

# Oyster Direct Property Fund

Quarterly Investor Update

*For the quarter ended:  
31 March 2024*

**OYSTER**<sup>®</sup>

Invest in the real world.

# Key Updates



3.00¢

PER UNIT

(per annum, payable monthly)<sup>1</sup>



6.1

YEAR WALT

(directly held properties)



100%

OCCUPANCY RATE

(across directly held properties)



\$188.6m

TOTAL FUND VALUE

(direct property and investments)



\$1.15

UNIT PRICE

(as at 31 March 2024)



\$1.1b

DIVERSIFIED EXPOSURE

(high quality commercial property)

# Manager's Report

## General Update

While it has been a challenging period for the Oyster Direct Property Fund (DPF), the Fund's Average Annual Total Return since inception is 7.95% to 31 March 2024 (after fees and before tax) and economic forecasts show a more positive outlook beyond the current financial year.

The New Zealand property market continues to operate in a challenging economic environment at present, impacting the Fund's performance. However, there are indications that we have now reached the bottom of the current property cycle.

We have seen the stabilisation of property valuations since September 2023 and an uplift in occupier demand across the industrial and large format retail sectors, where vacancy remains low and market rents continue to grow.

RNBZ has confirmed that New Zealand is on target to reduce Consumer Price Inflation (CPI) to within the 1-3% target range in this calendar year and a decline in interest rates is now forecast by banking economists.

While the timing and magnitude of these rate cuts will be critical, the outlook beyond this current financial year is more positive for commercial property.

It will take time for these economic shifts to fully come into play, and in the nearer term, we will see continued pressure on returns as the sector rides out this period of elevated interest rates. In 2024, our team remains focused on driving portfolio performance and providing stable returns with a long-term investment horizon.

For the DPF, maintaining appropriate working capital and reducing borrowing costs will remain critical until interest rates come down.

While this strategy does have near-term impact on investors, particularly regarding distributions, it is in place to protect long term value, prevent forced asset sales at sub-optimal prices, and ensure the Fund comes into the next part of the cycle in an optimal position relative to market conditions.

As we come out of the bottom of the cycle, Oyster continues to look for opportunities to drive growth within the existing portfolio and seek opportunities to further diversify the Fund.



## Fund Strategy

The primary objective of the Fund is to invest in directly held properties or property investment vehicles across industrial, retail, large format retail and office sectors across New Zealand.

The Fund aims to provide investors with long-term, stable returns from these investments to grow the fund's investment portfolio by making property investments, and divestment from time to time when appropriate to manage the Fund.

Growing the Fund over time will provide an increase in the net asset value and consequently provides the potential for capital growth for investors. The Direct Property Fund invests in a broad range of commercial property across New Zealand as a long-term investment.

# Manager's Report

## Divestment Update

During the quarter, the Fund successfully completed the sale of 107 Harris Road, East Tamaki, Auckland for \$10.9 million with settlement occurring on 28 February 2024, following an on-market campaign. This was a strong outcome in the current market and supports the Funds strategy to reduce debt levels.

The net sale proceeds were used to repay the Fund's debt to reduce the impact of the higher borrowing costs, consistent with the Fund's strategy. This reduced the loan-to-value ratio to 52.9% (below bank covenant of 55%) of the directly held property.

Following the successful divestment of 107 Harris Road, Oyster continues to explore opportunities for targeted divestments to reduce the impact of elevated borrowing costs on the Fund's working capital and minimise exposure to the current interest rate environment.

Sales will be considered in instances where optimal total returns can be realised, relative to market conditions.

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## Valuations & Fund Performance

The Fund's Property Investment portfolio was independently valued as at 31 March 2024 which resulted in a marginal decline of the total investment.

Since September 2023, directly held asset valuation movement for the DPF has been largely insignificant at \$77.9 million declining 0.5% for the six months or 5.5% down since March 2023, indicating that valuations are now stabilising.

Industrial assets have declined slightly or held value (ranging between -3.4% to 0.0%). Tuam Street, the Fund's only directly held office asset, delivered an increase in value, owing to increased market rent from September 2023.

