



# AMP NZ Office Trust

## Full Year result

For the year ending 30 June 2005

Rob Lang - Executive Manager



# Highlights

- Positive market conditions
- Out-performing growth
  - EPU +7.8% (vs sector average of 4.3%)
  - DPU +4.3% (vs sector average of 1.2%)
- Strong growth in net income, earnings and distributions
- Substantial NTA growth underpinned by strong fundamentals
- Stronger balance sheet following capital management initiatives
- Investments and projects performing ahead of expectations
- Significant portfolio activity delivering strong results
- Independent governance established



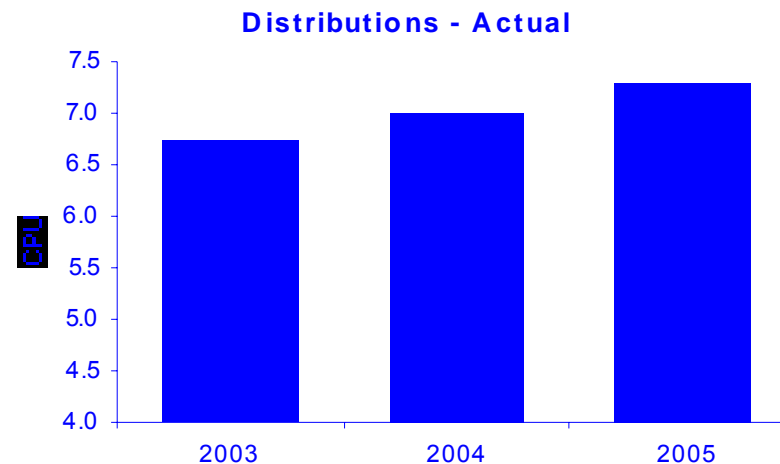
# Financial Review

\$m	30-Jun-05	30-Jun-04	% Change
Total Revenue	88.64	66.49	33.3%
Total Direct Expenses	24.61	18.29	34.6%
Surplus after Direct Expenses	64.03	48.20	32.8%
Total Indirect Expenses	29.57	13.87	113.2%
Net Surplus (before revaluations)	34.46	34.33	0.4%
Net Surplus (after revaluations)	88.16	34.06	158.8%
Earnings (cents per unit) - weighted average	7.71	7.15	7.8%
Net Tangible Assets (cents per unit) - fully diluted	100.40	90.70	10.7%
Total Assets	842.09	766.02	9.9%
Total Liabilities	359.63	369.80	-2.7%
Total Equity	482.46	396.23	21.8%
Gearing	31.7%	36.0%	-11.9%



# Distribution

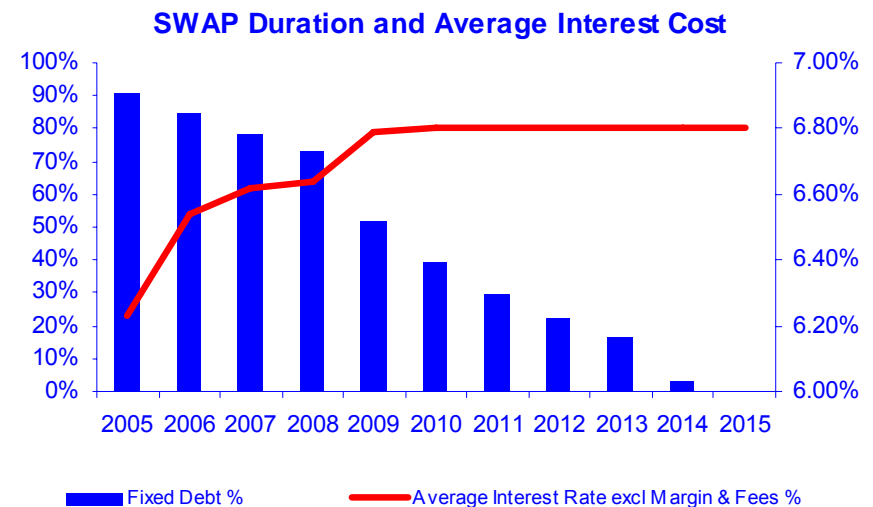
- Full year DPU up 4.3% to 7.3 cents
- 4<sup>th</sup> Quarter DPU up 5.7% to 1.85 cents
- Payout ratio 96.3%
- Distribution reserve \$5.6m or 1.2 cpu
- Confident of sustaining future growth as previously projected





