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## NZX RELEASE

**16 May 2016**

# Record after-tax profit delivered in strong year

Kiwi Property today announced a record result, delivering an after-tax profit of $250.8 million[1] for the year ended 31 March 2016, up from $115.2 million in the prior year. The result was driven by a strong operating performance and a significant rise in the value of the property portfolio.

The Company's 'funds from operations' (FFO[2]) for the financial year were $91.1 million, up $6.3 million (+7.4%) on the prior year.

Chief Executive, Chris Gudgeon, said: "We have this year seen the benefit of our long-term strategic initiatives, with asset values rising on the back of rental growth, leasing success and development activities, combined with improved market conditions."

At year end, the value of the property portfolio rose to a record $2.67 billion, up $394.1 million on the prior year. The increase reflects the acquisition of Westgate Lifestyle and other capital expenditure, together with a $175.9 million revaluation gain.

Shareholders' funds have risen by $334.2 million (+24.2%) to $1.72 billion and net asset backing per share (NTA) has increased by 10.7% to $1.34, assisted by the fair value gain on our investment properties.

Chairman, Mark Ford, confirmed that shareholders will receive a final cash dividend of 3.30 cents per share, taking the full-year cash dividend to 6.60 cents per share, in line with guidance and up from 6.50 cents per share in the prior year.

"We aim to provide shareholders with long-term total returns of greater than 9% per annum, underpinned by pre-tax FFO per share growth of greater than 2%. Both of these measures were exceeded this year, with a total return since inception of 10.0% per annum and pre-tax FFO per share growth this year of 5.1%," said Mr Ford.

### Positioned for growth while maintaining a strong balance sheet

To position the Company to fund future investment and development opportunities, including the potential expansion of Sylvia Park, a 1 for 9 entitlement offer was successfully completed in June 2015, raising $148.1 million (net of costs). The proceeds were initially applied to reduce bank debt which, when combined with lower interest rates, led to a reduction in interest expense during the year.

The Company also continued its capital recycling programme for non-core assets. A conditional agreement to sell Centre Place – South, in Hamilton, has been secured for $46.7 million, which is due to settle in June 2016.

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[1] The reported profit has been prepared in accordance with New Zealand generally accepted accounting practice and complies with New Zealand Equivalents to International Financial Reporting Standards. The reported profit information has been extracted from the annual financial statements which have been the subject of an audit pursuant to New Zealand Auditing Standards issued by the External Reporting Board.

[2] FFO is an alternative performance measure used to assist investors in assessing the Company's underlying operating performance and to determine income available for distribution. FFO is calculated in accordance with guidelines issued by the Property Council of Australia.

At year end, the gearing ratio was 30.3%, down from 33.5% a year ago, assisted by reduced bank debt from the proceeds of the capital raising, together with improved property valuations. At year end, the Company's weighted average cost of debt was 4.88%, down from 6.02% a year ago and the lowest rate in more than 10 years. The weighted average term to maturity for the Company's debt facilities is 3.9 years.

### Investing in line with strategy

The Company remains keenly focused on delivering on its investment strategy, which favours:

- Acquisitions and organic growth opportunities in the Auckland region, given its superior prospects for economic, population and employment growth.
- Retail acquisition opportunities that can be expected to deliver superior investment performance over time including:
  - dominant regional shopping centres, and
  - retail centres in locations favoured by the Proposed Auckland Unitary Plan.
- Core government office accommodation in Wellington, supported by long-term leases to the Crown.

This strategic focus is evidenced through recent investment activities. Highlights for this reporting period include:

- The acquisition of a large format retail centre nearing completion at Westgate, a new Metropolitan Centre in Auckland's north-west.
- The successful completion of 'The Brickworks' dining and entertainment precinct, at a cost of $39.2 million, at LynnMall in the New Lynn Metropolitan Centre.
- Good progress on the Company's proposed retail expansion and office development plans at Sylvia Park.
- Excellent progress on the Company's government office accommodation projects at The Aurora Centre (formerly 56 The Terrace) and 44 The Terrace in Wellington. Long-term leases, for 12 and 18 years, are now in place with New Zealand Government tenants for 32,000 sqm of office space in what will become a core Crown office precinct.

### Strategic acquisition

Post the reporting period, on 8 April 2016, Kiwi Property announced the acquisition of a 50% interest in The Base at Te Rapa, Hamilton, for $192.5 million, giving investors an ownership stake in New Zealand's largest, single-site retail centre and aligning with its strategy of owning dominant regional shopping centres.

The Base dominates its Waikato catchment, and the acquisition includes approximately 6.7 hectares of vacant land suitable for future development.

Kiwi Property will manage the property for this joint venture with Tainui Group Holdings Limited.

The acquisition, which is due to settle on 31 May 2016, will be funded through new bank debt facilities. While the acquisition will initially increase gearing, we expect to reduce the impact of this following the sale of a number of non-core assets over the next two years as part of our ongoing asset recycling programme.

**Property portfolio**

At year end, the property portfolio was valued at $2.67 billion.

Independent valuations undertaken as at 31 March 2016 resulted in a net gain of $175.9 million (+7.1%). This strong revaluation outcome reflects the high quality of the property portfolio, the Company's intensive asset management approach to driving income and investment performance and the value created through development activities. The value uplift also reflects firming capitalisation rates and strong investor demand for property, from both domestic and offshore investors, underpinned by low interest rates.

