gut diseases and improve, diagnosis and treatment protocols for diseases of the gut. There was a diverse range of attendees on the night including people across the listed property sector, local real estate, construction and logistics companies. Te Whatu Ora attended and provided a six metre long inflatable bowel for people to walk through and representatives from local iwi Ngāti Whātua also attended.



It was an amazing night to be able to welcome and educate so many people on what we do. A big thanks must go to our major event sponsor Vital Healthcare Property Trust and Argosy for providing us the space to hold the event.”

Alice Fitzgerald, CEO, The Gut Foundation



## The Keystone Trust

Argosy committed to becoming a Keystone Trust Scholarship Partner from 1 April 2023 (2024 financial year). Together with the team from Keystone Trust, a short-list of scholarship applicants will be interviewed with the successful applicant being advised in October and we will update you all in our March newsletter. Keystone Trust General Manager Amanda Stanes said, “We’ve had a really high calibre of applicants for the first year of the Argosy Scholarship which is fantastic. The job of shortlisting is going to be really tough.”

## Retail Roadshow



The 2023 Retail Roadshow was completed with Chief Executive Officer Peter Mence visiting 13 cities around New Zealand from 21 June to 13 July. The Retail Roadshow remains a key engagement tool for Management to meet directly with shareholders and update them on the business performance, sustainability objectives and 10-year strategic plan. Following this years Roadshow, Peter Mence said, “It’s wonderful to see the continued interest in the business shown by our investors not just in Argosy, but also the listed property space. It’s great to also see a continued interest in what we’re doing in the ESG space, particularly around the greening of our portfolio and our sustainability strategy. We encourage all investors to attend and invite you to include a guest if you so wish for our 2024 Roadshow.”

## Properties

54

## Tenants

157

## WALT

5.1yrs

Weighted average lease term

## Portfolio

\$2.15b

Total portfolio value

## Occupancy

98.8%

Occupancy (by rent)

Total portfolio update  
By sector



52%	Industrial
38%	Office
10%	Retail

Portfolio mix  
by asset type



81%	Core
15%	Value Add properties
4%	Properties and land to divest

Total portfolio value  
by region



70%	Auckland
27%	Wellington
3%	Rest of NZ

## Dividend

The **1st Quarter Dividend** for the 2024 financial year is 1.6625 cents per share, with imputation credits of 0.206261 cents per share attached. The record date for the dividend was 14th September 2023 and the payment date 28 September 2023. Overseas investors will receive an additional supplementary dividend of 0.093597 cents per share to offset non-resident withholding tax.

## Important dates

**FY24 Q2 DIVIDEND PAYMENT**  
DECEMBER 2023

**FY24 Q3 DIVIDEND PAYMENT**  
MARCH 2024

**FY24 ANNUAL ANNOUNCEMENT**  
MAY 2024

**FY24 Q4 DIVIDEND PAYMENT**  
JUNE 2024

## 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](http://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](mailto:enquiry@computershare.co.nz)  
[www.computershare.com/](http://www.computershare.com/)  
InvestorCentre