

NZX announcement – 23 February 2023

Strategic execution and leasing drive 1H23 result

Performance summary for the six months ended 31 December 2022

Financial summary

- Strong first half leasing and market rental growth drive Net Property Income (NPI) of \$66.6 million, up 9.0% on previous comparable period (1H22: \$61.1 million), contributing to net operating income before tax of \$51.3 million, up 12.7% (1H22: \$45.5 million).
- Total comprehensive income after tax of \$0.6 million (1H22: \$40.7 million) due to half year valuation decline of \$53.6 million.
- Adjusted funds from operations (AFFO) of 3.42 cps (1H22: 3.22cps) representing a 6.2% increase.
- Consistent with earlier guidance, FY23 dividend of no less than 6.70 cps reaffirmed.

Focus on strategy execution

Securing development opportunities

- Unconditional agreement secured to acquire 61 Molesworth Street in Wellington, together with a new 24,000 square metre fully pre-leased office development to be undertaken on the site.
- Commitment to 117 Pakenham Street, the final building at the Wynyard Quarter Innovation Precinct, following major pre-leasing secured.
- Selected as preferred development partner for Downtown Car park site in Auckland with exclusive negotiations continuing.

Growth with well-aligned capital partners

- Advanced Precinct's partnership with Singapore sovereign wealth fund GIC with Wynyard Quarter Stage 3 development project to be acquired and completed by Precinct Pacific Investment Limited Partnership (PPILP).
- Agreed a new investment partnership with global private investment firm, PAG. The partnership will acquire 40 and 44 Bowen Street in Wellington on completion.

Entry into the multi-unit residential development market

- Established multi-unit residential development business with Auckland based private equity real estate developer Lamont & Co. with a focus on the delivery of high-quality multi-unit residential developments.

Solid operational performance

- Portfolio occupancy maintained at 98% with 6.2 year weighted average lease term (WALT).
- Strong first half leasing with over 43,100 square metres secured in the period.
- Strong market rental growth reflected in new leasing spreads and market reviews, delivering an average uplift of 7.0% on June-22 valuation rents
- Generator operating business delivers record performance with gross operating revenue of \$11.1 million reflecting strong office demand (1H22: \$7.0 million).

Environmental, Social and Governance (ESG) update

- Precinct achieved a Global Real Estate Sustainability Benchmark (GRESB) score of 82, above the current global average of 74 and maintained a public disclosure level of 'A'.
- Precinct became a signatory to the World Green Building Council Net Zero Carbon Buildings Commitment.

Board change

- Craig Stobo, Chair and Independent Director of the Precinct Board stepping down at the conclusion of his current term in November 2023. Precinct Independent Director, Anne Urlwin has been appointed as Chair to replace Craig Stobo.

Note: Further information can be found within the 2023 Interim Financial Statements and results presentation. You can find these at <http://www.precinct.co.nz/interim-reporting/2023-interim-results>

Precinct Properties New Zealand Limited (Precinct) (NZX: PCT) reported its financial results for the six months ended 31 December 2022 today. Strong leasing momentum and market rental growth has underpinned an increase in net property income (NPI) of 9.0% for the 6 months to 31 December 2022 or \$66.6 million (December 2021: \$61.1 million). This has contributed to net operating income before tax of \$51.3 million, up 12.7% on the previous comparable period (1H22: \$45.5 million).

Total comprehensive income after tax of \$0.6 million compares to \$40.7 million for the same period last year, with the difference mainly attributable to the fair value movement across the value of Precinct's properties of \$53.6 million recorded in the current period.

An internal review of the 30 June 2022 property valuations undertaken at 31 December 2022 indicated no material value movement in the period for all assets apart from Commercial Bay

Retail in Auckland and Defence House in Wellington. Accordingly, an independent valuation as at 31 December 2022 was completed for both these assets.

The sales completed and contracted for in the period have further strengthened Precinct's balance sheet. Precinct's pro forma gearing, including contracted sales, is around 30%, well under its bank covenant of 50%.

Scott Pritchard, Precinct's CEO, said "The occupier market for prime space continues to perform extremely well with continued demand and strong market rental growth. We are seeing this first hand in the significant demand for our assets and in the rental levels achieved".

"Precinct has focused on the execution of its strategy, and we have completed a number of key transactions in the first half of the 2023 financial year. Establishing a new investment partnership with PAG and advancing further growth in our real estate investment partnership with Singapore sovereign wealth fund GIC demonstrates the demand for joint investment into our high-quality assets and large-scale development projects. These transactions have extended our real estate offering and is supporting Precinct to achieve its growth aspiration to create long-term sustainable value".

