

# AMP NZ Office Limited (ANZO)

ANZ Centre Redevelopment  
and Update

14 March 2011



# Agenda

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An architectural rendering of a modern building's interior. The scene is dominated by a curved, multi-story structure with a dark, metallic-looking facade. The building's interior is illuminated from within, casting a warm, golden glow through the windows and a glass-enclosed staircase. The staircase is a prominent feature, with a glass railing and a dark metal handrail. The overall atmosphere is one of sophisticated, contemporary design.

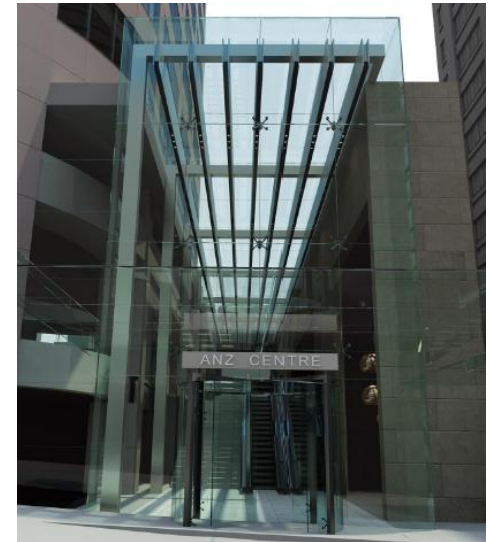
**Section 01 –  
ANZ Centre Redevelopment**

# ANZ Centre Redevelopment

- ANZ has committed to a 15 year lease over 18 floors (17,700m<sup>2</sup>) commencing 1 January 2014.
- ANZ will become ANZO's largest customer contributing c.8% of gross income.
- Fixed annual rent reviews of 2.75% and 3.0% with mid term market review subject to a 10% cap and collar.
- Direct benefit to Auckland portfolio through improved rental growth, reduced vacancy and improved customer retention.

## Key Metrics

Lease Commencement	1 Jan 2014
Practical Completion	Mid 2013
Lease Term	15 years
WALT Impact – ANZ Centre	+ 8.8 years
WALT Impact – Auckland Portfolio	+ 2.7 years
WALT Impact – ANZO Portfolio	+ 1.2 years
Market Rental Impact	+ 5.3% pa



