

# focus



AUGUSTA

AUGUSTA SHAREHOLDER & INVESTOR NEWS — SEPTEMBER / OCTOBER 2018



HARRISON  
GRIERSON

COVER STORY

## Harrison Grierson

Augusta's new tenants in our latest investment St George's Bay Road, share how they are embracing a totally new way of working.

Image (L to R): Simon Warren - Auckland Office Manager,  
Karen West - General Manager - People & Communications,  
Richard McIntosh - General Manager - Land Development

INSIDE THIS ISSUE

| AUGUSTA  
TOURISM

| EARTHQUAKE  
PROOFING AIRWAYS

| HEALTH &  
WELLNESS TIPS





AUGUSTA  
SINGLE ASSETS

# ST GEORGE'S BAY ROAD OFFER NOW CLOSED OVERSUBSCRIBED



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## Auckland

Level 2, Bayleys House  
30 Gaunt Street, Wynyard  
Quarter, Auckland 1010

PO Box 37953, Parnell,  
Auckland 1151

**T** +64 9 300 6161  
**F** +64 9 300 6162

## New Plymouth

335 Devon Street East  
New Plymouth 4312

PO Box 44,  
New Plymouth 4340

**T** +64 6 759 1520  
**F** +64 6 759 1521



# FROM THE MD



I am pleased to report that it has been a successful first half of 2018, as Augusta's long-serving and ever-growing team have been very hard at work bringing new offers to the market and delivering some outstanding results for investors across the syndicated portfolio.

Staff have had a very busy few months, and this update comes off the back of Augusta Capital and Asset Plus shareholder meetings, Augusta Funds Management investor annual general meetings and the distribution of annual financials and reporting for all syndicated properties.

It was great to see so many familiar and new faces at the annual general meetings held in Auckland, Christchurch and New

Plymouth recently, and I thank you for your continued interest and support at these events. A mention must go to Murray and Denise McBeth who kindly gave an impromptu, heartfelt speech on what investing with Augusta means to them. We also had the pleasure of having Mike McRoberts and Mark Inglis present as guest speakers which I am sure many of you found highly entertaining – both remarkable characters with inspiring life stories. To those that have not attended the annual general meetings before, it is a fantastic opportunity to engage with Augusta staff as we share our plans and strategies for the future.

We recently completed a very extensive survey of our investors – to the 1200 of you who took part in that I thank you very much. It was a hugely valuable exercise for us, and there was invaluable insight captured in the process. The intention is clearly to learn from investors what we do well and what we don't, and to make us better at what we do for our investors going forward.

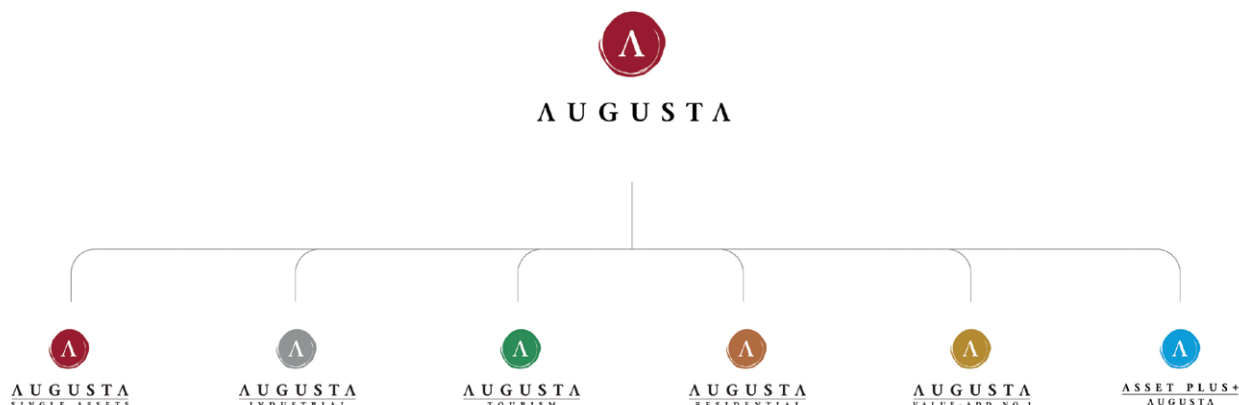
As mentioned, there is a lot to digest from the survey, but one thing I will share with you which

we are very proud of is the answer to the question, "would you refer Augusta to a friend?" The answer was an amazing 95% Yes. We consider this an outstanding result and something we want to maintain, if not better, in the future.

As you will have heard mentioned before, Augusta continues to grow and progress in becoming a fully diversified fund manager. This is well illustrated in what we refer to as the Augusta Brand Family (diagram below).

## ASSET PLUS

As you know, Augusta has been at the helm of NPT since March. It was important for both us and the NPT Board to redefine what the company stands for and reposition the brand in the market. This was successfully achieved with the rebrand of NPT to Asset Plus in June. This new name reflects the new investment direction we are taking the company, which is firmly down the **value-add** route. Like our previously launched Value-Add Fund No.1, the company now has a clear mandate to source assets that have potential upside to be unlocked through re-positioning, re-tenanting, re-zoning, or



complete redevelopment to ultimately deliver a total return story of *yield with capital growth*, utilising the very strong management expertise we have at Augusta in this space.

### INDUSTRIAL

In late May we launched the Augusta Industrial Fund, a four-asset portfolio of industrial properties in Auckland and Wellington. As many of you know, we were overwhelmed with enquiry, with the offer closing in June well over-subscribed. Industrial continues to be one of the strongest performing sectors in the property market, and we are already working on assets, both new and existing, that will form the next round of acquisitions for this Fund. This will give those of you that missed out on round one an opportunity to get involved. You will hear more from us on this very soon.

### TOURISM

Tourism is undoubtedly the second most talked about sector right now. Like housing, the macro story is a good one for New Zealand. In simple terms, we have massive increases in arriving visitors and a considerable under-investment in the tourism space over the last decade has resulted in a vast shortage in the numbers of hotel beds for tourists to occupy, more on this on page 11.

We are actively seeking opportunities in this space, particularly in Auckland and Queenstown, and those opportunities will include everything from acquiring existing hotel assets to building them from the ground up. We are currently involved in several live deals which we look forward to being able to share with you in the very near future. The Augusta Tourism Fund is a first for New Zealand investors - you will be able to share in a national portfolio of hotel and tourism infrastructure assets.

