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OYSTER® UPDATE

DIRECT PROPERTY FUND RESONATES WITH NEW INVESTORS

Mark Schiele
CHIEF EXECUTIVE OFFICER

I'd like to extend a warm welcome to the many new investors who have joined Oyster as a result of our successful equity raise for the recently launched Oyster Direct Property Fund.

We have so far gained 141 new investors through the Fund, representing nearly 60% of the total number of investors who participated in the initial offer. The average investment is currently sitting at approximately $65,000, well above the required minimum investment amount of $10,000.

We will now continually grow the Oyster Direct Property Fund, providing current and new investors an ongoing opportunity to invest. You can contact us at any time to receive a copy of the Product Disclosure Statement.

A major objective of the Fund was to make participation in commercial property ownership achievable for as many investors as possible and, with a relatively low minimum entry level, a well-diversified property portfolio and the benefit of tax-advantaged monthly income, the Fund has demonstrated wide appeal.

With the cash rate currently sitting at 2.25%, and being strongly signalled to reduce further, we expect future interest in the Fund, alongside our suite of other commercial property offers providing attractive returns, to remain high.

New investors have joined Oyster at an exciting time. During the past 12 months, as part of our long term strategic plan, we have increased our property purchasing, enabling us to provide an expanded range of property investment products to satisfy investor demand. We have also been selling some property investments where we believe optimal investor returns can be achieved by capitalising on the currently strong commercial demand.

One of our strengths, since we partnered with Cromwell Property Group two years ago, has been an enhanced ability to secure quality commercial property of significant scale. We complete incredibly thorough due diligence but can react quickly, hold property and underwrite equity raising where necessary. Oyster has a strong reputation as a very credible commercial property purchaser across New Zealand, which ensures we are able to consider the very best opportunities for our investors.

This strength has seen Oyster succeed in both our public property syndicate purchases and offers to investors (with a minimum investment of $50,000), and also in our wholesale investor offers which provide small investment groups the opportunity to purchase significant commercial property, typically with a minimum investment of $750,000.

We manage a diversified range of commercial property throughout New Zealand, with a combined portfolio value of around NZ$900M. The portfolio comprises properties within the retail, office and industrial sectors including many signature properties ranging from the successful Dress-Smart outlet centres in Auckland and Christchurch, which Oyster originally developed in the 1990's, to the recently acquired Cider Building in Ponsonby, Auckland.

Offshore issues such as Britain's vote to leave the European Union and the pending US elections do impact global economic sentiment, but we do not have reason to believe there will be any reduction in demand for well located, quality commercial property. New Zealand commercial property has proven to be increasingly attractive for many local and overseas investors seeking yield in the relatively low global interest rate environment, and we do not believe this will significantly change any time soon.

Our objective is to provide quality commercial property investment opportunities to as many investors as possible. By pooling their funds, investors can have access to properties which would likely be out of their reach if investing individually.

We understand that investors may, from time to time, have questions around their current investments or other areas of interest and, in that regard, we welcome specific enquiry. Key members of our management team are listed at the base of this communication to enable you to direct your query. •

CIDER OFFER SEIZED

Investors snapped up a 'million dollar' opportunity to own interests in Oyster Group's Cider Building syndication which closed early, oversubscribed last month.

A total of 50 interests of $1,000,000 each were made available to wholesale investors only, with a projected pre-tax return of 7.5% per annum.

The high profile property, on the corner of Williamson Avenue and Pollen Street in the central Auckland suburb of Ponsonby, is anchored by a 20-year lease to General Distributors, with additional tenanted commercial space and street level retail.

The successful syndication was the company's largest-ever single equity raise under a multi-investor ownership structure.

The Cider building is nearly complete and is a 13,200m² mixed use retail and office development, which is a key point of difference in city-fringe commercial investment-grade property.

Cider has been developed by Progressive Enterprises and will be 100% leased to General Distributors Limited (Countdown), Fairfax NZ Limited (on a 12-year lease) and convenience retail. Oyster purchased the property at a yield of 6.74%, equating to a purchase price of approximately $93 million, with settlement due this month.

