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MANAGED BY Centuria

29 November 2021

Dear Shareholder,

As we release our interim result for the six months ended 30 September 2021, we unfortunately find ourselves back in COVID-19 related lockdowns in Auckland. During the first half of the year we had been continuing to implement our strategy across the portfolio, while the market gathered momentum and confidence following the March-April 2020 national lockdowns, and the August-September 2020 regional lockdown in Auckland.

The re-emergence of the virus, and in particular the Delta variant in August has posed unprecedented challenges. However, there is light at the end of the tunnel with vaccination rates across the country and globally progressively increasing, and the likelihood of restrictions being eased in advance of Christmas. The recent lockdowns haven't necessitated a change in our strategy - however, it is likely to impact on the timing of successful leasing and the completion of developments.

The impact across the existing portfolio has been significant, as we have sought to provide our tenants across the portfolio with rental abatement and support. We have always taken pride in our collaborative approach with tenants, to ensure their businesses survive.

It is unfortunate that the Government has felt compelled to take a broad-brush approach towards this issue, and their decision to implement legislation changes that impact all commercial landlords throughout the country by effectively applying the 'no access' clause into all leases, back-dated to 17 August 2021 is disappointing. The full implications of this will need to be worked through, however provision has been made within the interim results totaling $0.2 million.

With the timing of the lockdowns, the financial impacts are relatively minor for the period, however we anticipate that the aftereffects will potentially linger well into 2022. This will be through both the immediate financial impact of rental abatement to support tenants during and post lockdown, and potential tenant default moving forward. Of potentially greater effect is the adverse impact on business sentiment and confidence, and ongoing business investment and decision making, particularly as it relates to commitments to new premises.

Commitment to new leases, particularly in the office sector, plummeted following the initial 2020 lockdown as significant sublease space became available. Positive sentiment really started to gain momentum throughout 2021, with effectively all CBD sublease space taken up, only to have the Delta variant put the brakes back on market activity.

As a result, we have been hindered in our efforts to date to lease the balance of space at Munroe Lane, and the leasing of 35 Graham Street. It's likely that securing tenants across both properties will take longer than originally anticipated.

However, we remain very confident that the office plays an integral role in the day-to-day operation of businesses and we are now seeing anecdotal evidence of Auckland office workers strong desire to return to the office. The fundamentals of our office properties remain attractive, in terms of location, floor plates, sustainability and efficiency that enables the latest workplace design initiatives to be adopted.

At the Munroe Lane development, physical works have been progressing within budget and programme, with our construction partner Icon performing well in a dynamic market. However, delivery has now been delayed as a result of the recent Level 4 lockdowns, and although construction has been allowed to continue for the most part under Alert Level 3, it has been at a reduced capacity given social distancing requirements. There are costs associated with the Level 3 delays, which will be funded from the project's contingency. Fortunately there are no delay or penalty costs payable to the anchor tenant, Auckland Council, as these delays are force majeure events

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and are "back to backed" under the Agreement to Develop and Lease. We, remain committed to delivering this project as soon as possible, so that the income stream from Auckland Council can be realised.

The settlement date for the sale of Eastgate Shopping Centre has now been fixed. A floating date range had originally been announced, but we have now confirmed that it is to occur on 1 April 2022. The additional income associated with this will help to offset some of the impacts from the recent lockdowns for the full year. The realised proceeds from the Eastgate divestment will then be recycled into debt reduction and the proposed refurbishment or development at 35 Graham Street.

In light of current market circumstances, we have revised our preferred strategy of full redevelopment of 35 Graham Street to concurrently progress the option of a moderate refurbishment of the existing building. While this may not have the same appeal as a full-scale redevelopment, the forecast completion date would more closely align with a number of potential occupiers existing expiry or renewal dates in the near term.

Implementation of this revised strategy for the property should allow us, subject to securing leasing commitment, to produce an income stream sooner, and with a lower capital outlay and delivery risk, without the need to raise capital to fund the full scale redevelopment.

We are confident that the property fundamentals remain appealing, and leasing commitment will be secured, albeit potentially delayed as a result of COVID-19 impacts on business sentiment. Internal demolition and associated works will be commencing on site in January 2022, which provides us with time and the ability to secure leasing commitment for either development option before fully committing to a confirmed strategy in early 2022. Maintaining this flexibility to respond to a range of prospective occupier demands over the course of the next few months is a valuable option.

The reduced income at 35 Graham Street from July 2021, and expected full vacancy in December, coupled with the delayed Munroe Lane completion and the divestment of Eastgate, means that Stoddard Road will become the only income producing asset from April 2022 for an approximate 12 month period, until Munroe Lane is completed in early 2023.

Prudent capital management is therefore more important than ever, particularly as we now also find ourselves in an inflationary environment, with increasing interest rates which will inevitably have an impact on capitalisation rates over time.

Thank you as always for your continued support. We look forward to continuing to deliver on our revised strategy as we prudently manage the company's assets for the benefit of shareholders.

Regards,

Bruce Cotterill
Chairman

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