



Annual  
Results  
Briefing  
2022

# WELCOME TO THE 2022 ANNUAL RESULTS BRIEFING

# CONTENTS

01. HIGHLIGHTS
02. PORTFOLIO
03. 2022 ANNUAL RESULTS
04. CAPITAL MANAGEMENT
05. SUSTAINABILITY
06. MARKET
07. OUR PRIORITIES
08. REVIEW & QUESTIONS

# 01.

## HIGHLIGHTS



SPRINGS ROAD

**STEADY UNDERLYING RESULT:**

Fair value losses on properties of \$56.7 million or 2.6% contributing to a loss after tax of \$13.9 million, Funds From Operations (FFO) earnings down 7.8% from the prior year to 10.21 cents per share, Adjusted Funds From Operations (AFFO) earnings down 5.0% from the prior year to 8.83 cents per share, 2022 cash dividends of 8.10 cents per share, up 2.5% on 2021 dividends



**BROWNFIELD OPPORTUNITIES SET TO COMMENCE:**  
Existing tenant secured to activate first stage of Springs Road redevelopment, \$140 million of development spend now committed across two sites, all buildings targeting a Five Green Star rating



**SUSTAINABILITY PROGRAMME ADVANCED:**  
Sustainability strategy refreshed, R22 refrigerant gas replacement completed, third voluntary Task Force on Climate-Related Financial Disclosures (TCFD) report filed, undertaking sustainable refurbishments



**PORTFOLIO DELIVERING STRONG RENTAL GROWTH:**  
\$62.8 million of contract rent reviewed during 2022 delivering an average annualised uplift of 4.0%, 15.0% of contract rent leased during 2022 at an average of 11.8% above previous contract rents



**RESILIENT INDUSTRIAL PORTFOLIO OF SCALE:**  
\$2.12 billion industrial property portfolio ~11% under-rented, net tangible assets confirmed at 298.8 cents per share



**PROACTIVE AND CONSERVATIVE CAPITAL MANAGEMENT:**  
3.6 million shares acquired through share buyback programme, \$100 million BNZ facility refinanced, USPP facility established, \$121 million of available bank liquidity, gearing comfortable at 28.5%

# 02

## PORTFOLIO



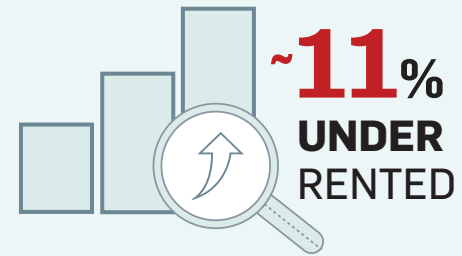
- PFI's portfolio is diversified across 94 properties and 132 tenants, with 100.0% occupancy and a weighted average lease term of 5.08 years, weighted towards Auckland



	DECEMBER 2022	DECEMBER 2021
BOOK VALUE	\$2,117.2m	\$2,168.9m
NUMBER OF PROPERTIES	94	97
NUMBER OF TENANTS	132	136
CONTRACT RENT	\$98.2m	\$95.6m
OCCUPANCY	100.0%	100.0%
WEIGHTED AVERAGE LEASE TERM	5.08 years	5.40 years
AUCKLAND PROPERTY	83.2%	81.8%

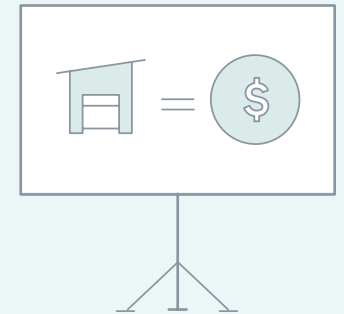
CURRENT VALUATION

**\$2,117.2M**  
▼ 56.7M (-2.6%)



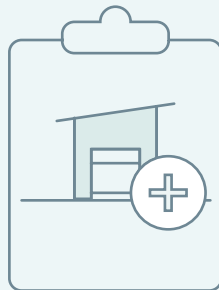
Estimated by independent market rental assessment

**4.62%**  
PASSING YIELD



▲ **0.21%**

▲ **~1.3%**  
ESTIMATED  
PORTFOLIO  
VALUE GROWTH

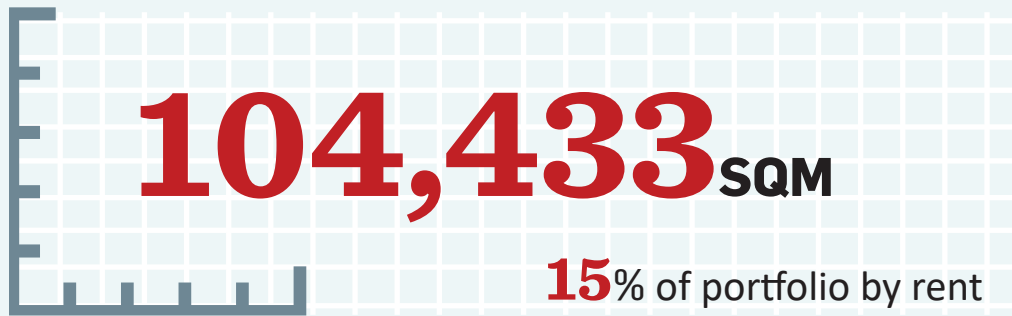


Due to **realised** rental growth

**\$2.988**  
NTA PER SHARE  
▼ 4.6c



### 2022 - LEASED



Weighted Average  
Lease Term

**5.0** YEARS

for new leases and renewals



### AVERAGE INCENTIVE



### LEASE RENEWALS

7 new leases  
26 renewals

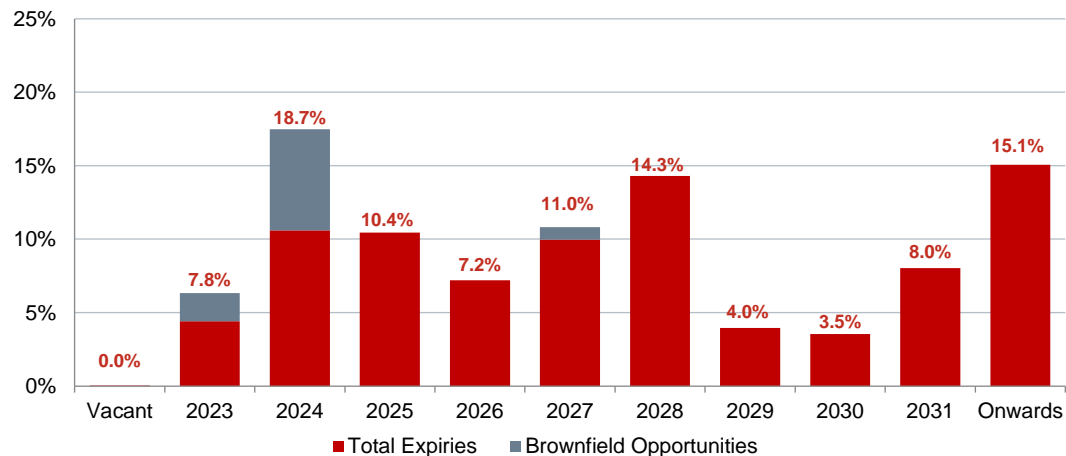
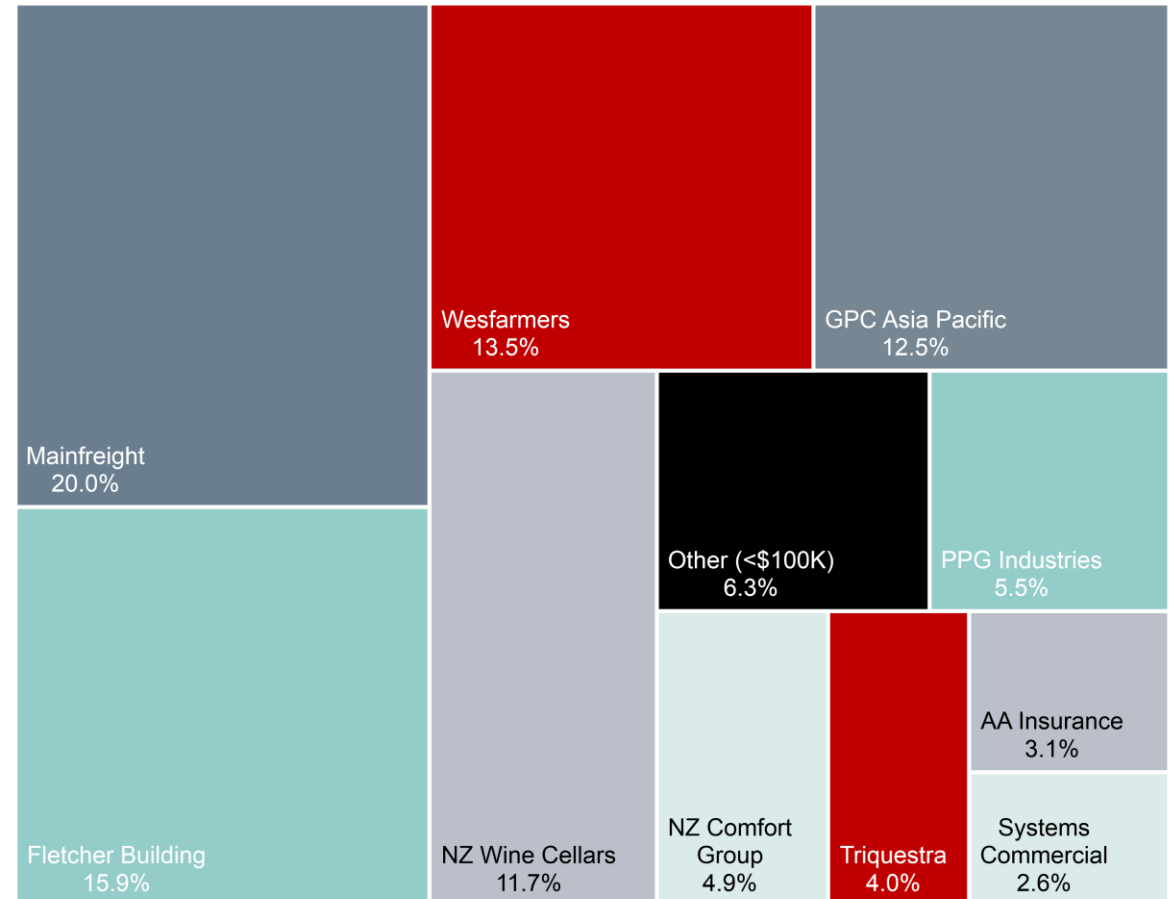