Artist's impression, indicative only

The combination of elements which attracted wholesale investors and resulted in a rapid successful syndication included the high profile tenants, a landmark new building and an outstanding location in a sought-after residential catchment. •

LOW FOR LONGER: the outlook for New Zealand interest rates

By Satish Ranchhod, Senior Economist, Westpac Bank

Interest rates in New Zealand have fallen to record lows, and we expect them to remain low for an extended period. This is a result of both domestic and international factors.

Globally, the combination of soft economic activity and low inflation has prompted central banks in many countries to cut interest rates. Consequently, these countries' exchange rates have also tended to weaken. And with global growth expected to remain modest over the coming years, global interest rates are also expected to remain low for some time.

Adding to the downside risks for global interest rates has been the unexpected 'Leave' result in the UK referendum on EU membership. This has contributed to increased uncertainty in financial markets, and has added to the downside risks for growth. However, at this stage any negative economic impacts of Brexit appear to be largely confined to the UK.

Domestically, the Reserve Bank has cut the Official Cash Rate to a record low. This has been in response to low inflation (both domestically and globally), as well as a backdrop of soft global monetary policy which has added to the upward pressure on the NZ dollar. The resulting falls in fixed mortgage rates have given the economy a powerful shot in the arm in two main ways.

The first is by making it less expensive for households to fund consumption spending using debt.

The second has been through higher asset prices, particular for real estate. With low interest rates generating low nominal returns on savings, the higher capital gains that real estate has generated have been very attractive for investors. The resulting increases in demand for property, especially non-owner occupied investment housing, has boosted property prices nationwide. However, the pace and extent of house price gains has raised concerns about financial stability. As a result, the Reserve Bank has announced a tightening of lending restrictions, and a further tightening is likely in 2017.

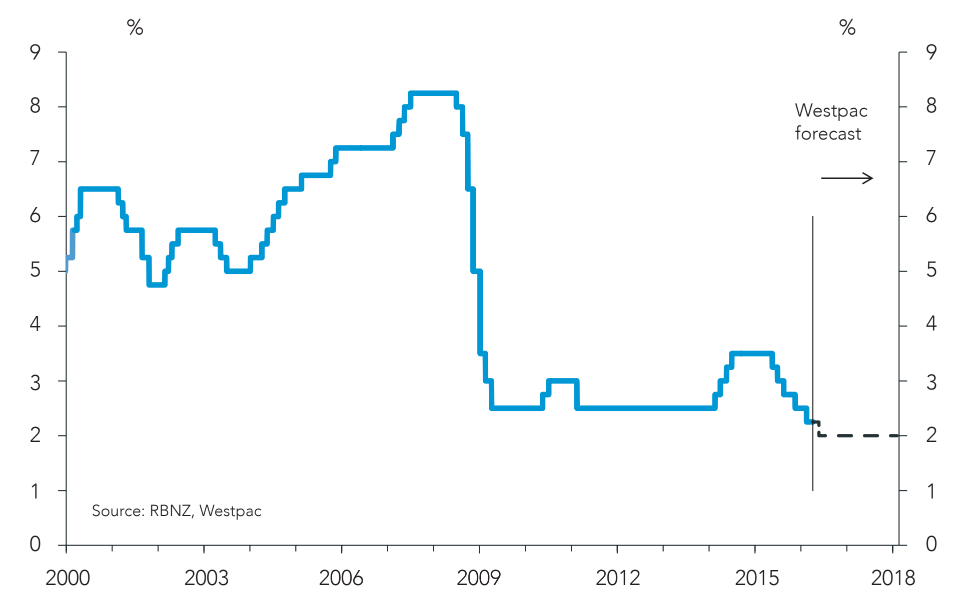
New Zealand interest rates are likely to remain at low levels for an extended period. The latter part of the decade is likely to see a slowdown in growth as the Canterbury rebuild starts to wind down and the current strength in net migration dissipates. These developments mean the RBNZ faces an uphill battle to keep inflation around 2% on a sustained basis.

While low interest rates are providing a strong boost to the economy, the resulting borrow-to-spend dynamic has seen household debt levels climbing rapidly. Since 2012, the amount of debt that households are carrying has risen to levels equivalent to 163% of their annual disposable incomes. That is higher than the peak reached prior to the financial crisis.