The fair value movement of assets has resulted in a unit price of \$1.15 as at 31 March 2024.

Looking ahead, we expect property valuations to strengthen as interest rates have stabilised and we look ahead for sector growth along with softening interest rates in 2025.

## Financing Report

Interest rates remain at their highest level since the Fund's inception. The bank loans directly held by the Oyster Direct Property Fund are on an interest-only basis with a fixed margin portion of 2.15%. The floating interest rate on the Fund's loans was 5.60%, providing an effective all-in interest rate of 7.75% (including margin).

In the last quarter, the Fund repaid \$10.9 million of debt to reduce borrowing costs following the settlement of 107 Harris Road.

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## Distributions & Redemptions

To retain adequate working capital and manage borrowing cost while interest rates remain elevated, distributions are set at 3.00 cents per unit per annum, for the period 1 April 2024 to 30 June 2024.

Distributions will continue to be reviewed on a quarterly basis.

The Fund's redemptions facility remains suspended to allow the Fund to maintain appropriate working capital and no forced asset sales over the coming 12-months, with trading of the Fund's units available on the Syndex trading platform to provide a liquidity option for investors.

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## Trading Platform

Oyster continues to provide the Syndex trading platform to facilitate the trading of the Fund's Units between investors reaching an agreed price for Units.

This facility provides an optional liquidity event for investors who may require this. The price at which Units are traded on the Syndex trading platform may be higher or lower than the Fund's Unit Price, as an agreed price can be reached between participating buyers and sellers via the marketplace that the Syndex trading platform provides.

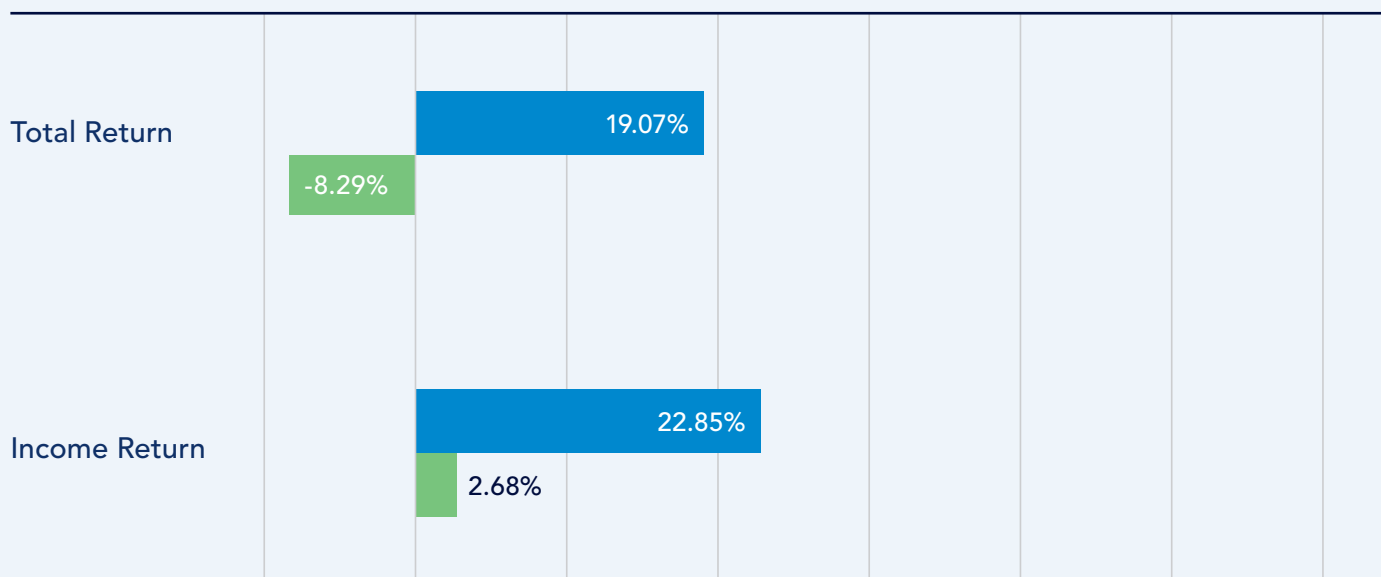
The DPF Trading Platform facilitated the trading of 448,285 Units in total until 31 March 2024. Investors can contact the Investor Relations team should they wish to participate in the next monthly liquidity window.

