

# APN REGIONAL PROPERTY FUND

## FUND UPDATE

OCTOBER 2016

**APN** | Property Group  
20 YEAR ANNIVERSARY 2016

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# Fund Overview

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- Portfolio comprising two A-grade office buildings in Newcastle (Australia's 7th largest city)
- Stable income underpinned by 42% leased to government tenants and 40% leased to national corporate tenants
- Fixed annual rent increases of 3.5% to 5%
- 99% occupied with a diversified tenant mix
- WALE (by income) of 3.2 years
- Current gearing of ~35%<sup>1</sup>
- 8.56% pa<sup>2</sup> distribution yield (paid quarterly)
- Listed on NSX (Code: APR)
- NAV per unit of \$1.11
- Potential future additional liquidity event

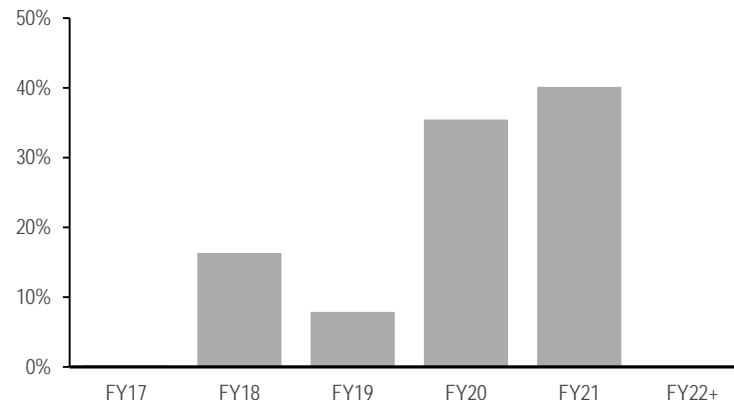
1. Calculated as total bank debt of \$15m divided by portfolio value of \$43.5m.  
2. Calculated as FY17 distribution rate of 9.50 cents per unit divided by current NAV of \$1.11 per unit.



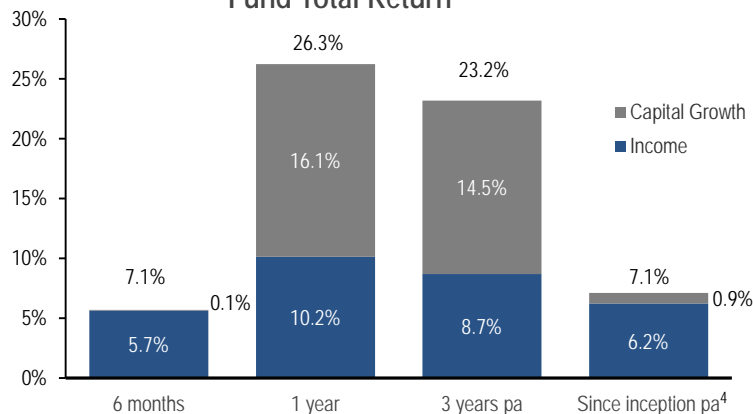
# Fund Overview (continued)

<b>\$43.5m</b> Portfolio value	<b>2</b> Properties	<b>34.5%</b> Gearing <sup>1</sup>
<b>\$1.11</b> NAV	<b>8.56%</b> Distribution yield <sup>2</sup>	<b>7.12%</b> Total return p.a. since inception
<b>3.2 year</b> WALE	<b>99%</b> Occupancy	Diversified tenancy mix

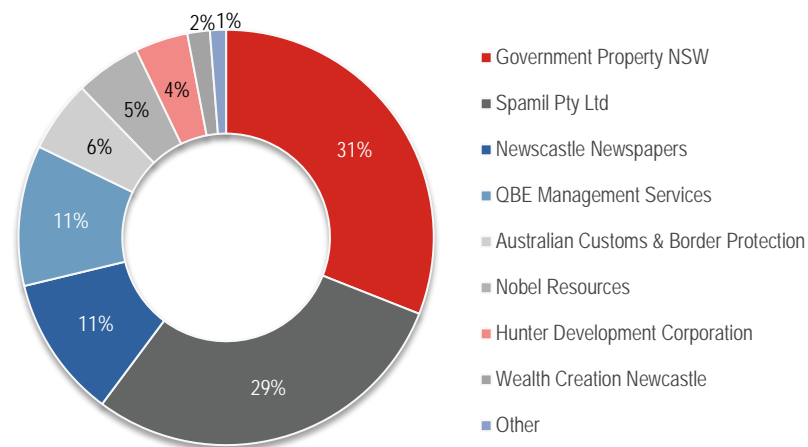
Lease Expiry Profile (by income)



Fund Total Return <sup>3</sup>



Tenant Profile (by income)



1. Calculated as total bank debt of \$15m divided by portfolio value of \$43.5m.  
 2. Calculated as FY17 distribution rate of 9.50 cents per unit divided by current NAV of \$1.11 per unit.  
 3. Performance is based on original fully paid units at \$1.00. Past performance is not necessarily a guide to future performance.  
 4. Fund inception date of 28 October 2004.