# Capital / Treasury Management

- Balance sheet enhanced by a range of initiatives
- Debt to total assets: 31.7%
- \$90m remaining gearing capacity before 40% threshold
- \$95.2m MCN issue successfully completed, well supported
- \$30.2m institutional placement executed, well supported
- \$5,000 unit purchase plan proceeding
- Bank debt: \$259m drawn
  - \$310m negative pledge facility
  - 92% fixed
  - 5.4 year duration
  - <25% matures in any 12mth period
  - Average cost 6.58%





# Asset Valuation Performance

- Strong market fundamentals underpin valuation performance
- 10.8% portfolio valuation growth
- Valuation drivers:
  - Compression in market yield, terminal yield, IRR
  - Market rent increase, lower 10yr average growth rate

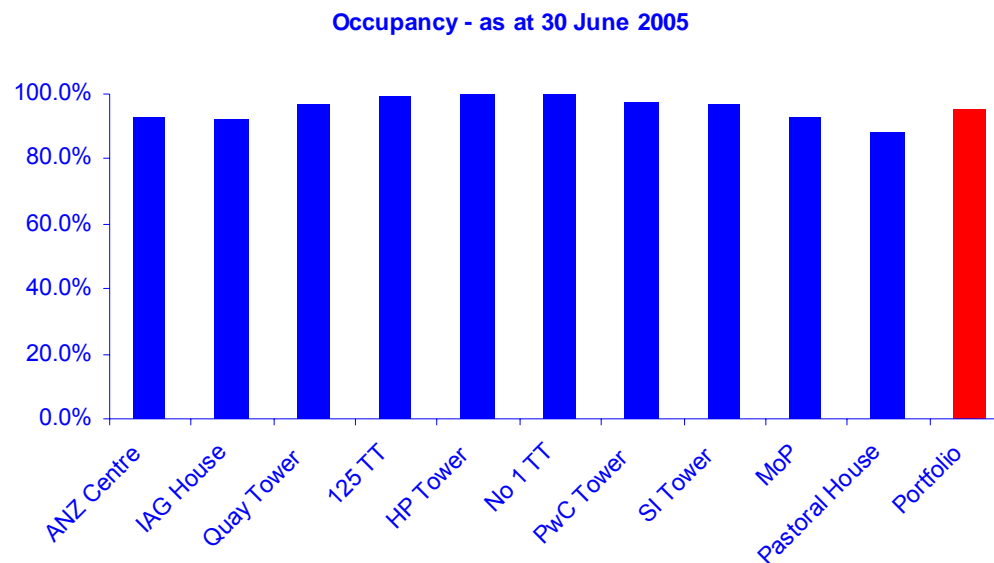
Property	Valuer	10 Year Avg. Rental Growth p.a.	IRR	Wgt. Avg. Lease Term	Market Yield	Initial Yield	Gross Book Value 2005	Gross Book Value 2004	% Change 2004 - 05
ANZ Centre	CBRE	2.9%	10.0%	4.4	8.0%	7.5%	140,000,000	136,000,000	2.9%
IAG House	CBRE	2.6%	10.0%	3.9	8.3%	7.6%	71,900,000	68,000,000	5.7%
PWC Tower	CBRE	3.1%	9.9%	7.2	7.6%	7.3%	190,400,000	178,000,000	7.0%
Quay Tower	CBRE	2.6%	10.0%	4.0	8.4%	8.6%	75,400,000	74,000,000	1.9%
125 The Terrace	CBRE	3.1%	10.2%	7.0	8.4%	7.8%	50,300,000	44,500,000	13.0%
HP Tower	CBRE	3.2%	10.2%	6.5	8.1%	7.5%	50,900,000	45,000,000	13.1%
Mobil on the Park	CBRE	3.2%	10.0%	3.8	8.0%	7.0%	75,700,000	70,700,000	7.1%
No.1 The Terrace	CI	N/a	N/a	11.8	N/a	N/a	46,749,939	34,500,000	35.5%
No.3 The Terrace	CI	1.8%	8.6%	53.2	8.3%	8.3%	9,100,000	9,100,000	0.0%
Pastoral House	CI	2.8%	10.4%	10.5	8.5%	6.8%	50,000,000	25,200,000	98.4%
State Insurance Tower	CBRE	3.1%	9.7%	3.7	8.1%	7.7%	81,900,000	75,300,000	8.8%
<b>Portfolio</b>		<b>2.9%</b>	<b>10.0%</b>	<b>6.2</b>	<b>8.0%</b>	<b>7.5%</b>	<b>842,349,939</b>	<b>760,300,000</b>	<b>10.8%</b>

Note: Portfolio weighted average lease term weighted by income. Portfolio 10 year avg. growth rate, IRR, market yield, initial yield weighted average amounts weighted by value.



