

P. 1 **INTRODUCING  
SNICKEL LANE**

P. 2 **CEO COMMENT**  
Peter Mence provides  
an insight into the  
property market

P. 3 **OTHER  
PORTFOLIO  
NEWS**

P. 4 **PORTFOLIO UPDATE**  
Key portfolio metrics and  
performance figures

**Argosy**

# Investor Update

MARCH 2016

## INTRODUCING SNICKEL LANE

Argosy is pleased to announce a modernisation upgrade to the Citibank Centre on Customs Street in Auckland which will include a laneway style development called "Snickel Lane".



WARREN CATE



ARTISTS IMPRESSION

**T**he new laneway will complement the surrounding area which includes Fort Lane, the Fort Street Precinct and Imperial Lane developments that have recently been completed.

Snickel Lane is named after the Snickelways of York, a collection of small streets and walkways in the city of York, England.

The ground floor of the tower will be repositioned with additional retail area to be created. A 4.5-metre wide pedestrian laneway, running through from Fort Lane to

Commerce Street, will be created with new retail tenancies expected to command higher rentals than what is currently being achieved. The existing lobby and two current retail tenancies will also be redesigned. Higher office rentals are also expected to be achieved following the completion of the project.

A lease marketing plan is well underway and we have received strong interest from a range of food and non-food operators. ●

## People



CRAIG DODDS

In this update, we introduce Argosy's Compliance Manager, Craig Dodds. Craig has been with Argosy for more than seven years and currently heads up Argosy's Health & Safety program. Argosy is committed to health and safety in the workplace and our aspirational vision of "Zero Harm". Since Craig took on this role, he has had the responsibility of implementing a new health and safety software package, updating and maintaining the hazard register on all properties as well as ensuring all contractors have a fully compliant health and safety policy of their own.

## Dividend Reinvestment Plan

In November, shareholders were notified about changes to the Dividend Reinvestment Plan (DRP) offer document which was updated to comply with the Financial Markets Conduct Act 2013 and to reflect updates to the NZX Main Board Listing Rules. The terms and conditions of the DRP remain the same.

If you have previously provided an election notice for Argosy's DRP and want to continue your participation in the same manner as previously elected, then you do not need to do anything. Your previous election notice will continue to apply.

The DRP Offer Document, Election Notice and Notice of Change or Withdrawal are available on Argosy's website should you like to make any changes.

## Disposals

Over the past six months Argosy has continued to execute its programme of divesting non Core properties that no longer fit Argosy's investment criteria with the Porirua Mega Centre, 7 El Prado Drive, Palmerston North and 65 Upper Queen Street, Auckland settling at the end of 2015. Argosy has also disposed of the industrial property at Wagener Place, St Lukes in Auckland for \$10.5 million as well as the storage business that occupies the property for \$500,000.

As indicated in Argosy's interim result, another \$51.20 million of non Core property are currently on the market.

## DEAR SHAREHOLDER

**T**he world of property is no longer for the amateur. Successive changes to legislation have made it challenging for the private owner of a property.

The Health and Safety Act is the latest change to the responsibilities, obligations and the potential penalties of the private owner of property and follows changes to regulatory and legal requirements that have made private ownership increasingly hazardous. This time, however, it cannot be fixed by insurance and employing a property manager.

With New Zealand's poor record of workplace health and safety, it is hard to argue against the need to do something, and I do not intend to do so. My point is simply that the property owner has a significantly increased responsibility and risk, which is likely to have many reconsider the wisdom of holding a property investment "in the bottom drawer" as a nest egg.

The changes in the Health and Safety obligations as far as the property owner are significant. Broadly there is a change from being responsible for your own employees to a responsibility, within the confines of the property, for the environment within which any occupant, contractor or sub-contractor is operating. That is a significant change given that in many cases the building owner may not be qualified to judge a safe working environment. Of course the contractors all have a responsibility too, but the change is to ensure that building owners front up with the funds to provide an environment that is safe. Importantly it is not a responder role that is required either, there is a clear requirement for a proactive role and there is no opportunity to rely on someone else to tick the box. The Directors of the owner are "on the hook".

The Building Act was introduced to ensure that the property owner understood their obligations to maintain a property to a safe standard and to have this certified on an annual basis. For professional owners and managers, this regulation did not require any change to the management of the property other than providing the paperwork to illustrate that the job had been done with a signature on the bottom to ensure that there was someone to blame. In many ways the new Health and Safety regulations could be regarded as superseding the maintenance requirements

PETER MENCE  
CHIEF EXECUTIVE OFFICER

of the Building Act because owners could not argue that their Health and Safety obligations had been adequately discharged, if the maintenance standards did not comply with accepted standards. At the least the Building Act could be regarded as subordinate regulation.