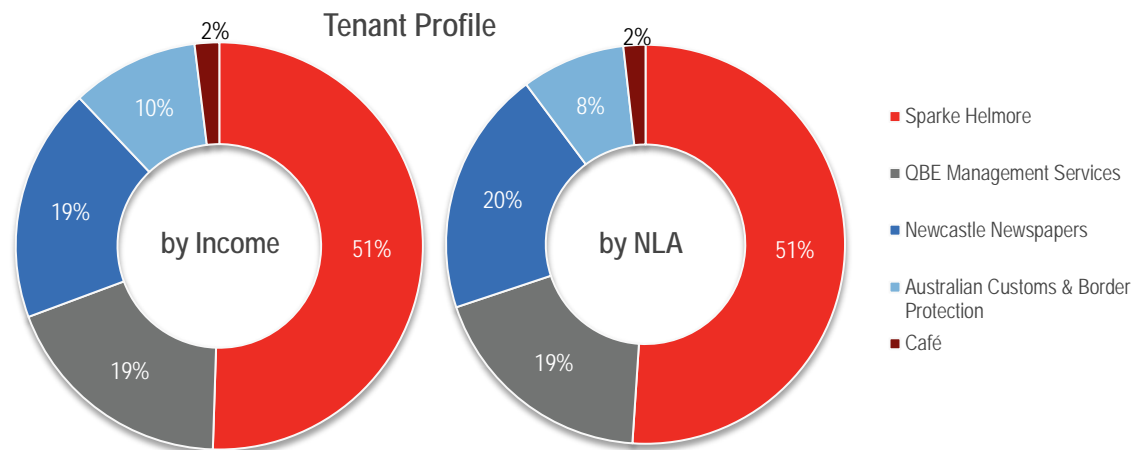
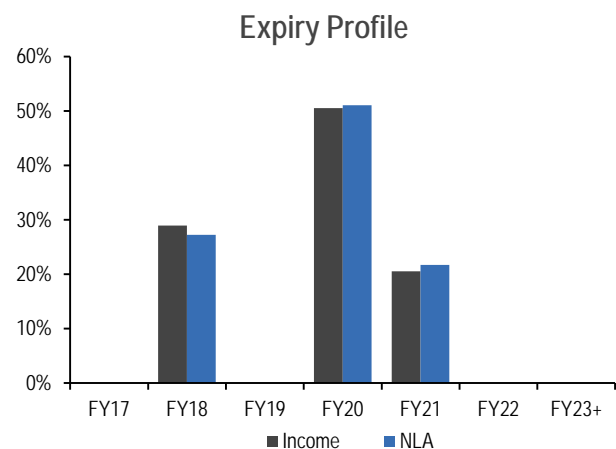
# Property 1 – 28 Honeysuckle Drive

## Overview

- Built in 2002, comprising seven storeys
- Five commercial tenancies and a rooftop telecommunications tenancy
- Modern building in the emerging Honeysuckle Precinct, located 1.5km to the west of the Newcastle City Centre
- 50% of the rental income sourced from a single tenant, who has been in occupation since the building was constructed
- QBE Management Services lease expires in October 2017, management confident of a lease renewal
- The Fund is committed to targeting a NABERS rating of 4.5 in order to continue to retain and attract good quality tenants

## Metrics as at 30 September 2016

Property Valuation <sup>1</sup>	25,000,000
Passing yield	8.96%
Total NLA	5,330 m <sup>2</sup>
Car parking	76 secured spaces
Base rent (pa)	\$2.24 million
Annual reviews	Fixed (3.5% – 5%)
Occupancy	100%
Weighted Average Lease Expiry	2.80 years (by income)



