



27 May 2004

## AMP NZ Office Trust to acquire landmark Wellington office properties

\$95.2 million Mandatory Convertible Notes Offer planned

A copy of AMP NZ Office Trust's announcement to NZX is attached.

- Ends -

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Report to NZX – Thursday 27 May 2004

## AMP NZ Office Trust to acquire landmark Wellington office properties

\$95.2 million Mandatory Convertible Notes Offer planned

AMP NZ Office Trust (ANZO) today announced that it had entered into unconditional contracts to purchase two landmark Wellington properties, the Mobil on the Park Building and the State Insurance Tower (formerly known as the BNZ Centre), for \$145.85 million (before acquisition costs).

ANZO Executive Manager, Rob Lang, said the acquisitions were part of ANZO's investment policy of pursuing growth in the prime sector of the office property market while taking advantage of other office market investment opportunities on a selective basis.

"Both the Mobil on the Park Building and the State Insurance Tower are renowned for their prestige and superior locations. They have large and efficient floor plates and contemporary tenancy services, blue-chip tenant lists and occupancy rates of 98% and 98.7% respectively," said Mr Lang.

"Their acquisition will alter the geographic weighting of ANZO's portfolio, shifting the weighting toward the strong Wellington CBD office market from 25.6% to 39.9%."

Mr Lang said the acquisitions will bring significant strategic and operational benefits for ANZO Unitholders. "The buildings are being purchased on a combined yield of approximately 8.4% including income support and other income, and before acquisition costs. After excluding capital raising costs, the acquisitions are projected to increase earnings by approximately \$900,000 (0.2 cents per Unit) in FY 2005.

"ANZO's Manager, AMP Ronin Management Limited, has increased the FY 2005 distribution projection to 7.2 cents per Unit, compared with the 7.0 cents per Unit distribution being paid in FY 2004, an increase of 2.9%. The Manager has also re-confirmed a projected annual 2.25% distribution growth rate," said Mr Lang.

The buildings have been acquired below their independent valuations and in recognition of the strategic opportunity to create long-term value, the Manager has agreed to reduce the component of its management fee attributable to the acquisitions by 50% for the 2005 and 2006 financial years.

ANZO has revalued its portfolio and recorded a 2.0% increase to \$613 million. Following the acquisitions, the portfolio's value will be approximately \$760 million.

ANZO plans to fund the acquisitions of these landmark Wellington CBD office properties from the proceeds of an offer of 95.2 million mandatory convertible notes (MCNs) and additional bank debt. ABN AMRO Rothschild has been appointed Lead Manager and Underwriter for the offer.

ANZO intends to offer existing Unitholders two MCNs for every nine Units held in the Trust at 5.00pm on 11 June 2004 at a price of \$1.00 each, with rights of renunciation. The offer is expected to raise approximately \$95.2 million in new capital and has been fully underwritten by ABN AMRO Rothschild. New investors will be able to purchase rights where existing Unitholders elect to renounce their rights.

The proposed offer is expected to open on 14 June 2004 and close on 8 July 2004. Quotation of the MCNs is expected to occur on 15 July 2004. The MCNs will convert on 30 June 2007 (or earlier in specified circumstances). The minimum annual interest rate for the interest paid on the MCNs, which will be set on or before 31 May 2004, is expected to be 8.50%.

Ronin Property Group, through its wholly owned subsidiary Ronin Property NZ Limited, is fully supportive of the proposed offer, and has committed to the Underwriter to take up the subsidiary's entitlement to its share (30%) of the MCNs.

ANZO's second largest Unitholder, AMP Property Securities Fund (managed by AMP Capital Investors (New Zealand) Limited), has agreed to renounce its 23.5% entitlement in favour of ABN AMRO Rothschild, which proposes to offer this entitlement to new investors.

### **About ANZO**

ANZO is the largest New Zealand prime office trust, with a high quality portfolio of prime office buildings. It owns eight Auckland and Wellington CBD office properties valued at \$613 million\*, including HP Tower, No. 1 & 3 The Terrace, 125 The Terrace and Pastoral House in Wellington, and the ANZ Centre, PricewaterhouseCoopers Tower, Quay Tower and IAG House in Auckland.

It is managed by AMP Ronin Management Limited, a joint venture company formed in January 2004 by AMP Capital Investors (New Zealand) Limited and Ronin Funds Management Limited. The acquisitions will bring AMP NZ Office Trust's total portfolio to 10 office properties, valued at approximately \$760 million.

