

NZX announcement – 28 August 2024

Strong portfolio performance and strategic growth progress

Performance summary for the 12 months ended 30 June 2024

Financial summary

- Strong core office performance with net property income (NPI)¹ growing to \$139.3 million (2023: \$130.2 million), up 5.8%².
- Funds from operations (FFO) from directly held investment portfolio of \$126.9 million, up 2.9% (2023: \$123.3 million), contributing to net operating income before tax of \$103.6 million, up 1.5% (2023: \$102.1 million).
- Total comprehensive income after tax of (\$30.1) million (2023: (\$147.5) million) with an annual revaluation which recorded a \$105.2 million decline in FY24 (2023: \$257.1 million), reflecting a stabilising investment property market.
- Adjusted funds from operations (AFFO) of 6.69 cps (2023: 6.69 cps).
- Net Tangible Asset (NTA) per share of \$1.29 (2023: \$1.38).

Operating performance

- Portfolio occupancy of 98% with 6.6 years (2023: 6.0 years) weighted average lease term (WALT)
- Rental growth has been strong with new office lease deals up 15.9% and rent reviews achieving a 3.4% increase
- Full year leasing of 13,500 square metres secured in the portfolio across both Auckland and Wellington.
- Completed 44 Bowen Street with occupancy now 100%.
- Completed redevelopment of Deloitte Centre at One Queen Street including the opening of the new flagship hotel, InterContinental Auckland.

Advancing living strategy and future development opportunities with capital partners

- Reflecting strategic progress on Precinct's living sector activities, a move to 100% ownership of Precinct Properties Residential Limited (PPRL), the joint venture established with Tim and Andrew Lamont in 2022.
- Entry into the purpose-built student accommodation (PBSA) sector.
 - Acquisition of 256 Queen Street in Auckland with resource consent now lodged for a c.600 bed PBSA facility.
 - Following strong interest from potential capital partners, Precinct is working exclusively with a preferred capital partner to invest alongside Precinct, subject to certain conditions being satisfied. Precinct will hold an interest of 20%.

¹ Net property income excludes IFRS 16 rent expense allocation.

² Net of straight line rent adjustments, following a change in calculation adopted in the period.

- Further well-located PBSA site secured under option through to mid 2025 and advancing under due diligence.
- Growth in Precinct's residential Build-to-Sell pipeline.
 - Commenced construction of three new build-to-sell apartment developments on behalf of capital partners, with a total sales value of \$431 million.
 - Agreement to conditionally acquire a site at the junction of Dominion and Valley Road in Mount Eden for a residential apartment development.
 - Announcing today, entering into a conditional agreement with Orams Group to jointly develop their significant waterfront site at Wynyard Quarter including a small scale commercial development and large scale residential development site. The agreement is conditional upon agreeing and finalising full-form transaction documentation and approval from Auckland Council (as ground lessor).
 - Precinct now has an active build-to-sell residential development pipeline of \$431 million and a total residential pipeline, excluding downtown carpark, of circa \$970 million.
- Advancing the downtown carpark development.
 - Unconditional agreement with Eke Panuku to acquire and redevelop the site, with resource consent now lodged.
 - Pre-leasing underway with exclusive negotiations with a major occupier for circa 40% of the office space.
- Joint venture formed with Ngāti Whātua Ōrākei, to invest in the regeneration of the Te Tōangaroa precinct in Auckland. Precinct's investment is in partnership with PAG.

Funding initiatives supporting continued execution of our strategy

- Capital recycling with the sale of Mason Bros. building located in Auckland for \$50.3 million and settlement of the sale of 40 Bowen Street and 44 Bowen Street in Wellington.
- \$150 million of subordinated convertible notes issued during the period providing capital management and strategic benefits.
- Secured Precinct's first green bank loan of \$168 million which will be used to fund the 61 Molesworth Street development which is targeting a six star green star rating.
- Refinanced existing bank debt with new syndicated facilities totalling \$700 million. These facilities provide sufficient liquidity to repay Precinct's bonds and USPP due to mature in November and January, respectively.