The portfolio weighted average capitalisation rate firmed 31 basis points to 6.61% – the firmest in the past 10 years – with capitalisation rates for Sylvia Park and ASB North Wharf at 6.00% and 6.05% respectively.

Portfolio retail sales have shown encouraging growth with discretionary spending improving over the course of 2015. Portfolio retail sales grew by 5.8% to $1.36 billion for the year to 31 March 2016, buoyed by improving household incomes, low mortgage rates, strong house prices and positive net migration.

On a day-to-day basis, the active management of the retail and office assets by the Company's skilled and dedicated management team has maintained strong portfolio metrics. During the year, 861 new leases and rent reviews were completed over 211,000 sqm of space, or 56% of the portfolio, locking in 3.7% rental income growth.

Net rental income was up $1.3 million (+0.8%). Positive contributions came from the retail portfolio, which included a full year's income from Sylvia Park Lifestyle, and the Auckland office assets. These favourable performances were partly offset by reduced income at The Aurora Centre, while it undergoes redevelopment prior to the commencement of a new 18-year government lease, and at 205 Queen following the sale of the final 50% interest in the prior year.

Portfolio occupancy has been maintained at a solid 98.7% with a weighted average lease term (WALT) of 5.1 years. A key highlight is the extension of the office portfolio WALT to over eight years, the longest in more than a decade.

**Creating exceptional places to shop and work**

The Company's vision is for Kiwi Property to be synonymous with New Zealand's best retail and workplace experiences.

Mr Gudgeon said: "We are continually refining the retail mix in our shopping centres, with emphasis in recent years on providing shoppers with greater diversity of food – including both indoor and outdoor dining options – as well as improving the availability of leisure and entertainment facilities. A great example of this is our highly successful dining lane and cinema development at LynnMall, known as 'The Brickworks' which opened in November 2015. Just one month after opening, retail sales across the whole centre for December 2015 were up 11.9% on December 2014, with like-for-like specialty sales up by 5.2% and foot traffic up 17%. This trend has continued into 2016, with retail sales up on average 20% across the four months since opening and foot traffic continuing to track 17% above the level in the prior year."

"Projects like this help to redefine the way communities meet and socialise, and we've been impressed by the enthusiastic response to this project by our West Auckland shoppers."

LynnMall has also been a success for the Company's shareholders. Acquired in December 2010 for $174.5 million, this asset is now worth $269.0 million. After allowing for the further investment of $47.4 million made to improve the centre, the resulting value gain for shareholders has been $47.1 million.

A highlight in the office portfolio has been the successful completion of the $1.7 million Vero Centre lobby refurbishment in February this year, designed to maintain its best-in-class status as a landmark prime office building. The lobby is purposefully designed to serve as an extension of the building community's working environment, providing a variety of high quality meeting settings in relaxed and inspiring surroundings. Tenant reaction to the refurbishment has been very positive and the Company's ongoing investment in the building has been a key factor in maintaining a near 100% tenant retention rate. Shareholders have benefited with the value of the building increasing by $77 million over the past three years to a current value of $358.0 million.

**Sylvia Park expansion plans**

Good progress has been made on expansion plans for Sylvia Park.

In the last quarter of 2015, the Company secured the commitment of two international fashion giants, H&M and Zara, to open their first New Zealand stores at Sylvia Park. Both stores are now under construction, at a total cost of $19.2 million, and on programme to open in spring this year.

Mr Gudgeon said: "The introduction of these two global retailers to the centre is an important first step in our expansion plans and sends a clear signal as to our intentions. Our vision for Sylvia Park is to create a truly world-class retail offer, and our expansion plans feature new international brands, concept stores, additional specialty retail, market-leading food and dining offers, additional carparking and potentially one or more department stores."

**Sustainability**

Kiwi Property continues to take a leadership position in the area of sustainability, driven by a focus on resource efficiency and positive social contribution.

Amongst achievements this year, Kiwi Property was the only New Zealand business to be named one of the world's top 113 performing companies for leadership in carbon disclosure, rewarding the Company's efforts to reduce carbon emissions and tackle climate change through resource efficiency.

**Outlook and dividend guidance**

Mr Ford said: "As we look forward to the year ahead, Kiwi Property is well positioned relative to our shareholder goals. The New Zealand economy continues to grow positively and investment property fundamentals remain supportive, particularly in Auckland."

Mr Ford concluded: "We are pleased to project an increased cash dividend for the 2017 financial year of 6.75 cents per share, subject to a continuation of reasonable economic conditions."

***This Announcement should be read in conjunction with the 2016 Annual Result Presentation and 2016 Annual Report, also released today.***

> Ends

## Contact us for further information


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## About us

Kiwi Property (NZX: KPG) is the largest listed property company on the New Zealand Stock Exchange and is a member of the NZX15 Index. We've been around for more than 20 years and we proudly own and manage a $2.7 billion portfolio of real estate, comprising some of New Zealand's best shopping centres and prime office buildings. Our objective is to provide investors with a reliable investment in New Zealand property by targeting superior risk-adjusted returns over time through the ownership and active management of a diversified, high-quality portfolio. Kiwi Property is licensed under the Real Estate Agents Act 2008. To find out more, visit our website **kp.co.nz**