# Portfolio Leasing Review

- Active asset management rewarded
- Portfolio occupancy 95.1%
- Occupancy increasing to 97.1% post balance date
- 33 new leases / 30,656sqm leased (15.3% of NLA)
- 20 new tenants

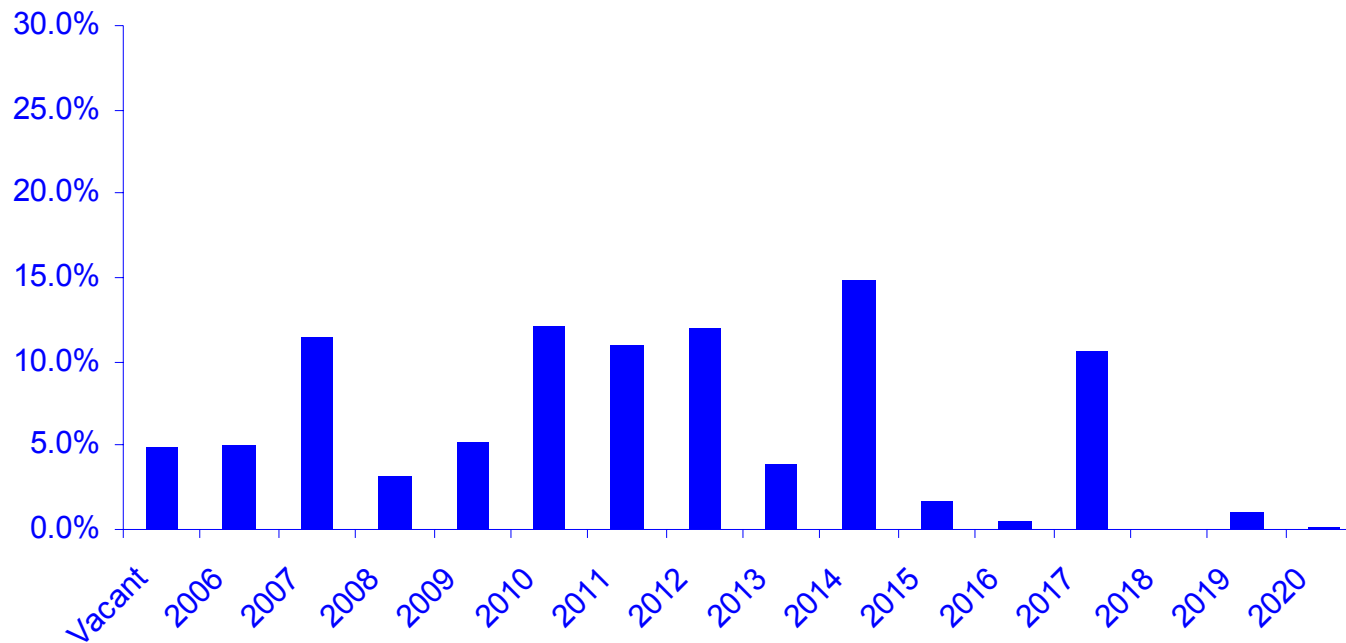




# Lease Expiry Profile

- 6.2 year weighted average lease term

Lease Expiry Profile by % of Total NLA





# Forward Lease Expiry

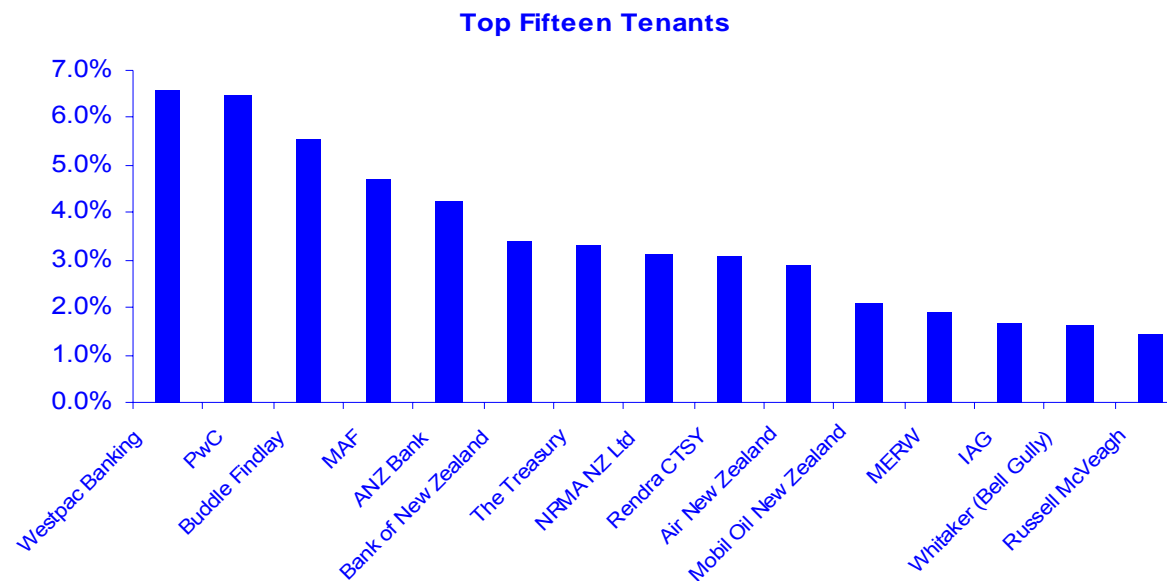
- Actively managed - resulting in low expiry risk
- < 5% or 10,000sqm expiring during FY06
- ≤ or equal to 12.1% of NLA expiring in each of the next 5 years
- Quay Tower (2007): 6,600sqm currently under contract
- History of successful forward expiry management
- Historic tenant retention rate: >90%

	ANZ Centre	IAG House	Quay Tower	125 The Terrace	HP Tower	No.1 The Terrace	PwC Tower	State Insurance	Mobil on the Park	Pastoral House	Portfolio	% of Total Portfolio
Vacant	2,471	1,359	873	43	-	-	842	951	1,252	1,881	9,673	4.9%
