

ASX/Media Announcement

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Propertylink establishes a new partnership with Partners Group and upgrades FY2018 distributable earnings guidance

- Propertylink establishes the Propertylink Australian Commercial Trust I (PACT I) with [Partners Group](#), the leading global private markets investment manager
- PACT I acquires [73 Miller Street, North Sydney](#) for \$150 million from the Propertylink Office Partnership (POP)
- Partners Group and Propertylink will seek to acquire similar value-add office investments in Sydney, Melbourne and Brisbane targeting commitments of \$500 million
- Propertylink will co-invest 15% in PACT I
- The sale of 73 Miller Street realises an IRR of 14% for POP and generates a performance fee of approximately \$3.4 million to Propertylink (\$2.4 million after tax)
- Propertylink upgrades FY2018 distributable earnings guidance to 9.0 cents per security and provides distribution guidance of 7.3 cents per security

Propertylink Group (ASX:PLG) announces it has joined with leading global private markets investment manager, Partners Group (acting on behalf of its clients) in the acquisition of 73 Miller Street, North Sydney, establishing the Propertylink Australian Commercial Trust I (PACT I).

The \$150 million acquisition of 73 Miller Street was completed through the purchase of the 95% interest in 73 Miller Street for \$142.5 million held by Propertylink's offshore investment partner and Propertylink rolling its 5% direct interest in the asset into PACT I. The purchase reflects a full acquisition price of \$150 million¹ and a core market yield of 6.6%.

Propertylink will co-invest 15% of total equity in the new venture with Partners Group, which will seek to target value-add office investments of up to \$500 million.

With 73 Miller Street the single office asset of the Propertylink Office Partnership (POP), this transaction concludes the partnership established in 2014. The sale of 73 Miller Street realises an IRR of 14% for the POP fund against a target of 10% (both ungeared) and generates a performance fee of approximately \$3.4 million (\$2.4 million after tax) to Propertylink.

Propertylink's Managing Director and CEO, Stuart Dawes said introducing Partners Group as a new investment partner provided the business with strong growth opportunities focused on the creation of core institutional grade assets in the office market.

¹ Based on acquiring 100% of the asset. Under the Propertylink Office Partnership (POP), Propertylink's offshore investment partner held a 95% direct interest in 73 Miller Street and Propertylink a 5% direct interest.

"Further, we are pleased to provide our offshore investment partner with the liquidity required to meet their capital requirements, while retaining 73 Miller Street within our external funds as we continue to execute the asset's strategy to reposition for core institutional ownership.

"We continue to see strong appetite for Australian real estate investment across both the industrial and office markets. Our strong track record of delivering market leading returns has resulted in ongoing support from both new and existing external fund investors.

"Our investment management business is well positioned for growth, driven by strong investor demand combined with our strategies surrounding the emerging market trends of urbanisation and e-commerce, which we expect to translate into longer term funds under management," he said.

A new partnership, the Propertylink Australian Commercial Trust I (PACT I)

It is intended that initially, the PACT I vehicle will progressively acquire up to \$500 million in assets under a programmatic venture between Propertylink and Partners Group.

The PACT I strategy is to acquire A and B grade office real estate within Australia's major east coast markets, driving returns through leasing and repositioning strategies, leveraging Propertylink's strong active asset management approach.

Propertylink's Chief Investment Officer, Peter McDonald said retaining management of 73 Miller Street, provided Propertylink and Partners Group with an excellent opportunity in the Sydney office market.

"With vacant possession occurring in June 2019, we will continue to execute our strategy to reposition this asset for core institutional ownership, with the venture's commitment to an estimated \$30 million capital expenditure program, taking advantage of strong market fundamentals in North Sydney.

"The appetite for investment grade properties in North Sydney has continued to increase, driven by investor demand for quality assets in a market showing strong effective rental growth combined with limited stock availability.

"Combining strong North Sydney office market fundamentals with Propertylink's ability to add value through active asset management, we expect 73 Miller Street to deliver excellent outcomes for Propertylink and Partners Group," he said.

Rahul Ghai, Managing Director, Private Real Estate Asia, Partners Group, commented "The acquisition of 73 Miller Street is supported by favourable underlying market fundamentals. On the one hand, rents in Sydney's CBD have risen more than 30% in the past year, driving some tenants to search for more affordable office locations in other commercial districts including North Sydney. On the other hand, there have been substantial infrastructure upgrades in the North Sydney area, which have increased its connectivity.

"Australia is a key market for Partners Group in terms of real estate investment appetite, given the attractive fundamentals and opportunities for value-add investment strategies. We are very pleased to partner with Propertylink who have demonstrated expertise in the acquisition and repositioning of office space. We look forward to working closely with them to reposition 73 Miller Street as a core asset, as well as on other transactions."

About 73 Miller Street, North Sydney

73 Miller Street is a 14,672 sqm A-grade commercial building with Sydney Harbour views, providing 14,021 sqm of office accommodation across 11 levels, a 651 sqm ground floor retail offering and 156 car parking spaces. The building is situated on a prominent corner location within the commercial core of the North Sydney CBD, within metres of the North Sydney train station and bus interchange, prime retail amenities and the proposed Sydney Metro station.

The building is currently fully occupied, with the New South Wales Government occupying 87% of the facility. All leases are aligned to expire in June 2019.

FY2018 Outlook

As a result of the performance fee associated with the sale of 73 Miller Street, Propertylink increases FY2018 distributable earnings guidance to 9.0 cents per security (previously 8.5 to 8.7 cents).

The FY2018 distribution per security is expected to be 7.3 cents (previously 7.1 to 7.3 cents). This reflects a distribution of 81% of distributable earnings, with Propertylink retaining funds for redeployment to other investment opportunities.

Further Enquiries

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About Propertylink

Propertylink is an A-REIT, listed on the Australian Stock Exchange under the code “PLG”. Propertylink is an internally managed real estate group that owns and manages a diversified portfolio of logistics, business park and office properties and is a leading investment and asset management business with A\$1.6 billion of assets under management. Propertylink’s integrated, in-house approach to active asset management is aimed at maximising the performance and value of assets under management for our global investors from North America, Europe, the Middle East, Asia and Australia.

About Partners Group

Partners Group is a global private markets investment management firm with over USD 66 billion in investment programs under management in private equity, private real estate, private infrastructure and private debt. The firm manages a broad range of customised portfolios for an international clientele of institutional investors.

Partners Group is headquartered in Zug, Switzerland and has offices in Denver, Houston, New York, São Paulo, London, Guernsey, Paris, Luxembourg, Milan, Munich, Dubai, Mumbai, Singapore, Manila, Shanghai, Seoul, Tokyo and Sydney. The firm employs over 1,000 people and is listed on the SIX Swiss Exchange (symbol: PGHN) with a major ownership by its partners and employees.