

CONSOLIDATING FOR CONTINUED SUCCESS & GROWTH



Mark Schiele
CHIEF EXECUTIVE
OFFICER

The first few months of 2017 have seen many positive developments for Oyster, the most significant of which was the settlement in March of the Millennium Centre Business Park in Auckland.

The purchase was not only significant in terms of the commercial property transaction landscape but also contributes substantially to a year of solid growth in our funds management business.

As is the case with transactions of this magnitude, the process of stitching the Millennium deal together was rigorous, lengthy and demanding. Ultimately, settlement was completed seamlessly and we firmly believe the investment structure (notably a wholesale fund with \$250,000 interests) will provide investors good flexibility and options for liquidity, whilst optimising monthly distribution potential.

With the Millennium deal complete we have appointed a specific team to manage our Auckland 'southern corridor' properties. This team includes Greg Wilder as Facilities Manager who is based on site at the Millennium Centre and is focused on providing the highest level of

service to our occupiers and optimally maintaining the property assets.

We continue to review opportunities to provide investors with new and broader choice of property and fund products.

In this respect, the Oyster Direct Property Fund remains a key pillar for our future and is attracting new investment monthly. We are finding the Fund has two key attributes that investors find appealing:

1. Solid property fundamentals – a high-quality diversified property portfolio throughout New Zealand with a broad range of tenant customers and lease maturities.
2. Flexible investment structure – a PIE structured Unit Trust with a minimum \$10,000 initial investment and no minimum on subsequent investments, monthly cash distributions or re-investment, and monthly redemptions.

The performance of the fund to date has been excellent. Investors who invested at the inception of the fund have received a total return of 10.12% (pre tax), in the eight months to 31 March 2017. The return is a combination of the unit price increase of 5.54% and a monthly cash distribution of 7 cents per unit per annum.

On the property management side of the business, I am pleased to report that with major

seismic upgrade work nearing completion, and following the vacation of many buildings affected by the November 2016 earthquake, Oyster's Eagle Technology House is now one of very few large blocks of modern office space available to lessees in Wellington's CBD. The new high level of seismic resilience will meet and likely exceed

"We continue to review opportunities to provide investors with new and broader choice of property and fund products."

requirements of the sensitive Wellington commercial tenant market and with the property offering affordable, quality office accommodation across large floors, we are confident of converting several leasing transactions and improving the building's occupancy profile.

Finally, Oyster has now moved to new offices at 55 Shortland Street in Auckland's CBD accommodating our growth and providing a fresh, new environment for our Auckland team. ■

LIMITED RELEASE FOR MILLENNIUM CENTRE INVESTMENT

Oyster settled the Greenlane Millennium Centre Business Park asset for \$210 million on March 15 2017, completing New Zealand's biggest ever office transaction.

The syndication of the three hectare site, at 600-604 Great South Road, attracted very high levels of interest prior to settlement.

A release of a limited number of interests is now available with a total of 146 parcels at \$250,000 each being offered to wholesale investors.

The institutional A-grade property has a commercial hub of seven office buildings totalling 43,500sqm in net lettable area and generates a net rental income of about \$15.24 million per annum plus GST. It provides a home to an array of major national and international brands with exceptional tenant covenants. The top 10 tenants account for almost 60 per cent of the property income.

The property benefits from leases with fixed growth provisions, and the cash flow is

supported by a strong lease expiry profile. Wholesale investors are projected to receive an excellent pre-tax cash return of 8 per cent per annum, paid monthly.

Purchasing the Millennium Centre is an important achievement for Oyster as it continues an investment strategy focused on providing superior assets with strong economic rent profiles to our broad range of investors.

As a significant commercial hub in Auckland, in a well-connected central location with high quality buildings and diversified income streams, it made long term commercial sense for Oyster to acquire the Millennium Centre and to create New Zealand's largest multi-investor ownership structure for it.