Environmental, Social and Governance (ESG) update

- Precinct improved its Global Real Estate Sustainability Benchmark (GRESB) score to 86, well above the current global average of 75 and maintained a public disclosure level of 'A'.
- Precinct's climate related disclosures will be published in October 2024 and available online at Precinct's website: www.precinct.co.nz

Note: Further information can be found within the 2024 Annual Report and results presentation. You can find these at <https://www.precinct.co.nz/investors/2024-annual-results>

Precinct Properties Group (Precinct) (NZX: PCT) reported its financial results for the 12 months ended 30 June 2024 today. Precinct's core office performance has been strong with increased leasing activity and rental growth achieved. This has resulted in Funds from operations (FFO) from directly held investment portfolio of \$126.9 million, up 2.9% (2023: \$123.3 million). This has contributed to net operating income before tax of \$103.6 million, reflecting an increase of 1.5%² on the previous comparable period (2023: \$102.1 million) with net property income (NPI)¹ for the 12 months to 30 June 2024 of \$139.3 million up 5.8%² on the previous comparable period (2023: \$130.2 million).

Total comprehensive income after tax of (\$30.1) million compares to (\$147.5) million for the same period last year, with the fair value of Precinct's properties declining \$105.2 million for FY24. This compares to a \$257.1 million devaluation recorded in FY23. While property valuations have declined over the last 12 months as a result of elevated interest rates, it has been particularly pleasing to see a stabilisation of property valuations in the second half of the financial year with a lower interest rate environment expected over the near-term. Precinct's weighted average market capitalisation rate has softened on a like-for-like basis from 5.6% to 5.9% over the past twelve months.

Adjusted Funds from Operations (AFFO) adjusts for unrealised valuation movements and other non-cash items. Precinct's AFFO for the 2024 financial year was \$106.2 million (June 2023: \$106.1 million) or 6.69 cps. Full year dividends paid to shareholders and attributed to the 2024 financial year totalled 6.75 cents per stapled security.

Gearing as measured under borrower covenant is 35.2%, well under PCT borrower covenant level of 50%. We are pleased with the resilience of our balance sheet through the downturn in asset valuations over recent periods, which reflects a strategic approach to capital management through the cycle. We will continue to proactively manage our capital

¹ Net property income excludes IFRS 16 rent expense elimination.

² Net of straight line rent adjustments, following a change in calculation adopted in the period.

including advancing capital partnerships and capital recycling to support Precinct's strategic growth opportunities.

As at 30 June 2024, Precinct's funds under management includes Precinct's directly owned portfolio totalling \$3.3 billion, and capital partnerships including commercial and residential developments totalling \$1.6 billion (on completion value). After including the conditional deals announced today, this grows to \$1.8 billion with a further \$3 billion in growth pipeline including Dominion & Valley, Orams residential, Downtown Car Park and other opportunities currently being advanced.

Further financial information can be found within the 2024 Annual Report at <https://www.precinct.co.nz/investors/2024-annual-results>.

Scott Pritchard Precinct CEO said, "Progressing further growth in the living sector during the 2024 financial year has reinforced our commitment to growing the platforms we have created and participation in a market where we believe there is significant opportunity for our business to outperform. Achieving strong performance across our core office portfolio, an established capital partnering strategy and an improving investment environment is supporting Precinct to deliver on our strategy."

"Precinct's entry into the student accommodation sector with the acquisition of 256 Queen Street in Auckland to develop a PBSA facility is very exciting. Extensive research is forecasting strong demand and limited new supply in this sector in New Zealand and follows recognition that this growth has delivered strong investment returns in cities with similar market dynamics globally. We are leveraging our development expertise, city centre knowledge, residential development experience and capital partnering platform to create new, best in class, student accommodation. Working exclusively with a global capital partner to invest alongside Precinct reflects the strong investment interest in the PBSA sector, Precinct's track record and reputation as a capable, professional and aligned capital partner."

