NEW ZEALAND EQUITY RESEARCH
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Real Estate Reflections
TINA Gets on the Property Ladder

ROHAN KOREMAN-SMIT CFA
rohan.koreman-smit@forsythbarr.co.nz
+64 9 368 0085

ASHTON OLDS
ashton.olds@forsythbarr.co.nz
+64 9 368 0127

The listed property vehicle (LPV) sector led the wider market in July, up +7.1% versus the S&P/NZX 50G up +2.4%. Changes in interest rates have been a key driver of LPV performance over the last 10 years and with (1) LPV dividends reaffirmed over May/June, (2) economic conditions 'normalising' post lockdown, and (3) volatility in other yield sectors, we believe LPV yield remains relatively attractive. In this note we highlight what current yield spreads tell us about certain LPVs, and where we see value on a relative basis. Looking ahead, there are three LPVs reporting this month, which will provide us with a read on sector confidence and expectations. We continue to favour Investore (IPL) and Vital Healthcare Property (VHP) for their defensive attributes, and Stride (SPG) for the leverage in its asset management platform.

Figure 1. NZ listed property sector summary

LPV	Code	Rating	Price 4-Aug	Target price	Gross yield	Expected total return	P/NAV
Asset Plus	APL	UNDERPERFORM	$0.36	$0.38	5.6%	9.5%	80%
Argosy Property	ARG	NEUTRAL	$1.26	$1.17	7.2%	-2.1%	124%
Augusta Capital	AUG	NEUTRAL	$0.93	$0.95	3.3%	4.6%	99%
Goodman Property	GMT	UNDERPERFORM	$2.26	$1.90	3.4%	-13.4%	116%
Investore	IPL	OUTPERFORM	$2.00	$2.05	5.5%	6.3%	114%
Kiwi Property Group	KPG	UNDERPERFORM	$1.05	$1.10	7.5%	10.0%	99%
Precinct Properties	PCT	NEUTRAL	$1.70	$1.58	5.3%	-3.1%	106%
Property for Industry	PFI	NEUTRAL	$2.44	$2.15	4.1%	-9.0%	118%
Stride Property	SPG	OUTPERFORM	$1.97	$1.90	7.2%	1.5%	102%
Vital Healthcare	VHP	OUTPERFORM	$2.62	$2.70	4.6%	6.5%	111%
Core simple average					**5.6%**	**-0.4%**	**111%**

Source: Forsyth Barr analysis, Eikon, Company reports Note: Core average excludes APL and AUG. ETR = target price return plus cash yield

The story behind the yield spread

LPVs gross yield spread to bonds at a sector level has remained relatively stable over the last 10 years, averaging +410bp. However, on a stock by stock basis the story has been very different. Retail yield spreads have widened as structural headwinds set in (KPG's spread has increased +310bp to 6.6% since 2017) while industrial spreads have tightened as the sub-sector gained investor popularity (GMT's spread has broadly halved to 2.7%). Looking ahead, for sector spreads to compress further we believe we would need to see (1) a re-rating in large cap LPVs such as PCT and KPG, (2) greater DPS growth, and/or (3) investors to lower their return hurdles. Given the more cyclical underlying exposures of office and retail, and the uncertain economic outlook, we believe (1) and (2) are unlikely near-term, however, (3) may occur given the lack of yield on offer across the broader market and recent volatility in other yielding sectors such as electricity. We see the greatest opportunity in LPVs with defensive asset bases that still trade at a premium to their respective historical yields spreads, namely IPL and VHP.

LPVs the market darling in July

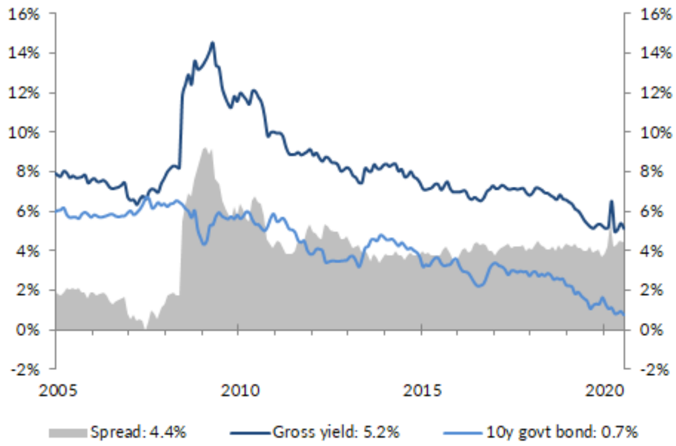
The S&P/NZX All Real Estate Gross index returned +7.5% in July, outpacing the broader S&P/NZX 50G market by 5.0% over the month. This makes up some lost ground after underperforming by -5.4% in June. Perception of the sector is improving, which we view as a result of (1) unexpected shocks to other yielding stocks (gentailers), (2) better than expected outcomes related to rental abatements, general economic activity, and property transaction pricing (which may partially reverse recent downward revaluations), and (3) the reality of ultra low interest rates setting in.

The Story Behind the Yield Spread

NZ LPV sector performance has been driven by bond yields...

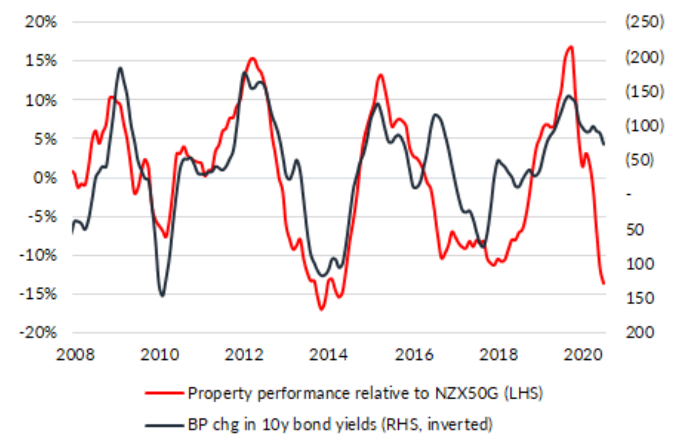
Changes in interest rates have been a key driver of LPV performance over the last 10-years. The LPV sector gross dividend yield is 5.2%, representing a +440bp spread to the NZ Government 10 year bond yield of 0.7%. After a strong performance over July this spread has reduced -10bp mom and remains slightly above its 5-year average of +410bp.

Figure 2. LPV sector gross dividend yields vs 10 year bond



Note: Gross div yield is the PIE from Sep-07.Source: Forsyth Barr analysis, Company reports

Figure 3. Relative property sector performance vs. bond yields



Source: Forsyth Barr analysis

...but stock specific outcomes have been much more varied

NZ LPVs yield spread to bonds at a sector level has remained relatively stable over the last 10 years. However, on a stock by stock basis the story has been very different. Over the last 10 years we have seen retail yield spreads widen as structural headwinds set in and industrial spreads tighten as the sub-sector gained investor popularity. Recent volatility in yield spreads has reflected increased uncertainty due to the quantum of lockdown associated rent abatements and the deteriorating macro backdrop.