**81%**  
of total contract rent  
**varied, leased or  
reviewed** during 2022



- Portfolio is 100.0% occupied (0.0% vacancy) and 7.8% of contract rent is due to expire in 2023 (graph below), largest single expiry 20.0% of that (0.9% of contract rent, chart on right)
  - 8A & 8B Canada Crescent has been sold with settlement due to take place in April 2023 and is excluded from any expiries analysis
- Excluding brownfield opportunities, FY23 and FY24 expiries are 4.4% and 10.6% respectively (bottom graph), in line with prior periods
- Vacancy still at historically low levels: CBRE reports<sup>1</sup> Auckland Prime industrial vacancy at 0.1%, Secondary industrial vacancy at 0.7%

### 2023 LEASE EXPIRIES EXCLUDING BROWNFIELD OPPORTUNITIES

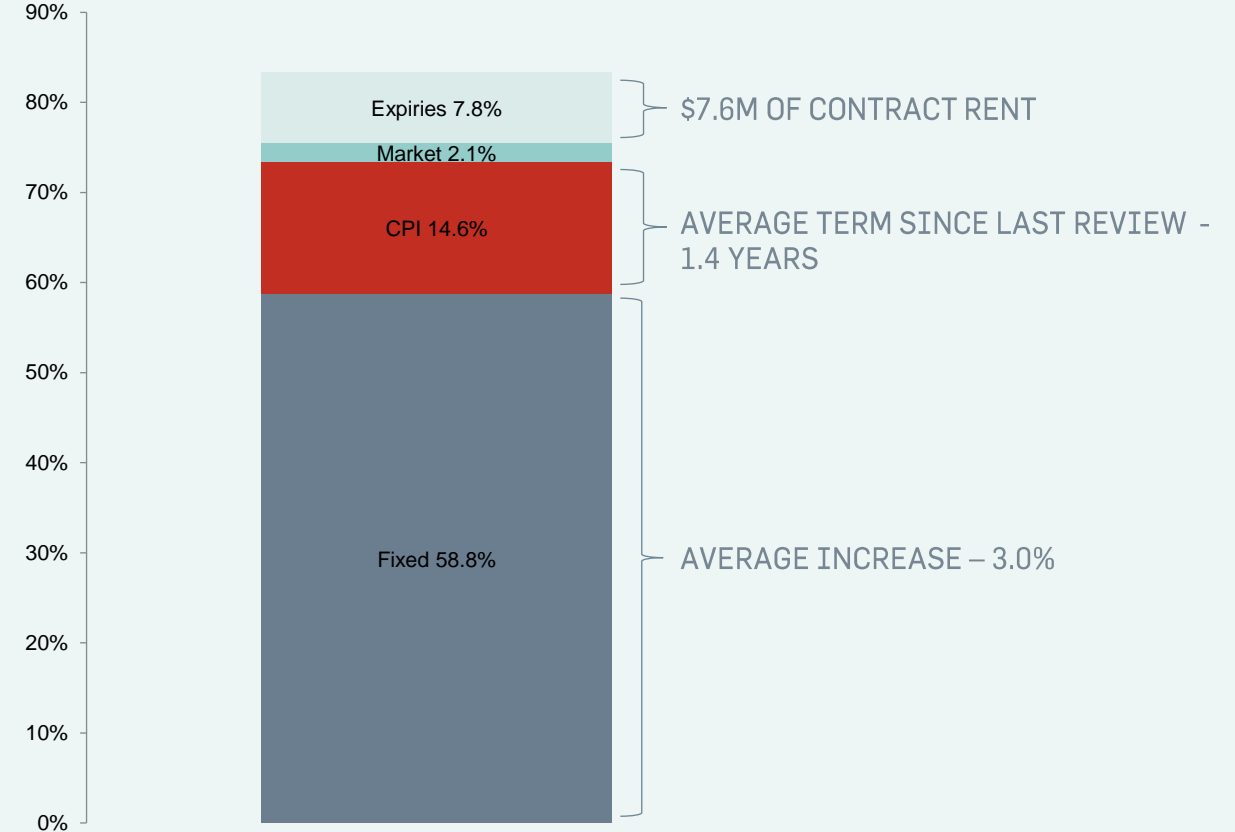


<sup>1</sup>CBRE "Auckland Property Market Outlook" December 2022

**102**  
RENT REVIEWS COMPLETED

**\$62.8M**  
CONTRACT RENT REVIEWED

**2023 LEASE EVENTS<sup>2</sup>**  
% OF CONTRACT RENT



CBRE five year average rental growth estimates<sup>1</sup> for Auckland:

▲ **5.5%**  
PRIME INDUSTRIAL RENTAL GROWTH

▲ **3.5%**  
SECONDARY INDUSTRIAL RENTAL GROWTH

▲ **4.0%**  
AVERAGE ANNUALISED UPLIFT

<sup>1</sup>CBRE "Auckland Property Market Outlook" December 2022 – includes 2022 rental growth, <sup>2</sup>8A & 8B Canada Crescent is due to settle in April 2023 and is therefore excluded from 2023 lease events analysis



# CHANGING HOW FACILITIES MANAGEMENT IS DELIVERED



To ensure PFI provides **integrated, proactive** and **sustainable** property solutions that add value for our tenants and shareholders.

Updating **systems and processes** to provide a seamless experience for tenants, contractors and our team.

Working with contractors and tenants to ensure a **smooth transition**.