# Fund Performance

## DPF Performance

● Last 5 Years

● Last 12 Months



Note: the figures above are not annualised and represent the total returns over the time periods in totality. Total return includes capital growth since inception.

Quarterly Summary	30-Jun-23	30-Sep-23	31-Dec-23	31-Mar-24
Unit Price	\$1.2981	\$1.1797	\$1.1736	\$1.1576
Adjusted Net Asset Value	\$166,628,232	\$151,605,474	\$150,994,558	\$149,091,735
Units Traded via DPF Trading Platform	n/a	n/a	379,785 Units	68,500 Units
Quarterly Distribution (per unit, p.a.)	3.65 cents per Unit	3.65 cents per Unit	3.65 cents per Unit	3.00 cents per Unit
Weighted Average Lease Term	6.19 years	6.19 years	5.88 years	6.1 years
Occupancy	98.3%	98.3%	99.3%	100%
Loan to Value Ratio (Look Through)	47.1%	49.5%	49.7%	47.6%
Income Return <sup>1</sup>	2.9%	2.5%	2.4%	2.7%
Capital Return <sup>1</sup>	-15.0%	-22.7%	-22.4%	-11.0%
<b>Total Return<sup>1</sup></b>	<b>-12.1%</b>	<b>-20.1%</b>	<b>-20.0%</b>	<b>-8.3%</b>

<sup>1</sup> All returns are annualised for the twelve month period up to each quarter date. Income Return is the pre-tax distribution and Capital Return is the change in Unit Price. The Total Return is the aggregate of Income Return and Capital Return.

# Fund Overview

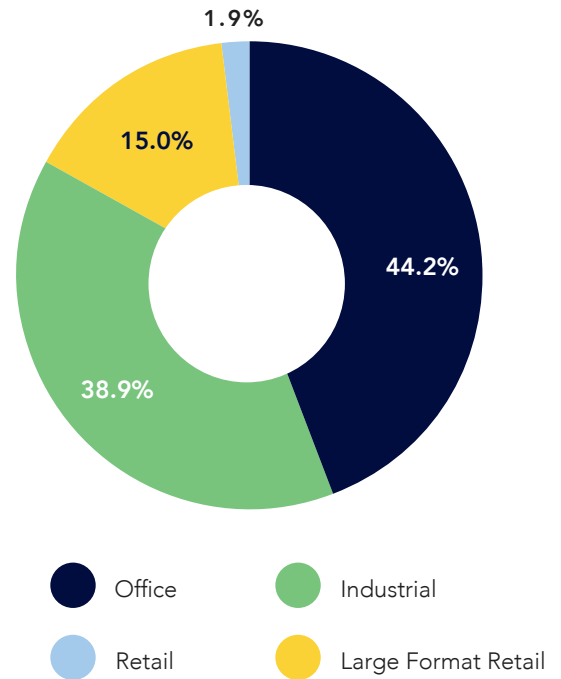
## Key Features

Applications	Closed
Minimum Reinvestment (Existing investors)	\$1,000
Pre-Tax Distributions	3.00 cents per unit (p.a.)
Redemptions	Monthly (Currently suspended)
PIE Structured	Yes
Distributions Payable	Monthly
Distribution Reinvestment	Optional
Licensed Manager	Yes

Past performance is no indication or guarantee of future performance. For further details please refer to the Product Disclosure Statement. Prospective investors are recommended to seek professional advice from a financial advice provider which takes into account their personal circumstances before making an investment decision.

