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Investor Update

MARCH 2014

DEAR SHAREHOLDER

As the domestic economic environment shows signs of sustainable growth and we finally feel inclined to put the economic malaise of the Global Financial Crisis (GFC) behind us, it is well worth a pause to reflect on the lessons learned, or at least what should have been learned as a result of the GFC and of prior modern economic shocks.

“Those who refuse to learn from history are doomed to repeat it.”

The capitalist system, if we are honest about human nature, requires the odd economic shock if it is to survive. To have a perpetual nirvana economically would be a certain path to unbridled risk-taking and upwardly spiralling greed. Socially there is a clear relative redistribution of wealth; while the GFC definitely hurt across the social fabric of New Zealand and many other countries, there is the inseparable observation that, in general, the larger losses were by those with sufficient equity personally. I certainly do not suggest that the loss of an often meagre retirement income by senior investors was anything less than tragic; however, there were in many cases many who did not, in comparison, have the investments (and the income from them) to lose in the first place, for whatever reason.

In fact, it is (in some ways) the successes of the capitalist economic system that is the root cause of economic recession.

In the context of the property market, there is a clear history – both in respect of the GFC and the 1987 crash – that shows the increasing risk-taking driven by greed and ego which triggers ill-conceived and uncommitted development. We have seen examples of ‘experts’ so qualified by the successes of

previous projects that, on analysis, were little more than an effective capitalising of good timing, good fortune or chance.

“I have successfully completed three projects so I must now be an expert.”

The now-famous Warren Buffet quote “It is only when the tide goes out that we can see who was swimming naked” comes to mind with the observation that it requires significantly more skill to operate in a declining market than in a growing one.

We have seen the loss of many businesses; in particular, finance and investment-related entities and their leaders have in some cases been found to have operated to a lesser governance standard than that which we have regarded as acceptable. Were they, however, somehow guiltier than those before them, whose risk-taking with the money of others was not exposed by the falling tide? Had the GFC not had such a profound economic effect would we even be aware yet that their governance was below standard, or potentially would we condone these gaps if we were not losing money?

The truth is that it is human nature to adequately value risks solely when faced with the reality of these risks. It is only natural to want more than we have and to want to feel good about ourselves. This propensity for greed, ego and risk-taking is a fundamental part of the human psyche and mastery of these, if ever possible, is the key to the Xanadu of maintaining a stable economic platform.

However, if greed, ego and risk-taking were removed or extinguished entirely, the human race would possibly not have evolved from cave dwelling and would not have so successfully explored medical science and so on.

PETER MENCE
CHIEF EXECUTIVE OFFICER



“...it is well worth a pause to reflect on the lessons learned, or at least what should have been learned as a result of the GFC and of prior modern economic shocks.”

PETER MENCE

As always, it is the balance for which we strive and the impossibility of fixing the ever-moving point of balance that is destined to keep governments busy, newspapers full and populaces tut-tutting for future generations. ●

SNAPSHOT

People



ANNA HAMILL

In this *Investor Update*, we profile our Financial Controller, Anna Hamill, who is one of the newer members of the Argosy team.

Anna, who is a Chartered Accountant, joined Argosy in September 2013 and brings with her valuable experience from working at Deloitte, one of the 'Big Four' international Chartered Accountancy firms, as well as working at one of New Zealand's largest insurance companies.

Anna was recently married and when not spending her spare time renovating their 1940s' ex-state house, she enjoys pilates, touch rugby and indoor netball.

"Argosy is a fantastic company to work for. We have a team of highly motivated and committed individuals and we have some exciting developments currently underway as well as always being on the lookout for future opportunities – it really is a team environment here."

Green Star

As part of Argosy's environmental policy, we are committed to finding new and innovative ways of making our buildings more environmentally sound and energy efficient. Argosy has an important role to play in contributing to sustainable development. Natural resources are finite and the protection of the environment is an extremely important consideration for us. It is therefore great news that Argosy's Te Puni Kokiri Building at 143 Lambton Quay, Wellington, was recently awarded three points (one conditionally) in the innovation category by the New Zealand Green Building Council (NZGBC) Technical Subcommittee. This very high score reflects Argosy's utilisation of new technology to achieve a better and more efficient strategy for building services and further reinforces Argosy's important role in contributing to sustainable development.

