

1 King Street, Fortitude Valley

# Abacus Property Group

Citi Australia Conference  
October 2018



# Strong balance sheet

Net Tangible  
Assets

\$3.18ps

AUM

A\$2.7bn<sup>1</sup>

Market Cap

A\$1.9bn<sup>2</sup>

Gearing

18%<sup>3</sup>

Underlying  
DPS

18.0cps<sup>4</sup>

Underlying  
EPS

31.7cps

Payout Ratio

61%<sup>5</sup>

Debt Maturity

3.8 years

<sup>1</sup> As at 30 June 2018. 30 June 2018 balances have been adjusted for ISPT JV transaction, known settlements and expressions of interest campaigns

<sup>2</sup> As at 8 October 2018

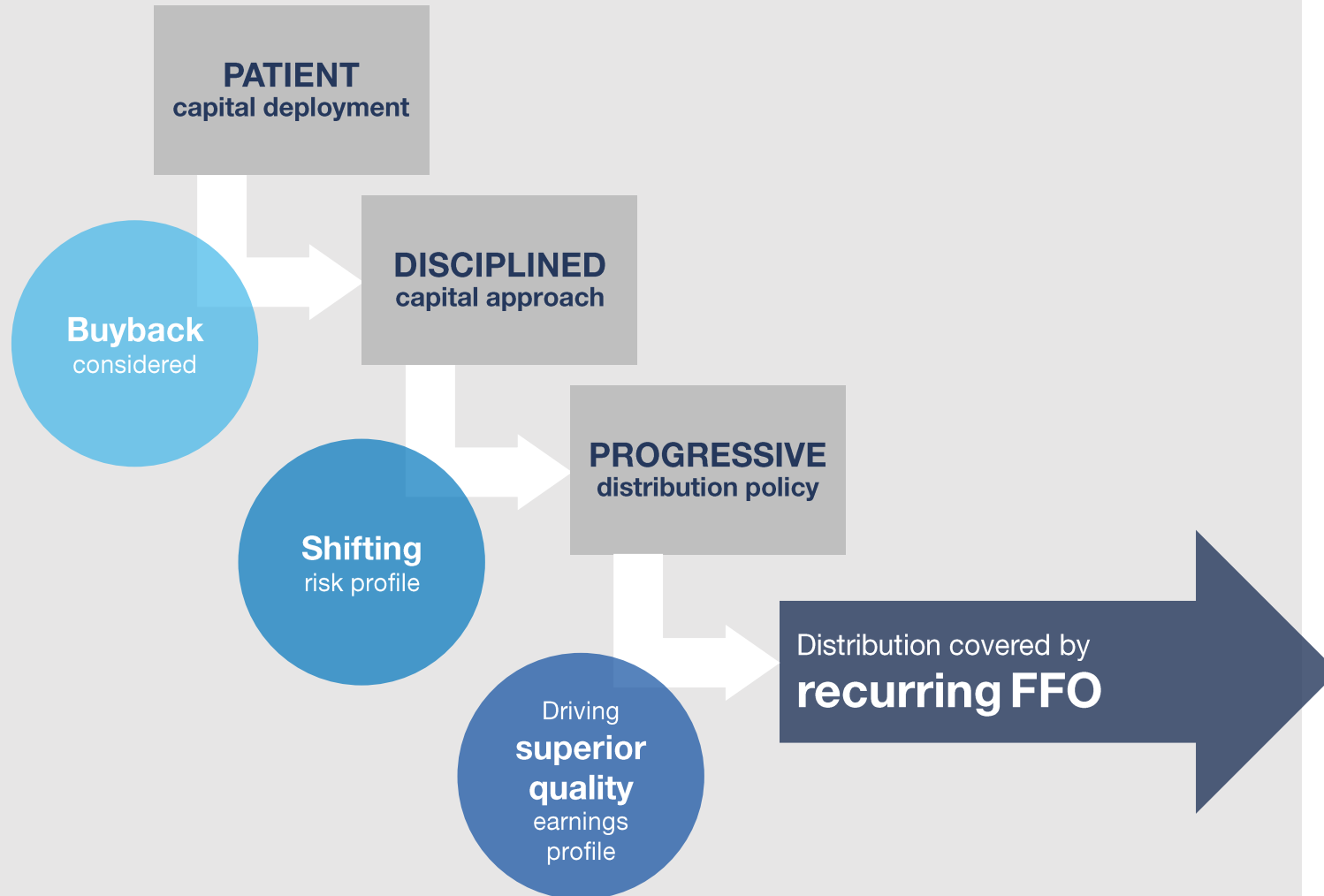
<sup>3</sup> As at 31 July 2018

<sup>4</sup> Targeted FY19 DPS of 18.5cps (a 2.8% increase on FY18)