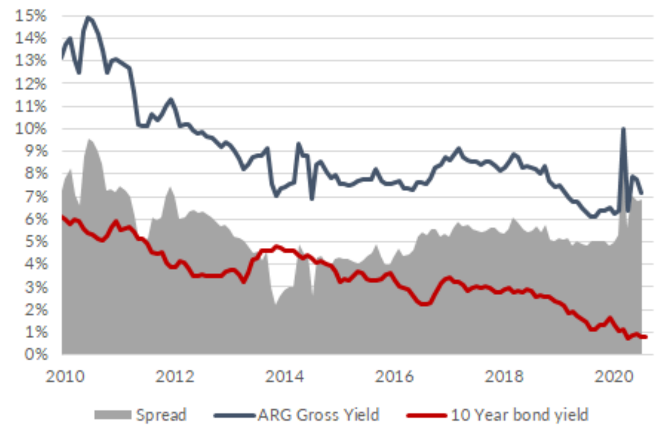
Observations on yield spreads at the stock level that interested us were:

- PFI yield spread has the least volatility of all NZ LPVs and has been broadly flat for the last 10 years suggesting it is viewed as the most bond-like in the sector.
- There has been structural changes in how the market views GMT and KPG:
  - GMT's yield spread has been compressing and is now -133bp below its 5-year average which in our view reflects (1) investors more favourable view of industrial real estate driven by macro trends such as growing online retail sales, (2) portfolio remixing, (3) development of its land bank, and (4) a reduction in its payout ratio.
  - KPG's yield spread has expanded over the last 4-years and is now +210bp above its 5-year average as concerns rise for how the increase in online stores and changing consumer habits will affect retail landlords.
- ARG and SPG both still trade at a c.100–150bp premium to their respective 5-year average spread suggesting the market is pricing in a wider margin of safety vs. other NZ LPVs.
- IPL's yield spread of 4.7% and VHP's spread of 3.6% looks attractive compared to other NZ LPVs that have performed well during the pandemic and are now seen as more defensive, namely PFI and GMT which are trading on spreads of 3.3% and 2.7% respectively (although GMT's low spread partially reflects its recently revised lower payout policy).
- AUG's tight spread reflects the takeover premium as well as lower DPS forecasts.

Can spreads tighten further?

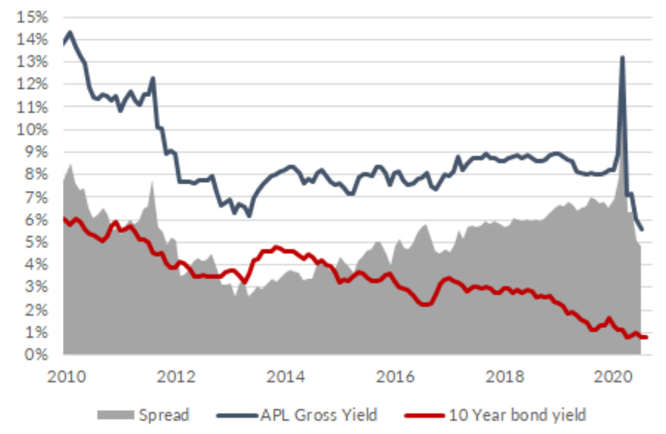
For sector spreads to tighten further we believe we would need to see (1) a re-rating in large cap LPVs such as PCT and KPG, (2) greater DPS growth, and/or (3) investors lower their return expectations. Given the more cyclical underlying exposures of office and retail and the uncertain economic outlook we believe (1) and (2) are unlikely however (3) may occur given the lack of yield on offer across the broader market (see Figure 18) and increased volatility in other yield sectors such as electricity (Figure 22 and 23). We see the greatest opportunity in LPVs with defensive asset bases that still trade at a premium to historical yields spreads, namely IPL and VHP.