Argosy gets behind Red Beach SLSC



Argosy is now a proud sponsor of the Red Beach Surf Life Saving Club (RB). RB is a member of Surf Life Saving Northern Region whose strategic intent is to provide New Zealand's leading aquatic safety service and to support surf life saving. The RB sponsorship is a good fit for our company and we are proud to be able to support the community in this way.

ACQUISITION UPDATE

GRAND OPENING OF 19 NESDALE AVENUE, WIRI

Argosy's latest acquisition at 19 Nesdale Avenue, Wiri, was officially opened by the Right Honourable John Key on Wednesday, 26 February 2014.



▲ THE RIGHT HON. JOHN KEY WITH CARDINAL LOGISTICS' MANAGING DIRECTOR TONY GORTON AT THE OPENING



The newly constructed, purpose-built, warehouse storage facility, which Argosy purchased for \$38m in December 2013, is leased to Cardinal Logistics for an initial lease term of 15 years.

Cardinal Logistics specialises in handling grocery and food-related products, consumer goods and pharmaceutical products with a customised contract warehouse and a nationwide haulage and distribution network.

Asset Manager, Warren Cate, says: "It's great to be able to add such a highly specified building combined with a quality tenant to the Argosy stable. Cardinal Logistics is a proud, New Zealand owned and operated business which has some strong relationships with major brands." ●

NET LETTABLE AREA SQM

20,676

OCCUPANCY

100%

LEASE TERM AT ACQUISITION

15 years

TENANT

Cardinal Logistics

Investor Roadshow

CEO Peter Mence, CFO Dave Fraser and Investor Relations Manager Scott Lunny recently completed the annual retail investor roadshows across New Zealand. Covering the country from Whangarei to Invercargill, the Argosy team was able to present the financial performance of the Company, an overview of the current economic and leasing environments and their implications, as well as to discuss recent acquisitions and current developments.

The roadshow is a great way to get around the country and meet with some of Argosy's retail shareholders. If you missed out on attending in 2014, be sure to look out for the dates of the 2015 roadshow which will be announced in December.

A copy of the roadshow presentation is available on Argosy's website.

► www.argosy.co.nz

NEW ZEALAND POST HOUSE



The main development contract for the \$40m¹ development of New Zealand Post House on Waterloo Quay, Wellington, was awarded to Hawkins Construction just prior to Christmas 2013. Preparatory work on site commenced immediately after the Christmas break with work proper commencing in early February 2014. Work is expected to be completed in late 2015.

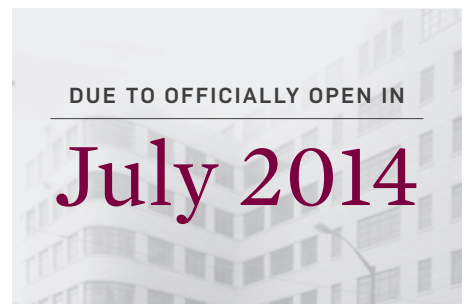
The building is a landmark Wellington office building constructed in 1968 and occupies a prime waterfront position in the northern part of the Wellington CBD, adjacent to the Government precinct. It comprises 25,000 square metres of net lettable area across 13 levels. Its seismic strength has been assessed at 100% of the New Building Standard.

¹ Argosy's construction costs capped at \$40m

15 Stout Street Update

The development at 15 Stout Street, Wellington, is nearing completion, is on time and on budget and is due to officially open in July 2014. The 10-level building, with 19,630 square metres of net lettable area, will be home to the Ministry of Business, Innovation and Employment (MBIE) with a lease term of 12 years.

