

# 601 Coronation Drive Fund

## Investor Update

For the Quarter Ending 30 June 2020

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 2020 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 2020 were paid on 23 July 2020. Approximately 1.99 cents per unit, equating to 8.00% per annum annualised, was paid to unitholders;
- The Fund's gearing was 53.4% and the Loan to Valuation Ratio was 54.6% as at 30 June 2020;
- Occupancy was 92% ;
- The WALE by income was 4.3 years;
- The independent valuation of the Property by CBRE was \$47,800,000 as at 25 July 2019;
- Net Tangible Assets (NTA) per unit was \$0.88 as at 30 June 2020; and
- COVID-19 - see page 5 for a summary of the Queensland Regulations in relation to tenants and rental relief.



## FINANCIAL POSITION

The following table summarises the key information for the Fund's financial position as at 30 June 2020.

TOTAL ASSETS	\$'000	48,888
NET ASSETS	\$'000	22,128
DEBT - PROPERTY LOAN	\$'000	26,117
PROPERTY LOAN TO VALUATION (LVR)	%	54.6
LVR COVENANT	%	55.0
FUND GEARING	%	53.4
UNITS ON ISSUE	'000	25,064
NTA PER UNIT	\$	0.88
DISTRIBUTIONS PAID FOR JUNE 2020 QUARTER	cents	1.99
DISTRIBUTION YIELD (ANNUALISED)	%	8.00



## LEASING UPDATE

### Leasing Agents

Jones Lang LaSalle and Tewksbury Commercial are focusing on the remaining vacant suites on Level 4 (305sqm) and the balance of the ground floor (311sqm), both of which comprise high quality fitouts.

### Occupancy

As at 30 June 2020, 601 Coronation Drive's occupancy was 92%.

### Weighted Average Lease Expiry

The weighted average lease expiry (WALE) by income as at 30 June 2020 was 4.3 years.

### Tenant Diversity

Tenant diversity in the building as at 30 June 2020 was as follows:

#### Top 4 Tenants by Income

JUMBO INTERACTIVE	30.7%
INDUE	30.1%
QUEENSLAND COLLEGE OF TEACHERS	17.8%
HOME INSTEAD TENANCIES	12.6%

#### Top 4 Tenants by Gross Lettable Area

JUMBO INTERACTIVE	27.8%
INDUE	26.0%
QUEENSLAND COLLEGE OF TEACHERS	16.7%
HOME INSTEAD TENANCIES	12.5%

## COMBUSTIBLE CLADDING REGULATION

As noted in the quarterly report for March 2020, there generally appears to be a reluctance within the market to commence wholesale remediation in the very short term, as owners and other stakeholders are waiting for more direction from Queensland Fire & Emergency Services (QFES). Given the current environment in dealing with ACP, together with the COVID-19 issues, this process has been slow and interrupted.

A Fire Engineer has been appointed and an application for a meeting with QFES has been submitted however a date is yet to be set. In preparation for this meeting, QFES has requested the Fire Engineer prepares a Building Fire Safety Risk Assessment (BFSRA) to review the fire and safety measures already in place at the property and to identify any immediate risks that need to be addressed to be compliant with the legislation and QFES's assessment of occupier risk and risk mitigation. This assessment is underway.

Following this meeting, it is expected that the scope for ACP compliance and the remediation strategy for the property will be determined. The Fund Manager expects recommendations will ensue, the necessary consultants will be appointed and costings obtained. This has been a slow process but the Fund Manager is working within the guidelines and key dates set by Queensland Government to ensure the right approach is taken.

### Part 3 – Fire Safety Risk Assessment

The final stage of the combustible cladding regulations involves:

1. completing and registering a building fire safety risk assessment prepared by a fire engineer;
2. a fire engineer's statement; and
3. the final combustible cladding checklist which are to be completed by 3 May 2021.

## Capex Debt Facility

As part of the recent debt refinancing, the Fund Manager has established a Tranche B capex debt facility of \$430,000. This Tranche is currently undrawn and can only be drawn exclusively towards potential ACP remediation capital works.

