ASSET PLUS+
MANAGED BY Centuria

CHAIRMAN'S ADDRESS

I'm pleased to be given the opportunity to invite you to vote on the proposed sale of the property at 35 Graham Street, Auckland for $65.0 million.

It is the Board's unanimous recommendation that shareholders vote in favour of the proposed resolution for the reasons set out in the Notice of Special Meeting sent to investors on the 19th of May.

As many of you will recall, the Property was acquired in mid-2019 with short-term holding income over a 2-year period from settlement.

The Property had a number of redevelopment prospects including:

- a light refurbishment option; or
- an extensive redevelopment which included adding 2 or 3 floors of additional office space; or
- something in between the two.

Design and consenting workstreams for the preferred redevelopment option were promptly undertaken and resource consent for the proposed redevelopment was obtained in February 2021. We also commenced marketing activity with a view to securing leasing commitments.

At the time of acquisition, the office market sector was buoyant, with a shortage of prime space available, particularly in that corridor west of the city. That made the acquisition and development potential of the Property appealing. Also appealing was the flexibility and range of options, including the ability to reduce the scale of the development if market conditions changed.

At about the same time, we also secured the Munroe Lane development opportunity and launched a $100.0 million capital raise to fund both projects. That capital raise was unfortunately withdrawn due to turbulent market conditions and uncertainty as the COVID-19 pandemic arrived on our shores. The reduced $60.2 million capital raise launched in September 2020 to enable the Munroe Lane development opportunity to proceed. At the time this was predicated on the basis that a further capital raise and/or sales of further assets would need to occur to fund the 35 Graham Street development. However, as we stand here today, we have not succeeded in generating any leasing pre-commitment for the Property and, at this point, with the Company's current share price relative to NTA, the Board does not consider that a capital raise to fund the development of the Property is currently a viable option.

Although the fundamentals of the Property remained attractive and while a number of prospective tenants indicated their interest in the Property, pre-leasing efforts have been unsuccessful. Key factors include:

- various lockdowns;
- working from home mandates; and

Auckland Office
Level 2, Bayleys House, 30 Gaunt Street, Wynyard Quarter, Auckland 1010
Auckland Postal
PO Box 37953, Parnell, Auckland 1151
Contact
Enquiries@centuria.co.nz | +64 (9) 300 61 61

- significant sublease space coming to market as other tenants in the area have reacted to the market changes.

Notwithstanding, there have been a number of significant lease transactions occurring during the period typically for near complete, or complete, new build construction projects with 6-star Green Star ratings. This highlights the benefits of having the capability to build 'on spec' to respond to occupier demands and a balance sheet to facilitate such an approach.

When these circumstances are placed alongside some of the more recent developments in the market, such as:

- a now increasing interest rate environment;
- supply chain impacts on increasing construction costs; and
- softening of the investment market,

it becomes apparent that the best option for the Company is to forego this opportunity given our current financial capability.

As you now know, the company received an unsolicited offer from Mansons in April. Following some negotiation between the two parties that offer is before you now. Upon receiving the offer and prior to signing the agreement, management were instructed to canvass the (probably limited pool of) potential purchasers who would be in a position to acquire the Property. It quickly became clear that the offer received from Mansons was considered by the Board to be the best available offer and, that it was in the Company's best interests that it be accepted.

Accordingly, given the circumstances above, the Board feels that this is a very good offer that should be accepted by shareholders.

There is no question that there is increased delivery risk to deliver the 35 Graham Street development in the current market. Holding the Property absent any leasing commitment would be an ineffective use of capital. And so, a sale of the Property – albeit an opportunistic one – is therefore the best currently available option to preserve value for Shareholders and to provide a stable platform from which to move forward.

The $65.0 million (plus GST, if any) sale price for the Property represents:

- a premium to the 31 March 2022 independent valuation by JLL of $56.0 million; and
- an NPV of the Transaction of $59 million – also above the JLL valuation.

The sale proceeds will be utilised to retire debt, which is anticipated to reduce the Company's debt to approximately $19.0 million, or a 10% LVR upon settlement.

Settlement is set for 1 December 2023 at the earliest and a 10% ($6.5 million) deposit is payable by Mansons once Shareholder approval to the Transaction is obtained. Once received, that deposit will be utilised to retire debt.

Auckland Office
Level 2, Bayleys House, 30 Gaunt Street, Wynyard Quarter, Auckland 1010

Auckland Postal
PO Box 37953, Parnell, Auckland 1151

Contact
Enquiries@centuria.co.nz | +64 (9) 300 61 61

Mansons, of course, has a demonstrated an enviable track record in the Auckland office market, and we therefore consider Settlement risk to be low.

