



Fund overview

The APN Regional Property Fund (“Fund”) is a fixed term, unlisted property Fund due to expire in June 2024. The properties are located at 26-28 Honeysuckle Drive, Newcastle, New South Wales and comprise two A-grade commercial office buildings situated within the CBD. The Fund aims to provide Unitholders with sustainable distributions with the potential for income and capital growth.

Manager’s report

Throughout a year characterised by many as unprecedented, we are pleased to report that the Fund’s performance continues in line with expectations. The secure income profile that has been established, and continues to be a key focus for the team, is providing for a full year forecast distribution of 10.2 cents per unit – or 0.85 cents per month – which reflects a 7.27% distribution yield to the current NAV.

Since our most recent Investor update in June 2020, we are pleased to announce a number of leasing outcomes have been achieved. Highlights include:

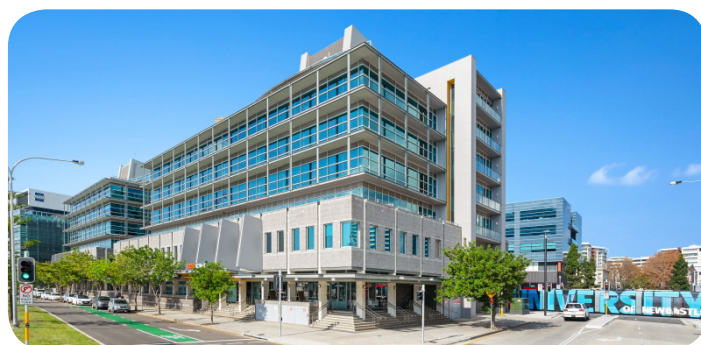
- A Heads of Agreement (HOA) has been executed with a new tenant on a 5 year lease term to backfill level 3, 28 Honeysuckle Drive, which Newcastle Newspapers are vacating.
- After agreeing terms earlier in the year, the lease has now been finalised with QBE. The new lease provides for a 12 month lease extension for their current premises in 28 Honeysuckle Drive, before they move their entire operations across to 26 Honeysuckle Drive on a new 7 year lease. This increases their occupation from 1,000sqm to 1,500sqm as they consolidate their Newcastle operations into one building.
- In addition to the lease extension executed with Property NSW for levels for levels 4 and 5 in 26 Honeysuckle Drive (which QBE will backfill), a short term lease extension to 31 May 2021 has also been agreed with Property NSW for levels 2 and 3.

The Weighted Average Lease Expiry (WALE) for the portfolio will increase from 2.5 years to 4.3 years once the leasing outcomes outlined above have been finalised. Pleasingly, the recent success underpins approximately 70% of the Funds forecast cash flow. Given the significant leasing movements, we’ve included as part of the quarterly update (page 3) a stacking plan which details the location of current sitting tenants along with commentary regarding upcoming tenancy movements.

Rent collection for the quarter was resilient, with 99% of rents being received. The only tenant requiring support is MJ’s Café who have been impacted by a downturn in trade that’s consistent with many retail and hospitality businesses.

Given the leasing activity completed, an external asset valuation will be undertaken over the coming months with an increase in value expected to be reported. The updated value will be outlined in the Fund’s 31 December 2020 accounts.

Gearing remains unchanged at 34%, compared to the debt covenant of 55%.

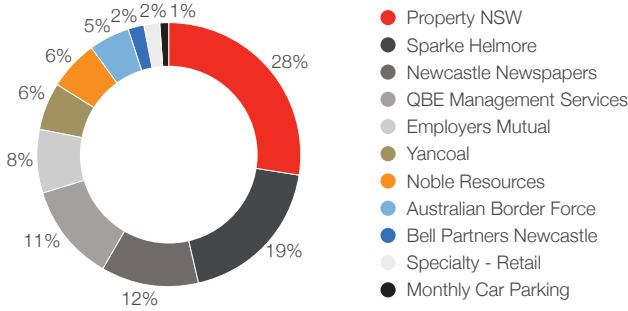


AT A GLANCE as at 30 September 2020

Unit price revaluation	Changes to Net Asset Value per unit are advised following the completion of the audited Annual and Half-Yearly financial reports. Please see the ‘Historical Unit Values’ table within this update for the latest NAV.
Property independent valuation	\$51.75 million
Borrowings (loan to value ratio)	33.9%
Weighted Average Lease Expiry (WALE)	2.5 years (by income)
Occupancy	96.4%
Fund commenced	28 October 2004
Annual distribution	10.20 cents per unit
Distribution yield (to NAV)	7.27%
Distribution payments	Monthly
Sector allocation (by value)	Office: 100%
Geographic allocation (by value)	New South Wales: 100%



