



Stride Property Group (NS)

NZX Announcement

13 September 2021

Stride Property Group

Office Fund Established, Conditional Acquisition and Fund Manager Appointed

Stride Property Limited (SPL) and Stride Investment Management Limited (SIML) (together with SPL, Stride Property Group or Stride) today announces an intention to establish a new office fund. This will take place by way of a demerger and NZX listing of SPL's wholly-owned Fabric Property Limited (Fabric).

The demerger and NZX listing will be conditional upon completion of an initial public offering (IPO) of ordinary shares that is being undertaken by Fabric. Fabric intends to lodge a Product Disclosure Statement in respect of the IPO today.

SIML is also pleased to announce the appointment of Jessica Rod as Fund Manager – Fabric.

Establishment and demerger of Fabric

SPL established Fabric as a subsidiary in November 2020 to invest in commercial office property in New Zealand, primarily located in Auckland and Wellington.

The name Fabric represents the concept that an office building is more than its physical characteristics; office space helps to form the “fabric” of an organisation’s identity and culture and is where people connect and collaborate, creating more than the sum of the parts. Offices also form part of the fabric of communities and cities.

SPL proposes to distribute ordinary shares in Fabric to shareholders of Stride on a pro rata basis (based on a 1 for 4 ratio) for no consideration so that existing Stride shareholders will hold approximately 24.8% to 25.8% of Fabric upon completion of the IPO. Stride shareholders as at 5pm on 4 October 2021 will be eligible to participate in the demerger.

The demerger will occur at the same time as completion of the IPO and will result in Fabric becoming a separately listed company on the NZX Main Board and ceasing to be a wholly-owned subsidiary of SPL. Fabric has its own Board, which comprises three independent directors and two SIML-appointed directors, which is the same structure as Investore Property Limited, a Stride Product which is NZX listed and has a portfolio of large format retail properties.

Stride will continue its involvement with Fabric through:

- SPL holding an initial cornerstone shareholding of between 25% to 32% in Fabric upon its listing, depending on the final amount raised in the IPO. SPL has confirmed to Fabric that it does not currently intend to sell any shares in Fabric until at least the

announcement of Fabric's annual results for FY23 (expected May 2023); and

- SIML providing real estate investment management (REIM) services to Fabric under a new Management Agreement.

The demerger and the creation of a new Stride product in the form of an NZX listed office fund is a continuation of Stride's strategy of creating sector specific products managed by SIML to provide a differentiated investment opportunity for investors. Following the IPO and demerger, it is expected that Stride's LVR would reduce, creating headroom for future growth. Stride believes that the demerger will provide shareholders with the ability to elect to invest in an office specific entity, Fabric, and more clearly evaluate the performance and future prospects of each business, Stride and Fabric, on a standalone basis, while allowing each to pursue its own distinct business strategy and capital allocation policy.

Notice of record date

SPL advises that the intended record date for the distribution to Stride shareholders of shares in Fabric in the demerger is 4 October 2021. The distribution of Fabric shares remains subject to completion of the Offer and approval of the SPL board to the demerger proceeding.

About Fabric

Fabric will be a listed property company with a focus on investing in quality, sustainable office properties that exhibit 'enduring demand'.

Fabric currently owns a portfolio of 10 office properties located in Auckland and Wellington and has also entered into a conditional agreement to acquire a property under development at 110 Carlton Gore Road, Newmarket, Auckland.

Key attributes of Fabric's current portfolio as at 31 July 2021 include:

- Portfolio valuation of \$714 million (Note 1)
- A weighted average lease term of 6.3 years
- 98% occupancy
- A strong weighting to high quality tenants such as New Zealand Government departments, banks and professional services and insurance firms

Conditional Acquisition of 110 Carlton Gore Road, Newmarket

Fabric has a conditional agreement to acquire a property at 110 Carlton Gore Road, Newmarket, Auckland, from Mansons CGR Limited, for a purchase price of \$217.5 million, representing a contract yield of 5.0% on completion. The purchase price is subject to adjustment following a final rentable area survey of the building on completion.

This property is under development and is expected to be completed in February 2023, at which time (and if unconditional) Fabric will settle the acquisition. If the building has not been completed by 28 February 2024, then the acquisition can be terminated (subject to certain extensions of this date in the event of damage to the property or similar).

To receive a return on funds committed during the development period, Fabric will fund the development of the property through a loan of up to \$186.5 million that it will make in stages

during the development, and the vendor will pay interest on the amount outstanding at a rate equivalent to the contract yield, with the loan amount to be set off against the purchase price on settlement.

This acquisition remains conditional on successful completion of the IPO, the vendor entering into an unconditional agreement to lease with a third party tenant for not less than 2,500sqm (this will mean the building will be approximately 41% leased), and an executed deed of impartiality between the vendor, Fabric and the vendor's architect. Settlement will only occur if there are third party leases in place delivering at least 60% of the total net rent of the property, including a shared space operator. The vendor has committed to take a lease of any remaining vacant space at settlement in accordance with commercial terms agreed between the parties.