2022 Annual  
Results

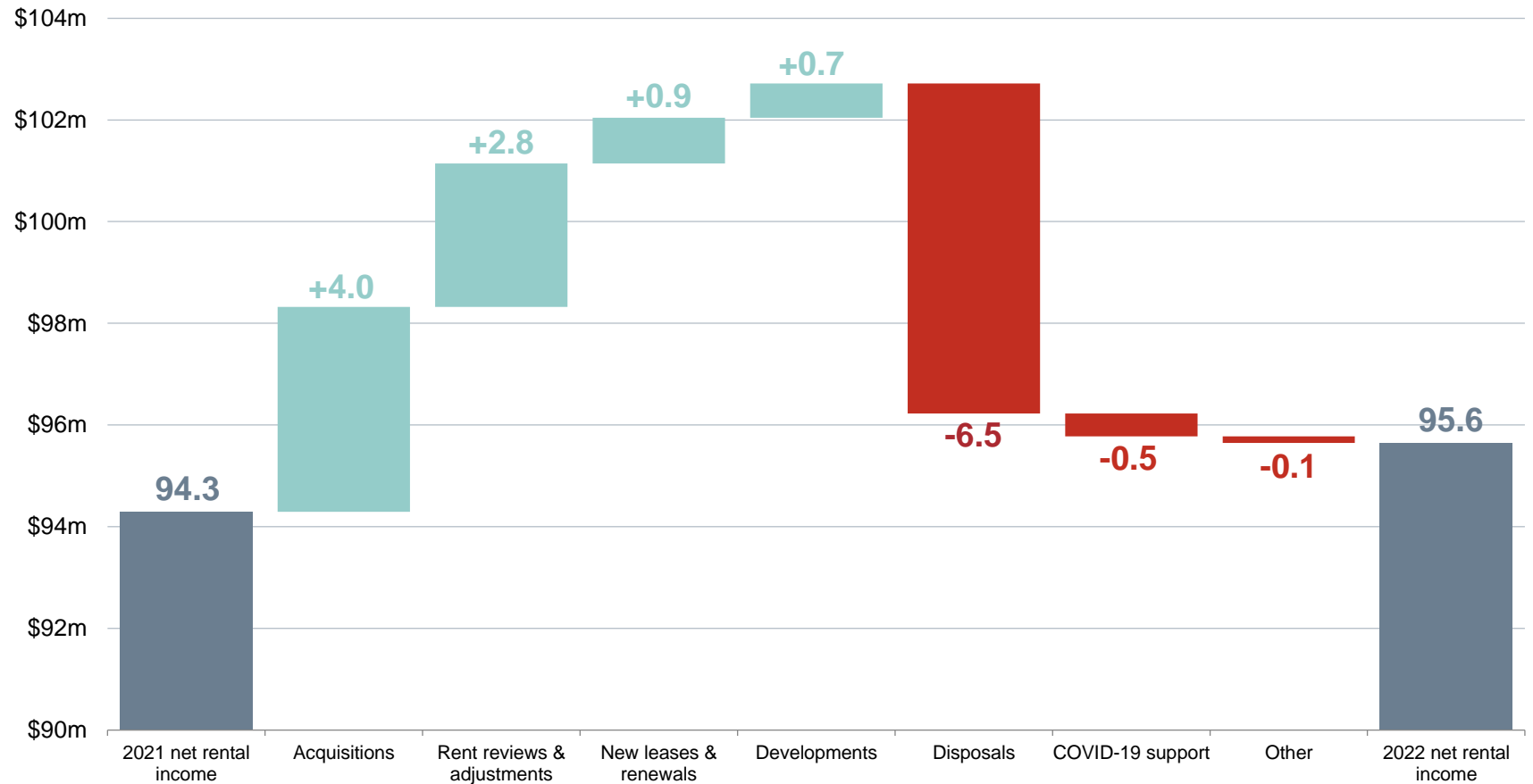
Annual  
Results  
Briefing  
2022

# 03.

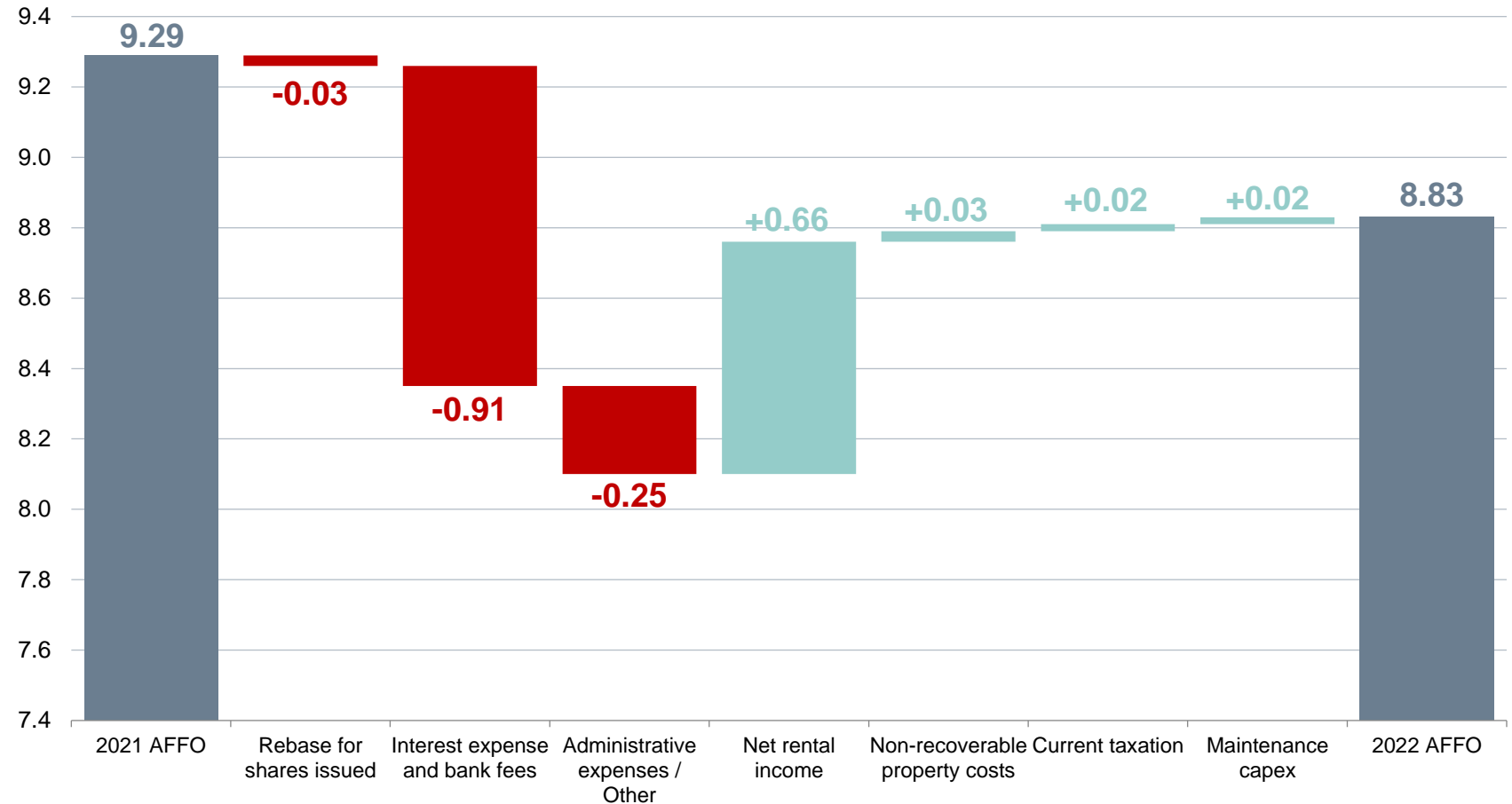
**2022 ANNUAL  
RESULTS**



- Net rental income of \$95.6 million up \$1.4 million or 1.4% on the prior year (\$94.3 million), growth on stabilised portion of the portfolio of 2.4%
- Prior year acquisitions resulted in an increase of +\$4.0 million
- Positive leasing activity contributed to an increase totalling +\$3.7 million
- Disposal activity resulted in a decrease of -\$6.5 million
- Further decreases due to COVID-19 adjustments -\$0.5 million and other -\$0.1 million

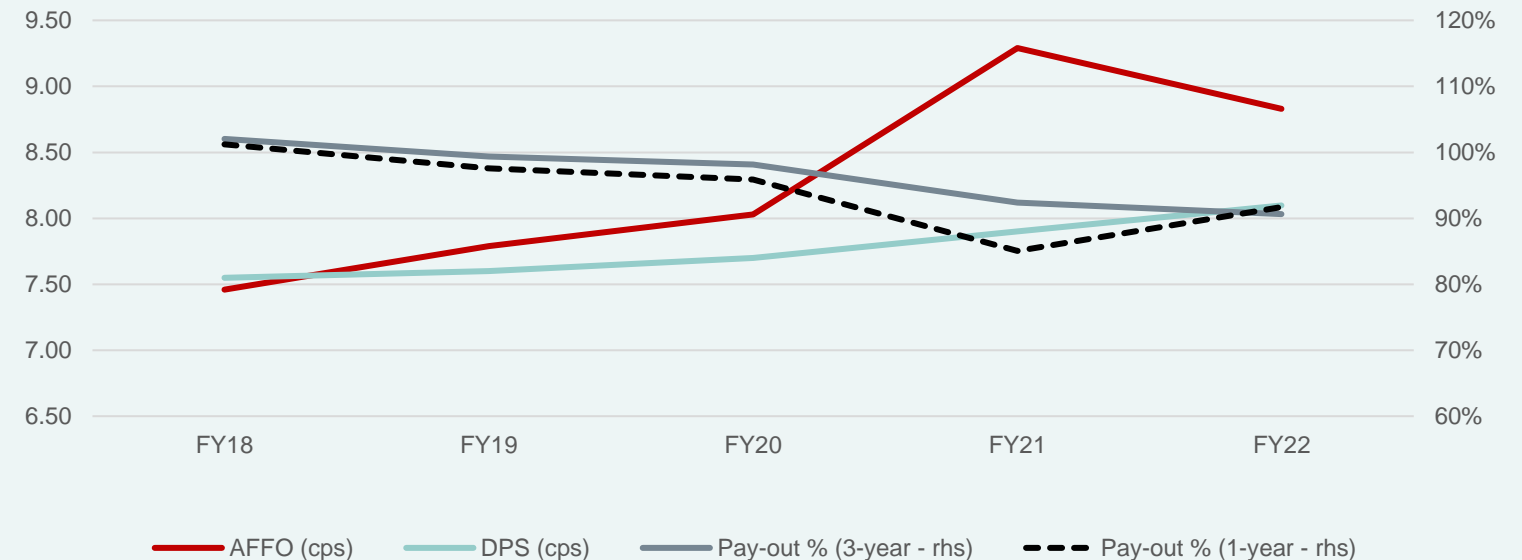


- AFFO earnings of 8.83 cents per share, 0.46 cents per share (cps) or 5.0% less than the prior year
- Interest expense and bank fees up \$4.5 million of 0.91 cps on the prior year
- Net rental income (including AFFO adjustments) up \$3.3 million or 0.66 cps on the prior year
- Admin expenses increased due to continued investment in team and systems, but remained constant as a % of average property values
- Maintenance capex in line with the prior year at 18 basis points