The extended Settlement date affords the Company time to complete the Munroe Lane development and consider how market conditions develop over the intervening period. Upon settlement of the Graham Street transaction, the Company will be well placed to consider future opportunities as they arise.

I'd now like to introduce Stephen Brown-Thomas from Centuria who will provide further detail on the sale of 35 Graham Street.

MANAGER'S ADDRESS

Thank you Bruce, and good afternoon everyone. I am Stephen Brown-Thomas, the Asset Plus Fund Manager from Centuria NZ, the external manager of Asset Plus. I'll now run through the manager's presentation, which should hopefully address any queries that you may have. However, as noted by Bruce please ask any questions you may have, and we will answer these at the conclusion of the presentation, and prior to voting on the resolution.

Firstly, I'd like to summarise the transaction for you. The purchaser is Mansons TCLM Ltd who are a very well regarded, well-heeled private developer in Auckland. They are one of Auckland's largest developers of commercial office space over the past 15 years.

The purchase price is $65.0m and settlement is to occur on 1 December 2023, with a deposit of $6.5m payable once the transaction becomes unconditional.

Mansons have a right to extend the settlement date out to 1 December 2024 and in exchange the purchase price will increase to $68.0m and the deposit payable will increase to $13.6m. Mansons must confirm this settlement extension option to us by 1 October 2023, at which point the additional deposit will be payable.

An extended settlement date is not unusual for a transaction and property of this nature.

The transaction is completely unconditional from the purchaser's side and is conditional only upon Asset Plus shareholders approving the transaction today. This means that should Mansons fail to settle the property on the settlement date they will forfeit their deposit(s) in full, be liable to pay penalty interest, and we could also sue them for any loss on a subsequent re-sale of the property.

The key circumstance in which Mansons could terminate the agreement is if the property was so damaged or destroyed, and such damage was not made good prior to the scheduled settlement date. The purchaser could elect to proceed with settlement at the purchase price, less any insurance monies receivable. The property is currently insured in excess of the purchase price of the property. The other circumstance that could give rise to termination by

Auckland Office
Level 2, Bayleys House, 30 Gaunt Street, Wynyard Quarter, Auckland 1010

Auckland Postal
PO Box 37953, Parnell, Auckland 1151

Contact
Enquiries@centuria.co.nz | +64 (9) 300 61 61

the purchaser is if Asset Plus does not complete settlement of the property, on the settlement date.

I'd also like to note that we retain the ability to lease parts or all of the property up until the settlement date so long as we deliver the property up with vacant possession on settlement. We are actively working on a number of leasing opportunities that are predominantly car parking related. However, we do not expect any material leases to be entered into given the current status of the property, and the timeframe through to settlement.

I'd now like to cover off the impacts of the transaction proceeding.

Firstly, it will eliminate leasing and development risk on the property, in what is currently a very challenging environment. As you know we've actively been trying to lease this property under two redevelopment scenarios for the past 2 years, with no tenant commitments secured to date. The construction landscape has also significantly altered in the past 2 years as a result of supply chain constraints, and escalation pressures with significant risk in construction delivery at present.

Post settlement the company's debt is forecast to reduce to circa $19m or a 10% loan to value ratio, which is low by sector averages of approximately 30-35%.

The company is currently constrained by a small balance sheet relative to the scale of developments and now alleviated risk for delivery of those developments. Without securing significant leasing pre-commitment the company is not in a position to fund the redevelopment of the property 'on spec'.

The sale price represents a premium to the 31 March valuation undertaken by JLL which valued the property at $56.0m. The net present value of the transaction is $59.0m, which is based on the forecast cash flows associated with the asset up to the settlement date. $59.0m was also adopted as the fair value of the property for the year ending 31 March.

Post settlement of the property the forecast financial impact of the transaction is as follows:

- There is no impact on the forecast income for the company as the property is currently vacant
- There will be a saving of $0.5m per annum for operating expenses that will not need to be funded on the property
- Management fees for the company will reduce, a saving of $0.3m per annum
- Interest costs for the company will reduce as sale proceeds are utilised to repay debt. These savings are estimated at $3.7m per annum
- The ability to claim depreciation on the property will be lost once the property settles, this is approximately $0.7m per annum, but would decline over time reflecting the diminishing value of the asset.