Figure 4. ARG gross yield vs. 10 year bonds



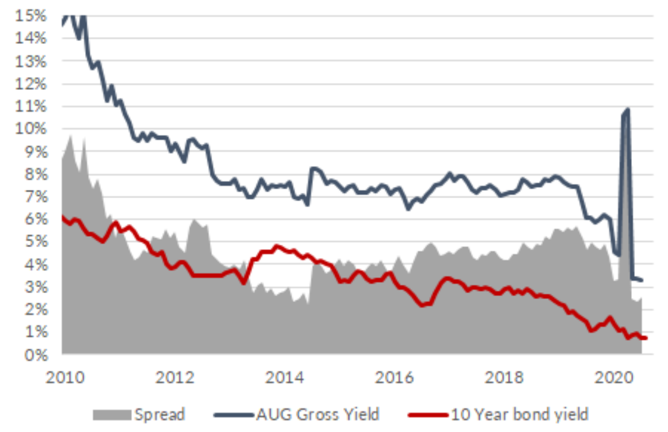
Source: Forsyth Barr analysis

Figure 5. APL gross yield vs. 10 year bonds



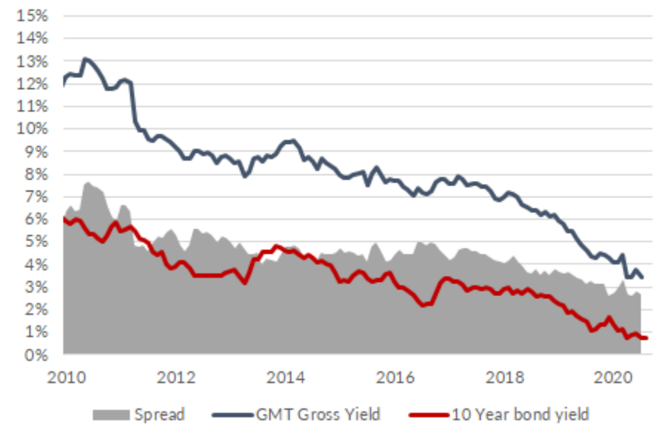
Source: Forsyth Barr analysis

Figure 6. AUG gross yield vs. 10 year bonds



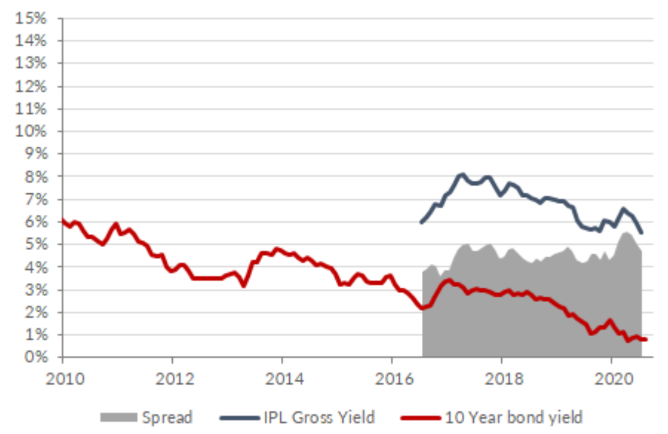
Source: Forsyth Barr analysis

Figure 7. GMT gross yield vs. 10 year bond



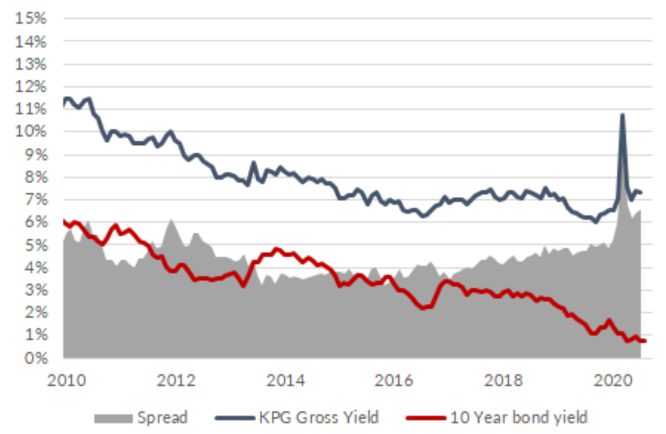
Source: Forsyth Barr analysis

Figure 8. IPL gross yield vs. 10 year bonds



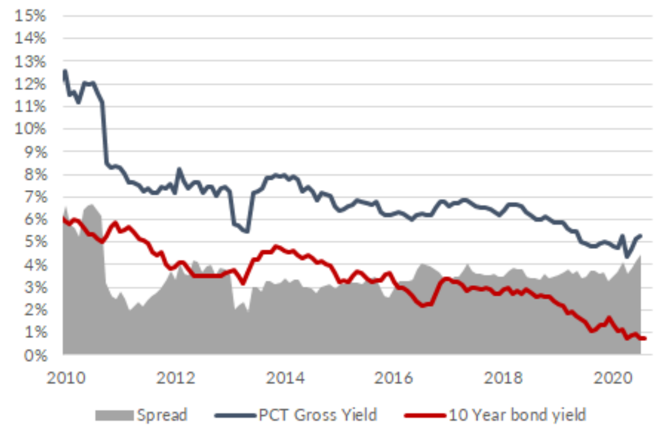
Source: Forsyth Barr analysis

Figure 9. KPG gross yield vs. 10 year bonds



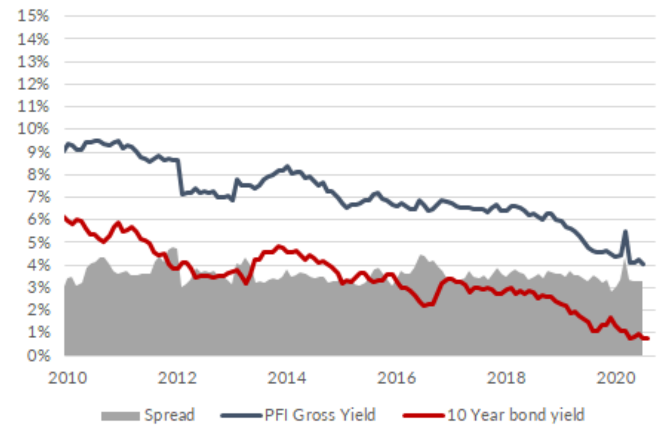
Source: Forsyth Barr analysis

Figure 10. PCT gross yield vs. 10 year bonds



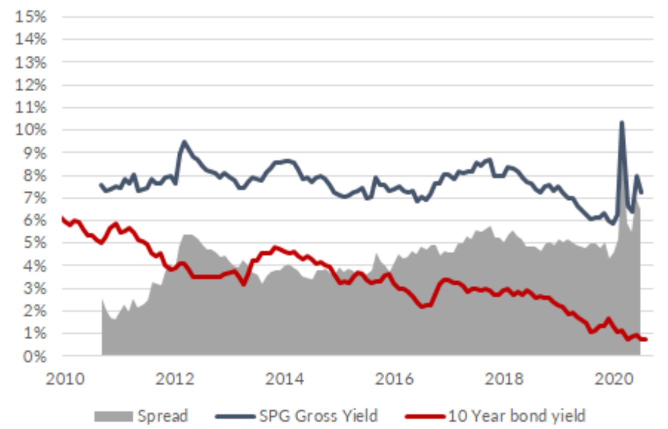
Source: Forsyth Barr analysis

Figure 11. PFI gross yield vs. 10 year bonds



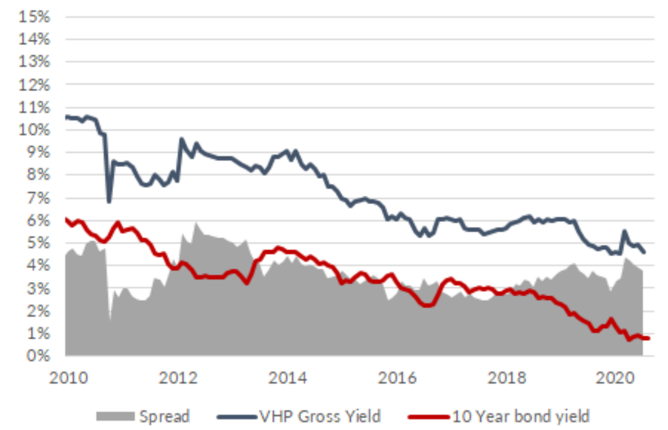
Source: Forsyth Barr analysis

Figure 12. SPG gross yield vs. 10 year bonds



Source: Forsyth Barr analysis

Figure 13. VHP gross yield vs. 10 year bonds



Source: Forsyth Barr analysis

Figure 14. NZ LPV current yield spreads to 10 year bonds vs. long run average

	APL	ARG	AUG	GMT	IPL
Current yield spread	4.83%	6.37%	2.56%	2.67%	4.74%
5-year average spread	5.84%	5.28%	4.66%	4.00%	4.56%
Spread	-1.00%	1.09%	-2.10%	-1.33%	0.18%
Price — close July	0.375	1.255	0.920	2.255	1.970
Price assuming rerate to 5-year average yield spread	0.318	1.480	0.564	1.626	2.036
Upside/downside	-15%	18%	-39%	-28%	3%

	KPG	PCT	PFI	SPG	VHP
Current yield spread	6.58%	4.48%	3.29%	6.49%	3.81%
5-year average spread	4.48%	3.55%	3.57%	4.96%	3.23%
Spread	2.10%	0.93%	-0.29%	1.53%	0.58%
Price — close July	1.055	1.700	2.445	1.950	2.600
Price assuming rerate to 5-year average yield spread	1.477	2.066	2.284	2.469	2.973
Upside/downside	40%	22%	-7%	27%	14%

