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# MARKET RELEASE

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## 7 Waterloo Quay Update

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### **Leasing Update**

Argosy is pleased to announce the following leasing transactions for space at its 7 Waterloo Quay building in Wellington;

#### **Ground Floor and Level 1: New Zealand Post**

New Zealand Post will remain on the Ground Floor, and relocate from the four tower floors it presently occupies down to Level 1 toward the end of this year (4,430m<sup>2</sup> leased to New Zealand Post).

#### **Levels 2 and 10: Department of Internal Affairs (DIA)**

The DIA has entered into an initial 9-year lease for 4,130m<sup>2</sup>. Lease commencement date 1 February 2020.

#### **Level 3, 4 and 5: Kāinga Ora (formerly Housing New Zealand)**

Kāinga Ora has entered into an initial 9-year, 3 months lease for 7,000m<sup>2</sup>. Lease commencement date 1 March 2020.

Following the three new/restructured leases, 7 Waterloo Quay is now 66% leased by gross rent.

Argosy is also at an advanced stage of negotiations with another Crown entity for an initial 9-year, 3 months lease over ~3,660m<sup>2</sup> on Levels 6, 7 and 8. The proposed lease commencement date is 1 March 2020. If negotiations are successfully concluded the building will be 82% leased.

There is strong interest from corporate and Crown tenants for the remaining space on Levels 9, 11 and 12.

Argosy Chief Executive Officer Peter Mence said "We are very pleased to be able to announce these transactions to the market. Our team has worked extremely hard to deliver real estate solutions for the Crown. With a number of Crown entities already part of the wider Argosy portfolio, it is very satisfying to be able to welcome additional Crown tenants. Our team are focused on leasing the remaining space and we look forward to working closely with all our new Crown partners."

## **Insurance Claim Update**

7 Waterloo Quay in Wellington sustained damage in the 7.5 magnitude Kaikoura earthquake on 14 November 2016. Soon after the earthquake independent engineers confirmed that the building remained structurally sound, but it suffered damage to fit out and services.

As with many significant insurance claims for earthquake damage, there will be debate with insurers over the extent of damage, the scope of repair works, the repair methodology and the extent of insurance cover. To support its claim, Argosy commissioned a comprehensive damage survey of 7 Waterloo Quay, detailed damage assessment reports, corresponding reinstatement scopes and a comprehensive reinstatement cost estimate. Argosy has submitted these to insurers.

Argosy has submitted 11 interim claims in respect of material damage and business interruption to 31 July 2019;

- Claims for material damage (reinstatement works and claims assessment costs) undertaken have been submitted based on costs actually incurred. The total claimed from inception of the claim to 31 July 2019 is \$45.3 million. These costs relate primarily to urgent reinstatement works required to make damaged levels of the building available for reoccupation (estimated at \$49.5 million) and were not able to be agreed with insurers in advance. Further claims will be made in respect of reinstatement works as costs are incurred.
- Claims have been submitted to 31 July 2019 for business interruption costs (loss of rents, additional costs and claims preparation) totalling \$15.0 million. The main component of this is loss of rents (\$14.3 million) and no further claims in respect of loss of rents are expected.
- From inception of its claim to 31 March 2019 Argosy received progress payments from insurers of \$20.9 million (after a \$4.9 million deductible) in relation to its interim claims. Of these, \$10.8 million has been allocated to reinstatement of earthquake damage, \$1.6 million to expense recoveries and \$8.5 million to loss of rents.
- In September, Argosy received a further payment from insurers of \$2.5 million on an unallocated basis.

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### **Enquiries**

Peter Mence  
Chief Executive Officer  
Argosy Property Limited  
Telephone: 09 304 3411  
Email: pmence@argosy.co.nz

Dave Fraser  
Chief Financial Officer  
Argosy Property Limited  
Telephone: 09 304 3469  
Email: dfraser@argosy.co.nz

Stephen Freundlich  
Head of Investor Relations  
Argosy Property Limited  
Telephone: 09 304 3426  
Email: sfrundlich@argosy.co.nz

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