

Real Estate Reflections

Paying Up in a Low Rate Environment

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The listed property vehicles (LPVs) had another solid month in August, up +3.1% vs. the S&P/NZX 50G up +1.8%. Within the sector there was a wide range of outcomes as the second Auckland COVID-19 lockdown bifurcated outcomes and weighed on retail and office exposures. We have updated our cost of capital assumptions which lifts our DCF valuations c.25% and increases our target prices by c.10% on average. We continue to favour Investore (IPL) and Vital Healthcare Property (VHP) for their defensive attributes and Stride (SPG) for the leverage in its asset management platform.

Figure 1. NZ listed property sector summary

LPV	Code	Rating	Price 7-Sep	Target price	Gross yield	Expected total return	P/NAV	P/NTA
Asset Plus	APL	UNDERPERFORM	\$0.35	\$0.38	6.1%	12.8%	78%	57%
Argosy Property	ARG	NEUTRAL	\$1.35	\$1.36	6.7%	5.8%	122%	103%
Goodman Property	GMT	UNDERPERFORM	\$2.30	\$2.19	3.3%	-2.4%	119%	133%
Investore	IPL	OUTPERFORM	\$2.21	\$2.35	5.0%	9.8%	126%	132%
Kiwi Property Group	KPG	UNDERPERFORM	\$1.03	\$1.10	7.8%	12.2%	97%	83%
Precinct Properties	PCT	NEUTRAL	\$1.67	\$1.72	5.5%	6.9%	108%	116%
Property for Industry	PFI	NEUTRAL	\$2.73	\$2.64	4.1%	-0.3%	113%	133%
Stride Property	SPG	OUTPERFORM	\$2.03	\$2.11	7.0%	8.8%	106%	106%
Vital Healthcare	VHP	OUTPERFORM	\$3.04	\$3.05	4.2%	3.3%	128%	129%
Core simple average					5.5%	5.5%	115%	117%

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

More solid results despite the virus

Property for Industry (PFI), Precinct Properties (PCT), and VHP reported 1H20 and FY20 results over the month. Results were largely in line with expectations. Greater earnings certainty from a more stable trading environment, low interest rates, and depreciation benefits meant that all three LPVs provided distribution guidance (FY21 for PCT and VHP while PFI reinstated FY20). We generally lifted our earnings estimates with COVID-19 abatements continuing to come in below our estimates; with all LPVs having now reported the actual level of COVID-19 rent relief provided this is no longer a tailwind to our estimates.

Cost of capital review lifts DCF valuations

Our August review of our NZ cost of capital assumptions Market Risk Premia is now c.6% and a risk free (RF) rate is 1.3% (see, *The Cost of Capital Conundrum: When TINA Came to Our Shores*, published 7 August). We have applied these changes to our Discounted Cash Flow (DCF) valuations for PCT, PFI, and VHP during August and with this note make the same changes to the balance of our NZ LPV coverage. These changes imply an average reduction of WACC by ~1%, which all else equal increases the DCF based component of our price targets by c.25% across the NZ LPV sector and our average price target by c.10%, but there are variations.

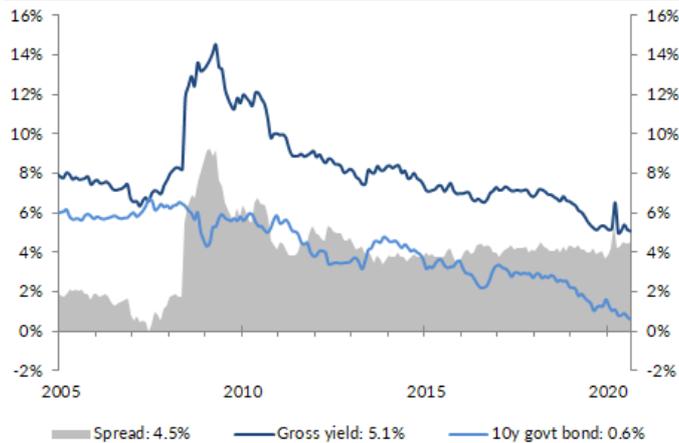
Another solid month but with a wide range of returns

The S&P/NZX All Real Estate Gross index was up +3.1% in August, backing a very strong July. This outpaced the broader market, with the S&P/NZX 50G up +1.8%. The solid result was led by IPL, up +10.6% in August, as (1) LFR sites remain strongly bid in the direct market and (2) it was well supported in the debt market as it raised \$125m of bonds. VHP was up +10.3% as it delivered a strong result after navigating the impacts of COVID-19 unscathed. Argosy (ARG) also performed strongly, up +7.9%, as it manages its gearing with asset divestments and its strong yield, making it an attractive destination for capital. The Auckland COVID-19 lockdown weighed on Kiwi Property Group (KPG) and PCT who have significant retail and office assets in the region.

The Cost of Capital Conundrum

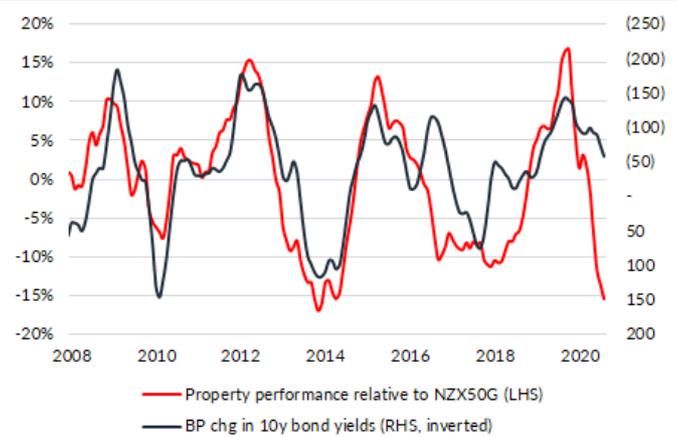
This year the NZ market has experienced its sharpest drop on record, -27% in 12 trading sessions, and then its fastest recovery in over 30 years, +40% in five months. The property sector being -6% and the broader market +4% while bond yields have fallen -96bps does not do this year justice.

