

# Real Estate Reflections

## A Look Under the Hood

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The listed property vehicles (LPVs) outperformed the broader market for a fourth consecutive month (+5.9% vs. the S&P/NZX 50G +2.9%) as low interest rates continue to support valuations and laggards catch-up. Portfolio activity continues to tick along with further acquisitions completed, and assets officially being marketed. 1H21 results are being reported this month and with COVID-19 rent relief impacting earnings across the sector the focus will be on leasing outcomes and market commentary. We continue to favour Investore (IPL) for its defensive attributes and acquisition driven growth, along with Stride (SPG) for the leverage in its asset management platform.

**Figure 1. NZ listed property sector summary**

LPV	Code	Rating	Price 9-Nov	Target price	Gross yield	Expected total return	P/NAV	P/NTA
Asset Plus	APL	NEUTRAL	\$0.31	\$0.36	8.3%	21.9%	78%	70%
Argosy Property	ARG	NEUTRAL	\$1.44	\$1.48	6.3%	7.2%	113%	110%
Goodman Property	GMT	UNDERPERFORM	\$2.45	\$2.25	3.1%	-6.0%	108%	134%
Investore	IPL	OUTPERFORM	\$2.22	\$2.35	5.0%	9.4%	123%	116%
Kiwi Property Group	KPG	UNDERPERFORM	\$1.25	\$1.10	6.6%	-7.4%	118%	99%
Precinct Properties	PCT	NEUTRAL	\$1.74	\$1.72	5.3%	2.6%	112%	121%
Property for Industry	PFI	NEUTRAL	\$2.92	\$2.73	3.9%	-3.8%	115%	142%
Stride Property	SPG	OUTPERFORM	\$2.22	\$2.15	6.4%	1.3%	113%	116%
Vital Healthcare	VHP	RESTRICTED	\$2.93	n/a	n/a	n/a	n/a	123%
<b>Core simple average</b>					<b>5.2%</b>	<b>0.4%</b>	<b>115%</b>	<b>120%</b>

Source: Forsyth Barr analysis, company reports, Eikon Note: Core average excludes APL. ETR = target price + cash yield

### COVID leaves a hole in 1H21 results

Upcoming 1H21 property sector results will be impacted to various degrees by rent relief provided to tenants over the lockdown. With the cost of this support now largely defined, we don't expect any significant surprises. Those with larger retail portfolios have been hardest hit while industrial and large format retail will only see modest impacts in comparison. However, we still expect yoy earnings declines for most of the sector. We also expect asset valuations to be revisited given strong transactional pricing post lockdown.

### Portfolio activity is increasing

As highlighted last month, low balance sheet gearing and a reduction in debt costs has made adding to portfolios highly accretive. We saw further acquisitions in October from ARG and PFI. Both LPVs had been signalling further asset sales; in PFI's case to reduce non-core office, while ARG intends to lower gearing. We believe this shift to acquiring is to offset dilution from recent and proposed sales, and highlights management's comfort with balance sheet gearing given the potential for upward asset revaluations. We have adjusted our earnings estimates for these recent transactions. The strong direct property market is also facilitating progress on non-core asset divestments; KPG has officially started marketing The Plaza for sale, ARG is in active negotiation with one party on Albany Lifestyle, and PCT continues to progress the sale of ANZ tower.

### Another strong month as investors hunt for yield

October was yet another strong month for the LPVs (up +5.9%), marking the fourth consecutive month of outperformance versus the S&P/NZX 50 (up +2.9%). A large reason for the outperformance was the strong run by KPG (up +16.0%) after a period of trading sideways, with the market seemingly becoming more comfortable with retail exposure, while large retailers reported strong sales. GMT and PFI also performed strongly, with the industrial safe-havens being more attractive than the bank for many investors.

## COVID will impact 1H21 results

1H21 property sector results will be impacted to various degrees by rent relief provided to tenants over the lockdown. With the cost of this support now largely defined, we don't expect any significant surprises. Those with larger retail portfolios have been hardest hit while industrial and large format retail will only see modest impacts in comparison. However, we still expect yoy earnings declines for most of the sector. With trading returning to more normal levels we expect dividends to make a comeback for those that cut as COVID-19 hit. We also expect asset valuations will be revisited given robust market evidence across most sub-sectors, with retail being the notable exception. This will likely lower gearing across the sector and stimulate portfolio activity, providing an exit for any non-core assets but with the challenge of sourcing acquisition opportunities at attractive pricing. We do not expect any changes to guidance at this stage and will be watching for commentary on releasing, rent grow, and tenant incentives to gauge changes in occupier demand and the pace of any cyclical declines.