The purchase sees Oyster with more than NZ\$1.2 billion of property assets under management through a combination of private and public mandates. ■



THE MILLENNIUM CENTRE OFFER IS OPEN TO WHOLESALE INVESTORS WITH A MINIMUM INVESTMENT OF \$250,000 PER APPLICATION. IF YOU ARE INTERESTED IN PURCHASING INTERESTS, PLEASE CONTACT:

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GUEST EDITORIAL – CBRE MARKET OVERVIEW

BY ZOLTAN MORICZ, SENIOR DIRECTOR
HEAD OF RESEARCH, CBRE

The outlook, for both the New Zealand economy and property market, is for continued growth. Economic forecasters have become increasingly optimistic about New Zealand's growth prospects during the past year. A largely unified sentiment among forecasters currently indicates the economy is enjoying a strong momentum despite the relatively low December 2016 quarter GDP figures. Growth is increasingly shifting from migration, housing, and tourism to secondary drivers which will help sustain robust growth for some time. The secondary drivers include a strong labour market boosting income growth, consumer spending and the GST tax take, and stronger GDP growth helping to boost profitability and the corporate tax take. The combination of these could sustain 3%+ growth over the next 12-18 months. The chart (above right) highlights Westpac's forecasts for New Zealand GDP.

In addition to forecast growth, a flow on effect of business capacity constraints and robust business confidence, firms' intentions for investing in buildings/business space continues to be well above historic averages. This is also highlighted in CBRE's survey of occupiers which indicated growth pressures are the most influential factor shaping their real estate strategy. All of the foregoing suggests high demand for business space in the foreseeable future.

The expected strong demand bodes well for occupancy and rent growth across the various property sectors although supply is also on the increase in some cases. We don't expect a material market wide oversupply in 2017 and 2018 but, in some submarkets, the vacancy impact of new supply and/or relocating occupiers may create some rental softness as landlords seek to bring under control vacancy overhangs in affected buildings. Aside of these more localised pressures we expect the market to show sustained rent growth.

Investment markets have benefitted from strong liquidity and market performance in the past few years. 2016 transaction volumes were elevated with more than \$4 billion of property transacting, and investor interest remains high into 2017. Despite wide ranging interest from offshore purchasers, locally domiciled investors dominate activity.

Pricing trends for commercial and industrial real estate benefitted from a supportive interest rate environment post GFC. More recently interest rates have been increasing, and the forecast is for continued, but more steady and moderate interest rate increases over the next two years as the chart highlights. Forecast interest rates will narrow the yield gap between property and bond and mortgage rates in 2017/2018 but the size of the gap, based on recent Westpac forecasts, will remain reasonably comfortable based on past trends. At these forecast levels, we expect that interest rates will reduce the potential for further cap rate compression but, apart from highly leveraged investors, should not result in significant upward pressure on cap rates.

Disclaimer

This market overview presentation has been prepared in good faith based on CBRE's current views of the commercial real-estate market. These views are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

2017 ASIA PACIFIC REAL ESTATE MARKET OUTLOOK NEW ZEALAND

NZ GDP Growth

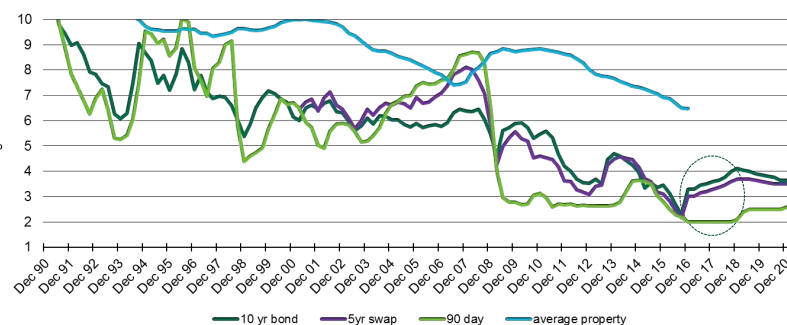


NZ Commercial and Industrial Transaction Volumes



“The expected strong demand bodes well for occupancy and rent growth across the various property sectors”

Auckland Commercial/Industrial Property Cap Rates vs Interest Rates



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NEW LEASES TRANSFORM SHOPPING CENTRES

Oyster has a uniquely dedicated in-house leasing team whose prime purpose is maintaining high occupancy levels, optimising tenancy mixes and maximising rental returns.