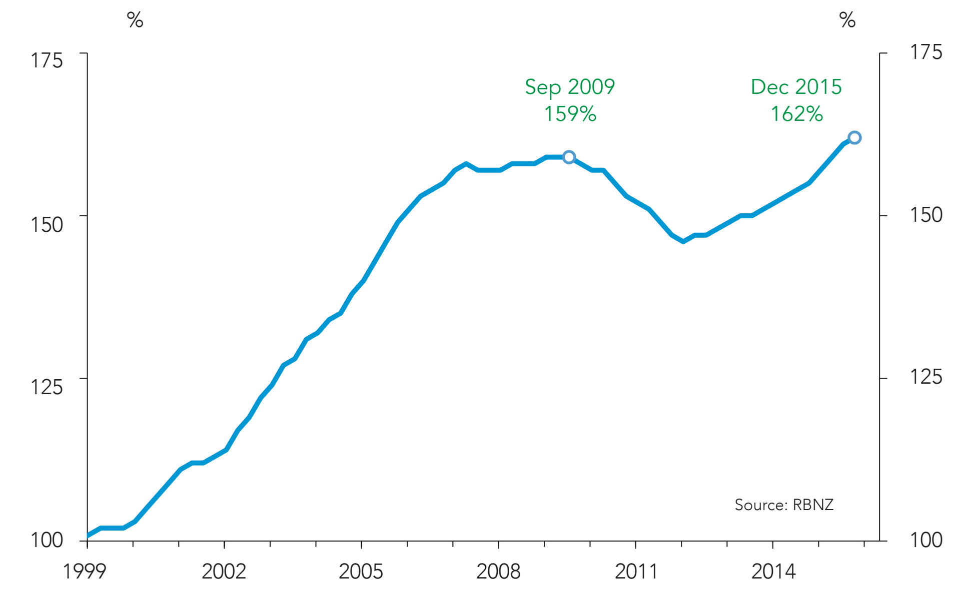
Although low interest rates mean debt is serviceable for now, increases in debt can't boost growth indefinitely. Debt eventually needs to be repaid, and larger increases now will require households commit a larger proportion of future income to debt repayment. In addition, higher debt levels mean households are more vulnerable to unfavourable changes in economic conditions. This will likely cause the RBNZ to pause for thought over the coming years when contemplating whether to cut interest rates.

Balancing concerns about debt levels with softer longer term growth will be a challenging task for the RBNZ. Nevertheless, we expect rate cuts will be back on the RBNZ's radar in the latter part of the decade. •

WESTPAC OCR FORECAST



HOUSEHOLD DEBT LEVELS




TAURANGA CROSSING DEVELOPMENT

Oyster is providing development and asset management services to the owners of a new 60,000m^2 regional shopping destination underway in Tauranga.

Located at Tauriko, in the city's western growth corridor – with a total trade area of over 265,000 people – the Tauranga Crossing shopping centre and adjacent Depot large format retail centre will be the only one-stop retail destination in the Bay of Plenty region. It will include a power centre, a large format retail centre, an enclosed mall, cafes, restaurants and bars.

The location has high visibility to passing traffic, and direct access to State Highways 29 and 36, as well as Route K direct to the city centre.

Stage One of Tauranga Crossing – opening in September 2016 – will provide a vibrant retail mix from the outset, and is over 90% leased or under agreement. It features Pak 'n Save, The Warehouse, Noel Leeming and Warehouse Stationery, as well as *The Millyard*, a dining lane housing a variety of food offerings. The balance will comprise a number of service providers and general merchandise retailers.

Stage Two will reinforce the centre's role in the region, and will include an enclosed mall, bespoke food and beverage offerings, as well as health, entertainment and leisure activities. The first phase of Stage Two is scheduled to open in 2018.

Large scale residential development in nearby areas prompted high consumer demand for a local, quality retail offering. The centre's unique composition will provide it with a strong point of difference given such a master planned retail environment is not available elsewhere within the Bay of Plenty region.