**Figure 2. November reporting expectations**

Code			Last Balance Date	Period	Revenue (\$m)	EBITDA (\$m)	EBIT (\$m)	Norm NPAT (\$m)	EPS (cps)	DPS (6mth) (cps)
APL	Release Date:	Wed, 25 Nov 20	Mar-20	1H20	5.0	4.3	4.3	2.8	1.7	1.8
NEUTRAL	Result:	Interim		1H21	4.1	3.3	3.3	2.3	1.4	0.9
				% chg (Forsyth Barr)	-19.4%	-22.1%	-22.1%	-18.3%	-22.2%	-50.0%
With the capital raise to fund APL's Munroe Lane development now complete attention turns to leasing and potential redevelopment of Graham St (40% of current rental income). APL's 1H will be impacted by rent relief provided to its tenants.										
ARG	Result:	Interim	Mar-20	1H20	51.0	45.4	45.4	29.9	3.6	3.1
NEUTRAL	Release Date:	Thu, 26 Nov 20		1H21	50.1	44.4	44.4	28.9	3.5	3.2
				% chg (Forsyth Barr)	-1.8%	-2.3%	-2.3%	-3.4%	-3.7%	+1.2%
ARG's 1H will be impacted by tenant rent relief as well as recent asset sales. On the positive side we expect solid revaluation gains for ARG's industrial heavy portfolio. Notwithstanding ARG's recent market update we look for any comments on the sale of Albany Lifestyle Centre as well as insurance proceeds.										
GMT	Result:	Interim	Mar-20	1H20	71.3	64.9	64.9	44.7	3.4	3.3
UNDERPERFORM	Release Date:	Mon, 23 Nov 20		1H21	69.8	62.5	62.5	43.1	3.1	2.7
				% chg (Forsyth Barr)	-2.1%	-3.7%	-3.7%	-3.6%	-9.4%	-20.2%
We expect minimal impact on 1H earnings from tenant relief payments. GMT has guided to asset revaluations lifting NTA +10cps. We look for updates on releasing of Roma Rd and Penrose expiries as well as comments on market rental levels and incentives.										
IPL	Result:	Interim	Mar-20	1H20	23.5	19.4	19.4	9.8	3.8	3.8
OUTPERFORM	Release Date:	Tue, 17 Nov 20		1H21	27.0	22.8	22.8	13.1	3.6	3.8
				% chg (Forsyth Barr)	+14.9%	+17.1%	+17.1%	+32.9%	-5.1%	+0.0%
We expect a solid 1H result underpinned by recent acquisitions and with minimal tenant relief paid. IPL has guided to NZ\$85m 1H increase in its portfolio value. We look for an update on balance sheet deployment with IPL having previously signalled c.NZ\$100m of acquisitions and/or developments.										
KPG	Result:	Interim	Mar-20	1H20	89.9	78.9	78.9	48.3	3.4	3.5
UNDERPERFORM	Release Date:	Mon, 23 Nov 20		1H21	73.7	63.0	63.0	40.0	2.5	2.2
				% chg (Forsyth Barr)	-18.0%	-20.1%	-20.1%	-17.1%	-24.0%	-36.4%
KPG's retail heavy portfolio has resulted in the largest rent relief payments in the sector which will weigh on the 1H result. KPG's interim valuations were broadly stable with an uplift in office offset by retail. We look for updates on trading across the portfolio as well as the recently opened Sylvia Park Galleria development.										
SPG	Result:	Interim	Mar-20	1H20	37.9	28.8	28.8	19.3	5.3	5.0
OUTPERFORM	Release Date:	Tue, 24 Nov 20		1H21	27.5	18.4	18.4	17.3	4.7	5.0
				% chg (Forsyth Barr)	-27.4%	-35.9%	-35.9%	-10.1%	-10.1%	+0.1%
We expect fees from the establishment of Industrie to only partly offset tenant relief payments and divestment of assets to IPL. We look for an update on trading and leasing of upcoming expiries at the NorthWest Shopping Centre as well as the acquisition pipeline of Industrie and progress on SPG's plan to launch an office fund.										

Source: Forsyth Barr analysis

## Updating earnings estimates for recent portfolio activity

### ARG: Purchase of two industrial properties

ARG announced it will acquire two industrial properties, 8–14 Mt Richmond Drive, and 2 Doraval Place, for NZ\$76m on a 4.7% yield. The properties form a contiguous site of 10.6 ha with 23,000sqm of occupied buildings and have a WALT of 2.2 years with the largest tenancy expiring Dec-27 (but having a break clause in Jan-24). The purchase price equates to NZ\$714/sqm of land. Settlement is expected late March 2021. Whilst the initial yield is modest, the low site coverage lends these properties to redevelopment. We estimate a c.7% IRR is achievable assuming 1) redevelopment in 2028, 2) 50% site coverage, 3) NZ\$1,600/sqm build cost, 4) 5% yield on cost, and 5) 20% development profit.

We have adjusted our earnings for the acquisition as well as greater spend on the Stats NZ development (NZ\$6.8m for an 11th floor with a yield on cost of 7.2%) and façade maintenance at 7 Waterloo Quay (NZ\$10m). This results in our FY22–23 AFFO and DPS of +2.4%/+2.6% and 0.0%/+2.6%. We lift our 12-month target price +3% to NZ\$1.48. While this acquisition partly offsets dilution from recent asset sales and the upcoming divestment of the Albany Lifestyle Centre (where ARG is in active negotiation with one party) it does lift gearing towards the top end of ARG's target range on a pro-forma basis. We believe management are comfortable with gearing and have greater confidence in upward asset revaluations given recent transactional evidence.

### PFI: Purchase of 528 Rosebank Rd

PFI announced the acquisition of 528–558 Rosebank Rd for NZ\$65.55m with an initial yield of 5.22%. The property has 27,000sqm NLA on 5 hectares of land and is tenanted by ETEL (c.75% of rent lease expiring 2028) as well as EBOS and 3 other small tenants. Settlement is expected in the December quarter. The acquisition fits with PFI's strategy to lift its weighting to the industrial sub-sector by recycling its remaining non-core properties while managing its earnings and distribution profile through this transition.

Non-core assets account for 9% of portfolio value and includes the c.NZ\$120m Carlaw Park office complex. We estimate that divestment of Carlaw Park could be up to c.5% dilutive on a pro-forma basis given its high yield and low debt costs (we assume 3% marginal cost of debt), however, it does have vacancy and leasing risk given upcoming expiries. Adding this acquisition lifts out FY20–22 EPS and DPS by +0.0%/+1.8%/+2.0%. We lift our 12-month target price 3% to NZ\$2.73 largely driven by firming industrial cap rates being incorporated into our NAV.

**Figure 3. Earnings estimate changes**

	FY+1	Old FY+2	FY+3	FY21	New FY22	FY23	FY21	Change FY22	FY23
<b>AFFO/PS</b>									
ARG	6.39	6.15	6.39	6.39	6.30	6.56	0.0%	2.4%	2.6%
PFI	7.66	7.85	7.85	7.65	7.99	8.02	0.0%	1.8%	2.0%
<b>DPS</b>									
ARG	6.35	6.35	6.39	6.35	6.35	6.55	0.0%	0.0%	2.6%
PFI	7.65	7.77	7.85	7.65	7.91	8.02	0.0%	1.8%	2.0%

