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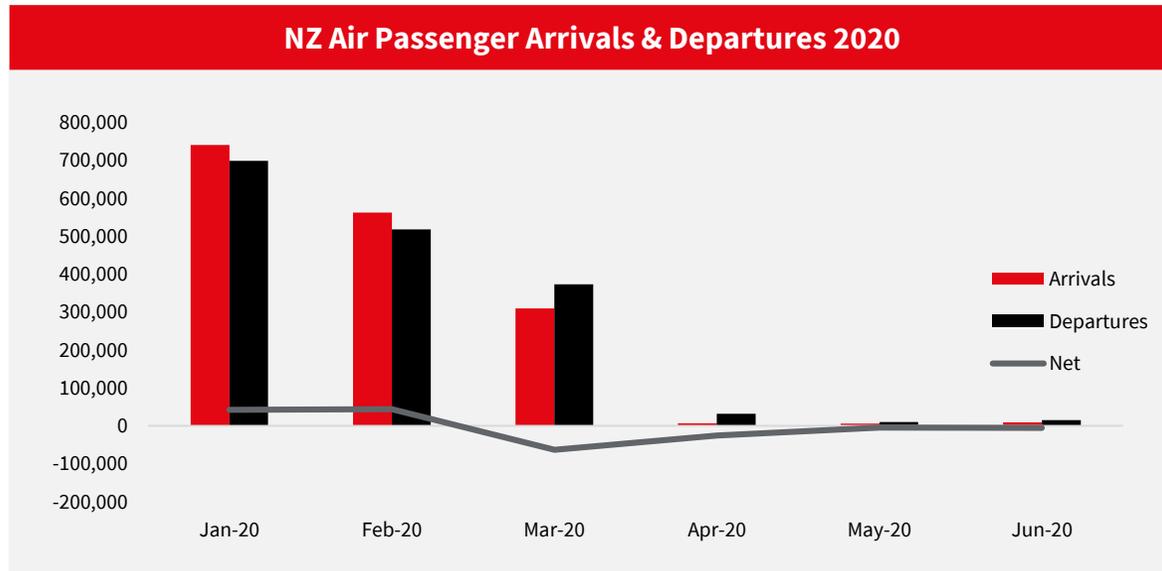
New Zealand Capital Markets

Q2 2020



Large Scale Asset Purchase Programme

- The Reserve Bank of New Zealand (RBNZ) has continued quantitative easing via its Large Scale Asset Purchases (LSAP) programme. Under this initiative the RBNZ will continue to purchase government bonds, across a range of maturities, in the secondary market for the next 12 months. Current commitment is up to NZD 60bn (approx. 28.9% of 2019 GDP).
- The wage subsidy scheme undertaken by The Treasury and which has supported nearly 1.7 million workers (approx. 34% of the total population), will cease accepting applications on 1st September 2020. This will have a significant impact on individuals and SME's, more particularly in areas exposed to discretionary spend.
- Air passenger arrivals and departures have, unsurprisingly fallen to slightly negative territory.



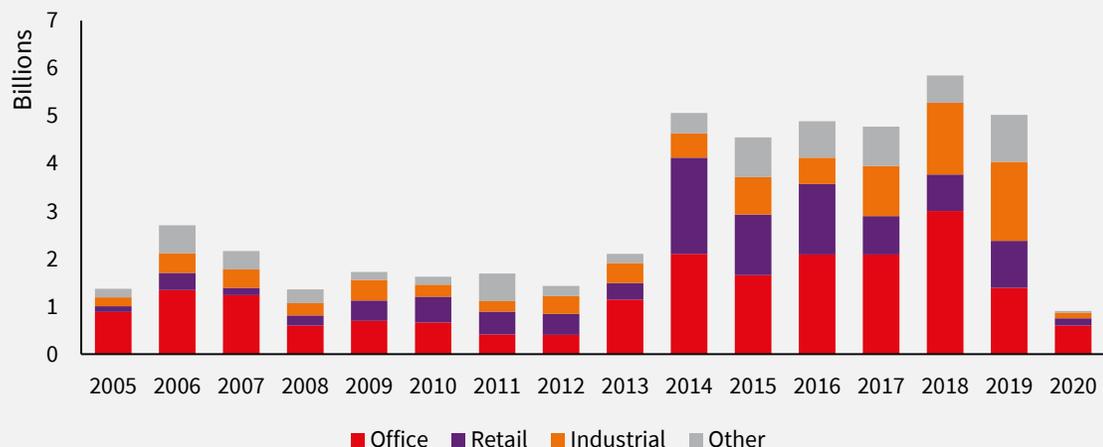
Source: NZ Customs Service

Quarterly Indicator	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
Real Production GDP (Quarterly)	0.70%	1.00%	0.60%	1.00%	0.40%	0.10%	1.00%	0.50%	-1.60%
CPI Inflation (annual % change)	1.10%	1.50%	1.90%	1.90%	1.50%	1.70%	1.50%	1.90%	2.50%
Unemployment Rate (%)	4.40%	4.40%	4.00%	4.30%	4.20%	3.90%	3.90%	4.00%	4.20%
Official Cash Rate	1.75%	1.75%	1.75%	1.75%	1.75%	1.50%	1.00%	1.00%	0.25%



Source: Stats NZ

New Zealand Annual Sale Transactions By Sector



Transactions

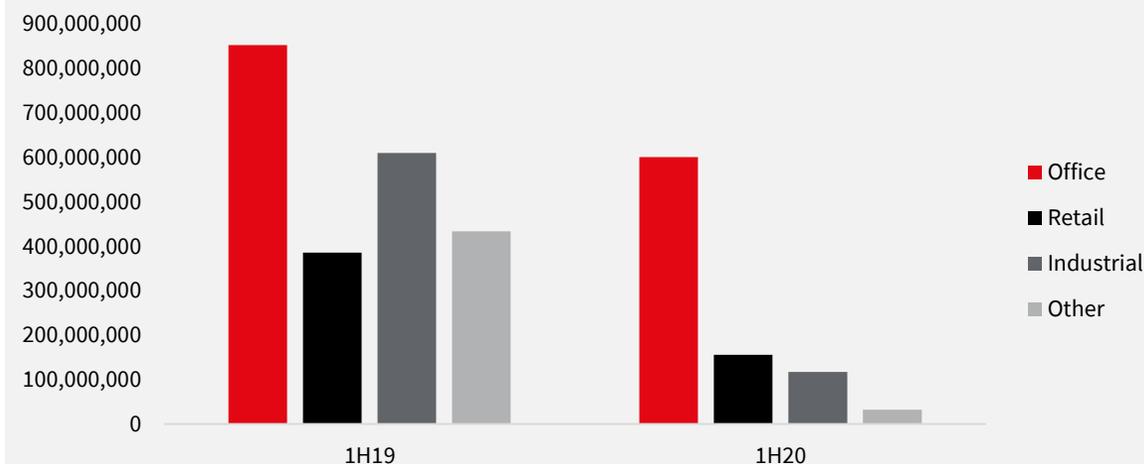
- The volume of sales activity has been highest in the industrial sector and lackluster in all others, primarily due to pricing expectations.
- Transactions in the office market have been dominated by one or two significant deals, negotiated pre-Covid and held over from Q4, 19.
- Rental underwrites are common across all sectors (up to 2 years in certain circumstances) and are being used to balance risk, bridging the bid/ask spread.
- Underlying pressures to divest are mounting, driven by limitations in the credit market and asset valuations creeping ever lower.

