

# 601 Coronation Drive Fund

## Investor Update

For the Quarter Ending 30 June 2019

Fund Manager  
Capital Property Funds Pty Limited  
ACN 162 323 506



# 601 CORONATION DRIVE FUND UPDATE

Capital Property Funds Pty Limited (the Fund Manager) is pleased to provide the June 2019 Quarter Investor Update for the 601 Coronation Drive Fund ARSN 610 941 654 (the Fund).

This and future updates on the Fund will be placed on our website: [www.capitalpropertyfunds.com.au](http://www.capitalpropertyfunds.com.au)

## FUND HIGHLIGHTS

- Quarterly distributions to 30 June 2019 were paid on 22 July 2019. Approximately 1.99 cents per unit, equating to 8.00% per annum annualised, was paid to unitholders;
- The Fund's gearing was 53.2% and the Loan to Valuation Ratio was 54.9% as at 30 June 2019;
- AJ Gallagher vacated Level 2 (1,282sqm) on 31 May 2019 leaving a fitout insitu and redecorated the floor;
- Jumbo Interactive required additional space and has executed a lease for 6 years to take half of Level 2 (approximately 605sqm) from 1 July 2019;
- Urban Fitout has been appointed to construct the intertenancy wall on Level 2 and some minor works to the remaining suite;
- Occupancy was 87% (including the new lease to Jumbo);
- The new debt facility of \$1.0 million to fund a number of capital works and tenant incentives was fully drawn to \$1.0 million to fund the remaining capex works;
- Construction of the end of trip facility was completed in May 2019;
- The independent valuation of the Property by CBRE as at 31 August 2018 was \$47,100,000; and
- Net Tangible Assets (NTA) per unit was \$0.88 as at 30 June 2019.



## FINANCIAL POSITION

The following table summarises the key information for the Fund's financial position as at 30 June 2019.

TOTAL ASSETS	\$'000	48,625
NET ASSETS	\$'000	22,068
DEBT - PROPERTY LOAN	\$'000	25,860
PROPERTY LOAN TO VALUATION (LVR)	%	54.9
LVR COVENANT	%	55.0
FUND GEARING	%	53.2
UNITS ON ISSUE	'000	25,064
NTA PER UNIT	\$	0.88
DISTRIBUTIONS PAID FOR JUNE 2019 QUARTER	cents	1.99
DISTRIBUTION YIELD (ANNUALISED)	%	8.00





# LEASING UPDATE

## Leasing Agents

Jones Lang LaSalle are appointed as joint leasing agent with Tewksbury Commercial. The joint leasing agents are focusing on the remaining vacant suite on Level 4 and the remaining half floor on Level 2, both of which comprise quality fitouts.

## Level 2

AJ Gallagher vacated on their lease expiry 31 May 2019. The tenant paid a cash sum of \$112,300 + GST in lieu of undertaking a make good.

The AJ Gallagher fitout is of a high standard appealing to a range of potential tenants.

As noted in the March 2019 report, although the preference was to lease the entire floor to a single tenant (the diagram below shows the floor splits), terms were agreed with Jumbo Interactive to take additional space and occupy half the floor (605sqm) under a new 6 year lease, effective 1 July 2019. The remaining suite comprises approximately 619sqm (subject to survey).



## Occupancy

As at 30 June 2019, 601 Coronation Drive's occupancy was 87% (by area) following the execution of a lease to Jumbo Interactive for approximately 605sqm.

## Weighted Average Lease Expiry

The weighted average lease expiry (WALE) by income was approximately 4.8 years as at 30 June 2019.

## Tenant Diversity

Tenant diversity in the building as at 30 June 2019 was as follows:

### Top 4 Tenants by Income

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INDUE	31.6%
JUMBO INTERACTIVE	31.3%
QUEENSLAND COLLEGE OF TEACHERS	18.6%
HOME INSTEAD TENANCIES	9.2%

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### Top 4 Tenants by Gross Lettable Area

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JUMBO INTERACTIVE	27.7%
INDUE	26.1%
QUEENSLAND COLLEGE OF TEACHERS	16.7%
HOME INSTEAD TENANCIES	8.1%

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## CAPITAL WORKS

In an effort to meet the demands of a challenging leasing market and stay competitive, the Fund Manager implemented a pro-active capital works program to maintain the building's appeal to prospective tenants (including fitouts which formed part of the leasing incentives), thus enhancing the value of the property.

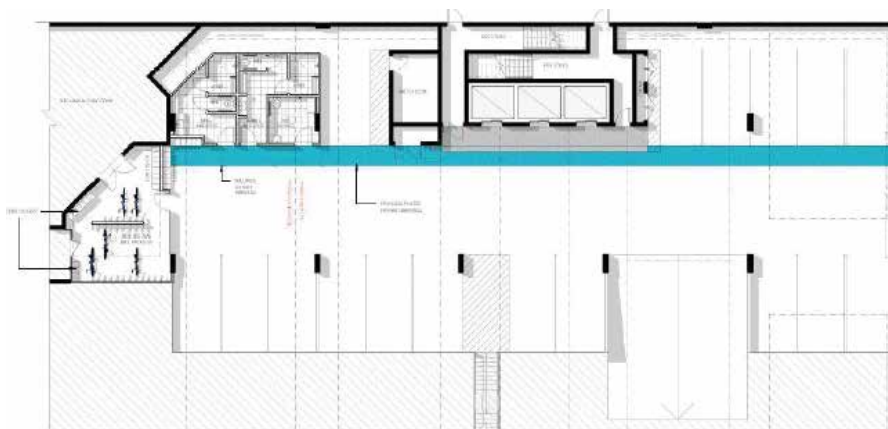
To fund the capital works, the current debt provider, St George, provided an additional \$1.0 million facility which is now fully drawn.