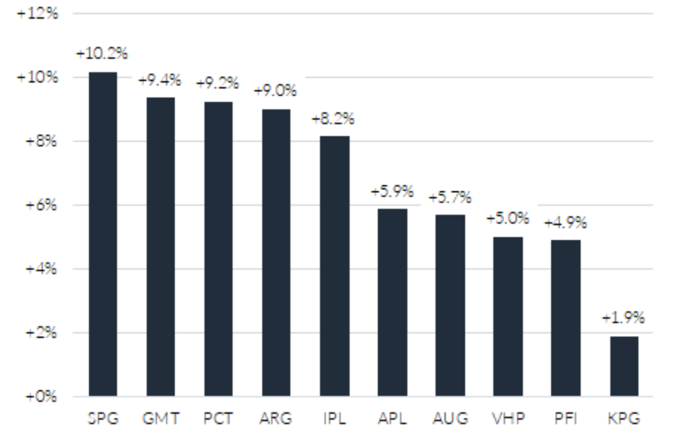
Source: Forsyth Barr analysis

Performance and valuation

Strong month for LPVs across the board (mostly)

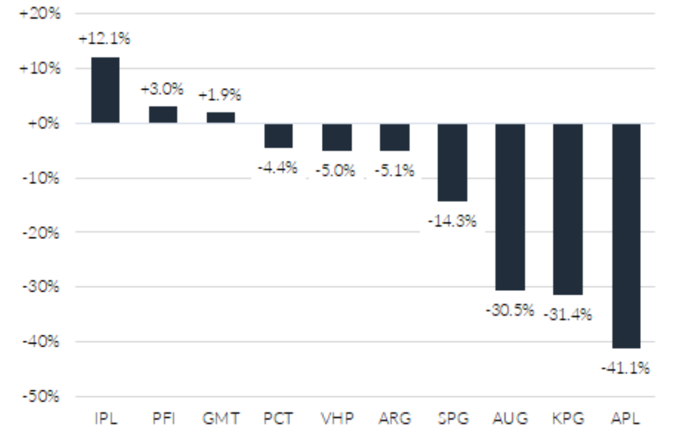
The S&P/NZX All Real Estate Gross index returned +7.5% in July, outpacing the broader S&P/NZX 50G market by 5.0% over the month. This makes up some lost ground after underperforming by -5.4% in June. Perception of the sector is improving, which we view as a result of (1) unexpected shocks to other yielding stocks (gentailers), (2) better than expected outcomes related to rental abatements, general economic activity, and property transaction pricing (which may partially reverse recent downward revaluations), and (3) the reality of ultra low interest rates setting in.

Figure 15. July returns



Source: Forsyth Barr analysis, S&P

Figure 16. YTD returns



Source: Forsyth Barr analysis, S&P

Figure 17. Sector total returns (as at 31 July 2020)

Company	Code	Price 31-Jul	Market Cap	Gr. Div wImp	Month return	Rank	Quarter return	Rank	Year return	Rank	YTD return	Rank
Asset Plus	APL	$0.360	$61m	-	+5.9%	6	-13.3%	10	-39.7%	10	-41.1%	10
Argosy Property	ARG	$1.270	$1,051m	-	+9.0%	4	+21.5%	3	-5.4%	6	-5.1%	6
Augusta	AUG	$0.930	$159m	-	+5.7%	7	+27.1%	2	-27.4%	8	-30.5%	8
CDL Investments	CDI	$0.835	$239m	-	+9.2%	n/a	+4.4%	n/a	+21.3%	n/a	-4.8%	n/a
Goodman Prop Trust	GMT	$2.220	$3,113m	-	+9.4%	2	-0.7%	9	+12.4%	2	+1.9%	3
Investore	IPL	$1.990	$728m	-	+8.2%	5	+17.8%	4	+10.8%	3	+12.1%	1
Kiwi Property Group	KPG	$1.070	$1,679m	-	+1.9%	10	+10.9%	6	-32.1%	9	-31.4%	9
Precinct Properties NZ	PCT	$1.715	$2,241m	-	+9.2%	3	+9.1%	8	-0.0%	5	-4.4%	4
Property for Industry	PFI	$2.460	$1,227m	-	+4.9%	9	+14.4%	5	+12.5%	1	+3.0%	2
Stride Property Group	SPG	$1.950	$715m	-	+10.2%	1	+31.6%	1	-8.4%	7	-14.3%	7
Vital Healthcare Property Trust	VHP	$2.620	$1,184m	-	+5.0%	8	+10.1%	7	+4.5%	4	-5.0%	5
S&P/NZX All Real Estate Cap		1,318.2			+7.1%		+9.3%		-8.1%		-10.4%	
S&P/NZX All Real Estate Gr.		1,649.2			+7.1%		+10.2%		-4.9%		-9.0%	
S&P/NZX All Real Estate Gr. wImp		1,728.1			+7.1%		+10.3%		-4.3%		-8.8%	
S&P/NZX 50 Gross		11,727.6			+2.4%		+11.4%		+8.0%		+2.1%	
S&P/NZX 50 Gross wImp		14,309.6			+2.5%		+11.4%		+8.8%		+2.4%	

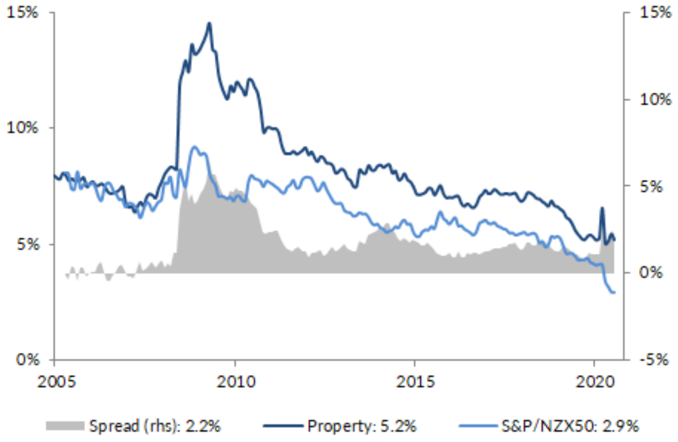
Source: Forsyth Barr analysis, Eikon

LPV yield spread to the broader NZ market remains high

LPV yield remains attractive vs. the boarder market. Figure 18 shows broader market dividend expectations remain low vs. property estimates, which were cut early but have subsequently been revised upwards. Property sector P/E remains at a historically wide discount vs. the broader market which reflects lower market earnings expectations rather than 'cheap' property valuations.

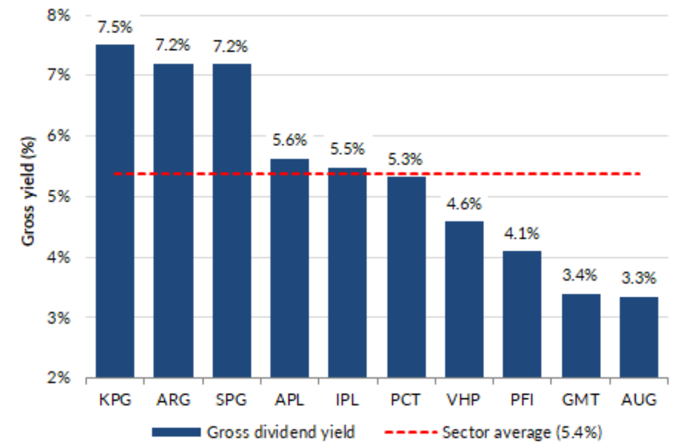
Compared to other yield sectors, LPV yields remain slightly higher than other bond proxies (Spark, Chorus and Vector) but are now only slightly below the electricity sector at ~5.8% after the smelter closure announcement.