Cap Rates and Pricing

- Sentiment is for cap rates to soften further up until Q3 '21.
- Lower face rents and higher incentives are yet to impact asset valuations. This will have a significant change in asset values over the next 12 months.

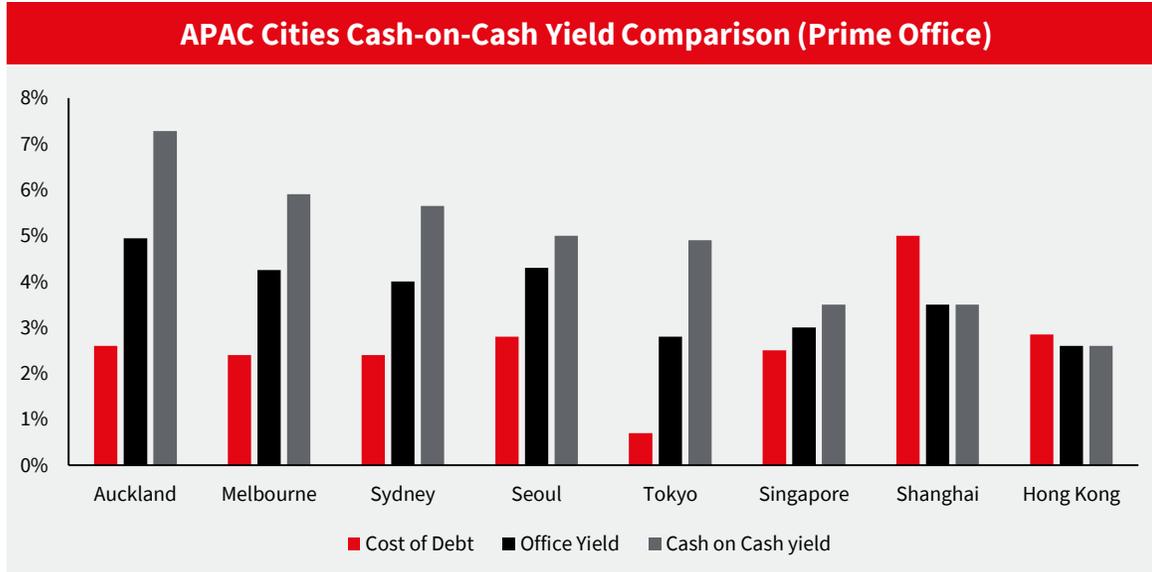
Vendor expectations are still lagging the market - this is changing, and we expect a recalibration in the second half of the year

Half Year Comparison, 2019-2020

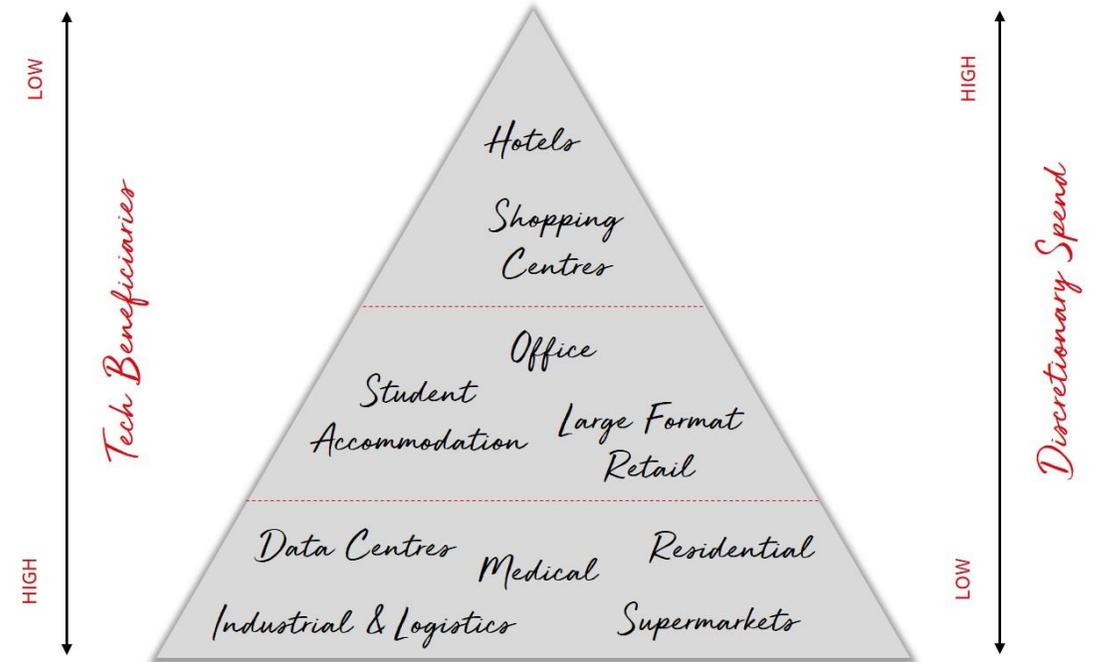


Capital Demand

- Despite record dry powder across APAC of USD 40bn, the majority of investors are willing to remain patient.
- Mandates for the local market are diverging to either high quality core assets or those with an opportunistic profile.
- Overall investor optimism is evident at the retail level / smaller end of the market, with institutional grade investors remaining conservative.
- Local syndication groups are set to remain active over the next 12 months, filling the void of offshore institutional investors.
- Off-shore investors are increasingly seeking partners with many looking at creative avenues to channel capital into new markets, including New Zealand.



