

# PropertyLine

the newsletter of PMG



**Letter from  
Scott McKenzie, CEO**

I am sure it is with a sense of relief for many businesses that the last quarter of the 2021 financial year, the year of the pandemic, is over.

For PMG and our funds, the last quarter of the financial year has seen a number of significant achievements.

A milestone in PMG's history was the successful 50% equity partnership with 360 Capital Active REIT (360 Capital). The partnership is already adding value to PMG, our funds, investors and tenants, by adding four experienced 360 Capital members to the PMG Board (two also herald Kiwi backgrounds). Read more about the partnership on page 4. Thanks to the partnership, we now have further progressed our environmental strategy by leveraging contacts in Australia to assist us in our endeavours to achieve NABERSNZ ratings (which rate a building's energy performance) for buildings in our portfolio. The programme is already mandated by the Australian Government and is likely to be here in time.

The quarter also saw property prices continue to grow, despite the ongoing economic headwinds of the global pandemic. Generally, the New Zealand business sector (except for a number of tourism, retail and hospitality businesses) also continued to perform well.

Notably, the large format retail sector did bunk the retail sector trend, with a recent trans-Tasman CBRE research report showing "record growth in groceries and household goods sales drove investor demand for neighbourhood centres and large format retail" in 2020.

More generally, PMG and our funds are still seeing a weight of capital looking for reliable cash returns given the current interest rate environment and increasing restrictions on residential property investment<sup>2</sup>. As a result, our recent offer in Pacific Property Fund Limited – PMG's largest offer in our 29-year history – was fully subscribed before the offer close date. Thank you to our valued investors who have continued to demonstrate their trust in PMG.

While we look ahead into the next quarter and new financial year, PMG's funds and assets are in a good position. Occupancy levels across the portfolio remain high at an average of 98%. I'm excited about the new financial year, the opportunities it will bring, and the plans we have to bring our investors, tenants, partners and friends the opportunity to invest in what we expect will be several additional high-quality investment offers.

We are also excited to bring all those we work with the chance to improve the financial futures of the next generation of New Zealanders through the launch of the PMG Charitable Trust. PMG and our partners are uniquely positioned to help the young adults of tomorrow improve their financial literacy and, therefore, their future outlook. We welcome your support in this important initiative for New Zealand (read more on page 3).

Kind regards,



Scott McKenzie  
Chief Executive Officer  
PMG



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## SAVE THE DATE

Upcoming Investor Seminars  
with Tony Alexander in  
Auckland and Palmerston  
North. See inside for more  
details on page 2.

<sup>1</sup> Source: CBRE Australasian Retail Report, 2021.

<sup>2</sup> <https://www.nzherald.co.nz/business/property-investors-react-online-to-governments-housing-package/5LXH57OOLFAN2MSRJIT6F2JULY/>

# Local and Global Outlook

by Scott McKenzie, CEO



With COVID-19 vaccines rolling out around the globe, there is light at the end of the tunnel. However, until the world achieves the much-coveted 'herd immunity', there will be ongoing waves of the virus. So, we will continue to see volatility in markets as we stretch into 2021. For New Zealand, supply chain pressures will continue as international manufacturing and transportation sectors experience disruption with ongoing regional lockdowns.

Many economists are talking about a recovery of sorts with the rollout of vaccines alongside the Northern Hemisphere going into summer and more people getting out and about, spending money. Consequently, we will see inflationary pressures arising at some point and, as per local media speculation, the Reserve Bank of New Zealand's next Official Cash Rate move is now not expected to be downward, contrary to belief last year.

With the prospect of higher inflation and economic growth, we can expect the market and, in time, central banks to push interest rates upwards while attempting to unwind the trillions of dollars of monetary stimulus from the market.

One thing is for sure – we will continue to experience ongoing market volatility. There is every chance we'll see some of the air come out of the tyres of yield-orientated asset values in time. Whatever the outcome of property value movements in the coming year, the ongoing volatility continues to reinforce PMG's strategy of taking a long-term view when investing throughout the economic cycle, focusing on diversification across quality properties.

For PMG, we admire and are pleased for our 200 commercial tenants who have shown real resilience over the last year. As we head into the first quarter of the 2021/2022 financial year, I continue to have confidence in the outlook for our valued tenants, our funds and investors.

