

## ASX/Media Announcement

13 September 2018

### **Propertylink divests 80 Mount Street, North Sydney for \$71 million delivering a 58 percent return for investors**

Propertylink Group (ASX:PLG) announces that the Propertylink Enhanced Partnership (PEP) has entered into a contract for the sale of 80 Mount Street, North Sydney for \$71 million reflecting an initial yield of 4.32%.

The sale price represents a 29 percent premium to current book value and delivers an annualised total equity return of 58 percent. Propertylink has a 25 percent co-investment in the PEP fund with Goldman Sachs holding the majority interest of 75 percent. Following the sale of 80 Mount Street, the fund comprises of 8 office and industrial assets.

Completion of the sale is unconditional and is expected to occur in November 2018. The sale will contribute approximately \$3.5 million in co-investment income to Propertylink's distributable earnings in FY18.

80 Mount Street is a B-grade office asset comprising of 6,204 sqm of net lettable area across 14 levels. The building was acquired by Propertylink, via the PEP fund, as part of the acquisition of the Denison Portfolio in August 2016.

Propertylink's Chief Investment Officer, Peter McDonald said "Since the acquisition of 80 Mount Street, we have deployed a targeted capital expenditure program to refurbish and upgrade the building. Most significantly however, we have undertaken extensive leasing activity across 55 percent of the building area, driving occupancy from 75 percent to 92 percent over the last two years."

With the approval of Goldman Sachs, Propertylink commenced a campaign to market the property for sale in July 2018.

"The sale campaign attracted unprecedented levels of interest from both local and offshore groups who were attracted to the location of the asset in the heart of North Sydney, a market with upside potential and just 6.3% vacancy," Mr McDonald said.

"Through the realisation of strong cashflows during ownership and the execution of an active repositioning strategy, we have delivered excellent returns for our investor Goldman Sachs and for Propertylink," he said.

Propertylink's Managing Director and CEO, Stuart Dawes said he was very pleased with the strong returns being delivered across the PEP fund, demonstrated by the divestment of 80 Mount Street.

"The PEP fund has been one of our most successful vehicles. Significant leasing and capital expenditure programs delivered through our industry leading expertise in active asset management are driving excellent outcomes," he said.

"Our demonstrated success in delivering value across our investment management platform continues to underpin our excellent relationships with existing and new global institutional investors, who seek opportunities in the Australian real estate market. This has positioned the business for solid growth in FY18, with a number of initiatives to deliver growth in external funds well advanced," Mr Dawes said.

Mr Dawes said Propertylink would continue to benefit from solid performance fees and co-investment returns embedded across PEP and its other external funds over the coming years.

“The sale of 80 Mount Street delivers an equity return on this asset of 58 percent. With the property comprising around 30%<sup>1</sup> of the overall book value of the PEP fund, Propertylink is strongly positioned to achieve performance fees following divestment of the last asset in the fund,” he said.

The selling agents for 80 Mount Street were Knight Frank’s Tyler Talbot and Dominic Ong and CBRE’s James Parry, Kenny Duncanson and Sharon Yang.

## PEP FUND BACKGROUND

PEP is an external fund established in 2016 with Goldman Sachs, which holds a 75% interest. Propertylink holds a 25% co-investment in the fund.

The fund was founded with the acquisition of the Denison portfolio in August 2016. The \$142 million portfolio acquired by Propertylink comprised nine office and industrial assets in Sydney, Melbourne, Brisbane and Perth. 80 Mount Street was acquired as part of this portfolio for an acquisition price of \$36.7 million.

The PEP fund was later expanded through the \$145 million acquisition of an office building at 50 Ann Street in Brisbane.

The fund strategy is to acquire a diversified portfolio of assets with strong underlying cashflows that also present upside potential through the execution of Propertylink’s strong active asset management approach.

Through its management of the fund, Propertylink has the ability to earn performance fees where realised returns exceed target hurdle rates, with the entitlement to performance fees occurring after the sale of the last asset in the fund. The 50 Ann Street, Brisbane property maintains a separate target return and performance fee hurdle.

## GUIDANCE

Propertylink maintains the following guidance<sup>2</sup> in relation to FY19:

- Distributable Earnings per Security of 7.6 to 7.7 cents; and
- Distribution per Security of 7.3 cents.

## Further Enquiries

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<sup>1</sup> 80 Mount Street was 30% of the PEP fund based on the book value of assets in the fund at 30 June 2018, excluding Ann Street, Brisbane which maintains a separate target return and performance fee hurdle.

<sup>2</sup> Guidance does not include performance fees. Transactions may occur during the year that will generate performance fees. Propertylink will update guidance when these transactions occur.



## 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\$1.8 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.