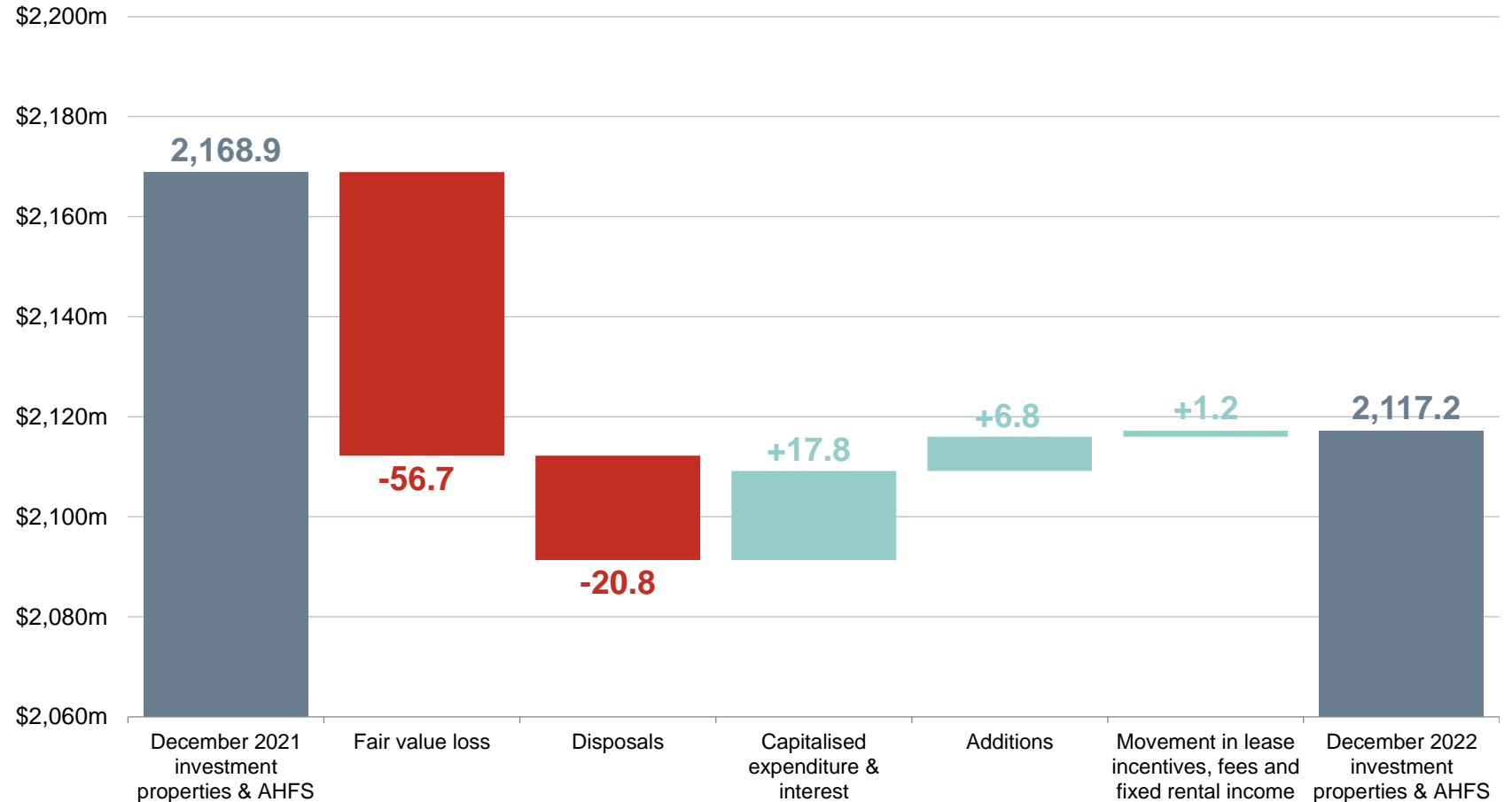


- 2022 cash dividends total 8.10 cents per share (cps), up 0.20 cps or 2.5% from 2021
- 2023 dividend guidance of 8.10 to 8.30 cps, an increase of up to 0.20 cps or 2.5% on 2022 dividends
- Higher forecast interest rates impacting on earnings, guidance assumes an average BKBM throughout 2023 of 5.25%
- Upside risks from capturing sector rental growth and portfolio under renting, downside risk predominantly from tenant failure
- Dividend policy to distribute between 90% to 100% of AFFO on a rolling three-year historic average basis
- 2023 cash dividends of 8.10 to 8.30 cps anticipated to result in a dividend pay-out at the bottom of this dividend policy range

EARNINGS	2022 CPS	2021 CPS	CHANGE
FUNDS FROM OPERATIONS	10.21	11.07	-0.86 CPS or -7.8%
ADJUSTED FUNDS FROM OPERATIONS	8.83	9.29	-0.46 CPS or -5.0%

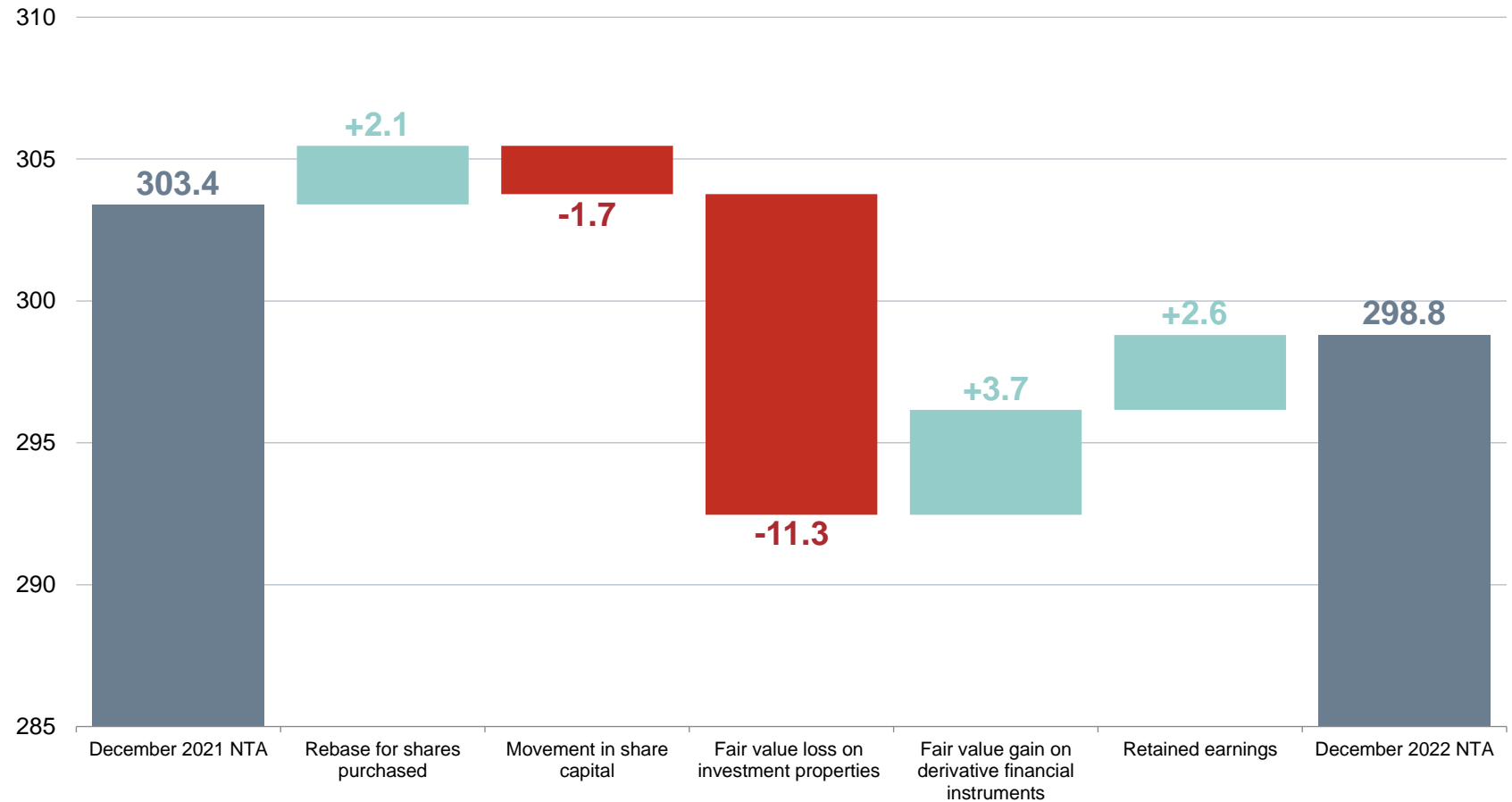


- Portfolio value of \$2.117 billion, including properties classified as held for sale (AHFS)
- Decrease from annual independent valuations of \$56.7 million or 2.6%
- Four properties disposed in 2022 for a combined total of \$20.8 million
- Capex at 3-5 Niall Burgess Road (sustainable refurbishment), Shed 22 (seismic strengthening works), 30-32 Bowden Road (pre-project) and 528-558 Rosebank Road (seismic strengthening works)
- 318 Neilson Street, Penrose, acquired in March 2022 for \$6.8 million





- Net tangible assets (NTA) per share decreased by 4.6 cents per share (cps) or 1.5%
- Change in NTA per share driven by the decrease in the fair value of investment properties (-11.3 cps), an increase in the net fair value asset for derivative financial instruments (+3.7 cps) and retained earnings (+2.6 cps)
- Share buyback programme accretive to NTA, shares purchased at an average cost of \$2.43 per share, compared to NTA as at 31 December 2022 of \$2.99



# 04

The background of the slide is a photograph of a warehouse interior. A forklift operator, wearing a high-visibility vest, is driving a forklift that carries a large stack of cardboard boxes on a pallet. The scene is captured with a motion blur effect, suggesting the forklift is moving through the aisle. The floor is marked with yellow lines, and the background shows rows of storage racks and other warehouse equipment.