Figure 18. Sector gross yield versus S&P/NZX50 gross yield



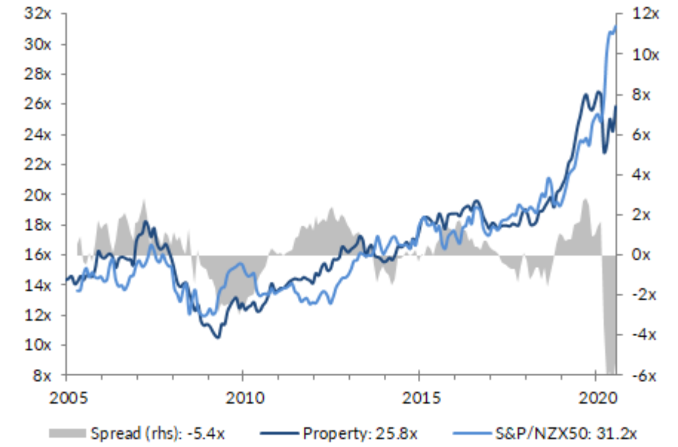
Source: Company reports, Forsyth Barr analysis, IRESS Note: Market cap weighted

Figure 19. Gross Yield



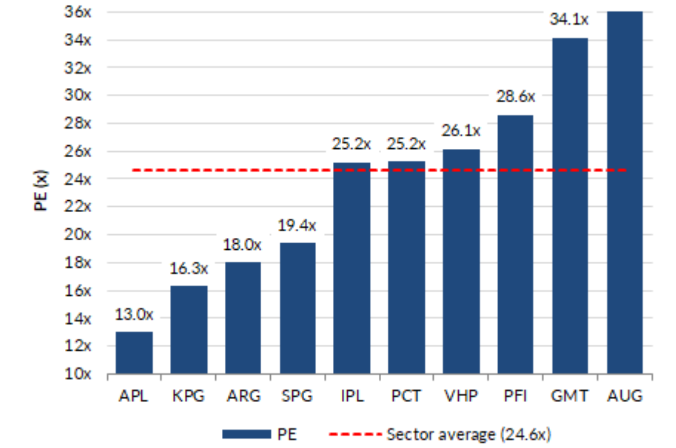
Source: Company reports, Forsyth Barr analysis , Thompson Reuters

Figure 20. Sector PE versus S&P/NZX50 PE



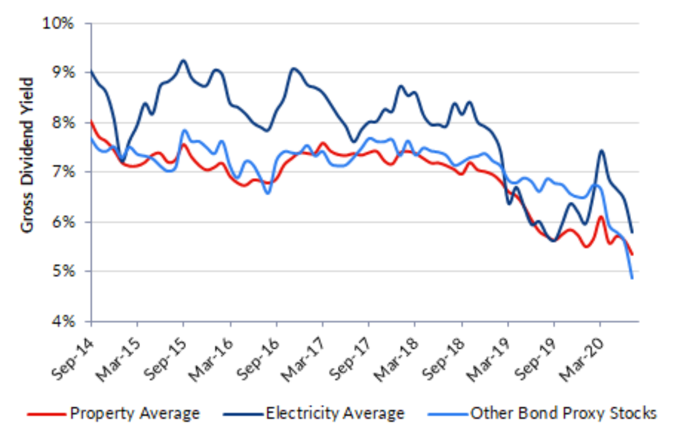
Source: Company reports, Forsyth Barr analysis, IRESS Note: Market cap weighted

Figure 21. PE Ratio



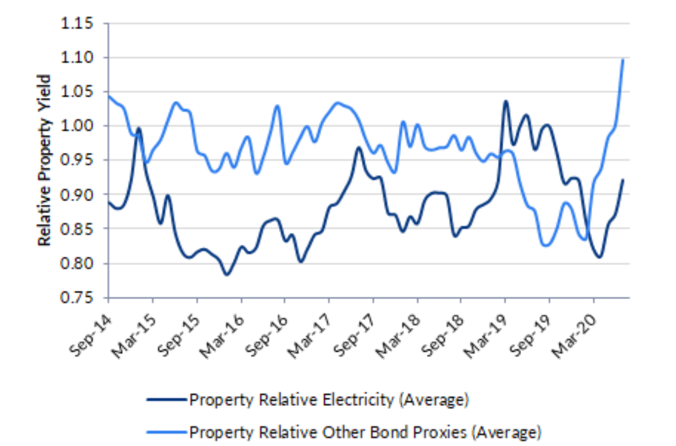
Source: Company reports, Forsyth Barr analysis , Thompson Reuters

Figure 22. Simple average sector yields



Source: Forsyth Barr analysis

Figure 23. Property relative yields

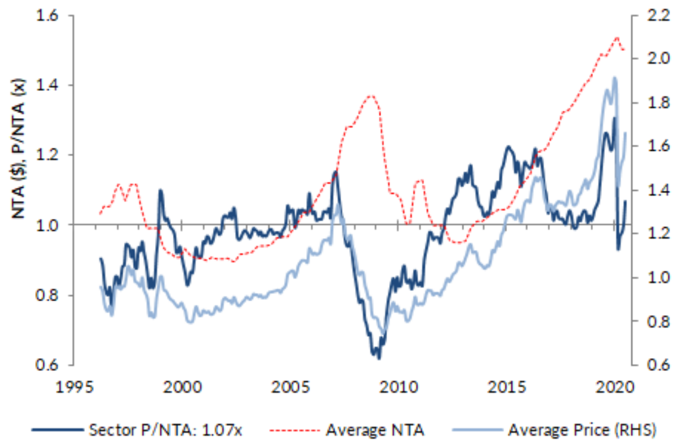


Source: Forsyth Barr analysis

Sector back trading above NTA

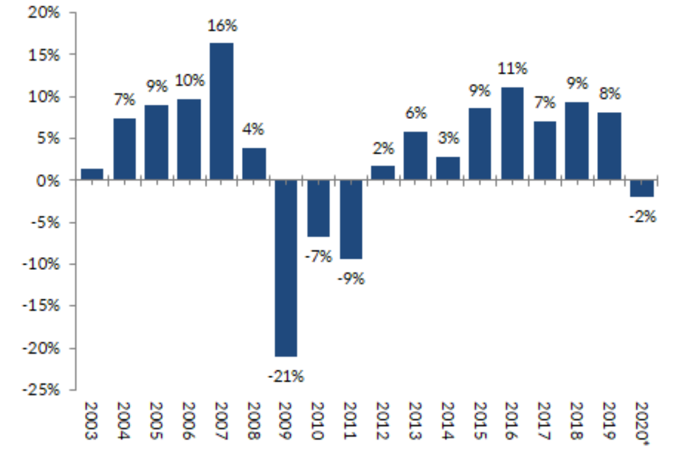
The LPV sector is trading above its net asset backing at 1.07x P/NTA. March revaluations generally lifted cap rates and lowered LPV property valuations. In the direct market the spread to funding remains attractive vs. history, suggesting demand should remain robust for well located property with strong tenant covenants. Anecdotes suggest syndicators are seeing strong demand from retail investors driven by lower interest rates, and demand remains strong for <NZ$50m assets.

