

# 601 Coronation Drive Fund

## Investor Update

For the Quarter Ending 31 March 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 March 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 March 2021 were paid on 23 April 2021. Approximately 1.97 cents per unit, equating to 8.00% per annum annualised, was paid to unitholders;
- The Fund's gearing was 53.0% and the Loan to Valuation Ratio was 54.3% as at 31 March 2021;
- The lease has been finalised over the final vacant suite of 311sqm to Arriba Group for a three (3) year lease with a two (2) year option commencing 1 May 2021 with early access from 1 March 2021.
- The Fund Manager is pleased to report that occupancy is now 100%;
- The WALE by income was 3.6 years incorporating the new lease to Arriba Group;
- The independent valuation of the Property by CBRE was \$47,800,000 as at 25 July 2019; and
- Net Tangible Assets (NTA) per unit was \$0.89 as at 31 March 2021.



## FINANCIAL POSITION

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

TOTAL ASSETS	\$'000	48,972
NET ASSETS	\$'000	22,213
DEBT - PROPERTY LOAN	\$'000	25,937
PROPERTY LOAN TO VALUATION (LVR)	%	54.3
LVR COVENANT	%	55.0
FUND GEARING	%	53.0
UNITS ON ISSUE	'000	25,064
NTA PER UNIT	\$	0.89
DISTRIBUTIONS PAID FOR MARCH 2021 QUARTER	cents	1.97
DISTRIBUTION YIELD (ANNUALISED)	%	8.00



## LEASING UPDATE

### Leasing

A new lease has been finalised over the final vacant suite of 311sqm to Arriba Group Pty Ltd (Arriba) for three (3) years with a two (2) year option commencing 1 May 2021 with early access from 1 March 2021.

### Occupancy

As at 31 March 2021, 601 Coronation Drive's occupancy was 100% incorporating the new lease to Arriba Group.

### Weighted Average Lease Expiry

The weighted average lease expiry (WALE) by income as at 31 March 2021 was 3.6 years incorporating the new lease to Arriba Group.

### Tenant Diversity

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

#### Top 4 Tenants by Income

INDUE	28.0%
JUMBO INTERACTIVE	26.1%
QUEENSLAND COLLEGE OF TEACHERS	16.6%
HOME INSTEAD TENANCIES	11.8%

#### 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 REGULATION

A Fire Engineer was appointed and an initial meeting held with Queensland Fire & Emergency Services (QFES) to discuss the Building Fire Safety Risk Assessment (BFSRA) prepared by the Fire Engineer. This was to review the fire and safety measures 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.

The Fire Engineer has now prepared a Fire Engineering Brief (FEB) outlining the strategy for remediation works as requested by QFES. The FEB recommended that additional information be provided on the combustion characteristics of the combustible cladding which involved a testing laboratory collecting samples of the combustible cladding installed on the building and undertaking various tests of the samples.

A report is to be provided following the results of the test samples and then a further meeting will then be held with QFES to gain agreement to the strategy. The Fund Manager expects recommendations will ensue, the additional consultants will be appointed and costings obtained. The Fund Manager is working within the guidelines and key dates set by Queensland Government to ensure the correct 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 debt refinancing in September 2019, the Fund Manager 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%



## DEBT

The 2 year debt facility with ING was negotiated to extend debt financing to the end of the initial 5 year term of the Fund. This 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 31 March 2021.

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	\$0.42m	16 September 2021	1.00% (Line Fee) <sup>1</sup>
<b>Total</b>	<b>\$25.93m</b>	<b>\$0.42m</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 53.0% as at 31 March 2021 which is within its long-term target of 50-55%.



## DISTRIBUTIONS

The distribution for the quarter to 31 March 2021 was paid on 23 April 2021.

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%
September 2020 Quarter	2.02	8.00%
December 2020 Quarter	2.02	8.00%
March 2021 Quarter	1.97	8.00%
Total to Date	37.08	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 1.97 cents per unit for the March 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:

$$\begin{aligned} \text{NTA} &= \frac{(\text{Net assets} - \text{intangible assets} + / - \text{other adjustments})}{(\text{Number of Units on issue})} & \text{NTA per Unit} &= \frac{\$22,212,982}{25,063,915} \\ & & &= \$0.89 \text{ per unit} \end{aligned}$$

## 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)