

Question and Answer

Jeremy Andrew Simpson

Forsyth Barr Group Ltd., Research Division

Jeremy Simpson, Forsyth Barr. Just a question on Majestic Centre. So it takes up to that 70% of code, so it's still going to be inferior to a lot of the other premium buildings in Wellington. I was wondering whether that's an issue for retaining tenants and how you think that it is positioned anyway in the market now?

Chris W. Gudgeon

Former Chief Executive Officer

Right. Well, what it does is it takes it into that low-risk classification, and that is the area that tenant expectation is at 70% or above. We'd like to get it above 70% if we can. At this stage, we're just expressing our intention to get it to at least 70%, but we're at concept design stage. And as we develop our proposals further, if we see opportunities to take it beyond 70%, we certainly will. But at this stage, based on the advice, which has only recently been finalized, in fact yesterday, we're expressing this ambition to get to that low-risk classification of at least 70%. And I think that is what the market requirement is. Sure, they'd like higher, but 70%, I think, is reasonably accepted by the market in Wellington.

Jeremy Andrew Simpson

Forsyth Barr Group Ltd., Research Division

And Ernst & Young is a big tenant in there, is that right?

Chris W. Gudgeon

Former Chief Executive Officer

Right.

Jeremy Andrew Simpson

Forsyth Barr Group Ltd., Research Division

What's the year of expiry for [indiscernible] much disruption for the managed term for a while?

Chris W. Gudgeon

Former Chief Executive Officer

Well, we've spoken to all our tenants. I can't tell you off the top of my head when EY's lease expires, maybe someone can look that up for me, but we explained to all the tenants, Jeremy. The reaction is, look, they're pleased that we're understanding the strengthening works. We're going to work with them to minimize disruption. They like our ambition to take it to a low-risk classification, and it's going to kind of continue to be an A-grade building in the Wellington market.

Unknown Executive

Their expiry profile is 2018.

Jeremy Andrew Simpson

Forsyth Barr Group Ltd., Research Division

Okay. And just lastly, any earthquake issues at North City at all? Is that being assist because [indiscernible] to be assist?

Chris W. Gudgeon

Former Chief Executive Officer

We're currently -- well, it's a modern low-rise building and we're currently assisting. We're doing the whole retail portfolio now, but the original -- the initial requirement was to cover our office portfolio, which we've done now comprehensively.

Marcus Curley

Goldman Sachs JBWere Pty Ltd, Research Division

Marcus Curley from Goldman Sachs. Just a couple of further questions. Just with regard to the retail strengthening exercises, do you believe it's going to be material costs on that front? I know you're just starting on that review.

Chris W. Gudgeon

Former Chief Executive Officer

No, we don't. We don't see -- we don't foresee issues with our retail portfolio.

Marcus Curley

Goldman Sachs JBWere Pty Ltd, Research Division

And secondly, just on the payout. Yes, it's obviously down to about 95% in the first half. Could you give us some sort of guidance in terms of where that's hitting?

Chris W. Gudgeon

Former Chief Executive Officer

Well, I thought that was -- I thought we've done that. Distribution outlook in the \$0.07 with us holding -- withholding up to 5% of distributable profit after tax. So we don't currently foresee us dropping the payout ratio below 95 at this stage.

Marcus Curley

Goldman Sachs JBWere Pty Ltd, Research Division

Okay. And then when you look at, say, the strengthening work with regard to Wellington, could you just give us a little bit of color in terms of what's actually involved?

Chris W. Gudgeon

Former Chief Executive Officer

Well, it's quite complex. There's no one silver bullet. It's a structural frame, and so we will be doing the strengthening work in a number of areas, which act in concert to take us to that low-risk classification. So it's in a number of areas through the building. The structures act as a frame together. So when we undertake strengthening works, we're looking at improving the overall performance of the structural frame in a number of areas.

Unknown Analyst

Callie [ph] from Montasey Management [ph]. Just on PwC, is \$47.4 million the indemnity value, as in the cash amount, that you could get out of this? Or is it some other amount that the insurer has equated?

Chris W. Gudgeon

Former Chief Executive Officer

We're not exactly sure how the insurers come up with that number, to be honest, Callie, other than to -- we observed it's about half of what we've claimed.

Unknown Analyst

What you claimed. So if you do, obviously, you will negotiate and hopefully get a little closer to your \$95 million. When you get to some resolution, that amount will have to be reinvested in another property somewhere else? Is that how your policy works?

Chris W. Gudgeon

Former Chief Executive Officer

That's the policy option that we are looking to exercise, yes.

Unknown Analyst

Is there any way you can then apply a portion of those funds to ASB?

Chris W. Gudgeon

Former Chief Executive Officer

We don't think so.

Unknown Analyst

What about Centre Place?

Chris W. Gudgeon

Former Chief Executive Officer

Well, the policy wording and vis-à-vis [ph] reinvestment in a new building, but it doesn't specify a time frame. So we have expressed ambition that over the next 2 to 3 years, we'd like to reinvest the proceeds in a new building, which could be anywhere in New Zealand.

Unknown Analyst

Okay. Another question on Centre Place, just, I mean it's quite a large shift in 6 months. I was just looking to get a bit more background as to, obviously, you've done some short-term agreements based on Farmers coming or going, but there's quite a big change. So was it a change in value as well? Or what were the key changes to the valuer's assumptions to get to that point?