I look forward to also sharing the full-year results of the 2021 financial year when our Annual Reports for each fund are published in late June. Until then, please don't hesitate to get in touch with either myself or one of the PMG team if you have any questions.

Happy New Financial Year!

<https://www.goodreturns.co.nz/article/976518098/ocr-predictions-change-amid-strong-data.html>

*Content of this article is the opinion of Scott McKenzie and is not intended as personalised financial advice. You should seek independent financial advice from an authorised financial advisor before making any investment decisions.*

## PMG's Annual Golf Day a Success



On Friday, 19 March 2021, PMG hosted its annual Golf Day at the Omanu Golf Course in the beautiful Bay of Plenty. Playing a round of Ambrose, attendees included both PMG investors and professional partners.

The day concluded with dinner and prize-giving at the 19th hole. A special mention goes to the winning team – Daniel Watkins (Classic Group), Christy Arundel (Ray White), Rory Brown (Baileys) and Bruce Smith (First Mortgage Trust).

We look forward to doing it all again next year.

*"Thank you so much for another well run, fun event. It was great to catch up with everyone outside of a work environment & have a lot of laughs & a few drinks."*

– David Blacke, DB Signs

## Upcoming Investor Seminars – With Economist Tony Alexander

Will the economies of New Zealand and the world defy again in 2021?

Join us to hear where columnist Tony Alexander, leading New Zealand economist, thinks we're heading including:



- 1 Inflation and interest rate expectations.
- 2 Should you spend, save or invest?
- 3 Areas of investment opportunity.

Palmerston North 12pm – 2pm, Friday, 14 May 2021  
Auckland 12pm – 2pm, Tuesday, 18 May 2021

For more information and to secure your seat today, RSVP to the event nearest you at [pmgfunds.co.nz/events](http://pmgfunds.co.nz/events) or email [events@pmgfunds.co.nz](mailto:events@pmgfunds.co.nz). Spaces are limited.

## Help Us Go Paperless

As part of our ongoing commitment to the environment, PMG endeavours to go paperless. If you'd like to opt out of reading this in print, contact the Investor Relationships Team today and help us minimise waste by going digital!



# PMG Fully Subscribes Largest Investment Offer in Company's History

Pacific Property Fund Limited (the Fund) has fully subscribed an offer to raise \$68 million, as announced on 20 April 2021.

As part of the offer in one of New Zealand's largest directly-held and unlisted commercial property funds, it expects to acquire six properties from March to June 2021 (with four of these properties to be acquired using the funds raised from the offer).

On settlement of all six properties, the flagship Fund's portfolio will consist of 20 quality commercial properties, 62 tenants located across the country, and an estimated portfolio value of \$393 million.

The low interest rate environment combined with recent restrictions placed on the residential property market highlights the strength, historical resilience and ease of investing in a commercial property fund.

Read more about the successful offer on our website – [pmgfunds.co.nz/news](http://pmgfunds.co.nz/news)

The four properties being acquired with funds from the offer are 3 Distribution Lane, 410 Eastern Hutt Road, 70 Gloucester Street and 123 Victoria Street, all to be acquired between 30 April 2021 and 30 June 2021. The two remaining property acquisitions are not dependent on the outcome of the offer (102 Langley Road was successfully purchased in March 2021, and 400 Arthur Porter Drive is due to be purchased on or before 30 June 2021).



## Talk to our team today about other investment opportunities expected this year.

Since 1992, we have delivered regular and reliable income through multiple economic cycles.



\$650m+ Assets under management



5 Commercial property funds



5.5-7% p.a.\* Return range, paid monthly or quarterly

\*The gross cash return is based on historical performance of the funds. Past performance does not guarantee future performance or returns of the funds. Please refer to [pmgfunds.co.nz](http://pmgfunds.co.nz) for current metrics and more information. Prospective investors are recommended to seek professional advice from a Financial Advice Provider who takes into account their personal circumstances.

**pmg FUNDS**

Solid Portfolios  
Concrete Investments

## PMG's Charitable Trust

Charitable gifting is something so many of us already do, and PMG is often approached by clients who would like to give even more back to their communities.

After much consideration and research, we are excited to announce that PMG has established the PMG Charitable Trust. The purpose is to contribute to the social, cultural, environmental and economic well-being of communities in New Zealand.