Source: JLL Research



Above: Current capital demand is somewhat relevant to Maslow's Hierarchy of Needs and focused on assets related to perceived human necessity and non-discretionary spend.

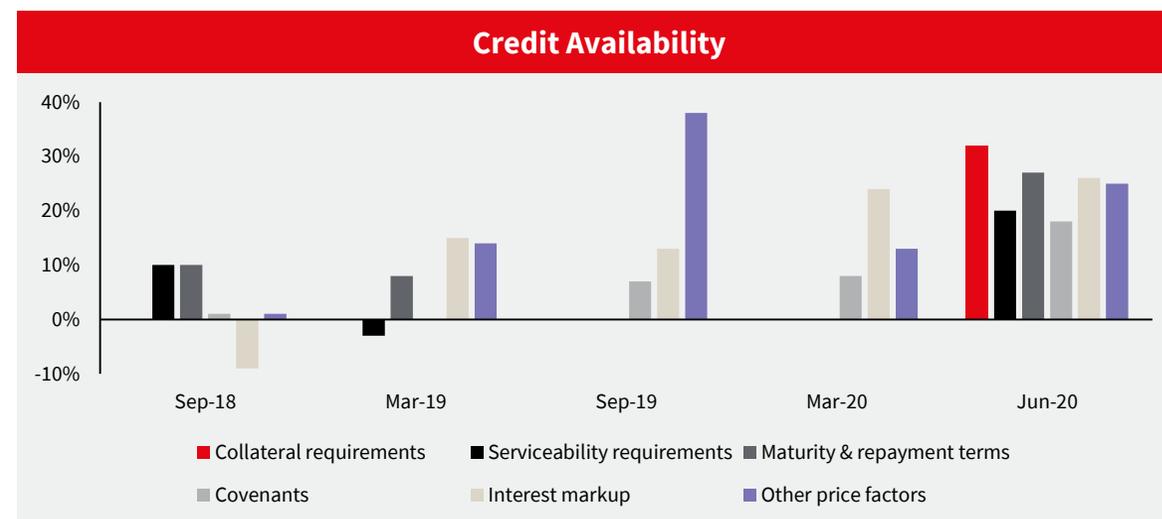
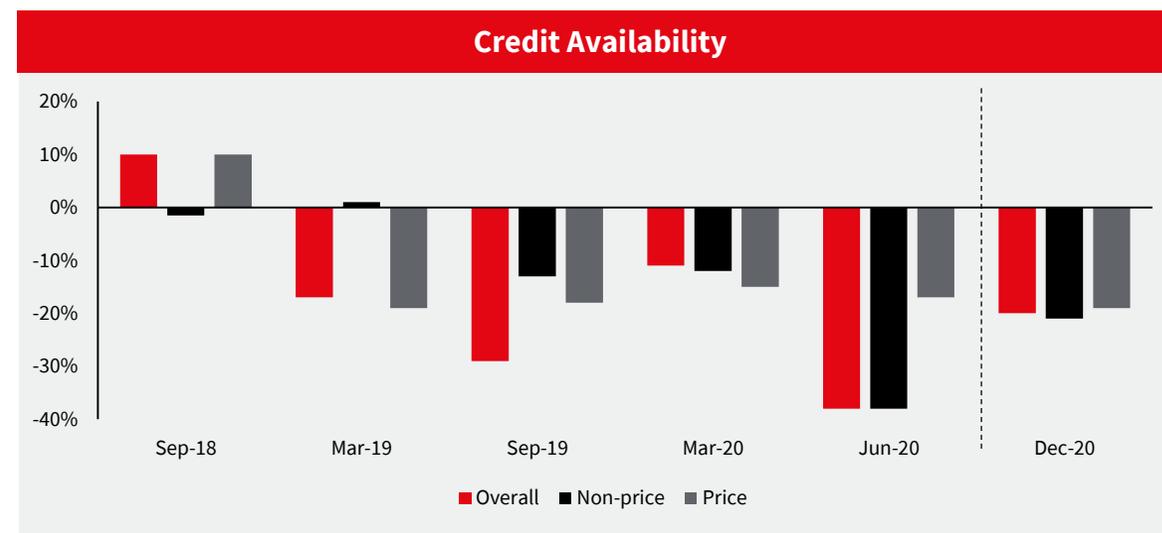
New Zealand is seen as a safe haven for capital, relative to many other jurisdictions and still presents very attractive cash-on-cash returns

Alternative assets have increased in demand as investors diversify into a wider range of sectors, such as education, build-to-rent, and data centres



Whilst the cost of debt remains low, accessing it is increasingly difficult for domestic investors

- The Reserve Bank of New Zealand (RBNZ) maintained the OCR at 0.25% as of 16th March 2020.
- The vast majority of investors in the New Zealand commercial property market have no diversification outside the New Zealand banking system.
- As domestic banks have retracted substantially, we have seen a significant increase in enquiry for borrowers to access alternative lenders, across a variety of strategies.
- The common themes for borrowers seeking non-bank financing are concerns on breaching LTV caps and covenants.
- Many banks are taking a sector specific view on lending, effectively closing the door to many investors in the retail sector.
- Sentiment is for credit availability to reduce over the next 6 months, with lending policies becoming more restrictive.
- Margins are set to increase as domestic banks look to reduce their exposure to commercial property even further.

