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Strong Auckland
Industrial outlook

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Peter Mence CEO

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28 February 2022

Argosy

Investor Update

Property market fundamentals are strong



12-16 Bell Ave is undergoing redevelopment and targeting a 4 Green Star rating.

The outlook for various segments of New Zealand's commercial real estate market is looking very good. According to CBRE¹, commercial real estate returns are forecast to be positive over the next five years (2021-2025). Across the 12 sectors ranked, CBRE rank secondary industrial at No.1, underpinned by continued strong absorption levels, coupled with constrained supply and low vacancy rates.

Large format retail is ranked second with a five year annualised forecast total return of 10.7% and prime industrial is ranked third with a five year annualised total return of 9.9%. Argosy's portfolio is -50% weighted to Auckland industrial and is expected to increase further as it redevelops its substantial organic development pipeline. Supported by the CBRE research, Argosy's portfolio is well placed to benefit from attractive structural trends in the industrial sector.

“

The outlook for Auckland industrial is very sound and our business is well positioned to benefit.”

Peter Mence
CEO

What the numbers are saying

CBRE forecast five year annualised total returns for Auckland secondary industrial of 11.2% over the five year period to 2025 and 9.9% for prime Auckland industrial. Argosy has 7% and 37% weightings to these two sectors respectively. Forecast volatility and vacancy rates for these sectors are also very low.

Prime net effective rents have increased by 5.3% in the six months to December 2021, while secondary net effective rents increased by 4.8% over the same period – resulting in overall annual rent growth of 8.8% and 7.9% respectively for 2021.

Colliers² research (see charts overleaf) also supports the CBRE view that Industrial remains the most attractive property asset class for investors for its strong fundamentals including low vacancy, strong rental growth and occupier demand outlook.

¹ Auckland Property Market Monitor February 2022, CBRE

² PCNZ Market Outlook presentation, March 2022

What the numbers are saying

What does this mean for Argosy?

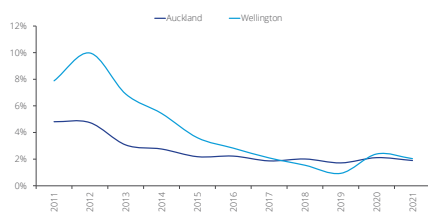
Argosy's portfolio is approximately 50% weighted to the industrial sector with 43% of this in Auckland. Argosy has 28 Auckland industrial properties valued at \$944 million which are 100% occupied and with a WALT of 6.7 years (excluding development properties).

Importantly, at its recent interim results announcement, Argosy classified approximately \$433 million of its portfolio as organic value add developments and \$215 million of these were green industrial opportunities, some of which were underway.

Argosy's Head of Development Marilyn Storey said, "The independent research is really confirming our own view that our pipeline of developments are not only in demand, but are going to be very well received by the market."

Industrial Vacancy

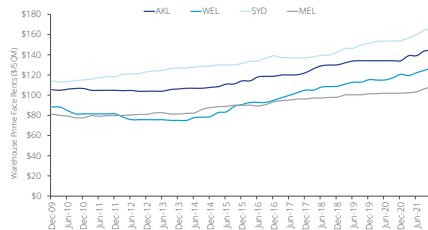
Rates lift from historic lows but unlikely to become a trend



Source: Colliers Research, PCNZ Market Outlook - headwinds and tailwinds March 2022.

Industrial Rents

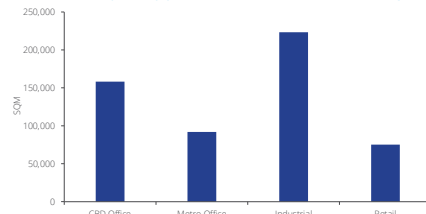
Tight Market Conditions Drive Rental Growth



Source: Colliers Research, PCNZ Market Outlook - headwinds and tailwinds March 2022.

Development Sector Response

Auckland development pipeline lifts (U/C, Consented, Marketing)



Source: Colliers Research, PCNZ Market Outlook - headwinds and tailwinds March 2022.

Industrial Developments

Neilson Street, Onehunga

This is a 3.5ha site located on the north side of Neilson Street directly opposite Waikaraka Park in Auckland's central industrial corridor. It is strategically located 8km from the city centre with excellent access to both motorway networks, SH1 (3km) and SH20 (1.5km). With a targeted occupancy date of Q4 2023, the site will offer 5 Green Star high stud office/warehouse options from 3,500m² – 7,000m².

Mt Richmond Drive, Mt Wellington

This is the bigger of the two industrial development sites and is currently undergoing master planning. Mt Richmond is a 10.6ha site in the central industrial precinct of Mt Wellington, only 15km from Auckland CBD.

It is strategically located between Great South Rd and Mt Wellington Highway and 2km from the Mt Wellington interchange.