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



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

Figure 3. Relative property sector performance vs. bond yields



Source: Forsyth Barr analysis

WACCing up our DCFs

We have reviewed the input values in our Weighted Average Cost of Capital (WACC) calculations; see, *The Cost of Capital Conundrum: When TINA Came to Our Shores*, published 7 August. Our estimated implied Market Risk Premia is now c.6% and a risk free (RF) rate is 1.3%. These changes imply an average reduction of WACC by ~1%, which all else equal increases the DCF based component of our price targets by c.25% across the NZ LPV sector and our average price target by less than half of that, but there are large variations.

Our WACC changes have increased our NZ LPV DCFs by 10–40%. The lower increase for KPG and APL reflect a higher asset beta due to their retail heavy portfolios. Note that we have updated our PCT, PFI, and VHP DCFs during the recent reporting season and the below table shows the changes that were made with those results.

Figure 4. DCF changes

	APL	ARG	GMT	IPL	KPG	SPG	PCT*	PFI*	VHP*
Old	0.34	1.35	1.75	2.16	1.22	1.84	1.45	1.99	2.99
New	0.38	1.59	2.29	2.86	1.34	2.24	1.83	2.78	3.65
Change	12%	18%	31%	32%	10%	22%	26%	40%	22%

Note: *DCF assumptions updated with recently reported results. Source: Forsyth Barr analysis

As a result of our revised DCFs our target prices increase 0–16%. The large change in our ARG target price vs. the change in its DCF reflects weighting the DCF 50% (was 25%); this change had already been made for the balance of our coverage. The lift in our VHP target price reflects a slightly lower asset beta assumption that was not updated at the result.

We continue to favour IPL and VHP for their defensive attributes in this time of uncertainty, and remain underweight KPG and APL given high retail exposure and limited balance sheet capacity. That said, given strong performance of the more defensive LPVs (IPL and VHP performance >10% in August) valuations are becoming increasingly bifurcated.

Figure 5. Target price changes

	APL	ARG	GMT	IPL	KPG	SPG	PCT*	PFI*	VHP*
Old	0.38	1.17	1.90	2.05	1.10	1.90	1.72	2.64	2.90
New	0.38	1.36	2.19	2.35	1.10	2.11	1.72	2.64	3.05
Change	0%	16%	15%	15%	0%	11%	0%	0%	5%

Note: *DCF assumptions updated with recently reported results. Source: Forsyth Barr analysis

Solid results despite the virus

Three LPVs reported results over the past month; PCT, PFI and VHP. The results were all relatively positive, characterised by lower than expected COVID-19 impacts, solid dividend guidance, and robust portfolio metrics. Below we outline some of the highlights from each result.

PCT – FY20

- **FY21 AFFO and dividend guidance of 6.5cps:** PCT provided FY21 guidance slightly ahead of our expectations. This is partially due to lower incentives and maintenance capex, but also limited impacts from COVID-19 so far.
- **Less maintenance capex:** This is a derivative of the portfolio transformation that PCT has undertaken since 2014, whereby it disposed of older assets which required substantial maintenance and replaced them with new builds. In the process, PCT has lowered its average building age from 26 to 12, its maintenance capex requirements from 60–80bps to c.20bps, lifted its WALT to 8 years from 5, and significantly reduced near-term lease expiry.
- **Portfolio in fighting shape:** PCT's portfolio has been strong with 1) occupancy remaining high at 98%, 2) just NZ\$1.7m of lockdown abatements provided, 3) early trading at Commercial Bay's retail precinct tracked ahead of expectations, and 4) additional leasing up of developments.

PFI – 1H20

- **Reinstating FY21 dividend guidance:** PFI reinstated its FY21 dividend guidance of 7.65–7.70cps which was originally provided in February, after withdrawing it due to COVID-19 related uncertainty. PFI has increased its dividends each year since FY12, so reinstatement is a positive signal to the market.
- **Strong cash collection:** PFI has collected cash for over 95% of outstanding rent and expense bills in recent months. Management has outlined that this is at relatively normal levels. Only two of PFI's 140 tenants defaulted due to the pandemic, and PFI has subsequently re-leased both spaces.
- **Sturdy metrics:** Portfolio fundamentals remain strong with 99.0% occupancy, WALT of 5.3 years, and gearing at 29%, comfortably below its 35% target.

VHP – FY20

- **FY21 DPS guidance of at least 8.75cps:** This would be a flat outcome on FY20. Medium term VHP target 2–3% AFFO and DPU growth with a conservative pay-out ratio.
- **Defensive attributes on show:** Like-for-like rental growth of +1.6% was slower than seen in previous years, however, this was offset by better than expected COVID-19 related rental abatements. VHP provided rental abatements of just NZ\$0.3m, or 0.3% of its FY20 rental income. Headline metrics of VHP's portfolio remain very solid, reporting occupancy of 99.4% and a weighted average lease expiry of 18.1 years.
- **Ambitions to change portfolio mix:** VHP has signalled that it will look to include life sciences/research facilities into its portfolio, increase its aged care weighting, and decrease its hospitals weightings. The new mix targets have been introduced to increase diversification and provide further earnings growth.

