



# AMP NZ Office Trust

## Full Year Result to 30 June 2007

13 August 2007

Rob Lang, Chief Executive

Amish Vallabh, Chief Financial Officer

**MULTIPLEX**  
CAPITAL

Managed by AMP Multiplex Management Limited

**AMP** capital  
INVESTORS



## Overview

- Highlights
- Financial Review and Returns
- Portfolio Activity
- Investment Activity
- Market Review
- Investment Case
- Outlook



## Highlights

- Strong unit-holder returns
- Solid revenue, earnings, distribution and NTA growth
- Positive operating environment
  - Attracting new tenants and maintaining high occupancy
  - Current and prospective rent reviews offer strong upside
  - Low forward expiry risk provides sustainable cash flows
  - Values responding to demand for high quality assets
- Acquisitions performing well
- Strong balance sheet and treasury position
- Positive regulatory (tax) changes
- Established strong organic growth platform (EPU, DPU and NTA)



## Strong Earnings Momentum

- Operating Profit Before Tax up 14.0% to \$41.0m (distributable profit)<sup>1</sup>
  - EPU (based on distributable profit) up 5.4% to 7.96cpu<sup>1</sup>
- Total Revenue up 12.1% to \$107.7m
- Direct Expenses up 5.4% to \$28.0m
  - Like for like direct expenses down 2.4%
- Indirect Expenses up 15.5% to \$38.6m<sup>1</sup>
- Key earnings drivers:
  - Contributions from recent acquisitions / developments
  - 34 rent reviews completed: 25% average increase in contract rents
  - Higher average occupancy / low vacancy periods
  - Operating expense containment / higher net income
  - Sensible treasury management – insulated from interest rate rises



(1) The adoption of NZIFRS has resulted in a reclassification of unit-holder distributions as an indirect expense in the 2006 comparatives, which form part of the audited financial statements. In order to provide more meaningful year on year comparisons indirect expenses and therefore operating profit and EPU have been adjusted to exclude unit-holder distributions.



## Balance Sheet (as at 30 June 2007)

- Total Assets up 38.3% to \$1.43bn
  - \$257.3m gross revaluation gain
  - \$130.7m acquisitions
  
- Total Liabilities decreased by 2.7% to \$474.3m
  - IFRS recognition of deferred tax on: depreciation (\$72.9m); revaluation gains (\$84.1m)
  - Debt to total assets: 22.2% (management limit 40%, trust deed limit 50%)
  - \$280m bank debt capacity (incl. 21 Queen St commitment)
  - Currently 94.0% of floating debt fixed with an average hedge duration of 5.7 years (excl. 21 Queen Street)
  - Current average interest rate (incl. margin) is 7.05%
  
- Equity up 75.0% to \$954.7m<sup>1</sup>
  - Positive revaluation gain
  - \$129.5m new equity issued in December, February and April
  
- NZ IFRS Adjusted NTA<sup>1</sup> up 31.9% to \$1.49 per unit

(1) Adjustment refers to the exclusion of the deferred tax on revaluation gains of \$84.1m, which is not payable in NZ as ANZO is on capital account for income tax purposes

Note 1. The adoption of NZIFRS has resulted in the reclassification of unit-holder funds as a liability for 2006 comparatives, which form part of the audited financial statements. In order to provide more meaningful year on year comparisons the NTA figure has been calculated as if the unit-holder fund liability was reclassified as equity.

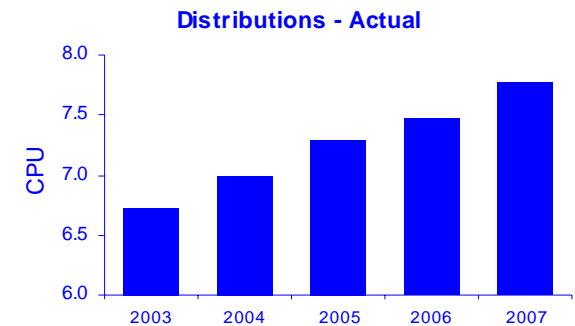
Note 2. Bank debt covenants exclude NZIFRS deferred tax liabilities.