"We are also pleased with the growth in Precinct's residential Build-to-Sell pipeline during the period having secured the Dominion and Valley site for \$13.25 million for a high-density residential apartment development. Partnering with Orams Group to jointly develop their large-scale residential site on one of Auckland's best waterfront locations further complements Precinct's pipeline. Importantly, Precinct is leveraging its market position and

capabilities to secure this pipeline with a modest level of capital commitment, providing optionality as the residential property market recovers.”

“Advancing the redevelopment of the Downtown Car Park site in Auckland with an unconditional agreement during the period has also been a great result for our business. We are very excited to be working in partnership with Ngāti Whātua Ōrākei and growing this relationship to deliver a true mixed-use precinct encompassing office, residential, and hospitality as well as new urban spaces for residents and the public. We are in exclusive negotiations with a major occupier for approximately 40% of the office space. This demonstrates the demand for businesses wanting to be located in high quality space located on the waterfront and Precinct's strong track record to deliver world-class transformational outcomes.”

“We continue to see businesses investing in relocation to high quality buildings in premium locations across Auckland's city centre office sector.”

“With construction commencement expected to start in 2026, designs are now advancing and planning for construction procurement has commenced. Early discussions with potential capital partners to work alongside us on this transformational project are now underway.”

Operational performance

Our core portfolio continues to perform well with occupancy at 98% and a WALT of 6.6 years recorded as at 30 June 2024.

Leasing activity has been pleasing during the last 12 months. In total, 54 leasing transactions were completed across 13,500 square metres of space. Including structured rent reviews, Precinct completed a total of 149,550 square metres of reviews. Rental growth has been strong with new office lease deals up 15.9% and rent reviews achieving a 3.4% increase.

At 30 June 2024, Precinct's portfolio is under-rented by 11.0% (June 2023: 10.6% under-rented).

Across our retail precincts, while occupancy levels remain robust, the impact of a slowing economy has been evident with lower sales and trading performance recorded compared to the previous comparable period. We do however expect to see an improvement in the level of sales in the coming months with increased foot traffic and visitors over the holiday

period, together with growing consumer confidence in the view that interest rates have peaked.

Development update

Precinct's current active office development projects, the 61 Molesworth Street project in Wellington and Wynyard Quarter Stage 3 in Auckland both remain on target for an expected completion of Q3 2025 and Q1 2025, respectively.

Construction of FABRIC Stage 2 and the Domain Collection are progressing well and are on schedule for completion in 2026. Outside the period, we are pleased to have entered into a construction contract for York House in Parnell. In total, these three active residential developments will deliver a total of 227 units and have a sales value of \$431 million.

Dividend payment

Precinct shareholders will receive a fourth-quarter dividend for Precinct Properties New Zealand Limited ("PPNZ") of 1.497500 cents per share in cash dividends. This dividend has no imputation credits to attach for the quarter and therefore no supplementary dividend to be paid (see note 2).

Precinct shareholders will also receive a fourth-quarter dividend for Precinct Properties Investments Limited ("PPIL") of 0.203799 cents per share, comprising cash of 0.190000 cents per share, imputation credits of 0.009492 cents per share and a supplementary dividend of 0.004307 cents per share (see note 2).

The record date for both PPNZ and PPIL dividends above is 6 September 2024 and payment will be made on 20 September 2024.

Outlook and guidance

Precinct's core portfolio performance has delivered strong results over the last 12 months reflecting the quality of our real estate. We are encouraged by the continued demand for premium grade office space. This demand, combined with under renting of 11% should underpin rental growth for our business.