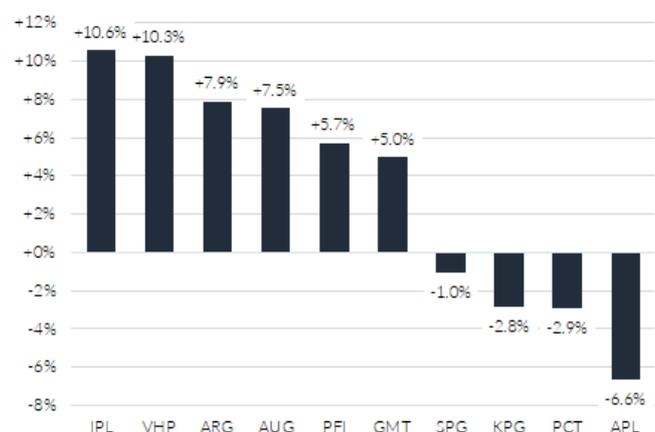
Performance and valuation

Retail struggles in August

The S&P/NZX All Real Estate Gross index returned +3.1% in August, outpacing the broader S&P/NZX 50G market which was up +1.8% in the month. The solid result was led by IPL, up +10.6% in August, as (1) LFR sites remain strongly bid in the direct market and (2) it was well supported in the debt market as it raised \$125m of bonds. VHP was up +10.3% as it delivered a strong result after navigating the impacts of COVID-19 unscathed. Argosy (ARG) also performed strongly, up +7.9%, as it manages its gearing with asset divestments and its strong yield making it an attractive destination for capital. However, there was a wide range of outcomes with those exposed to large format retail, with healthcare and industrial significantly outperforming office (PCT -2.9%) and retail (KPG -2.8% and APL -6.6%) as Auckland went into a second, albeit lighter, COVID-19 lockdown.

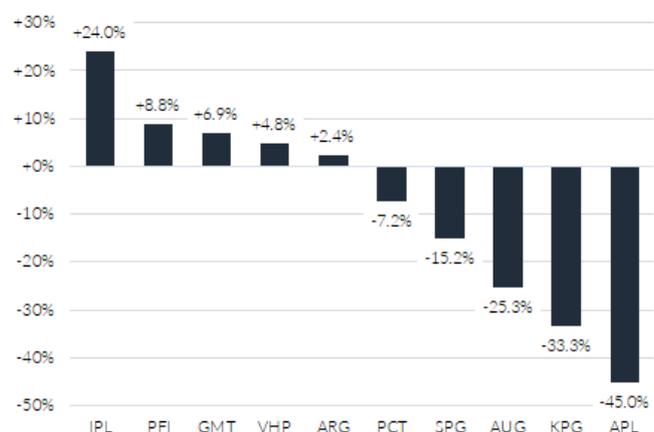
Reports have suggested minimal tenant support will be required given the shorter time span, lower restrictions on business operations, and retail tenants being better prepared to operate alternative models such as online and click-and-collect. Some tenants are now negotiating lease clauses that abates rent in the event they are unable to access their premises.

Figure 6. August returns



Source: Forsyth Barr analysis, S&P

Figure 7. YTD returns



Source: Forsyth Barr analysis, S&P

Figure 8. Sector total returns to August

Company	Code	Price 31-Aug	Market Cap	Gr. Div w/imp	Month return	Rank	Quarter return	Rank	Year return	Rank	YTD return	Rank
Asset Plus	APL	\$0.330	\$59m	\$0.01	-6.6%	10	-13.8%	10	-45.0%	10	-45.0%	10
Argosy Property	ARG	\$1.370	\$1,134m	-	+7.9%	3	+20.8%	4	-1.0%	5	+2.4%	5
Augusta	AUG	\$0.000	\$0m	-	+7.5%	4	+39.9%	1	-21.9%	8	-25.3%	8
CDL Investments	CDI	\$0.800	\$226m	-	-4.2%	n/a	-1.8%	n/a	+19.5%	n/a	-8.8%	n/a
Goodman Prop Trust	GMT	\$2.330	\$3,223m	-	+5.0%	6	+6.8%	7	+10.9%	4	+6.9%	3
Investore	IPL	\$2.200	\$807m	-	+10.6%	1	+28.7%	2	+20.6%	1	+24.0%	1
Kiwi Property Group	KPG	\$1.040	\$1,632m	-	-2.8%	8	+2.0%	9	-34.4%	9	-33.3%	9
Precinct Properties NZ	PCT	\$1.665	\$2,212m	-	-2.9%	9	+5.0%	8	-7.1%	6	-7.2%	6
Property for Industry	PFI	\$2.600	\$1,297m	-	+5.7%	5	+7.4%	6	+14.0%	3	+8.8%	2
Stride Property Group	SPG	\$1.930	\$721m	-	-1.0%	7	+23.0%	3	-11.7%	7	-15.2%	7
Vital Healthcare Property Trust	VHP	\$2.890	\$1,331m	-	+10.3%	2	+19.0%	5	+14.8%	2	+4.8%	4
S&P/NZX All Real Estate Cap		1,359.1			+3.1%		+9.7%		-8.1%		-7.6%	
S&P/NZX All Real Estate Gr.		1,700.5			+3.1%		+10.2%		-5.0%		-6.2%	
S&P/NZX All Real Estate Gr. w/imp		1,781.9			+3.1%		+10.3%		-4.4%		-5.9%	
S&P/NZX 50 Gross		11,937.6			+1.8%		+9.7%		+11.0%		+3.9%	
S&P/NZX 50 Gross w/imp		14,570.7			+1.8%		+9.8%		+11.8%		+4.2%	

Source: Forsyth Barr analysis, Eikon, S&P

LPV yield spread to the broader NZ market remains high

LPV yield remains attractive vs. the broader market. Figure 9 shows broader market dividend expectations remain low vs. property estimates, which were cut early on but have subsequently been revised upwards. Property sector P/E remains at a historically wide discount vs. the broader market which reflects lower market earnings expectations rather than 'cheap' property valuations.

