

# INVESTOR UPDATE

JULY 2020

Welcome to our latest update. Despite there seeming to be no end to the issues Covid-19 is causing, the Trust continues to be in a strong financial position. The problems Victoria currently faces extrapolate to a problem for the entire country – both from a health perspective and an economic perspective. Probably the greatest risk the Trust faces is the risk of a second shutdown in NSW or Queensland. That said, our view is we need to continue on our path of growth through strategic acquisitions, whilst ensuring the Trust's existing portfolio is in the best position we can possibly have it. Combined, this strategy will ensure maximum cash flow is delivered by the Trust's assets.

## Distribution Rate

As you will recall, and resulting from the National Cabinet's Commercial Leases Mandatory Code of Conduct which necessitated the Trust providing rent relief to a number of its tenants, the distribution rate was decreased in April by 2.5 cents per unit p.a. to 4.0 cents per unit p.a. Since then, we've monitored the actual cash flow impact of the Code on a weekly basis. The extent of rent relief we've had to provide has been less than initially forecast, and that trend seems to have stabilised. As such, the Board resolved at its July meeting to increase the distribution rate by 1.0 cent per unit p.a. (to the equivalent of 5.0 cents per unit p.a.), effective from the July distribution which will be paid into your bank account on or about 12 August. We are hopeful of being in a position to announce a further increase in the next month or two.

## Distribution Reinvestment Plan (DRP)

At its July meeting, the Board also resolved to recommence the DRP, at \$0.95 per unit, effective from the August distribution. Unit holders who were participating in the DRP at the time it was suspended in April do not need to take any action – you will automatically be reinstated to the DRP. Your first allocation of DRP units will be on 1 October.

## Capital Raising

The Trust is again open for new investment, at an investment price of \$1.00 per unit. The commencing gross distribution rate is forecast to be 6.1% p.a., made up of 5.0 cents per unit cash plus a forecast franking credit of 1.1 cents per unit. The PDS and application form can be found on our website [www.clarenceproperty.com.au](http://www.clarenceproperty.com.au).

## Acquisitions

We've recently exchanged contracts to acquire two properties.

### **Woolworths North Shore Shopping Centre, Townsville QLD**

Woolworths North Shore is a neighbourhood shopping centre in the Townsville suburb of Burdell. It was constructed in 2011 by Stockland, and is located adjacent to Stockland's master-planned 5,500 lot "North Shore" residential development. The centre is anchored by a 3,544 m<sup>2</sup> Woolworths, and has been purchased for \$16.7M on a net passing yield of 7.1% (or 10.2% including rental guarantee). Settlement is scheduled for 31 July.

### **81 Stradbroke Street, Heathwood QLD**

This property is a single-tenant industrial/warehouse asset, located in the Brisbane suburb of Heathwood, approx. 20km south of the Brisbane CBD. The property is leased to Truckline Australia Pty Limited, and is Truckline's Australian head office. It has been purchased for \$7.4M on a net passing yield of 7.0%. Settlement will be in late August or early September.



Woolworths North Shore Shopping Centre



81 Stradbroke Street, Heathwood

## EPIQ, Lennox Head

### EPIQ Marketplace

The Trust's newest neighbourhood shopping centre, Epiq Marketplace, opened on Saturday 20 June, and has enjoyed extraordinary community support. Retailers currently open and trading include Woolworths, BWS, Chempro Chemists, Surfit 24/7 Gym, Source Bulk Foods and Cortado coffee shop. Tenants currently fitting out include the medical centre, dentist and newsagent. Leases under negotiation include an Asian fusion restaurant, barber, beautician, butcher and bakery.

### Stage 5 land subdivision

Civil construction is now complete, and the subdivision application has been lodged with Ballina Council. All 71 lots released to the market are now exchanged, and we expect to start settling sales in October.

### Stage 4 small lot townhouse development

The Trust retained the three medium-density lots in its Stage 4 land development, and now intends to build and sell 25 townhouses on those combined lots. The DA will be lodged late July or early August.



## Leasing Activity

Our target numbers have changed since our April update, as a result of acquiring more properties. On average we now need to complete 65-75 lease transactions annually, across our 209 tenancies. In the twelve months to 30/6/20 our Property Management team completed 67 transactions. The target for the next twelve months is 82.

### MAJOR LEASE DEALS FINALISED APRIL TO JUNE 2020.

| Property               | Tenant                     | Area (m2) | Term (years) |
|------------------------|----------------------------|-----------|--------------|
| Byron Bay Fair         | The Brightside Clinic      | 226       | 2            |
| Logan Village          | MyHealth                   | 76        | 8            |
| EPIQ Marketplace       | Surfit 24/7 Gym            | 450       | 10           |
| EPIQ Marketplace       | Chempro Chemist            | 240       | 10           |
| EPIQ Marketplace       | Medical Centre             | 193       | 10           |
| EPIQ Marketplace       | Newsagent                  | 72        | 7            |
| The Rocket, Robina     | MacNaught                  | 90        | 3            |
| Bell Central           | Dominos                    | 90        | 7            |
| Spring Hill            | Ticketek                   | 191       | 6            |
| EPIQ Marketplace       | The Source Bulk Foods      | 85        | 7            |
| Molesworth St, Lismore | Federal Court of Australia | 913       | 5            |
| EPIQ Marketplace       | Bytes @ Epiq               | 79        | 10           |
| Bell Central           | Rice 2 Go                  | 38        | 5            |

## Key Numbers

Here are the Trust's key numbers as at 30 June:

|                              |            |
|------------------------------|------------|
| <b>No. of properties:</b>    | 24         |
| <b>No. of tenants:</b>       | 209        |
| <b>WALE:</b>                 | 4.88 years |
| <b>Total asset value:</b>    | \$396M     |
| <b>Total debt:</b>           | \$149M     |
| <b>Gearing:</b>              | 37%        |
| <b>Cash at bank: approx.</b> | \$20M      |

## Tax Statements

Your Tax Statement for the 2019/20 financial year will be available in late September. You will be able to access your statement via your InvestorServe online user access with BoardRoom.

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