PLACER PROPERTY

INVESTOR NEWSLETTER

DECEMBER 2017

IN THIS ISSUE:

- **Corporate update**
- **Fund updates**
- **Technology and property**
- **Investor reports**

Corporate update

A special message from Joint Managing Directors, David Omond and Mario Papaleo

Since we last reported to you, Placer Property has experienced many positive events.

In July, we announced that our preferred partner KordaMentha Real Estate acquired Placer Property. We are delighted to be part of the KordaMentha Real Estate team, which is the property division of KordaMentha, an advisory and investment firm operating throughout the Asia-Pacific region.

KordaMentha's focus is on helping clients to grow, protect and recover value through its various service offerings, which include real estate, corporate advisory, investment, forensic, and restructuring.

Following our integration with KordaMentha, we relocated into new offices at 525 Collins Street, Melbourne. The Placer Property funds management team sits within KordaMentha's Real Estate division, which has more than 35 staff in offices located in Perth, Townsville, Brisbane, Gold Coast, Sydney, and Melbourne. Tom Davis, Partner, KordaMentha Real Estate, is the new chair and director of Placer Property.

Placer Property now has the added benefits of KordaMentha Real Estate's national resources, which further enhance Placer Property's ability to continue offering you quality commercial property investment opportunities, such as a new Melbourne CBD office acquisition. Located at 333 Exhibition Street, Melbourne, the building comprises six levels of office space leased to The University of Melbourne. You will find a copy of the media release we issued upon settlement of the purchase at the back of the newsletter.

Following the property revaluation in June 2017 for NewActon East, the NTA has increased to $1.06 per unit, and the fund continues to perform ahead of its original PDS forecast. You can read a full update about NewActon East Property Fund in the next section on page 2.

Leasing activity at The Stables Shopping Centre has seen the occupancy rate at the centre rise to 99%, and you can read about the new tenants in the update about The Stables Property Fund on page 3.

Much has also been said and written recently about Amazon's strategic move into the Australian consumer market. Commentary has tended to focus on the impact that Amazon's presence is likely to have on Australian retailers. While we believe there will be some fall out as a result, particularly for discretionary retailers, we are also looking beyond the medium-term impact, at how technology will affect Australian real estate more broadly.

Berrick Wilson, Partner of KordaMentha Real Estate, has recently written a paper that highlights the longer-term impact technology is likely to have on real estate. You can read more about this interesting perspective under the heading 'technology and commercial property' on page 4.

On page 5 you will find information relating to financial reports, tax statements, and distributions.

Lastly, our office will be closed from midday Friday 22 December 2017 and reopens on Monday 8 January 2018.

On behalf of everyone at Placer Property, we take this opportunity to wish you and your dear ones a very Merry Christmas and a Happy New Year!

NEWACTON EAST PROPERTY FUND

The fund continued to perform well over the past 12 months, exceeding the original forecasts in the PDS.

The building remains 100% leased, with income distributions forecast at 8.7% p.a. for the next twelve months.

The property's valuation increased by 2.7% from $49.40 million in June 2016 to $50.75 million in June 2017, resulting in a lift in the NTA from $1.01 to $1.06 per unit.

Investors have recovered all upfront costs associated with fund establishment, and the increase in unit value equates to a rise of 6% in investors' original capital.

The fund's borrowings of $22.5 million now equate to a gearing level of 44%. Management recently extended the debt maturity from August 2019 to June 2022 to coincide with the expected fund maturity. Interest rates have also been fixed at historically low rates for the remaining term of the fund, thereby eliminating potential interest rate volatility to future fund income forecasts.

Key fund information

Details	24 Sep 2014 (launch date)	30 Jun 2015	30 Jun 2016	30 Jun 2017
Property valuation	$45.10 million	$47.25 million	$49.40 million	$50.75 million
Distribution rate p.a.	7.75%	7.75%	8.60%	8.70%
Occupancy rate	99%	100%	100%	100%
Gearing	49%*	46%	45%	44%
NTA per unit	$0.87	$0.96	$1.01	$1.06
WALE by income (years)				6.35

*As at first close date.

THE STABLES PROPERTY FUND

The fund continued to perform well since its launch in May 2016.

The Stables Shopping Centre commenced trading in April 2015 with Woolworths officially launching its new supermarket at the centre. Specialty tenants opened for trade soon after.

Leasing update

When we launched The Stables Property Fund, we committed to pursue a deliberate and targeted leasing strategy that would achieve the right tenant mix at The Stables Shopping Centre.

We are delighted to announce that our strategy to secure the right tenants for the shopping centre has delivered great outcomes, and we can confirm two new leases have been recently executed at the centre.

New lease signed over 138 square metres

My Local Physio has leased tenancy number five (T5) and signed a new five-year lease over the space.

My Local Physio has been a tenant at The Stables Shopping Centre since 2015, however had previously occupied space within HealthSense Medical Centre. Since then, the business has enjoyed good growth and required a larger and separate tenancy.

The new space leased to My Local Physio is approximately 138 square metres and represents 2.5% of the centre area.

Dentist signs new lease

Pro Smile Dentistry has signed a seven-year lease over tenancy number 13 (T13), which consists of 117 square metres.