Note 3. As at 30 June the fully diluted number of units on issue was 688,083,056 (note: MCN conversion on 30 June 2007)



## Returns to Investors

- Full Year gross/net distribution 7.76cpu, up 4.02%
  - 4<sup>th</sup>Qtr DPU is 1.99cpu, record date 27 Aug, payment date 3 Sept
  - Full year distribution revised upward in December 2006
  - Driven off strong rent reviews and portfolio performance
  
- 3.5% CAGR in gross distributions over last 3 years
  - Similar increase in FY08 gross distribution possible
  - Further upward reviews will be viewed in the context of continued strong portfolio performance
  - ANZO's expected FY08 tax rate is approximately 10-12%
  
- Distribution policy supports consistent growth (with upside)





# ANZO Investors Set to Benefit Under PIE Regime

- ANZO has successfully registered to become a PIE from 1 October 2007
  - Removes some tax inequities between private and public real estate investment
  - Net returns enhanced by depreciation deductions passing through to NZ investors
  - Capital gains pass through to investors tax free
  - Recent unit price appreciation partially the result of expected improved future benefits from PIE
  
- Recent transactions improve tax position
  - Recent acquisitions of Deloitte House and 21 Queen Street are expected to reduce ANZO's effective tax rate by approximately 50 – 70 bps between 2008 and 2009
  
- ANZO investors will receive a higher net yield under PIE regime

**Working Example Assuming Nominal \$1.00 Gross Distribution**

	NZ Resident				Non Resident <sup>1</sup>
	0%	19.5%	33%	39%	
Tax rate					15%
Net DPU - Pre PIE (\$)	0.85	0.81	0.67	0.61	0.77
Net DPU - Under PIE (\$)	0.85	0.85	0.85	0.85	0.85
% Increase in Return	0.0%	5.6%	26.9%	39.3%	10.7%

<sup>1</sup> Non-resident returns are shown only in respect of tax paid in New Zealand. There may be further tax to pay in their home jurisdiction

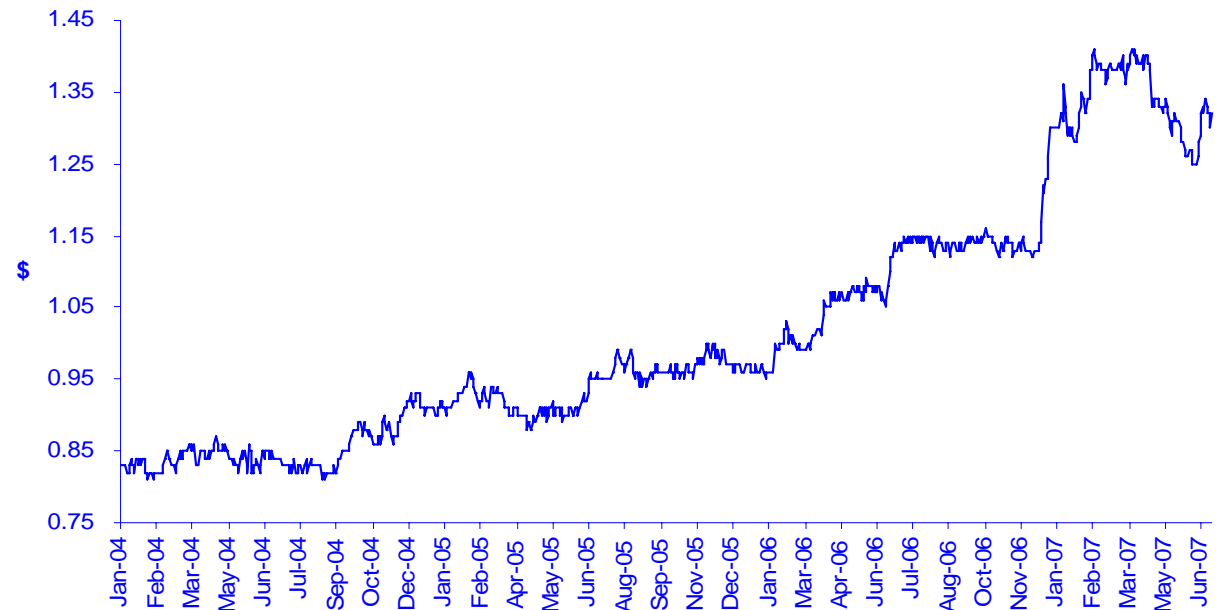
# The analysis above assumes: gross distribution of \$1.00 per unit; net distribution (cash paid) of \$0.85 per unit; imputation credits of \$0.15 per unit; a supplementary distribution of \$0.054 per unit, a corporate tax rate of 33.0% and an effective ANZO corporate tax rate of 15.