"Precinct's recent entry into the multi-unit residential development market in partnership with Lamont & Co. further supports our core strategy focused on mixed-use precincts. It complements the overall strategic direction of our business and represents a natural extension for Precinct".

"During the last six months, we have also continued to work on the Downtown Car Park site opportunity in Auckland. We are very excited about this project and very proud to have been selected as the preferred development partner for this key strategic site. Precinct and Eke Panuku remain in a period of commercial negotiations with the intent to agree and document final terms in the coming months".

Operational performance

Precinct's operating performance has continued to deliver strong results for our business with overall portfolio occupancy of 98% and a WALT of 6.2 years recorded at 31 December 2022.

Strong leasing and rental growth has continued to drive a significant uplift in our revenue during the period. A total of more than 8,100 square metres of leasing transactions was recorded across our investment portfolio with a further 35,000 square metres of pre-leasing completed within the development portfolio. This leasing performance recorded in the first half of the financial year

demonstrates the strong demand from businesses wanting to occupy Precinct's quality office space offering.

New leases were secured 16.9% above previous contract rents. Structured rent reviews were completed across 59,000 square metres in the first half of FY23, resulting in an average annual uplift of 3.5%. Market reviews were secured 9.6% above previous contract rentals.

Despite the valuation movement in the period, Commercial Bay Retail had a solid level of sales performance over the last 6 months, recording its strongest sale period since opening. Pedestrian flows recorded at the centre are now well above average levels.

Pleasingly, the Generator operating business delivered a record first half result for FY23 with occupancy across the portfolio averaging 78% during the period. Higher occupancy levels and a continued recovery of the events business has led to Generators best 6 months performance since Precinct took ownership. During the period the Generator business has remained active launching a new events space 'The Annex' in Wynyard Quarter and recently opened a new site at 40 Bowen Street in Wellington.

Development update

The development of the new 24,000 square metre project at 61 Molesworth Street is now underway. Leasing all of the prime commercial office space at 61 Molesworth Street to the New Zealand Ministry of Foreign Affairs and Trade (MFAT) on a long term lease reinforces the strong demand for high quality office buildings in strategic locations like the Government precinct in Wellington.

With works on 124 Halsey Street having just passed the first anniversary of the site start, the pre-leasing to Beca during the period on a 12-year lease term over 14,000 square metres required Precinct to commit to 117 Pakenham Street to provide enough space to meet the engineering firm's needs. The addition of 117 Pakenham which comprises 7 floors of commercial office space increases the lettable area of the project by 8,600 square metres to 21,100 square metres. Designed in accordance with the Wynyard Quarter Sustainability Standards, the buildings are targeting a 6-star Green Star and 5-star NABERSNZ.

All three buildings, namely 124 Halsey Street, 117 Pakenham Street and the Flowers Building make up Wynyard Quarter Stage 3 and is due to complete in 2025. Construction has been progressing to programme with the basement excavation now complete and structural steel being erected.

Deloitte Centre at 1 Queen Street is now in advanced stages of construction with the façade installation to the hotel levels completing at the end of last year. Following the high-rise office floors being fully leased, we have also progressed leasing across the F&B tenancies with initial terms agreed over the basement and rooftop bar and level 1 restaurant. The project is on schedule to complete in late 2023.

In Wellington, following the completion of 40 Bowen Street at Bowen Campus in the period, 44 Bowen Street remains on schedule to open in mid-2023 resulting in the completion of the Bowen Campus project.

Board change

Anne Urlwin is to replace Craig Stobo, who will retire at the conclusion of his current term in November 2023, as Chair of the Precinct Board. Ensuring a seamless transition and handover, the People and Performance Committee have considered Anne to be the best replacement for the Chair of Precinct.

Graeme Wong, Precinct's Chair of the People and Performance Committee, said "We strongly believe Anne has the right skills and experience to take over from Craig. Since her appointment to the Precinct Board in 2019, Anne has been Chair of the Audit and Risk Committee and has made a significant contribution to Precinct's governance regime".

"On behalf of my Board colleagues and Management, I would also like to thank Craig for the significant contribution he has made to Precinct during the time he has served on the Precinct Board. He has been an integral part of Precinct's evolution having led the then unit trust business through its corporatisation in 2010, internalisation of the management of Precinct in 2021, introduction of third party capital and advancement of our overall business strategy."