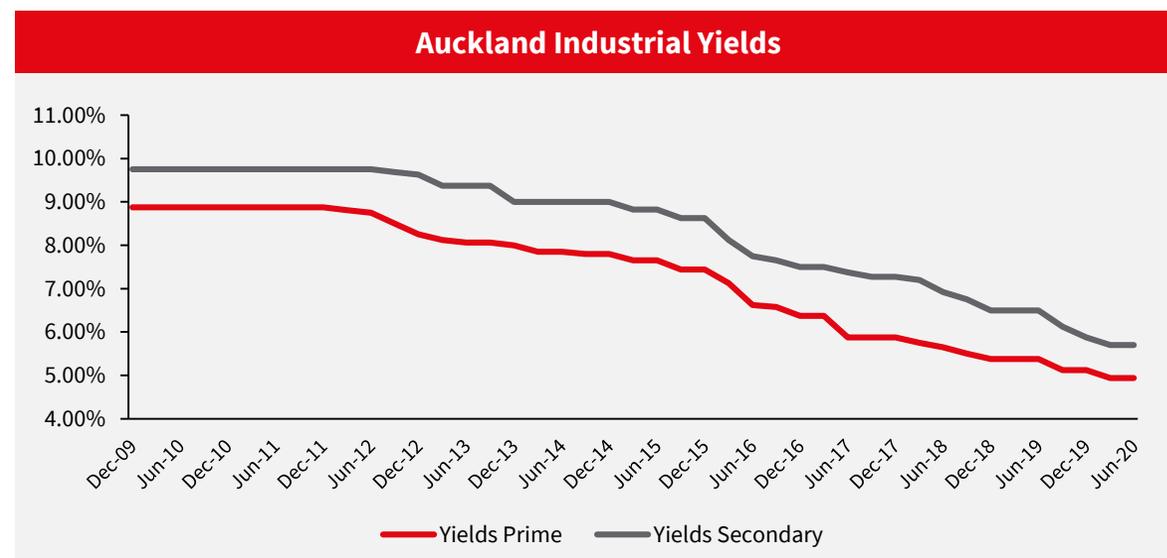
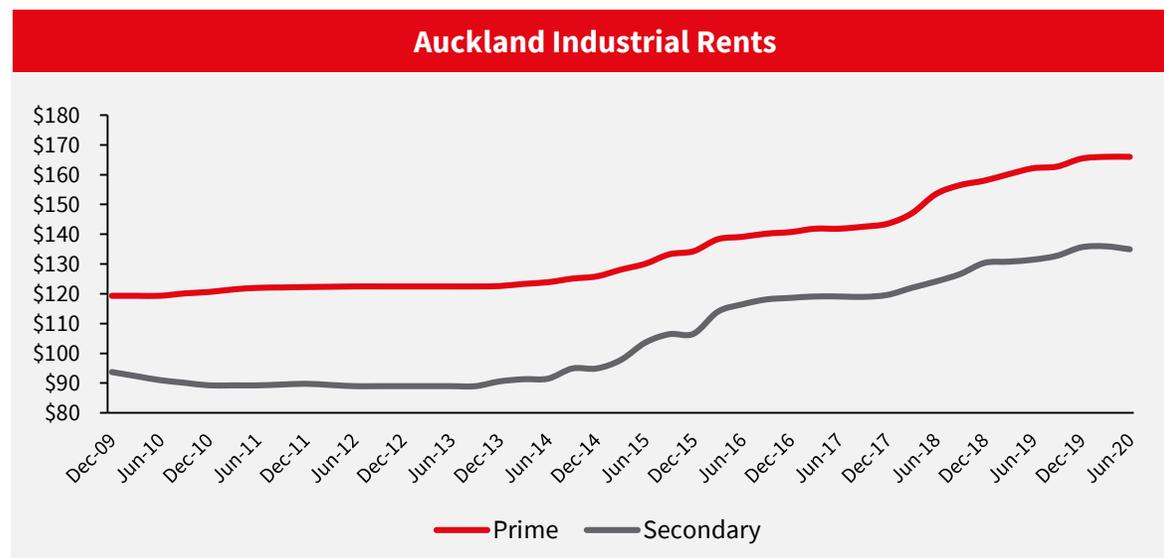
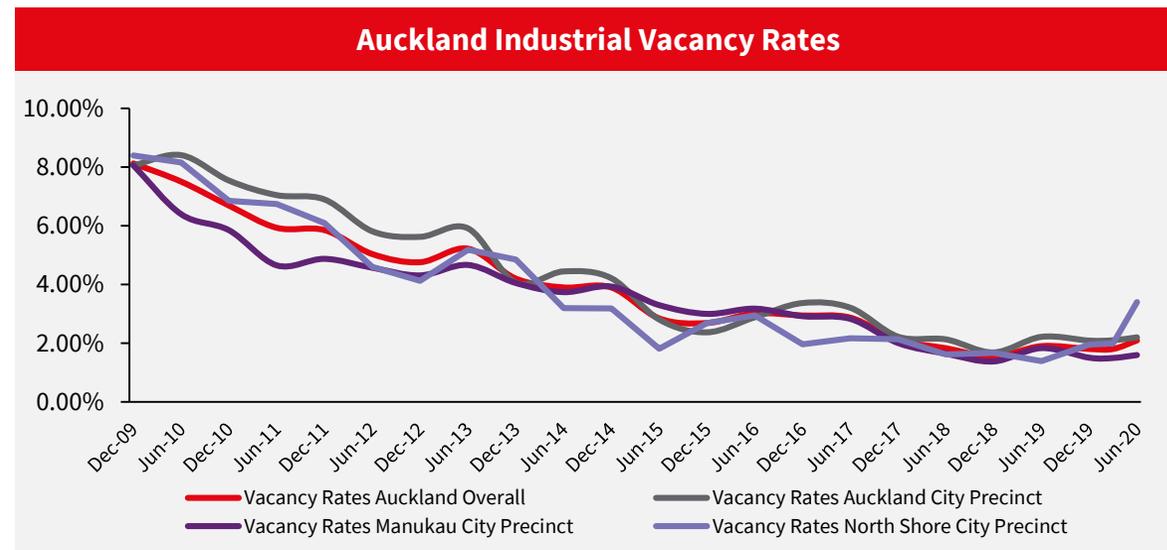


