



**Auckland Real Estate Trust
ASX / NZX Announcement
25 August 2021**

Auckland Real Estate Trust's New Zealand property portfolio, which is located in Auckland's CBD, has increased in value to NZ\$291.00m, an increase of \$89.10m after adjusting for acquisitions, driven primarily by:

- **NZ\$52.50m gain in the value of 1 Albert Street as the re-positioning works completed and new leasing occurred**
- **NZ\$26.00m gain in the value of the Fusion project as new leasing occurred, which increased the 'as if complete' valuation to NZ\$175.00m**
- **The valuation gains are a reflection of the success of ARE's investment strategy and tenants' positive response.**

During the reporting period 30 June 2020 to 30 June 2021, the Trusts' assets in New Zealand increased from NZ\$143.90m to NZ\$291.00m. This increase has been driven by two factors:

1. The acquisition of assets for NZ\$58m, and
2. A valuation gain of NZ\$89.10m, based on independent valuations.

During this period, the Trust acquired 16 Kingston Street and 60 Federal Street for \$58m. These assets have been consolidated with the existing 87 Albert Street property to form the Fusion project. The three assets are now valued as one under the name Fusion.

The three assets located in the Viaduct Harbour (10 Viaduct Harbour Avenue, 12 Viaduct Harbour Avenue and 110 Customs Street West) are collectively called the Harbour Collection.

The valuation gain of NZ\$89.10m can be summarised as follows, noting the Fusion valuation is net of acquisition costs for comparison purposes.

Date of valuation	30 June 2020	30 June 2021	Valuation gain
\$NZ m			
1 Albert Street	\$72.50	\$125.00	\$52.50
Fusion	\$32.00	\$58.00	\$26.00
The Harbour Collection	\$39.40	\$50.00	\$10.60
			\$89.10

Mr Andrew Saunders, Executive Chairman of the ARE fund manager, said "It is very pleasing to see our strategy coming together so well and to see the valuations positively reflecting the successful implementation and progress we have made to date. The tenancy take-up and the rents we are achieving continue to be strong and generally ahead of our expectations, we remain confident that further upside is available as the strength of demand for our offering continues to attract tenants.

"We have commenced detailed discussions with brokers to explore liquidity and capital raising options in the New Zealand market to support our development and growth plans and expect to update investors on this towards the end of this calendar year."

The movements in valuation for the key assets are outlined below.



1 Albert Street

During the period, the property refurbishment was largely completed and leasing to new tenants progressed. Whilst occupancy during this period decreased from 90% to 65% as of 30 June 2021, this reflected the phasing of the re-positioning works, with existing tenants relocating, the completion of works and new tenants taking occupancy. Subsequent to 30 June 2021, occupancy has increased to 83% and rents have continued to show growth.

The table below extracts key data from the valuations as of 30 June 2020 and 30 June 2021. The main drivers are successful new leasing at rents in excess of the adopted market gross rent in the prior valuation and a movement in the yield, as risk reduced due to the completion of the majority of construction works.

Date of valuation \$NZ m	30 June 2020	30 June 2021
1 Albert Street	\$72.50	\$125.00
Adopted market gross rent		
Lower level	\$555	\$715
Mid-level	\$635	\$735
Upper level	\$685	\$820
Actual occupancy	90%	65%
Initial yield (Fully leased)	5.23%	5.15%

The recent fire at the property has been confirmed as arson, the property is insured and the insurance claim has been accepted in full. There is no impact on the building's occupancy or value.

Fusion

The design development phase is now complete enabling detail costings and the tendering of the project's major works, in particular the key risk works such as ground works and the facade. In addition, the three office towers have commenced leasing with the new leases at gross rents at levels in excess of those forecast.

At the time of the acquisition of 16 Kingston and 60 Federal Streets, the 'as if complete' valuation for Fusion was NZ\$148.50m. Based on the reduction of risk in the delivery process and the leasing that has occurred, this 'as if complete' valuation has increased to NZ\$175.00m. A discount of NZ\$59m has been applied to the 'as if complete' valuation, equating to the NZ\$116m current valuation. The discount comprises a risk adjustment of NZ\$25m and the forecast costs to construct and lease. As the construction and leasing progresses over the next 18 months, it is expected the risk adjustment will reduce.

The Harbour Collection

The three assets that form the Harbour Collection have benefited from re-positioning and leasing. At the time of acquisition, the average gross rent across the portfolio was \$550sqm. Pleasingly, recent leasing and rent reviews have averaged in excess of \$800sqm. This is noted in the table below, which extracts key data from the valuations as of 30 June 2020 and 30 June 2021. As ARE's investment strategy is executed for the Harbour Collection, there will be the opportunity for further rent growth.

Date of valuation \$NZ m	30 June 2020	30 June 2021
The Harbour Collection	\$39.40	\$50.00
Adopted market gross rent		
10 Viaduct Harbour Avenue	\$555	\$750
12 Viaduct Harbour Avenue	\$525	\$800
110 Customs Street West	\$485	\$850
Actual occupancy	83%	94%
Initial yield (Fully leased)	8.25%	7.00%

Mr Andrew Saunders concluded by saying “Each of the assets have a slightly different basis for the valuation improvements depending on where they are in their development or growth cycle. It is pleasing for us to see the valuations grow as we systematically eliminate construction and leasing risk and access the benefit of our investment strategy. The Fusion project offers the opportunity for more value creation, with continuing strength in the Auckland office market.”

Andrew Saunders
Executive Chairman

About Auckland Real Estate - ARE

ARE is the only pure-play Auckland CBD office property entity listed on the ASX and NZX. Auckland is one of the leading office markets in ANZ, with favourable supply/demand dynamics. ARE’s investment strategy is to acquire assets where it can add value and revenue, generating both income and capital returns.