

OYSTER[®]

Update

INVEST IN THE REAL WORLD

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Welcome to the Oyster Update



Mark Schiele
Chief Executive

A note from Mark Schiele

It has been an interesting few months from a monetary policy perspective, with growing indication that the Official Cash Rate (OCR) has begun to successfully constrain inflation.

New Zealand holds a unique position in the global economy - while most developed markets are not yet in a position of certainty around the interest rate environment, we are seeing strong signs they may be at their peak in New Zealand.

From where Oyster sits, this dynamic appears to be moving the market into a period of increased stability, a sentiment echoed in an announcement by the Reserve Bank last week, which confirmed the OCR will remain unchanged at 5.5% and indicated inflation is expected to continue to decline as capacity constraints ease.

While this is obviously a result of an economic downturn, this shift is providing more confidence in decision making and will lead to an increase in transaction and investment activity across the market.

With regards to Oyster, we are now considering more transactional opportunities than we were three months ago, and we expect this momentum to ramp up following the general election in October 2023.

Despite this, external pressures will continue to have a near-term impact on investments. This means the long-term fundamentals of the commercial property asset class, and a focus on total returns have never been more relevant.

We recently analysed the performance of all exited single asset funds (resulting from the divestment of underlying commercial properties) held in the Oyster portfolio between 2003 and 2022, against the performance of the NZX50¹ and term deposits².

The data aggregates the performance of these 12 funds, irrespective of their individual performance, across both buoyant and challenging market conditions over the twenty-year period.

Combined, it paints a clear picture of the total returns that were realised for Oyster investors over the last two decades, despite several periods of economic uncertainty, and highlights the benefits of long-term investment.

We thank you for your ongoing support as we navigate the current economic cycle and continue to look to assess the opportunities that lie ahead, both within, and beyond, the current Oyster portfolio.

¹ The realised total return for the SmartShares NZ Top 50 ETF (FNZ). Source: www.smartshares.co.nz

² The realised total return for new interest-bearing 6-month term deposits. Source: www.rbnz.govt.nz

Twenty years of proven performance

Commercial property is a long-term investment and can play a significant role in a diversified portfolio. Appealing due to its ability to provide regular income returns and the potential for capital gains, commercial property, like other investments, has been impacted in the current economic environment. Our ultimate focus is the delivery of optimal long-term returns and we have a proven track record of delivering this over the last two decades.

The data in the below graph measures the realised total returns of 12 exited single asset funds (due to the divestment of underlying commercial property) that were held in the Oyster portfolio since 2003, against the realised total return of investment in the NZX50² (including dividend payments) and the realised total return for 6-month term deposits³ (and subsequent principal reinvestment), on a dollar-for-dollar basis.

ACCUMULATED TOTAL RETURNS BY INVESTMENT TYPE



OYSTER DIVESTMENTS – SINGLE ASSET FUNDS¹

NZX50²

TERM DEPOSITS³

Investment Types

¹ The realised total returns (realised income return plus realised capital return) represents a simulated total return to a hypothetical investor who purchased each of Oyster's single asset funds that were unwound through the sale of the underlying commercial properties (earliest fund inception in 2003) with an even weighting across the funds.

² The realised total return for the SmartShares NZ Top 50 ETF (FNZ). Source: www.smartshares.co.nz

³ The realised total return for new interest-bearing 6-month term deposits. Source: www.rbnz.govt.nz

All income returns are not compounded, and all returns are before tax. Past performance is no indication or guarantee of future performance. All investors are recommended to seek professional advice from a financial advice provider which considers their personal circumstances before making an investment decision.



While listed investments have delivered a higher aggregated total return, they are often more sensitive to economic factors due to sentiment-driven pricing, meaning the timing of realising an investment can severely impact total returns. This is illustrated by the global financial crisis (mid 2007 to 2009) and the start of the Covid-19 pandemic (2020).

We buy quality properties in asset classes with robust long-term outlooks.

This is supported by our ability to manage the entire property lifecycle in-house, from transactions and real-time fund management to hands-on asset and facilities management, providing us with enhanced capabilities to actively manage risks and opportunities as they present themselves.