### RESIDENTIAL

Residential is a space that we remain big believers in long-term, and by any measure residential has been the outstanding performer in the property sector in New Zealand over whatever time-frame you want to look at.

Augusta is considering a number of investment options in this space, again with a view to launching one of New Zealand's first dedicated residential funds in the near future.

### THE MARKET

While there are still a lot of growth opportunities on the horizon for Augusta as evidenced above, nervous ripples are entering the market as it gears for a seemingly inevitable economic downturn. Overall, the general opinion is that it would be naïve and foolish to expect the bull run of the last

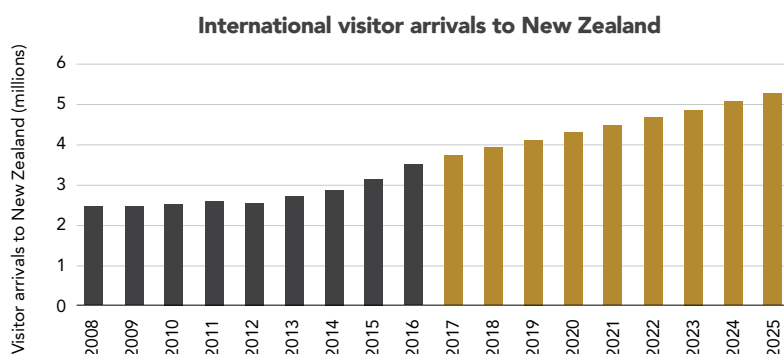
8-9 years to continue. There is unequivocal evidence of slow-downs occurring in most of the world. However, I think that is exactly what we want. A gradual easing of the pressure valve to avoid the burst. The world is watching a slowing China very closely. 22% of New Zealand's exports go to China. Another 20% go to Australia who are even more reliant on China than we are, so we are right to watch China closely. Clearly Trump seems to have the US economy on a strong trajectory, but they too are reliant on China.

Locally we are seeing business confidence at historically low levels – and as we know low confidence translates directly into lower investment – in plant, machinery, business expansion and of course employment. Consequently, we are seeing falling interest rates and a falling dollar both of which present opportunities. The falling dollar should, of course, put even more heat into our tourism sector, and lower interest rates of course only help the property sector. Not to mention the still very strong net migration numbers.

So, on balance, for us, despite the headwinds globally we think we still have plenty to be positive about here in New Zealand. We are certainly seeing this in the continued investor demand for our offers with record turnouts at investor presentations and offers closing over-subscribed. It is also apparent with the continued foreign buyer interest in New Zealand assets. So, with that in mind, please keep an eye out for new Augusta investment opportunities that we look forward to bringing to you shortly.



**MARK FRANCIS**  
Managing Director



# OUR STAFF

As you know, the last few months have been an exciting and busy time for Augusta, subsequently bringing new opportunities and change within the company. Unfortunately, we are bidding farewell to some of our highly valued members of the team who are leaving Augusta to embark on journeys overseas or take maternity leave. Nevertheless, with change, comes new additions! Augusta is delighted to welcome some new friendly faces to the team.



## **BEN HARDING** **Senior Asset Manager**

I joined Augusta in July 2018 as a Senior Asset Manager following 14 years' commercial property and fund management experience in the UK, Australia and NZ. Immediately prior to joining Augusta I spent three and a half years with Stride Property in Auckland, responsible for the strategic asset management of Stride's office property portfolio.

I have also held various asset and fund management roles with Mainland Capital in Christchurch, EG Funds in Sydney and ING Real Estate in London, which I feel will hold me in good stead at Augusta Capital.

The attraction for me in joining Augusta is the clear ambition of the company to be the market leader in the NZ property fund management industry, along with the quality of people involved in the business. The variety and breadth of opportunities being considered and evaluated for investors is exciting to be a part of, and something I feel is unique to Augusta in the NZ commercial property market at present. I have already been impressed with the company culture and dedicated approach to managing clients investments.

With regards to relevant qualifications, I hold a Bachelor of Commerce (Finance) from Otago University, and Masters in Property Valuation and Law from London City University. In addition, I'm a professional member of the Royal Institution of Chartered Surveyors and REAA.

Outside of work I have a passion for sport, particularly skiing, rugby, cricket and golf, and still play football at a very social level for Western Springs. Aside from sport I'm an avid DIYer and spend a lot of my weekends chipping away on our house at Waiheke. Earlier in the year I married my wife Julia and we have a beautiful one year old daughter Ella, and another child on the way in January. Life is about to get extremely busy but we're very much looking forward to it.

## **DAVID HACZYNSKYJ** **AML/CFT Compliance Manager**

David is the newest addition to the Compliance and Anti-Money Laundering (AML) team working as an AML/CFT Compliance Manager. David has an extensive compliance and banking background including a recent role as a fraud analyst for Lloyds Bank in The United Kingdom. David is responsible for ensuring the company's compliance policies and procedures meet the AML/CFT Act standard and will be assisting with onboarding of investors into our new schemes.

## **ALICIA GOVENDER** **Syndicate Finance Associate**

Alicia started in the Auckland Office in August on a twelve-month contract covering Jess Tuki's maternity leave as a Syndicate Finance Associate. Alicia has held various accountant roles including most recently for Green Health and CBRE in the ANZ property team. Alicia is responsible for overseeing the finance and accounting functions for a portfolio of New Zealand based property schemes.





**JOEL LINDSEY**  
Chief Operating Officer

I joined the Augusta team in late July in the role of Chief Operating Officer, replacing Guy French-Wright who is returning to Australia to expand our capabilities. Prior to my return to New Zealand in 2014, I worked at Aviva Investors (London) where I worked my way from Analyst to Fund Manager and ultimately held the position of Senior Director - Real Estate. In that position, I was responsible for management of the £4 billion Aviva Life & Pensions real estate investment

portfolio. On my return to New Zealand, I worked at Panuku Development Auckland, the development agency of Auckland Council.

