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Auckland Real Estate Trust
ASX / NZX Announcement
28 February 2022

The Auckland Real Estate Trust ("ARE") Interim Results 31 December 2021.

Highlights.

- Overall strategy progressing well despite uncertainty created by Covid-19.
- Rental income from properties increased by 30%, underpinned by the progression of development works, strong tenant demand for ARE's workplace office strategy and the higher rents being achieved across the portfolio.
- 1 Albert Street and the Harbour Collection executed 22 new leases over the period, increasing occupancy at these properties to more than 85%, reflecting the demand for high quality office spaces.
- The Auckland property portfolio increased by \$NZ5.55m in value to NZ\$296m, reflecting improved office rents and after accounting for a softer CBD retail outlook.
- NTA decreased marginally from \$1.76 to \$1.63m as ongoing investment in the developments, funded by increased borrowings, is not yet fully reflected in NTA.
- Underlying operating results are ahead of prior period driven by the increased rental contribution from properties. Stabilised operating results will be achieved as the property development programme is completed.
- The Interim loss of \$12.6m loss was driven largely by the capital investment in the properties, funded by borrowings, not yet reflected in the valuations.
- Consistent with our strategy of proving innovative solutions in response to new office usage patterns arising from a combination of market changes and Covid 19, ARE also launched a new Hub and Spoke workplace product across its portfolio. Pleasingly, this has been fully leased and is strongly supported, with rents of up to 30% above forecasts.
- The Trust launched its Sustainability Strategy, with the development and upcycling of 1 Albert Street targeting a 4 star plus NABERS rating at completion in early 2022.
- The Formerly project achieved several development milestones, with key tenant commitments, delivery risk and value management strategies executed and the major construction due to start in mid-2022



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- **The Chicago assets continues to progress well with occupancy increasing from 59% to 80%. We intend to sell this legacy asset as soon as practical and had been in discussions with a buyer in December, which did not proceed. We believe asset value will be maximised once the property reaches 90% occupancy and will place the property for sale once leasing reaches this level. In the meantime, we are completing a refinance of the existing loan on the property to provide time to execute the sale strategy in a timely manner, with the sale expected to complete by September 2022.**

Commentary

Overall, ARE strategy is progressing well with strong tenant demand for ARE's office properties, with tenants pre-committing to offices across the portfolio and the rents being achieved increasing by up to 20%.

The underlying strength and evolution of the ARE workplace office product was highlighted by the launch of the new Hub and Spoke workplace model. The offices are designed to provide companies with ~ 15 staff, a premium grade work environment for up to 10 staff, with the staff rotating in/out during the working week. The leases for the new workspaces average a WALT of 4 years and rents which are 30% above forecasts.

The demand for quality office accommodation that offers relevant workplace solutions for tenants continues, with several larger tenants enquiring about relocation to ARE office properties. This trend is expected to continue as tenants adjust to the post pandemic economy and related workplace strategies.

Capital Markets

We are pleased to confirm that the bank loan for the Auckland CBD properties was extended to October 2022 and the loan amount increased by NZ\$15m.

As set out in our 14 December 2021 update, we are continuing to work with our advisors to progress options for value growth and expansion of the portfolio, including as appropriate introduction of new capital partners.

Conclusion

Mr Andrew Saunders concluded by saying "We have a high-quality portfolio of assets. Our focus is maintaining the positive momentum across the portfolio, completing development works and maximising value. With our advisers and major investors, we are actively pursuing options to recycle capital and deliver further growth. In the short term, our focus is on exiting the US property, completing the development works and actively managing capital and liquidity for investors".



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About ARE

ARE is the only pure-play Auckland CBD office property entity listed on the ASX and NZX. Auckland is one of the leading office markets in Australia and New Zealand, with favourable supply/demand dynamics. ARE's investment strategy is to acquire assets where it can add value and revenue, redeveloping and repositioning them to generate both income and capital returns.