Figure 24. Property sector P/NTA



Source: Forsyth Barr analysis

Figure 25. Market cap weighted sector NTA growth



Source: Forsyth Barr analysis, Note: 2020* is YTD

Our preferred LPVs are SPG, VHP, and IPL

Over July we (1) reviewed our PCT EPS and DPS forecasts which resulted in solid FY20 upgrades due to lower rent relief expectations while our FY21+ forecasts were broadly unchanged, and (2) lifted our IPL target price given solid supermarket sales and post lockdown transactional evidence supporting asset values.

Looking forward to August, PCT (FY20), PFI (1H20), and VHP (FY20) will deliver results. We expect minimal surprises with COVID-19 disruptions/rent relief now largely in the rear view mirror.

We continue to prefer IPL, and VHP for their defensive attributes in this time of uncertainty and remain underweight KPG and APL given high retail exposure and limited balance sheet capacity.

Figure 26. Forsyth Barr rating and multiples

Company	Rating	P / NTA	P / NAV	PE	P / AFFO	Cash yield	Gross yield	AFFO Pay-out
APL	UNDERPERFORM	-36.5%	-20.0%	13.0x	15.7x	3.9%	5.6%	62%
ARG	NEUTRAL	-3.1%	+23.5%	18.0x	20.1x	5.0%	7.2%	101%
AUG	NEUTRAL	+47.6%	-1.1%	40.5x	40.5x	2.4%	3.3%	97%
GMT	UNDERPERFORM	+30.5%	+16.2%	34.1x	35.9x	2.4%	3.4%	85%
IPL	OUTPERFORM	+19.0%	+13.6%	25.2x	27.8x	3.8%	5.5%	107%
KPG	UNDERPERFORM	-15.3%	-0.9%	16.3x	17.7x	5.2%	7.5%	93%
PCT	NEUTRAL	+14.5%	+5.9%	25.2x	27.6x	3.7%	5.3%	103%
PFI	NEUTRAL	+18.7%	+18.4%	28.6x	32.5x	2.9%	4.1%	93%
SPG	OUTPERFORM	+3.1%	+2.4%	19.4x	21.8x	5.0%	7.2%	109%
VHP	OUTPERFORM	+10.8%	+10.8%	26.1x	31.1x	3.2%	4.6%	100%
Average		**+8.9%**	**+6.9%**	**24.6x**	**27.1x**	**3.8%**	**5.4%**	**95%**
Core average[1]		**+9.8%**	**+11.3%**	**24.1x**	**26.8x**	**3.9%**	**5.6%**	**99%**

Source: Forsyth,Barr analysis, note: core average excludes APL and AUG

Figure 27. EPS and AFFO estimates

Company	FY20 EPS	FY21 EPS	FY22 EPS	EPS CAGR	FY20 AFFO	FY21 AFFO	FY22 AFFO	AFFO CAGR	AFFO yield
APL	3.10	2.94	2.44	-11%	2.92	2.48	1.93	-19%	+6.4%
ARG	7.20	6.99	7.01	-1%	6.27	6.32	6.20	-1%	+5.0%
AUG	0.26	1.84	3.17	n.a.	0.26	1.84	3.17	248%	+2.5%
GMT	6.73	6.55	6.72	0%	6.24	6.20	6.42	1%	+2.8%
IPL	7.66	7.68	8.42	5%	6.49	6.96	7.63	8%	+3.6%
KPG	7.14	6.23	6.86	-2%	6.85	5.72	6.35	-4%	+5.7%
PCT	6.67	6.70	6.84	1%	6.03	6.12	6.29	2%	+3.6%
PFI	8.40	8.63	8.82	2%	7.37	7.60	7.79	3%	+3.1%
SPG	10.32	10.45	9.64	-3%	8.71	9.22	8.74	0%	+4.6%
VHP	9.87	9.97	10.36	2%	7.76	8.33	9.17	9%	+3.2%
Avg									**+4.0%**
Weighted avg									**+3.8%**

Source: Forsyth Barr analysis

Figure 28. Dividend summary

Company	FY19 DPS	FY20 DPS	FY21 DPS	FY22 DPS	DPS CAGR	Cash yield	Gross yield[1] 17.5% MTR	Gross yield[2] 30.0% MTR	Gross yield[3] 33.0% MTR
APL	3.60	2.70	1.15	1.93	-19%	3.9%	5.1%	5.6%	5.9%
ARG	6.28	6.35	6.35	6.35	0%	5.0%	6.6%	7.2%	7.5%
GMT	6.65	6.65	5.30	5.45	-6%	2.4%	3.1%	3.4%	3.5%
IPL	7.60	7.60	7.60	7.83	1%	3.8%	5.0%	5.5%	5.7%
KPG	6.95	3.53	5.20	6.11	-4%	5.2%	6.8%	7.5%	7.8%
PCT	6.00	6.30	6.31	6.33	2%	3.7%	4.8%	5.3%	5.6%
PFI	7.60	7.00	6.99	7.01	-3%	2.9%	3.7%	4.1%	4.3%
SPG	9.91	9.91	9.91	9.91	0%	5.0%	6.5%	7.2%	7.5%
VHP	8.75	8.56	8.40	8.40	-1%	3.2%	4.0%	4.6%	4.8%
Avg						**3.8%**	**5.1%**	**5.6%**	**5.8%**
Weighted avg						**3.6%**	**4.7%**	**5.1%**	**5.4%**

Source: Forsyth Barr analysis

1: Assumes a 17.5% personal tax rate, 2: Assumes a 30.0% personal tax rate, 3: Assumes a 33.0% personal tax rate.

Property News for July 2020

NZ listed property portfolio activity

The establishment of Industre (SPG's joint venture with JP Morgan Asset Management) was completed yesterday, with operations commencing today. The fund has a growth mandate (with $154m of current available capital), and has kicked off by purchasing 1 Ross Reid Place, East Tamaki for $15.5 million, due to settle on 23 July 2020 (5.5% yield, 2.3y WALT). [1 July 2020]

ARG has announced the unconditional sale of 80 Springs Rd, Auckland to an owner occupier. The non-core industrial property was sold for $16.5m (2.3% above book value). The property was vacant and therefore improves occupancy metrics and is not dilutive to earnings. [1 July 2020]

PFI announced that it has divested 127 Waterloo Rd, Christchurch to an owner occupier. The property was sold for $4.41m, ahead of its book value of $4.35m. The funds will be recycled into value-add strategies within the existing portfolio. [7 July 2020]

APL provided an update relating to its properties at Graham St and Munroe Lane. The funding and shareholder approval satisfaction date for Munroe Lane has been pushed three months to 30 October 2020, and Auckland Council has agreed to a six month lease extension for two levels of 35 Graham Street. [22 July 2020]