The industrial estate will benefit from targeting a minimum 5 Green Star rating with high stud options ranging from 4,000m² – 18,000m², ample parking, café and state of art end of trip facilities.

Simon Brake said, "The market is looking for long term real estate industrial solutions to their strategic growth requirements. Mt Richmond offers the potential to deliver 40,000m² of modern, efficient warehouse and 4,000m² of green office space. These two estates will support the delivery of Argosy's vision of building a better future for the environment, our tenants and shareholders. It's exciting times."



The bottom up fundamentals are very strong with sub 2% vacancy rates for industrial driving demand and we don't see things changing over the medium term."

Simon Brake
DEVELOPMENT MANAGER

Industrial property vacancy levels

<2%

New Development Manager

During the year Argosy bolstered its internal development resources with the hiring of Simon Brake as a new Development Manager. Simon has an extensive property career and was most recently in development manager roles with well-known companies including Foodstuffs and Placemakers. Prior to returning to New Zealand in 2016, Simon had worked extensively in Europe, the Middle East and Africa for several years. Simon has a Bachelor of Property from the University of Auckland and a Bachelor of Construction Management from the Unitech Institute of Technology.

"While its only been five months, I am really enjoying my time here as there is a lot going on within the business. There is a lot of opportunity within the portfolio so the next 3-5 years are going to be really exciting."

Business update



Peter Mence, Chief Executive Officer

Whilst underlying real estate fundamentals remain sound, the COVID pandemic continues to weigh on global and local economies. Conflict with the Russian invasion of the Ukraine is terrible news from a humanitarian perspective and also negative for the global economy.

Domestically, we are seeing high inflation levels, and the cost of living, as we all know, is challenging for many. For now, we remain cautious about the near-term outlook with risk of further headwinds through the remainder of CY22, but very pleased with the resilience demonstrated by the Argosy business.

I am extremely pleased the business has delivered across key operational metrics, and key strategic focus areas.

Rent reviews and leasing

For the 11 month period to 28 February, the team completed 87 rent reviews achieving annualised rental growth of 3.1% despite the challenging environment. These reviews were achieved on rental income totalling \$53.9 million. On rents subject to review by sector, we achieved annualised rental growth of 3.6% on office rent reviews, 2.7% on industrial reviews and 3.3% for large format retail. Auckland accounted for 76% of all reviews (by rent) and achieved a 3.0% annualised increase and Wellington a 3.2% increase.

The leasing environment was positive, despite regular periods of uncertainty, and during the 11 month period we had completed 26 leasing transactions including 19 new leases, three extensions and four renewals. We continue to focus on our remaining expiries where, by income, Argosy has 1.3% remaining in FY22 and we expect to extend these leases.

The team delivered some great leasing results over the 11 months to February including:

- Thermo Fisher Scientific NZ Limited, 2,664m² at 5 Allens Road, East Tamaki 6yr renewal
- Commercial Fisheries Services Limited, L12 at 7WQ, 1,229m² on a new 9yr lease
- Mobil Oil NZ Limited, 8 Nugent Street, 557m² on a 3yr extension
- Macpac Limited, Albany Mega Centre, 775m² on a new 6yr lease
- Ministry of Housing and Urban Development, 7WQ, 1,228m² on a new 7.4yr lease
- The Baby Factory, Albany Mega Centre, 527m² on a new 6yr lease
- PBT Transport, 18-20 Bell Ave, 8,941m² on a new 10yr lease
- PBT Transport, 12-16 Bell Ave, 9,763m² on a new 10yr lease
- Tax Management New Zealand Limited, 23 Customs Street 655m², on a new 5yr lease
- Earthwise Group Ltd, 12 Allens Road, 2,337m² on a new 3yr lease

“It’s great to have 7 Waterloo Quay now 100% leased. Coupled with the substantially complete façade works, the building is now well positioned to deliver resilient, long term rental streams given its weighting to highly defensive Government tenants,” said Peter Mence.

Development update

8-14 Willis Street/360 Lambton Quay

This development is nearing completion with handover expected in April 2022. At Willis Street, the scaffold now only remains at ground level while street front canopies are completed. The central atrium skylight is complete and was exposed for the first time earlier this month. Soft tenant fitout by Statistics New Zealand (on a 15 year lease) is underway. The retail area in both buildings is now fully leased while market interest on the office space (approximately 2,200m²) remains strong and is subject to a conditional agreement.

12-16 & 18-20 Bell Avenue

This \$8.8 million redevelopment targeting 4 Star Green continues to progress well. PBT has entered into a new 10 year lease with two rights-of-renewal of six years. On completion, the project is forecast to have a yield on development cost of 5.2% with an IRR of ~8.3%. The forecast valuation on completion is expected to be \$69 million.