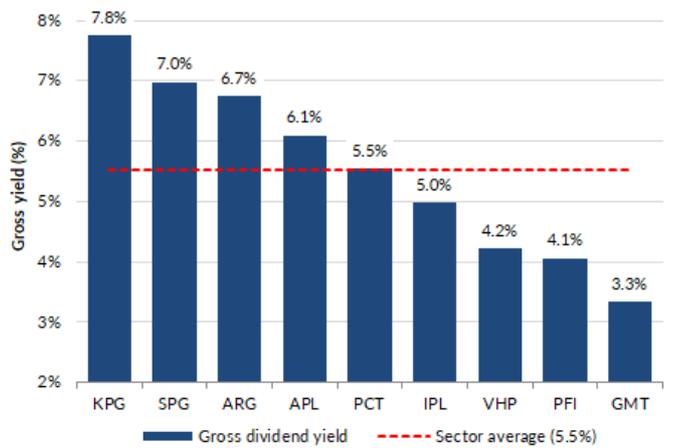
Compared to other yield sectors, LPV yields are c.10% higher than other bond proxies (Spark, Chorus and Vector) and slightly above the electricity sector. This is a reversal vs. March where LPV yields were significantly tighter than other yield sectors.

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



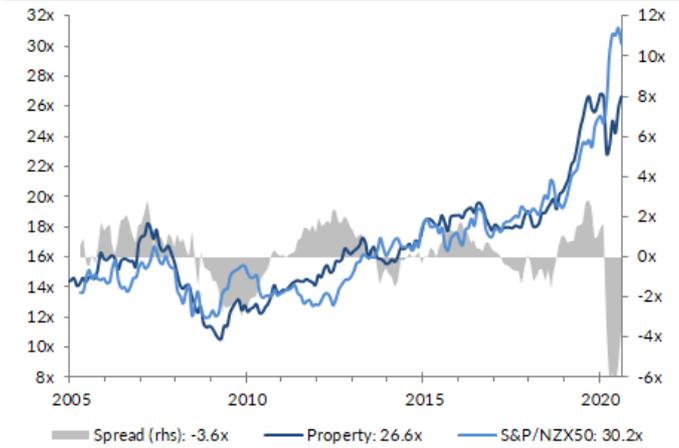
Source: Company reports, Forsyth Barr analysis, IRESS Note: Market cap weighted

Figure 10. Gross Yield



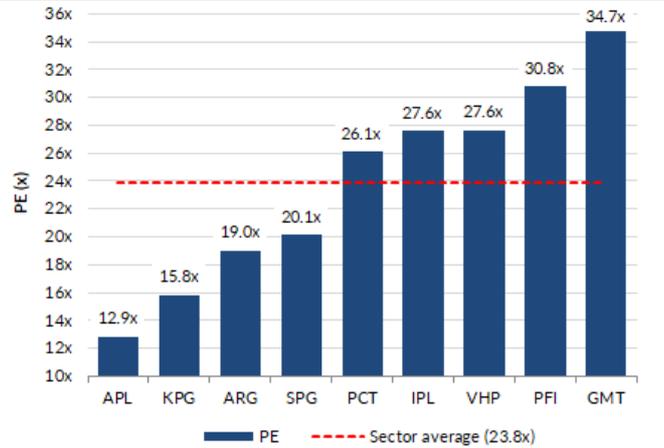
Source: Company reports, Forsyth Barr analysis, Thompson Reuters

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



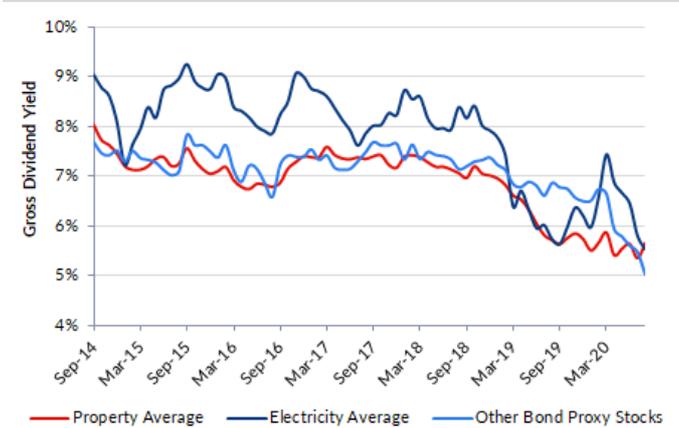
Source: Company reports, Forsyth Barr analysis, IRESS Note: Market cap weighted

Figure 12. PE Ratio



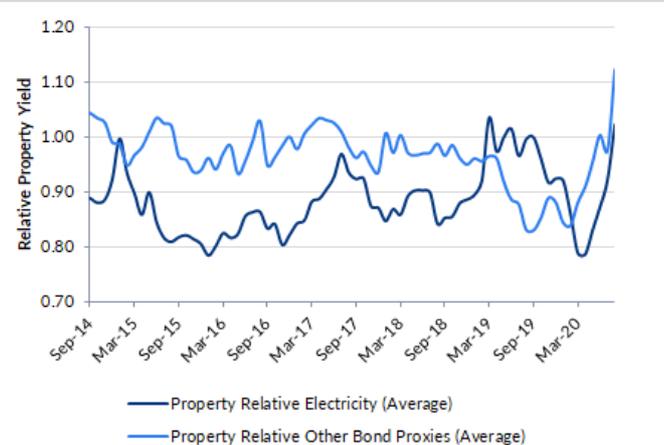
Source: Company reports, Forsyth Barr analysis, Thompson Reuters