New leasing recently achieved for two Oyster-managed shopping centres, Dress-Smart Auckland and Kelston Shopping Centre, has resulted in significant transformations for both.

Whilst Dress-Smart Auckland is an exceptionally strong retail outlet centre, high demand from tenants and customers enjoyed internally has not been as buoyant historically for the external block of shops fronting Arthur Street. This block was developed in response to a council requirement for street activation and was never ideal for retail, resulting in a proposition which did not thrive.

Oyster recently identified an opportunity to expand on a homewares precinct beginning to form in neighbouring buildings. Having long wanted an internal site at Dress-Smart, leading homeware retailer Bed Bath N' Table instead embraced the external proposal and the team concluded an agreement with them to lease a large site combining three of the previous tenancies. This will see the Arthur Street block transformed to become another very attractive arm of New Zealand's largest outlet shopping destination.

Kelston Shopping Centre endured a long-term vacancy following the exit of NZ Post shop as part of the company's nationwide consolidation. Oyster identified an opportunity to introduce medical tenants to the trade mix and, following an extensive leasing campaign,

"A total of 92 new leases and renewals across 43,877 square metres of rentable area were completed."

the Kelston Mall Medical Centre was secured for the NZ Post shop tenancy. The Centre will be established and run by the Tongan Health Society who will provide comprehensive integrated family health services to the community and also be a teaching practice for medical and nursing students and General Practitioner Registrars. This new tenant is expected to strengthen the existing pharmacy business and attract other health related businesses to the Kelston Shopping Centre.

A total of 92 new leases and renewals across 43,877 square metres of rentable area were completed across the Oyster portfolio in the last six months of 2016. ■



Effective from 1 May 2017, Oyster's Auckland office has moved to:

Level 18, 55 Shortland Street
Auckland CBD

Our postal address remains the same:

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STAFF PROFILE

Chris Whiteley National Facilities Manager



Chris joined the Oyster team in August 2016 bringing with him almost 20 years of vast facilities management experience.

Prior to Oyster, he was a core part of the management team responsible for the planning and

implementation of the North West Shopping Centre developed by Stride Property. Chris was responsible for negotiating service contracts, running multiple tenders and the implementation of a Health and Safety System for retailers and contractors.

He also brings with him a wealth of experience in the preparation of opex, capex and maintenance provision budgets, with a strong focus on preventative maintenance.

Chris heads up facilities management of the group's extensive portfolio, including the new Cider building in Ponsonby and the Millennium Centre in Greenlane.

He is passionate about managing assets to "create buildings people want to visit and talk about".

Chris Whiteley

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OYSTER DIRECT PROPERTY FUND

HISTORICAL PERFORMANCE
FOR YEAR TO 31 MARCH 2017

7.0 CENTS
PER
UNIT

ANNUALISED PRE-TAX
CASH DISTRIBUTION*

Minimum investment \$10,000

Diversified exposure
in commercial property
valued at \$477 million

The Oyster Direct Property 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.

- 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
- Units issued on the first day of each month
- An unlisted, diversified commercial property fund
- Oyster Management Limited is the offerer and issuer of the units in the Oyster Direct Property Fund

A Product Disclosure Statement is available; to receive a copy please contact:

Kate Hamill (09) 632 1287 Email investor@oystergroup.co.nz

*The cash distribution stated in the advertisement is based upon the pre-tax distribution paid to investors for the period from 6 July 2016-31 March 2017. Past performance is no indication or guarantee of future performance. 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.

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