

16 December 2022

Dear Shareholder,

Since my last report dated 28 October 2022, I am pleased to announce that the lift has been commissioned and is fully operational. This has improved access to the Supermarket and confirmed to our customers a further efficient entry point to our complex. It should also ease general wear and tear on some of our existing travellers which are subject to a detailed and ongoing schedule of upgrades and maintenance. This concludes all the scheduled capital works to date which included the seismic works.

The trading months for October and November have been positive both with foot count and tenancy turnover. This is especially pleasing, after taking into account the doom and gloom being expounded by the Reserve Bank. Of importance is that both our anchor tenants, Farmers and the Supermarket, have shown significant gains for November 2022.

Despite receiving conditional offers for the sale of the two Chalmers Street properties the Board has rejected these, we will review the position when and if the market improves.

There is no doubt that with the increasing interest rates there is going to be hardship and an economic downturn, it is somewhat ironic that the Reserve Bank and ultimately the Government are actively identifying this. I would have thought it was their mandate to avoid this and produce some positive programs with a view to promoting productivity and efficiency.

The month to month interest rate increases are a real concern, there seems to be no end to these. We are incurring physical interest rates which are now over double from that experienced in the past financial period. It was anticipated that these would peak in mid 2023, the commentary is now that the peak will spread well into the 2024 year. Therefore, it is with some disappointment, that I indicate to you that this will impact on the rate of the regular quarterly dividend payments. Also, capitalization rates for valuation purposes will show a marked increase. [Higher rates, lower values]. The valuation industry has clearly identified that this will be the case for 2022/2023 retail valuations.

We have an active program to ensure that rental reviews are fair and equitable and that legitimate increases, especially when taking into account where CPI adjustments are included, are instigated in a timely fashion. You can identify how important it is for the Mall to maintain positive foot count numbers and improved turnover figures. Jason and his staff continue to work on positive initiatives and events and the latest, in tangible form, is the positive impact of the weekly Market.

I was fortunate to attend the annual South Island Property Council awards and I am very pleased to convey to you that Evan Harris was announced the “GHD Property Professional of the Year”. The Hub was a finalist for an Environmental Award and it was commendable that we reached that stage, especially in the context that the ultimate winner was a large Government funded entity. I attach a photograph of the beaming recipient.

Despite these negative factors, your Board will continue to review and assess the quarterly position for the dividend instalments and I am pleased to announce that a quarterly dividend will be paid just prior to Christmas at the existing previous rate.

On behalf of the Board and the Collier’s Management Staff I hope that you have a fulfilling Christmas and New Year break.

Have a thought for those tenants and their staff and especially the Collier’s Management team who will expend long hours leading up to the Christmas frenzy.

Best wishes

A handwritten signature in black ink, appearing to read 'M J Keyse', written in a cursive style.

Michael Keyse  
Chairman  
Shopping Centre Investments Limited