A multi-generational family involvement in construction and property investment and a Bachelor of Property from the University of Auckland provided me with the opportunity to pursue a career in property investment. I don't recall any of my fellow students at the time being set on a career in property investment, most were interested in a career in valuation, property management or development. For me, investment management appealed as I was interested in finance but also liked the tangible nature of 'bricks and mortar'.

From my time in London, I developed a deep understanding of the benefits property has within a diversified investment portfolio. Investment and construction was something discussed at the dinner table when I was a kid. I remember

my grandfather quoting from Winston Churchill's speech on Land Monopoly. Regrettably it was rather lost on me as a 10 year old at the time!

On the rare occasion I'm not on the side-line of my kids' weekend sport activities, you will find me on the river, I am a keen fisherman. I have also played the bagpipes since I was a young lad. Piping started in my wider family when my great grandfather garnered an interest in learning the pipes back in WW1 when the Wellington Battalion were posted in trenches near one of the Scottish Divisions.

Reflecting on my first few weeks in the role, one of the things that has impressed me, is the effort Augusta makes to keep connected with its investors across the country. It is unique that a company of this size still maintains its very personal, hands on approach. In the spirit of this, I really enjoyed meeting our investors at our recent AGM's.

**LAURYN LEWTHWAITE**  
Corporate Accountant  
- Finance

Lauryn joins the Auckland team in September from her most previous role at RSM Hayes. Lauryn is replacing Nicolaas Eman as a Corporate Accountant for Augusta Capital Limited and Augusta Funds Management Limited in which she provides support to the Financial Controller as well as managing month-end financial processes and controls.

**MARK MADIGAN**  
Financial Controller  
- Augusta Funds Management

Mark joined Augusta in 2018 following Financial Controller roles at Airwork and Property for Industry. Prior to this Mark spent five years in the institutional banking client coverage team at Commonwealth Bank of Australia. Mark is responsible for financial reporting, compliance and treasury management for the managed portfolio. Mark is a graduate of the University of Auckland and obtained his Chartered Accountancy whilst working in the tax division at PwC.

**DANIEL MAHONY**  
Development Manager

Daniel Mahony is the most recent addition to the Development Team here at Augusta. Daniel has an extensive background in asset and development management, previously working for Goodman NZ, Mahony & Seton (London), and most recently private commercial development company Wallace Development Company Limited. Daniel will be working across a number of Augusta's funds focusing on development and add-value opportunities.



# EMBRACING SUSTAINABILITY

We sat down with **Simon Warren** from Harrison Grierson – one of Augusta's new tenants in our latest investment opportunity, St Georges Bay Road. I had heard Harrison Grierson had embraced a totally new way of working, I was interested to know how this building played such an integral role in transforming the way the business now operates. *Harrison Grierson is one of New Zealand's most well-regarded engineering consultancies, established 130 years ago.*



## WHAT ATTRACTED HG TO THIS BUILDING SIMON, THERE MUST HAVE BEEN A FEW OPTIONS AVAILABLE TO YOU?

When we were looking for options as to where we could relocate, we examined several opportunities and many factors came into play – sustainability was right at the top of the list but also the impact the move had on our staff was important to us. We looked at a range of locations and quite quickly this location and the opportunity this could afford the company in terms of making not just step change, but a real leap was presented to us. The more we looked at it, the more convinced we became.

## SO WHAT OPPORTUNITIES HAS THE BUILDING AFFORDED YOU TO BE ABLE TO OPERATE SO DIFFERENTLY?

We started with looking at the physical aspects of the building, there is so much light, so we designed areas around this and have really noticed how people follow the sun throughout the day in terms of where they choose to work. This has a positive emotional knock on effect.

With the unique spaces we have created zones, where people depending on their energy levels, what they are wanting to achieve and whether they are working singularly or in a group, are able to work. For instance, we have

a quiet zone, which is solely 'thinking space'. We have created etiquette for using these types of areas so that respect is shown to each individual.

Our meeting rooms are all totally different, from 2 persons, to slightly larger, more collaborative spaces all the way up to very large entertainment areas. We have a very cool space which is our training room and the great thing around what we have done with technology has meant that all our (collaborative) spaces are connected – so from any of the touch screen panels you can add visual screens and sound to any of the rooms.

Previously in our old space we couldn't get everyone together,



there was a disconnect, now when we run the sessions it's about people having an experience, we want people to see something, we want people to hear something and we want people to take something away.

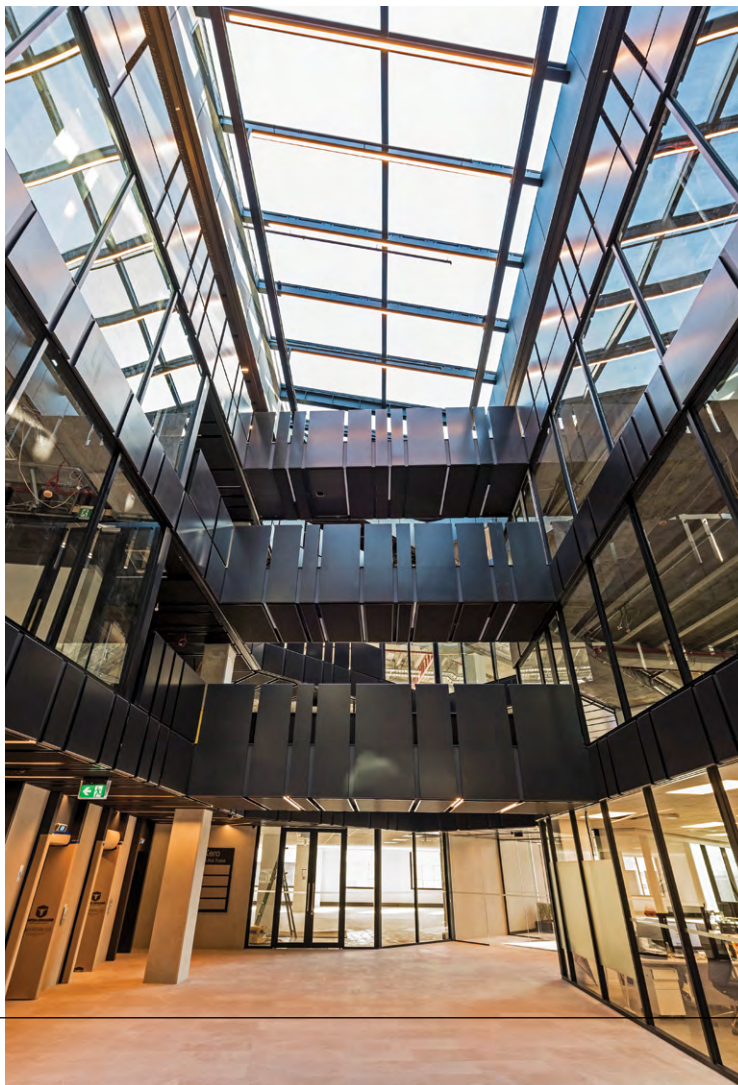
The way that we can now bring everyone together creates the chance for teams to connect and chat about what's going on, it keeps engagement levels high.

