



## Fund overview

The APN Regional Property 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

The Fund continues to perform in line with expectations during the quarter and as outlined within the PDS, with a distribution of 10.20 cents per unit in FY20.

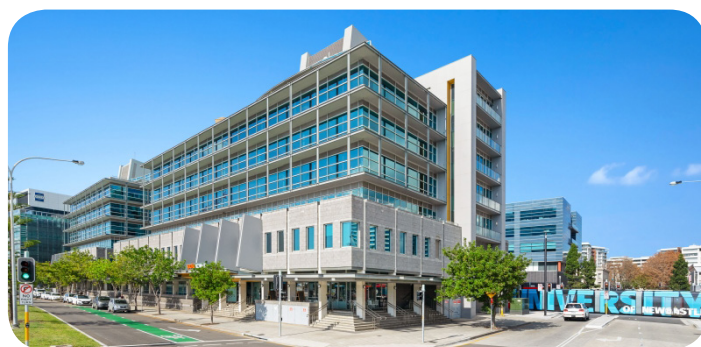
APN continues to take an active approach in driving investor returns. The work so far completed aims to reduce tenancy occupancy costs and improve the overall amenity offering, thereby improving the attractiveness of the assets for prospective tenants.

During the last quarter of the year, leasing activity has progressed well and is summarised below:

- Lease documentation has been agreed and executed with Bell Partners which extends their lease term for a further 5 years until 2024. The new lease agreement includes fixed 4% annual rent increases.
- Noble Resources, who were due to expire on 31 December 2019, exercised their option period with lease extension documentation now executed. A new market rent was agreed which resulted in an 8% increase on the previous rent payable.
- We continue to pursue an active marketing strategy for the Fund's sole remaining vacancy within 28 Honeysuckle Drive (334 sqm) which accounts for 3.6% of the Funds total net lettable area. Lease proposals have been presented to a number of tenants and we await their feedback.
- With a number of forthcoming expiries in FY21, we are working with current tenants to understand their intentions and future business requirements to achieve mutually beneficial outcomes, thereby securing the future income of the Fund. Furthermore, to mitigate downside risk should any tenants choose to vacate, leasing agents are in discussions with prospective tenants who have lease requirements commencing toward the end of 2020.

The vacancy rate within the Fund remains in line with that as at 30 September 2019 at 4%, whilst the weighted average lease expiry of the portfolio is 3.1 years.

We are very pleased with the ongoing leasing activity which delivers income levels higher than originally forecast. The high occupancy levels continue to illustrate the attractiveness of the buildings and the strength of the Newcastle office market. The Fund's next major lease expiry is with Property NSW (PNSW) which accounts for approximately 25% of the total rent. Although PNSW's future space requirements is not yet known, we continue dialogue with the tenant and remain confident of maintaining strong occupancy across the building.



## AT A GLANCE as at 31 December 2019

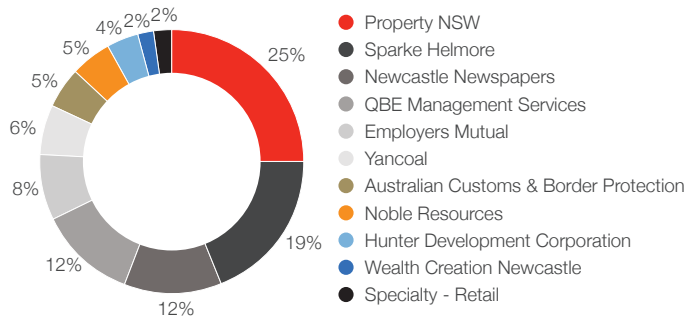
NAV	\$1.4062 per unit
Unit price revaluation	Changes to Net Asset Value per unit are advised following the completion of the audited Annual and Half-Yearly financial reports
Property value	\$51.75 million
Borrowings (loan to value ratio)	33.7%
Weighted Average Lease Expiry (WALE)	3.1 years (by income)
Occupancy	96%
Fund commenced	28 October 2004
Fund maturity	30 June 2024
Annual distribution	10.20 cents per unit
Distribution yield (to NAV)	7.25%
Distribution payments	Quarterly (Changing to monthly from 1 January 2020)
Sector allocation (by value)	Office: 100%
Geographic allocation (by value)	New South Wales: 100%

An internal Directors' valuation was undertaken as at 31 December 2019 and is in line with the most recent most recent independent valuation completed as at 31 January 2019. Gearing remains conservative at 34%, well below the covenant of 55%.

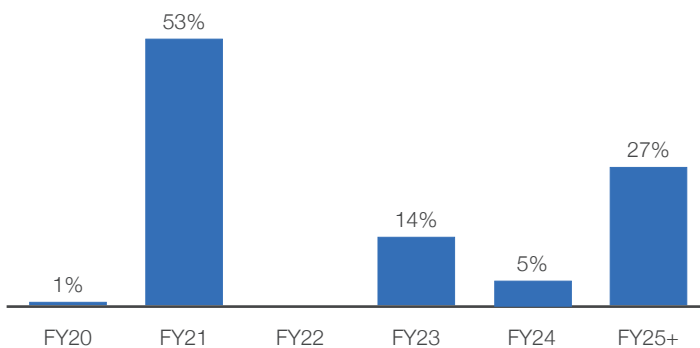
As at 31 December 2019, the audited NAV per unit of the Fund is \$1.4062.



## Income split by tenant



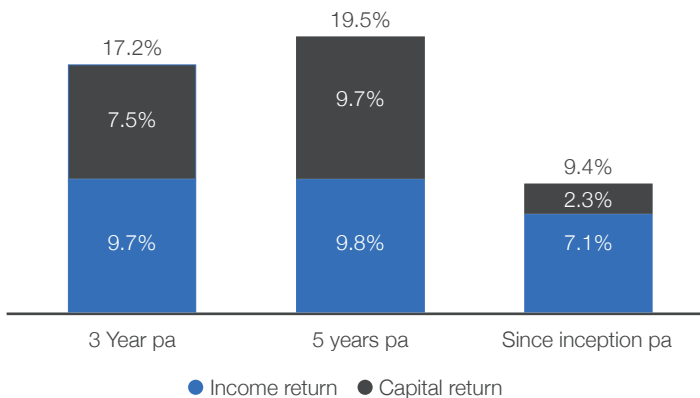
## Expiry Profile by income



Note: FY20 expiries relate to monthly car park licence agreements

## Total Fund Return<sup>1</sup>

The Fund has delivered steady returns since its inception. The graph below reflects performance to the quarter end on 31 December 2019.



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.

## Historical unit values

There is no defined unit price for the Fund. For your reference we have provided the historical Net Asset Value (NAV) per unit.

Date	Net Asset Value (NAV) per unit
31 December 2019	\$1.4062
30 September 2019	\$1.4000
30 June 2019	\$1.3970
4 February 2019 <sup>2</sup>	\$1.4046

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

## Important distribution details / dates

Distribution payment	Accruing at the end of each quarter ending September, December, March and June. Payment is made on the last day of the month (or next business day) following the end of each calendar quarter.  As of 1 January 2020, distribution payments will be made on a monthly basis.
Distribution statement	Dispatched at the time of payment above
Tax statement	Dispatched annually (by end of August)

## 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 \$2.9 billion (as at 30 June 2019) 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

**Tim Slattery** Chief Executive Officer  
**Tom Forrest** Head of Direct Property  
**Jack Steger** Analyst

### CONTACT US

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