These works included:

- Subdivision of part of the vacant ground floor space to produce two fitted out display suites (now leased to Defence CRC TAS Ltd and Generation Health);
- Subdivision of the remaining part of the vacant ground floor space to produce a turn-key fitout for Home Instead at the front of the tenancy;
- An additional turn-key fitout for Home Instead Senior Care in the rear of the tenancy;
- Fitting out the vacant suite on Level 4 as a display suite;
- Replacement of the tiles, nose guarding and tactiles to the stairs at the front of the building; and
- Construction of the end of trip facility was completed in May 2019.

## END OF TRIP FACILITY

The Fund Manager completed investigating the installation of an end of trip (EOT) facility incorporating showers and toilets to be located in the car park due to the increased requirement for this facility in the market. Urban Fitout commenced the work in January 2019 and it was completed in May 2019.



## VALUATION

The following provides a summary of the independent valuation:

VALUATION	\$47.1m
VALUATION DATE	31 August 2018
VALUER	CBRE
CAPITALISATION RATE	7.25%

## DEBT

The following table provides a summary of the Fund's borrowings as at 30 June 2019.

Facility Limit \$m	Drawn Amount \$m	Undrawn Amount \$m	Expiry Date	Interest Rate p.a.
Tranche A1 - \$22.6m	\$22.60m	\$0.0m	12 August 2019	4.365% (Fixed)
Tranche A2 - \$1.0m	\$0.76m \$0.24m	\$0.0m	12 August 2019	4.01% (Floating) 4.05% (Floating)
Tranche B - \$4.52m	\$2.26m <sup>1</sup>	\$0.0m	12 August 2019	4.70% (Floating)
<b>Total</b>	<b>\$25.86m<sup>1</sup></b>	<b>\$0.0m</b>		

<sup>1</sup> \$2,260,000 of Tranche B debt has been repaid reducing Tranche B debt to \$2,260,000 and an additional \$1.0m debt facility drawn to \$1.00m making the total debt \$25,860,000 as at 30 June 2019

The weighted average cost of the debt for the Fund is approximately 4.38% per annum.

The Fund's gearing level was 53.2% as at 30 June 2019 which is within its long-term target of 50-55%.

The debt facilities expire on 12 August 2019 and the Fund Manager is finalising a new 2 year debt facility to extend debt financing to the end of the initial 5 year term of the Fund. It is expected the new facility will result in a significantly lower interest rate compared to the current facility.

## DISTRIBUTIONS

The distribution for the quarter to 30 June 2019 was paid on 22 July 2019.

The distributions paid to date are as follows:

Period	Distribution Paid (cents per unit) <sup>1</sup>	Distribution Paid (annualised yield)
12 August - 30 September 2016	1.10	8.00%
December 2016 Quarter	2.02	8.00%
March 2017 Quarter	1.97	8.00%
June 2017 Quarter	1.99	8.00%
September 2017 Quarter	2.02	8.00%
December 2017 Quarter	2.02	8.00%
March 2018 Quarter	1.97	8.00%
June 2018 Quarter	1.99	8.00%
September 2018 Quarter	2.02	8.00%
December 2018 Quarter	2.02	8.00%
March 2019 Quarter	1.97	8.00%
June 2019 Quarter	1.99	8.00%
Total to Date	23.08	8.00%

<sup>1</sup> For applications received before the start of the Period. Applications received after the start of the Period are entitled to a pro-rata distribution from the allotment date.

Investors received approximately 1.99 cents per unit for the June 2019 quarter which equates to an annualised income yield of 8.00% p.a.

This yield is the targeted income distribution outlined in the 601 Coronation Drive Fund Product Disclosure Statement dated 14 June 2017 and RG97 website notice dated 26 September 2017 (together the PDS).

## NET TANGIBLE ASSETS

The Fund's net tangible assets (NTA) show the value of the Fund's NTA on a per Unit basis. This amount can be used as an approximate measure of what an Investor could expect to receive per Unit held (before selling costs).

The NTA (including the benefit of the vendor's rental guarantee) is calculated as follows:

$$\begin{aligned} \text{NTA} &= \frac{(\text{Net assets} - \text{intangible assets} +/- \text{other adjustments})}{(\text{Number of Units on issue})} \\ \text{NTA per Unit} &= \frac{\$22,068,194}{25,063,915} \\ &= \$0.88 \text{ per Unit} \end{aligned}$$

## Contacts

### Contact the Fund Manager for:

- Management of 601 Coronation Drive Fund
- New investment opportunities

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### Contact the Registry for:

- Enquiries regarding your Unitholding
- Distributions
- Changing contact details

### One Registry Services Pty Limited

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