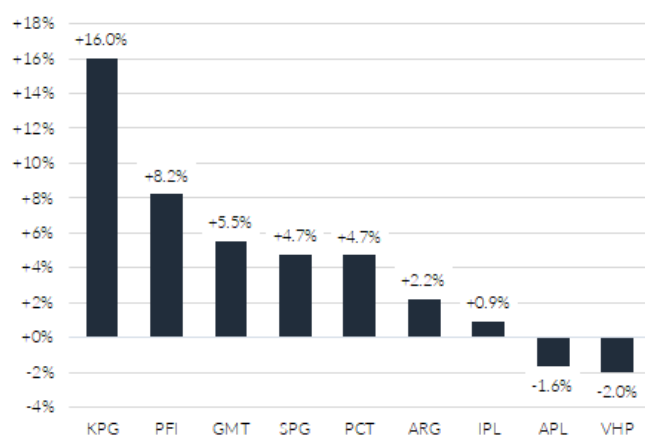
Source: Forsyth Barr analysis

## Performance and valuation

### Strong month for LPVs

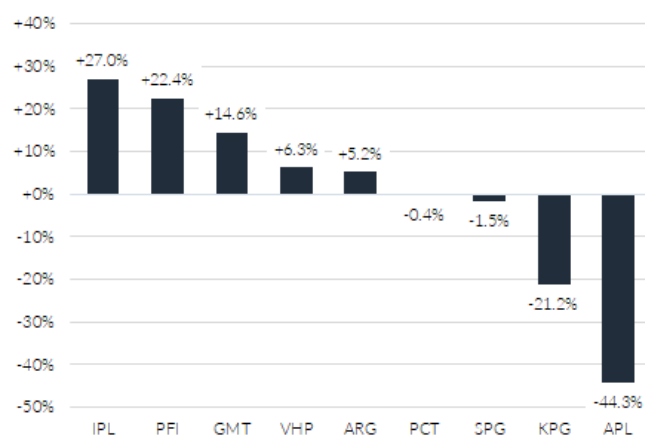
October was yet another strong month for the LPVs (up +5.9%), marking the fourth consecutive month of outperformance versus the S&P/NZX 50 (up +2.9%). A large reason for the outperformance was the strong run by KPG (up +16.0%) after a period of trading sideways, with the market seemingly becoming more comfortable with retail exposure, with large retailers reporting strong sales. GMT and PFI also performed strongly, with the industrial safe-havens being more attractive than the bank for many investors.

**Figure 4. October returns**



Source: Forsyth Barr analysis, S&P

**Figure 5. YTD returns**



Source: Forsyth Barr analysis, S&P

**Figure 6. Sector total returns (as at 30 October 2020)**

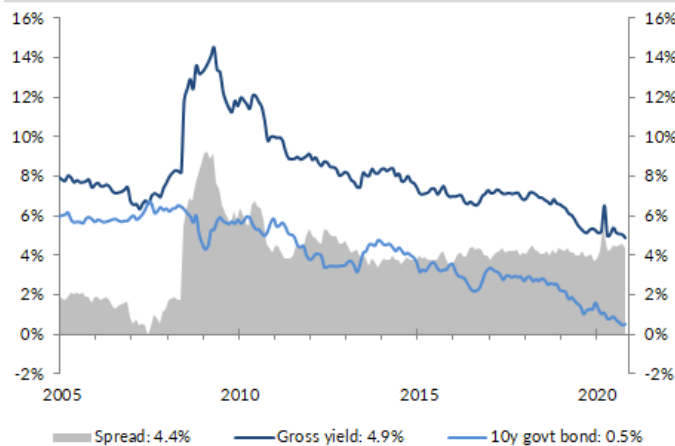
Company	Code	Price 30-Oct	Market Cap	Gr. Div w/Imp	Month return	Rank	Quarter return	Rank	Year return	Rank	YTD return
Asset Plus	APL	\$0.305	\$111m	-	-1.6%	8	-5.3%	9	-44.7%	9	-44.3%
Argosy Property	ARG	\$1.390	\$1,226m	-	+2.2%	6	+10.9%	7	+4.3%	5	+5.2%
CDL Investments	CDI	\$0.000	\$0m	-	+0.0%	n/a	-3.6%	n/a	+1.7%	n/a	-8.2%
Goodman Prop Trust	GMT	\$2.480	\$3,436m	-	+5.5%	3	+12.5%	5	+20.5%	3	+14.6%
Investore	IPL	\$2.230	\$817m	-	+0.9%	7	+13.2%	4	+21.3%	2	+27.0%
Kiwi Property Group	KPG	\$1.230	\$1,930m	-	+16.0%	1	+15.0%	3	-20.5%	8	-21.2%
Precinct Properties NZ	PCT	\$1.770	\$2,299m	-	+4.7%	5	+4.2%	8	+1.3%	7	-0.4%
Property for Industry	PFI	\$2.900	\$1,469m	-	+8.2%	2	+18.9%	1	+26.6%	1	+22.4%
Stride Property Group	SPG	\$2.210	\$807m	-	+4.7%	4	+15.0%	2	+2.1%	6	-1.5%
Vital Healthcare Property Trust	VHP	\$2.910	\$1,501m	-	-2.0%	9	+11.9%	6	+13.7%	4	+6.3%
S&P/NZX All Real Estate Cap		1,466.70			+5.9%		+11.3%		+0.8%		-0.3%
S&P/NZX All Real Estate Gr.		1,847.8			+5.9%		+12.0%		+4.2%		+1.9%
<b>S&amp;P/NZX All Real Estate Gr. w/Imp</b>		<b>1,937.9</b>			<b>+5.9%</b>		<b>+12.1%</b>		<b>+4.9%</b>		<b>+2.3%</b>
S&P/NZX 50 Gross		12,084.5			+2.9%		+3.0%		+12.0%		+5.2%
<b>S&amp;P/NZX 50 Gross w/Imp</b>		<b>14,778.3</b>			<b>+2.9%</b>		<b>+3.3%</b>		<b>+12.7%</b>		<b>+5.7%</b>

Source: Forsyth Barr analysis, Eikon, S&P

### LPV yield spread; slightly higher than history vs. bonds, attractive vs. the broader NZ market

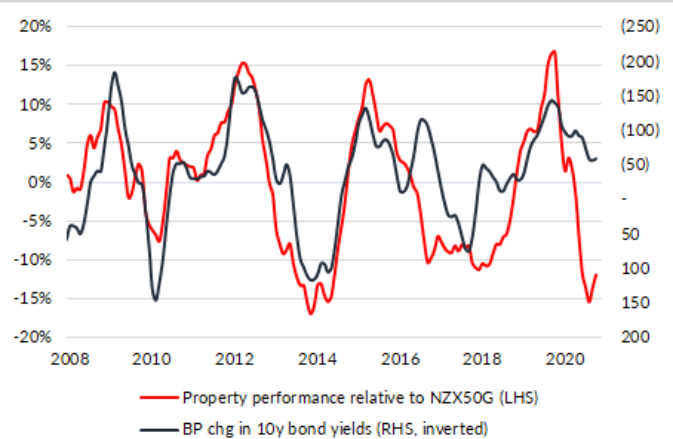
Changes in interest rates continue to be a key driver of LPV sector performance. The LPV sectors gross dividend yield spread is +440bp vs. the 10-year NZ Government bond yield. This is slightly higher than its 5-year average spread of +410bps. LPV yield also remains attractive vs. the broader market. However, Figure 9 shows broader market dividend expectations remain low vs. property estimates, which were cut early but have subsequently been revised upwards. Property sector P/E remains at a discount vs. the broader market which reflects lower market earnings expectations rather than 'cheap' property valuations.