## Unit Price Performance

- ▶ **Total return (12 months to 30 June): 23.2%**
  - Second ranked in LPT sector
  - NZXPropG: 22.8%
  - NZX50G: 20.2%
- ▶ **Total return (3 year CAGR to 30 June): 25.01%**
  - Second ranked in LPT sector
  - NZXPropG: 21.9%
  - NZX50G: 17.5%

Unit Price (1 Jan '04 to 30 June '07)





# Portfolio and Investment Overview.....

Pricewaterhouse Coopers Tower



IAG House



Quay Tower



ANZ Centre



State Insurance Tower



HP Tower



AXA Centre



Mayfair House



Vodafone on Quay



No.1 The Terrace



125 The Terrace



Pastoral House



Deloitte House



21 Queen Street



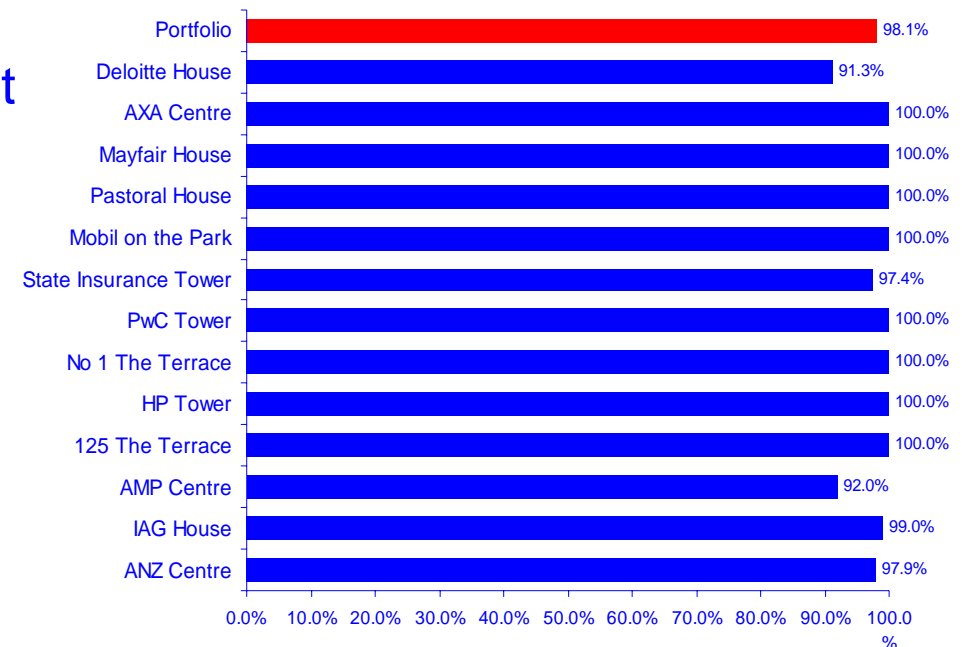
## Highest Quality Portfolio

- New Zealand's leading CBD office portfolio
- Advantaged portfolio with distinctive market leadership position
- Excellent / strategic locations and favourable market demographics
- 14 predominantly prime and A-grade assets
- Attractive high quality tenant covenants, long lease terms
- Total portfolio value NZ\$1.4bn
- Geographical split: 51% Auckland, 49% Wellington
- Total net lettable area: 243,851sqm



## Strong 2007 Performance Continues

- High quality properties fostering strongest demand
- Demand discriminating in favour of ANZO
- Occupancy continues to remain high: 98.1%
  - Wellington portfolio 98.7%
  - Auckland portfolio 97.2%
- Virtually no incentives in the market

