

# 601 Coronation Drive Fund

## Investor Update

For the Quarter Ending 30 September 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 September 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 September 2019 were paid on 23 October 2019. Approximately 2.01 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 54.2% as at 30 September 2019;
- Jumbo Interactive have taken additional space and has executed a lease for 6 years to take half of Level 2 (623sqm) from 1 July 2019;
- Urban Fitout was appointed to construct the intertenancy wall on Level 2 and some minor works to the remaining suite on Level 2 (633sqm) and the works have been completed;
- Occupancy was 87% (including the new lease to Jumbo);
- The St George debt facility was refinanced with ING on a two year facility, reducing the weighted average cost of the debt to 2.81%;
- The independent valuation of the Property by CBRE increased by \$700,000 to \$47,800,000 as at 25 July 2019; and
- Net Tangible Assets (NTA) per unit was \$0.88 as at 30 September 2019.



## FINANCIAL POSITION

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

TOTAL ASSETS	\$'000	48,714
NET ASSETS	\$'000	22,077
DEBT - PROPERTY LOAN	\$'000	25,930
PROPERTY LOAN TO VALUATION (LVR)	%	54.2
LVR COVENANT	%	55.0
FUND GEARING	%	53.2
UNITS ON ISSUE	'000	25,064
NTA PER UNIT	\$	0.88
DISTRIBUTIONS PAID FOR SEPTEMBER 2019 QUARTER	cents	2.01
DISTRIBUTION YIELD (ANNUALISED)	%	8.00





## Occupancy

As at 30 September 2019, 601 Coronation Drive's occupancy was 87% (by area) following the execution of a lease to Jumbo Interactive for 623sqm.

## Weighted Average Lease Expiry

The weighted average lease expiry (WALE) by income was approximately 4.6 years as at 30 September 2019.

## Tenant Diversity

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

### Top 4 Tenants by Income

JUMBO INTERACTIVE	31.8%
INDUE	31.3%
QUEENSLAND COLLEGE OF TEACHERS	18.4%
HOME INSTEAD TENANCIES	9.1%

### Top 4 Tenants by Gross Lettable Area

JUMBO INTERACTIVE	27.8%
INDUE	26.0%
QUEENSLAND COLLEGE OF TEACHERS	16.7%
HOME INSTEAD TENANCIES	8.1%



## COMBUSTIBLE CLADDING REGULATION

### Part 1 – Registration

The Queensland Government recently amended the Building Regulation 2006 to introduce the Building & Other Legislation Cladding Amendment regulation 2018 (the New Amendments) which came into effect on 1 October 2018.

Under the new amendments, building owners were required to register their buildings and complete an initial combustible cladding checklist by 29 March 2019 and we confirm this was completed for 601 Coronation Drive, Toowong on 26 March 2019.

### Part 2 – Building Industry Professional

Under the new amendments, building owners were also required to engage a Building Industry Professional to complete the following by 31 July 2019:

- a building industry professional statement and
- a combustible cladding checklist.

Arcadis Design & Consultancy (Arcadis) were engaged to complete the above statements.

Upon completion of their review, Arcadis confirmed that the cladding of 601 Coronation Drive comprises Aluminium Composite Panel (ACP). Arcadis also confirmed that a portion of the ACP comprises combustible ACP (ACP Polyethylene or ACP PE) however other ACP comprises fire retardant ACP (ACP FR).

### Part 3 – Fire Engineer

Given areas of combustible ACP were identified, Arcadis has completed a preliminary report and recommended a building fire safety risk assessment be undertaken by a fire engineer and that further ACP testing be undertaken.

Under the new amendments, the building owner is required to register the Fire Engineer's details on the combustible cladding checklist by 31 October 2019. This has been completed.

We confirm, Omnii Consulting Fire Engineers were engaged to complete a fire safety risk assessment of the building (the Assessment).

The Assessment has reconfirmed areas of ACP PE and recommended these affected areas be replaced. It has also reconfirmed the ACP FR should be subject to further testing.

The New Amendments are still in their early stages and there are limited examples where building owners are actively replacing building facades. Further, there has been no clear direction from the Queensland Building & Construction Commission (QBCC) to complete any ACP remediation at this stage.

Notwithstanding the above, the Fund Manager commissioned a peer review of the Assessment with a view to completing the next stage of registration by 31 October 2019 and also to explore potential remediation options. We will provide further updates on the outcome of this review upon the conclusion of the assessment and plans to address ACP remediation.

### Part 3 – Fire Safety Risk Assessment

The final stage involves completing and registering a building fire safety risk assessment prepared by a fire engineer, a fire engineer’s statement and the final combustible cladding checklist which are to be completed by 31 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, which resulted in an increase over the 31 August 2018 valuation of \$700,000 to \$47,800,000:

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

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## DEBT

The previous debt facilities were extended to 16 September 2019 and the Fund Manager finalised a new 2 year debt facility with ING 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 September 2019.

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> 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 53.2% as at 30 September 2019 which is within its long-term target of 50-55%.

## DISTRIBUTIONS

The distribution for the quarter to 30 September 2019 was paid on 23 October 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%
September 2019 Quarter	2.01	8.00%
<b>Total to Date</b>	<b>25.09</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 2.01 cents per unit for the September 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:

$$\begin{aligned} \text{NTA} &= \frac{(\text{Net assets} - \text{intangible assets} +/- \text{other adjustments})}{(\text{Number of Units on issue})} \\ \text{NTA per Unit} &= \frac{\$22,076,667}{25,063,915} \\ &= \$0.88 \text{ per Unit} \end{aligned}$$

## Contacts

### Contact the Fund Manager for:

- Management of 601 Coronation Drive Fund
- New investment opportunities

### Capital Property Funds Pty Limited

Suite 2, Mezzanine Level,  
50 Margaret Street, Sydney NSW 2000

Telephone: (02) 8004 6218

Email: [info@capitalpropertyfunds.com.au](mailto:info@capitalpropertyfunds.com.au)

### Contact the Registry for:

- Enquiries regarding your Unitholding
- Distributions
- Changing contact details

### One Registry Services Pty Limited

PO Box R1479, Royal Exchange NSW 1225

Telephone: (02) 8188 1510

Email: [info@oneregistryservices.com.au](mailto:info@oneregistryservices.com.au)





## IMPORTANT INFORMATION

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