

Real Estate Reflections: The 180th Ed

December 2019 — Property Pitch Firm Underfoot

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The listed property sector had a flat month on the back of limited surprises in the reporting season, and the digesting of recent capital raises from KPG and IPL. We suspect the prospect of more raises is likely as the sector continues to trade at a large premium to NTA. While growth remains limited, NTA's continue to strengthen and dividends remain defensive given the quality of the portfolios, cashflows and lease expiry outlooks. We continue to like defensive qualities with VHP and IPL preferred exposures whilst KPG remains our preferred large cap.

1H20 property reporting season — Steady dividends intact

Most results were close to expectations, and more prominently existing FY20 dividend guidance was reiterated by all seven LPVs, hence, we did not change forecasts. The themes of recent reporting seasons continued, with earnings growth challenging and impacted by the dilution of asset sales despite strong underlying rental growth for Auckland industrial and office assets. Encouragingly, cashflows, balance sheets and key portfolio metrics remain very robust. There were rare interim revaluations for GMT, ARG and SPG reflecting the strong performance of Auckland industrial properties and to a lesser extent, Auckland office assets.

Strategically, the most interesting aspect of the reporting season was KPG's ongoing subtle but determined move from a retail REIT to mixed use. It is signalling that it is looking at a range of options such as residential build to own and hotels as it leverages location and scale at key sites. Its scale, expertise and willingness to take on the retail element of a mixed use project could create some interesting new opportunities.

Funds management more of a feature

AUG continues to progress major new funds while SPG continues to grow IPL, constantly looking at opportunities to create funds to compliment IPL and its unlisted industrial fund. We also expect KPG to leverage its scale and expertise into the funds management space.

Flat return in November underperforms strong NZX50

The LPV sector had a flat November on the back of a 'no surprises' reporting season and the digesting of recent capital raises from KPG and IPL. There has also been a swing back to growth from yield in the broader market with a very strong month for the retirement sector, including large cap RYM and strong months from ATM and FPH, which drove the S&P/NZX50 gross up +5%.

Figure 1. NZ listed property sector summary

LPV	Code	Rating	Price 1-Dec	Target price	Gross div yield	AFFO yield	P/NAV
Asset Plus	APL	NEUTRAL	\$0.64	\$0.65	8.1%	5.0%	97%
Argosy Property	ARG	NEUTRAL	\$1.41	\$1.38	6.4%	4.4%	107%
Augusta Capital	AUG	NEUTRAL	\$1.45	\$1.38	6.2%	4.9%	104%
Goodman Property	GMT	UNDERPERFORM	\$2.14	\$1.92	4.4%	2.9%	112%
Investore	IPL	OUTPERFORM	\$1.80	\$1.85	6.1%	4.1%	108%
Kiwi Property Group	KPG	OUTPERFORM	\$1.58	\$1.62	6.4%	4.1%	102%
Precinct Properties	PCT	NEUTRAL	\$1.82	\$1.60	5.0%	3.3%	116%
Property for Industry	PFI	NEUTRAL	\$2.35	\$2.00	4.7%	3.3%	120%
Stride Property	SPG	NEUTRAL	\$2.23	\$2.18	6.3%	4.2%	109%
Vital Healthcare	VHP	OUTPERFORM	\$2.68	\$2.69	4.8%	3.1%	116%
Core simple average					5.5%	3.7%	111%

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Reporting season wrap-up

Limited earnings surprises — steady guidance reiterated

With the exception of smaller caps AUG and APL, the results in the November 1H20 reporting season were close to expectations. Importantly, existing FY20 dividend guidance was reiterated by all seven LPVs that reported interim results. The themes of recent reporting seasons continued with earnings growth remaining challenging, impacted by the dilution of asset sales despite strong underlying rental growth for Auckland industrial and office assets.

AUG was the major earnings miss of the 1H20 season, but its earnings are lumpy given the timing of fund raising activities and it confirmed FY20 earnings are still likely to be in line with the pcp. Strategically it remains on track with major funds management initiatives being launched over the next six months.

While asset sales have diluted earnings for the sector it has had the positive impact of maintaining strong balance sheets and improving portfolio metrics such as occupancy and WALT. The lease expiry profiles of all the LPVs also remain very manageable.

Figure 2. Result summary

	Expected revenue growth	Reported Revenue growth	Var	Expected EBIT growth	Reported EBIT growth	Var	Expected EPS growth	Reported EPS growth	Var
APL	5.04%	1.90%	-3%	5.89%	4.60%	-1%	3.92%	-0.70%	-5%
ARG	0.42%	0.50%	0%	0.00%	0.00%	0%	-1.24%	4.10%	5%
AUG	-18.84%	-51.50%	-33%	-37.80%	-96.30%	-59%	-30.35%	-90.70%	-60%
GMT	-2.69%	-3.80%	-1%	-4.07%	-5.36%	-1%	-3.14%	-6.80%	-4%
IPL	0.30%	0.60%	0%	0.13%	0.00%	0%	1.42%	-8.20%	-10%
KPG	1.88%	0.50%	-1%	3.11%	0.00%	-3%	-1.50%	-2.40%	-1%
SPG	2.91%	2.10%	-1%	3.69%	-1.80%	-5%	-2.42%	-0.70%	2%
Median	0.42%	0.50%	-1%	0.13%	0.00%	-1%	-1.50%	-2.40%	-4%

Source: Forsyth Barr analysis, company reports

Figure 3. Portfolio metric changes

	WALT			Occupancy			Vacancy + FY1 + FY2 expiry		
	Old	New	Chg	Old	New	Chg	Old	New	Chg
APL	5.5	4.2	-1.3	96.70%	98.00%	1%	24.8%	17.0%	-7.7ppts
ARG	6.14	6	-0.14	97.70%	97.60%	0%	21.0%	17.3%	-3.7ppts
GMT	5.2	5.5	0.3	98.00%	99.50%	2%	18.8%	13.5%	-3.3ppts
IPL	12.1	11.9	-0.2	99.90%	99.70%	0%	3.3%	4.5%	+1.2ppts
KPG	5.2	5.1	-0.1	99.30%	99.40%	0%	19.7%	22.6%	+2.9ppts
SPG	4.8	4.5	-0.3	97.60%	98.20%	1%	23.3%	19.0%	-4.3ppts
Median	5.35	5.3	-0.17	97.85%	98.80%	0%	20.4%	17.2%	-3.5ppts

Source: Forsyth Barr analysis, company reports

NTAs boosted for industrial portfolios

There were rare interim revaluations for GMT, ARG and SPG reflecting the strong performance of Auckland industrial properties and to a lesser extent, Auckland office assets.

Modest growth at best — no changes to expectations

The dividend growth outlook remains modest at best and is also impacted by the admirable goal of some LPVs to hold dividends until they are covered by AFFO. We have not made any material changes to forecasts, while some target prices lifted slightly with the key driver being a lift in NAV following interim revaluations.

NZ listed property research

Investore (IPL) — 1H20 — Everyday Essentials [13 November 2019]

Investore (IPL) has reported a steady 1H20 result with distributable profit of NZ\$8.9m, down NZ\$1.1m as a result of a NZ\$0.9m performance fee. Excluding performance fees, 1H20 was close to expectations of a flat underlying result. Adjusted funds from operations (AFFO) is 3.45cps, slightly below our forecast, and below the pcp of 3.99cps driven by the performance fees and higher maintenance capex. We continue to like IPL given its strongly defensive characteristics. OUTPERFORM.

Goodman Property Trust (GMT) — 1H20 result — In Their Prime [14 November 2019]

Goodman Property Trust (GMT) delivered an operating result close to expectations and announced a +6% interim revaluation gain which lifted NTA to NZ\$1.73. Also as expected, GMT confirmed its flat earnings and dividend outlook for FY20 and we have not changed our forecasts. GMT is trading materially ahead of the sector with a ~31x PE, 3.2% cash yield, 3.0% AFFO yield and 1.21x P/NTA. Our rating remains UNDERPERFORM.

Kiwi Property Group (KPG) — 1H20 Result — Mixing It Up [18 November 2019]

Kiwi Property Group has reported a 1H20 result close to expectations, continuing to highlight its focus on mixed use assets and the move away from standalone retail, whilst establishing its residential expertise. We view KPG as the best value of the large cap LPVs and remain with an OUTPERFORM rating.

Argosy Property (ARG) — 1H20 — Seeing Green [20 November 2019]

Argosy Property (ARG) reported a result slightly ahead of expectations in terms of distributable profit per share due to lower interest costs than forecast, and announced an interim revaluation gain that lifted NTA +5% to NZ\$1.28. ARG has highlighted its 'green' development focus and this is a key strategic priority for the business and a nice niche in the sector. We have not changed our forecasts and our rating is NEUTRAL.

Investore (IPL) — Stocking the Shelves [20 November 2019]

Investore (IPL) has announced the conditional purchase (and associated capital raise of NZ\$80m) of the three remaining large format retail properties owned by Stride Property Group (SPG), the owner of the management contract for IPL. The deal is in line with IPL's strategy and provides earnings accretion, greater tenant and geographic diversification; although it will reduce the WALT from 11.9 years to ~10 years while still maintaining very high occupancy at 99.7%. Settlement is not expected until 1 April 2020. FY20 dividend guidance is unchanged at 7.60cps and we have not changed our forecasts at this stage. Our rating remains OUTPERFORM.

Stride Property Group (SPG) — Taking Steps in Every Direction [20 November 2019]

Stride Property Group (SPG) has announced the conditional sale of its last remaining three large format retail properties to IPL for NZ\$140.75m; this one move grows its assets under management via its management of IPL and significantly frees up its balance sheet capacity for further acquisitions. The next update from SPG is with its 1H20 result, to be announced on 25 November, and we will review our forecasts then. Our rating remains NEUTRAL.

Stride Property Group (SPG) — Line and Length [25 November 2019]

Stride Property Group (SPG) has delivered a balanced 1H20 result with (1) encouraging uplift in EBITDA versus expectations (+3.5%) compelled by markedly increased management fee income, (2) a robust portfolio valuation uplift driving a +5cps lift in NTA per share to NZ\$1.97, (3) improving portfolio metrics with lower vacancy and strong net rental growth (+2.1%) across the portfolio, and (4) continued developments in its fund management business (SIML) starting to generate a robust tailwind of earnings. SPG has declared 2Q20 DPS of 2.4775cps and reiterated FY20E DPS guidance of 9.91cps, in-line with our expectations. Our rating remains NEUTRAL and we have made no changes to our forecasts

Augusta Capital (AUG) — 1H20 — Pineapple Lumps [27 November 2019]

Augusta Capital (AUG) has reported a 1H20 result reflective of the unpredictable nature of its near term earnings. As previously signalled, AUG's 1H20 result was subdued considerably compared to the pcp with EPS (0.48 cps) down c.-90%. This was a function of a -42% reduction in transactional income. The result was well below our forecasts, but performance is difficult to predict on a six monthly basis given the timing of transactional income. FY20 is all about the 2H as AUG crystallises recent funds management initiatives. Dividend guidance for FY20 of 6.50cps was re-iterated and we have not changed our forecasts which currently sit below the flat earnings guidance. NEUTRAL.

Asset Plus Limited (APL) — 1H20 — Basic Arithmetic [29 November 2019]

Asset Plus Limited (APL) delivered a 1H20 result evident of a company still in the transitory phases of executing on its long term strategic direction. Underlying profit of NZ\$2.811m was broadly in line with our forecasts and flat on the pcp, a derivative of the dilutionary effect of asset sales offset by the acquisition of 35 Graham St. Despite subdued growth, we expect robust upside to earnings as its portfolio is purposefully built out and redevelopments are successfully realised. APL's portfolio metrics have remained steady, and its relatively defensive lease expiry profile provides complementary upside. APL declared a 2Q20 dividend of 0.90cps, in line with forecasts and pcp. No changes to our forecasts have been made.

Property News for November 2019

NZ listed property portfolio activity

SPG has agreed to sell three large format retail properties including; Mt Roskill — Bunnings, Mt Wellington Shopping centre, and Tauranga — Bay Central Shopping Centre, for \$140.75 million to **IPL**. IPL will undertake a \$65 million placement of new shares at \$1.75/share and will follow that with a \$15 million retail offer (plus \$5 million oversubscriptions) to assist in financing the transaction. The retail offer will close on 4 December 2019 and trading will open on 10 December 2019. Stride owns 19.9% of Investore and manages its portfolio. Consequently to maintain its stake, SPG will also participate in the capital raising. Guidance of 7.60cps cash dividend for FY20 remains unchanged. [19 November 2019]

Other NZ listed property news

KPG announced the opening of its \$20 million retail offer; with its issue price remaining the same as disclosed and as at the placement at \$1.58 per share. [1 November 2019]

PFI has announced a third quarter dividend of 1.85cps. The dividend reinvestment scheme will not operate for this dividend. [4 November 2019]

PFI has announced the refinancing of the company's bank facilities. ANZ, BNZ, CBA and Westpac have each committed a quarter of a combined total of \$300 million of facilities, up from \$275 million prior to refinancing. The facilities are in two equal \$150 million tranches, expiring on 4 November 2022 and 2023. PFI CFO noted that the forecast debt requirements ensure that PFI is appropriately funded to replace the company's non-industrial assets with quality industrial properties in sought-after areas either via acquisition or by value-add strategies within the existing portfolio.[4 November 2019]

VHP delivered its first quarter update which detailed portfolio LFL net property income growth of +2.6% for 1Q20, whilst specifying increased portfolio occupancy to 99.9% reflecting the lease of 1,000 sqm at its Gold Coast Surgery Centre. VHP also declared its 1Q20 dividend to be 2.1875cpu with a payment date of 19 December 2019. [12 November 2019]

GMT announced its 2Q20 cash dividend of 1.66250cps with a record date of 28 November 2019 and payment date of 12 December 2019. [14 November 2019]

IPL advises that it has successfully completed the \$65 million placement of new shares which forms part of the \$80 million capital raising announced on 19 November 2019. The placement had been fully underwritten and was allocated to investors at the final price of \$1.75 per share. [20 November 2019]

KPG fell short of the \$20 million target for its retail capital-raising offer, raising \$16.6 million. It had earlier raised \$180 million through a placement and had allowed for a total of \$30 million from the retail offer, including \$10 million of over subscriptions. The company also declared a 1H20 dividend of 3.525cps with record date of 3 December

2019 and payment date of 18 December 2019. [22 November 2019]

ARG has announced a 2Q20 cash dividend of 1.56875cps and reaffirms FY20 dividend guidance of 6.275cps. [20 November 2019]

PCT held its AGM highlighting that the opening dates for its Commercial Bay office tower & retail precinct are unchanged, expected for April and March 2020 respectively, whilst 98% of the retail space has been leased alongside 82% in total office commitments. PCT also announced its 1Q20 dividend payment of 1.575cps with a record date of 28 November 2019 and payment date of 12 December 2019. Management reaffirmed its FY20 dividend guidance of 6.30cps. [20 November 2019]

VHP's manager, NorthWest Healthcare Properties Management Limited, the manager of Vital Healthcare Property Trust (Vital), today announced the appointment of a new Independent Director, Dr Michael Stanford, who has over 30 years experience in corporate directorships and health services advisor roles. [20 November 2019]

IPL announced the opening of the \$15 million retail offer (\$5 million of oversubscriptions), with issue price the same as disclosed and as the 19 November placement at \$1.75 per share. [25 November 2019]

PFI announced the appointment of Dean Bracewell to its board, effective from 29 December 2019. Mr Bracewell is currently a Director of Tainui Group and has recently been appointed to the Executive Board of the Halberg Foundation. [29 November 2019]

Other commercial property news

Classic developments, Hunua Views, is a 50-hectare development that will accommodate up to 800 new residences, located in Drury — to the east of Auckland's southern motorway. It is expected 30% of the 800 homes will fall under NZ\$650,000. The first release will be available in early November 2019. [1 November 2019]

Arcadia Station near Queenstown is up for sale and is expected to fetch approximately NZ\$20m. The farm is a rolling 257-hectare sheep and beef property with a consented rural accommodation zone. There are also 12 consented residential sites and four lifestyle sections, with the titles subject to conditions. The main accommodation is Arcadia House, a 1906 11-bedroom mansion built using native red beech. [5 November 2019]

Developer Min Wang, the sole director and shareholder of Hengyi Australia Pty Ltd — who is developing the new Pacifica building in Auckland City, has had her assets frozen by the Australian Taxation Office. The court referred to evidence that Min Wang had "made false statements in her income tax returns for the 2014 and 2015 income years..." and she "gave misleading information" to the Australian Taxation Office concerning the funding of the purchase and development of the property at 199 William Street. [18 November 2019]

Farmlands Cooperative and Property Brokers are entering into a partnership to lead the provincial realty market. The partnership brings substantial gains to customers who include Farmlands 70,000 Shareholders and Property Brokers provincial client base. Tim Mordaunt, chairman of Property brokers, says the new partnership gives the pair 20 per cent share of the rural property market. [22 November 2019]

Silverfin Capital Limited is offering investors an opportunity to acquire a share of the beneficial interest in Unit 10, 67 Courtenay Street, New Plymouth which is currently tenanted by national retail brand, The Warehouse. The property is a 5,904 sqm bulk retail store. Features include the use of 207 car parks under separate New Plymouth District council ownership. The Scheme comprises 156 investment parcels of \$50,000 each. The purchase price for the property is \$13 million, reflecting a 6.8 per cent yield, supported by a recent market valuation from JLL of \$13.25 million. [22 November 2019]

Colliers international research's latest annual review of the Auckland metropolitan office market shows a busy year of activity with ongoing occupier demand for higher quality spaces leading to the construction of new buildings and refurbishment. The market has experienced a reduction in overall vacancy to 5.6% and prime vacancy at 3.3%. Average yield compression for the 12-months to September 2019 was 60 basis points to 6.2% for prime office stock and 70 basis points to 7.1 % for secondary office stock. [25 November 2019]

Figure 4. Sector total returns (as at 30 November 2019)