**THE BUILDING HAS A 5 GREEN STAR DESIGN RATING, DOES THIS HAVE ANY IMPACT ON HOW YOU AND THE HG TEAM VIEW THE BUILDING?**

People expect more from organisations now, they expect to be working for an organisation that takes sustainability seriously,

they expect their organisation to show how they are contributing to sustainability – they want to be heard if they have sustainability issues and they want you to act on them. So yes, this sustainability design rating has a big impact - we wanted a green star rated building – this was very important to us, for all the above reasons.

More and more of the younger workforce has to feel that what they are doing is making a difference and sustainable design is part of this. We love that many of the systems are controlled – like the lights shutting themselves down if you don't need them and after 6pm all lights are off unless you boost them in half hour increments. Our entire office is set up as individual eco-systems



and these are carefully managed – light, temperature etc...there has been a big drive around e-powered travel such as electric scooters and bikes too.

**ANYTHING ELSE TO ADD?**

Yes, we have not had a single, negative comment about the move, the building and the new way of working. We're really happy here. ●

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# Statement of Investment Policy and Objectives (SIPO)

BY LOUISE CONNELL



As each FMCA registered scheme managed by Augusta has a long-term investment horizon it is important that the scheme, its assets, and debt facilities are skilfully managed and closely monitored throughout the life of the scheme.

The scheme's SIPO sets out in one document Augusta's management philosophy for the scheme, what the scheme's overall strategy is, how risks will be managed and the scheme's key performance indicators. Accordingly, the SIPO provides a concise summary of the scheme's investment policies, objectives and strategy.

A copy of each scheme's SIPO is publicly available on the Disclose Register.

## WHAT IS A SIPO?

The SIPO is a document that provides a concise summary of the scheme's investment mandate, strategy, objectives and how the scheme's performance will be measured. The SIPO also sets out what assets the Manager is allowed to invest in on behalf of the scheme – e.g. property, cash deposits, swaps, etc. Any investments made outside this mandate would be in breach of the SIPO and the FMC Act.

Under the FMC Act, all managers such as Augusta must ensure that each scheme regulated under the FMC Act (such as Augusta St Georges Bay Road Property Trust) has a SIPO.

There are two key purposes of a SIPO: (i) Disclosure; and (ii) Active Management and Accountability.

The SIPO is there to outline to investors how Augusta will deliver on its promise to act in the best interests of investors and provides assurance that appropriate investment strategies and policies are in place and are being

monitored. SIPOs are reviewed and referred to in our day to day management throughout the life of the scheme.

## DISCLOSURE

The SIPO is written at the time a new scheme is established and a summary of it is set out in the scheme's Product Disclosure Statement. The SIPO sets the tone as to how the Manager intends to manage the scheme as well as key performance indicators (or benchmarks). The Manager's strategy includes such issues as cashflow management, interest cover, capital expenditure, hedging/interest rate policy, and leverage.

## ACTIVE MANAGEMENT AND ACCOUNTABILITY

A SIPO outlines the scheme's key performance indicators, how such performance benchmarks are measured, and the process should a benchmark be breached. Augusta conducts benchmark testing on a quarterly basis and any breaches are immediately reported to senior management. Depending on the nature of the breach, a breach may result in a full strategic review of the scheme by senior management, amendment to the SIPO, and/or amendment to investor distribution rate. Accordingly, SIPO benchmark testing ensures ongoing active management and senior management oversight.

A SIPO also enables the scheme's supervisor to monitor the scheme's performance and ensure that the manager is managing the scheme within the established parameters disclosed to investors.

## SIPO REVIEW

Any changes to the SIPO must be made following consultation with the scheme's supervisor and is disclosed on the Disclose Register.

*The SIPO sits alongside the scheme's governing document and plays an important part in shaping and ensuring accountability in the overall strategic management of the scheme.*

## GLOSSARY

### FMC ACT

The Financial Markets Conduct Act 2013 was enacted for the purposes of promoting a fair, efficient, and transparent financial markets and ensuring investors are making informed decisions. The Act was enacted in the wake of the finance company collapse. It governs the way financial products are offered, promoted, issued and sold and the ongoing responsibilities of those who offer, deal and trade them.

### SIPO

A Statement of Investment Policy and Objectives.

### MIS

Managed Investment Scheme. A MIS pools money from a number of investors for investment. Each investor owns a portion of or units in the scheme.

### DISCLOSE REGISTER

<https://disclose-register.companiesoffice.govt.nz>

The Disclose Register is a register for offers of financial products and managed investment schemes under the Financial Markets Conduct Act 2013.

### SUPERVISOR

Supervisors are licensed by the Financial Markets Authority and oversee the Manager in ensuring they are managing investments within established parameters. Covenant Trustee Services is the supervisor of all Augusta MIS schemes.

### GOVERNING DOCUMENT

Each MIS Scheme is governed by a Governing Document (which is also available on the Disclose Register). A Governing Document is much like a company's constitution.



# SETTING SIGHTS ON THE TOURISM SECTOR



Augusta has its sights firmly set on the tourism sector, and with good reason.

The Tourism sector continues to be a consistent talking point. Not only are our international visitor numbers increasing, but visitors are also spending more, for the year ending June 30th 2018, total visitor spend was up a remarkable 9% to \$11.13 billion.<sup>1</sup>

Strong growth continues to increase from the high-yielding Australian, US and Chinese markets with both the Chinese and US visitor arrivals increasing 11%.<sup>2</sup> China alone is expected to grow their visitor numbers by a further 173% by 2025 and the US an additional 60%. China is also set to

surpass Australia to become New Zealand's largest visitor market by spend with Chinese visitors currently spending on average \$300 per night, \$115 more than our average visitor.

