

# 601 Coronation Drive Fund

## Investor Update

For the Quarter Ending 31 December 2021

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 December 2021 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 31 December 2021 were paid on 20 January 2022. Approximately 2.02 cents per unit, equating to 8.00% per annum annualised, was paid to unitholders;
- The Fund's gearing was 49.4% and the Loan to Valuation Ratio was 50.6% as at 31 December 2021;
- A lease extension to Telstra over the basement area and rooftop telecommunication facility has been negotiated and Defence CRC TAS has renewed its lease over 190sqm to 30 June 2024;
- Occupancy was 100% as at 31 December 2021;
- The WALE by income was 2.9 years as at 31 December 2021;
- The independent valuation of the Property as at 30 June 2021 was \$51,250,000; and
- Net Tangible Assets (NTA) per unit was \$1.02 as at 31 December 2021.

As previously advised in the September 2021 Update to Investors, the Fund Manager will soon provide Investors with the opportunity to consider a restructure proposal involving additional Fund liquidity opportunities and allowing the Fund to acquire other property assets to provide location, property and tenant diversification benefits.



## FINANCIAL POSITION

The following table summarises the key information for the Fund's financial position as at 31 December 2021.

|  |        |        |
|--|--------|--------|
| TOTAL ASSETS                                 | \$'000 | 52,485 |
| NET ASSETS                                   | \$'000 | 25,688 |
| DEBT - PROPERTY LOAN                         | \$'000 | 25,940 |
| PROPERTY LOAN TO VALUATION (LVR)             | %      | 50.6   |
| LVR COVENANT                                 | %      | 55.0   |
| FUND GEARING                                 | %      | 49.4   |
| UNITS ON ISSUE                               | '000   | 25,064 |
| NTA PER UNIT                                 | \$     | 1.02   |
| DISTRIBUTIONS PAID FOR DECEMBER 2021 QUARTER | cents  | 2.02   |
| DISTRIBUTION YIELD (ANNUALISED)              | %      | 8.00   |



## LEASING UPDATE

### Leasing

The Telstra Corporation lease over the basement area and rooftop telecommunication facility expires on 31 May 2022. The lease terms for a new lease have been negotiated for a 10 year term from 1 June 2022 to 31 May 2032. The lease has been issued to Telstra for execution.

Defence CRC TAS Limited renewed its lease over 190sqm on the ground floor from 1 December 2021 to 30 June 2024.

### Occupancy

As at 31 December 2021, 601 Coronation Drive's occupancy was 100%.

### Weighted Average Lease Expiry

The weighted average lease expiry (WALE) by income as at 31 December 2021 was 2.9 years.

### Tenant Diversity

Tenant diversity in the building as at 31 December 2021 was as follows:

#### Top 4 Tenants by Income

|                                |       |
|--------------------------------|-------|
| INDUE                          | 28.1% |
| JUMBO INTERACTIVE              | 26.3% |
| QUEENSLAND COLLEGE OF TEACHERS | 16.7% |
| HOME INSTEAD TENANCIES         | 11.5% |

#### Top 4 Tenants by Gross Lettable Area

|                                |       |
|--------------------------------|-------|
| JUMBO INTERACTIVE              | 26.2% |
| INDUE                          | 26.0% |
| QUEENSLAND COLLEGE OF TEACHERS | 16.7% |
| HOME INSTEAD TENANCIES         | 12.5% |

## COMBUSTIBLE CLADDING UPDATE

The Fund Manager appointed a project manager to provide an ACP remediation scope of work and tender the package in preparation for undertaking the remediation works, along with a panel of consultants required to undertake the project.

The tender packages were sent out to suitably qualified groups and the tender closed. The tenders are under review and the preferred tenderer will be appointed February 2022.

The indicative ACP remediation timetable is noted below:

|                    |                |
|--------------------|----------------|
| Preferred Tenderer | February 2022  |
| Mobilise to Site   | March 2022     |
| Works Complete     | Oct./Nov. 2022 |

### ACP Remediation and Working Capital Debt Facility

Given the ACP remediation requires all ACP to be replaced, the previous ING Bank ACP remediation facility of \$430,000 was insufficient.