Figure 13. Simple average sector yields



Source: Forsyth Barr analysis

Figure 14. Property relative yields



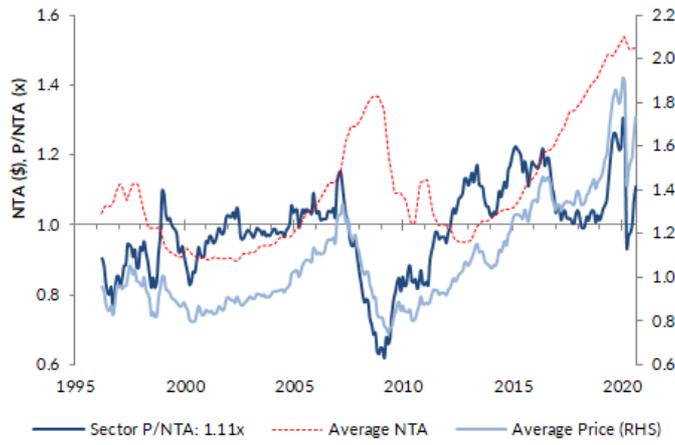
Source: Forsyth Barr analysis

Sector trading above NTA

The LPV sector is trading above its net asset backing at 1.11x 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 are seeing strong demand from retail investors driven by lower interest rates, and demand remains strong for <NZ\$50m assets. 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. This is largely priced into LVPs with GMT, PFI, and IPL trading at >30% premiums to their asset backing.

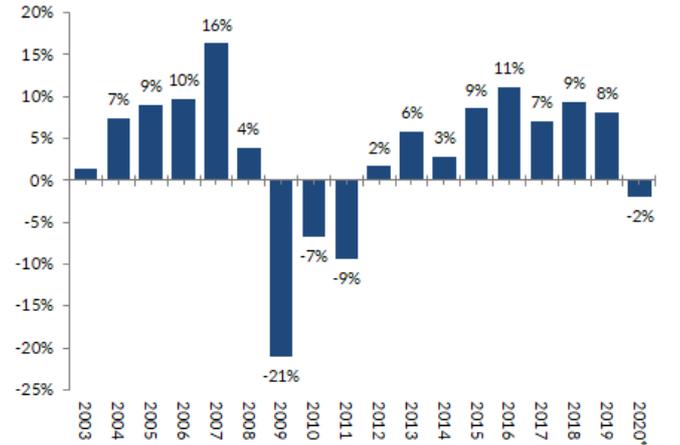
APL was the first LPV to revalue its assets ahead of its half year result. Revaluations lifted NTA by 6% largely driven by its office assets while retail was broadly flat, suggesting valuations remain depressed for now. Valuers material uncertainty disclaimers remained for retail assets.

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, VHP, and IPL

We continue to prefer IPL, and VHP for their defensive attributes in this time of uncertainty and remain underweight KPG and APL given high retail exposure and limited balance sheet capacity. We maintain our OUTPERFORM on SPG given the leverage in its asset management platform.

Figure 17. Forsyth Barr rating and multiples

Company	Rating	P / NTA	P / NAV	PE	P / AFFO	Cash yield	Gross yield	AFFO Pay-out
APL	UNDERPERFORM	-42.6%	-22.2%	12.9x	15.6x	4.3%	6.1%	67%
ARG	NEUTRAL	+3.5%	+22.3%	19.0x	21.2x	4.7%	6.7%	100%
GMT	UNDERPERFORM	+33.1%	+18.6%	34.7x	36.5x	2.3%	3.3%	85%
IPL	OUTPERFORM	+31.5%	+25.6%	27.6x	30.5x	3.5%	5.0%	106%
KPG	UNDERPERFORM	-16.9%	-2.8%	15.8x	17.2x	5.4%	7.8%	93%
PCT	NEUTRAL	+16.0%	+7.7%	26.1x	25.8x	3.9%	5.5%	100%
PFI	NEUTRAL	+32.6%	+12.6%	30.8x	35.0x	2.8%	4.1%	99%
SPG	OUTPERFORM	+6.3%	+5.6%	20.1x	22.5x	4.9%	7.0%	110%
VHP	OUTPERFORM	+28.8%	+27.7%	27.6x	30.9x	2.9%	4.2%	91%
Average		+10.2%	+10.6%	23.8x	26.1x	3.9%	5.5%	95%
Core average ¹		+16.9%	+14.6%	25.2x	27.4x	3.8%	5.5%	98%

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

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	2.94	2.44	-11%	2.92	2.48	1.93	-19%	+6.4%
ARG	7.20	7.14	7.01	-1%	6.27	6.47	6.20	-1%	+4.7%
GMT	6.73	6.55	6.72	0%	6.24	6.20	6.42	1%	+2.7%
IPL	7.66	7.68	8.42	5%	6.49	6.96	7.63	8%	+3.3%
KPG	7.14	6.23	6.86	-2%	6.85	5.74	6.35	-4%	+5.8%
PCT	6.28	6.39	6.45	1%	6.29	6.46	6.55	2%	+3.9%
PFI	8.77	8.90	9.11	2%	7.66	7.85	7.85	1%	+2.9%
SPG	10.32	10.45	9.64	-3%	8.71	9.22	8.74	0%	+4.4%
VHP	10.35	10.95	11.18	4%	7.23	9.82	9.88	17%	+3.2%
Avg									+4.2%
Weighted avg									+3.7%

