



INVESTOR UPDATE JULY 2019

Director retirement



One of our long-standing directors, Geoff Shepherd, retired from the Board in June. Geoff had been an adviser to and director of Clarence Property for well over 25 years, and during that time made a very significant contribution to the growth and success of both Clarence Property and Westlawn Property Trust. We know you will join us in wishing Geoff and his wife Cheryl all the very best in retirement.

Our continuing directors are Jim Dougherty (Chairman), Peter Fahey (Managing Director), Tony Tippet (Non-Executive Director) and Darrell Irwin (Executive Director).

Epiq update

Residential land

Stage 3 – All of the 109 exchanged lots in Stage 3 settled across May and June. Given home loans have in some respect been more difficult for buyers to obtain and have certainly been taking longer to be approved, achieving settlement of every contract by 30 June 2019 was a great result for the Trust.

Stage 4 – Completion of Stage 4 civil works has been delayed due to the recent wet weather, however will be finished in early August. Sales should settle in about October, following subdivision registration and titling.

Stage 5 – Construction of the 87 lot Stage 5 is powering ahead, and remains on schedule for a January 2020 completion. Marketing of these lots will commence in the next few weeks.

Super Lot 5 (a terrace home development) and **Super Lot 7** (a mixed use development, including a

tavern) are back with NSW State Planning for the final part of the change-of-use approval before we lodge DA's with Ballina Council.

Epiq Marketplace

Construction of the Trust's new \$33 million* shopping centre at Lennox Head is well under way, with all footings now laid and onsite construction of the tilt panel walls due to start in early August.

Commencement of construction was formally recognised recently with Clarence Property Managing Director Peter Fahey and Ballina Shire Mayor David Wright turning the first sod.

On completion, expected in mid-2020, Epiq Marketplace will boast a full-line Woolworths supermarket (including drive-through click and collect bays) and a BWS, together with a pharmacy, medical practice, gym, eleven other specialty retailers and four commercial tenants.

* Estimated value on completion



Portfolio update

2019/20 Distribution

Your cash distribution for the current financial year is forecast to continue at the same level as you've received for the past few years i.e. 6.5 cents per unit per annum, paid monthly. Based on the current unit issue price of \$0.95, this equates to a cash yield of 6.8% p.a.

In addition to the monthly cash payment we are also forecasting franking credits of approximately 0.4 cents per unit for the year, which will take your annual gross distribution to 6.9 cents per unit or approximately 7.2% based on a \$0.95 unit price.

Distribution capacity

Property yields in the traditional asset sectors of retail, office and industrial continue to compress and because of the prospect of continuing low interest rates for the foreseeable future, are likely to remain low and could possibly go lower.

As such, it has become more difficult for us to acquire properties on yields which historically we've been able to. The economy is very slow and, although we're achieving CPI increases on much of the Trust's rental income, rents aren't growing in real terms. We continue to comb the market for acquisitions to expand the portfolio, and we also maintain our focus on improving existing assets to achieve better rental cash flows. Recent examples of this

have been the refurbishment of 29 Molesworth Street, Lismore and Tamar Village in Ballina.

Two other factors also impacting portfolio growth and distribution capacity are the Trust's relatively low gearing and the relatively high level of cash reserves. In some ways these are intertwined. Cash from the capital raising is not being deployed into new assets as quickly as we would like, for the reasons outlined above. Rather it is being used to fund property improvements and development activities at Epiq Lennox and Yamba Quays. This, in combination with very little acquisition activity, has kept borrowings low. As you'll see in the following table our gearing level is at approx. 34%, which is historically very low and acts as a brake on unit price growth.

WPT statistics as at 30 June 2019

| | |
|--|------------|
| Gearing | 34.1% |
| Weighted average cost of debt | 4.1% |
| WALE | 3.18 years |
| Number of Tenants | 180 |
| Leases negotiated in the last 12 months | 50 |
| Leases to be negotiated in the next 12 months | 68 |
| Occupancy rate | 90% |
| Number of Properties | 18 |



2018/2019 Tax Statements: We anticipate having your tax statement for the year ended 30th June 2019 to you by the end of August, once the audit is finalised and our tax calculations have been confirmed.



Wacol acquisition

In June the Trust settled the acquisition of an industrial facility at 42 Mcroyle Street, Wacol, Brisbane for \$7.655 million. The seven tenant property is set on a large 15,300 square metre site in a well-established industrial precinct in Brisbane's western corridor, with easy access to both the Ipswich Motorway and the Centenary Motorway.

The property was acquired on a passing yield of 8.1% and was fully funded from the Trust's cash reserves.

Yamba Service Station

Construction of the Trust's new Shell service station, opposite Yamba Fair, is finished and is expected to open for business in early August. The service station, which has a completed value of approximately \$4.5 million, has been leased for 20 years with 4 x 5 year options.



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