



Stride Property Group (NS)

NZX Announcement

3 November 2021

Stride Property Group Business Update

Stride Property Group (Stride) is providing an update to the market regarding:

- Portfolio valuations as at 30 September 2021
- COVID-19 impact and FY22 outlook, including confirmation of dividend guidance
- Update on leasing at 110 Carlton Gore Road, Newmarket, Auckland

Portfolio valuations as at 30 September 2021

The portfolio of Stride Property Limited (SPL) has been valued at \$1,216.4 million as at 30 September 2021, representing a net valuation movement for the six months from 31 March 2021 of +\$13.7 million or +1.1%. This includes Stride's share of the unincorporated component of the Industrie Property Joint Venture (Industre) portfolio, which is recorded as part of the assets of SPL in the Stride consolidated interim financial statements (see note 3.2 to the consolidated interim financial statements for the six months to 30 September 2021 when released for further information).

SPL's town centre assets recorded a net valuation increase of +\$11.5 million or 3.7%, and its industrial assets recorded a net valuation increase of +\$20.4 million or 12.7%, with increases in both sectors primarily driven by capitalisation rate compression.

SPL's wholly owned subsidiary, Fabric Property Limited (Fabric), which owns office assets, recorded valuations which were in line with valuations as at 31 March 2021, with a net valuation decrease of (\$1.0) million or (0.15%), with the decrease primarily due to COVID rental abatement provisions.

SPL holds one further office property directly, being 55 Lady Elizabeth Lane, Wellington. Works are required to improve the seismic performance of this property, although the exact nature and timing of the works required is still being confirmed, with engineers undertaking surveys of the property. As a result, the valuation of this property reduced by the currently estimated cost of these works, contributing to a devaluation of this property by \$17.3 million. SIML is working with the tenants of this property regarding any impacts that may result from the works.

The valuations as at 30 September 2021 remain subject to audit review and will be confirmed with the Stride interim results, due to be released later this month.

COVID-19 impact and FY22 outlook, including confirmation of dividend guidance

On 28 September 2021 the Government announced the introduction of the COVID-19 Response (Management Measures) Legislation Bill, which included a raft of amendments to

various legislation which the Government stated was intended to assist with managing the impact of COVID-19. One of the pieces of legislation that was amended was the Property Law Act 2007, to mandate the inclusion, with effect from 18 August 2021, of an implied term requiring rent abatements in all commercial leases which do not currently include a “no access in an emergency” provision which provides for rent abatement in the event of a pandemic.

Stride has always worked proactively with its tenants to agree rent abatement and deferral arrangements to assist those tenants that require support to continue to operate a sustainable business. In doing this, Stride has targeted providing assistance to those tenants who require support.

Following passing of this legislation in the past week, Stride has undertaken a review of its FY22 forecast position to take into account the expected impact of the legislation changes, together with other business and market changes, including recent and potential future increases in interest rates. Stride notes that in July and August 2021 it entered into \$200 million of hedging at a weighted average rate of 1.6% and with a weighted average term of 3.6 years. With interest rate swaps in place with a notional value equal to 98% of drawn debt as at 30 September 2021, Stride considers that it is well insulated from changes in interest rates over the short to medium term. Based on this review, year to date performance, and Stride’s anticipated costs of COVID-19 restrictions for the remainder of FY22, the Board is pleased to reconfirm the previously forecast combined cash dividend payout of 9.91 cents per share for FY22.

Update on leasing at 110 Carlton Gore Road, Newmarket, Auckland

As announced previously, Fabric has a conditional agreement to acquire the property at 110 Carlton Gore Road, Newmarket, Auckland, from Mansons CGR Limited, for a purchase price of \$217.5 million, representing a contract yield of 5.0% on completion. The purchase price is subject to adjustment following a final rentable area survey of the building on completion.

SPL is pleased to advise that further unconditional agreements to lease space have now been concluded with Vector Limited and Metlifecare Limited for a total of approximately 7,140sqm. The Vector lease is for a term of 12 years, and the Metlifecare lease is for a term of 10 years. Together with the existing unconditional development agreement with Aurecon, which is for a lease term of 12 years, this takes the building to 74% leased. A further 14% of the building is conditionally leased, which, if completed, would take the total committed leasing to 88%. The remainder of the available space in the building is under negotiation.

The property will be fully leased on settlement at completion of the development, as the vendor has committed to take a lease of any remaining vacant space at settlement in accordance with commercial terms agreed between the parties.

The acquisition remains conditional on the successful completion of the initial public offering of Fabric, which must occur by 31 March 2022 for the acquisition to proceed. This condition is for the benefit of Stride, so remains within Stride’s control to satisfy or waive by 31 March 2022. Stride remains committed to its strategy of growing its real estate investment management business and continues to assess the next steps and options available for Fabric.

Ends

For further information please contact:

Tim Storey, Chairman, Stride Investment Management Limited / Stride Property Limited
Mobile: 021 633 089 - Email: tim.storey@strideproperty.co.nz

Philip Littlewood, Chief Executive Officer, Stride Investment Management Limited
Mobile: 021 230 3026 - Email: philip.littlewood@strideproperty.co.nz

Jennifer Whooley, Chief Financial Officer, Stride Investment Management Limited
Mobile: 021 536 406 - Email: jennifer.whooley@strideproperty.co.nz

Louise Hill, General Manager Corporate Services, Stride Investment Management Limited
Mobile: 0275 580 033 - Email: louise.hill@strideproperty.co.nz

A Stapled Security of the Stride Property Group comprises one ordinary share in Stride Property Limited and one ordinary share in Stride Investment Management Limited. Under the terms of the constitution of each company, the shares in each can only be transferred if accompanied by a transfer of the same number of shares in the other.

Stapled Securities are quoted on the NZX Main Board under the ticker code SPG. Further information is available at www.strideproperty.co.nz or at www.nzx.com/companies/SPG.