For New Zealand, tourism continues to be the largest export industry in terms of foreign exchange earnings with rapid growth in international connectivity enabling easier access to New Zealand. Peter Chrisp, Chief Executive of NZ Trade and Enterprise says "Tourism in New Zealand is in the midst of its strongest ever growth cycle, with several consecutive years of arrival growth and international visitor arrivals having reached 3.6 million for the year ending July. Looking forward, the outlook for the sector continues to be bright with official estimates of 4.9 million international visitors by 2023".

Currently the surge in visitation is driving record hotel operating performance and the strongest average daily rate (ADR) growth across major Asia Pacific markets as recorded in the latest

New Zealand is experiencing strong growth in visitor arrivals, driven by increases in international air capacity, a growing domestic market, and the country's global reputation as a beautiful, clean and friendly destination.

NZTE Report 2018.

NZTE report. Queenstown has been the standout performer with the ADR reaching \$199 for the March 2017 year end which represents almost 30% growth over the last two years. Auckland has experienced similar growth with the ADR tipping \$180 representing 27% growth.

Not surprising, the unprecedented growth is driving shortages in accommodation across the country and historically high occupancy is forecast to continue. An estimated 9,200 new hotel rooms will be required to meet demand expectations by 2025.<sup>3</sup>

**\$15.3b**

Projected annual international visitor spend by 2023, 52 percent increase from 2016, driven by higher value tourism.

<sup>1</sup>MBIE: International Visitor Survey | Statistics New Zealand Tourism Satellite Account. <sup>2</sup>NZTE report - NZ Hotels an attractive time to invest. <sup>3</sup>NZTE report 'NZ hotels - an attractive time to invest'. <sup>4</sup>MBIE.

## 33 BROADWAY TRUST - DEVELOPMENT PROGRESS UPDATE

Augusta Funds Management along with Mansons TCLM are continuing to progress the development of the property at 33 Broadway Newmarket on behalf of the 33 Broadway Trust.

The property on completion will comprise a substantial office complex over six levels with two levels of basement car parking for 158 vehicles. On completion this 5-star green rated building will become home to Mercury Energy, Tegel, Avanti Finance and a number of retail tenancies. The development continues to proceed on budget and in accordance with the scheduled programme. Mercury, the anchor tenant for the property is scheduled to commence their 12 year lease in February 2019 with the balance of the tenancies to commence shortly thereafter.

The next major milestone, external and structural completion, is scheduled to occur in early November.



# Online Application Form

BY LUKE FITZGIBBON



As part of the Augusta St Georges Bay Road offering, Augusta has, for the first time ever, provided investors with the ability to complete their application for units online. As we seek to use technology to ease the burden for our investors, an online version of our usual paper forms contained in a PDS will be available on the homepage of our website [www.augusta.co.nz](http://www.augusta.co.nz) (click the **apply online** button). An online form will be available for all future offers on our website located with the offer information on our homepage.

Investors who wish to apply online can do so after they have downloaded a copy of the PDS. The form then requires investors to insert all the usual information that is required on the paper form.

Advantages of the online application form:

- You will be prompted to provide compulsory information required in order to successfully apply for the investment. This prevents you from inadvertently leaving out required information and will reduce the need for follow up by our team. This will allow your application to be processed more quickly. There are also handy features such as linking the address box to the NZ Post database.
- Your application will be instantly received at Augusta reducing your reliance on the postal system or couriers to get your application in.
- No requirement for physical signatures by all investors.

Over the next 1-2 years as we seek to roll out our Investor Portal, we

expect that you will be able to automatically login to our website and see your details automatically loaded into the form. All that will be left to complete is the number of units you wish to apply for.

For certain investors (such as trusts), we may still need to receive hard copies of some AML information. Our team will continue to work with investors on this, and we are investigating how we make this easier for investors in the future.

Of course, we are not looking to lose the personal touch and connection with our investors, so please feel free to contact any member of the Augusta team if you have a query on the form or any other matter.

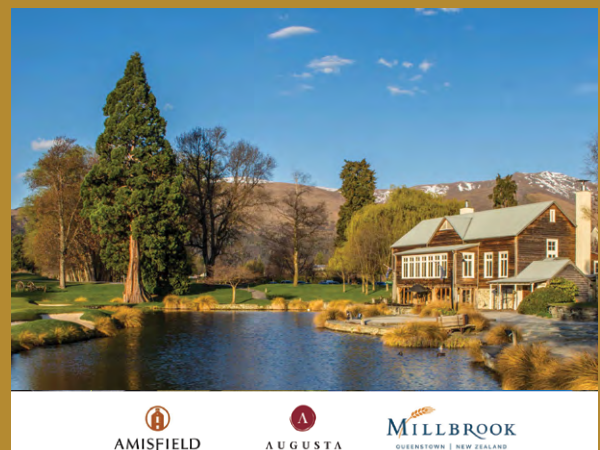
## Augusta Questionnaire – The Winner Announced

We would like to thank all of our investors who generously gave their time to fill out the Augusta questionnaire in May / June this year. We are thrilled to announce the winner of our luxury Millbrook package – **a huge congratulations to Jo Clement.**

The questionnaire was developed to help us gain further insight into what our investors really think about Augusta – what we are doing well and where we can be doing better.

We also thank those who pick up the phone or write in to let us know when we have succeeded, we appreciate the support. On the flipside the constructive feedback on how to improve is also crucial and keeps us on our toes.

Enjoy your escape Jo!





# INDUSTRIAL PROPERTY REVIEW

BY IAN LITTLE, MANAGER PROPERTY RESEARCH DIVISION, BAYLEYS

The industrial property investment sector has been a strong performer over recent years as market conditions have driven rental increases and yield compression.

New Zealand's powerfully performing economy has underpinned high levels of business formation and expansion over recent years which has in turn driven demand for industrial property.

As a result, vacancy rates across the country's major industrial precincts have fallen as the additional demand has, to date, outpaced new development despite a lift in construction activity. Competition for increasingly scarce leasing opportunities has seen upward pressure on rentals across most major centres.

