

Dear Unitholder,

Merry Christmas, Happy Holidays and Happy New Year from Clarence Property.

Clarence Property Diversified Fund (CPDF) has continued to perform strongly over the past 12 months. Some recent highlights include:



Clarence Property recently achieved an important milestone by completing the construction of three state-of-the-art childcare centres, strategically positioned in Delahey, Victoria and Rangeville and Ripley, Queensland. Situated in areas with a pronounced scarcity of childcare facilities, these centres are conveniently located close or adjacent to primary schools, helping address the critical undersupply of childcare services in these regions. The combined capacity of the centres is significant, with places for 364 children.

This accomplishment not only fulfils local social infrastructure needs but also reflects Clarence Property's commitment to these communities by providing essential services for families and their children. Leases have commenced at all three centres. There are another five centres under construction, with lease commencements expected between February and August 2024.

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Image: WALLUM, BRUNSWICK HEADS



HUB HEATHWOOD

Construction of the Fund's 24 industrial lot subdivision at Heathwood in Brisbane is now complete. Titles are expected to be registered by the end of this year, with sale settlements starting in January. To date, 11 lots have been sold, with a further two in due diligence.

RESIDENTIAL LAND DEVELOPMENTS

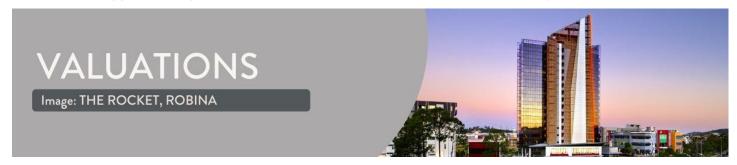
A number of the Fund's residential development sites, including Wallum Brunswick Heads, Woolgoolga and North Boambee Valley at Coffs Harbour, are at various stages of planning approval. However, like many others, we're facing the headwinds of an outdated NSW planning system and slow approval progress through local councils. That said, civil construction is well under way with Stage 4 at Yamba Quays and we expect to commence civil works at Wallum Brunswick early in the new year.

SALES ACTIVITY

In some respects we are in the fortunate position of not having much land left to sell at the moment. Residential lots at Epiq Lennox Head Super Lot 7 are all but sold, and settlements are occurring as expected. It's a similar situation at Yamba Quays, where only one lot from Stage 3 remains for sale. There are early signs of solid demand at Wallum Brunswick with an initial release of 19 lots snapped up by mainly young local families.

SCENIQ, BILAMBIL HEIGHTS

As mentioned in the Fund's 2023 Annual Report we have sold the Sceniq site, with development and construction approvals in place, for \$16.5 million. The sale will settle in January 2024.



Valuations robust, notwithstanding market pressures – the broader commercial property market continues to move through a period of adjustment as it transitions from historically low capitalisation rates to higher levels as a result of rising interest rates. This generally has a negative effect on property valuations.

Fortunately for the Fund, strong leasing activity and increasing rent levels have reduced the downside impact on valuations, with the Fund experiencing an improvement in the overall book value of its commercial property portfolio. Twelve properties were recently independently valued as part of our two-year valuation cycle, and resulted in an approx. \$6.9 million valuation uplift. We expect the impact of higher interest rates to continue to put downward pressure on property values.

With low vacancy (currently a historical low of only 1.9%) and increasing building costs underpinning rental levels, the Fund is well positioned to continue to perform well.

CHANGING OF THE GUARD

Image: JIM DOUGHERTY - OUTGOING CHAIRMAN



It is with a touch of nostalgia that we announce the retirement of Jim Dougherty from the Board. Jim has been Chairman of Clarence Property since 2000. During his 24-year tenure Jim has helped guide the Clarence Property group from a four-property syndicate, through to the billion-dollar business it is today. The broader Dougherty family are significant unit holders in CPDF, and no doubt Jim will retain a keen interest in the Fund's fortunes. We wish Jim and Cathy the very best in their retirement.

In a minor Board reshuffle, Clarence Property founder, Peter Fahey, moves from Managing Director to Chairman in a continuing full-time role, now as Executive Chairman.

Paul Rippon has also joined the Board as Executive Director. Paul has been with Clarence Property since 2007, initially as CFO and Company Secretary and more recently as General Manager. He will continue to actively work in the business.

Rachel Weeks, Clarence Property's Head of Legal and Investor Relations, is the new Company Secretary.

Simon Kennedy, Clarence Property's Head of Property, has now taken on the newly created role of Chief Executive Officer



Thank you for your support during 2023. We wish you a safe and healthy Christmas and look forward to a prosperous and exciting 2024.

Our offices will be closed from 22 December 2023 to 2 January 2024. As always please do not hesitate to reach out to our Investor Relations team if you have any questions or require any assistance:

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t: 1300 382 862

Kind regards,

Peter Fahey - Executive Chairman Clarence Property