SPG announced that Industre has acquired an industrial property at 468 Rosebank Rd, Avondale, Auckland for $4.4m and has an unconditional agreement to acquire a further property at 4–14 Patiki Rd, Avondale for $21.75m. These properties, together with the property at Ross Reid Place, take Industre's completed and committed acquisitions to $41.7m since Industre commenced on 1 July. [24 July 2020]

APL has acquired 38,000sqm of bare land at Kamo, Whangarei for NZ$2.125m (or $56/sqm), which settles on 30 July 2020. This represents a development opportunity intended to be held as investment property on completion. APL also announced that it will pay a 1Q dividend of 0.45cps (half the level it was pre COVID-19), and expects to maintain this level. Annualised this is 1.8cps (ahead of our FY21 forecast of 1.15cps). [28 July 2020]

Other NZ listed property news

With Mike Smith retiring from ARG, Jeff Morrison has been appointed Chairman. Jeff has spent seven years on the ARG board. Previously, Jeff spent 29 years as a property partner at Russell McVeagh, but now practices on his own account. [1 July 2020]

AUG released its target company statement (TCS) and independent advisers report, in relation to the existing takeover offer by Centuria Group (CNI). The TCS, prepared by the independent directors of AUG, unanimously recommends that, in the absence of a superior offer, shareholders ACCEPT the Offer for all their shares in Augusta. [13 July 2020]

GMT announced that its investment grade credit rating of BBB/stable has been reaffirmed by Standard & Poors. [20 July 2020]

AUG has relaunched its Augusta Property Fund (APF), which is currently a single asset fund consisting of the Anglesea Medical Centre, Hamilton CBD. AUG is offering 35.5 million $1 units to relaunch the fund. [22 July 2020]

KPG has announced that sales excluding cinemas, travel and foreign exchange were up +7.5% yoy in June across its shopping centre portfolio. On a total sales basis, June sales were up +0.5% yoy. [30 July 2020]

Other commercial property news

PMG Property Funds Management successfully raised $37.8m from investors to purchase the 5 Green Star rated Vodafone Innov8 building in Christchurch. The purchase price of $58.65m represents an initial yield of 6.7%. The 8,941sqm property is 100% occupied, with a WALT of 8.1yrs. [1 July 2020]

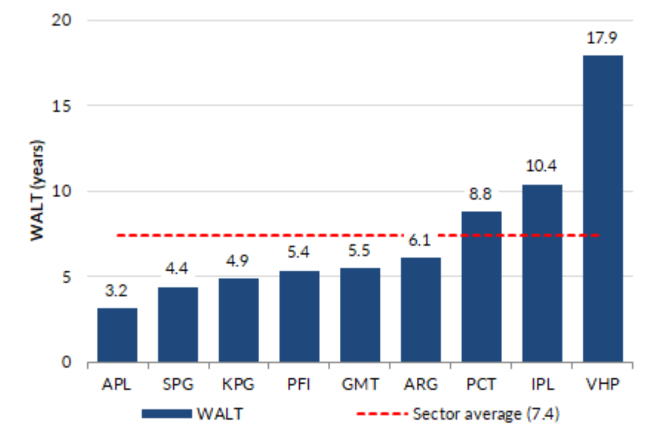
Portfolio Summary

Figure 29. Portfolio metrics summary

Company	Value (NZ $m)	NLA (000sqm)	No. assets	No. tenants	Market cap rate (%)	Average asset size (NZ$m)	WALT (years)	Occupancy (%)	Vacancy	FY1 expiry	FY2 expiry	Vacancy + FY1-FY2 expiry
APL	142	96	4	71	7.08%	36	3.2	98.3%	1.7%	13.0%	38.0%	52.7%
ARG	1,867	585	59	nd	6.41%	32	6.1	98.8%	1.2%	10.8%	9.4%	21.4%
GMT	3,074	1,059	11	206	5.40%	279	5.5	99.0%	1.0%	2.0%	11.0%	14.0%
IPL	895	246	43	130	6.08%	21	10.4	99.7%	0.3%	4.3%	3.5%	8.1%
KPG	3,105	436	12	890	6.11%	259	4.9	99.5%	0.5%	16.0%	14.0%	30.5%
PCT	2,794	235	14	nd	5.70%	200	8.8	99.0%	1.0%	7.0%	4.0%	12.0%
PFI	1,462	809	94	144	5.75%	16	5.4	99.0%	1.0%	6.5%	6.6%	14.1%
SPG	488	103	11	310	6.66%	44	4.4	95.9%	4.1%	13.8%	20.4%	38.3%
VHP	1,930	nd	42	178	5.52%	46	17.9	99.5%	0.5%	0.4%	0.3%	1.2%
Total	**15,757**	**3,569**	**290**	**1,929**								
Average	**1,751**	**446**	**32**	**276**	**6.08%**	**104**	**7.4**	**98.7%**	**1.3%**	**8.2%**	**11.9%**	**21.4%**

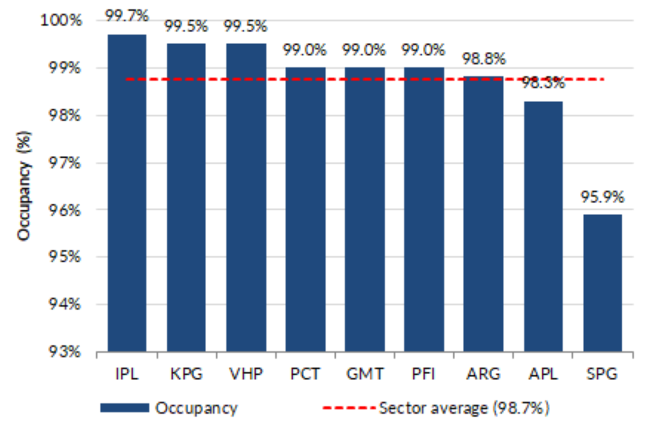
Source: Forsyth Barr analysis, Company reports

Figure 30. Sector WALT (weighted average lease term)



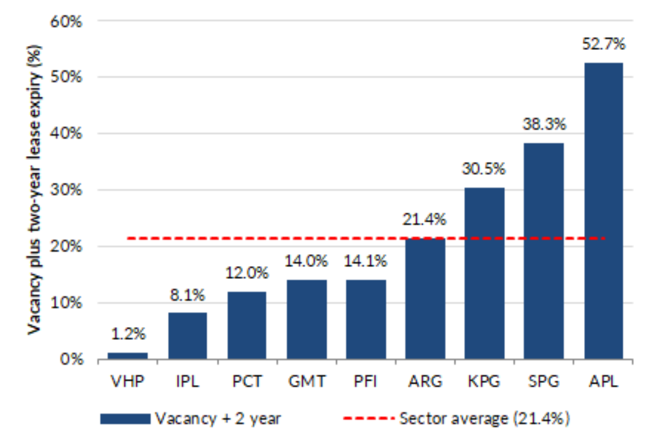
Source: Forsyth Barr analysis, Company Reports