Company	Code	Price 31-Oct	Market Cap	Gr. Div w/mp	Month return	Rank	Quarter return	Rank	Year return	Rank	YTD return	Rank
Asset Plus	APL	\$0.635	\$103m	-	-0.8%	7	+0.0%	3	+19.4%	10	+18.1%	10
Argosy Property	ARG	\$1.410	\$1,166m	-	+0.0%	4	-2.5%	7	+28.9%	6	+22.6%	7
Augusta	AUG	\$1.450	\$127m	-	-3.3%	8	-0.6%	5	+44.0%	1	+45.2%	1
CDL Investments	CDI	\$0.870	\$242m	-	+3.6%	n/a	+22.5%	n/a	+10.6%	n/a	+11.9%	n/a
Goodman Prop Trust	GMT	\$2.135	\$2,957m	\$0.02	+1.2%	1	-0.3%	4	+43.3%	2	+45.2%	2
Investore	IPL	\$1.800	\$468m	\$0.02	-5.5%	10	-3.8%	10	+27.0%	8	+24.2%	6
Kiwi Property Group	KPG	\$1.580	\$2,462m	-	-0.6%	5	-3.1%	9	+21.1%	9	+19.0%	9
Precinct Properties NZ	PCT	\$1.815	\$2,383m	\$0.02	+0.6%	2	-1.0%	6	+30.0%	5	+27.4%	5
Property for Industry	PFI	\$2.345	\$1,170m	\$0.02	-0.6%	6	+0.6%	2	+41.8%	3	+35.6%	3
Stride Property Group	SPG	\$2.230	\$815m	-	-3.5%	9	-2.9%	8	+27.1%	7	+20.5%	8
Vital Healthcare Property Trust	VHP	\$2.675	\$1,208m	-	+0.6%	3	+3.0%	1	+30.3%	4	+32.2%	4
S&P/NZX All Real Estate Cap		1,444.2			-0.8%		-2.3%		+24.8%		+23.8%	
S&P/NZX All Real Estate Gr.		1,766.4			-0.4%		-1.3%		+30.0%		+27.9%	
S&P/NZX All Real Estate Gr. w/mp		1,842.5			-0.3%		-1.1%		+31.2%		+28.8%	
S&P/NZX 50 Gross		11,316.6			+4.9%		+5.2%		+28.3%		+28.4%	
S&P/NZX 50 Gross w/mp		13,758.2			+5.0%		+5.5%		+29.5%		+29.6%	

Source: Forsyth Barr analysis, IRESS

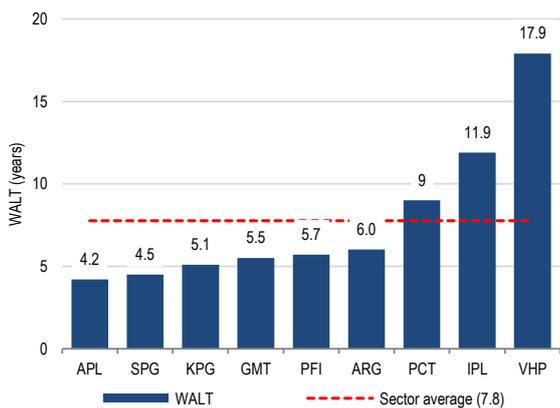
Portfolio summary

Figure 5. Portfolio metrics summary

Company	Value (NZ\$m)	NLA (000sqm)	No. assets	No. tenants	Market cap rate (%)	Contract / passing yield (%)	Average asset size (NZ\$m)	WALT (years)	Occupancy (%)	Vacancy	FY1 expiry	FY2 expiry	Vacancy + FY1-FY2 expiry
APL	182	96	4	48	7.40%	6.82%	46	4.2	98.0%	2.0%	8.0%	7.0%	17.0%
ARG	1,690	1,066	59	nd	6.36%	6.15%	29	6.0	97.6%	2.4%	5.2%	9.7%	17.3%
GMT	3,032	1,040	nd	nd	5.30%	nd	nd	5.5	99.5%	0.5%	2.0%	11.0%	13.5%
IPL	751	208	40	78	6.04%	nd	19	11.9	99.7%	0.3%	2.1%	2.1%	4.5%
KPG	3,330	440	12	892	5.99%	nd	278	5.1	99.4%	0.6%	9.0%	13.0%	22.6%
PCT	2,517	232	13	nd	5.70%	6.20%	194	9.0	99.0%	1.0%	8.5%	5.0%	14.5%
PFI	1,368	647	94	147	6.10%	6.09%	15	5.7	99.7%	0.3%	2.0%	12.7%	15.0%
SPG	999	254	26	391	7.57%	6.43%	38	4.5	98.2%	1.8%	3.8%	13.4%	19.0%
VHP	1,836	nd	42	nd	5.61%	nd	44	17.9	99.9%	0.6%	3.9%	3.8%	8.3%
Total	15,706	3,983	290	1,556									
Average	1,745	498	36	311	6.23%	6.34%	83	7.8	98.9%	1.1%	4.9%	8.6%	14.6%

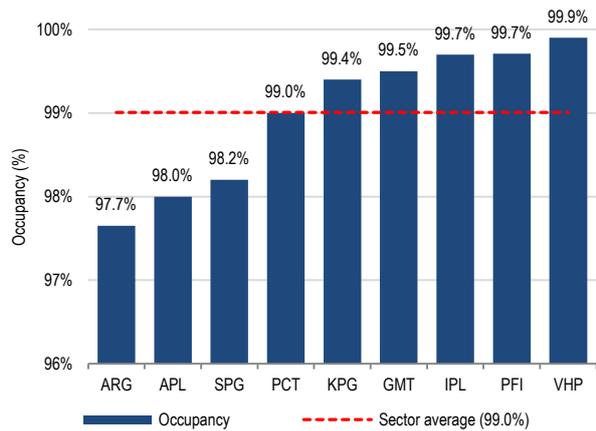
Note: All metrics are last reported. Source: Forsyth Barr analysis, Company reports

Figure 6. Sector WALT (weighted average lease term)



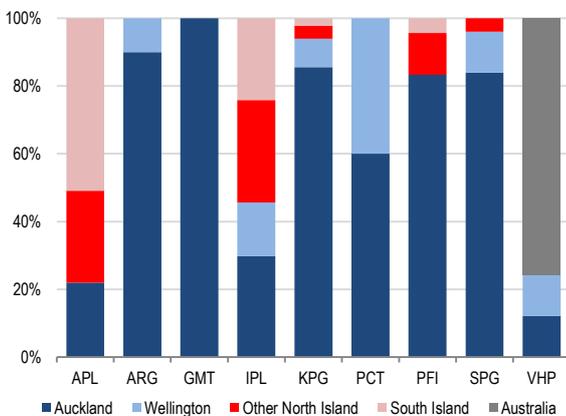
Source: Forsyth Barr analysis, Company reports

Figure 7. Sector occupancy



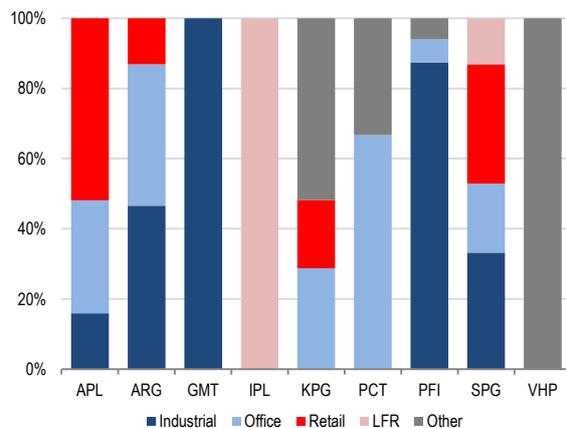
Source: Forsyth Barr analysis, Company reports

Figure 8. Geographical diversification



Source: Forsyth Barr analysis, Company reports

Figure 9. Sector diversification



Source: Forsyth Barr analysis, Company reports

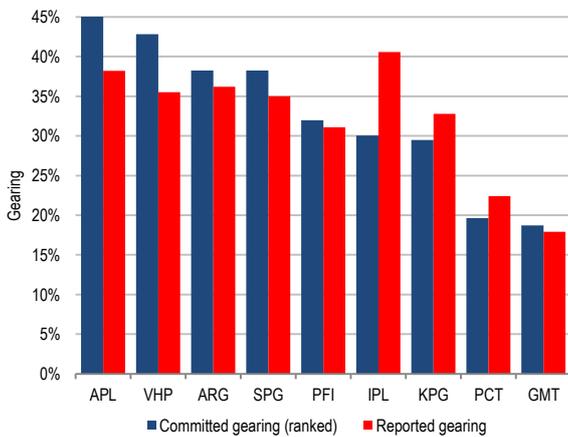
Balance sheet summary

Figure 10. 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	Sep-19	38.2%	53.1%	35-38%	50%	70	-	26	1.8	-	1.8
ARG	Sep-19	36.2%	38.3%	30-40%	50%	650	-	45	2.5	-	2.5
GMT	Sep-19	17.9%	18.7%	30-35%	50%	450	556	188	2.0	5.5	3.9
IPL	Sep-19	40.6%	41.0%	<48%	65%	270	100	63	2.1	5.6	3.0
KPG	Sep-19	32.8%	29.5%	25-35%	45%	917	375	377	3.3	4.7	3.7
PCT	Jun-19	22.4%	19.7%	<37.5%	50%	760	423	432	3.4	4.7	3.9
PFI	Jun-19	31.1%	32.0%	<40%	50%	275	200	86	2.3	6.7	4.1
SPG	Sep-19	35.0%	15%	38-42%	50%	400	-	92	1.7	-	1.7
VHP	Jun-19	35.5%	42.8%	na	50%	786	-	115	2.9	-	2.9
Average			32.2%	33.6%	51.1%	509	331	158	2.4	5.4	3.1

Source: Forsyth Barr analysis, company reports Note: doesn't include recently announced ARG bond, IPL and SPG committed gearing post proposed transaction, settling 1 April 2020

Figure 11. Committed gearing



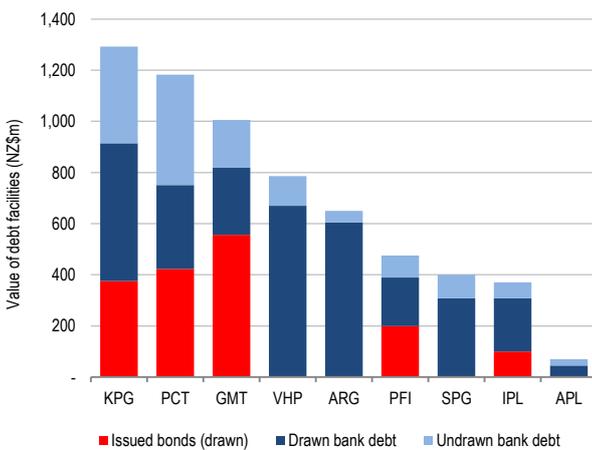
Source: Forsyth Barr analysis, company reports

Figure 12. Sector gearing



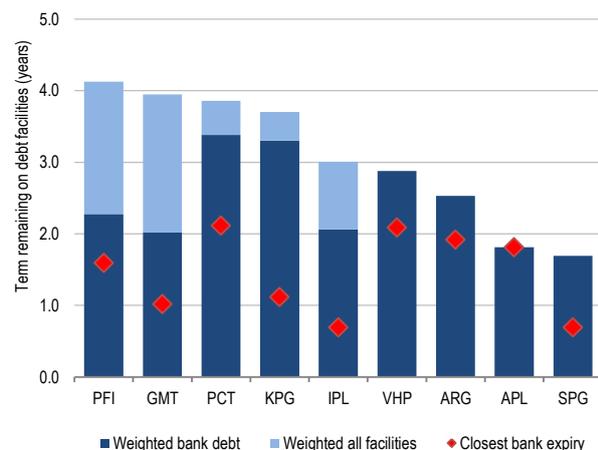
Source: Forsyth Barr analysis, company reports

Figure 13. Summary of debt facilities (NZ\$m)



Source: Forsyth Barr analysis, company reports Note: doesn't include recently announced ARG bond

Figure 14. Funding tenor at 4 December 2019



Source: Forsyth Barr analysis, company reports Note: doesn't include recently announced ARG bond

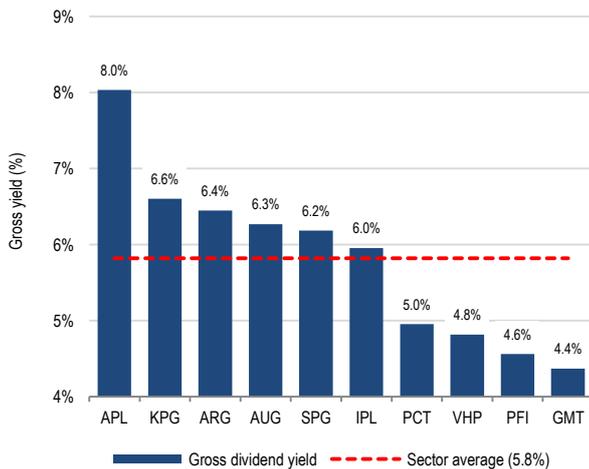
Relative value summary

Figure 15. Relative valuation metrics — 1 December 2019

Company	Rating	Value 1-Dec	Cash yield	Gross yield	P / NTA ¹	PE	EV/ EBITDA
Asset Plus	NEUTRAL	0.64	5.7%	8.0%	0.91x	17.4x	16.2x
Argosy Property	NEUTRAL	1.41	4.5%	6.4%	1.10x	20.5x	19.7x
Augusta Capital	NEUTRAL	1.45	4.5%	6.3%	1.93x	20.2x	14.9x
Goodman Property	UNDERPERFORM	2.14	3.1%	4.4%	1.23x	31.2x	26.3x
Investore	OUTPERFORM	1.80	4.2%	6.0%	1.06x	22.3x	18.8x
Kiwi Property Group	OUTPERFORM	1.58	4.5%	6.4%	1.10x	21.5x	19.8x
Precinct Properties	NEUTRAL	1.82	3.5%	5.0%	1.30x	26.9x	25.0x
Property for Industry	NEUTRAL	2.35	3.3%	4.6%	1.32x	27.6x	21.0x
Stride Property	NEUTRAL	2.23	4.4%	6.2%	1.16x	21.0x	19.9x
Vital Healthcare	OUTPERFORM	2.68	3.4%	4.8%	1.13x	26.6x	22.8x
S&P/NZX Real Estate Gross		1,173	3.8%	5.4%	1.22x	25.6x	22.5x
S&P/NZX50 Gross		11,317	3.3%	4.2%	2.24x	24.7x	14.1x

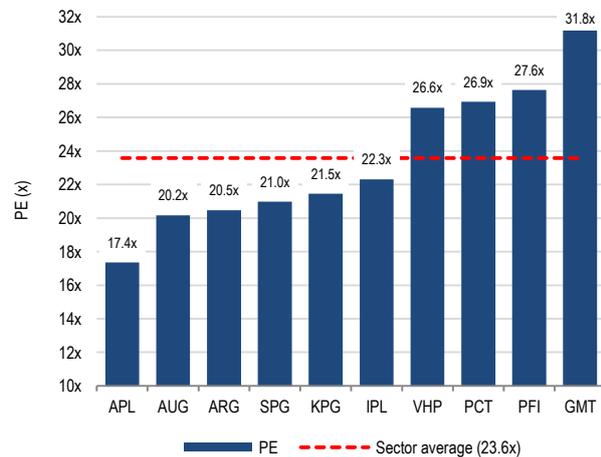
1:NTA is adjusted. 2: Index metrics reflect average constituent metrics weighted by market capitalisation. Source: Company Reports, Forsyth Barr analysis.

Figure 16. Gross yield



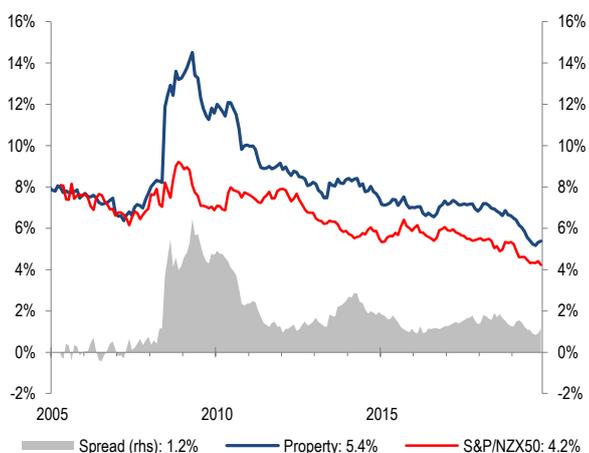
Source: Company reports, Forsyth Barr analysis, Thompson Reuters

Figure 17. PE ratio



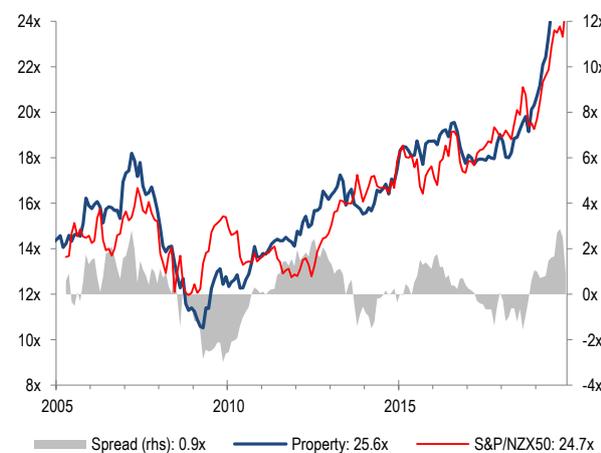
Source: Company reports, Forsyth Barr analysis, Thompson Reuters

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



Source: Company reports, Forsyth Barr analysis, IRESS

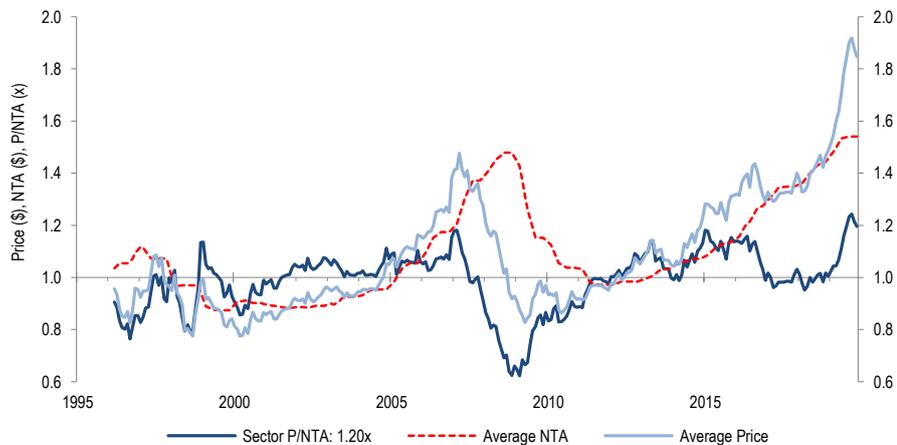
Figure 19. Sector PE versus S&P/NZX50 PE



Source: Forsyth Barr analysis, Company reports, IRESS

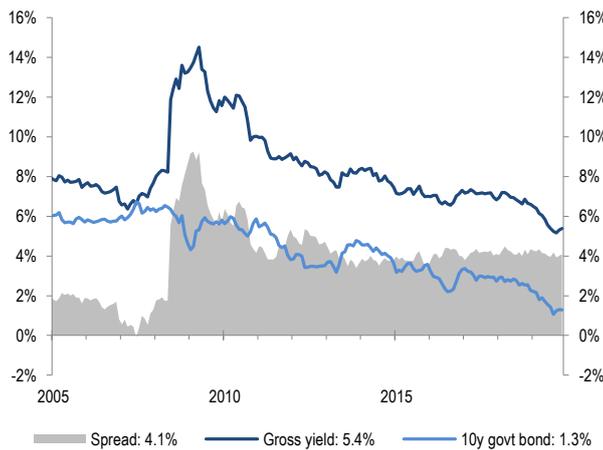
Key monthly charts and tables

Figure 20. Sector P/NTA, NTA and price



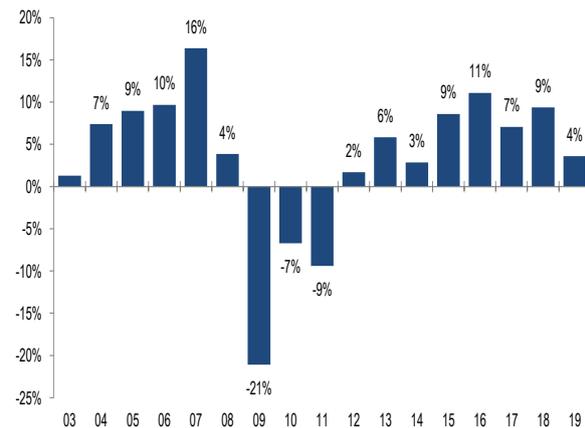
Note: Series represents simple average of price to reported NTA for core LPV's (ARG, GMT, IPL, KPG, PCT, PFI). Source: Company reports, IRESS, Forsyth Barr analysis.