Pro Smile Dentistry executed its lease agreement in late June 2017. The clinic opened recently after completing the fit out of its space, which represents approximately 2.1% of the centre's net lettable area.

Following this recent leasing activity, the occupancy rate at The Stables Shopping Centre has now risen to 99%, compared to 94% in June of this year.

A veritable medical precinct

The Stables Shopping Centre now offers residents a respectable medical precinct that includes:

- HealthSense Medical Centre
- Terry White Pharmacy (recent name change from Chemmart Pharmacy)
- Golden Grove Chiropractor
- My Local Physio
- Pro Smile Dentistry

New childcare centre

A brand-new Amiga Montessori childcare centre is under construction on the vacant land adjoining the centre.

Located next door to The Stables Shopping Centre, the childcare facility will accommodate up to 130 children. It is scheduled to open in early 2018.

While the fund does not own the childcare centre, we expect the new facility will attract more people to the area, including the shopping centre, which augurs well for the centre's tenants and fund investors.

Key fund information

Details	9 May 2016 (launch date)	30 Jun 2016	30 Jun 2017
Property valuation	$28.0 million	$28.0 million	$28.8 million
Distribution rate p.a.	7.60%	7.60%	7.60%
Occupancy rate	93%	93%	99%
Gearing	43%*	43%	43%
NTA per unit	$0.95	$0.95	$0.99
WALE by income (years)			10

*As at minimum subscription date.

TECHNOLOGY AND COMMERCIAL PROPERTY*

Real estate is a home for activity. Not just residential activity, but shopping, manufacturing, office work, leisure, retirement, education, storage and distribution, and just about all other activities you can imagine.

Major advancements in technology, particularly in the last 20 years (internet, mobile computing, cloud services, and artificial intelligence) are changing some of our typical activities, and real estate must adapt or be repurposed to cope with the changes and be efficient, desirable and therefore valuable.

Our demographics are changing too as we are being influenced by technological advancements that are changing the way we live, work and shop. Technology is typically designed to provide convenience and make us more efficient. Often, it also disrupts the functionality and design of real estate, and it is changing the way we develop, use, manage, value, and transact real estate.

Take for example the household car. In the USA alone, there are 263 million passenger cars and 2 billion car parking spaces. Typically, most cars are used less than 5% of the time, which means there is major transport overcapacity sitting in carparking spaces all over the country.

Ride share services, like Uber and Lyft, are already reducing that overcapacity and potentially negating the need to own a car or maybe the family's second car. And fully automated vehicles (AVs) are fast becoming a reality that will revolutionise mobility as we know it. In fact, AVs could significantly reduce overcapacity and change the way we look at cars and car parking.

AVs are not just for personal use, but could be used in public transport, heavy haulage, and first and last mile delivery services. More than 40 companies, such as Tesla, BMW, Audi, Volvo, Mercedes, Ford, General Motors, Bosch, Apple, and Alphabet (the owner of Google) are all currently working on AV projects.

While the technology for AVs is already well advanced, the speed of our regulatory environment may play an important role in the adoption time frame, which most experts now believe to be realistically in the next 5–15 years.

As AVs become common place, and vehicles simply pick up and drop off, there is a good chance we won't need the same car parking facilities we currently provide, especially in high value real estate locations.

Technology is changing the design of our homes, offices and shopping centres and, as mobility advancements become reality, it may even change the value we attribute to the holy grail of real estate – location!

The retail industry is a relevant case study, with traditional bricks and mortar retailers currently in the eye of the storm of the digital revolution.

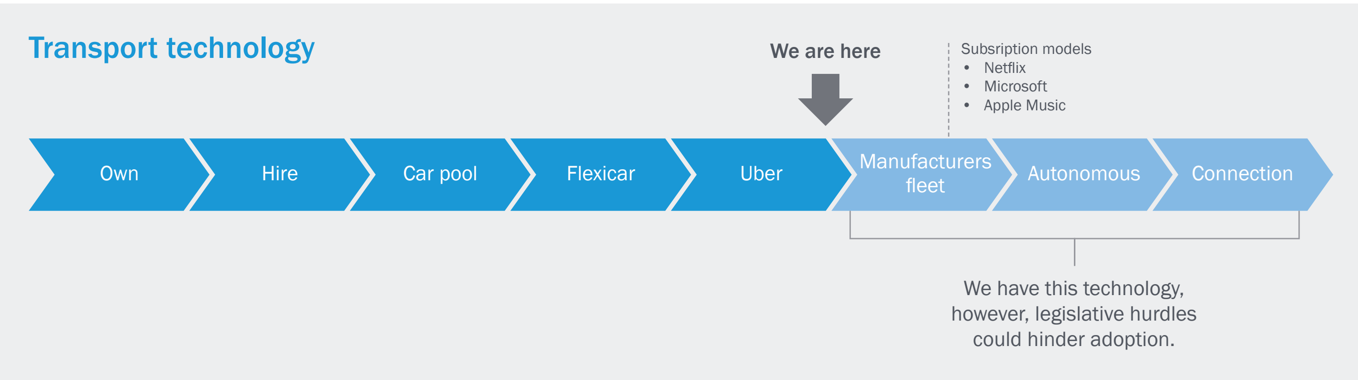
Groups, such as Amazon, are aiming to change consumer expectations – any product delivered to you in two hours – to own the retail relationship, and this has potential flow-on impacts for all classes of real estate e.g. retail, industrial, office, and residential.