2006	2,551	252	2,256	-	-	-	82	4,517	258	30	9,947	5.0%
2007	4,491	2,293	10,462	463	-	-	-	3,563	1,351	-	22,623	11.4%
2008	1,054	2,332	127	256	-	-	1,172	253	1,124	-	6,318	3.2%



# Portfolio Other

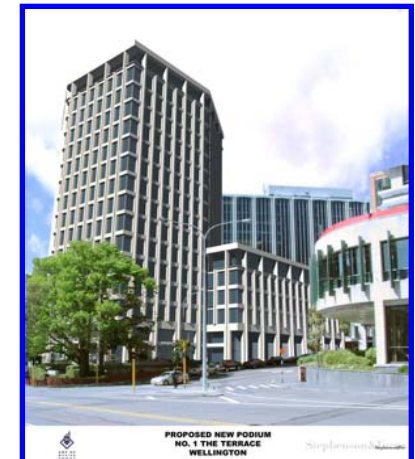
- 18 rent reviews completed: average increase 13.0% (over 3 yrs)
- Portfolio under-renting now -1.33%
- Pending rent reviews: 36,000sqm, mostly in SIT and PWCT
- Top 15 Tenants = 52.2% of total net rent





# Investment Activity

- Pastoral House
  - \$38.4m cost, yield on cost 11.2%
  - \$50m value, refurbishment margin 31.6%
  - Total return 43.8%
  - MaF leased 14 of 15 office levels for 12 years
  - Weighted average lease term: 9.9 years
- No. 1&3 The Terrace
  - \$30.7m refurbishment & redevelopment commenced
  - Practical completion January 2006
  - 85.4% pre-committed on 12-34 year leases
  - Projected returns:
    - end value: c.\$67m
    - yield on cost: c.9.0%
    - redevelopment margin: c.11.1%