Source: Forsyth Barr analysis

Figure 19. Dividend summary

Company	FY19	FY20	FY21	FY22	DPS	Cash yield	Gross yield ¹	Gross yield ²	Gross yield ³
	DPS	DPS	DPS	DPS	CAGR		17.5% MTR	30.0% MTR	33.0% MTR
APL	3.60	2.70	1.15	1.93	-19%	4.3%	5.5%	6.1%	6.4%
ARG	6.28	6.35	6.35	6.35	0%	4.7%	6.1%	6.7%	7.0%
GMT	6.65	6.65	5.30	5.45	-6%	2.3%	3.0%	3.3%	3.5%
IPL	7.60	7.60	7.60	7.83	1%	3.5%	4.5%	5.0%	5.2%
KPG	6.95	3.53	5.20	6.11	-4%	5.4%	7.1%	7.8%	8.1%
PCT	6.00	6.30	6.47	6.55	3%	3.9%	5.0%	5.5%	5.8%
PFI	7.60	7.65	7.77	7.85	1%	2.8%	3.7%	4.1%	4.2%
SPG	9.91	9.91	9.91	9.91	0%	4.9%	6.3%	7.0%	7.3%
VHP	8.75	8.75	8.94	9.09	1%	2.9%	3.7%	4.2%	4.4%
Avg						3.9%	5.0%	5.5%	5.8%
Weighted avg						3.6%	4.6%	5.1%	5.3%

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 August 2020

NZ listed property portfolio activity

APL announced that it has entered into an agreement to lease with Restaurant Brands, to construct a new building on existing bare land at Eastgate Shopping Centre, Christchurch for occupation by one of Restaurant Brands fast food brands on completion. The 250m² building will be leased on a 10 year term from 2021. APL expects \$1.3m of development spend, a development margin of 20%, and yield on cost of 6%. (28 August 2020)

ARG has announced the unconditional sale of two properties; 960 Great South Road, Auckland for NZ\$8.5m and the Corner of Wakefield and Taranaki Street, Wellington (a ground lease to BP) for NZ\$25.0m. We view these sales as a solid result for ARG with the BP ground lease being a non-core holding and 960 Great South Rd being vacant and requiring a small amount of redevelopment and leasing capex. The divestment further progresses ARG's capital management plan with sale proceeds initially used to reduce bank debt. We estimate FY21 asset sales to date have reduced gearing by 2ppts to 36.9%. (31 August 2020)

SPG has announced it has entered into an unconditional agreement to acquire 34 Shortland St for NZ\$67.5m (including c.NZ\$3m of building upgrades largely to the lifts) or an initial yield of 6.0%. The property is 87% occupied (with level 8 being the only full floor not occupied and part floors on 13 and 15) and has a WALT of 2.7 years. The vendors have provided a 1.5 year rental underwrite and key upcoming expiries are SPG on level 12, one half of the Public Trust's two floors, and Korn Ferry on level 11. Settlement is expected on 2 September. The transaction is being funded from available debt facilities and will lift gearing to c.28% and lift SPG's office exposure +6% to 25% of assets on a look-through basis (+8% to 48% of directly held property assets). We estimate the acquisition is 3%/5% accretive to FY21/22 distributable earnings, reflecting the low incremental cost of debt. (31 August 2020)

Other NZ listed property news

VHP reported a strong FY20 result with NPAT of NZ\$41.7m ahead of our forecast NZ\$39.7m, and up strongly on the pcps due to lower corporate costs. Like-for-like rental growth of +1.6% was slower than seen in previous years, however, this was offset by better than expected COVID-19 related rental abatements. While no AFFO guidance was given, VHP did provide FY21 dividend guidance of at least 8.75cps, flat on FY20. We believe this reflects management being cautious given the uncertain operating environment. (10 August 2020)

PCT delivered a solid FY20 result, with AFFO of NZ\$82.7m ahead of our forecast NZ\$79.2m, primarily due to lower than expected tax expense and maintenance capex and incentives. The market reacted positively to PCT's relative earnings resilience to the first lockdown and solid DPS guidance of 6.5cps (+3% yoy). PCT's portfolio has been strong with 1) occupancy remaining high at 98%, 2) just NZ\$1.7m of lockdown abatements provided, 3) early trading at Commercial Bay's retail precinct tracked ahead of expectations, and 4) additional leasing up of developments. (13 August 2020)

APL has confirmed that conditions in its Deed of Lease with Auckland Council at 35 Graham Street have been satisfied, and the lease is now unconditional. (19 August 2020)

KPG has announced that Gavin Parker has been appointed as Chief Financial Officer, effective immediately. (19 August 2020).

IPL has successfully raised \$125m of debt via a bond. IPL020 is a 7 year fixed rate bond, with a coupon of 2.40%. The bond will mature on 31 August 2027. (21 August 2020)

AUG has delisted from the NZX following successful completion of Centuria Capital's (ASX: CNI) takeover offer. (24 August 2020)

GMT has successfully raised \$200m of debt through two wholesale bond issues. The issuance comprises \$150 million of 10 year bonds paying 2.559% per annum, together with \$50 million of 8 year bonds paying 2.262% per annum. Proceeds will be used to repay debt and provide general corporate funding. (27 August 2020)

APL has revalued its portfolio ahead of its 1H21 result. In total, asset values have increased +6.4% to NZ\$153.4m largely driven by office (35 Graham St +14.8%) with retail and development land values seeing a more modest uplift (<3%). We estimate this revaluation lifts NTA +5.7cps to 62.4cps. (1 September 2020)

Other commercial property news

Two Countdown supermarkets have been sold to a private investor for \$44.36m. The properties, located in Orewa and Papakowhai, provide a combined rental income of \$2.2m. The sale represented a firm 4.98% yield. (18 August 2020)