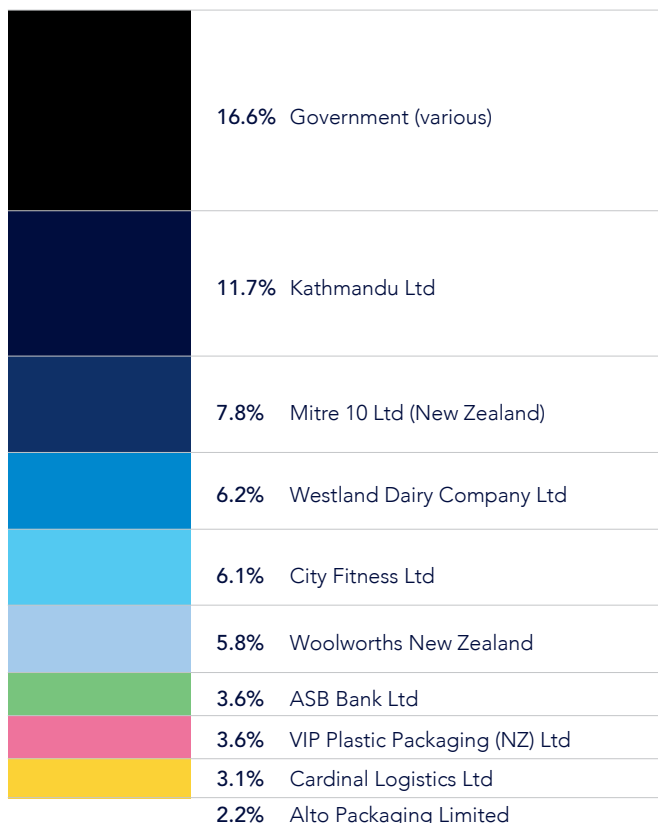
## Sector Diversification

by proportion of asset value of the Fund



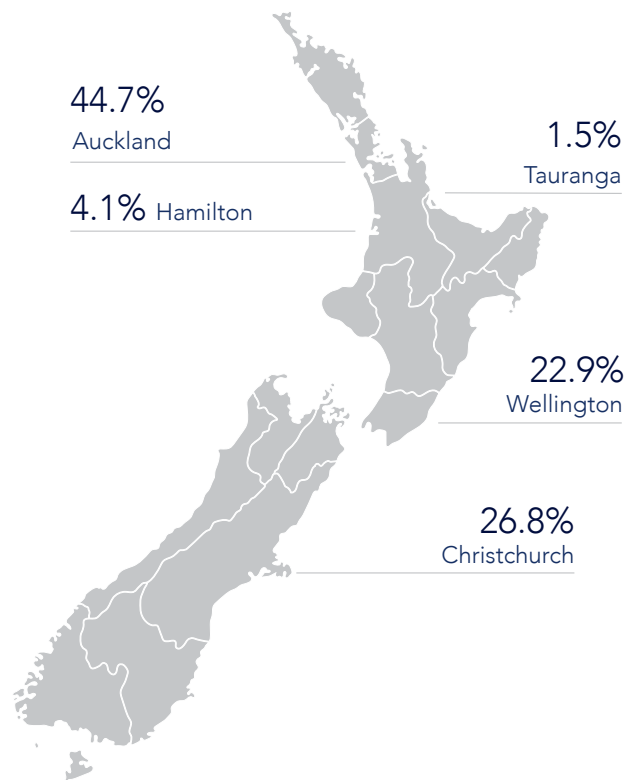
## Top Ten Tenants

by gross income as at 31 March 2024 across the Fund



## Geographical Diversification

by proportion of assets



# Property Investments

## Directly Owned Properties

	Property Value <sup>2</sup>	Value of Property Investments	% of Total Property Investments
12 NEWLANDS ROAD – Newlands, Wellington	\$14,500,000	\$14,500,000	7.7%
6 HURRING PLACE – Newlands, Wellington	\$16,200,000	\$16,200,000	8.6%
35 HICKORY PLACE – Christchurch	\$17,000,000	\$17,000,000	9.0%
223 TUAM STREET – Christchurch	\$30,200,000	\$30,200,000	16.0%
<b>TOTAL DIRECT PROPERTY</b>	<b>\$77,900,000</b>	<b>\$77,900,000</b>	<b>41.3%</b>