Figure 21. Yield spread — gross dividend yields vs. 10 year bond



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

Figure 22. Sector NTA growth



Note: Forsyth Barr analysis. Note: Sector average is weighted by market capitalisation.

Figure 23. Dividend summary

Company	FY17 DPS	FY18 DPS	FY19 DPS	FY20 DPS	12-mth DPS	Price 1-Dec	Cash yield	Gross yield ¹ 10.5% MTR	Gross yield ¹ 17.5% MTR	Gross yield ² 30.0% MTR	Gross yield ³ 33.0% MTR
APL	-	-	3.60	3.60	3.60	\$0.64	5.7%	7.1%	7.4%	8.1%	8.5%
ARG	6.10	6.20	6.28	6.28	6.28	\$1.41	4.5%	5.6%	5.8%	6.4%	6.6%
AUG	5.50	5.63	6.13	6.50	6.50	\$1.45	4.5%	6.2%	6.2%	6.2%	6.2%
GMT	6.65	6.65	6.65	6.65	6.65	\$2.14	3.1%	3.9%	4.1%	4.4%	4.6%
IPL	0.00	7.46	7.60	7.63	7.63	\$1.80	4.2%	5.3%	5.5%	6.1%	6.3%
KPG	6.72	6.85	6.95	7.05	7.12	\$1.58	4.5%	5.6%	5.9%	6.4%	6.7%
PCT	5.60	5.80	6.00	6.30	6.34	\$1.82	3.5%	4.4%	4.5%	5.0%	5.2%
PFI	7.45	7.55	7.60	7.65	7.65	\$2.35	3.3%	4.1%	4.2%	4.7%	4.9%
SPG	9.96	9.91	9.91	9.91	9.91	\$2.23	4.4%	5.6%	5.8%	6.3%	6.6%
VHP	8.50	8.56	8.75	9.00	9.00	\$2.68	3.4%	4.0%	4.2%	4.8%	5.0%
Avg							4.1%	5.2%	5.4%	5.8%	6.1%
Weighted avg							3.8%	4.7%	4.9%	5.4%	5.6%

Note: AUG is longer a listed portfolio investment entity (PIE) (as at 1 July 2016). 1: Assumes a 17.5% personal tax rate, 2: Assumes a 30.0% personal tax rate, 3: Assumes a 33.0% personal tax rate. Source: Company reports, Forsyth Barr analysis

Figure 24. EPS and AFFO summary (Forsyth Barr estimates)

Company	FY18 EPS	FY19 EPS	FY20 EPS	12-mth fwd EPS	PE	FY18 AFFO	FY19 AFFO	FY20 AFFO	12-mth fwd AFFO	AFFO Yield
APL	-	3.19	3.87	3.69	17.2x	-	2.69	3.29	3.19	+5.03%
ARG	6.62	6.94	6.59	6.78	20.8x	6.04	6.25	5.99	6.14	+4.36%
AUG	6.60	8.85	7.18	7.14	20.3x	6.60	8.85	7.18	7.14	+4.92%
GMT	7.24	7.02	6.75	6.84	31.2x	6.35	6.32	6.08	6.23	+2.92%
IPL	7.85	8.02	8.11	8.20	22.0x	7.07	7.54	7.38	7.47	+4.15%
KPG	7.46	6.99	7.11	7.17	22.0x	6.82	6.41	6.41	6.49	+4.11%
PCT	6.32	6.37	6.61	6.79	26.7x	5.80	6.02	5.86	6.01	+3.31%
PFI	8.38	8.61	8.67	8.67	27.1x	7.46	7.80	7.71	7.72	+3.29%
SPG	10.63	10.62	10.49	10.90	20.5x	9.12	8.87	8.82	9.27	+4.16%
VHP	10.60	9.51	9.80	10.03	26.7x	7.45	5.86	7.60	8.30	+3.10%
Avg					23.4x					+3.94%
Weighted avg					25.6x					+3.56%

Source: Forsyth Barr analysis, Company reports

Figure 25. Peer multiples

Company	P / NTA	P / NAV	PE	P / AFFO	Cash yield	AFFO yield	Gross yield	AFFO Pay-out
APL	-8.5%	-3.1%	17.2x	19.9x	5.7%	5.0%	8.1%	113%
ARG	+10.1%	+6.8%	20.8x	23.0x	4.5%	4.4%	6.4%	102%
AUG	+93.3%	+4.3%	20.3x	20.3x	4.5%	4.9%	6.2%	91%
GMT	+23.3%	+12.4%	31.2x	34.3x	3.1%	2.9%	4.4%	107%
IPL	+5.9%	+8.4%	22.0x	24.1x	4.2%	4.1%	6.1%	102%
KPG	+10.5%	+2.3%	22.0x	24.3x	4.5%	4.1%	6.4%	110%
PCT	+30.0%	+16.3%	26.7x	30.2x	3.5%	3.3%	5.0%	105%
PFI	+32.0%	+19.6%	27.1x	30.4x	3.3%	3.3%	4.7%	99%
SPG	+16.1%	+8.9%	20.5x	24.1x	4.4%	4.2%	6.3%	107%
VHP	+13.2%	+16.3%	26.7x	32.2x	3.4%	3.1%	4.8%	108%
Average	+22.6%	+9.2%	23.4x	26.3x	4.1%	3.9%	5.8%	104%
Core average¹	+18.6%	+11.4%	24.6x	27.8x	3.9%	3.7%	5.5%	105%

Source: Forsyth Barr analysis, company reports, Eikon 1: Core LPV's are ARG, GMT, IPL, KPG, PCT, and PFI.

External Opportunities

In 2018 Asset Plus Limited (APL) 1) externalised its management to Augusta Capital [AUG], 2) did significant asset sales, and 3) launched a new brand identity. While APL lacks scale versus peers, its management agreement with AUG provides access to significant expertise. We still see medium-term upside for APL if it can generate scale over time; in the short-term APL doesn't trade at a sufficient discount to warrant a positive recommendation in light of portfolio risks. **NEUTRAL**.

Earnings and cash flow outlook

- **Acquisition activity:** APL's purchase of 35 Graham St in Auckland for NZ\$58m is an attractive medium term redevelopment opportunity with a robust near-term holding yield.
- **Development activity:** APL is working on a potential major redevelopment at Eastgate which would add an additional major to the centre and repurpose some of the existing space.

Business quality

- **Augusta management deal:** In March 2018, APL sold its management rights to AUG for NZ\$4.5m. Key terms are: 1) a minimum term of five years, 2) base management fees of 0.50% of AUM, falling to 0.40% of AUM <NZ\$500m, and 3) performance fees of 10% of relative outperformance vs NZX property benchmark.
- **Property fundamentals:** At its 1H20 result APL had a three asset portfolio of around NZ\$150m. 1H20 occupancy was 98%, the WALT 4.2 years.

Financial structure

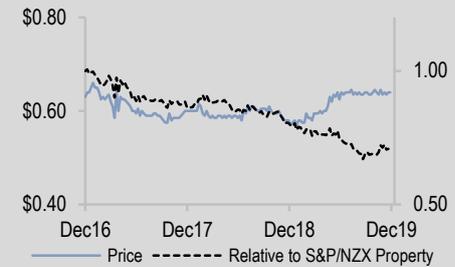
- **Balance sheet:** Gearing (LVR) lifts to ~26% with the Graham St acquisition and Heinz Watties divestment.
- **Dividends:** There is no dividend guidance and the dividend remains subject to the quarterly review and possible future acquisitions.

Risks factors

- **E-commerce growth:** APL's retail assets are smaller sub-regional and neighbourhood centres, which could be susceptible to e-commerce risks.
- **Sourcing new assets:** APL will need to source new 'value-add' properties to replace asset sales and utilise its balance sheet. A sustained period of low gearing would put pressure on APL's dividend.

NZX code	APL
Share price (as at 6 Dec 2019)	NZ\$0.64
Target Price	NZ\$0.65
Risk Rating	Medium
Issued shares	161.9m
Market cap	NZ\$104m
Average daily turnover	105.8k (NZ\$66k)

Share Price Performance



Company Description

Property | Diversified property

Asset Plus Limited (previously NPT Limited) is a diversified property vehicle with a 'yield plus growth' investment strategy. APL owns three assets valued at ~NZ\$150m once the sale of Heinz Wattie's Distribution Centre settles in December 2019. APT was established in 1994 and listed in 1996. In 2011, APL internalised its management and changed its structure from a trust to a company. In 2018 NZX-listed Augusta Capital (AUG) purchased APL's management rights for NZ\$4.5m and the company launched its new brand as 'Asset Plus' and is acquiring value-add opportunities and divesting non-core assets.

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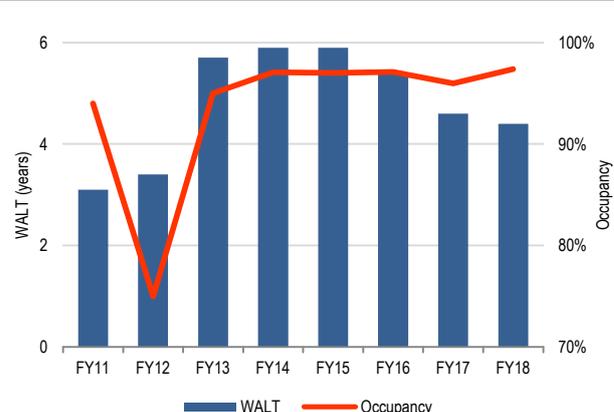
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Figure 26. Sector and regional portfolio exposure

	Auckland	Other North Island	South Island	Total
Industrial	-	23%	-	23%
Office	-	-	-	-
Retail	30%	-	48%	77%
Total	30%	23%	48%	100%

Source: Company reports, Forsyth Barr analysis. Note: Data is based on reported portfolio as at 31/03/18, adjusted for the sale of AA Centre.

Figure 27. Portfolio WALT and occupancy



Source: Forsyth Barr analysis, Company reports

Forsyth Barr valuation					Valuation Ratios										
Valuation methodology					2018A 2019A 2020E 2021E 2022E										
Blended DCF (50%) and NAV (50%)					EV/EBITDA (x)	15.2	17.2	13.9	16.7	16.5					
					EV/EBIT (x)	15.2	17.2	13.9	16.7	16.5					
12-month target price (NZ\$)*	0.65	Spot valuations (NZ\$)			PE (x)	16.5	20.0	16.6	17.7	18.4					
Expected share price return	1.6%	1. DCF	0.63		Price/NTA (x)	0.91	0.92	0.92	0.91	0.91					
Net dividend yield	5.6%	2. NAV	0.66		Free cash flow yield (%)	1.7	3.3	5.1	4.9	4.7					
Estimated 12-month return	7.2%	n/a	n/a		Net dividend yield (%)	5.6	5.6	5.6	5.6	5.6					
					Gross dividend yield (%)	8.0	8.0	8.0	8.0	8.0					
Key WACC assumptions					Imputation (%)	100	100	100	100	100					
DCF valuation summary (NZ\$m)					Pay-out ratio (%)	93	113	93	100	104					
Risk free rate	2.0%	Total firm value	116		Capital Structure										
Equity beta	0.78	(Net debt)/cash	(10)		2018A	2019A	2020E	2021E	2022E						
WACC	5.8%	Value of equity	106		Interest cover EBIT (x)	3.6	7.0	5.2	5.6	4.6					
Terminal growth	1.5%	Shares (m)	162		Net debt/ tangible assets (%)	26.4	7.8	25.5	25.7	26.1					
Profit and Loss Account (NZ\$m)					Net debt/ND+E (%)	27.8	8.0	25.8	26.0	26.4					
Sales revenue	12.3	9.3	11.0	10.4	10.5	Net debt/EBITDA (x)	4.4	1.3	4.2	4.7					
Normalised EBITDA	10.1	7.6	9.2	8.6	8.7	Key Ratios									
Depreciation and amortisation	-	-	-	-	-	2018A	2019A	2020E	2021E	2022E					
Normalised EBIT	10.1	7.6	9.2	8.6	8.7	Return on assets (%)	6.0	6.0	5.9	5.4					
Net interest	(2.8)	(1.1)	(1.8)	(1.5)	(1.9)	Return on equity (%)	5.5	4.6	5.5	5.1					
Associate income	-	-	-	-	-	Return on funds employed (%)	5.0	4.2	5.5	4.5					
Tax	(1.0)	(1.3)	(1.2)	(1.2)	(1.2)	EBITDA margin (%)	81.9	81.2	83.7	82.6					
Minority interests	-	-	-	-	-	EBIT margin (%)	81.9	81.2	83.7	82.6					
Normalised NPAT	6.3	5.2	6.3	5.8	5.6	Capex to sales (%)	38.4	3.8	8.4	7.2					
Abnormals/other	(3.2)	(1.4)	0.2	0.8	0.8	Capex to depreciation (%)	n/a	n/a	n/a	n/a					
Reported NPAT	3.1	3.8	6.5	6.6	6.4	Property Statistics									
Normalised EPS (cps)	3.9	3.2	3.9	3.6	3.5	2015A	2016A	2017A	2018A	2019A					
DPS (cps)	3.6	3.6	3.6	3.6	3.6	Key metrics									
Growth Rates					2018A	2019A	2020E	2021E	2022E	No. properties	5	5	5	4	3
Revenue (%)	0.5	-24.3	18.2	-6.2	1.3	Average lease term (years)	5.9	5.4	4.6	4.4	5.5				
EBITDA (%)	1.6	-25.1	21.9	-7.4	1.3	Occupancy rate (%)	97.0	97.1	96.0	97.4	96.7				
EBIT (%)	1.6	-25.1	21.9	-7.4	1.3	Cap rate (%)	8.21	7.91	7.74	7.43	7.40				
Normalised NPAT (%)	1.9	-17.7	21.1	-6.7	-3.6	Portfolio value (NZ\$m)	158.2	169.4	174.4	167.1	123.1				
Normalised EPS (%)	1.9	-17.7	21.1	-6.7	-3.6	NTA per share (NZ\$)	0.725	0.740	0.723	0.706	0.694				
DPS (%)	0.0	0.0	0.0	0.0	0.0	Portfolios values (NZ\$m)									
Cash Flow (NZ\$m)					2018A	2019A	2020E	2021E	2022E	AA centre	33.8	36.2	40.9	43.8	
EBITDA	10.1	7.6	9.2	8.6	8.7	Eastgate Shopping Centre	50.4	58.0	59.5	58.0	54.5				
Working capital change	0.3	(1.6)	(0.0)	(0.0)	(0.0)	Print Place	13.3	13.0	11.0	-	-				
Interest & tax paid	(3.9)	(2.2)	(3.0)	(2.7)	(3.0)	Heinz Wattie Warehouse	27.2	27.2	27.0	27.3	29.1				
Other	-	-	-	-	-	Roskill Centre	33.6	35.0	36.0	38.0	39.5				
Operating cash flow	6.5	3.8	6.2	5.8	5.6	Portfolio value (NZ\$m)	158.2	169.4	174.4	167.1	123.1				
Capital expenditure	(4.7)	(0.4)	(0.9)	(0.8)	(0.8)	Balance Sheet (NZ\$m)									
(Acquisitions)/divestments	12.7	37.5	(29.0)	-	-	2018A	2019A	2020E	2021E	2022E					
Other	3.8	(0.8)	-	-	-	Working capital	(1.5)	0.5	0.5	0.5	0.5				
Funding available/(required)	18.3	40.1	(23.7)	5.1	4.9	Fixed assets	168.4	123.0	153.1	154.7	156.3				
Dividends paid	(5.8)	(5.8)	(5.8)	(5.8)	(5.8)	Intangibles	-	-	-	-	-				
Equity raised/(returned)	-	-	-	-	-	Other assets	0.1	0.5	0.5	0.5	0.5				
Increase/(decrease) in net debt	(12.4)	(34.3)	29.5	0.8	1.0	Total funds employed	166.9	123.9	154.1	155.6	157.2				
					Net debt/(cash)	44.0	9.7	39.2	40.0	41.0					
					Other non current liabilities	8.5	1.9	1.9	1.9	1.9					
					Shareholder's funds	114.3	112.3	113.0	113.8	114.4					
					Minority interests	-	-	-	-	-					
					Total funding sources	166.9	123.9	154.1	155.6	157.2					

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

Underpinned by Industrial

Argosy Property (ARG) continues to recycle non-core assets and actively work through incremental development opportunities to improve portfolio quality. Fundamentals are improving following leasing success which is reflected in strong portfolio metrics. The outlook for the earthquake-impacted 7 Waterloo Quay is clearer with reinstatement works tracking for completion in late 2019, and leasing demand looking robust. In our sector report 'Real Estate Reflections' dated 5 September we adopted our new Research team risk free rate of 2% and market risk premium of 7.5% which increased the ARG target price by +13%. NEUTRAL.

Earnings and cash flow outlook

- **Rental growth:** ARG achieved robust rental growth of +3.2% (annualised) across rent reviews in 1H20 with the industrial portfolio particularly strong.
- **Development activity:** ARG has completed a number of refurbishment projects. Developments include office at 107 Carlton Gore Road (12 year lease to Housing NZ) and 8–14 Willis Street (leased to Statistics NZ for 15 years), and retail at Stewart Dawson's corner in Wellington.

Business quality

- **Revaluation gains:** ARG reported a 1H20 revaluation gain of NZ\$50.8m (+3.1%), lifting NTA per share +6cps to NZ\$1.28.
- **Industrial assets underpin portfolio:** ARG's portfolio WALT was steady in 1H20 at 6 yrs. ARG's WALT is underpinned by its NZ\$750m+ industrial portfolio (7.2 yrs), which is sector-leading versus industrial peers, Property for Industry and Goodman Property. ARG has the highest exposure to industrial assets in the sector (47%) after GMT (100%) and PFI (86%).