105 Carlton Gore Road, Newmarket

Argosy has commenced its \$35 million green redevelopment of this property with an expected completion date of Q2 2023. The building is targeting 5 Green Star certification and is forecast to be valued at \$65 million on completion, generating an IRR of ~7% and a yield on cost of ~5.3%. Leasing enquiry for the redeveloped building is strong, and it is expected that it will be substantially leased well prior to completion.

Capital Management

We continue to manage capital prudently and our debt to total assets ratio as at February 28 was 31.8%.

Looking ahead, the remainder of calendar year 2022 will be demanding with geopolitical volatility, high domestic inflation, volatile fuel prices and ongoing supply chain issues likely to remain problematic for economic activity generally.

The Argosy business has demonstrated solid resilience over the last two years and has maintained near full occupancy levels and growth in income.

I look forward to updating you fully on our FY22 annual result webcast to be released on 19 May 2022.



Over the first six months of FY22 Argosy continues to engage and grow its social responsibility commitment in local communities. Below we provide an update of some of the outcomes achieved by the local community organisations that Argosy supports.

Variety - the childrens charity: Winter 'warm hearts' appeal

Through the 2021 winter Argosy worked closely with Variety to again support their 'kids in beds' winter appeal. Argosy considers Variety an amazing organisation. The impact from COVID over the last two years has made their support of those families and children most in need even more important. Now in its third partnership year, Argosy again supported the winter appeal with \$7,500 towards blankets, bedding packs and beds. Argosy staff continue to dip into their own pockets and topped up the company sponsorship by \$2,050, making a total sponsorship package of \$9,550. This allowed Variety to provide 28 beds and bedding packs for children over winter. "Variety is an organisation we are very happy to support given the real difference it makes to communities and families most in need and also how it fits with our social philosophy of 'changing lives, saving lives'," said Peter Mence, CEO.

Kids who received a bed and bedding packs of their own last winter

28



Pillars
Ka Pou Whakahou

Pillars - still delivering to those who need it most

Last year, COVID and lockdowns meant that time together was not possible, and more than ever what families needed was food, resources, and supplies in their homes.

It was pleasing to hear that the Argosy support of \$7,500 was shared among 50 families in South Auckland and Hamilton, through a combination of emergency food support, PPE supplies, basic medicines, school supplies and then later for Christmas presents. Throughout lockdown, Pillars had many families needing food support - but many food banks were inundated and could not always provide for everyone.

Corrina Thompson, Senior Mentoring Co-ordinator said, "This is where Argosy's donation was relied upon - to put food onto the tables of families who were going hungry. We also used it to fund the purchase of PPE supplies for our children and families such as masks,

sanitiser, and gloves, as well as in-demand medicines like Panadol for whanau who were unwell. We also purchased and delivered school activity books and stationery to support children's learning whilst they were in lockdown."

Pillars remains a very valuable partnership to Argosy and we continued to be amazed at the work that this organisation does to help their communities.

Annual Shareholders Meeting (ASM)

Planning for the 2022 Annual Shareholders Meeting is underway and it will be held on Tuesday 21st June at the Royal New Zealand Yacht Squadron in Westhaven, Auckland. The meeting will again be a hybrid meeting as the benefit of this option allows shareholders to participate and attend 'virtually' in all elements of the ASM including being able to ask questions and complete their voting. As per normal, Chair Jeff Morrison and Chief Executive Peter Mence will deliver their addresses on the FY22 year and outlook ahead.



2022 Retail Roadshow

Planning for the 2022 Retail Roadshow is underway. CEO Peter Mence and CFO Dave Fraser will aim to make their 13-city tour around New Zealand in late June, early July. The Retail Roadshow is always a great way for management to meet directly with shareholders and update them on the business performance, sustainability objectives and the 10-year strategic plan. Argosy shareholders have always shown a great understanding of the business and the listed property space generally.



105 Carlton Gore Road render



105 Carlton Gore Road render

Properties

53

Tenants

153

WALT

5.1yrs

Weighted average lease term

Portfolio

\$2.1b

Total portfolio value

Occupancy

98.7%

Occupancy (by rent)

Total portfolio update
By sector



- 50% Industrial
- 40% Office
- 10% Retail

Portfolio mix
by asset type



- 80% Core
- 20% Value Add properties
- 0% Properties and land to divest

Total portfolio value
by region



- 71% Auckland
- 27% Wellington
- 2% Rest of NZ

Dividend

The **3rd Quarter Dividend** for the 2022 financial year of 1.6375 cents per share, with imputation credits of 0.119884 cents per share attached. The record date for the dividend was 16 March 2022 and the payment date was 30 March 2022.

Important dates

FY22 Q3 DIVIDEND PAYMENT

30 MARCH 2022

FY22 ANNUAL ANNOUNCEMENT

19 MAY 2022

FY22 Q4 DIVIDEND PAYMENT

JUNE 2022

ANNUAL SHAREHOLDERS MEETING

21 JUNE 2022

FY23 Q1 DIVIDEND PAYMENT

SEPTEMBER 2022

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