We have seen other changes that make the property owner's job more difficult too. Some, are intended to make the world a better place – like Health and Safety, but others such as the change from "Polluter Pays" to "Owner Pays" are simply to make it easier to get the job done or to collect the money, because the entity with their name on the title is the one with most to lose. Of course we would not suggest that these are also convenient because otherwise local and central government may have responsibilities? ●



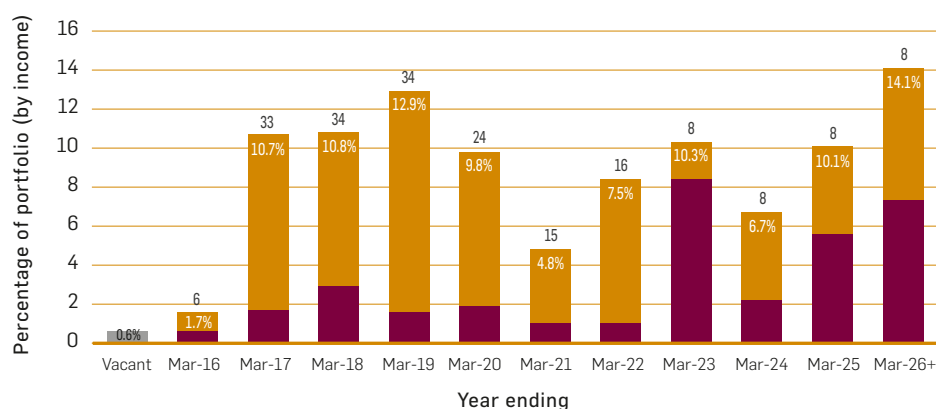
Argosy's property at 46 Waring Taylor Street in Wellington is due to get a new address on Lambton Quay. A refurbishment project has recently been completed which included an upgrade to a modern retail frontage and enlarged tenancy for TSB Bank, as well as improved signage. This coincides with a new 9 year lease to TSB who will retain the naming rights to the property. The second stage of the project is to relocate the street/ lobby access from Waring Taylor St to 147 Lambton Quay, with completion due in the second quarter of 2016.

## Leasing Update

Leasing activity within the portfolio has remained strong since we reported our 30 September 2015 numbers. Occupancy remains high at 99.4% and current year expiries have reduced to just 1.7% of the portfolio. Key leasing successes include a new 15 year lease to Compac Sorting Equipment at 4 Henderson Place, Onehunga and an 8 year lease renewal to EziBuy at 31 El Prado Drive, Palmerston North.

Looking ahead, Argosy's lease expiry profile remains manageable with just over 10% of the portfolio up for expiry in each of the next two financial years.

LEASE EXPIRY PROFILE AT 31 JANUARY 2016



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

## Argosy acquires Prime Industrial Building and Land in Wiri



In November 2015 Argosy announced the off-market acquisition of two Auckland industrial properties adjacent to Argosy's current industrial facility at 19 Nesdale Avenue, Wiri.

The first, at 240 Puhinui Road, Wiri, entails the purchase on completion of a new design/build facility from one of Argosy's existing valued tenants, Cardinal Logistics ("Cardinal"). Cardinal is a 100% New Zealand owned and operated business who specialise in providing distribution and storage solutions, with a strong focus on grocery products and other fast moving consumer goods. Cardinal have been in operation since 1992.

The property, whose design and specifications will be identical to the very high, modern standard of the existing facility which was also built by Cardinal, is to be acquired for \$22.6 million. A new 15 year

lease will be in place from the settlement date which is expected in December 2016. Rent reviews are three yearly to market or a percentage increase of 4.5%, whichever is greater. The initial net effective passing yield on cost is 6.94%.

In addition to this acquisition, the warehouse facility at 19 Nesdale Avenue occupied by Cardinal will have its term extended by three years so both properties will have matching 15 year leases in place.

The second acquisition was adjacent piece of expansion land at 246 Puhinui Road for \$2.85 million, which settled in December 2015. This 0.72 hectares of land enables Argosy to control the dual road access way, as well as providing expansion land for future development.

## Joanna Sharpe wins Cycle Challenge



Argosy Asset Manager Joanna Sharpe recently raced in the BDO Wellington to Auckland Cycle Challenge, a 7 day 900km race with an elevation of over 6,000 metres, and won the Masters age group as well as finishing 4th overall woman in her first time at the event.