## CAPITAL MANAGEMENT

- On-market share buyback programme of up to 5% of ordinary shares, announced on 25 May 2022
- At the time of announcement, PFI shares were trading at a 21% discount to NTA
- PFI has since acquired and subsequently cancelled 3.6 million shares at an average cost of \$2.43 per share, compared to net tangible assets per share as at 31 December 2022 of \$2.99
- With \$140 million of Green Star development spend committed across both Bowden and Springs Road, the decision was made to pause the buyback programme indefinitely on 19 December 2022, as the Company has assessed these developments as being a superior use of its capital

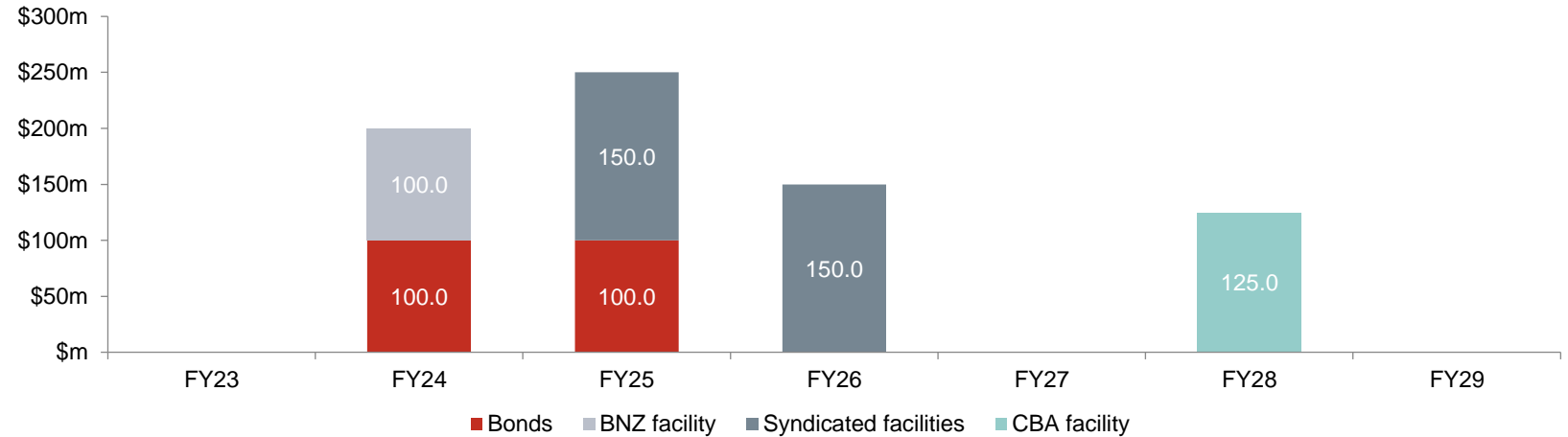


- \$100 million BNZ facility extended in June 2022
- USPP facility established with Pricoa, providing access to long-term funding
- High levels of liquidity from a diverse range of sources, coupled with low gearing and sufficient hedging, provide PFI with funding flexibility to execute on committed brownfield development opportunities

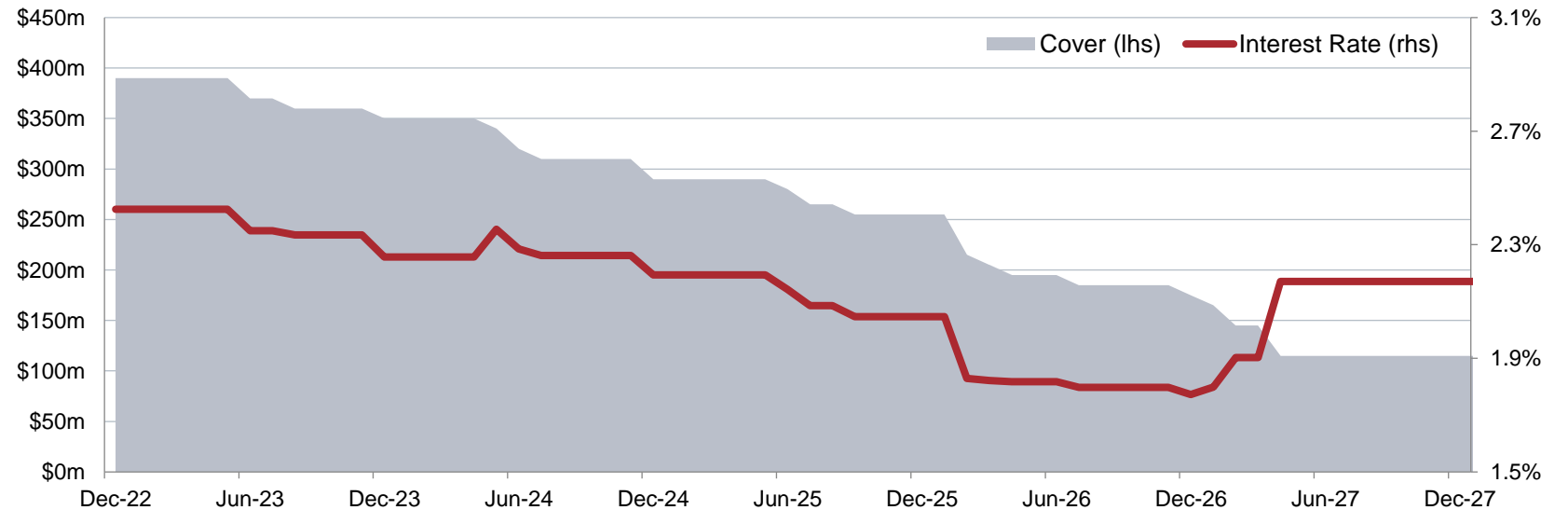


	DECEMBER 2022	DECEMBER 2021
<b>FUNDING</b>		
BANK FACILITIES DRAWN	\$403.7m	\$401.2m
BANK FACILITIES LIMIT	\$525.0m	\$525.0m
BANK FACILITIES HEADROOM	\$121.3m	\$123.8m
FIXED RATE BONDS	\$200.0m	\$200.0m
FUNDING TERM (AVERAGE)	3.0 years	3.9 years
BANKS	ANZ, BNZ, CBA, Westpac	ANZ, BNZ, CBA, Westpac
<b>COVENANTS</b>		
LOAN-TO-VALUE RATIO (COVENANT: <50%)	28.5%	27.7%
INTEREST COVER RATIO (COVENANT: >2.0X)	3.4 times	4.4 times
<b>INTEREST RATES</b>		
WEIGHTED AVERAGE COST OF DEBT	4.77%	3.81%
INTEREST RATE HEDGING (EXCL. FORWARD STARTING)	\$390m / 2.44% / 3.1 years	\$400m / 2.58% / 3.7 years
FORWARD STARTING INTEREST RATE	\$60m / 2.75% / 4.3 years	\$120m / 2.69% / 4.1 years

- Average term to expiry of bank facilities and bonds (top graph) of ~3.0 years, \$121.3 million of unutilised bank facility capacity



- Fixed rate payer hedging profile (bottom graph) provides for an average of ~61% of debt to be hedged at an average fixed rate of ~2.38% during 2023, offering some protection from floating interest rates



# 05.

## SUSTAINABILITY

**LOOKING BACK: 2022 HIGHLIGHTS**



**REDUCING EMISSIONS**

We completed our HVAC replacement project – replacing all ozone depleting R22 gas systems within our operational control. During 2022, we replaced HVAC systems at 18 properties at a cost of \$1.78m in capital expenditure.



**TEAM & COMMUNITY**

We achieved an 84% staff engagement score in our annual survey. We provided support to the community through team volunteering days and \$15,000 in donations for local charities.