Source: The Reserve Bank of New Zealand Credit Conditions Survey June 2020

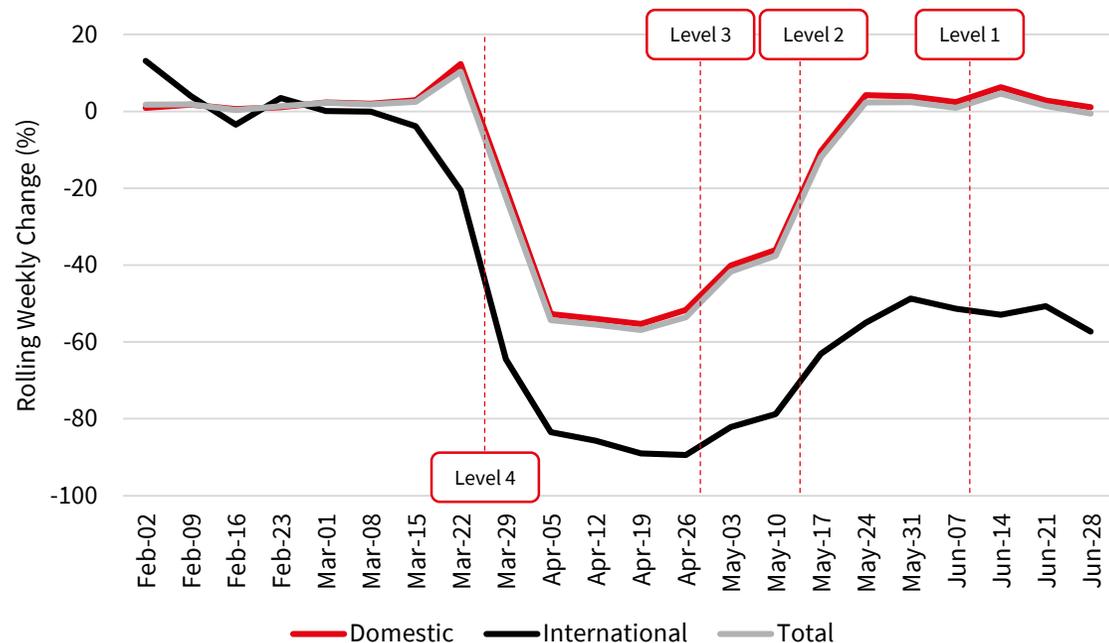
Sector Focus – Industrial



- The movement of essential goods is supporting the market with storage requirements expected to increase in the short term.
- Demand for cold (and cool) storage has increased due to consumer demand for off-site food preparation and delivery, as well as housing and distribution of pharmaceutical products.
- Vacancy in prime stock is expected to remain low as demand for high quality space remains robust.
- Recent transactions in the market have been achieving record pricing with prime industrial yields now 4.94%.



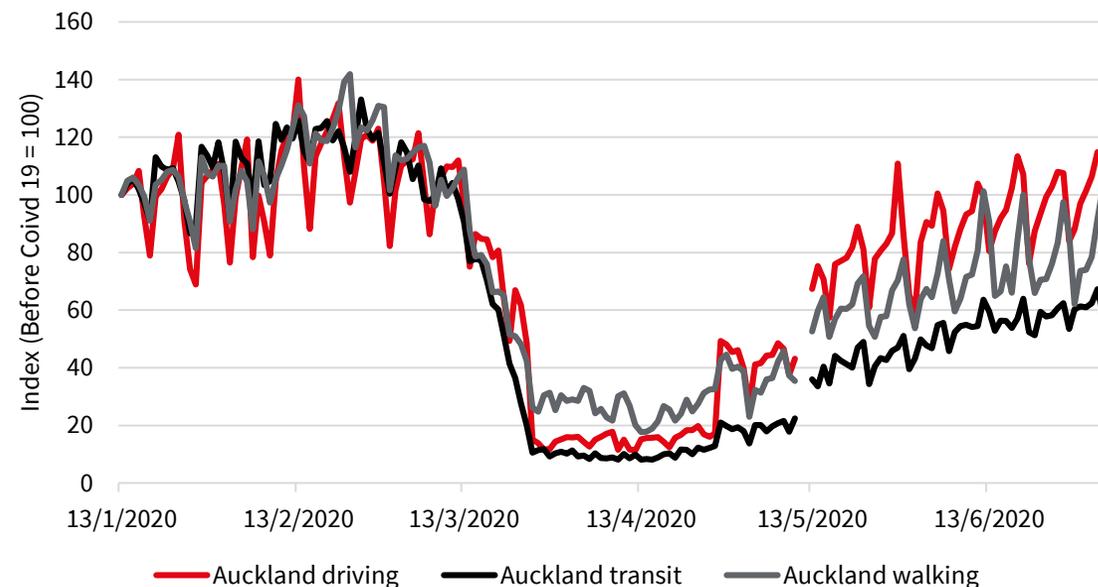
Weekly Consumer Spend Change vs 2019



Source: Marketview-Paymark

- Domestic consumer spending increased significantly and almost to pre-Covid levels post New Zealand’s Lockdown.
- In-store spend has been supported by NZ’s relative lack of e-commerce penetration; which was evident post the Lockdown period where delivery times for online orders did not meet consumer’s expectations, driving footfall in physical stores.
- Capital is seeking large format retail (LFR) assets given similarities with some light industrial properties and the potential future conversation to last mile logistics facilities.

Auckland Mobility Overview



Source: Apple Mobility Tracker

- As companies and individuals adjust to returning to work, mobility across Auckland in particular is increasing but not to a pre-Covid levels, with public transport significantly impacted, reducing overall spend in the CBD.
- Capital demand is increasing for small neighbourhood / convenience retail, underpinned by essential spend and away from sub-regional malls and those lacking proximity and access to primary arterial routes.
- Secondary shopping malls are being targeted by private equity groups with reasonable land holdings.

Retail has performed better than expected following the Lockdown period with spend exceeding pre-Covid levels in some instances