Artist Impression of Pavilion

# Description of Works

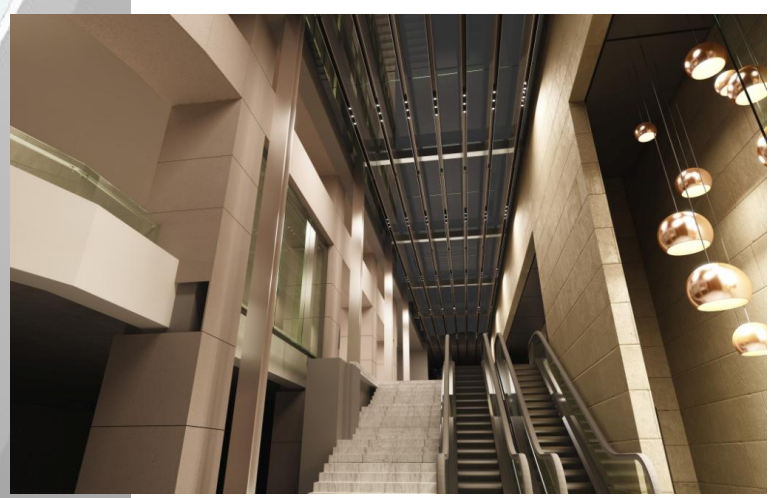
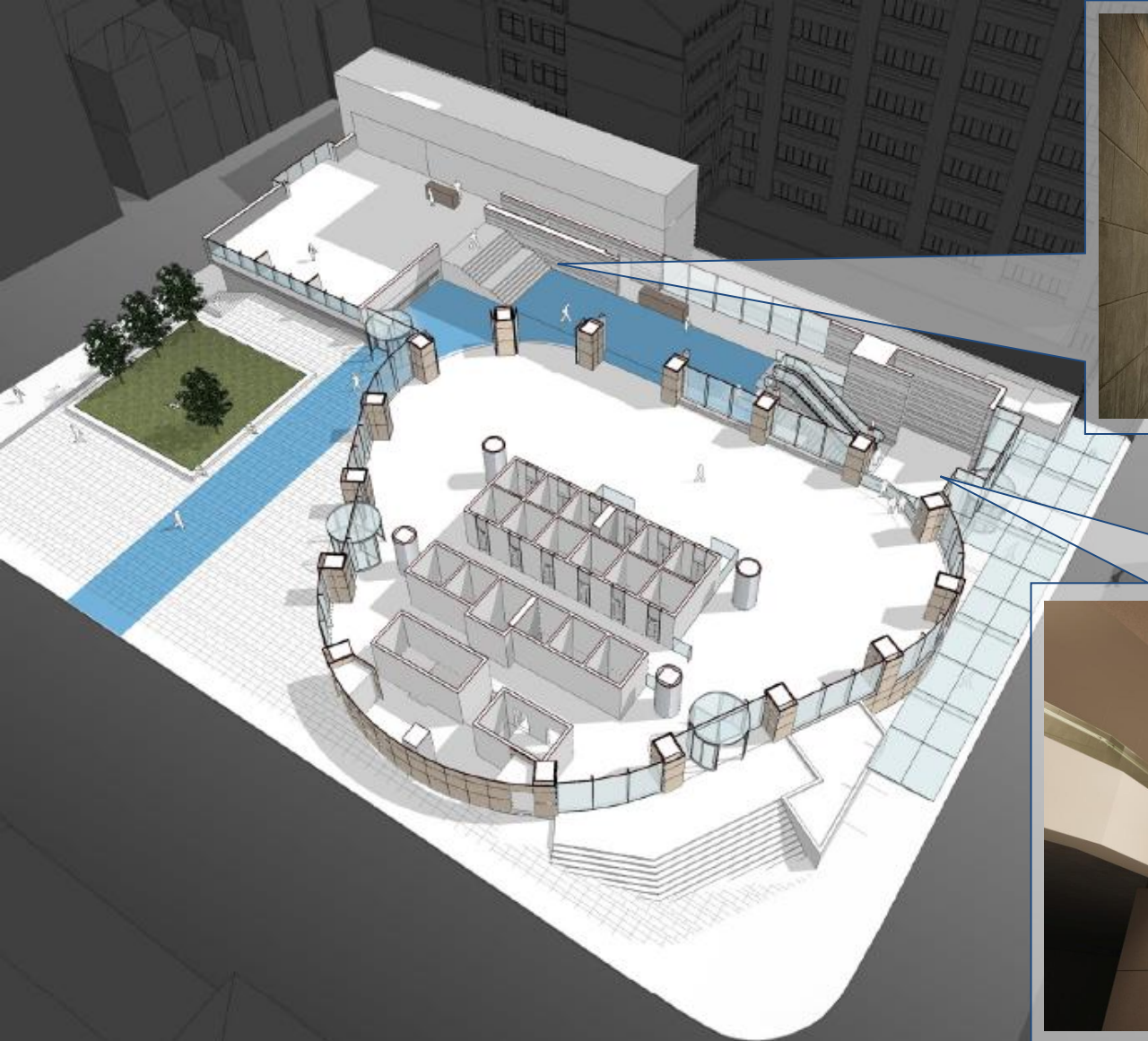
## Total project cost of \$76m, including:

- Lobby
  - Refurbished and extended lobby.
  - New Albert Street entrance including glass pavilion.
  - Dedicated meeting room suite for ANZ.
- ANZ Floors
  - Refurbished floors including inter-tenancy staircase.
- Building Services
  - Chilled beam air conditioning.
  - Lift upgrade including dedicated goods lift.
- Building Amenity
  - Landscaping, kiosk, showers and lockers in basement.

## Asset repositioning

- Secures ANZ Centre as one of Auckland's premier office towers.