Financial structure

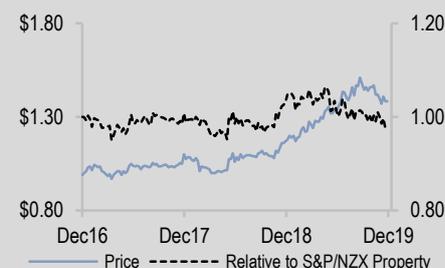
- **Balance sheet:** Gearing is around sector average levels at ~36% and it pays out around AFFO, providing an attractive dividend yield.
- **Dividends:** ARG has guided to a flat dividend in FY20 as it looks to move close to covering its dividend by AFFO on a sustainable basis.

Risks factors

- **Auckland office conditions:** Auckland office is vulnerable from increasing supply and the drive for space efficiency, however, recently this has been offset by assets leaving the market and increased government space.
- **Lease expiry:** ~18% of leases (by rent) are expiring in FY20 and FY21 including 8,100m to MBIE at 147 Lambton Quay in the near-term.

NZX code	ARG
Share price (as at 6 Dec 2019)	NZ\$1.39
Target Price	NZ\$1.38
Risk Rating	Low
Issued shares	827.0m
Market cap	NZ\$1,145m
Average daily turnover	509.8k (NZ\$686k)

Share Price Performance



Company Description

Property | Diversified property

Argosy (ARG) owns a portfolio of 59 investment properties valued at NZ\$1.7bn. Its portfolio is diversified across office, retail and industrial assets and regionally weighted to Auckland (70%). ARG has been active selling non-core assets in recent years, and we expect this to continue. ARG was listed in 2002 (previously named ING Property Trust) with a portfolio of two Auckland office buildings and in June 2005 completed the takeover of Urbus Properties. ARG's management structure was internalised in 2011 and in 2012 it converted its corporate structure from a trust to a company.

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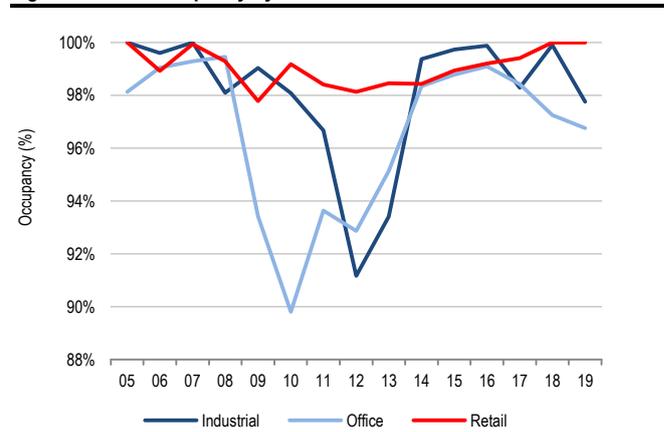
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Figure 28. Sector and regional portfolio exposure

	Auckland	Other North Island	South Island	Total
Industrial	32%	8%	1%	41%
Office	20%	17%	-	37%
Retail	20%	2%	-	22%
Total	71%	28%	1%	100%

Source: Company reports, Forsyth Barr analysis. Note: Data is based on reported portfolio as at 31/03/19

Figure 29. ARG occupancy by sector



Source: Forsyth Barr analysis, company reports

Forsyth Barr valuation					Valuation Ratios										
Valuation methodology					2018A 2019A 2020E 2021E 2022E										
Blended DCF (50%) and NAV (50%)					EV/EBITDA (x)	18.3	18.6	19.9	19.0	17.8					
					EV/EBIT (x)	18.3	18.6	19.9	19.0	17.8					
12-month target price (NZ\$)*	1.38	Spot valuations (NZ\$)			PE (x)	20.9	20.0	21.0	20.1	20.2					
Expected share price return	-0.4%	1. DCF	1.37		Price/NTA (x)	1.24	1.14	1.09	1.04	1.01					
Net dividend yield	4.5%	2. NAV	1.32		Free cash flow yield (%)	-0.1	-2.4	-2.9	1.7	4.5					
Estimated 12-month return	4.2%	n/a	n/a		Net dividend yield (%)	4.5	4.5	4.5	4.5	4.5					
					Gross dividend yield (%)	6.4	6.5	6.5	6.5	6.5					
Key WACC assumptions					Imputation (%)	100	100	100	100	100					
DCF valuation summary (NZ\$m)					Pay-out ratio (%)	94	90	95	91	91					
Risk free rate	2.0%	Total firm value	1,794		Capital Structure										
Equity beta	0.77	(Net debt)/cash	(591)		2018A	2019A	2020E	2021E	2022E						
WACC	5.5%	Value of equity	1,163		Interest cover EBIT (x)	3.6	3.8	3.6	3.6	3.3					
Terminal growth	1.5%	Shares (m)	827		Net debt/ tangible assets (%)	36.0	35.7	37.3	36.9	36.3					
Profit and Loss Account (NZ\$m)					Net debt/ND+E (%)	37.3	37.0	38.6	38.1	37.5					
Sales revenue	101	102	100	107	113	Net debt/EBITDA (x)	6.1	6.5	7.4	7.1	6.7				
Normalised EBITDA	91	92	89	95	101	Key Ratios									
Depreciation and amortisation	-	-	-	-	-	2018A	2019A	2020E	2021E	2022E					
Normalised EBIT	91	92	89	95	101	Return on assets (%)	5.9	5.5	5.0	5.1	5.4				
Net interest	(25)	(24)	(25)	(26)	(31)	Return on equity (%)	5.9	5.7	5.2	5.2	5.0				
Associate income	-	-	-	-	-	Return on funds employed (%)	5.1	4.9	4.4	4.4	4.4				
Tax	(11)	(10)	(10)	(12)	(14)	EBITDA margin (%)	90.2	89.3	89.1	89.3	89.5				
Minority interests	-	-	-	-	-	EBIT margin (%)	90.2	89.3	89.1	89.3	89.5				
Normalised NPAT	55	57	55	57	57	Capex to sales (%)	62.5	92.5	88.1	35.1	4.9				
Abnormals/other	44	76	41	42	27	Capex to depreciation (%)	n/a	n/a	n/a	n/a	n/a				
Reported NPAT	98	134	95	99	84	Property Statistics									
Normalised EPS (cps)	6.6	6.9	6.6	6.9	6.9	2015A	2016A	2017A	2018A	2019A					
DPS (cps)	6.2	6.3	6.3	6.3	6.3	Total									
Growth Rates					2018A	2019A	2020E	2021E	2022E	Value (NZ\$m)	1,306	1,368	1,442	1,513	1,667
Revenue (%)	0.2	1.5	-2.4	6.7	6.1	No. buildings	68	66	64	61	60				
EBITDA (%)	-0.4	0.5	-2.7	7.0	6.4	WALT (years)	5.54	5.24	5.59	6.08	6.14				
EBIT (%)	-0.4	0.5	-2.7	7.0	6.4	Occupancy	99.2%	99.4%	98.6%	98.8%	97.7%				
Normalised NPAT (%)	2.0	5.0	-4.9	4.3	0.0	Contract yield	7.6%	7.6%	7.2%	6.9%	6.4%				
Normalised EPS (%)	1.0	4.8	-4.9	4.3	0.0	Market yield	7.6%	7.5%	7.3%	7.0%	6.7%				
DPS (%)	1.6	1.2	0.0	0.0	0.0	Industrial									
Cash Flow (NZ\$m)					2018A	2019A	2020E	2021E	2022E	Value (NZ\$m)	510	507	583	638	738
EBITDA	91	92	89	95	101	No. buildings	40	39	38	36	37				
Working capital change	7	9	-	0	-	WALT (years)	5.72	5.99	6.40	7.35	7.22				
Interest & tax paid	(35)	(34)	(34)	(38)	(44)	Occupancy	99.7%	99.9%	98.3%	99.9%	97.8%				
Other	-	-	-	-	-	Contract yield	7.6%	7.7%	6.9%	6.7%	6.2%				
Operating cash flow	62	67	55	57	57	Market yield	7.6%	7.7%	7.1%	6.7%	6.5%				
Capital expenditure	(63)	(95)	(88)	(37)	(6)	Office									
(Acquisitions)/divestments	25	41	-	-	-	Value (NZ\$m)	484	549	548	577	627				
Other	(1)	(2)	16	16	-	No. buildings	17	17	17	17	16				
Funding available/(required)	23	11	(17)	36	51	WALT (years)	5.60	4.82	4.87	4.99	4.94				
Dividends paid	(47)	(52)	(52)	(52)	(52)	Occupancy	98.8%	99.1%	98.4%	97.3%	96.8%				
Equity raised/(returned)	-	-	-	-	-	Contract yield	7.6%	7.6%	7.3%	7.0%	6.9%				
Increase/(decrease) in net debt	24	41	69	16	1	Market yield	7.6%	7.6%	7.6%	7.4%	7.1%				
Balance Sheet (NZ\$m)					2018A	2019A	2020E	2021E	2022E	Retail					
Working capital	(11)	(14)	(14)	(14)	(14)	Value (NZ\$m)	312	312	311	298	303				
Fixed assets	1,513	1,667	1,779	1,842	1,875	No. buildings	11	10	9	8	7				
Intangibles	-	-	-	-	-	WALT (years)	5.15	4.78	5.46	5.69	5.96				
Other assets	29	4	4	4	4	Occupancy	98.9%	99.2%	99.4%	100.0%	100.0%				
Total funds employed	1,531	1,657	1,770	1,833	1,865	Contract yield	7.5%	7.4%	7.4%	7.1%	6.2%				
Net debt/(cash)	552	591	660	677	677	Market yield	7.4%	7.1%	7.3%	6.8%	6.3%				
Other non current liabilities	53	57	57	57	57										
Shareholder's funds	927	1,009	1,052	1,099	1,131										
Minority interests	-	-	-	-	-										
Total funding sources	1,531	1,657	1,770	1,833	1,865										

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

New Fund Momentum

Augusta Capital (AUG) has transitioned its business from property to funds management. The key focus for AUG is getting its balance sheet utilised so it can replace the rental income lost from property sales. Recent periods have shown record activity levels, and growing earnings off this high base is challenging. AUG's funds management business makes it very different from the other listed property vehicles and gives it less capital intensive growth prospects, albeit at higher risk. In our property sector report 'Real Estate Reflections' dated 5 September we adopted our new Research team risk free rate of 2% and market risk premium of 7.5% which increased the AUG target price by +7%. NEUTRAL.

Earnings and cash flow outlook

- **Funds management growth:** AUG is building its track record for executing on larger deals. Following the Industrial Fund and St George's Bay road deals, we expect AUG's FUM to grow to above NZ\$2bn in FY20E. AUG is also looking to launch a Diversified Fund in CY19 and Tourism Fund in early CY20.
- **Asset Plus (APL) externalisation:** AUG purchased APL's management rights for NZ\$4.5m, which has lifted its FUM +NZ\$180m (NZ\$125m after asset sales) and generated NZ\$0.9m in recurring management fees. AUG is implementing a 'yield plus growth' strategy for APL.
- **Syndication pipeline:** While AUG has been successful in growing its recurring management fees it is still reliant on up-front deal fees.

Business quality

- **Focus solely on funds management:** AUG's last directly held asset has been sold. The sale has settled and provides substantial balance sheet capacity for warehousing, co-investment in new funds, and underwriting.

Financial structure

- **Balance sheet becoming more fluid:** AUG's funds management activities have resulted in a more unpredictable balance sheet. We assume gearing of ~15–20% over the medium-term, which is ~35–40% on a look-through basis incorporating the underlying gearing in AUG's co-investments.

Risks factors

- **Acquiring new stock for investment products:** This is the largest challenge for AUG's funds management business given a highly competitive property market.
- **In syndication demand:** An economic slowdown, rising interest rates, or a decrease in investor sentiment are catalysts for this.

NZX code	AUG
Share price (as at 6 Dec 2019)	NZ\$1.44
Target Price	NZ\$1.38
Risk Rating	High
Issued shares	87.5m
Market cap	NZ\$126m
Average daily turnover	43.2k (NZ\$56k)

Share Price Performance



Company Description

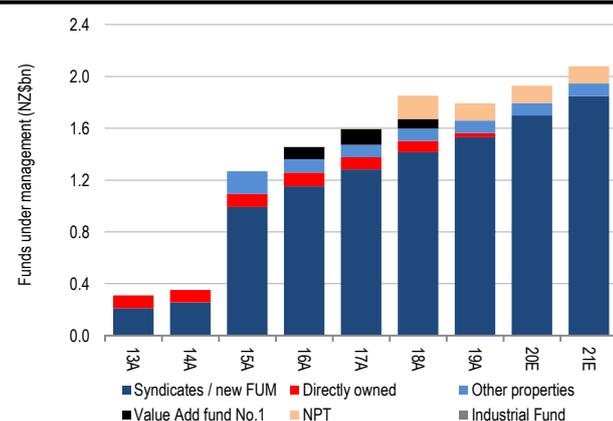
Property | Property investment management

Augusta Capital Limited (AUG) was listed on the NZX in December 2006, as Kermadec Property Fund. In March 2012, it acquired the funds management businesses from Augusta Funds Management and internalised its management structure. In April 2014, AUG acquired KCL Property for \$15m, which increased total property under management by ~\$750m to ~\$1.6bn. AUG has transitioned its business to focus solely on funds management.

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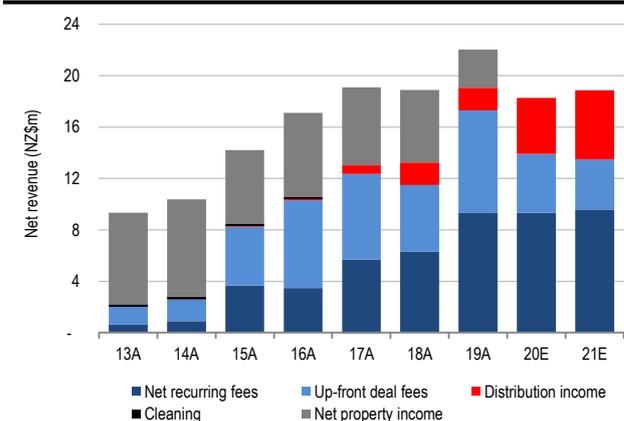
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Figure 30. Funds under management (NZ\$bn)



Source: Company reports, Forsyth Barr analysis

Figure 31. Net revenue by segment (NZ\$m)



Source: Company reports, Forsyth Barr analysis

Forsyth Barr valuation					Valuation Ratios										
Valuation methodology					2018A 2019A 2020E 2021E 2022E										
Blend of 50% DCF & 50% Adj NAV					EV/EBITDA (x)	13.6	9.9	7.8	5.3	6.1					
					EV/EBIT (x)	13.6	9.9	7.8	5.3	6.1					
12-month target price (NZ\$)*	1.38	Spot valuations (NZ\$)			PE (x)	21.8	16.3	20.1	20.2	24.9					
Expected share price return	-4.2%	1. DCF	1.39		Price/NTA (x)	2.0	1.9	1.6	1.6	1.6					
Net dividend yield	4.5%	2. Adj NAV	1.29		Free cash flow yield (%)	0.4	5.5	4.8	5.0	4.2					
Estimated 12-month return	0.3%	3. n/a	n/a		Net dividend yield (%)	3.9	4.3	4.5	4.5	3.8					
					Gross dividend yield (%)	5.4	4.3	6.3	6.3	5.3					
Key WACC assumptions					Imputation (%)	98	0	100	100	100					
DCF valuation summary (NZ\$m)					Pay-out ratio (%)	85	69	91	91	95					
Risk free rate	2.00%	Total firm value	113.2		Capital Structure										
Equity beta	0.81	(Net debt)/cash	6.2		2018A	2019A	2020E	2021E	2022E						
WACC	6.6%	Value of equity	107.0		Interest cover EBIT (x)	3.7	7.8	25.4	26.6	8.9					
Terminal growth	1.5%	Shares (m)	87.5		Interest cover EBITDA (x)	3.7	7.8	25.4	26.6	8.9					
Profit and Loss Account (NZ\$m)					Net debt/ND+E (%)	30.8	6.7	-9.9	5.1	5.5					
Sales revenue	18.9	22.0	19.2	19.2	17.8	Net debt/EBITDA (x)	3.6	0.5	n/a	0.6					
Normalised EBITDA	10.3	11.7	8.7	8.6	7.4	Key Ratios									
Depreciation and amortisation	-	-	-	-	-	2018A	2019A	2020E	2021E	2022E					
Normalised EBIT	10.3	11.7	8.7	8.6	7.4	Return on assets (%)	7.3	11.4	8.6	7.4					
Net interest	(2.8)	(1.5)	(0.3)	(0.3)	(0.8)	Return on equity (%)	6.9	9.0	6.3	6.2					
Associate income	-	-	-	-	-	Return on funds employed (%)	0.0	0.0	0.0	0.0					
Tax	(1.8)	(2.4)	(2.0)	(2.0)	(1.5)	EBITDA margin (%)	54.7	53.0	45.0	44.7					
Minority interests	-	-	-	-	-	EBIT margin (%)	54.7	53.0	45.0	44.7					
Normalised NPAT	5.8	7.7	6.3	6.2	5.1	Capex to sales (%)	1.3	1.4	0.0	0.0					
Abnormals/other	(4.8)	(0.8)	(0.7)	(0.1)	(0.1)	Capex to depreciation (%)	n/a	n/a	n/a	n/a					
Reported NPAT	1.0	7.0	5.6	6.1	4.9	Operating Performance									
Normalised EPS (cps)	6.6	8.8	7.2	7.1	5.8	2018A	2019A	2020E	2021E	2022E					
DPS (cps)	5.6	6.1	6.5	6.5	5.5	Net revenue by segment:									
Growth Rates					2018A	2019A	2020E	2021E	2022E	Net rental income	5.7	3.0	-	-	-
Revenue (%)	-0.8	16.6	-12.8	-0.3	-7.1	Distribution income	1.8	1.8	4.4	5.4	5.5				
EBITDA (%)	-5.3	13.1	-25.9	-1.1	-13.1	Total yield income	7.4	4.7	4.4	5.4	5.5				
EBIT (%)	-5.3	13.1	-25.9	-1.1	-13.1	Offeror Fees	3.7	5.9	4.0	2.5	1.5				
Normalised NPAT (%)	-14.4	34.1	-18.9	-0.8	-18.9	Underwriting fees	1.5	2.1	1.4	1.4	0.8				
Normalised EPS (%)	-14.4	34.1	-18.9	-0.8	-18.9	Total up-front deal fees	5.2	8.0	5.4	3.9	2.3				
DPS (%)	2.3	8.9	6.1	0.0	-15.6	Base management fees	4.2	5.2	6.4	7.1	7.7				
Cash Flow (NZ\$m)					2018A	2019A	2020E	2021E	2022E	Transactional income	2.1	4.1	3.1	2.7	2.3
EBITDA	10.3	11.7	8.7	8.6	7.4	Total recurring fees	6.3	9.3	9.4	9.9	10.0				
Working capital change	(4.3)	0.3	(0.2)	0.0	0.2	Total net rental income	18.9	22.0	19.2	19.2	17.8				
Interest & tax paid	(5.2)	(4.8)	(2.4)	(2.3)	(2.4)	New deal operating metrics									
Other	-	-	-	-	-	New deals completed (assets)	351	180	272	170	100				
Operating cash flow	0.8	7.2	6.0	6.2	5.2	New deals completed (equity raised)	126	255	129	102	60				
Capital expenditure	(0.2)	(0.3)	-	-	-	Equity underwritten by AUG	47%	36%	36%	45%	45%				
(Acquisitions)/divestments	(3.2)	31.0	14.8	(15.0)	(0.7)	Syndicates wound-up (assets)	125	232	75	50	25				
Other	(5.3)	(1.6)	-	-	-	Funds under management									
Funding available/(required)	(7.9)	36.3	20.8	(8.8)	4.6	Directly held properties	84	31	-	-	-				
Dividends paid	(4.8)	(5.3)	(5.7)	(5.7)	(5.0)	Syndications	1,416	1,532	1,699	1,849	1,956				
Equity raised/(returned)	-	-	-	-	-	Other properties	96	96	96	96	96				
Increase/(decrease) in net debt	12.7	(31.0)	(15.1)	14.4	0.5	Value Add fund no.1	74	-	-	-	-				
Balance Sheet (NZ\$m)					2018A	2019A	2020E	2021E	2022E	Asset Plus	180	133	190	190	
Working capital	1.5	(0.2)	(0.5)	(0.5)	(0.7)	Industrial Fund	-	-	-	-	-				
Fixed assets	85.3	31.5	0.7	0.6	0.5	Total FUM	1,851	1,792	1,985	2,135	2,242				
Intangibles	21.7	20.2	20.2	20.2	20.2	Funds under management									
Other assets	25.3	42.2	72.2	87.2	87.9	Directly held properties	84	31	-	-	-				
Total funds employed	133.7	93.6	92.7	107.5	107.9	Syndications	1,416	1,532	1,699	1,849	1,956				
Net debt/(cash)	37.5	6.2	(9.0)	5.4	5.9	Other properties	96	96	96	96	96				
Other non current liabilities	12.1	1.3	1.3	1.3	1.3	Value Add fund no.1	74	-	-	-	-				
Shareholder's funds	84.2	86.1	100.3	100.7	100.6	Asset Plus	180	133	190	190	190				
Minority interests	-	-	-	-	-	Industrial Fund	-	-	-	-	-				
Total funding sources	133.7	93.6	92.7	107.5	107.9	Total FUM	1,851	1,792	1,985	2,135	2,242				