For further details in regards to Queensland ACP registration, please refer to <https://www.saferbuildings.qld.gov.au/index.html>

## VALUATION

The following provides a summary of the independent valuation, undertaken as part of the debt refinancing:

VALUATION	\$47.8m
VALUATION DATE	25 July 2019
VALUER	CBRE
CAPITALISATION RATE	7.25%



## CORONAVIRUS (COVID-19) PANDEMIC

Following the outbreak of COVID-19, recommended property management measures were installed and are still in place. These measures are reviewed on an ongoing basis to ensure a diligent cleaning regime; and hand sanitisers and appropriate signage has been installed.

The National Cabinet announced mandatory measures to deal with Tenant / Landlord rental relief on 7 April 2020 (the Code) comprising a mix of rental abatement (i.e. rent free to a minimum of 50% of any rental relief provided) and rental deferment (i.e. rent deferred to after the COVID-19 pandemic has passed and to be repaid over the remaining lease term). It applies to tenancies suffering financial stress or hardship as defined by their eligibility for the Commonwealth Government's JobKeeper program with an annual turnover of up to \$50 million and have been impacted by a reduction in turnover of at least 30% due to COVID-19.

The Code was passed into QLD Law on 28 May 2020 under the Retail Shop Leases and Other Commercial Leases (COVID-19 Emergency Response) Regulation 2020. The QLD Regulations follow the Code in that it is intended that landlords will agree appropriate temporary arrangements for each Small and Medium Enterprise tenant, taking into account their particular circumstances with specific regard to revenue, expenses, and profitability.

A rental relief request was received from one tenant which comprised less than 4% of the building's net lettable area and the Fund Manager has determined the proportionate and appropriate relief. This has been documented through a Concession Deed. The Lender has been advised of the current request for rental relief and is supportive of the Fund providing rental relief in line with Government announcements.

## DEBT

A new 2 year debt facility with ING was negotiated to extend debt financing to the end of the initial 5 year term of the Fund. The new facility has resulted in a significantly lower interest rate for Tranche A of 2.84% compared to the previous facility of 4.365%.

The following table provides a summary of the Fund's borrowings as at 30 June 2020.

Facility Limit \$m	Drawn Amount \$m	Undrawn Amount \$m	Expiry Date	Interest Rate p.a.
Tranche A - \$25.93m	\$25.93m	\$0.00m	16 September 2021	2.84% (Fixed)
Tranche B - \$0.43m	\$0.00m	\$0.43m	16 September 2021	1.00% (Line Fee) <sup>1</sup>
<b>Total</b>	<b>\$25.93m</b>	<b>\$0.43m</b>		

<sup>1</sup> 1% line fee capitalises and increases to BBSY Bid Rate + 1.91% once drawn.

Tranche B is an undrawn tranche to be used for any ACP remediation capital expenditure.

The weighted average cost of the debt for the Fund is approximately 2.81% per annum while Tranche B is undrawn.

The Fund's gearing level was 53.4% as at 30 June 2020 which is within its long-term target of 50-55%.



## DISTRIBUTIONS

The distribution for the quarter to 30 June 2020 was paid on 23 July 2020.

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%
September 2019 Quarter	2.01	8.00%
December 2019 Quarter	2.01	8.00%
March 2020 Quarter	1.99	8.00%
June 2020 Quarter	1.99	8.00%
<b>Total to Date</b>	<b>31.08</b>	<b>8.00%</b>

<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 2020 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:

$$\begin{aligned}
 \text{NTA} &= \frac{(\text{Net assets} - \text{intangible assets} + / - \text{other adjustments})}{(\text{Number of Units on issue})} & \text{NTA per Unit} &= \frac{\$22,128,182}{25,063,915} \\
 & & &= \$0.88 \text{ per unit}
 \end{aligned}$$

## 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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## IMPORTANT INFORMATION

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A copy of the PDS as well as continuous disclosures may be obtained from <https://oneinvestment.com.au/601-coronation-drive-fund/> or [http://www.capitalpropertyfunds.com.au/601\\_coronation\\_drive\\_fund.html](http://www.capitalpropertyfunds.com.au/601_coronation_drive_fund.html)