# Level 7 Cutaway Plan

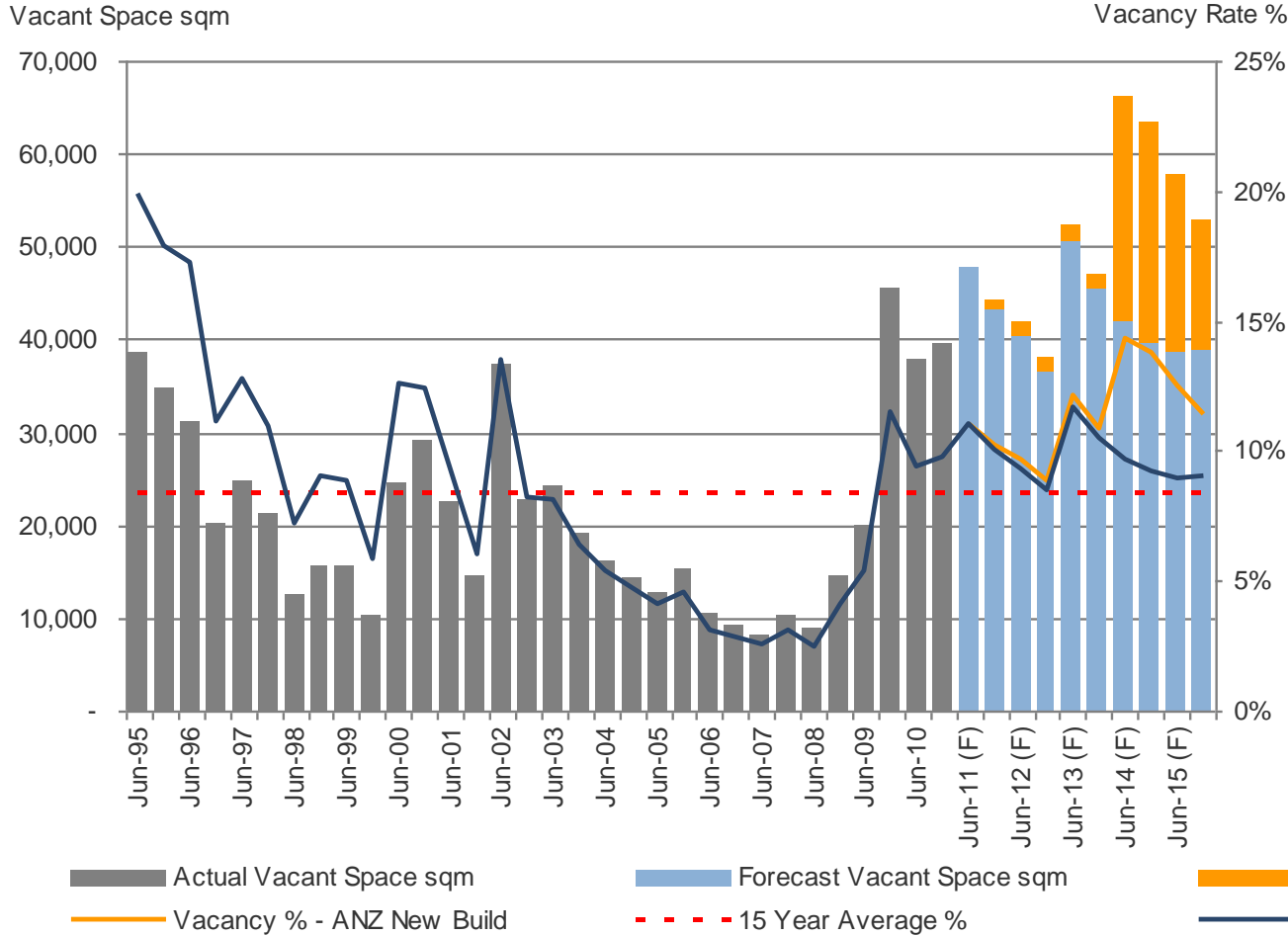


- Auckland office market experienced significant new supply in past 2 years.
- In conjunction with reduced demand due to weak economic conditions, vacancy has trended upwards.
  - Current Auckland prime CBD vacancy rate of 9.8% from 2.8% at peak.
- Prime market rents reduced by 14% from peak.

## **ANZ Centre redevelopment**

- Further supply risks now mitigated contributing to stabilisation of current market rents.
- Current stable occupier market provides potential for growth in market rents.
- Enhancement of ANZ Centre back to a premium quality building.