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

Raising The Stakes

Although Goodman Property Trust (GMT) is struggling to achieve earnings growth, it continues to execute well on its recycling strategy and has also raised new equity. Though holding a high quality portfolio, we believe investors are paying for this with GMT trading at a material premium to peers on book and yield multiples. GMT is currently paying out above AFFO, which is reflected in a flat dividend outlook. In our sector report 'Real Estate Reflections' dated 5 September we adopted our new Research team risk free rate of 2% and market risk premium of 7.5% which increased GMT's target price by +13%. UNDERPERFORM.

Earnings and cash flow outlook

- **Unlocking its brownfield land bank:** GMT is becoming increasingly focussed on newly acquired brownfield sites and developing its substantial land bank within its existing portfolio, with the greenfield land bank becoming smaller and high prevailing land prices for greenfield sites.
- **Developments:** GMT is working through its land bank with new committed/uncommitted developments. Incorporating GMT's current development pipeline, Highbrook Business Park would be largely complete.

Business quality

- **Strong property fundamentals:** The Auckland industrial market continues to perform strongly with record low vacancies. GMT has solid portfolio metrics with WALT and occupancy of 5.5 years and 99.5% respectively.
- **Recycling non-core assets:** GMT has successfully recycled its suburban office and Christchurch assets into new industrial developments in Auckland. GMT has divested NZ\$570m of non-core assets over FY18 and FY19 and committed to over NZ\$200m of development.

Financial structure

- **Balance sheet capacity:** Gearing remains at the low end of the sector range at ~18% and with recent acquisitions and equity issue committed gearing is a low 21%.
- **Revaluation gains:** GMT achieved a revaluation gain of +8% in FY19 and +6% in 1H20.

Risks factors

- **Rising interest rates:** Higher interest rates make other yield investments more attractive relative to listed property dividend yields.
- **Spec development leasing:** ~50% of development commitments in FY18 were for speculative developments which carry leasing risk for GMT.

Figure 32. Portfolio exposures

	Auckland	Other North Island	South Island	Total
Business park	64%	-	-	64%
Industrial estate	36%	-	-	36%
Office park	-	-	-	-
Total	100%	-	-	100%

Source: Forsyth Barr analysis, company reports

NZX code	GMT
Share price (as at 9 Dec 2019)	NZ\$2.18
Target Price	NZ\$1.92
Risk Rating	Low
Issued shares	1294.9m
Market cap	NZ\$2,823m
Average daily turnover	881.3k (NZ\$1,708k)

Share Price Performance



Company Description

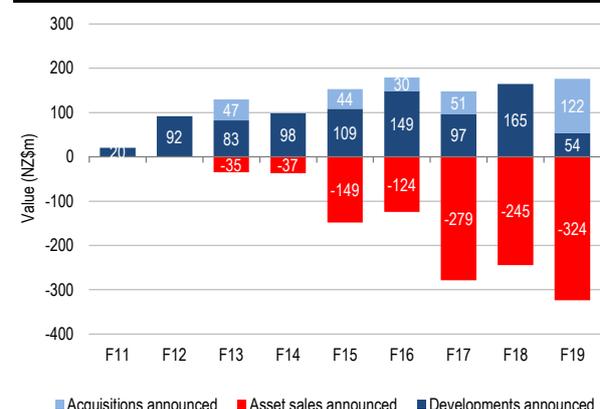
Property | Industrial property

Goodman Property Trust (GMT) owns NZ\$2.2bn of investment property located primarily in Auckland. GMT's portfolio is 99% weighted to industrial-focussed assets, with these mainly comprising prime industrial and business parks. Its largest asset is Highbrook Business Park (~50% of portfolio) where it has a substantial land holding for future development. GMT is managed by ASX-listed Goodman Group (GMG), a global leader in industrial property management and development. GMT has been very active with asset recycling and has recently sold its 'VXV' CBD office portfolio, which was held in a JV with Singaporean Sovereign Wealth Fund GIC since 2014.

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Figure 33. Asset recycling



Note: JV assets included at 51% of total value. Source: Forsyth Barr analysis, company reports

Forsyth Barr valuation						Valuation Ratios					
Valuation methodology						2018A	2019A	2020E	2021E	2022E	
Blended DCF (50%) and NAV (50%)						EV/EBITDA (x)	26.1	27.2	26.6	24.3	23.0
						EV/EBIT (x)	26.1	27.2	26.6	24.3	23.0
12-month target price (NZ\$)*	1.92	Spot valuations (NZ\$)				PE (x)	30.1	31.1	32.3	31.7	30.5
Expected share price return	-11.9%	1. DCF	1.87	Price/NTA (x)	1.57	1.38	1.27	1.23	1.19		
Net dividend yield	3.1%	2. NAV	1.90	Free cash flow yield (%)	-0.4	-2.3	-1.1	1.1	1.6		
Estimated 12-month return	-8.9%	n/a	n/a	Net dividend yield (%)	3.1	3.1	3.1	3.1	3.1		
						Gross dividend yield (%)	4.4	4.4	4.4	4.4	
Key WACC assumptions						Imputation (%)	100	100	100	100	100
DCF valuation summary (NZ\$m)						Pay-out ratio (%)	92	95	99	97	93
Risk free rate	2.0%	Total firm value	3,008								
Equity beta	0.62	(Net debt)/cash	(582)								
WACC	5.1%	Value of equity	2,426								
Terminal growth	1.5%	Shares (m)	1,295								
						Capital Structure					
						Interest cover EBIT (x)	5.1	6.1	7.1	6.3	6.3
						Net debt/ tangible assets (%)	30.7	21.8	19.5	20.3	20.7
						Net debt/ND+E (%)	31.3	22.1	19.8	20.6	20.9
						Net debt/EBITDA (x)	6.0	4.5	4.6	4.5	4.5
Profit and Loss Account (NZ\$m)						Key Ratios					
2018A	2019A	2020E	2021E	2022E	2018A	2019A	2020E	2021E	2022E		
Sales revenue	149	141	141	155	Return on assets (%)	5.1	4.8	4.2	4.4	4.5	
Normalised EBITDA	138	130	128	140	148	Return on equity (%)	5.2	4.4	3.8	3.9	3.9
Depreciation and amortisation	-	-	-	-	-	Return on funds employed (%)	4.4	3.9	3.6	3.6	3.7
Normalised EBIT	138	130	128	140	148	EBITDA margin (%)	92.6	92.0	90.4	90.6	90.6
Net interest	(27)	(21)	(18)	(22)	(24)	EBIT margin (%)	92.6	92.0	90.4	90.6	90.6
Associate income	-	-	-	-	-	Capex to sales (%)	68.7	102.2	85.1	42.3	33.2
Tax	(18)	(18)	(20)	(23)	(26)	Capex to depreciation (%)	n/a	n/a	n/a	n/a	n/a
Minority interests	-	-	-	-	-						
Normalised NPAT	93	91	90	95	99						
Abnormals/other	(101)	(229)	(182)	(60)	(63)						
Reported NPAT	194	320	272	155	161						
Normalised EPS (cps)	7.2	7.0	6.7	6.9	7.1						
DPS (cps)	6.7	6.7	6.7	6.7	6.7						
Growth Rates						Net rental movement (consolidated)					
2018A	2019A	2020E	2021E	2022E	2018A	2019A	2020E	2021E	2022E		
Revenue (%)	0.9	-5.0	0.2	9.4	5.7	Acquisitions - GMT	1.5	0.7	2.6	5.1	1.8
EBITDA (%)	0.7	-5.6	-1.4	9.6	5.7	Acquisitions - JV (51%)	3.5	5.2	1.0	-	-
EBIT (%)	0.7	-5.6	-1.4	9.6	5.7	Developments	5.6	6.8	7.0	10.0	9.1
Normalised NPAT (%)	-5.1	-2.6	-0.7	5.3	3.8	Underlying portfolio	3.3	3.9	3.7	4.9	2.8
Normalised EPS (%)	-5.6	-3.1	-3.9	2.0	3.8	Additional income	(3.8)	0.7	-	-	-
DPS (%)	0.0	0.0	0.0	0.0	0.0	Disposals - GMT	(6.1)	(16.1)	(13.7)	(5.4)	(0.4)
						Disposals - JV (51%)	-	-	(5.7)	(13.7)	-
						Net change	4.0	1.2	(5.1)	0.9	13.3
						Net rental income	148.5	141.1	141.4	154.7	163.6
Cash Flow (NZ\$m)						Property portfolio (consolidated)					
2018A	2019A	2020E	2021E	2022E	2018A	2019A	2020E	2021E	2022E		
EBITDA	138	130	128	140	148	Stabalised assets	2,026	2,044	2,465	2,849	3,019
Working capital change	(22)	(18)	(0)	0	(0)	Developments	49	68	78	79	59
Interest & tax paid	(26)	(33)	(38)	(45)	(50)	Land	175	120	96	72	48
Other	-	-	-	-	-	Held for sale	8	239	-	-	-
Operating cash flow	90	79	90	95	99	JV assets (51%)	165	277	-	-	-
Capital expenditure	(102)	(144)	(120)	(65)	(54)	Total	2,422	2,747	2,639	3,000	3,126
(Acquisitions)/divestments	(5)	134	(60)	-	-	Property portfolio (movement)					
Other	(28)	255	-	-	-	Opening value	2,481	2,422	2,747	2,639	3,000
Funding available/(required)	(45)	324	(90)	30	44	Acquisitions / transfers in	(3)	74	93	94	(0)
Dividends paid	(86)	(86)	(89)	(92)	(92)	Net expenditure	139	120	129	120	65
Equity raised/(returned)	10	10	176	12	13	Disposals / transfers out	(297)	(10)	(516)	(34)	-
Increase/(decrease) in net debt	120	(248)	2	50	35	Fair value movement	102	141	185	182	60
						Total	2,422	2,747	2,639	3,000	3,126
Balance Sheet (NZ\$m)						Property Statistics					
2018A	2019A	2020E	2021E	2022E	2015A	2016A	2017A	2018A	2019A		
Working capital	(40)	(34)	(34)	(34)	(34)	Walt (years)	5.1	5.7	5.8	6.1	5.2
Fixed assets	2,231	2,633	3,000	3,126	3,243	Occupancy (%)	96%	97%	98%	98%	98%
Intangibles	-	-	-	-	-	Cap rate (%)	7.50%	6.95%	6.50%	6.20%	5.80%
Other assets	475	70	27	27	27	NLA (000sqm)	983	1,041	989	1,111	1,000
Total funds employed	2,666	2,670	2,993	3,119	3,236	Portfolio leasing (000sqm)	100	159	154	202	97
Net debt/(cash)	819	582	584	634	669	Development commitments (000sqm)	51	65	33	64	58
Other non current liabilities	53	42	42	42	42	Customers (no)	251	281	240	264	264
Shareholder's funds	1,794	2,046	2,367	2,443	2,525						
Minority interests	-	-	-	-	-						
Total funding sources	2,666	2,670	2,993	3,119	3,236						

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

Unique Defensive Bulk Retail Exposure

Investore Property Limited (IPL) offers a stable dividend yield backed by a defensive portfolio of large format retail property. It has impressive metrics with a WALT of ~12 years and occupancy of ~100%. With 73% of its rental income backed by Woolworths (Countdown) its tenant exposure is concentrated but has strong covenants. We are cautious on the medium-term outlook for rental growth with the majority of IPL’s rent reviews linked to turnover, but include hard-ratchets and defensive. In our report ‘Real Estate Reflections’ dated 5 September, we adopted our new Research team risk free rate of 2% and market risk premium of 7.5% which increased the IPL target price by +15%. **OUTPERFORM.**

Earnings and cash flow outlook

- **Bunnings acquisition:** IPL has recently acquired three Bunnings properties for NZ\$78.5m which was ~4% accretive to EPS.
- **Externally managed:** IPL is managed by Stride Investment Management Limited (SIML), the management arm of Stride Property (SPG). Given IPL’s relative smaller scale its management expense ratio (MER) is above peers, which is a drag on earnings and our relative NAV valuation.

Business quality

- **Long lease terms and high occupancy:** IPL’s WALT of 11.9 years is significantly higher than the sector average of 6.8 years (ex VHP) and its occupancy of 99.7% is also sector leading. FY20 expiries have all been renewed and only 4.7% of rental income expires over the next three years.

Financial structure

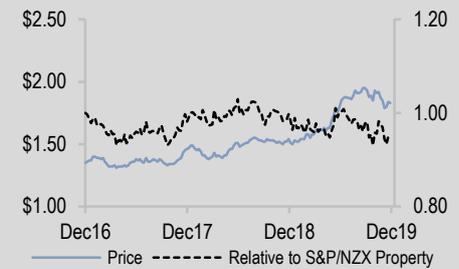
- **Balance sheet:** IPL has a target maximum gearing ratio of 48% and is currently geared at 41% (1H20).

Risks factors

- **Retail exposure:** IPL is the only listed property vehicle with a 100% weighting to retail assets. The nature of the grocery market makes it exposed to e-commerce disruption; however, the location of many supermarkets make them ideal for the fulfilment of online business.
- **Interest rates / credit spreads:** IPL’s relatively high gearing means it is more sensitive to interest rate or margin movements versus its listed peers but is appropriate given the low risk nature of its portfolio.
- **Portfolio concentration:** IPL’s revenue is concentrated with General Distributors Limited (GDL), the operator of Countdown Supermarkets, tenanting the bulk of its properties and contributing 72% of rental revenue.

NZX code	IPL
Share price (as at 9 Dec 2019)	NZ\$1.83
Target Price	NZ\$1.85
Risk Rating	Low
Issued shares	260.1m
Market cap	NZ\$476m
Average daily turnover	171.4k (NZ\$301k)

Share Price Performance



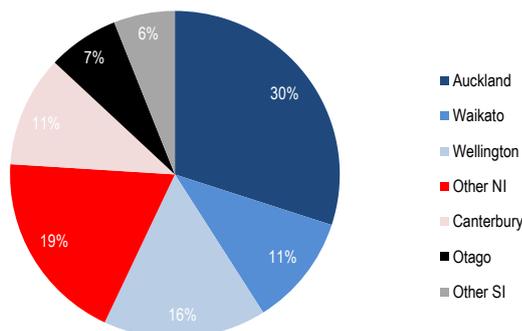
Company Description

Property | Bulk retail property
 Investore (IPL) is a listed property company which owns NZ\$740m of large format retail properties throughout New Zealand. Its 40-asset portfolio comprises mostly of supermarkets with its key tenant General Distributors (operator of Countdown) accounting for 72% of contracted rent. IPL was formed from its demerger with NZX-listed Stride Property (SPG) in July 2016 and the associated transfer of 25 assets from SPG. IPL was listed on the NZX following its demerger and also purchased an additional portfolio of 14 assets from ASX-listed Shopping Centres Australasia (SCA) using proceeds from its IPO capital raising. IPL is externally managed by SIML, the property management arm of SPG.

