



Stride Property Group (NS)

NZX Announcement

IMMEDIATE — 13 November 2017

Stride Property Group – Stride secures three new leases with Bunnings and divests properties to Investore

- Stride completes re-gearing of three regional Bunnings leases
- New arrangement is structured to enhance value, with net rental of \$4.81 million p.a. and rental growth of 2.5% p.a. over 12 years
- Investore enters agreement to acquire the three properties for \$78.5 million in February 2018, subject to shareholder approval
- Acquisition aligns to investment mandate for Investore
- Stride's Bunnings property in Auckland identified for future disposal

The Board of Stride Property Limited ('Stride') has agreed to restructure the leases at three properties occupied by Bunnings Limited ('Bunnings') and to divest those three large format retail properties to Investore Property Limited ('Investore').

Stride and Bunnings have agreed to enter into new leases for the three large format retail properties located in Hamilton, Rotorua and Palmerston North in advance of the expiry date. The new leases provide a combined annual net rental of \$4.81 million, with structured rental growth of 2.5% p.a. over a 12 year initial term, increasing income security for the assets and substantially enhancing value. Under the previous lease arrangements, the tenant had the option to purchase each of the properties at the June 2019 expiry lease term at a market value reflecting vacant premises. The right to acquire the properties as if vacant has been removed from the new leases. Bunnings retains the right to acquire the properties at year 48 of the lease, on the assumption that a new six year lease term is in place.

As a part of the three lease restructures, Bunnings will receive a payment of \$18 million. The payment will be paid by Stride on termination of the old leases and commencement of the new leases, implying a net cost to Stride of \$13 million post tax deductibility. As the payment is a component of investment property, it is not expected to materially affect Stride's distributable profit for the year ended 31 March 2018.

Investore was initially established by Stride and listed in 2016, with a clear investment strategy to acquire a portfolio of large format retail properties, a segment of the market identified as offering unique investment attributes. In establishing Investore, Stride committed to hold its future exposure to standalone large format retail property through its retained 19.9% holding in Investore. Despite this and Stride's stated intention to transfer its standalone large format retail properties to Investore, Stride retained ownership of four properties occupied by Bunnings, as the terms of transfer for the properties could not be agreed with Bunnings within the timeframe required to align a divestment with the timing of the initial public offering of Investore.

With the new lease arrangements in place, Stride is delighted to also announce that an agreement has been reached with Investore, for Investore to purchase the three Bunnings properties at Hamilton, Rotorua and Palmerston North, for \$78.5 million, with the purchase price reflecting an initial yield of 6.13%.

The sale is subject to Investore shareholder approval by way of ordinary resolution to be voted on at a special meeting of shareholders for Investore, due to the transaction being a 'Material Transaction' under the related party rules of the NZX Main Board Listing Rules. Investore's board has advised that it will recommend that the Investore shareholders approve the transaction and if approved, the effective date for the settlement of the disposals will be 28 February 2018.

Stride has retained one further Bunnings property, located at Carr Road, Auckland. The tenant has signalled its intent to carry out works at this property within the next 12 months. Subsequent to these works, and subject to changes in the market or other portfolio commitments, it is expected that this asset will be brought to the market for sale at the end of 2018.

Commenting on the new lease arrangements and divestments to Investore, Chief Executive of Stride Investment Management Limited, Philip Littlewood, said, "We are very pleased to have finalised the new terms with Bunnings. These three leases were a legacy from prior to DNZ Property Fund Limited listing on the NZX, and this outcome is a significant strategic step for Stride to manage a key lease expiry risk, and to solidify its investment holdings in standalone large format retail properties through Investore. The assets and new lease terms are consistent with Investore's Investment Mandate, and provide Investore with attractive portfolio diversification and earnings benefits."

Tim Storey, Chairman of Stride, said "In association with the completion of the new leases for the Bunnings properties, the Stride Board reviewed its strategy around ownership of large format retail property and reaffirmed its view that interests in such assets should be held through Stride's investment in Investore, or sold. A robust and independent process was adopted around a potential sale to Investore to ensure the value is reflective of the market value for the assets and was in the best interests of Stride's shareholders. The Board is delighted with the outcome leading to the sale of the three properties to Investore, and the proposal to look to sell the remaining large format retail property through a market process".

End

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A Stapled Security of the Stride Property Group comprises one ordinary share in Stride Property Limited and one ordinary share in Stride Investment Management Limited. Under the terms of the constitution of each company, the shares in each can only be transferred if accompanied by a transfer of the same number of shares in the other. Stapled Securities are quoted on the NZX Main Board under the ticker code SPG. Further information is available at www.strideproperty.co.nz or at www.nzx.com/companies/SPG.