The research team at JLL have provided its Vertical Vacancy Review for 2Q20, highlighting current and upcoming vacancies for New Zealand's major office buildings. Prime vacancy within the Auckland core has increased +370bps since 3Q19, to 8.0%. More information here: <https://www.jll.nz/en/trends-and-insights/research/vertical-vacancy-review-2q20>. (24 August 2020)

ASX listed Scentre Group reported its interim result, with revaluations of its New Zealand shopping malls seeing values decrease -10.8% (5-17% range), cap rates expand +22bp (range of +12-37bp) and implied rents fall -7.4% (-3-15% range). This outcome was broadly in line with KPG's mixed-use asset revaluations seen in March. (25 August 2020)

ASX listed Woolworths result provided colour on the trading performance of its NZ assets, which is important in the context of the turnover rent component of IPL's leases. NZ sales were up +13.9% yoy, versus the pre-COVID-19 two year average of c.4%. Notably, online sales increased +75% yoy; as not all of these sales are captured in IPL's turnover metrics, it will be interesting to see if this trend continues. (27 August 2020)

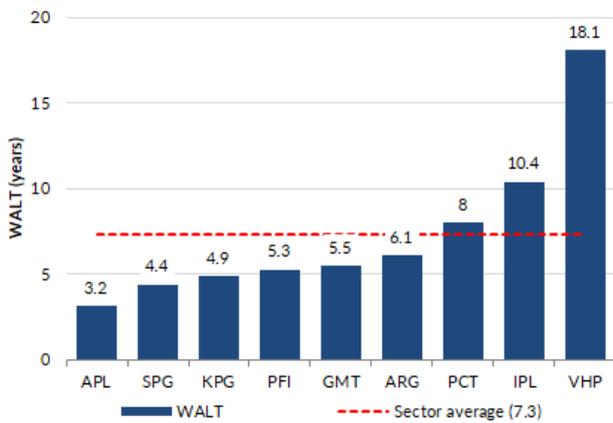
Portfolio Summary

Figure 20. Portfolio metrics summary

Company	Value (NZ\$m)	NLA (000sqm)	No. assets	No. tenants	Market cap rate (%)	Average asset size (NZ\$m)	WALT (years)	Occupancy (%)	Vacancy	FY1 expiry	FY2 expiry	Vacancy + FY1-FY2 expiry
APL	142	96	4	71	7.08%	36	3.2	98.3%	1.7%	13.0%	38.0%	52.7%
ARG	1,867	585	59	nd	6.41%	32	6.1	98.8%	1.2%	10.8%	9.4%	21.4%
GMT	3,074	1,059	11	206	5.40%	279	5.5	99.0%	1.0%	2.0%	11.0%	14.0%
IPL	895	246	43	130	6.08%	21	10.4	99.7%	0.3%	4.3%	3.5%	8.1%
KPG	3,105	436	12	890	6.11%	259	4.9	99.5%	0.5%	16.0%	14.0%	30.5%
PCT	2,976	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%
Total	16,096	3,620	291	2,028								
Average	1,788	453	32	254	6.04%	105	7.3	98.7%	1.3%	7.7%	12.2%	21.2%

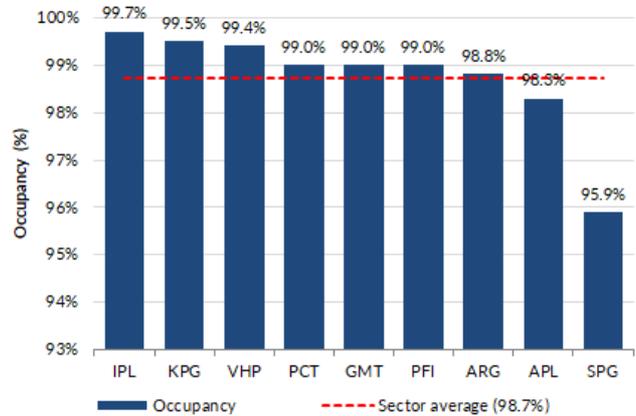
Source: Forsyth Barr analysis, Company reports

Figure 21. Sector WALT (weighted average lease term)



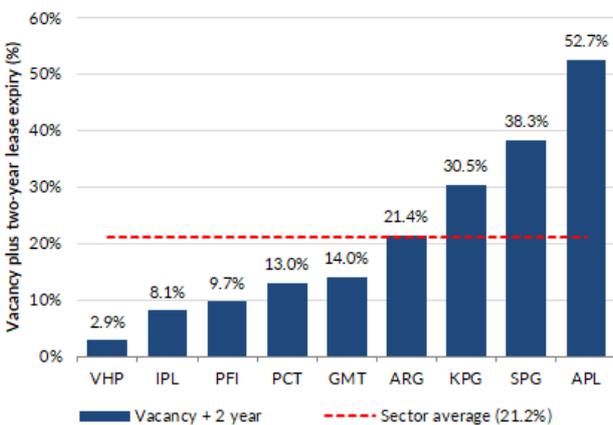
Source: Forsyth Barr analysis, Company Reports

Figure 22. Sector occupancy



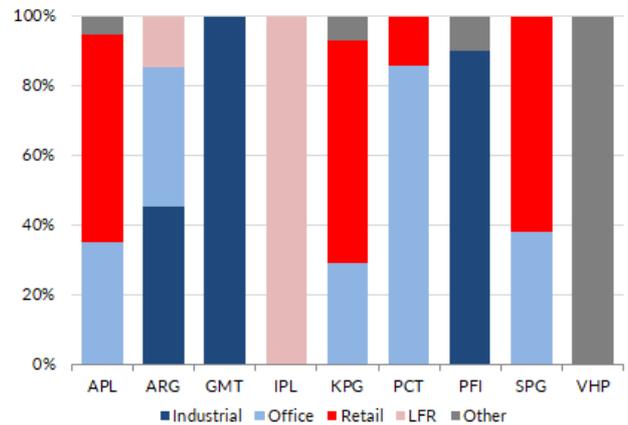
Source: Forsyth Barr analysis, Company Reports