Auckland Office
Level 2, Bayleys House, 30 Gaunt Street, Wynyard Quarter, Auckland 1010

Auckland Postal
PO Box 37953, Parnell, Auckland 1151

Contact
Enquiries@centuria.co.nz | +64 (9) 300 61 61

Now that we've covered off the impacts of the transaction, I'd like to set out the rationale for divesting this asset. Firstly, it will de-risk the company by:

- reducing debt to a 10% LVR; and
- removing significant capital commitments to redevelop the property that would need to be funded through our debt facilities, that would be wholly contingent on securing pre-leasing commitments.

As noted, there has been a structural shift in sentiment over the past 2 years relating to office leasing as a result of the Covid-19 pandemic. This has adversely impacted on our ability to secure tenant commitments under either redevelopment scenario on the property. Given this lack of pre-leasing we are unable to unlock the debt facilities available to us to redevelop the property 'on spec'. The company unfortunately does not have the balance sheet capacity, nor income profile to be able to hold the asset vacant for an extended period of time.

The forecast development margins, and yield on cost for either development scenario on the property are no longer sufficient relative to the risk associated with delivery in the currently challenging environment, reflecting the changing macro-economic landscape and increasing interest rate environment.

Given the inability to debt fund either redevelopment scenario without leasing pre-commitment, equity would be required to redevelop the property 'on spec', however raising capital at this time is not feasible given the current share price, discount to NTA, and the price capital was raised at in the 2020 raise.

The sale will also realise funds above the 31 March JLL independent valuation.

The proceeds of sale will be wholly used to repay part of the companies debt facilities. The initial deposit, and any subsequent deposit if the extended settlement date option is exercised will both be used to repay debt. On settlement the remainder of proceeds will also be utilised to repay debt, with the companies debt facilities forecast to reduce to circa $19m or a 10% loan to value ratio.

BNZ remain supportive of the sale and strategy to reduce the companies debt facilities.

This property was purchased pre the covid-19 pandemic in 2019. The strategy was to redevelop the property under either a full redevelopment, or partial redevelopment scenario. Market conditions have changed drastically since acquisition with the onset of the covid-19 pandemic and subsequent impacts, particularly on the office leasing market. These changes have adversely impacted on our ability to deliver on the intended strategy for the property. The changes have been threefold:

1. Adverse change in office leasing sentiment
2. Increased delivery risk driven by supply chain constraints, labour scarcity and significant cost escalation

Auckland Office
Level 2, Bayleys House, 30 Gaunt Street, Wynyard Quarter, Auckland 1010

Auckland Postal
PO Box 37953, Parnell, Auckland 1151

Contact
Enquiries@centuria.co.nz | +64 (9) 300 61 61

3. And an increasing interest rate environment

Which have all impacted on our ability to deliver on the original business case.

I appreciate that we set out to grow the company and portfolio through this opportunity, and the Munroe Lane development, however circumstances have changed, and the divestment of this asset is the right decision given the constraints of the company, and current market conditions we are facing.

Management remain committed to delivering the Munroe Lane development, which will then provide a stable platform for the company to move forward from.
If shareholders do not approve the transaction today, we will incur costs of approximately $0.1m associated with the shareholder meeting and legal expenses.

In addition, the forecast reduction in interest costs will be lost, it may take a protracted period of time to secure leasing commitments for the property, further equity would be required to redevelop or refurbish the property, and there may be potential for an event of review under the BNZ banking facilities if leasing commitments are not obtained on the property by 30 September 2022.

Management are also of the view that we would be unlikely to secure any alternative purchaser for the property, particularly at the currently contracted purchase price.

The key risks of the transaction are if Mansons fail to settle the property on the settlement date, and if a damage or destruction event occurs resulting in Mansons terminating the sale and purchase agreement.

We believe the risk of Mansons defaulting on settlement is low given their track record for transactions of this nature. The fact that they would forfeit their deposits, be liable for penalty interest and we would have the ability to sue them for any subsequent loss on re-sale of the property.

We also deem the damage and destruction risk to be low given the property's seismic capacity, the low seismic activity in the Auckland region, and the fact that the property has fire protection systems installed and the property is inspected on a weekly basis by management. We also hold replacement insurance in excess of the purchase price, and could potentially cash settle any insurance claim if the building was destroyed and sell the bare land.

That concludes the managers presentation, I'll now pass back over to Bruce to facilitate responses to any questions that shareholders may have.

Auckland Office
Level 2, Bayleys House, 30 Gaunt Street, Wynyard Quarter, Auckland 1010

Auckland Postal
PO Box 37953, Parnell, Auckland 1151

Contact
Enquiries@centuria.co.nz | +64 (9) 300 61 61