



**AUCKLAND
REAL ESTATE**

**Auckland Real Estate Trust
ASX / NZX Announcement
11 March 2021**

Auckland Real Estate Trust is pleased to announce the consolidation of three strategic properties which will form a new 14,500sqm A-Grade office complex in the core of Auckland CBD, adjacent to the new Aotea CRL station and Sky City.

- Acquisition of two properties, 60 Federal Street and 16 Kingston Street, that adjoin the existing 87 Albert Street property, for \$58m.
- The three properties will be repositioned over the next 18 months into a modern and sophisticated urban A-Grade office complex – the “Fusion” repositioning project. Resource consent has been obtained and works have commenced, with a forecast project cost of approximately \$25m.
- Fusion’s estimated value at completion is in excess of \$160m and is forecast to enhance ARE value by approximately \$50m.

Fusion – The vision

Fusion is the first major A-Grade office complex to be developed in this exciting part of the city, which is being revitalised by significant infrastructure investment and new developments.

Ignite Architects have fused together 87 Albert Street, 60 Federal Street and 16 Kingston Street with a new three-level link building creating a modern urban office complex that is anchored at the ground level by one of Auckland’s premier restaurants, 1947 and provides workspaces designed by Coco Republic.

Andrew Saunders, the Executive Chairman of ARE says, “We are excited by the successful evolution of our model and the Fusion project is another positive step in developing our portfolio with the objective of providing businesses with modern, post Covid workspaces. It is entirely consistent with the successful workspace model Alberts has already provided in our portfolio. During the last year, tenants’ adoption of our workspace strategy and the Alberts brand has been very positive.

“Fusion is another key step in establishing a leading Auckland focussed office portfolio. The location, on Albert Street and next to both Aotea station and Sky City, continues the investment strategy executed successfully at 1 Albert Street.”

Fusion – The location

The brief for the design team, led by Ignite Architects, has been to reposition the three properties to optimise the location with the completed spaces being consistent with the repositioning strategy of 1 Albert Street.

The location is central to the design strategy, with three key factors:

1. The new \$4bn CRL Aotea railway station, which will handle over 20 million passengers per annum and will be Auckland’s busiest transport hub upon completion in 2023.
2. Sky City is a \$1bn city within a city entertainment, casino and convention centre. Already an established venue known for its restaurants and entertainment, the new convention centre and hotels will bring increased hospitality options and activity to the area.

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3. Albert Street is the centre of a new phase of development in Auckland, with the street being developed into a broad boulevard surrounded by three new major office projects, three new international hotels and at least two high rise residential towers.

Fusion – A strategic investment

ARE's investment strategy is focussed on value add assets that are well located with significant vacancy due to neglect or age and are suited to repositioning to deliver growth.

ARE acquired 87 Albert Street for \$33.80m in 2019 and then, in early 2020, entered into a conditional contract to acquire 60 Federal Street and 16 Kingston Street. The contract conditions allowed ARE to reduce risk by:

- Securing resource consent for the Fusion development, which was secured in late 2020. This followed an extensive feasibility and design development process to optimise the project viability and execution.
- Secure senior lender funding for the acquisition from BNZ and ICBC, as well as the support of ARE major investors.

With the conditions now satisfied, settlement of the acquisition will occur at the end of March 2021.

The net price paid for the three office buildings is \$89.00m, which reflects the 'as is' valuation for the Fusion project.

During the 18 month development process, existing tenants will be retained. A number of larger tenants in 87 Albert Street have already been relocated and vacant office spaces are in the process of being repositioned for leasing.

Andrew Saunders
Executive Chairman

Press release.

The accompanying press release includes images, location map and further details on the Fusion project.

ARE.

ARE is the only pure play Auckland CBD office property listed on the ASX and NZX . Auckland is one of the leading office markets in ANZ, with favourable supply / demand dynamics. ARE's investment strategy is to acquire assets where it can add value and revenue, generating both income and capital returns.