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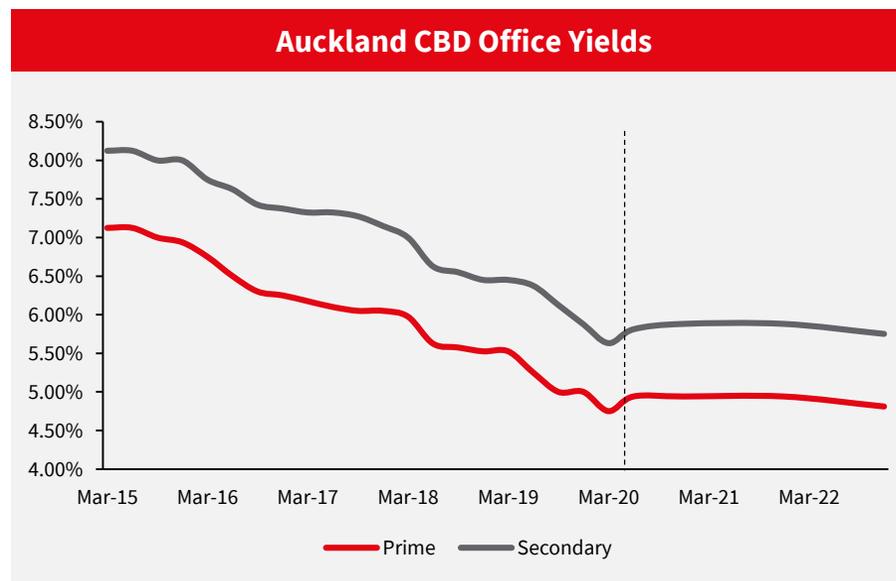
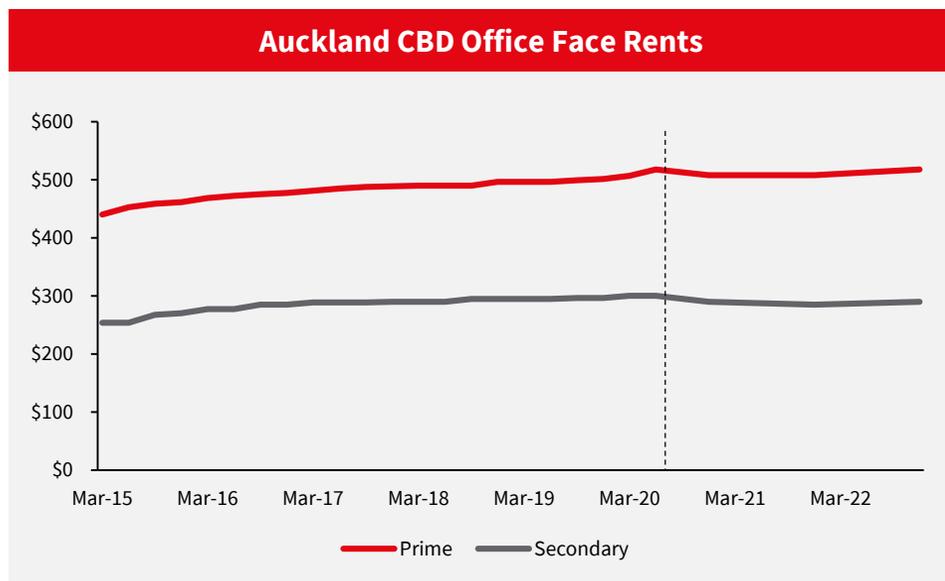
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- With no need for social distancing at present, corporates in New Zealand are focusing heavily on utilisation of space, in an effort to cut costs.
- Continued demand can be seen in the tech sector but overall a shift to reduce space is underway. This was in the planning pre-Covid but has been exacerbated by those forced to work from home and adopt and use technology, during the Lockdown period.
- Greater flexibility and the validation for many that it is 'ok' to work remotely has significantly reduced overall utilisation rates, however, the majority still plan on using the office as a primary and preferred place of work.
- Whilst it is too early to forecast future stabilised vacancy levels, it is clear the office market has seen a structural change in overall utilisation and therefore demand. This will only continue as government wage support is set to cease in Q3.



Source: JLL Research

\$518

Current ave. face rents for Prime offices in Auckland's CBD

8.06%

Q2 direct vacancy across all office grades in Auckland's CBD

\$270

Current ave. market rental for CBD secondary assets in Auckland's CBD

-10%

Reduction in secondary face rents in Auckland CBD, for Q2

Emerging Trends & Observations

- Covid-19 has acted as an accelerant for embedded trends across all sectors and in particular, those underpinned by technology.
- Sentiment is factoring-in a widening of cap rates between Premium Grade / new build Grade A assets and secondary stock, largely due to increased scrutiny on tenant credit and risk associated with security of income.
- Mid-market assets will likely be the most impacted by vacancy rates and therefore, rent reductions and pricing.
- There will be a continued divergence to either core or opportunistic investment strategies.
- As equity gets eroded at an asset level and LTV caps remain firm, there will be an increasing need for equity to advance projects and acquisition strategies in the market. This will increase transaction volumes in the second half of the year.



Transactions - Overview

NZ Transactions over \$30m, previous 12 months



Asset Type	Building/Portfolio Name	Property Address	Property Suburb	Transaction City/Market	Tenure	Area (sqm)	Initial Yield	Transaction Amount	\$/sqm	Purchaser/ Capital Origin	Investor Group	Close Date
Office	Vodafone Building	213-215 Tuam Street	Christchurch CBD	Christchurch	Freehold	8,941	6.07%	\$58,650,000	\$6,560	New Zealand	Fund Manager	Jul-2020
Industrial	Tomoana Food Bowl	Hanui Road	Tomoana	Hastings	Freehold	104,700	6.25%	\$41,000,000	\$392	New Zealand	Fund Manager	Jun-2020
Retail	Kelston Shopping Centre	CNR Great North & West Coast Roads	Kelston	Auckland	Freehold	7,741	5.90%	\$43,400,000	\$5,607	New Zealand	Fund Manager	May-2020
Office	Pastoral House	25 The Terrace	Wellington CBD	Wellington	Freehold	15,873	5.43%	\$77,000,000	\$4,851	New Zealand	Fund Manager	May-2020
Residential	Caughy Preston Trust Site	17 Upland Road**	Remuera	Auckland	Freehold	10,087	N/A	\$65,000,000	\$6,444	Unknown	Private Investor	Apr-2020
Retail	Bunnings Mt Roskill	2 Carr Road	Mt Roskill	Auckland	Freehold	8,903	N/A	\$48,500,000	\$5,448	New Zealand	Listed REIT	Apr-2020
Retail	Mt Wellington Shopping Centre	295 Penrose Road	Mt Wellington	Auckland	Freehold	9,598	N/A	\$39,250,000	\$4,089	New Zealand	Listed REIT	Apr-2020
Retail	Bay Central Shopping Centre	61 Chapel Street	Tauranga	Tauranga	Freehold	17,772	N/A	\$53,000,000	\$2,982	New Zealand	Listed REIT	Apr-2020
Alternatives	Childcare Portfolio (26 centres)	Various	N/A	New Zealand	Freehold	N/A	6.60%	\$36,900,000	N/A	Australia	Listed REIT	Apr-2020
Office	N/A	136 Fanshawe Street	Viaduct Harbour	Auckland	Freehold	19,900	N/A	\$310,000,000**	\$15,578	Hong Kong	Fund Manager	Feb-2020
Alternatives	Storage Facility & Shared Office	300 Richmond Road	Grey Lynn	Auckland	Freehold	N/A	N/A	\$41,100,000	N/A	Australia	Private Investor	Feb-2020
Office	Data Centre	220 Queen Street	Auckland CBD	Auckland	Freehold	5,653	5.43%	\$47,500,000	\$8,403	New Zealand	Private Investor	Jan-2020
Retail	Blacketts Building	90 Queen Street	Auckland CBD	Auckland	Freehold	910	N/A	\$30,000,000	\$32,967	Singapore	Private Investor	Jan-2020
Retail	N/A	112-116 Queen Street	Auckland CBD	Auckland	Freehold	861	N/A	\$30,000,000	\$34,843	Singapore	Private Investor	Jan-2020
Retail	Investore Retail Portfolio*	Multiple	New Zealand	New Zealand	Freehold	35,622	N/A	\$140,750,000	\$3,951	New Zealand	Listed REIT	Jan-2020
Hotel	Huka Lodge*	271 Huka Falls Road	Taupo	Taupo	Freehold	TBC	N/A	TBC	TBC	USA	Fund Manager	Jan-2020
Industrial	N/A	224 Nielson Street	Onehunga	Auckland	Freehold	8,000	4.00%	\$32,000,000	\$4,000	New Zealand	Listed REIT	Jan-2020
Industrial	N/A	25 Langely Road	Wiri	Auckland	Freehold	15,300	5.65%	\$36,000,000	\$2,353	New Zealand	Listed REIT	Dec-2019
Hotel	Holiday Inn	10 Tryon Street	Whakarewarewa	Rotorua	Freehold	203	N/A	\$37,700,000	\$185,714	New Zealand	Pension Fund	Dec-2019
Office	N/A	44 Taharoto Road	Takapuna	Auckland	Freehold	5,478	N/A	\$39,000,000	\$7,119	New Zealand	Private Investor	Dec-2019
Industrial	Nelson Junction Site	99 Quarantine Road	Annesbrook	Nelson	Freehold	44,999	N/A	\$42,500,000	\$944	New Zealand	Private Investor	Dec-2019
Retail	Tauranga Crossing (60% interest)	2 Taurikura Drive	Bethlehem	Tauranga	Joint Venture	45,724	5.63%	\$189,000,000	\$6,889	New Zealand	Fund Manager	Nov-2019
Residential	Katharine Jermyn Hall	175 the Terrace	Wellington CBD	Wellington	Freehold	11,970	N/A	\$43,100,000	\$6,001	TBC	Fund Manager	Nov-2019
Office	Canterbury Arcade	166-174 Queen Street	Auckland CBD	Auckland	Freehold	5,890	5.13%	\$52,000,000	\$8,829	New Zealand	Private Investor	Oct-2019