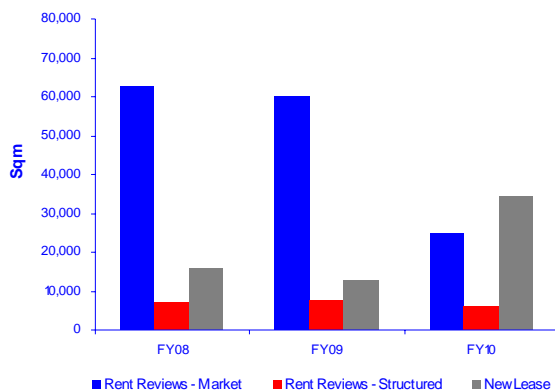




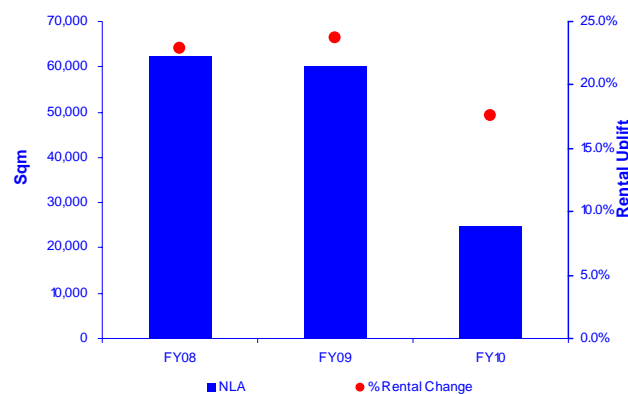
# Rent Reviews Underpin Growth

- Rent reviews and lease events continue to out-perform the market:
  - High quality properties commanding record rents
  - 34 rent reviews (41,000sqm) completed delivering an average 25.0% increase in contract rents
  - 6 lease renewals (8,000sqm) secured delivering an average 27% increase in contract rents
  - 28 new leases (12,200sqm) secured delivering an average 21.7% increase previous contract rents
  - Full year effect of strong FY07 activity to be realised in FY08
  
- Portfolio 12.5% under-rented providing strong medium term growth
  - 69,000sqm and 67,400sqm of NLA subject to rent review during FY08 and FY09 respectively
  - Auckland 9.8% under-rented (28,000sqm subject to *market* review in FY08
  - Wellington 15.5% under-rented (33,700sqm subject to *market* review in FY08

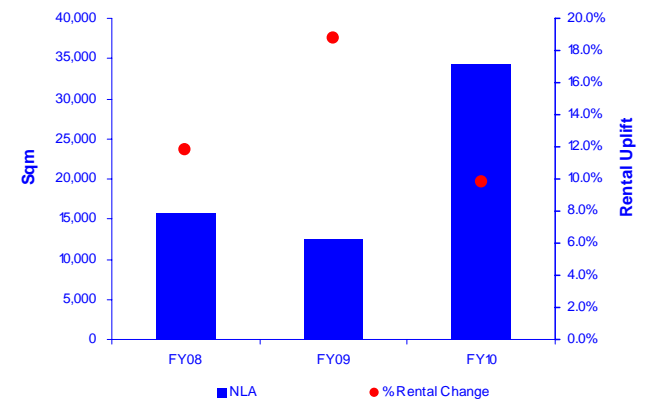
Portfolio Lease Events FY08 - FY10



Market Rental Reviews - Net Lettable area/ % uplift in rental



New Leases - Net Lettable area/ % uplift in rental

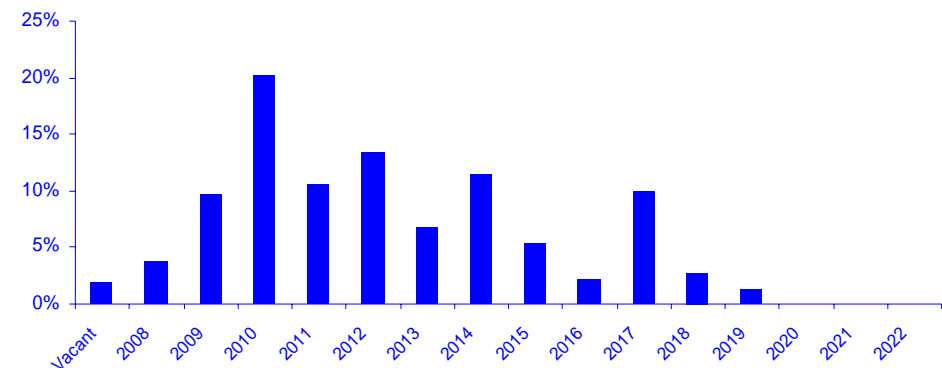




## Secure Cash Flows

- Sustained high tenant retentions, lower voids, provides additional upside
  - > 90% average annual tenant retention rate over last 5 years
  - Strong market fundamentals, with vacancy rates less than 1%
- Lease expiry profile underpins a stable platform for organic growth
  - 5.1yr WALT
  - Less than 5% of NLA in FY08
  - Less than 10% of NLA in FY09
- Strong tenant covenant
  - Gov't sector = 24% of portfolio NLA
  - Gov't sector = 38% of Wellington portfolio NLA
  - “Sticky” tenants, stable cash flows