**Figure 7. LPV sector gross dividend yields vs 10 year bond**



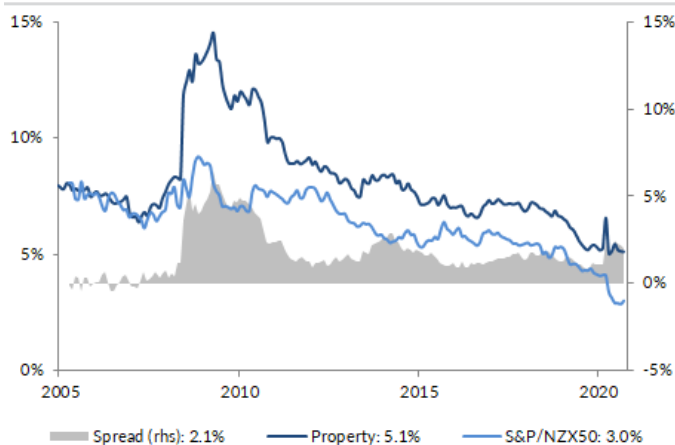
Note: Gross div yield is the PIE from Sep-07. Source: Forsyth Barr analysis, Company reports

**Figure 8. Relative property sector performance vs. bond yields**



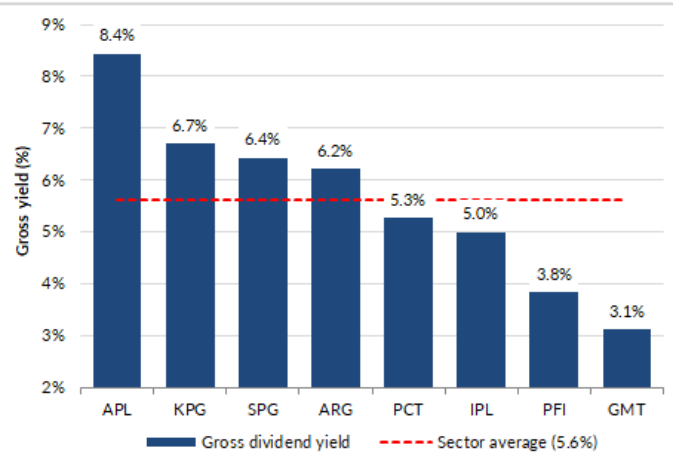
Source: Forsyth Barr analysis [note: 3-month rolling average yoy]

**Figure 9. Sector gross yield versus S&P/NZX50 gross yield**



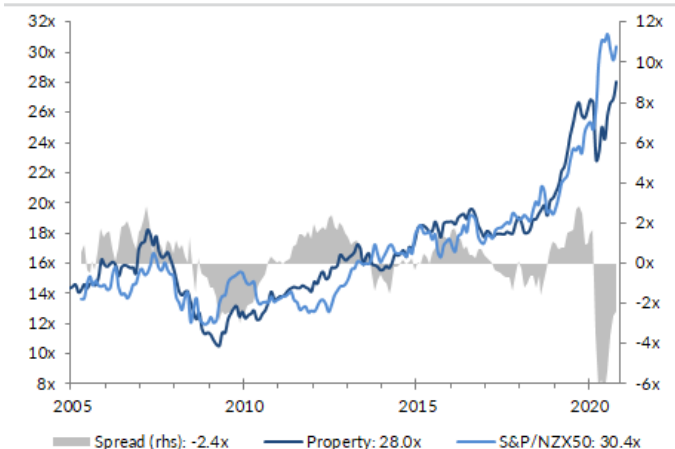
Source: Company reports, Forsyth Barr analysis, IRESS Note: Market cap weighted

**Figure 10. Gross Yield**



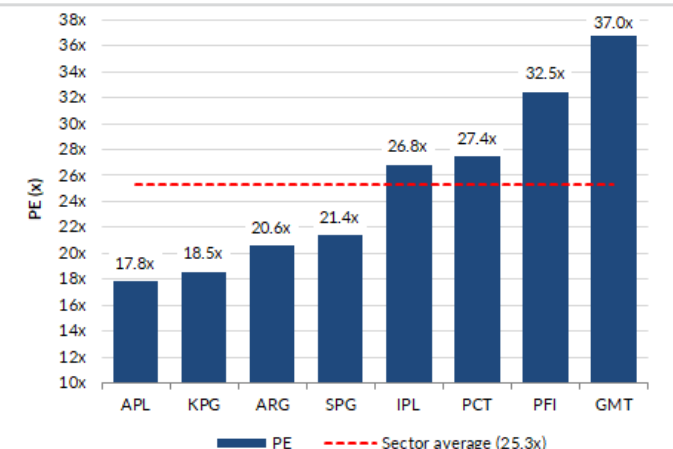
Source: Company reports, Forsyth Barr analysis, Thompson Reuters