Dividend payment

Precinct shareholders will receive a second-quarter dividend of 1.675 cps. Due to Precinct's current tax position for the period, there are no imputation credits to attach for the quarter and therefore no supplementary dividend to be paid (see note 2). The record date is 10 March 2023 with payment to be made on 24 March 2023.

Outlook and guidance

Precinct has successfully advanced a number of transactions over the last six months reinforcing the quality of our business and the belief in New Zealand's main office markets. These transactions have placed Precinct in a strong position to take the business forward.

As we continue to work with our partners and consider future opportunities, the active management of Precinct's high-quality portfolio is supporting both the evolution and execution of our strategy. Given Precinct's strategic direction, future participation in a wider set of opportunities and growth in our capital partnerships, we continue to actively consider the option of moving to a stapled structure. As previously noted last year, a stapled structure will ensure the most robust company structure to allow flexibility for Precinct to continue to execute its strategy whilst retaining Portfolio Investment Entity (PIE) status.

Precinct remains confident and focused on driving higher returns from our capital and adding value despite the challenging economic environment and expectations of a slowing economy ahead.

Consistent with earlier guidance provided, the Board expects no change to Precinct's full year FY23 dividend of no less than 6.70 cents per share to be paid in total cash dividends to shareholders.

Further information can be found within Precinct's 2023 Interim Financial Statements and results presentation. You can find this at:

<http://www.precinct.co.nz/interim-reporting/2023-interim-results>

Ends

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About Precinct (PCT)

Listed on the NZX Main Board under the ticker code PCT and ranked in the NZX top 30, Precinct is the largest owner, manager and developer of premium inner-city real estate in Auckland and Wellington. Precinct is predominantly invested in office buildings and also includes investment in Generator, Commercial Bay retail, third party capital partnerships, and a multi-unit residential development business. For information visit: www.precinct.co.nz

Note 1

AFFO is a non-GAAP financial measure that shows the organisation's underlying and recurring earnings from its operations and is considered industry best practice for a REIT. This is determined by adjusting statutory net profit (under IFRS) for certain non-cash and other items. AFFO has been determined based on guidelines established by the Property Council of Australia and is intended as a supplementary measure of operating performance.

Reconciliation of net profit after tax to adjusted funds from operations (AFFO)

<i>Amounts in \$millions unless otherwise stated</i>	<i>Unaudited six months ended 31 December 2022</i>	<i>Unaudited six months ended 31 December 2021</i>	<i>Audited year ended 30 June 2022</i>
Net profit after taxation	(1.8)	42.2	110.0
Unrealised net (gain) / loss in value of investment and development properties	53.6	-	(19.4)
Unrealised net (gain) / loss in value of JV investment and development properties	0.7	-	-
Unrealised net (gain) / loss on financial instruments	(11.8)	(8.9)	(33.1)
Net realised (gain) / loss on sale of investment properties	-	0.2	0.2
Impairment of goodwill	-	-	6.8
Depreciation - property, plant and equipment	1.5	0.9	2.2
Depreciation recovered on sale	5.4	-	-
Deferred tax (benefit) / expense	3.3	10.8	26.3
NZ IFRS 16 lease adjustments	0.7	0.5	1.7
One off items	-	0.7	0.7
Share-based payments scheme	0.7	0.6	1.2
Amortisation	6.9	7.4	14.7
Straightline rent	(1.2)	(2.1)	(3.8)
Funds from operations (FFO)	58.0	52.3	107.5
Funds from operations per share (cents)	3.66	3.41	6.89
Maintenance capex	(1.3)	(0.9)	(2.3)
Incentives and leasing costs	(2.5)	(2.0)	(3.7)
Adjusted funds from operations (AFFO)	54.2	49.4	101.5
Weighted average number of shares for net operating income per share (millions)	1,585.8	1,533.4	1,559.2
Adjusted funds from operations per share (cents)	3.42	3.22	6.51

This additional performance measure is provided to assist shareholders in assessing their returns for the period.

Note 2

A supplementary dividend is paid to non-resident shareholders to offset the amount of non-resident withholding tax ("NRWT") that New Zealand companies are required to deduct from dividends paid to non-resident shareholders. A supplementary dividend is paid to ensure equitable treatment between non-resident shareholders and resident shareholders (whose dividends are not subject to NRWT).

Note 3

All portfolio metrics are as at 31 December 2022 and include Precinct's ownership in assets of joint investment partnerships which have settled, unless otherwise stated.