## INDUSTRIAL VACANCY RATES 2018

Location	Vacancy Rate	Trend over 12 months
Auckland	2.8%	↓
Tauranga	2.8%	↓
Hamilton	3.0%	→
Wellington	2.6%	↓

## COMPETITION FOR HIGH YIELDING ASSETS SEES YIELD COMPRESSION

Investment yields have seen significant compression over recent years as competition for higher yielding assets has ramped up in the face of the western world's low interest rate environment and the printing of money by central banks post the Global Financial Crisis (GFC). Analysis of Auckland located industrial investment sales by Bayleys Research shows that the median yield was circa 5.4% over the final quarter of 2017.

The median yield has remained at sub 6% since the final quarter of 2016, reflecting the ongoing demand for property assets.

Interest rates across the western world have been held at stimulatory levels since the GFC. Against this backdrop, investors, ranging from individuals, through syndicated offerings, to international superannuation funds have sought out higher yielding assets, which has included property. Whilst competition for a limited supply of investment product has driven yields to historic lows, returns have continued to provide a premium over risk free alternatives. In New Zealand, the risk premium over the returns generated by NZ 10 year government bonds has been holding at approximately 2.0% - 2.5%.

Looking ahead it is likely that yields are at, or close to, their cyclical low. That having been said, a sharp increase in yields remains unlikely as increases in interest rates are almost certain to be limited and spread over an extended time frame. Central Banks, whilst wishing to "normalise rates" do

not want to risk stalling economic growth through a premature increase in borrowing costs.

In New Zealand, the Reserve Bank (RBNZ), has repeatedly confirmed that interest rates will remain accommodative for a considerable period. In its August statement on interest rates The Bank stated that it expects to keep the OCR at this level (1.75%) through 2019 and into 2020.

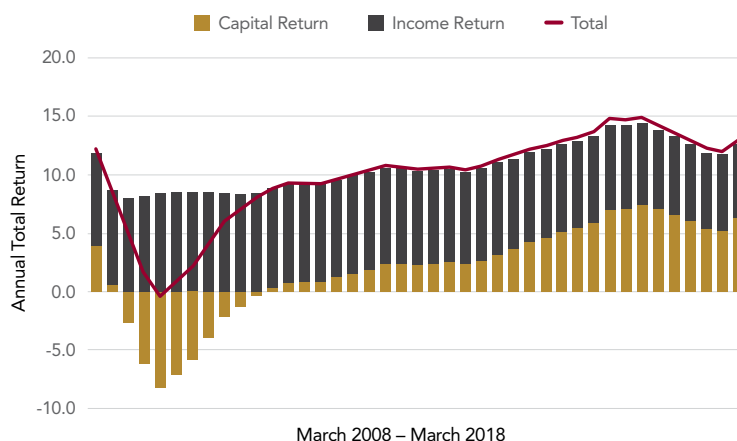
The bank went further stating that the next move in the OCR could actually be down. Given that interest rates, therefore, are set to remain lower for longer, interest in property assets will remain elevated.

## STABLE RETURNS

The market dynamics discussed above have combined to produce strong and stable returns from institutional grade industrial investment property across New Zealand.

As the graph below illustrates, total returns, the combination of returns on income and changes in capital values have stood at 10% or over since early 2012 according to figures released by MSCI.

## INVESTMENT RETURNS NZ INDUSTRIAL PROPERTY





# EARTHQUAKE PROOFING AIRWAYS FUTURE

Augusta prides itself on the team's ability to maintain strong working relationships with its tenants, through active management. Testament to this is the recent Single Asset Fund: Sir William Pickering Drive LP in Christchurch.

**T**his property was owned by another investor group managed by Augusta that was sold into a new investment vehicle, whilst concurrently raising significant additional equity to fund a new development on site, in return for a long term lease.

After the devastating 2010/2011 earthquakes in Christchurch, the tenant at this property, Airways Corporation of New Zealand, were acutely aware of needing to have robust provisions should another natural disaster impact operations. Airways Corporation's primary function is providing air traffic control services to New Zealand; covering 30,000,000

square kilometres of airspace around New Zealand - they handle over 1,000,000 aircraft movements annually. Clearly an important function that requires uninterrupted operations, regardless of the circumstances on the ground!

In 2012, Augusta promulgated the concept of a new purpose built building on site to meet Airways desired resiliency requirements. After 5 years of developing Airways business strategy, socialising various concepts and developing a brief, in early 2017 Airways and Augusta commenced formal negotiations on a proposed development at the site to meet Airways needs. Over the course

of 2017 the Augusta team pulled together the commercial terms and legal agreements. A concept design, specifications and resource consent were all procured inside a 3 month window along with a construction tender to ensure development cost certainty, and an unconditional agreement for all parties – including Augusta – guaranteeing the agreement and utilising our balance sheet to underwrite the transaction.

Existing investors walked away with a healthy 14.10% internal rate of return from their original investment, whilst having a preferential right to invest in the new vehicle with a new 25 year lease, and 9 year lease (23.8 year





Artists impression showing the completed Airways building.

weighted average lease term) to Airways (a state owned enterprise) from the completion of the new building with a forecast 7% pre-tax return.

This was possible through the close working relationship Augusta developed with Airways, the active management approach we take, the determination, perseverance, depth and breadth of expertise within the Augusta team adding significant value for investors and providing a sustainable investment moving forward.

Construction of this new building for Airways at Sir William Pickering Drive is currently underway by Leighs Construction; given Airways requirements to maintain 99.99% operational ability per annum (4.4 hours of downtime per year) the brief called for an innovative solution. Augusta engaged

Foundations have been completed, and the base isolators installed – the building structure sits atop these isolators and is currently being manufactured offsite.



leading engineers Aurecon, and architect Warren and Mahoney to develop the concept which included constructing the building to Importance Level 4 (critical post disaster functionality) and have base isolated the building to ensure continued operations in some of the largest considered seismic events.