# Recent Acquisitions - update

- **State Insurance Tower**
  - Value \$81.9m (acquired for \$75.3m in July '04)
  - 16.2% total return (income and capital)
  - Net income benefit from \$400k opex reduction
  - Retail: anchor tenant secured
  - Pedestrian count up 35%, retail rent reviews up 15-20%
  - FY06 pending office rent reviews: 2 tenants, 7,781sqm
  
- **Mobil on the Park**
  - Value \$75.7m (acquired for \$70.5m July '04)
  - 16.6% total return (income and capital)
  - Active lease engineering
    - L20 surrendered and released to FMG
    - scheduled expiry 258sqm (2,257sqm)
  - New office rents established new Wellington benchmark
  - FY06 pending office rent reviews: 2 tenants, 4,149sqm





# Office Market Themes

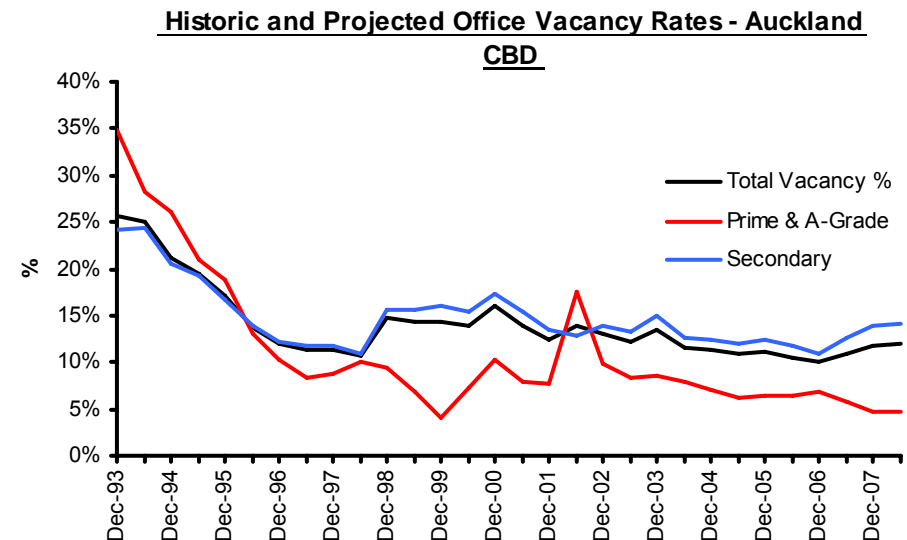
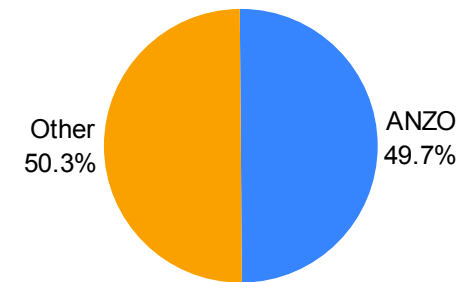
- Positive supply and demand fundamentals
- Economic outlook is moderately positive
- Cap rates: a structural shift in motion
  - inflation largely tamed
  - risk free interest rates flattening
  - risk premium volatility decreasing
  - demographics changing savings (and investment) trends
- Valuation prospects improving
- Rents in real terms are low – affordability has improved
- Change in Government will have neutral impact



# Office Markets - Auckland

- **Vacancy close to historical lows**
  - Current (Top 7): 12,300sqm or 6.3%
  - Current (total mkt): 101,000sqm or 10.8%
  - '07 forecast (Top 7): 9,800sqm or 4.6%
  - '07 forecast (total mkt): 114,900sqm or 12.0%
- **Strong market share**
  - core CBD favours landlords
- **Medium term development risk**
- **Positive rental growth forecast**
- **Suburban office markets**
  - few supply constraints: (f) 126,000sqm supply
  - suburban markets favour tenants