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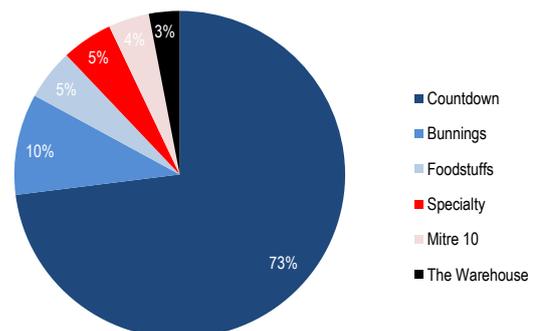
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Figure 34. FY19 Geographical diversification



Source: Forsyth Barr analysis, company reports

Figure 35. FY19 Tenant diversification



Source: Forsyth Barr analysis, company reports

Investore (IPL)		Priced as at 09 Dec 2019: NZ\$1.83					March year end				
Forsyth Barr valuation						Valuation Ratios					
Valuation methodology						Blended DCF (50%) and NAV (50%)					
						EV/EBITDA (x)	20.1	19.6	19.3	18.9	18.7
						EV/EBIT (x)	20.1	19.6	19.3	18.9	18.7
12-month target price (NZ\$)*						Spot valuations (NZ\$)					
Expected share price return	1.1%	1. DCF	1.95			PE (x)	23.3	22.8	22.6	22.2	21.8
Net dividend yield	4.2%	2. NAV	1.66			Price/NTA (x)	1.12	1.07	1.05	1.02	1.00
Estimated 12-month return	5.3%	n/a	n/a			Free cash flow yield (%)	4.0	3.3	4.0	4.1	4.2
						Net dividend yield (%)	4.1	4.2	4.2	4.2	4.2
						Gross dividend yield (%)	5.8	5.9	6.0	6.0	6.0
Key WACC assumptions						DCF valuation summary (NZ\$m)					
Risk free rate	2.0%	Total firm value	836			Imputation (%)	100	100	100	100	100
Equity beta	0.70	(Net debt)/cash	(312)			Pay-out ratio (%)	95	95	94	92	91
WACC	4.9%	Value of equity	522			Capital Structure					
Terminal growth	1.5%	Shares (m)	260			Interest cover EBIT (x)	3.2	2.9	2.9	3.0	3.1
						Net debt/ tangible assets (%)	41.4	41.0	39.3	38.8	38.4
						Net debt/ND+E (%)	41.5	41.3	39.6	39.1	38.7
						Net debt/EBITDA (x)	8.1	7.8	7.4	7.3	7.2
Profit and Loss Account (NZ\$m)						Key Ratios					
2018A	2019A	2020E	2021E	2022E		2018A	2019A	2020E	2021E	2022E	
Sales revenue	43.1	46.1	46.3	46.9	47.4	Return on assets (%)	5.1	5.2	5.3	5.3	5.2
Normalised EBITDA	37.7	40.1	40.5	41.0	41.4	Return on equity (%)	4.8	4.7	4.6	4.6	4.6
Depreciation and amortisation	-	-	-	-	-	Return on funds employed (%)	4.2	4.1	4.1	4.1	4.1
Normalised EBIT	37.7	40.1	40.5	41.0	41.4	EBITDA margin (%)	87.4	86.9	87.4	87.4	87.3
Net interest	(11.7)	(13.8)	(13.7)	(13.5)	(13.3)	EBIT margin (%)	87.4	86.9	87.4	87.4	87.3
Associate income	-	-	-	-	-	Capex to sales (%)	5.1	12.0	4.1	4.1	4.1
Tax	(5.5)	(5.3)	(5.6)	(6.0)	(6.3)	Capex to depreciation (%)	n/a	n/a	n/a	n/a	n/a
Minority interests	-	-	-	-	-	Portfolio Summary					
Normalised NPAT	20.5	20.9	21.1	21.4	21.8		*2016A	2017A	2018A	2019A	
Abnormals/other	(25.6)	(17.7)	(10.4)	(9.4)	(6.1)	Investment properties (NZ\$m)	641.4	660.4	738.3	761.2	
Reported NPAT	46.2	38.6	31.5	30.8	27.9	Weighted average lease term (yrs)	14.8	14.3	13.1	12.4	
Normalised EPS (cps)	7.9	8.0	8.1	8.2	8.4	Occupancy rate (%)	99.7	99.8	99.9	99.9	
DPS (cps)	7.5	7.6	7.6	7.6	7.6	M'tment/Admin cost % of assets (%)	n/a	0.6	0.8	0.8	
						NTA per share (NZ\$)	1.46	1.55	1.64	1.70	
						Portfolio cap rate (%)	6.44	6.36	6.19	6.05	
						Portfolio initial yield (%)	6.68	6.57	6.36		
						*metrics shown on a pro-forma basis as at March 2016					
Growth Rates						2018A	2019A	2020E	2021E	2022E	
Revenue (%)	n/a	n/a	0.4	1.4	0.9						
EBITDA (%)	n/a	n/a	0.9	1.3	0.9						
EBIT (%)	n/a	n/a	0.9	1.3	0.9						
Normalised NPAT (%)	n/a	n/a	0.8	1.8	1.6						
Normalised EPS (%)	n/a	n/a	1.1	1.8	1.6						
DPS (%)	n/a	n/a	0.3	0.0	0.0						
Cash Flow (NZ\$m)						2018A	2019A	2020E	2021E	2022E	
EBITDA	37.7	40.1	40.5	41.0	41.4						
Working capital change	1.0	0.1	(0.0)	0.0	0.0						
Interest & tax paid	(17.2)	(19.0)	(19.4)	(19.5)	(19.6)						
Other	-	-	-	-	-						
Operating cash flow	21.4	21.2	21.1	21.4	21.8						
Capital expenditure	(2.2)	(5.5)	(1.9)	(1.9)	(1.9)						
(Acquisitions)/divestments	(47.8)	-	13.6	-	-						
Other	-	98.5	-	-	-						
Funding available/(required)	(28.6)	114.1	32.8	19.5	19.9						
Dividends paid	(20.0)	(19.7)	(19.8)	(19.8)	(19.8)						
Equity raised/(returned)	-	(2.6)	-	-	-						
Increase/(decrease) in net debt	48.6	(91.8)	(12.9)	0.3	(0.0)						
Balance Sheet (NZ\$m)						2018A	2019A	2020E	2021E	2022E	
Working capital	(4.6)	(3.8)	(3.8)	(3.8)	(3.8)						
Fixed assets	738.3	742.1	759.9	771.2	779.2						
Intangibles	-	-	-	-	-						
Other assets	2.1	22.2	3.2	3.2	3.2						
Total funds employed	735.9	760.6	759.3	770.6	778.6						
Net debt/(cash)	304.7	311.5	298.6	298.9	298.8						
Other non current liabilities	2.1	5.8	5.8	5.8	5.8						
Shareholder's funds	429.1	443.2	454.9	465.9	473.9						
Minority interests	-	-	-	-	-						
Total funding sources	735.9	760.6	759.3	770.6	778.6						

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

Changing the Retail Mix

Kiwi Property Group (KPG) owns a portfolio of large prime mixed-use, retail and office assets, with rental income diversified across a substantial tenant base. Recent sales of non-core assets have improved portfolio quality and made KPG more defensive to softening property market fundamentals. KPG is not immune to the structural headwinds for retail property, with e-commerce growth impacting; however, we expect KPG's catchment-dominant malls to outperform. In our report 'Real Estate Reflections' dated 5 September, we adopted our new Research team risk free rate of 2% and market risk premium of 7.5% which increased the KPG target price by +12.5%. Our rating is OUTPERFORM.

Earnings and cash flow outlook

- **Rental growth:** KPG achieved solid +4.6% 1H20 rental growth driven by strong rent reviews and new leases in the Office and Mixed-use portfolio.
- **Revaluation gains:** KPG announced an FY19 revaluation gain of +1.5% with a solid office portfolio gain (+6.3%) offset by a weak retail portfolio gain (-4.5%) and no gain for its mixed-use portfolio. The portfolio cap rate firmed -11bps to 5.99%.
- **Sylvia Park Galleria expansion:** KPG has committed to an NZ\$223m expansion of Sylvia Park with an additional 18,000sqm of retail space, a new café court, and 900 additional car parks. KPG has also announced an additional NZ\$35m for "design enhancements and additional space to accommodate key retailers". The total cost of the project is NZ\$258m with a development margin of ~NZ\$30m.

Business quality

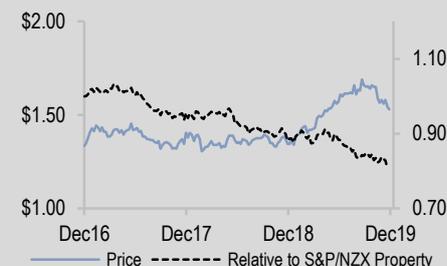
- **Property fundamentals strong reflecting strength of assets:** Portfolio metrics remain strong with WALT and occupancy at 5.1 years and 99.4% respectively. The office portfolio has an impressive WALT of 9.1 years.

Risks factors

- **Retail exposure:** Competitive pressures from e-commerce growth are a structural headwind. Repositioning malls and increased remixing of specialty tenants results in higher capex. There is also a significant amount of Auckland retail development coming online at Commercial Bay and Westfield, Newmarket which may impact KPG's Auckland based malls.
- **CBD office asset volatility:** Rental growth expectations have improved recently with tight supply but remain volatile through the cycle.
- **Rising interest rates:** Higher interest rates make other yield investments more attractive relative to listed property dividend yields.

NZX code	KPG
Share price (as at 9 Dec 2019)	NZ\$1.53
Target Price	NZ\$1.62
Risk Rating	Low
Issued shares	1432.8m
Market cap	NZ\$2,192m
Average daily turnover	1,477k (NZ\$2,284k)

Share Price Performance



Company Description

Property | Diversified property

Kiwi Property Group (KPG) is the largest listed property vehicle in the NZ market. Its diversified asset base of NZ\$3.1bn comprises of 68% retail assets and 32% office assets. KPG owns NZ's largest shopping centre Sylvia Park, as well as prime office assets in Auckland and Wellington. It is geographically weighted 61% to Auckland. KPG listed in 1994 (as Kiwi Income Property Trust). In December 2013 KPG internalised its management structure, and in December 2014 it changed its legal structure from a trust to a company.

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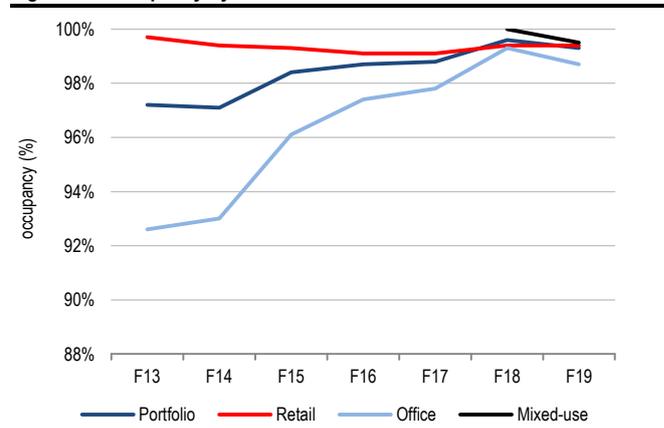
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Figure 36. Sector and regional portfolio exposure

	Auckland	Other North Island	South Island	Total
Industrial	-	-	-	-
Office	22%	7%	-	30%
Retail	46%	16%	8%	70%
Total	69%	23%	8%	100%

Source: Company reports, Forsyth Barr analysis

Figure 37. Occupancy by sector



Source: Forsyth Barr analysis, Company reports Note: retail is back-stated for FY18 and FY19 to reflect the change in classification

Forsyth Barr valuation						Valuation Ratios					
Valuation methodology						2018A	2019A	2020E	2021E	2022E	
Blended DCF (50%) and NAV (50%)						EV/EBITDA (x)	18.4	19.6	19.2	17.8	17.1
						EV/EBIT (x)	18.4	19.6	19.2	17.8	17.1
12-month target price (NZ\$)*	1.62	Spot valuations (NZ\$)				PE (x)	20.5	21.9	21.5	21.2	21.1
Expected share price return	5.9%	1. DCF		1.67	Price/NTA (x)	1.10	1.07	1.03	1.01	0.99	
Net dividend yield	4.7%	2. NAV		1.54	Free cash flow yield (%)	-0.2	-3.2	-2.6	2.9	4.6	
Estimated 12-month return	10.5%	n/a		n/a	Net dividend yield (%)	4.5	4.5	4.6	4.7	4.7	
						Gross dividend yield (%)	6.4	6.5	6.6	6.7	6.8
Key WACC assumptions						Imputation (%)	100	100	100	100	100
Risk free rate	2.0%	DCF valuation summary (NZ\$m)				Pay-out ratio (%)	92	99	99	99	100
Equity beta	0.67	Total firm value		3,449							
WACC	5.1%	(Net debt)/cash		(992)							
Terminal growth	1.5%	Value of equity		2,432							
		Shares (m)		1,433							
						Capital Structure					
						2018A	2019A	2020E	2021E	2022E	
Profit and Loss Account (NZ\$m)						Interest cover EBIT (x)	4.0	4.3	4.5	4.9	4.8
2018A	2019A	2020E	2021E	2022E	Net debt/ tangible assets (%)	30.0	31.3	28.0	27.8	27.7	
Sales revenue	192	181	186	198	205	Net debt/ND+E (%)	31.2	32.6	29.1	28.9	28.7
Normalised EBITDA	171	160	165	176	183	Net debt/EBITDA (x)	5.3	6.2	5.7	5.5	5.3
Depreciation and amortisation	-	-	-	-	-						
Normalised EBIT	171	160	165	176	183	Key Ratios					
Net interest	(42)	(37)	(36)	(36)	(38)	2018A	2019A	2020E	2021E	2022E	
Associate income	-	-	-	-	-	Return on assets (%)	5.6	4.9	4.8	5.0	5.1
Tax	(25)	(23)	(24)	(28)	(31)	Return on equity (%)	5.2	4.9	4.5	4.7	4.7
Minority interests	-	-	-	-	-	Return on funds employed (%)	4.7	4.3	4.1	4.2	4.2
Normalised NPAT	103	100	104	113	114	EBITDA margin (%)	89.3	88.5	88.7	89.2	89.4
Abnormals/other	(17)	(38)	(46)	(46)	(49)	EBIT margin (%)	89.3	88.5	88.7	89.2	89.4
Reported NPAT	120	138	150	159	163	Capex to sales (%)	58.7	93.9	88.7	27.0	8.4
Normalised EPS (cps)	7.5	7.0	7.1	7.2	7.2	Capex to depreciation (%)	n/a	n/a	n/a	n/a	n/a
DPS (cps)	6.9	7.0	7.1	7.1	7.2						
						Property Statistics					
						2015A	2016A	2017A	2018A	2019A	
Growth Rates						Retail portfolio					
2018A	2019A	2020E	2021E	2022E	No. properties	7	9	9	4	4	
Revenue (%)	5.4	-5.7	2.6	6.6	3.7	WALT (years)	3.4	3.9	3.8	3.6	3.3
EBITDA (%)	4.4	-6.5	3.0	7.1	4.0	Occupancy rate (%)	99.3%	99.1%	99.1%	99.4%	99.4%
EBIT (%)	4.4	-6.5	3.0	7.1	4.0	Cap rate (%)	6.97%	6.69%	6.52%	6.25%	7.53%
Normalised NPAT (%)	7.6	-3.4	4.2	8.5	1.2	Office portfolio					
Normalised EPS (%)	0.4	-6.2	1.6	1.5	0.5	No. properties	5	5	5	4	4
DPS (%)	1.9	1.5	1.4	1.4	1.4	WALT (years)	7.6	8.2	10.1	10.1	9.3
						Occupancy rate (%)	96.1%	97.4%	97.8%	99.3%	98.7%
						Cap rate (%)	6.80%	6.44%	6.13%	5.76%	5.45%
Cash Flow (NZ\$m)						Mixed-use portfolio					
2018A	2019A	2020E	2021E	2022E	No. properties				4	4	
EBITDA	171	160	165	176	183	WALT (years)			4.0	4.1	
Working capital change	2	3	3	5	3	Occupancy rate (%)			100.0%	99.5%	
Interest & tax paid	(65)	(63)	(61)	(63)	(69)	Cap rate (%)			5.72%	5.71%	
Other	-	-	-	-	-	Total portfolio					
Operating cash flow	108	100	107	118	117	2018A	2019A	2020E	2021E	2022E	
Capital expenditure	(113)	(170)	(165)	(53)	(17)	WALT (years)	4.5	5.1	5.6	5.3	5.2
(Acquisitions)/divestments	62	67	-	-	-	Occupancy rate (%)	98.4%	98.7%	98.8%	99.6%	99.3%
Other	(6)	(3)	-	-	-	Cap rate (%)	6.92%	6.61%	6.40%	6.11%	5.99%
Funding available/(required)	51	(5)	(58)	64	100	NTA per share (NZ\$)	1.214	1.345	1.390	1.392	1.431
Dividends paid	(89)	(81)	(77)	(83)	(114)	Portfolios values (NZ\$m)					
Equity raised/(returned)	157	-	180	-	-	Sylvia Park	601	704	755	835	955
Increase/(decrease) in net debt	(120)	87	(45)	19	14	Sylvia Park Lifestyle	64	70	71	74	77
						Lynn Mall	226	269	271	274	284
Balance Sheet (NZ\$m)						Westgate Lifestyle	-	70	87	90	90
2018A	2019A	2020E	2021E	2022E	Intangibles	-	-	195	203	218	
Working capital	(43)	(47)	(48)	(52)	(53)	The Plaza	206	211	216	207	207
Fixed assets	3,052	3,207	3,416	3,514	3,579	Northlands	220	243	249	240	247
Other assets	4	6	6	6	6	Vero Centre	323	358	381	420	450
Total funds employed	3,013	3,166	3,374	3,469	3,532	ASB North Wharf	175	188	196	209	230
Net debt/(cash)	903	992	946	965	979	The Aurora Centre	71	126	141	152	160
Other non current liabilities	116	124	124	124	124	Other properties	390	431	409	348	290
Shareholder's funds	1,994	2,051	2,304	2,380	2,429	Total portfolio	2,276	2,670	2,969	3,052	3,207
Minority interests	-	-	-	-	-						
Total funding sources	3,013	3,166	3,374	3,469	3,532						

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

Development Milestones

Precinct Properties (PCT) NZ\$1.5bn development pipeline is both improving the quality of its portfolio and growing EPS. We are positive on the value PCT is creating through its developments. Its portfolio is also in very good shape with occupancy of 99%. Conditions for the Auckland CBD office market are firm which is helpful for dealing with increasing supply and the drive for space efficiency by corporate occupiers. Recent record-low transaction yields for CBD office assets have provided a material boost to PCT's asset values. In our report 'Real Estate Reflections' dated 5 September we adopted our new Research team risk free rate of 2% and market risk premium of 7.5% which increased the PCT target price by +7%. NEUTRAL.

Earnings and cash flow outlook

- **Development milestones:** Commercial Bay is tracking on budget, albeit timing for the retail component has been delayed. Pre-leasing sits at 82% for office (by rent) and 95% for retail (by NLA). PCT has announced it has committed to a new build at 10 Madden St in Wynyard quarter.
- **Development margins:** Commercial Bay and Bowen Campus are expected to generate a yield on cost of 7.5% and ~7.0% respectively, as well as substantial development margins.
- **Revaluation gains:** PCT posted a revaluation gain of NZ\$162m for FY19 which boosted NTA per share +11cps from NZ\$1.38 to NZ\$1.49.

Business quality

- **Portfolio fundamentals:** PCT has 99% occupancy and a high portfolio WALT of 9 years including developments as at 30 June 2019.
- **Prime location:** PCT is well positioned given its key precincts in Auckland and Wellington. We are positive about rental upside in Auckland and rental diversification from its retail, hotel, and Generator business plus stable cash flow from its Wellington government leases. PCT is well placed to leverage Auckland's growth and is in a stronger position than last cycle.

Financial structure

- **Balance sheet:** FY19 gearing is 22% and committed gearing is ~30% when the sale of Pastoral House in Wellington for NZ\$77m, settles in 2H20.

