

**NZX RELEASE****8 April 2016****Acquisition of a 50% interest in The Base shopping centre**

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Kiwi Property is pleased to announce that it has agreed to acquire a 50% interest in The Base shopping centre at Te Rapa, Hamilton, from The Base Limited (TBL), a subsidiary of Tainui Group Holdings Limited (TGH) for \$192.5 million. Kiwi Property has also made an offer to acquire the balance of The Base for a further \$197.5 million (in cash and shares), which will be reviewed by TGH and Waikato-Tainui in the weeks to come.

The purchase price for the initial 50% interest includes approximately 6.7 hectares of vacant land suitable for future development. The initial yield on the purchase price is approximately 6.1%, with settlement scheduled for 31 May 2016.

Chief Executive, Chris Gudgeon, said: "This exciting acquisition will give our investors an ownership stake in New Zealand's largest, single-site retail centre and aligns with our strategy of owning dominant regional shopping centres."

Ownership of The Base will be by way of a 50/50 joint venture with TBL. Kiwi Property will manage the property for the joint venture.

Under the terms of the agreement, Kiwi Property will acquire a 50% interest in 120-year ground leases over the land. The ground rents are prepaid and therefore no further ground rents will be payable. There will be no change to the freehold title to the land which will remain in the ownership and protection of Waikato-Tainui.

In the event that TGH do not accept the offer for the additional 50% interest, under the terms of the joint venture, if circumstances change such that Waikato-Tainui decide to sell their remaining 50% interest in the future, then TBL has the right to require Kiwi Property to acquire its remaining 50% interest, at a price determined by independent valuation, between 2018 and 2021.

Mr Gudgeon said: "The acquisition of the initial 50% interest in The Base is unconditional and committed. However, Kiwi Property has provided TBL with an offer to acquire its remaining 50% interest. We understand that TGH will be asking the tribal parliament along with the executive committee of Waikato-Tainui to make a decision on this offer. The offer will remain open for acceptance until 17 May 2016."

Should TBL choose to accept Kiwi Property's offer to acquire the remaining 50%, a further cash payment of \$122.5 million will be made and TBL will also be issued 54,347,826 new Kiwi Property shares at \$1.38 per share, pricing the 100% interest at \$390 million. Settlement of the remaining 50% interest, should it be accepted by TBL, is also scheduled for 31 May 2016.

As the country's largest, single-site retail centre, with a land area of approximately 30 hectares, The Base comprises a modern, integrated complex of specialty and large format retail featuring high-quality design and construction. With a total retail floor area of 85,256 sqm and over 190 tenancies, The Base comprises 53,876 sqm of large format retail together with the 31,380 sqm enclosed Te Awa Mall and 3,343 car parking spaces. Te Awa Mall, completed in 2011, is anchored by a two-level Farmers department store and a six-screen Hoyts Cinema. The large format retail component, constructed in two stages between 2005 and 2014, is anchored by The Warehouse and Mitre 10 Mega.



Recognising the significance of the site to the people of Waikato-Tainui, Kiwi Property has undertaken to protect unique cultural elements upon the site, and has worked with TGH to allocate a portion of the original site area for a future Whanau Ora (family health) centre for the Waikato-Tainui people.

The acquisition of the 50% interest will be funded through a new bank debt facility. This will increase the gearing ratio to an anticipated 34%<sup>1</sup>. The Company's committed bank debt facilities have increased to \$1.1 billion.

Mr Gudgeon said: "Although the acquisition of The Base will be initially funded through bank debt, we expect to reduce gearing following the sale of a number of non-core assets over the next two years as part of our ongoing asset recycling programme."

The Base has significant future development potential with 6.7 hectares of vacant land currently zoned for further retail and other uses. It is located within New Zealand's 'golden triangle' of economic and residential growth (Auckland, Hamilton and Tauranga) which, over the next two decades, is expected to account for the majority of New Zealand's population growth and accommodate approximately 50% of New Zealand's population. Auckland and the Waikato are respectively the fastest and third fastest growing regions in New Zealand.

"As an investment proposition, The Base is an exciting opportunity with a positive retail sales outlook and strong underlying demographics," Mr Gudgeon said.

In the year to 31 December 2015, The Base generated total retail sales of \$262.8 million, an increase of 12% on the prior year.

Key supporting factors for future sales and rental growth include:

- > The strong tenant mix and dominant position which the centre enjoys within Hamilton and the Waikato region.
- > The centre's easily accessible and high profile location.
- > The projected growth in population and retail expenditure within the catchment.
- > The ability to expand the centre and improve the retail offer through the utilisation of the development land.

Kiwi Property will seek to drive further value by actively managing the centre's retail mix and by pursuing further value-adding opportunities. Passing rentals are estimated to be approximately 3.1% below market, with vacancy around 4%.

Mr Gudgeon said: "This is an exciting time for Kiwi Property. Over the past 22 years, we have built a leading position in New Zealand's retail sector. Sylvia Park Shopping Centre in Auckland was developed by Kiwi Property and is now recognised as New Zealand's leading shopping centre, valued at over \$700 million. International retail giants H&M and Zara will open their first New Zealand stores at Sylvia Park later this year."

"We are very excited to be partnering with Waikato-Tainui in the ownership of The Base and look forward to applying our retail management skills for the benefit of the joint venture," said Mr Gudgeon.

A copy of a presentation on The Base acquisition has also been provided to NZX.

> Ends

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<sup>1</sup> After allowing for the settlement of the Centre Place South disposal, scheduled for June 2016.



## Contact us for further information

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## About us

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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](http://kp.co.nz)