Figure 31. Sector occupancy



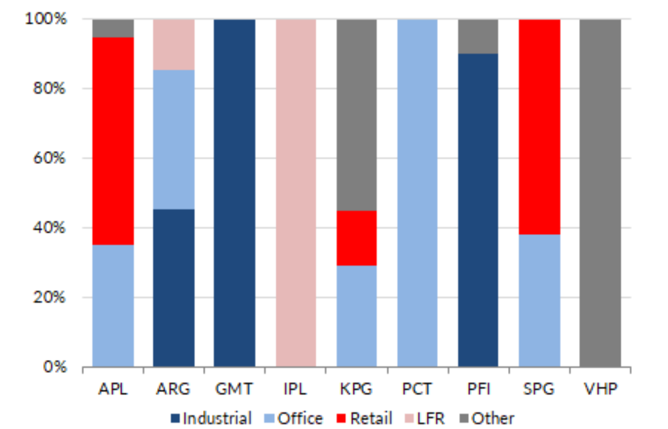
Source: Forsyth Barr analysis, Company Reports

Figure 32. Vacancy + Lease expiry in next 2 years



Source: Forsyth Barr analysis, Company Reports

Figure 33. Sector diversification



Source: Forsyth Barr analysis, Company Reports (SPG is balance sheet assets only)

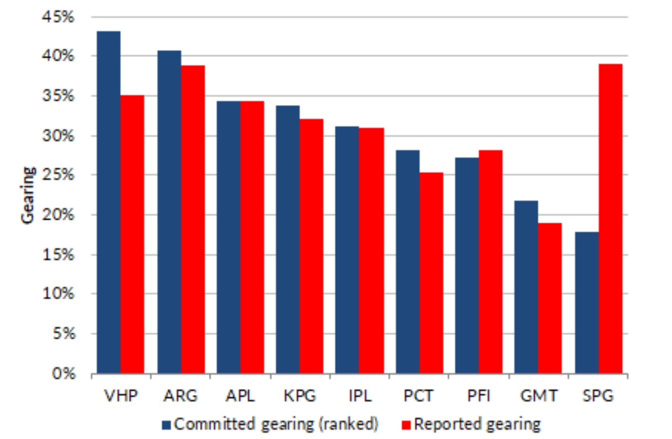
Balance Sheet summary

Figure 34. Balance sheet summary

	As at	Reported gearing	Committed gearing	Target gearing	Bank covenant	Bank facilities (NZ$m)	Issued Bonds (NZ$m)	Facility capacity (NZ$m)	Term - bank (years)	Term - bonds (years)	Term - weighted (years)
APL	Mar-20	34.3%	34.3%	35-40%	50%	75	-	26	2.0	-	2.0
ARG	Mar-20	38.8%	40.7%	30-40%	50%	660	200	127	2.1	6.0	3.0
GMT	Mar-20	18.9%	21.7%	25-35%	50%	400	556	375	2.3	4.3	3.5
IPL	Mar-20	30.9%	31.1%	<48%	65%	320	100	182	2.9	3.8	3.1
KPG	Mar-20	32.0%	33.8%	25-35%	45%	825	475	291	3.9	3.4	3.7
PCT	Dec-19	25.4%	28.1%	<37.5%	50%	610	586	322	3.0	4.8	3.9
PFI	Dec-19	28.2%	27.3%	<40%	50%	350	200	134	2.7	4.8	3.4
SPG	Mar-20	39.1%	17.8%	38-42%	50%	400	-	67	1.6	-	1.6
VHP	Dec-19	35.1%	43.2%	na	50%	870	-	225	1.7	-	1.7
Average/total		**31.4%**	**30.9%**		**51.1%**	**4,510**	**2,117**	**1,748**	**2.5**	**3.0**	**2.9**

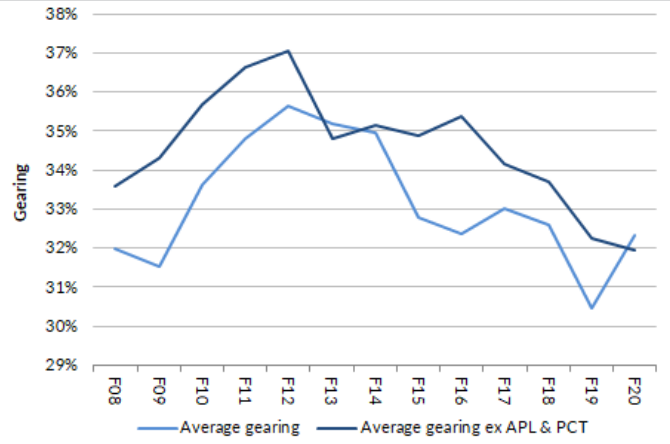
Source: Forsyth Barr analysis, company reports

Figure 35. Committed gearing



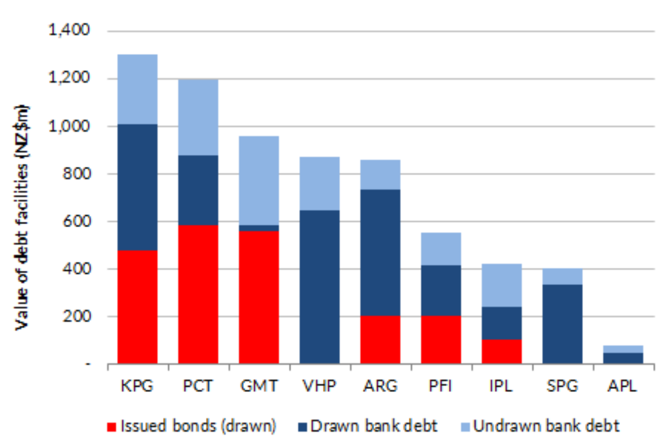
Source: Forsyth Barr analysis, Company Reports

Figure 36. Sector gearing



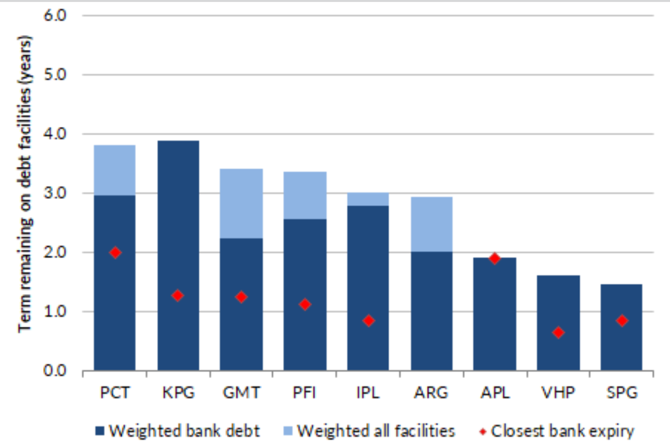
Source: Forsyth Barr analysis

Figure 37. Summary of debt facilities



Source: Forsyth Barr analysis, Company Reports

Figure 38. Funding tenor at 31 July 2020



Source: Forsyth Barr analysis, Company Reports

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