## Property Investment Vehicles

	Property Value <sup>1</sup>	Value of Property Investments <sup>3</sup>	% of Total Property Investments
JACKSON PETONE POS – 106–110 Jackson Street, Petone, Wellington	\$10,200,000	\$566,712	0.3%
PUKEKOHE MEGA POS – 12 Wrightson Way, Pukekohe, Auckland	\$24,100,000	\$618,470	0.3%
51 CORINTHIAN POS – 51 Corinthian Drive, Albany, Auckland	\$19,000,000	\$906,295	0.5%
181 GRAFTON POS – 181 Grafton Road, Grafton, Auckland	\$24,000,000	\$1,819,438	1.0%
9 CORINTHIAN POS – 9 Corinthian Drive, Albany, Auckland	\$36,000,000	\$1,962,329	1.0%
C&C POS – 618 Cameron Road, Tauranga	\$19,000,000	\$2,829,537	1.5%
UNIVERSAL DRIVE POS – 185–187 Universal Drive, Henderson, Auckland	\$24,000,000	\$3,654,553	1.9%
HOME STRAIGHT PARK POS – 17–21 Home Straight, Te Rapa, Hamilton	\$64,100,000	\$7,761,314	4.1%
33 CORINTHIAN POS – 33 Corinthian Drive, Albany, Auckland	\$55,400,000	\$7,120,213	3.8%
PASTORAL HOUSE POS – 25 The Terrace, Wellington	\$74,800,000	\$5,896,061	3.1%
HENDERSON MEGA POS – 186 Lincoln Rd, Henderson, Auckland	\$40,500,000	\$7,809,437	4.1%
100 HARRIS POS – 100 Harris Road, East Tamaki, Auckland	\$39,500,000	\$10,753,180	5.7%
CIDER POS – 4 Williamson Avenue, Ponsonby, Auckland	\$110,500,000	\$11,538,553	6.1%
OYSTER LARGE FORMAT RETAIL FUND – 260 Oteha Valley Road, Albany, Auckland	\$82,250,000	\$11,690,562	6.2%
OYSTER INDUSTRIAL LTD – Multi-Asset Portfolio of Industrial Property	\$174,950,000	\$16,125,121	8.5%
MILLENNIUM CENTRE POS – 600–604 Great South Road, Greenlane, Auckland	\$273,100,000	\$19,663,692	10.4%
<b>TOTAL PROPERTY INVESTMENT VEHICLES</b>	<b>\$1,071,400,000</b>	<b>\$110,715,468</b>	<b>58.7%</b>

<b>TOTAL</b>	<b>\$1,149,300,000</b>	<b>\$188,615,468</b>	<b>100.0%</b>
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<sup>1</sup> The Property Value of the Property Investment Vehicles reflect the Fund's Assessment of Fair Value as at 31 March 2024

<sup>2</sup> The Property Value for the Directly Owned Properties reflects independent valuations completed as at 31 March 2024.

<sup>3</sup> Value of Property Investments - The Fund's proportionate share of the value of net assets in each Property Investment Vehicle based on management accounts. For further explanation, please refer to the Product Disclosure Statement.