**Figure 11. Sector PE versus S&P/NZX50 PE**



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

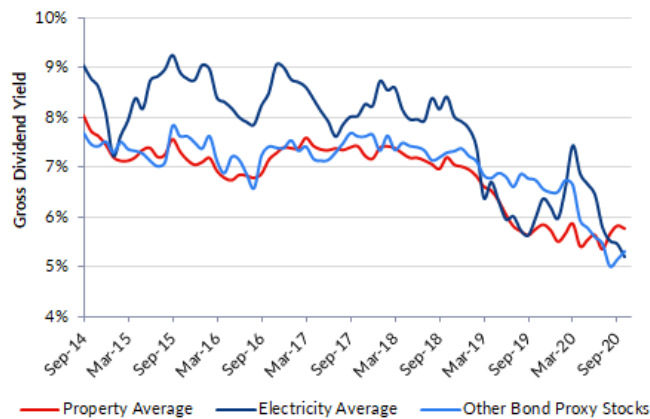
**Figure 12. PE Ratio**



Source: Company reports, Forsyth Barr analysis, Thompson Reuters

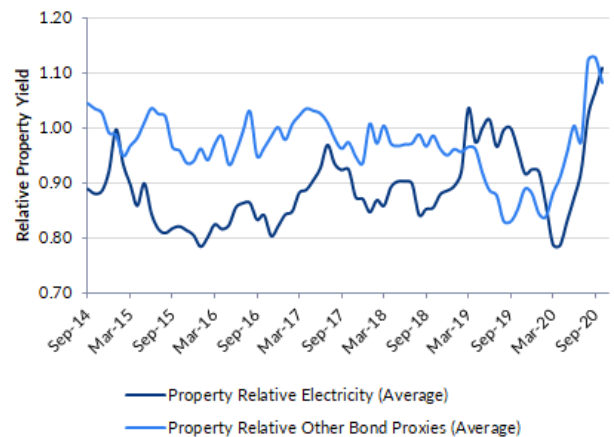
Compared to other yield sectors, LPV yields remain higher than other bond proxies (Spark, Chorus and Vector) and the electricity sector.

**Figure 13. Simple average sector yields**



Source: Forsyth Barr analysis

**Figure 14. Property relative yields**



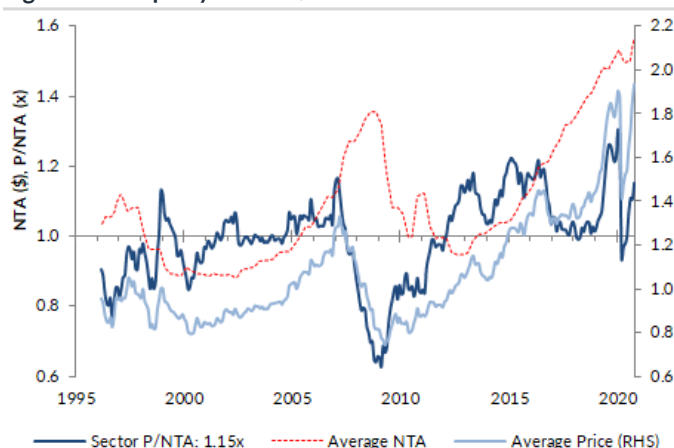
Source: Forsyth Barr analysis

### Sector still trading above NTA

The LPV sector is trading above its net asset backing at 1.15x P/NTA. In the direct market the spread to funding remains attractive vs. history, suggesting demand should remain robust for well located property with strong tenant covenants. Anecdotes suggest syndicators and asset management companies are seeing strong demand from retail investors driven by lower interest rates, and demand remains strong for <NZ\$50m assets. Strong demand has also spurred the establishment of new open ended property funds. Strong demand is resulting in the establishment of new open ended property investment funds. Transactional pricing has been strong for industrial and large format assets with long lease terms to strong tenants. Structured rent growth has also been particularly prized.

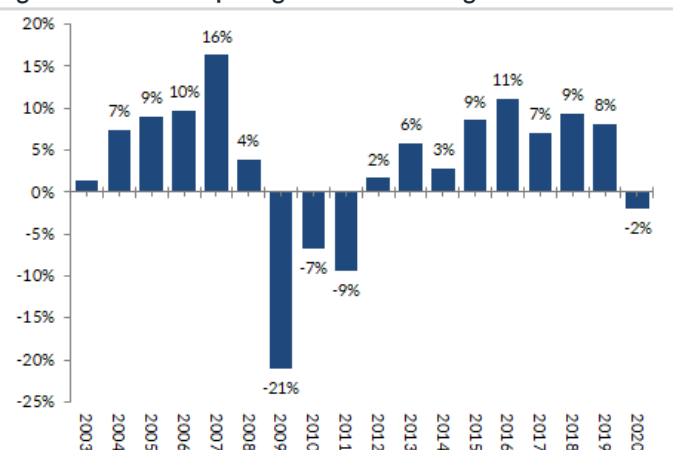
In light of better than expected transaction pricing post lockdown, LPVs have been revisiting asset valuations. IPL reported an NZ\$85m gain with 50bp cap rate compression, GMT an NZ\$140m gain with 20bp firming in cap rates, while KPG only reported an NZ\$9m gain with a solid uplift in its office portfolio (NZ\$39m) offset by retail (seismic issues lowering values by NZ\$30m). With the sector trading at a 15% premium to NTA the market is pricing in c.75bp cap rate compression from last reported values.

**Figure 15. Property sector P/NTA**



Source: Forsyth Barr analysis

**Figure 16. Market cap weighted sector NTA growth**



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

### Our preferred LPVs are SPG and IPL

We continue to favour Investore (IPL) for its defensive attributes and acquisition driven earnings growth and Stride (SPG) for the leverage in its asset management platform, however, given recent share price performance, upside to our target prices has moderated across the sector.

**Figure 17. Forsyth Barr rating and multiples**

Company	Rating	P / NTA	P / NAV	PE	P / AFFO	Cash yield	Gross yield	AFFO Pay-out
APL	NEUTRAL	-30.7%	-23.8%	17.8x	21.2x	5.9%	8.4%	125%
ARG	NEUTRAL	+11.1%	+14.6%	20.5x	23.0x	4.4%	6.2%	100%
GMT	UNDERPERFORM	+34.7%	+8.6%	37.0x	38.9x	2.2%	3.1%	85%
IPL	OUTPERFORM	+15.6%	+23.3%	26.8x	29.7x	3.5%	5.0%	104%
KPG	UNDERPERFORM	-2.8%	+15.6%	18.5x	20.1x	4.7%	6.7%	94%
PCT	NEUTRAL	+22.2%	+13.5%	27.4x	27.1x	3.7%	5.3%	100%
PFI	NEUTRAL	+42.3%	+15.2%	32.5x	36.8x	2.7%	3.8%	99%
SPG	OUTPERFORM	+15.2%	+12.1%	21.4x	23.5x	4.5%	6.4%	106%
VHP	RESTRICTED	+22.9%	n/a	n/a	n/a	n/a	n/a	n/a
<b>Average</b>		<b>+14.5%</b>	<b>+9.9%</b>	<b>25.2x</b>	<b>27.5x</b>	<b>3.9%</b>	<b>5.6%</b>	<b>102%</b>