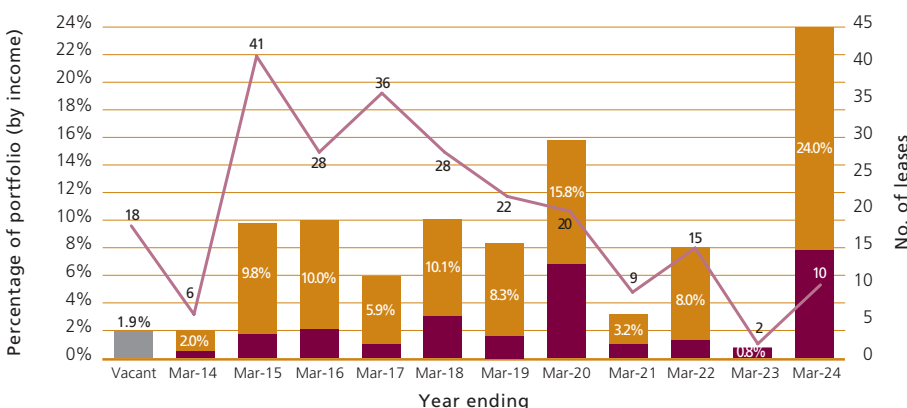
The Art Deco-style building was built in 1939 for use by the Government and is now listed by the NZ Historical Places Trust as a Category II historic place. Its seismic strength exceeds 100% of the New Building Standard.



Leasing

The strong leasing environment of late 2013 has continued in the first few months of 2014. Occupancy has reached 98.1% as at 31 January 2014, up from 96.2% at 31 March 2013. Enquiry levels from potential tenants has been strong, even during the quiet months of December and January. Improving consumer and business confidence points to solid GDP growth and a corresponding improvement in underlying property market performance. The remaining vacant space in the portfolio remains a key focus for the asset management team.

The chart below shows Argosy's lease expiry profile (by rent) as at 31 January 2014.



The number above each bar denotes the total tenant expiries per year (excluding monthly car parks and tenants with multiple leases within one property)

Computershare Investor Centre

Computershare have recently launched the next generation of their Investor Centre, which can be accessed at www.computershare.com/investorcentre. This is a convenient and secure online platform for shareholders to view and update important information relating to Argosy (and other companies whose register is managed by Computershare).

A range of 'how to' videos is available in the help section of their website and Computershare will be rolling out new features throughout the year.

If you require any further information about the Investor Centre, please contact your Computershare relationship manager using the details on the back page of this newsletter.

PROPERTIES

66

TENANTS

217

WALT

5.80 yrs

Weighted average lease term of 5.80 years

PORTFOLIO

\$1.18 b

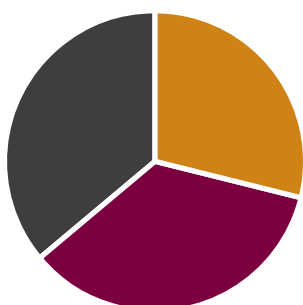
Total portfolio value of \$1.18 billion

OCCUPANCY

98.06%

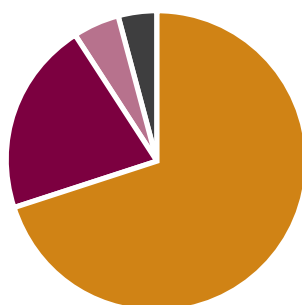
Occupancy (by rent) of 98.06%

TOTAL PORTFOLIO VALUE BY SECTOR



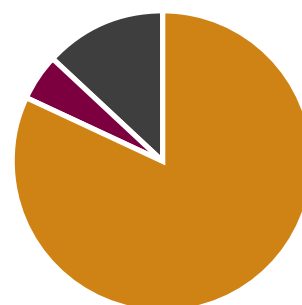
- 29% Retail
- 35% Commercial
- 36% Industrial

TOTAL PORTFOLIO VALUE BY REGION



- 70% Auckland
- 21% Wellington
- 5% Palmerston North
- 4% Other regional

PORTFOLIO MIX



- 82% Core
- 5% Value Add properties
- 13% Properties and land to divest

Dividend

The **THIRD QUARTER DIVIDEND** for the 2014 financial year of 1.50 cents per share will be paid on 26 March 2014, with the record date being 12 March 2014. As indicated by the Board earlier in the year, a dividend of 6 cents per share is expected to continue for the year to 31 March 2014.

The Dividend Reinvestment Plan (DRP) will continue and a 1% discount will be applied to the price at which shares will be issued under the DRP for this dividend.

IMPORTANT DATES

QUARTER 3 DIVIDEND PAYMENT
26 March 2014

ANNUAL RESULTS ANNOUNCEMENT
21 May 2014

QUARTER 4 DIVIDEND PAYMENT
June 2014

2014 ANNUAL MEETING
August 2014

QUARTER 1 (FY15) DIVIDEND PAYMENT
September 2014

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