Kiwi Property Group Limited
Level 14, DLA Piper Tower, 205 Queen Street
PO Box 2071, Auckland 1140, New Zealand
office +64 9 359 4000 kp.co.nz
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NZX RELEASE

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Strategy execution drives strong full-year result

Kiwi Property today announced a record operating result for the financial year ended 31 March 2017, with funds from operations increasing to $102.8 million, up from $91.1 million in the prior year. This was driven predominantly by rental income from completed developments and acquisitions. After accounting for fair value movements, including property revaluation gains, the company reported an after-tax profit of $143.0 million.

Chair, Mark Ford, said the 2017 financial year was both productive and profitable.

"In another busy year, we completed over $500 million in property transactions in line with our investment strategy," said Mr Ford.

These dealings included:

- completing a $270 million programme of development works
- settling the $192.5 million acquisition of a 50% interest in The Base Shopping Centre, New Zealand's largest single-site retail asset, and
- selling Centre Place – South, an asset no longer core to our investment strategy, for $46.8 million.

A full-year dividend of 6.75 cents per share will be paid to shareholders, in line with guidance and representing an increase of 2.3% on the prior year. The total shareholder return since inception was 9.7%, and the Company delivered pre-tax funds from operations per share growth of 12.5% for the year.

Chief Executive, Chris Gudgeon, said: "Over recent years, our strategy has seen us substantially rebalance our property portfolio weighting towards Auckland, New Zealand's largest regional economy and the country's strongest centre of employment and population growth.

"We've invested in high-quality office buildings and retail centres in locations favoured by the Auckland Unitary Plan, and we increasingly see ourselves as town centre investors, creating diverse, engaging environments for New Zealanders—exceptional places for exceptional people.

"Outside of Auckland we have invested in dominant regional shopping centres and in the creation of a core government office precinct in Wellington, supported by long-term Crown leases," he said.

"At year end, we retained a strong balance sheet. Our gearing ratio stood at 34.5% and our net tangible assets per share increased from $1.34 to $1.39, reflecting positive asset revaluations. Our overall cost of debt reduced 27 basis points to 4.61% after we took advantage of favourable debt market conditions to refinance."

Mr Gudgeon said: "The Company continues to diversify its revenue base, growing third party assets under management to approximately $400 million. In the 2017 financial year, The Base and Centre Place – South were added to our external assets under management."

Other key outcomes for the year included:

- opening New Zealand's first ever H&M and Zara stores, at Sylvia Park
- starting construction works on a new office building at Sylvia Park, which will seamlessly integrate with a ground level extension to the existing dining lane. We are also commencing construction of a new carpark building that will provide ~600 new carparks
- completing our 35,000 sqm core government office precinct in Wellington (44 The Terrace and The Aurora Centre), with our government tenants now in occupation, providing a weighted average lease term of 15 years
- completing the seismic strengthening work at The Majestic Centre, which achieved an NBS seismic performance rating of 100% on the office tower, and securing new lease agreements over 2,800 sqm with Summerset and OMV
- assuming management of The Base under our joint venture agreement with Tainui Group Holdings
- securing a new 12-year lease with Suncorp for 5,991 sqm of office space at The Vero Centre
- the rollout of further electric vehicle charging stations at our shopping centres, taking the total number to 22 across five of our centres, and
- being named the best performing New Zealand company for carbon disclosure.

Post balance date, the Company announced it had acquired, or secured acquisition agreements, for 51 hectares of future urban land at Drury, 35 kilometres south of the Auckland CBD.

"This is a strategic long-term holding to capitalise on Auckland's continuing population growth, and reinforces our commitment to be part of Auckland's future growth," said Mr Gudgeon.

Property portfolio

Kiwi Property's underlying investment portfolio continued to perform strongly.

Retail sales were up across the Company's shopping centres, with total annual retail sales of $1.7 billion, up 5.8% on last year, or 2.3% on a like-for-like basis.

"New Zealanders retain a keen eye for value but are shopping with confidence," said Mr Gudgeon.

"Strong performances are being seen from retailers who offer value and great shopping experiences for their customers. Growth in retail spending has been propelled by positive net migration and household formation, particularly in Auckland, along with a strong housing market and buoyant domestic economy."

Mr Gudgeon said the Company's continued focus on improving the experiential offer for customers continues to reap rewards, with strong retail performances from fashion (+3.7%), food (+4.8%), mini-majors (+7.0%), pharmacy and wellbeing (+6.5%), together with commercial services (predominantly mobile phone providers and travel services) where sales increased 6.2%.

New Zealand's office markets performed strongly throughout the 2017 financial year, buoyed in Auckland by increased occupier demand, and in Wellington by diminished supply, with over 110,000 sqm of space now removed from the market due to seismic related issues.

Within Kiwi Property's own Wellington portfolio, our investment in earthquake strengthening over recent years has paid dividends, with our office buildings and shopping centre continuing to operate unaffected after the November 2016 Kaikoura earthquakes.

Our two Auckland office assets are now fully occupied. In Wellington, our buildings enjoy occupancy above 95%, with our government tenants now occupying over 32,000 sqm across The Aurora Centre and 44 The Terrace.

"Our vision is for Kiwi Property to deliver New Zealand's best retail and workplace experiences, while also delivering superior risk-adjusted returns to our investors. Our results confirm that our investment strategy to achieve these outcomes is working well," said Mr Gudgeon.

Outlook and dividend guidance

Looking to the year ahead, Mr Gudgeon said: "We will progress our three developments now underway at Sylvia Park – an office building, dining lane and new carpark building – as we move to realise our world-class town centre vision for the site. As always, we will continue to optimise the performance of our investment portfolio and pursue investment and divestment activities in line with strategy."

Chair, Mark Ford, said: "While the property sector is currently strong, we do expect the high level of value growth we have witnessed in recent years for investment grade real estate to begin to moderate as interest rates continue to rise from historic lows."

"Supportive economic and property market fundamentals, in combination with the robustness of our property portfolio, provides us with confidence the Company will continue to deliver a strong financial performance", said Mr Ford.

Accordingly, we are pleased to project an increased cash dividend of 6.85 cents per share for the 2018 financial year, absent material adverse events or unforeseen circumstances.

Contact us for further information

Chris Gudgeon
Chief Executive

chris.gudgeon@kp.co.nz
+64 9 359 4011
mobile +64 21 855 907

Gavin Parker
Chief Operating Officer

gavin.parker@kp.co.nz
+64 9 359 4012
mobile +64 21 777 055

Stuart Tabuteau
Chief Financial Officer

stuart.tabuteau@kp.co.nz
+64 9 359 4025
mobile +64 21 912 247

Mathew Chandler
Investor Relations and Communications Manager

mathew@acumentum.com.au
+61 458 110 042
direct +61 2 9519 5850

About us

Kiwi Property (NZX: KPG) is the largest listed property company on the New Zealand Stock Exchange and is a member of the NZX15 Index. We've been around for more than 20 years and we proudly own and manage a $3.0 billion portfolio of real estate, comprising some of New Zealand's best shopping centres and prime office buildings. Our objective is to provide investors with a reliable investment in New Zealand property by targeting superior risk-adjusted returns over time through the ownership and active management of a diversified, high-quality portfolio. Kiwi Property is licensed under the Real Estate Agents Act 2008. To find out more, visit our website **kp.co.nz**