The PMG Charitable Trust aims to make a meaningful impact on financial futures by promoting and supporting education programmes that foster financial literacy. We will do this by promoting, coordinating, raising and managing funds to achieve these goals.

We're passionate about helping the next generation improve their financial literacy, and because we believe we're in a good position to help Kiwis, we hope to enable more young people to achieve financial freedom.

We look forward to updating you on our progress and the many initiatives we have in the pipeline in due course.

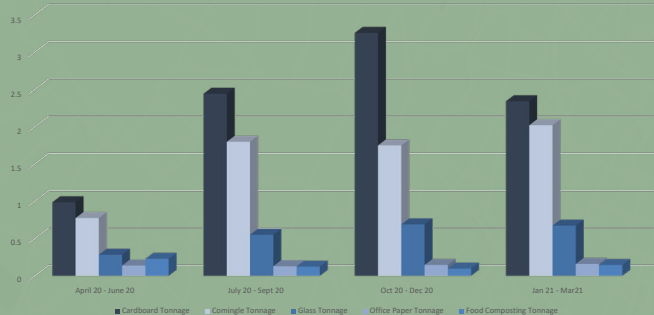


## Quarterly Recycling Results



For the financial year ending March 2021, 18.78 tonnes of cardboard, glass, paper, food compost and co-mingled items were recycled from the buildings where PMG manages the waste services.

### Total Recycling



Please note: The decreased amount in the April - June 20 quarter was due to the sale of Kelston Mall and COVID-19 lockdown. The decrease in recycling figures for the fourth quarter of the financial year reflects the Christmas period, where businesses often shutdown for a period.

## Helping You Compare Apples With Apples – Or in This Case, Returns With Returns

For transparency, and so you can easily compare PMG's gross cash returns to others in the market, we're changing how we display the yield (or return) on our funds on our website and other marketing material.

Previously, we displayed the forecast gross cash distribution return (per month or quarter) as cents per unit or share (cpu, cps) annualised on our website. We're now going to display each fund's yield as a percentage return per annum. For example, if Pacific Property Fund Limited is 7.35 cps, it will now be displayed as 6.02% (example only). Now that's a good apple.

If you have any questions about the change, please reach out to your Investor Relationships Manager.

## Landlord of Choice – What Our Tenants Are Saying

**Property:** 40 Braeburn Drive, Hornby, Christchurch

**Fund:** Pacific Property Fund Limited

**Tenant:** Summerland Express Freight Ltd – Represented by General Manager Grant Lowe

Summerland Express Freight Ltd is a family-owned express freight transport business that has been servicing the Mainland for over 27 years. We have nine depots across the South Island and more than 160 employees.

Our operation in Christchurch runs close to 24/7. Having a safe, reliable workplace to handle freight is critical for us to be able to effectively service our customers.

When PMG-managed fund Pacific Property Fund took ownership of the property we operate out of in Christchurch, we noticed a lift in professionalism and a better approach to addressing issues and improving the site.

We had a run-down shower for our drivers replaced. PMG strengthened the building, which, being in Christchurch gave us peace of mind that we are in a safe environment. Additionally, there are other improvements planned for the concrete in the depot, which still has some minor earthquake damage. Our staff also appreciate that we have a professional landlord.

The staff at PMG have been great at listening to our needs, particularly when we cannot afford a lot of downtime to undertake the improvements PMG has proposed. They have been empathetic and understanding, and together we have been able to overcome any obstacles.

Overall, we have found PMG's team very responsive and attentive; they seem like really good people and we enjoy working with them.

## PMG Partners With ASX-listed 360 Capital – A Win-Win For All

# 360 Capital



*A partnership to strengthen investment expertise and access to quality assets.*

As was communicated on 19 February 2021, PMG Property Funds Management Limited (PMG) announced a 50% equity partnership with Australian-based, listed investment funds manager 360 Capital Active REIT (360 Capital).

This partnership fundamentally brings further property funds management expertise into PMG's business, as well as the ability to support and underwrite offers we bring to market.

The partnership also assists PMG to continue to acquire high-quality assets, improving the income resilience of our funds and, therefore, returns for PMG investors. It also means we can continue to house and attract strong tenants, setting up our five unlisted commercial property funds to grow sustainably.

Read more about the partnership and what PMG's future looks like on our website's news page – [pmgfunds.co.nz/news](https://pmgfunds.co.nz/news).

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