Source: Forsyth Barr analysis

**Figure 18. EPS and AFFO estimates**

Company	FY20 EPS	FY21 EPS	FY22 EPS	EPS CAGR	FY20 AFFO	FY21 AFFO	FY22 AFFO	AFFO CAGR	AFFO yield
APL	3.10	2.16	1.42	-32%	2.92	1.90	1.13	-38%	+4.7%
ARG	7.20	7.09	7.10	-1%	6.27	6.39	6.30	0%	+4.4%
GMT	6.73	6.55	6.73	0%	6.24	6.21	6.43	2%	+2.6%
IPL	7.66	7.76	8.61	6%	6.49	7.02	7.77	9%	+3.4%
KPG	7.14	6.23	6.86	-2%	6.85	5.74	6.35	-4%	+5.0%
PCT	6.28	6.39	6.45	1%	6.29	6.46	6.55	2%	+3.7%
PFI	8.77	9.05	9.31	3%	7.65	7.99	8.02	2%	+2.7%
SPG	10.32	10.68	10.05	-1%	8.71	9.52	9.26	3%	+4.3%
VHP	10.35	n/a	n/a	n/a	7.23	n/a	n/a	n/a	n/a
<b>Avg</b>									<b>+3.8%</b>
<b>Weighted avg</b>									<b>+3.2%</b>

Source: Forsyth Barr analysis

**Figure 19. Dividend summary**

Company	FY19 DPS	FY20 DPS	FY21 DPS	FY22 DPS	DPS CAGR	Cash yield	Gross yield <sup>1</sup> 17.5% MTR	Gross yield <sup>2</sup> 30.0% MTR	Gross yield <sup>3</sup> 33.0% MTR
APL	3.60	2.70	1.80	1.80	-21%	5.9%	7.7%	8.4%	8.8%
ARG	6.28	6.35	6.35	6.35	0%	4.4%	5.7%	6.2%	6.5%
GMT	6.65	6.65	5.31	5.46	-6%	2.2%	2.8%	3.1%	3.3%
IPL	7.60	7.60	7.60	7.87	1%	3.5%	4.5%	5.0%	5.2%
KPG	6.95	3.53	5.20	6.11	-4%	4.7%	6.1%	6.7%	7.0%
PCT	6.00	6.30	6.47	6.55	3%	3.7%	4.8%	5.3%	5.5%
PFI	7.60	7.65	7.91	8.02	2%	2.7%	3.5%	3.8%	4.0%
SPG	9.91	9.91	9.91	9.91	0%	4.5%	5.9%	6.4%	6.7%
VHP	8.75	8.75	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Avg</b>						<b>3.9%</b>	<b>5.1%</b>	<b>5.6%</b>	<b>5.9%</b>
<b>Weighted avg</b>						<b>3.1%</b>	<b>4.0%</b>	<b>4.4%</b>	<b>4.6%</b>

Source: Forsyth Barr analysis

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



## Property News for October 2020

### NZ listed property portfolio activity

PFI has announced the acquisition of 528–558 Rosebank Rd for NZ\$65.55m with an initial yield of 5.22%. The property has 27,000sqm NLA on 5 hectares of land and is tenanted by ETEL (c.75% of rent lease expiring 2028) as well as EBOS and 3 other small tenants. Settlement is expected in the December quarter. We estimate the acquisition lifts pro-forma AFFO by c.3% all else equal. (5 October 2020)

ARG announced it will acquire two industrial properties, 8–14 Mt Richmond Drive, and 2 Doraval Place, for NZ\$76m on a 4.7% yield. The properties form a contiguous site of 10.64 ha with 23,000sqm of occupied buildings and a WALT of 2.2 years with the largest tenancy expiring Dec-27 but having a break clause in Jan-24. The purchase price equates to NZ\$714/sqm of land. Settlement is expected late March 2021. Whilst the initial yield is modest, the low site coverage lends these properties to redevelopment.

ARG also noted: (1) It is in active negotiation with one party (and has strong interest from others) with respect to the divestment of the Albany Lifestyle Centre. (2) The Stats NZ development has been expanded to add an 11th floor of 1,175sqm for an additional cost of NZ\$6.8m, with the additional space leased at a 7.2% yield on the additional spend. (3) The Waterloo Quay redevelopment saga is almost over; the building is now 82% leased by income and ARG is in discussions with several potential tenants for the remaining 3,650sqm. (9 October 2020)

### Other NZ listed property news

VHP successfully completed a capital raise of NZ\$150m in order to fund c.NZ\$100m of brownfield developments and provide capacity for a potential acquisition. VHP also noted that it has progressed the sale of several regional assets which are anticipated to raise approximately NZ\$100m in early 2021. (7 October 2020)

IPL has announced a revaluation gain of NZ\$85.3m (or +9.4%) to NZ\$980.3m based on independent valuations as at 30 September 2020. This represents a decrease of 55bp in IPL's average portfolio cap rate to 5.53%. We estimate this revaluation lifts IPL's NTA +14% to NZ\$1.92cps as at 30 September. (9 October 2020)

KPG opened the doors to its latest development at Sylvia Park; the Galleria. The NZ\$277m development features c.50 stores, with some yet to open due to COVID-19 related delays. (15 October 2020)

APL announced that its agreement with Restaurant Brands to develop and lease a fast food site at Eastgate is now unconditional, with APL having received the required resource consent. (16 October 2020)

ARG has successfully raised NZ\$125m in its green bond issue. The bonds were issued at a coupon of 2.20% representing a margin of 1.95%. ARG subsequently announced that it has cancelled NZ\$125m of bank facilities that were due to expire in Oct-21 and Apr-22. The bonds were swapped back to floating interest rates via fixed receiver swaps. (16 October 2020)

GMT has announced a +4.5% revaluation gain for the six months to 30 September 2020. This revaluation gain lifts its portfolio value by c.NZ\$140m to NZ\$3.3bn, and sees its portfolio capitalisation rate firm -20bps to 5.2%. (21 October 2020)