Auckland

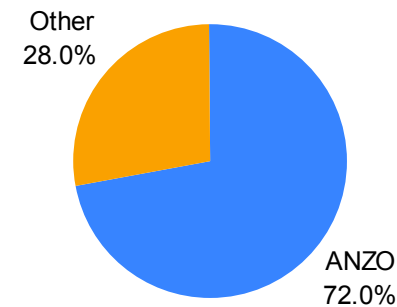




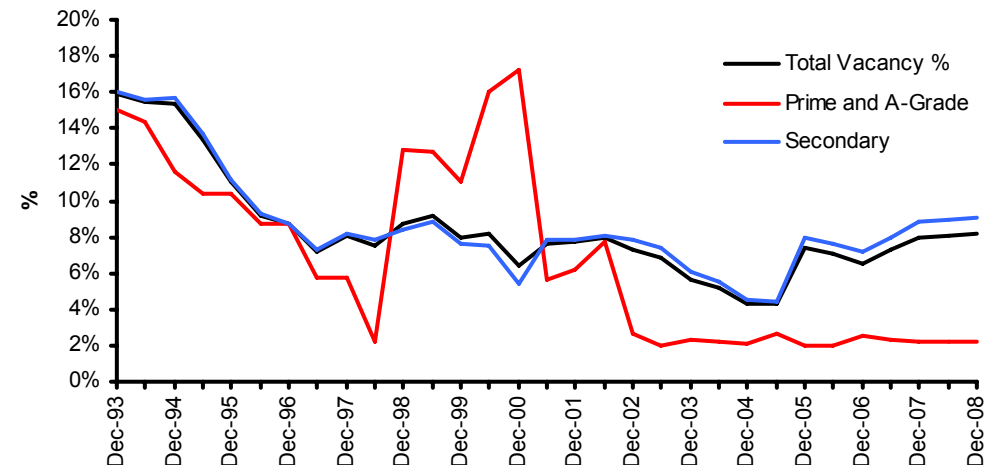
# Office Markets - Wellington

- **Vacancy close to historical lows**
  - Current (Top 7): 2,900sqm or 2.2%
  - Current (total mkt): 45,000sqm or 4.9%
  - '08 forecast (Top 7): 3,200sqm or 2.6%
  - '08 forecast (total mkt): 91,000sqm or 8.2%
- **Strong market share**
- **Gov't sector star performer**
- **Medium term development risk**
  - Centreport
  - Others
- **Positive rental growth forecast**
  - market fundamentals favour landlords

Wellington



Historic and Projected Office Vacancy Rates - Wellington CBD





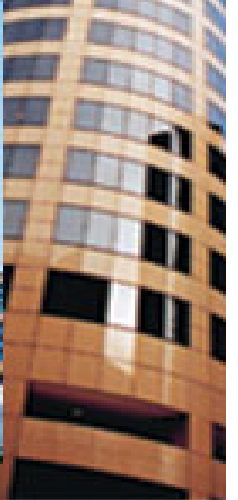
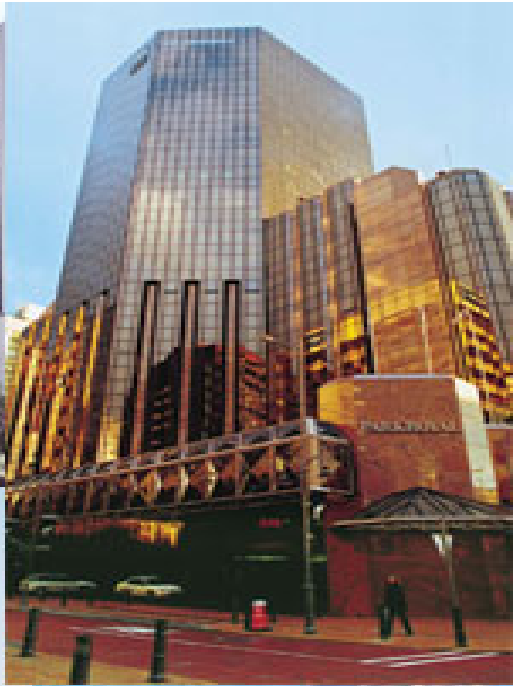
# Key Investment Highlights

- High quality assets in strong locations
- High occupancy and tenant covenant
- Long lease term
- Low expiry profile
- High tenant retention rate
- Minimised interest rate risk
- Established distribution reserve
- Investments are performing well
- Market favouring landlords



# Outlook and Key Priorities

- Portfolio is well placed to benefit from positive market conditions
- Focus on delivering existing investment initiatives
- Active asset management of net income and expiry opportunities
  - rent reviews, direct expenses
  - vacancy and forward lease expiry profile
- Committed to improving earnings, diversification and unit holder returns by:
  - acquiring further assets
  - prudently assessing value add and repositioning opportunities
  - utilising balance sheet capacity
- Confident of sustaining distribution growth as previously projected



PRICEWATERHOUSECOOPERS

QAY TOWER