# Auckland Prime CBD Office Vacancy



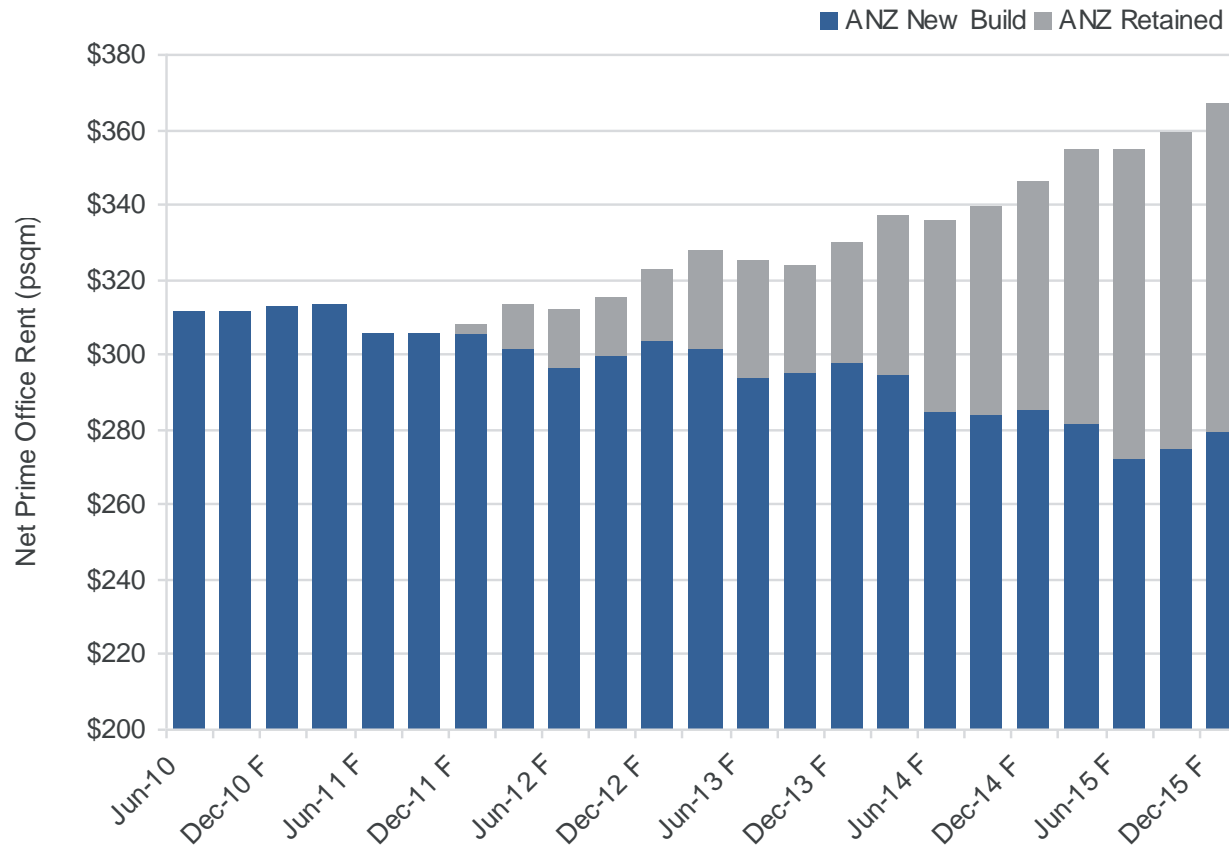
- Positive absorption expected.
- Excluding ASB, vacancy closer to 8% in 2013.
- Significant impact on prime vacancy rates within the Auckland CBD.
- Vacancy forecast to be 24,000m<sup>2</sup> or 4.6% lower in June 2014.
- Lowers risk of new supply.

Colliers International Research, Dec 2010

ANZO Update, 14 March 2011



# Auckland Prime CBD Rent Forecast



- Differential in 2013 equal to \$32/m<sup>2</sup>, forecast to widen to \$82/m<sup>2</sup> by 2015.
- Prime rents forecast to increase by 5.8% over the next 3 years.
  - Compares to (4.6%) if the ANZ were to leave and represents a 10.4% divergence.
- Positive valuation and earnings impact for ANZO's Auckland portfolio.

Colliers International Research, Dec 2010

ANZO Update, 14 March 2011



# Key Financials

- 30 June 2010 valuation of \$170m assumes probability of ANZ retention
  - ANZ departure would reduce valuation to \$150m.
- Forecast valuation of \$232m in 2013
  - Market capitalisation rate of 7.5%.
  - Internal Rate of Return of 9.75%
- Forecast yield on cost of 7.6% and Market yield on cost of 7.8%
  - Slightly under rented at practical completion.
- Return on cost
  - Value neutral.

Key Metrics	(\$m)
Current valuation ANZ vacate ANZ Centre	\$150
Project Cost	\$76
Book Value at Completion	\$226
Valuation Cap Rate	7.5%
2013 Valuation	\$232
Return on Cost – ANZ Centre	Value Neutral
Return on Cost – AKI Portfolio	Positive



**Section 02 –  
Leasing Activity**

# Leasing Activity – 21 Queen Street

- 4 new leases including two new customers.
- Strong customer covenant, **37%** leased to government departments.
- Occupancy now **63%** compared to 30% as at 31 December 2010. Only **5** full floors remaining.
- WALT is maintained at **7.8** years (31 December 2010).
- Structured review mechanisms

Customer	NLA (m <sup>2</sup> )	Lease Term (yrs)
Undisclosed	1,111 m <sup>2</sup>	6.5 years
NZ Funds Management	1,164 m <sup>2</sup>	6.0 years
The Guardians of New Zealand Superannuation	1,518 m <sup>2</sup>	12.0 years
Human Rights Commission	913 m <sup>2</sup>	6.0 years
<b>Total</b>	<b>4,706 m<sup>2</sup></b>	<b>7.95 years</b>