NZ Transactions over \$30m, previous 12 months



Asset Type	Building/Portfolio Name	Property Address	Property Suburb	Transaction City/Market	Tenure	Area (sqm)	Initial Yield	Transaction Amount	\$/sqm	Purchaser/ Capital Origin	Investor Group	Close Date
Office	N/A	110 Symonds Street	Auckland CBD	Auckland	Freehold	7,582	N/A	\$38,500,000	\$5,078	New Zealand	Private Investor	Oct-2019
Land	Todd Property Portfolio	Various	Various	Auckland	Freehold	N/A	N/A	\$400,000,000	N/A	New Zealand	Investment Manager	Oct-2019
Office	N/A	229 Dairy Flat Highway	Albany	Auckland	Freehold	6,736	5.78%	\$33,000,000	\$4,899	New Zealand	Private Investor	Oct-2019
Office	Achilles House	8 Commerce Street	Auckland CBD	Auckland	Freehold	3,900	N/A	\$51,000,000	\$13,077	China	Private Investor	Sep-2019
Industrial	Turners & Growers Auckland	2-6 Monahan Road	Mt Wellington	Auckland	Freehold	17,989	5.10%	\$65,000,000	\$3,613	New Zealand	Developer	Sep-2019
Office	ACG Building	345 Queen Street	Auckland CBD	Auckland	Freehold	5,159	5.68%	\$39,000,000	\$7,560	Australia	Private Investor	Sep-2019
Industrial	Industre Portfolio	Various	Auckland	Auckland	Joint Venture	122,967	5.50%	\$256,900,000	\$2,089	USA	Investment Manager	Sep-2019
Office	Chorus House	66 Wyndham Street	Auckland CBD	Auckland	Freehold	22,543	4.98%	\$144,500,000	\$6,410	USA	Investment Manager	Sep-2019
Office	AUT Tower	2-14 Wakefield Street	Auckland CBD	Auckland	Freehold	13,987	5.79%	\$62,593,460	\$4,475	Hong Kong	Investment Manager	Aug-2019
Industrial	88 Tidal Road	Tidal Road	Mangere	Auckland	Freehold	11,150	5.40%	\$34,200,000	\$3,067	New Zealand	Listed REIT	Aug-2019
Industrial	NZ Industrial Portfolio	Various	Seaview	Wellington	Freehold	30,070	N/A	\$56,200,000	\$1,869	New Zealand	Fund Manager	Aug-2019
Industrial	Visy Hamilton	122 Ingram Road	Glenview	Hamilton	Freehold	36,319	5.00%	\$71,020,000	\$1,955	Australia	Developer	Jul-2019
Retirement Village	Retirement Villlage Portfolio	Various	Various	New Zealand	Freehold	N/A	N/A	\$180,000,000	N/A	New Zealand	Listed REIT	Jul-2019
Hotel	Hotel De Brett	2-4 High Street	Auckland CBD	Auckland	Freehold	2,594	4.54%	\$30,172,500	\$11,632	New Zealand	Private Investor	Jul-2019
Office	General Buildings	29-33 Shortland Street	Auckland CBD	Auckland	Freehold	5,287	3.90%	\$42,000,000	\$7,944	New Zealand	Private Investor	Jul-2019
Retail	N/A	60 Lichfield Street	Christchurch CBD	Christchurch	Freehold	8,403	N/A	\$48,800,000	\$5,807	New Zealand	Private Investor	Jul-2019
Office	AA Building	99 Albert Street	Auckland CBD	Auckland	Freehold	12,000	7.30%	\$47,000,000	\$3,917	New Zealand	Private Investor	Jul-2019
Industrial	N/A	39 & 59 Miami Parade	Onehunga	Auckland	Freehold	13,886	N/A	\$56,000,000	\$4,033	New Zealand	Private Investor	Jun-2019
Hotel	Hotel Portfolio Investment	Various	Various	Auckland	Joint Venture	828	N/A	\$300,000,000	N/A	New Zealand	Pension Fund	Jul-2019
Office	N/A	256 Lambton Quay	Wellington CBD	Wellington	Freehold	2,888	N/A	\$35,000,000	\$12,119	New Zealand	Private Investor	Jun-2019
Office	N/A	87-89 Albert Street	Auckland CBD	Auckland	Freehold	7,210	3.40%	\$34,300,000	\$4,757	Australia	Fund Manager	Jun-2019
Office	N/A	33 Bowen Street	Wellington CBD	Wellington	Freehold	13,178	N/A	\$82,000,000	\$6,222	Germany	Private Investor	Jun-2019
Office	Fuji Xerox Building	79 Carlton Gore Road	Newmarket	Auckland	Freehold	3,597	6.00%	\$37,300,000	\$10,370	China	Private Investor	Jun-2019
Industrial	Selwood Road & The Concourse	The Concourse	Henderson	Auckland	Freehold	22,119	6.10%	\$35,000,000	\$1,582	New Zealand	Listed REIT	Jun-2019



