



Stride Property Group (NS)

NZX Announcement

5 April 2022

Stride Property Group

Acquisition and Disposal of Office Properties

Further to the announcement on 13 September 2021, Stride Property Limited (SPL) is pleased to confirm that the acquisition by SPL's wholly-owned subsidiary, Fabric Property Limited (Fabric), of the Prime-grade property at 110 Carlton Gore Road, Newmarket, Auckland, from Mansons CGR Limited is now unconditional, with all conditions having been satisfied or waived. The purchase price is \$213 million, being \$4.5m below the originally contracted purchase price.

In addition, Fabric has today entered into an agreement to sell four B-grade office properties to Mansons CGR Limited, being 25 Teed Street, 35 Teed Street, 7-9 Fanshawe Street and 80 Greys Avenue, all of which are located in Auckland. The aggregate sale price is \$84 million. The sales are unconditional, other than in respect of 7-9 Fanshawe Street, which remains subject only to headlessor consent.

The combined transactions are consistent with Fabric's strategy to reposition and grow its portfolio with high quality and green-rated buildings that exhibit enduring demand. The sale of the four properties enables SPL to commit to the acquisition of 110 Carlton Gore Road while also maintaining a prudent level of gearing on its balance sheet.

Following the acquisition and disposals, and on a pro-forma basis as at 30 September 2021, the combined transaction will result in the following metrics for the Fabric office portfolio:

- Valuation of the portfolio is \$829m, up +\$129m
- Prime and Grade A properties will comprise 84% of the portfolio, up +15%
- Green assets will comprise 74% of the portfolio, up +17%
- Auckland weighting of 52%, up +9%
- WALT of 7.8 years, up +1.6 years
- Weighted average age of the portfolio of 9.0 years, down -5.1 years
- Weighted average contract yield at 5.0%, down -0.2%
- Occupancy at 97%, up +0.8%

Update on Acquisition of 110 Carlton Gore Road, Newmarket

This property 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. This property is under development and is currently expected to be completed in March 2023, at which time the acquisition is expected to settle.

Upon completion, the property will have a 5.1% contract yield, a WALT of at least 10.5 years, 100% occupancy, and 3.0% fixed annual uplifts over the term of the leases. The final settlement price will be subject to building measure on completion.

As previously advised to the market, to receive a return on funds committed during the development period, a loan will be advanced by Fabric to the vendor during the development of up to \$186.5 million, to be drawn down in stages according to specified milestones, and the vendor will pay interest on the amount outstanding at a rate of 5.0% p.a., with the loan amount to be set off against the purchase price on settlement. It is anticipated that an amount of \$135 million will be drawn down over the next four weeks.

Disposal of Office Properties

As part of the disposal of the four B-grade Auckland office assets to Mansons CGR Limited, Fabric has committed to undertake seismic upgrades at 25 Teed Street and 35 Teed Street. This work had already been identified and is expected to cost \$0.75 million. In addition, Fabric has agreed to take a lease of certain space at 80 Greys Avenue for a period of up to 12 months should a key tenant in this building not renew the lease upon expiry on 30 September 2022.

The properties will be settled in two tranches, with the first tranche comprising the two Teed Street properties. The exact date of settlement of this tranche of properties is dependent on Fabric completing certain lease transactions that are currently underway, but is expected to occur by the end of May 2022. The sale of the second tranche of properties, comprising 80 Greys Avenue and 7-9 Fanshawe Street, is expected to settle on 30 September 2022.

Philip Littlewood, Stride Investment Management Limited's CEO said "We are delighted to conclude this transaction which will result in a step-change in the quality of Fabric's portfolio. We are seeing growing demand from tenants for high quality space that is highly sustainable, flexible and meets the requirements of New Zealand's leading occupiers. We also note the emergence of construction cost escalation in the market, particularly for more intensive commercial property developments such as offices, which in our view will help drive market rental growth for new properties such as 110 Carlton Gore Road. This transaction puts Fabric in a strong position to benefit from these market trends."

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