1. Based on an independent valuation

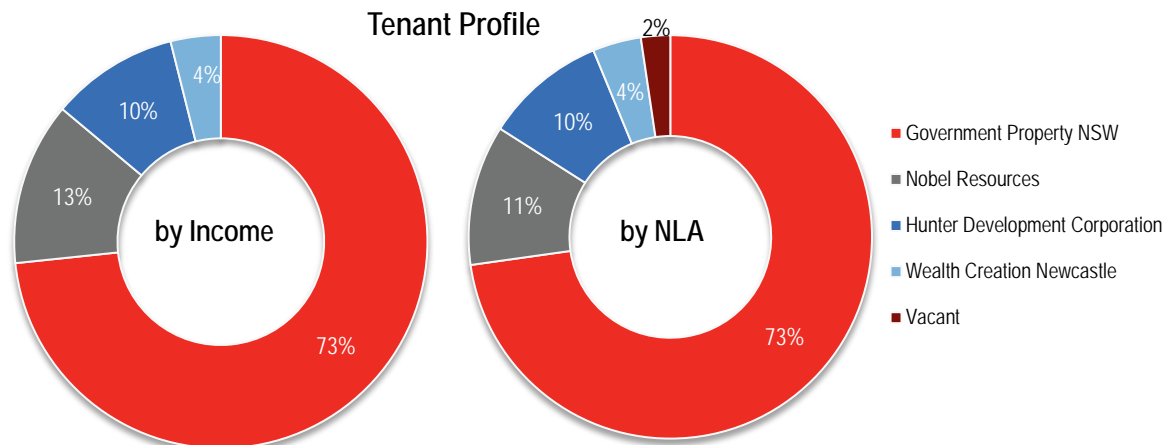
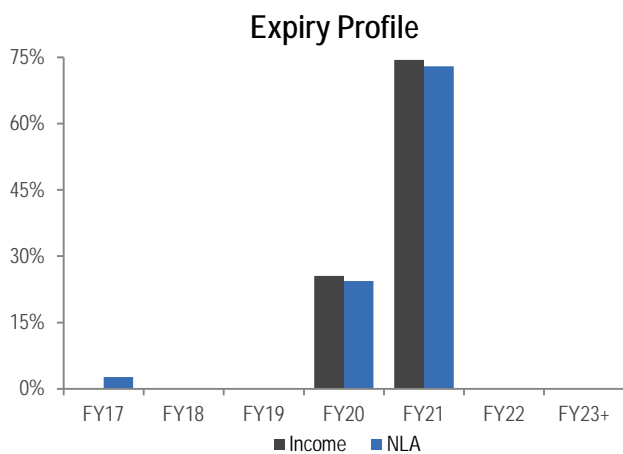
# Property 2 – 26 Honeysuckle Drive

## Overview

- Neighbouring 28 Honeysuckle Drive, this building was constructed in 2005, comprising seven storey's
- Removal of the heavy rail line directly behind the building has increased pedestrian access ways to and from the Honeysuckle Precinct
- Five commercial tenancies and two retail tenancies
- 86% of the rental income sourced from various NSW Government tenants
- The Fund is committed to targeting a NABERS rating of 4.5 in order to continue to retain and attract good quality tenants

## Metrics as at 30 September 2016

Property Valuation <sup>1</sup>	18,500,000
Passing yield	8.93%
Total NLA	4,141 m <sup>2</sup>
Car parking	90 secured spaces
Base rent (pa)	\$1.67 million
Annual reviews	Fixed (3.5% – 4%)
Occupancy	98%
Weighted Average Lease Expiry	3.69 years (by income)