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New Zealand Capital Markets

Capability Statement

Q2 2020

JLL's Value Proposition

Combining the capabilities of a traditional investment bank with the real estate expertise, local market knowledge and access to capital of a global real estate services firm



Our Capital Markets Coverage

47 countries

3,720 Capital Markets Professionals



Helping you across *Asia Pacific*

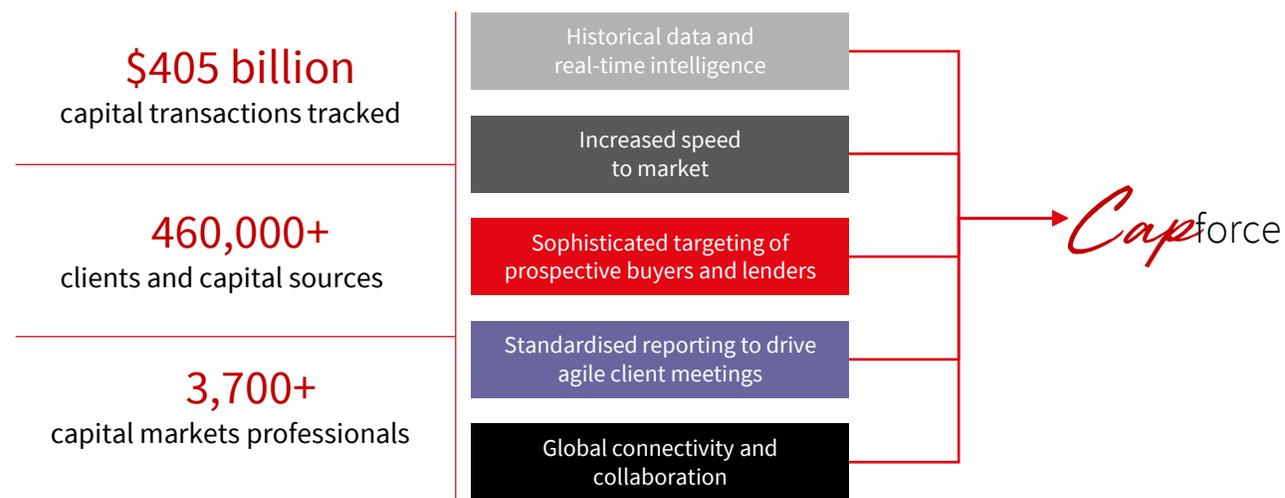
16 countries

631 Capital Markets Professionals

Our competitive advantage and differentiator

JLL brings together generations of historical data and real-time intelligence to transform the way we do business. We know speed and responsiveness are critical to our clients, and our technology allows us to respond more quickly to shifting markets, as well as increase speed to market - better balancing risk and return every step of the way.

- Internally developed, proprietary database of Transactions
- Tracks more than \$400 billion of transactional volume that JLL is continuously pricing
- Tracks relationships with 460,000+ clients and capital sources
- Contains investment objectives of the most active and largest capital providers, both domestic and foreign
- Tracks historic and current flows and pricing of debt and equity capital globally
- Provides real-time status of all JLL pipeline transactions
- Processes daily updates of investment objectives as received from clients



Exchange of *historic & real-time* capital markets information

This database is shared throughout the entire JLL network and is updated daily through the compilation of critical deal and capital markets data from the firm's associates.

We work with you to go beyond the property transaction, shaping the services you need to gain the edge in your investment. Whether you need our experience in investment sales, acquisitions, debt origination, equity financing, joint ventures, capital raising or portfolio advisory – we'll support you all the way.

Direct Transactions

We consider methods of disposals and acquisitions, market timing and counter-party profiles and intelligence; to structure deals that meet your strategy.

Sales:

- Match capital with product
- Financial Modelling
- Marketing campaign
- Negotiate SPAs
- Local partner recommendation
- Sale & leaseback to optimize capital management

Acquisitions:

- Market analysis, site selection and business case development
- Local regulation and government policy insights
- Access private treaties or tenders
- Due diligence and investment monitoring

Debt Advisory

Connect with lending sources locally and around the world to secure the best pricing and deal structure for any asset or property type deal.

- Senior financing
- Stretch senior financing
- Development financing
- Junior & Mezzanine financing
- Credit Tenant Lease (CTL) financing
- US Private Placements
- Rated Ground Lease Financing
- Property Portfolio Securitizations
- Private placement & Fund recap

Corporate Finance

Structure partnerships at both asset and entity level – our Corporate Finance experts will guide you through mergers and acquisitions, joint ventures and raise capital to facilitate deals

- Capital partnerships and placements via joint ventures, club deals and separate accounts
- Primary fund capital raising
- Secondary fund capital raising
- Fund 'product' development & strategy advisory
- Structured transactions
- Portfolio and asset optimization strategies

We take an advisory approach backed by first rate market research and live local and global market intelligence to strategically add value.



Alternative Insights

Through geographic and sector specialisation, as well as extensive in-house research, both domestically and internationally; the New Zealand team has an intimate understanding of the intricacies of the market and identifying early trends, placing investors and vendors in a superior bidding or selling position.



Dedicated Australasian Cross-Border Specialists

JLL houses experts in global financial centres focused purely on facilitating cross-border capital into the Australasian markets, delivering transparent, accountable and proactive capital solutions for clients in the New Zealand market and putting the right opportunities in front of the right people.



Live Local and Global Market Intelligence

Live transaction information from the global Capital Markets service-line and mandates with over 700 global investment fund vehicles, in addition to thousands of private investors; provides clients with accurate and relevant data points on global capital flows and influences, yet to impact the New Zealand market.



Investment Banking Services

JLL's Capital Markets team offers direct access to specialists from corporate finance and investment banking fields, offering real estate specific Funds Advisory, Capital Raising, Debt Advisory and Structuring services, providing New Zealand investors with best-in-class knowledge, expertise and insights to maximise returns and efficiencies through their holdings; our clients achieve their goals .



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