Level 17	New Lease
	New Lease
Level 16	461 m <sup>2</sup>
	New Lease
Level 15	New Lease
Level 14	Leased
Level 13	New Lease
Level 12	New Lease
	308 m <sup>2</sup>
Level 11	914 m <sup>2</sup>
Level 10	914 m <sup>2</sup>
Level 9	914 m <sup>2</sup>
Level 8	Leased
Level 7	Leased
Level 6	Leased
Level 5	913 m <sup>2</sup>
Level 4	913 m <sup>2</sup>
Level 3	New Lease
Lobby	
Ground	Leased

# Portfolio Overview

- Significant improvement in key metrics due to ANZ retention and leasing success within 21 Queen Street.
  - Portfolio occupancy now **94%**.
  - Portfolio WALT now **5.8** years.
- Vacancy within Auckland portfolio reduced by one third.
- Auckland portfolio occupancy of **90%**.
- Auckland WALT now **6.6** yrs compared to 3.8 years at 31 December.

## As stated in Interim Results Presentation

Key Metrics	Portfolio	Auckland	Wellington
Portfolio Value (\$m)	\$1,279 m	\$606 m	\$673 m
WALT (years)	4.6 yrs	3.8 yrs	5.2 yrs
Occupancy %	92%	85%	98%

## Post ANZ Announcement and 21 Queen Street <sup>1</sup>

Key Metrics	Portfolio	Auckland	Wellington
Portfolio Value (\$m)	\$1,279 m	\$606 m	\$673 m
WALT (years)	5.8 yrs	6.6 yrs	5.2 yrs
Occupancy %	94%	90%	98%

<sup>1</sup> Key statistics restated as at 31 December 2010.

COMPANY		BUY	SELL	LAST	VOL	COMPANY	
PORTTAUR	↓	735	745	735	26T	SKTTV	↓
POSTIEPLUS		29	31	29		SKTTV - ME	
PUMPKINPAT		184	185	185	12T	SEALEGS	↓
PANPACIFIC	↓	22	23	22	1HT	SUMMIT	
PROVENCOCA		0	0	0		SOFTWARE	
RAKON	↓	119	120	119	1HT	SOFTWARE 0	
RUBICON		103	110	101		SOUTHPORT	
RESTAURANT	↓	268	270	270	3HT	SMARTPAY	↓
RIOTINTO		0	0	0		STEELTUBE	↓
RMG		0	0	0		TAYLOR	
RENAISSANC	↓	36	38	36	28T	TRCITY	↓
RICHINA		0	0	0		TELECOM	↓
RYMAN	↓	216	217	216	1M	TEMPMARKET	↓
SALVUS		73	76	76		TENON	
SANFORD		470	480	470	12T	TOURHOLD	↓
SCOTTECH		135	140	134		TELSTRA	
SMITHCITY		34	35	34		SMARTTENZ	↓
BEEKKA	↑	220	250	220	44H		

**Section 03 –  
Earnings Outlook and Dividend Policy**

# Earnings Outlook

- Full year 2011 earnings of 5.9 to 6.1 cps confirmed.
- As previously announced, FY12 earnings are expected to be negatively impacted by refinancing, building depreciation changes, Westpac departure and market reversion.
- Due to the wide range of market estimates, early guidance on 2012 earnings is being provided.
- FY12 earnings guidance of between 5.1 cps and 5.4 cps. Outcome dependent on;
  - Continued leasing momentum.
  - Leasing up periods for PricewaterhouseCoopers Tower, State Insurance Tower and 21 Queen Street.

- The Board's review of dividend policy balanced the following:
  - Investors' desire for a high yield with low volatility.
  - Ensuring sustainable long term returns for ANZO shareholders.
- Revised ANZO dividend policy:
  - Around 90% of distributable earnings, equivalent to around 100% of average free cash flow.
  - Retained earnings will be used to fund recurring capital expenditure.
  - Phased introduction of the revised policy utilising the existing dividend reserve will smooth the impact of lower earnings in FY12 and FY13.
  - Q3 and Q4 FY11 dividend will be based on the expected dividend level for FY12.

# Conclusion

- ANZ retained demonstrating a refreshed approach to customers by ANZO.
- Significant further leasing success at 21 Queen Street, with occupancy lifted to 63% from 30%.
- Enhanced ANZO portfolio metrics; occupancy 94%, WALT 5.8 years.
- Major supply risk mitigated for Auckland market.
- FY12 earnings guidance of 5.1 cps to 5.4 cps.
- Revised dividend policy to distribute 100% of average free cashflow, 90% of distributable income.