<sup>5</sup> Potential near term adjustment of historically low distribution payout ratio as business recalibrates



# Enhanced value proposition



ENHANCED VALUE PROPOSITION

# Focusing on core strategies

JUNE 2017

**\$2.4** Billion of  
Total Assets<sup>1</sup>

Investment Portfolio  
\$1.8 Billion

Developments  
\$448 Million

 Self Storage	\$629 mil	 Construction	\$138 mil
 Office	\$623 mil	 Land/Mortgages	\$310 mil
 Retail	\$402 mil		
 Industrial	\$177 mil		

JUNE 2018

**\$2.7** Billion of  
Total Assets<sup>2</sup>

Core  
\$1.9 Billion

Non-Core  
\$401 Million

 Office	\$879 mil	 Construction	\$109 mil
 Self Storage	\$666 mil	 Land/Mortgages	\$292 mil
 Super Convenience and Other Retail	\$216 mil		
 Industrial	\$160 mil		

1. As at 30 June 2017 includes \$90m of investments in other assets not pictured above

2. As at 30 June 2018 includes \$138m of investments in other assets not pictured above. 30 June 2018 balances have been adjusted for ISPT JV transaction, known settlements and expressions of interest campaigns.



# Enhanced strategic priorities

Direct  
capital to  
commercial  
sector

Focus on longer dated recurring earnings  
Utilise 'develop to core' approach

Increase  
self storage  
investment

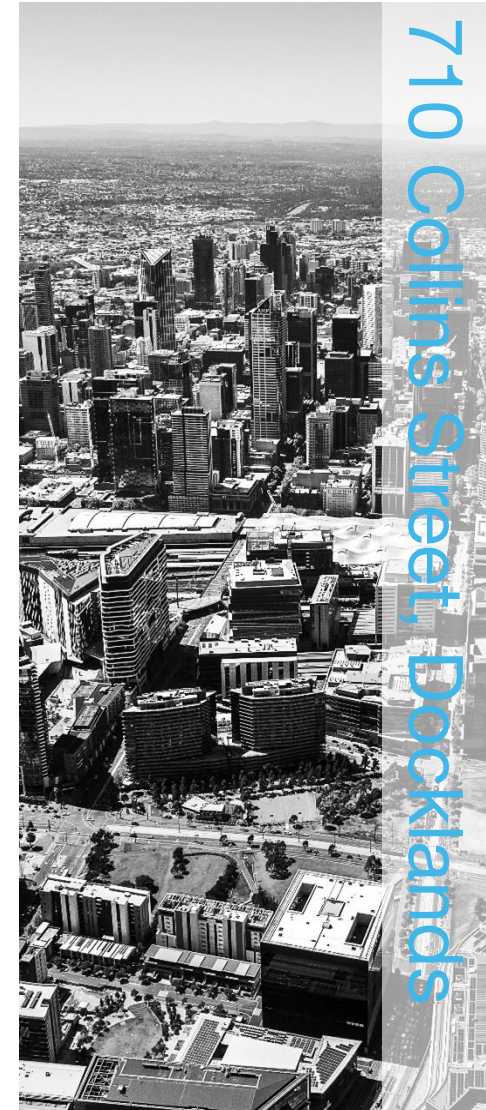
Multi pronged growth strategy  
Enhanced portfolio management

Limit  
exposure to  
non-core  
assets

Reduce exposure to residential  
Reduce exposure to retail (focus on super convenience)  
Realise value created in existing land bank

Pursue  
'Build to  
Rent'  
sector

Explore opportunities with Salta Properties  
Long term institutional capital partnering



# Select CBD and city fringe Office



Capital allocation within the office sector aimed at acquiring assets that will create value over the longer term

- Strong track record in ability to acquire core and core plus assets that we can develop into core

Focus now is to add high quality longer dated assets and improve the overall portfolio quality and enhance long term returns