Since Oyster's inception, we have navigated many property and economic cycles. Our learnings across the last two decades, particularly during times of volatility, inform the strategy we are applying today as we manage the pressure caused by the current economic environment.

Delivering optimal total returns for investors continues to remain our key focus.

The data speaks for itself. We are proud of the returns that Oyster has delivered to investors over the last two decades, and the way in which commercial property continues to be resilient, in the long term, throughout economic cycles.



As the data shows, Oyster investments during the twenty-year period have outperformed cash term deposits over the long term by more than two-fold.



TRANSACTIONS

Transaction market showing signs of life



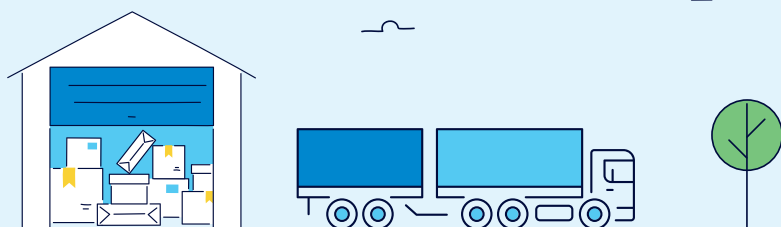
Steven Harris
General Manager – Investment

Recent commercial property sales activity shows signs that investor confidence and sentiment is returning.

Following a subdued 12-months in the transaction environment, activity is beginning to ramp up again. It has been encouraging to see an increase in volume of available assets across our target sectors and locations, creating opportunity for investors.

Pricing levels and yields for recent industrial and large format retail asset sales are consistent with, and in some cases keener than, those evidenced in our valuation round on 31 March 2023.

This has made for a busy first quarter of the 2024 financial year, with an excellent result achieved for Oyster Industrial Limited (OIL) investors via two successful divestments. Several acquisition bids, that while unsuccessful, provided strong indication of investor demand.



Industrial and logistics

The industrial and logistics sector continues to retain its investor appeal due to its strong defensive qualities and sound occupier fundamentals, which have continued to drive rental growth.

Several industrial sector transactions in Q1 of FY24 demonstrated the ongoing ability of this asset class to provide stability against a backdrop of economic uncertainty.

Two divestments from the Oyster Industrial Limited portfolio delivered yields below 5 per cent, a strong result in changing market conditions, clearly illustrating the defensive nature of this asset class.

101 McLaughlins Road was marketed by CBRE to strong interest, with five offers received at campaign close. The sale price of \$19 million represented a 4.6 per cent premium to the Fund's initial October 2019 purchase price.

An unsolicited offer was received on 12 Harbour Ridge Road. Its subsequent sale price of \$15.25 million represented a 17.3 per cent premium to the Fund's initial purchase price in October 2019.

Our conviction in industrial property was again reinforced by our recent participation in the sale process for three quality industrial assets in the wider Auckland region.

Two of the three assets sold to other bidders at keen prices – a South Auckland property representing a return on passing income of 4.2 per cent; and a North Shore property transacting at a 3.3 per cent return on passing income. Both assets sold with short-term tenure.

Both assets were marketed with near-term rent growth opportunities by way of lease expiry and the ability to unlock a higher rent.

101 MCLAUGHLINS ROAD

4.6%

Premium on Purchase



12 HARBOUR RIDGE ROAD

17.3%

Premium on Purchase



LARGE FORMAT RETAIL



Strong Occupier
Demand



Limited Tenancy
Turnover



Low Vacancy
Levels



Large format retail

Following its resilient performance during COVID-19, the large format retail sector continues to be characterised by strong occupier demand, limited tenancy turnover and very low vacancy levels.

In Q1, Oyster participated in the bidding process for a large format retail development in Royal Oak, Auckland, which was successfully purchased by another bidder at a yield firmer than 31 March valuations would suggest.

This result highlights the strong transaction potential of this asset class and demonstrates there is keen interest in multi-functional spaces with strong anchor tenants, a positive outcome for the five large format retail assets currently held within the Oyster portfolio.