Risks factors

- **CBD office supply:** Auckland and Wellington have office supply planned in coming years, which could impact vacancy and rents. The outlook remains manageable and low vacancy is underpinning rental growth.

NZX code	PCT
Share price (as at 9 Dec 2019)	NZ\$1.83
Target Price	NZ\$1.60
Risk Rating	Low
Issued shares	1313.8m
Market cap	NZ\$2,398m
Average daily turnover	840.4k (NZ\$1,407k)

Share Price Performance



Company Description

Property | Office property

Precinct Properties (PCT) is a major owner of prime CBD office buildings in New Zealand with a current portfolio valued at NZ\$2.8bn as at 30 June 2019. PCT's portfolio is over 70% weighted to Auckland. The company is currently undertaking two major development projects with a combined cost of ~NZ\$900m, including Commercial Bay, its flagship office, retail and hotel precinct in Auckland's CBD. PCT was listed in 1997 and in November 2010 it changed its legal structure from a trust to a company. PCT is externally managed by AMP Haumi Management.

Jeremy Simpson, CFA

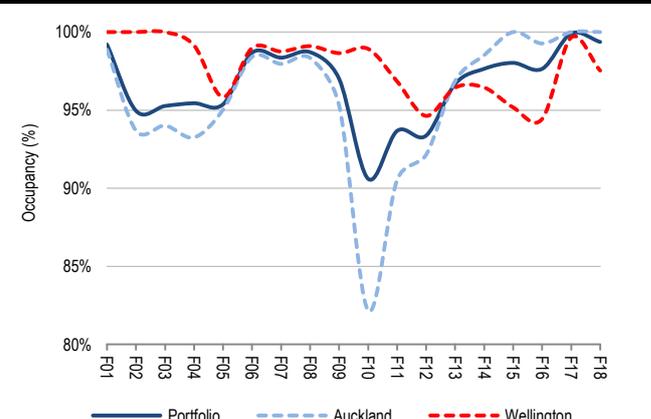
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Figure 1. Sector and regional portfolio exposure

	Auckland	Other North Island	South Island	Total
Industrial	-	-	-	-
Office	74%	26%	-	100%
Mixed use	-	-	-	-
Total	74%	26%	-	100%

Source: Company reports, Forsyth Barr analysis. Note: Data is based on reported portfolio as at 30/06/2018.

Figure 2. Portfolio occupancy



Source: Forsyth Barr analysis, Company reports

Forsyth Barr valuation						Valuation Ratios					
Valuation methodology						2018A 2019A 2020E 2021E 2022E					
Blended DCF (50%) and NAV (50%)						EV/EBITDA (x)	35.2	38.8	25.0	23.6	21.7
						EV/EBIT (x)	35.2	38.8	25.0	23.6	21.7
12-month target price (NZ\$)*	1.60	Spot valuations (NZ\$)				PE (x)	28.9	28.7	27.6	26.0	26.4
Expected share price return	-12.3%	1. DCF	1.55			Price/NTA (x)	1.31	1.23	1.21	1.18	1.19
Net dividend yield	3.5%	2. NAV	1.56			Free cash flow yield (%)	-9.2	-8.5	-2.5	-1.3	1.7
Estimated 12-month return	-8.8%	3. n/a	n/a			Net dividend yield (%)	3.2	3.3	3.5	3.5	3.6
Key WACC assumptions						Gross dividend yield (%)	4.5	4.7	4.9	5.0	5.2
DCF valuation summary (NZ\$m)						Imputation (%)	100	100	100	100	100
Risk free rate	2.0%	Total firm value	2,450			Pay-out ratio (%)	92	94	95	91	96
Equity beta	0.69	(Net debt)/cash	(752)			Capital Structure					
WACC	5.2%	Value of equity	1,675			Interest cover EBIT (x)	38.7	45.1	3.7	3.7	3.6
Terminal growth	1.5%	Shares (m)	1,314			Net debt/ tangible assets (%)	29.8	26.5	29.8	31.8	27.4
Profit and Loss Account (NZ\$m)						Net debt/ND+E (%)	31.0	27.8	31.1	33.1	28.6
Sales revenue	95	98	142	155	169	Net debt/EBITDA (x)	8.9	9.3	6.9	7.2	6.0
Normalised EBITDA	85	81	129	139	152	Key Ratios					
Depreciation and amortisation	-	-	-	-	-	Return on assets (%)	3.3	2.8	4.2	4.3	4.5
Normalised EBIT	85	81	129	139	152	Return on equity (%)	4.5	4.1	4.4	4.5	4.4
Net interest	(2)	(2)	(35)	(38)	(42)	Return on funds employed (%)	3.1	2.7	3.9	4.0	4.1
Associate income	-	-	-	-	-	EBITDA margin (%)	89.3	83.3	91.0	89.6	90.1
Tax	(6)	-	(7)	(9)	(10)	EBIT margin (%)	89.3	83.3	91.0	89.6	90.1
Minority interests	-	-	-	-	-	Capex to sales (%)	308.9	275.9	114.1	82.6	37.2
Normalised NPAT	77	79	87	92	100	Capex to depreciation (%)	n/a	n/a	n/a	n/a	n/a
Abnormals/other	178	117	83	52	78	Property Statistics					
Reported NPAT	255	197	170	145	178	Key metrics					
Normalised EPS (cps)	6.3	6.4	6.6	7.0	6.9	No. properties	15	13	12	12	13
DPS (cps)	5.8	6.0	6.3	6.4	6.6	Net lettable area (000sqm)	304	226	224	225	245
Growth Rates						Average lease term (years)	5.0	6.3	8.7	6.9	8.4
Revenue (%)	5.4	2.3	45.5	9.4	8.7	Occupancy rate (%)	98	98	100	99	99
EBITDA (%)	5.6	-4.6	58.9	7.9	9.2	Cap rate (%)	7.0	6.5	6.2	5.8	5.4
EBIT (%)	5.6	-4.6	58.9	7.9	9.2	Initial yield (%)	7.0	6.7	6.5	5.8	5.8
Normalised NPAT (%)	2.5	3.7	9.4	6.3	7.9	Over / (under) renting (%)	(1.8)	(3.6)	(4.7)	(6.4)	(6.4)
Normalised EPS (%)	2.5	0.7	3.8	6.3	-1.8	Auckland values (NZ\$m)					
DPS (%)	3.6	3.4	5.0	1.6	3.1	AMP Centre	136	148	163	179	205
Cash Flow (NZ\$m)						ANZ Centre	271	305	324	362	188
EBITDA	85	81	129	139	152	HSBC House	120	122	94	91	106
Working capital change	(3)	(10)	15	5	5	PwC Tower	293	313	329	376	400
Interest & tax paid	(8)	(7)	(42)	(47)	(52)	Zurich House	101	111	96	106	114
Other	-	-	-	-	-	Mason Brothers	-	-	37	42	46
Operating cash flow	75	64	102	97	104	12 Madden St	-	-	68	77	82
Capital expenditure	(294)	(269)	(162)	(128)	(63)	Commercial Bay	-	147	370	648	890
(Acquisitions)/divestments	-	181	-	-	-	Wellington values (NZ\$m)					
Other	(12)	(2)	-	-	-	Dimension Data House	106	109	114	118	123
Funding available/(required)	(231)	(26)	(60)	(31)	42	Deloitte House	49	45	20	10	
Dividends paid	(70)	(75)	(82)	(84)	(94)	Mayfair House	38	39	41	44	47
Equity raised/(returned)	-	149	-	-	-	No.1 and 3 The Terrace	70	72	71	67	87
Increase/(decrease) in net debt	301	(48)	142	115	53	Pastoral House	47	41	43	45	60
Balance Sheet (NZ\$m)						State Insurance Tower	136	141	145	150	162
Working capital	(6)	(33)	(48)	(53)	(57)	Bowen Campus	49	58	119	179	240
Fixed assets	2,326	2,794	2,970	3,151	3,292	Total portfolio (NZ\$m)					
Intangibles	-	-	-	-	-	Investment properties	1,612	1,514	1,535	1,488	1,871
Other assets	226	75	75	75	75	Properties held for sale	76	-	-	191	-
Total funds employed	2,545	2,836	2,997	3,173	3,309	Development properties	-	190	509	838	923
Net debt/(cash)	759	752	893	1,008	908	Total	1,688	1,704	2,045	2,517	2,794
Other non current liabilities	96	129	129	129	129	NTA per share (NZ\$)	1.11	1.17	1.24	1.40	1.49
Shareholder's funds	1,691	1,955	1,975	2,035	2,272						
Minority interests	-	-	-	-	-						
Total funding sources	2,545	2,836	2,997	3,173	3,309						

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

Property For Industry

NEUTRAL

Industrious

Property for Industry (PFI) has continued its track record of reliable and steady performance underpinned by a clear, low risk strategy. PFI's large industrial portfolio is centred on the key precincts in Auckland, and it is well positioned to continue to deliver its defensive attributes. Revaluation gains have been strong driven by significant cap rate firming. Rental growth is starting to appear. PFI trades at a premium to its peers on dividend yield and price-to-book multiples. In our view this is justified given its large industrial exposure, a best-in-class management expense ratio, and a pay-out ratio below peers. In our report 'Real Estate Reflections' dated 5 September we adopted our new Research team risk free rate of 2% and market risk premium of 7.5% which increased the PFI target price by +11%. NEUTRAL.

Earnings and cash flow outlook

- **Transactional activity:** PFI has ~NZ\$80m of uncommitted debt capacity. We expect PFI will continue to be opportunistic with respect to acquisitions.
- **Development activity:** PFI's NZ\$7m spec development on surplus land at 212 Cavendish Drive has now been leased to Kiwi Steel on a 15-year term.

Business quality

- **Property fundamentals:** PFI has occupancy of 99.7% and a WALT of 5.7 years. A deep occupier market and change of use optionality over the medium term provides defensive attributes for the industrial market.
- **Defensive qualities:** Industrial property has a very stable earnings profile and has been resilient through the cycle. Over 80% of PFI's portfolio is weighted to Auckland with record low vacancy and strong tenant demand.

Financial structure

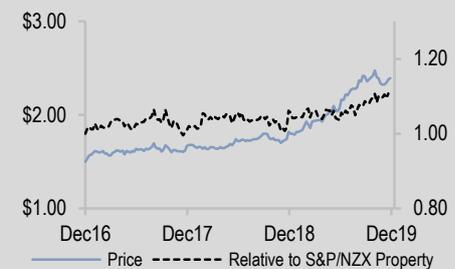
- **Balance sheet capacity plus an intention to recycle more assets:** Balance sheet is solid at 31% geared, well below the 50% banking covenant limit and its self-imposed 40% maximum. PFI has a well-diversified debt book with four banks in its syndicate and two issued bonds.
- **FY18 revaluation gain:** This was lifted NTA to NZ\$1.78 (up +9%). An interim 1H19 reval on 13 properties has further lifted NTA to NZ\$1.83.

Risks factors

- **Rising interest rates:** Higher interest rates make other yield investments more attractive relative to listed property dividend yields.
- **Maintenance capex:** Industrial property requires a lower level of maintenance than other property sectors, albeit this is still a risk.

NZX code	PFI
Share price (as at 9 Dec 2019)	NZ\$2.40
Target Price	NZ\$2.00
Risk Rating	Low
Issued shares	498.7m
Market cap	NZ\$1,194m
Average daily turnover	253.6k (NZ\$553k)

Share Price Performance



Company Description

Property | Industrial property

PFI is NZ's largest specialist industrial property landlord. Its portfolio has 94 mostly industrial properties with 148 tenants and a total value of NZ\$1,368m as at June 2019. PFI's portfolio is ~84% weighted to Auckland and it has properties in most major Auckland industrial precincts. On 1 July 2013 PFI merged with Direct Property Fund, an unlisted property entity, substantially lifting the scale of the portfolio. PFI has recently completed internalising its management after being externally managed by McDougall Reidy & Co and AMP Capital prior to that.

Jeremy Simpson, CFA

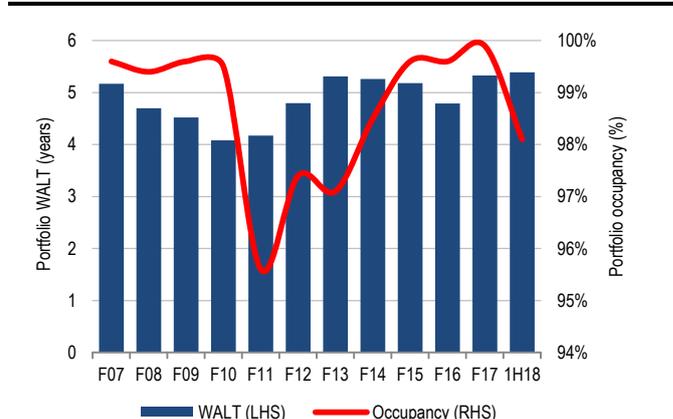
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Figure 38. Sector and regional portfolio exposure

	Auckland	Other North Island	South Island	Total
Industrial	70%	12%	5%	86%
Office	7%	0%	-	7%
Mixed use	5%	1%	-	6%
Total	82%	13%	5%	100%

Source: Company reports, Forsyth Barr analysis. Note: Data is based on reported portfolio as at 31/12/17.

Figure 39. Portfolio metrics



Source: Forsyth Barr analysis, Company reports

Forsyth Barr valuation						Valuation Ratios					
Valuation methodology						2017A 2018A 2019E 2020E 2021E					
Blended DCF (50%) and NAV (50%)						EV/EBITDA (x)	23.8	22.1	21.5	21.3	21.1
						EV/EBIT (x)	23.8	22.1	21.5	21.3	21.1
12-month target price (NZ\$)*	2.00	Spot valuations (NZ\$)				PE (x)	29.7	28.6	27.8	27.6	27.3
Expected share price return	-16.5%	1. DCF		1.99	Price/NTA (x)	1.47	1.35	1.32	1.29	1.26	
Net dividend yield	3.2%	2. NAV		1.96	Free cash flow yield (%)	-0.9	3.3	3.3	3.2	3.3	
Estimated 12-month return	-13.3%	3. n/a		n/a	Net dividend yield (%)	3.1	3.2	3.2	3.2	3.2	
Key WACC assumptions						Gross dividend yield (%)	4.4	4.5	4.5	4.6	4.6
DCF valuation summary (NZ\$m)						Imputation (%)	100	100	100	100	100
Risk free rate	2.0%	Total firm value		1,416	Pay-out ratio (%)	92	90	88	88	87	
Equity beta	0.70	(Net debt)/cash		(397)	Capital Structure						
WACC	5.3%	Value of equity		1,010	2017A	2018A	2019E	2020E	2021E		
Terminal growth	1.5%	Shares (m)		499	Interest cover EBIT (x)	3.7	3.8	3.8	3.8	3.9	
Profit and Loss Account (NZ\$m)						2017A	2018A	2019E	2020E	2021E	
Sales revenue	70.6	76.1	79.1	80.3	81.5	Net debt/ tangible assets (%)	30.7	30.2	30.4	29.8	29.2
Normalised EBITDA	64.8	71.4	74.3	75.3	76.1	Net debt/ND+E (%)	30.5	30.3	30.5	29.9	29.4
Depreciation and amortisation	-	-	-	-	-	Net debt/EBITDA (x)	5.7	5.6	5.5	5.4	5.3
Normalised EBIT	64.8	71.4	74.3	75.3	76.1	Key Ratios					
Net interest	(17.7)	(18.8)	(19.7)	(19.9)	(19.7)	2017A	2018A	2019E	2020E	2021E	
Associate income	-	-	-	-	-	Return on assets (%)	5.2	5.3	5.4	5.3	5.3
Tax	(10.0)	(10.9)	(11.7)	(12.1)	(12.6)	Return on equity (%)	4.4	4.6	4.6	4.5	4.5
Minority interests	-	-	-	-	-	Return on funds employed (%)	4.3	4.4	4.3	4.3	4.2
Normalised NPAT	37.1	41.8	43.0	43.2	43.8	EBITDA margin (%)	91.8	93.9	94.0	93.8	93.3
Abnormals/other	14.6	68.3	18.9	18.8	17.1	EBIT margin (%)	91.8	93.9	94.0	93.8	93.3
Reported NPAT	51.7	110.1	61.9	62.1	60.8	Capex to sales (%)	18.1	19.5	5.1	6.0	6.0
Normalised EPS (cps)	8.1	8.4	8.6	8.7	8.8	Capex to depreciation (%)	n/a	n/a	n/a	n/a	n/a
DPS (cps)	7.5	7.6	7.6	7.7	7.7	Property Statistics					
						2014A	2015A	2016A	2017A	2018A	
Growth Rates						Major Prop. Values - PFI (NZ\$m)					
2017A	2018A	2019E	2020E	2021E	2021E	7-9 Niall Burgess Rd, Mt Wellington	24.7	27.3	28.9	31.0	32.0
Revenue (%)	2.6	7.7	3.9	1.5	1.5	54 Carbine Rd, Mt Wellington	19.9	22.4	25.8	26.4	28.6
EBITDA (%)	7.5	10.1	4.1	1.3	1.0	6 Donner Place, Mt Wellington	17.4	14.5	15.0	15.1	15.1
EBIT (%)	7.5	10.1	4.1	1.3	1.0	686 Rosebank Rd, Avondale	31.1	32.2	33.4	35.0	40.0
Normalised NPAT (%)	8.8	12.5	2.8	0.7	1.2	212 Cavendish Drive, Manukau	14.7	17.1	19.1	22.4	29.7
Normalised EPS (%)	7.3	3.7	2.8	0.7	1.2	3-5 Niall Burgess Rd, Mt Wellington	14.5	15.7	17.3	17.7	20.0
DPS (%)	2.1	1.3	0.7	0.7	0.0	30-32 Bowden Rd, Mt Wellington	18.3	20.7	21.4	25.4	27.0
Cash Flow (NZ\$m)						Major Prop. Values - DPF (NZ\$m)					
2017A	2018A	2019E	2020E	2021E	2021E	Carlaw Commerical, Parnell	59.6	60.8	61.8	62.1	63.8
EBITDA	64.8	71.4	74.3	75.3	76.1	Carlaw Gateway, Parnell	33.7	33.8	35.0	35.0	35.5
Working capital change	(41.0)	1.6	0.7	0.3	0.3	78 Springs Road, East Tamaki	67.5	72.0	78.5	82.8	83.0
Interest & tax paid	(21.9)	(19.2)	(31.4)	(32.1)	(32.3)	229 Dairy Flat Highway, Albany	22.0	22.9	24.7	27.0	28.0
Other	-	-	-	-	-	15 Jomac Place, Avondale	19.9	21.0	23.6	24.0	24.5
Operating cash flow	2.0	53.7	43.7	43.5	44.0	Portfolio Summary					
Capital expenditure	(12.8)	(14.8)	(4.1)	(4.8)	(4.9)	Investment properties (NZ\$m)	876.0	986.6	1,083.3	1,210.8	1,318.7
(Acquisitions)/divestments	(62.5)	(28.3)	(13.8)	-	-	Weighted average lease term (yrs)	5.3	5.2	4.8	5.3	5.4
Other	(0.1)	(0.1)	-	-	-	Occupancy rate (%)	98.5	99.6	99.6	99.9	99.3
Funding available/(required)	(73.4)	10.6	25.8	38.7	39.2	Number of properties	79	84	83	92	94
Dividends paid	(32.6)	(37.9)	(37.7)	(37.7)	(38.2)	NTA per share (NZ\$)	1.30	1.41	1.61	1.63	1.78
Equity raised/(returned)	67.7	-	-	-	-	Balance Sheet (NZ\$m)					
Increase/(decrease) in net debt	38.3	27.3	11.8	(1.1)	(1.0)	2017A	2018A	2019E	2020E	2021E	
						Working capital	(7.0)	(9.2)	(9.6)	(9.7)	(9.9)
						Fixed assets	1,210.8	1,318.7	1,350.0	1,373.6	1,395.6
						Intangibles	29.1	29.1	29.1	29.1	29.1
						Other assets	0.4	5.0	5.0	5.0	5.0
						Total funds employed	1,233.3	1,343.5	1,374.5	1,397.9	1,419.8
						Net debt/(cash)	370.0	396.6	408.4	407.3	406.3
						Other non current liabilities	20.4	35.1	35.4	35.6	35.7
						Shareholder's funds	842.9	911.8	930.6	955.0	977.7
						Minority interests	-	-	-	-	-
						Total funding sources	1,233.3	1,343.5	1,374.5	1,397.9	1,419.8

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

Striding out Industrial Legs

Stride Property Group (SPG) continues to execute well on portfolio initiatives and repositioning assets. However, we remain bearish on the growth outlook for shopping centres with structural and cyclical headwinds increasing for the retail sector. SPG's largest asset, NorthWest Shopping Centre, has taken time to trade-up post opening and despite sales productivity lifting recently we still expect near-term growth to be soft while vacancy risk remains. SPG's funds management platform is scalable but near-term cost pressures are impacting margins. In our report 'Real Estate Reflections' dated 5 September we adopted our new Research team risk free rate of 2% and market risk premium of 7.5% which increased the SPG target price by +10%. NEUTRAL.