\* The portfolio has been revalued as at 30 June 2004.

## **About the Acquisitions:**

### **State Insurance Tower, 1 Willis Street, Wellington**

Completed in 1984, the State Insurance Tower (formerly the BNZ Centre) is one of New Zealand's best-known office buildings and has achieved landmark status. The property's 22 office floors enjoy excellent harbour views and natural sunlight from all cardinal points. The property also offers one level of strip retail, one and a half levels of car parking, and an enclosed subterranean retail level.

Located in the prime commercial office district of the Wellington CBD, the property is adjacent to Willis Street and Lambton Quay and is a short 2-minute stroll from Frank Kitts Park and the harbour.

Pedestrians can access the property from entrances on Willis Street, Victoria Street, and Willeston Street, or from one of the three underground links (from the Grand Complex, the Old Bank Arcade, and the Colonial Building). It is valued at \$75.3 million as at 25 May 2004.

Purchase Price	\$75.30 million
Building Location	Wellington
Title	Freehold
Total Net Lettable Area (sqm)	27,299
Typical Floor Area (sqm)	1,050
Car Spaces	177
Estimated Over/(Under) Rent	2.3%
Occupancy	98.7%
Weighted Average Lease Term (Yrs)	4.7
Initial Yield <sup>1</sup>	7.3%
Market Capitalisation Rate	8.2%
Discount Rate (IRR)	10.2%
Key tenants: State Insurance, Bank of New Zealand, Buddle Findlay, Aon, DTZ, TMP Worldwide	

### **Mobil on the Park, 157 Lambton Quay, Wellington**

The Mobil on the Park Building combines elegance and ease of function and, like the State Insurance Tower, is a landmark property in the heart of the Wellington CBD. Constructed as Mobil's New Zealand headquarters in 1998, the building has a distinctive presence on Lambton Quay with its integrated architectural styles and green-tinted glazing. Its 15 tower office floors have panoramic views of the harbour and inner city and provide major tenants with columnless space and efficient floor layouts. The property also offers 315 car parks to service tenants and clients. The property is at the very centre of Wellington's dynamic business environment, in close proximity to the Courts, Parliament and Treasury as well as the major trading banks and other financial institutions. Retail spaces on the Lambton Quay side of the

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<sup>1</sup> Excludes income support.

building face out onto the property's park area ornamented by contemporary water and design features. It is valued at \$70.7 million as at 25 May 2004.

Purchase Price	\$70.55 million
Building Location	Wellington
Title	Freehold
Total Net Lettable Area (sqm)	16,750
Typical Floor Area (sqm)	1,001
Car Spaces	315
Estimated Over/(Under) Rent	4.1%
Occupancy	98.0%
Weighted Average Lease Term (Yrs)	4.7
Initial Yield <sup>1</sup>	8.2%
Market Capitalisation Rate	8.0%
Discount Rate (IRR)	10.2%
Key tenants: Mobil, Citibank, Westpac, Vodafone, Russell McVeagh	

#### KEY FEATURES OF THE PROPOSED OFFER

Offer:	2 MCNs for every 9 Units in AMP NZ Office Trust
Price:	Unitholders will be entitled to Rights at no cost. The MCNs are to be issued for \$1.00 each, with rights of renunciation.
Minimum Annual Interest Rate:	The minimum annual interest rate for the MCNs, which will be set on or before 31 May 2004, is expected to be 8.5%
Purpose of the Offer:	The proceeds of the Offer, together with additional bank debt, will be used by ANZO to acquire two significant properties - the State Insurance Tower and the Mobil on the Park Building in Wellington for \$145.85 million (before acquisition costs)
Closing Date of the Offer (Being Application Date and Last Date for Receipt of Renunciations)	3:00pm on 8 July 2004
Conversion Date:	30 June 2007 (or earlier in certain specified circumstances)
Conversion Price:	Lower of a 2% discount to the volume weighted average price of the Units on the 30 business days prior to the Conversion Announcement Date (the date falling 10 business days before the Conversion Date) or 92 cents per Unit

<sup>1</sup> Excludes income support.