Quality office

We continue to see evidence that New Zealand and the wider Asia-Pacific region is not experiencing the 'death of the office' phenomenon impacting some other markets, particularly the USA.

There is ongoing tenant demand for quality Auckland CBD office space in and around the downtown waterfront area, as well as for well-located office parks proximate to transport links and providing good amenities.

We see opportunity to capitalise on buildings with existing vacancies in strategic Auckland CBD locations through repositioning and upgrading. Accordingly, Oyster has been an active participant in several bids for quality Auckland CBD office assets in recent months, which have demonstrated a marked uplift in pricing for this sector.



Transacting for optimal investment returns

The Oyster investment strategy is focused on strategically located, quality assets, that provide strong leasing potential, at prices that support optimal long-term investment returns.

With activity in the market continuing to improve, we note that pricing may become more competitive given the level of interest in our target sectors from alternative capital sources in the market, including private wealth.

As the property cycle turns, we will continue to proactively seek out transaction opportunities that meet this investment criteria and will keep investors informed of opportunities as they arise.



LEASING

Leasing momentum at the Millennium Centre



Lauren Valcarcel
Asset Manager – Millennium

It's been a busy year at the Millennium Centre business park, with strong leasing momentum contributing to a 1.87 per cent uplift in valuation – no mean feat given the impact current economic conditions are having on commercial property valuations both in New Zealand and globally.

Helping to drive these leasing results is Lauren Valcarcel, Asset Manager for the Millennium Centre. With 10 years of property sector experience, Lauren has a wealth of knowledge when it comes to active asset management, and proven experience in delivering great outcomes for both investors and tenants.



We sat down with Lauren to discuss the elements driving this exciting leasing story for the Millennium Centre.

“Genuine, long-term partnerships with tenants translate into investor value. This underpins everything we do when it comes to the management of the Millennium Centre.”

Since the Centre became a part of the Oyster portfolio in 2017, the Oyster team has driven a programme of continuous improvement to modernise and increase amenities for tenants, including new end-of-trip facilities, the repositioning of its retail strip, the newly installed turf on the tennis court and the installation of communal social facilities, including BBQs.

“We’ve created a real community feel for the businesses that occupy the Centre and this creates a significant point of difference,” Lauren says.

“We’re completely hands on at the Millennium Centre. Our property and facilities managers are based on site to support our tenants and provide prompt assistance when required. Our active engagement in the leasing market helps us proactively stay ahead and maximise opportunities for investors.”

A focus on leasing over the last 18 months has delivered significant results.

“We’ve seen the Millennium Centre reach 97% occupancy,” Lauren says, “which is a great result for a 43,000 square-metre asset.

“Our close working relationships have positioned us well to proactively meet the needs of our tenants and pivot when required to make the Centre work for them. We are in front of them before they go to market, and you can see the benefits of this in long-term tenant retention and rental growth.”

Key leasing highlights for the Millennium Centre over the past 12 months include a new nine-year lease with Toyota Finance – a deal that required Oyster to coordinate the movement of another tenant to accommodate Toyota’s need for additional space.

Green Cross Health has signed on for another nine years at the property, which will take their total tenure to 19 years. The centre’s ability to accommodate significant parking requirements for Green Cross has been a key driver of this long-term leasing arrangement – parking is an amenity that can be difficult to find in central Auckland.

Z Energy, who have occupied the asset since 2009, have agreed to another six-year lease term, representing a net rental uplift of 18 per cent, and including a more favourable annual rental increase structure. This excellent outcome for investors was supported by a proactive strategy to ensure the Centre continues to meet the needs of Z Energy and was competitive from a market perspective.

Looking ahead, Oyster’s priorities for the Millennium Centre are maintaining leasing momentum, careful cost management, and ultimately, growing investor distributions.

“I’m excited to continue to play a hands-on role in ensuring the Millennium Centre will always attract quality tenants, and deliver results for investors.”

INVESTMENT TEAM

Bringing value to our investors and our team



Katie Ireson
Investor Relations

“I’m excited to be part of the Investor Relations Team and look forward to gaining new insights, experiences and invaluable connections.”