In addition, our capital partnering platforms, growing relationships and attractive development pipeline are all supporting Precinct's long term strategic growth across our living

sector opportunities. However, weak economic conditions are leading to reduced consumer demand, which is leading to lower sales across Precinct's retail and operating businesses.

The legislative change to remove tax depreciation on commercial properties will have an impact on earnings. However, Precinct is well positioned and remains confident in its mid-long term earnings outlook. A growth pipeline totalling around \$3 billion across purpose built student accommodation, residential and commercial development, combined with a more certain interest rate environment provide Precinct confidence in its earnings and dividend profile.

The Board expects the dividend for the 2025 financial year to be held stable at 6.75 per stapled security to be paid to shareholders.

Further information can be found within the 2024 Annual Report and results presentation. You can find this at: <https://www.precinct.co.nz/investors/2024-annual-results>.

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About Precinct

Listed on the NZX Main Board under the ticker code PCT and ranked in the NZX top 20, Precinct is the largest owner, manager and developer of premium city centre real estate in Auckland and Wellington. Precinct is predominantly invested in office buildings and also includes investment in Generator, Commercial Bay retail and a multi-unit residential development business. As at 30 June 2024, Precinct's capital partnerships totalled \$1.6 billion of which Precinct has invested in \$1.1 billion with the balance being managed on behalf of third party capital partners. For information visit: www.precinct.co.nz

On 1 July 2023, Precinct effected a restructuring to create a stapled group structure. A stapled group comprises two listed parent companies whose shares are held by the same shareholders in equal proportions. The shares in each parent company can only be transferred or dealt with together.

Shareholders in Precinct Properties Group ("**Precinct**") hold an equal number of shares in Precinct NZ and Precinct Investments Limited and these shares can only be dealt with together. The stapled issuers are described as "Precinct Properties NZ Ltd & Precinct Properties Investments Ltd (NS)" on NZX systems and the ticker code for the stapled shares remains PCT.

Note 1

AFFO 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. AFFO has been determined based on guidelines established by the Property Council of Australia and is intended as a supplementary measure of operating performance.

<i>Amounts in \$ millions unless otherwise stated</i>	30 June 2024	30 June 2023
Net profit / (loss) after taxation	(22.1)	(153.1)
<i>Adjust for non-cash items</i>		
Unrealised net (gain) / loss in value of investment and development properties	105.2	257.1
Unrealised net (gain) / loss on financial instruments	1.2	(6.1)
Depreciation - property, plant and equipment	4.8	3.0
Deferred tax (benefit) / expense	-	(14.1)
IFRS 16 lease adjustments	(0.5)	(0.1)
Share-based payments scheme	1.2	1.4
Convertible note option value amortisation	1.2	-
Amortisations	13.6	13.7
Straight-line rental adjustments	(3.7)	(2.0)
<i>Adjust for equity-accounted investments</i>		
Share of (profit) / loss in equity-accounted investments	(3.0)	3.2
Distributions attributable to the period	3.7	-
<i>Adjust for disposals and acquisitions</i>		
Net realised (gain) / loss on sale of investment and development properties	10.6	2.0
Depreciation recovered on sale	1.2	7.7
Tax on revenue account sales of investment and development properties	-	0.5
<i>Adjust for one-off items</i>		
Stapling project costs	0.1	0.8
Project initialisation costs	1.0	-
Funds from operations (FFO)	114.5	114.0
Funds from operations per share (cents)	7.22	7.19
Maintenance capex	(3.3)	(3.3)
Incentives and leasing costs	(5.0)	(4.6)
Adjusted funds from operations (AFFO)	106.2	106.1
Weighted average number of shares for net operating income per share (millions)	1,586.3	1,585.8
Adjusted funds from operations per share (cents)	6.69	6.69

This additional performance measure is provided to assist shareholders in assessing their returns for the period.

Note 2

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).

Note 3

All portfolio metrics are as at 30 June 2024 and reflect Precinct's direct ownership in assets, unless otherwise stated.