**SUSTAINABLE DEVELOPMENT**

We worked with contractors to apply our sustainable refurbishment framework to four capital projects.



**REPORTING & DISCLOSURES**

We released our third voluntary TCFD report (see our annual report for full details). We also improved our CDP score to a B.



## LOOKING FORWARD: 2023 – 2030 STRATEGY

FOCUS AREAS



### GREENHOUSE GAS EMISSIONS



### RESOURCES AND WASTE



### DISASTER AND CLIMATE RESILIENCE



### PEOPLE AND WELLBEING



### ECONOMIC VALUE

ASPIRATIONS

The embodied and operational greenhouse gas emissions associated with PFI's buildings are minimised.

The impacts from the materials that PFI uses and the waste PFI produces during developments and refurbishments are minimised.

PFI's buildings are resilient and we are well placed to respond to disasters.

Our people are safe and engaged, and we promote positive social impacts through our operations.

The value of PFI grows to create economic value for investors, tenants, our people and others that we work with.



## LOOKING FORWARD: **KEY TARGETS**



### **GREEN STAR**

Significant new buildings to target minimum 5 Green Star certification.

### **METERING**

Implement power metering and monitoring for 50% of properties by the end of 2025.



### **SOLAR SYSTEMS**

Install solar systems at five buildings by the end of 2025.

### **EMISSIONS**

Minimise and offset residual Scope 1 + 2 greenhouse gas emissions.



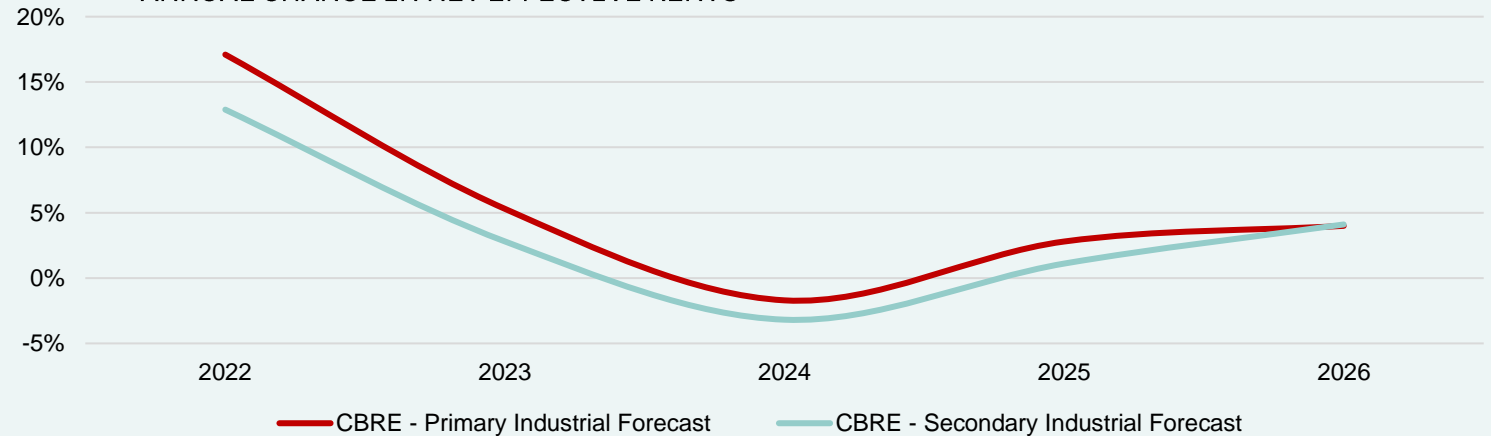
# 06 | MARKET



- Auckland industrial vacancy remains at all time lows
- CBRE is forecasting rental growth to slow in 2023 and bottom out in 2024, before returning to more 'normal' levels in 2025 and 2026 (top graph)
- PFI's ~11% portfolio under-renting provides platform for further rental growth
- Construction costs are forecast to ease as supply chains free up and activity moderates in response to higher interest rates
- Looking forward, PFI's strong balance sheet and defensive portfolio allows the Company to look through short-term challenges to execute on opportunities within the portfolio

### CBRE INDUSTRIAL RENTAL GROWTH FORECASTS<sup>1</sup>

ANNUAL CHANGE IN NET EFFECTIVE RENTS



<i>CBRE AUCKLAND MARKET OUTLOOK<sup>1</sup></i>		DECEMBER 2022	5-YEAR FORECAST: DECEMBER 2022	5-YEAR FORECAST: JUNE 2022
<b>PRIME INDUSTRIAL</b>	– VACANCY	0.1%	1.2% ▲	0.6%
	– RENTS	\$182	+5.5% (p.a.) ▲	+5.0% (p.a.)
	– YIELDS	5.24%	4.92% ▲	4.33%
<b>SECONDARY INDUSTRIAL</b>	– VACANCY	0.7%	2.0% ▲	0.6%
	– RENTS	\$140	+3.5% (p.a.) ▼	+5.1% (p.a.)
	– YIELDS	5.94%	6.03% ▲	5.33%

<sup>1</sup>CBRE "Auckland Property Market Outlook" December 2022 and "Auckland Rent & Yield Update" January 2023