- Greater tenant stability in city fringe markets than in the CBD which can fluctuate wildly with economic cycles
  - To benefit from greater tenant stability requires landlords to focus on assets with a point of difference which will attract/retain tenants
- Tenant stability, incentive environment and greater affordability drives investment returns
- Locations with either low upcoming supply or areas of gentrification/urban renewal



# Self Storage – vertically integrated



Self Storage has been one of the best performing asset classes globally and in Australia

- It has been Abacus' best performing sector since ownership and forecast to offer strong risk adjusted returns over long term

We will continue to allocate capital to this sector

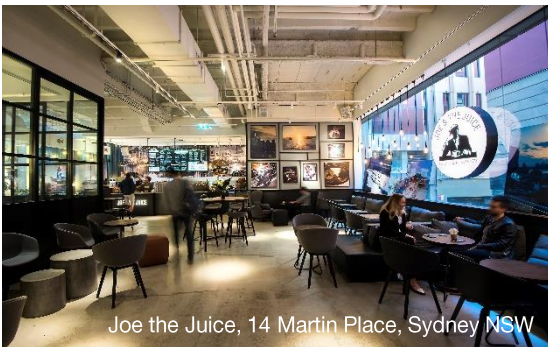
- Key external drivers suggest continued growth in demand for storage space over the medium term
  - Increased levels of urbanisation
  - Increasing levels of corporate usage
  - High levels of housing activity with downsizers, empty nesters and millennials

Multi pronged growth strategy combined with disciplined portfolio management

- Acquisition of established facilities remains possible although competition is strong
- Development of new facilities via conversion of assets into self storage facilities
- Expansion programs across its existing portfolio to maximise returns
- Portfolio rationalisation: Sale of 5 non-core regional assets with lower growth prospects for \$27m
- Form partnerships with existing owners and developers of self storage
- Working closely with operator, Storage King, to ensure optimal performance



# Super convenience retail



Abacus exposure to the retail sector is through its super convenience assets

- Inner suburban traders that dominate the convenience markets with proximity to transport hubs with sufficient parking infrastructure
- Incorporate up to 3 national brand supermarkets and minimal discretionary retail which should enable our centres to control their catchment

Strategic long term third party capital partnerships formed across two assets

- In July 2018 Abacus announced at c.\$300 million super convenience retail partnership with ISPT across two of Abacus' existing retail assets
- Over the long term potential for future additions to this partnership with assets that fit our super convenience retail strategy

Remaining assets that are considered non-core to this strategy, may be exited at the appropriate time



# Capital partnering on strategic priorities

Develop long term **strategic partnerships**  
with like-minded partners






**\$1.9bn**  
currently invested  
alongside  
investment partners

Investment Partner	Investment	Spend	Date
Investment Mandate	University of NSW Building, Randwick	\$65m	August 2017
Wing Tai	464 St Kilda Rd, St Kilda	\$95m	May 2018
ISPT	Super convenience retail partnership	c.\$300m	July 2018
Heitman LLC	K1, 1 King Street, Fortitude Valley	\$170m	August 2018



# Increasing recurring earnings

\$277 million of acquisitions in the period will deliver \$15 million of net property income in FY19

	464 St Kilda Rd St Kilda	187 Todd Road Port Melbourne	452 Johnston St Abbotsford	63 Ann Street Surry Hills	11 Bowden St Alexandria
					
Sale Price	\$47,690,000 (50%)	\$43,500,000	\$93,500,000	\$27,500,000	\$48,850,000
NLA	13,827 sqm	9,214 sqm	16,577 sqm	2,381 sqm	5,577 sqm
Sale Rate	\$6,898 psm	\$4,721 psm	\$5,640 psm	\$11,550 psqm	\$8,759 psm
Initial Yield	5.13%	6.18%	5.85%	4.83%	5.99%
Fully Leased Yield	5.13%	6.21%	5.85%	4.83%	5.99%
Occupancy	100%	100%	100%	100%	100%
Average Gross Rent	~\$425 psm	\$340 psm	\$400 psm	~\$620 psqm	\$583 psm
Average Net Rent	~\$305 psm	\$250 psm	\$290 psm	~\$500 psqm	\$485 psm
WALE	2.4 years	4.1 years	5.5 years	0.8 years	6.0 years

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