This building is expected to achieve a 6 Star Green Star Design & As Built (v3.2) rating, and a 5 Star NABERSNZ rating, providing it with strong sustainability credentials. Upon completion, the property will have a WALT of 10.5 years, 100% occupancy and 3.0% fixed annual uplifts over the term of the leases. The acquisition of this building is expected to further enhance the quality of Fabric's current portfolio.

As part of the establishment of Fabric, SPL has advised Fabric that, subject to limited exceptions in relation to existing SPL properties, portfolio acquisitions, opportunities pursued jointly with Diversified NZ Property Trust or Fabric and opportunities that Fabric does not wish to pursue, SPL intends to hold its exposure to office properties which fit Fabric's mandate through SPL's interest in Fabric. SPL has retained an office property at 55 Lady Elizabeth Lane, Wellington, in order to complete works on it. Following completion of those works, Fabric may seek to acquire this property if SPL wishes to sell it, but neither party has agreed any arrangement in relation to it.

Fabric will register to be a PIE for New Zealand taxation purposes.

For further information about the IPO please refer to Fabric's Product Disclosure Statement once it has been lodged by Fabric. Stride will not be an offeror under the IPO.

Appointment of New Office Fund Manager

SIML is pleased to announce the appointment, effective today, of Jessica Rod to the newly created position of Fund Manager - Fabric, part of the Stride executive team.

Jessica will manage the Fabric fund upon its establishment as a separate listed entity. Jessica has been with SIML for over 15 years, most recently in the role of Investment Manager. As part of that role Jessica has been responsible for a number of recent office acquisitions, including the acquisition of the property at 110 Carlton Gore Road, announced today.

Chief Executive for SIML, Philip Littlewood, commented "We are delighted to be able to appoint Jessica to this newly created role, to provide dedicated senior management and oversight of Fabric's business. Jessica is a highly valued member of the SIML team and she will be an excellent addition to the SIML executive team".

Continued Development of SIML's REIM Business

Fabric's portfolio and business will be managed by SIML by way of a management agreement upon Fabric becoming a separate listed entity. The establishment of Fabric follows the commencement of the Industrie Property Joint Venture in July 2020, which has an investment mandate focussed on industrial property. Fabric will be SIML's fourth external managed portfolio,

along with Investore Property Limited, Industrie Property Joint Venture and Diversified NZ Property Trust.

Following establishment of Fabric, and taking into account all committed acquisitions and developments of the SIML-managed Products, SIML will have assets under management of approximately \$3.6 billion.

Note:

1. Excludes lease liabilities. Includes 22 The Terrace, Wellington, which valuation is dated as at 31 August 2021. This property has been valued on an "as if complete" basis and SPL has committed to complete the current refurbishment works at its cost.

Attachments provided to NZX:

- Stride Property Group – Office Fund Demerger and IPO Presentation - 130921
- Stride Property Group - Corporate Action Notice – 130921

Ends

For further information please contact:

Tim Storey, Chairman, Stride Investment Management Limited / Stride Property Limited
Mobile: 021 633 089 - Email: tim.storey@strideproperty.co.nz

Philip Littlewood, Chief Executive Officer, Stride Investment Management Limited
Mobile: 021 230 3026 - Email: philip.littlewood@strideproperty.co.nz

Jennifer Whooley, Chief Financial Officer, Stride Investment Management Limited
Mobile: 021 536 406 - Email: jennifer.whooley@strideproperty.co.nz

Louise Hill, General Manager Corporate Services, Stride Investment Management Limited
Mobile: 0275 580 033 - Email: louise.hill@strideproperty.co.nz

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.

Important Notice

No money is currently being sought in respect of the IPO by Fabric. The shares to be offered under the IPO cannot currently be applied for or acquired. If the IPO is made by Fabric, it will be made in accordance with the Financial Markets Conduct Act 2013.

This announcement is not, and should not be construed as, an offer to sell or a solicitation of an offer to buy Stride's or Fabric's securities and may not be relied upon in connection with any purchase of Stride's or Fabric's securities in any jurisdiction.

Fabric intends to lodge a Product Disclosure Statement (PDS) with the Registrar of Financial Services Providers in New Zealand (Registrar) and make available further information on the register of offers of financial products administered by the Registrar (Register Entry) (the PDS and the Register Entry, together the Offer Materials) in respect of the IPO. The Offer Materials will be made available at www.business.govt.nz/disclose under Fabric's offer number (OFR13166). The Offer Materials will contain details of the IPO and should be read before any investment decision is made. Eligible investors should not subscribe for any shares under the IPO except on the basis of information in the Offer Materials and should consult their own financial, tax and other advisors before making any investment in Fabric.

No information set out in this announcement forms the basis of any contract. This announcement is not a product disclosure statement, prospectus or other offering document and is for information and reference only. Nothing in this announcement should be read or understood as an offer, invitation, solicitation, inducement or recommendation to buy or sell any shares, securities or financial products in any jurisdiction.