Katie Ireson joined Oyster’s Investor Relations Team in May, after seven years’ experience working in compliance and investor relations-focused roles at a number of prominent New Zealand fund managers.

Katie, originally from Yorkshire in the United Kingdom, landed in Auckland in 2016 after two years travelling the world on her OE. She joined Centuria, where she worked in both compliance and investor relations roles throughout her six years there, while also realising that New Zealand was somewhere she wanted to stay for the long term.

From there, Katie joined Jasper Property where she successfully led its Investor Relations Support function while continuing to nurture and grow key relationships with investors as a Relationship Manager.

Sharing what she enjoys most about her new role, Katie says: “I’m passionate about the investor experience and believe that it’s not just the great offers that first attract people to Oyster, it’s the team they interact with that shapes the trust and long-term relationships they have with us.

“Speaking to different investors from all walks of life means no two days are the same. As one of the first points of contact for most investors, I enjoy building relationships and becoming a trusted contact who is there throughout their investing journey, no matter what their question or feedback.

“I’m excited to be part of the Investor Relations Team and look forward to gaining new insights, experiences and invaluable connections.”

We look forward to the value Katie will bring to our investors and our team. Welcome, Katie.

PROPERTY TEAM

Meet Fabio Pagano, General Manager – Property



Fabio Pagano
General Manager - Property

Early this year we welcomed Fabio Pagano as Oyster's General Manager - Property.

Bringing 15-years' property experience to the role, he has a breadth of expertise spanning all aspects of commercial property and fund management for both private and listed entities.

Prior to joining Oyster, Fabio was a Fund Manager for Investore Property, managed by NZX listed Stride Property Group, where he led their \$1.2 billion property portfolio, executing more than \$250 million in transactions and securing \$300 million in capital market raises, predominantly during the volatile Covid-19 period.

Before this he held a number of senior property management roles in Australia. "My property career has been varied and I've been exposed to all sides of the industry, as a tenant, an asset manager, and a fund leader," says Fabio.

"This has given me deep understanding of the factors that build strong, long-lasting tenant-landlord relationships, and how to translate this into investor value."

"Oyster puts huge importance on growing strong relationships with its tenants, which is why we are the landlord of choice for many, and this was one of several aspects of the business that resonated with me.

"Holding a competitive position in the leasing market means ensuring our assets meet the needs of our tenants - from location, size, and amenities, right through to sustainability credentials.

"We understand what drives our occupiers and this allows us to actively manage risk, particularly during times of economic volatility, as well as identify growth opportunities for our investors.

"There is significant future value opportunity within the Oyster portfolio and I'm excited to play a key part in unlocking this over the coming years," says Fabio.

Outside of work, Fabio is passionate about supporting local communities – from local soccer coaching to his recent participation in Auckland City Mission's Cook-Off in June to help combat food insecurity for the neediest in Auckland.



Better together: collaborating with tenants towards sustainability outcomes



Fabio Pagano
General Manager - Property

Ensuring our assets contribute to a more sustainable New Zealand plays a key role in growing our position as a landlord of choice and unlocking further value for our investors.

We checked in with Fabio Pagano, General Manager – Property, to get an update on how sustainability initiatives are delivering results across the Oyster portfolio.

“A core part of our strategy is ensuring our assets are well positioned to support tenants in meeting their own sustainability goals, today and into the future,” Fabio says.

“Great examples of this strategy in action are the long-term lease agreements we hold with government-based tenants, who require building performance ratings as part of their procurement processes, and our close working relationships with high-profile tenants like Mitre 10 who are looking to achieve excellence against their own sustainability strategies.”





Over the past 12 months, we're proud to have progressed against a number of sustainability initiatives across the Oyster portfolio, including:

Tenant-funded, Oyster-supported projects

"Value-add opportunities come seamlessly when landlord and tenant goals are aligned. When it comes to sustainability, we work in partnership with our tenants – you can't do this work in isolation."

In the past year, this has included supporting several tenant-funded projects including the management of installation of EV chargers at Home Straight Park and the Millennium Centre business parks. Planning and preparation is also underway for the rollout of tenant funded EV chargers and solar panels at Henderson Mega and Pukekohe Mega which both house Mitre 10 stores.