## OFFER DESCRIPTION AND IMPORTANT DATES

### Key Dates

Record Date for Entitlements	11 June 2004
Rights Quotation Commences on NZSX	14 June 2004
Opening Date of Offer	14 June 2004
Mailing of Entitlement Letters	By 13 June 2004
Rights Quotation and Trading Ceases on NZSX	6 July 2004
Closing Date of Offer  (Being Application Date and Last Date for Receipt of Renunciations)*	3:00 pm on 8 July 2004
Allotment of MCNs	No later than 14 July 2004
Expected Quotation and Trading of MCNs on NZSX*	15 July 2004
Settlement of the property acquisitions	15 July 2004

\* Application has been made to the NZX for permission to quote the Rights and MCNs and all the requirements of the NZX relating thereto that can be complied with on or before the date of this announcement have been complied with. However, NZX accepts no responsibility for any statement in this announcement.

### Application of Offer Proceeds and Additional Bank Debt

The amount raised from the Offer, together with additional bank debt, will be used by ANZO to acquire two significant properties, the State Insurance Tower and the Mobil on the Park Building in Wellington for \$145.85 million (**the Acquisitions**).

- The buildings are being purchased below independent valuation.
- The Acquisitions will be immediately accretive to ANZO's earnings (before amortisation of capital raising costs); and
- The Manager, on behalf of ANZO, entered into unconditional agreements to buy these buildings on 27 May 2004.

### Features of the Acquisitions

- The Acquisitions represent two landmark office properties and are consistent with ANZO's investment policy;

- The Acquisitions will bring improved financial benefits to ANZO investors, including:
  - a projected \$900,000 (0.2 cents per Unit) increase in earnings (excluding capital raising costs) in FY 2005;
  - a projected 2.9% increase in distributions in FY 2005 to 7.2 cents per Unit in comparison to 7.0 cents per Unit paid in FY 2004;
  - the buildings are being purchased on a combined yield of approximately 8.4% including income support and other income, and before acquisition costs; and
  - confirmation by the Manager of a projected annual 2.25% distribution growth rate.
- The Acquisitions will bring significant strategic and operational benefits for ANZO, including:
  - enhanced portfolio size in a preferred and strong market;
  - improved strategic market position;
  - improved tenant diversification;
  - increased portfolio occupancy rate;
  - reduced over-renting and improved rental growth prospects; and
  - improved ability to meet changing business needs and to offer a broader range of accommodation options from within the portfolio thereby enhancing long-term tenant retention and reducing cash flow volatility.
- The Acquisitions were acquired "off-market", illustrating ANZO's market strength, size, management expertise and ability to source exclusive investment opportunities in the New Zealand office markets;
- The Acquisitions are projected to have no material impact on ANZO's gearing ratio post completion of current redevelopments. The total borrowings to gross assets ratio is projected to reach 38.2% as at 30 June 2005 (exclusive of the MCNs, which, for the purposes of this calculation, are treated as equity); and
- ANZO's experienced management team has identified value adding opportunities in the new properties.

## **BENEFITS OF THE ACQUISITIONS<sup>1</sup>**

### **Acquisition of Signature Properties**

The Mobil on the Park Building and the State Insurance Tower (formerly the BNZ Centre) are both landmark properties in Wellington, renowned for their prestige and superior locations. The buildings have large and efficient floor plates and contemporary tenancy services essential for generating strong tenant demand and high retention rates. Their acquisition will expand ANZO's asset and tenant base, and enhance the strong occupancy levels and rentals across ANZO's portfolio.

### **Improved Earnings, Distributions and Retained Earnings Profiles**

After excluding capital raising costs, the Acquisitions are projected to increase earnings by approximately \$900,000 (0.2 cents per Unit) in FY2005. The Acquisitions are projected to continue to be accretive to earnings beyond FY2005.

In late 2003, the Manager announced that it intended to pay a full year distribution of 7.0 cents per Unit for FY2004. As part of this announcement, the Manager also stated that it intends to provide investors with a stable but growing distribution profile and projected future distributions to grow by 2.25% per annum. This statement was underpinned by an improvement in ANZO's performance and market conditions.

The Acquisitions of the Mobil on the Park Building and the State Insurance Tower have further improved this outlook and as a result the Manager has increased FY2005 distribution projection to 7.2 cents per Unit, representing a 2.9% increase in comparison to the 7.0 cents per Unit distribution being paid in FY2004 and a 0.6% increase in comparison to the Manager's previous FY2005 distribution projection. Distributions will be paid quarterly.

ANZO's distribution policy operates according to a pay-out ratio ranging between 90%-110% of the available net surplus. Given the current distribution projections, the Manager estimates that the FY2004 and FY2005 distribution pay-out ratio will be less than 100%, thereby resulting in an increase in retained earnings recorded in ANZO's Statement of Financial Position. The reserves held in the retained earnings account will assist to underpin future distribution stability and growth.