KPG has announced a revaluation gain of NZ\$9.2m to NZ\$3.2bn based on independent valuations as at 30 September 2020. A solid gain in office values (+NZ\$38.9m) was partially offset by retail (-NZ\$29.7m). This revaluation leaves KPG's NTA broadly unchanged (was NZ\$1.26 at March) vs. peers who's interim revaluations have lifted NTA 6-14%. (28 October 2020)

APL has announced that following a signed facility agreement with BNZ, the Munore Lane agreement is now unconditional. Ground works for the development, including excavation, have since commenced. (30 October 2020)

GMT has appointed Laurissa Cooney to the Board as a non-executive Director. Laurissa is a professional director. Her current directorships include Accordant Group Limited, Air New Zealand Limited, Ngai Tai ki Tamaki and Tourism Bay of Plenty where she is also the Chair. (4 November 2020)

### Other commercial property news

CostCo has announced that in addition to its Auckland store, which is currently under development, it has plans to open stores in Wellington and Christchurch. The Auckland store is due for completion in 1H22 and will be the size of two rugby fields at 14,740sqm. (2 November 2020)



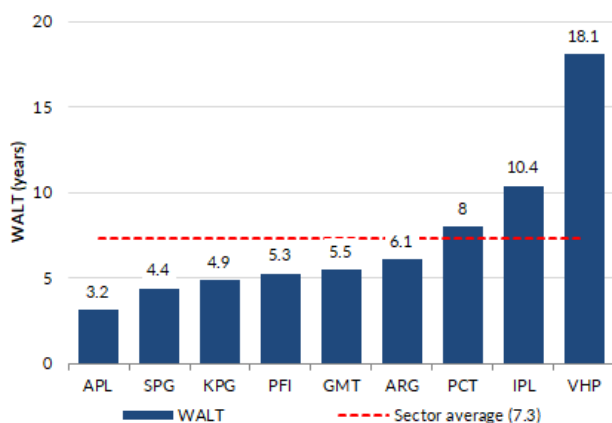
## Portfolio Summary

Figure 20. Portfolio metrics summary (last reported)

Company	Value (NZ\$m)	NLA (000sqm)	No. assets	No. tenants	Market cap rate (%)	Average asset size (NZ\$m)	WALT (years)	Occupancy (%)	Vacancy	FY1 expiry	FY2 expiry	Vacancy + FY1-FY2 expiry
APL	142	96	4	71	7.08%	36	3.2	98.3%	1.7%	13.0%	38.0%	52.7%
ARG	1,867	585	59	nd	6.41%	32	6.1	98.8%	1.2%	10.8%	9.4%	21.4%
GMT	3,074	1,059	11	206	5.40%	279	5.5	99.0%	1.0%	2.0%	11.0%	14.0%
IPL	895	246	43	130	6.08%	21	10.4	99.7%	0.3%	4.3%	3.5%	8.1%
KPG	3,105	436	12	890	6.11%	259	4.9	99.5%	0.5%	16.0%	14.0%	30.5%
PCT	2,976	287	14	161	5.30%	213	8.0	99.0%	1.0%	6.0%	6.0%	13.0%
PFI	1,462	809	93	140	5.75%	16	5.3	99.0%	1.0%	1.9%	6.8%	9.7%
SPG	488	103	11	310	6.66%	44	4.4	95.9%	4.1%	13.8%	20.4%	38.3%
VHP	2,086	nd	44	120	5.54%	47	18.1	99.4%	0.6%	1.5%	0.8%	2.9%
<b>Total</b>	<b>16,096</b>	<b>3,620</b>	<b>291</b>	<b>2,028</b>								
<b>Average</b>	<b>1,788</b>	<b>453</b>	<b>32</b>	<b>254</b>	<b>6.04%</b>	<b>105</b>	<b>7.3</b>	<b>98.7%</b>	<b>1.3%</b>	<b>7.7%</b>	<b>12.2%</b>	<b>21.2%</b>

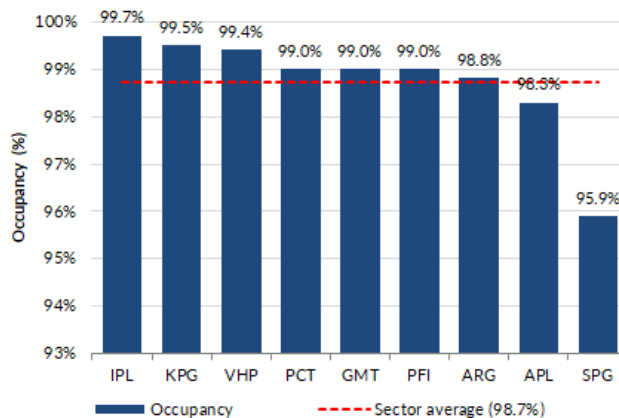
Source: Forsyth Barr analysis, Company reports

Figure 21. Sector WALT (weighted average lease term)



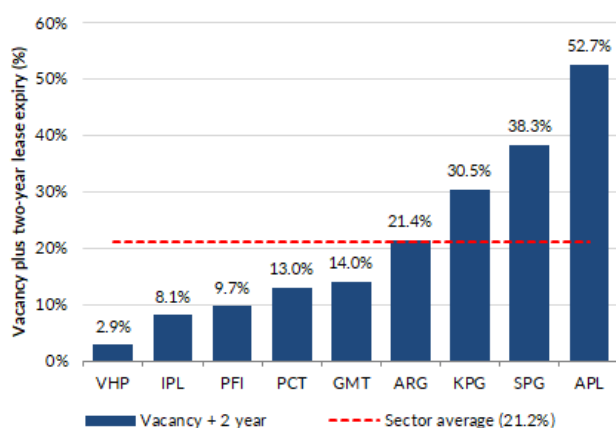
Source: Forsyth Barr analysis, Company Reports

Figure 22. Sector occupancy



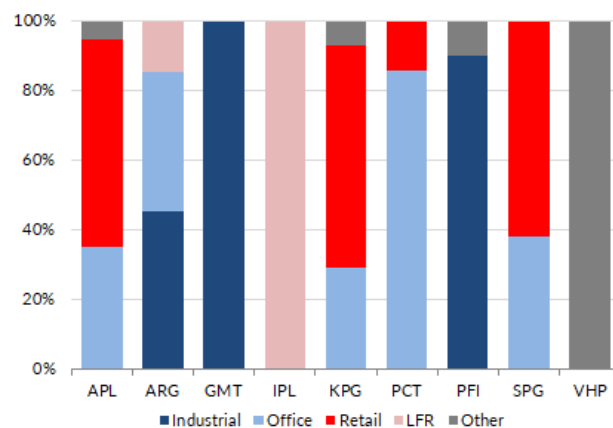
Source: Forsyth Barr analysis, Company Reports