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)

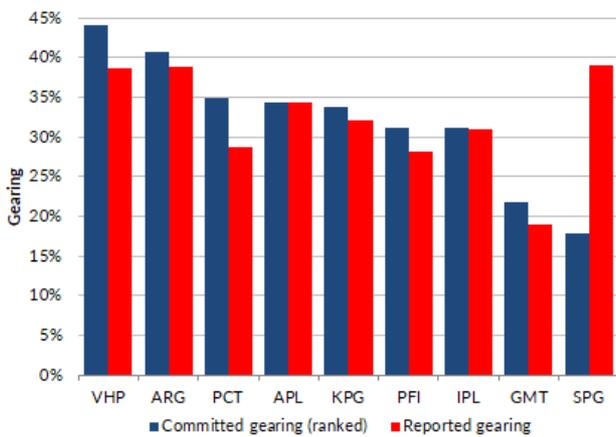
Balance Sheet summary

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	1.8	-	1.8
ARG	Mar-20	38.8%	40.7%	30-40%	50%	660	200	127	1.9	5.9	2.9
GMT	Mar-20	18.9%	21.7%	25-35%	50%	400	556	375	2.2	4.2	3.3
IPL	Mar-20	30.9%	31.1%	<48%	65%	320	100	182	2.7	3.6	2.9
KPG	Mar-20	32.0%	33.8%	25-35%	45%	825	475	291	3.9	3.3	3.7
PCT	Jun-20	28.8%	34.9%	<37.5%	50%	610	586	244	2.9	4.6	3.7
PFI	Jun-20	28.2%	31.1%	<40%	50%	350	200	128	2.5	4.7	3.3
SPG	Mar-20	39.1%	17.8%	38-42%	50%	400	-	67	1.4	-	1.4
VHP	Jun-20	38.7%	44.1%	na	50%	975	-	212	1.6	-	1.6
Average/total		32.2%	32.2%		51.1%	4,615	2,117	1,651	2.3	2.9	2.7

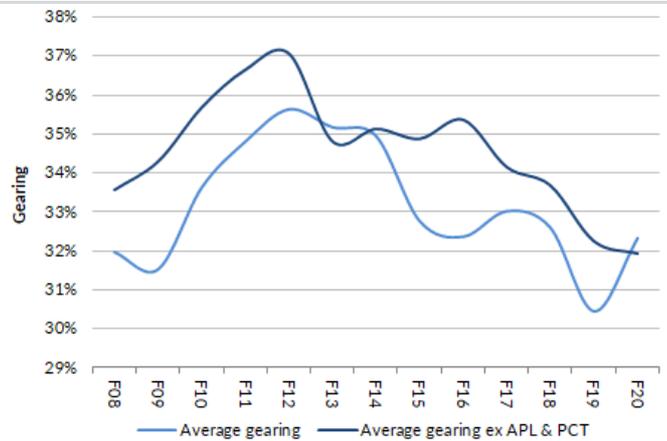
Source: Forsyth Barr analysis, Company reports

Figure 26. Committed gearing



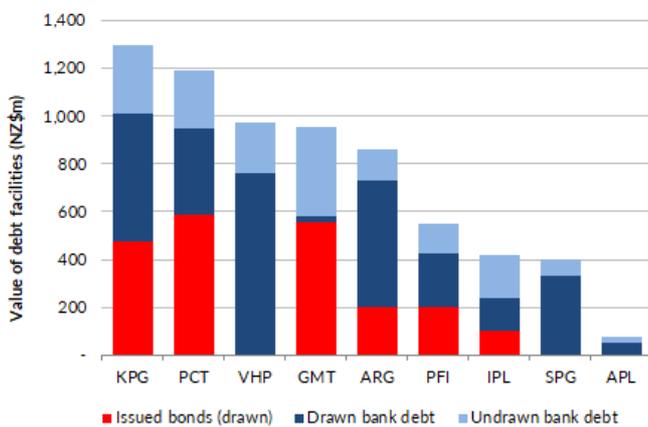
Source: Forsyth Barr analysis, Company Reports

Figure 27. Sector gearing



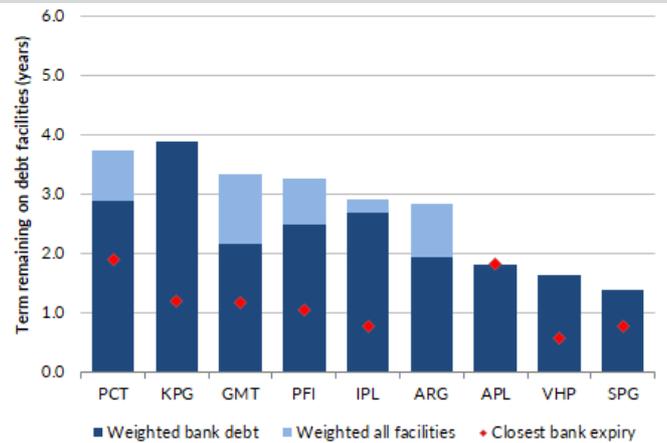
Source: Forsyth Barr analysis

Figure 28. Summary of debt facilities



Source: Forsyth Barr analysis, Company Reports

Figure 29. Funding tenor at 31 August 2020



Source: Forsyth Barr analysis, Company Reports

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