The vendors of the Mobil on the Park Building and the State Insurance Tower have agreed to provide an \$850,000 income support facility, that will result in ANZO receiving an effective return from the properties that equates to the returns which would have been earned if both properties were fully leased at not less than current market rental rates. The facility will be drawn upon to offset rental shortfalls arising from vacant space and differences between the passing contract and market rents. The Manager projects drawings of \$650,000 from the vendors' income support account during FY 2005 and the balance of \$200,000 in FY2006, although this may reduce if leasing targets are achieved earlier and/or rent review outcomes are better

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<sup>1</sup> All data for charts and tables in this section is as at 31 March 2004.

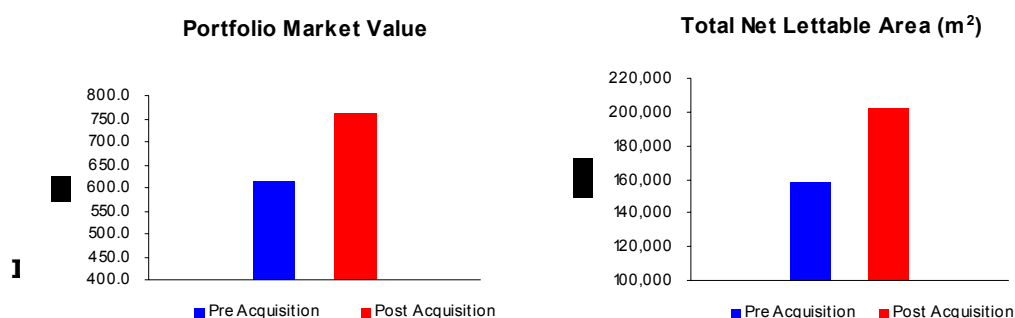
than anticipated. The income support facility has a life of four years and may be utilised to bridge cash flow voids relating to future vacancies during this period.

The Manager has made certain key assumptions in making its financial projections set out in the paragraphs above and elsewhere in this announcement, including that:

- There are no significant changes in office market conditions;
- There are no significant changes in interest rate costs;
- There is no significant deterioration in portfolio occupancy rates;
- There are no significant changes in tenancy rental arrears;
- There are no tenancy defaults; and
- Market based rental and re-leasing assumptions are achieved.

### Enhanced Portfolio Size in a Preferred and Strong Market

ANZO owns the largest portfolio of prime office buildings in New Zealand including eight Central Business District (**CBD**) properties with a total value of \$613.1 million. The acquisition of the Mobil on the Park Building and the State Insurance Tower will lift the Portfolio's value as at 30 June 2004 to \$759.1 million and increase net lettable area from 158,068 to 202,117 square metres.



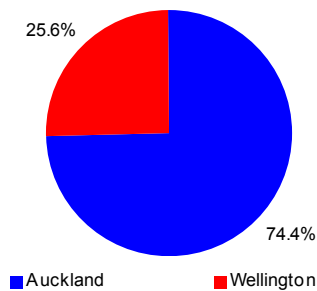
The acquisition of the Mobil on the Park Building and the State Insurance Tower will strengthen ANZO's core Portfolio, increasing its number of prime properties from eight to ten and introducing new high quality tenants to ANZO's tenancy schedule and Top 15 tenant list. ANZO's Portfolio comprises a range of high quality office properties that the Manager believes have wide marketing appeal and will receive strong tenant demand. The acquisition of the Mobil on the Park Building and the State Insurance Tower will improve ANZO's investment exposure to the strong supply and demand dynamics of New Zealand's key CBD markets.

Post- Top Fifteen Tenants		
Tenant	Property	% of Base Rent
The Treasury	No 1 The Terrace	7.5%
Westpac Banking	PwC Tower / Mobil on the Park	6.8%
PwC	PwC Tower	6.5%
MERW	125 The Terrace	5.6%
ANZ Bank	ANZ Centre	3.9%
Mobil Oil New Zealand	Mobil on the Park	3.8%
Bank of New Zealand	State Insurance Tower	3.5%
NRMA NZ Ltd	State Insurance Tower	3.4%
Air New Zealand	Quay Tower	3.3%
Rendra CTSY	ANZ Centre	2.9%
Buddle Findlay	PwC Tower	2.9%
IAG	IAG House	1.8%
Whitaker (Bell Gully)	HP Tower	1.8%
Russell McVeagh	Mobil on the Park	1.6%
QBE Insurance	Quay Tower	1.4%
Total		56.75%