Chris W. Gudgeon

Former Chief Executive Officer

Well, it wasn't really about assumptions. It's around sales and income performance, so real live metrics. And what has brought that about is the completion of the final stages at the base. And so the base [indiscernible] throughout the strait has progressively opened over the last year. And it's these final stages that are affecting the whole central city.

Craig Tyson

Craig Tyson, OnePath. Just you had a great point about buildings for sale. I mean you had a couple of buildings for sale, I think you're actively marketing them. In Wellington, have you had any bites? And if -- have they been a level close to where you are sort of you're asking or was it has just been very opportunistic?

Chris W. Gudgeon

Former Chief Executive Officer

No, we have -- you're correct to note -- point out we are marketing 44 The Terrace. So we're active on that, Craig. And it's fair to say we are working on a potential opportunity there, but it's too early to say with certainty how that will materialize. And we have identified some of our assets that we would be happy to move on the right circumstances and we're active on that front, but really I can't say anything till I can say anything with certainty on that.

Buffy Gill

Goldman Sachs JBWere Pty Ltd, Research Division

Buffy Gill from Goldman Sachs. Just 2 questions from me. Firstly, you sort of mentioned you haven't started into to the retail side of the program for assisting earthquake safety. But do you have a sense of whether you're expecting to get an uplift in the valuation for Northlands given the performance or you sort of view that more as a temporary uplift given the other centers were closed?

Chris W. Gudgeon*Former Chief Executive Officer*

No, I mean, when you look at the retail environment in Christchurch, the whole CBD, which had previously significant retail pool space, is out of action for a few years. And the center is like Eastgate. We'll never quite be what they were. And, in fact, The Palms at Shirley isn't quite what it was either. But to come to your question, we are looking forward to revaluing that asset, 31 Knotch [ph], next year. And we think it's appropriate to give the value a year, post earthquake, to see the market settle down and see a bit more certainty in that marketplace before we ask them to revalue it again.

Buffy Gill*Goldman Sachs JBWere Pty Ltd, Research Division*

Okay. And the second one is just on the Centre Place redevelopment. Within your expanded floor area, do you have a sort of percentage precommitted from tenants, I guess, particularly referring to the whole building, but also in particular the second floor area?

Chris W. Gudgeon*Former Chief Executive Officer*

Yes. So our rental precommit is about 42% by income and 68% by area. So there are essentially our key majors. So that's the precommit. And we're looking to -- and the Farmers opening Christmas '13, so it's going to be 2 years in delivery.

Buffy Gill*Goldman Sachs JBWere Pty Ltd, Research Division*

Are you able to talk about the level of incentives that were provided to Farmers?

Chris W. Gudgeon*Former Chief Executive Officer*

Look, in line with the deals we always do with Farmers. We think they are a great operation and they invest serious money and their own putouts. They produce great stores. And so incentive in line with typical market deals with Farmers, yes.

Okay. So if there are no more questions from the floor, we go to the phones.

Operator

Next question comes from Jason Lindsay from First New Zealand Capital.

Jason Lindsay*Jarden Limited, Research Division*

Most of it have been asked, but just a couple of further questions. Just as Urbis Research that you used to predict what sales will be in a couple of years' time, have you -- you've used them in the past? And I guess, how accurate have they been in the past, like you could see the risk that you're sort of throwing good money off to bait on Centre Place?

Chris W. Gudgeon*Former Chief Executive Officer*

No, we have used them before. They're very credible. They work in both Australia and New Zealand and they work across all the Colonial assets in Australia. We actually got research from another house as well, and we put a lot of focus on that research because it needs to be right. So we are confident in their projections. And we have a track record that gives us that confidence.

Jason Lindsay*Jarden Limited, Research Division*

Cool. And just the last one is probably more for Gave. You say that the refinancing was on better terms, presumably the new more recent tranches, but I think the March, April '12 expires are still on the old pricing, if I'm correct. So I'm just wondering if you could give us a flavor of what the weighted average price finance -- price refinancing margin and fees are?

Gavin Edward Parker

Former General Management of Funds Management & Capital Markets

Yes, you're quite right, Jason. The 292.5 that was renewed and extended was put in place pre-GFC, so it was on old pricing, but the pricing we achieved on that was certainly better than what we achieved 12 months ago, and in fact what we achieved in May of this year when we extended the facility from \$800 million to \$850 million. Look, pricing generally ranges from as low as 135 points for 3 year up to about 175 for 5 year. So if you think about all of our facilities, given that there's still \$200 million sitting there, which was put in place pre-GFC, we are at the lower end of that range.

Jason Lindsay

Jarden Limited, Research Division

Do you still have some facilities left pre-GFC even after this refinancing?

Gavin Edward Parker

Former General Management of Funds Management & Capital Markets

Correct. If you look at the graph on Slide 15, we've got a \$100 million CBA facility sitting in the FY '13 year and \$100 million BNZ [ph] sitting in the FY '14. In fact, as I tried to stress, the facilities that we extended for 12 months, these are the facilities that we put in place 12 months ago. We were able to extend them for a further year at current rates. So we've got the benefit of the most recent pricing so we've got a reduction in terms of all those facilities that were pushed out 12 months. So that lessened the blow, if you like, of the old facilities that were renewed and extended.

Operator

There are no further questions on the phone at this time.

Chris W. Gudgeon

Former Chief Executive Officer

All right. Well, thank you, everybody. We are looking forward to seeing most of you in one-on-one meetings over the next day or 2, and we're going to catch up with folks in Wellington later this week as well. So thank you all for coming, and look forward to seeing you later today or the next few days. Cheers.