With the impending adoption of AVs becoming reality, major retail property owners in the US are already designing for significantly less car parking on site. Instead, they are looking at increased drop off and pick up areas to cope with the new ways we're likely to travel. They are also looking to redevelop existing car parking areas into higher yielding assets, e.g. co-locating warehousing facilities with retail malls to utilise the excess land freed up by car parking or failing big box retailers or department stores. Of course, this raises various planning and logistical issues.

There is no doubt that online retail is cruelling traditional retailers who haven't adapted or invested in technology. So, a tenancy-mix with a trend away from apparel to more experience-based users, and food and beverage is a way to attract customers to shopping centres.

Increasingly, tenants are requiring IT infrastructure like fibre optic cabling, face recognition CCTV, and sensors/beacons to provide retailers with big data to inform strategy and decision making. The cost of providing this can be an expensive capital expenditure for the landlord.

Additionally, traditional lease structures may need to change to become shorter and more flexible, and legacy metrics like sales per square metre are becoming redundant as they don't account for the impact of the stores' online sales. And rents may also need to become less fixed and more variable dependent on the value created.



*This article has been adapted from a paper titled "Real Estate Technology and Digital Innovation – Where to for real estate?" dated August 2017 and written by Berrick Wilson, Partner, KordaMentha Real Estate.

INVESTOR REPORTS

2017 year-end financial reports

On our website, you will find the financial reports for NewActon East Property Fund and The Stables Property Fund for the year ended 30 June 2017.

2017 annual tax statements

In early September this year, we finalised the tax statements for the 2017 financial year; the statements are available online by logging into your investment account held with Boardroom Registry. If you do not know how to log into your Boardroom account please contact Boardroom on 1300 737 760 or +61 2 9290 9600, and a staff member will assist you with the login process.

The declared tax deferred component of the distribution for each fund, for financial year 30 June 2017, is:

Fund name	Declared tax deferred component
NewActon East Property Fund	58.58%
The Stables Property Fund	67.18%

Annual RG46

The annual regulatory guide 46 - unlisted property scheme: improving disclosure for retail investors (RG46) can be found on our website, under investor centre, funds reports. Current legislation requires us to complete and make this guide available to investors every six months.

Distribution timetable

The proposed distribution timetable for calendar years 2017 and 2018 is as follows:

Indicative distribution timetable

Quarter ending	Payment date
31 Dec 2017	8 Feb 2018
31 Mar 2018	8 May 2018
30 Jun 2018	8 Aug 2018
30 Sep 2018	8 Nov 2018
31 Dec 2018	8 Feb 2019

Please note that the distribution dates are indicative only and may be subject to change.

CONTACT US

Should you have any questions, please contact Placer Property.

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Company announcement

Placer Property secures 333 Exhibition Street, Melbourne for $37.5 million

Specialist property funds management business Placer Property Limited (Placer Property), today announced the purchase of 6,528sqm of office space at 333 Exhibition Street in Melbourne's Parliamentary precinct.

The $37.5 million purchase covers six floors of commercial office space. It is part of a broader mixed-use development which also includes an international hotel and commercial carpark which were not part of the transaction. JLL's Sales & Investment team Alex McColl, Langton McHarg, and Paul Kempton handled the off-market transaction.

On the purchase, Placer Property's Joint Managing Director Mario Papaleo said: "We were attracted to the asset due to its strategic location with uninterrupted views of the World Heritage listed Carlton Gardens and its very secure, stable income flowing from the sole tenant, The University of Melbourne. Melbourne's CBD is undergoing significant change with new world class developments and infrastructure underpinning future tenant and investor demand for quality office accommodation and investments. That said, the opportunities for retail investors to buy into direct commercial CBD assets are almost non-existent, so we are expecting a strong level of interest from investors when the fund opens in early 2018."

Placer Property's 333 Exhibition Street Property Fund will be the first launched under the ownership of KordaMentha Real Estate, the property arm of advisory and investment firm KordaMentha that acquired Placer Property in August this year. KordaMentha Real Estate Partner Tom Davis said: "Placer is a terrific business that has achieved impressive results in the retail investment space. Our relationship is symbiotic – Placer rounds-out our investment offerings so that we can now offer both institutional and retail real estate investment vehicles to our respective clients. Equally, Placer can tap into the expertise of our specialist Real Estate group to help identify, secure and manage real estate assets to deliver stronger returns to investors."

Placer Property is aiming to launch 333 Exhibition Street Property Fund in early 2018. Investors wishing to receive more information about the fund as it becomes available can register at www.placerproperty.com.au/register or by calling 1300 132 099.

A product disclosure statement (PDS) for the fund is expected to be available from this website in early 2018. Investors should consider the PDS in deciding whether to acquire, or continue to hold, an investment in fund units.