Lease Expiry Profile (% of Portfolio)





## Strong Asset Revaluations and Total Returns

- Portfolio value \$1.4bn, average cap. rate 6.9%
- \$257.3m revaluation gain - cap rate and rental growth catalysts
- Strong 31.2% portfolio total return (12 months to 30 June)

	Market Value 30 June 2007 \$m	Market Value 30 June 2006 \$m	Occupancy	WALT <sup>2</sup>	Initial Yield <sup>1</sup>	Market Cap. Rate <sup>1</sup>	IRR <sup>1</sup>	Total Return FY07	Typical Office Floor	Total NLA	Car Parks
ANZ Centre	201.0	159.5	97.9%	3.9	6.4%	6.9%	9.2%	34.6%	1,054	32,793	467
IAG House	102.0	79.7	99.0%	3.0	6.7%	7.0%	9.3%	37.2%	762	17,650	289
AMP Centre	108.0	86.1	92.0%	6.3	6.2%	7.0%	9.5%	31.1%	1,097	25,140	101
PwC Tower	271.0	216.4	100.0%	4.8	5.7%	6.5%	9.2%	33.9%	1,350	31,311	358
125 The Terrace	72.0	56.6	100.0%	5.0	5.9%	7.0%	9.4%	35.4%	869	12,021	117
HP Tower	70.5	60.3	100.0%	4.2	6.0%	6.9%	9.4%	24.7%	915	11,293	221
No 1 The Terrace	93.0	76.1	100.0%	9.8	6.0%	6.9%	9.8%	29.6%	768	18,763	N/a
State Insurance Tower	132.0	96.1	97.4%	2.9	6.2%	7.0%	9.3%	47.0%	1,050	26,923	177
Vodafone on the Quay	111.0	87.8	100.0%	4.2	6.0%	6.8%	9.2%	35.1%	1,001	16,755	315
Pastoral House	62.7	53.8	100.0%	8.5	6.6%	7.4%	9.8%	25.1%	827	15,457	34
No 3 The Terrace	11.0	10.8	N/a	51.1	6.9%	6.9%	6.9%	9.1%	N/a	N/a	N/a
Mayfair House *	39.1	35.3	100.0%	2.5	6.3%	7.9%	9.9%	19.0%	1,055	12,224	251
AXA Centre **	42.3	n/a	100.0%	3.0	6.5%	7.5%	9.4%	13.1%	778	10,555	139
Deloitte House ***	57.5	n/a	90.0%	6.3	4.7%	7.3%	9.4%	6.8%	775	12,966	35
<b>Portfolio</b>	<b>1373.1</b>	<b>1018.4</b>	<b>98.1%</b>	<b>5.1</b>	<b>6.1%</b>	<b>6.9%</b>	<b>9.4%</b>	<b>31.2%</b>	<b>N/a</b>	<b>243,851</b>	<b>2,504</b>

\* Purchased Oct 05

\*\*\* Purchased Mar 2007

<sup>2</sup> - Weighted by income

\*\* Purchased Dec 06

<sup>1</sup> - Weighted by market value



## Recent Investments Attractive Additions to Portfolio

- AXA Centre, Deloitte House and 21 Queen Street are complementary to existing portfolio
- Offer attractive investment returns: expected total returns above 10%
- Increased portfolio exposure to rental growth
- Leverage ANZO's office redevelopment expertise
- Diversifies major tenant exposures and property exposures
- Strengthens ANZO's strategic position in the office sector
- Further improves ANZO's ability to meet tenant demands across a range of specifications and rent levels