The Fund Manager finalised new loan terms with ING Bank to extend the current debt facility and also increase the ACP remediation facility to \$3,000,000 (Tranche 2) to fund the remediation works.

The tenders have priced the works at less than \$3,000,000 and the final tender price and scope of works are under negotiation.

The Fund Manager also negotiated a working capital facility of \$1,000,000 (Tranche 3) to fund potential investor withdrawal requests that may arise from implementing the restructure proposal should it be approved by investors and also potential capital expenditure.

## VALUATION

The following provides a summary of the independent valuation, undertaken for financial reporting purposes and as part of the debt refinancing on 16 September 2021:

|                     |              |
|---------------------|--------------|
| VALUATION           | \$51.25m     |
| VALUATION DATE      | 30 June 2021 |
| VALUER              | Colliers     |
| CAPITALISATION RATE | 6.68%        |

## Valuation and ACP Remediation

The valuation undertaken by Colliers as at 30 June 2021 of \$51,250,000 and incorporated an ACP remediation budget of \$3,000,000.

The valuation has also been assessed at \$54,750,000 on the basis that the ACP has been remediated resulting in a valuation uplift of \$3,500,000.

## DEBT

The Fund Manager has finalised with the current lender, ING Bank, the refinancing of the debt facility which expired on 16 September 2021.

The following table provides a summary of the Fund's borrowings as at 31 December 2021.

| Facility Limit<br>\$m | Drawn<br>Amount \$m | Undrawn<br>Amount \$m | Expiry Date       | Interest Rate<br>p.a.         |
|-----------------------|---------------------|-----------------------|-------------------|-------------------------------|
| Tranche 1 - \$25.93m  | \$25.93m            | \$0.00m               | 30 September 2024 | Approx. 2.06% <sup>1</sup>    |
| Tranche 2 - \$3.00m   | \$0.00m             | \$2.99m               | 30 September 2024 | 1.00% (Line Fee) <sup>2</sup> |
| Tranche 3 - \$1.00m   | \$0.00m             | \$1.00m               | 30 September 2024 | 1.00% (Line Fee) <sup>2</sup> |
| <b>Total</b>          | <b>\$25.93m</b>     | <b>\$3.99m</b>        |                   |                               |

<sup>1</sup> Floating rate of BBSY Bid Rate + 1.95% margin.

<sup>2</sup> 1% line fee capitalises and increases to BBSY Bid Rate + 1.95% once drawn, undrawn amount is less than the facility amount by the capitalised interest.

Tranche 2 is an undrawn tranche to be used for any ACP remediation capital expenditure.

Tranche 3 is an undrawn tranche to be used for working capital.

The weighted average cost of the drawn debt for the Fund is approximately 2.08% per annum while Tranches 2 & 3 are undrawn.

The Fund's gearing level was 49.4% as at 31 December 2021 which is just below its long-term target of 50-55%.



## DISTRIBUTIONS

The distribution for the quarter to 31 December 2021 was paid on 20 January 2022.

The distributions paid to date are as follows:

| Period                        | Distribution Paid<br>(cents per unit) <sup>1</sup> | Distribution Paid<br>(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%                                   |
| September 2020 Quarter        | 2.02   | 8.00%                                   |
| December 2020 Quarter         | 2.02   | 8.00%                                   |
| March 2021 Quarter            | 1.97   | 8.00%                                   |
| June 2021 Quarter             | 1.99   | 8.00%                                   |
| September 2021 Quarter        | 2.02   | 8.00%                                   |
| December 2021 Quarter         | 2.02   | 8.00%                                   |
| <b>Total to Date</b>          | <b>43.11</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 2.02 cents per unit for the December 2021 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:

$$\begin{array}{rcl} \text{NTA} = & \frac{\text{(Net assets - intangible assets +/- other adjustments)}}{\text{(Number of Units on issue)}} & \\ & & \text{NTA per Unit} = \frac{\$25,687,833}{25,063,915} \\ & & = \$1.02 \text{ per unit} \end{array}$$



## 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)