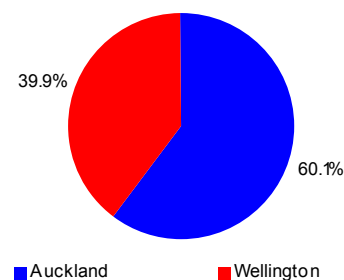
### Enhanced Tenant and Geographic Diversification

The Mobil on the Park Building and the State Insurance Tower will alter the geographic weighting of ANZO's Portfolio, shifting the weighting toward the strong Wellington CBD office market from 25.6% to 39.9%, and expanding ANZO's office tenant base from 78 tenants to 99 tenants.

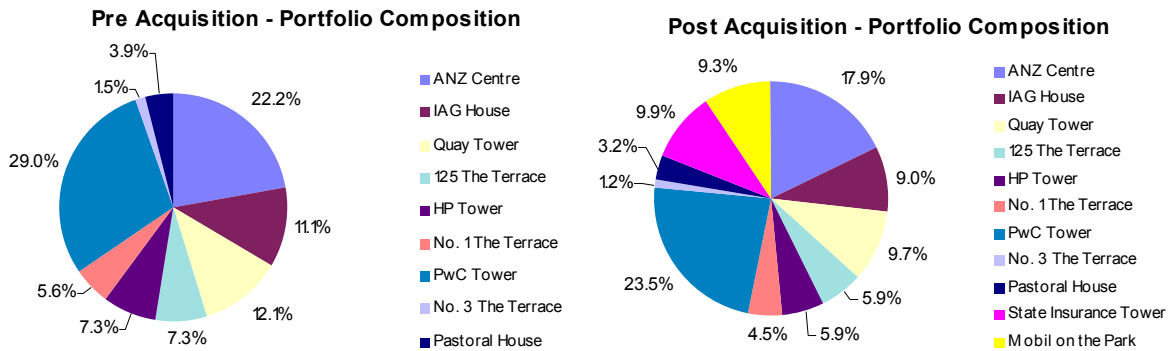
Pre Acquisition - Geographic Weighting by Market Value of Properties



Post Acquisition - Geographic Weighting by Market Value of Properties



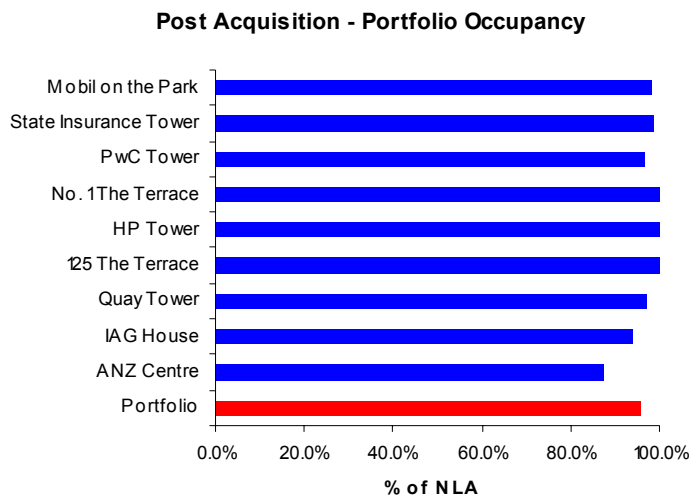
The Acquisitions will enhance ANZO's Portfolio by reducing its exposure and risk to any specific property or tenancy event. The proportional Portfolio weighting of PricewaterhouseCoopers Tower in Auckland, ANZO's largest property by value, will decrease from 29.0% to 23.5% as a result of the Acquisitions.



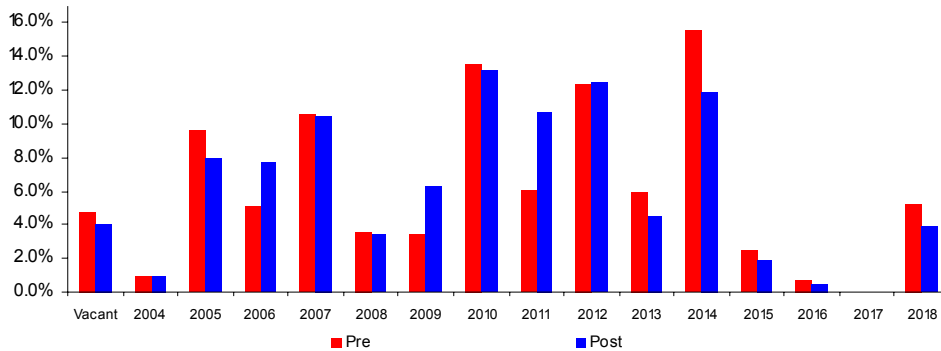
The Mobil on the Park building and the State Insurance Tower are occupied by “blue-chip” tenants such as Mobil, Citibank, Bank of New Zealand, Westpac, Vodafone, Aon, Russell McVeagh and Buddle Findlay, and their addition to the Portfolio will further strengthen ANZO’s high-quality tenant profile. ANZO’s tenant base already includes some of New Zealand’s leading companies and government organisations and is well diversified across key industry sectors.