We partnered early with Earthquake Protection Systems (EPS) out of San Francisco, USA to design and construct these isolators which will allow the building to move up to 1.4m in any direction during a seismic event (a 1 in 6,000 year event – building code requires the building to be designed for a 1 in 2,500 year event) ensuring continued uninterrupted operations for Airways. The EPS isolators are utilised in a number of important facilities in 32 countries around the world, including the new 400,000m<sup>2</sup> global Apple headquarters in San Francisco where continued business functionality is critical. In addition the building has other advanced provisions to ensure continued operations; including 48hours fresh water supply, wastewater, and electricity through backup generators and uninterruptable power supplies, along with three different telecommunications feeds to ensure continuity of business operations.

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Augusta continues to work closely with Airways, the project team and Leighs through the completion of design and construction of the new IL4 building. From initial concept to completion of the development this process will have taken 7 years for the Augusta team, thousands of hours and countless emails, meetings, workshops and discussions. We are extremely pleased with the return generated for the original investors whilst being able to pull together this opportunity for the current investors, and look forward to generating further opportunities for investors through our active management approach. ●

# HEALTH & WELLNESS TIPS

BY ALEX WHEELER

It is the small efforts that make the lasting difference. One thing that we all want, is to retain maximum mobility and to do so we must ensure we are consistently engaging the muscles

that facilitate basic compound movements. Furthermore, we want to protect our joints, and to do so we need to do exercises that strengthen both the large muscle units and the smaller muscle groups around these.

Below is a list of simple body weight exercises that can be done daily to attempt to optimise longevity of our joints and mobility. Try 3 sets of the following:

## STAND UP / SIT DOWN

Try 12 of these:



- Level 1: using *both* hands, sit down on the ground, and then once again using both hands stand up.
- Level 2: using one hand, sit down and then again with use only *one* hand to stand up.
- Level 3: using *neither* hand, sit down and stand up.



## PUSH UPS

Ensure that your arms are in a straight line from shoulder to wrist and your body is in a straight line from shoulder to ankle. Try 12 of these:



- Level 1: using an elevated surface rather than being on your knees ensures optimal engagement of your core (we all want abs right?)
- Level 2: no elevated surface and knees off the ground.
- Level 3: feeling super pro? Try putting your feet on an elevated surface to execute your push ups.

## SQUATS

Ensure that your knees are not turning inwards, but rather going in line with your feet. Keep your chest up and in a nice vertical line from your neck through to your tail bone. Try 12 of these:

- Level 1: squat down slowly (count to 5), hold at the bottom for 1, and come up quickly (here you can add a squat jump if you are feeling brave).
- Level 2: squat down slowly (count to 5), hold at the bottom, 8 pulses (coming slightly up and returning back to the bottom), and come up quickly (once again adding a squat jump if you like).



## POSTERIOR CHAIN LIFTS

This is critical to good posture. Lying face down, legs together and squeezed tightly, arms out in front, slowly lift your chest off the ground, pulling your elbows to your side, holding for a second and slowly return to original position. Try this 12 times.







### PLANK (LEVELS)

Ensure that your glutes are squeezed tightly to facilitate your abdominals, and the line from your shoulders to feet is completely flat. Aim for a minute (or longer if you can!)

- Level 1: knees on the ground and elbows directly beneath your shoulders.
- Level 2: knees off the ground and elbows directly beneath your shoulders.

Another facet of improving our health is consideration of the fuel we give our bodies. Personally, I believe this has been blown out of proportion by modern society - it should be as simple as eating natural, whole, unprocessed foods. BUT how do we know what foods meet this criteria? In today's day and age it seems that most items are genetically modified or processed, so my advice? Do the best you can and don't overthink it. Listen to your body.

If you would like a more challenging quick workout regime, I am more than happy to have a discussion with you and tailor something to your requirements.

## BLEDISLOE CUP

Our very own Mark Francis rubbing shoulders with Taranaki royalty Beauden Barrett who made history that night scoring the most points in a Bledisloe Cup test, among other firsts. Clearly, they breed them well in Taranaki!



Mark and Beauden rubbing shoulders.

## OUTWARD BOUND APPLICATIONS

Thank you to everyone who submitted an application for our Outward Bound nominations for 2018. Every single submission we received was truly deserving and for some of you, we can imagine, they may have even been hard to write. It is very touching to see just how many parents, grandparents and partners out there put their loved ones forward, we clearly have a very compassionate group of investors.

Because the situation is slightly sensitive we will not be naming the family we have put forward however we can see the huge impact Outward Bound will make in this person's life. We are really excited to be able to set them off on the first step in their new journey.

We will be opening nominations again in early 2019.



## Key Dates

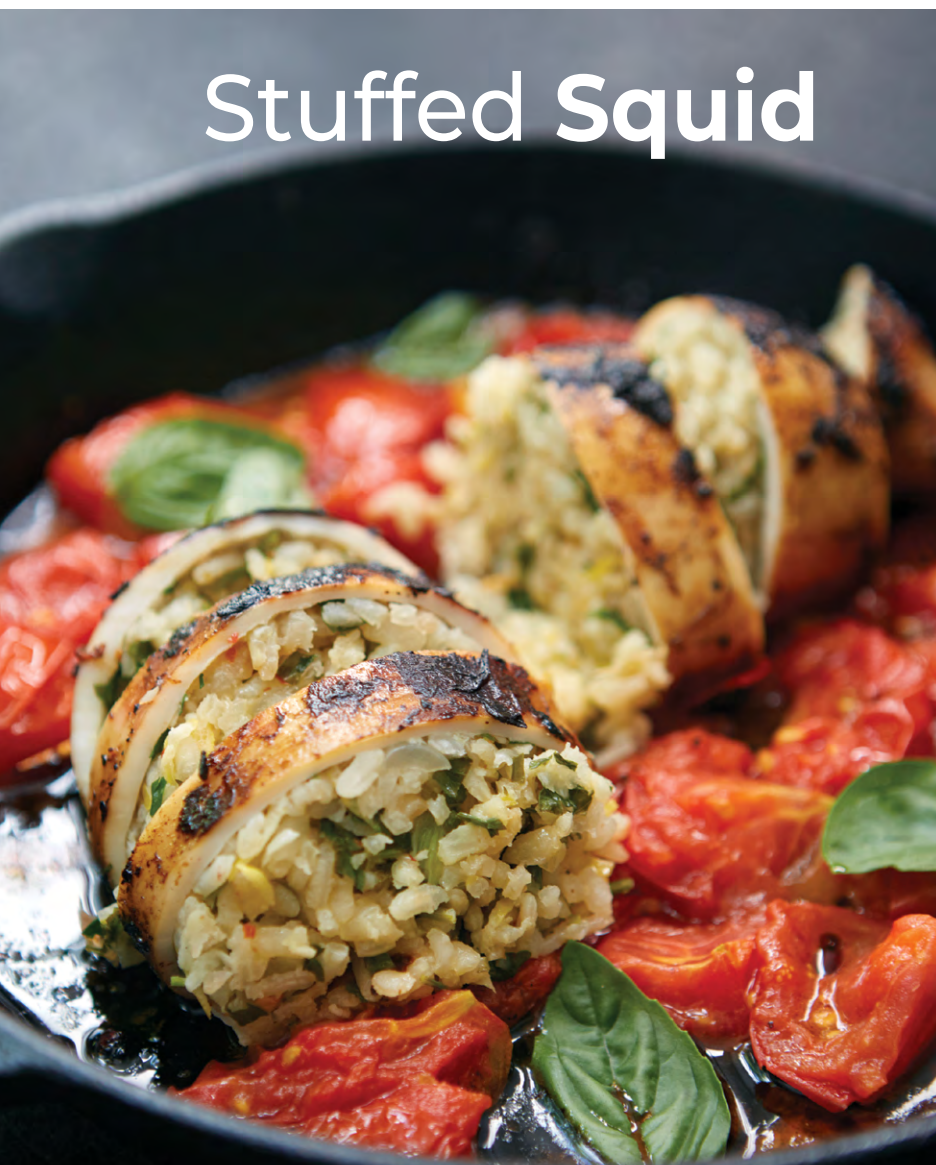
### NOVEMBER:

Augusta Capital and Asset Plus interim results announcement.

Australia Schemes Tax Information.

Australian 2018 Annual Meetings  
New Plymouth – Fri 2 Nov.

# Stuffed Squid



## INGREDIENTS

1 whole squid	3 cups of stock (chicken)
2 cups of arborio rice	A handful of parsley
2 tbs salted butter	Zest & juice of 2 lemons
3 cloves garlic	1/4 tsp chilli flakes
1 shallot	6 ripe medium size tomatoes
1/2 cup white wine	A handful of basil

## METHOD

- Remove the head of the squid - remove all of the insides leaving an empty tube with tail intact.
- Lightly sauté the garlic and shallot in 2 tbs of butter until soft and translucent.
- In another saucepan dry toast the rice for 2 minutes before adding the wine - cook for another 2 minutes - add the stock 1/2 cup at a time until the rice has absorbed all the stock - add the shallot and garlic, finely chopped parsley, zest & juice of lemons and chilli flakes - stir to combine - fill the hollow tube of the squid with the rice mixture - to hold the rice in place secure the open end with a skewer.
- Use a heavy bottomed saucepan to cook the stuffed squid. Heat the pan to a medium heat, add 2 tbs oil - lie the squid in the pan - cook each side for 6 minutes over a moderate heat.
- Pan fry the tomatoes in a separate pan until just cooked - add the tomatoes to the squid pan - spread them around the squid, sprinkle with the basil leaves - rest for 10 minutes before serving.

Excerpt from "Take a Lemon" recipe book written by Rosie Davidson (our Marketing and Communication Manager's, mother-in-law). Styling and Photography by Evie Mackay ([www.eviemackay.com](http://www.eviemackay.com)). "Take a Lemon" to be released 2019.



# The Last Word

We were lucky enough to have **Mike McRoberts** speak at our Auckland Investor evening last month.

Mike is best known for his journalism work in some of the world's most dangerous places, covering conflicts in Afghanistan, Iraq, Gaza and East Timor. Mike has also covered some of the world's worst natural disasters from tsunamis, to wildfires and earthquakes, including the devastating earthquake in Haiti in 2010, the Japan earthquake and tsunami and then, close to home, his coverage of the Christchurch earthquakes in 2010 and 2011. His incredible experiences made for a touching and highly engaging 30 minute recount of some of his most extraordinary moments in the field.

Mike was also very obliging, being the consummate gentleman he is, and provided a few lighter pieces of information about himself just for our readers. Enjoy.



Mike covering the Nepal earthquake 2015.

## Are you more of a hunter or a gatherer?

I guess I'd have to say gatherer as I've been a journalist gathering the news for more than three decades.

## What was your first paid job?

I had many holiday jobs at school before getting into journalism - my first was picking raspberries.

What a back breaking job, it took me years to like raspberries again.



## What were you like in high school?

Pretty shy to be honest but I loved the school environment and was in to everything from sport to drama and the young enterprise scheme. In my last year I was Head Boy.

## What would a close friend say if I asked them, "What is the one characteristic they totally love about you, and the one that drives them insane?"

I think most of my good friends would say I'm a generous person. And probably the thing that drives them all crazy is that I'm often hard to pin down - always busy.

## Tell me something that's true, that almost nobody agrees with you on.

The Warriors can win the NRL this year.\*



## What is on your perennial to-do list?

Read. I love reading but these days struggle to find time to sit down with a book. Clearly I need a holiday.

## What's the one moment you've experienced that altered the trajectory of your life?

Listening to the radio when Eerebus crash happened, the subsequent coverage made me want to be a journalist.

## What do you work towards in your free time?

Time with family and friends. I enjoy nothing more than spending a Sunday cooking up a storm and having everyone around for a late lunch. (That's a lunch that often goes late).



## Has there been a time when you have genuinely feared for your life, what happened, where were you?

Probably more than most. I guess I've been in more than a dozen war zones over the years and just as many natural disasters. They all

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I think most of my good friends would say I'm a generous person. And probably the thing that drives them all crazy is that I'm often hard to pin down - always busy.

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come with their own challenges, but being detained by Hezbollah during the war in Lebanon in 2006 and the conflict in Gaza in 2014 are two "standouts".

## If all failed tomorrow, what is your backup plan?

That's a tough one. I do love telling stories so I guess I'd gravitate towards something that had that as a component. The great thing is storytelling is such a commodity these days, I hopefully wouldn't be out of work long.

## What was the last costume you wore?

I went to an Eighties party recently and I'm ashamed to say I didn't actually need a costume.

\*Interview took place before the end of the Warriors season.





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