# Property Investments



**MILLENNIUM CENTRE POS**  
600–604 Great South Road, Auckland



**9 CORINTHIAN POS**  
9 Corinthian Drive, Albany, Auckland



**PUKEKOHE MEGA POS**  
12 Wrightson Way, Pukekohe, Auckland



**51 CORINTHIAN POS**  
51 Corinthian Drive, Albany, Auckland



**33 CORINTHIAN POS**  
33 Corinthian Drive, Albany, Auckland



**100 HARRIS POS**  
100 Harris Road, East Tamaki, Auckland



**OYSTER LARGE FORMAT RETAIL FUND**  
260 Oteha Valley Road, Albany, Auckland



**181 GRAFTON POS**  
181 Grafton Road, Grafton, Auckland



**C&C POS**  
618 Cameron Road, Tauranga



**CIDER POS**  
4 Williamson Avenue, Ponsonby, Auckland



**HENDERSON MEGA POS**  
186 Lincoln Road, Henderson, Auckland



**HOME STRAIGHT PARK POS**  
17–21 Home Straight, Te Rapa, Hamilton





**JACKSON PETONE POS**  
106–110 Jackson Street, Petone, Wellington



**PASTORAL HOUSE POS**  
25 The Terrace, Wellington



**UNIVERSAL DRIVE POS**  
185–187 Universal Drive, Henderson, Auckland

### Directly Owned Properties

6 Hurring Place, Newlands, Wellington

12 Newlands Road, Newlands, Wellington

223 Tuam Street, Christchurch

35 Hickory Place, Christchurch



### Oyster Industrial Limited

14–16 Makaro Street, Porirua, Wellington

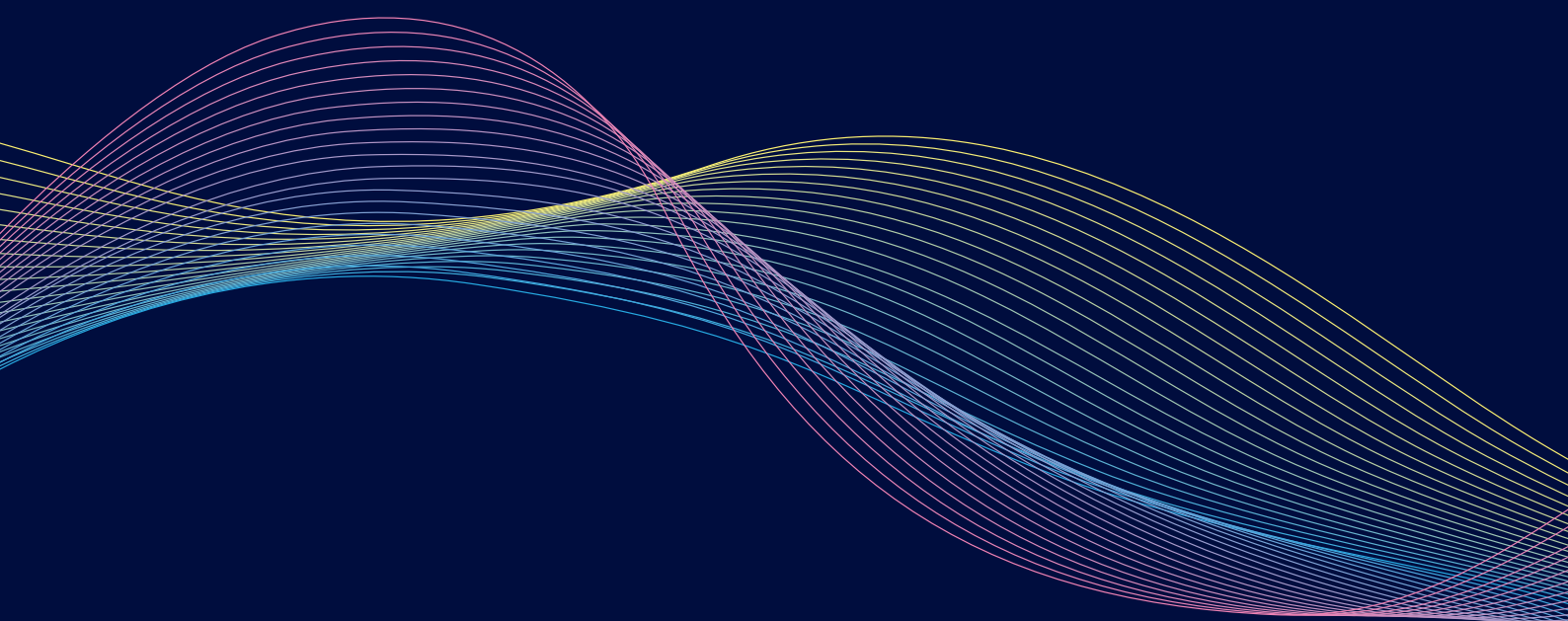
71 Westney Road, Mangere, Auckland

75 Wainui Road, Lower Hutt, Wellington

77 Westney Road, Mangere, Auckland

67 Main North Road, Kaiapoi, Canterbury





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