Figure 23. Vacancy + Lease expiry in next 2 years



Source: Forsyth Barr analysis, Company Reports

Figure 24. Sector diversification



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

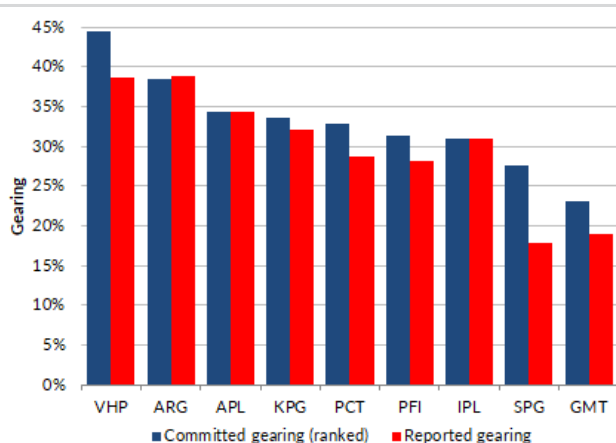
## Balance Sheet summary

Figure 25. Balance sheet summary

	As at	Reported gearing	Committed gearing	Target gearing	Bank covenant	Bank facilities (NZ\$m)	Issued Bonds (NZ\$m)	Facility capacity (NZ\$m)	Term - bank (years)	Term - bonds (years)	Term - weighted (years)
APL	Mar-20	34.3%	34.3%	35-40%	50%	75	-	26	1.7	-	1.7
ARG	Mar-20	38.8%	38.4%	30-40%	50%	660	200	127	1.8	5.7	2.7
GMT	Mar-20	18.9%	23.1%	25-35%	50%	400	556	375	2.0	4.0	3.2
IPL	Mar-20	30.9%	30.9%	<48%	65%	320	100	182	2.5	3.5	2.8
KPG	Mar-20	32.0%	33.6%	25-35%	45%	825	475	291	3.9	3.1	3.6
PCT	Jun-20	28.8%	32.9%	<37.5%	50%	610	586	244	2.7	4.5	3.6
PFI	Jun-20	28.2%	31.3%	<40%	50%	350	200	128	2.3	4.5	3.1
SPG	Mar-20	17.8%	27.5%	38-42%	50%	305	-	218	2.8	-	2.8
VHP	Jun-20	38.7%	44.4%	na	50%	975	-	212	1.5	-	1.5
<b>Average/total</b>		<b>29.8%</b>	<b>32.9%</b>		<b>51.1%</b>	<b>4,520</b>	<b>2,117</b>	<b>1,802</b>	<b>2.4</b>	<b>2.8</b>	<b>2.8</b>

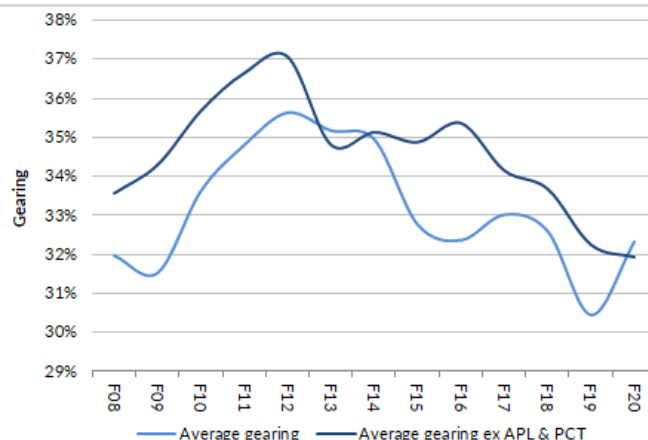
Source: Forsyth Barr analysis, company reports

Figure 26. Committed gearing



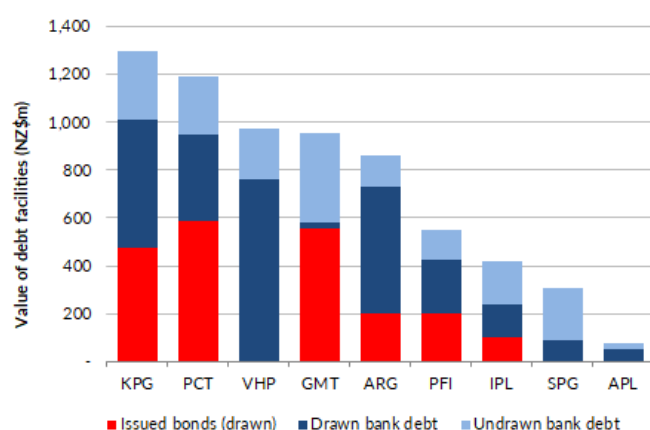
Source: Forsyth Barr analysis, Company Reports

Figure 27. Sector gearing



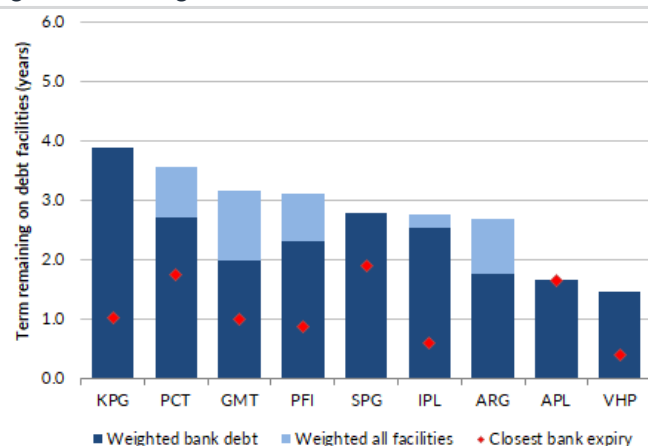
Source: Forsyth Barr analysis

Figure 28. Summary of debt facilities



Source: Forsyth Barr analysis, Company Reports

Figure 29. Funding tenor at 31 October 2020



Source: Forsyth Barr analysis, Company Reports

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