Our Properties Team continues to work with providers to install high speed EV charging stations at more Oyster assets.

Ongoing NABERSNZ ratings progress

National Australian Built Environment Rating System in New Zealand (NABERSNZ) is the industry benchmark for assessing the energy efficiency and performance of office buildings.

Oyster has progressed it's first year of re-ratings under the NABERSNZ at 26 of our office buildings in total, with 19 achieving 4-stars or higher, which means excellent performance.

The framework helps us set baselines for energy consumption and develop a roadmap to improve these for respective assets over the coming years.



SUSTAINABILITY



'Smart' electricity and water meters to measure optimal property performance

The installation of 'smart' electricity and water meters across the Oyster portfolio has progressed, and we're streamlining and automating the way energy and water consumption data is captured across the majority of our assets.

"That real-time data enables us to have conversations and work with our tenants to understand what's going on at their asset," Fabio says.

For example, we picked up an issue with water consumption at one of our business parks, where we were able to identify and resolve a leak in a matter of days, which otherwise may not have been picked up until after a water bill had been received, let alone resolved.

Similarly, had a smart electricity meter been in use at the time, a large jump in power consumption noted after people returned to an office asset following lockdown would've been picked up in real time rather than at the end of the billing timeframe.

"With smart metering installed we can see changes like this start to emerge and work together with our tenants to manage any effects," Fabio says.

Leading by example

Oyster has also to put in place a strategy to measure, manage and reduce our own carbon emissions as a corporate entity.

Oyster has enrolled in the CarbonReduce certification programme from independent environmental experts Toitū Envirocare, which supports New Zealand businesses with environmental frameworks to drive real progress.

"We now have a starting position for our own carbon footprint and are able to establish some targets to reduce these emissions. We've undergone our first audit which we understand to be successful, and are now awaiting confirmation of our Toitū CarbonReduce certification," Fabio says.



The Roadmap Forward

In addition to developing and pursuing initiatives that will reduce Oyster's own carbon footprint to achieve our targeted reductions, over the next 12 months, key areas of focus will also include seeking a Green Star Performance rating across a few select assets to better understand this framework, and opportunities to make related improvements. Green Star Performance assesses the operational performance of existing buildings.

Oyster is also currently pursuing its first Green Star Design & As Built rating on a current development at one of our Business Parks. The Design & As Built framework helps guide the sustainable design and construction of new commercial builds.

We're also commencing planning for the Oyster portfolio's first carbon neutral asset.

"We're energised by the results we're seeing so far and look forward to continuing to collaborate with our investors and tenants to drive sustainability success stories into the future".





LEASING

Leasing momentum at Dress Smart Onehunga

Dress Smart is owned by Lendlease's Real Estate Partners New Zealand and managed on the ground by Oyster through our property management division. As a team, we work together to provide an unmatched retail leasing experience to tenants. There are some exciting developments on the horizon for Dress Smart Onehunga.

Lendlease has secured resource consent and development rights to transform a carpark adjacent to Dress Smart Onehunga into an expanded retail precinct. Oyster is currently working with Lendlease to advance the project toward securing board and investment approvals.

The expansion will see this space developed to accommodate additional retail floor area, an enhanced food and beverage offering and increased carparking facilities. An ambience upgrade for the original centre is also planned.

"Achieving council resource consent to expand Dress Smart Onehunga is a fantastic outcome for shoppers and the local community," says Matt Bowyer, Head of Mandates at Lendlease Investment Management.

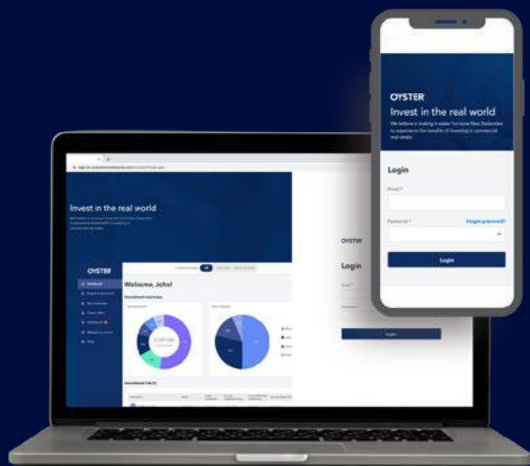
"With its central location, easy access and great variety of stores, the centre has become a much-loved discount shopping destination over the years."

