

Update from the CEO

Investor NEWS

Issue 5, September 2017.



Bill McDonald
Chief Executive Officer
Arvida Group

We have had a great start to the 2018 financial year with the first quarter now under our belt. This provides a good platform for the first half result, which we look forward to updating you on later in November.

Notable achievements so far this year:

- Implementation of Pay Equity pay increases July 1st.
- Living Well Park Lane (Stage 1 - 29 Apartments) "redefining retirement living" launch.
- Launch and full sell-down of new development (22 Villas) at Lauriston Park.
- Launch and strong sales of new development (24 villas) at Oakwoods.
- Acquisition of Arvida first greenfield site in Richmond.
- New entrance branding and signage completed at 10 villages.
- Introduction of Aged Care Channel for company-wide training.

Our annual shareholder meeting was held in Christchurch in July with more than 100 shareholders in attendance. The meeting provided an opportunity for the Board and management to present shareholders with an overview of the recently completed financial year. We rotate the annual meeting between our two largest shareholding centres, Auckland and Christchurch, so our shareholders can meet the Board and management on a regular basis. Despite some market commentators expressing a view that annual meetings are redundant and questioning their role in the modern era of electronic communications, we believe they have value and obviously this view is consistent with our shareholders.

A number of questions were asked at the meeting, with two questions raising

the most discussion:

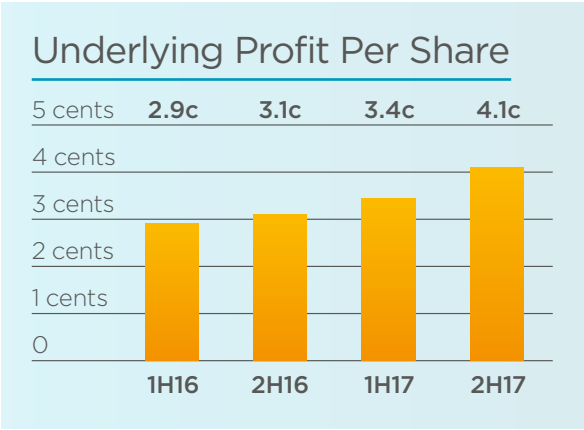
1. Could a drop or levelling of house prices impact Arvida's ability to complete sales of its units?
2. What is the impact of rising wage costs on the group?

While these questions were addressed at the meeting, it is worthwhile touching on both again as they are both relevant in the current economic climate.

The short answer is we do not see these factors as major risks to our business specifically but we are very aware of the risks for the sector broadly. A fuller explanation included below should help in understanding why we consider Arvida well positioned in the current climate in relation to both these issues.

What is the impact of house prices?

The retirement village model of issuing Occupation Right Agreements (“ORAs”) on retirement units allows operators to monetise house price growth. Whilst we have



seen a period of substantial and sustained house price appreciation across New Zealand, there are now signs of some slowing in house price growth, particularly in Auckland. It is our view the drivers of demand and the supply constraints on housing will remain and will not be fundamentally resolved in the near term. Additionally, provision of care services is core to our

business model. It makes up 70% of our accounting revenue and generates over \$75 million of cash inflows. Almost three-quarters of our portfolio is “needs-based”, which means we attract residents that have immediate care needs and these residents are less likely to delay the decision to move into a village because of housing market conditions. Our portfolio will continue to focus on the provision of needs-based accommodation which is evident in our ongoing development programme. Having a regionally diversified portfolio also helps to mitigate some of this risk to earnings.

How do rising wage costs impact on the group?

The Government announced the equal pay settlement earlier in the year which came into effect on 1 July 2017. So far the experience has been in line with expectation where the increase in wage cost would be offset by an increase in funding from government and private sources, so that the impact would

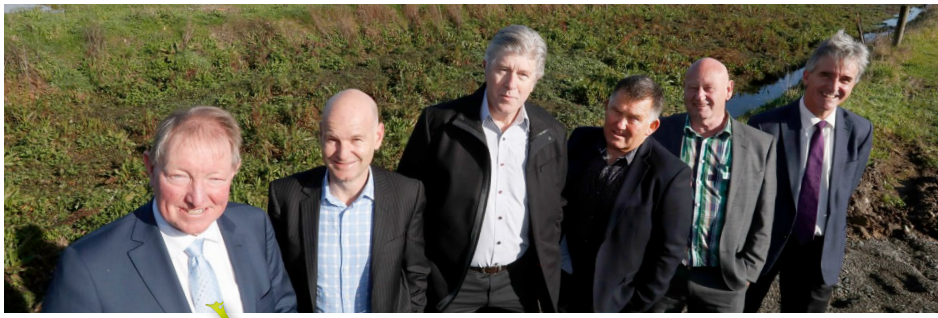
be neutral to our earnings. However we are hearing of an increasing number of smaller operators around New Zealand coming under financial pressure. Partly this reflects the diseconomies of smaller operators and their inability to source and retain appropriately skilled and trained staff. Aged care is a highly regulated industry. Facilities require certification by the Ministry of Health that they meet the required operational standards. We have invested to ensure our facilities exceed these standards, with a general trend across our portfolio being to longer certification periods of up to four years as our improved systems and procedures are implemented. We can only achieve these levels if we have the right people in place. While regulations continue to tighten, Arvida benefits from having the support centre structure in place to help our care facilities provide a very high level of care to residents. The increasing compliance costs are challenging for the smaller operators to address especially when it comes to attracting the calibre of people required to deliver to required standards.