Earnings and cash flow outlook

- **Funds management income:** SPG has grown its external funds under management to NZ\$1.24bn, reflecting growth from Investore (NZX: IPL) and Diversified NZ (wholesale fund). SPG intends to grow both funds over time and announced the establishment of Industrie, a wholesale industrial fund.
- **Brownfield development:** SPG is looking at opportunities to unlock value across its older assets. A recent example is the NZ\$68.7m redevelopment at 318 East Tamaki Road for Waste Management.

Business quality

- **Improving portfolio metrics:** SPG continues to deliver good leasing outcomes with 98.2% occupancy and near-term lease expiry manageable.
- **Restructure:** In 2016 SPG separating its funds management business, Stride Investment Management Limited (SIML), and Stride Group, its direct portfolio. The 'stapled' entities trade as one security.
- **Position in IPL:** SPG owns 19.9% of Investore, which will represent all of SPG's large format retail (LFR) after planned asset sales.

Financial structure

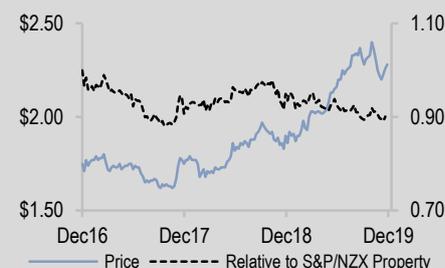
- **Balance sheet:** SPG's gearing is around average sector levels at ~35% but drops significantly to ~15% post the sale of its remains large format retail properties to IPL.
- **1H20 +2.6% revaluation:** A gain of ~NZ\$25m was driven by industrial assets lifting NTA +5cps to NZ\$1.97.

Risks factors

- **E-commerce growth:** SPG has a 47% weighting to retail assets (including its position in IPL), making it exposed to growing risks from e-commerce.

NZX code	SPG
Share price (as at 9 Dec 2019)	NZ\$2.28
Target Price	NZ\$2.18
Risk Rating	Low
Issued shares	365.2m
Market cap	NZ\$833m
Average daily turnover	271.0k (NZ\$586k)

Share Price Performance



Company Description

Property | Diversified property

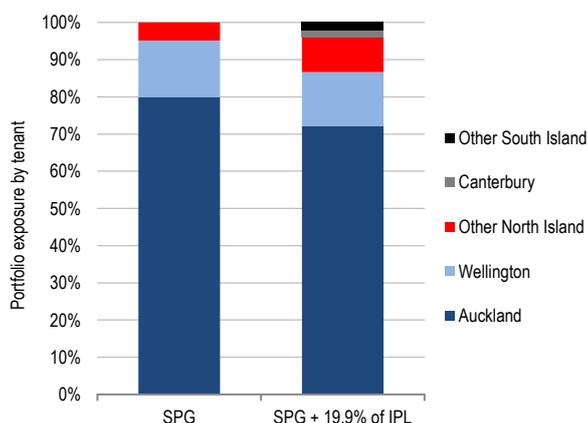
Stride Stapled Group (SPG) is a listed property company which owns NZ\$999m of direct property across 26 individual assets. 80% of SPG's portfolio is located in Auckland including its key asset NorthWest Shopping Centre. SPG also has significant funds management operations and manages NZ\$1.2bn of external property for Investore (IPL) and Diversified, a wholesale unlisted fund. Stride was established in 1996 and listed on the NZX in August 2010. Stride has recently undergone a significant corporate restructure including the divestment of its subsidiary Investore, and implementing a new stapled shareholder structure.

Jeremy Simpson, CFA

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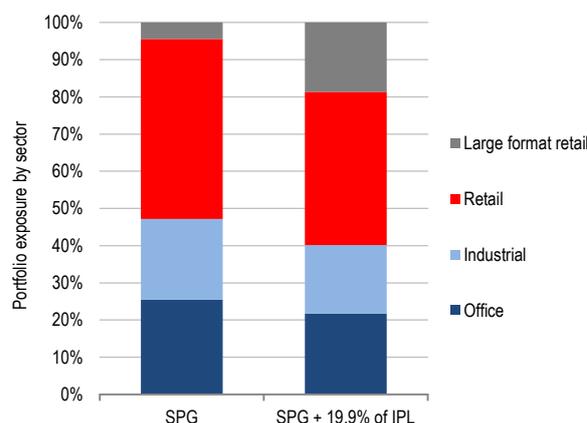
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Figure 40. Geographical exposure



Source: Company reports, Forsyth Barr analysis

Figure 41. Sector diversification



Source: Company reports, Forsyth Barr analysis

Major Work in Progress

Vital Healthcare’s (VHP) portfolio of medical properties has strong defensive characteristics such as long lease terms, inflation-linked rental growth, and exposure to the structural growth in demand for healthcare services. While there is some evidence that the Australian operating environment for tenants is slowing, VHP’s lease structures mean this will have little impact on rents in the near-to-medium term. VHP has underperformed a number of peers over the past 12 months and offers attractive risk/reward on relative basis. In our report ‘Real Estate Reflections’ dated 5 September we adopted our new Research team risk free rate of 2% and market risk premium of 7.5% which increased the VHP target price by +17%. Our rating is OUTPERFORM, which reflects our view on VHP relative to other NZX-listed property vehicles.

Earnings and cash flow outlook

- **Increasing healthcare demand:** A growing and ageing population in Australia and New Zealand is driving demand for healthcare services.
- **Healthscope deal off the table:** VHP’s manager NorthWest Healthcare (TSX.NWH) has entered into an A\$1.2bn sale-and-lease back agreement with Brookfield in a proposed takeover offer for Healthscope. However, following extensive consideration, VHP declined to participate in the deal.
- **Development activity:** VHP currently has over NZ\$200m of committed brownfield developments underway. Key developments include major redevelopments for Wakefield, Bowen and Royston Hospitals’, which have recently been purchased, as well as the large Epworth Eastern expansion in Melbourne.
- **Acquisitions:** VHP’s portfolio has expanded dramatically in recent periods with acquisitions totalling ~NZ\$350m over FY17 and FY18; albeit, we note acquisition activity has slowed over the past six months.

Business quality

- **Property fundamentals:** VHP has sector leading portfolio metrics which continue to underpin the defensive qualities of the stock. VHP has a very long WALT of 17.9 years and strong portfolio occupancy of 99.4%.

Risk Factors

- **Rising interest rates:** Interest is VHP’s largest expense. Changes to wholesale rates or margins can have a material impact on earnings.
- **Currency:** ~75% of VHP’s assets are located in Australia thus currency movements can impact VHP’s earnings and the value of its AUD assets. This is mitigated by hedging policies.

NZX code	VHP
Share price (as at 9 Dec 2019)	NZ\$2.65
Target Price	NZ\$2.69
Risk Rating	Low
Issued shares	446.3m
Market cap	NZ\$1,183m
Average daily turnover	247.9k (NZ\$588k)

Share Price Performance



Company Description

Property | Healthcare property

Vital Healthcare Property Trust (VHP) is a major owner of healthcare focussed commercial property in Australasia. VHP’s NZ\$1.67bn portfolio comprises private hospitals, medical office buildings and aged care facilities, and has a ~75% weighting to Australia. The portfolio expanded significantly in December 2010 when VHP acquired a large Australian portfolio. It continues to undertake strategic acquisitions. VHP has significant brownfield development opportunities across its portfolio and currently has a number of developments underway. VHP is externally managed by NorthWest Healthcare Properties, which also owns 25% of the units in VHP.

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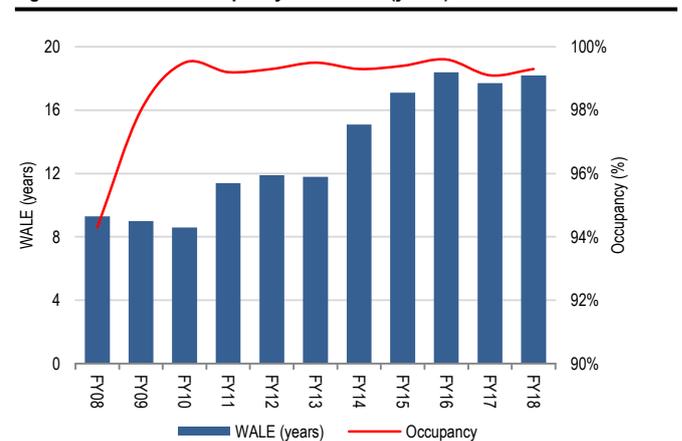
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Figure 42. Sector and regional portfolio exposure

	Hospitals	MOBs	Aged care	Total
NSW	28%	2%	3%	33%
NZ	17%	5%	0%	22%
QLD	13%	1%	0%	14%
VIC	15%	4%	0%	20%
Other AU	8%	3%	1%	12%
Total	82%	15%	4%	100%

Source: Company reports, Forsyth Barr analysis

Figure 43. Portfolio occupancy and WALE (years)



Source: Company reports, Forsyth Barr analysis

Forsyth Barr valuation					Valuation Ratios					
Valuation methodology					2018A 2019A 2020E 2021E 2022E					
Blended DCF (50%) and NAV (50%)					EV/EBITDA (x)	22.5	23.1	22.9	21.3	19.6
					EV/EBIT (x)	22.5	23.1	22.9	21.3	19.6
12-month target price (NZ\$)*					PE (x)	25.0	27.9	27.1	25.6	25.2
2.69					Price/NTA (x)	1.17	1.15	1.13	1.10	1.08
Spot valuations (NZ\$)					Free cash flow yield (%)	1.7	0.4	-3.7	-2.5	-2.4
Expected share price return	1.5%	1. DCF	2.92		Net dividend yield (%)	3.2	3.3	3.4	3.4	3.4
Net dividend yield	3.4%	2. NAV	2.30		Gross dividend yield (%)	4.6	4.7	4.9	4.9	4.9
Estimated 12-month return	4.9%	3. n/a	n/a		Imputation (%)	100	100	100	100	100
Key WACC assumptions					Pay-out ratio (%)	81	92	92	87	86
DCF valuation summary (NZ\$m)					Capital Structure					
Risk free rate	2.0%	Total firm value	2,110		Interest cover EBIT (x)	3.3	2.7	2.7	2.8	2.6
Equity beta	0.68	(Net debt)/cash	(728)		Net debt/ tangible assets (%)	37.6	38.1	36.8	38.0	39.3
WACC	5.1%	Value of equity	1,332		Net debt/ND+E (%)	40.2	41.4	39.9	41.1	42.3
Terminal growth	1.5%	Shares (m)	446		Net debt/EBITDA (x)	8.7	9.0	8.6	8.7	8.7
Profit and Loss Account (NZ\$m)					Key Ratios					
2018A	2019A	2020E	2021E	2022E	2018A	2019A	2020E	2021E	2022E	
Sales revenue	90.7	97.7	99.8	106.5	115.1	Return on assets (%)	4.3	4.2	4.2	4.3
Normalised EBITDA	76.0	81.3	83.2	89.0	96.9	Return on equity (%)	4.7	4.1	4.1	4.3
Depreciation and amortisation	-	-	-	-	-	Return on funds employed (%)	4.4	3.9	3.9	4.0
Normalised EBIT	76.0	81.3	83.2	89.0	96.9	EBITDA margin (%)	83.9	83.2	83.3	83.6
Net interest	(22.8)	(29.9)	(30.3)	(31.7)	(37.6)	EBIT margin (%)	83.9	83.2	83.3	83.6
Associate income	-	-	-	-	-	Capex to sales (%)	28.8	36.3	85.8	72.2
Tax	(7.2)	(9.3)	(8.6)	(9.5)	(10.0)	Capex to depreciation (%)	n/a	n/a	n/a	n/a
Minority interests	-	-	-	-	-	Property Statistics				
Normalised NPAT	46.0	42.2	44.3	47.8	49.3	2014A	2015A	2016A	2017A	2018A
Abnormals/other	54.0	51.3	22.2	29.6	31.2	Major Property Values (NZ\$m)				
Reported NPAT	100.1	93.4	66.4	77.3	80.5	Ascot Hospital & Clinics	85.0	81.5	90.0	102.5
Normalised EPS (cps)	10.6	9.5	9.8	10.4	10.5	Ascot Central	23.9	25.6	26.6	29.0
DPS (cps)	8.6	8.8	9.0	9.0	9.0	Epworth Eastern	68.2	91.3	103.8	150.1
Growth Rates					Portfolio Summary					
2018A	2019A	2020E	2021E	2022E	Investment properties (NZ\$m)	613.0	781.9	951.9	1,376.2	1,731.2
Revenue (%)	19.5	7.7	2.2	6.7	8.2	Number of properties - yielding only	25	25	30	37
EBITDA (%)	15.1	6.9	2.3	6.9	8.9	Weighted average lease term (yrs)	15.1	17.1	18.4	17.7
EBIT (%)	15.1	6.9	2.3	6.9	8.9	Occupancy rate (%)	99.3	99.4	99.6	99.1
Normalised NPAT (%)	3.3	-8.4	5.0	7.9	3.2	M'tment/Admin cost % of assets (%)	1.29	1.69	1.76	2.05
Normalised EPS (%)	0.2	-10.3	3.0	5.8	1.6	NTA per share (NZ\$)	1.03	1.26	1.51	2.05
DPS (%)	0.7	2.2	2.9	0.0	0.0	Average portfolio cap rate (%)	8.95	7.99	7.24	6.12
Cash Flow (NZ\$m)					Portfolio Summary					
2018A	2019A	2020E	2021E	2022E	Investment properties (NZ\$m)	613.0	781.9	951.9	1,376.2	1,731.2
EBITDA	76.0	81.3	83.2	89.0	96.9	Number of properties - yielding only	25	25	30	37
Working capital change	(2.0)	(2.9)	(3.4)	0.4	0.4	Weighted average lease term (yrs)	15.1	17.1	18.4	17.7
Interest & tax paid	(28.4)	(37.8)	(37.3)	(41.6)	(47.9)	Occupancy rate (%)	99.3	99.4	99.6	99.1
Other	-	-	-	-	-	M'tment/Admin cost % of assets (%)	1.29	1.69	1.76	2.05
Operating cash flow	45.7	40.6	42.5	47.8	49.3	NTA per share (NZ\$)	1.03	1.26	1.51	2.05
Capital expenditure	(26.1)	(35.5)	(85.7)	(76.9)	(77.7)	Average portfolio cap rate (%)	8.95	7.99	7.24	6.12
(Acquisitions)/divestments	(187.7)	(23.5)	-	-	-	Balance Sheet (NZ\$m)				
Other	(46.8)	(37.3)	86.4	-	-	2018A	2019A	2020E	2021E	2022E
Funding available/(required)	(214.9)	(55.7)	43.2	(29.1)	(28.4)	Working capital	(15.8)	(12.5)	(12.5)	(12.5)
Dividends paid	(31.1)	(32.7)	(28.3)	(34.3)	(42.2)	Fixed assets	1,731.2	1,836.4	1,947.0	2,053.5
Equity raised/(returned)	-	-	-	-	-	Intangibles	-	-	-	-
Increase/(decrease) in net debt	246.0	88.3	(14.9)	63.4	70.6	Other assets	49.0	87.7	4.7	4.7
Balance Sheet (NZ\$m)					Portfolio Summary					
2018A	2019A	2020E	2021E	2022E	Investment properties (NZ\$m)	613.0	781.9	951.9	1,376.2	1,731.2
Working capital	(15.8)	(12.5)	(12.5)	(12.5)	(12.5)	Number of properties - yielding only	25	25	30	37
Fixed assets	1,731.2	1,836.4	1,947.0	2,053.5	2,162.4	Weighted average lease term (yrs)	15.1	17.1	18.4	17.7
Intangibles	-	-	-	-	-	Occupancy rate (%)	99.3	99.4	99.6	99.1
Other assets	49.0	87.7	4.7	4.7	4.7	M'tment/Admin cost % of assets (%)	1.29	1.69	1.76	2.05
Total funds employed	1,764.5	1,911.7	1,939.2	2,045.7	2,154.6	NTA per share (NZ\$)	1.03	1.26	1.51	2.05
Net debt/(cash)	663.3	728.1	713.3	776.7	847.2	Average portfolio cap rate (%)	8.95	7.99	7.24	6.12
Other non current liabilities	113.2	153.8	153.8	153.8	153.8	Balance Sheet (NZ\$m)				
Shareholder's funds	988.0	1,029.7	1,072.2	1,115.2	1,153.6	2018A	2019A	2020E	2021E	2022E
Minority interests	-	-	-	-	-	Working capital	(15.8)	(12.5)	(12.5)	(12.5)
Total funding sources	1,764.5	1,911.7	1,939.2	2,045.7	2,154.6	Fixed assets	1,731.2	1,836.4	1,947.0	2,053.5

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

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