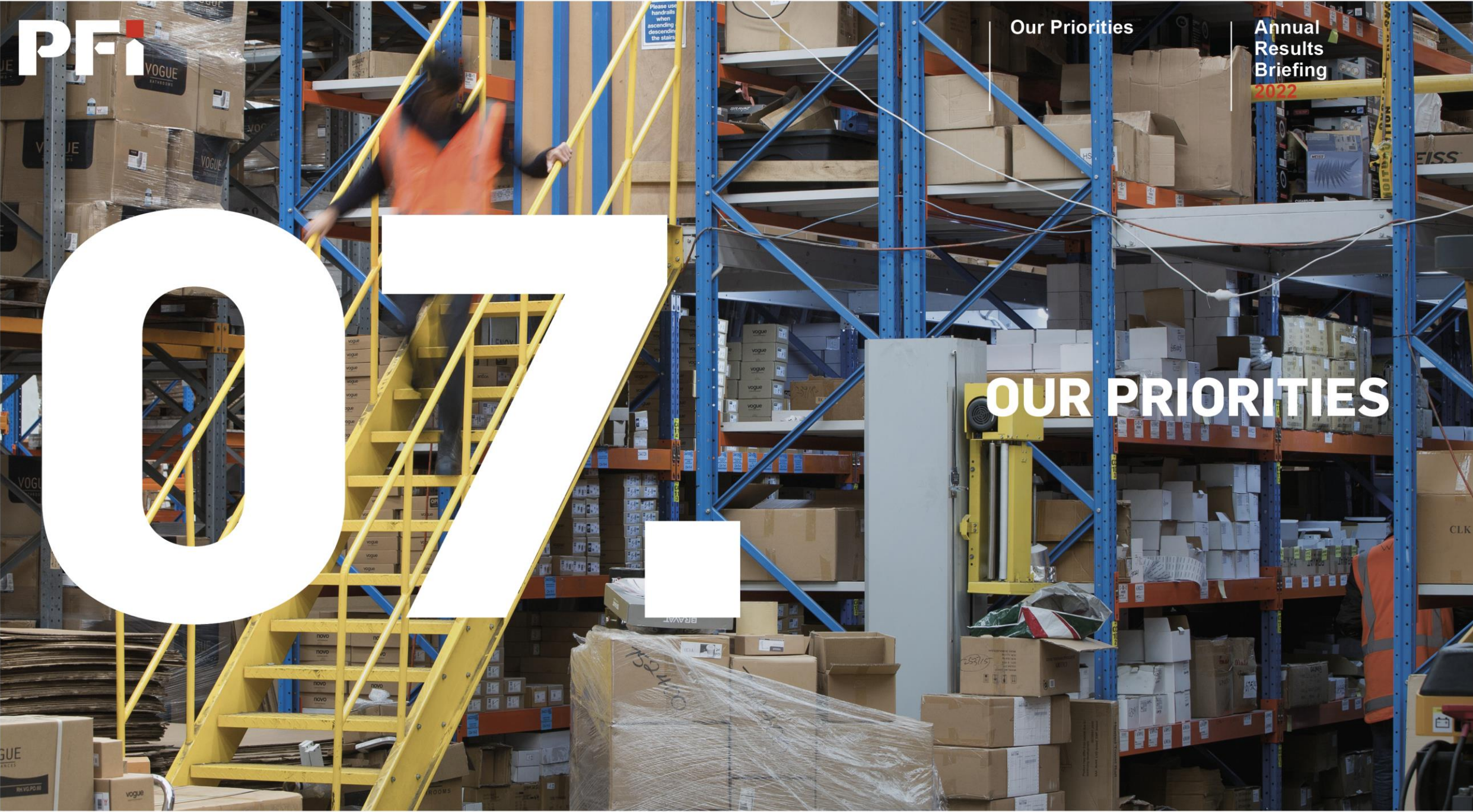


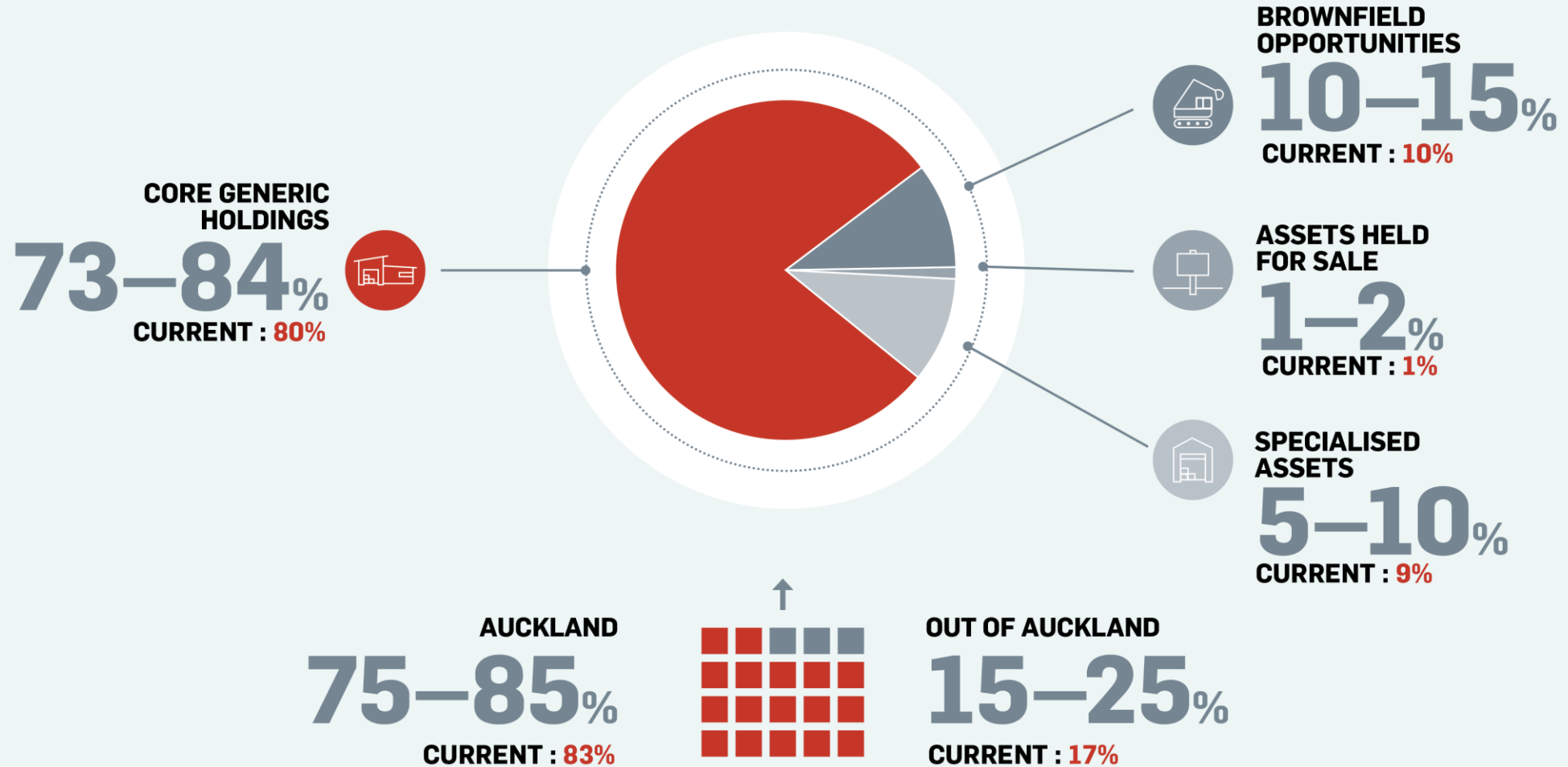
Our Priorities

Annual  
Results  
Briefing  
2022

# 07

## OUR PRIORITIES





## ASSETS HELD FOR SALE

- 39 Edmundson Street (Napier) settled 8 July 2022
- 330 Devon Street East (New Plymouth) settled 25 August 2022
- 20 Constance Street (New Plymouth) settled 17 October 2022
- 8A & 8B Canada Crescent (Christchurch) due to settle early-April 2023
- Combined, these properties will generate gross proceeds of \$33.4 million and have been sold at an average of 8% above their most recent book values



	DECEMBER 2022	8A & 8B CANADA CRESCENT	PRO FORMA
INVESTMENT PROPERTIES & AHFS	\$2,117.2m	-\$21.0m ▼	\$2,096.2m
TOTAL DRAWN BORROWINGS	\$603.7m	-\$21.0m ▼	\$582.7m
CONTRACT RENT	\$98.2m	-\$1.4m ▼	\$96.9m
LOAN-TO-VALUE RATIO	28.5%	-0.7% ▼	27.8%
AUCKLAND PROPERTY	83.2%	+0.8% ▲	84.0%

- MOVE Logistics portfolio of nine properties purchased in November 2017
- Three properties were sold in 2022, generating gross proceeds of \$12.4 million, an average of 10% above their most recent book values
- ~\$53 million of returns generating a property level internal rate of return of ~13%
- No further assets earmarked for divestment at this point in time, but recycling of capital is an important driver of value for PFI



- ~\$216 million or 10% of the portfolio held in brownfield opportunities, providing a growing pipeline of medium-term development opportunities
- 30-32 Bowden Road and 78 Springs Road redevelopments commencing in April 2023 (see next slides)
- Post balance date, Graincorp at 92-98 Harris Road has renewed for a further five years from November 2023
- Remaining parcels of land in key industrial precincts provides PFI with the ability to generate earnings growth by unlocking brownfield opportunities

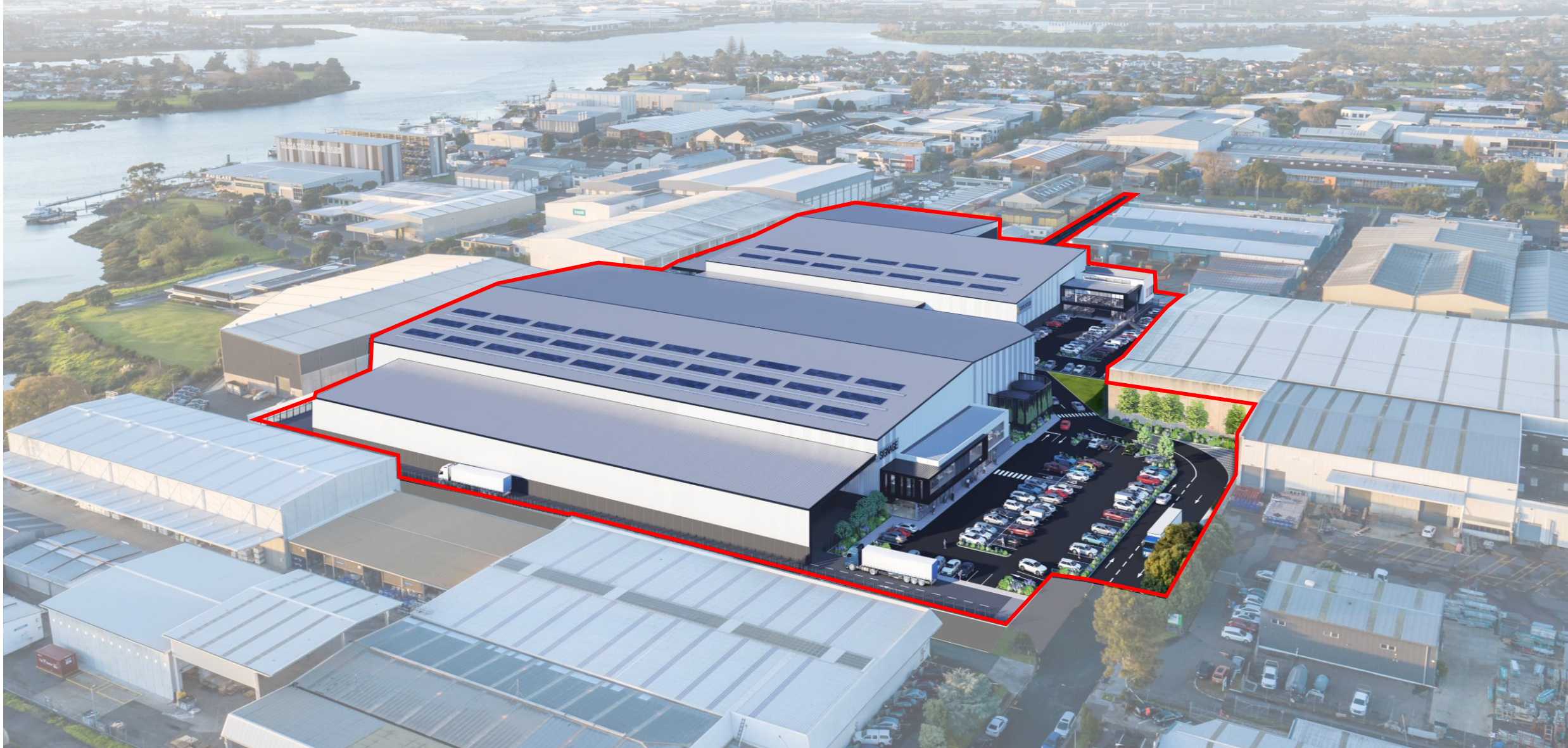


PROPERTY	DECEMBER 2022 VALUE	LETTABLE AREA(SQM)	SITE COVERAGE	% OF CONTRACT RENT	LEASE EXPIRY
30-32 BOWDEN ROAD	\$34.0m	17,047	44%	1.9%	31-Mar-23
170 SWANSON ROAD	\$33.5m	5,183	12%	1.2%	31-Jan-24
78 SPRINGS ROAD	\$98.0m	41,536	40%	6.8%	8-Oct-24
304 NEILSON STREET	\$20.3m	4,538	22%	0.8%	30-Jun-27
318 NEILSON STREET	\$6.6m	590	12%	0.2%	30-Jun-27
92-98 HARRIS ROAD	\$23.5m	7,194	27%	1.4%	<b>3-Nov-28</b>
<b>TOTAL</b>	<b>\$216m</b>	<b>76,089</b>		<b>12.3%</b>	