Oyster's experience in creating attractive destinations for retail customers and ensuring best practice for the development and management of retail assets is aiding the successful delivery of Tauranga Crossing. The project will include a range of community and leisure services to help it become the focal point for the wider region. •

www.taurangacrossing.com

STAFF PROFILE

Graeme Gunthorp
Retail Asset Manager

Oyster's specialist retail team has been boosted by the appointment earlier this year of a new Retail Asset Manager, Graeme Gunthorp.

Graeme joined Oyster having spent eight years as a corporate asset manager in London, where he managed extensive portfolios and executed a range of strategic transactions for major clients such as GlaxoSmithKline, Virgin Media, Citigroup and GE, in markets covering Europe, the Middle East and Africa. He played an integral role in clients' corporate real estate teams, responsible for managing significant operational assets.

Most recently, Graeme led CBRE's Western Australian Structured Transactions team where he worked for a variety of clients including government, institutional and private, on projects including greenfield leisure development, urban redevelopment, as well as a portfolio strategy.

He brings extensive experience in financial analysis and modelling, including scenario planning and contingency analysis, as well as development of opex and capex strategies and refinement of existing transaction processes and procedures.

Graeme is focussed on managing Oyster's key retail assets – primarily shopping centres – recommending and implementing strategy for the assets and portfolios, and identifying opportunities on behalf of a range of clients and funds. •

Graeme Gunthorp B.Com B.Prop MRICS
DDI 09 281 4460
M 0221 221 400
graeme.gunthorp@oystergroup.co.nz

For all Retail Leasing and other Rental Property enquiries:
Vaughan Ludlam B.Com B.Prop
Licensed Real Estate Agent (REAA 2008)
General Manager – Retail / Licensee
DDI 09 632 1376
M 021 333 261
vaughan.ludlam@oystergroup.co.nz

Contacts

Administration
Felicity Smith
Corporate Team Assistant
reception@oystergroup.co.nz
P 09 632 1287
F 09 623 5014

Property Management queries
Steven Harris
Portfolio Manager
steven.harris@oystergroup.co.nz
P 09 632 1370
M 021 279 3333

Investment queries
James Molloy
Transactions and Syndicate Sales Manager
james.molloy@oystergroup.co.nz
P 09 632 1371
M 021 977 292

Mark Winter
Director
mark.winter@oystergroup.co.nz
M 0274 964 639

Financial queries
Rachel Barr
Chief Financial Officer
rachel.barr@oystergroup.co.nz
P 09 632 1375
M 021 675 936

For all other enquiries
Mark Schiele
Chief Executive
mark.schiele@oystergroup.co.nz
P 09 632 1379
M 021 625 021

OYSTER®

OYSTER DIRECT PROPERTY FUND

7.0% PROJECTED p.a. PRE-TAX CASH DISTRIBUTION*

Minimum Investment $10,000

Diversified Exposure in Commercial Property valued at $240 million

Oyster's new fund aims to provide investors with an income distribution payable monthly combined with the potential for capital growth through investing in a diversified portfolio of quality commercial property assets.

- An unlisted, diversified commercial property fund
- A range of office, retail and industrial assets in a single investment
- Investment in commercial property assets of significant value and scale
- Structured for monthly distributions and redemptions†
- A fund which targets a portfolio weighted towards major urban locations, quality tenants and long leases
- Affordable entry point with a minimum investment of $10,000

To receive a copy of the Product Disclosure Statement please contact:
James Molloy: **(021) 977 292** Mark Winter: **(027) 496 4639** Email: **oysterdpf@oystergroup.co.nz**

The projected cash distribution stated in the advertisement is based upon holding 10,000 units (at the subscription price of $10,000) for the period from 1 April 2017 – 31 March 2018, and is subject to the notes and assumptions related to the prospective financial information for the fund found on The Disclose Register* **www.business.govt.nz/disclose*. For further details, please refer to the Product Disclosure Statement.*

†Redemptions will be available from 1 June 2017.

Prospective investors are recommended to seek professional advice from an Authorised Financial Adviser which takes into account their personal circumstances before making an investment decision.

www.oystergroup.co.nz

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