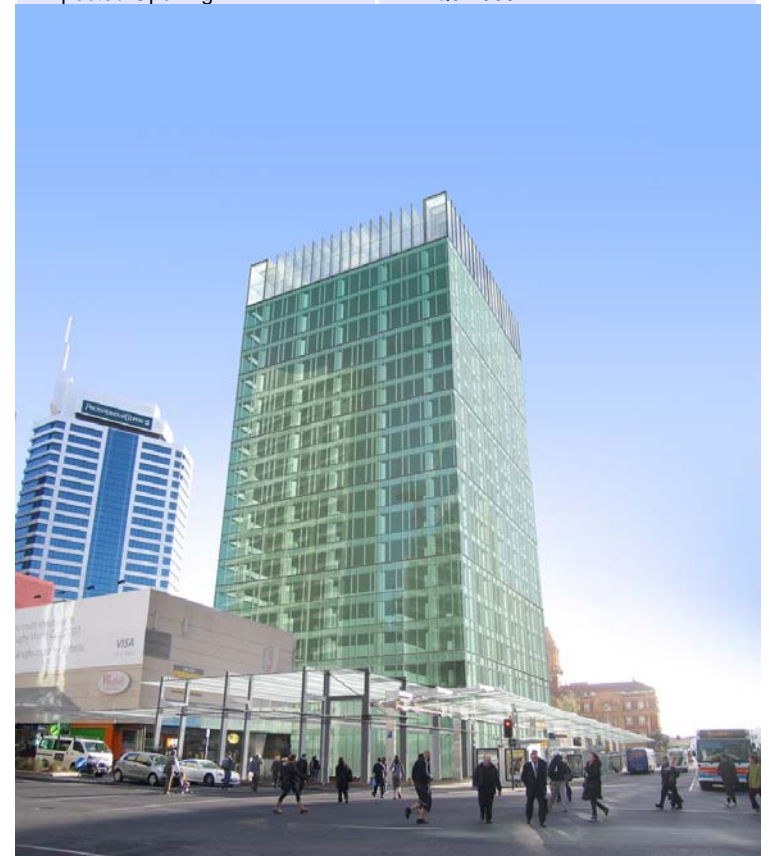
## 21 Queen Street

### ➤ 21 Queen Street

- Acquired site for \$33.4m in May 2007
- Strategic location
- New landmark office building to be redeveloped
- Market leading office environment
- Highest 5 star “green building” rating
- Proven development experience
- Risk management key to ANZO’s approach
- Development to be debt funded (capitalised)
- Only prime space expected to become available in Auckland prior to third quarter 2009

#### 21 Queen Street Redevelopment

Purchase Price	\$33.4m
Further Development Costs	c.\$70m
Total Project Investment	~\$109m
Initial Yield on Cost	>7.0%
Project IRR	c.10.0%
Net lettable area	14,700sqm
Expected Opening	Q3 2009





## 21 Queen Street Redevelopment



## ➤ AXA Centre

- \$42.3m current value (acquired for \$39.5m in December 2006)
- A-grade building in strong location, 100% occupancy
- 7.14% 12mth running yield increasing to 9% over 3 years
- 11.7% projected 5yr average annual total return
- 19.4% under-rented, 3.7 year WALT
- High quality institutional and quasi-government tenants



## ➤ Deloitte House

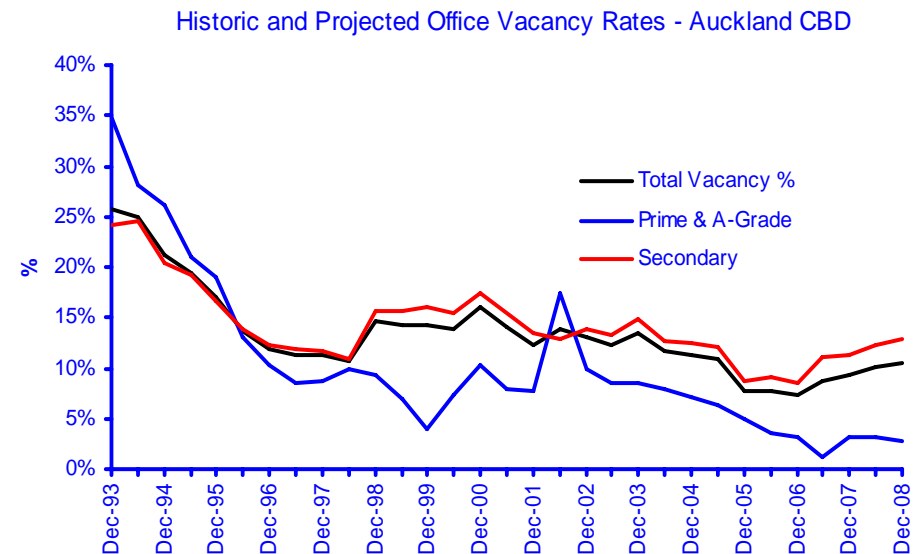
- \$57.5m current value (acquired for \$57.4m in March 2007)
- A-grade building in strong waterfront location, 90% occupancy
- 6.75% 12mth running yield increasing to 8% over 3 years
- 14.1% projected 3yr average annual total return
- 23.7% under-rented, 6.0 year WALT
- Approximately 75% of NLA subject to rent review over 2008/2009
- High quality institutional grade tenants