# 30-32 BOWDEN ROAD



# 30-32

**BOWDEN ROAD,  
MT WELLINGTON**

- ~40% of development pre-leased to Tokyo Food, for a lease term of 12-years
- Construction commencing in April 2023, PFI will develop a 7,000sqm warehouse with 900sqm of office and amenities, 2,500 square metres of canopies and breezeways, 2,000sqm of yard and more than 100 car parks
- Stage 1 of project estimated to cost around \$31 million, targeting a yield on cost including land in excess of 5%



STAGE 1 – LEASED

# 30-32

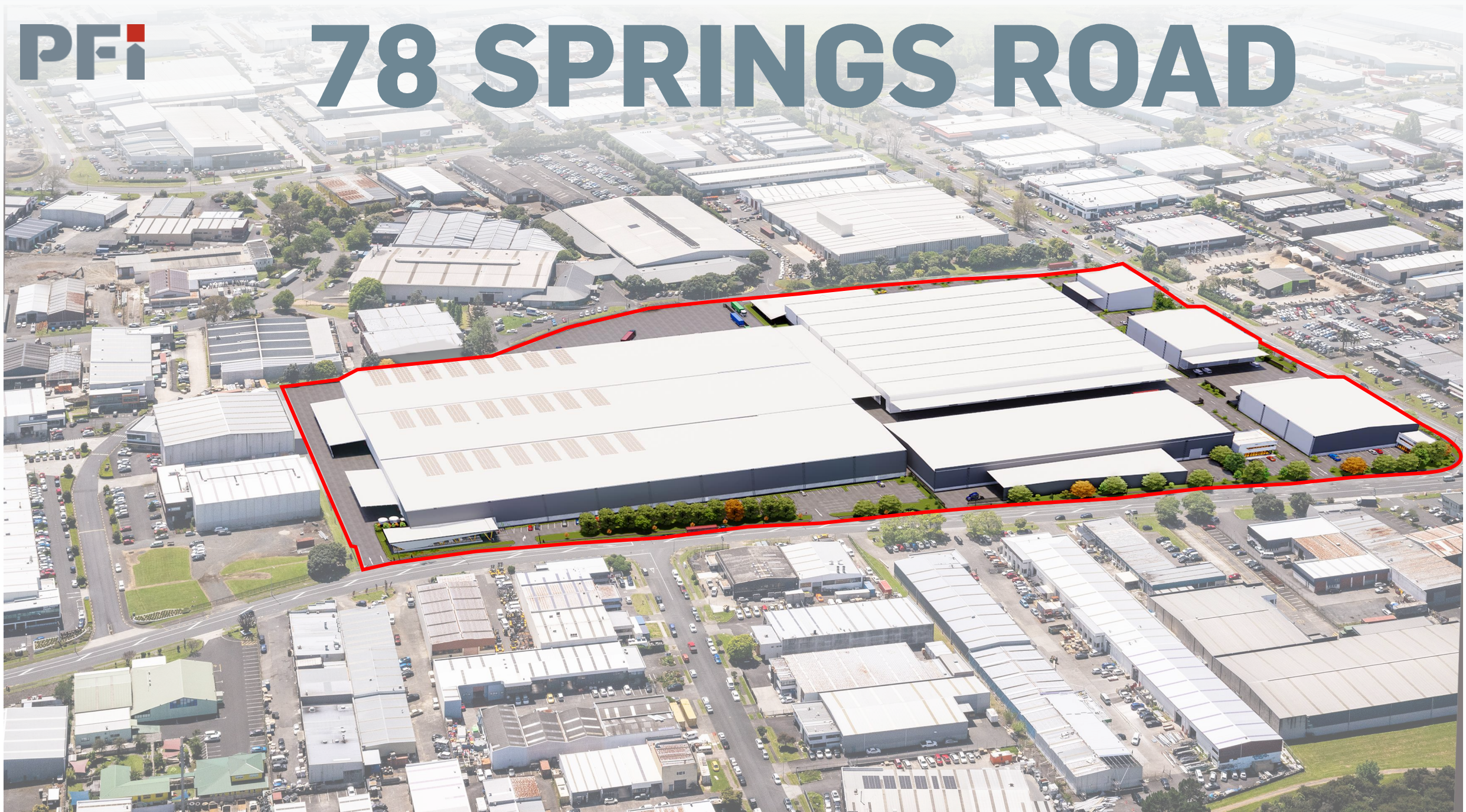
**BOWDEN ROAD,  
MT WELLINGTON**

- Remainder of 3.9ha site to be developed on a speculative basis
- Construction commencing in April 2023, Stage 2 will include a 11,200sqm warehouse with 800sqm of office and amenities, 2,900sqm of breezeway canopy and 80 car parks
- Estimated cost of around \$35 million, targeting a yield on cost including land in excess of 5%
- Both buildings will target a Five Green Star rating, creating PFI's first fully Green Star rated industrial estate once complete



**PFI**

# 78 SPRINGS ROAD



# 78

## SPRINGS ROAD, EAST TAMAKI

- PFI to develop a 25,500sqm warehouse for existing tenant Fisher & Paykel Appliances, with an option to expand the warehouse to 30,000sqm
- Stage 1 of the project has an estimated total incremental cost of around \$76 million, with a targeted yield on cost, including land, of more than 5.3%
- Construction commencing in April 2023, the facility will target a Five Green Star rating



STAGE 1 – FISHER & PAYKEL

# 78

## SPRINGS ROAD, EAST TAMAKI

- Significant 10.4-hectare site in East Tamaki currently benefits from site coverage of less than 40%
- Multiple warehouse redevelopment and refurbishment options on a versatile heavy industrial zoned site that can accommodate around 67,500sqm of facilities (lifting site coverage to around 65%)
- PFI will target Five Green Star ratings on all new buildings



08

**REVIEW &  
QUESTIONS**



- **Angela Bull** will join the PFI Board as an Independent Director from 20 February 2023.
- Angela is currently the Chief Executive of Tramco Group, and a director of Vital Healthcare Property Trust, The Real Estate Institute of New Zealand, Property Council New Zealand, realestate.co.nz and Foodstuffs South Island.
- Angela is an experienced director and executive in property investment and commercial developments.



**Angela Bull**  
Independent Director



**HIGHLIGHTS:**

- Steady underlying result
- Brownfield opportunities set to commence
- Sustainability programme advanced
- Portfolio delivering strong rental growth
- Resilient industrial portfolio of scale
- Proactive and conservative capital management

**CLOSING:**

- *2022 has closed with the Company well placed for the coming years. With plenty of demand evident, and a clear path for development, PFI is confident that it can maintain momentum while meeting investor expectations. “We may not see the record results of 2021 in the short to medium term, but we are confident of delivering resilient results,” says Simon Woodhams. “There will be challenges, but we are intent on meeting investor and occupier demands and delivering the stable returns that our investors look for.”*

**Questions?**

The information included in this presentation is provided as at 20 February 2023 and should be read in conjunction with the annual report, NZX results announcement, NZX Form – Results Announcement and NZX Form – Distribution Notice issued on that same day.

Property for Industry Limited (PFI) does not guarantee the repayment of capital or the performance referred to in this presentation.

Past performance is not a reliable indicator of future performance.

The presentation includes a number of forward looking statements. Forward looking statements, by their nature, involve inherent risks and uncertainties. Many of those risks and uncertainties are matters which are beyond PFI's control and could cause actual results to differ from those predicted. Variations could either be materially positive or materially negative.

While every care has been taken in the preparation of this presentation, PFI makes no representation or warranty as to the accuracy or completeness of any statement in it including, without limitation, any forecasts.

This presentation has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives, financial situation or needs. An investor should, before making any investment decisions, consider the appropriateness of the information in this presentation, and seek professional advice, having regard to the investor's objectives, financial situation and needs.

This presentation is solely for the use of the party to whom it is provided.