Developments on timetable

Construction has continued to progress well on our major developments:

- 15 villas at **Copper Crest**, 22 villas at **Lauriston Park** and 24 villas at **Oakwoods** are on-track for completion before Christmas. The first four villas at Lauriston Park are to be delivered at the end of this month;
- 28 apartments in the first stage of **Park Lane**, 25 apartments at **Aria Bay** and five villas at **Lansdowne Park** are on-track for completion this financial year;
- Construction at **Rhodes on Cashmere** is progressing well with the bulk excavation completed, basement construction underway and resource consent application lodged for the care suites.





Minister for Housing, Hon. Dr Nick Smith announcing special housing area with Arvida.



Development Locations

In May 2017 we announced an agreement to acquire 8.2h of bare land in **Richmond**, Nelson, with the intention to build a \$100+ million retirement and integrated care facility. Master planning is already well underway for this, which will be our first brand new or greenfields development.

At **St Albans**, **Copper Crest** and **Lauriston Park**, significant new apartment and care suite developments are in the planning phase.

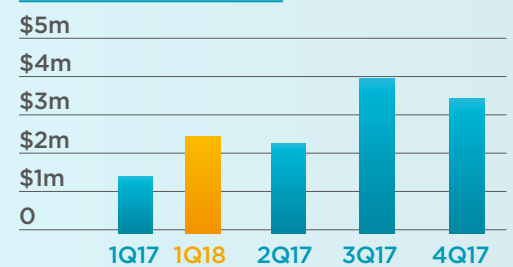
Sales Momentum Strong

Gains from sales in the first quarter were well ahead of the same period last year with this momentum continuing into the second quarter. Our annual pricing review is also showing our current unit pricing is above the valuation completed at the end of the 2017 financial year.

Stock levels are low across our villages with many villages now operating a priority waitlist secured by deposits. Normally we would see some softening in enquiry levels leading up to elections but, to date, this has not been the case.

Successful new development launch events took place recently at Park Lane in Christchurch and Lauriston Park in Cambridge.

Gains by Quarter



Park Lane – Living Well Apartments Launch

Around 150 people attended the July launch of the new “Living Well Apartments”. MC’d by Melodie Robinson and attended by Richie and Gemma McCaw, the launch included setting out our vision for retirement living.

The reception to the new Park Lane apartments has been above expectation despite the development still very much being a construction site. Nearly half of the first stage of apartments have deposited contracts in place.



Bill McDonald and Jasmax architect Euan MacKellar are joined by Richie McCaw and Melodie Robinson at the Park Lane launch event.

Lauriston Park Launch

A “friends of Lauriston” launch held in March was attended by 50 people. This was followed shortly afterwards by a public launch. The results were again above expectation with all 22 villas in the new stage sold within a short period.

Arvida Group

Investor Centre

We look to publish an investor update twice yearly. Your feedback and suggestions are greatly welcomed. See contact details below.

Investor Calendar*

First Quarter Dividend Payment:

12 September 2017

Release of Interim Result:

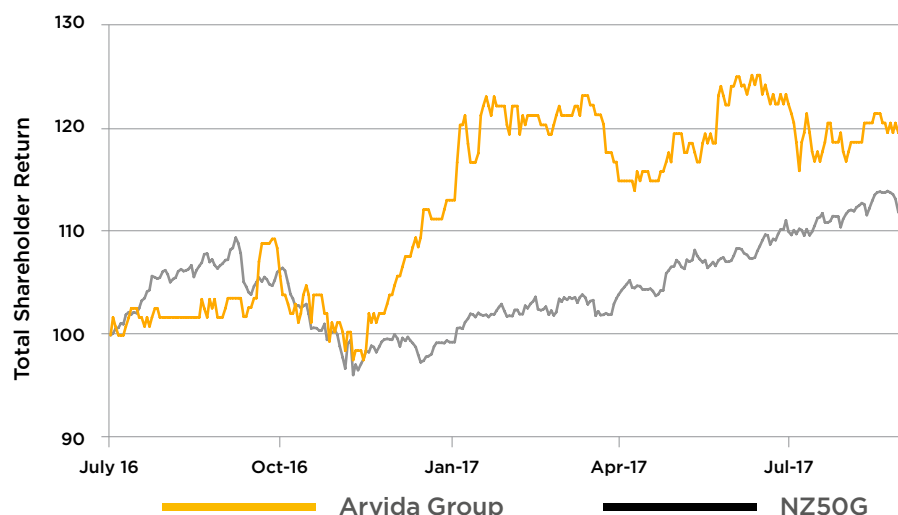
22 November 2017

Second Quarter Dividend Payment:

15 December 2017

* Expected dates, subject to confirmation.

Relative Shareholder Returns



Source: IRESS as at September 2017.

If you are a new to this website, you will need to create a login. Once you have registered and obtained your user ID, you will be able to log on and select 'My Profile', then click 'Update' from the 'Communications Preferences' tile.

You will need your CSN/ Shareholder number and FIN to use this online service. However, once setup, you will be able to access this service with your own User ID and Password.

Are your details correct?

New annual report notification regulations

New regulations came into force on 9th August 2017 which change the way we communicate with you about our Annual and Interim reports. As a result of this change, any previous instructions you have given us in respect of sending printed copies of our Annual and interim reports will no longer apply. Formal notification will be sent to all shareholders in the new year. However our Annual and Interim reports will remain publicly available at www.arvida.co.nz

Go Electronic

Many of our shareholders have elected to receive communications from us electronically. If you'd like to change the way you receive communications from us or receive other communications from us by email, please go to www.investorcentre.com/NZ

To change your address, update your payment instructions and to view your registered details including transactions, please visit:

www.investorcentre.com/NZ

You will need to log in to register these changes.

Alternatively, you can contact Computershare at +64 9 488 8777 or enquiry@computershare.co.nz

Contact Us

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