Joanna says "I have set myself some lofty goals for this season on top of focusing on my role at Argosy. I'm competing in the Tour of Northland in 3 weeks which should be a lot faster and more furious than the last event and more a challenge for me as a hill climber and less of a sprinter. I then travel to Blenheim in April to try to qualify to ride representing NZ in the UCI World Championships being held in Perth in September. Following that I travel to Queenstown at the end of April for the NZ Road Championships. My goal is always to place first but I know the competition is very tough so I can only train hard, stay focused on my goals and ride as hard as I can!"

Following the Wellington to Auckland race I am loving being back at work and I have to say that I feel my sport and my role at Argosy are very complementary in the sense that I get to challenge myself both mentally and physically and being able to do both means that I am always fresh and excited about both my roles."

## 2016 Investor Roadshow



This year the Argosy investor roadshow will be held from 30 May to 16 June 2016 after the annual results have been released. Senior management will tour the length of the country to present Argosy's 2016 annual financial results and provide an update on strategy and recent activity within the portfolio. We encourage you to take the opportunity to attend and catch up with members of the management team.

PROPERTIES

68

TENANTS

194

WALT

5.28<sub>yrs</sub>

Weighted average lease term  
of 5.28 years

PORTFOLIO

\$1.39<sub>b</sub>

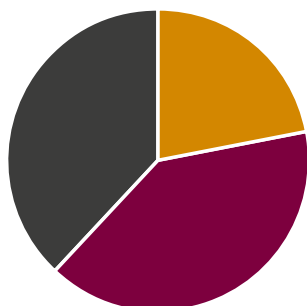
Total portfolio value of  
\$1.39 billion

OCCUPANCY

99.4%

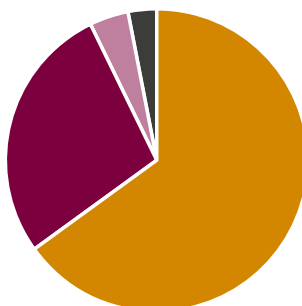
Occupancy (by rent) of 99.4%

TOTAL PORTFOLIO VALUE  
BY SECTOR



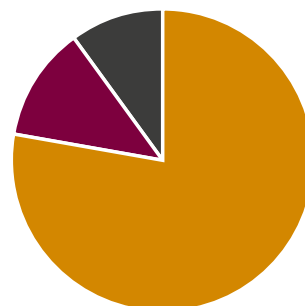
● 22%	Retail
● 40%	Office
● 38%	Industrial

TOTAL PORTFOLIO VALUE  
BY REGION



● 65%	Auckland
● 28%	Wellington
● 4%	Palmerston North
● 3%	Other regional

PORTFOLIO MIX



● 78%	Core
● 12%	Value Add properties
● 10%	Properties and land to divest

## Dividend

The **THIRD QUARTER DIVIDEND** for the 2016 financial year of 1.50 cents per share, with imputation credits of 0.3520 cents per share attached, will be paid on 30 March 2016, with the record date being 16 March 2016.

IMPORTANT DATES

**QUARTER 3 DIVIDEND PAYMENT**  
30 March 2016

**ANNUAL RESULTS ANNOUNCEMENT**  
26 May 2016

**RETAIL SHAREHOLDER ROADSHOW**  
30 May – 16 June 2016

**QUARTER 4 DIVIDEND PAYMENT**  
June 2016

**QUARTER 1 (FY17) DIVIDEND PAYMENT**  
September 2016

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/InvestorCentre](http://www.computershare.com/InvestorCentre)



# Argosy sells remaining vacant land in Palmerston North



Manawatu  
Business Park  
PALMERSTON NORTH

**SOLD**

In 2006, Argosy entered into a joint venture and acquired a 50% interest in the Manawatu Industrial Park (the Park), which originally comprised of 70 hectares of land and two industrial properties, with one under construction. In 2010 Argosy acquired full ownership and the joint venture was terminated. Over the years since, the Park has been partially developed, but a key strategy for Argosy has been the sale of the remaining vacant land. Recently Argosy announced the unconditional agreement to dispose of all the remaining vacant land at the Park for \$23.3 million, which includes 2.4 hectares of land owned by Argosy and previously held for expansion by EziBuy.

The total amount represents a 3.7% discount to the most recent book value.

Settlement is expected to occur prior to the end of March 2016. \$2 million will be placed in a solicitor's trust account pending the registration of a covenant which has already been agreed by all relevant parties. This is expected to be registered by the end of July 2016.

Argosy CEO, Peter Mence, says "it is very pleasing to find a resolution for an asset that has been designated as non Core for a considerable period."

Argosy will still own two properties in the Park at 31 El Prado Drive, where EziBuy have recently signed an 8-year lease renewal, and 44 Neil Lane.

"It is very pleasing to find a resolution for an asset that has been designated as non Core for a considerable period."

PETER MENCE  
CHIEF EXECUTIVE OFFICER