

NZX announcement – 8 May 2020

## Precinct Third Quarter Dividend and Business Update

Precinct Properties New Zealand (Precinct) (NZX:PCT) is pleased to advise Precinct shareholders will receive a third-quarter dividend of 1.575 cents per share plus imputation credits of 0.289332 cents per share. Offshore investors will receive an additional supplementary dividend of 0.131294 cents per share to offset non-resident withholding tax (see Note 1). The record date is 28 May 2020 and payment will be made on 12 June 2020. See Note 2 for Inland Revenue Department (IRD) change in relation to listed PIE income.

Precinct also advises, consistent with its announcement of 24 March, that it reaffirms its dividend guidance for the FY20 year of 6.3 cents per share, which is consistent with Precinct's FY20 AFFO (see Note 3 for a definition of AFFO). Like many landlords, Precinct has proactively engaged with its occupier base and has implemented a range of initiatives to support its occupiers through this difficult time. Engagement with occupiers has generally been positive and constructive and Precinct appreciates the support of its clients and strength of relationships at this time. Notwithstanding these initiatives and recognising that around 50% of its office occupiers have a credit rating of AA- or higher, Precinct remains confident of meeting its full year dividend guidance.

Pleasingly construction has re-commenced at Commercial Bay, with completion targeted for June. Prior to the lockdown, the total project cost had increased by around 2.5% (\$20 million) due to delays and dispute settlements. It is anticipated that there will be a further increase in the total project cost due to impacts associated with Covid-19 including support for retailers. The total increase is not yet known however it is not expected to materially affect the project's return metrics.

Following a recent review of future development projects, Precinct advises that the One Queen Street redevelopment project in Auckland will be deferred. This period of deferral will enable us to more reliably assess the long term impacts on the tourism market and broader economy and to position One Queen Street so as to ensure the eventual redevelopment maximises returns. Precinct continues to engage positively with the stakeholders in the project regarding the deferral.

On a fully committed basis after allowing for all committed projects, Precinct's gearing will reduce to 29% and Precinct's funding commitments decrease by around \$200 million.

Ends

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**About Precinct (PCT)**

Precinct is New Zealand's only listed city centre specialist investing predominately in premium and A-grade commercial office property. Listed on the NZX Main Board, PCT currently owns Auckland's PwC Tower, AMP Centre, ANZ Centre (50%), Jarden House, HSBC House, Mason Bros. Building, 12 Madden Street, 10 Madden Street and Commercial Bay; and Wellington's AON Centre, NTT Tower, No. 1 and No. 3 The Terrace, Mayfair House and Bowen Campus. Precinct owns Generator NZ, New Zealand's premier flexible office space provider. Generator currently offers 13,600 square metres of space across four locations in Auckland.

**Note 1**

A supplementary dividend is paid to non-resident shareholders to offset the amount of non-resident withholding tax ("NRWT") that New Zealand companies are required to deduct from dividends paid to non-resident shareholders. A supplementary dividend is paid to ensure equitable treatment between non-resident shareholders and resident shareholders (whose dividends are not subject to NRWT). There's no disadvantage to Precinct or our shareholders, and non-resident shareholders don't get a larger cash dividend than an equivalent New Zealand resident shareholder.

**Note 2**

As listed PIEs are taxed at 28%, any investor who has a resident withholding tax ("RWT") rate lower than this will have to manually add this PIE income to their annual tax returns. All other investment income will be automatically provided to the IRD. You are required to include the Gross dividend in your income tax return (and claim a credit

for the imputation credits) unless you are an individual or trustee investor. If you are an individual or trustee investor you can choose whether to include this amount in your income tax return. Individual or trustee investors on lower than the 30% marginal tax rate may choose to do so to gain the benefit of the imputation credits attached. The excluded income should not be included in your tax return. All shareholders should seek independent advice if you have any queries regarding the tax treatment of your payment.

### **Note 3**

AFFO (adjusted funds from operations) is a non-GAAP financial measure that shows the organisation's underlying and recurring earnings from its operations and is considered industry best practice for a REIT. This is determined by adjusting statutory net profit (under IFRS) for certain non-cash and other items.