A leasing campaign is now underway to offer this exciting new retail opportunity to local and international brands.

Jennifer Andrews, Asset Manager – Retail at Oyster, says it has been an exciting year of leasing for Dress Smart Onehunga, which has welcomed new retailers to the centre and expanded footprints for some existing tenants.

"The significance of the expansion and upgrades is really hitting home with retailers. We've recently had Decjuba, Dr. Martens, Flo & Frankie and Seed Heritage sign leases, and are set to see Adidas expand their footprint."

We look forward to supporting Lendlease and the centre's tenants through this exciting next phase.



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The Oyster Investor Portal provides quick, easy and secure access to your investment details at your fingertips.

See a personalised snapshot of how your investments are performing

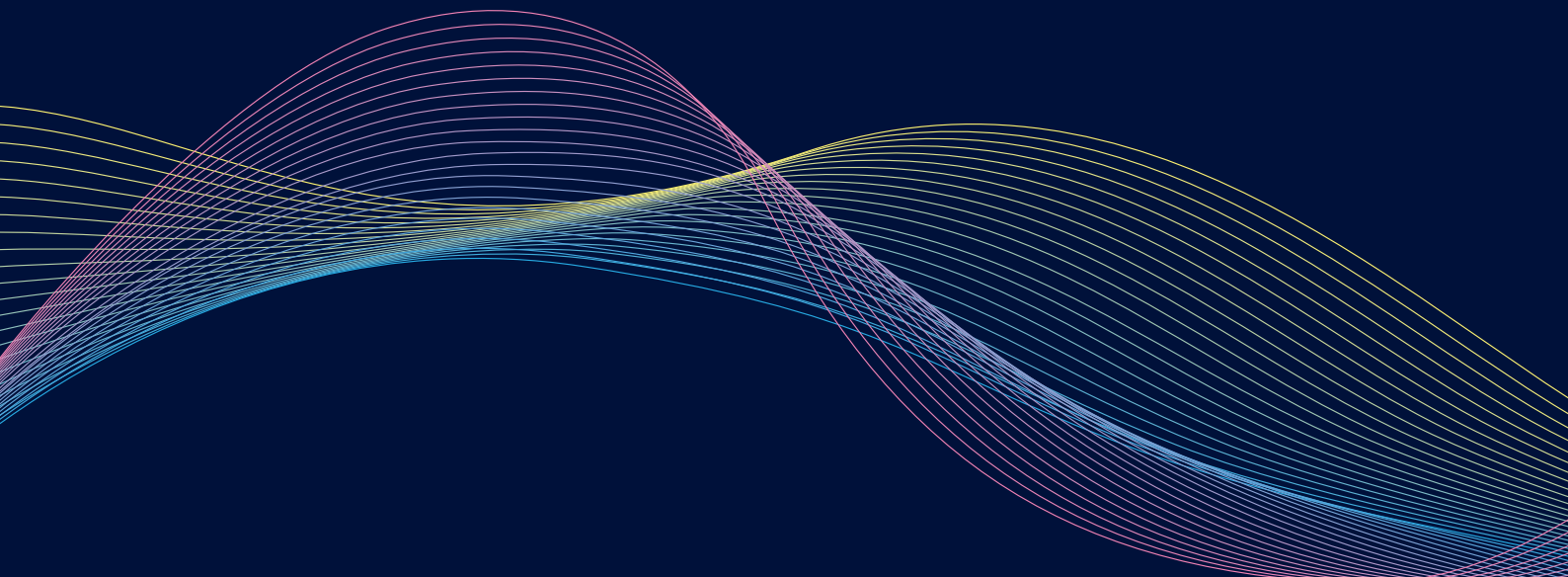
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