## Office Markets - Auckland

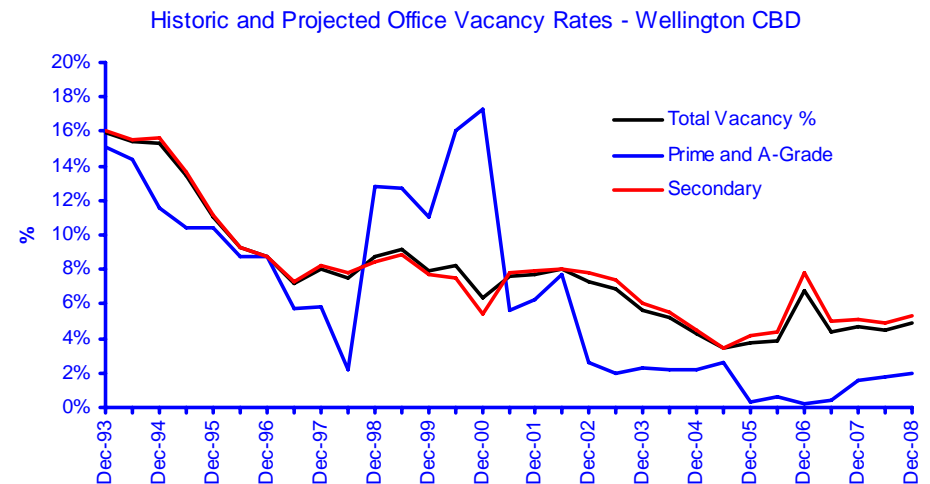
- **Vacancy close to historical lows**
  - Current (Top 10 buildings): 2,921sqm or 1.3%
  - Current (total mkt): 83,887sqm or 8.7%
  - Dec'08 forecast (Top 10): 7,070sqm or 2.8%
  - Dec'08 forecast (total mkt): 107,202sqm or 10.5%
- **Strong market share**
  - core CBD favouring landlords
  - ANZO's premium (Top 10) market share 45%
  - 5 yr net absorption forecast 23,000sqm pa
- **Medium term development supply**
- **Positive rental growth outlook**
  - market fundamentals favour landlords
- **Investment yields firm**





## Office Markets - Wellington

- **Vacancy at historical lows**
  - vacancy broadly unchanged
  - Current (Top 10 buildings): 0.4% or 573sqm
  - Current (total mkt): 49,596sqm or 4.4%
  - Dec'08 forecast (Top 10): 3,000sqm or 2.0%
  - Dec'08 forecast (total mkt): 55,455sqm or 4.9%
- **Strong market share**
  - ANZO's premium (Top 10) market share = 60%
- **Gov't sector still strong**
- **Medium term development supply**
- **Positive rental growth forecast**
  - market fundamentals favour landlords





## Investment Case

- High quality assets in strong locations.....*underpins valuation prospects*
- High occupancy and tenant covenant.....*strong pricing / rental pressure*
- Under-rented portfolio.....*superior organic rental growth*
- Long lease term.....*sustainable cash flows*
- Low expiry profile.....*insulation from market risks*
- High tenant retention rate.....*continuity of cash flows (low void periods)*
- Market leadership position.....*capture / lead trends*



## Investment Case

- Minimised interest rate risk.....*hedges reduced earnings volatility*
- Superior access to capital.....*competitive bidding advantage*
- Established distribution reserve.....*consistent distribution growth*
- Investments are performing well.....*precedents exploitable across portfolio*
- Market favouring landlords.....*supply / demand underpinning growth*
- Peerless portfolio.....*exclusivity*
- Only NZX listed investor exclusively focussed on commercial office in NZ



## Outlook

- Positive operating environment
  - Capitalise on portfolio under-renting: organic growth
  - Low forward expiry risk provides sustainable cash flows
  - Favourable office sector supply and demand conditions: lowest vacancy rates in recent history
  - Net income growth expected to drive valuation and NTA growth
- Neutral to positive macro economic environment
- Investment market resilient – underlying conditions favour prime sector
- Strong balance sheet and treasury position
- Positioning for growth
- Established a strong earnings, distribution and NTA growth platform



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