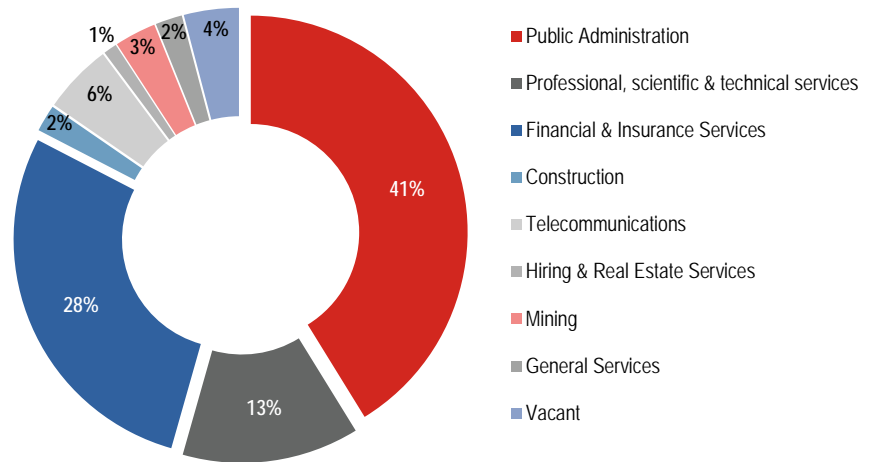


1. Based on an independent valuation

# Newcastle: Australia's 7<sup>th</sup> largest city

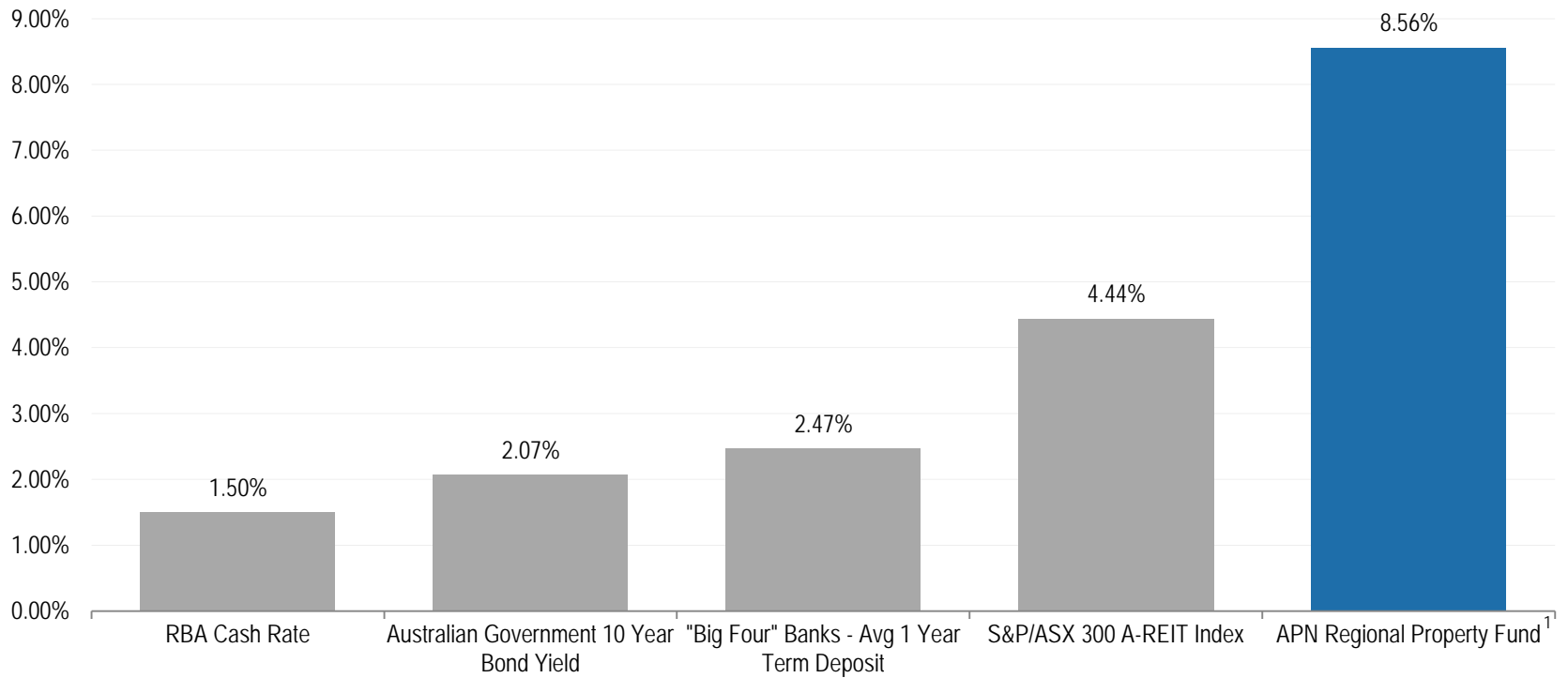
- Newcastle is located 162 km north east of Sydney CBD
- The Newcastle metropolitan area is the second most populated area in the Australian state of New South Wales
- Young demographic structure with 54% of residents aged 39 or below
- Strong population growth projected over next 15 years, with 42% of this growth expected within the dominant working age group (20 – 64)
- Gross Regional Product (GRP) of \$38.2 billion, significantly above other regional NSW centres
- Diverse economy with no single industry contributing more than 16% to GRP
- A-grade office space represents approx. one third of total office space in Newcastle. This portfolio makes up ~10% of the total A-grade office space
- Dominant tenant within the A-grade market is Public Administration, with State and federal Government Agencies representing 41% of the A-grade market
- Newcastle A-grade vacancy rate of 4.1% as at August 2016, making it one of the tightest A-grade markets in the country

Newcastle A-grade office tenants by Industry



Source: Colliers International

# Comparative Income Yields



1. Calculated as FY17 distribution rate of 9.50 cents per unit divided by current NAV of \$1.11 per unit.



# APN Property Group Overview

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As at 30 September 2016



- 
- ▶ Specialist Australian commercial real estate investment manager
  - ▶ Established 1996
  - ▶ 13 Funds, 45 properties
  - ▶ 42 Staff, Melbourne based
  - ▶ Capital light, co-investment model
  - ▶ 'Property for income' investment philosophy
  - ▶ Market capitalisation of manager approximately \$129 million

# APN Property Group Overview (continued)

Overview

**APN** PROPERTY GROUP IS A  
SPECIALIST REAL ESTATE  
INVESTMENT MANAGER



Philosophy

PROPERTY FOR **INCOME**



Approach

INVESTMENT  
**PERFORMANCE**



OUTSTANDING  
**SERVICE**



## Additional Information

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*For additional information on the Fund including the audited financial statements for the year ended 30 June 2016, please visit the APN Property Group website at [www.apngroup.com.au](http://www.apngroup.com.au)*