### Increased Portfolio Occupancy Levels

In its six years of operation, ANZO has maintained strong occupancy levels. With occupancy rates of 98.0% and 98.7% respectively, the acquisition of the Mobil on the Park Building and the State Insurance Tower will lift the occupancy level across ANZO’s Portfolio from 95.2% to 96.0% (excluding Pastoral House).



**Pre / Post Acquisition - Lease Expiry by % of Total NLA**



While the Portfolio's weighted average lease term will, as a result of the Acquisitions, reduce from 7.0 to 6.6 years, the lease expiry profile within each of the Acquisitions provides the Manager with near-term opportunities to restructure leases and increase rents. It has successfully managed similar opportunities across the existing Portfolio over the past 18 months.

The Acquisitions do not materially affect ANZO's lease expiry profile. In each of the years prior to 2010 less than 11% of ANZO's net lettable area is subject to lease expiry events. This conservative expiry profile reduces investors' exposure to major vacancy risks and cash flow volatility.

Despite being marginally over-rented the Acquisitions will result in a decline in ANZO's portfolio over-renting from 5.5% to 5.0%, thereby enhancing short to medium term rental growth prospects.

### **Financial Highlights**

ANZO's total borrowings to gross assets ratio following the Acquisitions and MCN capital raising is projected to be 38.2% as at 30 June 2005 (excluding the MCNs, which are treated as equity), within its self-imposed threshold of 40% and significantly under the 50% threshold set out in the Trust Deed.

In accordance with the treatment in the Trust Deed and ANZO's bank facility covenants, the MCNs have been treated as equity instruments for the purposes of calculating the borrowings to total assets ratio.

After allowing for ANZO's existing portfolio expansion plans, the projected total borrowings to total assets ratio is not expected to exceed 38.5% at any time during the following two years. The key assumptions behind this estimate include:

- That the No.1 and No.3 The Terrace refurbishment and redevelopment plans are completed within budget;
- That the refurbishment of Pastoral House is completed within budget;

- That no unexpected capital expenditure or material plant and machinery failures occur; and
- That the projected growth in asset values improves by approximately 2% per annum.

ANZO's existing bank debt facility with the Bank of New Zealand has been extended by \$60 million to \$310 million. The extension (which is subject to normal banking preconditions) has been arranged in part to finance the balance of the Acquisitions.

As part of ANZO's ongoing interest rate risk management activities, the Manager has entered into a series of interest rate hedging derivatives. In respect of the MCN issue, the Manager has entered into interest rate hedging to fix 50% of the MCN interest cost, with the balance to be swapped into floating. ANZO is projected to have between 50% and 60% of its interest cost (including MCNs) fixed for the next three years. The projected funding cost for the Acquisitions is 7.6%.

### **Manager and Trustee Approval**

The Acquisitions have been approved by the Manager and Perpetual Trust Limited.

### **Management Capability**

ANZO is managed by AMP Ronin Management Limited (**the Manager**), a joint-venture company that combines the extensive property and fund management capabilities of AMP Capital and Ronin Property Group. A strong local focus, combined with the ability to harness experience and international best practice, enables the Manager to deliver progressive tenant covenants and individually tailored leasing arrangements. AMP Capital and Ronin Property Group have a track record of offering the right leasing solutions to blue-chip tenants as their business needs change.

This commitment to customer service underpins ANZO's vision to be recognised as the landlord of choice in New Zealand's office market.

AMP Capital is one of New Zealand's largest private property investment managers with \$1.5 billion of property assets under management. Ronin Property Group has property assets under management of approximately AUD\$2.0 billion throughout Australia and New Zealand.

*No money is currently being sought and no applications for securities will be accepted or money received unless the subscriber has received an investment statement*