Income split by tenant



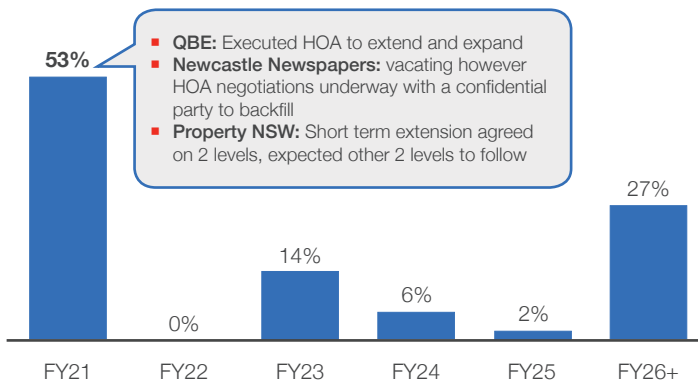
Historical unit values

For your reference we have provided the historical NAV per unit.

Date	NAV per unit
30 June 2020	\$1.4037
31 December 2019	\$1.4062
30 June 2019	\$1.3970
4 February 2019 ²	\$1.4046

2. NAV based on the forecast within the PDS dated 4 February 2019.

Expiry profile by income

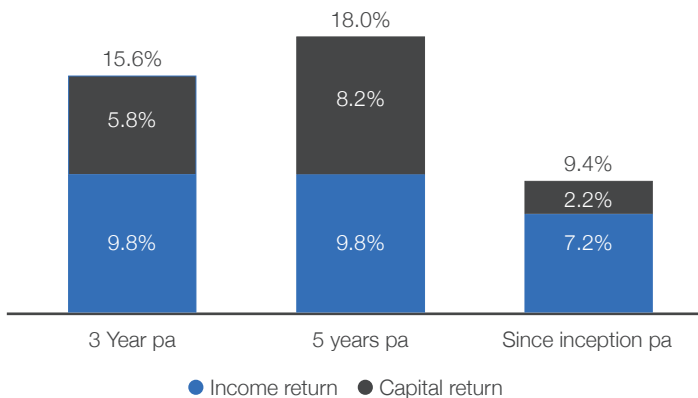


Important distribution details / dates

Distribution payment	Accruing at the end of each month. Payment is made on the 10th day following month's end unless that day is a non-business day in which case the distribution will be paid on the following business day.
Distribution statement	Dispatched at the time of payment.
Tax statement	Dispatched annually (by end of August)

Total Fund Return¹

The Fund has delivered steady returns since its inception. The graph below reflects performance to the quarter end on 30 September 2020.



1. Performance is based on original fully paid units at \$1.00. Past performance is not necessarily a guide to future performance. Fund inception October 2004.

APN Property Group

APN Funds Management Limited (APN FM) is a wholly owned subsidiary of APN Property Group Limited, an ASX listed company (ASX code: APD) that manages approximately \$2.7 billion (as at 30 June 2020) of real estate and real estate securities on behalf of institutional and retail investors. APN is an active investment manager with a concentrated focus on income and has been investing on behalf of its clients in commercial real estate since 1996.

Investment team members

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Tenancy update and stacking plan

Nobel Resources Exp: 31 Dec 2023		L7	Sparke Helmore Exp: 31 Jan 2027	
EML Exp: 31 Aug 2022		L6	Sparke Helmore Exp: 31 Jan 2027	
Property NSW Exp: 31 May 2021	<i>Terms Agreed with QBE - new 7 year term expiring 30 October 2028</i>	L5	Yancoal Exp: 31 May 2029	Vacant
Property NSW Exp: 31 May 2021	<i>Terms Agreed with QBE - new 7 year term expiring 31 October 2028</i>	L4	QBE Exp: 31 Oct 2020 <i>Tenant expanding into adjoining building – space to be refurbished and re-leased</i>	
Property NSW Exp: 10 Nov 2020	<i>Terms Agreed to extend to 31 May 2021</i>	L3	Newcastle News Exp: 30 Nov 2020	<i>Terms Agreed with new tenant – new 5 year term expiring 31 May 2026</i>
Property NSW Exp: 10 Nov 2020	Car Parking	L2	Australian Border Force Exp: 30 Nov 2022	Car Parking
Bell Partners Newcastle Exp: 18 Aug 2024	Foyer, Car Parking	L1	Newcastle News Exp: 30 Nov 2020	MJ's Café Exp: 16 Nov 2026 Foyer, EOT, Car Parking